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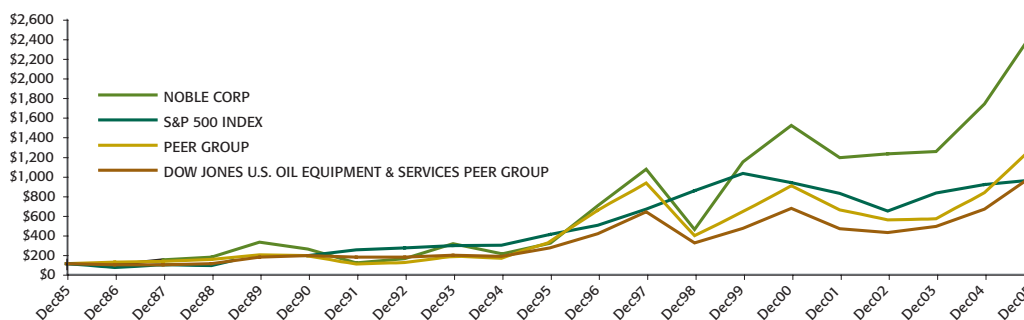
# FINANCIAL HIGHLIGHTS

(In thousands, except per share amounts and ratios)

Year Ended December 31,

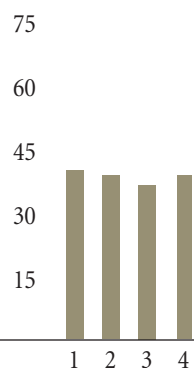
	2005	2004	2003
Operating revenues	\$ 1,382,137	\$ 1,066,231	\$ 987,380
Operating income	373,045	187,182	221,138
Income before income taxes	364,092	161,817	186,984
Net income	296,696	146,086	166,416
Net income per share - diluted	2.16	1.09	1.25
Net cash provided by operating activities	529,010	332,221	365,308
Capital investments	513,519	333,989	344,118
Return on capital employed	12%	7%	8%
At year end:			
Total assets	4,346,367	3,307,973	3,189,633
Property and equipment, net	2,999,019	2,743,620	2,625,866
Total debt	1,138,297	511,649	589,573
Shareholders' equity	2,731,734	2,384,434	2,178,425
Book value per share	19.94	17.74	16.48
Current ratio	2.01	1.99	1.73

## Comparison of Cumulative 20 Year Total return

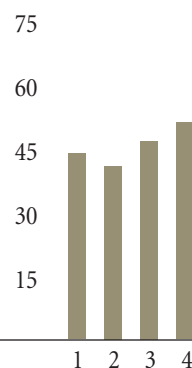


## Stock Information *High price of ordinary shares by quarter*

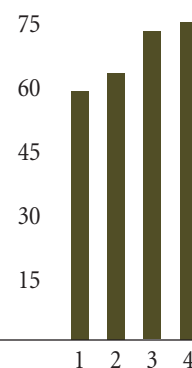
2003



2004



2005



A. AARDE EC. ABBOTT JEREMY K. ABERCROMBIE DALE BSHKIRE DAVID J. ABSHIRE JOSE REY TORRES AC-AC CALVIN O. ACKER DAVID ANTON MICHAEL ADAM RAYMOND ADAMS MYRON E. ADAMS GARY ADAMS RANDALL K. ADAMS STEVEN W. ADAMS  
ADAMS L. AADOCK LEE ADDISON FIRAS ADI ANTONIO A. AGOSTO IFIKHAR AHMED JEFFREY L. AIDT PAUL AINSIE TJERK AKKERMAN SAYAH AL ROUSAN ALI AL SALAH DANIEL ALARCON JAMES L. ALBERT GEORGE EDWARD ALEXANDER MICHAEL J. ALEXANDER LEWIS W.  
ALEXANDER JESSE W. ALFORD DAVID ALFRED HILBERT ALING BRIAN ALAN GERARD ALLAN CALLUM ALLAN JOHN H. ALLAN WALTER B. ALLBRITTON RAYMOND C. ALLEN DAVID W. ALLEN JASON H. ALLEN REGINA ALLEN LONNIE L. ALLEN JASON L. ALLEN THOMAS ALLISON  
AMMANUEL ALAMDA KELVIN ALSBROOKS KELLEY ELIZABETH ALTMAN RIYAZ AMER TALOMAS AMBRAZEVICUS PELLE AMUNDSEN PREBEN E. ANDERSEN GARY ANDERSON JAMES ANDERSON ROBIN ANDERSON JUNE ANDERSON GREG ANDERSON TERENCE J. ANDERSON  
ANDREW ALBERT ANDERSON ALFRED WAYNE ANDERSON MILTON ANDERSON DANIEL DOUGLAS ANDERSON MIKE ANDERSON JONATHAN D. ANDERSON SIMON JOHN ANDREWS GLENANDREWS ALICK ANDREWS LARRY E. ANDREWS TIMOTHY L. ANDREWS ARMAND AARON  
ANDRIS GAIL ANGUS TONY W. ANTHONY RODOLFO V. ANTUNEZ JOSELOITO ANTUNEZ MICHAEL R. ARAAGON EZZICK L. ARDOIN ELLIOT J. ARDOIN JORGE AREZ NEYLIN P. ARMAND SIMON ARMSTRONG JAMIE LEE ARNEY LEE FREDERICK ARNOLD DAVID AHTOR ADJIEDI  
ASHKIALI KEVIN ASHTON CARLOS ASSUNCAO WILLIAM ASLEY KIRK T. ATKINSON HERB AUCTION JOE AUCTION WILLIAM THOMAS AULTMAN HERSCHEL W. AULTMAN JOHN P. AUSTIN DAVID AVANTS J. L. BADON DON L. BADON RAM K. BAH THOMAS BAIGENT DONALD L.  
BAILEY IAN BAILEY JAMES R. BAILEY CHRISTOPHER JEAN BAILEY TREVOR W. BAILEY WILLIAM J. BAILEY SHELDON D. BAILEY WARREN A. BAILEY DAVID BAIN CHARLES A. BAIRD STEPHEN J. BAIVON DOSSIE G. BAIZE ERGOS BAJRAMI ZULFICAR A. BAJWA NICHOLAS ADAM  
BAKER DARRELL V. BAKER SHAM BALDEWSINGH STEPHEN M. BALLEW JASON BALLS ROBERT W. BANDOLA DAVID BANHAM JIM CHRISTOPHER BANISTER JOSE BAPTISTA BRYAN BARCLAY CORY T. BARDWELL IAN BARKER DALE E. BARKER HINDRIKS BARLA EDWIN BARLOW  
BARRETT BARNES TIMOTHY SCOTT BARNES KEVIN JOSEPH BARNES ERNEST SMITH BARNETT ROBERT WAYNE BARNHILL ARMANDO CARLOS BARRACA VALERIE BARRATT TREVOR P. BARRETT EDWARD BARRETT REGINALD E. BARRETT BRANDON RICHARD BARRETT RICHARD A.  
BARRETT RONALD D. BARRETT RAYMOND BARRIEL IAN BARRON TOM BARRON DONALD R. BARRON STEVEN BARROW JAN E. BARSTAD JEFFERY A. BARTCH ROGER DARRELL BARTKE HUGO BARTELDIS BARNTON BARTLETT BRANDON LEE BARTMESS CAROL (CHARLES)  
BARTOLO MARK BASIL SHAWN D. BATCHELOR WILLIE DAVID BATES JAMES A. BATISTE LARRY JAMES BATISTE WALTER J. BATISTE DENNIS W. BAUM STEVEN W. BAXLEY SIDNEY BAXTER JAMES C. BAYLIS DAVID C. BEARD CORY LEE BEARD DAVID BEARD ROY C. BEASLEY CHAD  
BEASLEY BRANDON DEWAYNE BEASLEY GARY BEATIE ALAN BEATTIE DEREK T. BEATTY JESSE AUSTIN BECK BILLY D. BECKMAN CASEY D. BEDWELL DAMEIAN C. BECH DAYRL L. BECHLER ALBERT BECK VAN ANN MARGARET BEGG KEVIN W. BEGNAUD ERNEST H. BELGARDA  
BEMACKEY N. BELGARD JAMES PERRY BELK SAMUEL Q. BELK WESBRANSON BELK MERVYN THOMAS BELK ALLAN BELL BELLINGTON BELTON MAIKEL M. BENDER ROBERT CLAY BENNETT DARRIN P. BENOIT JAMES F. BENOIT THOMAS BENSON MARK BENSON WAYNE BENSON  
BENTLEY PATRICK W. BENTLEY SCOTT RICHARD BENSON KENNETH E. BENZEL REGGIS PETER BERGERON MANUEL V. BERRIO ROBERT JONATHAN BERRY CHARLES M. BERRYHILL JEREMY DEWAYNE BERWICK DANNY J. BETHANY BERNARD BEUTEL L. A. BIESBROECK FRED BIGGER PHILLIP  
BIGGERS STEPHEN BIGLAND DIRK A. BIGGINS DAVID BEWAARD KEVIN DIJAN BILLS BENJAMIN L. BIRD DEBORAH L. BIRDSONG JOHN BISHOP WAYNE BISHOP WILLIAM S. BISLEY KENNETH BISSETT JEREMY JAMES BIVEN ERIK ANTHONY BJORKELUND GRAHAM  
BLACK JAMES BLACK BLACKBURN BRET BLACKMAN ANDREW DAVID BLACKWELL JAMES A. BLACKWELL CHRIS M. BLACKWELL LEWIS MARCELE BLACKWOOD BRIAN EDWARD BLAIR NOLBERT J. BLANCHARD BOB BLANDFORD CHARLES R. BLANKENSHIP JACOB A. B.  
BLAUW ELCO J. BLIKSLAGER MARCEL BLOK CORNELIS BLOK TIMOTHY B. BLOOD NEIL BOATH JEROEN PETER BOERMA CHAD SHANNON BOERNER ROBIN BOERS JAN BOERMSA JOHN BOEYENS HERBER BOGAARD GARY BOLAND JEREMY W. BOLTON WILLIAM B. BOLTON  
BOLTON STEPHEN BONAR MATTHEW C. BONNER MICHAEL G. BONNER ERIK FRANK BONER ERIK FRISO BONER ALEXANDER BORC CARMEL BORG DANIEL C. BOROWSKI LAMBERT BOS JOHANNES BOYSMANS JOOST BOT RENE DE ROBBY LYNN BOUDREAUX ALEXANDER BOUMAL  
BOUYE F. BOUNDRIEDGE PATRICK B. BOURGEOIS WARREN JOSEPH BOURGEOIS TODD F. BOURN ROBERT J. BOURQUE SEBASTIAN BOWIERS FERDINAND BOUWMAN MICHAEL J. BOVEN CECIL H. BOWDEN CARL W. BOWERING JOHNNY W. BOWMAN NICHOLAS J. BOYD  
BOYDWAYE BOYER STEVEN BOYLE GARY BRADBURY MICHAEL BRADBURY SCOTT BRADFORD EDGAR M. BRADLEY RALPH S. BRADLEY MELVIN MICHAEL BRADY HLUW BRANSFIELD SARAH L. P. BRANYON CHARLES JOSEPH BRAQUET EARNEST GABRIEL BRASSEAU AUBREY  
BREARLON OTHHEL R. BRATTON MATTHEW R. BRATTON LESTER J. BREAUX GERALD D. BREAUX RANDALL DALE BREAUX MICHAEL S. BREAZEALE JAMES W. BRECKENRIDGE DIRK GJISBERT BREDA VAN BERT BREE DE JOHN G. BREITHAUPT RAVELAS BRIEVES DAMON  
BREIBRELAND ROBERT BREURE GREGORY ALLEN BREWER JAKE A. BREWER JOSEPH J. BREWER ANDREW BREWS ROBERT CORY BRIDGES MICHAEL C. BRIGGS DICKY D. BRISTER ALVIN W. BROADWAY SHANNON D. BROADWAY JEFFREY R. BROKAW JOHANNES A. M. BRONDESE  
BROCK MICHAEL J. BROOKS RODNEY BROPHY MARK A. BROUILLETTE RAYBURN J. BROUSSARD TRAVIS M. BROUSSARD MARCUS ALLEN BROUSSARD RACHEL R. BROUSSARD DOUGAL BROWN HAMISH HUGH BROWN IAN BROWN RAYMOND BROWN KEITH BROWN ROBERT  
BROZ BROWN STEPHEN BROWN STUART BROWN JOHN BROWN MICHAEL JOSEPH BROWN RONALD WAYNE BROWN DUSTIN M. BROWN ALTON D. BROWN DAVID KENNETH BROWN CECIL A. BROWN MICHAEL G. BROWN MICHAEL L. BROWN HOWARD BROWN  
BROWN CHRISTOPHER SHAWN BROWN CHRIS ALBERT BROWN DANIEL A. BROWN GARY BROWNE KEVIN BROWNE RANDALL L. BROWNELL ALAN BROWNLEE GEORGE BRUCE PETER BRUJINE DE PHILLIP W. BRUINSMAS GREGORY SEAN BRUMFIELD JEFFERY B. BRUMLEY BRYAN S.  
BRUMMETT DAN M. BRUNSON DANNY H. BRYANT WILLIAM R. BRYANT PHILIP BRYCE STEPHEN DON BUICK WILLIAM B. BUCKLEY GAREY L. BUCKLEY SHAUN BUDD KEVIN F. BUDD KEVIN CLAIR BULKLEY JASON BUNN SAMMY J. BURCH LAURENTIUS BURGER NATHAN  
BURGESS WARREN M. BURGESS WILLIAM R. BURGETT GARY WAYNE BURKE ANTHONY J. BURKE DENNIS M. BURKETT GLENDA F. BURKHARTER MARIO GEORGE E. BURM RALD LEE BURNETT SOVEREIGN BURNHAM LEE J. BURNS JOHN M. BURNS STANLEY J. BURNS STEVEN  
BURNBROUGH CHARLES RICKY BURROW KIRK BURTON BURTON GEVAN P. BUSH BRUCE W. BUSMIRE MARK E. BUSSER RON BUSSEY CHARLES ANDERSON BUTTERWORTH JAMES RICHARD BUTTS ERIC L. BUTTS JEFFREY A. BUUCK ROBERT V. BYLES MALCOLM BYLES BRANDON S.  
BYRNOG JOHN W. BYRD DEXTER A. BYRD JOHNNY E. BYRD JAMES L. BYRNE RONALD BYRNE ACLEO P. CABABAHAY HENRY V. CABRERA KEVIN CAHILL JAMES CAJE DAVID CALDWELL COLT C. CALLAHAN CRAIG CAMERON WILLIAM CAMERON JAMES CAMEROO DORSEY  
CAMERON ANTHONY CAMILLERI CARMEL CAMILLERI MICHAEL CAMILLERI ALISTAIR CAMPBELL JOHN CAMPBELL PETER CAMPBELL JOHN CAMPBELL MICHAEL WADE CAMPBELL ROGER W. CAMPBELL JASON C. CAMPBELL ROBERT D. CAMPBELL  
CAMERON CAMPOS MIKAEL CANDE BRENN CANNON HUBERT CANTWELL RUFINO P. CAPACIO ALBERT CAPOTE JOHN M. CARDER PETER CARDOZA RICHARD L. CARDWELL GLENN CAREY TREVOR V. CAREY LEE CARGILL THOMAS CARLE BRENDA F. CARLYON THOMAS ERIC  
CARMECHAL CLAUDE T. CARPENTER RAYMOND G. CARPENTER ROBERT C. CARR ERVIN CARL JOHN M. CARRAWAY ALAN CARRIGAN WALTER CARROLL MATTHEW S. CARTER JOHN THOMAS CARTER BRIAN ERIC CARTER J. C. CARTER PHILIP CARUANA CHARLES E. CARVER  
CARWILL W. CARVER JEREMY W. CARVER MARCEL A. CASAVANT JEFFERSON C. CASE PAUL T. CASE LESTER R. CASE TODD L. CASE JOHN R. CASE CARL J. CASE NICHOLAS L. CASH JOAO CASIMIRO ANTHONY CASS NAZZARENO CASSAR LOUIS CASSAR WILLIAM E. CASSELL DANNY  
CASSELL RANDY L. CASSELL JOHN E. CASSIDY JOHN PATRICK CASTILLE DONALD J. CASTLE WILLIAM L. CASTLEBERRY BAULEUSCU CATALIN ALLEN W. CATHEY ROBERT G. CAUSEY CLINTON T. CAUSEY ROBERT T. CAUSEY STEVEN LESLIE CAVANAUGH JUSTIN H. CAVINSE  
CAVINSKI F. CAZARES DAVID CAZARES BENJAMIN A. CHABA TIMOTHY M. CHABILLON ANDREW CHADWICK GERALD W. CHAFFIN DAVID DALE CHAISSON THADD J. CHAMPAGNE DAVID L. CHAMPION PETER V. H. CHAN WILLIAM HOWARD CHANCELOT CURTIS W. CHANDLER  
CHANDRIAN CHANEY MICHAEL CHARLTON TONY CHAYTOR JIE CHEN GORDON CHENEY JEFFERY D. CHERAMIE CHRISTOPHER DAN CHERRY STEPHEN CHICKEN JAMES ROBERT CHINNEY HUGH CHISHOLM CARLUS R. CHOJNACKI SERGEJ CHORON GORDON CHRIS IANICE  
CHRISTIE KYLE CHRISTIE JAMES D. CHRISTY TSUAN-LE LEE CHU MICHAEL ILSENG CHUMLEY KURT CHURCHILL JOHNATHAN C. CIBIK JOHN CICKOVSKI MATTHEW CHRISTIAN CIMO HENRIKAS CIRIONKA JOHN CLAPP JOHN CLARK BRIAN S. CLARK JONATHAN THOMAS CLARK  
CLARK STEVEN SCOTT CLARK ERIK CLAYTON CLARK KENDALL JESSIE CLARK MICHAEL A. CLARK DAVEY S. CLARK THOMAS B. CLARK CHRISTOPHER BLARKE KEVIN J. CLARKE CONRAD CLEMENT STEPHEN CLEMENTS DONALD S. CLINKSCALES TIMOTHY L. CLINTON MARK CLUBB  
CLYDE STEPHEN COADY JOHN C. COADY JAMES B. COCKRELL THOMAS D. CODY SUMAN J. COELHO CHRISTOPHER C. COFFEY ROY COGHILL STEPHEN COGHILL JOHN H. COHEN HOUSTON A. COLBERT KEVIN TODD COLCLASURE JULIUS WAYNE COLE GILBERT COLEIRO DONALD  
COLEMAN MICHAEL JOSEPH M. COLEMAN NATHANIEL J. COLEMAN GILBERT J. COLLINS TIMOTHY S. COLLINS DONALD COLLINS JOHN PAUL COLLINS DERRICK M. COLLUM MOSES R. COMEAU CHRISTOPHER P. COMEAU BLAKE J. COMEAU ALFRED COMPAGNER  
COMBES RICHARD JAMES CONNACHAN GEORGE FARLEY COLE CHAD W. CONN CLINT D. CONN JESSICA G. CONNER EMERY CONNER FRANCES CONNOLLY CHRISTOPHER D. CONNOR DANIEL CONWAY PATRICK JOSEPH CONWAY JOHN COOK WENDELL T. COOK BRUCE ALAN  
COOKE CHRIS CHAD COOLEY JAMES R. COOLEY JERRY EDWARD COONE JOSEPH B. COOPER GREGORY A. COOPER TERRY LEE COOPER STEPHEN R. COOPER MIKE COOZE ROBERT CORMACK DOUGLAS A. CORMIER GREGORY J. CORMIER ANDREW CORRANCE IAN  
CORCORSTORPHE DUSTIN ALAN COSBY REAGLE TODD DAVID A. COTTON NATHAN E. COTRELL JOHN COLL MICA H. COUTNS TREVOR COUSINS STEWART COUTTS JERRY WAYNE COVINGTON DONALD A. COVINGTON MICHAEL COWE CHRISTOPHER JAMES COWIE  
COX COOKE CHRIS CHAD COOLEY JAMES R. COOLEY JERRY EDWARD COONE JOSEPH B. COOPER GREGORY A. COOPER TERRY LEE COOPER STEPHEN R. COOPER MIKE COOZE ROBERT CORMACK DOUGLAS A. CORMIER GREGORY J. CORMIER ANDREW CORRANCE IAN  
COTTON NATHAN E. COTRELL JOHN COLL MICA H. COUTNS TREVOR COUSINS STEWART COUTTS JERRY WAYNE COVINGTON DONALD A. COVINGTON MICHAEL COWE CHRISTOPHER JAMES COWIE  
CRAIG COLIN CRAIGHED LOUISE CRANE JOHN CRANE JAMES E. C

# LETTER TO OUR SHAREHOLDERS

While 2005 was another year of record achievements on many levels, it was also an important anniversary for employees and shareholders. Approximately twenty years ago, on September 23, 1985, Noble began trading over the counter on the NASDAQ with 11,273,193 shares outstanding. Revenues for the year were \$71,622,000; with a net loss of \$16,531,000. Our market cap was \$33,800,000 and our average share price in the fourth quarter was \$3.00, which I might add subsequently fell to \$1.78 reflecting the very difficult market at the time with only 25 or 50% of our rigs working. Primarily a land driller, the Company had approximately 861 personnel with a lost time incident rate of 2.91.



Fast forward 20 years – gross revenues for 2005 grew to \$1,382,137,000, our net income was \$296,696,000, representing a 1,830% and 1,895% increase over the period respectively. The share price averaged \$68.48 in the fourth quarter of 2005, a 2,183% increase from 1985. Our fleet of 62 mobile offshore drilling units now operates in 13 countries with a total

employee count of 5,535.

One purpose of the history review is simple: “a rising tide will lift all boats” which is the current reality with every drilling contractor experiencing high utilization levels. However, investors who have had difficulty differentiating among the various companies should review the consistent results that Noble has achieved over time.

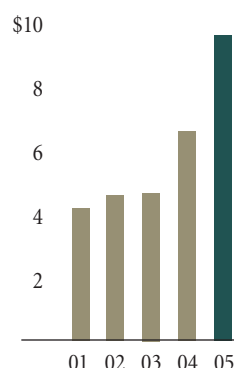
Focusing specifically on 2005, the Company set a new

record for operating revenue at \$1,382,137,000 compared to \$1,066,231,000 for the year 2004 – a 30% increase. Net income for the year was \$296,696,000 as compared to \$146,086,000 in 2004; a 103% increase. Net cash provided by operating activity was \$529,010,000 in 2005 compared to \$332,221,000 for 2004 a 59% increase year-on-year.

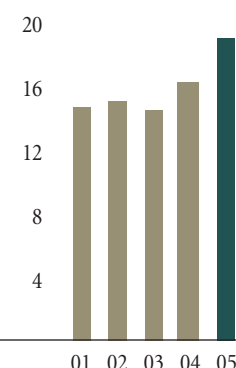
These excellent results were driven by two elements. The most obvious of course is rising oil and natural gas prices which increased for the year by 39% and 83% respectively. However, value was added through a strong Management Team. After recovering from Hurricane Ivan in September of 2004, Mother Nature again challenged us in the third quarter of 2005 with two successive category 5 hurricanes, Katrina and Rita. Our operating teams rose to the challenges and while we did not escape unscathed, the most important results were no injuries to Noble personnel with the preponderance of our equipment returning to service within a short period of time. However, the *Noble Max Smith* and the *Noble Joe Alford* had significant damage and are scheduled to return to work in the first quarter of this year. While we had no loss of life during these two major hurricanes, eleven Noble families were impacted. While obviously, it is impossible to recover what was lost, the organization stepped forward to assist during this time of need. Further, we plan to be an active participant in this recovery process which will take an extended time.

As activity in the sector increased and utilization levels reached new highs, our safety results year-on-year did not continue their positive trend. While still industry leading results, our lost time incident rate year-on-year rose slightly to

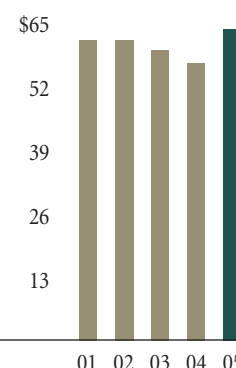
MARKET CAPITALIZATION  
AT YEAR END (IN BILLIONS)



OPERATING DAYS  
(IN THOUSANDS)



AVERAGE DAYRATE  
(IN THOUSANDS)





0.25 and recordables rose slightly to 1.17 - clearly a trend we will reverse. However, we did have 39 rigs that achieved three years or more of operations without any lost time incidents and these rigs are noted on page 13. Additionally, as part of our ongoing Health, Safety and Environmental initiatives, our Sustainability Report set forth some significant achievements which included receiving the 2005 National Ocean Industries Association (NOIA) Safety in Seas Award and becoming the first drilling contractor in the North Sea to achieve certification to Occupational Health and Safety Assessment Series (OHSAS) 18001, the premier internationally recognized health and safety management system certification.

Eight shipyard projects were completed during the year including the *Noble Lester Pettus*, *Noble Paul Romano*, *Noble Max Smith*, *Noble Mark Burns*, *Noble Jim Thompson*, *Noble Leo Segerius*, *Noble Al White*, and the *Noble Lewis Dugger*. The worldwide fleet increased to 62 units with a commitment for construction of two JU-2000E enhanced premium jackups. These harsh environment deepwater units are being built as a result of a contract with Shell E and P Offshore Services B.V.

The Company is well positioned in a market that continues to demonstrate impressive momentum. The significant number of speculative drilling assets being built to some extent should, by the normal attrition that occurs annually in the worldwide fleet, be absorbed; however, the market will be challenged.

People have been and will continue to be the key element in the success of this organization. Through various programs including our unique training school at our Bayou


Black, Louisiana facility; to our mentoring process; to the ongoing developmental efforts that each of our senior management is responsible to administer; the Company has developed a strong bench. These efforts, while expensive, are a main differentiator to our key clients.

While I see nothing on the horizon that would raise any major concern, the Noble Team will continue to focus on those elements that have helped uniquely position our operations. Historically, unabashed euphoria in the market place such as we are witnessing today, has resulted in many poor financial and operational choices by various participants in the sector. However, this Company will avoid these pitfalls just as we have since we went public in 1985.

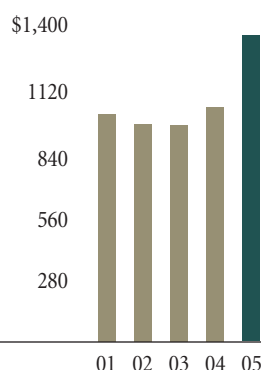
On February 10, 2006, as part of our ongoing succession planning process, Mark A. Jackson was promoted to President and Chief Operating Officer, Julie J. Robertson was promoted to Executive Vice President and Corporate Secretary and Robert D. Campbell was promoted to Senior Vice President and General Counsel of Noble Corporation.

In closing, I want to thank The Board for their guidance and our shareholders for their continued support. The future is bright and I believe the efforts of our team at all levels of the organization will continue to achieve superior safety performance and outstanding returns for the Company and its shareholders.

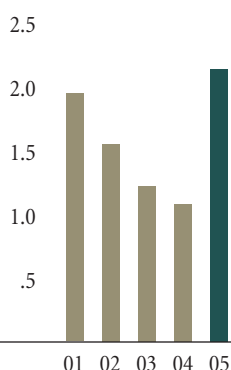
Best regards,

  
James C. Day

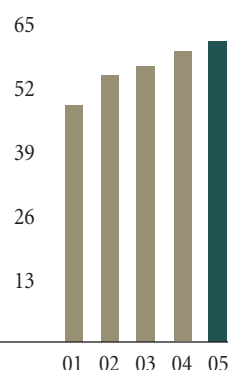
REVENUES  
(IN MILLIONS)



EARNINGS PER SHARE  
(DILUTED)



FLEET SIZE



## NOBLE PEOPLE

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As we reflect on the success of Noble Corporation over its 85 years of business, there is only one answer as to what has made it all possible – its people. In 1930, Lloyd Noble and Art Olson made the decision to end their nine-year partnership and equally divide the assets of the Noble-Olson Drilling Company. They took turns choosing rigs and Noble, who had made loyalty a guiding tenet in his business, chose rigs whose crews he wanted to keep. And so the tone was established early for the importance of people within our Company.

This dedication to the men and women who make up Noble Corporation continues and is evidenced each day in numerous ways. During the fall of 2005, the Gulf Coast region of the United States sustained two category five hurricanes and presented countless challenges for many Noble employees and their families. This report includes four examples of employees who were affected by the storms and their recovery since that time.

Noble employees are fortunate to work for a Company that considers its employees as members of an extended family. Because of this good fortune, we believe it is imperative that we support others who continue to face challenges. Out of the number of organizations that Noble, and Noble employees, support and participate with, three deserving groups are highlighted in this report.

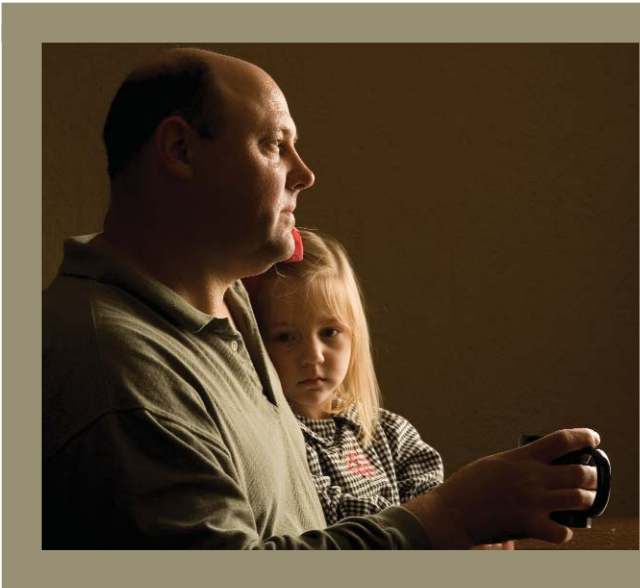
In our 85th year of business, we dedicate this annual report to the men and women of Noble Corporation in appreciation of their efforts on behalf of the Company and their individual contributions in their local communities and beyond.

Seventeen people crammed into a tiny, one-bedroom rental house in a small town. That was 'home' for my wife Victoria, our four children, several relatives, friends and me after Katrina flooded our houses. We couldn't return to our homes and neighborhoods due to lack of electricity, water, medical care, grocery stores and other services for several weeks.

After the storm hit, friends from Noble began calling to check on us. When they learned about our situation, they offered every type of assistance, including mattresses and blankets, a trailer, groceries, gas cards and assistance in contacting our bank. People across the Company—from senior management to rig hands—made sure we had whatever we needed.

My dad retired from Noble with over 36 years of service, so I've always known that this is a family-oriented company. I consider myself to be very fortunate to work for a company where families come first.

*Max Smith, Jr.  
Rig Manager, Noble Tom Jobe  
Age 44, 20 years of service with Noble  
Resident of Metairie, Louisiana*

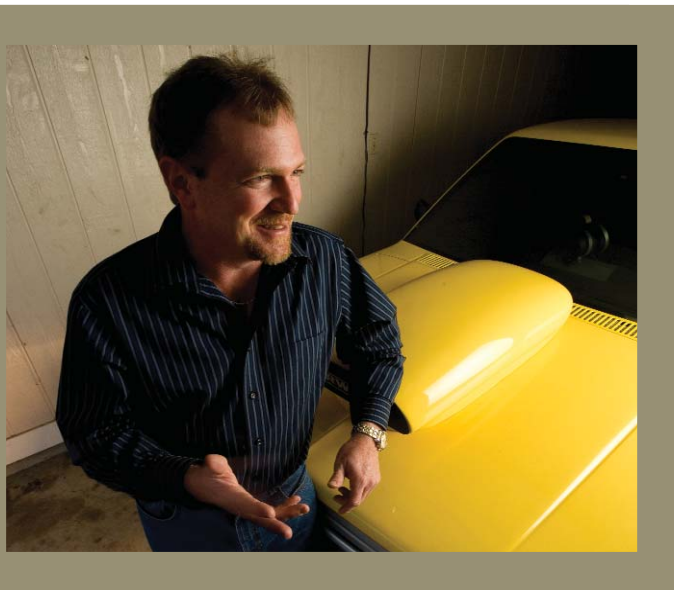


MAX SMITH, JR. *Rig Manager*





## JOE STANFORD *Assistant Rig Manager*



We live 60 miles inland from the Gulf of Mexico, but our house felt the full brunt of Hurricane Katrina when she hit the Mississippi coast. My family and I were in our house when winds of at least 105 miles per hour knocked two trees into our home with one crashing into the room where we were staying. Our house was basically destroyed, but we had to stay on the property for the next 11 days because we couldn't get out due to downed power lines and trees that blocked the roads.

Our biggest concern was for our five-year old daughter, Raegan, who is totally disabled and requires a special formula. As soon as phone communications were restored, Noble contacted us and wanted to know what we needed. Our request was for our daughter's formula. Thanks to Noble, we received several cases of formula the next day along with cards for gas, groceries and other items. Frankly, I was really surprised by the Company's concern for my family. I've only worked at Noble for a year. I previously worked for several years at another company and never saw such compassion for employees. Noble proved to me that they'll be there when employees need them.

*Joe Stanford*  
*Assistant Rig Manager,*  
*Noble George McLeod*  
*Age 38, one year of service with Noble*  
*Resident of Hattiesburg, Mississippi*





## KEVIN SIBILLE *Rig Manager*



When Hurricane Rita ripped through our town with winds of 120 miles per hour, I was hundreds of miles south off-shore Mexico on the *Noble Bill Jennings*. With damage to our home's roof, a collapsed carport, uprooted trees and other problems, my wife, Jennifer, drove to Houston with our daughter and her husband, our son, my mother-in-law and sister-in-law. From the rig, I called the Company's headquarters in Sugar Land to see if they could help my family find a hotel room. The Noble group told me not to worry--they'd handle everything.

And they did. They located hotel rooms for my family where they stayed for the next 12 days until they could return home. The Noble folks were so supportive—they really went the extra mile for my family. For me, it was a huge burden off my shoulders to know that they were safe and had a place to stay. To us, Noble went beyond the call of duty and stepped up when we needed them.

*Kevin Sibille*

*Rig Manager, Noble Bill Jennings*

*Age 49, 24 years of service with Noble*

*Resident of Hayes, Louisiana*

THE

I was working offshore Nigeria when my wife, Juliette, and our three sons had to evacuate after Hurricane Katrina flooded our home in Metairie, Louisiana. My family went to Houston to stay at a hotel. After a few days, they eventually ended up at a small church north of Houston and that's where I joined them. I called Noble, hoping that they could tell me where I could find another hotel for my family. The Company did much more than that. They jumped into action and found a furnished apartment where our sons could quickly enroll in schools.

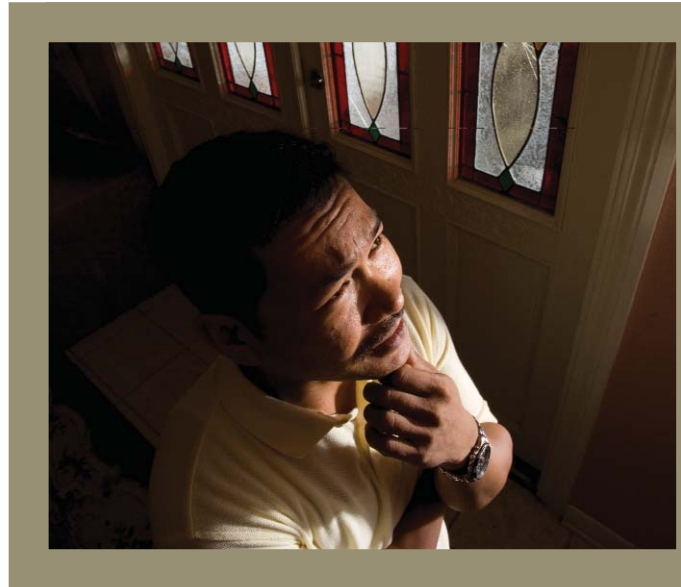
When you're working on the other side of the world and your family goes through such a catastrophe, it's a huge relief to know that the Company is there for your family. The quick response from the Company really meant a lot to my wife and me. We're living proof that Noble cares for its employees and our families.

*Roberto Ronquillo*

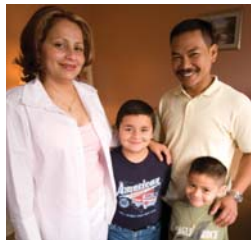
*Assistant Driller, Noble Homer Ferrington*

*Age 36, 13 years of service with Noble*

*Resident of Metairie, Louisiana*



ROBERTO RONQUILLO *Assistant Driller*



PEOPLE OF NOBLE

*This community-based charitable organization provides a home for children from families in crisis, primarily from the greater Houston area. The home serves 88 children who live on campus and also supports 26 students who have graduated and now attend college or trade school.*

In Noble, we've found a corporate partner that shares our passion for caring for children who are in need. Since we take in boys and girls whose families have experienced significant crisis, we need to support them with a high level of tutoring, medical care and



## BOYS AND GIRLS COUNTRY



guidance. Children often stay with us for ten years or longer, and Noble takes the long-term view of our need to care for these young people.

Noble invests more than financial contributions to our organization—they also invest their personal time. Jim Day actively served as a board member. In 2005, we honored Jim and his wife, Teresa, for their years of service at our award dinner, where we raised the largest amount in our 35-year history. Noble has been instrumental in encouraging other companies to learn about our services to children. Noble has a big heart and they've made a big difference to hundreds of young people who need a stable home with love, hope and opportunity.

*Shirley Wright, Executive Director  
Boys and Girls Country*

THE COMMUNITY OF

*This nonprofit organization funds academic projects and staff development activities for the Fort Bend Independent School District, which serves over 66,000 students in this fast-growing suburb of Houston.*

Everyday, teachers and students at our school district benefit from Noble's donations. The Company funds teachers' 'mini-grants' for exciting learning programs, afternoon enrichment activities and supplies such as books and microscopes that the district's budget can't afford. Noble also boosts our teachers' skills and



## FORT BEND EDUCATION FOUNDATION



morale by underwriting staff development workshops and helping new faculty members with supplies for their first classrooms.

Having a corporate sponsor like Noble brings credibility and integrity to our organization. When I approach other companies and tell them that Noble supports us, I get very positive reactions. This year, Noble was the lead sponsor of our major fundraising event and contributed to an auction item that set a record for a Fort Bend charity. Noble's management and employees back up their donations with volunteer work at our schools. Noble lives up to the concept of a good corporate citizen and we're proud to have them as a community partner.

*Brenna Smelley, Executive Director,  
Fort Bend Education Foundation*

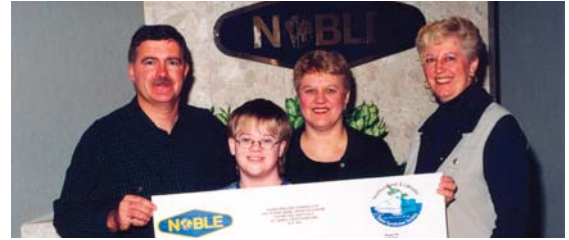
NOBLE



*This charitable organization provides vital services to people with Down Syndrome and their families, serves as a resource center and raises public awareness.*

Our long relationship with Noble began when Noble offered to organize and sponsor an annual golf tournament to assist our organization with finding ways to provide more speech and occupational therapy services to children with Down Syndrome.

Our organization believes that each child should be helped to reach their best in life and to be recognized for what each can contribute to society. Through Noble's support, we are delivering an increased level of support services to our children who are presently not getting



## NEWFOUNDLAND AND LABRADOR DOWN SYNDROME SOCIETY, CANADA



enough support through normal governmental and educational support services here on the island.

The additional services we are able to offer, with Noble's assistance, help us not only improve these children's speech and basic learning skills but also help to build their self confidence. These services make a tremendous impact in their daily lives and enrich their quality of living. Noble not only provides financial assistance for us, but employees also commit their time by volunteering with our organization and through board representation. It's been a fantastic partnership for us.

*Jeff Hutchings*

*Chairman of the Board of Directors,  
Newfoundland and Labrador Down  
Syndrome Society, Canada*

At Noble, safety is a value. Throughout our global operations, 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. We continue to lead the industry in overall safety performance, as well as in voluntary initiatives dedicated to the preservation of the environment. Accordingly, Noble was recognized by several clients and organizations in 2005 for our accomplishments in these areas.

## HSE PERFORMANCE

### 2005 RECOGNITION AND AWARDS

- Noble Corporation received the 2005 Carolita Kallaur Award from the International Regulators Forum. The award honors Noble's leadership in developing the Northwest Europe Health, Safety and Environmental Case template.
- The National Ocean Industries Association (NOIA) awarded its 2005 Safety in Seas Award to Noble Corporation for successful linkage of health, safety and environmental practices with overall business performance.
- Shell Exploration & Production Company presented its 2005 "SEPCo Well Engineering Contractor of the Year" award to Noble Corporation. Noble demonstrated the highest performance against six key performance indicators, as well as proactive measures and other standards.
- Noble crews on the M71 and M72 Hibernia platforms offshore Newfoundland won the ExxonMobil Canada East President's Safety Award in February 2005. ExxonMobil Canada recognized Noble employee Chris Rodgers with its Safety Leader of the Month Award for July 2005.
- Calvert, one of the largest families of socially responsible mutual funds in the U.S., added Noble Corporation to its Calvert Social Index™ Fund in March 2005. Noble is the only drilling contractor in the fund.
- Storebrand, a leading Scandinavian financial services company, awarded Noble "best in class" status for environmental and social performance. Noble qualified for investment in Storebrand's Socially Responsible Investment mandates.

As of December 31, 2005, the following rigs had all worked for three years or longer without a Lost Time Incident:

*Noble Amos Runner*  
*Noble Bill Jennings*  
*Noble Carl Norberg*  
*Noble Cees van Diemen*  
*Noble Chuck Syring*  
*Noble David Tinsley*  
*Noble Dick Favor*  
*Noble Earl Fredrickson*  
*Noble Ed Holt*  
*Noble Ed Noble*  
*Noble Eddie Paul*  
*Noble George Sauvageau*  
*Noble Gene House*  
*Noble Gene Rosser*  
*Noble George McLeod*  
*Noble Gus Androes*  
*Noble Harvey Duhaney*  
*Noble Homer Ferrington*  
*Noble Joe Alford*  
*Noble John Sandifer*  
*Noble Johnnie Hoffman*  
*Noble Julie Robertson*  
*Noble Kolskaya*  
*Noble Lewis Dugger*  
*Noble Leonard Jones*  
*Noble Lester Pettus*  
*Noble Lorris Bouzigard*  
*Noble Lynda Bossler*  
*Noble Max Smith*  
*Noble Muravlenko*  
*Noble Paul Romano*  
*Noble Percy Johns*  
*Noble Piet van Ede*  
*Noble Ronald Hoope*  
*Noble Roy Butler*  
*Noble Sam Noble*  
*Noble Tommy Craighead*  
*Noble Tom Jobe*  
*Noble Tøn van Langeveld*

# DRILLING FLEET

RIG NAME	RIG CLASS	TYPE	MUD PUMPS	ISO 14001	YEAR BUILT OR REBUILT	QUARTERS	WATER DEPTH RATING (FEET)	MAXIMUM DRILLING DEPTH (FEET)
DOMESTIC RIGS								
GULF OF MEXICO JACKUPS								
<i>Noble Tom Jobe</i>	MLT Class 82-SD-C	IC	3	•	1982	80	250	25,000
<i>Noble Eddie Paul</i>	MLT Class 84-E.R.C.	IC	3	•	1995 R	74	390	25,000
GULF OF MEXICO SEMISUBMERSIBLES								
<i>Noble Paul Romano</i>	Noble EVA-4000™	M	3	•	1998 R	106	6,000	30,000
<i>Noble Jim Thompson</i>	Noble EVA-4000™	M	4	•	1999 R	106	6,000	30,000
<i>Noble Amos Runner</i>	Noble EVA-4000™	M	3	•	1999 R	106	6,600	30,000
<i>Noble Max Smith</i>	Noble EVA-4000™	M	4	•	1999 R	106	6,000	30,000
<i>Noble Clyde Boudreaux (3)</i>	F&G 9500 Enhanced Pacesetter	M	5	•	2007 R	200	10,000	35,000
<i>Noble Lorris Bouzigard</i>	Pentagone 85	M	3	•	2003 R	120	4,000	25,000
<i>Noble Therald Martin</i>	Pentagone 85	M	3	•	2004 R	120	4,000	25,000
GULF OF MEXICO SUBMERSIBLES								
<i>Noble Fri Rodli</i>	Transworld	S	2	•	1998 R	56	70	25,000
<i>Noble Joe Alford</i>	Pace Marine 85	S	3	•	1997 R	84	85	25,000
<i>Noble Lester Pettus</i>	Pace Marine 85	S	3	•	1997 R	58	85	25,000
INTERNATIONAL RIGS								
MEXICO JACKUPS								
<i>Noble Lewis Dugger</i>	Levingston Class 111-C	IC	3	•	1997 R	88	300	25,000
<i>Noble Gene Rosser</i>	Levingston Class 111-C	IC	3	•	1996 R	90	300	25,000
<i>Noble Sam Noble</i>	Levingston Class 111-C	IC	3	•	1982	83	300	25,000
<i>Noble John Sandifer</i>	Levingston Class 111-C	IC	3	•	1995 R	80	300	25,000
<i>Noble Johnnie Hoffman</i>	Baker Marine BMC 300	IC	3	•	1993 R	99	300	25,000
<i>Noble Bill Jennings</i>	MLT Class 84-E.R.C.	IC	3	•	1997 R	90	390	25,000
<i>Noble Leonard Jones</i>	MLT Class 53-E.R.C.	IC	3	•	1998 R	92	390	25,000
<i>Noble Earl Frederickson</i>	MLT Class 82-SD-C	IC	3	•	1999 R	86	250	20,000
BRAZIL SEMISUBMERSIBLES								
<i>Noble Paul Wolff</i>	Noble EVA-4000™	DP	3	•	1999 R	107	8,900	30,000
BRAZIL DRILLSHIPS								
<i>Noble Muravlenko</i>	Gusto Engineering Pelican Class	DP	3	•	1997 R	116	4,600	20,000
<i>Noble Leo Segerius</i>	Gusto Engineering Pelican Class	DP	3	•	2002 R	115	5,600	20,000
<i>Noble Roger Eason</i>	Nedlloyd	DP	3	•	2005 R	122	7,200	25,000
NORTH SEA JACKUPS								
<i>Noble Al White (H)</i>	CFEM T-2005-C	IC	3	•	2000 R	80	360	30,000
<i>Noble Byron Welliver (H)</i>	CFEM T-2005-C	IC	3	•	1982	100	300	30,000
<i>Noble Kolskaya (H)</i>	Gusto Engineering-C	IC	3	•	1997 R	100	330	25,000
<i>Noble George Sauvageau (H)</i>	NAM Nedlloyd-C	IC	3	•	1981	80	250	35,000
<i>Noble Ronald Hoope (H)</i>	Marine Structure CJ-46	IC	3	•	1982	80	250	25,000
<i>Noble Piet van Ede (H)</i>	Marine Structure CJ-46	IC	3	•	1982	80	250	25,000
<i>Noble Lynda Bossler (H)</i>	Marine Structure CJ-46	IC	3	•	1982	80	250	25,000
<i>Noble Julie Robertson (H)</i>	Baker Marine Europe Class	IC	3	•	2001 R	102	390	25,000
NORTH SEA SEMISUBMERSIBLE								
<i>Noble Ton van Langeveld (H)</i>	Offshore Co. SCP III Mark 2	M	3	•	1991 R	125	1,500	25,000

In 1981, Noble completed construction on its first independent-leg, cantilevered jackup, the Noble Ed Holt. Since naming that first drilling rig after an employee who was critical to the success of the Company, the tradition has been continued and today 58 of Noble's 62 rigs are named for former and current employees, directors and special friends of the Company. This is yet another way in which the people of Noble are recognized for their contributions to the Company.

RIG NAME	RIG CLASS	TYPE	MUD PUMPS	ISO 14001	YEAR BUILT OR REBUILT	QUARTERS	WATER DEPTH RATING (FEET)	MAXIMUM DRILLING DEPTH (FEET)
INTERNATIONAL RIGS – CONTINUED								
WEST AFRICA JACKUPS								
<i>Noble Tommy Craighead</i>	F&G L-780 Mod II	IC	3	•	2003 R	108	300	25,000
<i>Noble Percy Johns</i>	F&G L-780 Mod II	IC	3	•	1995 R	104	300	25,000
<i>Noble Roy Butler</i>	F&G L-780 Mod II	IC	3	•	1998 R	98	300	25,000
<i>Noble Ed Noble</i>	MLT Class 82-SD-C	IC	3	•	1990 R	104	250	20,000
<i>Noble Lloyd Noble</i>	MLT Class 82-SD-C	IC	3	•	1990 R	96	250	20,000
<i>Noble Don Walker</i>	Baker Marine BMC 150-SD	IC	2	•	1992 R	94	150	20,000
WEST AFRICA SEMISUBMERSIBLE								
<i>Noble Homer Ferrington</i>	F&G 9500 Enhanced Pacesetter	M	4	•	2004 R	150	6,000	30,000
ARABIAN GULF JACKUPS								
<i>Noble Kenneth Delaney</i>	F&G L-780 Mod II	IC	3	•	1998 R	84	300	25,000
<i>Noble George McLeod</i>	F&G L-780 Mod II	IC	2	•	1996 R	84	300	25,000
<i>Noble Jimmy Puckett</i>	F&G L-780 Mod II	IC	3	•	2002 R	100	300	25,000
<i>Noble Harvey Duhaney</i>	Levingston Class 111-C	IC	2	•	2001 R	100	300	25,000
<i>Noble Mark Burns</i>	Levingston Class 111-C	IC	3	•	2005 R	160	300	25,000
<i>Noble Gus Androes</i>	Levingston Class 111-C	IC	3	•	2004 R	86	300	30,000
<i>Noble Cees van Diemen</i>	MODEC 300C-38	IC	3	•	2004 R	96	300	25,000
<i>Noble Gene House</i>	MODEC 300C-38	IC	3	•	1998 R	96	300	25,000
<i>Noble David Tinsley</i>	MODEC 300C-38	IC	3	•	2004 R	96	300	25,000
<i>Noble Chuck Syring</i>	MLT Class 82-C	IC	3	•	1996 R	90	250	20,000
<i>Noble Charles Copeland</i>	MLT Class 82-SD-C	IC	3	•	2001 R	86	280	20,000
<i>Noble Roy Rhodes</i>	MLT Class 116-C	IC	3	•	2004 R	90	300	25,000
<i>DHABI II</i>	Baker Marine BMC 150-IC	IC	2	•	1981	88	150	20,000
<i>Noble Dick Favor</i>	Baker Marine BMC 150-SD	IC	2	•	2004 R	120	150	20,000
MEDITERRANEAN JACKUP								
<i>Noble Carl Norberg</i>	MLT Class 82-C	IC	3	•	2003 R	90	250	20,000
INDIA JACKUPS								
<i>Noble Ed Holt</i>	Levingston Class 111-C	IC	2	•	2003 R	84	300	25,000
<i>Noble Charlie Yester</i>	MLT Class 116-C	IC	2	•	1980	90	300	25,000
FAR EAST SEMISUBMERSIBLES								
<i>Noble Dave Beard</i>	F&G 9500 Enhanced Pacesetter	DP	5		2008 R	200	10,000	35,000
<i>Noble Danny Adkins</i>	Trosvik Bingo 9000	DP	6		1999 N	200	12,000	35,000
<i>Noble Bingo 9004</i>	Trosvik Bingo 9000	DP	6		1999	200	12,000	35,000
FAR EAST JACKUPS								
<i>Noble Roger Lewis</i>	Friede & Goldman JU2000E	IC	3		2007 N	120	400	30,000
<i>Noble Hans Deul</i>	Friede & Goldman JU2000E	IC	3		2008 N	120	400	30,000

(DP) Dynamic positioning, (H) Harsh environment, (IC) Independent leg cantilever, (M) Moored, (S) Submersible

(1) Third pump scheduled for installation in 2006

(2) Leg length increase scheduled

(3) Undergoing upgrade

(4) New Build

(5) Quarters to be expanded to 200

(6) Scheduled mobilization to Brazil in 2006

(7) Scheduled mobilization to Mexico in 2006

(8) Scheduled mobilization to West Africa in 2006



# 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 2005 were as follows:

	WESTERN HEMISPHERE	EASTERN HEMISPHERE
CHAIRMAN'S AWARD	<i>Noble Sam Noble</i>	<i>Noble Piet van Ede</i>
FIRST RUNNER UP	<i>Noble Eddie Paul</i>	<i>Noble Lynda Bossler</i>
HONORABLE MENTION	<i>Noble Gene Rosser</i>	<i>Noble George Sauvageau</i>



*Noble Piet van Ede*



*Noble Sam Noble*

This marks the fourth year that the *Noble Piet van Ede* has received the Chairman's Award in the Eastern Hemisphere. Working in the Dutch sector of the North Sea, the *Noble Piet van Ede* worked 2,936 days without an LTI and 2,416 days without a recordable as of December 31, 2005. The unit worked with 100% utilization in 2005 with zero downtime. Management from the *Noble Piet van Ede* were involved in a worldwide management meeting conducted in 2005 and provided insight to other managers and supervisors regarding their long standing record of superior performance.

In the Western Hemisphere, the *Noble Sam Noble* worked 3,362 days without an LTI and 775 days without a recordable as of December 31, 2005. Located in the Mexican sector of the Gulf of Mexico the unit implemented several improvement projects without incident or significant downtime.

Both the *Noble Piet van Ede* and the *Noble Sam Noble* completed the transition from ISO 14001:1996 to the new and more stringent ISO 14001:2004 standard in 2005.

## 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 and dividends declared per share for our ordinary shares:

	<u>High</u>	<u>Low</u>	<u>Dividends Declared</u>
<b>2005</b>			
Fourth quarter	\$ 75.63	\$ 57.14	\$ 0.04
Third quarter	72.72	59.86	0.02
Second quarter	64.60	48.81	0.02
First quarter	59.09	47.04	0.02
<b>2004</b>			
Fourth quarter	\$ 50.54	\$ 42.77	\$ -
Third quarter	46.50	35.32	-
Second quarter	39.69	33.53	-
First quarter	42.91	35.00	-

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. 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 2, 2006, there were approximately 1,368 shareholder accounts of record.

## 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 upgrade or new construction 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 and nonconvertibility of 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,

	2005	2004	2003	2002	2001
<b>Statement of Income Data</b>					
Operating revenues	\$ 1,382,137	\$ 1,066,231	\$ 987,380	\$ 990,248	\$ 1,029,760
Net income	296,696	146,086	166,416	209,503	262,922
Net income per share:					
Basic	\$ 2.18	\$ 1.10	\$ 1.26	\$ 1.58	\$ 1.98
Diluted	2.16	1.09	1.25	1.57	1.96
<b>Balance Sheet Data (at end of period)</b>					
Cash and marketable securities <sup>(1)</sup>	\$ 166,302	\$ 191,578	\$ 237,843	\$ 265,466	\$ 278,306
Property and equipment, net	2,999,019	2,743,620	2,625,866	2,471,043	2,149,217
Total assets	4,346,367	3,307,973	3,189,633	3,065,714	2,750,740
Long-term debt	1,129,325	503,288	541,907	589,562	550,131
Total debt <sup>(2)</sup>	1,138,297	511,649	589,573	670,139	605,561
Shareholders' equity	2,731,734	2,384,434	2,178,425	1,989,210	1,778,319
<b>Other Data</b>					
Net cash provided by operating activities	\$ 529,010	\$ 332,221	\$ 365,308	\$ 445,364	\$ 451,046
Acquisitions and related capital upgrades	212,050	110,548	194,400	356,854	50,440
Investment in Smedvig	691,100	-	-	-	-
Other capital expenditures	221,806	150,493	112,734	121,500	89,426
Cash dividends declared per share <sup>(3)</sup>	0.10	-	-	-	-

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

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

(3) 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.



## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion is intended to assist you in understanding our financial position at December 31, 2005 and 2004, and our results of operations for each of the three years in the period ended December 31, 2005. You should read the accompanying consolidated financial statements and related 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, 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. The continuation of favorable oil prices in 2005 supported increases in drilling activity in oil markets worldwide.

Similar increases in natural gas as well as oil prices domestically have resulted in increased levels of drilling activity in the offshore U.S. Gulf of Mexico. Natural gas prices during 2005 averaged \$8.71 per thousand cubic feet (source: average Henry Hub closing bidweek price), 42 percent higher than 2004 and significantly higher than historical prices. Drilling activity levels in water depths applicable to semisubmersibles improved significantly in 2005 compared to 2004. While Hurricanes Katrina and Rita temporarily disrupted offshore U.S. Gulf of Mexico drilling activity, they do not appear to have affected preceding trends in demand for offshore drilling services in these markets.

As a result of the increase in worldwide drilling activities described above, at January 23, 2006, approximately 84 percent of our operating days were committed for 2006.

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.

Our long-standing business strategy continues to be the active expansion of our worldwide offshore drilling and deepwater capabilities through acquisitions, upgrades and modifications, and the deployment of our drilling assets in important geological areas. Since the beginning of 2001 we have added seven jackups, two deepwater semisubmersibles, and two ultra-deepwater semisubmersible baredeck hulls to our worldwide fleet through acquisitions. We continued execution of our active expansion strategy in 2005 with the signing of long-term contracts for three ultra-deepwater semisubmersibles, the *Noble Clyde Boudreaux*, *Noble Dave Beard* and *Noble Danny Adkins*. We also signed long-term contracts for two new F&G JU-2000E enhanced premium independent leg cantilevered jackups, the *Noble Roger Lewis* and *Noble Hans Deul*.

### RESULTS OF OPERATIONS

#### *Hurricane Losses and Recoveries*

Certain of our rigs operating in the U.S. Gulf of Mexico sustained damage in 2005 as a result of Hurricanes Katrina and Rita. During 2005, we recorded a \$20,000,000 charge, net of insurance recoveries, for the non-reimbursable portion of these damages and \$49,759,000 in loss of hire insurance proceeds that we expect to recover from our insurance underwriters for our Noble EVA-4000™ semisubmersibles (the *Noble Jim Thompson*, *Noble Max Smith*, *Noble Paul Romano* and *Noble Amos Runner*) that suffered downtime attributable to these events. Our loss of hire coverage commenced at the respective dates of occurrence of Hurricanes Katrina and Rita, and losses covered thereunder, combined with physical damage losses, are subject to a \$10,000,000 retention for each insurable event. Our loss of hire coverage continues through the respective dates the units return on contract subject to a 360-day limit per unit. These financial impacts are presented in "Hurricane losses and recoveries, net" as a component of "Operating Costs and Expenses" in our Consolidated Statements of Income. Earnings were also adversely impacted by \$9,026,000 in lost revenue during 2005 as a result of Hurricane Rita on rigs that do not carry loss of hire insurance.

Following Hurricane Katrina, the *Noble Jim Thompson* was moved to a shipyard in Sabine Pass, Texas where it was inspected and repairs were begun. The unit was ballasted down in a designated anchorage location in anticipation of the passage of Hurricane Rita. A physical survey after Hurricane Rita indicated that it had not suffered significant additional damage. The *Noble Max Smith*, *Noble Paul Romano*, *Noble Amos Runner*, *Noble Lorris Bouzigard*, *Noble Therald Martin* and *Noble Joe Alford* sustained varying degrees of damage associated with Hurricane Rita. All of these units have returned to work except for the *Noble Joe Alford*, which is scheduled to return on contract in March 2006.

#### 2005 Compared to 2004

##### *General*

Net income for 2005 was \$296,696,000, or \$2.16 per diluted share, on operating revenues of \$1,382,137,000, compared to net income of \$146,086,000, or \$1.09 per diluted share, on operating revenues of \$1,066,231,000 for 2004.

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 18 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>2005</b>					
<b>Operating Revenues:</b>					
Contract drilling services	\$ 938,254	\$ 271,193	\$ -	\$ -	\$ 1,209,447
Reimbursables	39,630	20,141	9,295	17,266	86,332
Labor contract drilling services	-	-	-	69,203	69,203
Engineering, consulting and other	2,410	1,554	12,632	559	17,155
	<u>\$ 980,294</u>	<u>\$ 292,888</u>	<u>\$ 21,927</u>	<u>\$ 87,028</u>	<u>\$ 1,382,137</u>
<b>Operating Costs and Expenses:</b>					
Contract drilling services	\$ 470,770	\$ 128,437	\$ -	\$ -	\$ 599,207
Reimbursables	30,638	19,424	9,520	16,656	76,238
Labor contract drilling services	-	-	-	58,698	58,698
Engineering, consulting and other	955	1,342	19,559	822	22,678
Depreciation and amortization	190,043	48,116	365	3,228	241,752
Selling, general and administrative	27,728	10,256	935	1,359	40,278
Hurricane losses and recoveries, net	-	(29,759)	-	-	(29,759)
	<u>\$ 720,134</u>	<u>\$ 177,816</u>	<u>\$ 30,379</u>	<u>\$ 80,763</u>	<u>\$ 1,009,092</u>
(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	\$ 400,031	\$ 121,632	\$ -	\$ -	\$ 521,663
Reimbursables	15,184	13,100	7,509	8,817	44,610
Labor contract drilling services	-	-	-	42,610	42,610
Engineering, consulting and other	(2,250)	620	20,034	8,935	27,339
Depreciation and amortization	156,472	48,547	589	3,515	209,123
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>

### 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 2005 and 2004:

	Average Rig Utilization <sup>(1)</sup>		Operating Days <sup>(2)</sup>		Average Dayrate	
	2005	2004	2005	2004	2005	2004
International <sup>(3)</sup> :						
Jackups	<b>97%</b>	87%	<b>13,327</b>	11,332	<b>\$ 54,491</b>	\$ 50,325
Semisubmersibles - >6,000' <sup>(4)</sup>	<b>100%</b>	72%	<b>730</b>	397	<b>\$ 134,009</b>	\$ 144,018
Semisubmersibles - <6,000' <sup>(5)</sup>	<b>96%</b>	100%	<b>352</b>	366	<b>\$ 86,654</b>	\$ 49,877
Drillships	<b>91%</b>	60%	<b>992</b>	659	<b>\$ 84,423</b>	\$ 79,134
Total International	<b>97%</b>	85%	<b>15,401</b>	12,754	<b>\$ 60,922</b>	\$ 54,717
Domestic <sup>(6)</sup> :						
Jackups	<b>100%</b>	97%	<b>730</b>	713	<b>\$ 65,479</b>	\$ 45,785
Semisubmersibles - >6,000' <sup>(4)</sup>	<b>93%</b>	97%	<b>1,354</b>	1,612	<b>\$ 101,650</b>	\$ 103,210
Semisubmersibles - <6,000' <sup>(5)</sup>	<b>95%</b>	43%	<b>696</b>	313	<b>\$ 73,908</b>	\$ 44,144
Submersibles	<b>81%</b>	94%	<b>882</b>	1,034	<b>\$ 38,917</b>	\$ 25,840
Total Domestic	<b>91%</b>	87%	<b>3,662</b>	3,672	<b>\$ 74,056</b>	\$ 65,239

- (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. The average dayrate for domestic semisubmersibles for 2005 was negatively impacted by the classification of loss of hire insurance coverage related to U.S. Gulf Coast hurricanes in 2005. See "Results of Operations – Hurricane Losses and Recoveries" above in this Management's Discussion and Analysis of Financial Condition and Results of Operations.
- (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 2005 and 2004:

(In thousands)	Operating Revenues		Operating Costs and Expenses	
	2005	2004	2005	2004
Contract drilling services	<b>\$ 938,254</b>	\$ 697,858	<b>\$ 470,770</b>	\$ 400,031
Reimbursables <sup>(1)</sup>	<b>39,630</b>	19,720	<b>30,638</b>	15,184
Labor contract drilling services	-	-	-	-
Engineering, consulting and other	<b>2,410</b>	2,834	<b>955</b>	(2,250)
Depreciation and amortization	<b>N/A</b>	N/A	<b>190,043</b>	156,472
Selling, general and administrative	<b>N/A</b>	N/A	<b>27,728</b>	22,340
Total	<b>\$ 980,294</b>	\$ 720,412	<b>\$ 720,134</b>	\$ 591,777

- (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.* International contract drilling services revenues increased \$240,396,000 primarily due to additional operating days in West Africa, Middle East, Brazil and the North Sea and higher average dayrates in the North Sea and West Africa. These factors were partially offset by fewer operating days in our Mexico division as the *Noble Lewis Dugger* underwent planned upgrades and refurbishments before commencing a new two-year contract with Petróleos Mexicanos ("Pemex") in May 2005.

Our Middle East division, which includes India and the Mediterranean Sea in addition to the Persian Gulf, continues to be our largest international offshore drilling division with 17 jackups deployed at year end 2005, five of which (the *Noble Cees van Diemen*, *Noble David Tinsley*, *Noble Mark Burns*, *Noble Harvey Duhaney* and *Noble Dick Favor*) were acquired or returned to work in the division following major refurbishment projects since the second half of 2004. These rig activations and increased demand for our rigs resulted in an increase of 1,117 operating days in the division. This increased activity level, coupled with an average dayrate increase of \$2,145, resulted in additional revenues of \$66,240,000. All but one of our units in the Middle East are working under long-term contracts which extend into the second half of 2006 and have options for further extensions. We anticipate that demand for our jackups in the Middle East will continue to be strong subject to continued high commodity prices in 2006.

Nigeria traditionally has had the largest concentration of drilling rigs in West Africa. Favorable geology for offshore exploration and production, combined with strong world crude oil prices and the expectation that these strong prices will continue, have led to a significant increase in drilling activity in West Africa. We had 100 percent utilization on our six jackups in our West Africa division in 2005 as compared to 61 percent in 2004 due to increased demand and improved political conditions, while our average dayrate increased \$10,402 (or 20 percent) as we renewed contracts under favorable market conditions. Revenues increased approximately \$38,662,000 due to higher utilization and dayrates. The *Noble Homer Ferrington* also moved to this region from the U.S. Gulf of Mexico for a long-term contract that commenced in November 2004, increasing revenues by approximately \$45,556,000. We believe the long-term contracts initiated during 2004 and 2005 for our jackups and the *Noble Homer Ferrington* semisubmersible support our favorable outlook for this region.

The North Sea drilling rig market continued to strengthen in 2005 with increased activity in the region by independent operators in response to higher oil and gas prices worldwide. All of our units in the North Sea are currently operating and dayrates have continued to strengthen on recent contracts. Our fleet of nine drilling rigs in the North Sea operated for 223 more days in 2005 than 2004 at an average dayrate of \$13,143 (or 25 percent) higher than the previous year, generating contract drilling revenue growth of \$53,773,000.

We expanded the scale of our operations in Brazil in 2005 in response to strong market conditions. The *Noble Roger Eason* returned to work in April 2005 after completing planned maintenance and upgrades. During 2005, we executed a contract with Petrobras for the *Noble Dave Beard* semisubmersible. Following its construction project, the unit will be capable of drilling in water depths of 10,000 feet. The drilling contract is expected to commence in the second quarter of 2008. We also received a commitment for a four-year contract with Petrobras for the *Noble Therald Martin* semisubmersible. The rig will be mobilized to Brazil following completion of its existing contract in the U.S. Gulf of Mexico. During 2005, we negotiated contract extensions for our three drillships and the *Noble Paul Wolff* semisubmersible located in Brazil.

During 2005, we operated a total of eight jackups in Mexico under long-term contracts with Pemex. Although operating days in Mexico decreased by 134 days as the *Noble Lewis Dugger* underwent shipyard upgrade and maintenance for three months in 2005, revenues increased by \$9,485,000 as our average dayrate increased by \$5,755 (or 11 percent) over 2004.

*Operating Costs and Expenses.* International contract drilling services expenses increased \$70,739,000 mainly due to additional operating days in our Middle East and West Africa divisions and additional costs related to the shipyard project on the *Noble Roger Eason* in Brazil. The increase in operating days in the Middle East was primarily due to the acquisitions of the *Noble Cees van Diemen* and *Noble David Tinsley* during 2004 and the acquisition and major upgrade of the *Noble Mark Burns* which was completed in 2005. The increase in contract drilling services expenses in West Africa was mainly attributable to the higher utilization in this region and the mobilization of the *Noble Homer Ferrington* semisubmersible from the U.S. Gulf of Mexico.

Depreciation and amortization expense increased \$33,571,000 primarily due to the acquisitions of the *Noble Mark Burns*, *Noble Cees van Diemen* and *Noble David Tinsley* and the upgrades on the *Noble Roger Eason* and *Noble Homer Ferrington*.

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 2005 and 2004:

(In thousands)	Operating Revenues		Operating Costs and Expenses	
	2005	2004	2005	2004
Contract drilling services <sup>(1)</sup>	\$ 271,193	\$ 239,556	\$ 128,437	\$ 121,632
Reimbursables <sup>(2)</sup>	20,141	13,777	19,424	13,100
Labor contract drilling services	-	-	-	-
Engineering, consulting and other	1,554	1,694	1,342	620
Depreciation and amortization	N/A	N/A	48,116	48,547
Selling, general and administrative	N/A	N/A	10,256	8,602
Hurricane losses and recoveries, net	-	-	(29,759)	-
Total	\$ 292,888	\$ 255,027	\$ 177,816	\$ 192,501

(1) Operating revenues for 2005 were negatively impacted by the classification of loss of hire insurance coverage related to the U.S. Gulf Coast hurricanes in 2005. See “Results of Operations – Hurricane Losses and Recoveries” above in this Management’s Discussion and Analysis of Financial Condition and Results of Operations.

(2) 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.** Domestic contract drilling services revenues increased \$31,637,000 in 2005 as improved market conditions drove higher average dayrates and utilization. Excluding the *Noble Homer Ferrington*, which was transferred to West Africa in July 2004, operating days from our domestic semisubmersibles increased 306 days as the *Noble Lorris Bouzigard* and *Noble Therald Martin* operated for 696 days in 2005 as compared to 313 days in 2004. This was partially offset by the *Noble Paul Romano* being in the shipyard for planned maintenance work which was completed in April 2005. Utilization and average dayrates on our jackups increased to 100 percent and \$65,479, respectively, from 97 percent and \$45,785 in 2004. Our submersible units also experienced an increase in average dayrate to \$38,917 in 2005 from \$25,840 in 2004. Utilization on our submersible fleet fell from 94 percent to 81 percent, as the *Noble Lester Pettus* and *Noble Joe Alford* were stacked for 213 days in 2005 for inspection and refurbishment.

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. 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 (“Shell”) 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. We expect completion of this upgrade in the first quarter of 2007. In November 2005, we received Shell’s commitment for a four-year contract on the *Noble Danny Adkins*, an ultra-deepwater dynamically positioned semisubmersible designed to operate in water depths of 12,000 feet. We expect completion of this unit in the first quarter of 2009.

**Operating Costs and Expenses.** Domestic contract drilling services expenses increased \$6,805,000 mainly due to higher utilization on the *Noble Lorris Bouzigard* and *Noble Therald Martin*, partially offset by our transfer in July 2004 of the *Noble Homer Ferrington* from the Gulf Coast Marine division to the West Africa division.

Depreciation and amortization expense decreased \$431,000 primarily as a result of the transfer of the *Noble Homer Ferrington* to West Africa.

For additional information regarding weather-related damages to certain of our rigs that impacted operating costs and expenses in 2005, see “Results of Operations – Hurricane Losses and Recoveries” above in this Management’s Discussion and Analysis of Financial Condition and Results of Operations.

See the discussion below under “Other Items” regarding selling, general and administrative expenses.

### Engineering & Consulting Services

The following table sets forth the operating revenues and the operating costs and expenses for our engineering and consulting services segment for 2005 and 2004:

	Operating Revenues		Operating Costs and Expenses	
	2005	2004	2005	2004
Engineering, consulting and other	\$ 12,632	\$ 13,935	\$ 19,559	\$ 20,034
Reimbursables <sup>(1)</sup>	9,295	7,557	9,520	7,509
Depreciation and amortization	N/A	N/A	365	589
Selling, general and administrative	N/A	N/A	935	1,113
Total	\$ 21,927	\$ 21,492	\$ 30,379	\$ 29,245

(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 \$1,303,000 primarily due to a license sale of our OptiDrill™ drilling efficiency technology in 2004, partially offset by additional project management work by our Triton subsidiary during 2005.

*Operating Costs and Expenses.* Engineering, consulting and other expenses associated with our engineering and consulting services segment decreased \$475,000 primarily due to lower research and development costs in 2005 for our Noble Technology Services Division.

### Other

The following table sets forth the operating revenues and the operating costs and expenses for our other services for 2005 and 2004:

	Operating Revenues		Operating Costs and Expenses	
	2005	2004	2005	2004
Labor contract drilling services	\$ 69,203	\$ 51,327	\$ 58,698	\$ 42,610
Reimbursables <sup>(1)</sup>	17,266	9,180	16,656	8,817
Engineering, consulting and other	559	8,793	822	8,935
Depreciation and amortization	N/A	N/A	3,228	3,515
Selling, general and administrative	N/A	N/A	1,359	1,659
Total	\$ 87,028	\$ 69,300	\$ 80,763	\$ 65,536

(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 labor contract drilling services increased \$17,876,000 as a result of an additional 1,000 operating days from our North Sea platform operations. This was primarily due to increased activity levels under our labor contracts with Apache Corporation, Chevron Corporation and BP PLC.

*Operating Costs and Expenses.* Operating costs and expenses for labor contract drilling services increased \$16,088,000 primarily due to the additional operating days from our North Sea platform operations, as discussed above.

### Other Items

*Selling, General and Administrative Expenses.* Selling, general and administrative (“SG&A”) expenses increased \$6,564,000 primarily due to additional expenses related to employee benefit plans.

*Interest Expense.* Interest expense decreased \$14,603,000 mainly due to capitalized interest of \$13,989,000 related to the *Noble Clyde Boudreaux* upgrade project and lower average borrowings on the Bank Credit Agreement (for more information on the Bank Credit Agreement (as defined in such section), see “Liquidity and Capital Resources - Credit Facilities and Long-Term Debt” below).

*Other, net.* Other, net increased \$1,799,000 primarily due to additional interest income attributable to higher yields in 2005 on our cash and cash equivalents and investments in marketable securities. Equity earnings were lower as we acquired the remaining 50 percent equity interest we did not own in a joint venture, Noble Crosco Drilling Ltd., which formerly owned and operated the *Panon* jackup. Since the August 2005 acquisition, the operating results of the *Panon*, which has been renamed the *Noble Harvey Duhaney*, have been fully consolidated.

**Income Tax Provision.** Income tax provision increased \$51,665,000 primarily due to higher pre-tax earnings and a higher overall effective tax rate. Our effective tax rate increased from 9.7 percent to 18.5 percent, resulting in higher income tax expense of \$32,001,000 primarily due to increased earnings in our U.S. subsidiaries. The U.S. tax rate is generally higher than the effective tax rate on earnings derived from our international 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 18 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	\$ 400,031	\$ 121,632	\$ -	\$ -	\$ 521,663
Reimbursables	15,184	13,100	7,509	8,817	44,610
Labor contract drilling services	-	-	-	42,610	42,610
Engineering, consulting and other	(2,250)	620	20,034	8,935	27,339
Depreciation and amortization	156,472	48,547	589	3,515	209,123
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	\$ 348,760	\$ 121,961	\$ -	\$ -	\$ 470,721
Reimbursables	11,135	9,722	13,606	4,561	39,024
Labor contract drilling services	-	-	-	22,496	22,496
Engineering, consulting and other	(614)	3,012	21,270	4,581	28,249
Depreciation and amortization	128,853	49,521	610	3,606	182,590
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	\$ 400,031	\$ 348,760
Reimbursables <sup>(1)</sup>	19,720	15,234	15,184	11,135
Engineering, consulting and other	2,834	1,138	(2,250)	(614)
Depreciation and amortization	N/A	N/A	156,472	128,853
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 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.

Nigeria traditionally has had the largest concentration of drilling rigs in West Africa. 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 long-term 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 decreased revenues by approximately \$28,000,000.

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. The shipyard project on the *Noble Roger Eason* decreased revenue by approximately \$21,000,000.

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. As of December 31, 2004, we had mobilized a total of seven jackups from the U.S. Gulf of Mexico to Mexico for long-term contracts with Pemex. The mobilization of these jackups to Mexico was pursuant to our long-standing business strategy of deploying our assets in important geological regions.

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.

*Operating Costs and Expenses.* International contract drilling services expenses increased \$51,271,000 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 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 completed in the first quarter of 2005, 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.

Depreciation and amortization expense increased \$27,619,000 due to the rig acquisitions, mobilization of jackups to international locations, and transfer of the *Noble Homer Ferrington* to our West Africa division discussed above.

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.

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:

	Operating Revenues		Operating Costs and Expenses	
	2004	2003	2004	2003
Contract drilling services	\$ 239,556	\$ 242,654	\$ 121,632	\$ 121,961
Reimbursables <sup>(1)</sup>	13,777	10,350	13,100	9,722
Engineering, consulting and other	1,694	9,374	620	3,012
Depreciation and amortization	N/A	N/A	48,547	49,521
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 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 came closer into balance with demand



following the industry's mobilization of jackups 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 jackups 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 and mobilized to the shipyard in July 2004 in preparation for a long-term 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.

*Operating Costs and Expenses.* Before considering 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, domestic contract drilling services expenses decreased \$9,329,000 due to the mobilization of four jackups 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 jackups 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.

Depreciation and amortization expense decreased \$974,000 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 and amortization 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.

Engineering, consulting and other expenses were lower in 2004 by \$2,392,000 due to the sale of our interests in certain deepwater oil and gas properties during the fourth quarter of 2003.

See the discussion below under “*Other Items*” regarding selling, general and administrative expenses.

#### *Engineering & 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
Engineering, consulting and other	\$ 13,935	\$ 9,658	\$ 20,034	\$ 21,270
Reimbursables <sup>(1)</sup>	7,557	13,887	7,509	13,606
Depreciation and amortization	N/A	N/A	589	610
Selling, general and administrative	N/A	N/A	1,113	1,235
Total	\$ 21,492	\$ 23,545	\$ 29,245	\$ 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
Labor contract drilling services	\$ 51,327	\$ 28,492	\$ 42,610	\$ 22,496
Reimbursables <sup>(1)</sup>	9,180	4,743	8,817	4,561
Engineering, consulting and other	8,793	4,901	8,935	4,581
Depreciation and amortization	N/A	N/A	3,515	3,606
Selling, general and administrative	N/A	N/A	1,659	1,033
Total	\$ 69,300	\$ 38,136	\$ 65,536	\$ 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 labor, maintenance and administrative costs under our contract 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.* 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. During the two-year period ended December 31, 2004, we 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 owned the *Panon* jackup in 2003 and 2004, and additional interest income earned on our cash and cash equivalents and investments in marketable 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.

## LIQUIDITY AND CAPITAL RESOURCES

### Overview

Our principal capital resource in 2005 was net cash provided by operating activities of \$529,010,000, which compared to \$332,221,000 and \$365,308,000 in 2004 and 2003, respectively. The increase in net cash provided by operating activities in 2005 was primarily attributable to higher net income. At December 31, 2005, we had cash and cash equivalents of \$121,845,000, investments in marketable securities totaling \$44,457,000 (excluding non-current investments), an insurance receivable of \$51,565,000 and approximately \$157,928,000 of funds available under the Bank Credit Agreement. We had working capital of \$263,120,000 and \$211,117,000 at December 31, 2005 and 2004, respectively. Total debt as a percentage of total debt plus shareholders' equity was 29 percent at December 31, 2005 and 18 percent at December 31, 2004. The increase in 2005 reflects our borrowings of an aggregate of \$700,000,000 in connection with our acquisition of shares of Smedvig ASA ("Smedvig") on December 23, 2005. See "Investment in Smedvig" below in this Item 7.

During 2005, we repurchased 100,000 of our ordinary shares at an average price of \$74.09 per ordinary share for a total cost of \$7,409,000. 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. Additional repurchases, if any, may be made on the open market or in private transactions at prices determined by us. The share repurchases 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. At March 1, 2006, 9,062,000 shares remained available under this authorization.

In 2005, we made contributions to our international and domestic pension plans of \$6,965,000 and \$11,967,000, respectively. We made total fundings of \$802,000 and \$587,000 to our international and domestic pension plans, respectively, in 2004. During 2003, we made fundings totaling \$12,040,000 and \$10,115,000 to our international and domestic pension plans, respectively. We expect fundings to our international and domestic pension plans in 2006 to aggregate approximately \$14,000,000.

### Capital Expenditures

Capital expenditures totaled \$433,856,000 and \$261,041,000 for 2005 and 2004, respectively.

Capital expenditures in 2005 include \$137,778,000 toward the construction of the *Noble Roger Lewis* and *Noble Hans Deul*, two new F&G JU-2000E enhanced premium jackups. Other significant capital expenditures in 2005 included \$52,426,000 for the *Noble Clyde Boudreaux* upgrade project, \$36,883,000 for initial upgrades to the *Noble Mark Burns*, \$25,485,000 for the *Noble Paul Wolff*, \$28,317,000 for the *Noble Al White*, \$15,727,000 for refurbishments to the *Noble Paul Romano*, and \$12,127,000 for initial upgrades to the *Noble David Tinsley*. We are modifying the design of the *Noble Clyde Boudreaux* to a 16-point mooring system, which is expected to increase the cost for this project by approximately \$60,000,000 and to extend the project completion to the first quarter of 2007.

We also invested \$31,576,000, net of cash received, to purchase the remaining 50 percent equity interest in our Noble Crosco Drilling Ltd. joint venture, which owned the *Panon*. The *Panon* was renamed the *Noble Harvey Duhaney* following this transaction.

In addition, major maintenance expenditures (see "Critical Accounting Policies – Property and Equipment" below for a discussion of major maintenance projects) totaled \$79,663,000 and \$72,948,000 for 2005 and 2004, respectively.

We expect that our capital expenditures and major maintenance expenditures for 2006 will aggregate approximately \$1,200,000,000 and \$120,000,000, respectively, which includes approximately \$185,000,000 for the *Noble Dave Beard*, \$155,000,000 for the upgrade of the *Noble Clyde Boudreaux*, \$120,000,000 for the construction of two jackups, the *Noble Roger Lewis* and *Noble Hans Deul*, and \$110,000,000 for the construction of the *Noble Danny Adkins*.

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. At December 31, 2005, we had approximately \$439,124,000 of outstanding purchase commitments, \$288,905,000 of which are included in the projected 2006 capital expenditures and major maintenance expenditures described above.

Certain projects currently under consideration could require, if they materialize, capital expenditures or other cash requirements not included in the 2006 budget. In addition, we will continue to evaluate acquisitions of drilling units from time to time. Factors that could cause actual 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.

We believe that our cash and cash equivalents, investments in marketable securities, net cash provided by operating activities, available capacity under the Bank Credit Agreement, 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.

### Investment in Smedvig

On December 23, 2005, we acquired, directly and indirectly, 21,095,600 Class A shares and 2,501,374 Class B shares of Smedvig. Our acquisition comprised 39.2 percent of the Class A voting shares and 28.9 percent of the total capital shares of Smedvig. The purchase price for

the Class A shares was NOK 200.00 per share and for the Class B shares was NOK 150.00 per share, totaling NOK 4,594,326,100 (\$691,100,000 at the date of acquisition) before certain legal and other transaction costs. We financed the acquisition of the Smedvig shares, including related transaction costs, with an aggregate of \$700,000,000 in new debt borrowings.

On January 23, 2006, SeaDrill Limited, a Bermudian limited company ("SeaDrill"), reported that SeaDrill had received acceptances for a total of 24,876,009 Class A shares and 15,417,402 Class B shares of Smedvig under the voluntary offer conducted by SeaDrill for shares of Smedvig. SeaDrill further reported that, including its already owned shares, SeaDrill controlled 51.24 percent of the Class A shares and 52.47 percent of the Smedvig capital. SeaDrill has commenced a mandatory offer in Norway together with a tender offer in the United States to all remaining shareholders in Smedvig. In addition, at an extraordinary general meeting of Smedvig held on February 16, 2006, shareholders elected a board of directors composed of five members, including John Fredriksen, Tor Olav Troim and Kate Blankenship, each of whom is a director of SeaDrill. Mr. Fredriksen was elected Chairman of the Board of Smedvig at the meeting. As a result of the foregoing, we are currently reviewing all available alternatives relative to our investment in Smedvig shares, and we reserve the right to pursue all options available to us.

The terms of the Company's Smedvig share purchase agreement require that any resale of the Smedvig shares by us during the period through December 12, 2006 at a price in excess of the original purchase price (NOK basis) we paid is payable by us to the parties from whom we originally purchased such shares. Accordingly, our ability to realize a gain on resale is limited through December 12, 2006.

### Credit Facilities and Long-Term Debt

On December 22, 2005, Noble, Noble Holding (U.S.) Corporation ("NHC") and Noble Drilling Corporation ("Noble Drilling") entered into a credit agreement (the "GS Credit Agreement") with Goldman Sachs Credit Partners L.P. ("Goldman Sachs"), pursuant to which Noble Drilling borrowed \$600,000,000. Noble, NHC and Noble Drilling Holding LLC have unconditionally guaranteed the performance of Noble Drilling under the GS Credit Agreement. Each of NHC, Noble Drilling and Noble Drilling Holding LLC is a direct or indirect wholly-owned subsidiary of Noble. On March 2, 2006, the parties to the GS Credit Agreement amended its terms, including provisions to extend the maturity through April 1, 2007 and to provide Goldman Sachs a right of syndication under certain conditions. In order to reduce our exposure to changes in interest rates between the date of borrowing and its expected refinancing, we entered into interest rates swaps on December 19, 2005 with notional amounts totaling \$600,000,000. To provide for additional flexibility in the refinancing of the GS Credit Agreement, on January 27, 2006, we terminated these interest rate swaps at no cost to us.

Noble Drilling has in place an unsecured revolving bank credit facility totaling \$300,000,000, including a letter of credit facility totaling \$50,000,000, which extends through November 30, 2009 (the "Bank Credit Agreement"). Noble and NHC have unconditionally guaranteed the performance of Noble Drilling under the Bank Credit Agreement. At December 31, 2005, we had borrowings and letters of credit of \$135,000,000 and \$7,072,000, respectively, outstanding under the Bank Credit Agreement, with \$157,928,000 remaining available thereunder. At December 31, 2005, we had letters of credit and third-party guarantees of \$65,014,000 and performance and customs bonds totaling \$76,575,000 supported by surety bonds outstanding in addition to amounts outstanding under the Bank Credit Agreement.

At December 31, 2005, our total debt had increased to \$1,138,297,000, including current maturities of \$8,972,000, due to the borrowing of \$600,000,000 under the GS Credit Agreement and \$100,000,000 under the Bank Credit Agreement for the acquisition of shares of Smedvig in December 2005, partially offset by \$65,000,000 of paydowns under the Bank Credit Agreement in early 2005. At December 31, 2005 and 2004, we had no off-balance sheet debt. At December 31, 2005, we were in compliance with all our debt covenants. For additional information on debt, see Note 8 to our accompanying consolidated financial statements.

### Summary of Contractual Cash Obligations and Commitments

The following table summarizes our contractual cash obligations and commitments at December 31, 2005 (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>					
Total debt (including current maturities)	\$ 1,138,297	\$ 8,972	\$ 619,965	\$ 307,665	\$ 201,695
Interest payments	309,200	66,196	72,474	42,249	128,281
Operating leases	19,223	3,571	5,146	4,683	5,823
Pension fundings	14,000	14,000	-	-	-
Purchase commitments	439,124	288,905	150,219	-	-
<b>Total contractual cash obligations</b>	<b>\$ 1,919,844</b>	<b>\$ 381,644</b>	<b>\$ 847,804</b>	<b>\$ 354,597</b>	<b>\$ 335,799</b>

	Amount of Commitment Expiration Per Period				
	Total Amounts Committed	Less than 1 year	1-3 years	3-5 years	Over 5 Years
<b>Other Commercial Commitments</b>					
Letters of credit	\$ 72,086	\$ 58,055	\$ 11,531	\$ 2,500	\$ -
Surety bonds	76,575	33,618	42,957	-	-
Total commercial commitments	\$ 148,661	\$ 91,673	\$ 54,488	\$ 2,500	\$ -

## 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 assets, insurance reserves, equity investments, 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 are eliminated from the accounts and the gain or loss is recognized. 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.

Interest is capitalized on construction-in-progress at the interest rate on debt incurred for construction or at the weighted average cost of debt outstanding during the period of construction. Capitalized interest for the years ended December 31, 2005, 2004 and 2003 was \$13,989,000, \$0 and \$0, respectively.

Scheduled maintenance of equipment and overhauls are performed on the basis of number of hours operated in accordance with our preventative maintenance program. Routine repair and maintenance costs are charged to expense as incurred; however, the costs of the overhauls related to major maintenance projects that benefit the periods between overhauls and which typically occur every three to five years are deferred when incurred and amortized over an equivalent period. The deferred portion of these major maintenance projects is included in "Other assets" in the Consolidated Balance Sheets. Such amounts totaled \$118,703,000 and \$88,621,000 at December 31, 2005 and 2004, respectively.

In order to allow readers of our financial statements to identify more easily costs that benefit multiple years associated with rigs, amortization of deferred costs for major maintenance projects has been reclassified in the consolidated financial statements for all periods and is now reflected along with depreciation in "Depreciation and amortization". In prior periods, amortization of deferred costs for major maintenance projects was included in contract drilling services expenses and labor contract drilling services expenses. The amount of such amortization was \$50,000,000, \$40,904,000 and \$34,463,000 for the years ended December 31, 2005, 2004 and 2003, respectively. This revision in classification had no impact on previously reported operating income and net income. Total maintenance and repair expenses for the years ended December 31, 2005, 2004 and 2003, exclusive of amortization of deferred costs for major maintenance projects were \$133,372,000, \$113,398,000 and \$87,975,000, respectively.

### *Impairment of 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, 2005, 2004 and 2003. There were no other impairment losses during the years ended December 31, 2005, 2004 and 2003.

### *Insurance Reserves*

We maintain insurance coverage against certain marine liabilities, including liability for physical damage to our drilling rigs, loss of hire on our deepwater drillships and certain semisubmersibles and one jackup, and personal injury to our drilling crews. Our marine package policy insures us for physical damage to our drilling rigs up to the scheduled value of each rig. We retain the first \$10,000,000 per event under this policy. Our protection and indemnity policy insures us for personal injury to our offshore 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 the marine package deductibles on a per event basis and the protection and indemnity 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, 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 direct cost as operating expenses. Reimbursements for loss of hire under our insurance coverages are included in “Hurricane recoveries and losses, net.”

### *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 asset or liability in these circumstances would not have had a material effect on our financial position or results of operations.

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

## **ACCOUNTING PRONOUNCEMENTS**

In December 2004, the Financial Accounting Standards Board (“FASB”) issued SFAS 123 (revised 2004), *Share-Based Payment* (“SFAS 123R”), which is a revision to SFAS 123, *Accounting for Stock-Based Compensation* (“SFAS 123”). SFAS 123R supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees* (“APB 25”), and amends SFAS 95, *Statement of Cash Flows*. Generally, the approach in SFAS 123R is similar to SFAS 123, which requires companies to 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 to recognize the related cost in the income statement over the period in which the employee services are performed, which is usually the equity instrument’s vesting period. Under SFAS 123, this accounting treatment was optional with pro forma disclosures required.

We will adopt SFAS 123R effective January 1, 2006. It will be effective for all awards granted after that date. For those stock option awards granted prior to January 1, 2006 but for which the vesting period is not complete, we will use the modified prospective transition method permitted by SFAS 123R. Under this method, we will account for such awards on a prospective basis, with expense being recognized in our statement of income beginning in the first quarter of 2006 using the grant-date fair values previously calculated for our SFAS 123 pro forma disclosures presented in Note 1 Organization and Significant Accounting Policies – *Stock-Based Compensation Plans* of the accompanying consolidated financial statements. We will recognize the related compensation cost not previously recognized in the SFAS 123 pro forma disclosures over the remaining vesting period.

The impact that the adoption of SFAS 123R will have on our consolidated results of operations will be determined primarily by the number of stock options issued to employees in future periods. The incremental expense related to future stock option and employee stock purchase plan grants is difficult to predict because the expense will depend on the number of awards granted, the grant date stock price, volatility of our stock price and other factors. However, based on recent stock option issuances, we estimate that the adoption of SFAS 123R will reduce 2006 net income by approximately \$7,000,000 to \$9,000,000, or \$.05 to \$.07 per diluted share. SFAS 123R also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operating cash flow as required under current literature. This requirement will reduce net cash provided by operating activities and increase net cash provided by financing activities in periods after adoption. While we cannot estimate what those amounts will be in the future (because they depend on, among other things, when employees exercise stock options and the value of the stock at the time of exercise), there were no such excess tax deductions included in net cash provided by operating activities in 2005, 2004 and 2003.

In May 2005, the FASB issued SFAS 154, *Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20, Accounting Changes, and FASB Statement No. 3, Reporting Accounting Changes in Interim Financial Statements* (“SFAS 154”). SFAS 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. It establishes, unless impracticable, retrospective application as the required method for reporting a change in accounting principle in the absence of explicit transition requirements specific to the newly adopted accounting principle. SFAS 154 also provides guidance for determining whether retrospective application of a change in accounting principle is impracticable and for reporting a change when retrospective application is impracticable. The provisions of SFAS 154 are effective for accounting changes and corrections of errors made in fiscal periods beginning after December 15, 2005. We do not expect the adoption of SFAS 154 to have a material impact on our financial position or results of operations.

## 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. A one percent change in the December 31, 2005 closing price of these marketable equity and debt securities would impact the carrying value of these investments by \$13,000 and \$445,000, respectively, excluding our investment in shares of Smedvig discussed below in this Item 7A. To mitigate the risk of losses, these investments are monitored by management to assure compliance with policies established by the Company.

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, subject to certain limitations specified in the plan, receive employer matching contributions (which are made in Noble's 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. The Restoration Plan has no assets, and amounts "contributed" to the Restoration Plan are kept by the Company for general corporate purposes. The investments selected by employees and associated returns are tracked on a phantom basis. Accordingly, the Company has a liability to the employee for amounts originally contributed plus phantom investment income or less phantom investment losses. The Company is at risk for phantom investment income and, conversely, benefits should phantom investment losses occur. At December 31, 2005, the Company's liability under the Restoration Plan totaled \$16,757,000. At December 31, 2005, a one percent increase in the fair value of the phantom investments would increase the Company's liability by \$168,000 and a one percent decline in the fair value of the phantom investments would reduce the Company's liability by \$168,000.

We are subject to market risk exposure related to changes in interest rates on the GS Credit Agreement and Bank Credit Agreement. Interest on the GS Credit Agreement and Bank Credit Agreement is at an agreed upon percentage point spread from LIBOR. At December 31, 2005, there were \$735,000,000 of outstanding borrowings under the GS Credit Agreement and Bank Credit Agreement. An immediate change of one percent in the interest rate would cause a \$7,350,000 change in interest expense on an annual basis.

At December 31, 2005, we owned 21,095,600 Class A shares and 2,501,374 Class B shares of Smedvig, which we continue to own. The purchase price for the Class A shares was NOK 200.00 per share and for the Class B shares was NOK 150.00 per share, totaling NOK 4,594,326,100 (\$691,100,000 at the date of acquisition) before certain legal and other transaction costs. We are subject to market risk exposure related to the changes in exchange rates between Norwegian Kroner (NOK) and U.S. Dollars (USD). Similarly, we are subject to market risk exposure related to the equity prices of Class A shares and Class B shares of Smedvig. A one percent change in the exchange rate between NOK and USD would affect the fair value of our investment in Smedvig shares by \$6,840,000. Similarly, a one percent change in the market price of Smedvig Class A shares and Class B shares would affect the fair value of our investment by \$6,915,000.

Our Senior Notes due 2009 and 2019 bear interest at fixed interest rates of 6.95% and 7.50% per annum, respectively. Both series of notes currently trade at a premium to their face value. The estimated fair value of our Senior Notes due 2009 and 2019, based on quoted market prices, was \$157,986,000 and \$240,747,000 at December 31, 2005, respectively. This compares to carrying amounts (net of any unamortized discount) of \$149,965,000 and \$201,695,000, respectively. While our interest payments on these notes are at fixed rates, if U.S. Treasury rates were to change, the fair value of our Senior Notes could be impacted. We estimate that a one percent increase in interest rates would decrease the fair value of our Senior Notes due 2009 and 2019 by approximately \$4,450,000 and \$20,000,000, respectively. As we have no current plans to retire or refinance our fixed rate notes, are not highly leveraged and are not aware of any conditions that would cause our credit rating to be negatively impacted in a manner that would force refinancing of our fixed rate debt, we believe our exposure to market risk associated with our fixed rate notes is minimal.

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 one another, and our investment in shares of Smedvig, we do not currently have any significant assets, liabilities, 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. We have documented policies and procedures to monitor and control the use of derivative instruments. We do not engage in derivative transactions for speculative or trading purposes, nor are we a party to leveraged derivatives. 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 2005, we entered into forward contracts in February, March and June 2005 to purchase 30,680,000 Euros and 20,899,000 British Pounds for the months February 2005 through June 2006. The forward contracts settled in 2005 represented approximately two-thirds of our forecasted Euro and British Pound requirements for 2005 after the respective dates on which we entered into the forward contracts. The outstanding notional amounts of these forward contracts at December 31, 2005 were approximately 7,625,000 Euros and 6,755,000 British Pounds, respectively. Similarly, we entered into forward contracts in November and December 2005 to purchase 19,124,000 Euros and 4,988,000 British Pounds for the period from January 2006 through December 2006. The forward contracts settling in 2006 represent approximately 40 percent of our forecasted Euro and British Pound requirements in 2006. The notional amount of these hedges at December 31, 2005 was \$53,592,000. We entered into similar derivative instruments in 2004 to reduce our exposure to fluctuations in currency exchange rates in 2004.

All the foreign currency contracts disclosed above 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*. The change in the fair value of those derivative instruments outstanding at December 31, 2005, (\$1,397,000), is included in “Other current assets” or “Other current liabilities” with the cumulative unrealized loss included in “Accumulated other comprehensive (loss) income” in our Consolidated Balance Sheets. Hedge effectiveness is measured quarterly based on the relative cumulative changes in fair value between derivative contracts in the hedged item over time. Any change in fair value resulting from ineffectiveness is recognized immediately in earnings. We did not recognize a gain or loss due to hedge ineffectiveness in our Consolidated Statements of Income during 2005, 2004 or 2003 related to these derivative instruments.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and  
Shareholders of Noble Corporation:

We have completed integrated audits of Noble Corporation's 2005 and 2004 consolidated financial statements and of its internal control over financial reporting as of December 31, 2005, and an audit of its 2003 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 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 at December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005 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 Management's Annual Report on Internal Control Over Financial Reporting appearing under Item 9A, that the Company maintained effective internal control over financial reporting as of December 31, 2005 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, 2005, 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 13, 2006

# NOBLE CORPORATION AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

(In thousands)

	December 31,	
	2005	2004
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 121,845	\$ 58,790
Investments in marketable securities	44,457	132,788
Accounts receivable	276,688	205,023
Insurance receivables	51,565	-
Inventories	3,940	4,013
Prepaid expenses	10,064	12,454
Other current assets	13,896	12,215
Total current assets	<u>522,455</u>	<u>425,283</u>
<b>PROPERTY AND EQUIPMENT</b>		
Drilling equipment and facilities	4,178,097	3,739,338
Other	66,698	65,550
	<u>4,244,795</u>	<u>3,804,888</u>
Accumulated depreciation	<u>(1,245,776)</u>	<u>(1,061,268)</u>
	<u>2,999,019</u>	<u>2,743,620</u>
<b>INVESTMENTS IN MARKETABLE SECURITIES</b>	673,639	528
<b>OTHER ASSETS</b>	151,254	138,542
	<u>\$ 4,346,367</u>	<u>\$ 3,307,973</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Current maturities of long-term debt	\$ 8,972	\$ 8,361
Accounts payable	93,914	83,012
Accrued payroll and related costs	78,558	60,911
Taxes payable	45,245	22,883
Interest payable	9,640	8,981
Other current liabilities	23,006	30,018
Total current liabilities	<u>259,335</u>	<u>214,166</u>
<b>LONG-TERM DEBT</b>	1,129,325	503,288
<b>DEFERRED INCOME TAXES</b>	227,589	206,506
<b>OTHER LIABILITIES</b>	6,290	8,110
	<u>1,622,539</u>	<u>932,070</u>
<b>COMMITMENTS AND CONTINGENCIES (Note 15)</b>		
<b>MINORITY INTEREST</b>	(7,906)	(8,531)
<b>SHAREHOLDERS' EQUITY</b>		
Ordinary Shares-par value \$0.10 per share; 400,000 shares authorized and 137,009 issued and outstanding in 2005; 400,000 shares authorized and 134,407 issued and outstanding in 2004	13,701	13,441
Capital in excess of par value	1,024,470	926,652
Retained earnings	1,736,015	1,452,974
Restricted stock (unearned compensation)	(17,099)	(11,171)
Accumulated other comprehensive (loss) income	(25,353)	2,538
	<u>2,731,734</u>	<u>2,384,434</u>
	<u>\$ 4,346,367</u>	<u>\$ 3,307,973</u>

See accompanying notes to the consolidated financial statements.



# NOBLE CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)

	Year Ended December 31,		
	2005	2004	2003
OPERATING REVENUES			
Contract drilling services	\$ 1,209,447	\$ 937,414	\$ 889,603
Reimbursables	86,332	50,234	44,214
Labor contract drilling services	69,203	51,327	28,492
Engineering, consulting and other	17,155	27,256	25,071
	<u>1,382,137</u>	<u>1,066,231</u>	<u>987,380</u>
OPERATING COSTS AND EXPENSES			
Contract drilling services	599,207	521,663	470,721
Reimbursables	76,238	44,610	39,024
Labor contract drilling services	58,698	42,610	22,496
Engineering, consulting and other	22,678	27,339	28,249
Depreciation and amortization	241,752	209,123	182,590
Selling, general and administrative	40,278	33,714	26,634
Hurricane losses and recoveries, net	(29,759)	-	-
Gain on sale of property and equipment	-	-	(3,472)
	<u>1,009,092</u>	<u>879,059</u>	<u>766,242</u>
OPERATING INCOME	373,045	187,172	221,138
OTHER INCOME (EXPENSE)			
Interest expense	(19,786)	(34,389)	(40,291)
Other, net	10,833	9,034	6,137
INCOME BEFORE INCOME TAXES	364,092	161,817	186,984
INCOME TAX PROVISION	(67,396)	(15,731)	(20,568)
NET INCOME	<u>\$ 296,696</u>	<u>\$ 146,086</u>	<u>\$ 166,416</u>
NET INCOME PER SHARE:			
Basic	\$ 2.18	\$ 1.10	\$ 1.26
Diluted	\$ 2.16	\$ 1.09	\$ 1.25

See accompanying notes to the consolidated financial statements.

# NOBLE CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Year Ended December 31,		
	2005	2004	2003
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income	\$ 296,696	\$ 146,086	\$ 166,416
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	241,752	209,123	182,590
Deferred income tax provision	36,207	5,022	4,376
Loss on sales of marketable securities	531	129	382
Equity in income of joint venture	(3,194)	(3,931)	(2,307)
Distributions received from joint venture	2,194	2,700	-
Compensation expense from stock-based plans	7,377	5,753	4,627
Hurricane losses and recoveries, net	(29,759)	-	-
Gain on sale of interest in deepwater oil and gas properties	-	-	(3,472)
Dissolution of rabbi trust	-	11,945	-
Discretionary pension funding	-	-	(17,100)
Other	2,751	(4,028)	1,518
Other changes in current assets and liabilities, net of acquired working capital:			
Accounts receivable	(68,094)	(55,788)	15,378
Other current assets	18,968	1,187	(12,081)
Accounts payable	(2,395)	(4,164)	22,400
Other current liabilities	25,976	18,187	2,581
Net cash provided by operating activities	<u>529,010</u>	<u>332,221</u>	<u>365,308</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisitions and related capital upgrades	(212,050)	(110,548)	(194,400)
Other capital expenditures	(221,806)	(150,493)	(112,734)
Major maintenance expenditures	(79,663)	(72,948)	(36,984)
Proceeds from sales of property and equipment	1,129	2,135	1,606
Proceeds from sale of interest in deepwater oil and gas properties	-	-	5,200
Purchase of remaining 50% interest in the <i>Panon</i> , net of cash acquired	(31,576)	-	-
Repayments from joint venture	-	2,295	4,977
Investment in Smedvig	(691,100)	-	-
Investment in marketable securities	(24,973)	(233,216)	(210,020)
Proceeds from sales of marketable securities	112,628	265,352	239,285
Net cash used for investing activities	<u>(1,147,411)</u>	<u>(297,423)</u>	<u>(303,070)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Borrowings on credit facilities	700,000	-	-
Payments on credit facilities	(65,000)	(25,000)	-
Payments of other long-term debt	(8,517)	(52,933)	(80,580)
Proceeds from issuance of ordinary shares	76,037	79,072	9,432
Payments of dividends	(13,655)	-	-
Repurchase of ordinary shares	(7,409)	(39,714)	-
Decrease in restricted cash	-	-	8,668
Net cash provided by (used for) financing activities	<u>681,456</u>	<u>(38,575)</u>	<u>(62,480)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>63,055</b>	<b>(3,777)</b>	<b>(242)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>58,790</b>	<b>62,567</b>	<b>62,809</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 121,845</b>	<b>\$ 58,790</b>	<b>\$ 62,567</b>

See accompanying notes to the consolidated financial statements.

# NOBLE CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands)

	2005		2004		2003	
	Shares	Amount	Shares	Amount	Shares	Amount
<b>ORDINARY SHARES</b>						
Balance at beginning of year	134,407	\$ 13,441	133,894	\$ 13,389	133,534	\$ 13,353
Exercise of stock options	2,412	241	3,048	305	413	41
Treasury shares cancelled upon restructuring	-	-	(1,625)	(162)	-	-
Repurchase of ordinary shares	(100)	(10)	(1,087)	(109)	-	-
Issuance of restricted shares	267	27	238	24	-	-
Other	23	2	(61)	(6)	(53)	(5)
Balance at end of year	137,009	13,701	134,407	13,441	133,894	13,389
<b>CAPITAL IN EXCESS OF PAR VALUE</b>						
Balance at beginning of year		926,652		915,240		905,865
Exercise of stock options		75,796		78,767		9,391
Tax benefit of stock options		14,432		11,840		820
Treasury shares cancelled upon restructuring		-		(46,832)		-
Repurchase of ordinary shares		(7,399)		(39,605)		-
Issuance of restricted shares		14,257		8,919		-
Restricted shares surrendered for employee taxes		(2,548)		(2,120)		(1,430)
Other		3,280		443		594
Balance at end of year		1,024,470		926,652		915,240
<b>RETAINED EARNINGS</b>						
Balance at beginning of year		1,452,974		1,306,888		1,140,472
Net income		296,696		146,086		166,416
Dividends paid (\$0.10 per share)		(13,655)		-		-
Balance at end of year		1,736,015		1,452,974		1,306,888
<b>TREASURY STOCK</b>						
Balance at beginning of year	-	-	(1,700)	(49,121)	(1,791)	(51,317)
Treasury shares cancelled upon restructuring	-	-	1,625	46,994	-	-
Contribution to employee benefit plans	-	-	72	2,037	79	2,076
Other	-	-	3	90	12	120
Balance at end of year	-	-	-	-	(1,700)	(49,121)
<b>RESTRICTED STOCK (UNEARNED COMPENSATION)</b>						
Balance at beginning of year		(11,171)		(7,981)		(12,871)
Issuance of restricted shares		(14,284)		(8,943)		-
Compensation expense recognized		7,377		5,753		4,627
Other		979		-		263
Balance at end of year		(17,099)		(11,171)		(7,981)
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)</b>						
Balance at beginning of year		2,538		10		(6,292)
Other comprehensive income (loss)		(27,891)		2,528		6,302
Balance at end of year		(25,353)		2,538		10
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>137,009</b>	<b>\$ 2,731,734</b>	<b>134,407</b>	<b>\$ 2,384,434</b>	<b>132,194</b>	<b>\$ 2,178,425</b>

See accompanying notes to the consolidated financial statements.

# NOBLE CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

	Year Ended December 31, 2005
NET INCOME	<u>\$ 296,696</u>
OTHER COMPREHENSIVE LOSS, NET OF TAX:	
Foreign currency translation adjustments	(4,148)
Unrealized holding loss on securities	(18,491)
Unrealized losses on foreign currency forward contracts	(1,397)
Unrealized losses on interest rate swaps	(2,509)
Minimum pension liability adjustment (net of tax provision of \$725)	(1,346)
Other comprehensive loss	(27,891)
COMPREHENSIVE INCOME	<u>\$ 268,805</u>
	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	(490)
Minimum pension liability adjustment (net of tax provision of \$33)	(61)
Other comprehensive income	2,528
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	(296)
Minimum pension liability adjustment (net of tax benefit of \$3,450)	6,406
Other comprehensive income	6,302
COMPREHENSIVE INCOME	<u>\$ 172,718</u>
See accompanying notes to the 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 drilling-related products and services to our customers. We also provide labor contract drilling services, well site and project management services, and engineering services. Our operations are conducted principally in the Middle East, U.S. Gulf of Mexico, Mexico, the North Sea, Brazil, West Africa, India and Canada.

#### Consolidation/Basis of Presentation

The consolidated financial statements include the accounts of Noble and its wholly-owned 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 corporate affiliates where we have a significant influence but not a controlling interest.

The Company has equity investments in affiliates from time to time. The fair value of these investments is dependent on the performance of the investee companies as well as volatility inherent in the external markets for these investments. In assessing the potential impairment for these investments, we consider these factors, as well as forecasted financial performance of our investees. If these forecasts are not met, impairment charges may be required.

#### 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 (loss) 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, 2005, 2004 and 2003. 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 2005, 2004 or 2003.

#### 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, 2005 and 2004, there were \$612,135,000 and \$469,623,000, 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 are eliminated from the accounts and the gain or loss is recognized. 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.

Interest is capitalized on construction in progress at the interest rate on debt incurred for construction or at the weighted average cost of debt outstanding during the period of construction. Capitalized interest for the years ended December 31, 2005, 2004 and 2003 was \$13,989,000, \$0 and \$0, respectively.



Scheduled maintenance of equipment and overhauls are performed on the basis of number of hours operated in accordance with our preventative maintenance program. Routine repair and maintenance costs are charged to expense as incurred; however, the costs of the overhauls related to major maintenance projects that benefit the periods between overhauls and which typically occur every three to five years are deferred when incurred and amortized over an equivalent period. The deferred portion of these major maintenance projects is included in "Other assets" in the Consolidated Balance Sheets. Such amounts totaled \$118,703,000 and \$88,621,000 at December 31, 2005 and 2004, respectively.

In order to allow readers of our financial statements to identify more easily costs that benefit multiple years associated with rigs, amortization of deferred costs for major maintenance projects has been reclassified in the consolidated financial statements for all periods and is now reflected along with depreciation in "Depreciation and amortization". In prior periods, amortization of deferred costs for major maintenance projects was included in contract drilling services expenses and labor contract drilling services expenses. The amount of such amortization was \$50,000,000, \$40,904,000 and \$34,463,000 for the years ended December 31, 2005, 2004 and 2003, respectively. This revision in classification had no impact on previously reported net income. Total maintenance and repair expenses for the years ended December 31, 2005, 2004 and 2003, exclusive of amortization of deferred costs for major maintenance projects, were \$133,372,000, \$113,398,000 and \$87,975,000, respectively.

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, 2005, 2004 and 2003.

#### **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 at each of December 31, 2005 and 2004. All of our goodwill is attributable to our Engineering and Consulting Services Segment. No impairment losses were recorded on our goodwill balances during the years ended December 31, 2005, 2004 and 2003.

Deferred debt issuance costs, which totaled \$2,303,000 and \$2,194,000 at December 31, 2005 and 2004, respectively, are being amortized over the life of the debt securities. Amortization related to debt issuance costs was \$403,000, \$645,000 and \$1,016,000 for the years ended December 31, 2005, 2004 and 2003, 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 Reserves**

We maintain insurance coverage against certain marine liabilities, including liability for physical damage to our drilling rigs, loss of hire on our deepwater drillships and certain semisubmersibles and one jackup, and personal injury to our drilling crews. Our marine package policy insures us for physical damage to our drilling rigs up to the scheduled value of each rig. We retain the first \$10,000,000 per event under this policy. Our protection and indemnity policy insures us for personal injury to our offshore 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 the marine package deductibles on a per event basis and the protection and indemnity 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, 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 direct cost as operating expenses. Reimbursements for loss of hire under our insurance coverages are included in "Hurricane recoveries and losses, net."

#### **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 asset or 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 asset or liability in these circumstances would not have had a material effect on our financial position or results of operations.

Noble operates through our various subsidiaries in numerous countries throughout the world including the United States. Consequently, we are subject to changes in tax laws, treaties or regulations or the interpretation or enforcement thereof in the U.S., the Cayman Islands or jurisdictions in which we or any of our subsidiaries operates or is resident. Our income tax expense is based upon our interpretation of the tax laws in effect in various countries at the time that the expense was incurred. If the U.S. Internal Revenue Service or other taxing authorities do not agree with our assessment of the effects of such laws, treaties and regulations, this could have a material adverse effect on us including the imposition of a higher effective tax rate on our worldwide earnings or a reclassification of the tax impact of our significant corporate restructuring transactions.

### 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 2005, one customer accounted for \$159,384,000 or 12 percent of consolidated operating revenues, of which all was included in our international contract drilling services segment. Another customer accounted for \$137,306,000 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 2005. 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 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.

### Supplemental Cash Flow Information

	Year Ended December 31,		
	2005	2004	2003
Cash paid during the period for:			
Interest, net of amounts capitalized	\$ 18,724	\$ 33,911	\$ 39,162
Income taxes (net of refunds)	\$ 13,328	\$ 27,409	\$ 10,509

### Stock-Based Compensation Plans

We have several stock-based compensation plans. 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 No. 25, *Accounting for Stock Issued to Employees* ("APB 25"). No compensation expense was recognized in the years ended December 31, 2005 and 2004 related to stock option awards, although compensation expense was recognized for the Company's restricted stock awards during these periods.

### 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, 2005, there were 3,184,199 shares 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, 2005, 213,500 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, 2005, 2004 and 2003 and the changes during the year ended on those dates is presented below (actual amounts):

	2005		2004		2003	
	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>5,816,359</b>	<b>\$ 31.99</b>	8,630,114	\$ 29.86	9,187,658	\$ 29.64
Granted	<b>725,450</b>	<b>53.18</b>	334,485	37.61	45,000	32.11
Exercised	<b>(2,412,624)</b>	<b>31.74</b>	(3,056,216)	25.87	(413,079)	22.83
Forfeited	<b>(137,177)</b>	<b>43.99</b>	(92,024)	33.69	(189,465)	35.01
Outstanding at end of year	<b>3,992,008</b>	<b>\$ 36.14</b>	5,816,359	\$ 31.99	8,630,114	\$ 29.86
Exercisable at end of year	<b>3,175,786</b>	<b>\$ 32.52</b>	5,005,471	\$ 31.83	6,995,876	\$ 29.55

The following table summarizes information about stock options outstanding at December 31, 2005 (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
\$ 9.81 to \$ 14.00	6,000	0.1	\$ 9.81	6,000	\$ 9.81
14.01 to 28.31	810,237	2.5	23.24	810,237	23.24
28.32 to 48.81	2,515,521	5.9	35.88	2,359,549	35.77
48.82 to 69.25	660,250	9.3	53.17	-	-
\$ 9.81 to \$ 69.25	3,992,008	5.7	\$ 36.14	3,175,786	\$ 32.52

Additional disclosures required by SFAS 123 are as follows:

	December 31,		
	2005	2004	2003
Weighted average fair value per option granted	<b>\$ 21.37</b>	\$ 15.80	\$ 13.41
Valuation assumptions:			
Expected option term (years)	<b>5</b>	5	5
Expected volatility	<b>41.29%</b>	42.27%	43.32%
Expected dividend yield	<b>0.18%</b>	0%	0%
Risk-free interest rate	<b>3.78%</b>	3.52%	2.88%

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

	Year Ended December 31,		
	2005	2004	2003
Net income – as reported	\$ 296,696	\$ 146,086	\$ 166,416
Compensation expense, net of tax, as reported	4,795	3,739	3,008
Compensation expense, net of tax, pro forma	(11,126)	(12,887)	(20,085)
Net income – pro forma	\$ 290,365	\$ 136,938	\$ 149,339
Net income per share:			
Basic – as reported	\$ 2.18	\$ 1.10	\$ 1.26
Basic – pro forma	\$ 2.13	\$ 1.03	\$ 1.13
Diluted – as reported	\$ 2.16	\$ 1.09	\$ 1.25
Diluted – pro forma	\$ 2.11	\$ 1.02	\$ 1.12

### Other Stock-Based Compensation

At December 31, 2002, we had a total of 480,400 shares of restricted stock that had been awarded to selected employees and remained unvested. No restricted shares were awarded in 2003. In April 2004, we awarded selected employees 95,237 time-vested 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-vested restricted shares that have a three-year performance period from 2004 through 2006. The actual number of shares awarded and available for vesting will vary depending on the degree of achievement of certain specified corporate performance criteria over the three-year performance period. The maximum number of these performance-vested restricted shares that could vest is 142,852. In 2005, we awarded selected employees an aggregate of 105,000 time-vested restricted shares. These restricted shares vest one-third per year over a three-year period commencing on the first anniversary date of the award. In 2005, we also awarded selected employees performance-vested restricted shares that have a three-year performance period from 2005 through 2007. 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 maximum number of these performance-vested restricted shares that could vest is 161,775. 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, 2005, 2004 and 2003 is as follows:

	2005	2004	2003
Restricted shares:			
Shares awarded	105,000	95,237	-
Weighted-average share price at award date	\$ 53.67	\$ 37.56	\$ -
Performance restricted shares:			
Shares awarded (maximum available)	161,775	142,852	-
Weighted-average share price at award date	\$ 53.72	\$ 37.56	\$ -
Compensation expense recognized	\$ 7,377	\$ 5,753	\$ 4,627

### 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 Financial Accounting Standards Board (“FASB”) issued SFAS 123 (revised 2004), *Share-Based Payment* (“SFAS 123R”), which is a revision to SFAS 123, *Accounting for Stock-Based Compensation* (“SFAS 123”). SFAS 123R supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees* (“APB 25”), and amends SFAS 95, *Statement of Cash Flows*. Generally, the approach in SFAS 123R is similar to SFAS 123, which requires companies to 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 to recognize the related cost in the income statement over the period in which the employee services are performed, which is usually the equity instrument’s vesting period. Under SFAS 123, this accounting treatment was optional with pro forma disclosures required.

We will adopt SFAS 123R effective January 1, 2006. It will be effective for all awards granted after that date. For those stock option awards granted prior to January 1, 2006 but for which the vesting period is not complete, we will use the modified prospective transition method

permitted by SFAS 123R. Under this method, we will account for such awards on a prospective basis, with expense being recognized in our statement of income beginning in the first quarter of 2006 using the grant-date fair values previously calculated for our SFAS 123 pro forma disclosures presented in *Stock Based Compensation Plans* of this Note 1. We will recognize the related compensation cost not previously recognized in the SFAS 123 pro forma disclosures over the remaining vesting period.

The impact that the adoption of SFAS 123R will have on our consolidated results of operations will be determined primarily by the number of stock options issued to employees in future periods. The incremental expense related to future stock option and employee stock purchase plan grants is difficult to predict because the expense will depend on the number of awards granted, the grant date stock price, volatility of our stock price and other factors. However, based on recent stock option issuances, we estimate that the adoption of SFAS 123R will reduce 2006 net income by approximately \$7,000,000 to \$9,000,000, or \$.05 to \$.07 per diluted share. SFAS 123R also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operating cash flow as required under current literature. This requirement will reduce net cash provided by operating activities and increase net cash provided by financing activities in periods after adoption. Although we cannot estimate what those amounts will be in the future (because they depend on, among other things, when employees exercise stock options and the value of the stock at the time of exercise), there were no such excess tax deductions included in net cash provided by operating activities in 2005, 2004 and 2003.

In May 2005, the FASB issued SFAS 154, “Accounting Changes and Error Corrections” (“SFAS No. 154”), which is a replacement of APB Opinion No. 20, “Accounting Changes”, and SFAS No. 3, “Reporting Accounting Changes in Interim Financial Statements”. SFAS 154 provides guidance on the accounting for, and reporting of, accounting changes and error corrections. SFAS No. 154 establishes the method of retrospective application as the required method of reporting a change in accounting principle, unless impracticable or the new accounting principle explicitly states transition requirements, and the Company expects that in the future there will be more instances of retrospective application of new accounting principles to prior periods whereas previously such applications were typically required to be reported as a cumulative effect adjustment in the period in which the accounting principle was adopted. With respect to reporting the correction of an error in previously issued financial statements, SFAS 154 carries forward without change the guidance contained in APB Opinion No. 20 which requires the correction to be reflected as a prior restatement of the corresponding periods. The provisions of SFAS 154 are effective for accounting changes and corrections of errors made in fiscal periods beginning after December 15, 2005. We do not expect the adoption of SFAS 154 to have a material impact on our financial position or results of operations.

## 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 – NET INCOME PER SHARE

The basic and diluted net income per share (“EPS”) computations for the years ended December 31, 2005, 2004 and 2003 are as follows (shares in thousands):

	Net Income	Basic Shares	Basic EPS	Diluted Shares	Diluted EPS
2005	\$ 296,696	136,253	\$ 2.18	137,561	\$ 2.16
2004	146,086	132,897	1.10	134,115	1.09
2003	166,416	131,948	1.26	133,007	1.25

Included in diluted shares are ordinary share equivalents relating primarily to outstanding stock options covering 1,309,000, 1,218,000 and 1,059,000 shares for the years ended December 31, 2005, 2004 and 2003, respectively. The computation of diluted earnings per share for 2005, 2004 and 2003 did not include options to purchase 10,000, 100,000 and 1,804,000 ordinary shares, respectively, because the options’ exercise prices were greater than the average market price of the ordinary shares. Excluded from the basic and diluted share amounts above for 2004 and 2003 are ordinary shares held in a Rabbi Trust, which was liquidated and terminated in December 2004. Ordinary shares held by the trust, which were to have been used for future funding of the Company’s stock-based compensation plans, were cancelled and retired upon the dissolution of the trust.



## NOTE 4 – ACQUISITIONS

In August 2005, in accordance with the provisions of our joint venture agreement, we acquired the remaining 50 percent equity interest in our Noble Crosco Drilling Ltd. joint venture, which owned the *Panon*, for an exercise price of \$31,917,000. Operating results from the *Panon*, renamed the *Noble Harvey Duhaney*, have been fully consolidated since the date of acquisition.

In October 2004, we exercised our option to purchase the *Noble David Tinsley* (formerly *Maersk Valiant*) jackup 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 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 for \$29,500,000 in cash.

In September 2003, we exercised our option to purchase the *Noble Charlie Yester* (formerly *Trident 18*) jackup 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 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.

## NOTE 5 – MARKETABLE SECURITIES

### *Current Marketable Securities*

At December 31, 2005 and 2004, we owned marketable debt securities with a fair value of \$44,457,000 and \$132,788,000, 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 value. Our balance of marketable debt securities at December 31, 2005 includes \$27,806,000 that mature within one year and \$16,651,000 that mature between one and five years. We recognized in other comprehensive income (loss) a net unrealized holding gain of \$200,000 and in earnings a net realized loss of \$531,000 related to these investments in 2005. We recognized in other comprehensive income (loss) a net unrealized holding loss of \$773,000 in 2004. In 2004 and 2003, we recognized realized losses on these securities of \$129,000 and \$382,000, 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, 2005 and 2004:

	December 31,							
	2005				2004			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government Obligations	\$ 8,759	\$ -	\$ (89)	\$ 8,670	\$ 8,764	\$ -	\$ (36)	\$ 8,728
Corporate debt securities	11,978	-	(128)	11,850	81,866	11	(410)	81,467
Asset-backed securities	24,351	-	(414)	23,937	42,989	5	(401)	42,593
Total	\$ 45,088	\$ -	\$ (631)	\$ 44,457	\$ 133,619	\$ 16	\$ (847)	\$ 132,788

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.

Our investments in corporate debt securities included auction rate securities of \$41,400,000 at December 31, 2004. We had no investments in auction rate securities as of December 31, 2005. These auction rate securities were recorded at cost, which approximated fair value due to their variable interest rates, which interest rates reset within a period of less than 60 days. Although these securities had long-term stated contractual maturities, we had the ability to quickly liquidate these securities. As a result, we classified these securities as current investments. Because these securities were recorded at cost, which approximated fair value, we had no realized or unrealized gains or losses related to these securities during the years ended December 31, 2005, 2004 and 2003. All income related to these current investments was recorded as interest income.

### *Non-Current Marketable Securities*

At December 31, 2005 and 2004, we owned marketable equity securities (exclusive of our investment in Smedvig discussed below) with a fair value of \$1,535,000 and \$528,000, respectively. We recorded in “Other comprehensive income (loss)” a gross unrealized gain of \$1,009,000 in 2005 and \$283,000 in 2004. These investments are classified as available-for-sale and are included in “Investments in marketable securities” in the Consolidated Balance Sheets at their respective fair value.

On December 23, 2005, we acquired, directly and indirectly, 21,095,600 Class A shares and 2,501,374 Class B shares of Smedvig ASA (“Smedvig”). Our acquisition comprised 39.2 percent of the Class A voting shares and 28.9 percent of the total capital shares of Smedvig. The purchase price for the Class A shares was NOK 200.00 per share and for the Class B shares was NOK 150.00 per share, totaling NOK 4,594,326,100 (\$691,100,000 at the date of acquisition) before certain legal and other transaction costs. We financed the acquisition of the Smedvig shares, including related transaction costs, with an aggregate of \$700,000,000 in new debt borrowings (See Note 8).

On January 23, 2006, SeaDrill Limited, a Bermudian limited company (“SeaDrill”), reported that SeaDrill had received acceptances for a total of 24,876,009 Class A shares and 15,417,402 Class B shares of Smedvig under the voluntary offer conducted by SeaDrill for shares of Smedvig. SeaDrill further reported that, including its already owned shares, SeaDrill controlled 51.24 percent of the Class A shares and 52.47 percent of the Smedvig capital. SeaDrill has expressed its intention to put forward a mandatory offer in Norway together with a tender offer in the United States to all remaining shareholders in Smedvig as soon as practically possible (see Note 19). In addition, at an extraordinary general meeting of Smedvig held on February 16, 2006, shareholders elected a board of directors composed of five members, including John Fredriksen, Tor Olav Troim and Kate Blankenship, each of whom is a director of SeaDrill. Mr. Fredriksen was elected Chairman of the Board of Smedvig at the meeting. As a result of the foregoing, we are currently reviewing all available alternatives relative to our investment in Smedvig shares, and we reserve the right to pursue all options available to us.

Our investment in Smedvig is accounted for in accordance with SFAS 115, “*Accounting for Certain Investments in Debt and Equity Securities*”, because of the lack of significant influence over the operating and financial policies of Smedvig. Our investment in Smedvig is classified as available-for-sale securities pursuant to SFAS 115. Accordingly, the fair value of our Smedvig investment is presented on the Consolidated Balance Sheet and unrealized holding gains or losses are excluded from earnings and reported in a separate component of shareholders’ equity, “Accumulated other comprehensive income (loss)”, until realized. At December 31, 2005, the fair value of our Smedvig investment totaled \$672,104,000 and our cost basis totaled \$691,804,000 resulting in an unrealized loss of \$19,700,000, which was included as a component of “Other comprehensive income (loss)”. The terms of the Company’s Smedvig share purchase agreement require that any resale of the Smedvig shares by us during the period through December 12, 2006 at a price in excess of the original purchase price (NOK basis) we paid is payable by us to the parties from whom we originally purchased such shares. Accordingly, our ability to realize a gain on resale is limited through December 12, 2006.

#### NOTE 6 – COMPREHENSIVE INCOME

We report and display comprehensive income in accordance with SFAS 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), net of deferred taxes:

	Foreign Currency Items	Unrealized (Losses) Gains on Securities	Urealized (Losses) Gains on Foreign Currency Forward Contracts	Urealized (Losses) Gains on Interest Rate Swaps	Minimum Pension Liability	Accumulated Other Comprehensive Income (Loss)
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
2005-period change	(4,148)	(18,491)	(1,397)	(2,509)	(1,346)	(27,891)
Balance at December 31, 2005	<b>\$ 371</b>	<b>\$ (20,003)</b>	<b>\$ (1,397)</b>	<b>\$ (2,509)</b>	<b>\$ (1,815)</b>	<b>\$ (25,353)</b>

#### NOTE 7 – INVESTMENTS IN 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* jackup for its 50 percent equity interest. In August 2005, in accordance with the provisions of our joint venture agreement, we acquired the remaining 50 percent equity interest in our Noble Crosco Drilling Ltd. joint venture for an exercise price of \$31,576,000, net of cash acquired. Prior to our acquisition of the remaining 50 percent equity interest in Noble Crosco Drilling, Ltd., we accounted for our investment using the equity method. Operating results from the *Panon*, renamed the *Noble Harvey Duhaney*, have been fully consolidated since the date of acquisition of the remaining 50 percent equity interest.

Balances related to joint ventures for 2005 and 2004 are reflected in the table below:

	2005	2004
Equity in income of investments (1)	\$ 3,194	\$ 3,931
Investment (2)	-	18,804

(1) Balance included in "Other, net" in the Consolidated Statements of Income. Amounts exclude management fees and interest income related to joint ventures of \$865,000 and \$1,253,000 in 2005 and 2004, respectively.

(2) Balance included in "Other Assets" in the Consolidated Balance Sheets.

## NOTE 8 – DEBT

On December 22, 2005, Noble, Noble Holding (U.S.) Corporation ("NHC") and Noble Drilling Corporation ("Noble Drilling") entered into a credit agreement (the "GS Credit Agreement") with Goldman Sachs Credit Partners L.P. ("Goldman Sachs"), pursuant to which Noble Drilling borrowed \$600,000,000 (see Note 5). Noble, NHC and Noble Drilling Holding LLC have unconditionally guaranteed the performance of Noble Drilling under the GS Credit Agreement. Each of NHC, Noble Drilling and Noble Drilling Holding LLC is a direct or indirect wholly-owned subsidiary of Noble. The GS Credit Agreement contains various affirmative and negative covenants, including maintenance of specified interest coverage and debt-to-capital ratios, restrictions on incurring additional indebtedness, and restrictions on permitting additional liens, payment of dividends, transactions with affiliates, and mergers or consolidations. The interest rate under the GS Credit Agreement, which adjusts periodically with LIBOR, was 4.77 percent at December 31, 2005. On March 2, 2006, the parties to the GS Credit Agreement amended its terms, including provisions to extend the maturity through April 1, 2007 and to provide Goldman Sachs a right of syndication under certain conditions.

For information regarding our unsecured revolving bank credit facility, see Note 9 – Bank Credit Agreement.

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 "Senior Notes"). Interest on the Senior Notes is payable on March 15 and September 15 of each year. The Senior 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 Senior Notes are senior unsecured obligations and the indenture governing the Senior 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 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.

We were in compliance with all our debt covenants at December 31, 2005.

The following table summarizes our long-term debt:

	December 31,	
	2005	2004
6.95% Senior Notes due 2009	\$ 149,965	\$ 149,954
7.50% Senior Notes due 2019	201,695	201,695
Bank Credit Agreement	135,000	100,000
GS Credit Agreement	600,000	-
Project Financing - Thompson Notes	51,637	60,000
Total Debt	1,138,297	511,649
Current Maturities	(8,972)	(8,361)
Long-term Debt	\$ 1,129,325	\$ 503,288

The fair value of our Senior Notes at December 31, 2005 was \$398,733,000, 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 Agreement (as defined in Note 9), the GS Credit Agreement and the Thompson Notes approximates their respective carrying values.

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

	2006	2007	2008	2009	2010	Thereafter	Total
6.95% Senior Notes due 2009	\$ -	\$ -	\$ -	\$ 149,965	\$ -	\$ -	\$ 149,965
7.50% Senior Notes due 2019	-	-	-	-	-	201,695	201,695
Bank Credit Agreement	-	-	-	135,000	-	-	135,000
Thompson Notes	8,972	9,630	10,335	22,700	-	-	51,637
GS Credit Agreement	-	600,000	-	-	-	-	600,000
Total	\$ 8,972	\$ 609,630	\$ 10,335	\$ 307,665	\$ -	\$ 201,695	\$ 1,138,297

## NOTE 9 – BANK CREDIT AGREEMENT

We have an unsecured revolving bank credit facility totaling \$300,000,000, including a letter of credit facility totaling \$50,000,000, through November 30, 2009 (the “Bank Credit Agreement”). Noble and NHC have unconditionally guaranteed the performance of Noble Drilling under the Bank Credit Agreement. The Bank Credit Agreement contains various affirmative and negative covenants, including restrictive covenants, including maintenance of specified interest coverage and debt-to-capital ratios, restrictions on incurring additional indebtedness, and restrictions on permitting additional liens, payment of dividends, transactions with affiliates, and mergers or consolidations. At December 31, 2005, we had borrowings and letters of credit of \$135,000,000 and \$7,072,000, respectively, outstanding under the Bank Credit Agreement, with \$157,928,000 remaining available thereunder. At December 31, 2005, we had letters of credit and third-party guarantees of \$65,014,000 and performance and customs bonds totaling \$76,575,000 supported by surety bonds outstanding in addition to amounts outstanding under the Bank Credit Agreement. The interest rate under the Bank Credit Agreement, which adjusts periodically with LIBOR, was 5.02 percent at December 31, 2005.

## NOTE 10 – 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. We reported income before income taxes from such properties of \$743,000 and \$3,246,000 in 2004 and 2003, 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.

## NOTE 11 – SHAREHOLDERS’ EQUITY

The shareholder rights plan of Noble, which was substantially similar to the previous Noble Drilling stockholder rights plan, became effective in connection with our corporate restructuring (see Note 2). The rights plan was not adopted in response to any specific takeover proposal. Under the rights plan, one right (“Right”) was attached to each of our ordinary shares. Each Right would have entitled the holder to purchase one one-hundredth of a share of Series A Junior Participating Preferred Shares, par value \$1.00 per share (“Series A Preferred Shares”), at an exercise price of \$120.00. In June 2005, Noble amended the agreement setting forth the rights plan (the “Rights Agreement”) to extend the term of the rights plan and to increase the purchase price with respect to each Right. As a result of an amendment to the Rights Agreement effective as of February 3, 2006 and the adoption by the Board of Directors of Noble of the Noble Corporation Board Policy on Shareholder Rights Plans, the Rights Agreement expired as of that date and no rights to purchase Series A Preferred Shares remain outstanding.

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.

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. During 2005, we repurchased 100,000 of our ordinary shares at an average price of \$74.09 per ordinary share for a total cost of \$7,409,000. 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. At March 1, 2006, 9,062,000 shares remained available under this authorization.

## NOTE 12 – 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 asset or 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 the net deferred taxes were as follows:

	<b>December 31, 2005</b>	December 31, 2004
Deferred tax assets:		
United States:		
Net operating loss carryforwards	<b>\$ 11,048</b>	\$ 28,295
Tax credit carryforwards	<b>23,755</b>	24,570
International:		
Excess of net tax basis over remaining book basis	<b>195</b>	-
Deferred tax assets	<b>34,998</b>	52,865
Less: Valuation allowance	<b>(11,048)</b>	(12,118)
Net deferred tax assets	<b>\$ 23,950</b>	\$ 40,747
Deferred tax liabilities:		
United States:		
Excess of net book basis over remaining tax basis	<b>\$ (251,539)</b>	\$ (246,892)
International:		
Excess of net book basis over remaining tax basis	<b>-</b>	(361)
Deferred tax liabilities	<b>\$ (251,539)</b>	\$ (247,253)
Net deferred tax liabilities	<b>\$ (227,589)</b>	\$ (206,506)

Income before income taxes consisted of the following:

	Year Ended December 31,		
	<b>2005</b>	2004	2003
United States	<b>\$ 128,060</b>	\$ (12,310)	\$ (3,996)
International	<b>236,032</b>	174,127	190,980
Total	<b>\$ 364,092</b>	\$ 161,817	\$ 186,984

The income tax provision consisted of the following:

	Year Ended December 31,		
	<b>2005</b>	2004	2003
Current - United States	<b>\$ 2,743</b>	\$ (8,403)	\$ (2,561)
Current - International	<b>28,446</b>	19,112	18,753
Deferred - United States	<b>36,786</b>	11,546	14,878
Deferred - International	<b>(579)</b>	(6,524)	(10,502)
Total	<b>\$ 67,396</b>	\$ 15,731	\$ 20,568



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

	Year Ended December 31,		
	2005	2004	2003
Statutory rate	0.0%	0.0%	0.0%
Effect of:			
U.S. tax rate which is different than the Cayman Islands rate	10.8	9.8	3.6
Internal restructuring of non-U.S. assets	1.7	-	-
International tax rates which are different than the Cayman Islands rate	7.1	10.9	7.3
Reserve for (resolution of) tax authority audits	0.7	(6.7)	-
Change in tax status of international subsidiaries	-	(2.7)	-
Release of valuation allowance	(1.5)	-	-
U.S. and international return to provision adjustments	(0.2)	(1.8)	-
Other	(0.1)	0.2	0.1
Total	18.5%	9.7%	11.0%

Certain of our subsidiaries file stand alone tax returns in the U.S. Our total U.S. net operating loss ("NOL") carryforwards at December 31, 2005 for these subsidiaries were \$31,560,000. Due to insufficient earnings history with these subsidiaries, we have fully offset the deferred tax asset attributable to the U.S. NOLs with a valuation allowance. These NOLs can be carried forward 20 years and begin to expire in 2023.

We had AMT credit carryforwards of \$14,470,000 and \$17,444,000 at December 31, 2005 and 2004, respectively. 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 \$9,285,000 at December 31, 2005. These credits can be carried forward ten years, and begin to expire in 2010. Due to contracts received by U.S.-owned rigs operating in international jurisdictions during 2005, the Company believes these foreign tax credits will be utilized in 2006. Therefore, in 2005 we reversed a valuation allowance of \$5,560,000 previously offset against these credits.

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 international jurisdictions, we do not generally expect our rig-owning subsidiaries operating internationally to incur significant deferred income tax liabilities. Therefore, deferred tax has generally not 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 2005, 2004 or 2003, and would have had no effect on our liquidity or our cash flows.

During 2005, the Company restructured certain of its foreign assets and subsidiaries in a transaction designed to consolidate our non U.S.-owned drilling units and operations. The Company's income tax provision for 2005 includes \$6,300,000 related to this asset consolidation. As a result of this restructuring, the Company's subsidiaries did not have significant undistributed earnings at December 31, 2005. Management does not intend to repatriate future undistributed earnings of its subsidiaries except for distributions upon which incremental income and withholding taxes would not be material.

#### NOTE 13 – 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 2005, we made total fundings of \$6,965,000 and \$11,967,000 to our international and domestic pension plans, respectively. In 2004, we made total fundings of \$802,000, and \$587,000 to our international and domestic pension plans, respectively. We made total fundings of \$12,040,000 and \$10,115,000 to our international and domestic pension plans in 2003, respectively. We expect fundings to our international and domestic plans in 2006 to aggregate approximately \$14,000,000.

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:

	Year Ended December 31,			
	2005		2004	
	International	Domestic	International	Domestic
Benefit obligation at beginning of year	\$ 50,256	\$ 77,207	\$ 41,542	\$ 68,945
Service cost	2,455	4,637	2,411	4,455
Interest cost	2,670	4,318	2,418	4,097
Actuarial losses	14,122	6,887	1,060	1,415
Benefits paid	(1,410)	(2,087)	(898)	(2,072)
Plan participants' contribution	205	-	216	-
Foreign exchange rate changes	(2,506)	-	3,507	-
Other	1	-	-	367
Benefit obligation at end of year	\$ 65,793	\$ 90,962	\$ 50,256	\$ 77,207

For the international plans, the increase in actuarial losses in 2005 as compared to 2004 was principally due to the increase in male life expectancy from 82 to 86 years, based on changes in mortality assumptions utilized by the Continuous Mortality Investigation Bureau in the United Kingdom. For the qualified domestic plans, the increase in actuarial losses in 2005 as compared to 2004 was principally due to the increase in male life expectancy by four months to 83 years, as determined under mortality tables prepared by the Society of Actuaries, coupled with increases in salaries.

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

	Year Ended December 31,			
	2005		2004	
	International	Domestic	International	Domestic
Fair value of plan assets at beginning of year	\$ 52,561	\$ 57,074	\$ 44,171	\$ 53,386
Actual return on plan assets	9,025	5,158	2,998	5,173
Employer contribution	6,965	11,967	802	587
Plan participants' contribution	205	-	216	-
Benefits and expenses paid	(1,410)	(2,087)	(963)	(2,072)
Foreign exchange rate changes	(4,866)	-	5,337	-
Fair value of plan assets at end of year	\$ 62,480	\$ 72,112	\$ 52,561	\$ 57,074

The funded status of the plans is as follows:

	December 31,			
	2005		2004	
	International	Domestic	International	Domestic
Funded status	\$ (3,313)	\$ (18,850)	\$ 2,305	\$ (20,133)
Unrecognized net loss	10,519	23,117	991	17,501
Unrecognized prior service cost	-	1,434	-	1,695
Unrecognized transition obligation	1,107	-	1,326	-
Net amount recognized	\$ 8,313	\$ 5,701	\$ 4,622	\$ (937)

Amounts recognized in the Consolidated Balance Sheets consist of:

	December 31,			
	2005		2004	
	International	Domestic	International	Domestic
Prepaid (accrued) pension cost	\$ 8,313	\$ 2,352	\$ 4,622	\$ (3,611)
Intangible asset	-	557	-	1,953
Accumulated other comprehensive loss	-	2,792	-	721
Net amount recognized	\$ 8,313	\$ 5,701	\$ 4,622	\$ (937)

Pension cost includes the following components:

	Year Ended December 31,					
	2005		2004		2003	
	International	Domestic	International	Domestic	International	Domestic
Service cost	\$ 2,455	\$ 4,637	\$ 2,411	\$ 4,455	\$ 1,957	\$ 3,504
Interest cost	2,670	4,318	2,418	4,097	2,015	3,486
Return on plan assets	(3,094)	(4,718)	(3,023)	(4,273)	(1,856)	(3,376)
Amortization of prior service cost	-	262	-	260	-	217
Amortization of transition obligation	159	-	168	-	530	-
Recognized net actuarial loss (gain)	13	831	(58)	900	(358)	697
Net pension expense	\$ 2,203	\$ 5,330	\$ 1,916	\$ 5,439	\$ 2,288	\$ 4,528

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

	December 31,			
	2005		2004	
	International	Domestic	International	Domestic
Projected benefit obligation	\$ 65,793	\$ 90,962	\$ 50,256	\$ 77,207
Accumulated benefit obligation	61,460	72,064	48,716	63,327
Fair value of plan assets	62,480	72,112	52,561	57,074
Increase in minimum liability included in other comprehensive income (loss)	-	2,071	-	94

The key assumptions for the plans are summarized below:

	December 31,			
	2005		2004	
	International	Domestic	International	Domestic
Weighted-average assumptions used to determine benefit obligations:				
Discount rate	4.25%-5.10%	5.50%	4.75%-5.70%	5.75%
Rate of compensation increase	3.60%-3.88%	5.00%	3.70%-3.88%	5.00%

	December 31,					
	2005		2004		2003	
	International	Domestic	International	Domestic	International	Domestic
Weighted-average assumptions used to determine net periodic benefit cost:						
Discount rate	4.75%-5.70%	5.75%	5.25%-5.50%	6.00%	5.25%-5.50%	6.50%
Expected long-term return on plan assets	4.00%-6.25%	7.75%	5.25%-6.25%	8.00%	5.25%-6.25%	8.00%
Rate of compensation increase	3.60%-3.88%	5.00%	3.50%-3.88%	5.00%	3.50%-3.88%	5.00%

The projected benefit obligation (“PBO”) for the unfunded excess benefit plan was \$12,027,000 and \$8,547,000 at December 31, 2005 and 2004, respectively, and is included under “Domestic” in the above tables.

The discount rates used to calculate the net present value of future benefit obligations for both our U.S. and international plans are based on the average of current rates earned on long-term bonds that receive a Moody’s rating of Aa or better. The third-party consultants we employ for our U.S. and international plans have determined that the timing and amount of expected cash outflows on our plans reasonably matches this index.

We employ third-party consultants for our U.S. and international plans that use a portfolio return model to assess the initial reasonableness of the expected long-term rate of return on plan assets assumption. To develop the expected long-term rate of return on assets assumption, the Company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

The following table provides information related to those plans in which the PBO exceeded the fair value of the plan assets at December 31, 2005 and 2004. The PBO is the actuarially computed present value of earned benefits based on service to date and includes the estimated effect of any salary increases.

	December 31,			
	2005		2004	
	International	Domestic	International	Domestic
Projected benefit obligation	\$ 23,674	\$ 78,339	\$ 18,640	\$ 66,239
Fair value of plan assets	18,786	57,605	12,976	43,542

The following table provides information related to those plans in which the accumulated benefit obligation (“ABO”) exceeded the fair value of plan assets at December 31, 2005 and 2004. The ABO is the actuarially computed present value of earned benefits based on service to date, but differs from the PBO in that it is based on current salary levels.

	December 31,			
	2005		2004	
	International	Domestic	International	Domestic
Accumulated benefit obligation	\$ 20,480	\$ 9,675	\$ 16,541	\$ 52,359
Fair value of plan assets	18,786	-	12,976	43,542

Our qualified pension plans covering our U.S. hourly employees and U.K. employees are excluded from the 2005 amounts in the table above because the fair value of these plans’ assets of \$115,806,000 at December 31, 2005 exceeded the ABO of \$103,369,000 at December 31, 2005.

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:

	December 31,			
	2005		2004	
	Target Allocation or Range	Actual Allocation	Actual Allocation	Assets
Asset category:				
Equity securities	65%	68%	68%	\$ 39,114
Debt securities	32%	29%	28%	15,910
Cash	3%	3%	4%	2,050
Total plan assets	100%	100%	100%	\$ 57,074

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 \$3,879,000 (5 percent of total domestic plan assets) and \$2,736,000 (5 percent of total domestic plan assets) at December 31, 2005 and 2004, respectively. Noble expects to make contributions of \$9,100,000 to its domestic plans in 2006. Estimated benefit payments from our domestic plans are \$2,224,000 for 2006, \$2,323,000 for 2007, \$2,504,000 for 2008, \$2,642,000 for 2009, \$2,845,000 for 2010 and \$19,112,000 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:	December 31,			
	2005		2004	
	Actual Allocation	Assets	Actual Allocation	Assets
Equity securities	58%	\$ 36,222	62%	\$ 32,700
Debt securities	33%	20,918	31%	16,339
Cash	9%	5,340	7%	3,446
Other	0%	-	0%	76
Total plan assets	100%	\$ 62,480	100%	\$ 52,561

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, 2005) 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 objective 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, 2005 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 make estimated contributions of \$4,900,000 to its international plans in 2006. Estimated benefit payments from our international plans are \$763,000 for 2006, \$862,000 for 2007, \$943,000 for 2008, \$941,000 for 2009, \$1,104,000 for 2010 and \$9,782,000 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, subject to certain limitations specified in the plan, receive employer matching contributions (which are made in Noble's 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 the Restoration Plan was \$16,757,000 and \$15,591,000 at December 31, 2005 and 2004, 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. 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. Subsequent to the dissolution of the grantor trusts in 2004, the Restoration Plan has no assets, and amounts "contributed" to the Restoration Plan are kept by the Company for general corporate purposes. The investments selected by employees and associated returns are tracked on a phantom basis. Accordingly, the Company has a liability to the employee for amounts originally contributed plus phantom investment income or less phantom investment losses. The Company is at risk for phantom investment income and, conversely, benefits should phantom investment losses occur.

In 2005 we enacted a profit sharing plan, the Noble Drilling Corporation Profit Sharing Plan, which covers eligible employees, as defined. Participants in the plan become fully vested in the plan after five years of service. Profit sharing contributions are discretionary, require Board of Directors approval and shall be made in the form of cash. We accrued a liability of \$1,000,000 toward contributions to this plan as of December 31, 2005.

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 \$24,946,000, \$22,193,000 and \$20,220,000 in 2005, 2004 and 2003, respectively. We do not provide post-retirement benefits (other than pensions) or any post-employment benefits to our employees.

#### **NOTE 14 – 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, and we may conduct hedging activities in future periods to mitigate such exposure. We have documented policies and procedures to monitor and control the use of derivative instruments. We do not engage in derivative transactions for speculative or trading purposes, nor are we a party to leveraged derivatives. 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 2005, we entered into forward contracts in February, March and June 2005 to purchase 30,680,000 Euros and 20,899,000 British Pounds for the months February 2005 through June 2006. The forward contracts settled in 2005 represented approximately two-thirds of our forecasted Euro and British Pound requirements for 2005 after the respective dates on which we entered into the forward contracts. The outstanding notional amounts of these forward contracts at December 31, 2005 were approximately 7,625,000 Euros and 6,755,000 British Pounds, respectively. Similarly, we entered into forward contracts in November and December 2005 to purchase 19,124,000 Euros and 4,988,000 British Pounds for the period from January 2006 through December 2006. The forward contracts settling in 2006 represent approximately 40 percent of our forecasted Euro and British Pound requirements in 2006. We entered into similar derivative instruments in 2004 to reduce our exposure to fluctuations in currency translation rates in 2004. 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 (loss) income" in our Consolidated Balance Sheet at December 31, 2004. We did not utilize any derivative financial instruments or undertake any hedging activities in 2003.

On December 22, 2005, we borrowed \$600,000,000 under the GS Credit Agreement. In order to reduce our exposure to changes in interest rates between the date of borrowing and its expected refinancing, we entered into interest rate swaps on December 19, 2005 with notional amounts totaling \$600,000,000. On January 27, 2006, we terminated these interest rate swaps at no cost to us.



All of the above foreign currency forward contracts and interest rate swaps 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*. The fair market value of those derivative instruments is included in “Other current assets” or “Other current liabilities” with the cumulative unrealized loss included in “Accumulated other comprehensive income (loss)” in our Consolidated Balance Sheet. Hedge effectiveness is measured quarterly based on the relative cumulative changes in fair value between derivative contracts and the hedge item over time. Any change in fair value resulting from ineffectiveness is recognized immediately in earnings. We did not recognize a gain or loss due to hedge ineffectiveness in our Consolidated Statements of Income during 2005 related to these derivative instruments.

The balance of the net unrealized gain or loss related to our foreign currency forward contracts and interest rate swaps included in “Accumulated other comprehensive (loss) income” and related activity for 2005, 2004 and 2003 is presented in the following table:

	2005	2004	2003
Net unrealized gain (loss) at beginning of year	\$ -	\$ -	\$ -
Activity during period:			
Net unrealized loss on outstanding foreign currency forward contracts	(1,397)	-	-
Net unrealized loss on interest rate swaps	(2,509)	-	-
Net unrealized loss at end of year	\$ (3,906)	\$ -	\$ -

## NOTE 15 – COMMITMENTS AND CONTINGENCIES

We have entered into drilling contracts with Shell E&P Offshore Services B.V. for two new F&G JU-2000E enhanced premium jackups to be constructed by China Shipbuilding & Offshore International Co., Ltd./Dalian Shipbuilding Industry Co., Ltd. (formerly named Dalian New Shipbuilding Heavy Industries Co., Ltd.) (“DSIC”). Our indirect subsidiary, Noble Drilling Holding LLC, has entered into contracts with DSIC for the construction of the two F&G JU-2000E jackups. Under the terms of the contracts, delivery of the first rig should occur in the third quarter of 2007 at an estimated total delivered price of approximately \$153,400,000 and delivery of the second rig should occur in the first quarter of 2008 at an estimated total delivered price of approximately \$156,400,000. Capital expenditures in 2005 included \$137,778,000 toward these projects.

Noble Asset Company Limited (“NACL”), a wholly-owned, indirect subsidiary of Noble, was named one of 21 parties served a Show Cause Notice (“SCN”) issued by the Commissioner of Customs (Prev.), Mumbai, India in August 2003. The SCN concerned alleged violations of Indian customs laws and regulations regarding one of our jackups. The Commissioner alleged certain violations to have occurred before, at the time of, and after NACL acquired the rig from the rig’s previous owner. 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 with the export of the rig from India in 2001, NACL posted a bank guarantee in the amount of \$3,320,000 and a customs bond in the amount of \$21,466,100, both of which remain in place. NACL filed its initial replies to the SCN in December 2003. NACL appeared through counsel before the Commissioner in September 2004 and made oral arguments and written submissions. In March 2005, the Commissioner passed an order against NACL and the other parties cited in the SCN, as anticipated, confirming his findings consistent with his allegations in the SCN and seeking (i) to invoke the bank guarantee posted on behalf of NACL as a fine, (ii) to demand duty of (a) \$16,718,000 plus interest related to a 1997 alleged import and (b) \$19,065,000 plus interest related to a 1999 alleged import, provided that the duty and interest demanded in (b) shall not be payable if the duty and interest demanded in (a) is paid by NACL, and (iii) to assess penalty (\$442,600) against NACL. NACL promptly filed a Writ Petition in the High Court, Bombay, and obtained from the court a favorable order staying the Commissioner from invoking the guarantee and confirming NACL’s right to appeal the order of the Commissioner to the Customs, Excise & Service Tax Appellate Tribunal (“CESTAT”). We continue to maintain that NACL has acted in accordance with all Indian customs laws and regulations and believe the Commissioner’s order is without merit as against NACL. NACL intends to vigorously pursue its appeal. NACL also is pursuing contractual indemnification against liability for Indian customs duty against the rig’s previous owner in arbitration proceedings in London. In August 2005, the CESTAT made an interim order staying the enforcement of the Commissioner’s order pending the outcome of NACL’s, among others, substantive appeal. The CESTAT held that, *prima facie*, (a) the Commissioner’s demands for duty were unsustainable upon limitation grounds, (b) the confiscation of the rig was not justified, and (c) the penalties imposed by the Commissioner were bad in law. 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.

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 131 named individuals alleging personal injury, including claims under the Jones Act, purportedly resulting from exposure to asbestos on drilling rigs and associated facilities during the period 1965 through 1986. Although the lawsuits continue to be in procedural stages, supplemental pleadings recently filed by plaintiffs reflect that only approximately 23 or fewer of the approximately 131 named individuals may have claims that they were employed by our subsidiary or otherwise associated with our drilling operations. 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.



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.

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. At December 31, 2005, we had approximately \$439,124,000 of outstanding purchase commitments.

At December 31, 2005, 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 \$3,571,000 for 2006, \$2,666,000 for 2007, \$2,480,000 for 2008, \$2,377,000 for 2009, \$2,346,000 for 2010, and \$5,823,000 thereafter. Rental expense for all operating leases was \$5,005,000, \$4,896,000 and \$4,038,000 for the years ended December 31, 2005, 2004 and 2003, 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 16 – PARENT GUARANTEE OF REGISTERED SECURITIES ISSUED BY SUBSIDIARY**

Noble and NHC 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, 2005 were \$149,965,000 and \$201,695,000, respectively. Noble Drilling is an indirect, wholly-owned subsidiary of Noble and a direct, wholly-owned subsidiary of NHC. Noble's and NHC's guarantee of these securities is full and unconditional.

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

NOBLE CORPORATION AND OTHER SUBSIDIARIES CONSOLIDATING BALANCE SHEET

December 31, 2005						
(In thousands)	Noble (Guarantor)	NHC (Subsidiary Guarantor)	Noble Drilling (Issuer)	Other Subsidiaries	Consolidating Adjustments	Total
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	\$ 13,957	\$ -	\$ -	\$ 107,888	\$ -	\$ 121,845
Investments in marketable securities	-	-	-	44,457	-	44,457
Accounts receivable	-	-	8,611	268,077	-	276,688
Inventories	-	-	-	3,940	-	3,940
Prepaid expenses	-	-	321	9,743	-	10,064
Accounts receivable from affiliates	273,597	-	526,351	-	(799,948)	-
Insurance receivables	-	-	-	51,565	-	51,565
Other current assets	-	-	247	42,526	(28,877)	13,896
Total current assets	287,554	-	535,530	528,196	(828,825)	522,455
<b>PROPERTY AND EQUIPMENT</b>						
Drilling equipment and facilities	-	-	99,591	4,078,506	-	4,178,097
Other	-	-	-	66,698	-	66,698
	-	-	99,591	4,145,204	-	4,244,795
Accumulated depreciation	-	-	(56,143)	(1,189,633)	-	(1,245,776)
	-	-	43,448	2,955,571	-	2,999,019
NOTES RECEIVABLE FROM AFFILIATES	511,835	-	744,159	1,220,577	(2,476,571)	-
INVESTMENTS IN AFFILIATES	1,960,241	2,242,204	2,029,863	-	(6,232,308)	-
INVESTMENTS IN MARKETABLE SECURITIES	672,104	-	-	1,535	-	673,639
OTHER ASSETS	-	-	4,404	146,850	-	151,254
	\$ 3,431,734	\$ 2,242,204	\$ 3,357,404	\$ 4,852,729	\$ (9,537,704)	\$ 4,346,367
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Current maturities of long-term debt	\$ -	\$ 21,562	\$ -	\$ 8,972	\$ (21,562)	\$ 8,972
Accounts payable	-	-	1,805	92,109	-	93,914
Accrued payroll and related costs	-	-	16,388	62,170	-	78,558
Taxes payable	-	-	-	45,245	-	45,245
Interest payable	-	-	8,718	8,237	(7,315)	9,640
Accounts payable to affiliates	-	114,696	-	685,252	(799,948)	-
Other current liabilities	-	-	146	22,860	-	23,006
Total current liabilities	-	136,258	27,057	924,845	(828,825)	259,335
LONG-TERM DEBT	-	-	1,086,661	42,664	-	1,129,325
NOTES PAYABLE TO AFFILIATES	700,000	520,577	-	1,255,994	(2,476,571)	-
DEFERRED INCOME TAXES	-	(2,700)	13,016	217,273	-	227,589
OTHER LIABILITIES	-	1,043	4,264	983	-	6,290
	700,000	655,178	1,130,998	2,441,759	(3,305,396)	1,622,539
COMMITMENTS AND CONTINGENCIES	-	-	-	-	-	-
MINORITY INTEREST	-	-	-	(7,906)	-	(7,906)
<b>SHAREHOLDERS' EQUITY</b>						
Ordinary Shares-par value \$0.10 per share	13,701	-	-	-	-	13,701
Capital in excess of par value	1,024,470	870,744	870,744	713,975	(2,455,463)	1,024,470
Retained earnings	1,736,015	716,282	1,355,662	1,730,254	(3,802,198)	1,736,015
Restricted stock (unearned compensation)	(17,099)	-	-	-	-	(17,099)
Accumulated other comprehensive loss	(25,353)	-	-	(25,353)	25,353	(25,353)
	2,731,734	1,587,026	2,226,406	2,418,876	(6,232,308)	2,731,734
	\$ 3,431,734	\$ 2,242,204	\$ 3,357,404	\$ 4,852,729	\$ (9,537,704)	\$ 4,346,367

NOBLE CORPORATION AND OTHER SUBSIDIARIES CONSOLIDATING BALANCE SHEET

December 31, 2004						
(In thousands)	Noble (Guarantor)	NHC (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	228,846	-	597,686	384,475	(785,724)	425,283
<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)	-
INVESTMENTS IN MARKETABLE SECURITIES	-	-	-	528	-	528
OTHER ASSETS	-	-	5,929	132,613	-	138,542
	<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	1,455	134,012	26,317	838,106	(785,724)	214,166
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
	<u>1,455</u>	<u>624,494</u>	<u>497,724</u>	<u>1,130,419</u>	<u>(1,322,022)</u>	<u>932,070</u>
COMMITMENTS AND CONTINGENCIES	-	-	-	(8,531)	-	(8,531)
MINORITY INTEREST	-	-	-	-	-	-
<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
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>

NOBLE CORPORATION AND OTHER SUBSIDIARIES CONSOLIDATING STATEMENT OF INCOME

(In thousands)	Year Ended December 31, 2005					
	Noble (Guarantor)	NHC (Subsidiary Guarantor)	Noble Drilling (Issuer)	Other Subsidiaries	Consolidating Adjustments	Total
OPERATING REVENUES						
Contract drilling services	\$ -	\$ -	\$ 30,927	\$ 1,178,520	\$ -	\$ 1,209,447
Reimbursables	-	-	42	86,290	-	86,332
Labor contract drilling services	-	-	-	69,203	-	69,203
Engineering, consulting and other	-	-	63	17,092	-	17,155
	-	-	31,032	1,351,105	-	1,382,137
OPERATING COSTS AND EXPENSES						
Contract drilling services	109	-	5,777	593,321	-	599,207
Reimbursables	-	-	42	76,196	-	76,238
Labor contract drilling services	-	-	-	58,698	-	58,698
Engineering, consulting and other	-	-	-	22,678	-	22,678
Depreciation and amortization	-	-	6,087	235,665	-	241,752
Selling, general and administrative	1,070	-	280	38,928	-	40,278
Hurricane losses and recoveries, net	-	-	-	(29,759)	-	(29,759)
	1,179	-	12,186	995,727	-	1,009,092
OPERATING INCOME	(1,179)	-	18,846	355,378	-	373,045
OTHER INCOME (EXPENSE)						
Equity earnings in affiliates (net of tax)	295,337	254,361	261,116	-	(810,814)	-
Interest expense	(4)	(46,650)	(29,523)	9,741	46,650	(19,786)
Other, net	2,634	-	285	54,564	(46,650)	10,833
INCOME BEFORE INCOME TAXES	296,788	207,711	250,724	419,683	(810,814)	364,092
INCOME TAX (PROVISION) BENEFIT	(92)	15,966	3,637	(86,907)	-	(67,396)
NET INCOME	\$ 296,696	\$ 223,677	\$ 254,361	\$ 332,776	\$ (810,814)	\$ 296,696

NOBLE CORPORATION AND OTHER SUBSIDIARIES CONSOLIDATING STATEMENT OF INCOME

Year Ended December 31, 2004						
(In thousands)	Noble (Guarantor)	NHC (Subsidiary Guarantor)	Noble Drilling (Issuer)	Other Subsidiaries	Consolidating Adjustments	Total
OPERATING REVENUES						
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>
OPERATING COSTS AND EXPENSES						
Contract drilling services	(334)	-	6,716	515,281	-	521,663
Reimbursables	-	-	28	44,582	-	44,610
Labor contract drilling services	-	-	-	42,610	-	42,610
Engineering, consulting and other	-	-	-	27,339	-	27,339
Depreciation and amortization	-	-	7,674	201,449	-	209,123
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>
OPERATING INCOME	(244)	-	15,012	172,404	-	187,172
OTHER INCOME (EXPENSE)						
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	<u>47,928</u>	<u>-</u>	<u>911</u>	<u>7,667</u>	<u>(47,472)</u>	<u>9,034</u>
INCOME BEFORE INCOME TAXES	148,964	75,548	118,816	173,617	(355,128)	161,817
INCOME TAX (PROVISION) BENEFIT	<u>(2,878)</u>	<u>18,341</u>	<u>4,204</u>	<u>(35,398)</u>	<u>-</u>	<u>(15,731)</u>
NET INCOME	\$ 146,086	\$ 93,889	\$ 123,020	\$ 138,219	\$ (355,128)	\$ 146,086

NOBLE CORPORATION AND OTHER SUBSIDIARIES CONSOLIDATING STATEMENT OF INCOME

(In thousands)	Year Ended December 31, 2003					
	Noble (Guarantor)	NHC (Subsidiary Guarantor)	Noble Drilling (Issuer)	Other Subsidiaries	Consolidating Adjustments	Total
OPERATING REVENUES						
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
	-	-	13,894	973,486	-	987,380
OPERATING COSTS AND EXPENSES						
Contract drilling services	(27)	1	8,638	462,109	-	470,721
Reimbursables	-	-	350	38,674	-	39,024
Labor contract drilling services	-	-	-	22,496	-	22,496
Engineering, consulting and other	-	-	(150)	28,399	-	28,249
Depreciation and amortization	-	-	5,561	177,029	-	182,590
Selling, general and administrative	300	-	1,025	25,309	-	26,634
Gain on sale of property and equipment	-	-	-	(3,472)	-	(3,472)
	273	1	15,424	750,544	-	766,242
OPERATING (LOSS) INCOME	(273)	(1)	(1,530)	222,942	-	221,138
OTHER INCOME (EXPENSE)						
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	49,166	-	4,606	5,071	(52,706)	6,137
INCOME BEFORE INCOME TAXES	169,353	115,845	156,155	211,754	(466,123)	186,984
INCOME TAX (PROVISION) BENEFIT	(2,937)	17,135	8,647	(43,413)	-	(20,568)
NET INCOME	\$ 166,416	\$ 132,980	\$ 164,802	\$ 168,341	\$ (466,123)	\$ 166,416



# NOBLE CORPORATION AND OTHER SUBSIDIARIES CONSOLIDATING STATEMENT OF CASH FLOWS

Year Ended December 31, 2005						
(In thousands)	Noble (Guarantor)	NHC (Subsidiary Guarantor)	Noble Drilling (Issuer)	Other Subsidiaries	Consolidating Adjustments	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Net income	\$ 296,696	\$ 223,677	\$ 254,361	\$ 332,776	\$ (810,814)	\$ 296,696
Adjustments to reconcile net income to net cash (used for) provided by operating activities:						
Depreciation and amortization	-	-	6,087	235,665	-	241,752
Deferred income tax provision	-	-	-	36,207	-	36,207
Loss on sales of marketable securities	-	-	-	531	-	531
Equity in income of joint venture	-	-	-	(3,194)	-	(3,194)
Distributions received from joint venture	-	-	-	2,194	-	2,194
Compensation expense from stock-based plans	7,377	-	-	-	-	7,377
Equity earnings in affiliates	(295,337)	(254,361)	(261,116)	-	810,814	-
Hurricane losses and recoveries, net	-	-	-	(29,759)	-	(29,759)
Other	-	-	(952)	3,703	-	2,751
Other changes in current assets and liabilities, net of acquired working capital:						
Accounts receivable	-	-	(1,177)	(66,917)	-	(68,094)
Accounts receivable from affiliates	(108,845)	-	66,266	-	42,579	-
Other current assets	19,918	-	979	(1,929)	-	18,968
Accounts payable	-	-	(569)	(1,826)	-	(2,395)
Accounts payable to affiliates	-	366	-	42,213	(42,579)	-
Other current liabilities	(1,455)	-	1,309	26,122	-	25,976
Net cash (used for) provided by operating activities	(81,646)	(30,318)	65,188	575,786	-	529,010
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Acquisitions and related capital upgrades	-	-	-	(212,050)	-	(212,050)
Other capital expenditures	-	-	(42)	(221,764)	-	(221,806)
Major maintenance expenditures	-	-	(146)	(79,517)	-	(79,663)
Repayments from affiliates	-	-	-	19,682	(19,682)	-
Loans to affiliates	-	-	(700,000)	(50,000)	750,000	-
Proceeds from sales of property and equipment	-	-	-	1,129	-	1,129
Purchase of remaining 50% interest in the <i>Panon</i> , net of cash acquired	-	-	-	(31,576)	-	(31,576)
Investment in Smedvig	(691,100)	-	-	-	-	(691,100)
Investment in marketable securities	-	-	-	(24,973)	-	(24,973)
Proceeds from sales of marketable securities	23,600	-	-	89,028	-	112,628
Net cash used for investing activities	(667,500)	-	(700,188)	(510,041)	730,318	(1,147,411)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Borrowing on credit facilities	-	-	700,000	-	-	700,000
Borrowing from affiliates	700,000	50,000	-	-	(750,000)	-
Payments on credit facilities	-	-	(65,000)	-	-	(65,000)
Payment of other long-term debt	-	(19,682)	-	(8,517)	19,682	(8,517)
Proceeds from issuance of ordinary shares	76,037	-	-	-	-	76,037
Payments of dividends	(13,655)	-	-	-	-	(13,655)
Repurchase of ordinary shares	(7,409)	-	-	-	-	(7,409)
Net cash provided by (used for) financing activities	754,973	30,318	635,000	(8,517)	(730,318)	681,456
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	5,827	-	-	57,228	-	63,055
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	8,130	-	-	50,660	-	58,790
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 13,957	\$ -	\$ -	\$ 107,888	\$ -	\$ 121,845

NOBLE CORPORATION AND OTHER SUBSIDIARIES CONSOLIDATING STATEMENT OF CASH FLOWS

Year Ended December 31, 2004						
(In thousands)	Noble (Guarantor)	NHC (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	-	-	7,674	201,449	-	209,123
Deferred income tax provision	-	-	-	5,022	-	5,022
Loss on sales of marketable securities	-	-	-	129	-	129
Equity in income of joint venture	-	-	-	(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)
Other 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)	-	21,674	-	124,785	-
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	-	67,982	(124,785)	-
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)
Major 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 venture	-	-	-	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)
NET INCREASE (DECREASE) 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

# NOBLE CORPORATION AND OTHER SUBSIDIARIES CONSOLIDATING STATEMENT OF CASH FLOWS

Year Ended December 31, 2003						
(In thousands)	Noble (Guarantor)	NHC (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	-	-	5,561	177,029	-	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	-	-	40,940	-	(40,940)	-
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	-	(65,679)	40,940	-
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)
Major 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>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	24,674	-	-	(24,916)	-	(242)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	9,317	-	-	53,492	-	62,809
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 33,991	\$ -	\$ -	\$ 28,576	\$ -	\$ 62,567

## NOTE 17 – HURRICANE LOSSES AND RECOVERIES

Certain of our rigs operating in the U.S. Gulf of Mexico sustained damage in 2005 as a result of Hurricanes Katrina and Rita. During 2005, we recorded a \$20,000,000 charge, net of insurance recoveries, for the non-reimbursable portion of these damages and \$49,759,000 in loss of hire insurance proceeds that we expect to recover from our insurance underwriters for our Noble EVA-4000™ semisubmersibles (the *Noble Jim Thompson*, *Noble Max Smith*, *Noble Paul Romano* and *Noble Amos Runner*) that suffered downtime attributable to these events. Our loss of hire coverage commenced at the respective dates of occurrence of Hurricanes Katrina and Rita, and losses covered thereunder, combined with physical damage losses, are subject to a \$10,000,000 retention for each insurable event. Our loss of hire coverage continues through the respective dates the units return on contract subject to a 360-day limit per unit. These financial impacts are presented in “Hurricane losses and recoveries, net” as a component of “Operating Costs and Expenses” in our Consolidated Statements of Income.

## NOTE 18 – 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 and India. 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, 2005, 2004 and 2003 is shown in the following table. 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
<hr/> 2005					
Revenues from external customers	\$ 980,294	\$ 292,888	\$ 21,927	\$ 87,028	\$ 1,382,137
Depreciation and amortization	190,043	48,116	365	3,228	241,752
Interest expense	10,811	6,533	157	2,285	19,786
Equity in income of joint venture	3,194	-	-	-	3,194
Income tax provision	38,105	27,239	393	1,659	67,396
Segment profit (loss)	215,589	81,717	(8,935)	8,325	296,696
Total assets	2,300,768	1,151,158	29,253	865,188	4,346,367
Capital expenditures	152,127	59,686	355	253,605	465,773
<hr/> 2004					
Revenues from external customers	\$ 720,412	\$ 255,027	\$ 21,492	\$ 69,300	\$ 1,066,231
Depreciation and amortization	156,472	48,547	589	3,515	209,123
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
<hr/> 2003					
Revenues from external customers	\$ 663,321	\$ 262,378	\$ 23,545	\$ 38,136	\$ 987,380
Depreciation and amortization	128,853	49,521	610	3,606	182,590
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

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,		
	2005	2004	2003	2005	2004	2003
United States	\$ 314,813	\$ 265,767	\$ 283,097	\$ 1,138,237	\$ 1,483,844	\$ 1,528,333
Bahrain	20	5,502	8,110	-	-	-
Brazil	132,115	105,405	138,623	470,295	456,079	427,375
Canada	29,294	26,741	24,755	11,463	11,479	10,116
China	-	-	-	237,678	84,225	78,660
Croatia	13,385	12,809	-	31,115	28,141	35,307
Denmark	22,203	21,213	22,359	42,733	41,980	44,498
Germany	8,610	4,377	7,257	16,430	9,440	1,569
India	36,635	38,396	14,318	97,935	87,443	99,211
Mexico	159,413	150,030	129,473	196,498	167,766	172,471
Nigeria	185,327	81,357	61,218	348,150	136,609	130,891
Norway (1)	-	-	-	672,104	-	-
Qatar	136,599	78,556	48,853	514,841	213,788	127,203
The Netherlands	93,690	99,125	100,984	134,796	134,958	148,503
United Arab Emirates	97,922	83,366	72,216	222,846	290,670	219,246
United Kingdom	151,991	91,783	74,955	170,818	151,310	150,434
Other	120	1,804	1,162	40,428	10,241	15,816
Total International	1,067,324	800,464	704,283	3,208,130	1,824,129	1,661,300
Total	\$ 1,382,137	\$ 1,066,231	\$ 987,380	\$ 4,346,367	\$ 3,307,973	\$ 3,189,633

(1) Norway consists of the December 2005 investment in shares of Smedvig. Smedvig is a Norwegian company whose shares are traded on the Oslo Stock Exchange under the ticker symbol SME and SMEB.

## NOTE 19 – SUBSEQUENT EVENTS

By an Offer Document dated March 2, 2006, SeaDrill commenced a mandatory offer for the Class A shares and Class B shares of Smedvig not already owned by SeaDrill pursuant to the applicable requirements of Norwegian law (the “Mandatory Offer”). SeaDrill also commenced a tender offer for any and all outstanding Class A shares and Class B shares of Smedvig held by residents of the United States. The terms and conditions of the Mandatory Offer are applicable to the Smedvig shares held by the Company. The price offered by SeaDrill is NOK 205 per Class A share and NOK 165 per Class B share. The acceptance period under the Mandatory Offer extends through March 31, 2006. The terms of the Company’s Smedvig share purchase agreement limit the ability of the Company to realize a gain should the Company determine to accept the Mandatory Offer (see Note 5). The Company’s gain or loss cannot be determined until expiration of the Mandatory Offer acceptance period or the date of other disposition by the Company of its Smedvig shares because of the movement of the NOK currency exchange rate vis-à-vis the U.S. Dollar.

For information on the expiration of the Company’s shareholder rights plan effective as of February 3, 2006, see Note 11.



**NOTE 20 – UNAUDITED INTERIM FINANCIAL DATA**

Unaudited interim consolidated financial information for the years ended December 31, 2005 and 2004 is as follows:

	Quarter Ended			
	March 31	June 30	Sept. 30	Dec. 31
<b>2005</b>				
Operating revenues	\$ 310,325	\$ 344,008	\$ 367,205	\$ 360,599
Operating income	58,125	91,718	94,579	128,623
Net income	45,530	73,310	76,523	101,333
Net income per share (1):				
Basic	0.34	0.54	0.56	0.74
Diluted	0.33	0.53	0.55	0.73
<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 (1):				
Basic	0.21	0.26	0.23	0.39
Diluted	0.21	0.26	0.23	0.39

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

## CONTROLS AND PROCEDURES

### **Evaluation of Disclosure Controls and Procedures**

Noble's Chairman of the Board and Chief Executive Officer, James C. Day, and Noble's Senior Vice President and Chief Financial Officer, Bruce W. Busmire, 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. Busmire have concluded that the Company's disclosure controls and procedures are effective as of December 31, 2005. 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 U.S. Securities and Exchange Commission is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms and is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

### **Changes in Internal Control over Financial Reporting**

There was no change in the Company's internal control over financial reporting that occurred during the year ended December 31, 2005 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 U.S. 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, 2005.

PricewaterhouseCoopers LLP, the independent registered public accounting firm that audited the Company's financial statements included in this annual report on Form 10-K, has audited management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2005 and the effectiveness of internal control over financial reporting as of December 31, 2005 as stated in their report which is provided in this annual report on Form 10-K.

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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 62 MOBILE OFFSHORE DRILLING UNITS. ADDITIONALLY, THE COMPANY PROVIDES TECHNOLOGICALLY ADVANCED DRILLING-RELATED PRODUCTS AND SERVICES DESIGNED TO CREATE VALUE FOR OUR CUSTOMERS, AS WELL AS SITE AND PROJECT MANAGEMENT SERVICES AND ENGINEERING SERVICES. THE COMPANY IS GEOGRAPHICALLY BALANCED WITH WORLDWIDE OPERATIONS IN THE U.S., CANADA, MEXICO, BRAZIL, THE NORTH SEA, WEST AFRICA, THE MIDDLE EAST AND INDIA.



We are pleased to welcome Julie H. Edwards to the Noble Corporation Board of Directors, effective February 3, 2006. Ms. Edwards is a well-regarded financial executive in the energy industry.

James C. Day

BOARD OF DIRECTORS



MICHAEL A. CAWLEY <sup>2,3,4</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>3</sup>

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



JAMES C. DAY

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



JULIE H. EDWARDS <sup>1,3,4</sup>

Senior Vice President and Chief Financial Officer – Southern Union Company. Director since 2006.



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

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



JACK E. LITTLE <sup>1,3,4,5</sup>

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



MARY P. RICCIARDELLO <sup>1,3,4</sup>

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



WILLIAM A. SEARS <sup>2,3,4</sup>

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

<sup>1</sup> Audit Committee • <sup>2</sup> Compensation Committee • <sup>3</sup> Finance Committee • <sup>4</sup> Nominating and Corporate Governance Committee • <sup>5</sup> Lead Director

DIRECTORS EMERITUS

JOHN F. SNODGRASS- Snodgrass Interests

TOMMY C. CRAIGHEAD-T.C Craighead & Company

CORPORATE OFFICERS

JAMES C. DAY

Chairman and Chief Executive Officer

MARK A. JACKSON

President and Chief Operating Officer

JULIE J. ROBERTSON

Executive Vice President and Corporate Secretary

BRUCE W. BUSMIRE

Senior Vice President and Chief Financial Officer

ROBERT D. CAMPBELL

Senior Vice President and General Counsel

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 27, 2006, 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 2005 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 J. Robertson  
Executive 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 on the website, you will find:

- our code of business conduct
- 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 Corporation 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.

Corporate Governance Certifications

The Company’s Chief Executive Officer has submitted to the New York Stock Exchange (NYSE) a certification certifying that he is not aware of any violation by the Company of the NYSE’s corporate governance listings standards. In addition, the Company has included as exhibits to its 2005 Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission certifications of the Company’s Chief Executive Officer and Chief Financial Officer certifying the quality of the Company’s public disclosure.