

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 **September 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 October 23, 2014, there were 234,258,168 Class A ordinary shares of the registrant issued and outstanding.

ENSCO PLC
INDEX TO FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 2014

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm	3
<u>Condensed Consolidated Statements of Operations</u> <u>Three Months Ended September 30, 2014 and 2013</u>	4
<u>Condensed Consolidated Statements of Operations</u> <u>Nine Months Ended September 30, 2014 and 2013</u>	5
<u>Condensed Consolidated Statements of Comprehensive Income</u> <u>Three Months Ended September 30, 2014 and 2013</u>	6
<u>Condensed Consolidated Statements of Comprehensive Income</u> <u>Nine Months Ended September 30, 2014 and 2013</u>	7
<u>Condensed Consolidated Balance Sheets</u> <u>September 30, 2014 and December 31, 2013</u>	8
Condensed Consolidated Statements of Cash Flows Nine Months Ended September 30, 2014 and 2013	9
Notes to Condensed Consolidated Financial Statements	10

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	42
--	----

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	62
---	----

ITEM 4. CONTROLS AND PROCEDURES	63
--	----

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS	64
----------------------------------	----

ITEM 1A. RISK FACTORS	66
------------------------------	----

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS	<u>67</u>
--	-----------

ITEM 6. EXHIBITS	68
-------------------------	----

SIGNATURES	69
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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, epidemic or pandemic disease, 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 the 2013 Form 10-K, as updated, the First Quarter Form 10-Q, as updated, and the Second Quarter Form 10-Q, all of which are available on the SEC's website at www.sec.gov and on the Investor Relations section of our website at www.enscoplc.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 September 30, 2014, the related condensed consolidated statements of operations, and comprehensive income, for the three-month and nine-month periods ended September 30, 2014 and 2013, and the related condensed consolidated statements of cash flows for the nine-month periods ended September 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, except for notes 1, 2, 10, 11, 13, 14, 15, 16, and 17, as to which the date is September 22, 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
October 30, 2014

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

	Three Months Ended September 30,	
	2014	2013
OPERATING REVENUES	\$ 1,261.2	\$ 1,162.2
OPERATING EXPENSES		
Contract drilling (exclusive of depreciation)	531.4	534.3
Depreciation	140.9	132.6
General and administrative	29.3	37.4
	701.6	704.3
OPERATING INCOME	559.6	457.9
OTHER INCOME (EXPENSE)		
Interest income	3.1	4.3
Interest expense, net	(38.0)	(40.2)
Other, net	(3.5)	34.3
	(38.4)	(1.6)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	521.2	456.3
PROVISION FOR INCOME TAXES		
Current income tax expense	147.6	72.5
Deferred income tax benefit	(82.1)	(7.1)
	65.5	65.4
INCOME FROM CONTINUING OPERATIONS	455.7	390.9
LOSS FROM DISCONTINUED OPERATIONS, NET	(22.8)	(9.5)
NET INCOME	432.9	381.4
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(3.5)	(2.6)
NET INCOME ATTRIBUTABLE TO ENSCO	\$ 429.4	\$ 378.8
EARNINGS (LOSS) PER SHARE - BASIC AND DILUTED		
Continuing operations	\$ 1.93	\$ 1.66
Discontinued operations	(0.10)	(0.04)
	\$ 1.83	\$ 1.62
NET INCOME ATTRIBUTABLE TO ENSCO SHARES - BASIC AND DILUTED	\$ 424.5	\$ 374.8
WEIGHTED-AVERAGE SHARES OUTSTANDING		
Basic	231.8	231.1
Diluted	232.0	231.3
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)

	Nine Months Ended September 30,	
	<u>2014</u>	<u>2013</u>
OPERATING REVENUES	\$ 3,594.1	\$ 3,332.8
OPERATING EXPENSES		
Contract drilling (exclusive of depreciation)	1,660.0	1,541.3
Loss on impairment	991.5	—
Depreciation	419.5	392.5
General and administrative	103.6	111.6
	3,174.6	2,045.4
OPERATING INCOME	419.5	1,287.4
OTHER INCOME (EXPENSE)		
Interest income	10.2	12.3
Interest expense, net	(109.0)	(123.6)
Other, net	.5	40.1
	(98.3)	(71.2)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	321.2	1,216.2
PROVISION FOR INCOME TAXES		
Current income tax expense	256.7	181.4
Deferred income tax benefit	(90.3)	(16.7)
	166.4	164.7
INCOME FROM CONTINUING OPERATIONS	154.8	1,051.5
(LOSS) INCOME FROM DISCONTINUED OPERATIONS, NET	(594.8)	12.4
NET (LOSS) INCOME	(440.0)	1,063.9
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(10.8)	(7.1)
NET (LOSS) INCOME ATTRIBUTABLE TO ENSCO	\$ (450.8)	\$ 1,056.8
EARNINGS (LOSS) PER SHARE - BASIC AND DILUTED		
Continuing operations	\$ 0.60	\$ 4.48
Discontinued operations	(2.57)	0.05
	\$ (1.97)	\$ 4.53
NET (LOSS) INCOME ATTRIBUTABLE TO ENSCO SHARES - BASIC AND DILUTED	\$ (456.7)	\$ 1,045.6
WEIGHTED-AVERAGE SHARES OUTSTANDING		
Basic	231.5	230.8
Diluted	231.7	231.0
CASH DIVIDENDS PER SHARE	\$ 2.25	\$ 1.50

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 September 30,	
	<u>2014</u>	<u>2013</u>
NET INCOME	\$ 432.9	\$ 381.4
OTHER COMPREHENSIVE (LOSS) INCOME, NET		
Net change in fair value of derivatives	(12.7)	8.3
Reclassification of net (gains) losses on derivative instruments from other comprehensive income into net income	(1.4)	2.8
Other	3.7	—
NET OTHER COMPREHENSIVE (LOSS) INCOME	(10.4)	11.1
COMPREHENSIVE INCOME	422.5	392.5
COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(3.5)	(2.6)
COMPREHENSIVE INCOME ATTRIBUTABLE TO ENSCO	\$ 419.0	\$ 389.9

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)

	Nine Months Ended September 30,	
	<u>2014</u>	<u>2013</u>
NET (LOSS) INCOME	\$ (440.0)	\$ 1,063.9
OTHER COMPREHENSIVE LOSS, NET		
Net change in fair value of derivatives	(2.8)	(5.3)
Reclassification of net (gains) losses on derivative instruments from other comprehensive income into net income	(3.3)	2.2
Other	4.2	.5
NET OTHER COMPREHENSIVE LOSS	(1.9)	(2.6)
COMPREHENSIVE (LOSS) INCOME	(441.9)	1,061.3
COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(10.8)	(7.1)
COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO ENSCO	\$ (452.7)	\$ 1,054.2

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)

	September 30, 2014	December 31, 2013
	(Unaudited)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,173.7	\$ 165.6
Accounts receivable, net	869.8	855.7
Other	986.9	513.9
Total current assets	3,030.4	1,535.2
PROPERTY AND EQUIPMENT, AT COST	15,985.7	17,498.5
Less accumulated depreciation	2,858.1	3,187.5
Property and equipment, net	13,127.6	14,311.0
GOODWILL	3,274.0	3,274.0
OTHER ASSETS, NET	340.5	352.7
	\$ 19,772.5	\$ 19,472.9
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable - trade	\$ 423.8	\$ 341.1
Accrued liabilities and other	653.9	658.7
Current maturities of long-term debt	53.8	47.5
Total current liabilities	1,131.5	1,047.3
LONG-TERM DEBT	5,903.9	4,718.9
DEFERRED INCOME TAXES	258.6	362.1
OTHER LIABILITIES	629.5	545.7
COMMITMENTS AND CONTINGENCIES		
ENSCO SHAREHOLDERS' EQUITY		
Class A ordinary shares, U.S. \$.10 par value, 450.0 million shares authorized, 240.7 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	5,505.7	5,467.2
Retained earnings	6,348.4	7,327.3
Accumulated other comprehensive income	16.3	18.2
Treasury shares, at cost, 6.4 million shares and 6.0 million shares	(58.2)	(45.2)
Total EnSCO shareholders' equity	11,836.4	12,791.6
NONCONTROLLING INTERESTS	12.6	7.3
Total equity	11,849.0	12,798.9
	\$ 19,772.5	\$ 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)

	Nine Months Ended September 30,	
	<u>2014</u>	<u>2013</u>
OPERATING ACTIVITIES		
Net (loss) income	\$ (440.0)	\$ 1,063.9
Adjustments to reconcile net (loss) income to net cash provided by operating activities of continuing operations:		
Loss (income) from discontinued operations, net	594.8	(12.4)
Loss on impairment	991.5	—
Depreciation expense	419.5	392.5
Deferred income tax benefit	(90.3)	(16.7)
Share-based compensation expense	35.5	38.1
(Gain) loss on disposal of assets	(8.1)	1.3
Amortization of intangibles and other, net	(6.1)	(18.3)
Other	(0.9)	(4.4)
Changes in operating assets and liabilities	89.4	(94.6)
Net cash provided by operating activities of continuing operations	1,585.3	1,349.4
INVESTING ACTIVITIES		
Additions to property and equipment	(1,247.0)	(1,273.6)
Maturities of short-term investments	50.0	50.0
Purchases of short-term investments	(45.3)	—
Other	9.8	3.8
Net cash used in investing activities of continuing operations	(1,232.5)	(1,219.8)
FINANCING ACTIVITIES		
Proceeds from issuance of senior notes	1,246.4	—
Cash dividends paid	(526.7)	(350.2)
Reduction of long-term borrowings	(30.9)	(30.9)
Debt financing costs	(11.3)	—
Proceeds from exercise of share options	2.4	22.0
Other	(20.0)	(20.8)
Net cash provided by (used in) financing activities	659.9	(379.9)
DISCONTINUED OPERATIONS		
Operating activities	(62.0)	83.2
Investing activities	57.4	6.4
Net cash (used in) provided by discontinued operations	(4.6)	89.6
Effect of exchange rate changes on cash and cash equivalents	—	(1.0)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,008.1	(161.7)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	165.6	487.1
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 1,173.7	\$ 325.4

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 nine-month periods ended September 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 nine-month periods ended September 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 filed with the SEC on February 26, 2014 , as updated by the Current Report on Form 8-K dated September 22, 2014 , and our quarterly reports on Form 10-Q filed with the SEC on April 29, 2014 , as updated by the Current Report on Form 8-K dated September 22, 2014 , and on August 1, 2014 .

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 on January 1, 2017. Early application is not permitted. 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 September 30, 2014</u>				
Supplemental executive retirement plan assets	\$ 41.8	\$ —	\$ —	\$ 41.8
Total financial assets	\$ 41.8	\$ —	\$ —	\$ 41.8
Derivatives, net	\$ —	\$ (17.0)	\$ —	\$ (17.0)
Total financial liabilities	\$ —	\$ (17.0)	\$ —	\$ (17.0)
<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):

	September 30, 2014		December 31, 2013	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
4.7% Senior notes due 2021	\$ 1,479.2	\$ 1,579.2	\$ 1,477.2	\$ 1,596.9
6.875% Senior notes due 2020	1,012.4	1,060.3	1,024.8	1,086.7
3.25% Senior notes due 2016	997.6	1,032.9	996.5	1,045.8
4.50% Senior notes due 2024	624.2	633.2	—	—
5.75% Senior notes due 2044	622.2	632.5	—	—
8.50% Senior notes due 2019	588.0	619.0	600.5	635.8
7.875% Senior notes due 2040	381.6	389.5	382.6	410.5
7.20% Debentures due 2027	149.2	186.3	149.1	178.6
4.33% MARAD bonds, including current maturities, due 2016	55.0	55.3	78.9	79.7
4.65% MARAD bonds, including current maturities, due 2020	29.3	32.2	31.5	35.2
6.36% MARAD bonds, including current maturities, due 2015	19.0	19.8	25.3	27.1
Total	\$ 5,957.7	\$ 6,240.2	\$ 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, restricted cash, short-term investments, receivables, trade payables and other liabilities approximated their carrying values as of September 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 liabilities of \$17.0 million and net assets of \$1.8 million associated with our foreign currency forward contracts were included on our condensed consolidated balance sheets as of September 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	
	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013
Derivatives Designated as Hedging Instruments				
Foreign currency forward contracts - current ⁽¹⁾	\$ 1.9	\$ 9.1	\$ 8.6	\$ 9.8
Foreign currency forward contracts - non-current ⁽²⁾	—	1.2	2.3	.6
	1.9	10.3	10.9	10.4
Derivatives Not Designated as Hedging Instruments				
Foreign currency forward contracts - current ⁽¹⁾	.7	2.5	8.7	.6
	.7	2.5	8.7	.6
Total	\$ 2.6	\$ 12.8	\$ 19.6	\$ 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 September 30, 2014, we had cash flow hedges outstanding to exchange an aggregate \$391.2 million for various foreign currencies, including \$179.3 million for British pounds, \$101.1 million for Brazilian reais, \$38.2 million for euros, \$32.1 million for Singapore dollars, \$23.0 million for Australian dollars and \$17.5 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 September 30, 2014 and 2013

	(Loss) Gain Recognized in Other Comprehensive Income (Effective Portion)		Gain (Loss) Reclassified from Accumulated Other Comprehensive Income ("AOCI") into Income (Effective Portion) ⁽¹⁾		(Loss) Gain 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)	\$ —	\$ —
Foreign currency forward contracts ⁽⁴⁾	(12.7)	8.3	1.4	(2.7)	(1.9)	1.2
Total	\$ (12.7)	\$ 8.3	\$ 1.4	\$ (2.8)	\$ (1.9)	\$ 1.2

Nine Months Ended September 30, 2014 and 2013

	Loss Recognized in Other Comprehensive Income (Effective Portion)		(Loss) Gain Reclassified from AOCI into Income (Effective Portion) ⁽¹⁾		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)	\$ (.3)	\$ —	\$ —
Foreign currency forward contracts ⁽⁵⁾	(2.8)	(5.3)	3.5	(1.9)	—	(.2)
Total	\$ (2.8)	\$ (5.3)	\$ 3.3	\$ (2.2)	\$ —	\$ (.2)

- ⁽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 September 30, 2014, \$1.2 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 September 30, 2013, \$2.9 million 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 nine-month period ended September 30, 2014, \$2.9 million of gains were reclassified from AOCI into contract drilling expense and \$600,000 of gains were reclassified from AOCI into depreciation expense in our condensed consolidated statement of operations. During the nine-month period ended September 30, 2013, \$2.5 million of losses were reclassified from AOCI into contract drilling expense and \$600,000 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 September 30, 2014, we held derivatives not designated as hedging instruments to exchange an aggregate \$211.2 million for various foreign currencies, including \$106.6 million for euros, \$27.5 million for Swiss francs, \$22.3 million for British pounds, \$15.9 million for Indonesian rupiah, \$14.3 million for Australian dollars and \$24.6 million for other currencies.

Net losses of \$15.4 million and net gains of \$7.5 million 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 September 30, 2014 and 2013, respectively. Net losses of \$15.1 million and net gains of \$2.8 million associated with our derivatives not designated as hedging instruments were included in other, net in our condensed consolidated statements of operations for the nine-month periods ended September 30, 2014 and 2013, respectively.

As of September 30, 2014, the estimated amount of net losses associated with derivative instruments, net of tax, that would be reclassified into earnings during the next twelve months totaled \$3.4 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 in our condensed consolidated statements of operations.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Income from continuing operations	\$ 455.7	\$ 390.9	\$ 154.8	\$ 1,051.5
Income from continuing operations attributable to noncontrolling interests	(3.5)	(2.4)	(10.7)	(6.5)
Income from continuing operations attributable to EnSCO	\$ 452.2	\$ 388.5	\$ 144.1	\$ 1,045.0

(Loss) income from discontinued operations attributable to EnSCO for the three-month and nine-month periods ended September 30, 2014 and 2013 was as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
(Loss) income from discontinued operations, net	\$ (22.8)	\$ (9.5)	\$ (594.8)	\$ 12.4
Income from discontinued operations attributable to noncontrolling interests	—	(0.2)	(0.1)	(0.6)
(Loss) income from discontinued operations attributable to EnSCO	\$ (22.8)	\$ (9.7)	\$ (594.9)	\$ 11.8

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 income from continuing operations attributable to Enesco shares used in our basic and diluted EPS computations for the three-month and nine-month periods ended September 30, 2014 and 2013 (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Income from continuing operations attributable to Enesco	\$ 452.2	\$ 388.5	\$ 144.1	\$ 1,045.0
Income from continuing operations allocated to non-vested share awards	(5.2)	(4.1)	(5.9)	(11.1)
Income from continuing operations attributable to Enesco shares	\$ 447.0	\$ 384.4	\$ 138.2	\$ 1,033.9

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Weighted-average shares - basic	231.8	231.1	231.5	230.8
Potentially dilutive shares	.2	.2	.2	.2
Weighted-average shares - diluted	232.0	231.3	231.7	231.0

Antidilutive share options totaling 100,000 and 200,000 were excluded from the computation of diluted EPS for the three-month and nine-month periods ended September 30, 2014 . Antidilutive share options totaling 300,000 were excluded from the computation of diluted EPS for the three-month and nine-month periods ended September 30, 2013 .

Note 6 - Debt

Senior Notes

On September 29, 2014, we issued \$625.0 million aggregate principal amount of unsecured 4.50% senior notes due 2024 at a discount of \$850,000 and \$625.0 million aggregate principal amount of unsecured 5.75% senior notes due 2044 at a discount of \$2.8 million (collectively the "2014 Notes") in a public offering. Interest on the 2014 Notes is payable semiannually in April and October of each year commencing April 1, 2015. The 2014 Notes were issued pursuant to an Indenture between us and Deutsche Bank Trust Company Americas, as trustee (the "Trustee"), dated March 17, 2011 (the "Indenture") and a Second Supplemental Indenture between us and the Trustee, dated September 29, 2014 (the "2014 Supplemental Indenture"). We expect to use the net proceeds from this offering for general corporate purposes, which may include payments with respect to our rigs under construction and other capital expenditures.

We may redeem each series of the 2014 Notes, in whole at any time or in part from time to time, prior to maturity. If we elect to redeem the 2014 Notes due 2024 before the date that is three months prior to the maturity date or the 2014 Notes due 2044 before the date that is six months prior to the maturity date, we will pay an amount equal to 100% of the principal amount of the notes redeemed plus accrued and unpaid interest and a "make-whole" premium. If we elect to redeem the 2014 Notes on or after the aforementioned dates, we will pay an amount equal to 100% of the principal amount of the notes redeemed plus accrued and unpaid interest, but are not required to pay a "make-whole" premium.

The 2014 Notes, the Indenture and the 2014 Supplemental Indenture also contain customary events of default, including failure to pay principal or interest on the 2014 Notes when due, among others. The 2014 Supplemental Indenture contains certain restrictions, including, among others, restrictions on our ability and the ability of our subsidiaries to create liens on certain assets, enter into certain sale-leaseback transactions, enter into certain merger or consolidation transactions or transfers of all or substantially all of our assets.

Five-Year Credit Facility

On September 30, 2014, we entered into an amendment to the Fourth Amended and Restated Credit Agreement (the "Five-Year Credit Facility"), among EnSCO, Citibank, N.A., as Administrative Agent, DNB Bank ASA, as Syndication Agent, and a syndicate of banks. This amendment extended the Five-Year Credit Facility maturity date from May 7, 2018 to September 30, 2019 and increased the total commitment of the lenders from \$2.0 billion to \$2.25 billion. As amended, the Five-Year Credit Facility provides for a \$2.25 billion senior unsecured revolving credit facility to be used for general corporate purposes.

Advances under the Five-Year 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 of the Five-Year Credit Facility. We are required to pay a quarterly commitment fee (currently 0.125% per annum) on the undrawn portion of the \$2.25 billion commitment, which is also based on our credit rating. In addition to other customary restrictive covenants, the Five-Year Credit Facility requires us to maintain a total debt to total capitalization ratio of less than or equal to 50%. We have the right, subject to lender consent, to increase the commitments under the Five-Year Credit Facility to an aggregate amount of up to \$2.75 billion. We had no amounts outstanding under the Five-Year Credit Facility as of September 30, 2014 and December 31, 2013.

Note 7 - Impairment

Impairment of Long-Lived Assets

During the second quarter of 2014, demand for floaters deteriorated as a result of continued reduction in capital spending by operators in addition to recently announced delays in operators' drilling programs. The reduction in demand, combined with the increasing supply from newbuild floater deliveries, 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 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 and committed to a plan to sell five rigs. These rigs were written down to fair value, less costs to sell, as of May 31, 2014 and classified as "held for sale" on our September 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 nine-month period ended September 30, 2014. The impairment charge was included in (loss) income from discontinued operations, net in our condensed consolidated statement of operations for the nine-month period ended September 30, 2014. See "Note 9 - 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 as of May 31, 2014, we recorded an additional non-cash loss on impairment with respect to four other floaters totaling \$991.5 million. The impairment charge was included in loss on impairment in our condensed consolidated statement of operations for the nine-month period ended September 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 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 utilized 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 reflected 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 of the Floaters reporting unit 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 aggregate fair values of our reporting units exceeded our market capitalization, and we believe the resulting implied control premium was reasonable based on recent market transactions within our industry or other relevant benchmark data.

Our stock price declined significantly during September and October 2014 reaching a twelve-month low of \$35.96 on October 10th. Our stock price traded between \$47.85 and \$57.45 during the eight-month period ended August 2014. The average stock price for the three-month period ended September 30, 2014 was \$49.01 , including average stock prices of \$52.79 and \$48.78 in July and August, respectively.

A sustained decline in our stock price is one of several qualitative factors we consider each quarter when evaluating whether events or changes in circumstances indicate that a potential goodwill impairment exists. We concluded that the decline in stock price observed in September and October did not represent a sustained decline and that no triggering events occurred during the third quarter requiring an interim goodwill impairment test as of September 30, 2014.

If our Floater operating performance or our Floater business outlook deteriorates and/or our stock trades at current levels for a sustained period, our Floaters reporting unit estimated fair value could decline below its carrying value, resulting in a goodwill impairment.

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;
- sustained decline in our stock price;
- 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.

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 8 - Shareholders' Equity

During the three-month and nine-month periods ended September 30, 2014 , we granted 100,000 and 1.2 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 nine-month periods ended September 30, 2014 was \$51.31 and \$52.48 per share, respectively.

Note 9 - Discontinued Operations

During the nine-month period ended September 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 written down to fair value, less costs to sell, as of May 31, 2014 , and classified as "held for sale" on our September 30, 2014 condensed consolidated balance sheet.

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

Prior to the sale of ENSCO 7500, we will be required to pay the outstanding principal on the 6.36% MARAD bonds due 2015 collateralized by this rig. The outstanding principal balance on these bonds was \$19.0 million as of September 30, 2014 . We recently provided notification to the indenture trustee for the 6.36% MARAD bonds due 2015 that we intend to make an optional redemption of these bonds in December 2014. The outstanding principal balance was included in current maturities of long-term debt on our condensed consolidated balance sheet as of September 30, 2014 .

During the nine-month period ended September 30, 2014 , we sold jackup rig ENSCO 85 for net proceeds of \$64.4 million . The proceeds from the sale were included in investing activities of discontinued operations in our condensed consolidated statement of cash flows for the nine-month period ended September 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 nine-month period ended September 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 nine-month periods ended September 30, 2014 and 2013 .

During the nine-month period ended September 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 discontinued operations in our consolidated statement of cash flows for the year ended December 31, 2013 , as updated. ENSCO 69 and Wisconsin operating results were included in (loss) income from discontinued operations, net in our condensed consolidated statement of operations for the three-month and nine-month periods ended September 30, 2014 and 2013 . We recognized a gain of \$17.9 million in connection with the disposal, which was also included in (loss) income from discontinued operations, net in our condensed consolidated statement of operations for the nine-month period ended September 30, 2014 .

During the nine-month period ended September 30, 2013 , we sold jackup rig Pride Pennsylvania for net proceeds of \$15.5 million . The proceeds from the sale were included in investing activities of discontinued operations in our condensed consolidated statement of cash flows for the nine-month period ended September 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 nine-month period ended September 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 nine-month periods ended September 30, 2013 .

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues	\$ 19.2	\$ 103.9	\$ 109.0	\$ 331.4
Operating expenses	36.7	105.5	207.1	308.3
Operating (loss) income	(17.5)	(1.6)	(98.1)	23.1
Other income	—	—	—	.3
Income tax expense	(14.8)	(7.9)	(17.5)	(9.9)
Loss on impairment, net	—	—	(508.8)	—
Gain (loss) on disposal of discontinued operations, net	9.5	—	29.6	(1.1)
(Loss) income from discontinued operations, net	\$ (22.8)	\$ (9.5)	\$ (594.8)	\$ 12.4

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

As of September 30, 2014 , the \$289.0 million of assets classified as "held for sale" in other current assets on our condensed consolidated balance sheet primarily relates to the carrying values of five floaters.

Note 10 - Income Taxes

Our consolidated effective income tax rate for the three-month period ended September 30, 2014 was 12.6% as compared to 14.3% in the prior year quarter. Excluding the impact of discrete income tax items, our consolidated effective income tax rate for the three-month periods ended September 30, 2014 and 2013 was 12.7% and 13.7% , respectively.

Excluding the impact of the \$991.5 million loss on impairment and discrete income tax expense, our consolidated effective income tax rate for the nine-month periods ended September 30, 2014 and 2013 was 11.6% and 12.6% , respectively. The decline in our effective tax rate for the three-month and nine-month periods is primarily attributable to an increase in the relative

components of our earnings, excluding discrete items, generated in tax jurisdictions with lower tax rates.

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 September 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 on 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 Illinois, Mississippi, Texas, Louisiana and the UK by approximately 125 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.

During 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 September 30, 2014 totaled \$246.5 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 September 30, 2014, we had not been required to make collateral deposits with respect to these agreements.

Note 12 - Sale-leaseback

In September 2014, we sold jackup rigs ENSCO 83, ENSCO 89, ENSCO 93 and ENSCO 98, all of which are contracted to Petroleos Mexicanos (“Pemex”). We received proceeds of \$211.8 million and incurred commissions and other incremental, direct costs of \$5.3 million. The carrying value of these rigs was \$169.6 million.

In connection with this sale, we executed charter agreements with the purchaser to continue operating the rigs for the remainder of the Pemex contracts, which have anticipated completion dates in either late 2015 or 2016. We accounted for the transaction as a sale-leaseback, whereby we will retain a significant portion of the remaining use of the rigs as a result of the charter agreements.

We recorded a gain on sale of \$7.5 million, which represents the portion of the gain that exceeded the present value of payments due under the charter agreements, included in contract drilling expense in our condensed consolidated statement of operations for the three-month and nine-month periods ended September 30, 2014. The remaining \$29.4 million of gain was deferred and will be amortized to contract drilling expense within the Jackup segment over the remaining charter term of each rig. Of the \$29.4 million deferred gain, \$26.6 million is included in accrued liabilities and other and \$2.8 million is included in other liabilities on our condensed consolidated balance sheet as of September 30, 2014.

The operating results from these rigs for the three-month and nine-month periods ended September 30, 2014 were included in income from continuing operations within the Jackup segment, as we expect to have significant continuing involvement and cash flows due to our charter agreements with the purchaser. Beginning October 1, 2014, the operating results for these rigs will be reported in our Other segment.

The \$211.8 million of proceeds from the rig sales were invested directly in cash equivalents subject to certain restrictions on our ability to receive, pledge, borrow or otherwise obtain the funds as of September 30, 2014. As a result of these restrictions, the sales proceeds are classified as restricted cash and included in other current assets on our condensed consolidated balance sheet as of September 30, 2014. We expect these restrictions to lapse prior to December 31, 2014.

Note 13 - 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 nine-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 September 30, 2014

	Floaters	Jackups	Other	Operating Segments Total	Reconciling Items	Consolidated Total
Revenues	\$ 745.3	\$ 499.0	\$ 16.9	\$ 1,261.2	\$ —	\$ 1,261.2
Operating expenses						
Contract drilling (exclusive of depreciation)	309.7	210.2	11.5	531.4	—	531.4
Depreciation	91.4	47.6	—	139.0	1.9	140.9
General and administrative	—	—	—	—	29.3	29.3
Operating income (loss)	\$ 344.2	\$ 241.2	\$ 5.4	\$ 590.8	\$ (31.2)	\$ 559.6
Property and equipment, net	\$ 9,836.2	\$ 3,215.3	\$ —	\$ 13,051.5	\$ 76.1	\$ 13,127.6

Three Months Ended September 30, 2013

	Floaters	Jackups	Other	Operating Segments Total	Reconciling Items	Consolidated Total
Revenues	\$ 696.7	\$ 446.8	\$ 18.7	\$ 1,162.2	\$ —	\$ 1,162.2
Operating expenses						
Contract drilling (exclusive of depreciation)	315.4	203.8	15.1	534.3	—	534.3
Depreciation	91.5	39.5	—	131.0	1.6	132.6
General and administrative	—	—	—	—	37.4	37.4
Operating income (loss)	\$ 289.8	\$ 203.5	\$ 3.6	\$ 496.9	\$ (39.0)	\$ 457.9
Property and equipment, net	\$ 11,252.8	\$ 2,705.4	\$ —	\$ 13,958.2	\$ 39.2	\$ 13,997.4

Nine Months Ended September 30, 2014

	Floaters	Jackups	Other	Operating Segments Total	Reconciling Items	Consolidated Total
Revenues	\$ 2,156.1	\$ 1,388.0	\$ 50.0	\$ 3,594.1	\$ —	\$ 3,594.1
Operating expenses						
Contract drilling (exclusive of depreciation)	966.1	659.4	34.5	1,660.0	—	1,660.0
Loss on impairment	991.5	—	—	991.5	—	991.5
Depreciation	281.0	132.6	—	413.6	5.9	419.5
General and administrative	—	—	—	—	103.6	103.6
Operating (loss) income	\$ (82.5)	\$ 596.0	\$ 15.5	\$ 529.0	\$ (109.5)	\$ 419.5
Property and equipment, net	\$ 9,836.2	\$ 3,215.3	\$ —	\$ 13,051.5	\$ 76.1	\$ 13,127.6

Nine Months Ended September 30, 2013

	Floaters	Jackups	Other	Operating Segments Total	Reconciling Items	Consolidated Total
Revenues	\$ 2,038.9	\$ 1,234.7	\$ 59.2	\$ 3,332.8	\$ —	\$ 3,332.8
Operating expenses						
Contract drilling (exclusive of depreciation)	888.6	605.9	46.8	1,541.3	—	1,541.3
Depreciation	270.9	116.8	—	387.7	4.8	392.5
General and administrative	—	—	—	—	111.6	111.6
Operating income (loss)	\$ 879.4	\$ 512.0	\$ 12.4	\$ 1,403.8	\$ (116.4)	\$ 1,287.4
Property and equipment, net	\$ 11,252.8	\$ 2,705.4	\$ —	\$ 13,958.2	\$ 39.2	\$ 13,997.4

Information about Geographic Areas

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

	<u>Floaters</u> ⁽¹⁾	<u>Jackups</u>	<u>Total</u> ⁽²⁾
North & South America (excluding Brazil)	9	8	17
Middle East & Africa	6	10	16
Europe & Mediterranean	3	11	14
Asia & Pacific Rim	4	9	13
Asia & Pacific Rim (under construction)	3	4	7
Brazil	4	—	4
Total	29	42	71

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

⁽²⁾ We provide management services on six rigs owned by third-parties, including ENSCO 83, ENSCO 89, ENSCO 93, and ENSCO 98, which were sold during September 2014. Rigs for which we provide management services are not included in the table above.

Note 14 - Supplemental Financial Information

Consolidated Balance Sheet Information

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

	September 30, 2014	December 31, 2013
Trade	\$ 850.9	\$ 869.8
Other	31.5	14.3
	882.4	884.1
Allowance for doubtful accounts	(12.6)	(28.4)
	\$ 869.8	\$ 855.7

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

	September 30, 2014	December 31, 2013
Assets held for sale	\$ 289.0	\$ 8.6
Inventory	253.7	256.4
Restricted cash	211.8	—
Deferred costs	68.3	47.4
Prepaid expenses	46.3	18.5
Short-term investments	45.3	50.0
Prepaid taxes	41.7	88.1
Deferred tax assets	22.8	23.1
Derivative assets	2.6	11.6
Other	5.4	10.2
	\$ 986.9	\$ 513.9

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

	September 30, 2014	December 31, 2013
Deferred costs	\$ 87.4	\$ 59.1
Intangible assets	57.8	83.8
Deferred tax assets	42.9	25.2
Supplemental executive retirement plan assets	41.8	37.7
Prepaid taxes on intercompany transfers of property	40.4	50.2
Warranty and other claim receivables	30.6	30.6
Unbilled receivables	26.9	51.9
Other	12.7	14.2
	\$ 340.5	\$ 352.7

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

	September 30, 2014	December 31, 2013
Personnel costs	\$ 211.2	\$ 242.0
Deferred revenue	195.5	169.8
Taxes	152.0	84.2
Accrued interest	34.5	68.0
Deferred gain on rig sales	26.6	—
Derivative liabilities	17.3	10.4
Advance payment received on sale of assets	—	33.0
Customer pre-payments	—	20.0
Other	16.8	31.3
	\$ 653.9	\$ 658.7

Other liabilities consisted of the following (in millions):

	September 30, 2014	December 31, 2013
Deferred revenue	\$ 331.4	\$ 217.6
Unrecognized tax benefits (inclusive of interest and penalties)	139.6	148.0
Intangible liabilities	47.9	69.1
Supplemental executive retirement plan liabilities	44.1	40.5
Personnel costs	28.6	37.2
Other	37.9	33.3
	\$ 629.5	\$ 545.7

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

	September 30, 2014	December 31, 2013
Derivative Instruments	\$ 14.5	\$ 20.6
Other	1.8	(2.4)
	\$ 16.3	\$ 18.2

Consolidated Statement of Cash Flows Information

In September 2014, we sold jackup rigs ENSCO 83, ENSCO 89, ENSCO 93 and ENSCO 98, all of which are currently contracted to Pemex. The sale proceeds of \$211.8 million were subject to certain restrictions as of September 30, 2014 and therefore were not included in our condensed consolidated statement of cash flows for the nine-month period ended September 30, 2014.

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 September 30, 2014, BP accounted for 14% of our consolidated revenues, 79% of which were attributable to our Floaters segment. During the same period, Total accounted for 11% of our consolidated revenues, all of which were attributable to our Floaters segment.

During the nine-month period ended September 30, 2014, BP accounted for 15% of our consolidated revenues, 80% of which were attributable to our Floaters segment. During the same period, Total accounted for 12% of our consolidated revenues, all of which were attributable to our Floaters segment.

During the three-month period ended September 30, 2014, revenues provided by our drilling operations in the U.S. Gulf of Mexico totaled \$451.1 million, or 36%, of our consolidated revenues, of which 79% were provided by our Floaters segment. Revenues provided by our drilling operations in Angola during the three-month period ended September 30, 2014 totaled \$192.0 million, or 15%, of our consolidated revenues, all of which were provided by our Floaters segment.

During the nine-month period ended September 30, 2014 , revenues provided by our drilling operations in the U.S. Gulf of Mexico totaled \$1.3 billion , or 37% , of our consolidated revenues, of which 76% were provided by our Floaters segment. Revenues provided by our drilling operations in Angola and Brazil during the nine-month period ended September 30, 2014 totaled \$580.1 million and \$361.5 million , or 16% and 10% , respectively, of our consolidated revenues, all of which were provided by our Floaters segment.

Note 15 - 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 September 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 September 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 nine-month periods ended September 30, 2014 and 2013 ; the unaudited condensed consolidating statements of comprehensive income for the three-month and nine-month periods ended September 30, 2014 and 2013 ; the condensed consolidating balance sheets as of September 30, 2014 (unaudited) and December 31, 2013 ; and the unaudited condensed consolidating statements of cash flows for the nine-month periods ended September 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 September 30, 2014
(in millions)
(Unaudited)

	Enco plc	ENSCO International Incorporated	Pride International, Inc.	Other Non- Guarantor Subsidiaries of Enco	Consolidating Adjustments	Total
OPERATING REVENUES	\$ 8.3	\$ 39.0	\$ —	\$ 1,292.2	\$ (78.3)	\$ 1,261.2
OPERATING EXPENSES						
Contract drilling (exclusive of depreciation)	9.1	37.4	—	563.2	(78.3)	531.4
Depreciation	.1	1.8	—	139.0	—	140.9
General and administrative	10.2	.1	—	19.0	—	29.3
OPERATING (LOSS) INCOME	(11.1)	(0.3)	—	571.0	—	559.6
OTHER (EXPENSE) INCOME, NET	(15.0)	(23.1)	(13.1)	12.8	—	(38.4)
(LOSS) INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(26.1)	(23.4)	(13.1)	583.8	—	521.2
INCOME TAX PROVISION	—	(2.1)	—	67.6	—	65.5
DISCONTINUED OPERATIONS, NET	—	—	—	(22.8)	—	(22.8)
EQUITY EARNINGS IN AFFILIATES, NET OF TAX	455.5	73.3	66.9	—	(595.7)	—
NET INCOME	429.4	52.0	53.8	493.4	(595.7)	432.9
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	(3.5)	—	(3.5)
NET INCOME ATTRIBUTABLE TO ENSCO	\$ 429.4	\$ 52.0	\$ 53.8	\$ 489.9	\$ (595.7)	\$ 429.4

ENSCO PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
Three Months Ended September 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	\$ 38.1	\$ —	\$ 1,196.2	\$ (77.6)	\$ 1,162.2
OPERATING EXPENSES						
Contract drilling (exclusive of depreciation)	13.0	38.1	—	560.8	(77.6)	534.3
Depreciation	—	1.0	—	131.6	—	132.6
General and administrative	15.2	.1	—	22.1	—	37.4
OPERATING (LOSS) INCOME	(22.7)	(1.1)	—	481.7	—	457.9
OTHER (EXPENSE) INCOME, NET	(18.1)	5.9	15.5	(4.9)	—	(1.6)
(LOSS) INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(40.8)	4.8	15.5	476.8	—	456.3
INCOME TAX PROVISION	—	16.2	—	49.2	—	65.4
DISCONTINUED OPERATIONS, NET	—	—	—	(9.5)	—	(9.5)
EQUITY EARNINGS IN AFFILIATES, NET OF TAX	419.6	65.2	35.3	—	(520.1)	—
NET INCOME	378.8	53.8	50.8	418.1	(520.1)	381.4
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	(2.6)	—	(2.6)
NET INCOME ATTRIBUTABLE TO ENSCO	\$ 378.8	\$ 53.8	\$ 50.8	\$ 415.5	\$ (520.1)	\$ 378.8

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

	Enco plc	ENSCO International Incorporated	Pride International, Inc.	Other Non- Guarantor Subsidiaries of Enco	Consolidating Adjustments	Total
OPERATING REVENUES	\$ 23.8	\$ 116.8	\$ —	\$ 3,691.1	\$ (237.6)	\$ 3,594.1
OPERATING EXPENSES						
Contract drilling (exclusive of depreciation)	24.4	115.2	—	1,758.0	(237.6)	1,660.0
Loss on impairment	—	—	—	991.5	—	991.5
Depreciation	.2	5.1	—	414.2	—	419.5
General and administrative	41.0	.3	—	62.3	—	103.6
OPERATING (LOSS) INCOME	(41.8)	(3.8)	—	465.1	—	419.5
OTHER (EXPENSE) INCOME, NET	(43.6)	(28.5)	(39.0)	12.8	—	(98.3)
(LOSS) INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(85.4)	(32.3)	(39.0)	477.9	—	321.2
INCOME TAX PROVISION	—	36.3	—	130.1	—	166.4
DISCONTINUED OPERATIONS, NET	—	—	—	(594.8)	—	(594.8)
EQUITY EARNINGS IN AFFILIATES, NET OF TAX	(365.4)	(1,314.2)	(1,502.9)	—	3,182.5	—
NET LOSS	(450.8)	(1,382.8)	(1,541.9)	(247.0)	3,182.5	(440.0)
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	(10.8)	—	(10.8)
NET LOSS ATTRIBUTABLE TO ENSCO	\$ (450.8)	\$ (1,382.8)	\$ (1,541.9)	\$ (257.8)	\$ 3,182.5	\$ (450.8)

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

	Enco plc	ENSCO International Incorporated	Pride International, Inc.	Other Non- Guarantor Subsidiaries of Enco	Consolidating Adjustments	Total
OPERATING REVENUES	\$ 16.5	\$ 114.4	\$ —	\$ 3,434.8	\$ (232.9)	\$ 3,332.8
OPERATING EXPENSES						
Contract drilling (exclusive of depreciation)	38.2	114.4	—	1,621.6	(232.9)	1,541.3
Depreciation	.2	2.8	—	389.5	—	392.5
General and administrative	48.3	.4	—	62.9	—	111.6
OPERATING (LOSS) INCOME	(70.2)	(3.2)	—	1,360.8	—	1,287.4
OTHER EXPENSE, NET	(48.0)	(7.2)	(15.1)	(.9)	—	(71.2)
(LOSS) INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(118.2)	(10.4)	(15.1)	1,359.9	—	1,216.2
INCOME TAX PROVISION	—	76.9	—	87.8	—	164.7
DISCONTINUED OPERATIONS, NET	—	—	—	12.4	—	12.4
EQUITY EARNINGS IN AFFILIATES, NET OF TAX	1,175.0	255.7	164.9	—	(1,595.6)	—
NET INCOME	1,056.8	168.4	149.8	1,284.5	(1,595.6)	1,063.9
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	(7.1)	—	(7.1)
NET INCOME ATTRIBUTABLE TO ENSCO	\$ 1,056.8	\$ 168.4	\$ 149.8	\$ 1,277.4	\$ (1,595.6)	\$ 1,056.8

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

	Enco plc	ENSCO International Incorporated	Pride International, Inc.	Other Non- Guarantor Subsidiaries of Enco	Consolidating Adjustments	Total
NET INCOME	\$ 429.4	\$ 52.0	\$ 53.8	\$ 493.4	\$ (595.7)	\$ 432.9
OTHER COMPREHENSIVE(LOSS) INCOME, NET						
Net change in fair value of derivatives	—	(12.7)	—	—	—	(12.7)
Reclassification of net gains on derivative instruments from other comprehensive income into net income	—	(1.4)	—	—	—	(1.4)
Other	—	—	—	3.7	—	3.7
NET OTHER COMPREHENSIVE (LOSS) INCOME	—	(14.1)	—	3.7	—	(10.4)
COMPREHENSIVE INCOME	429.4	37.9	53.8	497.1	(595.7)	422.5
COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	(3.5)	—	(3.5)
COMPREHENSIVE INCOME ATTRIBUTABLE TO ENSCO	\$ 429.4	\$ 37.9	\$ 53.8	\$ 493.6	\$ (595.7)	\$ 419.0

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

	<u>Enscoplc</u>	<u>ENSCO International Incorporated</u>	<u>Pride International, Inc.</u>	<u>Other Non- Guarantor Subsidiaries of Enscoplc</u>	<u>Consolidating Adjustments</u>	<u>Total</u>
NET INCOME	\$ 378.8	\$ 53.8	\$ 50.8	\$ 418.1	\$ (520.1)	\$381.4
OTHER COMPREHENSIVE INCOME, NET						
Net change in fair value of derivatives	—	8.3	—	—	—	8.3
Reclassification of net losses on derivative instruments from other comprehensive income into net income	—	2.8	—	—	—	2.8
NET OTHER COMPREHENSIVE INCOME	—	11.1	—	—	—	11.1
COMPREHENSIVE INCOME	378.8	64.9	50.8	418.1	(520.1)	392.5
COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	(2.6)	—	(2.6)
COMPREHENSIVE INCOME ATTRIBUTABLE TO ENSCO	\$ 378.8	\$ 64.9	\$ 50.8	\$ 415.5	\$ (520.1)	\$389.9

ENSCO PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME
Nine Months Ended September 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	\$ (450.8)	\$ (1,382.8)	\$ (1,541.9)	\$ (247.0)	\$ 3,182.5	\$(440.0)
OTHER COMPREHENSIVE(LOSS) INCOME, NET						
Net change in fair value of derivatives	—	(2.8)	—	—	—	(2.8)
Reclassification of net gains on derivative instruments from other comprehensive income into net income	—	(3.3)	—	—	—	(3.3)
Other	—	—	—	4.2	—	4.2
NET OTHER COMPREHENSIVE (LOSS) INCOME	—	(6.1)	—	4.2	—	(1.9)
COMPREHENSIVE LOSS	(450.8)	(1,388.9)	(1,541.9)	(242.8)	3,182.5	(441.9)
COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	(10.8)	—	(10.8)
COMPREHENSIVE LOSS ATTRIBUTABLE TO ENSCO	\$ (450.8)	\$ (1,388.9)	\$ (1,541.9)	\$ (253.6)	\$ 3,182.5	\$(452.7)

ENSCO PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME
Nine Months Ended September 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	\$ 1,056.8	\$ 168.4	\$ 149.8	\$ 1,284.5	\$ (1,595.6)	\$1,063.9
OTHER COMPREHENSIVE (LOSS) INCOME, NET						
Net change in fair value of derivatives	—	(5.3)	—	—	—	(5.3)
Reclassification of net losses on derivative instruments from other comprehensive income into net income	—	2.2	—	—	—	2.2
Other	—	—	—	.5	—	.5
NET OTHER COMPREHENSIVE (LOSS) INCOME	—	(3.1)	—	.5	—	(2.6)
COMPREHENSIVE INCOME	1,056.8	165.3	149.8	1,285.0	(1,595.6)	1,061.3
COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	(7.1)	—	(7.1)
COMPREHENSIVE INCOME ATTRIBUTABLE TO ENSCO	\$ 1,056.8	\$ 165.3	\$ 149.8	\$ 1,277.9	\$ (1,595.6)	\$1,054.2

ENSCO PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEETS
September 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	\$ 367.0	\$ —	\$ 343.0	\$ 463.7	\$ —	\$ 1,173.7
Accounts receivable, net	—	—	—	869.8	—	869.8
Accounts receivable from affiliates	1,246.1	650.7	531.3	1,127.3	(3,555.4)	—
Other	3.9	51.4	—	931.6	—	986.9
Total current assets	1,617.0	702.1	874.3	3,392.4	(3,555.4)	3,030.4
PROPERTY AND EQUIPMENT, AT COST						
Less accumulated depreciation	2.1	62.4	—	15,921.2	—	15,985.7
Property and equipment, net	1.7	31.6	—	2,824.8	—	2,858.1
GOODWILL	.4	30.8	—	13,096.4	—	13,127.6
DUE FROM AFFILIATES	—	—	—	3,274.0	—	3,274.0
INVESTMENTS IN AFFILIATES	3,021.1	4,472.5	985.8	6,510.9	(14,990.3)	—
OTHER ASSETS, NET	13,104.0	3,568.5	2,722.5	—	(19,395.0)	—
	18.0	49.1	—	273.4	—	340.5
	\$ 17,760.5	\$ 8,823.0	\$ 4,582.6	\$ 26,547.1	\$ (37,940.7)	\$ 19,772.5
LIABILITIES AND SHAREHOLDERS' EQUITY						
CURRENT LIABILITIES						
Accounts payable and accrued liabilities	\$ 11.1	\$ 74.7	\$ 23.4	\$ 968.5	\$ —	\$ 1,077.7
Accounts payable to affiliates	163.8	997.7	—	2,393.9	(3,555.4)	\$ —
Current maturities of long-term debt	—	—	—	53.8	—	\$ 53.8
Total current liabilities	174.9	1,072.4	23.4	3,416.2	(3,555.4)	1,131.5
DUE TO AFFILIATES	2,013.3	3,068.1	1,489.0	8,419.9	(14,990.3)	—
LONG-TERM DEBT	3,723.3	149.2	1,982.0	49.4	—	5,903.9
DEFERRED INCOME TAXES	—	247.1	—	11.5	—	258.6
OTHER LIABILITIES	—	4.3	7.6	617.6	—	629.5
ENSCO SHAREHOLDERS' EQUITY	11,849.0	4,281.9	1,080.6	14,019.9	(19,395.0)	11,836.4
NONCONTROLLING INTERESTS						
Total equity	—	—	—	12.6	—	12.6
	11,849.0	4,281.9	1,080.6	14,032.5	(19,395.0)	11,849.0
	\$ 17,760.5	\$ 8,823.0	\$ 4,582.6	\$ 26,547.1	\$ (37,940.7)	\$ 19,772.5

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
Nine Months Ended September 30, 2014
(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	\$ (82.2)	\$ (91.7)	\$ (76.7)	\$ 1,835.9	\$ —	\$ 1,585.3
INVESTING ACTIVITIES						
Additions to property and equipment	—	(28.1)	—	(1,218.9)	—	(1,247.0)
Maturities of short-term investments	—	—	—	50.0	—	50.0
Purchases of short-term investments	—	—	—	(45.3)	—	(45.3)
Other	—	—	—	9.8	—	9.8
Net cash used in investing activities of continuing operations	—	(28.1)	—	(1,204.4)	—	(1,232.5)
FINANCING ACTIVITIES						
Proceeds from issuance of senior notes	1,246.4	—	—	—	—	1,246.4
Cash dividends paid	(526.7)	—	—	—	—	(526.7)
Reduction of long-term borrowings	—	—	—	(30.9)	—	(30.9)
Debt financing costs	(11.3)	—	—	—	—	(11.3)
Proceeds from exercise of share options	2.4	—	—	—	—	2.4
Advances (to) from affiliates	(295.5)	119.3	414.8	(238.6)	—	—
Other	(12.6)	—	—	(7.4)	—	(20.0)
Net cash provided by (used in) financing activities	402.7	119.3	414.8	(276.9)	—	659.9
DISCONTINUED OPERATIONS						
Operating activities	—	—	—	(62.0)	—	(62.0)
Investing activities	—	—	—	57.4	—	57.4
Net cash used in discontinued operations	—	—	—	(4.6)	—	(4.6)
Effect of exchange rate changes on cash and cash equivalents	—	—	—	—	—	—
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	320.5	(.5)	338.1	350.0	—	1,008.1
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	46.5	.5	4.9	113.7	—	165.6
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 367.0	\$ —	\$ 343.0	\$ 463.7	\$ —	\$ 1,173.7

ENSCO PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
Nine Months Ended September 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	\$ (138.0)	\$ (114.3)	\$ (54.1)	\$ 1,655.8	\$ —	\$ 1,349.4
INVESTING ACTIVITIES						
Additions to property and equipment				(1,273.6)	—	(1,273.6)
Maturities of short-term investments				50.0		50.0
Other		(3.8)		7.6	—	3.8
Net cash used in investing activities of continuing operations	—	(3.8)	—	(1,216.0)	—	(1,219.8)
FINANCING ACTIVITIES						
Cash dividends paid	(350.2)			—	—	(350.2)
Reduction of long-term borrowings				(30.9)	—	(30.9)
Proceeds from exercise of share options	22.0			—	—	22.0
Advances from (to) affiliates	353.2	121.3	(18.8)	(455.7)	—	—
Other	(13.5)	(4.5)		(2.8)	—	(20.8)
Net cash provided by (used in) financing activities	11.5	116.8	(18.8)	(489.4)	—	(379.9)
DISCONTINUED OPERATIONS						
Operating activities				83.2	—	83.2
Investing activities				6.4	—	6.4
Net cash provided by discontinued operations	—	—	—	89.6	—	89.6
Effect of exchange rate changes on cash and cash equivalents				(1.0)	—	(1.0)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(126.5)	(1.3)	(72.9)	39.0	—	(161.7)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	271.8	1.7	85.0	128.6	—	487.1
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 145.3	\$.4	\$ 12.1	\$ 167.6	\$ —	\$ 325.4

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 September 30, 2014 and for the three-month and nine-month periods ended September 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, as updated in our subsequent quarterly reports. 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 71 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 42 jackup rigs.

The contracting environment remained very competitive during the third quarter, particularly in the Floaters segment, as a result of increasing rig supply combined with a reduction in capital spending by operators. We expect that day rates and utilization will remain under pressure, particularly for older, less capable floaters. Brent crude oil prices declined from \$110 per barrel in July to near \$90 per barrel at the end of the third quarter and continued to decline below \$90 per barrel in October. It is uncertain how recent price declines will impact drilling programs as operators are currently preparing 2015 budgets. We believe current prices support planned projects, and that customers are assessing ways to more efficiently and economically manage their well programs rather than canceling these projects.

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 September, we sold four standard jackup rigs (ENSCO 83, ENSCO 89, ENSCO 93, and ENSCO 98). Additionally, five of our older, less capable floater rigs are currently being marketed for sale as part of our fleet high-grading strategy.

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 plc to construct two premium jackup rigs (ENSCO 140 and ENSCO 141) during the second quarter. These rigs are scheduled for delivery during the second quarter and third quarter of 2016, respectively. In July, 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-9 and ENSCO DS-8, are contracted.

A significant portion of our projected cash flow will continue to be invested in the expansion and enhancement of our fleet. 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.

During the third quarter, we completed a \$1.25 billion debt offering and expanded the total commitments available under our revolving credit facility, increasing the total capacity from \$2.0 billion to \$2.25 billion. We believe our strong balance sheet, \$10.9 billion of contract backlog, proceeds from the recent debt offering and borrowing capacity under our commercial paper program and revolving credit facility will provide flexibility to make additional investments in our fleet and sustain an adequate level of liquidity.

BUSINESS ENVIRONMENT

Floaters

The global contracting environment remains highly competitive, 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 could alleviate some of this pressure. We anticipate that the floater environment will remain competitive; however, we 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 and into 2015 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 past exploration successes and new discoveries could lead to incremental opportunities over time. In Mexico, ongoing energy reform could create future opportunities in the region.

In Brazil, we expect that near-term contracting activity will largely be driven by Petrobras, including incremental opportunities related to pre-salt development in the region. We believe there will also be incremental demand going forward as customers come to the market for rigs to drill their new exploration acreage awarded in licensing rounds held during 2013.

Customer demand remains strong in West Africa with multiple open tenders for rigs with multi-year terms. Incremental opportunities are expected in Angola, Ghana and Nigeria, and several operators have exploration programs planned in East Africa and South Africa. Going forward, there could be downward pressure on contracting terms if drilling contractors elect to move additional rigs into the region.

Supply and demand in the North Sea market are balanced, though available supply from the Norwegian sector may put downward pressure on the UK market. We expect additional drilling opportunities in the Mediterranean market, particularly for rigs with higher technical specifications and strong operational track records. In Asia Pacific, we anticipate incremental requirements in Australia, Indonesia and Vietnam.

The worldwide supply of floaters continues to increase as a result of newbuild construction programs. Currently, there are approximately 85 competitive newbuild drillships and semisubmersible rigs reported to be under construction, of which approximately 40 are without contracts. We estimate that six rigs will be delivered before the end of 2014, half 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 stable, generally supporting current day rates and contract terms. However, newbuild deliveries have caused 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.

In the U.S. Gulf of Mexico, customer demand has declined. Recent contract terms have declined in duration, which has put pressure on day rates and utilization, particularly for less capable units. 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.

Customer demand for jackups remains strong in the North Sea market, though supply and demand dynamics have caused downward pressure in Norway. Significant contracted backlog exists for the remainder of 2014, and operators are issuing tenders to secure rigs for work during 2015 and beyond.

Demand remains steady in the Asia Pacific market, though recent contracting activity indicates an increasingly competitive environment due to available rig supply. We expect further pressure on utilization and day rates as multiple uncontracted newbuild rigs are added to the rig supply in the region. Drilling contractors may seek opportunities to move rigs out of the region. We expect several tenders to be issued in the coming months for multi-year programs in Malaysia, Vietnam and Indonesia commencing during 2015, which could help absorb the incremental newbuilds added to the Asia Pacific fleet.

Worldwide jackup supply continues to increase as a result of ongoing construction programs. Currently, there are approximately 130 competitive 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. Twelve 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 nine-month periods ended September 30, 2014 and 2013 (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues	\$ 1,261.2	\$ 1,162.2	\$ 3,594.1	\$ 3,332.8
Operating expenses				
Contract drilling (exclusive of depreciation)	531.4	534.3	1,660.0	1,541.3
Loss on impairment	—	—	991.5	—
Depreciation	140.9	132.6	419.5	392.5
General and administrative	29.3	37.4	103.6	111.6
Operating income	559.6	457.9	419.5	1,287.4
Other expense, net	(38.4)	(1.6)	(98.3)	(71.2)
Provision for income taxes	65.5	65.4	166.4	164.7
Income from continuing operations	455.7	390.9	154.8	1,051.5
(Loss) income from discontinued operations, net	(22.8)	(9.5)	(594.8)	12.4
Net income (loss)	432.9	381.4	(440.0)	1,063.9
Net income attributable to noncontrolling interests	(3.5)	(2.6)	(10.8)	(7.1)
Net income (loss) attributable to Ensco	\$ 429.4	\$ 378.8	\$ (450.8)	\$ 1,056.8

Revenues increased \$99.0 million , or 9% , and contract drilling expense declined \$2.9 million , or 1% , for the three-month period ended September 30, 2014 as compared to the prior year quarter. The increase in revenues 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.

For the nine-month period ended September 30, 2014 , revenues increased \$261.3 million , or 8% , and contract drilling expense increased \$118.7 million , or 8% , as compared to the prior year period. The increase in revenues 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 was due to the aforementioned additions to our fleet and higher personnel and repair and maintenance costs. Contract drilling expense for the nine-month period ended September 30, 2013 included a provision for doubtful accounts related to OGX receivables.

During the nine-month period ended September 30, 2014 , we recorded a non-cash loss on impairment with respect to four older, less capable rigs in our Floaters segment totaling \$991.5 million . 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 September 30, 2014 and 2013 :

	<u>2014</u>	<u>2013</u>
Floaters ⁽¹⁾	26	26
Jackups ⁽²⁾⁽³⁾	38	43
Under construction ⁽²⁾⁽⁴⁾	7	6
Total	71	75

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

⁽²⁾ During the fourth quarter of 2013 and third quarter of 2014, we accepted delivery of two ultra-premium harsh environment jackup rigs, ENSCO 121 and ENSCO 122, respectively. ENSCO 121 commenced drilling operations under a long-term contract during the second quarter of 2014. ENSCO 122 is committed under a long-term drilling contract expected to commence later this year.

⁽³⁾ We sold jackup rigs ENSCO 69 and Pride Wisconsin during the first quarter of 2014 and ENSCO 85 during the second quarter of 2014. During the third quarter of 2014, we sold jackup rigs ENSCO 83, ENSCO 89, ENSCO 93 and ENSCO 98.

⁽⁴⁾ During the fourth quarter of 2013, we entered into an agreement with Keppel FELS Limited ("KFELS") to construct an 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 nine-month periods ended September 30, 2014 and 2013 :

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
<u>Rig Utilization</u> ⁽¹⁾				
Floaters	83%	81%	79%	84%
Jackups	91%	94%	89%	91%
Total	88%	90%	85%	89%
<u>Average Day Rates</u> ⁽²⁾				
Floaters	\$ 451,768	\$ 450,753	\$ 465,179	\$ 430,344
Jackups	136,588	125,257	134,095	121,276
Total	\$ 236,736	\$ 224,640	\$ 238,842	\$ 219,398

⁽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 September 30, 2014

	Floaters	Jackups	Other	Operating Segments Total	Reconciling Items	Consolidated Total
Revenues	\$ 745.3	\$ 499.0	\$ 16.9	\$ 1,261.2	\$ —	\$ 1,261.2
Operating expenses						
Contract drilling (exclusive of depreciation)	309.7	210.2	11.5	531.4	—	531.4
Depreciation	91.4	47.6	—	139.0	1.9	140.9
General and administrative	—	—	—	—	29.3	29.3
Operating income (loss)	\$ 344.2	\$ 241.2	\$ 5.4	\$ 590.8	\$ (31.2)	\$ 559.6

Three Months Ended September 30, 2013

	Floaters	Jackups	Other	Operating Segments Total	Reconciling Items	Consolidated Total
Revenues	\$ 696.7	\$ 446.8	\$ 18.7	\$ 1,162.2	\$ —	\$ 1,162.2
Operating expenses						
Contract drilling (exclusive of depreciation)	315.4	203.8	15.1	534.3	—	534.3
Depreciation	91.5	39.5	—	131.0	1.6	132.6
General and administrative	—	—	—	—	37.4	37.4
Operating income (loss)	\$ 289.8	\$ 203.5	\$ 3.6	\$ 496.9	\$ (39.0)	\$ 457.9

Nine Months Ended September 30, 2014

	Floaters	Jackups	Other	Operating Segments Total	Reconciling Items	Consolidated Total
Revenues	\$ 2,156.1	\$ 1,388.0	\$ 50.0	\$ 3,594.1	\$ —	\$ 3,594.1
Operating expenses						
Contract drilling (exclusive of depreciation)	966.1	659.4	34.5	1,660.0	—	1,660.0
Loss on Impairment	991.5	—	—	991.5	—	991.5
Depreciation	281.0	132.6	—	413.6	5.9	419.5
General and administrative	—	—	—	—	103.6	103.6
Operating (loss) income	\$ (82.5)	\$ 596.0	\$ 15.5	\$ 529.0	\$ (109.5)	\$ 419.5

Nine Months Ended September 30, 2013

	Floaters	Jackups	Other	Operating Segments Total	Reconciling Items	Consolidated Total
Revenues	\$ 2,038.9	\$ 1,234.7	\$ 59.2	\$ 3,332.8	\$ —	\$ 3,332.8
Operating expenses						
Contract drilling (exclusive of depreciation)	888.6	605.9	46.8	1,541.3	—	1,541.3
Depreciation	270.9	116.8	—	387.7	4.8	392.5
General and administrative	—	—	—	—	111.6	111.6
Operating income (loss)	\$ 879.4	\$ 512.0	\$ 12.4	\$ 1,403.8	\$ (116.4)	\$ 1,287.4

Floaters

Floater revenues for the three-month period ended September 30, 2014 increased \$48.6 million , or 7% , compared to the prior year quarter primarily due to ENSCO DS-7, which commenced its initial drilling contract during the fourth quarter of 2013.

Floater contract drilling expense for the three-month period ended September 30, 2014 declined \$5.7 million , or 2% , compared to the prior year quarter due to lower windstorm insurance costs and lower costs on ENSCO 5006 which was in the shipyard for a capital enhancement project during 2014. These declines were partially offset by the addition of ENSCO DS-7. Contract drilling expense for the three-month period ended September 30, 2013 also included an \$11.0 million provision for doubtful accounts related to OGX receivables.

Depreciation expense was comparable to the prior year quarter. The increase in depreciation due to the addition of ENSCO DS-7 to the fleet was offset by lower depreciation expense as a result of the impairments recorded during the second quarter of 2014.

Floater revenues for the nine-month period ended September 30, 2014 increased by \$117.2 million , or 6% , as compared to the prior year period. The increase in revenues was primarily due to commencement of the ENSCO DS-7 drilling contract during the fourth quarter of 2013 and an increase in average day rates across our Floater fleet. These increases were partially offset by a decline in utilization attributable to certain 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 primarily during the first quarter. 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, as well as inspection related downtime on ENSCO DS-2.

Floater contract drilling expense for the nine-month period ended September 30, 2014 increased by \$77.5 million , or 9% , as compared to the prior year period, primarily due to the aforementioned addition of DS-7 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 5006 and lower windstorm insurance costs. Contract drilling expense for the nine-month period ended September 30, 2013 also included the aforementioned provision for doubtful accounts related to OGX receivables.

We recognized a loss on impairment of \$991.5 million during the nine-month period ended September 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 \$10.1 million , or 4% , primarily due to the addition of DS-7 to our Floater fleet, partially offset by lower depreciation as a result of the impairments recorded during the second quarter of 2014.

Jackups

Jackup revenues for the three-month period ended September 30, 2014 increased by \$52.2 million , or 12% , as compared to the prior year quarter primarily due to commencement of the ENSCO 120 and ENSCO 121 drilling contracts during the first quarter and second quarter of 2014, respectively, and an increase in average day rates across our Jackup fleet. These increases were partially offset by a decline in utilization for certain rigs in the Jackup fleet.

Jackup contract drilling expense for the three-month period ended September 30, 2014 increased \$6.4 million , or 3% , as compared to the prior year quarter due to the aforementioned additions to our Jackup fleet. These increases were partially offset by the gain recognized on the sale of ENSCO 83, ENSCO 89, ENSCO 93 and ENSCO 98. Depreciation expense increased by \$8.1 million , or 21% , primarily due to the additions to our Jackup fleet.

Jackup revenues for the nine-month period ended September 30, 2014 increased by \$153.3 million , or 12% , as compared to the prior year period. The increase in revenues was primarily due to an increase in average day rates across our Jackup fleet and commencement of the ENSCO 120 and ENSCO 121 drilling contracts. These increases were partially offset by a decline in utilization for certain rigs in the Jackup fleet.

Jackup contract drilling expense for the nine-month period ended September 30, 2014 increased \$53.5 million , or 9% , as compared to the prior year period due to the aforementioned additions to our Jackup fleet and an increase in personnel and repair and maintenance costs. Depreciation expense increased by \$15.8 million , or 14% , primarily due to the additions to our Jackup fleet.

Reconciling Items

General and administrative expenses declined \$8.1 million , or 22% , and \$8.0 million , or 7% , for the three-month and nine-month periods ended September 30, 2014 , respectively, as compared to the prior year periods primarily due to lower incentive compensation and burden costs.

Other Income (Expense)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Interest income	\$ 3.1	\$ 4.3	\$ 10.2	\$ 12.3
Interest expense, net:				
Interest expense	(56.0)	(56.1)	(167.6)	(170.3)
Capitalized interest	18.0	15.9	58.6	46.7
	(38.0)	(40.2)	(109.0)	(123.6)
Other, net	(3.5)	34.3	.5	40.1
	\$ (38.4)	\$ (1.6)	\$ (98.3)	\$ (71.2)

Interest income for the three-month and nine-month periods ended September 30, 2014 declined as compared to the respective prior year periods primarily due to declining outstanding principal amounts for reimbursement of mobilization and upgrade costs on certain long-term drilling contracts due from customers.

Interest expense was comparable over the same periods as the average outstanding principal balances associated with our long-term debt instruments remained consistent. The \$1.25 billion debt offering was completed on September 29, 2014 and therefore did not have a significant impact on interest expense for the three-month and nine-month periods ended September 30, 2014 . Interest expense capitalized during the three-month and nine-month periods ended September 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 losses of \$2.5 million and \$900,000 were included in other, net for the three-month and nine-month periods ended September 30, 2014 , respectively. Net foreign currency exchange gains of \$2.2 million and \$7.0 million were included in other, net for the three-month and nine-month periods ended September 30, 2013 , respectively. The \$7.0 million net foreign currency exchange gain for the nine-month period ended September 30, 2013 was primarily attributable to devaluation of the Venezuelan Bolivar.

Net unrealized losses of \$500,000 and net unrealized gains of \$1.0 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 nine-month periods ended September 30, 2014 , respectively. Net unrealized gains of \$2.0 million and \$4.2 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 nine-month periods ended September 30, 2013 , respectively. The fair value measurement of our marketable securities held in the SERP is discussed in Note 2 to our condensed consolidated financial statements.

During the three-month period ended September 30, 2013 , we received a \$30.6 million reimbursement from the Mexican tax authority with respect to the tax authority's draw on letters of credit issued by an EnSCO subsidiary for the benefit of Seahawk under a credit support agreement executed in connection with the 2009 spin-off of Seahawk. The reimbursement was included in other, net in our condensed consolidated statements of income for the three-month and nine-month periods ended September 30, 2013 .

Provision for Income Taxes

EnSCO plc, 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 September 30, 2014 and 2013 was \$65.5 million and \$65.4 million , respectively. Income tax expense for the nine-month periods ended September 30, 2014 and 2013 was \$166.4 million and 164.7 million , respectively.

Our consolidated effective income tax rate for the three-month period ended September 30, 2014 was 12.6% as compared to 14.3% in the prior year quarter. Excluding the impact of discrete income tax items, our consolidated effective income tax rate for the three-month periods ended September 30, 2014 and 2013 was 12.7% and 13.7% , respectively.

Excluding the impact of the \$991.5 million loss on impairment and discrete income tax expense, our consolidated effective income tax rate for the nine-month periods ended September 30, 2014 and 2013 was 11.6% and 12.6% , respectively. The decline in our effective tax rate for the three-month and nine-month periods is primarily attributable to an increase in the relative components of our earnings, excluding discrete items, generated in tax jurisdictions with lower tax rates.

Discontinued Operations

During the nine-month period ended September 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 written down to fair value, less costs to sell, as of May 31, 2014 , and classified as "held for sale" on our September 30, 2014 condensed consolidated balance sheet.

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

Prior to the sale of ENSCO 7500, we will be required to pay the outstanding principal on the 6.36% MARAD bonds due 2015 collateralized by this rig. The outstanding principal balance on these bonds was \$19.0 million as of September 30, 2014 . We recently provided notification to the indenture trustee for the 6.36% MARAD bonds due 2015 that we intend to make an optional redemption of these bonds in December 2014. The outstanding principal balance was included in current maturities of long-term debt on our condensed consolidated balance sheet as of September 30, 2014 .

During the nine-month period ended September 30, 2014 , we sold jackup rig ENSCO 85 for net proceeds of \$64.4 million . The proceeds from the sale were included in investing activities of discontinued operations in our condensed consolidated statement of cash flows for the nine-month period ended September 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 nine-month period ended September 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 nine-month periods ended September 30, 2014 and 2013 .

During the nine-month period ended September 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 discontinued operations in our consolidated statement of cash flows for the year ended December 31, 2013 , as updated. ENSCO 69 and Wisconsin operating results were included in (loss) income from discontinued operations, net in our condensed consolidated statement of operations for the three-month and nine-month periods ended September 30, 2014 and 2013 . We recognized a gain of \$17.9 million in connection with the disposal, which was also included in (loss) income from discontinued operations, net in our condensed consolidated statement of operations for the nine-month period ended September 30, 2014 .

During the nine-month period ended September 30, 2013 , we sold jackup rig Pride Pennsylvania for net proceeds of \$15.5 million . The proceeds from the sale were included in investing activities of discontinued operations in our condensed consolidated statement of cash flows for the nine-month period ended September 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 nine-month period ended September 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 nine-month periods ended September 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. 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 \$10.9 billion, we believe future capital projects, debt service and dividend payments will primarily be funded from cash and cash equivalents, 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 nine-month period ended September 30, 2014, our primary source of cash was \$1.6 billion generated from operating activities of continuing operations and \$1.2 billion in proceeds from our September debt issuance. Our primary use of cash for the same period was \$1.2 billion for the construction, enhancement and other improvement of our drilling rigs and \$526.7 million for dividend payments.

During the nine-month period ended September 30, 2013, our primary source of cash was \$1.3 billion 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 \$1.3 billion for the construction, enhancement and other improvement of our drilling rigs and \$350.2 million for dividend payments.

Cash Flow and Capital Expenditures

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

	2014	2013
Cash flow from operating activities of continuing operations	\$ 1,585.3	\$ 1,349.4
Capital expenditures		
New rig construction	\$ 574.5	\$ 897.0
Rig enhancements	417.4	195.2
Minor upgrades and improvements	255.1	181.4
	\$ 1,247.0	\$ 1,273.6

Cash flow from operating activities of continuing operations increased \$235.9 million, or 17%, for the nine-month period ended September 30, 2014 as compared to the prior year period. The increase primarily resulted from a \$400.4 million increase in cash receipts from contract drilling services and a \$23.6 million decline in cash payments for interest, partially offset by a \$203.7 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 plc to construct two premium jackup rigs (ENSCO 140 and ENSCO 141) during the second quarter of 2014. ENSCO 140 and ENSCO 141 are significantly enhanced versions of the LeTorneau Super 116E jackup design and will incorporate Ensco's patented Canti-Leverage AdvantageSM technology. 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 during the third quarter of 2014 and is committed under a long-term drilling contract expected to commence later this year. 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 under construction (ENSCO DS-8, ENSCO DS-9 and ENSCO DS-10). ENSCO DS-9 and ENSCO DS-8 are committed under long-term contracts and currently scheduled for delivery during the first quarter and second quarter of 2015, respectively. 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, \$10.9 billion of contract backlog, proceeds from the recent debt offering and borrowing capacity under our commercial paper program and revolving credit facility will provide flexibility to make additional investments in our fleet and sustain an adequate level of liquidity.

The following table summarizes the cumulative amount of contractual payments made as of September 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	—	384.1	—	545.5
ENSCO DS-9	157.4	—	375.8	—	533.2
ENSCO DS-10	206.0	—	308.3	—	514.3
ENSCO 110	41.0	—	166.2	—	207.2
ENSCO 123	53.5	—	214.3	—	267.8
ENSCO 140	39.2	39.2	78.0	39.2	195.6
ENSCO 141	39.2	—	118.2	39.2	196.6
	\$ 697.7	\$ 39.2	\$ 1,644.9	\$ 78.4	\$ 2,460.2

⁽¹⁾ Cumulative paid represents the aggregate amount of contractual payments made from commencement of the construction agreement through September 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, were \$72.5 million as of September 30, 2014 . 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 \$750 million for newbuild construction, approximately \$560 million for rig enhancement projects and approximately \$340 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):

	September 30, 2014	December 31, 2013
Total debt	\$ 5,957.7	\$ 4,766.4
Total capital*	\$ 17,794.1	\$ 17,558.0
Total debt to total capital	33.5%	27.1%

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

Senior Notes and Debentures

On September 29, 2014, we issued \$625.0 million aggregate principal amount of unsecured 4.50% senior notes due 2024 at a discount of \$850,000 and \$625.0 million aggregate principal amount of unsecured 5.75% senior notes due 2044 at a discount of \$2.8 million in a public offering. Interest on the 2014 Notes is payable semiannually in April and October of each year commencing April 1, 2015. The 2014 Notes were issued pursuant to an Indenture between us and Deutsche Bank Trust Company Americas, as trustee (the "Trustee"), dated March 17, 2011 and a Second Supplemental Indenture between us and the Trustee, dated September 29, 2014 (the "2014 Supplemental Indenture"). We expect to use the net proceeds from this offering for general corporate purposes, which may include payments with respect to our rigs under construction and other capital expenditures.

As of September 30, 2014, in addition to the 2014 Notes, 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 September 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

On September 30, 2014, we entered into an amendment to the Fourth Amended and Restated Credit Agreement (the "Five-Year Credit Facility"), among Ensco, Citibank, N.A., as Administrative Agent, DNB Bank ASA, as Syndication Agent, and a syndicate of banks. This amendment extended the Five-Year Credit Facility maturity date from May 7, 2018 to September 30, 2019 and increased the total commitment of the lenders from \$2.0 billion to \$2.25 billion. As amended, the Five-Year Credit Facility provides for a \$2.25 billion senior unsecured revolving credit facility to be used for general corporate purposes.

Advances under the Five-Year 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 of the Five-Year Credit Facility. We are required to pay a quarterly commitment fee (currently 0.125% per annum) on the undrawn portion of the \$2.25 billion commitment, which is also based on our credit rating. In addition to other customary restrictive covenants, the Five-Year Credit Facility requires us to maintain a total debt to total capitalization ratio of less than or equal to 50%. We have the right, subject to lender consent, to increase the commitments under the Five-Year Credit Facility to an aggregate amount of up to \$2.75 billion. We had no amounts outstanding under the Five-Year Credit Facility as of September 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. During the second quarter of 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 are limited by the amount of our available and unused committed capacity under our credit facility. The proceeds of such financings may be used for capital expenditures and other general corporate purposes. The commercial paper bears 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 September 30, 2014 and December 31, 2013 .

Other Financing

As of September 30, 2014 , we had \$103.3 million outstanding under our Maritime Administration bond issues, \$19.0 million of which is due in December 2015. The remaining \$84.3 million outstanding is due in 2016 and 2020. We make semiannual principal and interest payments on these bonds. The \$19.0 million due in December 2015 is outstanding principal on the 6.36% MARAD bonds collateralized by ENSCO 7500. Prior to the sale of this rig, we will be required to pay the outstanding principal. We recently provided notification to the indenture trustee for the 6.36% MARAD bonds due 2015 that we intend to make an optional redemption of these bonds in December 2014. The outstanding principal balance was included in current maturities of long-term debt on our condensed consolidated balance sheet as of September 30, 2014 .

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 2013, our shareholders approved a new share repurchase program. Subject to certain provisions under English law, including the requirement of Ensco 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 September 30, 2014 , we were contingently liable in the aggregate amount of \$246.5 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 September 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):

	September 30, 2014	December 31, 2013
Cash and cash equivalents	\$ 1,173.7	\$ 165.6
Restricted cash	211.8	—
Short-term investments	45.3	50.0
Working capital	1,898.9	487.9
Current ratio	2.7	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, restricted cash, 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.

Capital Reorganization

In June 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 Enesco 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 any period as a result of the Capital Reorganization.

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.

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 September 30, 2014, we had cash flow hedges outstanding to exchange an aggregate \$391.2 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 September 30, 2014, we held derivatives not designated as hedging instruments to exchange an aggregate \$211.2 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 September 30, 2014 would approximate \$27.6 million. Approximately \$18.0 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, as updated on September 22, 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 the second quarter of 2014, demand for floaters deteriorated as a result of continued reduction in capital spending by operators in addition to recently announced delays in operators' drilling programs. The reduction in demand, combined with the increasing supply from newbuild floater deliveries, 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 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 and committed to a plan to sell five rigs. These rigs were written down to fair value, less costs to sell, as of May 31, 2014 and classified as "held for sale" on our September 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 nine-month period ended September 30, 2014 . The impairment charge was included in (loss) income from discontinued operations, net in our condensed consolidated statement of operations for the nine-month period ended September 30, 2014 . See "Note 9 - 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 as of May 31, 2014 , we recorded an additional non-cash loss on impairment with respect to four other floaters totaling \$991.5 million . The impairment charge was included in loss on impairment in our condensed consolidated statement of operations for the nine-month period ended September 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 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 utilized 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 reflected 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 of the Floaters reporting unit 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 aggregate fair values of our reporting units exceeded our market capitalization, and we believe the resulting implied control premium was reasonable based on recent market transactions within our industry or other relevant benchmark data.

Our stock price declined significantly during September and October 2014 reaching a twelve-month low of \$35.96 on October 10th. Our stock price traded between \$47.85 and \$57.45 during the eight-month period ended August 2014. The average stock price for the three-month period ended September 30, 2014 was \$49.01 , including average stock prices of \$52.79 and \$48.78 in July and August, respectively.

A sustained decline in our stock price is one of several qualitative factors we consider each quarter when evaluating whether events or changes in circumstances indicate that a potential goodwill impairment exists. We concluded that the decline in stock price observed in September and October did not represent a sustained decline and that no triggering events occurred during the third quarter requiring an interim goodwill impairment test as of September 30, 2014.

If our Floater operating performance or Floater anticipated business outlook deteriorates and/or our stock trades at current levels for a sustained period, our Floaters reporting unit estimated fair value could decline below its carrying value, resulting in a goodwill impairment.

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;
- sustained declines in our stock price;
- 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.

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. The adoption of ASU 2014-08 is expected to reduce the number of components reported as discontinued operations prospectively 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 on January 1, 2017. Early application is not permitted. 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.

In August 2014, the Financial Accounting Standards Board issued Accounting Standards Update 2014-15, *Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* ("Update 2014-15"). The new guidance clarifies management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. Update 2014-15 is effective for annual periods ending after December 15, 2016 and for annual periods and interim periods thereafter. Early adoption is permitted. We will adopt the accounting standard on 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 September 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 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. During 2012, the DOJ moved to (i) dismiss the charges against Pride and end the DPA one year prior to its scheduled expiration; and (ii) 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 Illinois, Mississippi, Texas, Louisiana and the UK by approximately 125 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.

During 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 September 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 received a notice of assessment from the Bureau of Safety and Environmental Enforcement ("BSEE") in June 2014 relating to an unintended disconnect on ENSCO 8500, pursuant to which BSEE assessed a fine in the amount of \$330,000. The elements of the fine included a small discharge of pollutants into the Gulf of Mexico and other elements that are indirectly related as the reason the discharge occurred. We accrued a \$330,000 liability for these fines as of June 30, 2014. Following an August meeting with BSEE representatives to discuss and review the penalty notice and underlying facts, BSEE reduced the civil penalty assessment from \$330,000 to \$70,000. The \$330,000 accrued liability related to this matter was reduced to \$70,000 and included in accrued liabilities and other on our condensed consolidated balance sheet as of September 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. 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.

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 September 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>
July 1 - July 31	3,405	\$ 54.69	—	\$ 2,000,000,000
August 1 - August 31	7,161	\$ 50.49	—	\$ 2,000,000,000
September 1 - September 30	9,635	\$ 48.63	—	\$ 2,000,000,000
Total	20,201	\$ 50.31	—	

(1) During the three-month period ended September 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 2013, our shareholders approved a new share repurchase program. Subject to certain provisions under English law, including the requirement of Ensco 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. As of September 30, 2014 , no shares have been repurchased under the share repurchase program. The program terminates in May 2018.

Item 6. Exhibits

Exhibit Number	Exhibit
*4.1	Second Supplemental Indenture by and between Enscopl and Deutsche Bank Trust Company Americas, as trustee.
*4.2	Form of Note for 4.50% Senior Notes due 2024 (included in Exhibit 4.1).
*4.3	Form of Note for 5.75% Senior Notes due 2044 (included in Exhibit 4.1).
10.1	First Amendment to Fourth Amended and Restated Credit Agreement dated as of September 30, 2014 by and among Enscopl, Pride International, Inc., the lenders party hereto and Citibank, N.A., as Administrative Agent (incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on October 1, 2014, File No. 1-8097).
*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.
**32.1	Certification of the Chief Executive Officer of Registrant Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
**32.2	Certification of the Chief Financial Officer of Registrant Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*101.INS	XBRL Instance Document
*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: October 30, 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)

INDEX TO EXHIBITS

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* Filed herewith.

** Furnished herewith.

4.50% SENIOR NOTES DUE 2024

5.75% SENIOR NOTES DUE 2044

SECOND SUPPLEMENTAL INDENTURE

between

ENSCO PLC

and

DEUTSCHE BANK TRUST COMPANY AMERICAS

Dated as of September 29, 2014

TABLE OF CONTENTS

ARTICLE 1 DEFINITIONS

Section 1.01.	<u>Definition of Terms</u>	2
---------------	----------------------------	---

ARTICLE 2 TERMS AND CONDITIONS OF THE NOTES

Section 2.01.	<u>Designation and Principal Amount</u>	9
Section 2.02.	<u>Original Issue of Notes; Further Issuances</u>	9
Section 2.03.	<u>Maturity</u>	9
Section 2.04.	<u>Interest</u>	9
Section 2.05.	<u>Place of Payment</u>	10
Section 2.06.	<u>Form; Denomination</u>	10
Section 2.07.	<u>Legend</u>	11
Section 2.08.	<u>Special Transfer Provisions</u>	11
Section 2.09.	<u>Depository</u>	12

ARTICLE 3 REDEMPTION OF THE NOTES

Section 3.01.	<u>Optional Redemption by Company</u>	12
Section 3.02.	<u>Optional Redemption by Company Due to Certain Tax Changes</u>	14
Section 3.03.	<u>No Sinking Fund</u>	14

ARTICLE 4 ADDITIONAL AMOUNTS

Section 4.01.	<u>Additional Amounts</u>	15
---------------	---------------------------	----

ARTICLE 5 COVENANTS

Section 5.01.	<u>Limitation on Liens</u>	17
Section 5.02.	<u>Limitation on Sale/Leaseback Transactions</u>	18
Section 5.03.	<u>Reports by Company</u>	19

ARTICLE 6 CONSOLIDATION, MERGER AND SALE OF ASSETS

Section 6.01.	<u>Consolidation, Merger and Sale of Assets</u>	19
---------------	---	----

ARTICLE 7 EVENTS OF DEFAULT

Section 7.01.	<u>Events of Default</u>	20
---------------	--------------------------	----

ARTICLE 8
PATRIOT ACT; FORCE MAJEURE

Section 8.01. Patriot Act; Force Majeure 22

ARTICLE 9
MISCELLANEOUS

Section 9.01. Ratification of Indenture 22

Section 9.02. Trustee Not Responsible for Recitals 22

Section 9.03. Governing Law 23

Section 9.04. Separability 23

Section 9.05. Counterparts 23

Section 9.06. Submission to Jurisdiction; Appointment of Agent for Service of Process 23

SECOND SUPPLEMENTAL INDENTURE, dated as of September 29, 2014 (this “**Supplemental Indenture**”), between Enscopl, a public limited company organized under the laws of England and Wales (the “**Company**”), and Deutsche Bank Trust Company Americas, as trustee (the “**Trustee**”) under the Indenture, dated as of March 17, 2011, between the Company and the Trustee (the “**Indenture**”).

WHEREAS, the Company executed and delivered the Indenture to the Trustee to provide, among other things, for the future issuance of the Company’s unsecured Securities to be issued from time to time in one or more series as might be determined by the Company under the Indenture, in an unlimited aggregate principal amount which may be authenticated and delivered as provided in the Indenture;

WHEREAS, Section 901 of the Indenture provides for various matters with respect to any series of Securities issued under the Indenture to be established in an indenture supplemental to the Indenture;

WHEREAS, Section 901 of the Indenture provides for the Company and the Trustee to enter into an indenture supplemental to the Indenture to establish the form or terms of Securities of any series as provided by Sections 201 and 301 of the Indenture;

WHEREAS, the Board of Directors has duly adopted resolutions authorizing the Company to execute and deliver this Supplemental Indenture;

WHEREAS, pursuant to the terms of the Indenture, the Company desires to provide for the establishment of two new series of its Securities to be known as its 4.50% Senior Notes due 2024 (the “**2024 Notes**”) and its 5.75% Senior Notes due 2044 (the “**2044 Notes**”) and, together with the 2024 Notes, the “**Notes**”), the form and substance of such Notes and the terms, provisions and conditions thereof to be set forth as provided in the Indenture and this Supplemental Indenture;

WHEREAS, the Company has requested that the Trustee execute and deliver this Supplemental Indenture and all requirements necessary to make (i) this Supplemental Indenture a valid instrument in accordance with its terms, and (ii) the Notes, when executed by the Company and authenticated and delivered by the Trustee, the valid obligations of the Company, have been performed, and the execution and delivery of this Supplemental Indenture has been duly authorized in all respects;

NOW THEREFORE, in consideration of the purchase and acceptance of the Notes by the Holders thereof, and for the purpose of setting forth, as provided in the Indenture, the form and substance of the Notes and the terms, provisions and conditions thereof, the Company covenants and agrees with the Trustee as follows:

ARTICLE 1 DEFINITIONS

Section 1.01. Definition of Terms. Unless the context otherwise requires:

- (a) a term defined in the Indenture has the same meaning when used in this Supplemental Indenture unless the definition of such term is amended and supplemented pursuant to this Supplemental Indenture, in which case the definition in this Supplemental Indenture shall govern solely with respect to the Notes;
 - (b) a term defined anywhere in this Supplemental Indenture has the same meaning throughout;
 - (c) the singular includes the plural and vice versa;
 - (d) a reference to a Section or Article is to a Section or Article in this Supplemental Indenture;
 - (e) headings are for convenience of reference only and do not affect interpretation;
-

(f) in the Indenture, references to Section 501(7) or (8) of the Indenture are, with respect to the Notes, changed to Section 501(a)(iv) or (v) of the Indenture as supplemented by this Supplemental Indenture;

(g) the following terms have the meanings given to them in this Section 1.01(g):

“ **2024 Notes** ” shall have the meaning set forth in the recitals above.

“ **2044 Notes** ” shall have the meaning set forth in the recitals above.

“ **Additional Amounts** ” shall have the meaning set forth in Section 4.01(a).

“ **Attributable Indebtedness** ,” when used with respect to any Sale/Leaseback Transaction, means, as at the time of determination, the present value (discounted at the rate set forth or implicit in the terms of the lease included in such transaction) of the total obligations of the lessee for rental payments (other than amounts required to be paid on account of taxes, maintenance, repairs, insurance, assessments, utilities, operating and labor costs and other items which do not constitute payments for property rights) during the remaining term of the lease included in such Sale/Leaseback Transaction (including any period for which such lease has been extended). In the case of any lease which is terminable by the lessee upon the payment of a penalty, such net amount shall be the lesser of the net amount determined assuming termination upon the first date such lease may be terminated (in which case the net amount shall also include the amount of the penalty, but no rent shall be considered as required to be paid under such lease subsequent to the first date upon which it may be so terminated) or the net amount determined assuming no such termination.

“ **Bankruptcy Act** ” means the Bankruptcy Act or Title 11 of the United States Code, as amended.

“ **Bankruptcy Law** ” shall have the meaning set forth in Section 7.01(a).

“ **Board of Directors** ” means the Company’s Board of Directors or comparable governing body or any committee thereof duly authorized, with respect to any particular matter, to act by or on behalf of the Company’s Board of Directors or comparable governing body.

“ **Capitalized Lease Obligation** ” of any Person means any obligation of such Person to pay rent or other amounts under a lease of property, real or personal, that is required to be accounted for as a capital lease for financial reporting purposes in accordance with GAAP; and the amount of such obligation shall be the capitalized amount thereof determined in accordance with GAAP.

“ **Company** ” means the Person named as the “Company” in the preamble above until a successor Person shall have become such pursuant to the applicable provisions of the Indenture, and thereafter “Company” shall mean such successor Person.

“ **Comparable Treasury Issue** ” shall have the meaning set forth in Section 3.01(c).

“ **Comparable Treasury Price** ” shall have the meaning set forth in Section 3.01(c).

“ **Consolidated Net Tangible Assets** ” means the total amount of assets (after deducting applicable reserves and other properly deductible items) less:

- (i) all current liabilities (excluding liabilities that are extendible or renewable at the Company’s option to a date more than 12 months after the date of calculation and excluding current maturities of long-term Indebtedness); and
- (ii) all goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangible assets.

The Company will calculate its Consolidated Net Tangible Assets based on its most recent quarterly balance sheet and in accordance with GAAP.

“ **Custodian** ” shall have the meaning set forth in Section 7.01(a).

“ **Entity** ” means a corporation, limited liability company or business trust (or functional equivalent of the foregoing under applicable foreign law).

“ **Exchange Act** ” means the Securities Exchange Act of 1934, as amended.

“ **Event of Default** ” shall have the meaning set forth in Section 7.01(a).

“ **Funded Indebtedness** ” means all Indebtedness that matures on or is renewable to a date more than one year after the date the Indebtedness is incurred.

“ **GAAP** ” means United States generally accepted accounting principles and policies consistent with those applied in the preparation of the Company’s financial statements.

“ **Global Note** ” shall have the meaning set forth in Section 2.06(c).

“ **Indebtedness** ” means:

- (i) all indebtedness for borrowed money (whether full or limited recourse);
- (ii) all obligations evidenced by bonds, debentures, notes or other similar instruments;
- (iii) all obligations under letters of credit or other similar instruments, other than standby letters of credit, performance bonds and other obligations issued in the ordinary course of business, to the extent not drawn or, to the extent drawn, if such drawing is reimbursed not later than the third Business Day following demand for reimbursement;
- (iv) all obligations to pay the deferred and unpaid purchase price of property or services, except trade payables and accrued expenses incurred in the ordinary course of business;
- (v) all Capitalized Lease Obligations;
- (vi) all Indebtedness of others secured by a Lien on any asset of the Person in question (*provided* that if the obligations so secured have not been assumed in full or are not otherwise fully the Person’s legal liability, then such obligations may be reduced to the value of the asset or the liability of the Person); or
- (vii) all Indebtedness of others (other than endorsements in the ordinary course of business) guaranteed by the Person in question to the extent of such guarantee.

“ **Indenture** ” shall have the meaning set forth in the preamble above.

“ **Interest Payment Date** ” shall have the meaning set forth in Section 2.04(a).

“ **Issue Date** ” means September 29, 2014, the date on which the Notes were first authenticated and delivered under the Indenture.

“ **Joint Venture** ” means any partnership, corporation or other entity in which up to and including 50% of the partnership interests, outstanding voting stock or other equity interests is owned, directly or indirectly, by the Company and/or one or more Subsidiaries. A Joint Venture is not treated as a Subsidiary.

“ **Lien** ” means any mortgage, pledge, lien, charge, security interest or similar encumbrance. The Company or any of its Subsidiaries shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, Capitalized Lease Obligation or other title retention agreement relating to such asset.

“ **Notes** ” shall have the meaning set forth in the recitals above.

“ **Officers** ” means the Company’s Chairman of the Board, President, Vice President, Treasurer, Controller, Secretary, Assistant Treasurer, Assistant Controller or Assistant Secretary.

“ **Officers’ Certificate** ” means a certificate signed by two Officers and delivered to the Trustee, which certificate shall be in compliance with the Indenture.

“ **Optional Redemption Price** ” shall have the meaning set forth in Section 3.01(a).

“ **Par Call Date** ” shall have the meaning set forth in Section 3.01(c).

“ **Pari Passu Indebtedness** ” means any of the Company’s Indebtedness, whether outstanding on the Issue Date or thereafter created, incurred or assumed, unless, in the case of any particular Indebtedness, the instrument creating or evidencing the same or pursuant to which the same is outstanding expressly provides that such Indebtedness shall be subordinated in right of payment to the Notes.

“ **Permitted Liens** ” means:

- (i) Liens existing on the Issue Date;
 - (ii) Liens on property or assets of, or any shares of stock of, or other equity interests in, or Indebtedness of, any Person existing at the time such Person becomes a Subsidiary of the Company or at the time such Person is merged into or consolidated with the Company or any of its Subsidiaries or at the time of a sale, lease or other disposition of the properties of a Person (or a division thereof) as an entirety or substantially as an entirety to the Company or a Subsidiary, and not incurred in contemplation of such merger, consolidation, sale, lease or other disposition;
 - (iii) Liens in favor of the Company or any of its Subsidiaries or Liens securing debt of a Subsidiary owing to the Company or to another Subsidiary;
 - (iv) Liens in favor of governmental bodies to secure partial, progress, advance or other payments or performance pursuant to the provisions of any contract or statute;
 - (v) Liens securing industrial revenue, pollution control or similar revenue bonds;
 - (vi) Liens on assets existing at the time of acquisition thereof, securing all or any portion of the cost of acquiring, constructing, improving, developing, expanding or repairing such assets or securing Indebtedness incurred prior to, at the time of, or within 24 months after, the later of the acquisition, the completion of construction, improvement, development, expansion or repair or the commencement of commercial operation of such assets, for the purpose of (a) financing all or any part of the purchase price of such assets or (b) financing all or any part of the cost of construction, improvement, development, expansion or repair of any such assets;
 - (vii) statutory liens or landlords’, carriers’, warehouseman’s, mechanics’, suppliers’, materialmen’s, repairmen’s, maritime or other like Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate proceedings;
 - (viii) Liens in connection with in rem and other legal proceedings, which are being contested in good faith;
 - (ix) Liens securing taxes, assessments, government charges or levies not yet due or delinquent, or which can thereafter be paid without penalty, or which are being contested in good faith by appropriate proceedings;
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- (x) Liens on the stock, partnership or other equity interest of the Company or any Subsidiary in any Joint Venture or any Subsidiary that owns an equity interest in such Joint Venture to secure Indebtedness, *provided* the amount of such Indebtedness is contributed and/or advanced solely to such Joint Venture;
- (xi) Liens incurred in the ordinary course of business to secure performance of tenders, bids or contracts entered into in the ordinary course of business, including without limitation any rights of offset or liquidated damages, penalties, or other fees that may be contractually agreed to in conjunction with any tender, bid, or contract entered into by the Company or any of its Subsidiaries in the ordinary course of business;
- (xii) Liens on current assets of the Company or any of its Subsidiaries securing the Company's Indebtedness or Indebtedness of any such Subsidiary, respectively;
- (xiii) deposits made in connection with maintaining self-insurance, to obtain the benefits of laws, regulations or arrangements relating to unemployment insurance, old age pensions, social security or similar matters or to secure surety, appeal or customs bonds; and
- (xiv) any extensions, substitutions, replacements or renewals in whole or in part of a Lien enumerated in clauses (i) through (xiii) above, *provided* that the amount of Indebtedness secured by such extension, substitution, replacement or renewal shall not exceed the principal amount of Indebtedness being substituted, extended, replaced or renewed, together with the amount of any premiums, fees, costs and expenses associated with such substitution, extension, replacement or renewal, nor shall the pledge, mortgage or lien be extended to any additional Principal Property unless otherwise permitted under Section 5.01.

“ **Person** ” means any individual, corporation, partnership, limited liability company, joint venture, incorporated or unincorporated association, joint stock company, trust, unincorporated organization or government or other agency or political subdivision thereof or other entity of any kind.

“ **Primary Treasury Dealer** ” shall have the meaning set forth in Section 3.01(c).

“ **Principal Property** ” means any drilling rig or drillship, or integral portion thereof, owned or leased by the Company or any Subsidiary and used for drilling offshore oil and gas wells, which, in the opinion of the Board of Directors, is of material importance to the business of the Company and its Subsidiaries taken as a whole, but no such drilling rig or drillship, or portion thereof, shall be deemed of material importance if its net book value (after deducting accumulated depreciation) is less than 2% of Consolidated Net Tangible Assets.

“ **Quotation Agent** ” shall have the meaning set forth in Section 3.01(c).

“ **Reference Treasury Dealer** ” shall have the meaning set forth in Section 3.01(c).

“ **Reference Treasury Dealer Quotations** ” shall have the meaning set forth in Section 3.01(c).

“ **Sale/Leaseback Transaction** ” means any arrangement with any Person pursuant to which the Company or any Subsidiary leases any Principal Property that has been or is to be sold or transferred by the Company or the Subsidiary to such Person, other than (1) temporary leases for a term, including renewals at the option of the lessee, of not more than five years; (2) leases between the Company and a Subsidiary or between Subsidiaries; and (3) leases of Principal Property executed by the time of, or within 12 months after the latest of, the acquisition, the completion of construction, alteration, improvement or repair, or the commencement of commercial operation, of the Principal Property.

“ **Subsidiary** ” means a Person at least a majority of the outstanding Voting Stock of which is owned, directly or indirectly, by the Company or by one or more other Subsidiaries, or by the Company and one or more other Subsidiaries. A Joint Venture is not treated as a Subsidiary.

“ **Supplemental Indenture** ” shall have the meaning set forth in the preamble above.

“ **Tax Jurisdiction** ” shall have the meaning set forth in Section 4.01(a).

“ **Taxes** ” shall have the meaning set forth in Section 4.01(a).

“ **Treasury Rate** ” shall have the meaning set forth in Section 3.01(c).

“ **Trustee** ” means the Person named as the “Trustee” in the preamble above until a successor Trustee shall have become such pursuant to the applicable provisions of the Indenture, and thereafter “Trustee” shall mean or include each Person who is then a Trustee thereunder, and if at any time there is more than one such Person, “Trustee” as used with respect to the Notes of either series shall mean the Trustee with respect to Notes of that series.

“ **Voting Stock** ” means, with respect to any Person, securities of any class or classes of capital stock of such Person entitling the holders thereof (whether at all times or at the times that such class of capital stock has voting power by reason of the happening of any contingency) to vote in the election of members of the board of directors or comparable body of such Person.

“ **Wholly Owned Subsidiary** ” means, with respect to a Person, any Subsidiary of that Person to the extent:

- (i) all of the Voting Stock of such Subsidiary, other than any director’s qualifying shares mandated by applicable law, is owned directly or indirectly by such Person; or
- (ii) such Subsidiary is organized in a foreign jurisdiction and is required by the applicable laws and regulations of such foreign jurisdiction to be partially owned by another Person, if such Person:
 - (a) directly or indirectly owns the remaining capital stock of such Subsidiary; and
 - (b) by contract or otherwise, controls the management and business of such Subsidiary and derives the economic benefits of ownership of such Subsidiary to substantially the same extent as if such Subsidiary were a Wholly Owned Subsidiary.

ARTICLE 2 TERMS AND CONDITIONS OF THE NOTES

Section 2.01. Designation and Principal Amount.

- (a) 4.50% Senior Notes due 2024 .

There is hereby authorized a series of Securities designated the “4.50% Senior Notes due 2024” initially offered in the aggregate principal amount of \$625,000,000, which amount shall be as set forth in a Company Order for the authentication and delivery of such Notes pursuant to Section 303 of the Indenture.

- (b) 5.75% Senior Notes due 2044 .

There is hereby authorized a series of Securities designated the “5.75% Senior Notes due 2044” initially offered in the aggregate principal amount of \$625,000,000, which amount shall be as set forth in a Company Order for the authentication and delivery of such Notes pursuant to Section 303 of the Indenture.

Section 2.02. Original Issue of Notes; Further Issuances.

(a) 2024 Notes having an aggregate principal amount of \$625,000,000 and 2044 Notes having an aggregate principal amount of \$625,000,000 may, upon execution of this Supplemental Indenture, be executed by the Company and delivered to the Trustee for authentication, and the Trustee shall thereupon authenticate and deliver said Notes to or upon a Company Order, without any further action by the Company, except as otherwise required by the Indenture.

(b) The Company may, without notice to or the consent of the Holders of the 2024 Notes or the 2044 Notes, issue additional Notes of such series having identical terms and conditions as the respective series of Notes, other than with respect to the date of issuance, issue price and first Interest Payment Date, in an unlimited aggregate principal amount. Any such additional notes will be part of the same series as the 2024 Notes or 2044 Notes, as applicable, and will be treated as one class with such respective series of Notes, including, without limitation, for purposes of voting and redemptions.

Section 2.03. Maturity. The 2024 Notes will mature on October 1, 2024, and the 2044 Notes will mature on October 1, 2044.

Section 2.04. Interest.

(a) The 2024 Notes will bear interest at the rate of 4.50% per annum, and the 2044 Notes will bear interest at the rate of 5.75% per annum, from the most recent Interest Payment Date to which interest has been paid or duly provided for or, if no interest has been paid, from the Issue Date until the principal thereof becomes due and payable, payable semi-annually in arrears on April 1 and October 1 of each year (each, an “**Interest Payment Date**”), commencing on April 1, 2015, to the Person in whose name such Note or any Predecessor Security is registered, at the close of business on the Regular Record Date for such interest installment, which shall be the close of business on March 15 or September 15 (whether or not a Business Day), as the case may be, immediately preceding such Interest Payment Date, and at the foregoing respective rates on overdue principal.

(b) The amount of interest payable for any period less than a full interest period will be computed on the basis of a 360-day year of twelve 30-day months and the actual days elapsed in a partial month in such period. In the event that any date on which interest is payable on the Notes is not a Business Day, then payment of the interest payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay) with the same force and effect as if made on the date such payment was originally payable.

Section 2.05. Place of Payment. The Place of Payment where Notes may be presented or surrendered for payment, where Notes may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company in respect of the Notes and the Indenture may be served initially is the Corporate Trust Office of the Trustee.

Section 2.06. Form; Denomination.

(a) The 2024 Notes and the Trustee’s Certificate of Authentication to be endorsed thereon are to be substantially in the form of Exhibit A hereto.

(b) The 2044 Notes and the Trustee’s Certificate of Authentication to be endorsed thereon are to be substantially in the form of Exhibit B hereto.

(c) The 2024 Notes and the 2044 Notes shall each be issued initially in the form of one or more permanent Global Notes in registered form, without coupons, substantially in the form herein below recited (each, a “**Global Note**” and collectively, the “**Global Notes**”), deposited with the Trustee, as custodian for the Depository, duly executed by the Company and authenticated by the Trustee as herein provided.

The aggregate principal amount of each Global Note may from time to time be increased or decreased by adjustments made on the records of the Trustee, as custodian for the Depository or its nominee, as provided in Section 203 of the Indenture.

(d) The Notes shall be issuable only in registered form, without coupons, in denominations of \$2,000 and integral multiples of \$1,000 in excess thereof. The Notes shall be numbered, lettered, or otherwise distinguished in

such manner or in accordance with such plans as the officers of the Company executing the same may determine with the approval of the Trustee.

(e) With respect to the Notes, the first sentence of Section 303 of the Indenture shall be replaced in its entirety with the following:

The Notes shall be executed on behalf of the Company by two Officers.

Section 2.07. Legend. Each Global Note shall bear the following legend on the face thereof:

UNLESS THIS GLOBAL NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (“DTC”), NEW YORK, NEW YORK, TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY GLOBAL NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO., OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO DTC, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR’S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO ON THE REVERSE HEREOF.

Section 2.08. Special Transfer Provisions.

(a) A Global Note may be transferred, in whole but not in part, only to the Depository, to a nominee of the Depository, or to a successor Depository selected or approved by the Company or to a nominee of such successor Depository.

(b) If at any time (i) the Depository for a series of Notes notifies the Company that it is unwilling or unable to continue as Depository or if at any time the Depository for such series shall no longer be registered or in good standing under the Exchange Act or other applicable statute or regulation, and a successor Depository for such series is not appointed by the Company within 90 days after the Company receives such notice or becomes aware of such condition, as the case may be, or (ii) an Event of Default with respect to Notes of a series shall have occurred and be continuing and the Depository requests the issuance of Notes of such series in definitive registered form, the Company will execute, and, subject to Article III of the Indenture, the Trustee, upon written notice from the Company, will authenticate and make available for delivery the Notes of such series in definitive registered form without coupons, in authorized denominations, and in an aggregate principal amount equal to the principal amount of the Global Note for such series in exchange for the Global Note for such series. In addition, the Company may (subject to the procedures of the Depository) at any time determine that the Notes of such series shall no longer be represented by a Global Note. In such event the Company will execute, and subject to Section 305 of the Indenture, the Trustee, upon receipt of an Officers’ Certificate evidencing such determination by the Company, will authenticate and deliver the Notes of such series in definitive registered form without coupons, in authorized denominations, and in an aggregate principal amount equal to the principal amount of the Global Note for such series in exchange for the Global Note for such series. Upon the exchange of the Global Note for the Notes of such series in definitive registered form without coupons, in authorized denominations, the Global Note for such series shall be cancelled by the Trustee. Such Notes in definitive registered form issued in exchange for the Global Note for such series shall be registered in such names and in such authorized denominations as the Depository, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Trustee. The Trustee shall deliver such Notes to the Depository for delivery to the Persons in whose names such Notes are so registered.

Section 2.09. Depository.

The Depository Trust Company shall be the initial Depository, until a successor shall have been appointed and become such pursuant to the applicable provisions of this Supplemental Indenture, and thereafter, “ **Depository** ” shall mean or include such successor.

ARTICLE 3
REDEMPTION OF THE NOTES

Section 3.01. Optional Redemption by Company

(a) Subject to Article XI of the Indenture, the Company shall have the right to redeem the 2024 Notes or the 2044 Notes, in whole at any time or in part from time to time prior to their maturity. If the Company elects to redeem the 2024 Notes before July 1, 2024 or the 2044 Notes before April 1, 2044, the Company will pay a redemption price (the “ **Optional Redemption Price** ”) equal to the greater of:

(i) 100% of the principal amount of the Notes of such series being redeemed; and

(ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon (not including any portion of such payments of interest accrued as of the Redemption Date), that would be due if the Notes of such series matured on the applicable Par Call Date discounted to the Redemption Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined below), plus 30 basis points in the case of the 2024 Notes and plus 40 basis points in the case of the 2044 Notes,

plus , in each case, accrued interest thereon to the Redemption Date.

If the Company elects to redeem the 2024 Notes on or after July 1, 2024 or the 2044 Notes on or after April 1, 2044, the Company will pay an amount equal to 100% of the principal amount of the Notes redeemed plus accrued interest thereon to the Redemption Date.

Notwithstanding the foregoing, installments of interest on a series of Notes being redeemed that are due and payable on Interest Payment Dates falling on or prior to a Redemption Date will be payable on the Interest Payment Date to the registered Holders as of the close of business on the relevant record date according to such series of Notes and the Indenture.

Unless the Company defaults in payment of the Optional Redemption Price, on and after the Redemption Date, interest will cease to accrue on the series of Notes or portions thereof called for redemption. If less than all of a series of the Notes are to be redeemed, the Notes to be redeemed shall be selected by lot by the Depository, in the case of Notes represented by a Global Note, or by the Trustee by a method the Trustee deems to be fair and appropriate and in accordance with any applicable procedures of the Depository, in the case of Notes that are not represented by a Global Note.

(b) Notice of any redemption pursuant to this Section 3.01 shall be given as provided in Section 1104 of the Indenture except that any notice of such redemption shall not specify the related Optional Redemption Price but only the manner of calculation thereof. The Trustee shall not be responsible for the calculation of such Optional Redemption Price. The Company shall calculate such Optional Redemption Price and promptly notify the Trustee thereof.

(c) The following terms have the meanings given to them in this Section 3.01(c):

“ **Comparable Treasury Issue** ” means the United States Treasury security selected by the Quotation Agent as having a maturity comparable to the remaining term of the series of Notes (assuming, for this purpose, that such series of Notes matured on the applicable Par Call Date) to be redeemed that would be utilized, at

the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such Notes.

“ **Comparable Treasury Price** ” means, with respect to any Redemption Date, (i) the average of two Reference Treasury Dealer Quotations for such Redemption Date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (ii) if the Company is given fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations, or (iii) if only one Reference Treasury Dealer Quotation is received, such quotation.

“ **Par Call Date** ” means (i) with respect to the 2024 Notes, July 1, 2024 and (ii) with respect to the 2044 Notes, April 1, 2044.

“ **Quotation Agent** ” means the Reference Treasury Dealer appointed by the Company.

“ **Reference Treasury Dealer** ” means each of Citigroup Global Markets Inc., Deutsche Bank Securities Inc. (or their respective affiliates that are Primary Treasury Dealers) and their respective successors and two other nationally recognized investment banking firms that are primary U.S. Government securities dealers specified from time to time by the Company; *provided, however*, that if any of the foregoing shall cease to be a primary U.S. Government securities dealer in New York City (a “ **Primary Treasury Dealer** ”), the Company will substitute therefor another Primary Treasury Dealer.

“ **Reference Treasury Dealer Quotations** ” means, with respect to each Reference Treasury Dealer and any Redemption Date, the average, as determined by the Company of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Company by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day preceding such Redemption Date.

“ **Treasury Rate** ” means, with respect to any Redemption Date, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such Redemption Date.

Section 3.02. Optional Redemption by Company Due to Certain Tax Changes.

(a) The Company may redeem the Notes, in whole but not in part, at its option upon giving not less than 30 nor more than 60 days' prior written notice to the Trustee and the Holders of the Notes, at a redemption price equal to 100% of the aggregate principal amount thereof, together with accrued and unpaid interest, if any, to the Redemption Date and all Additional Amounts, if any, which otherwise would be payable, if on the next date on which any amount would be payable in respect of the Notes, the Company would be required to pay Additional Amounts, and the Company cannot avoid any such payment obligation by taking reasonable measures available to it, as a result of:

(i) any amendment to, or change in, the laws, Tax treaties or any regulations or rulings promulgated thereunder of a relevant Tax Jurisdiction which is announced and becomes effective after September 24, 2014 (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after September 24, 2014, such later date); or

(ii) any amendment to, or change in, an official interpretation or application regarding such laws, Tax treaties, regulations or rulings, including by virtue of a holding, judgment or order by a court of competent jurisdiction which is announced and becomes effective after September 24, 2014 (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after September 24, 2014, such later date).

(b) The Company will not give any such notice of redemption earlier than 90 days prior to the earliest date on which the Company would be obligated to pay Additional Amounts or more than 365 days after the applicable

law change takes effect, and, at the time such notice is given, the obligation to pay Additional Amounts must remain in effect.

Section 3.03. No Sinking Fund. The Notes are not entitled to the benefit of any sinking fund.

ARTICLE 4 ADDITIONAL AMOUNTS

Section 4.01. Additional Amounts.

(a) All payments made under or with respect to the Notes will be made free and clear of and without withholding or deduction for, or on account of, any present or future tax, duty, levy, impost, assessment or other governmental charge (including penalties, interest, additions to tax and other liabilities related thereto) (collectively, “ **Taxes** ”) unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of (1) any jurisdiction in which the Company is organized, resident or doing business for Tax purposes or any department or political subdivision thereof or therein or (2) any jurisdiction from or through which payment is made by the Company or the Paying Agent or any department or political subdivision thereof or therein (each, a “ **Tax Jurisdiction** ”) will at any time be required to be made from any payments made under or with respect to the Notes, including payments of principal, redemption price, interest or premium, the Company will pay such additional amounts (the “ **Additional Amounts** ”) as may be necessary in order that the net amounts received in respect of such payments by each Holder of the Notes after such withholding or deduction (including any such deduction or withholding in respect of Additional Amounts) will equal the respective amounts which would have been received in respect of such payments in the absence of such withholding or deduction; *provided , however ,* that no Additional Amounts will be payable with respect to:

(i) any Taxes, to the extent such Taxes would not have been imposed but for the existence of any present or former connection between the Holder or the beneficial owner of the Notes and the relevant Tax Jurisdiction (other than any connection arising solely from the acquisition, ownership, holding or disposition of the Notes, the enforcement of rights under the Notes and/or the receipt of any payments in respect of the Notes);

(ii) any Taxes, to the extent such Taxes would not have been imposed but for the failure of the Holder or the beneficial owner of the Notes to comply with any certification, identification, information, documentation, or other reporting requirements, including an application for relief under an applicable double Tax treaty, whether required by statute, treaty, regulation or administrative practice of a Tax Jurisdiction, as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by the Tax Jurisdiction (including, without limitation, a certification that the Holder or beneficial owner of the Notes is not resident in the Tax Jurisdiction or is a resident of an applicable Tax treaty jurisdiction), but in each case, only to the extent the Holder or the beneficial owner of the Notes is legally eligible to provide such certification or documentation; provided, however, that in the event that any such requirements are imposed as a result of an amendment to, or change in, any laws, Tax treaties, regulations or rulings (or any official administrative or judicial interpretation thereof) after the Issue Date, this paragraph (2) will apply only if the Company notifies the Trustee, at least 30 days before any such withholding or deduction would be payable, that Holders or beneficial owners of the Notes must comply with such certification, identification, information, documentation or other reporting requirements;

(iii) any Taxes, to the extent such Taxes were imposed as a result of the presentation of a Note for payment (where presentation is required) more than 30 days after the relevant payment is first made available for payment to the Holder of such Note (except to the extent that such Holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30 day period);

(iv) any estate, inheritance, gift, transfer, personal property or similar Tax;

(v) any Taxes payable otherwise than by deduction or withholding from payments made under or with respect to the Notes;

(vi) any Taxes required to be withheld pursuant to the EC Council Directive on the Taxation of Savings Income in the Form of Interest Payments (Directive 2003/48/EC) (as amended by EC Council Directive 2014/48/EU on March 24, 2014) or any law implementing or complying with, or introduced in order to conform to, such Directive or any agreement between the European Union and any non-EU jurisdiction providing for equivalent measures;

(vii) any Taxes required to be withheld in respect of a payment of interest in respect of Notes presented for payment by or on behalf of a Holder of the Notes who would be able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a member state of the European Union; or

(viii) any combination of the above items.

The Company also will not pay any Additional Amounts to any Holder of the Notes who is a fiduciary or partnership or other than the sole beneficial owner of the Notes to the extent that the obligation to pay Additional Amounts would be reduced or eliminated by transferring the Notes in question to the sole beneficial owner, but only if there is no material commercial or legal impediment to, or material cost associated with, transferring the Notes to the sole beneficial owner.

In addition to the foregoing, the Company will also pay and indemnify the Holder of the Notes for any present or future stamp, issue, registration, transfer, court or documentary taxes, or any other excise or property taxes, charges or similar levies (including penalties, interest, additions to Tax and other liabilities related thereto) which are levied by any Tax Jurisdiction on the execution, delivery, issuance, or registration of any of the Notes, the Indenture or any other document or instrument referred to therein, or the receipt of any payments with respect to, or enforcement of, the Notes.

(b) If the Company becomes aware that it will be obligated to pay Additional Amounts with respect to any payment under or with respect to the Notes, the Company will deliver to the Trustee on a date which is at least 30 days prior to the date of that payment (unless the obligation to pay Additional Amounts arises after the 30th day prior to that payment date, in which case the Company shall notify the Trustee promptly thereafter) notice stating the fact that Additional Amounts will be payable and the amount estimated to be so payable. The notice must also set forth any other information reasonably necessary to enable the Paying Agent to pay Additional Amounts to Holders of the Notes on the relevant payment date. The Company will provide the Trustee with documentation reasonably satisfactory to the Trustee evidencing the payment of Additional Amounts.

(c) The Company will timely make all withholdings and deductions required by law and will remit the full amount deducted or withheld to the relevant Tax authority in accordance with applicable law. The Company will furnish to the Trustee (or to a Holder of the Notes upon request), within a reasonable time after the date the payment of any Taxes so deducted or withheld is made, certified copies of Tax receipts evidencing payment by the Company, or if receipts are not reasonably available, other evidence of payment reasonably satisfactory to the Trustee.

(d) Whenever in the Indenture or this Supplemental Indenture there is mentioned, in any context, the payment of amounts based upon the principal amount of the Notes or of principal, interest or of any other amount payable under, or with respect to, any of the Notes such mention shall be deemed to include the payment to the Paying Agent of Additional Amounts, if applicable.

(e) The obligations under this Section 4.01 will survive any termination, defeasance or discharge of the Indenture and will apply, *mutatis mutandis*, to any jurisdiction in which any successor Person to the Company is organized, resident or doing business for Tax purposes or any jurisdiction from or through which such Person or its

Paying Agent makes any payment on the Notes and, in each case, any department or political subdivision thereof or therein.

ARTICLE 5 COVENANTS

The following covenants will apply to the Notes in addition to the covenants in Article X of the Indenture:

Section 5.01. Limitation on Liens.

(a) The Company will not, and will not permit any of its Subsidiaries to, incur, issue or assume any Indebtedness for borrowed money secured by any Lien upon any Principal Property or any shares of stock or Indebtedness of any Subsidiary that owns or leases a Principal Property (whether such Principal Property, shares of stock or Indebtedness are now owned or hereafter acquired) without making effective provision whereby the Notes (together with, if the Company so determines, any other Indebtedness or other obligation of the Company or any Subsidiary) shall be secured equally and ratably with (or, at the option of the Company, prior to) the Indebtedness so secured by a Lien on the same assets of the Company or such Subsidiary, as the case may be, for so long as such Indebtedness is so secured. The foregoing restrictions will not, however, apply to Indebtedness secured by Permitted Liens.

(b) Notwithstanding the foregoing, the Company and its Subsidiaries may, without securing the Notes, incur, issue or assume Indebtedness that would otherwise be subject to the foregoing restrictions in an aggregate principal amount that, together with all other such Indebtedness of the Company and its Subsidiaries that would otherwise be subject to the foregoing restrictions (not including Indebtedness permitted to be secured under the definition of Permitted Liens) and the aggregate amount of Attributable Indebtedness deemed outstanding with respect to Sale/Leaseback Transactions (other than Sale/Leaseback Transactions in connection with which the Company has voluntarily retired any of the Notes, any Pari Passu Indebtedness or any Funded Indebtedness pursuant to Section 5.02(b)(iii)(x)) does not at any one time exceed 15% of Consolidated Net Tangible Assets.

(c) For purposes of this Section 5.01, if at the time any Indebtedness is incurred, issued or assumed, such Indebtedness is unsecured but is later secured by a Lien, such Indebtedness shall be deemed to be incurred at the time that such Indebtedness is so secured by a Lien.

Section 5.02. Limitation on Sale/Leaseback Transactions

(a) So long as the Notes are outstanding, the Company will not, and the Company will not permit any Subsidiary to, sell or transfer (other than to the Company or a Wholly Owned Subsidiary) any Principal Property, whether owned at the date of the Indenture or thereafter acquired, which has been in full operation for more than 120 days prior to such sale or transfer, with the intention of entering into a lease of such Principal Property (except for a lease for a term, including any renewal thereof, of not more than three years), if after giving effect thereto the Attributable Indebtedness in respect of all such sale and leaseback transactions involving Principal Properties shall be in excess of 15% of Consolidated Net Tangible Assets.

(b) Notwithstanding the foregoing, the Company or any Subsidiary may sell any Principal Property and lease it back if the net proceeds of such sale are at least equal to the fair value of such property as determined by the Board of Directors and:

(i) the Company or such Subsidiary would be entitled to incur Indebtedness in a principal amount equal to the Attributable Indebtedness with respect to such Sale/Leaseback Transaction secured by a Lien on the property subject to such Sale/Leaseback Transaction pursuant to Section 5.01 without equally and ratably securing the Notes pursuant to such Section;

(ii) after the Issue Date and within a period commencing nine months prior to the consummation of such Sale/Leaseback Transaction and ending nine months after the consummation thereof, the Company or such Subsidiary shall have expended for property used or to be used in the ordinary course of its business and that of its Subsidiaries an amount equal to all or a portion of the net proceeds of such Sale/Leaseback Transaction and the Company shall have elected to designate such amount as a credit against such Sale/Leaseback Transaction (with any such amount not being so designated to be applied as set forth in clause (iii) below or as otherwise permitted); or

(iii) the Company, during the nine-month period after the effective date of such Sale/Leaseback Transaction, shall have applied to either (x) the voluntary defeasance or retirement of any Notes, any Pari Passu Indebtedness or any Funded Indebtedness or (y) the acquisition of one or more Principal Properties at fair value, an amount equal to the greater of the net proceeds of the sale or transfer of the property leased in such Sale/Leaseback Transaction and the fair value, as determined by the Board of Directors, of such property as of the time of entering into such Sale/Leaseback Transaction (in either case adjusted to reflect the remaining term of the lease and any amount expended by the Company as set forth in the preceding clause (ii)), less an amount equal to the sum of the principal amount of Notes, Pari Passu Indebtedness and Funded Indebtedness voluntarily defeased or retired by the Company plus any amount expended to acquire any Principal Properties at fair value, within such nine month period and not designated as a credit against any other Sale/Leaseback Transaction entered into by the Company or any of its Subsidiaries during such period.

Section 5.03. Reports by Company.

With respect to the Notes, Section 704 of the Indenture shall be replaced in its entirety with the following:

SECTION 704. REPORTS BY COMPANY.

The Company shall comply with Section 314(a) of the Trust Indenture Act.

ARTICLE 6 CONSOLIDATION, MERGER AND SALE OF ASSETS

Section 6.01. Consolidation, Merger and Sale of Assets. With respect to the Notes, Section 801 of the Indenture shall be replaced in its entirety with the following:

SECTION 801. COMPANY MAY CONSOLIDATE, ETC., ONLY ON CERTAIN TERMS.

(a) The Company will not, directly or indirectly, in any transaction or series of related transactions: (1) consolidate or merge with or into another Person (whether or not the Company is the surviving Person); (2) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the Company's and its Subsidiaries' properties or assets taken as a whole; or (3) assign any of the Company's obligations under the Notes and the Indenture, in one or more related transactions, to another Person; unless:

(i) either: (A) the Company is the surviving or continuing Person; or (B) the Person formed by, surviving or continued by any such consolidation, amalgamation or merger (if other than the Company) or the Person to which such sale, assignment, transfer, conveyance or other disposition shall have been made is an Entity, validly organized and existing in good standing (to the extent the concept of good standing is applicable) under the laws of any state of the United States, the District of Columbia, the Cayman Islands, Bermuda, Switzerland, the United Kingdom, the Kingdom of the Netherlands, the Grand Duchy of Luxembourg, Ireland, or any other member country of the European Union;

(ii) the Person formed by, surviving or continued by any such consolidation, amalgamation or merger (if other than the Company) or the Person to which such sale, assignment, transfer, conveyance or other disposition shall have been made assumes all of the Company's obligations under the Notes and the Indenture;

(iii) immediately after such transaction no Default or Event of Default exists; and

(iv) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such merger, consolidation, amalgamation or sale, assignment, transfer, conveyance or other disposition of such properties or assets or assignment of the Company's obligations under the Notes and the Indenture, comply with the Indenture.

(b) The Company will not, directly or indirectly, lease all or substantially all of its properties or assets, in one or more related transactions, to any other Person.

(c) Notwithstanding the foregoing, the limitations described above shall not apply to a sale, assignment, transfer, conveyance or other disposition of assets between or among the Company and any of its Wholly Owned Subsidiaries.

ARTICLE 7 EVENTS OF DEFAULT

Section 7.01. Events of Default. With respect to the Notes, Sections 501 and 502 of the Indenture shall be replaced in their entirety with the following:

SECTION 501. EVENTS OF DEFAULT.

(a) An “**Event of Default**” on a series of Notes occurs if:

(i) the Company defaults in the payment of interest on any Note of such series when the same becomes due and payable and the Default continues for a period of 30 days;

(ii) the Company defaults in the payment of the principal of any Note of such series when the same becomes due and payable at maturity, upon redemption or otherwise;

(iii) the Company fails to comply with any of its other agreements in the Notes of such series or the Indenture (as they relate thereto), which shall not have been remedied within the specified period after written notice, as specified below;

(iv) the Company pursuant to or within the meaning of any Bankruptcy Law shall:

(A) commence a voluntary case,

(B) consent to the entry of an order for relief against the Company in an involuntary case,

(C) consent to the appointment of a Custodian of the Company for all or substantially all of the property of the Company, or

(D) make a general assignment for the benefit of creditors; or

(v) a court of competent jurisdiction enters into an order or decree under any Bankruptcy Law that:

(A) is for relief against the Company in an involuntary case, or

(B) appoints a Custodian of the Company or substantially all of the property of the Company, or

(C) orders the liquidation of the Company,

and the order or decree remains unstayed and in effect for 60 days.

The term “ **Bankruptcy Law** ” means the Bankruptcy Act or any similar Federal or State law for the relief of debtors. The term “ **Custodian** ” means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law.

(b) If any Event of Default (other than an Event of Default specified in clause (iv) or (v) above) with respect to Notes of any series occurs and is continuing, either the Trustee or the Holders of at least 25% in principal amount of the then outstanding Notes of that series may declare all the Notes of that series to be due and payable immediately. Upon any such declaration, the Notes of that series shall become due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders of the Notes). Notwithstanding the foregoing, if an Event of Default specified in clause (iv) or (v) above hereof occurs, all outstanding Notes shall become due and payable without further action or notice.

(c) Notwithstanding the foregoing, a Default under Section 501(a)(iii) is not an Event of Default until the Trustee notifies the Company, or the Holders of at least 25% in principal amount of the then outstanding Notes of the series affected by such Default notify the Company and the Trustee, of the Default, and the Company fails to cure the Default within 90 days after receipt of the notice. The notice must specify the Default, demand that it be remedied and state that the notice is a “Notice of Default.”

SECTION 502. RESERVED.

ARTICLE 8
PATRIOT ACT; FORCE MAJEURE

Section 8.01. Patriot Act; Force Majeure . With respect to the Notes, Article XIV shall be added to the Indenture as follows:

ARTICLE FOURTEEN
PATRIOT ACT; FORCE MAJEURE

SECTION 1401. PATRIOT ACT.

The parties hereto acknowledge that in accordance with Section 326 of the USA Patriot Act Deutsche Bank Trust Company Americas, like all financial institutions and in order to help fight the funding of terrorism and money laundering, are required to obtain, verify and record information that identifies each person or legal entity that establishes a relationship or opens an account. The parties to this agreement agree that they will provide Deutsche Bank Trust Company Americas with such information as it may request in order to satisfy the requirements of the USA Patriot Act.

SECTION 1402. FORCE MAJEURE.

The Trustee shall not incur any liability for not performing any act or fulfilling any duty, obligation or responsibility hereunder by reason of any occurrence beyond the control of the Trustee (including but not limited to any act or provision of any present or future law or regulation or governmental authority, any act of God or war, civil unrest, local or national disturbance or disaster, any act of terrorism or the unavailability of the Federal Reserve Bank wire or facsimile or other wire or communication facility).

ARTICLE 9
MISCELLANEOUS

Section 9.01. Ratification of Indenture. The Indenture, as supplemented by this Supplemental Indenture, is in all respects ratified and confirmed, and this Supplemental Indenture shall be deemed part of the Indenture in the manner and to the extent herein and therein provided.

Section 9.02. Trustee Not Responsible for Recitals. The recitals herein contained are made by the Company and not by the Trustee, and the Trustee assumes no responsibility for the correctness thereof. The Trustee makes no representation as to the validity or sufficiency of this Supplemental Indenture.

Section 9.03. Governing Law. This Supplemental Indenture and the Notes shall be governed by and construed in accordance with the laws of the State of New York, but without giving effect to applicable principles of conflicts of law to the extent the application of the laws of another jurisdiction would be required thereby.

Section 9.04. Separability. In case any one or more of the provisions contained in this Supplemental Indenture or in the Notes shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Supplemental Indenture or of the Notes, but this Supplemental Indenture and the Notes shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein or therein.

Section 9.05. Counterparts. This Supplemental Indenture may be executed in any number of counterparts each of which shall be an original, but such counterparts shall together constitute but one and the same instrument.

Section 9.06. Submission to Jurisdiction; Appointment of Agent for Service of Process. By the execution and delivery of this Supplemental Indenture, the Company hereby appoints ENSCO International Incorporated, a Delaware corporation, as its agent upon which process may be served in any legal action or proceeding by the Trustee or by any Holder arising out of or relating to the Notes, this Supplemental Indenture or the Indenture (but for that purposes only), which may be instituted in any Federal or State court in the Borough of Manhattan, the City of New York, and the Company hereby irrevocably submits to the non-exclusive jurisdiction of any such court in respect of any such legal action or proceeding. Service of process upon such agent at the address set forth above, as such address may be changed by written notice given by such agent to the Trustee, together with a written notice of such service mailed or delivered to the Company addressed as provided by Section 106 of the Indenture, shall be deemed in every respect effective service of process upon the Company in any such legal action or proceeding. The Company reserves the right to appoint another Person selected in its discretion as a successor agent, and upon acceptance of such appointment by such a successor, the appointment of the prior agent shall terminate. The Company further agrees to take any and all action, including the execution and filing of any and all such documents and instruments, as may be necessary to continue such designation and appointment of such agent or successor in full force and effect until this Supplemental Indenture has been satisfied or discharged in accordance with Article IV of the Indenture.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed and, in the case of the Company, attested as of the day and year first above written.

ENSCO PLC

By: /s/James W. Swent, III
Name: James W. Swent, III
Title: Executive Vice President and
Chief Financial Officer

Attest:

By: /s/Brady K. Long
Name: Brady K. Long
Title: Vice President - General Counsel
and Secretary

DEUTSCHE BANK TRUST COMPANY AMERICAS, as Trustee

By: Deutsche Bank National Trust Company

By: /s/Jeffrey Schoenfeld
Name: Jeffrey Schoenfeld
Title: Assistance Vice President

By: /s/Irina Golovashchuk
Name: Irina Golovashchuk
Title: Vice President

(FORM OF FACE OF NOTE)

[UNLESS THIS GLOBAL NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (“DTC”), NEW YORK, NEW YORK, TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY GLOBAL NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO., OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO DTC, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR’S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO ON THE REVERSE HEREOF.] *Insert in Global Notes only*

No. [] CUSIP No. []

ENSCO PLC

4.50% SENIOR NOTE DUE 2024

ENSCO PLC, a public limited company organized under the laws of England and Wales (the “**Company**,” which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to [X] or registered assigns, the principal sum of [X] (\$[X]) [or such other sum as is set forth in the Schedule of Increases or Decreases of Global Note attached hereto] *Insert in Global Notes only* on October 1, 2024, and to pay interest on said principal sum semi-annually in arrears on April 1 and October 1 of each year (each such date, an “**Interest Payment Date**”) commencing April 1, 2015, at the rate of 4.50% per annum from the most recent Interest Payment Date to which interest has been paid or duly provided for or, if no interest has been paid, from the Issue Date until the principal hereof shall have become due and payable, and at such rate on any overdue principal. The amount of interest payable for any period less than a full interest period will be computed on the basis of a 360-day year of twelve 30-day months and the actual days elapsed in a partial month in such period. In the event that any date on which interest is payable on this Note is not a Business Day, then payment of the interest payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay) with the same force and effect as if made on the date such payment was originally payable.

The interest installment so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture, be paid to the Person in whose name this Note (or one or more Predecessor Securities, as defined in said Indenture) is registered at the close of business on the Regular Record Date for such interest installment, which shall be the close of business on the March 15 or September 15 (whether or not a Business Day), as the case may be, immediately preceding such Interest Payment Date. Any such interest installment not punctually paid or duly provided for shall forthwith cease to be payable to the registered Holders on such Regular Record Date and may be paid to the Person in whose name this Note (or one or more Predecessor Securities) is registered at the close of business on a special record date to be fixed by the Trustee for the payment of such defaulted interest, notice whereof shall be given to the registered Holders of the Notes of this series not less than 10 days prior to such special record date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Notes of this series may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture. The principal of (and premium, if any) and the interest on this Note shall be payable

at the office or agency of the Trustee maintained for that purpose in any coin or currency of the United States of America that at the time of payment is legal tender for payment of public and private debts.

This Note shall not be entitled to any benefit under the Indenture hereinafter referred to or be valid or become obligatory for any purpose until the Certificate of Authentication hereon shall have been signed by or on behalf of the Trustee.

The provisions of this Note are continued on the reverse side hereof and such continued provisions shall for all purposes have the same effect as though fully set forth at this place.

IN WITNESS WHEREOF, the Company has caused this instrument to be executed on this ___ day of _____, _____.

ENSCO PLC

By: _____

Name:

Title:

By: _____

Name:

Title:

(FORM OF CERTIFICATE OF AUTHENTICATION)

CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

Dated: _____

DEUTSCHE BANK TRUST COMPANY AMERICAS,
as Trustee

By: Deutsche Bank National Trust Company

By: _____
Authorized Signatory

(FORM OF REVERSE OF NOTE)

This Note is one of a duly authorized series of Securities of the Company (herein sometimes referred to as the “**Notes**”), specified in the Indenture, all issued or to be issued in one or more series under and pursuant to an Indenture, dated as of March 17, 2011, duly executed and delivered between the Company and Deutsche Bank Trust Company Americas, as Trustee (the “**Trustee**”), as supplemented by the Second Supplemental Indenture dated as of September __, 2014 (the “**Supplemental Indenture**”), between the Company and the Trustee (the Indenture, as so supplemented, the “**Indenture**”), to which Indenture and all Indentures supplemental thereto reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Company and the Holders of the Notes. The Notes of this series are initially issued in aggregate principal amount as specified in said Supplemental Indenture.

This Note shall be subject to redemption as provided in Article 3 of the Supplemental Indenture and Article XI of the Indenture.

In case an Event of Default, as defined in the Indenture, with respect to the Notes of this series shall have occurred and be continuing, the principal of all of the Notes of this series may be declared, and upon such declaration shall become, due and payable, in the manner, with the effect and subject to the conditions provided in the Indenture.

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the Holders of not less than a majority in principal amount of the Notes of each series affected at the time outstanding, as defined in the Indenture, to execute supplemental indentures for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture or of modifying in any manner the rights of the Holders of the Notes, subject to Section 902 of the Indenture. The Indenture also contains provisions permitting the Holders of not less than a majority in principal amount of the Notes of any series at the time outstanding, on behalf of all of the Holders of the Notes of such series, to waive any past default under the Indenture or Supplemental Indenture and its consequences, subject to Section 504 and Article IX of the Indenture. Any such consent or waiver by the registered Holder of this Note (unless revoked as provided in the Indenture) shall be conclusive and binding upon such Holder and upon all future Holders and owners of this Note and of any Note issued in exchange therefor or in place hereof (whether by registration of transfer or otherwise), irrespective of whether or not any notation of such consent or waiver is made upon this Note.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and premium, if any, and interest on this Note at the time and place and at the rate and in the money herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, this Note is transferable by the registered Holder hereof on the Security Register of the Company, upon surrender of this Note for registration of transfer at the office or agency of the Trustee in The City and State of New York accompanied by a written instrument or instruments of transfer in form satisfactory to the Company or the Trustee duly executed by the registered Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Notes of authorized denominations and for the same aggregate principal amount and series will be issued to the designated transferee or transferees. No service charge will be made for any such transfer, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in relation thereto.

Prior to due presentment for registration of transfer of this Note, the Company, the Trustee, any Paying Agent and the Security Registrar may deem and treat the registered Holder hereof as the absolute owner hereof (whether or not this Note shall be overdue and notwithstanding any notice of ownership or writing hereon made by anyone other than the Security Registrar) for the purpose of receiving payment of or on account of the principal hereof and premium, if any, and (subject to Sections 305 and 307 of the Indenture) interest due hereon and for all other purposes, and neither the Company nor the Trustee nor any Paying Agent nor any Security Registrar shall be affected by any notice to the contrary.

No recourse shall be had for the payment of the principal of, premium, if any, or the interest on this Note, or for any claim based hereon, or otherwise in respect hereof, or based on or in respect of the Indenture, against any incorporator, stockholder, officer or director, past, present or future, as such, of the Company or of any predecessor or successor corporation, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issuance hereof, expressly waived and released.

The Notes of this series are issuable only in registered form, without coupons, in denominations of \$2,000 and integral multiples of \$1,000 in excess thereof.

This Global Note is exchangeable for Notes in definitive form only under certain limited circumstances set forth in the Indenture. *Insert in Global Notes only* As provided in the Indenture and subject to certain limitations herein and therein set forth, Notes of this series so issued are exchangeable for a like aggregate principal amount of Notes of this series of a different authorized denomination, as requested by the Holder surrendering the same.

All terms used in this Note that are defined in the Indenture shall have the meanings assigned to them in the Indenture.

THE INDENTURE AND THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

[FORM OF TRANSFER NOTICE]

FOR VALUE RECEIVED the undersigned registered Holder hereby sell(s), assign(s) and transfer(s) unto

Insert Taxpayer Identification No.

Please print or typewrite name and address including zip code of assignee

the within Note and all rights thereunder, hereby irrevocably constituting and appointing _____ attorney to transfer said Note on the books of the Company with full power of substitution in the premises.

Your Signature:

By: _____

Date: _____

Signature Guarantee:

By: _____
(Participant in a Recognized Signature
Guaranty Medallion Program)

Date: _____

SCHEDULE OF INCREASES OR DECREASES IN GLOBAL NOTE

The following increases or decreases in this Global Note have been made:

Date of Exchange	Amount of decrease in Principal Amount of this Global Note	Amount of increase in Principal Amount of this Global Note	Principal Amount of this Global Note following such decrease or increase	Signature of authorized signatory of Trustee or Securities Custodian
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(FORM OF FACE OF NOTE)

[UNLESS THIS GLOBAL NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (“DTC”), NEW YORK, NEW YORK, TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY GLOBAL NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO., OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO DTC, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR’S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO ON THE REVERSE HEREOF.] *Insert in Global Notes only*

No. [] CUSIP No. []

ENSCO PLC

5.75% SENIOR NOTE DUE 2044

ENSCO PLC, a public limited company organized under the laws of England and Wales (the “ **Company** ,” which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to [X] or registered assigns, the principal sum of [X] (\$[X]) [or such other sum as is set forth in the Schedule of Increases or Decreases of Global Note attached hereto] *Insert in Global Notes only* on October 1, 2044, and to pay interest on said principal sum semi-annually in arrears on April 1 and October 1 of each year (each such date, an “ **Interest Payment Date** ”) commencing April 1, 2015, at the rate of 5.75% per annum from the most recent Interest Payment Date to which interest has been paid or duly provided for or, if no interest has been paid, from the Issue Date until the principal hereof shall have become due and payable, and at such rate on any overdue principal. The amount of interest payable for any period less than a full interest period will be computed on the basis of a 360-day year of twelve 30-day months and the actual days elapsed in a partial month in such period. In the event that any date on which interest is payable on this Note is not a Business Day, then payment of the interest payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay) with the same force and effect as if made on the date such payment was originally payable.

The interest installment so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture, be paid to the Person in whose name this Note (or one or more Predecessor Securities, as defined in said Indenture) is registered at the close of business on the Regular Record Date for such interest installment, which shall be the close of business on the March 15 or September 15 (whether or not a Business Day), as the case may be, immediately preceding such Interest Payment Date. Any such interest installment not punctually paid or duly provided for shall forthwith cease to be payable to the registered Holders on such Regular Record Date and may be paid to the Person in whose name this Note (or one or more Predecessor Securities) is registered at the close of business on a special record date to be fixed by the Trustee for the payment of such defaulted interest, notice whereof shall be given to the registered Holders of the Notes of this series not less than 10 days prior to such special record date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Notes of this series may be listed, and upon such notice as may be required by such exchange, all as more

fully provided in the Indenture. The principal of (and premium, if any) and the interest on this Note shall be payable at the office or agency of the Trustee maintained for that purpose in any coin or currency of the United States of America that at the time of payment is legal tender for payment of public and private debts.

This Note shall not be entitled to any benefit under the Indenture hereinafter referred to or be valid or become obligatory for any purpose until the Certificate of Authentication hereon shall have been signed by or on behalf of the Trustee.

The provisions of this Note are continued on the reverse side hereof and such continued provisions shall for all purposes have the same effect as though fully set forth at this place.

IN WITNESS WHEREOF, the Company has caused this instrument to be executed on this ___ day of _____, _____.

ENSCO PLC

By: _____
Name:
Title:

By: _____
Name:
Title:

(FORM OF CERTIFICATE OF AUTHENTICATION)

CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

Dated: _____

DEUTSCHE BANK TRUST COMPANY AMERICAS,
as Trustee

By: Deutsche Bank National Trust Company

By: _____
Authorized Signatory

(FORM OF REVERSE OF NOTE)

This Note is one of a duly authorized series of Securities of the Company (herein sometimes referred to as the “**Notes**”), specified in the Indenture, all issued or to be issued in one or more series under and pursuant to an Indenture, dated as of March 17, 2011, duly executed and delivered between the Company and Deutsche Bank Trust Company Americas, as Trustee (the “**Trustee**”), as supplemented by the Second Supplemental Indenture dated as of September __, 2014 (the “**Supplemental Indenture**”), between the Company and the Trustee (the Indenture, as so supplemented, the “**Indenture**”), to which Indenture and all Indentures supplemental thereto reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Company and the Holders of the Notes. The Notes of this series are initially issued in aggregate principal amount as specified in said Supplemental Indenture.

This Note shall be subject to redemption as provided in Article 3 of the Supplemental Indenture and Article XI of the Indenture.

In case an Event of Default, as defined in the Indenture, with respect to the Notes of this series shall have occurred and be continuing, the principal of all of the Notes of this series may be declared, and upon such declaration shall become, due and payable, in the manner, with the effect and subject to the conditions provided in the Indenture.

The Indenture contains provisions permitting the Company and the Trustee, with the consent of the Holders of not less than a majority in principal amount of the Notes of each series affected at the time outstanding, as defined in the Indenture, to execute supplemental indentures for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture or of modifying in any manner the rights of the Holders of the Notes, subject to Section 902 of the Indenture. The Indenture also contains provisions permitting the Holders of not less than a majority in principal amount of the Notes of any series at the time outstanding, on behalf of all of the Holders of the Notes of such series, to waive any past default under the Indenture or Supplemental Indenture and its consequences, subject to Section 504 and Article IX of the Indenture. Any such consent or waiver by the registered Holder of this Note (unless revoked as provided in the Indenture) shall be conclusive and binding upon such Holder and upon all future Holders and owners of this Note and of any Note issued in exchange therefor or in place hereof (whether by registration of transfer or otherwise), irrespective of whether or not any notation of such consent or waiver is made upon this Note.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and premium, if any, and interest on this Note at the time and place and at the rate and in the money herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, this Note is transferable by the registered Holder hereof on the Security Register of the Company, upon surrender of this Note for registration of transfer at the office or agency of the Trustee in The City and State of New York accompanied by a written instrument or instruments of transfer in form satisfactory to the Company or the Trustee duly executed by the registered Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Notes of authorized denominations and for the same aggregate principal amount and series will be issued to the designated transferee or transferees. No service charge will be made for any such transfer, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in relation thereto.

Prior to due presentment for registration of transfer of this Note, the Company, the Trustee, any Paying Agent and the Security Registrar may deem and treat the registered Holder hereof as the absolute owner hereof (whether or not this Note shall be overdue and notwithstanding any notice of ownership or writing hereon made by anyone other than the Security Registrar) for the purpose of receiving payment of or on account of the principal hereof and premium, if any, and (subject to Sections 305 and 307 of the Indenture) interest due hereon and for all other purposes, and neither the Company nor the Trustee nor any Paying Agent nor any Security Registrar shall be affected by any notice to the contrary.

No recourse shall be had for the payment of the principal of, premium, if any, or the interest on this Note, or for any claim based hereon, or otherwise in respect hereof, or based on or in respect of the Indenture, against any incorporator, stockholder, officer or director, past, present or future, as such, of the Company or of any predecessor or successor corporation, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, all such liability being, by the acceptance hereof and as part of the consideration for the issuance hereof, expressly waived and released.

The Notes of this series are issuable only in registered form, without coupons, in denominations of \$2,000 and integral multiples of \$1,000 in excess thereof.

This Global Note is exchangeable for Notes in definitive form only under certain limited circumstances set forth in the Indenture. *Insert in Global Notes only* As provided in the Indenture and subject to certain limitations herein and therein set forth, Notes of this series so issued are exchangeable for a like aggregate principal amount of Notes of this series of a different authorized denomination, as requested by the Holder surrendering the same.

All terms used in this Note that are defined in the Indenture shall have the meanings assigned to them in the Indenture.

THE INDENTURE AND THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

[FORM OF TRANSFER NOTICE]

FOR VALUE RECEIVED the undersigned registered Holder hereby sell(s), assign(s) and transfer(s) unto

Insert Taxpayer Identification No.

Please print or typewrite name and address including zip code of assignee

the within Note and all rights thereunder, hereby irrevocably constituting and appointing _____ attorney to transfer said Note on the books of the Company with full power of substitution in the premises.

Your Signature:

By: _____

Date: _____

Signature Guarantee:

By: _____
(Participant in a Recognized Signature
Guaranty Medallion Program)

Date: _____

SCHEDULE OF INCREASES OR DECREASES IN GLOBAL NOTE

The following increases or decreases in this Global Note have been made:

Date of Exchange	Amount of decrease in Principal Amount of this Global Note	Amount of increase in Principal Amount of this Global Note	Principal Amount of this Global Note following such decrease or increase	Signature of authorized signatory of Trustee or Securities Custodian
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October 30, 2014

Enesco plc
London, England

Re: Registration Statements on Form S-8 (Nos. 333-174611, 333-58625, 033-40282, 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 October 30, 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 September 30, 2014 of Ensco plc;
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: October 30, 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 September 30, 2014 of Ensco plc;
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: October 30, 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 September 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: October 30, 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 September 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: October 30, 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.