

ENSCO PLC

FORM 10-Q (Quarterly Report)

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended **June 30, 2014**
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number 1-8097

Ensco plc

(Exact name of registrant as specified in its charter)

England and Wales
(State or other jurisdiction of
incorporation or organization)

98-0635229
(I.R.S. Employer
Identification No.)

6 Chesterfield Gardens
London, England
(Address of principal executive offices)

W1J 5BQ
(Zip Code)

Registrant's telephone number, including area code: **44 (0) 20 7659 4660**

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

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

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

Large accelerated filer Accelerated filer

Non-Accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

As of July 25, 2014, there were 234,308,440 Class A ordinary shares of the registrant issued and outstanding.

ENSCO PLC
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FOR THE QUARTER ENDED JUNE 30, 2014

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FORWARD-LOOKING STATEMENTS

Statements contained in this report that are not historical facts are 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. Forward-looking statements include words or phrases such as "anticipate," "believe," "estimate," "expect," "intend," "plan," "project," "could," "may," "might," "should," "will" and similar words and specifically include statements regarding expected financial performance; expected utilization, day rates, revenues, operating expenses, contract term, contract backlog, capital expenditures, insurance, financing and funding; the timing of availability, delivery, mobilization, contract commencement or relocation or other movement of rigs; future rig construction (including construction in progress and completion thereof), enhancement, upgrade or repair and timing and cost thereof; the suitability of rigs for future contracts; general market, business and industry conditions, trends and outlook; future operations; the impact of increasing regulatory complexity; expected contributions from our rig fleet expansion program and our program to high-grade the rig fleet by investing in new equipment and divesting selected assets and underutilized rigs; expense management; and the likely outcome of litigation, legal proceedings, investigations or insurance or other claims and the timing thereof.

Such statements are subject to numerous risks, uncertainties and assumptions that may cause actual results to vary materially from those indicated, including:

- downtime and other risks associated with offshore rig operations or rig relocations, including rig or equipment failure, damage and other unplanned repairs, the limited availability of transport vessels, hazards, self-imposed drilling limitations and other delays due to severe storms and hurricanes and the limited availability or high cost of insurance coverage for certain offshore perils;
- changes in worldwide rig supply and demand, competition or technology, including changes as a result of delivery of newbuild drilling rigs;
- changes in future levels of drilling activity and expenditures, whether as a result of global capital markets and liquidity, prices of oil and natural gas or otherwise, which may cause us to idle or stack additional rigs;
- governmental action, terrorism, piracy, military action and political and economic uncertainties, including uncertainty or instability resulting from civil unrest, political demonstrations, mass strikes, or an escalation or additional outbreak of armed hostilities or other crises in oil or natural gas producing areas of the Middle East, North Africa, West Africa or other geographic areas, which may result in expropriation, nationalization, confiscation or deprivation of our assets or result in claims of a force majeure situation;
- risks inherent to shipyard rig construction, repair or enhancement, including risks associated with concentration of our construction contracts with three shipyards, unexpected delays in equipment delivery and engineering or design issues following delivery, or changes in commencement, completion or service dates;
- possible cancellation or suspension of drilling contracts as a result of mechanical difficulties, performance or other reasons;
- the outcome of litigation, legal proceedings, investigations or other claims or contract disputes, including any inability to collect receivables or resolve significant contractual or day rate disputes, any purported renegotiation, nullification, cancellation or breach of contracts with customers or other parties and any failure to negotiate or complete definitive contracts following announcements of receipt of letters of intent;
- governmental regulatory, legislative and permitting requirements affecting drilling operations, including limitations on drilling locations (such as the Gulf of Mexico during hurricane season);

- new and future regulatory, legislative or permitting requirements, future lease sales, changes in laws, rules and regulations that have or may impose increased financial responsibility, additional oil spill abatement contingency plan capability requirements and other governmental actions that may result in claims of force majeure or otherwise adversely affect our existing drilling contracts;
- our ability to attract and retain skilled personnel on commercially reasonable terms, whether due to labor regulations, unionization or otherwise;
- environmental or other liabilities, risks or losses, whether related to storm or hurricane damage, losses or liabilities (including wreckage or debris removal), collisions, groundings, blowouts, fires, explosions and other accidents or terrorism or otherwise, for which insurance coverage and contractual indemnities may be insufficient, unenforceable or otherwise unavailable;
- our ability to obtain financing and pursue other business opportunities may be limited by our debt levels and debt agreement restrictions;
- our ability to realize expected benefits from the 2009 redomestication as a U.K. public limited company and the related reorganization of Ensco's corporate structure, including the effect of any changes in laws, rules and regulations, or the interpretation thereof, or in the applicable facts, that could adversely affect our status as a non-U.S. corporation for U.S. tax purposes or otherwise adversely affect our anticipated consolidated effective income tax rate;
- delays in actual contract commencement dates;
- adverse changes in foreign currency exchange rates, including their effect on the fair value measurement of our derivative instruments; and
- potential long-lived asset or goodwill impairments.

In addition to the numerous risks, uncertainties and assumptions described above, you should also carefully read and consider "Item 1A. Risk Factors" in Part I and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II of our annual report on Form 10-K for the year ended December 31, 2013, as updated in our subsequent quarterly reports on Form 10-Q which are available on the SEC's website at www.sec.gov and on the Investor Relations section of our website at www.enscopl.com. Each forward-looking statement speaks only as of the date of the particular statement, and we undertake no obligation to publicly update or revise any forward looking statements, except as required by law.

PART I - FINANCIAL INFORMATION

Item 1. *Financial Statements*

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
EnSCO plc:

We have reviewed the condensed consolidated balance sheet of EnSCO plc and subsidiaries (the Company) as of June 30, 2014, the related condensed consolidated statements of operations, and comprehensive income, for the three-month and six-month periods ended June 30, 2014, and the related condensed consolidated statements of cash flows for the six-month periods ended June 30, 2014 and 2013. These condensed consolidated financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of EnSCO plc and subsidiaries as of December 31, 2013, and the related consolidated statements of income, comprehensive income, and cash flows for the year then ended (not presented herein); and in our report dated February 26, 2014, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2013, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ KPMG LLP

Houston, Texas
August 1, 2014

ENSCO PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share amounts)
(Unaudited)

	Three Months Ended June 30,	
	2014	2013
OPERATING REVENUES	\$ 1,203.0	\$ 1,130.3
OPERATING EXPENSES		
Contract drilling (exclusive of depreciation)	576.0	527.2
Loss on impairment	991.5	—
Depreciation	139.4	132.0
General and administrative	36.2	36.4
	1,743.1	695.6
OPERATING (LOSS) INCOME	(540.1)	434.7
OTHER INCOME (EXPENSE)		
Interest income	3.5	4.7
Interest expense, net	(36.4)	(44.2)
Other, net	2.1	(.3)
	(30.8)	(39.8)
(LOSS) INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(570.9)	394.9
PROVISION FOR INCOME TAXES		
Current income tax expense	50.6	53.0
Deferred income tax benefit	(2.6)	(4.5)
	48.0	48.5
(LOSS) INCOME FROM CONTINUING OPERATIONS	(618.9)	346.4
(LOSS) INCOME FROM DISCONTINUED OPERATIONS, NET	(550.7)	16.2
NET (LOSS) INCOME	(1,169.6)	362.6
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(3.1)	(1.7)
NET (LOSS) INCOME ATTRIBUTABLE TO ENSCO	\$ (1,172.7)	\$ 360.9
(LOSS) EARNINGS PER SHARE - BASIC AND DILUTED		
Continuing operations	\$ (2.69)	\$ 1.48
Discontinued operations	(2.38)	0.07
	\$ (5.07)	\$ 1.55
NET (LOSS) INCOME ATTRIBUTABLE TO ENSCO SHARES - BASIC AND DILUTED	\$ (1,174.8)	\$ 357.0
WEIGHTED-AVERAGE SHARES OUTSTANDING		
Basic	231.5	230.8
Diluted	231.5	231.0
CASH DIVIDENDS PER SHARE	\$ 0.75	\$ 0.50

The accompanying notes are an integral part of these condensed consolidated financial statements.

ENSCO PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share amounts)
(Unaudited)

	Six Months Ended June 30,	
	<u>2014</u>	<u>2013</u>
OPERATING REVENUES	\$ 2,332.9	\$ 2,170.6
OPERATING EXPENSES		
Contract drilling (exclusive of depreciation)	1,128.6	1,007.0
Loss on impairment	991.5	—
Depreciation	278.6	259.9
General and administrative	74.3	74.2
	2,473.0	1,341.1
OPERATING (LOSS) INCOME	(140.1)	829.5
OTHER INCOME (EXPENSE)		
Interest income	7.1	8.0
Interest expense, net	(71.0)	(83.4)
Other, net	4.0	5.8
	(59.9)	(69.6)
(LOSS) INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(200.0)	759.9
PROVISION FOR INCOME TAXES		
Current income tax expense	109.1	108.9
Deferred income tax benefit	(8.2)	(9.6)
	100.9	99.3
(LOSS) INCOME FROM CONTINUING OPERATIONS	(300.9)	660.6
(LOSS) INCOME FROM DISCONTINUED OPERATIONS, NET	(572.0)	21.9
NET (LOSS) INCOME	(872.9)	682.5
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(7.3)	(4.5)
NET (LOSS) INCOME ATTRIBUTABLE TO ENSCO	\$ (880.2)	\$ 678.0
(LOSS) EARNINGS PER SHARE - BASIC AND DILUTED		
Continuing operations	\$ (1.34)	\$ 2.82
Discontinued operations	(2.48)	0.09
	\$ (3.82)	\$ 2.91
NET (LOSS) INCOME ATTRIBUTABLE TO ENSCO SHARES - BASIC AND DILUTED	\$ (884.1)	\$ 670.8
WEIGHTED-AVERAGE SHARES OUTSTANDING		
Basic	231.4	230.6
Diluted	231.4	230.8
CASH DIVIDENDS PER SHARE	\$ 1.50	\$ 1.00

The accompanying notes are an integral part of these condensed consolidated financial statements.

ENSCO PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)
(Unaudited)

	Three Months Ended June 30,	
	<u>2014</u>	<u>2013</u>
NET (LOSS) INCOME	\$ (1,169.6)	\$ 362.6
OTHER COMPREHENSIVE INCOME (LOSS), NET		
Net change in fair value of derivatives	5.0	(9.6)
Reclassification of net (gains) losses on derivative instruments from other comprehensive income into net income	(2.4)	.4
Other	.5	.6
NET OTHER COMPREHENSIVE INCOME (LOSS)	3.1	(8.6)
COMPREHENSIVE (LOSS) INCOME	(1,166.5)	354.0
COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(3.1)	(1.7)
COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO ENSCO	\$ (1,169.6)	\$ 352.3

The accompanying notes are an integral part of these condensed consolidated financial statements.

ENSCO PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)
(Unaudited)

	Six Months Ended June 30,	
	<u>2014</u>	<u>2013</u>
NET (LOSS) INCOME	\$ (872.9)	\$ 682.5
OTHER COMPREHENSIVE INCOME (LOSS), NET		
Net change in fair value of derivatives	9.9	(13.6)
Reclassification of net gains on derivative instruments from other comprehensive income into net income	(1.9)	(.6)
Other	.5	.5
NET OTHER COMPREHENSIVE INCOME (LOSS)	8.5	(13.7)
COMPREHENSIVE (LOSS) INCOME	(864.4)	668.8
COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(7.3)	(4.5)
COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO ENSCO	\$ (871.7)	\$ 664.3

The accompanying notes are an integral part of these condensed consolidated financial statements.

ENSCO PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions, except share and par value amounts)

	June 30, 2014	December 31, 2013
	(Unaudited)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 145.0	\$ 165.6
Accounts receivable, net	843.6	855.7
Other	787.2	513.9
Total current assets	1,775.8	1,535.2
PROPERTY AND EQUIPMENT, AT COST	15,801.2	17,498.5
Less accumulated depreciation	2,920.0	3,187.5
Property and equipment, net	12,881.2	14,311.0
GOODWILL	3,274.0	3,274.0
OTHER ASSETS, NET	340.2	352.7
	\$ 18,271.2	\$ 19,472.9
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable - trade	\$ 494.3	\$ 341.1
Accrued liabilities and other	548.2	658.7
Current maturities of long-term debt	47.5	47.5
Total current liabilities	1,090.0	1,047.3
LONG-TERM DEBT	4,679.1	4,718.9
DEFERRED INCOME TAXES	317.0	362.1
OTHER LIABILITIES	592.3	545.7
COMMITMENTS AND CONTINGENCIES		
ENSCO SHAREHOLDERS' EQUITY		
Class A ordinary shares, U.S. \$.10 par value, 450.0 million shares authorized, 240.6 million and 239.5 million shares issued	24.1	24.0
Class B ordinary shares, £1 par value, 50,000 shares authorized and issued	.1	.1
Additional paid-in capital	5,493.3	5,467.2
Retained earnings	6,095.4	7,327.3
Accumulated other comprehensive income	26.7	18.2
Treasury shares, at cost, 6.3 million shares and 6.0 million shares	(57.0)	(45.2)
Total EnSCO shareholders' equity	11,582.6	12,791.6
NONCONTROLLING INTERESTS	10.2	7.3
Total equity	11,592.8	12,798.9
	\$ 18,271.2	\$ 19,472.9

The accompanying notes are an integral part of these condensed consolidated financial statements.

ENSCO PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	Six Months Ended June 30,	
	<u>2014</u>	<u>2013</u>
OPERATING ACTIVITIES		
Net (loss) income	\$ (872.9)	\$ 682.5
Adjustments to reconcile net (loss) income to net cash provided by operating activities of continuing operations:		
Discontinued operations, net	572.0	(21.9)
Loss on impairment	991.5	—
Depreciation expense	278.6	259.9
Share-based compensation expense	24.2	26.1
Deferred income tax benefit	(8.2)	(9.6)
Amortization of intangibles and other, net	(4.2)	(15.2)
Other	(3.5)	(6.6)
Changes in operating assets and liabilities	11.8	(183.9)
Net cash provided by operating activities of continuing operations	989.3	731.3
INVESTING ACTIVITIES		
Additions to property and equipment	(631.8)	(591.4)
Maturities of short-term investments	50.0	50.0
Purchases of short-term investments	(33.3)	—
Other	2.4	1.5
Net cash used in investing activities of continuing operations	(612.7)	(539.9)
FINANCING ACTIVITIES		
Cash dividends paid	(351.2)	(233.3)
Reduction of long-term borrowings	(23.7)	(23.7)
Proceeds from exercise of share options	2.4	22.0
Other	(15.8)	(13.8)
Net cash used in financing activities	(388.3)	(248.8)
DISCONTINUED OPERATIONS		
Operating activities	(67.9)	52.6
Investing activities	58.8	8.5
Net cash (used in) provided by discontinued operations	(9.1)	61.1
Effect of exchange rate changes on cash and cash equivalents	.2	(1.0)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(20.6)	2.7
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	165.6	487.1
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 145.0	\$ 489.8

The accompanying notes are an integral part of these condensed consolidated financial statements.

ENSCO PLC AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 - Unaudited Condensed Consolidated Financial Statements

We prepared the accompanying condensed consolidated financial statements of Enesco plc and subsidiaries (the "Company," "Enesco," "our," "we" or "us") in accordance with accounting principles generally accepted in the United States of America ("GAAP"), pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") included in the instructions to Form 10-Q and Article 10 of Regulation S-X. The financial information included in this report is unaudited but, in our opinion, includes all adjustments (consisting of normal recurring adjustments) that are necessary for a fair presentation of our financial position, results of operations and cash flows for the interim periods presented. The December 31, 2013 condensed consolidated balance sheet data were derived from our 2013 audited consolidated financial statements, but do not include all disclosures required by GAAP. Certain previously reported amounts have been reclassified to conform to the current year presentation. The preparation of our condensed consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, the related revenues and expenses and disclosures of gain and loss contingencies as of the date of the financial statements. Actual results could differ from those estimates.

The financial data for the three-month and six-month periods ended June 30, 2014 and 2013 included herein have been subjected to a limited review by KPMG LLP, our independent registered public accounting firm. The accompanying independent registered public accounting firm's review report is not a report within the meaning of Sections 7 and 11 of the Securities Act of 1933, and the independent registered public accounting firm's liability under Section 11 does not extend to it.

Results of operations for the three-month and six-month periods ended June 30, 2014 are not necessarily indicative of the results of operations that will be realized for the year ending December 31, 2014 . We recommend these condensed consolidated financial statements be read in conjunction with our annual report on Form 10-K for the year ended December 31, 2013 and our quarterly reports on Form 10-Q filed with the SEC on February 26, 2014 and April 29, 2014 , respectively.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("Update 2014-09"), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard is effective for the Company on January 1, 2017, and early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. We are currently evaluating the effect that ASU 2014-09 will have on our consolidated financial statements and related disclosures.

Note 2 -**Fair Value Measurements**

The following fair value hierarchy table categorizes information regarding our net financial assets measured at fair value on a recurring basis (in millions):

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<u>As of June 30, 2014</u>				
Supplemental executive retirement plan assets	\$ 42.4	\$ —	\$ —	\$ 42.4
Derivatives, net	—	17.0	—	17.0
Total financial assets	\$ 42.4	\$ 17.0	\$ —	\$ 59.4
<u>As of December 31, 2013</u>				
Supplemental executive retirement plan assets	\$ 37.7	\$ —	\$ —	\$ 37.7
Derivatives, net	—	1.8	—	1.8
Total financial assets	\$ 37.7	\$ 1.8	\$ —	\$ 39.5

Supplemental Executive Retirement Plan Assets

Our supplemental executive retirement plans (the "SERP") are non-qualified plans that provide eligible employees an opportunity to defer a portion of their compensation for use after retirement. Assets held in the SERP were marketable securities measured at fair value on a recurring basis using Level 1 inputs and were included in other assets, net, on our condensed consolidated balance sheets. The fair value measurement of assets held in the SERP was based on quoted market prices.

Derivatives

Our derivatives were measured at fair value on a recurring basis using Level 2 inputs. See "Note 3 - Derivative Instruments" for additional information on our derivatives, including a description of our foreign currency hedging activities and related methodologies used to manage foreign currency exchange rate risk. The fair value measurement of our derivatives was based on market prices that are generally observable for similar assets or liabilities at commonly-quoted intervals.

Other Financial Instruments

The carrying values and estimated fair values of our long-term debt instruments were as follows (in millions):

	June 30, 2014		December 31, 2013	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
4.7% Senior notes due 2021	\$ 1,478.6	\$ 1,633.4	\$ 1,477.2	\$ 1,596.9
6.875% Senior notes due 2020	1,016.6	1,090.9	1,024.8	1,086.7
3.25% Senior notes due 2016	997.3	1,039.7	996.5	1,045.8
8.50% Senior notes due 2019	592.2	637.6	600.5	635.8
7.875% Senior notes due 2040	381.9	434.6	382.6	410.5
7.2% Debentures due 2027	149.1	188.9	149.1	178.6
4.33% MARAD bonds, including current maturities, due 2016	62.6	62.9	78.9	79.7
4.65% MARAD bonds, including current maturities, due 2020	29.3	32.5	31.5	35.2
6.36% MARAD bonds, including current maturities, due 2015	19.0	20.1	25.3	27.1
Total	\$ 4,726.6	\$ 5,140.6	\$ 4,766.4	\$ 5,096.3

The estimated fair values of our senior notes and debentures were determined using quoted market prices. The estimated fair values of our Maritime Administration ("MARAD") bonds were determined using an income approach valuation model. The estimated fair values of our cash and cash equivalents, short-term investments, receivables, trade payables and other liabilities approximated their carrying values as of June 30, 2014 and December 31, 2013 .

Note 3 - Derivative Instruments

Our functional currency is the U.S. dollar. As is customary in the oil and gas industry, a majority of our revenues are denominated in U.S. dollars; however, a portion of the revenues earned and expenses incurred by certain of our subsidiaries are denominated in currencies other than the U.S. dollar ("foreign currencies"). These transactions are remeasured in U.S. dollars based on a combination of both current and historical exchange rates. We use foreign currency forward contracts to reduce our exposure to various market risks, primarily foreign currency exchange rate risk.

All derivatives were recorded on our condensed consolidated balance sheets at fair value. Derivatives subject to legally enforceable master netting agreements were not offset in our condensed consolidated balance sheets. Accounting for the gains and losses resulting from changes in the fair value of derivatives depends on the use of the derivative and whether it qualifies for hedge accounting. Net assets of \$17.0 million and \$1.8 million associated with our foreign currency forward contracts were included on our condensed consolidated balance sheets as of June 30, 2014 and December 31, 2013 , respectively. All of our derivatives mature during the next 18 months . See "Note 2 - Fair Value Measurements" for additional information on the fair value measurement of our derivatives.

Derivatives recorded at fair value on our condensed consolidated balance sheets consisted of the following (in millions):

	Derivative Assets		Derivative Liabilities	
	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
Derivatives Designated as Hedging Instruments				
Foreign currency forward contracts - current ⁽¹⁾	\$ 13.7	\$ 9.1	\$ 1.1	\$ 9.8
Foreign currency forward contracts - non-current ⁽²⁾	1.7	1.2	.2	.6
	15.4	10.3	1.3	10.4
Derivatives Not Designated as Hedging Instruments				
Foreign currency forward contracts - current ⁽¹⁾	3.2	2.5	.3	.6
	3.2	2.5	.3	.6
Total	\$ 18.6	\$ 12.8	\$ 1.6	\$ 11.0

⁽¹⁾ Derivative assets and liabilities that have maturity dates equal to or less than twelve months from the respective balance sheet date were included in other current assets and accrued liabilities and other, respectively, on our condensed consolidated balance sheets.

⁽²⁾ Derivative assets and liabilities that have maturity dates greater than twelve months from the respective balance sheet date were included in other assets, net, and other liabilities, respectively, on our condensed consolidated balance sheets.

We utilize cash flow hedges to hedge forecasted foreign currency denominated transactions, primarily to reduce our exposure to foreign currency exchange rate risk associated with contract drilling expenses and capital expenditures denominated in various currencies. As of June 30, 2014, we had cash flow hedges outstanding to exchange an aggregate \$372.2 million for various foreign currencies, including \$187.0 million for British pounds, \$91.4 million for Brazilian reais, \$39.5 million for Singapore dollars, \$22.2 million for Australian dollars, \$20.9 million for euros and \$11.2 million for other currencies.

Gains and losses, net of tax, on derivatives designated as cash flow hedges included in our condensed consolidated statements of operations and comprehensive income were as follows (in millions):

Three Months Ended June 30, 2014 and 2013

	Gain (Loss) Recognized in Other Comprehensive Income (Effective Portion)		(Loss) Gain Reclassified from Accumulated Other Comprehensive Income ("AOCI") into Income (Effective Portion) ⁽¹⁾		Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing) ⁽²⁾	
	2014	2013	2014	2013	2014	2013
Interest rate lock contracts ⁽³⁾	\$ —	\$ —	\$ (.1)	\$ (.1)	\$ —	\$ —
Foreign currency forward contracts ⁽⁴⁾	5.0	(9.6)	2.5	(.3)	1.2	(1.6)
Total	\$ 5.0	\$ (9.6)	\$ 2.4	\$ (.4)	\$ 1.2	\$ (1.6)

Six Months Ended June 30, 2014 and 2013

	Gain (Loss) Recognized in Other Comprehensive Income (Effective Portion)		(Loss) Gain Reclassified from AOCI into Income (Effective Portion) ⁽¹⁾		Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing) ⁽²⁾	
	2014	2013	2014	2013	2014	2013
Interest rate lock contracts ⁽³⁾	\$ —	\$ —	\$ (.2)	\$ (.2)	\$ —	\$ —
Foreign currency forward contracts ⁽⁵⁾	9.9	(13.6)	2.1	.8	1.9	(1.4)
Total	\$ 9.9	\$ (13.6)	\$ 1.9	\$.6	\$ 1.9	\$ (1.4)

- (1) Changes in the fair value of cash flow hedges are recorded in AOCI. Amounts recorded in AOCI associated with cash flow hedges are subsequently reclassified into contract drilling, depreciation or interest expense as earnings are affected by the underlying hedged forecasted transaction.
- (2) Gains and losses recognized in income for ineffectiveness and amounts excluded from effectiveness testing were included in other, net, in our condensed consolidated statements of operations.
- (3) Losses on interest rate lock derivatives reclassified from AOCI into income (effective portion) were included in interest expense, net in our condensed consolidated statements of operations.
- (4) During the three-month period ended June 30, 2014, \$2.3 million of gains were reclassified from AOCI into contract drilling expense and \$200,000 of gains were reclassified from AOCI into depreciation expense in our condensed consolidated statement of operations. During the three-month period ended June 30, 2013, \$500,000 of losses were reclassified from AOCI into contract drilling expense and \$200,000 of gains were reclassified from AOCI into depreciation expense in our condensed consolidated statement of operations.
- (5) During the six-month period ended June 30, 2014, \$1.7 million of gains were reclassified from AOCI into contract drilling expense and \$400,000 of gains were reclassified from AOCI into depreciation expense in our condensed consolidated statement of operations. During the six-month period ended June 30, 2013, \$400,000 of gains were reclassified from AOCI into contract drilling expense and \$400,000 of gains were reclassified from AOCI into depreciation expense in our condensed consolidated statement of operations.

We have net assets and liabilities denominated in numerous foreign currencies and use various methods to manage our exposure to foreign currency exchange rate risk. We predominantly structure our drilling contracts in U.S. dollars, which significantly reduces the portion of our cash flows and assets denominated in foreign currencies. We occasionally enter into derivatives that hedge the fair value of recognized foreign currency denominated assets or liabilities but do not designate such derivatives as hedging instruments. In these situations, a natural hedging relationship generally exists whereby changes in the fair value of the derivatives offset changes in the fair value of the underlying hedged items. As of June 30, 2014, we held derivatives not designated as hedging instruments to exchange an aggregate \$233.7 million for various foreign currencies, including \$111.0 million for euros, \$37.1 million for British pounds, \$25.2 million for Swiss francs, \$17.4 million for Indonesian rupiah, \$14.5 million for Australian dollars and \$28.5 million for other currencies.

Net gains of \$900,000 and net losses of \$300,000 associated with our derivatives not designated as hedging instruments were included in other, net, in our condensed consolidated statements of operations for the three-month periods ended June 30, 2014 and 2013, respectively. Net gains of \$300,000 and net losses of \$4.7 million associated with our derivatives not designated as hedging instruments were included in other, net in our condensed consolidated statements of operations for the six-month periods ended June 30, 2014 and 2013, respectively.

As of June 30, 2014 , the estimated amount of net gains associated with derivative instruments, net of tax, that would be reclassified into earnings during the next twelve months totaled \$6.7 million .

Note 4 - Noncontrolling Interests

Third parties hold a noncontrolling ownership interest in certain of our non-U.S. subsidiaries. Noncontrolling interests are classified as equity on our condensed consolidated balance sheets, and net income attributable to noncontrolling interests is presented separately on our condensed consolidated statements of operations.

Income from continuing operations attributable to EnSCO for the three-month and six-month periods ended June 30, 2014 and 2013 was as follows (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
(Loss) income from continuing operations	\$ (618.9)	\$ 346.4	\$ (300.9)	\$ 660.6
Income from continuing operations attributable to noncontrolling interests	(3.1)	(1.4)	(7.2)	(4.1)
(Loss) income from continuing operations attributable to EnSCO	\$ (622.0)	\$ 345.0	\$ (308.1)	\$ 656.5

Income from discontinued operations attributable to EnSCO for the three-month and six-month periods ended June 30, 2014 and 2013 was as follows (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
(Loss) income from discontinued operations, net	\$ (550.7)	\$ 16.2	\$ (572.0)	\$ 21.9
Income from discontinued operations attributable to noncontrolling interests	—	(.3)	(.1)	(.4)
(Loss) income from discontinued operations attributable to EnSCO	\$ (550.7)	\$ 15.9	\$ (572.1)	\$ 21.5

Note 5 - Earnings Per Share

We compute basic and diluted earnings per share ("EPS") in accordance with the two-class method. Net (loss)income attributable to EnSCO used in our computations of basic and diluted EPS is adjusted to exclude net income allocated to non-vested shares granted to our employees and non-employee directors. Weighted-average shares outstanding used in our computation of diluted EPS is calculated using the treasury stock method and excludes non-vested shares.

The following table is a reconciliation of net (loss) income attributable to EnSCO shares used in our basic and diluted EPS computations for the three-month and six-month periods ended June 30, 2014 and 2013 (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net (loss) income attributable to EnSCO	\$ (1,172.7)	\$ 360.9	\$ (880.2)	\$ 678.0
Net income allocated to non-vested share awards	(2.1)	(3.9)	(3.9)	(7.2)
Net (loss) income attributable to EnSCO shares	\$ (1,174.8)	\$ 357.0	\$ (884.1)	\$ 670.8

Net income allocated to non-vested share awards during the three-month and six-month periods ended June 30, 2014 represented dividends paid on non-vested share awards of \$2.1 million and \$3.9 million, respectively, and reduced net (loss) income from continuing operations attributable to EnSCO shares in our basic and diluted EPS computations.

The following table is a reconciliation of the weighted-average shares used in our basic and diluted EPS computations for the three-month and six-month periods ended June 30, 2014 and 2013 (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Weighted-average shares - basic	231.5	230.8	231.4	230.6
Potentially dilutive shares	—	.2	—	.2
Weighted-average shares - diluted	231.5	231.0	231.4	230.8

Antidilutive share options totaling 500,000 were excluded from the computation of diluted EPS for the three-month and six-month periods ended June 30, 2014. Antidilutive share options totaling 300,000 were excluded from the computation of diluted EPS for the three-month and six-month periods ended June 30, 2013.

Note 6 - Impairment

Impairment of Long-Lived Assets

During recent periods, a reduction in demand by operators combined with an oversupply of rigs has negatively impacted the floater market. The supply and demand imbalance has significantly challenged drilling contractors to contract older, less capable floaters.

During the second quarter, demand for floaters deteriorated further as a result of the continued reduction in capital spending by operators in addition to recently announced delays in operators' drilling programs. The further reduction in demand, when combined with the increasing supply from newbuild floater deliveries, has led to a very competitive market. In general, contracting activity for floaters declined significantly and new day rate fixtures were substantially lower than rates realized during the first quarter of 2014 and fourth quarter of 2013. More specifically, drilling contractors have been unable to contract older, less capable rigs as operators are now targeting premium, high-specification rigs at lower day rates. The significant supply and demand imbalance will continue to be adversely impacted by future newbuild deliveries, program delays and lower capital spending by operators. As a result, day rates and utilization will remain under pressure, especially for the older, less capable floaters. In response to the adverse change in the current and anticipated floaters business climate, management evaluated our older, less capable floaters during the three-month period ended June 30, 2014 and committed to a plan to sell five rigs. These rigs were written down to fair value, less costs to sell, and classified as "held for sale" on our June 30, 2014 condensed consolidated balance sheet.

We measured the fair value of the "held for sale" rigs by applying a market approach, which was based on unobservable third-party estimated prices that would be received in exchange for the assets in an orderly transaction between market participants. We recorded a pre-tax, non-cash loss on impairment totaling \$546.4 million during the three-month period ended June 30, 2014. The impairment charge was included in (loss) income from discontinued

operations, net in our condensed consolidated statement of operations for the three-month and six-month periods ended June 30, 2014. See "Note 8 - Discontinued Operations" for additional information on our "held for sale" rigs.

On a quarterly basis, we evaluate the carrying value of our property and equipment to identify events or changes in circumstances ("triggering events") that indicate the carrying value may not be recoverable. As a result of the adverse change in the floater business climate observed during the second quarter of 2014, management's commitment to a plan to sell five floaters during the second quarter of 2014 and the impairment charge incurred on the "held for sale" floaters, management concluded that a triggering event had occurred during the second quarter of 2014 and performed an asset impairment analysis on our remaining older, less capable floaters. Based on the analysis performed, we recorded an additional non-cash loss on impairment with respect to four other floaters totaling \$991.5 million during the three-month period ended June 30, 2014. The impairment charge was included in loss on impairment in our condensed consolidated statement of operations for the three-month and six-month periods ended June 30, 2014. We measured the fair value of these rigs by applying an income approach, using projected discounted cash flows. These valuations were based on unobservable inputs that require significant judgments for which there is limited information, including assumptions regarding future day rates, utilization, operating costs and capital requirements.

Goodwill

Our business consists of three operating segments: (1) Floaters, which includes our drillships and semisubmersible rigs, (2) Jackups and (3) Other, which consists of management services on rigs owned by third-parties. Our two reportable segments, Floaters and Jackups, provide one service, contract drilling.

We test goodwill for impairment on an annual basis or when events or changes in circumstances indicate that a potential impairment exists. Management concluded that the aforementioned adverse change in the current and anticipated floater business climate, the commitment to a plan to sell five floaters and the impairment charge on the "held for sale" floaters triggered the need for an interim impairment test to evaluate the Floaters reporting unit goodwill balance of \$3.1 billion as of May 31, 2014.

Based on the valuation performed as of May 31, 2014, the Floaters reporting unit estimated fair value exceeded the carrying value (adjusted for the long-lived impairments noted above) by approximately 7%; therefore, we concluded that the goodwill balance was not impaired. We estimated the fair value of the Floaters reporting unit using a blended income and market approach.

The income approach was based on a discounted cash flow model, which utilizes present values of cash flows to estimate fair value. The future cash flows were projected based on our estimates of future day rates, utilization, operating costs, capital requirements, growth rates and terminal values for our rigs. Forecasted day rates and utilization take into account current market conditions and our anticipated business outlook, both of which have been impacted by the recent adverse change in the floater business environment. The day rates reflect contracted rates during the respective contracted periods and management's estimate of market day rates in uncontracted periods. The forecasted market day rates were held constant in the near-term and were forecasted to grow in the longer-term and terminal period.

Operating costs were forecasted using our historical average operating costs and were adjusted for an estimated inflation factor. Capital requirements in the discounted cash flow model were based on management's estimates of future capital costs, taking into consideration our historical trends. The estimated capital requirements include cash outflows for new rig construction, rig enhancements and minor upgrades and improvements.

A terminal period was used to reflect our estimate of stable, perpetual growth. The terminal period reflects a terminal growth rate of 3.5%, which includes an estimated inflation factor. The future cash flows were discounted using a market-participant risk-adjusted weighted average cost of capital ("WACC") of 10.5%.

These assumptions were derived from unobservable inputs and reflect management's judgments and assumptions. A decline in the Floaters reporting unit cash flow projections or changes in other key assumptions may

result in a goodwill impairment charge in the future. Specifically, keeping all other variables constant, a 50 basis point increase in the WACC applied would reduce the estimated fair value of our Floaters reporting unit below its carrying value. In addition, keeping all other variables constant, a 1.5% reduction in the terminal growth rate would reduce the estimated fair value of our Floaters reporting unit below its carrying value. Also, keeping all other variables constant, a 5.0% reduction in our forecasted market day rates would reduce the estimated fair value of our Floaters reporting unit below its carrying value.

The market approach was based upon the application of price-to-earnings multiples to management's estimates of future earnings adjusted for a control premium. The price-to-earnings multiples used in the market valuation ranged from 7.5 x to 8.5 x and were based on competitor market multiples. The fair value determined under the market approach is sensitive to these multiples, and a decline in any of the multiples could reduce the estimated fair value of our Floaters reporting unit below its carrying value. Management's earnings estimates were derived from unobservable inputs that require significant estimates, judgments and assumptions as described in the income approach.

The estimated fair value determined under the income approach was consistent with the estimated fair value determined under the market approach. For purposes of the goodwill impairment test, we calculated the Floaters reporting unit estimated fair value as the average of the values calculated under the income approach and the market approach.

We evaluated the estimated fair value of our reporting units compared to our market capitalization as of May 31, 2014. To perform this assessment, we used a market approach to estimate the fair value of the Jackups reporting unit. The aggregated fair values of our reporting units exceeded our market capitalization, and we believe the resulting implied control premium is reasonable based on recent market transactions within our industry or other relevant benchmark data.

The estimates used to determine the fair value of the Floaters reporting unit reflect management's best estimates, and we believe they are reasonable. Future declines in the Floaters reporting unit's operating performance or our anticipated business outlook may reduce the estimated fair value of our Floaters reporting unit below its carrying value. Factors that could have a negative impact on the fair value of the Floaters reporting unit include, but are not limited to:

- decreases in estimated market day rates and utilization due to greater-than-expected market pressures, downtime and other risks associated with offshore rig operations;
- decreases in revenue due to our inability to attract and retain skilled personnel;
- changes in worldwide rig supply and demand, competition or technology, including changes as a result of delivery of newbuild drilling rigs;
- changes in future levels of drilling activity and expenditures, whether as a result of global capital markets and liquidity, prices of oil and natural gas or otherwise, which may cause us to idle or stack additional rigs;
- possible cancellation or suspension of drilling contracts as a result of mechanical difficulties, performance or other reasons;
- delays in actual contract commencement dates;
- the outcome of litigation, legal proceedings, investigations or other claims or contract disputes resulting in significant cash outflows;
- governmental regulatory, legislative and permitting requirements affecting drilling operations, including limitations on drilling locations (such as the Gulf of Mexico during hurricane season);

- increases in the market-participant risk-adjusted WACC;
- declines in anticipated growth rates;
- declines in our market capitalization.

Adverse changes in one or more of these factors could reduce the estimated fair value of our Floaters reporting unit below its carrying value in future periods.

Note 7 - Shareholders' Equity

During the three-month and six-month periods ended June 30, 2014 , we granted 900,000 and 1.1 million non-vested share awards, respectively, to our employees, officers and non-employee directors for annual equity awards and for equity awards granted to new or recently promoted employees, pursuant to our 2012 Long-Term Incentive Plan. Grants of non-vested share awards generally vest at rates of 20% or 33% per year, as determined by a committee or subcommittee of the Board of Directors at the time of the grant. Our non-vested share awards have dividend rights effective on the date of grant and are measured at fair value using the market value of our shares on the date of grant. The weighted-average grant-date fair value of non-vested share awards granted during the three-month and six-month periods ended June 30, 2014 was \$52.47 and \$52.51 per share, respectively.

Note 8 - Discontinued Operations

During the three-month period ended June 30, 2014 , management committed to a plan to sell five floaters. The ENSCO 5000, ENSCO 5001, ENSCO 5002, ENSCO 6000 and ENSCO 7500 were removed from our portfolio of rigs marketed for contract drilling services and are being actively marketed for sale. These rigs were classified as "held for sale" as of June 30, 2014 and written down to fair value less costs to sell.

We recorded a non-cash loss on impairment totaling \$508.8 million , net of tax benefits of \$37.6 million , during the three-month period ended June 30, 2014. The impairment charge was included in (loss) income from discontinued operations, net in our condensed consolidated statement of operations for the three-month and six-month periods ended June 30, 2014 . The operating results from these rigs were included in (loss) income from discontinued operations, net in our condensed consolidated statement of operations for the three-month and six-month periods ended June 30, 2014 and 2013 .

In connection with the sale of the ENSCO 7500, we will be required to pay the outstanding principal on the 6.36% MARAD bonds due 2015, which are collateralized by this rig. The outstanding principal balance on this bond is \$19.0 million as of June 30, 2014 , of which \$12.7 million is included in current maturities of long term debt in the condensed consolidated balance sheet as of June 30, 2014 .

During the three-month period ended June 30, 2014 , we sold jackup rig ENSCO 85 for net proceeds of \$64.4 million . The rig was classified as held for sale as of March 31, 2014 . The proceeds from the sale were included in investing activities of discontinued operations in our condensed consolidated statement of cash flows for the six-month period ended June 30, 2014 . We recognized a gain of \$2.3 million in connection with the disposal, which was included in (loss) income from discontinued operations, net in our condensed consolidated statement of operations for the three-month and six-month periods ended June 30, 2014 . ENSCO 85 operating results were included in (loss) income from discontinued operations, net in our condensed consolidated statement of operations for the three-month and six-month periods ended June 30, 2014 and 2013 .

During the six-month period ended June 30, 2014 , we sold jackup rigs ENSCO 69 and Wisconsin for net proceeds of \$32.2 million . These rigs were classified as held for sale as of December 31, 2013 . The proceeds from the sale were received in December 2013 and included in net cash used in investing activities of continuing operations in our consolidated statement of cash flows for the year ended December 31, 2013 in our annual report on Form 10-K for the year ended December 31, 2013 . During the three-month period ended June 30, 2014 , in connection with the potential sale of multiple rigs in our fleet mentioned above, ENSCO 69 and Wisconsin operating results were reclassified to (loss) income from discontinued operations, net in our condensed consolidated statement of operations for the three-month and six-month periods ended June 30, 2014 and 2013 . We recognized a gain of \$17.9 million in connection with the disposal, which was also reclassified to (loss) income from discontinued operations, net in our condensed consolidated statement of operations for the three-month and six-month periods ended June 30, 2014 .

During the six-month period ended June 30, 2013 , we sold jackup rig Pride Pennsylvania for net proceeds of \$15.5 million . The rig was classified as held for sale and included in discontinued operations during 2012 in connection with the sale of multiple rigs in our fleet. The proceeds from the sale were included in investing activities of discontinued operations in our condensed consolidated statement of cash flows for the six-month period ended June 30, 2013 . We recognized a loss of \$1.1 million in connection with the disposal, which was included in (loss) income from discontinued operations, net in our condensed consolidated statement of operations for the six-month period ended June 30, 2013 . Pride Pennsylvania operating results were included in (loss) income from discontinued operations, net in our condensed consolidated statement of operations for the three-month and six-month period ended June 30, 2013 .

The following table summarizes (loss) income from discontinued operations, net for the three-month and six-month periods ended June 30, 2014 and 2013 (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues	\$ 32.7	\$ 117.8	\$ 89.8	\$ 227.5
Operating expenses	74.2	100.5	170.4	202.8
Operating (loss) income	(41.5)	17.3	(80.6)	24.7
Other income	—	—	—	.3
Income tax expense	(1.1)	(1.1)	(2.7)	(2.0)
Loss on impairment, net	(508.8)	—	(508.8)	—
Gain (loss) on disposal of discontinued operations, net	.7	—	20.1	(1.1)
(Loss) income from discontinued operations, net	\$ (550.7)	\$ 16.2	\$ (572.0)	\$ 21.9

Debt and interest expense are not allocated to our discontinued operations.

The following table summarizes the major classes of assets held for sale included in other current assets on our condensed consolidated balance sheet as of June 30, 2014 (in millions):

Property and equipment, net	288.5
Other assets	2.3
Assets held for sale	\$ 290.8

Note 9 - Income Taxes

Excluding the impact of a \$991.5 million loss on impairment and all other discrete income tax expense, our consolidated effective income tax rate for the three-month and six-month periods ended June 30, 2014 was 10.9% as compared to 11.9% for the three-month and six-month periods ended June 30, 2013 . The decrease is primarily attributable to an increase in the relative components of our estimated 2014 earnings, excluding discrete items, generated in tax jurisdictions with lower tax rates.

Discrete income tax expense for the three-month period ended June 30, 2014 was primarily attributable to the resolution of prior period tax matters. Discrete income tax expense for the six-month period ended June 30, 2014 was primarily attributable to the recognition of a liability for unrecognized tax benefits associated with certain tax positions taken in prior years and the resolution of prior period tax matters. Discrete income tax expense for the six-month period ended June 30, 2013 was primarily

attributable to the recognition of a liability for unrecognized tax benefits associated with a tax position taken in prior years.

Note 10 - Contingencies

ENSCO 29 Wreck Removal

During 2005, a portion of the ENSCO 29 platform drilling rig was lost over the side of a customer's platform as a result of Hurricane Katrina. In June 2014, we received a letter from an operator demanding that Ensco retrieve the derrick and drawworks from the seabed.

Our property insurance policies include coverage for ENSCO 29 wreckage and debris removal costs up to \$3.8 million . We also maintain liability insurance policies that provide coverage under certain circumstances for wreckage and debris removal costs in excess of the \$3.8 million coverage provided under the property insurance policies. We believe that it is not probable a liability exists with respect to this matter, and no liability has been recorded on our condensed consolidated balance sheet as of June 30, 2014. While we cannot reasonably estimate a range of

possible loss at this time, it is possible that removal costs may be in excess of our insurance coverage. Although we do not expect costs associated with the ENSCO 29 wreck removal to have a material adverse effect upon our financial position, operating results or cash flows, there can be no assurances as to the ultimate outcome.

ENSCO 74 Loss

During 2008, ENSCO 74 was lost as a result of Hurricane Ike in the U.S. Gulf of Mexico. The sunken rig hull of ENSCO 74 was located approximately 95 miles from the original drilling location when it was struck by an oil tanker during 2009. Wreck removal operations on the sunken rig hull of ENSCO 74 were completed during 2010.

We filed a petition for exoneration or limitation of liability under U.S. admiralty and maritime law during 2009. A number of claimants presented claims in the exoneration/limitation proceedings. We have liability insurance policies that provide coverage for such claims as well as removal of wreckage and debris in excess of the property insurance policy sublimit, subject to a \$10.0 million per occurrence deductible for third-party claims and an annual aggregate limit of \$490.0 million .

The owner of a pipeline filed claims alleging that ENSCO 74 caused the pipeline to rupture during Hurricane Ike and sought damages for the cost of repairs and business interruption in an amount in excess of \$26.0 million . During the first quarter of 2014, we reached an agreement with the owner of the pipeline to settle the claims for \$9.6 million . Prior to the settlement, we incurred legal fees of \$3.6 million for this matter. During the second quarter of 2014, we paid the remaining \$6.4 million of our deductible under our liability insurance policy, which was included in accrued liabilities and other on our condensed consolidated balance sheet as of December 31, 2013. The remaining \$3.2 million of settlement proceeds was paid by our underwriters under the terms of the related insurance policies.

The owner of the oil tanker that struck the hull of ENSCO 74 filed claims seeking monetary damages in excess of \$5.0 million for losses incurred when the tanker struck the sunken hull of ENSCO 74. This matter went to trial in June 2014, and the Company won a directed verdict regarding all claims. The plaintiff has the right to appeal the decision. We believe that it is not probable that a liability exists with respect to these claims.

We believe all liabilities associated with the ENSCO 74 loss during Hurricane Ike resulted from a single occurrence under the terms of the applicable insurance policies. However, legal counsel for certain liability underwriters have asserted that the liability claims arise from separate occurrences. In the event of multiple occurrences, the self-insured retention is \$15.0 million for two occurrences and \$1.0 million for each occurrence thereafter.

Although we do not expect final disposition of the claims associated with the ENSCO 74 loss to have a material adverse effect upon our financial position, operating results or cash flows, there can be no assurances as to the ultimate outcome.

Asbestos Litigation

We and certain subsidiaries have been named as defendants, along with numerous third-party companies as co-defendants, in multi-party lawsuits filed in Mississippi and Louisiana by approximately 100 plaintiffs. The lawsuits seek an unspecified amount of monetary damages on behalf of individuals alleging personal injury or death, primarily under the Jones Act, purportedly resulting from exposure to asbestos on drilling rigs and associated facilities during the 1960s through the 1980s.

In December 2013, we reached an agreement in principle with 58 of the plaintiffs to settle lawsuits filed in Mississippi for a nominal amount. While we believe the settlement will be approved by the Court, there can be no assurances as to the ultimate outcome.

We intend to vigorously defend against the remaining claims and have filed responsive pleadings preserving all defenses and challenges to jurisdiction and venue. However, discovery is still ongoing and, therefore, available information regarding the nature of all pending claims is limited. At present, we cannot reasonably determine how

many of the claimants may have valid claims under the Jones Act or estimate a range of potential liability exposure, if any.

In addition to the pending cases in Mississippi and Louisiana, we have other asbestos or lung injury claims pending against us in litigation in other jurisdictions. Although we do not expect final disposition of these asbestos or lung injury lawsuits to have a material adverse effect upon our financial position, operating results or cash flows, there can be no assurances as to the ultimate outcome of the lawsuits.

Other Matters

In addition to the foregoing, we are named defendants or parties in certain other lawsuits, claims or proceedings incidental to our business and are involved from time to time as parties to governmental investigations or proceedings, including matters related to taxation, arising in the ordinary course of business. Although the outcome of such lawsuits or other proceedings cannot be predicted with certainty and the amount of any liability that could arise with respect to such lawsuits or other proceedings cannot be predicted accurately, we do not expect these matters to have a material adverse effect on our financial position, operating results or cash flows.

In the ordinary course of business with customers and others, we have entered into letters of credit and surety bonds to guarantee our performance as it relates to our drilling contracts, contract bidding, customs duties, tax appeals and other obligations in various jurisdictions. Letters of credit and surety bonds outstanding as of June 30, 2014 totaled \$248.4 million and were issued under facilities provided by various banks and other financial institutions. Obligations under these letters of credit and surety bonds are not normally called as we typically comply with the underlying performance requirement. As of June 30, 2014, we had not been required to make collateral deposits with respect to these agreements.

Note 11 - Segment Information

Our business consists of three operating segments: (1) Floaters, which includes our drillships and semisubmersible rigs, (2) Jackups and (3) Other, which consists of management services on rigs owned by third-parties. Our two reportable segments, Floaters and Jackups, provide one service, contract drilling.

Segment information for the three-month and six-month periods ended 2014 and 2013 is presented below (in millions). General and administrative expense and depreciation expense incurred by our corporate office are not allocated to our operating segments for purposes of measuring segment operating income and were included in "Reconciling Items." We measure segment assets as property and equipment. Prior year information has been reclassified to conform to the current year presentation.

Three Months Ended June 30, 2014

	<u>Floaters</u>	<u>Jackups</u>	<u>Other</u>	<u>Operating Segments Total</u>	<u>Reconciling Items</u>	<u>Consolidated Total</u>
Revenues	\$ 720.6	\$ 465.9	\$ 16.5	\$ 1,203.0	\$ —	\$ 1,203.0
Operating expenses						
Contract drilling (exclusive of depreciation)	330.3	234.0	11.7	576.0	—	576.0
Loss on impairment	991.5	—	—	991.5	—	991.5
Depreciation	93.2	44.1	—	137.3	2.1	139.4
General and administrative	—	—	—	—	36.2	36.2
Operating (loss) income	\$ (694.4)	\$ 187.8	\$ 4.8	\$ (501.8)	\$ (38.3)	\$ (540.1)
Property and equipment, net	\$ 9,661.1	\$ 3,152.9	\$ —	\$ 12,814.0	\$ 67.2	\$ 12,881.2

Three Months Ended June 30, 2013

	<u>Floaters</u>	<u>Jackups</u>	<u>Other</u>	<u>Operating Segments Total</u>	<u>Reconciling Items</u>	<u>Consolidated Total</u>
Revenues	\$ 716.9	\$ 393.1	\$ 20.3	\$ 1,130.3	\$ —	\$ 1,130.3
Operating expenses						
Contract drilling (exclusive of depreciation)	302.6	208.6	16.0	527.2	—	527.2
Depreciation	91.7	38.7	—	130.4	1.6	132.0
General and administrative	—	—	—	—	36.4	36.4
Operating income (loss)	\$ 322.6	\$ 145.8	\$ 4.3	\$ 472.7	\$ (38.0)	\$ 434.7
Property and equipment, net	\$ 10,862.5	\$ 2,491.2	\$ —	\$ 13,353.7	\$ 36.8	\$ 13,390.5

Six Months Ended June 30, 2014

	<u>Floaters</u>	<u>Jackups</u>	<u>Other</u>	<u>Operating Segments Total</u>	<u>Reconciling Items</u>	<u>Consolidated Total</u>
Revenues	\$ 1,410.8	\$ 889.0	\$ 33.1	\$ 2,332.9	\$ —	\$ 2,332.9
Operating expenses						
Contract drilling (exclusive of depreciation)	656.4	449.2	23.0	1,128.6	—	1,128.6
Loss on impairment	991.5	—	—	991.5	—	991.5
Depreciation	189.6	85.0	—	274.6	4.0	278.6
General and administrative	—	—	—	—	74.3	74.3
Operating (loss) income	\$ (426.7)	\$ 354.8	\$ 10.1	\$ (61.8)	\$ (78.3)	\$ (140.1)
Property and equipment, net	\$ 9,661.1	\$ 3,152.9	\$ —	\$ 12,814.0	\$ 67.2	\$ 12,881.2

Six Months Ended June 30, 2013

	<u>Floaters</u>	<u>Jackups</u>	<u>Other</u>	<u>Operating Segments Total</u>	<u>Reconciling Items</u>	<u>Consolidated Total</u>
Revenues	\$ 1,342.2	\$ 787.9	\$ 40.5	\$ 2,170.6	\$ —	\$ 2,170.6
Operating expenses						
Contract drilling (exclusive of depreciation)	573.2	402.1	31.7	1,007.0	—	1,007.0
Depreciation	179.4	77.3	—	256.7	3.2	259.9
General and administrative	—	—	—	—	74.2	74.2
Operating income (loss)	\$ 589.6	\$ 308.5	\$ 8.8	\$ 906.9	\$ (77.4)	\$ 829.5
Property and equipment, net	\$ 10,862.5	\$ 2,491.2	\$ —	\$ 13,353.7	\$ 36.8	\$ 13,390.5

Information about Geographic Areas

As of June 30, 2014, the geographic distribution of our drilling rigs by reportable segment was as follows:

	<u>Floaters</u> ⁽¹⁾	<u>Jackups</u> ⁽²⁾	<u>Total</u> ⁽³⁾
North & South America (excluding Brazil)	9	12	21
Middle East & Africa	6	10	16
Asia & Pacific Rim	4	9	13
Europe & Mediterranean	2	10	12
Asia & Pacific Rim (under construction)	3	5	8
Brazil	5	—	5
Total	29	46	75

⁽¹⁾ The five floaters classified as "held for sale" as of June 30, 2014 are included in the table above.

⁽²⁾ In July 2014, we accepted delivery of the ENSCO 122, which is committed under a long-term drilling contract.

⁽³⁾ We provide management services on two rigs owned by third-parties not included in the table above.

Note 12 - Supplemental Financial Information

Consolidated Balance Sheet Information

Accounts receivable, net, consisted of the following (in millions):

	<u>June 30, 2014</u>	<u>December 31, 2013</u>
Trade	\$ 839.8	\$ 869.8
Other	17.1	14.3
	856.9	884.1
Allowance for doubtful accounts	(13.3)	(28.4)
	\$ 843.6	\$ 855.7

Other current assets consisted of the following (in millions):

	June 30, 2014	December 31, 2013
Assets held for sale	\$ 290.8	\$ 8.6
Inventory	254.8	256.4
Prepaid taxes	82.1	88.1
Deferred costs	64.9	47.4
Short-term investments	33.3	50.0
Deferred tax assets	22.9	23.1
Derivative assets	16.9	11.6
Prepaid expenses	15.4	18.5
Other	6.1	10.2
	\$ 787.2	\$ 513.9

Other assets, net consisted of the following (in millions):

	June 30, 2014	December 31, 2013
Deferred costs	\$ 79.5	\$ 59.1
Intangible assets	66.6	83.8
Supplemental executive retirement plan assets	42.4	37.7
Prepaid taxes on intercompany transfers of property	41.0	50.2
Unbilled receivables	36.5	51.9
Warranty and other claim receivables	30.6	30.6
Deferred tax assets	28.9	25.2
Other	14.7	14.2
	\$ 340.2	\$ 352.7

Accrued liabilities and other consisted of the following (in millions):

	June 30, 2014	December 31, 2013
Personnel costs	\$ 206.1	\$ 242.0
Deferred revenue	156.4	169.8
Taxes	99.0	84.2
Accrued interest	67.1	68.0
Advance payment received on sale of assets	—	33.0
Customer pre-payments	—	20.0
Other	19.6	41.7
	\$ 548.2	\$ 658.7

Other liabilities consisted of the following (in millions):

	June 30, 2014	December 31, 2013
Deferred revenue	\$ 271.6	\$ 217.6
Unrecognized tax benefits (inclusive of interest and penalties)	159.6	148.0
Intangible liabilities	55.1	69.1
Supplemental executive retirement plan liabilities	45.3	40.5
Personnel costs	24.8	37.2
Other	35.9	33.3
	\$ 592.3	\$ 545.7

Accumulated other comprehensive income consisted of the following (in millions):

	June 30, 2014	December 31, 2013
Derivative Instruments	\$ 28.6	\$ 20.6
Other	(1.9)	(2.4)
	\$ 26.7	\$ 18.2

Concentration of Risk

We are exposed to credit risk relating to our receivables from customers, our cash and cash equivalents, our short-term investments and our use of derivatives in connection with the management of foreign currency exchange rate risk. We mitigate our credit risk relating to receivables from customers, which consist primarily of major international, government-owned and independent oil and gas companies, by performing ongoing credit evaluations. We also maintain reserves for potential credit losses, which generally have been within management's expectations. We mitigate our credit risk relating to cash and cash equivalents by focusing on diversification and quality of instruments. Cash equivalents consist of a portfolio of high-grade instruments. Custody of cash and cash equivalents is maintained at several well-capitalized financial institutions, and we monitor the financial condition of those financial institutions.

We mitigate our credit risk relating to counterparties of our derivatives through a variety of techniques, including transacting with multiple, high-quality financial institutions, thereby limiting our exposure to individual counterparties and by entering into International Swaps and Derivatives Association, Inc. ("ISDA") Master Agreements, which include provisions for a legally enforceable master netting agreement, with almost all of our derivative counterparties. The terms of the ISDA agreements may also include credit support requirements, cross default provisions, termination events or set-off provisions. Legally enforceable master netting agreements reduce credit risk by providing protection in bankruptcy in certain circumstances and generally permitting the closeout and netting of transactions with the same counterparty upon the occurrence of certain events. See "Note 3 - Derivative Instruments" for additional information on our derivatives.

During the three-month period ended June 30, 2014, Total and Anadarko Petroleum accounted for 11%, and 10% of our consolidated revenues, respectively, all of which were attributable to our Floaters segment. During the same period, BP accounted for 16% of our consolidated revenues, 81% of which were attributable to our Floaters segment.

During the six-month period ended June 30, 2014, Total and Anadarko Petroleum accounted for 13%, and 10% of our consolidated revenues, respectively, all of which were attributable to our Floaters segment. During the same period, BP accounted for 16% of our consolidated revenues, 80% of which were attributable to our Floaters segment.

During the three-month period ended June 30, 2014, revenues provided by our drilling operations in the U.S. Gulf of Mexico totaled \$476.1 million, or 40%, of our consolidated revenues, of which 76% were provided by our Floaters segment. Revenues provided by our drilling operations in Angola during the three-month period ended June 30,

2014 totaled \$198.8 million , or 17% , of our consolidated revenues, all of which were provided by our Floaters segment.

During the six-month period ended June 30, 2014 , revenues provided by our drilling operations in the U.S. Gulf of Mexico totaled \$896.0 million , or 38% , of our consolidated revenues, of which 75% were provided by our Floaters segment. Revenues provided by our drilling operations in Angola and Brazil during the six-month period ended June 30, 2014 totaled \$388.1 million and \$245.7 million , or 17% and 11% , respectively, of our consolidated revenues, all of which were provided by our Floaters segment.

Note 13 - Guarantee of Registered Securities

On May 31, 2011, Ensco plc completed a merger transaction (the "Merger") with Pride International Inc. ("Pride"). In connection with the Merger, Ensco plc and Pride entered into a supplemental indenture to the indenture dated as of July 1, 2004 between Pride and the Bank of New York Mellon, as indenture trustee, providing for, among other matters, the full and unconditional guarantee by Ensco plc of Pride's 8.5% unsecured senior notes due 2019 , 6.875% unsecured senior notes due 2020 and 7.875% unsecured senior notes due 2040 , which had an aggregate outstanding principal balance of \$ 1.7 billion as of June 30, 2014 . The Ensco plc guarantee provides for the unconditional and irrevocable guarantee of the prompt payment, when due, of any amount owed to the holders of the notes.

Ensco plc is also a full and unconditional guarantor of the 7.2% debentures due 2027 issued by ENSCO International Incorporated during 1997, which had an aggregate outstanding principal balance of \$ 150.0 million as of June 30, 2014 .

All guarantees are unsecured obligations of Ensco plc ranking equal in right of payment with all of its existing and future unsecured and unsubordinated indebtedness.

The following tables present the unaudited condensed consolidating statements of operations for the three-month and six-month periods ended June 30, 2014 and 2013 ; the unaudited condensed consolidating statements of comprehensive income for the three-month and six-month periods ended June 30, 2014 and 2013 ; the condensed consolidating balance sheets as of June 30, 2014 (unaudited) and December 31, 2013 ; and the unaudited condensed consolidating statements of cash flows for the six-month periods ended June 30, 2014 and 2013 , in accordance with Rule 3-10 of Regulation S-X.

ENSCO PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
Three Months Ended June 30, 2014
(in millions)
(Unaudited)

	<u>Enco plc</u>	<u>ENSCO International Incorporated</u>	<u>Pride International, Inc.</u>	<u>Other Non- Guarantor Subsidiaries of Enco</u>	<u>Consolidating Adjustments</u>	<u>Total</u>
OPERATING REVENUES	\$ 7.8	\$ 38.9	\$ —	\$ 1,236.1	\$ (79.8)	\$ 1,203.0
OPERATING EXPENSES						
Contract drilling (exclusive of depreciation)	8.0	38.9	—	608.9	(79.8)	576.0
Loss on impairment	—	—	—	991.5	—	991.5
Depreciation	—	1.8	—	137.6	—	139.4
General and administrative	14.5	.1	—	21.6	—	36.2
OPERATING LOSS	(14.7)	(1.9)	—	(523.5)	—	(540.1)
OTHER EXPENSE, NET	(12.0)	(1.4)	(13.7)	(3.7)	—	(30.8)
LOSS BEFORE INCOME TAXES	(26.7)	(3.3)	(13.7)	(527.2)	—	(570.9)
INCOME TAX PROVISION	—	7.6	—	40.4	—	48.0
DISCONTINUED OPERATIONS, NET	—	—	—	(550.7)	—	(550.7)
EQUITY EARNINGS IN AFFILIATES, NET OF TAX	(1,146.0)	(1,481.5)	(1,554.5)	—	4,182.0	—
NET LOSS	(1,172.7)	(1,492.4)	(1,568.2)	(1,118.3)	4,182.0	(1,169.6)
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	(3.1)	—	(3.1)
NET LOSS ATTRIBUTABLE TO ENSCO	\$ (1,172.7)	\$ (1,492.4)	\$ (1,568.2)	\$ (1,121.4)	\$ 4,182.0	\$ (1,172.7)

ENSCO PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
Three Months Ended June 30, 2013
(in millions)
(Unaudited)

	Enco plc	ENSCO International Incorporated	Pride International, Inc.	Other Non- Guarantor Subsidiaries of Enco	Consolidating Adjustments	Total
OPERATING REVENUES	\$ 5.5	\$ 38.2	\$ —	\$ 1,164.5	\$ (77.9)	\$ 1,130.3
OPERATING EXPENSES						
Contract drilling (exclusive of depreciation)	12.8	38.2	—	554.1	(77.9)	527.2
Depreciation	.1	1.0	—	130.9	—	132.0
General and administrative	16.2	.1	—	20.1	—	36.4
OPERATING (LOSS) INCOME	(23.6)	(1.1)	—	459.4	—	434.7
OTHER EXPENSE, NET	(15.3)	(5.7)	(16.0)	(2.8)	—	(39.8)
(LOSS) INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(38.9)	(6.8)	(16.0)	456.6	—	394.9
INCOME TAX PROVISION	—	31.2	—	17.3	—	48.5
DISCONTINUED OPERATIONS, NET	—	—	—	16.2	—	16.2
EQUITY EARNINGS IN AFFILIATES, NET OF TAX	399.8	78.8	77.2	—	(555.8)	—
NET INCOME	360.9	40.8	61.2	455.5	(555.8)	362.6
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	(1.7)	—	(1.7)
NET INCOME ATTRIBUTABLE TO ENSCO	\$ 360.9	\$ 40.8	\$ 61.2	\$ 453.8	\$ (555.8)	\$ 360.9

ENSCO PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
Six Months Ended June 30, 2014
(in millions)
(Unaudited)

	Enco plc	ENSCO International Incorporated	Pride International, Inc.	Other Non- Guarantor Subsidiaries of Enco	Consolidating Adjustments	Total
OPERATING REVENUES	\$ 15.5	\$ 77.8	\$ —	\$ 2,398.9	\$ (159.3)	\$ 2,332.9
OPERATING EXPENSES						
Contract drilling (exclusive of depreciation)	15.3	77.8	—	1,194.8	(159.3)	1,128.6
Loss on impairment	—	—	—	991.5	—	991.5
Depreciation	.1	3.3	—	275.2	—	278.6
General and administrative	30.8	.2	—	43.3	—	74.3
OPERATING LOSS	(30.7)	(3.5)	—	(105.9)	—	(140.1)
OTHER EXPENSE, NET	(28.6)	(5.4)	(25.9)	—	—	(59.9)
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(59.3)	(8.9)	(25.9)	(105.9)	—	(200.0)
INCOME TAX PROVISION	—	38.4	—	62.5	—	100.9
DISCONTINUED OPERATIONS, NET	—	—	—	(572.0)	—	(572.0)
EQUITY EARNINGS IN AFFILIATES, NET OF TAX	(820.9)	(1,387.5)	(1,569.8)	—	3,778.2	—
NET LOSS	(880.2)	(1,434.8)	(1,595.7)	(740.4)	3,778.2	(872.9)
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	(7.3)	—	(7.3)
NET LOSS ATTRIBUTABLE TO ENSCO	\$ (880.2)	\$ (1,434.8)	\$ (1,595.7)	\$ (747.7)	\$ 3,778.2	\$ (880.2)

ENSCO PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
Six Months Ended June 30, 2013
(in millions)
(Unaudited)

	Enco plc	ENSCO International Incorporated	Pride International, Inc.	Other Non- Guarantor Subsidiaries of Enco	Consolidating Adjustments	Total
OPERATING REVENUES	\$ 11.0	\$ 76.3	\$ —	\$ 2,238.6	\$ (155.3)	\$ 2,170.6
OPERATING EXPENSES						
Contract drilling (exclusive of depreciation)	25.2	76.3	—	1,060.8	(155.3)	1,007.0
Depreciation	.2	1.8	—	257.9	—	259.9
General and administrative	33.1	.3	—	40.8	—	74.2
OPERATING (LOSS) INCOME	(47.5)	(2.1)	—	879.1	—	829.5
OTHER (EXPENSE) INCOME, NET	(29.9)	(13.1)	(30.6)	4.0	—	(69.6)
(LOSS) INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(77.4)	(15.2)	(30.6)	883.1	—	759.9
INCOME TAX PROVISION	—	60.7	—	38.6	—	99.3
DISCONTINUED OPERATIONS, NET	—	—	—	21.9	—	21.9
EQUITY EARNINGS IN AFFILIATES, NET OF TAX	755.4	190.5	129.6	—	(1,075.5)	—
NET INCOME	678.0	114.6	99.0	866.4	(1,075.5)	682.5
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	(4.5)	—	(4.5)
NET INCOME ATTRIBUTABLE TO ENSCO	\$ 678.0	\$ 114.6	\$ 99.0	\$ 861.9	\$ (1,075.5)	\$ 678.0

ENSCO PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME
Three Months Ended June 30, 2014
(in millions)
(Unaudited)

	<u>Enco plc</u>	<u>ENSCO International Incorporated</u>	<u>Pride International, Inc.</u>	<u>Other Non- Guarantor Subsidiaries of Enco</u>	<u>Consolidating Adjustments</u>	<u>Total</u>
NET LOSS	\$ (1,172.7)	\$ (1,492.4)	\$ (1,568.2)	\$ (1,118.3)	\$ 4,182.0	\$ (1,169.6)
OTHER COMPREHENSIVE INCOME (LOSS), NET						
Net change in fair value of derivatives	—	5.0	—	—	—	5.0
Reclassification of net gains on derivative instruments from other comprehensive income into net income	—	(2.4)	—	—	—	(2.4)
Other	—	—	—	.5	—	.5
NET OTHER COMPREHENSIVE INCOME	—	2.6	—	.5	—	3.1
COMPREHENSIVE LOSS	(1,172.7)	(1,489.8)	(1,568.2)	(1,117.8)	4,182.0	(1,166.5)
COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	(3.1)	—	(3.1)
COMPREHENSIVE LOSS ATTRIBUTABLE TO ENSCO	\$ (1,172.7)	\$ (1,489.8)	\$ (1,568.2)	\$ (1,120.9)	\$ 4,182.0	\$ (1,169.6)

ENSCO PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME
Three Months Ended June 30, 2013
(in millions)
(Unaudited)

	<u>Enscopl</u>	<u>ENSCO International Incorporated</u>	<u>Pride International, Inc.</u>	<u>Other Non- Guarantor Subsidiaries of Enscopl</u>	<u>Consolidating Adjustments</u>	<u>Total</u>
NET INCOME	\$ 360.9	\$ 40.8	\$ 61.2	\$ 455.5	\$ (555.8)	\$362.6
OTHER COMPREHENSIVE(LOSS) INCOME, NET						
Net change in fair value of derivatives	—	(9.6)	—	—	—	(9.6)
Reclassification of net losses on derivative instruments from other comprehensive income into net income	—	.4	—	—	—	.4
Other	—	—	—	.6	—	.6
NET OTHER COMPREHENSIVE (LOSS) INCOME	—	(9.2)	—	.6	—	(8.6)
COMPREHENSIVE INCOME	360.9	31.6	61.2	456.1	(555.8)	354.0
COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	(1.7)	—	(1.7)
COMPREHENSIVE INCOME ATTRIBUTABLE TO ENSCO	\$ 360.9	\$ 31.6	\$ 61.2	\$ 454.4	\$ (555.8)	\$352.3

ENSCO PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME
Six Months Ended June 30, 2014
(in millions)
(Unaudited)

	<u>Enco plc</u>	<u>ENSCO International Incorporated</u>	<u>Pride International, Inc.</u>	<u>Other Non- Guarantor Subsidiaries of Enco</u>	<u>Consolidating Adjustments</u>	<u>Total</u>
NET LOSS	\$ (880.2)	\$ (1,434.8)	\$ (1,595.7)	\$ (740.4)	\$ 3,778.2	\$(872.9)
OTHER COMPREHENSIVE INCOME (LOSS), NET						
Net change in fair value of derivatives	—	9.9	—	—	—	9.9
Reclassification of net gains on derivative instruments from other comprehensive income into net income	—	(1.9)	—	—	—	(1.9)
Other	—	—	—	.5	—	.5
NET OTHER COMPREHENSIVE INCOME	—	8	—	.5	—	8.5
COMPREHENSIVE LOSS	(880.2)	(1,426.8)	(1,595.7)	(739.9)	3,778.2	(864.4)
COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	(7.3)	—	(7.3)
COMPREHENSIVE LOSS ATTRIBUTABLE TO ENSCO	\$ (880.2)	\$ (1,426.8)	\$ (1,595.7)	\$ (747.2)	\$ 3,778.2	\$(871.7)

ENSCO PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME
Six Months Ended June 30, 2013
(in millions)
(Unaudited)

	<u>EnSCO plc</u>	<u>ENSCO International Incorporated</u>	<u>Pride International, Inc.</u>	<u>Other Non- Guarantor Subsidiaries of EnSCO</u>	<u>Consolidating Adjustments</u>	<u>Total</u>
NET INCOME	\$ 678.0	\$ 114.6	\$ 99.0	\$ 866.4	\$ (1,075.5)	\$682.5
OTHER COMPREHENSIVE (LOSS) INCOME, NET						
Net change in fair value of derivatives	—	(13.6)	—	—	—	(13.6)
Reclassification of net gains on derivative instruments from other comprehensive income into net income	—	(.6)	—	—	—	(.6)
Other	—	—	—	.5	—	.5
NET OTHER COMPREHENSIVE (LOSS)INCOME	—	(14.2)	—	.5	—	(13.7)
COMPREHENSIVE INCOME	678.0	100.4	99.0	866.9	(1,075.5)	668.8
COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	(4.5)	—	(4.5)
COMPREHENSIVE INCOME ATTRIBUTABLE TO ENSCO	\$ 678.0	\$ 100.4	\$ 99.0	\$ 862.4	\$ (1,075.5)	\$664.3

ENSCO PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEETS
June 30, 2014
(in millions)
(Unaudited)

	Enco plc	ENSCO International Incorporated	Pride International, Inc.	Other Non- Guarantor Subsidiaries of Enco	Consolidating Adjustments	Total
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	\$ 37.1	\$ —	\$ 5.3	\$ 102.6	\$ —	\$ 145.0
Accounts receivable, net	—	—	—	843.6	—	843.6
Accounts receivable from affiliates	2,036.8	180.0	2.6	1,041.9	(3,261.3)	—
Other	3.0	15.0	—	769.2	—	787.2
Total current assets	2,076.9	195.0	7.9	2,757.3	(3,261.3)	1,775.8
PROPERTY AND EQUIPMENT, AT COST						
	2.1	49.5	—	15,749.6	—	15,801.2
Less accumulated depreciation	1.6	29.7	—	2,888.7	—	2,920.0
Property and equipment, net	.5	19.8	—	12,860.9	—	12,881.2
GOODWILL	—	—	—	3,274.0	—	3,274.0
DUE FROM AFFILIATES	1,314.6	4,681.0	1,948.9	6,111.0	(14,055.5)	—
INVESTMENTS IN AFFILIATES	12,644.7	3,492.7	2,652.7	—	(18,790.1)	—
OTHER ASSETS, NET	7.5	50.6	—	282.1	—	340.2
	\$ 16,044.2	\$ 8,439.1	\$ 4,609.5	\$ 25,285.3	\$ (36,106.9)	\$ 18,271.2
LIABILITIES AND SHAREHOLDERS' EQUITY						
CURRENT LIABILITIES						
Accounts payable and accrued liabilities	\$ 38.9	\$ 15.1	\$ 34.2	\$ 954.3	\$ —	\$ 1,042.5
Accounts payable to affiliates	534.5	530.0	—	2,196.8	(3,261.3)	\$ —
Current maturities of long-term debt	—	—	—	47.5	—	\$ 47.5
Total current liabilities	573.4	545.1	34.2	3,198.6	(3,261.3)	1,090.0
DUE TO AFFILIATES	1,402.2	3,207.0	1,552.6	7,893.7	(14,055.5)	—
LONG-TERM DEBT	2,475.8	149.1	1,990.7	63.5	—	4,679.1
DEFERRED INCOME TAXES	—	307.3	—	9.7	—	317.0
OTHER LIABILITIES	—	2.1	8.1	582.1	—	592.3
ENSCO SHAREHOLDERS' EQUITY	11,592.8	4,228.5	1,023.9	13,527.5	(18,790.1)	11,582.6
NONCONTROLLING INTERESTS						
	—	—	—	10.2	—	10.2
Total equity	11,592.8	4,228.5	1,023.9	13,537.7	(18,790.1)	11,592.8
	\$ 16,044.2	\$ 8,439.1	\$ 4,609.5	\$ 25,285.3	\$ (36,106.9)	\$ 18,271.2

ENSCO PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEETS
December 31, 2013
(in millions)

	<u>Enco plc</u>	<u>ENSCO International Incorporated</u>	<u>Pride International, Inc.</u>	<u>Other Non- Guarantor Subsidiaries of Enco</u>	<u>Consolidating Adjustments</u>	<u>Total</u>
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	\$ 46.5	\$.5	\$ 4.9	\$ 113.7	\$ —	\$ 165.6
Accounts receivable, net	—	—	—	855.7	—	855.7
Accounts receivable from affiliates	1,235.0	213.8	5.5	4,169.2	(5,623.5)	—
Other	3.2	61.3	—	449.4	—	513.9
Total current assets	1,284.7	275.6	10.4	5,588.0	(5,623.5)	1,535.2
PROPERTY AND EQUIPMENT, AT COST						
	2.1	34.3	—	17,462.1	—	17,498.5
Less accumulated depreciation	1.5	26.5	—	3,159.5	—	3,187.5
Property and equipment, net	.6	7.8	—	14,302.6	—	14,311.0
GOODWILL						
	—	—	—	3,274.0	—	3,274.0
DUE FROM AFFILIATES						
	4,876.8	4,236.0	1,898.0	5,069.7	(16,080.5)	—
INVESTMENTS IN AFFILIATES						
	13,830.1	4,868.6	4,092.2	—	(22,790.9)	—
OTHER ASSETS, NET						
	8.8	60.1	—	283.8	—	352.7
	\$ 20,001.0	\$ 9,448.1	\$ 6,000.6	\$ 28,518.1	\$ (44,494.9)	\$ 19,472.9
LIABILITIES AND SHAREHOLDERS' EQUITY						
CURRENT LIABILITIES						
Accounts payable and accrued liabilities	\$ 31.5	\$ 9.1	\$ 34.2	\$ 925.0	\$ —	\$ 999.8
Accounts payable to affiliates	3,666.1	549.7	—	1,407.7	(5,623.5)	—
Current maturities of long-term debt	—	—	—	47.5	—	47.5
Total current liabilities	3,697.6	558.8	34.2	2,380.2	(5,623.5)	1,047.3
DUE TO AFFILIATES						
	1,030.8	2,760.4	1,331.1	10,958.2	(16,080.5)	—
LONG-TERM DEBT						
	2,473.7	149.1	2,007.8	88.3	—	4,718.9
DEFERRED INCOME TAXES						
	—	358.3	—	3.8	—	362.1
OTHER LIABILITIES						
	—	2.3	8.7	534.7	—	545.7
ENSCO SHAREHOLDERS' EQUITY						
	12,798.9	5,619.2	2,618.8	14,545.6	(22,790.9)	12,791.6
NONCONTROLLING INTERESTS						
	—	—	—	7.3	—	7.3
Total equity	12,798.9	5,619.2	2,618.8	14,552.9	(22,790.9)	12,798.9
	\$ 20,001.0	\$ 9,448.1	\$ 6,000.6	\$ 28,518.1	\$ (44,494.9)	\$ 19,472.9

ENSCO PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
Six Months Ended June 30, 2014
(in millions)
(Unaudited)

	<u>Enco plc</u>	<u>ENSCO International Incorporated</u>	<u>Pride International, Inc.</u>	<u>Other Non- guarantor Subsidiaries of Enco</u>	<u>Consolidating Adjustments</u>	<u>Total</u>
OPERATING ACTIVITIES						
Net cash (used in) provided by operating activities of continuing operations	\$ (34.8)	\$ (25.3)	\$ (43.6)	\$ 1,093.0	\$ —	\$ 989.3
INVESTING ACTIVITIES						
Additions to property and equipment	—	(15.2)	—	(616.6)	—	(631.8)
Maturities of short-term investments	—	—	—	50.0	—	50.0
Purchases of short-term investments	—	—	—	(33.3)	—	(33.3)
Other	—	—	—	2.4	—	2.4
Net cash used in investing activities of continuing operations	—	(15.2)	—	(597.5)	—	(612.7)
FINANCING ACTIVITIES						
Cash dividends paid	(351.2)	—	—	—	—	(351.2)
Reduction of long-term borrowings	—	—	—	(23.7)	—	(23.7)
Proceeds from exercise of share options	2.4	—	—	—	—	2.4
Advances from (to) affiliates	385.8	40.0	44.0	(469.8)	—	—
Other	(11.6)	—	—	(4.2)	—	(15.8)
Net cash provided by (used in) financing activities	25.4	40.0	44.0	(497.7)	—	(388.3)
DISCONTINUED OPERATIONS						
Operating activities	—	—	—	(67.9)	—	(67.9)
Investing activities	—	—	—	58.8	—	58.8
Net cash used in discontinued operations	—	—	—	(9.1)	—	(9.1)
Effect of exchange rate changes on cash and cash equivalents	—	—	—	.2	—	.2
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(9.4)	(.5)	.4	(11.1)	—	(20.6)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	46.5	.5	4.9	113.7	—	165.6
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 37.1	\$ —	\$ 5.3	\$ 102.6	\$ —	\$ 145.0

ENSCO PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
Six Months Ended June 30, 2013
(in millions)
(Unaudited)

	<u>Enscopl</u>	<u>ENSCO International Incorporated</u>	<u>Pride International, Inc.</u>	<u>Other Non- guarantor Subsidiaries of Enscopl</u>	<u>Consolidating Adjustments</u>	<u>Total</u>
OPERATING ACTIVITIES						
Net cash (used in) provided by operating activities of continuing operations	\$ (58.5)	\$ (106.3)	\$ (47.9)	\$ 944.0	\$ —	\$ 731.3
INVESTING ACTIVITIES						
Additions to property and equipment	—	—	—	(591.4)	—	(591.4)
Maturities of short-term investments	—	—	—	50.0	—	50.0
Other	—	.3	—	1.2	—	1.5
Net cash provided by (used in) investing activities of continuing operations	—	.3	—	(540.2)	—	(539.9)
FINANCING ACTIVITIES						
Cash dividends paid	(233.3)	—	—	—	—	(233.3)
Reduction of long-term borrowings	—	—	—	(23.7)	—	(23.7)
Proceeds from exercise of share options	22.0	—	—	—	—	22.0
Advances from (to) affiliates	301.5	105.0	8.9	(415.4)	—	—
Other	(12.1)	—	—	(1.7)	—	(13.8)
Net cash provided by (used in) financing activities	78.1	105.0	8.9	(440.8)	—	(248.8)
DISCONTINUED OPERATIONS						
Operating activities	—	—	—	52.6	—	52.6
Investing activities	—	—	—	8.5	—	8.5
Net cash provided by discontinued operations	—	—	—	61.1	—	61.1
Effect of exchange rate changes on cash and cash equivalents	—	—	—	(1.0)	—	(1.0)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	19.6	(1.0)	(39.0)	23.1	—	2.7
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	271.8	1.7	85.0	128.6	—	487.1
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 291.4	\$.7	\$ 46.0	\$ 151.7	\$ —	\$ 489.8

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the accompanying unaudited consolidated financial statements as of June 30, 2014 and for the three-month and six-month periods ended June 30, 2014 and 2013 included elsewhere herein and with our annual report on Form 10-K for the year ended December 31, 2013 . The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under "Risk Factors" in Item 1A of our annual report. See "Forward-Looking Statements."

EXECUTIVE SUMMARY

EnSCO owns the world's second largest offshore drilling rig fleet amongst competitive rigs. We operate one of the newest ultra-deepwater fleets in the industry, and our premium jackup fleet is the largest of any offshore drilling company. We currently own and operate an offshore drilling rig fleet of 75 rigs, including seven rigs under construction, spanning most of the strategic markets around the globe. Our fleet includes ten drillships, thirteen dynamically positioned semisubmersible rigs, six moored semisubmersible rigs and 46 jackup rigs.

Brent crude oil prices averaged approximately \$110 per barrel during the second quarter of 2014 , and we believe current prices support operator drilling programs in the floater and jackup markets. Despite the attractive commodity prices, a reduction in capital spending by operators, combined with increasing rig supply, negatively impacted floater day rates and utilization during the second quarter of 2014.

We remain focused on our long-established strategy of high-grading and expanding the size of our fleet where we identify long-term growth opportunities. In response to customer demand for our differentiated rig technology and contract drilling services in the Middle East, we entered into an agreement with Lamprell to construct two premium jackup rigs (ENSCO 140 and ENSCO 141) during the second quarter of 2014. These rigs are scheduled for delivery during the second quarter and third quarter of 2016, respectively. In July 2014, we accepted delivery of ENSCO 122, an ultra-premium harsh environment rig that is expected to be placed into service later this year. Currently, we have seven rigs under construction, including three ultra-deepwater drillships, three premium jackup rigs and one ultra-premium harsh environment jackup rig. In addition to ENSCO 122, our next two deliveries, ENSCO DS-8 and ENSCO DS-9, are contracted. Five of our older, less capable floater rigs are currently being marketed for sale as part of our fleet high-grading strategy.

A significant portion of our projected cash flow will continue to be invested in the expansion and enhancement of our fleet of drilling rigs. We also intend to continue paying quarterly dividends for the foreseeable future. However, our Board of Directors may change the timing and payment amount depending on several factors including our profitability, liquidity, financial condition, reinvestment opportunities and capital requirements. We believe our strong balance sheet, \$10.7 billion of contract backlog and \$2.0 billion of borrowing capacity under our commercial paper program and revolving credit facility as of June 30, 2014 will provide flexibility to make additional investments in our fleet and sustain an adequate level of liquidity during the remainder of 2014 and beyond.

BUSINESS ENVIRONMENT

Floaters

The global contracting environment grew increasingly competitive during the second quarter of 2014, particularly for older, less capable floaters. A reduction in capital spending by operators, as well as increasing supply from newbuild floaters, has negatively impacted utilization and day rates. Operators have taken advantage of these lower rates by contracting premium and high-specification rigs. Drilling contractors are currently challenged to contract older, less capable floaters, although retirements of these rigs could alleviate some of this pressure. We anticipate that the floater environment will remain competitive; however, we do expect additional contracting opportunities to be available in several regions, particularly for premium rigs.

Rig supply in the U.S. Gulf of Mexico is expected to increase during the remainder of 2014 as multiple newbuild rigs mobilize to the region. Although the majority of these rigs are contracted, utilization and day rates for existing floaters in the region may be negatively impacted, causing some of these rigs to mobilize to other regions. We expect tendering activity to remain relatively low in the near term, though ongoing exploration activity could lead to incremental opportunities over time. In Mexico, ongoing energy reform could create opportunities in the region going forward.

We believe there will be incremental demand in Brazil as customers come to the market for rigs to drill their new exploration acreage awarded in licensing rounds held during 2013. Petrobras has an open market inquiry, and we expect incremental opportunities during the remainder of 2014 and 2015 related to pre-salt development in the region.

In West Africa, customer demand remains strong. Currently, there are multiple open tenders for rigs with multi-year terms. Incremental opportunities are expected in Angola, Ghana, and Nigeria. Several operators have exploration programs planned in East Africa and South Africa, and the new discoveries in East Africa could result in significant development programs over time.

Supply and demand in the North Sea market are balanced. We expect additional drilling opportunities in the Mediterranean market, with formal tender programs likely during the remainder 2014 and into 2015. In Asia Pacific, we anticipate incremental requirements in Australia, Indonesia, Myanmar, South Korea and Vietnam.

The worldwide supply of floaters continues to increase as a result of newbuild construction programs. Currently, there are 84 newbuild drillships and semisubmersible rigs reported to be under construction, of which approximately 38 are without contracts. We estimate that fourteen rigs will be delivered before the end of 2014, the majority of which are uncontracted. Utilization and day rates will likely continue to be negatively impacted, particularly for less capable floaters.

Jackups

Demand for jackups remains strong, generally supporting current day rates and contract terms. However, newbuild deliveries have begun to put some downward pressure on new contracting activity in certain regions. Utilization and day rates may come under additional pressure as more newbuild rigs enter the market; however, retirements of older jackups could partially offset new supply as the majority of the global jackup fleet is more than 30 years old.

Demand is steady in the U.S. Gulf of Mexico. We expect the jackup market to remain largely in balance; however, recent contract terms have declined in duration, which has put pressure on day rates and utilization. In Mexico, we believe there will be incremental demand as the national oil company of Mexico, Petróleos Mexicanos ("PEMEX"), continues to expand its rig fleet.

The Middle East market is expected to remain strong, and we believe there will be incremental demand from operators in the region as well as opportunities to extend existing contracts. In West Africa, there are currently open tenders for incremental rigs for multi-year terms, though recent contracting activity has resulted in some downward pressure on day rates.

We expect the North Sea market to remain balanced. Significant contracted backlog exists for 2014, and operators are issuing tenders to secure rigs for work in 2015 and beyond.

The Asia Pacific market remains balanced, though recent contracting activity indicates an increasingly competitive environment. We expect further pressure on utilization and day rates as multiple uncontracted newbuild rigs are expected to become available during the remainder of 2014 and into 2015. Drilling contractors may seek opportunities to move rigs out of the region. Incremental requirements are expected in Australia, China, Malaysia, Thailand and Vietnam, which could help absorb the incremental newbuilds added to the Asia Pacific fleet.

Worldwide jackup supply continues to increase as a result of newbuild construction programs. Currently, there are approximately 132 newbuild jackup rigs reported to be under construction, approximately half of which are being built by companies that have not historically operated offshore drilling rigs. Approximately sixteen rigs are scheduled for delivery during the remainder of 2014, the majority of which are not contracted. While customer demand remains positive, utilization and day rates in certain regions may come under additional pressure in the near term, depending upon the rate at which older jackups are retired.

RESULTS OF OPERATIONS

The following table summarizes our condensed consolidated results of operations for the three-month and six-month periods ended June 30, 2014 and 2013 (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues	\$ 1,203.0	\$ 1,130.3	\$ 2,332.9	\$ 2,170.6
Operating expenses				
Contract drilling (exclusive of depreciation)	576.0	527.2	1,128.6	1,007.0
Loss on impairment	991.5	—	991.5	—
Depreciation	139.4	132.0	278.6	259.9
General and administrative	36.2	36.4	74.3	74.2
Operating (loss) income	(540.1)	434.7	(140.1)	829.5
Other expense, net	(30.8)	(39.8)	(59.9)	(69.6)
Provision for income taxes	48.0	48.5	100.9	99.3
(Loss) income from continuing operations	(618.9)	346.4	(300.9)	660.6
(Loss) income from discontinued operations, net	(550.7)	16.2	(572.0)	21.9
Net (loss) income	(1,169.6)	362.6	(872.9)	682.5
Net income attributable to noncontrolling interests	(3.1)	(1.7)	(7.3)	(4.5)
Net (loss) income attributable to EnSCO	\$ (1,172.7)	\$ 360.9	\$ (880.2)	\$ 678.0

Revenues increased \$72.7 million , or 6% , and contract drilling expense increased \$48.8 million , or 9% , for the three-month period ended June 30, 2014 as compared to the prior year quarter. For the six-month period ended June 30, 2014 , revenues increased \$162.3 million , or 7% , and contract drilling expense increased \$121.6 million , or 12% , as compared to the prior year period. The increase in revenues for the three-month and six-month periods ended June 30, 2014 was primarily due to the addition of newbuild rigs to both our Floaters and Jackups segments and an increase in average day rates, partially offset by a decline in utilization. The increase in contract drilling expense for the three-month and six-month periods ended June 30, 2014 was due to the aforementioned additions to our fleet, as well as higher personnel and repair and maintenance costs. The decline in operating income for the three-month and six-month periods ended June 30, 2014 was attributable to the loss on impairment recognized on older, less capable rigs in our Floaters segment. See below for additional information on our results by segment.

A significant number of our drilling contracts are of a long-term nature. Accordingly, an increase or decline in demand for contract drilling services generally affects our operating results and cash flows gradually over future quarters as long-term contracts expire and new contracts and/or options are priced at current market rates.

Rig Counts, Utilization and Average Day Rates

The following table summarizes our offshore drilling rigs by reportable segment and rigs under construction as of June 30, 2014 and 2013 :

	<u>2014</u>	<u>2013</u>
Floaters ⁽¹⁾	26	25
Jackups ⁽¹⁾⁽²⁾	41	42
Under construction ⁽¹⁾⁽³⁾	8	8
Total	75	75

- ⁽¹⁾ During the second half of 2013, we accepted delivery of one ultra-deepwater drillship (ENSCO DS-7) and two ultra-premium harsh environment jackup rigs (ENSCO 120 and ENSCO 121). ENSCO DS-7 commenced a long-term contract during the fourth quarter of 2013, ENSCO 120 commenced drilling operations under a long-term contract during the first quarter of 2014 and ENSCO 121 commenced drilling operations under a long-term contract during the second quarter of 2014.

In July 2014, we accepted delivery of the ENSCO 122, which is committed under a long-term drilling contract.

The five floaters classified as "held for sale" as of June 30, 2014 are included in the table above.

- ⁽²⁾ We sold jackup rigs ENSCO 69 and Pride Wisconsin during the first quarter of 2014 and ENSCO 85 during the second quarter of 2014.
- ⁽³⁾ During the fourth quarter of 2013, we entered into an agreement with Keppel FELS Limited ("KFELS") to construct one ultra-premium harsh environment jackup rig (ENSCO 123). This rig is scheduled for delivery during the second quarter of 2016 and is currently uncontracted.

During the second quarter of 2014, we entered into an agreement with Lamprell plc to construct two premium jackup rigs (ENSCO 140 and ENSCO 141), which are scheduled for delivery during the second quarter and third quarter of 2016, respectively. Both of these rigs remain uncontracted.

The following table summarizes our rig utilization and average day rates by reportable segment for the three-month and six-month periods ended June 30, 2014 and 2013 :

	<u>Three Months Ended</u> <u>June 30,</u>		<u>Six Months Ended</u> <u>June 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<u>Rig Utilization</u> ⁽¹⁾				
Floaters	77%	87%	76%	85%
Jackups	89%	87%	88%	90%
Total	85%	87%	84%	88%
<u>Average Day Rates</u> ⁽²⁾				
Floaters	\$ 479,176	\$ 430,281	\$ 472,584	\$ 420,325
Jackups	134,456	121,631	132,732	119,148
Total	\$ 241,756	\$ 225,991	\$ 239,997	\$ 216,670

- ⁽¹⁾ Rig utilization is derived by dividing the number of days under contract by the number of days in the period. Days under contract equals the total number of days that rigs have earned and recognized day rate revenue, including days associated with compensated downtime and mobilizations. When revenue is earned but is

deferred and amortized over a future period, for example when a rig earns revenue while mobilizing to commence a new contract or while being upgraded in a shipyard, the related days are excluded from days under contract.

For newly-constructed or acquired rigs, the number of days in the period begins upon commencement of drilling operations for rigs with a contract or when the rig becomes available for drilling operations for rigs without a contract.

- (2) Average day rates are derived by dividing contract drilling revenues, adjusted to exclude certain types of non-recurring reimbursable revenues, lump sum revenues and revenues attributable to amortization of drilling contract intangibles, by the aggregate number of contract days, adjusted to exclude contract days associated with certain mobilizations, demobilizations, shipyard contracts and standby contracts.

Detailed explanations of our operating results, including discussions of revenues, contract drilling expense and depreciation expense by segment, are provided below.

Operating Income

Our business consists of three operating segments: (1) Floaters, which includes our drillships and semisubmersible rigs, (2) Jackups and (3) Other, which currently consists of management services on rigs owned by third-parties. Our two reportable segments, Floaters and Jackups, provide one service, contract drilling.

Segment information is presented below (in millions). General and administrative expense and depreciation expense incurred by our corporate office are not allocated to our operating segments for purposes of measuring segment operating income and were included in "Reconciling Items." Prior year information has been reclassified to conform to the current year presentation.

Three Months Ended June 30, 2014

	Floaters	Jackups	Other	Operating Segments Total	Reconciling Items	Consolidated Total
Revenues	\$ 720.6	\$ 465.9	\$ 16.5	\$ 1,203.0	\$ —	\$ 1,203.0
Operating expenses						
Contract drilling (exclusive of depreciation)	330.3	234.0	11.7	576.0	—	576.0
Loss on Impairment	991.5	—	—	991.5	—	991.5
Depreciation	93.2	44.1	—	137.3	2.1	139.4
General and administrative	—	—	—	—	36.2	36.2
Operating (loss) income	\$ (694.4)	\$ 187.8	\$ 4.8	\$ (501.8)	\$ (38.3)	\$ (540.1)

Three Months Ended June 30, 2013

	Floaters	Jackups	Other	Operating Segments Total	Reconciling Items	Consolidated Total
Revenues	\$ 716.9	\$ 393.1	\$ 20.3	\$ 1,130.3	\$ —	\$ 1,130.3
Operating expenses						
Contract drilling (exclusive of depreciation)	302.6	208.6	16.0	527.2	—	527.2
Depreciation	91.7	38.7	—	130.4	1.6	132.0
General and administrative	—	—	—	—	36.4	36.4
Operating income (loss)	\$ 322.6	\$ 145.8	\$ 4.3	\$ 472.7	\$ (38.0)	\$ 434.7

Six Months Ended June 30, 2014

	<u>Floaters</u>	<u>Jackups</u>	<u>Other</u>	<u>Operating Segments Total</u>	<u>Reconciling Items</u>	<u>Consolidated Total</u>
Revenues	\$ 1,410.8	\$ 889.0	\$ 33.1	\$ 2,332.9	\$ —	\$ 2,332.9
Operating expenses						
Contract drilling (exclusive of depreciation)	656.4	449.2	23.0	1,128.6	—	1,128.6
Loss on Impairment	991.5	—	—	991.5	—	991.5
Depreciation	189.6	85.0	—	274.6	4.0	278.6
General and administrative	—	—	—	—	74.3	74.3
Operating (loss) income	\$ (426.7)	\$ 354.8	\$ 10.1	\$ (61.8)	\$ (78.3)	\$ (140.1)

Six Months Ended June 30, 2013

	<u>Floaters</u>	<u>Jackups</u>	<u>Other</u>	<u>Operating Segments Total</u>	<u>Reconciling Items</u>	<u>Consolidated Total</u>
Revenues	\$ 1,342.2	\$ 787.9	\$ 40.5	\$ 2,170.6	\$ —	\$ 2,170.6
Operating expenses						
Contract drilling (exclusive of depreciation)	573.2	402.1	31.7	1,007.0	—	1,007.0
Depreciation	179.4	77.3	—	256.7	3.2	259.9
General and administrative	—	—	—	—	74.2	74.2
Operating income (loss)	\$ 589.6	\$ 308.5	\$ 8.8	\$ 906.9	\$ (77.4)	\$ 829.5

Floaters

Floater revenues for the three-month period ended June 30, 2014 increased slightly compared to the prior year quarter. ENSCO DS-7 commenced its initial drilling contract during the fourth quarter of 2013 and average day rates improved across our Floater fleet. Floater utilization declined primarily due to ENSCO 5004 and ENSCO 5006 which were in the shipyard for capital enhancement projects during 2014.

Floater contract drilling expense for the three-month period ended June 30, 2014 increased by \$27.7 million, or 9%, as compared to the prior year quarter, primarily due to the addition of DS-7 to our Floater fleet. Higher personnel and repair and maintenance costs also contributed to the increase in contract drilling expense. These increases were partially offset by lower contract drilling expense for ENSCO 5004 and ENSCO 5006.

We recognized a loss on impairment of \$991.5 million during the three-month period ended June 30, 2014 related to four older, less capable floaters due to adverse change in the current and anticipated market for these rigs. No impairments were recorded during the prior year quarter.

Depreciation expense was comparable to the prior year quarter. The increase in depreciation due to the addition of DS-7 to the fleet was largely offset by lower depreciation expense as a result of the aforementioned impairments, which were recorded as of May 31, 2014.

Floater revenues for the six-month period ended June 30, 2014 increased by \$68.6 million, or 5%, as compared to the prior year period. The increase in revenues was primarily due to commencement of ENSCO 8506 and ENSCO DS-6 drilling operations during the first quarter of 2013 and commencement of the ENSCO DS-7 drilling contract during the fourth quarter of 2013. To a lesser extent, the increase in revenues was attributable to an increase in average day rates for various rigs in our Floater fleet. These increases were partially offset by a decline in utilization attributable to multiple rigs in our Floater fleet. ENSCO 5004 and ENSCO 5006 were in the shipyard for capital enhancement projects during 2014, and ENSCO 8503 incurred several months of uncontracted downtime between January 2014

and April 2014. Utilization in the prior year period was negatively impacted by downtime prompted by a vendor notice regarding inspection and replacement of connector bolts on various rigs.

Floater contract drilling expense for the six-month period ended June 30, 2014 increased by \$83.2 million , or 15% , as compared to the prior year period, primarily due to the aforementioned additions to our Floater fleet. To a lesser extent, higher personnel and repair and maintenance costs also contributed to the increase in contract drilling expense. These increases were partially offset by lower contract drilling expense for the ENSCO 5004 and ENSCO 5006.

We recognized a loss on impairment of \$991.5 million during the six-month period ended June 30, 2014 related to four older, less capable floaters due to the adverse change in the current and anticipated market for these assets. No impairments were recorded during the prior year period.

Depreciation expense increased by \$10.2 million , or 6% , primarily due to the aforementioned additions to our Floater fleet, and was partially offset by a lower depreciation charge as a result of the aforementioned impairments.

Jackups

Jackup revenues for the three-month period ended June 30, 2014 increased by \$72.8 million , or 19% , as compared to the prior year quarter. The increase in revenues was primarily due to an increase in average day rates across our Jackup fleet and the commencement of the ENSCO 120 and ENSCO 121 drilling contracts during the first quarter and second quarter of 2014, respectively.

Jackup contract drilling expense for the three-month period ended June 30, 2014 increased \$25.4 million , or 12% , as compared to the respective prior year quarter, primarily due to the aforementioned additions to our Jackup fleet and an increase in personnel and repair and maintenance costs. Depreciation expense increased by \$5.4 million , or 14% , primarily due to the additions to our fleet.

Jackup revenues for the six-month period ended June 30, 2014 increased by \$101.1 million , or 13% , as compared to the respective prior year period. The increase in revenues was primarily due to an increase in average day rates across our Jackup fleet and the commencement of the ENSCO 120 and ENSCO 121 drilling contracts during the first quarter and second quarter of 2014, respectively. These increases were partially offset by a decline in utilization attributable to an increase in planned shipyard activity for certain rigs in the Jackup fleet.

Jackup contract drilling expense for the six-month period ended June 30, 2014 increased \$47.1 million , or 12% , as compared to the prior year period, primarily due to the aforementioned additions to our Jackup fleet and an increase in personnel and repair and maintenance costs. Depreciation expense increased by \$7.7 million , or 10% , primarily due to the additions to our fleet.

Other Income (Expense)

The following table summarizes other income (expense) for the three-month and six-month periods ended June 30, 2014 and 2013 (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Interest income	\$ 3.5	\$ 4.7	\$ 7.1	\$ 8.0
Interest expense, net:				
Interest expense	(55.7)	(57.4)	(111.6)	(114.2)
Capitalized interest	19.3	13.2	40.6	30.8
	(36.4)	(44.2)	(71.0)	(83.4)
Other, net	2.1	(.3)	4.0	5.8
	\$ (30.8)	\$ (39.8)	\$ (59.9)	\$ (69.6)

Interest income for the three-month and six-month periods ended June 30, 2014 declined as compared to the respective prior year periods primarily due to declining outstanding principal amounts due from customers for reimbursement of mobilization and upgrade costs on certain long-term drilling contracts. Interest expense was comparable over the same periods as the outstanding principal balances associated with our long-term debt instruments remained consistent. Interest expense capitalized during the three-month and six-month periods ended June 30, 2014 increased as compared to the prior year periods due to an increase in the average outstanding amount of capital invested in newbuild construction.

Our functional currency is the U.S. dollar, and a portion of the revenues earned and expenses incurred by certain of our subsidiaries are denominated in currencies other than the U.S. dollar ("foreign currencies"). These transactions are remeasured in U.S. dollars based on a combination of both current and historical exchange rates. Net foreign currency exchange gains of \$100,000 and \$1.6 million were included in other, net for the three-month and six-month periods ended June 30, 2014, respectively.

Net unrealized gains of \$1.2 million and \$1.5 million from marketable securities held in our SERP were included in other, net in our condensed consolidated statements of operations for the three-month and six-month periods ended June 30, 2014, respectively. The fair value measurement of our marketable securities held in the SERP is discussed in Note 2 to our condensed consolidated financial statements.

Other, net for the three-month and six-month periods ended June 30, 2013 included net foreign currency exchange loss of \$300,000 and net foreign currency exchange gains of \$4.8 million, respectively. The \$4.8 million net foreign currency exchange gains for the six-month period ended June 30, 2013 were primarily attributable to the devaluation of the Venezuelan Bolivar.

Provision for Income Taxes

Enscopl, our parent company, is domiciled and resident in the U.K. Our subsidiaries conduct operations and earn income in numerous countries and are subject to the laws of taxing jurisdictions within those countries. The income of our non-U.K. subsidiaries is not subject to U.K. taxation. Income tax rates imposed in the tax jurisdictions in which our subsidiaries conduct operations vary, as does the tax base to which the rates are applied. In some cases, tax rates may be applicable to gross revenues, statutory or negotiated deemed profits or other bases utilized under local tax laws, rather than to net income. Our drilling rigs frequently move from one taxing jurisdiction to another to perform contract drilling services. In some instances, the movement of drilling rigs among taxing jurisdictions will involve the transfer of ownership of the drilling rigs among our subsidiaries. As a result of frequent changes in the taxing jurisdictions in which our drilling rigs are operated and/or owned, changes in the overall level of our income and changes in tax laws, our consolidated effective income tax rate may vary substantially from one reporting period to another.

Income tax expense for the three-month periods ended June 30, 2014 and 2013 was \$48.0 million and \$48.5 million , respectively. Income tax expense for the six-month periods ended June 30, 2014 and 2013 was \$100.9 million and \$99.3 million , respectively.

Excluding the impact of a \$991.5 million loss on impairment and all other discrete income tax expense, our consolidated effective income tax rate for the three-month and six-month periods ended June 30, 2014 was 10.9% , as compared to 11.9% for the three-month and six-month periods ended June 30, 2013. The decrease is primarily attributable to an increase in the relative components of our estimated 2014 earnings, excluding discrete items, generated in tax jurisdictions with lower tax rates.

In July 2014, the U.K. government enacted tax legislation that will increase the income taxes associated with our U.K. drilling operations. As a result of the tax legislation, which requires retrospective application to April 1, 2014, we expect our income tax expense for the six-month period ending December 31, 2014 to increase by approximately \$25 million .

Discontinued Operations

During the three-month period ended June 30, 2014 , management committed to a plan to sell five floaters. The ENSCO 5000, ENSCO 5001, ENSCO 5002, ENSCO 6000 and ENSCO 7500 were removed from our portfolio of rigs marketed for contract drilling services and are being actively marketed for sale. These rigs were classified as "held for sale" as of June 30, 2014 and written down to fair value less costs to sell.

We recorded a non-cash loss on impairment totaling \$508.8 million , net of tax benefits of \$37.6 million , during the three-month period ended June 30, 2014. The impairment charge was included in (loss) income from discontinued operations, net in our condensed consolidated statement of operations for the three-month and six-month periods ended June 30, 2014 . The operating results from these rigs were included in (loss) income from discontinued operations, net in our condensed consolidated statement of operations for the three-month and six-month periods ended June 30, 2014 and 2013 .

In connection with the sale of the ENSCO 7500, we will be required to pay the outstanding principal on the 6.36% MARAD bonds due 2015, which are collateralized by this rig. The outstanding principal balance on this bond is \$19.0 million as of June 30, 2014 , of which \$12.7 million is included in current maturities of long term debt in the condensed consolidated balance sheet as of June 30, 2014 .

During the three-month period ended June 30, 2014 , we sold jackup rig ENSCO 85 for net proceeds of \$64.4 million . The rig was classified as held for sale as of March 31, 2014 . The proceeds from the sale were included in investing activities of discontinued operations in our condensed consolidated statement of cash flows for the six-month period ended June 30, 2014 . We recognized a gain of \$2.3 million in connection with the disposal, which was included in (loss) income from discontinued operations, net in our condensed consolidated statement of operations for the three-month and six-month periods ended June 30, 2014 . ENSCO 85 operating results were included in (loss) income from discontinued operations, net in our condensed consolidated statement of operations for the three-month and six-month periods ended June 30, 2014 and 2013 .

During the six-month period ended June 30, 2014 , we sold jackup rigs ENSCO 69 and Wisconsin for net proceeds of \$32.2 million . These rigs were classified as held for sale as of December 31, 2013 . The proceeds from the sale were received in December 2013 and included in net cash used in investing activities of continuing operations in our consolidated statement of cash flows for the year ended December 31, 2013 in our annual report on Form 10-K for the year ended December 31, 2013 . During the three-month period ended June 30, 2014 , in connection with the potential sale of multiple rigs in our fleet mentioned above, ENSCO 69 and Wisconsin operating results were reclassified to (loss) income from discontinued operations, net in our condensed consolidated statement of operations for the three-month and six-month periods ended June 30, 2014 and 2013 . We recognized a gain of \$17.9 million in connection with the disposal, which was also reclassified to (loss) income from discontinued operations, net in our condensed consolidated statement of operations for the three-month and six-month periods ended June 30, 2014 .

During the six-month period ended June 30, 2013 , we sold jackup rig Pride Pennsylvania for net proceeds of \$15.5 million . The rig was classified as held for sale and included in discontinued operations during 2012 in connection with the sale of multiple rigs in our fleet. The proceeds from the sale were included in investing activities of discontinued operations in our condensed consolidated statement of cash flows for the six-month period ended June 30, 2013 . We recognized a loss of \$1.1 million in connection with the disposal, which was included in (loss) income from discontinued operations, net in our condensed consolidated statement of operations for the six-month period ended June 30, 2013 . Pride Pennsylvania operating results were included in (loss) income from discontinued operations, net in our condensed consolidated statement of operations for the three-month and six-month period ended June 30, 2013 .

LIQUIDITY AND CAPITAL RESOURCES

Although our business is cyclical, we have historically relied on our cash flow from continuing operations to meet liquidity needs and fund the majority of our cash requirements. We have maintained a strong financial position through the disciplined and conservative use of debt, which has provided us the ability to achieve future growth potential through acquisitions and newbuild rig construction. A substantial portion of our cash flow has been invested in the expansion and enhancement of our fleet of drilling rigs, through newbuild construction and upgrade projects, and the return of capital to shareholders through dividend payments.

A significant portion of our projected cash flow will continue to be invested in the expansion and enhancement of our fleet of drilling rigs. We also intend to continue paying quarterly dividends for the foreseeable future. However, our Board of Directors may change the timing and payment amount depending on several factors including our profitability, liquidity, financial condition, reinvestment opportunities and capital requirements. Based on our balance sheet and contractual backlog of \$10.7 billion as of June 30, 2014 , we believe future capital projects, debt service and dividend payments will primarily be funded from future operating cash flows and borrowings under our commercial paper program and/or revolving credit facility. We may decide to access debt and/or equity markets to raise additional capital or increase liquidity as necessary.

During the six-month period ended June 30, 2014 , our primary source of cash was \$989.3 million generated from operating activities of continuing operations. Our primary use of cash for the same period was \$631.8 million for the construction, enhancement and other improvement of our drilling rigs and \$351.2 million for dividend payments.

During the six-month period ended June 30, 2013 , our primary source of cash was \$731.3 million generated from operating activities of continuing operations and \$50.0 million in proceeds from the maturity of short-term investments. Our primary use of cash for the same period was \$591.4 million for the construction, enhancement and other improvement of our drilling rigs and \$233.3 million for dividend payments.

Cash Flow and Capital Expenditures

Our cash flow from operating activities of continuing operations and capital expenditures for the six-month periods ended June 30, 2014 and 2013 were as follows (in millions):

	<u>2014</u>	<u>2013</u>
Cash flow from operating activities of continuing operations	\$ 989.3	\$ 731.3
Capital expenditures		
New rig construction	\$ 242.1	\$ 335.9
Rig enhancements	243.2	137.6
Minor upgrades and improvements	146.5	117.9
	\$ 631.8	\$ 591.4

Cash flow from operating activities of continuing operations increased \$258.0 million , or 35% , for the six-month period ended June 30, 2014 as compared to the prior year period. The increase primarily resulted from a \$330.7 million increase in cash receipts from contract drilling services and a \$33.4 million decrease in cash payments for income taxes, partially offset by a \$151.1 million increase in cash payments related to contract drilling expenses.

We remain focused on our long-established strategy of high-grading and expanding the size of our fleet where we identify long-term growth opportunities. In response to customer demand for our differentiated rig technology and contract drilling services in the Middle East, we entered into an agreement with Lamprell to construct two premium jackup rigs (ENSCO 140 and ENSCO 141) during the second quarter of 2014. ENSCO 140 and ENSCO 141 will incorporate Ensco's patented Canti-Leverage AdvantageSM technology and are significantly enhanced versions of the LeTorneau Super 116E jackup design. These rigs are scheduled for delivery during the second quarter and the third quarter of 2016, respectively.

During 2013, we entered into agreements with KFELS to construct a premium jackup rig (ENSCO 110) and an ultra-premium harsh environment jackup rig (ENSCO 123). These rigs are scheduled for delivery during the first quarter of 2015 and the second quarter of 2016, respectively. Both of these rigs are currently uncontracted.

We previously entered into agreements with KFELS to construct three ultra-premium harsh environment jackup rigs (ENSCO 120, ENSCO 121 and ENSCO 122). ENSCO 122 was delivered in July 2014 and is committed under a long-term drilling contract expected to commence during the fourth quarter of 2014. ENSCO 121 was delivered during the fourth quarter of 2013 and commenced drilling operations under a long-term contract in the North Sea during the second quarter of 2014. ENSCO 120 was delivered during the third quarter of 2013 and commenced drilling operations under a long-term contract in the North Sea during the first quarter of 2014.

We currently have three ultra-deepwater drillships (ENSCO DS-8, ENSCO DS-9 and ENSCO DS-10) under construction. ENSCO DS-8 and ENSCO DS-9 are committed under long-term contracts and currently scheduled for delivery during the first quarter of 2015. ENSCO DS-10 is currently uncontracted and scheduled for delivery during the third quarter of 2015.

A significant portion of our projected cash flow will continue to be invested in the expansion and enhancement of our fleet of drilling rigs. We also intend to continue paying quarterly dividends for the foreseeable future. However, our Board of Directors may change the timing and payment amount depending on several factors including our profitability, liquidity, financial condition, reinvestment opportunities and capital requirements. We believe our strong balance sheet, \$10.7 billion of contract backlog and \$2.0 billion of borrowing capacity under our commercial paper program and revolving credit facility as of June 30, 2014 provide flexibility to make additional investments in our fleet and sustain an adequate level of liquidity during 2014 and beyond.

The following table summarizes the cumulative amount of contractual payments made as of June 30, 2014 for our rigs under construction and estimated timing of our remaining contractual payments (in millions):

	Cumulative Paid ⁽¹⁾	Remaining 2014	2015	2016	Total ⁽²⁾
ENSCO DS-8	161.4	—	384.8	—	546.2
ENSCO DS-9	157.4	—	374.2	—	531.6
ENSCO DS-10	154.5	51.5	308.3	—	514.3
ENSCO 110	41.0	—	166.3	—	207.3
ENSCO 122	49.0	202.5	—	—	251.5
ENSCO 123	53.5	—	—	214.1	267.6
ENSCO 140	39.2	39.2	78.4	39.2	196.0
ENSCO 141	39.2	—	117.6	39.2	196.0
	\$ 695.2	\$ 293.2	\$ 1,429.6	\$ 292.5	\$ 2,710.5

- (1) Cumulative paid represents the aggregate amount of contractual payments made from commencement of the construction agreement through June 30, 2014 .
- (2) Total commitments are based on fixed-price shipyard construction contracts, exclusive of costs associated with commissioning, systems integration testing, project management and capitalized interest.

Future contractual payments for rig enhancement projects, which are not reflected in the table above, are \$118.2 million . We currently estimate these payments will be made during the next 12 months.

The actual timing of these expenditures may vary based on the completion of various construction milestones, which are, to a large extent, beyond our control.

Based on our current projections, we expect capital expenditures during 2014 to include approximately \$800 million for newbuild construction, approximately \$570 million for rig enhancement projects and approximately \$330 million for minor upgrades and improvements. Depending on market conditions and future opportunities, we may make additional capital expenditures to upgrade rigs for customer requirements and construct or acquire additional rigs.

Financing and Capital Resources

Our total debt, total capital and total debt to total capital ratios are summarized below (in millions, except percentages):

	June 30, 2014	December 31, 2013
Total debt	\$ 4,726.6	\$ 4,766.4
Total capital*	\$ 16,309.2	\$ 17,558.0
Total debt to total capital	29.0%	27.1%

*Total capital consists of total debt and EnSCO shareholders' equity.

Senior Notes and Debentures

As of June 30, 2014 , we had outstanding \$1.0 billion aggregate principal amount of unsecured 3.25% senior notes due 2016, \$500.0 million aggregate principal amount of unsecured 8.5% senior notes due 2019, \$900.0 million aggregate principal amount of unsecured 6.875% senior notes due 2020, \$1.5 billion aggregate principal amount of unsecured 4.7% senior notes due 2021 and \$300.0 million aggregate principal amount of unsecured 7.875% senior notes due 2040. As of June 30, 2014 , we also had outstanding \$150.0 million aggregate principal amount of unsecured 7.2% debentures due 2027. We make semiannual interest payments on each of the aforementioned notes and debentures.

Revolving Credit

We have a \$2.0 billion senior unsecured revolving credit facility with a group of banks to be used for general corporate purposes with a five -year term expiring on May 7, 2018. Advances under the credit facility bear interest at Base Rate or LIBOR plus an applicable margin rate (currently 0.125% per annum for Base Rate advances and 1.125% per annum for LIBOR advances) depending on our credit rating. Amounts repaid may be re-borrowed during the term. We are required to pay a quarterly undrawn facility fee (currently 0.125% per annum) on the total \$2.0 billion commitment, which is also based on our credit rating. In addition to other customary restrictive covenants, the credit facility requires us to maintain a total debt to total capitalization ratio less than or equal to 50% . We have the right, subject to lender consent, to increase the commitments under the credit facility to an aggregate amount of up to \$2.5 billion . We had no amounts outstanding under the credit facility as of June 30, 2014 and December 31, 2013 .

Commercial Paper

We participate in a commercial paper program with four commercial paper dealers pursuant to which we may issue, on a private placement basis, unsecured commercial paper notes. In June 2014, we increased the size of our program to permit the issuance of commercial paper notes in an aggregate principal amount not to exceed \$2.0 billion at any time outstanding. Amounts issued under the commercial paper program are supported by the available and unused committed capacity under our credit facility. As a result, amounts issued under the commercial paper program will be limited by the amount of our available and unused committed capacity under our credit facility. The proceeds of such financings will be used for capital expenditures and other general corporate purposes. The commercial paper will bear interest at rates that vary based on market conditions and the ratings assigned by credit rating agencies at the time of issuance. The commercial paper maturities will vary but may not exceed 364 days from the date of issuance. The commercial paper is not redeemable or subject to voluntary prepayment by us prior to maturity. We had no amounts outstanding under our commercial paper program as of June 30, 2014 and December 31, 2013 .

Other Financing

As of June 30, 2014 , we had \$110.9 million outstanding under our Maritime Administration bond issues, \$19.0 million of which is due in December 2015. The remaining \$91.9 million outstanding is due in 2016 and 2020. We make semiannual principal and interest payments on these bonds.

We filed an automatically effective shelf registration statement on Form S-3 with the U.S. Securities and Exchange Commission ("SEC") on January 13, 2012, which provides us the ability to issue debt securities, equity securities, guarantees and/or units of securities in one or more offerings. The registration statement, as amended, expires in January 2015.

During the second quarter of 2013, our shareholders approved a new share repurchase program. Subject to certain provisions under English law, including the requirement of Enesco plc to have sufficient distributable reserves, we may purchase up to a maximum of \$2.0 billion in the aggregate under the program, but in no case more than 35.0 million shares. The program terminates in May 2018.

Other Commitments

As of June 30, 2014 , we were contingently liable in the aggregate amount of \$248.4 million under outstanding letters of credit and surety bonds which guarantee our performance as it relates to our drilling contracts, contract bidding, customs duties, tax appeals and other obligations in various jurisdictions. Obligations under these letters of credit and surety bonds are not normally called, as we typically comply with the underlying performance requirement. As of June 30, 2014 , we had not been required to make any collateral deposits with respect to these agreements.

Liquidity

Our liquidity position is summarized in the table below (in millions, except ratios):

	June 30, 2014	December 31, 2013
Cash and cash equivalents	\$ 145.0	\$ 165.6
Short-term investments	\$ 33.3	\$ 50.0
Working capital	\$ 685.8	\$ 487.9
Current ratio	1.6	1.5

We expect to fund our short-term liquidity needs, including contractual obligations and anticipated capital expenditures, as well as dividends or working capital requirements, from our cash and cash equivalents, short-term investments, operating cash flows, and, if necessary, funds borrowed under our commercial paper program or revolving

credit facility. We may decide to access debt and/or equity markets to raise additional capital or increase liquidity as necessary.

We expect to fund our long-term liquidity needs, including contractual obligations, anticipated capital expenditures and dividends, from our operating cash flows and, if necessary, funds borrowed under our revolving credit facility or other future financing arrangements. We may decide to access debt and/or equity markets to raise additional capital or increase liquidity as necessary.

Effects of Climate Change and Climate Change Regulation

Greenhouse gas ("GHG") emissions have increasingly become the subject of international, national, regional, state and local attention. During 2009, the United States Environmental Protection Agency (the "EPA") officially published its findings that emissions of carbon dioxide, methane and other GHGs present an endangerment to human health and the environment because emissions of such gases are, according to the EPA, contributing to warming of the earth's atmosphere and other climatic changes. These EPA findings allowed the agency to proceed with the adoption and implementation of regulations to restrict GHG emissions under existing provisions of the Clean Air Act that establish Prevention of Significant Deterioration ("PSD") construction and Title V operating permit reviews for certain large stationary sources that are potential major sources of GHG emissions. The EPA set the current regulatory GHG emissions thresholds in its "Tailoring Rule", and has indicated that it may revise this Rule's thresholds downward in a subsequent rule, which would likely subject additional stationary sources to GHG permitting requirements. Facilities required to obtain PSD permits for their GHG emissions also will be required to meet "best available control technology" standards to be established by the states or, in some cases, the EPA, on a case-by-case basis. The EPA has also adopted rules requiring annual monitoring and reporting of GHG emissions from specified sources in the United States, including, among others, certain onshore and offshore oil and natural gas production facilities.

In recent years, cap and trade initiatives to limit GHG emissions have been introduced in the European Union. Similarly, a number of bills related to climate change have been introduced in the U.S. Congress. If these or similar bills were to be adopted, such legislation could adversely impact many industries. However, it appears unlikely that comprehensive federal climate legislation will be passed by the U.S. Congress in the foreseeable future. In the absence of federal legislation, almost half of the states have begun to address GHG emissions, primarily through the development or planned development of emission inventories or regional GHG cap and trade programs. Future regulation of GHG emissions could occur pursuant to future treaty obligations, statutory or regulatory changes or new climate change legislation in the jurisdictions in which we operate. If the U.S. Congress undertakes comprehensive tax reform in the coming year, it is possible that such reform may include a carbon tax, which could impose additional direct costs on operations and reduce demand for refined products. Depending on the particular program, we, or our customers, could be required to control GHG emissions or to purchase and surrender allowances for GHG emissions resulting from our operations. It is uncertain whether any of these initiatives will be implemented. If such initiatives are implemented, we do not believe that such initiatives would have a direct, material adverse effect on our financial condition, operating results or cash flows in a manner different than our competitors.

Restrictions on GHG emissions or other related legislative or regulatory enactments could have an indirect effect in those industries that use significant amounts of petroleum products, which could potentially result in a reduction in demand for petroleum products and, consequently, our offshore contract drilling services. We are currently unable to predict the manner or extent of any such effect. Furthermore, one of the long-term physical effects of climate change may be an increase in the severity and frequency of adverse weather conditions, such as hurricanes, which may increase our insurance costs or risk retention, limit insurance availability or reduce the areas in which, or the number of days during which, our customers would contract for our drilling rigs in general and in the Gulf of Mexico in particular. We are currently unable to predict the manner or extent of any such effect.

Capital Reorganization

During the second quarter of 2014, we completed a capital reorganization under UK law (the "Capital Reorganization"), which will provide the Company with greater flexibility going forward to return capital to

shareholders in the form of dividends and share repurchases. The Capital Reorganization, which was authorized by our Board of Directors and approved by our shareholders at the Annual General Meeting in May 2014, was achieved through the issuance and subsequent cancellation of \$3.0 billion of a newly created class of shares (the “Capital Reorganization Shares”).

The Capital Reorganization Shares had no substantive economic or voting rights and were issued to a subsidiary of the Company on June 17, 2014 for the benefit of existing shareholders solely for the purpose of the Capital Reorganization transaction. Upon cancellation of the shares on June 18, 2014, \$3.0 billion of the shareholders' equity of Ensco plc that was previously deemed non-distributable under UK law, can now be included in the determination of eligible distributable reserves.

The Capital Reorganization did not involve any distribution or repayment of capital, nor did it have an impact on the underlying net assets of the Company. There was no net impact on our shareholders' equity for the three-month period ended June 30, 2014 (or any period) as a result of the Capital Reorganization.

MARKET RISK

We use derivatives to reduce our exposure to foreign currency exchange rate risk. Our functional currency is the U.S. dollar. As is customary in the oil and gas industry, a majority of our revenues and expenses are denominated in U.S. dollars; however, a portion of the revenues earned and expenses incurred by certain of our subsidiaries are denominated in currencies other than the U.S. dollar. We maintain a foreign currency exchange rate risk management strategy that utilizes derivatives to reduce our exposure to unanticipated fluctuations in earnings and cash flows caused by changes in foreign currency exchange rates.

We utilize cash flow hedges to hedge forecasted foreign currency denominated transactions, primarily to reduce our exposure to foreign currency exchange rate risk on future expected contract drilling expenses and capital expenditures denominated in various foreign currencies. We predominantly structure our drilling contracts in U.S. dollars, which significantly reduces the portion of our cash flows and assets denominated in foreign currencies. As of June 30, 2014, we had cash flow hedges outstanding to exchange an aggregate \$372.2 million for various foreign currencies.

We have net assets and liabilities denominated in numerous foreign currencies and use various strategies to manage our exposure to changes in foreign currency exchange rates. We occasionally enter into derivatives that hedge the fair value of recognized foreign currency denominated assets or liabilities, thereby reducing exposure to earnings fluctuations caused by changes in foreign currency exchange rates. We do not designate such derivatives as hedging instruments. In these situations, a natural hedging relationship generally exists whereby changes in the fair value of the derivatives offset changes in the fair value of the underlying hedged items. As of June 30, 2014, we held derivatives not designated as hedging instruments to exchange an aggregate \$233.7 million for various foreign currencies.

If we were to incur a hypothetical 10% adverse change in foreign currency exchange rates, net unrealized losses associated with our foreign currency denominated assets and liabilities as of June 30, 2014 would approximate \$26.4 million. Approximately \$20.0 million of these unrealized losses would be offset by corresponding gains on the derivatives utilized to offset changes in the fair value of net assets and liabilities denominated in foreign currencies.

We utilize derivatives and undertake foreign currency exchange rate hedging activities in accordance with our established policies for the management of market risk. We mitigate our credit risk relating to counterparties of our derivatives through a variety of techniques, including transacting with multiple, high-quality financial institutions, thereby limiting our exposure to individual counterparties and by entering into ISDA Master Agreements, which include provisions for a legally enforceable master netting agreement, with almost all of our derivative counterparties. The terms of the ISDA agreements may also include credit support requirements, cross default provisions, termination events, or set-off provisions. Legally enforceable master netting agreements reduce credit risk by providing protection in bankruptcy in certain circumstances and generally permitting the closeout and netting of transactions with the same counterparty upon the occurrence of certain events.

We do not enter into derivatives for trading or other speculative purposes. We believe that our use of derivatives and related hedging activities reduces our exposure to foreign currency exchange rate risk and does not expose us to material credit risk or any other material market risk. All of our derivatives mature during the next 18 months. See Note 3 to our condensed consolidated financial statements for additional information on our derivative instruments.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires our management to make estimates, judgments and assumptions that affect the amounts reported in our consolidated financial statements and accompanying notes. Our significant accounting policies are included in Note 1 to our audited consolidated financial statements for the year ended December 31, 2013 included in our annual report on Form 10-K filed with the SEC on February 26, 2014. These policies, along with our underlying judgments and assumptions made in their application, have a significant impact on our consolidated financial statements.

We identify our critical accounting policies as those that are the most pervasive and important to the portrayal of our financial position and operating results and that require the most difficult, subjective and/or complex judgments by management regarding estimates in matters that are inherently uncertain. Our critical accounting policies are those related to property and equipment, impairment of long-lived assets and goodwill and income taxes. For a discussion of the critical accounting policies and estimates that we use in the preparation of our condensed consolidated financial statements, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Estimates" in Part II of our annual report on Form 10-K for the year ended December 31, 2013. Other than set forth below, there have been no material changes from the critical accounting policies previously disclosed in our annual report on Form 10-K for the year ended December 31, 2013, as updated in our subsequent quarterly reports.

Impairment of Long-Lived Assets and Goodwill

During recent periods, a reduction in demand by operators combined with an oversupply of rigs has negatively impacted the floater market. The supply and demand imbalance has significantly challenged drilling contractors to contract older, less capable floaters.

During the second quarter, demand for floaters deteriorated further as a result of the continued reduction in capital spending by operators in addition to recently announced delays in operators' drilling programs. The further reduction in demand, when combined with the increasing supply from newbuild floater deliveries, has led to a very competitive market. In general, contracting activity for floaters declined significantly and new day rate fixtures were substantially lower than rates realized during the first quarter of 2014 and fourth quarter of 2013. More specifically, drilling contractors have been unable to contract older, less capable

rigs as operators are now targeting premium, high-specification rigs at lower day rates. The significant supply and demand imbalance will continue to be adversely impacted by future newbuild deliveries, program delays and lower capital spending by operators. As a result, day rates and utilization will remain under pressure, especially for the older, less capable floaters. In response to the adverse change in the current and anticipated floaters business climate, management evaluated our older, less capable floaters during the three-month period ended June 30, 2014 and committed to a plan to sell five rigs. These rigs were written

down to fair value, less costs to sell, and classified as "held for sale" on our June 30, 2014 condensed consolidated balance sheet.

We measured the fair value of the "held for sale" rigs by applying a market approach, which was based on unobservable third-party estimated prices that would be received in exchange for the assets in an orderly transaction between market participants. We recorded a pre-tax, non-cash loss on impairment totaling \$546.4 million during the three-month period ended June 30, 2014. The impairment charge was included in (loss) income from discontinued operations, net in our condensed consolidated statement of operations for the three-month and six-month periods ended June 30, 2014. See "Note 8 - Discontinued Operations" for additional information on our "held for sale" rigs.

On a quarterly basis, we evaluate the carrying value of our property and equipment to identify events or changes in circumstances ("triggering events") that indicate the carrying value may not be recoverable. As a result of the adverse change in the floater business climate observed during the second quarter of 2014, management's commitment to a plan to sell five floaters during the second quarter of 2014 and the impairment charge incurred on the "held for sale" floaters, management concluded that a triggering event had occurred during the second quarter of 2014 and performed an asset impairment analysis on our remaining older, less capable floaters. Based on the analysis performed, we recorded an additional non-cash loss on impairment with respect to four other floaters totaling \$991.5 million during the three-month period ended June 30, 2014. The impairment charge was included in loss on impairment in our condensed consolidated statement of operations for the three-month and six-month periods ended June 30, 2014. We measured the fair value of these rigs by applying an income approach, using projected discounted cash flows. These valuations were based on unobservable inputs that require significant judgments for which there is limited information, including assumptions regarding future day rates, utilization, operating costs and capital requirements.

Our business consists of three operating segments: (1) Floaters, which includes our drillships and semisubmersible rigs, (2) Jackups and (3) Other, which consists of management services on rigs owned by third-parties. Our two reportable segments, Floaters and Jackups, provide one service, contract drilling.

We test goodwill for impairment on an annual basis or when events or changes in circumstances indicate that a potential impairment exists. Management concluded that the aforementioned adverse change in the current and anticipated floater business climate, the commitment to a plan to sell five floaters and the impairment charge on the "held for sale" floaters triggered the need for an interim impairment test to evaluate the Floaters reporting unit goodwill balance of \$3.1 billion as of May 31, 2014.

Based on the valuation performed as of May 31, 2014, the Floaters reporting unit estimated fair value exceeded the carrying value (adjusted for the long-lived impairments noted above) by approximately 7%; therefore, we concluded that the goodwill balance was not impaired. We estimated the fair value of the Floaters reporting unit using a blended income and market approach.

The income approach was based on a discounted cash flow model, which utilizes present values of cash flows to estimate fair value. The future cash flows were projected based on our estimates of future day rates, utilization, operating costs, capital requirements, growth rates and terminal values for our rigs. Forecasted day rates and utilization take into account current market conditions and our anticipated business outlook, both of which have been impacted by the recent adverse change in the floater business environment. The day rates reflect contracted rates during the respective contracted periods and management's estimate of market day rates in uncontracted periods. The forecasted market day rates were held constant in the near-term and were forecasted to grow in the longer-term and terminal period.

Operating costs were forecasted using our historical average operating costs and were adjusted for an estimated inflation factor. Capital requirements in the discounted cash flow model were based on management's estimates of future capital costs, taking into consideration our historical trends. The estimated capital requirements include cash outflows for new rig construction, rig enhancements and minor upgrades and improvements.

A terminal period was used to reflect our estimate of stable, perpetual growth. The terminal period reflects a terminal growth rate of 3.5% , which includes an estimated inflation factor. The future cash flows were discounted using a market-participant risk-adjusted weighted average cost of capital ("WACC") of 10.5% .

These assumptions were derived from unobservable inputs and reflect management's judgments and assumptions. A decline in the Floaters reporting unit cash flow projections or changes in other key assumptions may result in a goodwill impairment charge in the future. Specifically, keeping all other variables constant, a 50 basis point increase in the WACC applied would reduce the estimated fair value of our Floaters reporting unit below its carrying value. In addition, keeping all other variables constant, a 1.5% reduction in the terminal growth rate would reduce the estimated fair value of our Floaters reporting unit below its carrying value. Also, keeping all other variables constant, a 5.0% reduction in our forecasted market day rates would reduce the estimated fair value of our Floaters reporting unit below its carrying value.

The market approach was based upon the application of price-to-earnings multiples to management's estimates of future earnings adjusted for a control premium. The price-to-earnings multiples used in the market valuation ranged from 7.5 x to 8.5 x and were based on competitor market multiples. The fair value determined under the market approach is sensitive to these multiples, and a decline in any of the multiples could reduce the estimated fair value of our Floaters reporting unit below its carrying value. Management's earnings estimates were derived from unobservable inputs that require significant estimates, judgments and assumptions as described in the income approach.

The estimated fair value determined under the income approach was consistent with the estimated fair value determined under the market approach. For purposes of the goodwill impairment test, we calculated the Floaters reporting unit estimated fair value as the average of the values calculated under the income approach and the market approach.

We evaluated the estimated fair value of our reporting units compared to our market capitalization as of May 31, 2014. To perform this assessment, we used a market approach to estimate the fair value of the Jackups reporting unit. The aggregated fair values of our reporting units exceeded our market capitalization, and we believe the resulting implied control premium is reasonable based on recent market transactions within our industry or other relevant benchmark data.

The estimates used to determine the fair value of the Floaters reporting unit reflect management's best estimates, and we believe they are reasonable. Future declines in the Floaters reporting unit's operating performance or our anticipated business outlook may reduce the estimated fair value of our Floaters reporting unit below its carrying value. Factors that could have a negative impact on the fair value of the Floaters reporting unit include, but are not limited to:

- decreases in estimated market day rates and utilization due to greater-than-expected market pressures, downtime and other risks associated with offshore rig operations;
- decreases in revenue due to our inability to attract and retain skilled personnel;
- changes in worldwide rig supply and demand, competition or technology, including changes as a result of delivery of newbuild drilling rigs;
- changes in future levels of drilling activity and expenditures, whether as a result of global capital markets and liquidity, prices of oil and natural gas or otherwise, which may cause us to idle or stack additional rigs;
- possible cancellation or suspension of drilling contracts as a result of mechanical difficulties, performance or other reasons;
- delays in actual contract commencement dates;

- the outcome of litigation, legal proceedings, investigations or other claims or contract disputes resulting in significant cash outflows;
- governmental regulatory, legislative and permitting requirements affecting drilling operations, including limitations on drilling locations (such as the Gulf of Mexico during hurricane season);
- increases in the market-participant risk-adjusted WACC;
- declines in anticipated growth rates;
- declines in our market capitalization.

Adverse changes in one or more of these factors could reduce the estimated fair value of our Floaters reporting unit below its carrying value in future periods.

New Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board issued Accounting Standards Update 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity* ("Update 2014-08"). The new guidance changes the criteria for reporting discontinued operations and enhances disclosure requirements. Under the new guidance, only disposals representing a strategic shift in operations should be presented as discontinued operations. Update 2014-08 is effective for annual and interim periods for fiscal years beginning on or after December 15, 2014 and early adoption is permitted for disposals that have not been reported in financial statements previously issued or available for issuance. We are currently evaluating Update 2014-08 to determine the impact on the presentation of future disposals in our consolidated financial statements.

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("Update 2014-09"), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard is effective for the Company on January 1, 2017, and early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. We are currently evaluating the effect that ASU 2014-09 will have on our consolidated financial statements and related disclosures.

In June 2014, the Financial Accounting Standards Board issued Accounting Standards Update 2014-12, *Compensation-Stock Compensation (Topic 718): Accounting for Share Payments When the Terms of an Award Provide That a Performance Target Could be Achieved After the Requisite Service Period* ("Update 2014-12"). The new guidance clarifies that entities should treat performance targets that can be met after the requisite service period of a share-based payment award as performance conditions that affect vesting. Update 2014-12 is effective for annual and interim periods for fiscal years beginning after December 15, 2015 and early adoption is permitted. We will adopt the accounting standard on a prospective basis effective January 1, 2016. We do not expect the adoption to have a material effect on our consolidated financial statements.

Item 3. *Quantitative and Qualitative Disclosures About Market Risk*

Information required under Item 3. has been incorporated into "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Market Risk."

Item 4. *Controls and Procedures*

Based on their evaluation as of the end of the period covered by this quarterly report on Form 10-Q, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures, as defined in Rule 13a-15 under the Securities Exchange Act of 1934, are effective.

During the fiscal quarter ended June 30, 2014 , there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. *Legal Proceedings*

Pride FCPA Investigation

During 2010, Pride and its subsidiaries resolved their previously disclosed investigations into potential violations of the FCPA with the DOJ and the SEC. The settlement with the DOJ included a deferred prosecution agreement (the "DPA") between Pride and the DOJ and a guilty plea by Pride Forasol, S.A.S., one of Pride's subsidiaries, to FCPA-related charges. In November 2012, the DOJ moved (i) to dismiss the charges against Pride and end the DPA one year prior to its scheduled expiration; and (ii) to terminate the unsupervised probation of Pride Forasol, S.A.S. The Court granted the motions.

Pride has received preliminary inquiries from governmental authorities of certain countries referenced in its settlements with the DOJ and SEC. We could face additional fines, sanctions and other penalties from authorities in these and other relevant jurisdictions, including prohibition of our participating in or curtailment of business operations in those jurisdictions and the seizure of rigs or other assets. At this early stage of such inquiries, we are unable to determine what, if any, legal liability may result. Our customers in those jurisdictions could seek to impose penalties or take other actions adverse to our business. We could also face other third-party claims by directors, officers, employees, affiliates, advisors, attorneys, agents, stockholders, debt holders, or other interest holders or constituents of our Company. In addition, disclosure of the subject matter of the investigations and settlements could adversely affect our reputation and our ability to obtain new business or retain existing business from our current clients and potential clients, to attract and retain employees and to access the capital markets.

We cannot currently predict what, if any, actions may be taken by any other applicable government or other authorities or our customers or other third parties or the effect any such actions may have on our financial position, operating results or cash flows.

Asbestos Litigation

We and certain subsidiaries have been named as defendants, along with numerous third-party companies as co-defendants, in multi-party lawsuits filed in Mississippi and Louisiana by approximately 100 plaintiffs. The lawsuits seek an unspecified amount of monetary damages on behalf of individuals alleging personal injury or death, primarily under the Jones Act, purportedly resulting from exposure to asbestos on drilling rigs and associated facilities during the 1960s through the 1980s.

In December 2013, we reached an agreement in principle with 58 of the plaintiffs to settle lawsuits filed in Mississippi for a nominal amount. While we believe the settlement will be approved by the Court, there can be no assurances as to the ultimate outcome.

We intend to vigorously defend against the remaining claims and have filed responsive pleadings preserving all defenses and challenges to jurisdiction and venue. However, discovery is still ongoing and, therefore, available information regarding the nature of all pending claims is limited. At present, we cannot reasonably determine how many of the claimants may have valid claims under the Jones Act or estimate a range of potential liability exposure, if any.

In addition to the pending cases in Mississippi and Louisiana, we have other asbestos or lung injury claims pending against us in litigation in other jurisdictions. Although we do not expect final disposition of these asbestos or lung injury lawsuits to have a material adverse effect upon our financial position, operating results or cash flows, there can be no assurances as to the ultimate outcome of the lawsuits.

Environmental Matters

We are currently subject to pending notices of assessment relating to spills of drilling fluids, oil, chemicals, grease or fuel from drilling rigs operating offshore Brazil from 2008 through 2014, pursuant to which the governmental authorities have assessed, or are anticipated to assess, fines in an aggregate amount of approximately \$250,000 . We have contested these notices and appealed certain adverse decisions and are awaiting decisions in these cases. Although we do not expect final disposition of these assessments to have a material adverse effect on our financial position, operating results or cash flows, there can be no assurance as to the ultimate outcome of these assessments. A \$250,000 liability related to these matters was included in accrued liabilities and other on our condensed consolidated balance sheet as of June 30, 2014 .

We currently are subject to a pending administrative proceeding initiated during 2009 by a Spanish government authority seeking payment in an aggregate amount of approximately \$4.0 million for an alleged environmental spill originating from ENSCO 5006 while it was operating offshore Spain. Our customer has posted guarantees with the Spanish government to cover potential penalties. Additionally, we expect to be indemnified for any payments resulting from this incident by our customer under the terms of the drilling contract. A criminal investigation of the incident was initiated during 2010 by a prosecutor in Tarragona, Spain, and the administrative proceedings have been suspended pending the outcome of this investigation. We do not know at this time what, if any, involvement we may have in this investigation.

We intend to vigorously defend ourselves in the administrative proceeding and any criminal investigation. At this time, we are unable to predict the outcome of these matters or estimate the extent to which we may be exposed to any resulting liability. Although we do not expect final disposition of this matter to have a material adverse effect on our financial position, operating results or cash flows, there can be no assurance as to the ultimate outcome of the proceedings.

We are currently subject to a notice of assessment received from the Bureau of Safety and Environmental Enforcement ("BSEE") in June 2014 relating to an unintended disconnect on the ENSCO 8500, pursuant to which BSEE has assessed a fine in the amount of \$330,000. The elements of the fine include a small discharge of pollutants into the Gulf of Mexico and other elements that are indirectly related as the reason the discharge occurred. We are in the process of contesting this matter. Although we do not expect final disposition of this assessment to have a material adverse effect on our financial position, operating results or cash flows, there can be no assurance as to the ultimate outcome of this assessment. A \$330,000 liability related to this matter was included in accrued liabilities and other on our condensed consolidated balance sheet as of June 30, 2014 .

Other Matters

In addition to the foregoing, we are named defendants or parties in certain other lawsuits, claims or proceedings incidental to our business and are involved from time to time as parties to governmental investigations or proceedings, including matters related to taxation, arising in the ordinary course of business. Although the outcome of such lawsuits or other proceedings cannot be predicted with certainty and the amount of any liability that could arise with respect to such lawsuits or other proceedings cannot be predicted accurately, we do not expect these matters to have a material adverse effect on our financial position, operating results or cash flows.

Item 1A. Risk Factors

There are numerous factors that affect our business and results of operations, many of which are beyond our control. In addition to information set forth in this quarterly report, you should carefully read and consider "Item 1A. Risk Factors" in Part I and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II of our annual report on Form 10-K for the year ended December 31, 2013, which contains descriptions of significant risks that might cause our actual results of operations in future periods to differ materially from those currently anticipated or expected. Other than set forth below, there have been no material changes from the risks previously disclosed in our annual report on Form 10-K for the year ended December 31, 2013, as updated in our subsequent quarterly reports.

The potential for U.S. Gulf of Mexico hurricane related windstorm damage or liabilities could result in uninsured losses and may cause us to alter our operating procedures during hurricane season, which could adversely affect our business .

Certain areas in and near the U.S. Gulf of Mexico experience hurricanes and other extreme weather conditions on a relatively frequent basis. Our drilling rigs in the U.S. Gulf of Mexico are located in areas that could cause them to be susceptible to damage and/or total loss by these storms, and we have a larger concentration of jackup rigs in the U.S. Gulf of Mexico than most of our competitors. We currently have eight jackup rigs and nine floaters in the U.S. Gulf of Mexico. Damage caused by high winds and turbulent seas could result in rig loss or damage, termination of drilling contracts for lost or severely damaged rigs or curtailment of operations on damaged drilling rigs with reduced or suspended day rates for significant periods of time until the damage can be repaired. Moreover, even if our drilling rigs are not directly damaged by such storms, we may experience disruptions in our operations due to damage to our customers' platforms and other related facilities in the area. Our drilling operations in the U.S. Gulf of Mexico have been impacted by hurricanes, including the total loss of one jackup rig during 2004, one platform rig during 2005 and two jackup rigs during 2008, with associated losses of contract revenues and potential liabilities.

Insurance companies incurred substantial losses in the offshore drilling, exploration and production industries as a consequence of hurricanes that occurred in the U.S. Gulf of Mexico during 2004, 2005 and 2008. Accordingly, insurance companies have substantially reduced the nature and amount of insurance coverage available for losses arising from named tropical storm or hurricane damage in the U.S. Gulf of Mexico ("windstorm damage") and have increased the cost of available windstorm coverage. The tight insurance market not only applies to coverage related to U.S. Gulf of Mexico windstorm damage or loss of our drilling rigs, but also impacts coverage for any potential liabilities to third parties associated with property damage, personal injury or death and environmental liabilities, as well as coverage for removal of wreckage and debris associated with hurricane losses. We have no assurance that the tight insurance market for windstorm damage, liabilities and removal of wreckage and debris will not continue into the foreseeable future.

Our annual insurance policies were up for renewal effective May 31, 2014. Due to the significant premium, high deductible and limited coverage for windstorm damage, we decided not to purchase windstorm insurance for hull and machinery losses to our floaters arising from windstorm damage in the U.S. Gulf of Mexico. We opted out of windstorm insurance for our jackups in the U.S. Gulf of Mexico during 2009 and have not since renewed that insurance. We believe it is no longer customary for drilling contractors with similar size and fleet composition to purchase windstorm insurance for any rigs in the U.S. Gulf of Mexico, for the aforementioned reasons. Accordingly, we have retained the risk of loss or damage for our eight jackup rigs and our nine floaters arising from windstorm damage in the U.S. Gulf of Mexico.

We have established operational procedures designed to mitigate risk to our jackup rigs and floaters in the U.S. Gulf of Mexico during hurricane season. In addition to procedures designed to better secure the drilling package on jackup rigs, improve jackup leg stability and increase the air gap to position the hull above waves, our procedures involve analysis of prospective drilling locations, which may include enhanced bottom surveys. These procedures may result in a decision to decline to operate on a customer-designated location during hurricane season notwithstanding that the location, water depth and other standard operating conditions are within a rig's normal operating range. Our

procedures and the associated regulatory requirements addressing Mobile Offshore Drilling Unit operations in the U.S. Gulf of Mexico during hurricane season, coupled with our decision to retain (self-insure) certain windstorm-related risks, may result in a significant reduction in the utilization of our jackup rigs and floaters in the U.S. Gulf of Mexico.

Retained exposures for property loss or damage and wreckage and debris removal or other liabilities associated with U.S. Gulf of Mexico tropical storms or hurricanes could have a material adverse effect on our financial position, operating results and cash flows if we sustain significant uninsured or underinsured losses or liabilities as a result of U.S. Gulf of Mexico tropical storms or hurricanes.

Governments may pass laws that subject us to additional taxation or may challenge our tax positions, which could adversely affect our financial position, results of operations and cash flows.

There is increasing uncertainty with respect to tax laws, regulations and treaties, and the interpretation and enforcement thereof, that may affect our business. In July 2014, the U.K. government enacted tax reforms to ensure that more of the profits generated by offshore drilling contractors in the U.K. are subject to U.K. taxation. The reforms limit the amount of certain types of lease payments that can be deducted for U.K. tax purposes. In addition, the reforms prohibit taxable profits from operations on the U.K. Continental Shelf from being reduced by unrelated losses or expenses. Other countries are evaluating legislative and regulatory reforms that would subject us to additional taxation or otherwise challenge our tax positions. Further, our tax positions are subject to audit by U.K., U.S. and other foreign tax authorities. Such tax authorities may disagree with our interpretations or assessments of the effects of tax laws, treaties, or regulations or their applicability to our corporate structure or certain transactions we have undertaken. Even if we are successful in maintaining our positions, we may incur significant expenses in defending our position and contesting claims or positions asserted by tax authorities. If we are unsuccessful in defending them, such audits could significantly impact our consolidated effective income tax rate in past or future periods.

As a result of these uncertainties, as well as changes in the administrative practices and precedents of tax authorities or any reclassification or other matter (such as changes in applicable accounting rules) that increases the amounts we have provided for income taxes or deferred tax assets and liabilities in our consolidated financial statements, we cannot provide any assurances as to what our consolidated effective income tax rate will be in future periods. If we are unable to mitigate the negative consequences of any change in law, audit or other matter, this could cause our consolidated effective income tax rate to increase and cause a material adverse effect on our financial position, operating results and/or cash flows.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The table below provides a summary of our repurchases of equity securities during the three-month period ended June 30, 2014 :

Issuer Purchases of Equity Securities

<u>Period</u>	<u>Total Number of Securities Purchased</u> <small>(1)</small>	<u>Average Price Paid per Security</u>	<u>Total Number of Securities Purchased as Part of Publicly Announced Plans or Programs</u> <small>(2)</small>	<u>Approximate Dollar Value of Securities that May Yet Be Purchased Under Plans or Programs</u>
April 1 - April 30	1,833	\$ 52.34	—	\$ 2,000,000,000
May 1 - May 31	5,385	\$ 50.14	—	\$ 2,000,000,000
June 1 - June 30	144,894	\$ 52.81	—	\$ 2,000,000,000
Total	152,112	\$ 52.71	—	

(1) During the three-month period ended June 30, 2014 , equity securities were repurchased from employees and non-employee directors by an affiliated employee benefit trust in connection with the settlement of income tax withholding obligations arising from the vesting of share awards. Such securities remain available for re-issuance in connection with employee share awards.

(2) During the second quarter of 2013, our shareholders approved a new share repurchase program. Subject to certain provisions under English law, including the requirement of Enscopl to have sufficient distributable reserves, we may purchase up to a maximum of \$2.0 billion in the aggregate under the program, but in no case more than 35.0 million shares. The program terminates in May 2018.

Item 6. Exhibits

Exhibit Number	Exhibit
*10.1	Deed of Variation among Ensco Global Resources Limited, Carl Trowell and Ensco Services Limited, dated June 2, 2014, together with the Employment Agreement between Ensco Global Resources Limited and Carl Trowell, dated May 3, 2014 and attached as a schedule to the Deed of Variation.
*10.2	Form of Deed of Indemnity entered into between Ensco plc and Carl Trowell as of June 2, 2014.
*15.1	Letter regarding unaudited interim financial information.
*31.1	Certification of the Chief Executive Officer of Registrant Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*31.2	Certification of the Chief Financial Officer of Registrant Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
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*101.SCH	XBRL Taxonomy Extension Schema
*101.CAL	XBRL Taxonomy Extension Calculation Linkbase
*101.DEF	XBRL Taxonomy Extension Definition Linkbase
*101.LAB	XBRL Taxonomy Extension Label Linkbase
*101.PRE	XBRL Taxonomy Extension Presentation Linkbase

* Filed herewith.

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Enscopl

Date: August 1, 2014

/s/ JAMES W. SWENT III

James W. Swent III
Executive Vice President and
Chief Financial Officer
(principal financial officer)

/s/ DOUGLAS J. MANKO

Douglas J. Manko
Vice President - Finance

/s/ ROBERT W. EDWARDS III

Robert W. Edwards III
Controller
(principal accounting officer)

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* Filed herewith.

** Furnished herewith.

VARIATION OF EMPLOYMENT AGREEMENT

THIS DEED OF VARIATION is dated 2 June 2014

among:

- (1) **ENSCO GLOBAL RESOURCES LIMITED** incorporated and registered in England and Wales with company number 07098531 whose registered office is at 100 New Bridge Street, London, EC4V 6JA (" **EGRL** ");
- (2) **CARL TROWELL** of Sandhill, Sandhill Lane, Crawley Down West Sussex RH10 4LE (the " **Employee** "); and
- (3) **ENSCO SERVICES LIMITED** incorporated and registered in England and Wales with company number 04605864 whose registered office is at 100 New Bridge Street, London, EC4V 6JA.

together " **the Parties** ".

Agreed terms

1. The Employee commenced employment with EGRL on 2 June 2014 pursuant to the employment contract dated 3 May 2014 (the "**Agreement**") attached as the Schedule to this deed.
2. The Parties agree that the Contract shall have effect, as from 2 June 2014, as though originally entered into between the Employee and ENSCO Services Limited instead of between the Employee and EGRL. All references to "the Company" in the Agreement shall therefore be deemed amended and interpreted as references to ENSCO Services Limited.
3. This deed and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by and construed in accordance with the law of England and Wales.
4. Each Party irrevocably agrees that the courts of England and Wales shall have non-exclusive jurisdiction to settle any dispute or claim arising out of or in connection with this deed or its subject matter or formation (including non-contractual disputes or claims).

This deed has been entered into on the date stated at the beginning of it and takes effect from 2 June 2014.

THE SCHEDULE

THIS DEED is dated 3 May 2014

Between:

- (1) **ENSCO GLOBAL RESOURCES LIMITED** incorporated and registered in England and Wales with company number 07098531 whose registered office is at 100 New Bridge Street, London, EC4V 6JA (the "**Company**"); and
- (2) **CARL TROWELL** of Sandhill, Sandhill Lane, Crawley Down West Sussex RH10 4LE (the "**Employee**").

Agreed terms

1. Interpretation

1. The definitions and rules of interpretation in this clause 1 apply in this Agreement.

Appointment the employment of the Employee by the Company pursuant to this Agreement.

Board the board of directors of Ensco plc from time to time (including any committee of the Board duly appointed by it).

Capacity as agent, consultant, director, employee, owner, partner, shareholder or in any other capacity.

Change in Control the occurrence of any of the following events: (i) a change in the ownership of Ensco plc, which occurs on the date that any one person, or more than one person acting in concert (as defined in the City Code on Takeovers and Mergers), acquires ownership of Shares that, together with Shares held by such person or persons acting in concert, constitutes more than fifty percent (50%) of the total voting power of the Shares, or (ii) the majority of the members of the Board is replaced during any twelve (12) month period by directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election, or (iii) a sale of all or substantially all of the assets of Ensco plc; provided, however, a Change in Control of Ensco plc shall not be deemed to have occurred by virtue of the consummation of any transaction or series of related transactions immediately following which the beneficial holders of the voting Shares immediately before such transaction or series of transactions continue to have a majority of the direct or indirect ownership in one or more entities which,

singly or together, immediately following such transaction or series of transactions, either (A) own all or substantially all of the assets of Ensco plc as constituted immediately prior to such transaction or series of transactions, or (B) are the ultimate parent with direct or indirect ownership of all of the voting Shares after such transaction or series of transactions. For further clarification, a "Change in Control" of Ensco plc shall not be deemed to have occurred by virtue of the consummation of any transaction or series of related transactions effected for the purpose of changing the place of incorporation or form of organization of Ensco plc or the ultimate parent company of Ensco plc and its subsidiaries.

Commencement Date

On or about June 1 2014.

Company Policies

the policies of the Company and Ensco plc that are applicable to employees of the Company (including, without limitation, the Ensco plc Code of Business Conduct and any employment handbook), as may be amended from time to time.

Confidential Information

information (whether or not recorded in documentary form, or stored on any magnetic or optical disk or memory) relating to the business, products, affairs and finances of any Group Company for the time being confidential to any Group Company and trade secrets including, without limitation, technical data and know-how relating to the business of any Group Company or any of their business contacts, including in particular (by way of illustration only and without limitation):

(a) information relating to the business of exploring, acquiring, developing, exploiting and disposing of oil and natural gas resources (regardless of when conceived, made, developed or acquired);

(b) information relating to the business or prospective business, current or projected plans or internal affairs of the Company or any Group Company

(c) information relating to the current or prospective marketing or sales of any products or services of any Group Company, including non-public lists of customers' and suppliers' names, addresses and contacts; sales targets and statistics; market share and pricing information; marketing surveys; research and reports; non-public advertising and promotional material; strategies; and financial and sales data;

(d) information relating to any actual or prospective business strategies of any Group Company;

(e) information relating to any actual acquisitions, investments or corporate opportunities or prospective acquisition, investment targets or corporate opportunity;

(f) know-how, trade secrets, unpublished information relating to any Group Company's intellectual property and to the creation, production or supply of any products or services of any Group Company;

(g) information to which any Group Company owes an obligation of confidence to a third party (including, without limitation, customers, clients, suppliers, partners, joint venturers and professional advisors of any Group Company); and

(h) other commercial, financial or technical information relating to the business or prospective business of any Group Company or to any past, current or prospective client, customer, supplier, licensee, officer or employee, agent of any Group Company or any member or person interested in the share capital or assets of any Group Company and any other person to whom any Group Company may provide or from whom they may receive information (whether marked confidential or not).

Garden Leave

any period during which the Board has exercised its rights under clause 19.

Good Reason

the occurrence of any of the following events (without the Employee's express written consent) arising during the

Appointment: (i) a material reduction in the Employee's base salary or a material reduction in the aggregate overall compensation opportunity available to Employee, provided that the Board shall have the discretion to modify the Employee's overall compensation package subject to the foregoing restrictions, (ii) a material diminution in the Employee's authority, duties or responsibilities, (iii) in connection with the occurrence of a Change in Control, a permanent relocation in the geographic location at which the Employee must perform services to a location outside the London Metropolitan Area, or (iv) any other action or inaction that constitutes a material breach by the Company of its obligations under this Agreement. In the case of the Employee's allegation of Good Reason, (A) the Employee shall provide notice to the Board of the event alleged to constitute Good Reason within ninety (90) days of the occurrence of such event, and (B) the Company shall have the opportunity to remedy the alleged Good Reason event within thirty (30) days from receipt of notice of such allegation. If the Company does not cure the circumstance giving rise to Good Reason to the Employee's reasonable satisfaction, the Employee must terminate his employment with the Company within thirty (30) days following the end of the thirty (30) day cure period described in clause (B) above in order for his termination to be considered a termination for Good Reason.

Group Company

the Company, its Subsidiaries or Holding Companies from time to time and any Subsidiary of any Holding Company from time to time.

Incapacity

any sickness, injury or other medical disorder or condition which prevents the Employee from carrying out his duties.

Intellectual Property Rights

patents, rights to Inventions, copyright and related rights, trademarks, trade names and domain names, rights in get-up, rights in goodwill or to sue for passing off, unfair competition rights, rights in designs, rights in computer software, database

rights, topography rights, rights in confidential information (including know-how and trade secrets) and any other intellectual property rights, in each case whether registered or unregistered and including all applications (or rights to apply) for, and renewals or extensions of, such rights and all similar or equivalent rights or forms of protection which subsist or will subsist now or in the future in any part of the world.

Invention

any invention, idea, discovery, development, improvement or innovation, whether or not patentable or capable of registration, and whether or not recorded in any medium.

Long-Term Incentive Plans

means the LTIP Performance Unit Award, the RSU Award and the Three-Year Cliff RSU Award and any other long-term incentive plans with the Company or any Group Company which the Employee may from time to time participate in.

LTIP Performance Unit Award

means the Enesco plc 2012 Long-Term Incentive Plan Performance Unit Award Agreement.

Pre-Contractual Statement

any undertaking, promise, assurance, statement, representation, warranty or understanding (whether in writing or not) of any person (whether party to this Agreement or not) relating to the Employee's employment under this Agreement which is not expressly set out in this Agreement.

Restricted Area

the Gulf of Mexico, the Santos, Campos and Espirito Santo basins off the coast of Brazil, the North Sea, the Arabian Gulf, and Kwanza and Lower Congo Basins off the coast of Angola.

Restricted Business

(i) the business of offshore drilling rig contracting and associated activities carried out by any Group Company and with which the Employee was involved to a material extent or for which he was responsible at any time in the 12 months before the Termination Date; and (ii) any other parts of the business of any Group Company with which the Employee was involved to a material extent or for which he was responsible at any time in the 12 months before the Termination Date.

Restricted Customer	any firm, company or person who, at any time during the 12 months before the Termination Date, was a customer or prospective customer of or was in the habit of dealing with any Group Company and with whom the Employee had material contact or about whom he became aware or informed in the course of employment.
Restricted Person	anyone employed or engaged (including as a consultant or independent contractor) by any Group Company with whom the Employee dealt at any time in the 12 months before the Termination Date in the course of employment and who (i) has regular and significant contact with any customers or suppliers of any Group Company, (ii) is engaged in senior capacity, (iii) is paid a base annual salary or fee of £75,000 (or equivalent in foreign currency) or more, or (iv) could materially damage the interests of any Group Company if they were involved in any Capacity in any business concern which competes with any Restricted Business.
RSU Award	means the Ensco plc 2012 Long-Term Incentive Plan Employee Three-Year Vesting Period Restricted Share Unit Award Agreement.
Share	means shares in the capital of Ensco plc.
Subsidiary / Holding Company	in relation to a company mean "subsidiary" and "holding company" as defined in section 1159 of the Companies Act 2006.
Termination Date	the date of termination of the Employee's employment with the Company, however caused.
Three-Year Cliff RSU Award	means the Ensco plc 2012 Long-Term Incentive Plan Employee Three-Year Cliff Vesting Period Restricted Share Unit Award Agreement.

2. The headings in this Agreement are inserted for convenience only and shall not affect its construction.
 3. A reference to a particular law is a reference to it as it is in force for the time being taking account of any amendment, extension, or re-enactment and includes any subordinate legislation for the time being in force made under it.
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4. Unless the context otherwise requires, a reference to one gender shall include a reference to the other gender.
5. Unless the context otherwise requires, words in the singular include the plural and in the plural include the singular.

2. **Term of appointment**

1. The Appointment shall commence on the Commencement Date and shall continue, subject to the remaining terms of this Agreement, until terminated by either party giving the other not less than six months' prior notice in writing.
2. No employment with a previous employer counts towards the Employee's period of continuous employment with the Company.
3. The Employee consents to the transfer of his employment under this Agreement to a Group Company at any time during the Appointment provided that his terms and conditions of employment shall remain the same, and provided also that his role and status within the Company and any Group Company shall be commensurate with his current role and status.

3. **Employee warranties**

1. The Employee represents and warrants to the Company that, by entering into this Agreement or performing any of his obligations under it, he will not be in breach of any court order or any express or implied terms of any contract or other obligation binding on him (including, without limitation, any obligation or restriction on the Employee with respect to any prior employment) and undertakes to indemnify each Group Company against any claims, costs, damages, liabilities or expenses which any Group Company may incur as a result if he is in breach of any such obligations or restrictions.
2. The Employee warrants that he is entitled to work in the United Kingdom without any additional approvals and will notify the Company immediately if he ceases to be so entitled during the Appointment.
3. The Employee warrants that he is not subject to any restrictions which prevent him from holding office as a director.

4. **Duties**

1. The Employee shall serve as the President and Chief Executive Officer of Ensco plc.
 2. During the Appointment the Employee shall:
 - (a) act as a member of the Board and, if so required by the Board, act as a member of the board of directors of other Group Companies, in each case subject to the Employee's nomination and election (and annual re-election) to the Board or other boards of directors, as applicable;
 - (b) carry out duties on behalf of any other Group Company including, if so required by the Board, acting as an officer or consultant of any such Group Company;
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- (c) comply with the articles of association (as amended from time to time) of any Group Company of which he is a director;
 - (d) abide by any statutory, fiduciary or common-law duties to any Group Company of which he is a director;
 - (e) not do anything that would cause him to be disqualified from acting as a director;
 - (f) comply with all requirements, recommendations or regulations, as amended from time to time, of all regulatory authorities relevant to any Group Company and any code of practice issued by the Company (as amended from time to time) relating to dealing in the securities of any Group Company;
 - (g) comply with the requirements under both legislation and regulation as to the disclosure of inside information, insider dealing and market abuse;
 - (h) comply with the Company's anti-corruption and bribery policy and related procedures and conduct the services to be provided by the Employee hereunder in strict compliance with the Bribery Act 2010, the U.S. Foreign Corrupt Practices Act of 1977 and any other law, regulation, order, decree or directive of any jurisdiction relevant to any Group Company or any of their affiliates having the force of law and relating to, without limitation, bribery, kickbacks, or similar business practices;
 - (i) comply with the Enscoplac Code of Business Conduct, as amended from time to time;
 - (j) unless prevented by Incapacity or as agreed in writing by the Board, devote the whole of his time, attention and abilities to the business of the Company and any Group Company of which he is an officer or consultant;
 - (k) faithfully and diligently exercise such powers and perform such duties as may from time to time be assigned to him by the Board together with such person or persons as the Board may appoint to act jointly with him;
 - (l) comply with all reasonable and lawful directions given to him by the Board;
 - (m) promptly make such reports to the Board in connection with the affairs of any Group Company on such matters and at such times as are reasonably required;
 - (n) report his own wrongdoing and any wrongdoing or proposed wrongdoing of any other employee or director of any Group Company to the Board immediately on becoming aware of it;
 - (o) use his best endeavours to promote, protect, develop and extend the business of the Company and the other Group Companies;
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- (p) consent to the Company monitoring and recording any use that he makes of the Company's electronic communications systems for the purpose of ensuring that the Company's rules are being complied with and for legitimate business purposes; and
- (q) comply with any electronic communication systems policy that the Company may issue from time to time.

3. The Employee shall comply with all Company Policies. The Company Policies do not form part of this Agreement and the Company may amend them at any time. To the extent that there is any conflict between the terms of this Agreement and any Company Policy, this Agreement shall prevail.

4. All documents, manuals, hardware and software provided for the Employee's use by the Company, and any data or documents (including copies) produced, maintained or stored on the Company's computer systems or other electronic equipment (including mobile phones), remain the property of the Company.

5. **Place of work**

1. The Employee's normal place of work is the Enscopl's headquarters at 6 Chesterfield Gardens, 3rd Floor, London, United Kingdom, W1J 5BQ or such other place within the London Metropolitan Area as Enscopl may establish as its corporate headquarters from time to time.

2. The Employee agrees to travel on any Group Company's business (both within the United Kingdom or abroad) as may be required for the proper performance of his duties under the Appointment. The Employee acknowledges and agrees that extensive and regular international travel will be required in the performance of his duties. The Employees' business travel shall be undertaken in accordance with the Company's travel reimbursement policy in effect from time to time, which, as of the Commencement Date, provides for the Chief Executive Officer to travel business class both within the United Kingdom and when travelling internationally, or first class (if available) when travelling internationally for over three hours.

6. **Hours of work**

The hours of work of the Employee are not fixed but are such normal working hours of the Company and such additional hours as may be necessary to enable him properly to discharge his duties and services. For information, the normal working hours of the Company are 9 a.m. to 6 p.m. Monday to Friday but it is recognised that normal working hours do not apply to this position. The Employee will not be entitled to any additional pay for any overtime worked.

7. **Salary**

1. The Employee shall be paid an initial base salary of £600,000 per annum (inclusive of any fees due to the Employee by any Group Company as a director or officer of any Group Company).

2. The Employee's salary shall accrue from day to day and be payable monthly in arrears on or before the end of each month directly into the Employee's bank or building society.
3. The Employee's salary shall be reviewed by the Board annually, the first such review to take place not less than 12 months following the Commencement Date. In the event that there is a material change to UK income taxes rules a salary review shall be triggered (although the Company shall be under no obligation to increase the Employee's salary). The Company is under no obligation to award an increase following a salary review. There will be no review of the salary after notice has been given by either party to terminate the Appointment.
4. The Company may deduct from the salary, or any other sums owed to the Employee, any money owed to any Group Company by the Employee.

8. **Expenses**

1. The Company shall reimburse (or procure the reimbursement of) all reasonable expenses wholly, properly and necessarily incurred by the Employee in the course of the Appointment, subject to production of VAT receipts or other appropriate evidence of payment.
2. The Employee shall abide by the Company's policies on expenses as set out in Company Policies from time to time.
3. Any credit card supplied to the Employee by the Company shall be used only for expenses properly incurred by him in the course of the Appointment in accordance with the Company's policies in effect from time to time.

9. **Incentive Plan**

1. The Employee shall be eligible to participate in the Ensco International Incorporated 2005 Cash Incentive Plan (the " **ECIP** "), subject to the terms of the ECIP as may be amended from time to time. For the year 2014, the Employee's threshold, target and maximum level of bonus opportunity under the ECIP will be equal to 55%, 110% and 220%, respectively, of the Employee's base salary actually earned by the Employee in 2014. The Board may, in its sole discretion, increase or decrease the Employee's bonus opportunity levels in future years. The actual amount paid to the Employee under the ECIP each year, if any, will be calculated based on the level of achievement of the performance goals established by the Company under the ECIP for the year in question and the terms of the ECIP.
2. Any bonus payments shall not be pensionable.

10. **Benefits**

1. The Employee agrees and acknowledges that he is not eligible to participate in, or receive benefits under, the Ensco Savings Plan, including the employer matching and profit sharing provisions thereunder, or the 2005 Supplemental Executive Retirement Plan (the " **US Retirement Plans** "). During the Appointment the Employee shall be eligible to receive cash payments (the " **Cash** ")
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Payments ") equal to the cash amounts that would have been contributed by the Company on the Employee's behalf to the US Retirement Plans had the Employee participated in such US Retirement Plans (assuming, for purposes of the calculation of the value of the company matching benefit, that the Employee deferred the maximum amount possible under the plan and the United States Internal Revenue Code and received the corresponding company matching benefit). Such Cash Payments shall be made to the Employee on the first regular payroll date following each date on which the equivalent contributions would have been made or accrued by the Company to the US Retirement Plans had the Employee participated in the US Retirement Plans as of such date during the Appointment. The Cash Payments shall be subject to all applicable deductions and withholding for income tax and National Insurance Contributions. The Employee shall be solely responsible for the payment of any additional taxes or other withholding liabilities arising out of the Cash Payments. In the event that there is a significant change to UK pension rules which would enable the Employee to make payments into the Ensco Limited Retirement Plan, this clause shall be subject to further review by the parties.

2. The Employee shall be eligible to participate in the same benefit plans and programs in which other executive non-expatriate Company employees who are based in the United Kingdom are eligible to participate, subject to the terms, conditions and limitations of the applicable plans and programs in effect from time to time and any applicable HM Revenue & Customs limits and other limits or restrictions under applicable law. The provision of any benefits shall not prevent the Company from terminating the Employee's employment at any time.
 3. The Company in its sole and absolute discretion reserves the right to discontinue, vary or amend any benefits plans and programs (including the level of the Employee's cover) at any time on reasonable notice to the Employee, provided that, subject to clauses 10.2 and 10.4, they are replaced with benefits providing a level of cover to the Employee (and, to the extent applicable, to his spouse, dependents and beneficiaries) equal to those provided to other executive non-expatriate Company employees who are based in the United Kingdom.
 4. Any insured benefit shall be subject to the Employee or, to the extent applicable, the Employee's spouse, dependants and beneficiaries, satisfying the normal underwriting requirements of the relevant insurance provider and the premium being at a rate which the Board considers reasonable. If an insurance provider refuses for any reason to provide any insurance benefit to the Employee, the Company shall not be liable to provide to the Employee any replacement benefit of the same or similar kind or to pay any compensation in lieu of such benefit. The Company's sole obligation in respect of insured benefits is to pay the premium from time to time required by the provider and to pay to the Employee such sums (if any) as may be received by the Company from the provider in respect
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of any claim made by the Employee under the scheme and, for the avoidance of doubt, the Company shall be under no obligation to take any action to enforce the terms of any insurance or otherwise to procure the benefit of any insurance for the Employee.

11. **Holidays**

1. The Employee shall be entitled to paid holiday in accordance with the Company's holiday policy in effect from time to time, but in any event the Employee shall be entitled to not less than 28 days' paid holiday in each holiday year in addition to the usual public holidays in England. The Company's holiday year runs between 1 January and 31 December. If the Appointment commences or terminates part way through a holiday year, the Employee's entitlement during that holiday year shall be calculated on a pro-rata basis rounded up to the nearest whole day.
 2. Holiday may be taken at such time or times as the Employee may determine in his reasonable discretion taking into account the business needs of the Company, provided that any holiday during which the Employee will be materially incommunicado shall be subject to the prior approval of the Board. The Employee may carry forward up to 5 days accrued but untaken holiday to the subsequent holiday year. The Employee may not without the written consent of the Board carry forward more than 5 days holiday and any accrued but untaken holiday in excess of this at the end of each year shall be forfeited without compensation.
 3. The Employee shall have no entitlement to any payment in lieu of accrued but untaken holiday except on termination of the Appointment. Subject to clause 11.4 the amount of such payment in lieu shall be 1/260th of the Employee's salary for each untaken day of the entitlement under clause 11.1 for the holiday year in which termination takes place and any untaken days carried forward from the preceding holiday year.
 4. If the Company has terminated or would be entitled to terminate the Appointment under clause 18.1(a) to (l) or if the Employee has terminated the Appointment in breach of this Agreement any payment due under clause 11.3 shall be limited to the Employee's statutory entitlement under the Working Time Regulations 1998 and any paid holidays (including paid public holidays) taken shall be deemed first to have been taken in satisfaction of that statutory entitlement.
 5. If on termination of the Appointment the Employee has taken in excess of his accrued holiday entitlement, the Company shall be entitled to recover from the Employee by way of deduction from any payments due to the Employee or otherwise one day's pay calculated at 1/260th of the Employee's salary for each excess day.
 6. If either party has served notice to terminate the Appointment, the Board may require the Employee to take any accrued but unused holiday entitlement during the notice period. Any accrued but unused holiday entitlement shall be deemed to be taken during any period of Garden Leave under clause 19.
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7. During any continuous period of absence due to Incapacity of one month or more the Employee shall not accrue holiday under this contract and the Employee's entitlement under clause 11.1 for the holiday year in which such absence takes place shall be reduced pro rata save that it shall not fall below the Employee's entitlement under the Working Time Regulations 1998.

12. **Incapacity**

1. Subject to the Employee's compliance with this Agreement and the Company's sickness absence procedures (as amended from time to time), the Employee shall continue to receive his full salary and contractual benefits during any period of absence due to Incapacity for up to an aggregate of 12 weeks in any 52-week period. Such payment shall be inclusive of any statutory sick pay due in accordance with applicable legislation.

2. With respect to any medical condition or suspected medical condition that the Board believes has, or will have, an impact on the Employee's ability to perform his duties hereunder, the Employee agrees to consent to medical examinations (at the Company's expense) by a doctor nominated by the Company. The Employee agrees that any report produced in connection with any such examination may be disclosed to relevant personnel within the Company who shall treat it as extremely confidential and not discuss it with anyone outside the Company save that the Company may discuss the contents of the report with the relevant doctor and any relevant legal advisor.

3. If the Incapacity is or appears to be occasioned by actionable negligence, nuisance or breach of any statutory duty on the part of a third party in respect of which damages are or may be recoverable, the Employee shall immediately notify the Board of that fact and of any claim, compromise, settlement or judgment made or awarded in connection with it and all relevant particulars that the Board may reasonably require. The Employee shall if required by the Board, refund to the Company that part of any damages or compensation recovered by him relating to the loss of earnings for the period of the Incapacity as the Board may reasonably determine less any costs borne by him in connection with the recovery of such damages or compensation, provided that the amount to be refunded shall not exceed the total amount paid to the Employee by the Company in respect of the period of Incapacity.

4. The rights of the Company to terminate the Appointment under the terms of this Agreement apply even when such termination would or might cause the Employee to forfeit any entitlement to sick pay, permanent health insurance or other benefits.

13. **Outside interests**

1. Subject to clause 13.2, during the Appointment the Employee shall not, except as a representative of the Company or with the prior written approval of the Board, whether paid or unpaid, be directly or indirectly engaged, concerned or have any financial interest in any Capacity in any other business, trade, profession or occupation (or the setting up of any business, trade, profession or occupation),

save that this clause shall not apply to any family business (being a business owned or managed by a member of his immediate family), provided that: (i) the Employee has no management responsibility in such business; (ii) that the business is not similar to or competitive with any business for the time being carried on by any Group Company; and (iii) that the Employee's engagement, concern or interest in any family business shall not affect the performance of his duties and obligations under this Agreement.

2. Notwithstanding clause 13.1, the Employee may hold an investment by way of shares or other securities of not more than one percent (1%) of the total issued share capital of any company (whether or not it is listed or dealt in on a recognised stock exchange) where such company does not carry on a business similar to or competitive with any business for the time being carried on by any Group Company. Subject to the Ensco plc Code of Business Conduct, as amended from time to time, the Employee may also hold a non-executive directorship in a company which does not carry on a business similar to or competitive with any business being carried on by any Group Company, provided that the Board consents to any such position, such consent not to be unreasonably withheld, and that such non-executive directorship does not affect the performance of the Employee's duties and obligations under this Agreement.

14. **Confidential Information**

1. The Employee acknowledges that in the course of the Appointment he will have access to Confidential Information. The Employee has therefore agreed to accept the restrictions in this clause 14.
2. The Employee shall not (except in the proper course of his duties), either during the Appointment or at any time after its termination (however arising), use or disclose to any person, company or other organisation whatsoever (and shall use his best endeavours to prevent the publication or disclosure of) any Confidential Information. This shall not apply to:
 - (a) any use or disclosure authorised by the Board or required by law;
 - (b) any information which is already in, or comes into, the public domain other than through the Employee's unauthorised disclosure;
 - (c) any protected disclosure within the meaning of section 43A of the Employment Rights Act 1996; or
 - (d) any information which is part of the Employee's general skill and knowledge prior to the Commencement Date.

15. **Intellectual property**

1. The Employee shall give the Company full written details of all Inventions and of all works embodying Intellectual Property Rights made wholly or partially by him at any time during the course of the Appointment which relate to, or are reasonably capable of being used in, the business of any Group
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Company. The Employee acknowledges that all Intellectual Property Rights subsisting (or which may in the future subsist) in all such Inventions and works shall automatically, on creation, vest in the Company absolutely. To the extent that they do not vest automatically, the Employee holds them on trust for the Company. The Employee agrees promptly to execute all documents and do all acts as may, in the opinion of the Company, be necessary to give effect to this clause 15.1.

2. The Employee hereby irrevocably waives all moral rights under the Copyright, Designs and Patents Act 1988 (and all similar rights in other jurisdictions) which he has or will have in any existing or future works referred to in clause 15.1.
3. The Employee irrevocably appoints the Company to be his attorney in his name and on his behalf to execute documents, use the Employee's name and do all things which are necessary or desirable for the Company to obtain for itself or its nominee the full benefit of this clause. A certificate in writing, signed by any director or the secretary of the Company, that any instrument or act falls within the authority conferred by this Agreement shall be conclusive evidence that such is the case so far as any third party is concerned.

16. **Ceasing to be a director**

1. Except with the prior approval of the Board, or as provided in the articles of association of any Group Company of which he is a director, the Employee shall not resign as a director of any Group Company.
2. If during the Appointment the Employee ceases to be a director of any Group Company (otherwise than by reason of his death, resignation or disqualification pursuant to the articles of association of the relevant Group Company, as amended from time to time, or by statute or court order) the Appointment shall continue with the Employee as an employee only and the terms of this Agreement (other than those relating to the holding of the office of director) shall continue in full force and effect. The Employee shall have no claims in respect of such cessation of office.
3. The Employee shall, with respect to any period during which he is a member of the Board (and, to the extent coverage is available at commercially reasonable costs, for six years thereafter), be entitled to be covered by a policy of directors' and officers' liability insurance on terms no less favourable than those in place from time to time for other members of the Board.

17. **Payment in lieu of notice**

1. Notwithstanding clause 2, the Company may, in its sole and absolute discretion, terminate the Appointment at any time and with immediate effect by notifying the Employee that the Company is exercising its right under this clause 17.1 and that it will make within 28 days a payment in lieu of notice (the "**Payment in Lieu**") to the Employee. This Payment in Lieu will be equal to the basic salary (as at the Termination Date) which the Employee would have been entitled to receive under this Agreement during the notice period referred to at clause 2 (or, if notice has already been given,
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during the remainder of the notice period), less income tax and National Insurance contributions. For the avoidance of doubt, the Payment in Lieu shall not include any element in relation to:

- (a) any ECIP, bonus or commission payments that might otherwise have been due during the period for which the Payment in Lieu is made;
- (b) any payment in respect of benefits which the Employee would have been entitled to receive during the period for which the Payment in Lieu is made; and
- (c) any payment in respect of any holiday entitlement that would have accrued during the period for which the Payment in Lieu is made.

2. The Employee shall have no right to receive a Payment in Lieu unless the Company has exercised its discretion in clause 17.1. Nothing in this clause 17 shall prevent the Company from terminating the Appointment in breach.

3. Notwithstanding clause 17.1 the Employee shall not be entitled to any Payment in Lieu if the Company would otherwise have been entitled to terminate the Appointment without notice in accordance with clause 18.1(a) to (l). In that case the Company shall also be entitled to recover from the Employee any Payment in Lieu (or instalments thereof) already made.

18. **Termination without notice**

1. The Company may also terminate the Appointment with immediate effect without notice and with no liability to make any further payment to the Employee (other than in respect of amounts accrued due at the Termination Date) if the Employee:

- (a) is disqualified from acting as a director or resigns as a director from any Group Company without the prior written approval of the Board;
 - (b) is guilty of a material breach of the rules or regulations as amended from time to time of any regulatory authorities relevant to any Group Company or any code of practice issued by the Company (as amended from time to time);
 - (c) is guilty of any gross negligence or serious misconduct affecting the business of any Group Company or wilfully breached a fiduciary duty to any Group Company;
 - (d) commits any serious or repeated breach or non-observance of any of the material provisions of this Agreement or refuses or neglects to comply with any reasonable and lawful directions of the Board, in each case having been given a 30 day period within which to remedy the breach (where such breach is capable of remedy), and having failed to do so to the reasonable satisfaction of the Board;
 - (e) is declared bankrupt or makes any arrangement with or for the benefit of his creditors or has a county court administration order made against him under the County Court Act 1984;
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- (f) is convicted of any criminal offence (other than an offence under any road traffic legislation in the United Kingdom or elsewhere for which a fine or non-custodial penalty is imposed) or any offence under any regulation or legislation relating to insider dealing or market abuse;
- (g) ceases to be eligible to work in the United Kingdom;
- (h) is guilty of any fraud or dishonesty;
- (i) acts in any manner which in the reasonable opinion of the Board brings or is likely to bring the Employee or any Group Company materially into disrepute or is materially adverse to the interests of any Group Company;
- (j) is in breach of the Bribery Act 2010, the U.S. Foreign Corrupt Practices Act of 1977 or the Company's anti-corruption and bribery policy and related procedures in effect from time to time;
- (k) any material violation of the Enesco plc Code of Business Conduct, as amended from time to time;
- (l) is guilty of a serious breach of any rules or policies issued by the Company from time to time, including its electronic communications systems policies, policies relating to a drug and alcohol free workplace, and policies relating to harassment, discrimination and retaliation;
- (m) becomes of unsound mind (which includes lacking capacity under the Mental Capacity Act 2005), or a patient under any statute relating to mental health; or
- (n) is unable by reason of Incapacity to perform his duties under this Agreement for an aggregate period of 12 weeks in any 52-week period.

2. The rights of the Company under clause 18.1 are without prejudice to any other rights that it might have at law to terminate the Appointment or to accept any breach of this Agreement by the Employee as having brought the agreement to an end. Any delay by the Company in exercising its rights to terminate shall not constitute a waiver thereof.

19. **Garden Leave**

1. Following service of notice to terminate the Appointment by either party, or if the Employee purports to terminate the Appointment in breach of contract, the Board may by written notice place the Employee on Garden Leave for a maximum period of 6 months.

2. During any period of Garden Leave:

- (a) the Company shall be under no obligation to provide any work to the Employee and may revoke any powers the Employee holds on behalf of the Company or any Group Company;
 - (b) the Company may require the Employee to carry out alternative duties or to only perform such specific duties as are expressly assigned to the Employee, at such location (including
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- the Employee's home) as the Company may decide, provided always that any such alternate duties are commensurate with the Employee's current role and status;
- (c) the Employee shall be entitled to receive an amount equal to his basic salary together with all contractual benefits (including any payments in relation to his ECIP) in the usual way and subject to the terms of any benefit arrangement;
 - (d) the Employee shall remain an employee of the Company and bound by the terms of this Agreement (including any implied duties of good faith and fidelity);
 - (e) the Employee shall ensure that the Board knows where he will be and how he can be contacted during each working day (except during any periods taken as holiday in the usual way);
 - (f) the Company may exclude the Employee from any premises of the Company or any Group Company; and
 - (g) the Company may require the Employee not to contact or deal with (or attempt to contact or deal with) any officer, employee, consultant, client, customer, supplier, agent, distributor, shareholder, adviser or other business contact of the Company or any Group Company, save that he may contact any such person in a purely personal capacity on matters unrelated to any Group Company or any business conducted by any Group Company.

20. **Separation Payment**

Subject to clauses 20.2 and 20.4, if at any time during the Appointment the Employee's employment is terminated by the Company for any reason other than one of the reasons specified in clause 18.1(a) to (l), or by the Employee for Good Reason, the Company shall, within 28 days following the Termination Date, pay to the Employee a lump sum equal to (i) the base salary (less income tax and National Insurance contributions) that the Employee would have earned had he remained employed by the Company during period from the Termination Date until the third anniversary of the Commencement Date, or (ii) 24 months' base salary (less income tax and National Insurance contributions), whichever is the greater (the "**Separation Payment**"). For the avoidance of doubt, no Separation Payment shall be paid to the Employee if the Employee voluntarily resigns at any time or if the Company terminates Employee's employment under clause 18.1(a) to (l).

1. Subject to clause 20.4, if at any time during the period of 24 months following a Change in Control the Employee resigns for Good Reason or the Employee's employment is terminated by the Company for any reason other than one of the reasons specified in clause 18.1(a) to (l), the Company shall, within 28 days following the Termination Date, pay to the Employee a lump sum equal to (i) 24 months' base salary plus (ii) two times the average of the Employee's actual bonus paid under the ECIP for the three years preceding the Termination Date (the "**ECIP Payment**"); provided, however,
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if the Employee has been employed less than three full years, the ECIP Payment shall be equal to two times the average of any bonuses received by the Employee (or, if only one bonus has been received, the amount of that bonus) pursuant to the ECIP since his employment with the Company began; provided, further, if the Employee has not yet received a bonus payment under the ECIP, the ECIP Payment amount shall be equal to two times the Employee's annual base salary that is effective as of the Termination Date (in each case, less income tax and National Insurance contributions) (collectively, such payments are referred to herein as the "**Change in Control Payment**"). For the avoidance of doubt, no Change in Control Payment shall be paid to the Employee if the Employee resigns for any reason other than a Good Reason or if the Company terminates Employee's employment under clause 18.1(a) to (l). The Employee acknowledges and agrees that if a Change in Control Payment is made, he shall not be entitled to any further payment under the ECIP and he shall waive any and all entitlements which he might otherwise have under the terms of the ECIP. Further, in the event that the Employee is entitled to a Change in Control Payment under the terms of this clause 20.2, the Employee shall not be entitled to receive any Separation Payment.

2. If the Company elects to make a Payment in Lieu, any Separation Payment or Change in Control Payment (if applicable) shall be reduced by an amount equal to the Payment in Lieu, provided that, if the Employee is eligible to receive a Separation Payment or Change in Control Payment, the Employee shall at a minimum be entitled to receive a payment equal to 24 months' base salary.
3. Any Separation Payment is payable in addition to the Employee's entitlements under the Long-Term Incentive Plans.
4. Notwithstanding clause 20.1 or 20.2, if within 6 months following the Termination Date the Board becomes aware of facts that would otherwise reasonably have entitled the Company to terminate the Appointment in accordance with clause 18.1(a) to (l), the Company shall have no obligation to make any Separation Payment or Change in Control Payment and, at the Board's sole discretion, shall recover from the Employee any Separation Payment or Change in Control Payment already made.

21. **Obligations on termination**

1. On termination of the Appointment (however arising) or, if earlier, at the start of a period of Garden Leave, the Employee shall:
 - (a) resign immediately without compensation from any directorship, office or trusteeship that he holds in or on behalf of any Group Company;
 - (b) subject to clause 21.2, immediately deliver to the Company all documents, books, materials, records, correspondence, papers and information (on whatever media and wherever located) relating to the business or affairs of any Group Company or its business contacts, any keys,
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credit card and any other property of any Group Company, which is in his possession or under his control;

- (c) irretrievably delete any information relating to the business of any Group Company stored on any magnetic or optical disk or memory and all matter derived from such sources which is in his possession or under his control outside the Company's premises; and
- (d) provide a signed statement that he has complied fully with his obligations under this clause 21.1 together with such reasonable evidence of compliance as the Company may request.

2. Where the Employee has been placed on Garden Leave he shall not be required by clause 21.1 to return until the end of the Garden Leave period any property provided to him as a contractual benefit for use during the Appointment.

3. The Employee hereby irrevocably appoints the Company to be his attorney to execute and do any such instrument or thing and generally to use his name for the purpose of giving the Company or its nominee the full benefit of clause 21.1(a).

4. Save as otherwise set out in this Agreement or as set out under the rules of the Long-Term Incentive Plans, a termination of the Appointment however arising the Employee shall not be entitled to any compensation for the loss of any rights or benefits under any share option, bonus, ECIP, long-term incentive plan or other profit sharing scheme operated by any Group Company in which he may participate.

22. **Post-termination restrictions**

1. In order to protect the Confidential Information and business connections of the Company and each Group Company to which he has access as a result of the Appointment, the Employee covenants with the Company (for itself and as trustee and agent for each Group Company) that he shall not at any time during the 12 month period after the Termination Date:

- (a) solicit or endeavour to entice away from the Company or any Group Company the business or custom of a Restricted Customer with a view to providing goods or services to that Restricted Customer in competition with any Restricted Business;
 - (b) offer to employ or engage or otherwise endeavour to entice away from the Company or any Group Company any Restricted Person; or
 - (c) employ or engage or otherwise facilitate the employment or engagement of any Restricted Person, whether or not such person would be in breach of contract as a result of such employment or engagement;
 - (d) in any Capacity carry on or be concerned or engaged or interested in any part of any trade, profession, individual, partnership, firm, corporation, business or other entity which competes with any part of Restricted Business in the Restricted Area;
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- (e) in any Capacity carry on, own, manage, operate, join, control, participate in, loan money to, sell or lease equipment to, sell or lease real property to any trade, profession, company, partnership, firm, corporation, business or other entity which competes with any part of the Restricted Business in the Restricted Area; or
 - (f) be involved with or engaged in the provision of goods or services to (or otherwise have any business dealings with) any Restricted Customer in the course of any business concern which is in competition with any Restricted Business.
2. The Employee covenants that he shall not, at any time after Termination Date, represent himself as connected with the Company or any Group Company in any Capacity, other than as a former employee, or use any registered business names or trading names associated with the Company or any Group Company.
 3. Except to the extent required by law, the Employee covenants that he shall not, at any time after the Termination Date, make any public statements (or authorise any statements to be reported as being attributed to him) that are critical, disparaging or derogatory about, or which injure the reputation of, any Group Company or any of their owners, investors, employees, directors, officers or customers.
 4. None of the restrictions in clause 22 shall prevent the Employee from being engaged or concerned in any other business concern, provided that the Employee's duties or work shall relate solely to services or activities of a kind which are not competitive with the Restricted Business.
 5. The restrictions imposed on the Employee by this clause 22 apply to him acting:
 - (a) directly or indirectly; and
 - (b) on his own behalf or on behalf of, or in conjunction with, any firm, company or person.
 6. The periods for which the restrictions in clause 22 apply shall be reduced by any period that the Employee spends on Garden Leave immediately before the Termination Date.
 7. If the Employee receives an offer to be involved in a business concern in any Capacity during the Appointment, or before the expiry of the last of the covenants in this clause 22, the Employee shall give the person making the offer a copy of this clause 22 and shall tell the Company the identity of that person as soon as possible.
 8. The Company and the Employee entered into the restrictions in this clause 22 having been separately legally advised. The Employee agrees that the restrictions in this clause 22 are reasonable as regards their duration, extent, geographical area, scope of activity and application for the protection of the legitimate business interests of the Company or any Group Company (including, without limitation, in light of the nature and wide geographic scope of the Company's business activities, the Employee's level of control over and contact with the business, and the amount of remuneration, trade secrets and Confidential Information that the Employee will receive in connection with the performance of
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his duties under this Agreement and the Company's or any Group Company's goodwill with which the Employee will become further associated). In particular, and without limiting the foregoing, the Employee expressly acknowledges and agrees that the Restricted Business is carried on by the Company throughout the Restricted Area and that the definition of Restricted Area in this Agreement is reasonable and necessary to protect the legitimate business interests of the Company and the Group Companies.

9. Each of the restrictions in this clause 22 is intended to be separate and severable. If any of the restrictions shall be held to be void but would be valid if part of their wording were deleted, such restriction shall apply with such deletion as may be necessary to make it valid or effective.
 10. If the Employee's employment is transferred to any firm, company, person or entity other than a Group Company (the "**New Employer**") pursuant to the Transfer of Undertakings (Protection of Employment) Regulations 2006, the Employee will, if required, enter into an agreement with the New Employer containing post-termination restrictions corresponding to those restrictions in this clause 22, protecting the confidential information, trade secrets and business connections of the New Employer provided that the restrictions with the New Employer are commensurate with those already in place.
 11. The Employee agrees, during and after the termination of his employment, to provide such assistance as the Company or any Group Company may require in the conduct of any internal investigation, arbitration, inquiry and/or the defence or prosecution of any current or future claim that may be made against, or brought by, the Company or any Group Company, where the Employee has in his possession any information or knowledge which the Company or any Group Company reasonably considers is relevant to any such investigation or proceedings (including, without limitation, by giving statements, meeting with the Company or any Group Company's legal or professional advisers, and attending and giving evidence at any legal proceedings). The Employee's reasonable out-of-pocket expenses properly incurred in providing assistance pursuant to this clause 21.11 will be reimbursed by the Company, subject to the production of appropriate receipts, and, unless the Employee is acting under subpoena or court order, the Employee will be reimbursed based on a to be agreed-upon hourly rate in the event he provides assistance pursuant to this clause 21.11 to any Group Company at the Company's request following the termination of his employment.
 12. The Employee will, at the request and expense of the Company, enter into a separate agreement with any Group Company in which he agrees to be bound by restrictions corresponding to those restrictions in this clause 22 (or such of those restrictions as the Company deems appropriate) in relation to that Group Company, provided that those new restrictions would be commensurate with those already in place.
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23. **Disciplinary and grievance procedures**

1. The Employee is subject to the Company's disciplinary and grievance procedures, copies of which are available from the Company's Human Resources Department. These procedures do not form part of the Employee's contract of employment.
2. If the Employee wants to raise a grievance, he may apply in writing to the Board in accordance with the Company's grievance procedure.
3. If the Employee wishes to appeal against a disciplinary decision he may apply in writing to Board in accordance with the Company's disciplinary procedure.
4. The Board may suspend the Employee from any or all of his duties for a period of up to 30 days during any period in which the Company is investigating any serious disciplinary matter involving the Employee or while any disciplinary procedure against the Employee is outstanding.
5. During any period of suspension:
 - (a) the Employee shall continue to receive his basic salary and all contractual benefits in the usual way and subject to the terms of any benefit arrangement;
 - (b) the Employee shall remain an employee of the Company and bound by the terms of this Agreement;
 - (c) the Employee shall ensure that the Board knows where he will be and how he can be contacted during each working day (except during any periods taken as holiday in the usual way);
 - (d) the Board may exclude the Employee from his place of work or any other premises of the Company or any Group Company; and
 - (e) the Board may require the Employee not to contact or deal with (or attempt to contact or deal with) any officer, employee, consultant, client, customer, supplier, agent, distributor, shareholder, adviser or other business contact of the Company or any Group Company, other than in a purely personal capacity on matters unrelated to any Group Company or any business conducted by any Group Company.

24. **Data protection**

1. The Employee acknowledges and agrees that in order to keep and maintain records relating to the Appointment, it will be necessary for the Company to record, keep and process personal data (which may include sensitive data as defined by the Data Protection Act 1998) relating to the Employee, in hard or soft copy, including without limitation data such as references, bank details and other personal details. This personal data will be held for administration purposes; for the provision of management information for business purposes or in connection with any other legitimate interests, such as marketing activities, corporate planning or in relation to any actual or potential sale of the Company; and to permit the Company to comply with its legal obligations.
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2. The Employee acknowledges and agrees that to the extent that it is reasonably necessary in connection with the Appointment and/or the performance of the Company's responsibilities as an employer and/or in connection with any other legitimate interest, provided the Company complies with its obligations under the Data Protection Act 1998, the Company may:
- (a) disclose the Employee's personal and sensitive data to others, including without limitation other employees of the Company, Group Companies, the Company's professional advisers, pension scheme providers, product or service providers, potential or future employers, potential purchasers of the Company or any Group Company or the business in which the Employee works, other third parties (such as payroll processors and/or any actual or prospective purchasers), Government bodies, including, without limitation, HM Revenue & Customs, the pensions regulator, industry bodies and other regulatory and non-regulatory authorities; and
 - (b) transfer such data outside the European Economic Area to Group Companies, service providers and other third parties which may be located in countries that do not have laws to protect the Employee's data. Where such transfer takes place the Company shall take appropriate steps to satisfy itself that the entity to which the Employee's personal and sensitive data is transferred has in place the appropriate technical and organisational measures to protect such data against unauthorised or unlawful processing and against accidental loss or destruction of or damage to the data.

25. **Collective agreements**

There is no collective agreement which directly affects the Appointment.

26. **Reconstruction and amalgamation**

Save as otherwise provided at clause 20.2 and 20.3 above, if the Appointment is terminated at any time by reason of any reconstruction or amalgamation of the Company or any Group Company, whether by winding up or otherwise, and the Employee is offered employment with any concern or undertaking involved in or resulting from the reconstruction or amalgamation on terms which (considered in their entirety) are no less favourable to any material extent than the terms of this Agreement, the Employee shall have no claim against the Company or any such undertaking arising out of or connected with the termination.

27. **Company Warranty**

1. The Company represents and covenants to the Employee that:
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- (a) it has taken all necessary corporate and other action and obtained all necessary shareholder, board and other consents and approvals required for it to enter into and perform its obligations under this Agreement and the Long-Term Incentive Plans;
- (b) the terms of this Agreement and the Long-Term Incentive Plans do not contravene the terms of any such consents and approvals; and
- (c) the performance of the provisions of this Agreement and the Long-Term Incentive Plans will not result in a breach of or constitute a default under any agreement, statute, law, regulation, contractual or other restriction binding upon the Company.

28. **Notices**

1. A notice given to a party under this Agreement shall be in writing in the English language and signed by or on behalf of the party giving it. It shall be delivered by hand or sent to the party at the address or fax number given in this Agreement or as otherwise notified in writing to the other party.
2. Any such notice shall be deemed to have been received:
 - (a) if delivered by hand, at the time the notice is left at the address or given to the addressee;
 - (b) in the case of pre-paid first class UK post or other next working day delivery service, at 9.00 am on the second business day after posting or at the time recorded by the delivery service;
 - (c) in the case of pre-paid airmail, 9.00 am on the fifth Business Day after posting or at the time recorded by the delivery service; or
 - (d) in the case of fax, at the time of transmission.
3. A notice shall have effect from the earlier of its actual or deemed receipt by the addressee. For the purpose of calculating deemed receipt:
 - (a) all references to time are to local time in the place of deemed receipt; and
 - (b) if deemed receipt would occur on a Saturday or Sunday or a public holiday when banks are not open for business, deemed receipt is at 9.00 am on the next business day.

4. A notice required to be given under this Agreement shall not be validly given if sent by e-mail.

5. This clause does not apply to the service of any proceedings or other documents in any legal action.

29. **Entire agreement**

1. This Agreement constitutes the whole agreement between the parties (and in the case of the Company, as agent for any Group Companies) and supersedes all previous discussions, correspondence, negotiations, arrangements, understandings and agreements between them. Notwithstanding the foregoing sentence and except as explicitly noted otherwise in this Agreement, this clause 29.1 shall be without prejudice to terms of the ECIP or the Long-Term Incentive Plans.
2. Each party acknowledges that in entering into this Agreement it has not relied on and shall have no remedy in respect of any Pre-Contractual Statement.

3. Each party agrees that its only liability in respect of those representations and warranties that are set out in this Agreement (whether made innocently or negligently) shall be for breach of contract.

4. Nothing in this Agreement shall limit or exclude any liability for fraud.

30. **Variation**

No variation or agreed termination of this Agreement shall be effective unless it is in writing and signed by the parties (or their authorised representatives).

31. **Counterparts**

This Agreement may be executed in any number of counterparts, each of which, when executed and delivered, shall be an original, and all the counterparts together shall constitute one and the same instrument.

32. **Third party rights**

No person other than a party to this Agreement may enforce any of its terms.

33. **Governing law and jurisdiction**

1. This Agreement and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by and construed in accordance with the law of England and Wales.

2. The parties irrevocably agree that the courts of England and Wales shall have non-exclusive jurisdiction to settle any dispute or claim that arises out of or in connection with this Agreement or its subject matter or formation (including non-contractual disputes or claims).

This Agreement may be executed in multiple counterparts, all of which taken together shall constitute one document, and any signatory may sign any such counterpart. An executed counterpart transmitted by facsimile (fax) or email shall be deemed to be an original. This document has been executed as a deed of variation and is delivered and takes effect on 2 June 2014.

Executed as a deed by **ENSCO Global Resources Limited** acting by John Mark Burns, a director, in the presence of:

Martina Costello - Executive Assistant

Flat 1, 20 Bakers Row London EC1R 3DB
[*Name, address and occupation of witness*]
and Paul Mark Walker, its secretary, in the presence of:

/s/ John Mark Burns
John Mark Burns

Andrew McIntyre, PA

EnSCO, Badentoy Avenue, Portlethen
[*Name, address and occupation of witness*]

Executed as a deed by **ENSCO Services Limited** by Derek Andrew Sangster, a director, in the presence of:

/s/ Paul Mark Walker
Paul Mark Walker

Chloe George - Personal Assistant

6 Chesterfield Gardens, London W1J 5BQ
[*Name, address and occupation of witness*]

and Julian Richard Hall, its secretary, in the presence of:

/s/ Derek Andrew Sangster
Derek Andrew Sangster

Andrew McIntyre

EnSCO, Badentoy Avenue, Portlethen
[*Name, address and occupation of witness*]

Signed as a deed by **Carl Trowell** in the presence of:

/s/ Julian Richard Hall
Julian Richard Hall

Ethleen Figaro

/s/ Carl Trowell
Carl Trowell

[*Name, address and occupation of witness*]

FORM OF DEED OF INDEMNITY

This Deed of Indemnity (this "Deed") is made as of 2 June 2014 by and between Ensco plc, a public limited company incorporated in England (the "Company"), and Carl Trowell ("Indemnitee").

PRELIMINARY STATEMENTS

- A. The Company desires to attract and retain the services of highly qualified individuals, such as Indemnitee, to serve the Company and provide for the indemnification of, and advancement of expenses to, such persons to the maximum extent permitted by law.
- B. The Board of Directors of the Company has authorised Deeds of Indemnity between the Company and certain duly appointed or elected directors and officers of the Company, including the Indemnitee.
- C. The articles of association of the Company (the "Articles") provide for the provision to its directors and officers and certain other persons of the benefit of an indemnity in respect of certain matters and in addition to any rights granted to Indemnitee under any agreement entered into between Indemnitee and the Company, and the parties desire to enter into this Deed to provide for the indemnification of, and advancement of expenses to, Indemnitee to the maximum extent permitted by law.
- D. Indemnitee has been asked to serve as a director, secretary, officer or executive of the Company and, as partial consideration for agreeing to do so, the Company has agreed to enter into this Deed of Indemnity.

AGREEMENT

In consideration of the premises, and the covenants contained herein of Indemnitee serving the Company or another Enterprise directly or at the request of the Company, and for other good and valuable consideration, receipt of which is hereby acknowledged, and intending to be legally bound hereby, the parties do hereby agree as follows:

1. Services to the Company. Indemnitee has agreed, at the request of the Company, to serve as a director, secretary, officer or executive of the Company. In the event that at any time and for any reason Indemnitee resigns from such position (subject to any other contractual obligation or any obligation imposed by operation of law), the Company shall have no obligation under this Deed to continue Indemnitee in such position. This Deed is not an employment contract between the Company (or any of its subsidiaries or any Enterprise) and Indemnitee. The foregoing notwithstanding, this Deed shall continue in force after Indemnitee has ceased to serve in such capacity of the Company, subject to and in accordance with Section 15.

2. Definitions. As used in this Deed:

(a) "Associated Company" shall be construed in accordance with the Companies Act 2006 (the "CA 2006").

(b) "Corporate Status" means in respect of a person who is or was a director, secretary, officer, executive, trustee, partner, managing member, employee, agent or fiduciary of the Company or of any other Enterprise which such person is or was serving at the request of the Company, his status as such director, secretary, officer, executive, trustee, partner, managing member, employee, agent or fiduciary.

(c) "Enterprise" shall mean the Company and any other corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise of which Indemnitee is or was serving at the request of the Company as a director, secretary, officer, executive, trustee, partner, managing member, employee, agent or fiduciary.

(d) "Expenses" shall include all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of experts and other professionals, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees and all other disbursements, obligations or expenses of the types customarily incurred in connection with, or as a result of, prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a deponent or witness in, or otherwise participating in, a Proceeding. Expenses also shall include (i) Expenses incurred in connection with any appeal resulting from any Proceeding, including without limitation the premium, security for, and other costs relating to any cost bond, supersedeas bond, or other appeal bond or its equivalent, (ii) Expenses incurred in connection with recovery under any directors' and officers' liability insurance policies maintained by the Company, regardless of whether the Indemnitee is ultimately determined to be entitled to such indemnification, advancement or Expenses or insurance recovery, as the case may be, and (iii) Expenses incurred in connection with matters contemplated by or arising under Section 13(d). The parties agree that for the purposes of any advancement of Expenses for which Indemnitee has made written demand to the Company in accordance with this Deed, all Expenses included in such demand that are certified by affidavit of Indemnitee's counsel as being reasonable shall be presumed conclusively to be reasonable. Expenses, however, shall not include amounts paid in settlement by Indemnitee or the amount of judgments, fines, liabilities, losses or damages against Indemnitee.

(e) "Independent Counsel" means a law firm, or a partner (or, if applicable, member) of such a law firm, that is experienced in matters of corporation law and neither at the time of engagement is, nor in the five years prior to such engagement has been, retained to represent: (i) the Company, or Indemnitee in any matter material to either such party (other than with respect to matters concerning the Indemnitee under this Deed, or of other indemnitees under similar indemnification agreements); or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company, or Indemnitee in an action to determine Indemnitee's rights under this Deed.

(f) The term "Proceeding" shall mean any proceeding including any threatened, pending or completed action, suit, claim, counterclaim, cross claim, arbitration, mediation, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding, whether brought in the right of the Company or otherwise and whether of a civil, criminal, administrative, regulatory, legislative or investigative

(formal or informal) nature, including any appeal therefrom, in which Indemnitee was, is or will be involved as a party, potential party, non-party witness or otherwise by reason of the fact that Indemnitee is or was a director, secretary, officer or executive of the Company, by reason of any action or inaction taken by him or of any action or inaction on his part while acting as director, secretary, officer or executive of the Company, or by reason of the fact that he is or was serving as a director, secretary, officer, executive, employee or agent of the Company or another Enterprise, in each case whether or not serving in such capacity at the time any liability or expense is incurred for which indemnification, reimbursement, or advancement of expenses can be provided under this Deed; provided, however, other than with respect to a Proceeding in connection with or arising under this Deed with respect to the matters contemplated by or arising under Section 13(d), that the term "Proceeding" shall not include any action, suit or arbitration initiated by Indemnitee to enforce Indemnitee's rights under this Deed.

3. Indemnity. The Company shall, to the extent not prohibited by law and subject to Sections 4 and 8, indemnify Indemnitee in accordance with the provisions of this Section 3 if Indemnitee is, or is threatened to be made, a party to or a participant in any Proceeding, against all Expenses, demands, actions, payments, judgments, fines, liabilities, losses, damages and amounts paid in settlement actually and reasonably incurred by Indemnitee or on his behalf in connection with such Proceeding or any claim, issue or matter therein, arising out of or in connection with:

(a) his appointment or service as a director of the Company or to any other Corporate Status;

(b) an act done, concurred in or omitted to be done (including any inaction) by the Indemnitee in connection with the Indemnitee's performance of his functions, or service, as a director of the Company or as a holder of any other Corporate Status; or

(c) an investigation, examination or other Proceeding ordered or commissioned in connection with the affairs of the Company, or of any other Enterprise including the same reasonably incurred as a result of defending or settling any Proceeding.

4. Indemnification for Expenses of a Party Who is Wholly or Partly Successful. Notwithstanding any other provisions of this Deed but subject to Section 8, to the fullest extent permitted by applicable laws and to the extent that Indemnitee is a party to or a participant in and is successful, on the merits or otherwise, in any Proceeding or in defence of any claim, issue or matter therein, in whole or in part, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith. If Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by him or on his behalf in connection with (a) each successfully resolved claim, issue or matter and (b) any claim, issue or matter related to any such successfully resolved claim, issue or matter to the fullest extent permitted by applicable law. For purposes of this Section 4 and without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter. This provision is in addition to, and not by way of limitation of, any other rights of Indemnitee hereunder.

5. Indemnification for Expenses of a Witness. Notwithstanding any other provision of this Deed but subject to Sections 4 and 8, to the fullest extent permitted by applicable law and to the extent that Indemnitee is, by reason of his Corporate Status, a witness or otherwise asked to participate in any aspect of a Proceeding to which Indemnitee is not a party, he shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith.

6. Partial Indemnification. If Indemnitee is entitled under any provision of this Deed to indemnification by the Company for some or a portion of Expenses or other costs or expenses, including attorney's fees and disbursements, but not, however, for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion thereof to which Indemnitee is entitled.

7. Additional Indemnification.

(a) Notwithstanding any limitation in Sections 3 but subject to Section 8, the Company shall indemnify Indemnitee to the fullest extent permitted by applicable law if Indemnitee is a party to or participant in or is threatened to be made a party to any Proceeding (including a Proceeding by or in the right of the Company or to procure a judgment in its favour) against all Expenses, demands, actions, payments, judgments, fines, liabilities, losses, damages and amounts paid in settlement actually and reasonably incurred by or on behalf of Indemnitee in connection with the Proceeding.

(b) For purposes of Section 7(a), the meaning of the phrase "to the fullest extent permitted by applicable law" shall include, but not be limited to:

(i) to the fullest extent permitted by the provisions of the Articles that authorize, permit or contemplate additional indemnification by agreement, court action or the corresponding provision of any amendment to or replacement of the Articles or such provisions thereof;

(ii) to the fullest extent permitted by the provisions of English law that authorize, permit or contemplate additional indemnification by agreement, court action or the corresponding provision of any amendment to or replacement of English law or such provisions thereof; and

(iii) to the fullest extent authorized or permitted by any amendments to or replacements of English law (or such successor law), the Articles or the agreement or court action adopted, entered into or that are adjudicated after the date of this Deed that increase the extent to which a company may indemnify its directors, secretaries, officers and executives.

8. Exclusions. Notwithstanding any provision in this Deed to the contrary, the Company does not under this Deed make any indemnity in respect of:

(a) any claim brought against the Indemnitee by the Company or an Associated Company for negligence, default, breach of duty or breach of trust;

(b) any liability of the Indemnitee to pay:

(i) a fine imposed in criminal proceedings; or

(ii) a sum payable to a regulatory authority by way of a penalty in respect of non-compliance with any requirement of a regulatory nature (however arising):

(c) any liability incurred by the Indemnitee:

(i) in defending any criminal proceedings in which he is convicted;

(ii) in defending any civil proceedings brought by the Company or an Associated Company in which judgment is given against him; or

(iii) in connection with any application under Section 661(3) or (4) CA 2006 or Section 1157 CA 2006 in which the court refuses to grant the Director relief;

and references to a conviction, judgment or refusal of relief are to the final decision in the proceedings which shall be determined in accordance with Section 234(5) of CA2006;

(d) any claim for which payment has actually been made to or on behalf of Indemnitee under any insurance policy or other provision, except with respect to any excess beyond the amount paid under any insurance policy or other indemnity provision;

(e)(i) an accounting of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of the Company within the meaning of Section 16(b) of the U.S. Securities Exchange Act of 1934, as amended, or any successor provision or similar provisions of state statutory or common law, or (ii) any reimbursement of the Company by the Indemnitee of any bonus or other incentive-based or equity-based compensation or of any profits realized by the Indemnitee from the sale of securities of the Company, as required in each case under the Exchange Act (including any such reimbursements that arise from an accounting restatement due to the material noncompliance of the Company, as a result of the misconduct of Indemnitee, with any financial reporting requirement under the securities laws pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), or the payment to the Company of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 306 of the Sarbanes-Oxley Act);

(f) any claim for which payment is expressly prohibited by law; or

(g) except as provided in Section 13(d) of this Deed, any Proceeding (or any part of any Proceeding) initiated by Indemnitee, including any Proceeding (or any part of any Proceeding) initiated by Indemnitee against the Company or its directors, officers, employees or other indemnitees, unless (i) the board of directors of the Company authorized the Proceeding (or any part of any Proceeding) prior to its initiation, (ii) such payment arises in connection with any mandatory counterclaim or cross-claim or affirmative defense brought or raised by Indemnitee in any Proceeding (or any part of any Proceeding), or (iii) the Company provides the indemnification, in its sole discretion, pursuant to the powers vested in it under applicable law.

These exclusions shall not limit the right to advancement of Expenses under Section 9 or otherwise under this Deed pending the outcome of any Proceeding unless such advancement of Expenses is expressly prohibited by law. Notwithstanding the foregoing, this provision shall not limit Indemnitee's obligation to repay Expenses as expressly contemplated elsewhere in this Deed or as otherwise expressly required by law.

9. Advances of Expenses. The Company shall advance, to the extent not prohibited by law, the Expenses incurred by or on behalf of Indemnitee in connection with any Proceeding (or any part of any Proceeding), and such advancement shall be made within 20 days after the receipt by the Company of a statement or statements requesting such advances (which shall include invoices received by Indemnitee in connection with such Expenses but, in the case of invoices in connection with legal services, any references to legal work performed or to expenditures made that would cause Indemnitee to waive any privilege accorded by law shall not be included with the invoice) from time to time, whether prior to or after final disposition of any Proceeding. Advances shall be unsecured and interest free. Advances shall be made without regard to Indemnitee's ability to repay the expenses and without regard to Indemnitee's ultimate entitlement to indemnification under the other provisions of this Deed.

In accordance with Section 13(d), advances shall include any and all reasonable Expenses incurred pursuing an action to enforce this right of advancement and to enforce Indemnitee's rights generally under this Deed (including rights to indemnity generally), including Expenses incurred preparing and forwarding statements to the Company to support the advances claimed. The Indemnitee shall qualify for advances upon the execution and delivery to the Company of this Deed which shall constitute an undertaking providing that the Indemnitee undertakes to repay the advance of Expenses in the circumstances and at the time set out in section 205 of CA 2006 and otherwise to the extent required by law if and to the extent that it is ultimately determined by a court of competent jurisdiction in a final judgment, not subject to appeal, or other competent authority or arbitrator, that Indemnitee is not entitled to be indemnified by the Company. This Section 9 shall not apply to any claim made by Indemnitee for which indemnity is excluded pursuant to Section 8 following the ultimate determination by a court of competent jurisdiction in a final judgment, not subject to appeal, or other competent authority or arbitrator. The right to advances under this paragraph shall in all events continue until final disposition of any Proceeding, including any appeal therein. For the avoidance of doubt, the provisions of Section 11 shall not apply to advancement of Expenses as contemplated by this Section 9.

10. Procedure for Notification and Defence of Claim.

(a) To obtain indemnification under this Deed or advancement of Expenses or other costs or expenses, including attorney's fees and disbursements, contemplated hereby, Indemnitee shall submit to the Company a written request therefor.

(b) The Company will be entitled to participate in the Proceedings at its own expense.

(c) The Company shall not settle any Proceeding (in whole or in part) if such settlement would impose any Expenses, demands, actions, payments, judgments, fines, liabilities, losses, damages and amounts paid in settlement on Indemnitee for which Indemnitee is not entitled to be indemnified hereunder without the Indemnitee's prior written consent.

11. Procedure Upon Application for Indemnification.

(a) The Company shall promptly provide the indemnification rights and undertake related obligations contemplated by this Deed. If Indemnitee submits a request for indemnification pursuant to Section 10(a), the Company shall advise Indemnitee in writing within 30 days from the date of such request whether it agrees to provide indemnification or that it objects to such request for indemnification. Within 10 days of receipt of such objection, Indemnitee may submit a request in writing to the Company, at Indemnitee's election, that the board of directors of the Company or Independent Counsel shall make a determination with respect to Indemnitee's entitlement to indemnification. If such determination is made by Independent Counsel, it shall be in a written statement to the board of directors of the Company, a copy of which shall be delivered to Indemnitee and, if it is so determined that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within 10 days after such determination. Indemnitee shall cooperate with the Independent Counsel making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such counsel upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any costs or expenses (including attorneys' fees and disbursements) incurred by or on behalf of Indemnitee in so cooperating with the Independent Counsel shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company hereby indemnifies and agrees to hold Indemnitee harmless therefrom.

(b) The Independent Counsel shall be selected by Indemnitee and notified in writing to the Company. The Company may, within 10 days after written notice of such selection, deliver to the Indemnitee a written objection to such selection; provided, however, that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in Section 2, and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected shall act as Independent Counsel. If such written objection is so made and substantiated, the Independent Counsel so selected may not serve as Independent Counsel unless and until such objection is withdrawn or a court has determined that such objection is without merit. If, within 20 days after the later of submission by Indemnitee of a written request for indemnification pursuant to Section 10(a), and the final disposition of the Proceeding, including any appeal therein, no Independent Counsel shall have been selected and not objected to, the Indemnitee may petition a court of competent jurisdiction for resolution of any objection which shall have been made by the Company to the selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by the court or by such other person as the court shall designate, and the person with respect to whom all objections are so resolved or the person so appointed shall act as Independent Counsel under Section 11(a). Upon the due commencement of any judicial proceeding or arbitration pursuant to Section 13(a), Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

(c) If the Company disputes a portion of the amounts for which indemnification is requested, the undisputed portion shall be paid and only the disputed portion withheld pending resolution of any such dispute.

(d) The Company shall pay the reasonable fees and expenses of the Independent Counsel referred to above and fully indemnify such counsel against any and all Expenses, claims, liabilities and damages arising out of or relating to this Deed or its engagement pursuant hereto.

12. Presumptions and Effect of Certain Proceedings.

(a) In making a determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall, to the fullest extent not prohibited by law, presume that Indemnitee is entitled to indemnification under this Deed if Indemnitee has submitted a request for indemnification in accordance with Section 10(a), and the Company shall have the burden of proof to overcome that presumption in connection with the making by any person, persons or entity of any determination contrary to that presumption. Neither the failure of the Company (or its directors) or of Independent Counsel to have made a determination prior to the commencement of any action pursuant to this Deed that indemnification is proper in the circumstances because Indemnitee has met the applicable standard of conduct, nor an actual determination by the Company (or its directors) or by Independent Counsel that Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that Indemnitee has not met the applicable standard of conduct.

(b) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Deed) of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe that his conduct was unlawful.

(c) For purposes of any determination of good faith and to the extent permitted by applicable law, Indemnitee shall be deemed to have acted in good faith if Indemnitee's action or inaction is based on the records or books of account of the Enterprise, including financial statements, or on information supplied to Indemnitee by the directors or officers of the Enterprise in the course of their duties, or on the advice of legal counsel for the Enterprise or the board of directors of the Company or counsel selected by any committee of the board of directors of the Company or on information or records given or reports made to the Enterprise by an independent certified public accountant or by an appraiser, investment banker or other expert selected with reasonable care by the Company or the board of directors of the Company or any committee of the board of directors of the Company. The provisions of this Section 12(c) shall not be deemed to be exclusive or to limit in any way the other circumstances in which the Indemnitee may be deemed to have met the applicable standard of conduct set forth in this Deed.

(d) The knowledge and/or actions, or failure to act, of any director, secretary, officer, executive, trustee, partner, managing member, employee, agent or fiduciary of the Enterprise (not being Indemnitee) shall not be imputed to Indemnitee for purposes of determining the right to indemnification under this Deed.

13. Remedies of Indemnitee.

(a) Subject to Section 13(e), in the event that (i) a determination is made pursuant to Section 12 that Indemnitee is not entitled to indemnification under this Deed, (ii) advancement of Expenses is not timely made pursuant to Section 9, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 11(a) within 90 days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to Section 4 or 5 or the last sentence of Section 11(a) within 10 days after receipt by the Company of a written request therefor, or (v) payment of indemnification pursuant to Section 3 or 8 is not made within 10 days after a determination has been made that Indemnitee is entitled to indemnification, Indemnitee shall be entitled to apply to court for an adjudication of his entitlement to such indemnification or advancement of Expenses. Alternatively, Indemnitee, at his option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. Indemnitee shall commence such proceeding seeking an adjudication or an award in arbitration within 180 days following the date on which Indemnitee first has the right to commence such proceeding pursuant to this Section 13(a); provided, however, that the foregoing clause shall not apply in respect of a proceeding brought by Indemnitee to enforce his rights under Section 4. The Company shall not oppose Indemnitee's right to seek any such adjudication or award in arbitration.

(b) In the event that a determination shall have been made pursuant to Section 11(a) that Indemnitee is not entitled to indemnification, any judicial proceeding or arbitration commenced pursuant to this Section 13 shall be conducted in all respects as a de novo trial, or arbitration, on the merits and Indemnitee shall not be prejudiced by reason of that adverse determination. In any judicial proceeding or arbitration commenced pursuant to this Section 13, the Company shall have the burden of proving Indemnitee is not entitled to indemnification or advancement of Expenses, as the case may be.

(c) If a determination shall have been made pursuant to Section 11(a) that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 13, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) an express prohibition of such indemnification under applicable law.

(d) The Company shall, to the fullest extent not prohibited by law, be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 13 that the procedures and presumptions of this Deed are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all the provisions of this Deed. It is the intent of the Company that, to the fullest extent permitted by law, the Indemnitee not be required to incur legal fees or other Expenses associated with the interpretation, enforcement or defense of Indemnitee's rights under this Deed by litigation or otherwise because the cost and expense thereof would substantially detract from the benefits intended to be extended to the Indemnitee hereunder. The Company shall, to the fullest extent permitted by law, indemnify Indemnitee against any and all Expenses and, if requested by Indemnitee, shall (within 10 days after receipt by the Company of a written request therefor) advance, to the extent not prohibited by law, such Expenses to Indemnitee, which are incurred by or on behalf of Indemnitee in connection with any action brought by Indemnitee for indemnification or advancement of Expenses from the Company under this Deed or under any directors' and officers' liability insurance policies maintained by the Company, if, in the case of indemnification, Indemnitee is wholly successful on the underlying

claims; if Indemnitee is not wholly successful on the underlying claims, then such indemnification shall be only to the extent Indemnitee is successful on such underlying claims or otherwise as permitted by law, whichever is greater.

(e) Notwithstanding anything in this Deed to the contrary, no determination as to entitlement to indemnification under this Deed shall be required to be made prior to the final disposition of the Proceeding, including any appeal therein.

(f) To the extent that the Company is unable to pay any amounts for indemnification or advancement of Expenses hereunder, Indemnitee may pursue any other company in the Ensco group to receive such indemnification or advancement of Expenses.

14. Non-Exclusivity; Survival of Rights; Insurance; Subrogation.

(a) The rights of indemnification and to receive advancement of Expenses as provided by this Deed shall not be exclusive of, a substitute for, or to diminish or abrogate, any other rights to which Indemnitee may at any time be entitled under applicable law, the Articles, any agreement (including any agreement between Indemnitee and any other Enterprise), a vote of stockholders or a resolution of directors, or otherwise, and rights of Indemnitee under this Deed shall supplement and be in furtherance of any other such rights. More specifically, the parties intend that Indemnitee shall be entitled to (i) indemnification to the maximum extent permitted by, and the fullest benefits allowable under, English law in effect at the date hereof or as the same may be amended to the extent that such indemnification or benefits are increased thereby, and (ii) such other benefits as are or may be otherwise available to Indemnitee pursuant to this Deed, any other agreement or otherwise. The rights of Indemnitee hereunder shall be a contract right and, as such, shall run to the benefit of Indemnitee. No amendment, alteration or repeal of this Deed or of any provision hereof shall limit or restrict any right of Indemnitee under this Deed in respect of any action taken or omitted by such Indemnitee in his Corporate Status prior to such amendment, alteration or repeal. To the extent that a change in English law, whether by statute or judicial decision, permits greater indemnification or advancement of Expenses than would be afforded currently, including without limitation under the Articles and/or this Deed, it is the intent of the parties hereto that Indemnitee shall enjoy by this Deed the greater benefits so afforded by such change and this Deed shall be automatically amended to provide the Indemnitee with such greater benefits. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

(b) To the extent that the Company (including any affiliates) maintains an insurance policy or policies providing liability insurance for directors, secretaries, officers, executives, employees or agents of the Company or of any other Enterprise, Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any such director, secretary, officer, executive, employee or agent under such policy or policies (notwithstanding any limitations regarding indemnification or advancement of Expenses hereunder and whether or not the Company would have the power to indemnify such person against such covered liability under this Deed). If, at the time of the receipt of a notice of a claim pursuant to the terms

hereof, the Company has such liability insurance in effect, the Company shall give prompt notice of the commencement of such proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such proceeding in accordance with the terms of such policies, including by bringing claims against the insurers.

(c) In the event of any payment under this Deed, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute at the request of the Company all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

(d) The Company shall not be liable under this Deed to make any payment of amounts otherwise indemnifiable hereunder or for which advancement of Expenses is provided hereunder if and to the extent that Indemnitee has otherwise actually received (by way of payment to or to the order of the Indemnitee) such payment under any insurance policy, contract, agreement or otherwise.

(e) The Company's obligation to indemnify or advance Expenses hereunder to Indemnitee who is or was serving at the request of the Company as a director, secretary, officer, executive, trustee, partner, managing member, employee, agent or fiduciary of any other Enterprise shall be reduced by any amount Indemnitee has actually received as indemnification or advancement of Expenses from such other Enterprise.

15. Duration of Deed. This Deed shall continue until and terminate upon the later of (a) 10 years after the date that Indemnitee shall have ceased to serve at the request of the Company as a director, secretary, officer or executive of the Company or other Enterprise or (b) one year after the final termination of any Proceeding, including any appeal, then pending in respect of which Indemnitee is granted rights of indemnification or advancement of Expenses hereunder and of any proceeding (including any appeal) commenced by Indemnitee pursuant to Section 13 relating thereto.

16. Successors and Assigns. This Deed shall be binding upon and be enforceable by the parties hereto and their respective successors and assigns (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company), shall continue as to an Indemnitee who has ceased to be a director, officer, employee or agent of the Company or of any other Enterprise, and shall inure to the benefit of Indemnitee and his or her spouse, assigns, heirs, devisees, executors and administrators and other legal representatives. The Company shall require and shall cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company to, by written agreement in form and substance satisfactory to the Indemnitee, expressly to assume and agree to perform this Deed in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. Failure to comply with the foregoing shall be a breach of this Deed.

17. Severability. The parties intend that the rights granted under this Deed and the obligations of the Company hereunder comply in all respects with the applicable English law, including any limitations on indemnity or the ability for Indemnitee to request be excused for negligence, default, breach of duty or breach of trust (however such

limitations or rights may exist from time to time under English law). If any provision or provisions of this Deed shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Deed (including without limitation, each portion of any Section of this Deed containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and shall remain enforceable to the fullest extent permitted by law; (b) such provision or provisions shall be deemed reformed to the extent necessary to conform to applicable law and to give the maximum effect to the intent of the parties hereto; and (c) to the fullest extent possible, the provisions of this Deed (including, without limitation, each portion of any Section of this Deed containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

18. Enforcement.

(a) The Company expressly confirms and agrees that it has entered into this Deed and assumed the obligations imposed on it hereby in order to induce Indemnitee to serve as a director, secretary, officer or executive of the Company, and the Company acknowledges that Indemnitee is relying upon Deed in serving as a director, secretary, officer or executive of the Company.

(b) This Deed is a supplement to and in furtherance of any obligations of the Articles, applicable law, agreements or deeds with the Company or any other Enterprise and any applicable insurance maintained for the benefit of Indemnitee, and shall not supersede, nor diminish or abrogate any rights of Indemnitee under, any indemnification or other agreements previously entered into between Indemnitee and the Company (or any of its subsidiaries or any Enterprise), it being the intention of the Company that Indemnitee shall be entitled to the indemnification provided under any or all agreements to the fullest extent permitted by law. In the event of a conflict between this Deed and any agreement or deed between the Company (or any of its subsidiaries or any Enterprise) and Indemnitee, the agreement or deed (or provision thereof), as applicable, granting Indemnitee the greatest legally enforceable rights shall prevail.

19. Modification and Waiver. No supplement, modification or amendment, or waiver of any provision, of this Deed shall be binding unless executed in writing by the parties thereto. No waiver of any of the provisions of this Deed shall be deemed or shall constitute a waiver of any other provisions of this Deed nor shall any waiver constitute a continuing waiver.

20. Notice by Indemnitee. Indemnitee agrees promptly to notify the Company in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding or matter which may be subject to indemnification or advancement of Expenses covered hereunder. The failure of Indemnitee to so notify the Company shall not relieve the Company of any obligation which it may have to the Indemnitee under this Deed or otherwise.

21. Notices. All notices, requests, demands and other communications under this Deed shall be in writing and shall be deemed to have been duly given if (a) delivered by hand and receipted for by the party to whom said notice or other communication shall have been directed, (b) mailed by certified or registered mail with postage prepaid, on

the third business day after the date on which it is so mailed, (c) mailed by reputable overnight courier and receipted for by the party to whom said notice or other communication shall have been directed or (d) sent by e-mail or facsimile transmission, with receipt of confirmation that such transmission has been received:

(a) if to Indemnitee, at such addresses as Indemnitee shall provide to the Company; or

(b) if to the Company, to:

Ensco plc

6 Chesterfield Gardens, 3rd Floor

London W1J 5BQ

United Kingdom

or to any other addresses as may have been furnished to Indemnitee by the Company.

22. Contribution. To the fullest extent permissible under applicable law, if the indemnification and/or advancement of Expenses provided for in this Deed is unavailable to Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying Indemnitee, shall contribute to the amount incurred by Indemnitee, whether for Expenses, judgments, fines, liabilities, losses, damages, excise taxes and/or amounts paid or to be paid in settlement, in connection with any claim relating to an indemnifiable event under this Deed, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Proceeding in order to reflect: (a) the relative benefits received by the Company and Indemnitee as a result of the event(s) and/or transaction(s) giving cause to such Proceeding; and/or (b) the relative fault of the Company (and its directors, secretaries, officers, executives, employees and agents) and Indemnitee in connection with such event(s) and/or transaction(s).

23. Applicable Law and Consent to Jurisdiction. This Deed and the legal relations among the parties shall be governed by, and construed and enforced in accordance with, the laws of England, without regard to its conflict of laws rules. Except with respect to any arbitration commenced by Indemnitee pursuant to Section 13(a), the Company and Indemnitee hereby irrevocably and unconditionally (a) agree that any action or proceeding arising out of or in connection with this Deed may only be brought in English courts and not in any other state or federal court in the United States of America, (b) consent to submit to the exclusive jurisdiction of English courts for purposes of any action or proceeding arising out of or in connection with this Deed, (c) appoint, to the extent such party is not otherwise subject to service of process in England, Slaughter and May, One Bunhill Row, London EC1Y8YY, as its agent in England, for acceptance of legal process in connection with any such action or proceeding against such party with the same legal force and validity as if served upon such party personally within such jurisdiction, and (d) waive any objection to the laying of venue in England and waive, and agree not to plead or make, any claim that any such action or proceeding brought in such places has been brought in an improper or inconvenient forum.

24. Third Party Beneficiaries. Nothing in this Deed shall be construed for any shareholder or creditor of the Company to be a third party beneficiary or to confer any such persons beneficiary rights or status.

25. Counterparts. This Deed may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Deed. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Deed.

26. Headings. The headings of the sections of this Deed are inserted for convenience only and shall not be deemed to constitute part of this Deed or to affect the construction thereof.

The parties have caused this Deed to be signed as of the day and year first above written.

EXECUTED as a deed by

Ensco plc

Name and title _____

Name and title _____

SIGNED as a deed

By _____, Indemnitee

in the presence of: _____

Name of witness:

Address of witness:

August 1, 2014

Enscopl
London, England

Re: Registration Statements on Form S-8 (Nos. 333-174611, 333-58625, 33-40282, 333-97757, 333-125048, 333-156530, and 333-181593) and Form S-3 (No. 333-179021)

With respect to the subject registration statements, we acknowledge our awareness of the use therein of our report dated August 1, 2014 related to our review of interim financial statements.

Pursuant to Rule 436 under the Securities Act of 1933 (the Act), such report is not considered part of a registration statement prepared or certified by an independent registered public accounting firm, or a report prepared or certified by an independent registered public accounting firm within the meaning of Sections 7 and 11 of the Act.

Very truly yours,

/s/ KPMG LLP

Houston, Texas

CERTIFICATION

I, Carl G. Trowell, certify that:

1. I have reviewed this report on Form 10-Q for the fiscal quarter ending June 30, 2014 of Enscopl;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 1, 2014

/s/ Carl G. Trowell

Carl G. Trowell
Chief Executive Officer and President

CERTIFICATION

I, James W. Swent III, certify that:

1. I have reviewed this report on Form 10-Q for the fiscal quarter ending June 30, 2014 of Enscopl;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 1, 2014

/s/ James W. Swent III

James W. Swent III
Executive Vice President and
Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Ensco plc (the "Company") on Form 10-Q for the period ending June 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Carl G. Trowell, Chief Executive Officer and President of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (the "Act"), that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act"); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Carl G. Trowell

Carl G. Trowell
Chief Executive Officer and President

Dated: August 1, 2014

The foregoing certification is being furnished solely pursuant to § 906 of the Act and Rule 13a-14(b) promulgated under the Exchange Act and is not being filed as part of the Report or as a separate disclosure document.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Ensco plc (the "Company") on Form 10-Q for the period ending June 30, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James W. Swent III, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (the "Act"), that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act"); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ James W. Swent III

James W. Swent III
Executive Vice President and
Chief Financial Officer

Dated: August 1, 2014

The foregoing certification is being furnished solely pursuant to § 906 of the Act and Rule 13a-14(b) promulgated under the Exchange Act and is not being filed as part of the Report or as a separate disclosure document.