NOBLE

"Timeless values...

Noble Drilling Corporation • *2001 Annual Report*

DRILL

Strategic growth.”

Integrity

With all of the current headlines regarding improprieties by boards of directors, auditors and management, I thought it was critical that I share a basic philosophy of this Company. Obviously there is much finger pointing and ample numbers of opinions on how the events at Enron occurred and who was responsible. Unfortunately, answers to those questions will not come quickly or easily. Further, as observers cast about for other targets, it is clear that there are many opportunities to point fingers at accounting or financing practices that, while acceptable on Wall Street or by the accounting profession, may be morally or ethically unacceptable. In the rush to judgment, the business community at large is being castigated without a thorough analysis of each individual company's practices.

While being criticized by the financial community from time-to-time for being too conservative, Noble Drilling Corporation has followed and will continue to follow a moral and ethical path. While our focus is to achieve the highest return on capital possible, we will not sacrifice financial prudence to achieve that end. Integrity has to be a key paradigm of any successful company. Our Company's approach to finances, accounting practices, relationships with accountants, the board's dedication to their fiduciary responsibility and management's adherence to the highest ethical standards is part and parcel of our heritage.

This is a commitment of management and the board of directors to our shareholders, our suppliers, our customers and the community at large.

James C. Day

Financial Highlights

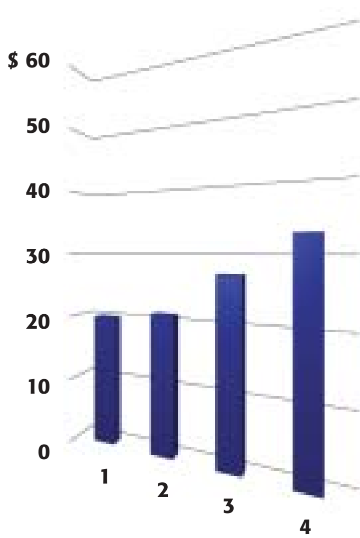
(In thousands, except per share amounts and ratios)	Year Ended December 31,		
	2001	2000	1999
Operating revenues	**$1,002,329**	$ 882,600	$ 705,903
Operating income (1)	**384,287**	268,624	149,961
Income before income taxes and extraordinary charge (1)	**349,992**	226,307	125,486
Net income (1)	**262,922**	165,554	84,469
Per common share - diluted:			
Income before extraordinary charge	**1.97**	1.22	0.72
Net income	**1.96**	1.22	0.64
Net cash provided by operating activities	**451,046**	330,736	277,443
Capital expenditures	**133,776**	125,199	421,679
At year end:			
Total assets	**2,750,740**	2,595,531	2,432,324
Property and equipment, net	**2,149,217**	2,095,129	2,049,769
Long-term debt	**550,131**	650,291	730,893
Total debt	**605,561**	699,642	790,353
Shareholders' equity	**1,778,319**	1,576,719	1,398,042
Book value per common share	**13.47**	11.80	10.60
Current ratio	**2.38**	1.85	1.25

(1) 1999 results include a non-recurring charge relating to early retirements and office consolidations.

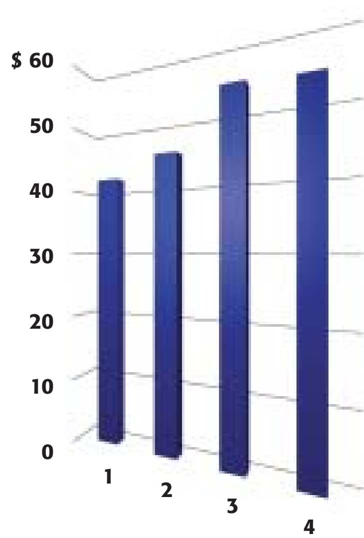
Stock Information

High price per share of common stock by quarter

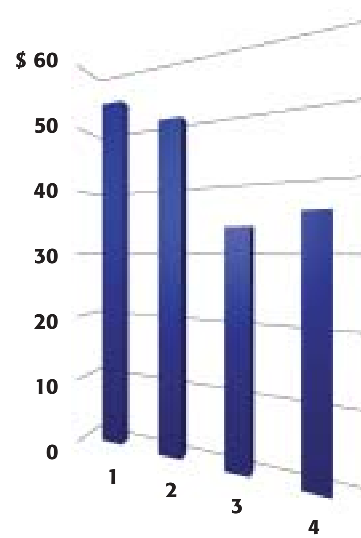
1999



2000



2001

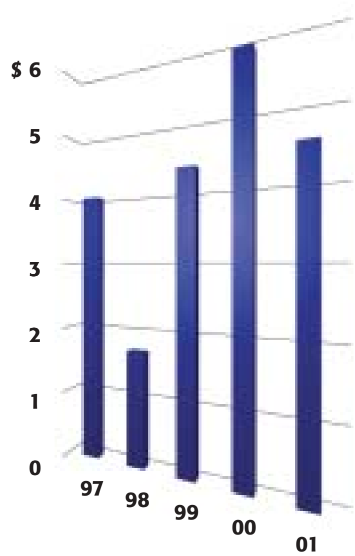


I am frequently asked how Noble Drilling continues to achieve results operationally, technically and financially that are far superior to others in our sector. My response is consistent: "Hire, train and retain bright motivated personnel and remain focused on core strategies." Clearly, those responses are not unique; however, our financial results year-on-year indicate we truly are "unique" in the services sector.

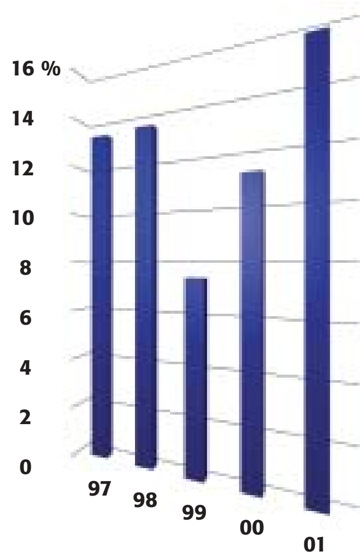
A recent analysis by UBS Warburg, written by analysts James H. Stone and David Wright, indicated that the Company achieved a 17.4% return on capital employed, while the average of our group was 8.9%. Our commitment to excellence in all layers of the organization has and will serve us well. In 2001 we achieved the highest operating revenues ever for the Company at $1,002,329,000 compared to $882,600,000 for the year 2000, an increase of 14%. Net income per share was $1.96 for the year as compared to the previous year of $1.22, an increase of 61%, and net cash provided by operating activities was $451,046,000 compared to $330,736,000 for 2000, an increase of 36%. The various highlights for the year from safety to operations are as follows:

• Our winning ways continued with safety results year-on-year improving in both the lost time incidents and recordable incidents. We were recognized for those achievements during the year with the North Sea division receiving a clean sweep in

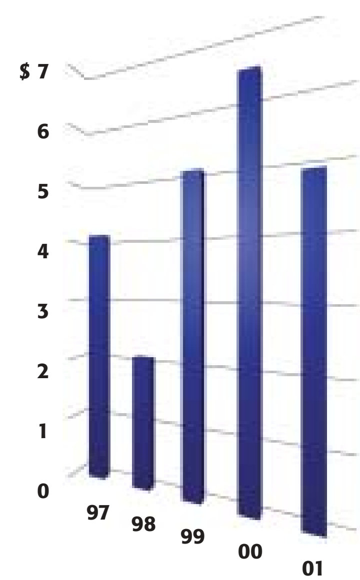
Market Cap at Year-End
(in billions)



Return on Equity Before Extraordinary and Nonrecurring Items



Enterprise Value
(in billions)

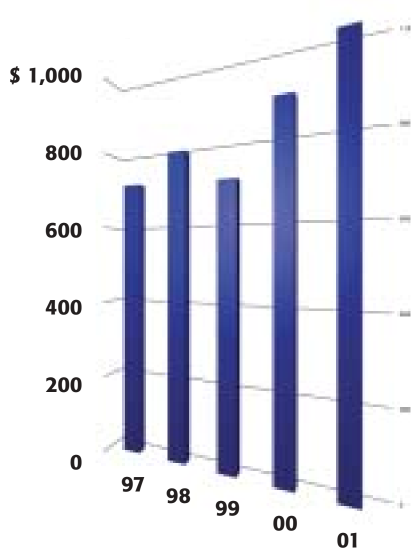


the Safety Awards Program by the IADC, being recognized as having the best safety operations for semisubmersibles, platform operations and jackups. I might add we were the only drilling contractor ever to achieve such results. Further, we had 17 rigs that achieved three years of operations without a lost time incident. They are the *Noble Leonard Jones, Noble Paul Romano, Noble Byron Welliver, Noble Charles Copeland, Noble Jimmy Puckett, Noble Eddie Paul, Noble Piet van Ede, Noble Ed Noble, Noble Lloyd Noble, Noble Sam Noble, Noble Lewis Dugger, Noble Dick Favor, Noble Chuck Syring, Noble Ed Holt, Noble Johnnie Hoffman, Noble Max Smith,* and the *Noble Kenneth Delaney.*

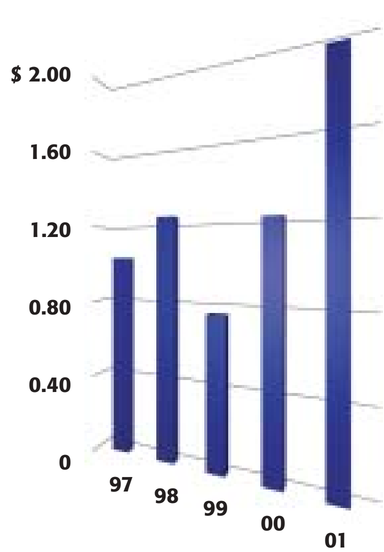
• Four shipyard projects were completed during the year, including the upgrade of the *Noble Charles Copeland,* which resulted in a contract with Arco Qatar Inc (BP), and the Noble Crosco *Panon* underwent a major conversion, with the unit going to location with Elf Petroleum Qatar in the Middle East.

• Engineering efforts were being concluded at year-end on the Super EVA™, our proprietary design, harsh environment, deepwater semisubmersible. This unit will be built when we conclude an agreement with a key customer. We believe that unique design provides a very cost competitive construction process.

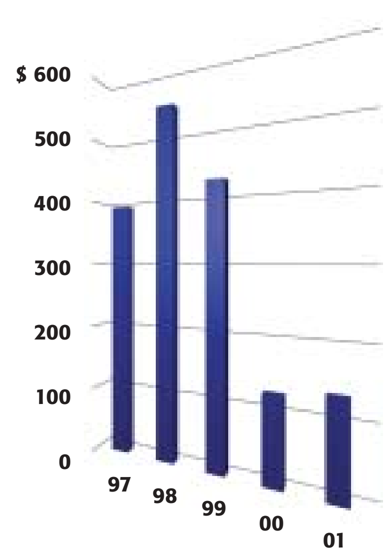
Revenues
(in millions)



E.P.S. Before Extraordinary and Nonrecurring Items *(diluted)*



Capital Expenditures
(in millions)



While the year started out with a bang, it closed on a weak note with product pricing for both natural gas and oil down substantially. Year-on-year from December 31, 2000 to December 31, 2001 natural gas fell 74% and oil (WTI) fell 26%. Certainly, this does not bode well for 2002, but the Company is structured to continue to achieve excellent returns even in a difficult market. Unlike others in the sector, our balance sheet remains in excellent shape as reflected by our A- investment grade rating from Standard & Poor's. Our cash position remains strong and at year-end stood at $246,075,000, and we are continuing with the steel work on the *Noble Clyde Boudreaux*, a Friede and Goldman 9500 series semisubmersible designed to be moored in 10,000 feet of water. This preliminary work on the hull is being undertaken while shipyard activity is at a low level. We would speed up the conversion process as soon as a commitment is received from a client for the unit and could be available for work in the third quarter of 2003. Further, a sister rig, the *Noble Dave Beard* is available for a similar conversion.

While I know 2002 will provide some unanticipated surprises, Noble Drilling is prepared to respond and firmly believes that it is positioned to continue its leadership role in the sector. That would not be possible without outstanding personnel at all levels of the organization. Those efforts will continue to translate into superior returns and safety performance for the Company.

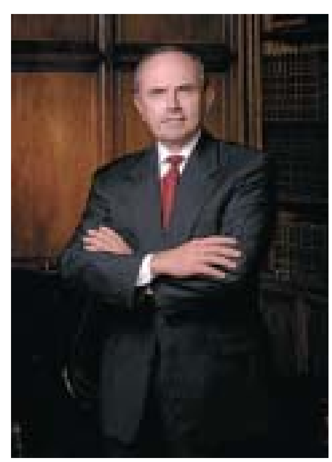
Finally, on behalf of the Noble Team, I want to thank our many shareholders for their support.

Best regards,

James C. Day

James C. Day

Chairman and Chief Executive Officer



“Timeless

2001 was the best year in our history by many different measurements. In addition to record safety results, we also reported records in net income, return on capital and revenues. Some, with limited knowledge of our industry and, more specifically, our company, would say this was due to favorable market conditions during most of 2001. However, the foundation for setting new records is not established overnight, but, instead, through the consistent use of timeless values and strategic growth objectives, such as those set forth in the “Letter to Shareholders” in Noble’s 1985 Annual Report, its first as a public company.

Financial

2001 financial results included increases of 59 percent in net income and 14 percent in revenues, year on year. Net income for 2001 was $262.9 million, or $1.96 per diluted share, on operating revenues of $1,002.3 million.

Noble’s financial discipline in a highly volatile industry has been proven successful over the years. We view our balance sheet as an asset of the company, and our conservative financial management of this resource provides a competitive advantage.

In the third quarter of 2001, Noble purchased and retired over $43 million of its 7.50% Senior Notes due 2019. Additionally, with pullbacks in share price over the course of the year, we opportunistically repurchased over 2.28 million of our shares, and ended the year with fewer shares outstanding than at the beginning.

Operations

Noble’s world class fleet of 49 offshore drilling units located in key markets worldwide is well balanced both geographically and financially. In 2001, our revenues were evenly divided between our domestic and international operations.

s Values..

In August the remaining ownership interest in the *Noble Julie Robertson* was acquired by Noble and the unit is currently under contract in the North Sea. The rig will be outfitted with leg extensions to 526 feet at a future date.

In the Middle East region, the upgrade of the Noble Crosco *Panon* was successfully completed and the rig commenced work in May in the Arabian Gulf under a contract with Elf Petroleum Qatar. A new area of operation within the region was established with two jackup rigs, the *Noble Kenneth Delaney* and the *Noble George McLeod,* commencing contracts with the National Drilling Company of Abu Dhabi in May and June, respectively.

In January, the *Noble Dick Favor* was mobilized from Venezuela to Brazil and commenced work for Petroleo Brasiliero S.A. (Petrobras) under a one-year contract. The *Noble Lewis Dugger* was mobilized from the Gulf of Mexico to the Bay of Campeche for a contract with Pemex.

Noble Executive Officers include
(seated left to right)
- *Julie J. Robertson, Senior Vice President - Administration and Corporate Secretary*
- *Mark A. Jackson, Senior Vice President - Finance and Chief Financial Officer*
- *Danny W. Adkins, Senior Vice President - Operations*

(standing left to right)
- *Robert D. Campbell, President*
- *James C. Day, Chairman and Chief Executive Officer*

People

The safety of our personnel is a core value at Noble. Our improvement in safety performance continued in 2001, reporting a .30 lost time incident (LTI) rate for worldwide operations. We continue to make significant progress in this critical area and will build on our successes.

Noble's Safety Leadership Workshop, phases II and III, continued worldwide during 2001 for all supervisory and non-supervisory rig-based personnel, with over 1,400 employees participating in the three-day course. Phase IV of the program will be introduced in all divisions during 2002.

The Noble Roustabout Training School was started in August 2001. All newly hired field employees complete a two week training session at the school before commencing work duty on an offshore rig. Upon completion of the program, each employee understands Noble's safety and environmental expectations and has 33 certificates certifying completion

Noble Engineering & Development, Triton and Maurer Technology work closely together to develop new technology that will further enhance drilling operations.
Team members include, left to right,
- *Charles H. (Buddy) King, Vice President - NED*
- *Roger Lewis, Vice President - NED*
- *William J. McDonald, Vice President - Maurer*
- *Glen D. Hale, President - Triton*

..Strategi

Operations, marketing and engineering team members, include (left to right)

- *Bill Rose, Vice President - Eastern Hemisphere Operations and Engineering*
- *Hans Deul, Director of Subsea and Drilling Systems*
- *Kurt Hoffman, Vice President - Western Hemisphere Operations*
- *Jitendra Prasad, Vice President - Technical Engineering*
- *Ed Hare, Vice President - Marketing*
- *Dave Beard, Vice President - Project Engineering*

of training in 15 separate areas, all involving jobs required of a roustabout.

The safety of our employees is our highest responsibility, and the events of September 2001 caused us to rededicate ourselves to their overall security. Global risk management consultants were engaged to assess the effectiveness of our security measures and procedures of our international worksites and for travel of personnel around the world. Although no one can control random acts of terror, our employees, and their families, know that their safety and security continues to be our top priority.

Our ability to meet and exceed our customers' performance expectations is dependent upon the expertise, experience and dedication of our people. At Noble, our employees are our greatest asset.

c growth"

NOBLE DRILLING

Environmental

Noble's focus on stewardship of the environment is unparalleled in the drilling industry. An Environmental Steering Committee, established in 2000, oversees and coordinates the environmental initiatives across Noble's fleet of rigs.

In 2001, the European Division achieved a milestone by obtaining the International Standards Organization environmental certification (ISO 14001) of all nine mobile offshore drilling units in the division.

In the Gulf of Mexico we are installing waste segregation compactors on each rig for collection of recyclable material and have developed and implemented a three-phase water management program to standardize the handling and disposal of hazardous and universal waste.

Across the fleet, we upgraded our rig engines by installing environmentally friendly fuel injection systems designed to reduce emissions while increasing fuel efficiency.

Noble has worked hard over time to earn its reputation as a responsible corporate citizen, and we will continue working with our customers and suppliers to safeguard people and the environment.

Technology

As the energy industry addresses long-term production volume and demand growth, our customers will require more sophisticated equipment and drilling technology.

In 2001 we continued to expand our initiatives to develop technological applications for the drilling industry. Noble Engineering & Development (NED), formed in 1997, focuses on developing technological drilling products and solutions to enhance drilling efficiency. In February 2001, our new subsidiary, Maurer Technology Incorporated (MTI), acquired the assets of Maurer Engineering Incorporated, an engineering firm that has been involved in the energy industry since 1974. MTI commenced a Joint Industry Project in 2001 to provide a solution for dual gradient drilling in deepwater. Also in 2001, NED and MTI, together with Anadarko Petroleum Corporation, were awarded a contract from the U.S. Department of Energy for the recovery of gas hydrates in Alaska. Additionally, in conjunction with Compaq Computer Corporation, MTI introduced the Driller's Toolkit for Pocket PC™, a hand-held computer which provides drilling engineers with critical drilling software and engineering calculations.

NED introduced the Noble Drill Smart System™ (NDSS) in Canada and the results have successfully demonstrated the system's ability to increase the drilling rate of penetration, thereby reducing drilling costs to the operator. In 2002, we will expand implementation of NDSS and Noble DrillGraph™ in Noble's international operations.

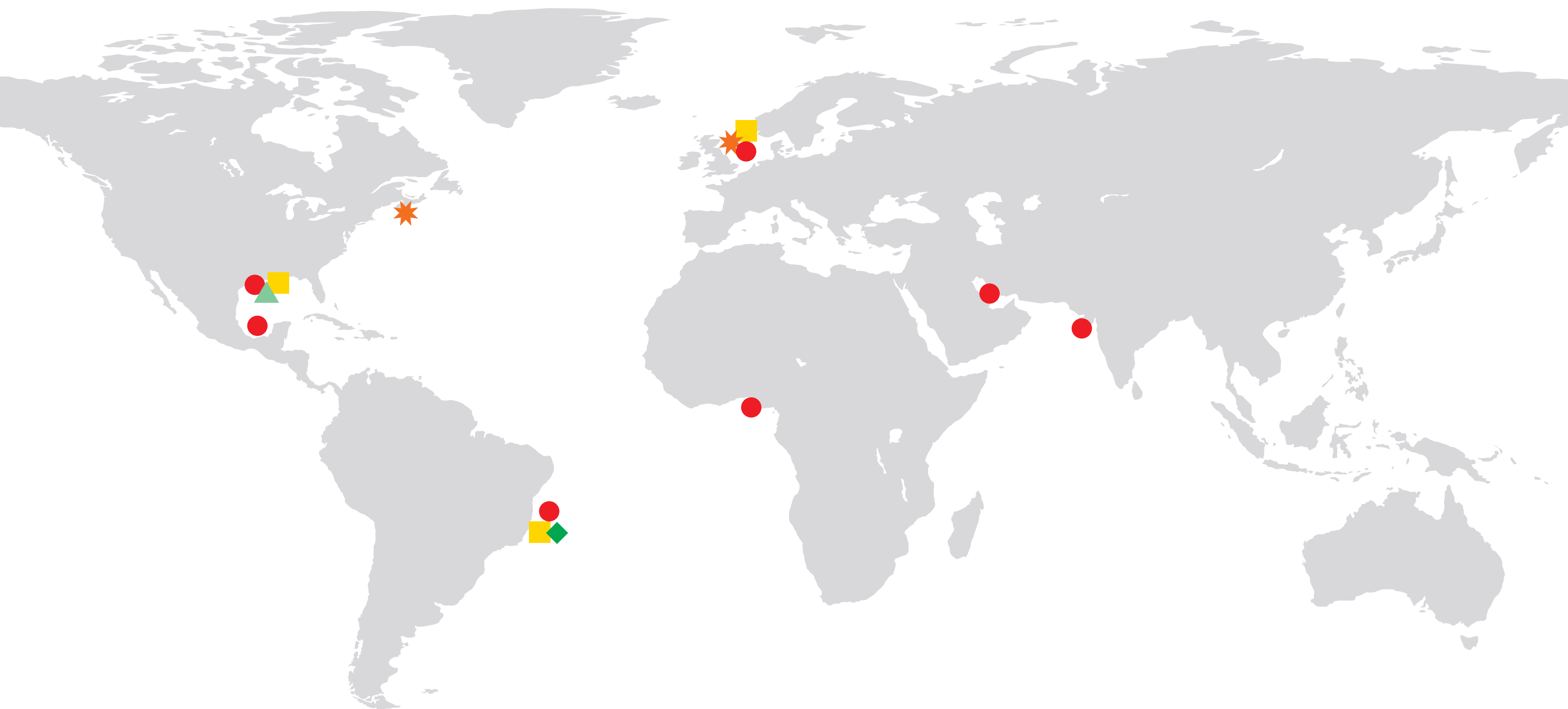
In conjunction with deployment of the NDSS, NED also successfully field-tested the prototype Noble OptiDrill™. This tool couples rig floor automation with Noble's proven systems to enhance drilling performance.

In early 2002, NED will begin field testing Noble's SmartRig™ concept for a large independent oil and gas operator in Canada and its event recognition algorithms will be enhanced. This system, which includes kick detection and stuck pipe and pack-off prevention, is designed to reduce the risk of expensive drilling problems that can drive up the cost of a well to our customer.

Our subsidiary, Triton, continues to offer project management and drilling engineering and well site services to the energy industry. Additionally, this talented group of engineers is involved with NED and MTI in developing new technologies that will provide solutions to meet the evolving needs of our customers.

Our goal is to develop and grow our capabilities through technologically-advanced products and services such that these lines of business complement our core contract drilling business. These initiatives will continue to differentiate Noble's operational performance and provide a platform to enhance shareholder value by investment in less capital intensive and higher margin technologies.

Financial projections are reviewed by
- *John T. Rynd, Vice President - Investor Relations,*
- *Timothy S. Thomasson, Vice President - Tax and Controller,*
- *Steven A. Manz, Vice President - Strategic Planning and*
- *Mark L. Mey, Vice President and Treasurer.*



- Semisubmersibles
- Dynamically Positioned Drillships
- Independent Leg Cantilevered Jackups
- Submersibles
- Platforms

NOBLE RIGS

Chairman's Award

Established in 2001, the Chairman's Award is presented annually to one rig from each hemisphere of operations that achieves a level of health, safety and environmental excellence that stands out among the fleet. The award recipients exemplify the Noble culture in the outstanding manner in which they conduct their daily operations and their emphasis on safety. The 2001 recipients of the Chairman's Award are the *Noble Ed Noble* (Eastern Hemisphere) and the *Noble Max Smith* (Western Hemisphere).

As of December 31, 2001, the *Noble Ed Noble* crew had worked more than 1,700 days without a lost time incident (LTI) and the *Noble Max Smith* crew had worked more than 2,200 days without an LTI.

The First Runner-Up and Honorable Mention recipients in each hemisphere were, respectively, the *Noble Byron Welliver* and *Noble Chuck Syring* (Eastern Hemisphere) and the *Noble Dick Favor* and *Noble Sam Noble* (Western Hemisphere).

Noble Ed Noble

Noble Max Smith

Market For Registrant's Common Equity and Related Stockholder Matters

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

	High	Low
2001		
First quarter	$ 54.00	$ 37.25
Second quarter	50.01	30.87
Third quarter	33.75	20.80
Fourth quarter	35.62	22.85
2000		
First quarter	$ 41.75	$ 27.81
Second quarter	44.94	32.94
Third quarter	53.50	38.00
Fourth quarter	53.00	27.25

We have not paid any cash dividends on the Common Stock since becoming a publicly held corporation in October 1985, and do not anticipate paying dividends on the Common Stock at any time in the foreseeable future.

At December 31, 2001, there were 1,765 record holders of Common Stock.

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. Important factors that could cause actual results to differ materially from our expectations include, but are not limited to, volatility in crude oil and natural gas prices, 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, potential deterioration in the demand for our drilling services and resulting declining dayrates, changes in our customers' drilling programs or budgets due to factors discussed herein or due to their own internal corporate events, the 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 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, political and economic conditions in the United States and in international markets where we operate, acts of war or terrorism and the aftermath of the September 11, 2001 terrorist attacks on the United States, cost overruns or delays on shipyard repair, maintenance, conversion or upgrade projects, adverse weather (such as hurricanes) and seas, operational risks (such as blowouts and fires), limitations on our insurance coverage, and requirements and potential liability imposed by governmental regulation of the drilling industry (including environmental regulation). 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,				
	2001	2000	1999	1998	1997
Statement of Income Data					
Operating revenues	**$1,002,329**	$ 882,600	$ 705,903	$ 788,241	$ 713,195
Income before extraordinary charge (1)(2)	**263,910**	165,554	95,302	162,032	263,882
Net income (1)(2)(3)	**262,922**	165,554	84,469	162,032	257,197
Per common share: (1)					
Income before extraordinary charge:					
Basic	**$ 1.99**	$ 1.24	$ 0.72	$ 1.24	$ 2.00
Diluted	**1.97**	1.22	0.72	1.23	1.98
Net income: (3)					
Basic	**$ 1.98**	$ 1.24	$ 0.64	$ 1.24	$ 1.95
Diluted	**1.96**	1.22	0.64	1.23	1.93
Balance Sheet Data (at end of period)					
Property and equipment, net	**$2,149,217**	$2,095,129	$2,049,769	$1,649,133	$1,182,927
Total assets	**2,750,740**	2,595,531	2,432,324	2,178,632	1,505,811
Long-term debt	**550,131**	650,291	730,893	460,842	138,139
Total debt (4)	**605,561**	699,642	790,353	609,628	147,837
Shareholders' equity	**1,778,319**	1,576,719	1,398,042	1,310,473	1,149,054
Other Data					
Net cash provided by operating activities	**$ 451,046**	$ 330,736	$ 277,443	$ 263,081	$ 203,741
Capital expenditures	**133,776**	125,199	421,679	540,571	391,065

(1) The 1997 amount includes a non-recurring gain on the sale of property and equipment, net of tax, of $128,489,000 ($0.97 per basic share and $0.96 per diluted share).

(2) The 1999 amount includes a non-recurring restructuring charge of $4,861,000, net of tax, related to early retirement packages offered to a number of domestic employees and the relocation of our Lafayette, Louisiana office to Sugar Land, Texas.

(3) The amounts include net extraordinary charges of $988,000 ($0.01 per basic and diluted share), $10,833,000 ($0.08 per basic and diluted share) and $6,685,000 ($0.05 per basic and diluted share) in 2001, 1999 and 1997, respectively.

(4) Consists of long-term debt ($550,131,000 at December 31, 2001), short-term debt and current maturities of long-term debt ($55,430,000 at December 31, 2001). The December 31, 2001 amount includes $58,647,000 principal amount of fixed rate senior secured notes issued by an indirect, wholly-owned subsidiary of Noble Drilling, which notes are non-recourse except to the issuer thereof.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion is intended to assist you in understanding our financial position as of December 31, 2001 and 2000, and our results of operations for each of the three years in the period ended December 31, 2001. You should read the accompanying consolidated financial statements and their notes in conjunction with this discussion.

BUSINESS ENVIRONMENT

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.

Although oil and natural gas prices were strong during the first half of 2001, natural gas prices were much lower during the second half of 2001. Due to the weakening of natural gas prices, demand for offshore drilling rigs in the U.S. Gulf of Mexico softened, and as a result, rig utilization rates and dayrates began to decrease in the latter part of the third quarter of 2001. The lower natural gas prices were caused by cooler than normal summer weather, warmer than expected fall and winter weather, weaker than expected industrial demand and a stronger than expected supply of natural gas, which contributed to a build-up in natural gas inventory storage levels. We believe that a continuation of this supply and demand imbalance could keep natural gas prices at depressed levels and further weaken demand for offshore drilling rigs in the U.S. Gulf of Mexico. However, drilling activity in many international markets, which are influenced more by oil prices, improved in 2001 as reflected by higher utilization rates and dayrates. Oil companies continue to work through the effects of industry consolidation, which has inhibited capital spending on exploration and development. We expect that further consolidation among our customer base would dampen drilling activity levels near-term. We cannot predict the future level of demand for our drilling services or future conditions in the offshore contract drilling industry.

In recent years, we have focused on increasing the number of rigs in our fleet capable of deepwater offshore drilling. We have incorporated this focus into our broader, long-standing business strategy to actively expand our international and offshore deepwater capabilities through acquisitions, rig upgrades and modifications and to deploy assets in important geological areas.

RESULTS OF OPERATIONS

2001 Compared to 2000

General

Net income for 2001 was $262,922,000, or $1.96 per diluted share, on operating revenues of $1,002,329,000, compared to net income of $165,554,000, or $1.22 per diluted share, on operating revenues of $882,600,000 for 2000.

Results for 2001 included an extraordinary charge of $988,000, net of taxes of $532,000, related to the purchase and retirement of $43,305,000 principal amount of our 7.50% Senior Notes due 2019.

Rig Utilization, Operating Days and Average Dayrate

The following table sets forth the average rig utilization rates, operating days and average dayrate for our offshore fleet for 2001 and 2000:

	Average Rig Utilization Rates (1)		Operating Days		Average Dayrate	
	2001	2000	**2001**	2000	**2001**	2000
Offshore						
International	**90%**	81%	**8,718**	8,133	**$ 56,879**	$ 45,810
Domestic	**90%**	91%	**6,035**	5,705	**74,578**	67,101

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

International Operations

The following table sets forth the operating revenues and gross margin (operating revenues less direct operating expenses) for our international operations for 2001 and 2000:

(In thousands)	Revenues		Gross Margin	
	2001	2000	**2001**	2000
Contract drilling services	**$ 495,870**	$ 372,572	**$ 229,097**	$ 141,552
Labor contract drilling services	**31,292**	29,480	**5,547**	6,095
Engineering, consulting and other	**11,876**	6,601	**4,385**	4,623
Total	**$ 539,038**	$ 408,653	**$ 239,029**	$ 152,270

Operating Revenues. International contract drilling services revenues increased $123,298,000 due to higher average dayrates and rig utilization in West Africa, the North Sea and the Middle East, partially offset by the expiration of contracts in Venezuela. Labor contract drilling services revenues increased $1,812,000 due to escalation clauses on our labor contract for the Hibernia project in Canada, partially offset by the expiration of a North Sea labor contract. International engineering, consulting and other revenues increased $5,275,000 due to an engineering services contract in the North Sea which began during the fourth quarter of 2000.

Gross Margin. International contract drilling services gross margin increased $87,545,000 due to higher average dayrates and rig utilization in West Africa, the North Sea and the Middle East. Labor contract drilling services gross margin decreased $548,000 due to the expiration of a North Sea labor contract, partially offset by escalation clauses on our labor contract for the Hibernia project in Canada. Despite higher revenues, international engineering, consulting and other gross margin decreased $238,000. This was due to the fact that we stopped charging management fees to Noble Rochford Drilling Ltd. once we acquired the entire interest in the joint venture in the third quarter of 2001.

Domestic Operations

The following table sets forth the operating revenues and gross margin (operating revenues less direct operating expenses) for our domestic operations for 2001 and 2000:

(In thousands)	Revenues		Gross Margin	
	2001	2000	**2001**	2000
Contract drilling services	**$ 450,079**	$ 382,814	**$ 285,088**	$ 247,239
Turnkey drilling services	**-**	82,047	**-**	2,495
Engineering, consulting and other	**13,212**	9,086	**3,042**	1,190
Total	**$ 463,291**	$ 473,947	**$ 288,130**	$ 250,924

Operating Revenues. Domestic contract drilling services revenues increased $67,265,000 due to higher average dayrates and increased operating days on our jackup rigs. The higher operating statistics on our domestic jackup rigs reflected improved market conditions in the Gulf of Mexico for most of 2001. There was no turnkey drilling activity in 2001 as our Triton Engineering subsidiary (“Triton”) revised its business model during the fourth quarter of 2000 to focus on well site management, project management and technical services. Domestic engineering, consulting and other revenues increased $4,126,000 due to additional revenues from our Noble Engineering & Development Limited (“NED”) and Maurer Technology Incorporated (“Maurer”) subsidiaries.

Gross Margin. Domestic contract drilling services gross margin increased $37,849,000 due to higher average dayrates and increased operating days on our jackup rigs. There was no turnkey drilling activity in 2001 due to Triton’s revised business model. Domestic engineering, consulting and other gross margin increased $1,852,000 due to contributions from NED and Maurer.

Other Items

Depreciation and Amortization Expense. Depreciation and amortization expense increased $7,788,000 due to various capital upgrades to our rig fleet.

Selling, General and Administrative Expenses. Selling, general and administrative ("SG&A") expenses increased $514,000 due to higher labor costs.

Interest Expense. Interest expense decreased $6,826,000 due to lower average debt balances in 2001.

Income Tax Provision. Income tax provision increased $25,329,000 due to higher pretax earnings, partially offset by a lower effective tax rate. The effective tax rate was 25 percent in 2001 compared to 27 percent in 2000.

2000 Compared to 1999

General

Net income for 2000 was $165,554,000, or $1.22 per diluted share, on operating revenues of $882,600,000, compared to net income of $84,469,000, or $0.64 per diluted share, on operating revenues of $705,903,000 for 1999. Excluding the effects of extraordinary and non-recurring items, net income for 1999 was $100,163,000, or $0.76 per diluted share. The results for 1999 included an extraordinary charge of $10,833,000, net of taxes of $5,833,000, related to the purchase and retirement of $125,000,000 principal amount of our 9 1/8% Senior Notes due 2006 in March 1999. The results for 1999 also included a restructuring charge of $4,861,000, net of taxes of $2,618,000, related to early retirement packages accepted by a number of employees and the relocation of our Gulf Coast Marine division office in Lafayette, Louisiana to our centralized office in Sugar Land, Texas, which was completed during 2000.

Rig Utilization, Operating Days and Average Dayrate

The following table sets forth the average rig utilization rates, operating days and average dayrate for our offshore fleet for 2000 and 1999:

	Average Rig Utilization Rates (1)		Operating Days		Average Dayrate	
	2000	1999	2000	1999	2000	1999
Offshore						
International	81%	74%	8,133	7,709	$ 45,810	$ 56,545
Domestic	91%	70%	5,705	3,318	67,101	45,031

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

International Operations

The following table sets forth the operating revenues and gross margin (operating revenues less direct operating expenses) for our international operations for 2000 and 1999:

(In thousands)	Revenues		Gross Margin	
	2000	1999	2000	1999
Contract drilling services	$ 372,572	$ 435,909	$ 141,552	$ 192,600
Labor contract drilling services	29,480	35,639	6,095	4,228
Engineering, consulting and other	6,601	4,751	4,623	3,863
Total	$ 408,653	$ 476,299	$ 152,270	$ 200,691

Operating Revenues. International contract drilling revenues decreased $63,337,000 due primarily to lower average dayrates, especially in the North Sea, and fewer operating days in Venezuela in 2000. This decrease was partially offset by the operations of the *Noble Paul Wolff*, a Noble EVA-4000™ semisubmersible that began operating in Brazil in May 1999, and higher rig utilization in West Africa in 2000. Labor contract drilling services revenues decreased $6,159,000 due to contract expirations in the North Sea which were not renewed, coupled with reduced drilling and workover activities by our customers.

Gross Margin. International contract drilling services gross margin decreased $51,048,000 due primarily to lower average dayrates. Labor contract drilling services gross margin increased $1,867,000 due to the expiration of lower margin labor contracts in the North Sea, and labor-related cost savings during 2000.

Domestic Operations

The following table sets forth the operating revenues and gross margin (operating revenues less direct operating expenses) for our domestic operations for 2000 and 1999:

(In thousands)	Revenues		Gross Margin	
	2000	1999	2000	1999
Contract drilling services	$ 382,814	$ 149,412	$ 247,239	$ 69,166
Turnkey drilling services	82,047	79,223	2,495	680
Engineering, consulting and other	9,086	969	1,190	136
Total	$ 473,947	$ 229,604	$ 250,924	$ 69,982

Operating Revenues. Domestic contract drilling services revenues increased $233,402,000 due to increased operating days, higher average rig utilization rates and a higher average dayrate in 2000. The increased operating days and higher average dayrate were attributable to improved market conditions for Gulf of Mexico jackup rigs and the delivery of three domestic Noble EVA-4000™ semisubmersibles at various times during 1999 and the *Noble Homer Ferrington* semisubmersible in March 2000, which were operating at dayrates that were above our average domestic dayrate. The *Noble Jim Thompson*, *Noble Amos Runner* and *Noble Max Smith*, Noble EVA-4000™ semisubmersibles, were activated in June 1999, August 1999 and December 1999, respectively. Although there were fewer turnkey wells completed in 2000, domestic turnkey drilling services revenues increased $2,824,000 due to the completion of a well in 2000 with significantly higher revenue than the average turnkey well completion. There were 20 domestic turnkey well completions in 2000 compared to 26 well completions in 1999. Engineering, consulting and other revenues increased $8,117,000 due primarily to a project management engagement conducted by Triton in 2000.

Gross Margin. Domestic contract drilling services gross margin increased $178,073,000 due to increased operating days, higher average rig utilization rates and a higher average dayrate in 2000. Domestic turnkey drilling services gross margin increased $1,815,000 due primarily to the completion of a well in 2000 with a significantly higher gross margin than the average turnkey well completion. Also, turnkey drilling services gross margin in 1999 was negatively impacted by Triton having under contract from a third party certain drilling rigs with above market dayrates. These above market contracts expired during 1999. Due to lower margins and the higher risk associated with turnkey drilling operations, Triton revised its business model during 2000 to focus on well site management, project management and technical services.

Other Items

Depreciation and Amortization Expense. Depreciation and amortization expense increased $21,806,000 due primarily to the activation of four Noble EVA-4000™ semisubmersibles during 1999 and the *Noble Homer Ferrington* semisubmersible in March 2000.

Selling, General and Administrative Expenses. SG&A expenses decreased $469,000 due to lower stock-based compensation costs in 2000, mostly offset by additional professional fees and non-stock-based compensation costs. For information on stock-based compensation costs, see Note 9 to our accompanying consolidated financial statements.

Interest Expense. Interest expense increased $21,428,000 due to lower capitalized interest costs on the completion of the four Noble EVA-4000™ conversion projects during 1999 and the *Noble Homer Ferrington* upgrade during March 2000. Capitalized interest costs related to construction in progress on qualifying upgrade projects were $1,872,000 and $22,393,000 in 2000 and 1999, respectively.

Income Tax Provision. Income tax provision increased $30,569,000 due to higher pretax earnings.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our principal capital resource in 2001 was net cash provided by operating activities of $451,046,000, compared to $330,736,000 and $277,443,000 in 2000 and 1999, respectively. At December 31, 2001, we had cash and cash equivalents of $236,709,000 and approximately $173,065,000 of funds available under our bank credit facility. We had working capital, including cash, of $286,500,000 and $173,704,000 at December 31, 2001 and 2000, respectively. Total debt as a percentage of total debt plus shareholders' equity was 25 percent at December 31, 2001, as compared to 31 percent at December 31, 2000.

We repurchased 2,282,000 shares of Noble Drilling Common Stock at a total cost of $76,197,000 during 2001. Additional repurchases, if any, may be made on the open market or in private transactions at prices determined by us. During 2001, we also sold 650,000 put options on Noble Drilling Common Stock at an average price of $2.41 per option. The options give the holder the right to require us to repurchase our Common Stock at various exercise prices, ranging from $19.90 to $27.64 per share, on their respective expiration dates in February, March and May 2002. We have the option to settle in cash or net shares of Noble Drilling Common Stock. All 650,000 options were outstanding at December 31, 2001. In January 2002, we sold an additional 300,000 put options on Noble Drilling Common Stock at an average price of $2.54 per option. These put options, which have the same characteristics as those sold during 2001, have exercise prices ranging from $26.24 to $26.99 per share and expire in July 2002.

These share repurchases and put options were effected pursuant to a 5,000,000 share authorization granted by the board of directors of Noble Drilling in April 2000. Giving effect to such transactions, as of January 30, 2002, only 354,000 shares were available and unreserved out of such authorization. On January 31, 2002, the board of directors of Noble Drilling authorized the repurchase of an additional 10,000,000 shares of Common Stock (or approximately 7.6 percent of the outstanding shares).

Capital Expenditures

Capital expenditures totaled $133,776,000 and $125,199,000 for 2001 and 2000, respectively. In addition, during 2001 our joint venture fundings and deferred repair and maintenance expenditures totaled $17,896,000 and $33,507,000, respectively. We expect that our capital expenditures and deferred repair and maintenance expenditures for 2002 will aggregate approximately $200,000,000 and $40,000,000, respectively. We expect no joint venture fundings for 2002. For information on deferred repair and maintenance expenditures and joint venture fundings, see Notes 1 and 5 of our accompanying consolidated financial statements.

We have entered into agreements with various vendors to purchase or construct property and equipment that generally have long lead times for delivery in connection with several projects. If we do not proceed with any particular project, we may either seek to cancel outstanding purchase commitments related to that project or complete the purchase of the property and equipment. 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. If we cancel any of the purchase commitments, the amounts ultimately paid by us, if any, would be subject to negotiation. As of December 31, 2001, we had approximately $75,000,000 of outstanding purchase commitments related to these projects, which are included in the projected 2002 capital expenditure and deferred repair and maintenance amounts above.

Certain projects currently under consideration could require, if they materialize, capital expenditures or other cash requirements not included in the 2002 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.

Credit Facilities and Long-Term Debt

In May 2001, we terminated our bank credit facility totaling $200,000,000 and we entered into a new unsecured revolving bank credit facility totaling $200,000,000 (the "Credit Agreement"). The term of the Credit Agreement extends through May 30, 2006. As of December 31, 2001, we had outstanding letters of credit of $26,935,000 and no outstanding borrowings under the Credit Agreement, with $173,065,000 remaining available thereunder. Additionally, as of December 31, 2001, we had letters of credit and third-party corporate guarantees totaling $15,300,000, of which $3,300,000 is supported by a restricted cash deposit, and $7,502,000 of bid and performance bonds had been supported by surety bonds.

At December 31, 2001, total long-term debt had decreased to $605,561,000, including current maturities of $55,430,000, due to debt payments of $94,092,000 during 2001, including the purchase and retirement of $43,305,000 principal amount of our 7.50% Senior Notes due 2019 in July 2001. At December 31, 2001 and 2000, we had no off-balance sheet debt. For additional information on long-term debt, see Note 6 to our accompanying consolidated financial statements.

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

PROPOSED CORPORATE RESTRUCTURING

On January 31, 2002, our board of directors approved a corporate restructuring subject to stockholder approval and adoption. If this restructuring is approved by our stockholders at our upcoming 2002 annual meeting of stockholders, a wholly-owned, Cayman Islands subsidiary of Noble Drilling, Noble Corporation, will become the publicly traded parent company of the Noble corporate group. We believe that the restructuring will position us to realize a variety of potential business, financial and strategic benefits. Specifically, we believe the restructuring will promote our flexibility to reduce our worldwide effective corporate tax rate, allow us to restructure our business to increase operational efficiencies, provide a corporate structure that is generally more favorable for expansion of our current businesses, and provide the opportunity for us to attract a wider range of investors.

We will soon enter into an Agreement and Plan of Merger in which, following a number of steps, Noble Corporation will become the parent holding company of Noble Drilling and all other companies in the Noble corporate group. After completion of the restructuring, Noble Corporation and the Noble corporate group will continue to conduct the businesses we now conduct. In the restructuring, each share of Common Stock, par value $.10 per share ("Common Stock"), of Noble Drilling will automatically be converted into an ordinary share of Noble Corporation. The ordinary shares of Noble Corporation will trade on the New York Stock Exchange under the symbol "NE", the same symbol under which Noble Drilling's Common Stock is currently listed and traded. The proposed restructuring is subject to certain conditions to closing, including stockholder approval. Stockholders will be provided a proxy statement/prospectus containing the information regarding the proposed restructuring prior to the 2002 annual meeting.

SIGNIFICANT ACCOUNTING POLICIES

Our consolidated financial statements are impacted by the accounting policies used and the estimates and assumptions made by management during their preparation. Significant accounting policies and estimates that most impact our consolidated financial statements are those that relate to our property and equipment balances and revenue recognition.

Property and equipment is stated at cost, reduced by provisions to recognize economic impairment in value when management determines that such impairment has occurred. Major replacements and improvements are capitalized. Included in costs of drilling equipment and facilities is an allocation of interest incurred during the period that rigs are under construction or major refurbishment. 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. Repair and maintenance costs are generally charged to expense as incurred; however, overhauls related to large-scale maintenance projects are deferred when incurred and amortized into contract drilling expense over a 36-month period. Drilling equipment and facilities are depreciated using the straight-line method over the estimated useful lives as of the in-service date or date of major refurbishment. Estimated useful lives of our drilling equipment and facilities range from two to twenty-five years. Other property and equipment is depreciated using the straight-line method over useful lives ranging from two to twenty years.

We evaluate the realizability of our long-lived assets, including property and equipment, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss 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. There were no impairment losses during the years ended December 31, 2001, 2000 and 1999.

Revenues generated from our dayrate-basis drilling contracts, labor contracts, and engineering services and project management engagements are recognized as services are performed. We may receive lump-sum fees for the mobilization of equipment and personnel. The net of mobilization fees received and costs incurred to mobilize an offshore rig from one market to another is 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.

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

ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("SFAS 133"). SFAS 133 requires that, upon adoption, all derivative instruments (including certain derivative instruments embedded in other contracts) be recognized in the balance sheet at fair value, and that changes in such fair values be recognized in earnings unless specific hedging criteria are met. Changes in the values of derivatives that meet these hedging criteria will ultimately offset related earnings effects of the hedged items; effects of certain changes in fair value are recorded in Other Comprehensive Income pending recognition in earnings. SFAS 133, as amended, is effective for fiscal years beginning after June 15, 2000. As of January 1, 2001, we adopted SFAS 133. The adoption did not have a material effect on our consolidated results of operations, cash flows or financial position.

In July 2001, the FASB issued SFAS No. 141, *Business Combinations* ("SFAS 141"), and SFAS No. 142, *Goodwill and Other Intangible Assets* ("SFAS 142"). SFAS 141 requires that all business combinations initiated after June 30, 2001 be accounted for using the purchase method of accounting. As we had no business combinations in process upon this statement becoming effective, adoption of SFAS 141 did not have an impact on our consolidated results of operations, cash flows or financial position. SFAS 142 requires that goodwill and other intangible assets no longer be amortized, but rather tested for impairment at least annually. SFAS 142 is effective for fiscal years beginning after December 15, 2001. Our adoption of SFAS 142 on January 1, 2002 did not have a material impact on our consolidated results of operations, cash flows or financial position.

In October 2001, the FASB issued SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* ("SFAS 144"). SFAS 144 supersedes SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of* ("SFAS 121") and the accounting and reporting provisions of Accounting Principles Board Opinion No. 30, *Reporting the Results of Operations – Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions,* for the disposal of a segment of a business (as defined in that Opinion). SFAS 144 retains the fundamental provisions of SFAS 121 concerning the recognition and measurement of the impairment of long-lived assets to be held and used and the measurement of long-lived assets to be disposed of by sale but provides additional guidance with regard to discontinued operations and assets to be disposed of. Furthermore, SFAS 144 excludes goodwill from its scope and, therefore, eliminates the requirement under SFAS 121 to allocate goodwill to long-lived assets to be tested for impairment. SFAS 144 is effective for fiscal years beginning after December 15, 2001. Our adoption of SFAS 144 on January 1, 2002 did not have a material impact on our consolidated results of operations, cash flows or financial position.

Report of Independent Accountants

To the Board of Directors and Shareholders of Noble Drilling Corporation:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of cash flows, of shareholders' equity and of comprehensive income present fairly, in all material respects, the financial position of Noble Drilling Corporation and its subsidiaries (the "Company") at December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001 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 auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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.

PricewaterhouseCoopers LLP

Houston, Texas
January 31, 2002

Consolidated Balance Sheets

(In thousands)	December 31, 2001	2000
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**$ 236,709**	$ 173,235
Restricted cash	**9,366**	3,889
Investment in marketable securities	**41,597**	-
Accounts receivable	**169,008**	175,394
Inventories	**3,626**	3,870
Prepaid expenses	**5,314**	13,241
Other current assets	**28,429**	9,503
Total current assets	**494,049**	379,132
PROPERTY AND EQUIPMENT		
Drilling equipment and facilities	**2,739,574**	2,567,079
Other	**30,964**	31,372
	2,770,538	2,598,451
Accumulated depreciation	**(621,321)**	(503,322)
	2,149,217	2,095,129
INVESTMENTS IN AND ADVANCES TO JOINT VENTURES	**24,918**	44,991
OTHER ASSETS	**82,556**	76,279
	$2,750,740	$2,595,531
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	**$ 55,430**	$ 49,351
Accounts payable	**46,996**	56,394
Accrued payroll and related costs	**39,775**	39,582
Taxes payable	**35,136**	36,420
Interest payable	**10,444**	10,409
Other current liabilities	**19,768**	13,272
Total current liabilities	**207,549**	205,428
LONG-TERM DEBT	**550,131**	650,291
DEFERRED INCOME TAXES	**202,646**	149,084
OTHER LIABILITIES	**17,029**	17,746
COMMITMENTS AND CONTINGENCIES (Note 12)	**-**	-
MINORITY INTEREST	**(4,934)**	(3,737)
	972,421	1,018,812
SHAREHOLDERS' EQUITY		
Common Stock-par value $0.10 per share; 200,000 shares authorized; 138,175 issued and 132,015 outstanding in 2001; 137,437 issued and 133,591 outstanding in 2000	**13,818**	13,744
Capital in excess of par value	**1,041,017**	1,019,615
Retained earnings	**930,969**	668,047
Treasury stock, at cost	**(177,408)**	(104,894)
Restricted stock (unearned compensation)	**(18,340)**	(15,670)
Accumulated other comprehensive loss	**(11,737)**	(4,123)
	1,778,319	1,576,719
	$2,750,740	$2,595,531

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Income

(In thousands, except per share amounts)	Year Ended December 31,		
	2001	2000	1999
OPERATING REVENUES			
Contract drilling services	**$ 945,949**	$ 755,386	$ 585,321
Labor contract drilling services	**31,292**	29,480	35,639
Turnkey drilling services	**-**	82,047	79,223
Engineering, consulting and other	**25,088**	15,687	5,720
	1,002,329	882,600	705,903
OPERATING COSTS AND EXPENSES			
Contract drilling services	**431,764**	366,595	323,555
Labor contract drilling services	**25,745**	23,385	31,411
Turnkey drilling services	**-**	79,552	78,543
Engineering, consulting and other	**17,661**	9,874	1,721
Depreciation and amortization	**118,575**	110,787	88,981
Selling, general and administrative	**24,297**	23,783	24,252
Restructuring charge	**-**	-	7,479
	618,042	613,976	555,942
OPERATING INCOME	**384,287**	268,624	149,961
OTHER INCOME (EXPENSE)			
Interest expense	**(47,752)**	(54,578)	(33,150)
Other, net	**13,457**	12,261	8,675
INCOME BEFORE INCOME TAXES AND EXTRAORDINARY CHARGE	**349,992**	226,307	125,486
INCOME TAX PROVISION	**(86,082)**	(60,753)	(30,184)
INCOME BEFORE EXTRAORDINARY CHARGE	**263,910**	165,554	95,302
EXTRAORDINARY CHARGE, NET OF TAX	**(988)**	-	(10,833)
NET INCOME	**$ 262,922**	$ 165,554	$ 84,469
NET INCOME PER SHARE-BASIC:			
Income before extraordinary charge	**$ 1.99**	$ 1.24	$ 0.72
Extraordinary charge	**(.01)**	-	(0.08)
Net income	**$ 1.98**	$ 1.24	$ 0.64
NET INCOME PER SHARE-DILUTED:			
Income before extraordinary charge	**$ 1.97**	$ 1.22	$ 0.72
Extraordinary charge	**(.01)**	-	(0.08)
Net income	**$ 1.96**	$ 1.22	$ 0.64

 See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

(In thousands)	Year Ended December 31,		
	2001	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	**$ 262,922**	$ 165,554	$ 84,469
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**118,575**	110,787	88,981
Deferred income tax provision	**56,062**	93,893	21,108
Deferred repair and maintenance amortization	**22,927**	19,009	19,278
Gain on sales of property and equipment	**(806)**	(1,513)	-
Gain on sales of marketable securities	**(8)**	(423)	-
Extraordinary charge, net of tax	**988**	-	10,833
Equity in loss of joint ventures	**1,153**	3,910	691
Compensation expense from stock-based plans	**4,110**	2,139	2,309
Restructuring charge, non-cash portion	**-**	-	4,802
Other	**2,241**	2,265	5,359
Changes in current assets and liabilities, net of acquired working capital:			
Accounts receivable	**7,781**	(58,121)	28,995
Other current assets	**(12,202)**	5,364	28,285
Accounts payable	**(22,195)**	(4,201)	(29,514)
Other current liabilities	**9,498**	(7,927)	11,847
Net cash provided by operating activities	**451,046**	330,736	277,443
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	**(133,776)**	(125,199)	(421,679)
Proceeds from sales of property and equipment	**887**	2,142	1,041
Investment in and advances to joint ventures	**(17,896)**	(48,118)	(490)
Deferred repair and maintenance expenditures	**(33,507)**	(20,439)	(25,461)
Investment in marketable securities	**(43,068)**	(18,860)	(4,931)
Proceeds from sales of marketable securities	**7,747**	19,283	-
Acquisition of Maurer Engineering Incorporated	**(6,090)**	-	-
Net cash used for investing activities	**(225,703)**	(191,191)	(451,520)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of long-term debt	**(95,137)**	(91,272)	(206,950)
Proceeds from issuance of common stock, net	**13,374**	42,604	4,250
Proceeds from sales of put options on common stock	**1,568**	-	-
Purchase of shares returned to treasury	**(76,197)**	(50,590)	-
(Increase) decrease in restricted cash	**(5,477)**	121	1,861
Proceeds from issuance of long-term debt	**-**	-	396,731
Net payments on revolving credit facility	**-**	-	(100,000)
Net cash (used for) provided by financing activities	**(161,869)**	(99,137)	95,892
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**63,474**	40,408	(78,185)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**173,235**	132,827	211,012
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 236,709**	$ 173,235	$ 132,827

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Shareholders' Equity

(In thousands)

	2001		2000		1999	
	Shares	Amount	Shares	Amount	Shares	Amount
COMMON STOCK						
Balance at beginning of year	**137,437**	**$ 13,744**	134,716	$ 13,472	133,761	$ 13,376
Exercise stock options	**660**	**66**	2,575	257	868	87
Other	**78**	**8**	146	15	87	9
Balance at end of year	**138,175**	**13,818**	137,437	13,744	134,716	13,472
CAPITAL IN EXCESS OF PAR VALUE						
Balance at beginning of year		**1,019,615**		960,803		943,122
Exercise stock options		**16,991**		55,740		15,712
Contribution of treasury stock to restricted stock plan		**-**		-		(2,364)
Restricted shares returned to treasury		**681**		(763)		381
Sales of put options on common stock		**1,568**		-		-
Other		**2,162**		3,835		3,952
Balance at end of year		**1,041,017**		1,019,615		960,803
RETAINED EARNINGS						
Balance at beginning of year		**668,047**		502,493		418,024
Net income		**262,922**		165,554		84,469
Balance at end of year		**930,969**		668,047		502,493
TREASURY STOCK						
Balance at beginning of year	**(3,846)**	**(104,894)**	(2,834)	(65,072)	(2,660)	(61,771)
Contribution to restricted stock plan	**216**	**6,533**	253	10,869	457	10,537
Restricted stock plan shares returned	**(215)**	**(2,893)**	(49)	(1,341)	(16)	(414)
Repurchase common stock	**(2,282)**	**(76,197)**	(1,414)	(50,590)	-	-
Exercise stock options	**-**	**-**	-	-	(524)	(12,560)
Shares in restoration plan	**(45)**	**(1,735)**				
Other	**12**	**1,778**	198	1,240	(91)	(864)
Balance at end of year	**(6,160)**	**(177,408)**	(3,846)	(104,894)	(2,834)	(65,072)
RESTRICTED STOCK (UNEARNED COMPENSATION)						
Balance at beginning of year		**(15,670)**		(6,778)		-
Issuance of restricted shares		**(6,533)**		(10,436)		(8,173)
Compensation expense recognized		**4,110**		1,544		1,395
Other		**(247)**		-		-
Balance at end of year		**(18,340)**		(15,670)		(6,778)
ACCUMULATED OTHER COMPREHENSIVE LOSS						
Balance at beginning of year		**(4,123)**		(6,876)		(2,278)
Other comprehensive (loss) gain		**(7,614)**		2,753		(4,598)
Balance at end of year		**(11,737)**		(4,123)		(6,876)
TOTAL SHAREHOLDERS' EQUITY	**132,015**	**$1,778,319**	133,591	$1,576,719	131,882	$1,398,042

 See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income

(In thousands)

	Year Ended December 31, 2001
NET INCOME	**$ 262,922**
OTHER COMPREHENSIVE LOSS, NET OF TAX:	
Foreign currency translation adjustments	**(507)**
Unrealized holding loss on securities arising during period	**(5,729)**
Minimum pension liability adjustment (net of tax benefit of $742)	**(1,378)**
Other comprehensive loss	**(7,614)**
COMPREHENSIVE INCOME	**$ 255,308**

	Year Ended December 31, 2000
NET INCOME	$ 165,554
OTHER COMPREHENSIVE INCOME, NET OF TAX:	
Foreign currency translation adjustments	1,617
Unrealized holding gain on securities arising during period	1,638
Minimum pension liability adjustment (net of tax benefit of $270)	(502)
Other comprehensive income	2,753
COMPREHENSIVE INCOME	$ 168,307

	Year Ended December 31, 1999
NET INCOME	$ 84,469
OTHER COMPREHENSIVE LOSS, NET OF TAX:	
Foreign currency translation adjustments	(277)
Unrealized holding loss on securities arising during period	(5,686)
Minimum pension liability adjustment (net of tax expense of $735)	1,365
Other comprehensive loss	(4,598)
COMPREHENSIVE INCOME	$ 79,871

See accompanying notes to the consolidated financial statements.

Notes to Consolidated Financial Statements

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Business

Noble Drilling Corporation ("Noble Drilling" or, together with its consolidated subsidiaries, unless the context requires otherwise, the "Company", "we", "our" and words of similar import) is primarily engaged in domestic and international contract oil and gas drilling and workover operations. Our international operations are conducted in the North Sea, Brazil, West Africa, the Middle East, India, Mexico and Canada.

Noble Drilling (Paul Romano) Inc. ("NDPRI") was formed on April 3, 1998 for the purpose of owning the *Noble Paul Romano* and financing its conversion to a Noble EVA-4000™ semisubmersible. NDPRI is an indirect, wholly-owned subsidiary of Noble Drilling and is operated in a fashion that is intended to ensure that its assets and liabilities are distinct and separate from those of Noble Drilling and its affiliates and that the creditors of NDPRI would be entitled to satisfy their claims from the assets of NDPRI prior to any distribution to Noble Drilling or its affiliates. (See Note 6.)

Consolidation

The consolidated financial statements include the accounts of Noble Drilling and its wholly- and majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. The equity method of accounting is used for investments in affiliates where we have a significant influence but not a controlling interest. (See Note 5.)

Certain reclassifications have been made in prior year consolidated financial statements to conform to the classifications used in the 2001 consolidated financial statements. These reclassifications have no impact on net income.

Foreign Currency Translation

We follow a translation policy in accordance with Statement of Financial Accounting Standards ("SFAS") No. 52, *Foreign Currency Translation*. In international locations where the U.S. Dollar has been designated as the functional currency based on an evaluation of such factors as the markets in which the subsidiary operates, inflation, generation of cash flow, financing activities and intercompany arrangements, translation 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" 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, 2001, 2000 and 1999.

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 operations in the United Kingdom and Canada are calculated based on their respective 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 2001, 2000 or 1999.

Derivative Instruments

We periodically enter into derivative instruments to manage our exposure to fluctuations in interest rates and foreign currency exchange rates. We do not use derivative financial instruments for trading purposes. We designate and assign the financial instruments as hedges of specific assets, liabilities or anticipated transactions. Cash flows from hedge transactions are classified in the Consolidated Statements of Cash Flows under the same category as the cash flows from the underlying assets, liabilities or anticipated transactions. We did not utilize any derivative financial instruments in 2001, 2000 or 1999.

Inventories

Inventories consist of spare parts, material and supplies held for consumption and are stated principally at average cost.

Property and Equipment

Property and equipment is stated at cost, reduced by provisions to recognize economic impairment in value when management determines that such impairment has occurred. At December 31, 2001 and 2000, there was $163,396,000 and $111,528,000, 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. Included in costs of drilling equipment and facilities is an allocation of interest incurred during the period that rigs are under construction or major refurbishment. Interest capitalized for the years ended December 31, 2001, 2000 and 1999 totaled $0, $1,872,000 and $22,393,000, respectively. 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.

Scheduled maintenance of equipment and overhauls are performed on a basis of number of hours operated in accordance with our preventative maintenance program. Repair and maintenance costs are generally charged to expense as incurred; however, overhauls related to large-scale maintenance projects are deferred when incurred and amortized into contract drilling services expense over a 36-month period. The deferred portion of these large-scale maintenance projects is included in "Other assets" in the Consolidated Balance Sheets. Such amounts totaled $39,830,000 and $28,469,000 at December 31, 2001 and 2000, respectively. Total maintenance and repair expenses for the years ended December 31, 2001, 2000 and 1999 were approximately $97,497,000, $83,452,000 and $64,410,000, respectively. Drilling equipment and facilities are depreciated using the straight-line method over the estimated remaining useful lives as of the in-service date or date of major refurbishment. Estimated useful lives of our drilling equipment and facilities range from two to twenty-five years. Other property and equipment is depreciated using the straight-line method over useful lives ranging from two to twenty years.

Long-Lived Assets

We evaluate the realizability of our long-lived assets, including property and equipment, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. There were no impairment losses during the years ended December 31, 2001, 2000 and 1999. An impairment loss 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.

Other Assets

Prepaid insurance is amortized over the terms of the insurance policies. Deferred debt issuance costs, which totaled $5,569,000 and $7,580,000 at December 31, 2001 and 2000, respectively, are being amortized over the life of the debt securities. Amortization related to debt issuance costs was $1,549,000, $1,417,000 and $1,378,000 for the years ended December 31, 2001, 2000 and 1999, respectively. Debt issuance costs are amortized using the straight-line method, which approximates the interest method.

Revenue Recognition

Revenues generated from our dayrate-basis drilling contracts, labor contracts, and engineering services and project management engagements are recognized as services are performed. Our turnkey drilling contracts during 2000 and 1999 were of a short-term, fixed fee nature, and accordingly, revenues and expenses were recognized using the completed contract method. Provisions for future losses on turnkey contracts were recognized if it became probable that expenses to be incurred on a specific contract would exceed the revenue from the contract. In the fourth quarter of 2000, we revised our Triton Engineering subsidiary's ("Triton") business model to focus on well site management, project management and technical services.

We may receive lump-sum fees for the mobilization of equipment and personnel. The net of mobilization fees received and costs incurred to mobilize an offshore rig from one market to another is 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.

Concentration of Credit Risk

The market for our services is the offshore oil and gas industry, and our customers consist primarily of major integrated oil companies, independent oil and gas producers and government-owned oil companies. 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 2001, one customer accounted for $122,755,000 of contract drilling services revenues, or a total of 12 percent of consolidated operating revenues. Another customer accounted for $121,623,000 of contract drilling services revenues, or a total of 12 percent of consolidated operating revenues. No other customer accounted for more than 10 percent of consolidated operating revenues in 2001. In 2000, one customer accounted for $112,051,000 of contract drilling services revenues, or a total of 13 percent of consolidated operating revenues. Another customer accounted for $111,966,000 of contract drilling services revenues, or a total of 13 percent of consolidated operating revenues. No other customer accounted for more than 10 percent of consolidated operating revenues in 2000. In 1999, one customer accounted for $89,991,000 of contract drilling services revenues, or a total of 13 percent of consolidated operating revenues. Another customer accounted for $74,894,000 of contract drilling services revenues, or a total of 11 percent of consolidated operating revenues. No other customer accounted for more than 10 percent of consolidated operating revenues in 1999.

Net Income Per Share

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

The following table reconciles the basic and diluted earnings per share computations for income before extraordinary charge for the years ended December 31, 2001, 2000 and 1999:

	Income Before Extraordinary Charge	Basic Shares	Basic EPS	Diluted Shares	Diluted EPS
2001	**$ 263,910**	**132,911**	**$ 1.99**	**134,174**	**$ 1.97**
2000	165,554	133,439	1.24	135,461	1.22
1999	95,302	131,493	0.72	132,597	0.72

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

Included in diluted shares are common stock equivalents relating primarily to outstanding stock options covering 1,263,000, 2,022,000 and 1,104,000 shares for the years ended December 31, 2001, 2000 and 1999, respectively. The computation of diluted earnings per share for 2001, 2000 and 1999 did not include options to purchase 3,791,000, 1,862,200 and 2,389,261 shares of common stock, respectively, because the options' exercise prices were greater than the average market price of the common stock.

Supplemental Cash Flow Information

	Year Ended December 31,		
	2001	2000	1999
Cash paid (received) during the period for:			
Interest (net of amounts capitalized)	**$ 45,606**	$ 53,020	$ 29,161
Income taxes (net of refunds)	**29,940**	(24,016)	9,841
Noncash investing and financing activities:			
Insurance financing agreement	**-**	1,761	9,888
Acquired working capital	**(401)**	(2,818)	1,237

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.

Restructuring Charge

As part of our ongoing efforts to streamline operations, a restructuring charge of $7,479,000 was recognized in 1999. The restructuring charge related to early retirement packages accepted by 37 employees and the relocation of our Gulf Coast Marine division office in Lafayette, Louisiana to the centralized Sugar Land, Texas office, which was completed during 2000. At December 31, 2001 and 2000, no liability remained in our Consolidated Balance Sheets related to the early retirement packages.

Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("SFAS 133"). SFAS 133 requires that, upon adoption, all derivative instruments (including certain derivative instruments embedded in other contracts) be recognized in the balance sheet at fair value, and that changes in such fair values be recognized in earnings unless specific hedging criteria are met. Changes in the values of derivatives that meet these hedging criteria will ultimately offset related earnings effects of the hedged items; effects of certain changes in fair value are recorded in Other Comprehensive Income pending recognition in earnings. SFAS 133, as amended, is effective for fiscal years beginning after June 15, 2000. As of January 1, 2001, we adopted SFAS 133. The adoption did not have a material effect on our consolidated results of operations or financial position.

In July 2001, the FASB issued SFAS No. 141, *Business Combinations* ("SFAS 141"), and SFAS No. 142, *Goodwill and Other Intangible Assets* ("SFAS 142"). SFAS 141 requires that all business combinations initiated after June 30, 2001 be accounted for using the purchase method of accounting. As we had no business combinations in process upon this statement becoming effective, adoption of SFAS 141 did not have an impact on our consolidated results of operations, cash flows or financial position. SFAS 142 requires that goodwill and other intangible assets no longer be amortized, but rather tested for impairment at least annually. SFAS 142 is effective for fiscal years beginning after December 15, 2001. The adoption of SFAS 142 on January 1, 2002 did not have a material impact on our consolidated results of operations, cash flows or financial position.

In October 2001, the FASB issued SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* ("SFAS 144"). SFAS 144 supersedes SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of* ("SFAS 121") and the accounting and reporting provisions of Accounting Principles Board Opinion No. 30, *Reporting the Results of Operations –*

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Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions, for the disposal of a segment of a business (as defined in that Opinion). SFAS 144 retains the fundamental provisions of SFAS 121 concerning the recognition and measurement of the impairment of long-lived assets to be held and used and the measurement of long-lived assets to be disposed of by sale but provides additional guidance with regard to discontinued operations and assets to be disposed of. Furthermore, SFAS 144 excludes goodwill from its scope and, therefore, eliminates the requirement under SFAS 121 to allocate goodwill to long-lived assets to be tested for impairment. SFAS 144 is effective for fiscal years beginning after December 15, 2001.

Our adoption of SFAS 144 on January 1, 2002 did not have a material impact on our consolidated results of operations, cash flows or financial position.

NOTE 2 – ACQUISITIONS

In January 2000, we and our joint venture partners formed Noble Rochford Drilling Ltd. ("Noble Rochford") which purchased the *Noble Julie Robertson* (formerly *Ocean Scotian*), a Baker Marine Europe Class design jackup. We acquired a 50 percent equity interest in Noble Rochford for an initial equity investment in the joint venture of $10,000,000. In addition, we loaned Noble Rochford $24,000,000 to fund the acquisition and upgrade of the *Noble Julie Robertson*. On August 24, 2001, we acquired the remaining 50 percent equity interest in Noble Rochford from our joint venture partner for $20,000,000 in cash. As a result of the acquisition, the results of operations of the *Noble Julie Robertson* are included in our Consolidated Statements of Income from August 24, 2001, and at that date, the respective assets and liabilities acquired were recorded at their estimated fair values. Prior to August 24, 2001, the investment was accounted for under the equity method.

On February 20, 2001, we acquired the assets of Maurer Engineering Incorporated ("Maurer"), a privately held engineering firm that designs drilling products and drilling related software programs, for $6,560,000 in cash, common stock and the assumption of certain liabilities. Maurer is being integrated with our drilling technology subsidiary, Noble Engineering & Development Limited ("NED"), which focuses on developing drilling products and solutions to enhance drilling efficiency.

In June 1998, we and our joint venture partner formed Ilion, LLC, a limited liability company, which purchased the *Noble Clyde Boudreaux* (formerly *Ilion*), a Friede & Goldman 9500 Enhanced Pacesetter design semisubmersible. We acquired an initial 50 percent equity interest in Ilion, LLC for $12,825,000. In addition, we funded $17,380,000 to Ilion, LLC in the form of a promissory note that was convertible at our election into an additional 20 percent equity interest. On November 14, 2000, we acquired the remaining equity interest in Ilion, LLC from our joint venture partner for $13,000,000 in cash. As a result of this acquisition, the results of operations of the *Noble Clyde Boudreaux* are included in our Consolidated Statements of Income from November 14, 2000, and at that date, the respective assets and liabilities acquired were recorded at their estimated fair values. Prior to November 14, 2000, the investment was accounted for under the equity method.

Effective January 1, 1999, we acquired a majority interest in Arktik Drilling Limited, Inc. ("Arktik") and a 100 percent interest in the bareboat charter of the *Noble Kolskaya*, in exchange for a variable rate note to Kvaerner Maritime A.S. ("Kvaerner") in the aggregate principal amount of $17,500,000 (the "Kvaerner Debt"). (See Note 6.) Arktik's principal asset is the drillship, the *Noble Muravlenko*. As a result of these acquisitions, the results of operations of Arktik and the *Noble Kolskaya* are included in our Consolidated Statements of Income from January 1, 1999, and at that date, the respective assets and liabilities acquired were recorded at their estimated fair values. Prior to January 1, 1999, the investments were accounted for under the equity method.

NOTE 3 – MARKETABLE SECURITIES

As of December 31, 2001 and 2000, we owned marketable equity securities with a fair market value of $7,483,000 and $6,550,000, respectively, of which $6,281,000 of the December 31, 2001 balance was included in a Rabbi Trust for the Noble

Drilling Corporation 401(k) Savings Restoration Plan. The marketable securities included in the Rabbi Trust are classified as trading securities and are included in "Investment in marketable securities" in the Consolidated Balance Sheet at December 31, 2001 at their fair market value. We recognized a net unrealized holding loss of $970,000 and a net realized loss of $42,000 related to these assets in 2001. The remaining investments in marketable equity securities, with a fair market value of $1,202,000 at December 31, 2001, are classified as available for sale and are included in "Other assets" in the Consolidated Balance Sheets at their fair market value. Gross unrealized holding losses on these investments at December 31, 2001 and 2000 were $9,764,000 and $4,048,000, respectively, and are included in "Accumulated other comprehensive loss" in the Consolidated Balance Sheets.

As of December 31, 2001, we also owned marketable debt securities with a fair market value of $35,316,000. These investments are classified as available for sale and are included in "Investment in marketable securities" in the Consolidated Balance Sheet at December 31, 2001 at their fair market value. We recognized a net unrealized holding loss of $13,000 and a net realized gain of $8,000 related to these assets in 2001. At December 31, 2000 and 1999, we did not own any marketable debt securities.

NOTE 4 – COMPREHENSIVE INCOME

We report and display comprehensive income in accordance with SFAS No. 130, *Reporting Comprehensive Income* ("SFAS 130"), which establishes standards for reporting and displaying comprehensive income and its components. Components of comprehensive income are net income and all changes in equity during a 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 loss:

	Foreign Currency Items	Unrealized (Losses) Gains on Securities	Minimum Pension Liability	Accumulated Other Comprehensive Loss
Balance at December 31, 1999	$ (1,085)	$ (5,686)	$ (105)	$ (6,876)
2000-period change	1,617	1,638	(502)	2,753
Balance at December 31, 2000	532	(4,048)	(607)	(4,123)
2001-period change	(507)	(5,729)	(1,378)	(7,614)
Balance at December 31, 2001	**$ 25**	**$ (9,777)**	**$ (1,985)**	**$ (11,737)**

NOTE 5 – INVESTMENTS IN AND ADVANCES TO JOINT VENTURES

On June 13, 2000, we formed Noble CROSCO Drilling Ltd. ("Noble CROSCO") with our joint venture partner. We acquired a 50 percent equity interest in Noble CROSCO by investing $14,300,000 in cash. Our joint venture partner contributed the *Panon*, a Levingston 111-S independent leg designed jackup, for its 50 percent equity interest. We also agreed to lend Noble CROSCO up to $7,000,000 pursuant to a credit agreement (the "Noble CROSCO Credit Agreement") to finance part of the upgrade costs of the *Panon*. In 2001, we loaned Noble CROSCO $7,000,000 under the Noble CROSCO Credit Agreement. Any funds required for the maintenance and operation of the *Panon* in excess of those funds generated from operations of the joint venture and available under the Noble CROSCO Credit Agreement will be loaned by us to Noble CROSCO. In 2001, we loaned Noble CROSCO $4,800,000 of such funds. We managed the upgrade of the *Panon* from a slot to a cantilever configuration, and we are managing the operation of the unit. We account for this investment using the equity method.

(Unless otherwise indicated, dollar amounts in tables are in thousands, except per share amounts) 33

Balances related to joint ventures for 2001 and 2000 are reflected in the table below:

	2001	2000
Equity in losses of joint ventures [1]	**$ (1,153)**	$ (3,910)
Investment in joint ventures [2]	**13,485**	21,174
Advances to joint ventures [2]	**11,433**	23,817

(1) Balance included in "Other, net" in the Consolidated Statements of Income. Amounts exclude management fees and interest income related to joint ventures of $4,698,000 and $4,245,000 in 2001 and 2000, respectively. There was $691,000 in equity losses in 1999, excluding interest income related to joint ventures of $976,000.

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

NOTE 6 – DEBT

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

In 2001 we purchased and retired $43,305,000 principal amount of our 7.50% Senior Notes due 2019 for $44,362,000, which resulted in an extraordinary charge of $988,000, net of taxes of $532,000. In 1999, we used approximately $143,000,000 of the net proceeds from the issuance of the Notes to purchase and retire $125,000,000 principal amount of our 9 1/8% Senior Notes due 2006, which resulted in an extraordinary charge of $10,833,000, net of taxes of $5,833,000. The extraordinary charges in 2001 and 1999 represent the difference between the acquisition price and the net carrying value of the notes purchased, including unamortized debt issuance costs.

In connection with the acquisitions regarding Arktik and the *Noble Kolskaya* (see Note 2) we incurred the Kvaerner Debt in the amount of $17,500,000, of which the outstanding balance was repaid during 2001. Additionally in connection with such acquisitions, we recorded Arktik's outstanding bank indebtedness in the amount of $24,000,000, of which the outstanding balance was repaid during 2000, and Arktik's indebtedness to a minority equity owner in Arktik in the amount of $7,900,000 (the "Minority Owner Debt"). The Minority Owner Debt is non-recourse except to Arktik and is secured by a mortgage on the *Noble Muravlenko*. The Minority Owner Debt bears interest at 12.0 percent per annum. Interest is payable on a monthly basis. The principal balance of the debt is to be repaid over a three-year period, beginning in 2009.

In December 1998, Noble Drilling (Paul Romano) Inc., an indirect, wholly-owned subsidiary of Noble Drilling and owner of the *Noble Paul Romano*, issued $112,250,000 principal amount of its fixed rate senior secured notes (the "Romano Notes") in two series (the "Series A Notes" and the "Series B Notes"). The Series A Notes bear interest at 6.33 percent per annum and the Series B Notes bear interest at 6.09 percent per annum. The Romano Notes are secured by a first naval mortgage on the *Noble Paul Romano* and are non-recourse except to the issuer thereof. The Romano Notes can be prepaid, in whole or in part, at a premium at any time. Pursuant to the trust indenture and security agreement under which the Romano Notes are issued, Noble Drilling (Paul Romano) Inc. is restricted from incurring any indebtedness other than the Romano Notes and the *Noble Paul Romano* may not be mortgaged to secure any debt other than the Romano Notes. Pursuant to the trust indenture, we were required to deposit an amount into two separate accounts, subject to control of a third-party trustee, to prepay the first month's principal and interest payment and provide an additional debt reserve balance equal to two months of debt service. Such amount totaled $6,066,000 and $3,889,000 at December 31, 2001 and 2000, respectively, and is included in "Restricted cash" in the Consolidated Balance Sheets.

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In December 1998, Noble Drilling (Jim Thompson) Inc., an indirect, wholly-owned subsidiary of Noble Drilling 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 guaranteed by Noble Drilling and are secured by a first naval mortgage on the *Noble Jim Thompson*. The Thompson Notes can be prepaid, in whole or in part, at a premium at any time.

In July 1998, Noble Drilling (Paul Wolff) Ltd., an indirect, wholly-owned subsidiary of Noble Drilling and owner of the *Noble Paul Wolff*, issued $145,000,000 principal amount of its fixed rate senior secured notes (the "Wolff Notes") in three series. The Wolff Notes bear interest at rates of 6.43 percent to 6.55 percent per annum. The Wolff Notes are guaranteed by Noble Drilling and are secured by a first naval mortgage on the *Noble Paul Wolff*. The Wolff Notes can be prepaid, in whole or in part, at a premium any time.

The following table summarizes our long-term debt:

	December 31,	
	2001	2000
6.95% Senior Notes due 2009, net of unamortized discount of $77 in 2001 and $88 in 2000	**$ 149,923**	$ 149,912
7.50% Senior Notes due 2019	**206,695**	250,000
Project Financings:		
Wolff Notes	**79,485**	102,736
Romano Notes	**58,647**	77,654
Thompson Notes	**102,911**	107,120
Kvaerner Debt	**-**	4,320
Minority Owner Debt	**7,900**	7,900
	605,561	699,642
Current Maturities	**(55,430)**	(49,351)
Long-term Debt	**$ 550,131**	$ 650,291

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

	2002	2003	2004	2005	2006	Thereafter
6.95% Senior Notes due 2009, net of unamortized discount of $77 in 2001	$ -	$ -	$ -	$ -	$ -	$ 149,923
7.50% Senior Notes due 2019	-	-	-	-	-	206,695
Project Financings:						
Wolff Notes	24,799	26,458	28,228	-	-	-
Romano Notes	20,245	38,402	-	-	-	-
Thompson Notes	10,386	15,720	16,805	8,362	8,974	42,664
Minority Owner Debt	-	-	-	-	-	7,900
Total	$ 55,430	$ 80,580	$ 45,033	$ 8,362	$ 8,974	$ 407,182

The fair value of our total debt at December 31, 2001 was $612,513,000, based on the quoted market prices for similar issues or on the current rates offered to us for debt of similar remaining maturities.

(Unless otherwise indicated, dollar amounts in tables are in thousands, except per share amounts) 35

NOTE 7 – CREDIT FACILITIES

In May 2001, we terminated our bank credit facility totaling $200,000,000 and we entered into a new unsecured revolving bank credit facility totaling $200,000,000 (the "Credit Agreement"), including a letter of credit facility totaling $50,000,000, through May 30, 2006. We are required to maintain various affirmative and negative covenants, including two financial covenants relating to interest coverage and debt to capital ratios. The Credit Agreement contains restrictive covenants, including restrictions on incurring additional indebtedness, and restrictions on permitting additional liens, payment of dividends, transactions with affiliates, and mergers or consolidations. As of December 31, 2001, we had outstanding letters of credit of $26,935,000 and no outstanding borrowings under the Credit Agreement, with $173,065,000 remaining available thereunder. Additionally, as of December 31, 2001, we had letters of credit and third-party corporate guarantees totaling $15,300,000 outstanding, of which $3,300,000 is supported by a restricted cash deposit, and $7,502,000 of bid and performance bonds had been supported by surety bonds.

NOTE 8 – SHAREHOLDERS' EQUITY

In June 1995, we adopted a stockholder rights plan designed to assure that our stockholders receive fair and equal treatment in the event of any proposed takeover of the Company and to guard against partial tender offers and other abusive takeover tactics to gain control of the Company without paying all stockholders a fair price. The rights plan was not adopted in response to any specific takeover proposal. Under the rights plan, one right ("Right") is attached to each share of Noble Drilling Common Stock. Each Right will entitle the holder to purchase one one-hundredth of a share of a new Series A Junior Participating Preferred Stock, par value $1.00 per share, at an exercise price of $120.00. The Rights are not currently exercisable and will become exercisable only in the event a person or group acquires beneficial ownership of 15 percent or more of Noble Drilling Common Stock. The Rights expire on July 10, 2005. We recently amended our rights plan to provide for the earlier expiration of the Rights in the event that Noble Drilling merges with a subsidiary company in connection with changing the parent corporation of the Noble corporate group to a non-U.S. company.

NOTE 9 – STOCK-BASED COMPENSATION PLANS

We have several stock-based compensation plans, which are described below. Effective January 1, 1996, we adopted the provisions of SFAS No. 123, *Accounting for Stock-Based Compensation* ("SFAS 123"). As permitted by SFAS 123, we have chosen to continue using the intrinsic value method of accounting for stock-based compensation awards in accordance with APB Opinion 25. Compensation expense of $9,097,000 was recognized during 1999, however, for stock options exercised by employees in which we bought the shares exercised directly from the employee. No compensation expense was recognized in 2001 and 2000 related to stock option awards. We modified our procedures regarding stock options during 1999 and do not anticipate future compensation expense related to stock option awards.

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 common stock, with or without stock appreciation rights, and the awarding of shares of restricted stock to selected employees. At December 31, 2001, 365,499 shares were available for grant or award under the 1991 Plan. In general, all options granted under the 1991 Plan have a term of 10 years, an exercise price equal to the fair market value of the Common Stock 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 Drilling. 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 ten 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, 2001, 2000 and 1999 and the changes during the year ended on those dates is presented below (actual amounts):

	2001		2000		1999	
	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	**7,339,684**	**$ 26.89**	8,052,753	$ 19.72	7,590,473	$ 18.23
Granted	**1,965,017**	**31.28**	1,893,200	42.57	1,521,550	21.00
Exercised	**(660,114)**	**20.11**	(2,574,559)	16.03	(868,290)	8.16
Forfeited	**(150,337)**	**28.62**	(31,710)	21.85	(190,980)	23.79
Outstanding at end of year	**8,494,250**	**$ 28.40**	7,339,684	$ 26.89	8,052,753	$ 19.72
Exercisable at end of year	**4,668,124**	**$ 24.84**	4,412,915	$ 21.42	3,626,374	$ 16.95

The following table summarizes information about stock options outstanding at December 31, 2001 (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
$ 1.72	to	$ 5.00	300	1.11	$ 4.69	300	$ 4.69
5.01	to	7.69	51,978	1.83	7.43	51,978	7.43
7.70	to	14.00	254,604	4.94	10.61	229,604	10.40
14.01	to	28.31	4,374,941	6.64	22.40	3,690,832	22.74
28.32	to	48.81	3,812,427	9.17	36.77	695,410	42.09
$ 1.72	to	$ 48.81	8,494,250	7.70	$ 28.40	4,668,124	$ 24.84

Additional disclosures required by SFAS 123 are as follows:

	December 31,		
	2001	2000	1999
Weighted average fair value per option granted	**$ 13.61**	$ 19.01	$ 9.24
Valuation assumptions:			
Expected option term (years)	**5**	5	5
Expected volatility	**41.41%**	41.24%	41.45%
Expected dividend yield	**0%**	0%	0%
Risk-free interest rate	**4.72%**	5.70%	4.65%

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

	Year Ended December 31,		
	2001	2000	1999
Pro forma effects:			
Net income	**$ 246,946**	$ 152,835	$ 73,502
Earnings per share			
Basic	**$ 1.86**	$ 1.15	$ 0.56
Diluted	**1.84**	1.13	0.55

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Other Stock Based Compensation

In January 1998, we awarded selected employees 22,000 shares of restricted (i.e., nonvested) Common Stock that vest 20 percent per year over a five-year period commencing on the first anniversary date of the award. In January 1999, we awarded one employee 15,000 shares of restricted stock that vest one-third per year over a three-year period commencing on the first anniversary date of the award. In February 1999 and October 1999, we awarded selected employees 190,000 shares and 230,000 shares, respectively, of restricted stock that vest 20 percent per year over a five-year period commencing on the first anniversary date of the award. In September 2000, we awarded one employee 25,000 shares of restricted stock that vest 20 percent per year over a five-year period commencing on the first anniversary date of the award. In October 2000 and October 2001, we awarded selected employees 227,500 shares and 215,500 shares, respectively, of restricted stock that vest 20 percent per year over a five-year period commencing on the first anniversary date of the award.

A summary of the restricted share awards and the amounts recognized as compensation expense for the years ended December 31, 2001, 2000 and 1999 are as follows:

	2001	2000	1999
Restricted shares:			
Shares awarded	**215,500**	252,500	435,000
Average share price at award date	**$ 30.32**	$ 43.04	$ 17.35
Compensation expense recognized	**$ 4,110**	$ 2,139	$ 2,309

NOTE 10 – INCOME TAXES

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

	December 31, 2001	December 31, 2000
Deferred tax assets:		
Domestic:		
Net operating loss carryforwards	**$ -**	$ 22,856
Tax credit carryforwards	**20,477**	15,539
International:		
Net operating loss carryforwards	**27,864**	12,349
Deferred tax assets	**$ 48,341**	$ 50,744
Deferred tax liabilities:		
Domestic:		
Excess of net book basis over remaining tax basis	**$ (207,944)**	$ (174,422)
International:		
Excess of net book basis over remaining tax basis	**(43,043)**	(25,406)
Deferred tax liabilities	**$ (250,987)**	$ (199,828)

Income before income taxes and extraordinary items consisted of the following:

	Year Ended December 31,		
	2001	2000	1999
Domestic	**$ 198,078**	$ 168,268	$ 20,250
International	**151,914**	58,039	105,236
Total	**$ 349,992**	$ 226,307	$ 125,486

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

The income tax provision consisted of the following:

	Year Ended December 31,		
	2001	2000	1999
Current - domestic	**$ 15,844**	$ (37,531)	$ (4,894)
Current - international	**14,176**	4,391	13,970
Deferred - domestic	**53,617**	93,893	18,448
Deferred - international	**2,445**	-	2,660
Total	**$ 86,082**	$ 60,753	$ 30,184

A reconciliation of U.S. Federal statutory and effective income tax rates is shown below:

	Year Ended December 31,		
	2001	2000	1999
Statutory rate	**35.0%**	35.0%	35.0%
Effect of:			
International tax rates which are different than the U.S. rate	**(9.8)**	(7.0)	(12.3)
Other	**(0.6)**	(1.2)	1.4
Total	**24.6%**	26.8%	24.1%

During 2000, we generated net operating losses ("NOL's") of $83,800,000 and $36,014,000 for U.S. Regular and Alternative Minimum Tax ("AMT") purposes, respectively, which were fully utilized during 2001. We also have NOL's of $65,316,000 in Mexico, which expire in 2006 through 2010, and $14,293,000 in Qatar, which expire in 2002 and 2003. We believe that it is more likely than not that the deferred tax assets attributable to the NOL's will be realized. Therefore, there is no valuation allowance offsetting these assets.

During 1999, we generated NOL's of $156,600,000 and $93,000,000 for U.S. Regular and AMT purposes, respectively. In 2000, we elected to carry the 1999 NOL back to 1997 and 1998. As a result, we received cash refunds totaling $37,500,000. In addition, the carryback of the 1999 NOL resulted in AMT credit carryforwards of $15,500,000.

We generated additional AMT credits of $3,502,000 during 2001 and had $19,002,000 available at December 31, 2001. We can carry forward these credits indefinitely.

Applicable U.S. income and foreign withholding taxes have not been provided on undistributed earnings of $500,000,000 of our international subsidiaries. Management does not intend to repatriate such undistributed earnings for the foreseeable future except for distributions upon which incremental income taxes would not be material. It is not practicable to estimate the amount of deferred income taxes associated with these unremitted earnings.

NOTE 11 – EMPLOYEE BENEFIT PLANS

We have a noncontributory defined benefit plan which covers substantially all salaried employees and a noncontributory defined benefit pension plan which covers certain field hourly employees. The benefits from these plans are based primarily on years of service and, for the salaried plan, employees' compensation near retirement. Our funding policy is consistent with funding requirements of applicable laws and regulations. The assets of these plans consist of corporate equity securities, municipal and government bonds, and cash equivalents. We make cash contributions to the domestic plans when required. As of December 31, 2001, the domestic plan assets included $1,872,000 of Noble Drilling common stock valued at fair value at that date.

Each of Noble Drilling (U.K.) Limited, Noble Enterprises Limited and Noble Drilling (Nederland) B.V., all indirect, wholly-owned subsidiaries of Noble Drilling, maintains pension plans which cover all of their salaried, nonunion employees. Benefits are based on credited service and the average of the highest three years of qualified salary within the past 10 years of participation.

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Pension cost includes the following components:

	Year Ended December 31,					
	2001		2000		1999	
	International	**Domestic**	International	Domestic	International	Domestic
Service cost	**$ 2,759**	**$ 2,839**	$ 2,789	$ 2,350	$ 3,754	$ 2,452
Interest cost	**1,813**	**3,085**	1,602	2,719	1,459	2,384
Return on plan assets	**(1,862)**	**(3,496)**	(1,714)	(3,486)	(1,373)	(3,281)
Amortization of prior service cost	**47**	**162**	54	162	-	162
Amortization of transition obligation (asset)	**105**	**-**	105	-	327	(141)
Recognized net actuarial (gain) loss	**(16)**	**109**	(20)	(64)	1	88
Net pension expense	**$ 2,846**	**$ 2,699**	$ 2,816	$ 1,681	$ 4,168	$ 1,664

The funded status of the plans is as follows:

	As of December 31,			
	2001		2000	
	International	**Domestic**	International	Domestic
Funded status	**$ (5,786)**	**$ (11,663)**	$ (3,226)	$ (2,140)
Unrecognized net (gain) loss	**1,436**	**7,951**	(1,331)	(22)
Unrecognized prior service cost	**-**	**1,257**	-	1,418
Unrecognized transition obligation	**1,595**	**-**	1,776	-
Net amount recognized	**$ (2,755)**	**$ (2,455)**	$ (2,781)	$ (744)

Amounts recognized in the Consolidated Balance Sheets consist of:

	As of December 31,			
	2001		2000	
	International	**Domestic**	International	Domestic
Accrued benefit liability	**$ (4,106)**	**$ (5,366)**	$ (2,813)	$ (2,053)
Intangible asset	**30**	**1,178**	32	375
Accumulated other comprehensive loss	**1,321**	**1,733**	-	934
Net amount recognized	**$ (2,755)**	**$ (2,455)**	$ (2,781)	$ (744)

A reconciliation of the changes in projected benefit obligations is as follows:

	As of December 31,			
	2001		2000	
	International	**Domestic**	International	Domestic
Benefit obligation at beginning of year	**$ 31,599**	**$ 41,548**	$ 28,341	$ 34,020
Service cost	**2,759**	**2,839**	2,789	2,350
Interest cost	**1,813**	**3,085**	1,602	2,719
Actuarial (gains) losses	**(1,448)**	**3,668**	(493)	4,320
Benefits paid	**(774)**	**(1,715)**	(963)	(1,861)
Plan participants' contribution	**185**	**-**	394	-
Other	**-**	**-**	(71)	-
Benefit obligation at end of year	**$ 34,134**	**$ 49,425**	$ 31,599	$ 41,548

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

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

	As of December 31,			
	2001		2000	
	International	**Domestic**	International	Domestic
Fair value of plan assets at beginning of year	**$ 28,373**	**$ 39,408**	$ 25,743	$ 34,003
Actual return on plan assets	**(2,161)**	**(918)**	1,587	5,228
Employer contribution	**2,841**	**987**	1,746	2,038
Plan participants' contribution	**185**	**-**	394	-
Benefits and expenses paid	**(890)**	**(1,715)**	(1,097)	(1,861)
Fair value of plan assets at end of year	**$ 28,348**	**$ 37,762**	$ 28,373	$ 39,408

The projected benefit obligations for the international and domestic plans were determined using an assumed discount rate of 6.0 percent and 7.0 percent, respectively, in 2001, and 6.0 percent and 7.25 percent, respectively, in 2000 and 1999. The assumed long-term rate of return on international plan assets was 6.25 percent for 2001 and 2000 and 6.75 percent for 1999. The assumed long-term rate of return on domestic plan assets was 9.0 percent in each of the years presented. The projected benefit obligations assume a compensation increase for the international plan of 3.25 percent for 2001 and 3.75 percent for 2000 and 1999, and a 5.0 percent compensation increase for the domestic plan for 2001 and 6.0 percent for 2000 and 1999.

As part of a restructuring, we implemented an early retirement incentive program effective December 1, 1999. The charge related to this program was calculated based on SFAS No. 88 ("SFAS 88"). The total net charge under SFAS 88 recognized during 1999 was $4,004,000, which included settlement, curtailment and special termination benefit recognition. (See Note 1.)

We presently sponsor a 401(k) savings plan, medical and other plans for the benefit of our employees. The cost of maintaining these plans aggregated $14,745,000, $14,288,000 and $12,251,000 in 2001, 2000 and 1999, respectively.

We do not provide post-retirement benefits (other than pensions) or any post-employment benefits to our employees.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

On August 14, 2000, Raymond Verdin filed a lawsuit in the United States District Court for the Southern District of Texas, Galveston Division on behalf of himself and those similarly situated against the majority of offshore drilling companies in the United States, including Noble Drilling. Mr. Verdin sought to represent a class of offshore workers who are or have been employed by the defendants and alleged that the defendants conspired to avoid competition in the offshore labor market by agreeing to limit wages and benefits provided to offshore workers. An amended complaint was filed on October 6, 2000 in which a new plaintiff, Thomas Bryant, was substituted as class representative for Mr. Verdin. Mr. Bryant's lawsuit maintains the same allegations as Mr. Verdin's lawsuit and sought an unspecified amount of treble damages and other relief for himself and an alleged class of offshore workers. Jermey Richardson was later added as another plaintiff and the plaintiffs added several new defendants, including several of our subsidiaries. None of these individual plaintiffs were ever employed by us. Notwithstanding our conviction that this lawsuit was without merit, on August 10, 2001, we settled with the plaintiffs to avoid further time consuming and costly litigation. As part of the settlement, the plaintiffs have agreed to dismiss all claims against us, with prejudice, and we have agreed, without admitting any wrongdoing, to pay the plaintiffs an aggregate of $625,000, for which we were fully reserved at December 31, 2001. The court has ordered a fairness hearing on the terms of the settlement to be held on April 18, 2002.

We are a defendant in certain other 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.

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We have entered into agreements with various vendors to purchase or construct property and equipment that generally have long lead times for delivery in connection with several projects. If we do not proceed with any particular project, we may either seek to cancel outstanding purchase commitments related to that project or complete the purchase of the property and equipment. 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. If we cancel any of the purchase commitments, the amounts ultimately paid by us, if any, would be subject to negotiation. As of December 31, 2001, we had approximately $75,000,000 of outstanding purchase commitments related to these projects.

At December 31, 2001, we had certain noncancellable, long-term operating leases, principally for office space and facilities, with various expiration dates. Future minimum rentals under these leases aggregate $1,791,000 for 2002, $1,630,000 for 2003, $1,556,000 for 2004, $1,516,000 for 2005, $1,443,000 for 2006 and $8,825,000 thereafter. Rental expense for all operating leases was $3,807,000, $2,343,000 and $2,671,000 for the years ended December 31, 2001, 2000 and 1999, 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 Drilling (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 13 – UNAUDITED INTERIM FINANCIAL DATA

Unaudited interim financial information for the years ended December 31, 2001 and 2000 is as follows:

	Quarter Ended			
2001	**March 31**	**June 30**	**Sept. 30**	**Dec. 31**
Operating revenues	**$ 222,391**	**$ 246,646**	**$ 272,792**	**$ 260,500**
Operating income	**82,810**	**97,398**	**111,297**	**92,782**
Income before extraordinary charge	**54,463**	**68,003**	**77,958**	**63,486**
Extraordinary charge, net of tax (1)	**-**	**-**	**(988)**	**-**
Net income	**54,463**	**68,003**	**76,970**	**63,486**
Net income per share: (1)				
Basic	**$ 0.41**	**$ 0.51**	**$ 0.58**	**$ 0.48**
Diluted	**0.40**	**0.50**	**0.58**	**0.48**
2000				
Operating revenues	$ 184,819	$ 230,724	$ 225,878	$ 241,179
Operating income	46,871	69,352	71,296	81,105
Net income	25,503	43,381	44,813	51,857
Net income per share:				
Basic	$ 0.19	$ 0.32	$ 0.33	$ 0.39
Diluted	0.19	0.32	0.33	0.38

(1) Included in the quarter ended September 30, 2001 is an extraordinary charge of $988,000 ($0.01 per basic and diluted share) related to the purchase and retirement of $43,305,000 principal amount of our 7.50% Senior Notes due 2019.

NOTE 14 – 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 offshore contract drilling and engineering and consulting services. Although both of these segments are generally influenced by the same economic factors, each represents a distinct service to the oil and gas industry. Offshore contract drilling services is then separated into international and domestic contract drilling segments since there are certain economic and political risks associated with each of these geographic markets and our management makes decisions based on these markets accordingly.

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

Our international contract drilling segment conducts contract drilling services in the North Sea, Brazil, West Africa, the Middle East, India and Mexico. For the years ended December 31, 2000 and 1999, we also operated in Venezuela. Our domestic contract drilling is conducted in the U.S. Gulf of Mexico. Our engineering and consulting segment consists of the design and development of drilling products and drilling related software programs by NED and Maurer, as well as well site management, project management and technical services performed by Triton. During the fourth quarter of 2000, we announced that Triton had revised its business model to focus on well site management, project management and technical services. Turnkey drilling, Triton's major revenue source prior to revising its business model, involved Triton's coordination of all equipment, materials, services and management to drill a well to a specified depth, for a fixed price. Because of Triton's revised business model, past results of the engineering and consulting services segment may not be indicative of future results.

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 earnings. Summarized financial information of our reportable segments for the years ended December 31, 2001, 2000 and 1999 is shown in the following table (in thousands). The "Other" column includes results of labor contract drilling services, other insignificant operations and corporate related items. Our engineering and consulting segment included turnkey drilling operations for the years ended December 31, 2000 and 1999.

2001	International Contract Drilling Services	Domestic Contract Drilling Services	Engineering & Consulting Services	Other	Total
Revenues from external customers	**$ 500,164**	**$ 451,498**	**$ 12,184**	**$ 38,483**	**$1,002,329**
Intersegment revenues	**-**	**-**	**114**	**-**	**114**
Depreciation and amortization	**63,352**	**51,727**	**385**	**3,111**	**118,575**
Interest expense	**19,668**	**27,993**	**-**	**91**	**47,752**
Equity in loss of unconsolidated subsidiaries	**(1,153)**	**-**	**-**	**-**	**(1,153)**
Segment profit (loss)	**125,360**	**142,646**	**533**	**(4,609)**	**263,930**
Total assets	**1,225,171**	**1,418,019**	**8,774**	**98,776**	**2,750,740**
Capital expenditures	**71,247**	**57,795**	**1,390**	**3,344**	**133,776**
2000					
Revenues from external customers	$ 376,808	$ 383,873	$ 90,746	$ 31,173	$ 882,600
Intersegment revenues	-	2,065	34	672	2,771
Depreciation and amortization	58,938	48,660	20	3,169	110,787
Interest expense	24,881	28,715	-	982	54,578
Equity in loss of unconsolidated subsidiaries	(3,127)	(783)	-	-	(3,910)
Segment profit	52,200	108,928	1,151	3,275	165,554
Total assets	1,119,245	1,396,746	1,631	77,909	2,595,531
Capital expenditures	40,033	80,799	-	4,367	125,199
1999					
Revenues from external customers	$ 436,579	$ 151,286	$ 79,840	$ 38,198	$ 705,903
Intersegment revenues	-	1,522	-	-	1,522
Depreciation and amortization	57,700	28,054	54	3,173	88,981
Interest expense	17,991	15,297	-	(138)	33,150
Equity in loss of unconsolidated subsidiaries	-	(691)	-	-	(691)
Segment profit (loss)	90,424	13,449	(631)	(7,967)	95,275
Total assets	1,204,736	1,123,051	8,639	95,898	2,432,324
Capital expenditures	63,487	356,459	-	1,733	421,679

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

	2001	2000	1999
PROFIT OR LOSS			
Total profit for reportable segments	**$ 268,539**	$ 162,279	$ 103,242
Elimination of intersegment (profits) losses	**(20)**	-	27
Other (losses) profits	**(4,609)**	3,275	(7,967)
Extraordinary charge, net of tax	**(988)**	-	(10,833)
Total consolidated net income	**$ 262,922**	$ 165,554	$ 84,469

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,		
	2001	2000	1999	**2001**	2000	1999
United States	**$ 463,291**	$ 473,947	$ 229,604	**$1,508,851**	$1,383,808	$1,242,449
Angola	**-**	7,800	-	**-**	16,198	-
Brazil	**121,658**	111,966	89,991	**427,420**	423,382	418,865
Canada	**21,418**	16,947	15,976	**8,090**	9,377	9,092
Denmark	**50,765**	29,977	57,122	**53,664**	54,729	88,488
India	**15,384**	21,294	21,916	**24,719**	97,867	102,024
Ireland	**4,869**	-	-	**-**	-	-
Mexico	**16,261**	20,730	27,467	**26,253**	48,637	47,560
Mozambique	**-**	4,623	-	**-**	-	-
Nigeria	**110,156**	50,263	40,592	**130,301**	128,835	107,342
Norway	**-**	-	29,723	**-**	-	56,534
Qatar	**36,221**	33,255	44,559	**147,045**	102,930	109,904
The Netherlands	**96,608**	76,623	81,445	**180,938**	229,888	100,778
United Arab Emirates	**24,051**	-	-	**93,559**	13,783	-
United Kingdom	**41,647**	24,522	43,637	**135,790**	60,421	62,201
Venezuela	**-**	10,653	23,871	**-**	17,640	51,365
Other	**-**	-	-	**14,110**	8,036	35,722
Total International	**539,038**	408,653	476,299	**1,241,889**	1,211,723	1,189,875
Total	**$1,002,329**	$ 882,600	$ 705,903	**$2,750,740**	$2,595,531	$2,432,324

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

Board of Directors

(standing, left to right) *Marc E. Leland, Lawrence J. Chazen, William A. Sears, James C. Day, Robert D. Campbell, John F. Snodgrass, Luke R. Corbett*

(seated, left to right) *Tommy C. Craighead, Michael A. Cawley, Jack E. Little*

Corporate Officers

James C. Day
Chairman and Chief Executive Officer

Robert D. Campbell
President

Danny W. Adkins
Senior Vice President - Operations, Noble Drilling International (Cayman) Ltd.

Mark A. Jackson
Senior Vice President and Chief Financial Officer

Julie J. Robertson
Senior Vice President-Administration and Corporate Secretary

Transfer Agent and Registrar
UMB Bank, N.A.
Kansas City, Missouri

Independent Accountants
PricewaterhouseCoopers LLP
Houston, Texas

Stock Listed on New York Stock Exchange
Common Stock Symbol "NE"

Credit Rating
Standard & Poor's – A-
Moody's Investor Service – Baa1

Annual Meeting
The Annual Meeting of Stockholders of Noble Drilling Corporation will be held on April 25, 2002 at 10:00 a.m. at The St. Regis Hotel, 1919 Briar Oaks Lane, Houston, Texas. All shareholders are cordially invited to attend.

Form 10-K
A copy of the company's 2001 Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, will be furnished without charge to any shareholder upon written request to:
Julie Robertson, Senior Vice President
Noble Drilling Corporation
13135 South Dairy Ashford, Suite 800
Sugar Land, Texas 77478

For additional shareholder and investor information, please visit our website at www.noblecorp.com.

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