

Ensco plc
Form 10-Q
July 30, 2015

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

☒ SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2015

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 ☐

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

As of July 24, 2015, there were 235,678,744 Class A ordinary shares of the registrant issued and outstanding.

ENSCO PLC
INDEX TO FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2015

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

<u>Report of Independent Registered Public Accounting Firm</u>	<u>3</u>
<u>Condensed Consolidated Statements of Operations</u> <u>Three Months Ended June 30, 2015 and 2014</u>	<u>4</u>
<u>Condensed Consolidated Statements of Operations</u> <u>Six Months Ended June 30, 2015 and 2014</u>	<u>5</u>
<u>Condensed Consolidated Statements of Comprehensive Income (Loss)</u> <u>Three Months Ended June 30, 2015 and 2014</u>	<u>6</u>
<u>Condensed Consolidated Statements of Comprehensive Income (Loss)</u> <u>Six Months Ended June 30, 2015 and 2014</u>	<u>7</u>
<u>Condensed Consolidated Balance Sheets</u> <u>June 30, 2015 and December 31, 2014</u>	<u>8</u>
<u>Condensed Consolidated Statements of Cash Flows</u> <u>Six Months Ended June 30, 2015 and 2014</u>	<u>9</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>10</u>

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS 41

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK 57

ITEM 4. CONTROLS AND PROCEDURES 58

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS 59

ITEM 1A. RISK FACTORS 61

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS 62

ITEM 6. EXHIBITS 63

SIGNATURES 64

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; the offshore drilling market, including supply and demand, utilization rates, dayrates, customer drilling programs, commodity prices, stacking of rigs, effects of new rigs on the market and effects of declines in commodity prices; 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, such as hurricanes in the Gulf of Mexico or associated removal of wreckage or debris;

changes in worldwide rig supply and demand, competition or technology, including changes as a result of delivery of newbuild drilling rigs;

changes in future levels of drilling activity and expenditures, whether as a result of global capital markets and liquidity, prices of oil and natural gas or otherwise, which may cause us to idle or stack additional rigs;

governmental action, terrorism, piracy, military action and political and economic uncertainties, including uncertainty or instability resulting from civil unrest, political demonstrations, mass strikes, or an escalation or additional outbreak of armed hostilities or other crises in oil or natural gas producing areas of the Middle East, North Africa, West Africa or other geographic areas, which may result in expropriation, nationalization, confiscation or deprivation of our assets or suspension and/or termination of contracts based on force majeure events;

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, engineering, design or commissioning issues following delivery, or changes in the commencement, completion or service dates;

possible cancellation, suspension or termination of drilling contracts as a result of mechanical difficulties, performance, termination without cause 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 execute definitive contracts following announcements of letters of intent;

1

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 or the cancellation of drilling programs by operators;

adverse changes in foreign currency exchange rates, including their effect on the fair value measurement of our derivative instruments; and

potential long-lived asset and/or goodwill impairments.

In addition to the numerous risks, uncertainties and assumptions described above, you should also carefully read and consider "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part I and "Item 1A. Risk Factors" in Part II of this report and "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, 2014, which is available on the U.S. Securities and Exchange Commission website at www.sec.gov. Each forward-looking statement speaks only as of the date of the particular statement, and we undertake no obligation to publicly update or revise any forward looking statements, except as required by law.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
Ensco plc:

We have reviewed the condensed consolidated balance sheet of Ensco plc and subsidiaries (the Company) as of June 30, 2015, the related condensed consolidated statements of operations and comprehensive income (loss) for the three-month and six-month periods ended June 30, 2015 and 2014, and the related condensed consolidated statements of cash flows for the six-month periods ended June 30, 2015 and 2014. These condensed consolidated financial statements are the responsibility of the Company's management.

We conducted our review 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 review, 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, 2014, and the related consolidated statements of operations, comprehensive income (loss), and cash flows for the year then ended (not presented herein); and in our report dated March 2, 2015, 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, 2014, 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
July 30, 2015

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

	Three Months Ended June 30,	
	2015	2014
OPERATING REVENUES	\$1,059.0	\$1,136.6
OPERATING EXPENSES		
Contract drilling (exclusive of depreciation)	502.6	542.5
Loss on impairment	—	703.5
Depreciation	140.5	132.2
General and administrative	29.7	36.2
	672.8	1,414.4
OPERATING INCOME (LOSS)	386.2	(277.8)
OTHER INCOME (EXPENSE)		
Interest income	3.4	3.5
Interest expense, net	(51.2)	(36.4)
Other, net	(7.6)	2.1)
	(55.4)	(30.8)
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	330.8	(308.6)
PROVISION FOR INCOME TAXES		
Current income tax expense	43.9	47.2
Deferred income tax expense (benefit)	14.1	(4.6)
	58.0	42.6
INCOME (LOSS) FROM CONTINUING OPERATIONS	272.8	(351.2)
LOSS FROM DISCONTINUED OPERATIONS, NET	(10.1)	(818.4)
NET INCOME (LOSS)	262.7	(1,169.6)
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(2.4)	(3.1)
NET INCOME (LOSS) ATTRIBUTABLE TO ENSCO	\$260.3	\$(1,172.7)
EARNINGS (LOSS) PER SHARE - BASIC AND DILUTED		
Continuing operations	\$1.15	\$(1.53)
Discontinued operations	(0.04)	(3.54)
	\$1.11	\$(5.07)
NET INCOME (LOSS) ATTRIBUTABLE TO ENSCO SHARES - BASIC AND DILUTED	\$256.7	\$(1,174.8)
WEIGHTED-AVERAGE SHARES OUTSTANDING		
Basic	232.1	231.5
Diluted	232.2	231.5
CASH DIVIDENDS PER SHARE	\$0.15	\$0.75

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

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

	Six Months Ended June 30,	
	2015	2014
OPERATING REVENUES	\$2,222.9	\$2,203.3
OPERATING EXPENSES		
Contract drilling (exclusive of depreciation)	1,020.9	1,062.7
Loss on impairment	—	703.5
Depreciation	277.6	263.3
General and administrative	59.8	74.3
	1,358.3	2,103.8
OPERATING INCOME	864.6	99.5
OTHER INCOME (EXPENSE)		
Interest income	5.8	7.1
Interest expense, net	(103.6)	(71.0)
Other, net	(30.2)	4.0
	(128.0)	(59.9)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	736.6	39.6
PROVISION FOR INCOME TAXES		
Current income tax expense	106.6	102.4
Deferred income tax expense (benefit)	29.1	(10.3)
	135.7	92.1
INCOME (LOSS) FROM CONTINUING OPERATIONS	600.9	(52.5)
LOSS FROM DISCONTINUED OPERATIONS, NET	(10.3)	(820.4)
NET INCOME (LOSS)	590.6	(872.9)
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(5.6)	(7.3)
NET INCOME (LOSS) ATTRIBUTABLE TO ENSCO	\$585.0	\$(880.2)
EARNINGS (LOSS) PER SHARE - BASIC AND DILUTED		
Continuing operations	\$2.53	\$(0.27)
Discontinued operations	(0.04)	(3.55)
	\$2.49	\$(3.82)
NET INCOME (LOSS) ATTRIBUTABLE TO ENSCO SHARES - BASIC AND DILUTED	\$577.7	\$(884.1)
WEIGHTED-AVERAGE SHARES OUTSTANDING		
Basic	232.0	231.4
Diluted	232.1	231.4
CASH DIVIDENDS PER SHARE	\$0.30	\$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 (LOSS)

(In millions)

(Unaudited)

	Three Months Ended June 30,	
	2015	2014
NET INCOME (LOSS)	\$262.7	\$(1,169.6)
OTHER COMPREHENSIVE INCOME, NET		
Net change in fair value of derivatives	8.7	5.0
Reclassification of net losses (gains) on derivative instruments from other comprehensive income into net income	5.1	(2.4)
Other	(1.3)	.5
NET OTHER COMPREHENSIVE INCOME	12.5	3.1
COMPREHENSIVE INCOME (LOSS)	275.2	(1,166.5)
COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(2.4)	(3.1)
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO ENSCO	\$272.8	\$(1,169.6)

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

ENSCO PLC AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In millions)

(Unaudited)

	Six Months Ended June 30,	
	2015	2014
NET INCOME (LOSS)	\$590.6	\$(872.9)
OTHER COMPREHENSIVE INCOME, NET		
Net change in fair value of derivatives	(8.7)	9.9
Reclassification of net losses (gains) on derivative instruments from other comprehensive income into net income	10.1	(1.9)
Other	1.3	.5
NET OTHER COMPREHENSIVE INCOME	2.7	8.5
COMPREHENSIVE INCOME (LOSS)	593.3	(864.4)
COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(5.6)	(7.3)
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO ENSCO	\$587.7	\$(871.7)

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

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

	June 30, 2015 (Unaudited)	December 31, 2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$648.3	\$664.8
Short-term investments	650.0	757.3
Accounts receivable, net	714.4	883.3
Other	627.9	629.4
Total current assets	2,640.6	2,934.8
PROPERTY AND EQUIPMENT, AT COST	15,886.8	14,975.5
Less accumulated depreciation	2,716.9	2,440.7
Property and equipment, net	13,169.9	12,534.8
GOODWILL	276.1	276.1
OTHER ASSETS, NET	251.5	314.2
	\$16,338.1	\$16,059.9
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable - trade	\$318.9	\$373.2
Accrued liabilities and other	595.0	696.6
Current maturities of long-term debt	14.4	34.8
Total current liabilities	928.3	1,104.6
LONG-TERM DEBT	5,911.3	5,885.6
DEFERRED INCOME TAXES	210.0	179.5
OTHER LIABILITIES	526.6	667.3
COMMITMENTS AND CONTINGENCIES		
ENSOCO SHAREHOLDERS' EQUITY		
Class A ordinary shares, U.S. \$.10 par value, 450.0 million shares authorized, 243.1 and 240.7 million shares issued as of June 30, 2015 and December 31, 2014	24.3	24.1
Class B ordinary shares, £1 par value, 50,000 shares authorized and issued as of June 30, 2015 and December 31, 2014	.1	.1
Additional paid-in capital	5,538.7	5,517.5
Retained earnings	3,236.0	2,720.4
Accumulated other comprehensive income	14.6	11.9
Treasury shares, at cost, 7.4 million and 6.5 million shares as of June 30, 2015 and December 31, 2014	(63.1)	(59.0)
Total Ensco shareholders' equity	8,750.6	8,215.0
NONCONTROLLING INTERESTS	11.3	7.9
Total equity	8,761.9	8,222.9
	\$16,338.1	\$16,059.9

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

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

	Six Months Ended June 30,	
	2015	2014
OPERATING ACTIVITIES		
Net income (loss)	\$590.6	\$(872.9)
Adjustments to reconcile net income (loss) to net cash provided by operating activities of continuing operations:		
Loss from discontinued operations, net	10.3	820.4
Depreciation expense	277.6	263.3
Loss on extinguishment of debt	33.5	—
Deferred income tax expense (benefit)	29.1	(10.3)
Share-based compensation expense	23.0	24.2
Amortization of intangibles and other, net	(13.0)	(4.2)
Loss on impairment	—	703.5
Other	(9.9)	(3.6)
Changes in operating assets and liabilities	(50.2)	42.5
Net cash provided by operating activities of continuing operations	891.0	962.9
INVESTING ACTIVITIES		
Additions to property and equipment	(913.9)	(629.7)
Maturities of short-term investments	757.3	50.0
Purchases of short-term investments	(650.0)	(33.3)
Other	1.1	2.4
Net cash used in investing activities of continuing operations	(805.5)	(610.6)
FINANCING ACTIVITIES		
Proceeds from issuance of senior notes	1,078.7	—
Reduction of long-term borrowings	(1,058.0)	(23.7)
Cash dividends paid	(70.5)	(351.2)
Premium paid on redemption of debt	(30.3)	—
Debt financing costs	(10.5)	—
Other	(6.8)	(13.4)
Net cash used in financing activities	(97.4)	(388.3)
DISCONTINUED OPERATIONS		
Operating activities	(4.2)	(41.5)
Investing activities	(.6)	56.7
Net cash (used in) provided by discontinued operations	(4.8)	15.2
Effect of exchange rate changes on cash and cash equivalents	.2	.2
DECREASE IN CASH AND CASH EQUIVALENTS	(16.5)	(20.6)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	664.8	165.6
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$648.3	\$145.0

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 Ensco plc and subsidiaries (the "Company," "Ensco," "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, 2014 condensed consolidated balance sheet data were derived from our 2014 audited consolidated financial statements, but do not include all disclosures required by GAAP. Certain previously reported amounts have been reclassified to conform to the current year presentation. The preparation of our condensed consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, the related revenues and expenses and disclosures of gain and loss contingencies as of the date of the financial statements. Actual results could differ from those estimates.

The financial data for the three-month and six-month periods ended June 30, 2015 and 2014 included herein have been subjected to a limited review by KPMG LLP, our independent registered public accounting firm. The accompanying independent registered public accounting firm's review report is not a report within the meaning of Sections 7 and 11 of the Securities Act of 1933, and the independent registered public accounting firm's liability under Section 11 does not extend to it.

Results of operations for the three-month and six-month periods ended June 30, 2015 are not necessarily indicative of the results of operations that will be realized for the year ending December 31, 2015. 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, 2014 filed with the SEC on March 2, 2015, and our quarterly report on Form 10-Q filed with the SEC on April 30, 2015.

New Accounting Pronouncements

During 2015, the Financial Accounting Standards Board issued Accounting Standards Update 2015-03, Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs ("Update 2015-03"), which requires that debt issuance costs related to a recognized debt liability be presented on the balance sheet as a direct deduction from the carrying amount of the related debt liability, consistent with debt discounts. Update 2015-03 is effective for annual and interim periods for fiscal years beginning after December 15, 2015. Early application is permitted. We will adopt the accounting standard on a retrospective basis effective January 1, 2016. There will be no impact to the manner in which debt issuance costs are amortized in our condensed consolidated financial statements.

During 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. In July 2015, the Financial Accounting Standards Board voted to delay the effective date one year. The ASU is now effective for annual and interim periods for fiscal years beginning after December 15, 2017, though companies have an option of adopting the standard for fiscal years beginning after December 15, 2016. The ASU will replace most existing revenue recognition guidance in U.S. GAAP and may be adopted using a retrospective, modified retrospective or prospective

with a cumulative catch-up approach. We are currently evaluating the effect that ASU 2014-09 will have on our condensed 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
As of June 30, 2015				
Supplemental executive retirement plan assets	\$44.8	\$—	\$—	\$44.8
Total financial assets	\$44.8	\$—	\$—	\$44.8
Derivatives, net	\$—	\$(16.4	) \$—	\$(16.4)
Total financial liabilities	\$—	\$(16.4	) \$—	\$(16.4)
As of December 31, 2014				
Supplemental executive retirement plan assets	\$43.2	\$—	\$—	\$43.2
Total financial assets	\$43.2	\$—	\$—	\$43.2
Derivatives, net	—	(26.3	) —	(26.3)
Total financial liabilities	\$—	\$(26.3	) \$—	\$(26.3)

Supplemental Executive Retirement Plan Assets

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

Derivatives

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

Other Financial Instruments

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

	June 30, 2015	Estimated Fair Value	December 31, 2014	Estimated Fair Value
	Carrying Value		Carrying Value	
4.70% Senior notes due 2021	\$1,481.3	\$1,554.1	\$1,479.9	\$1,505.3
5.75% Senior notes due 2044	1,003.8	1,015.6	622.3	615.8
6.875% Senior notes due 2020	999.7	1,029.1	1,008.2	1,008.5
5.20% Senior notes due 2025	697.4	696.4	—	—
4.50% Senior notes due 2024	624.2	592.3	624.2	602.0
8.50% Senior notes due 2019	575.2	593.0	583.8	611.8
7.875% Senior notes due 2040	380.5	333.0	381.2	363.8
7.20% Debentures due 2027	149.2	177.2	149.2	171.4
4.33% MARAD bonds, including current maturities, due 2016	14.4	14.5	46.6	46.8
4.65% MARAD bonds, including current maturities, due 2020	—	—	27.0	29.7
3.25% Senior notes due 2016	—	—	998.0	1,018.3
Total	\$5,925.7	\$6,005.2	\$5,920.4	\$5,973.4

The estimated fair values of our senior notes and debentures were determined using quoted market prices. The estimated fair values of our Maritime Administration ("MARAD") bonds were determined using an income approach valuation model.

The estimated fair values of our cash and cash equivalents, short-term investments, receivables, trade payables and other liabilities approximated their carrying values as of June 30, 2015 and December 31, 2014.

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 \$16.4 million and \$26.3 million associated with our foreign currency forward contracts were included on our condensed consolidated balance sheets as of June 30, 2015 and December 31, 2014, respectively. All of our derivatives mature during the next 18 months. See "Note 2 - Fair Value Measurements" for additional information on the fair value measurement of our derivatives.

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

	Derivative Assets		Derivative Liabilities	
	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014
Derivatives Designated as Hedging Instruments				
Foreign currency forward contracts - current ⁽¹⁾	\$1.4	\$.4	\$18.8	\$17.2
Foreign currency forward contracts - non-current ⁽²⁾	.9	.1	.9	2.9
	2.3	.5	19.7	20.1
Derivatives Not Designated as Hedging Instruments				
Foreign currency forward contracts - current ⁽¹⁾	2.2	.2	1.2	6.9
	2.2	.2	1.2	6.9
Total	\$4.5	\$.7	\$20.9	\$27.0

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.

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

We utilize cash flow hedges to hedge forecasted foreign currency denominated transactions, primarily to reduce our exposure to foreign currency exchange rate risk associated with contract drilling expenses and capital expenditures denominated in various currencies. As of June 30, 2015, we had cash flow hedges outstanding to exchange an aggregate \$359.3 million for various foreign currencies, including \$164.1 million for British pounds, \$92.9 million for Brazilian reais, \$41.7 million for euros, \$23.6 million for Singapore dollars, \$21.6 million for Australian dollars and \$15.4 million for other currencies.

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

Three Months Ended June 30, 2015 and 2014

	Gain Recognized in Other Comprehensive Income (Effective Portion)		(Loss) Gain Reclassified from Accumulated Other Comprehensive Income ("AOCI") into Income (Effective Portion) ⁽¹⁾		Gain Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing) ⁽²⁾	
	2015	2014	2015	2014	2015	2014
Interest rate lock contracts ⁽³⁾	\$—	\$—	\$(.4)	\$(.1)	\$—	\$—
Foreign currency forward contracts ⁽⁴⁾	8.7	5.0	(4.7)	2.5	.3	1.2
Total	\$8.7	\$5.0	\$(5.1)	\$2.4	\$.3	\$1.2

Six Months Ended June 30, 2015 and 2014

	(Loss) Gain Recognized in Other Comprehensive Income (Effective Portion)		(Loss) Gain Reclassified from AOCI into Income (Effective Portion) ⁽¹⁾		Gain Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing) ⁽²⁾	
	2015	2014	2015	2014	2015	2014
Interest rate lock contracts ⁽³⁾	\$—	\$—	\$(.5	) \$(.2) \$—	\$—
Foreign currency forward contracts ⁽⁵⁾	(8.7	) 9.9	(9.6	) 2.1	.2	1.9
Total	\$(8.7	) \$9.9	\$(10.1	) \$1.9	\$2.2	\$1.9

Changes in the fair value of cash flow hedges are recorded in AOCI. Amounts recorded in AOCI associated with (1) 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.

During the three-month period ended June 30, 2015, \$4.9 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 (4) condensed consolidated statement of operations. During the three-month period ended June 30, 2014, \$2.3 million of gains were reclassified from AOCI into contract drilling expense and \$200,000 of gains were reclassified from AOCI into depreciation expense in our condensed consolidated statement of operations.

During the six-month period ended June 30, 2015, \$10.0 million of losses were reclassified from AOCI into contract drilling expense and \$400,000 of gains were reclassified from AOCI into depreciation expense in our (5) condensed consolidated statement of operations. During the six-month period ended June 30, 2014, \$1.7 million of gains were reclassified from AOCI into contract drilling expense and \$400,000 of gains were reclassified from AOCI into depreciation expense in our condensed consolidated statement of operations.

We have net assets and liabilities denominated in numerous foreign currencies and use various methods to manage our exposure to foreign currency exchange rate risk. We predominantly structure our drilling contracts in U.S. dollars, which significantly reduces the portion of our cash flows and assets denominated in foreign currencies. We occasionally enter into derivatives that hedge the fair value of recognized foreign currency denominated assets or liabilities but do not designate such derivatives as hedging instruments. In these situations, a natural hedging relationship generally exists whereby changes in the fair value of the derivatives offset changes in the fair value of the underlying hedged items. As of June 30, 2015, we held derivatives not designated as hedging instruments to exchange an aggregate \$169.5 million for various foreign currencies, including \$86.5 million for euros, \$23.2 million for Swiss francs, \$15.4 million for British pounds, \$15.1 million for Indonesian rupiah, \$12.8 million for Mexican Pesos and \$16.5 million for other currencies.

Net gains of \$4.5 million and \$900,000 associated with our derivatives not designated as hedging instruments were included in other, net, in our condensed consolidated statements of operations for the three-month periods ended June 30, 2015 and 2014, respectively. Net losses of \$9.0 million and net gains of \$300,000 associated with our derivatives not designated as hedging instruments were included in other, net in our condensed consolidated statements of operations for the six-month periods ended June 30, 2015 and 2014, respectively. These gains and losses

were largely offset by net foreign currency exchange gains and losses during the respective periods.

As of June 30, 2015, 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 \$9.9 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 (loss) from continuing operations attributable to Ensco for the three-month and six-month periods ended June 30, 2015 and 2014 was as follows (in millions):

	Three Months Ended			Six Months Ended		
	June 30,			June 30,		
	2015	2014		2015	2014	
Income (loss) from continuing operations	\$272.8	\$(351.2)	)	\$600.9	\$(52.5))
Income from continuing operations attributable to noncontrolling interests	(2.4)	) (3.0	)	(5.6)	) (7.1)
Income (loss) from continuing operations attributable to Ensco	\$270.4	\$(354.2)	)	\$595.3	\$(59.6))

Loss from discontinued operations attributable to Ensco for the three-month and six-month periods ended June 30, 2015 and 2014 was as follows (in millions):

	Three Months Ended				Six Months Ended			
	June 30,				June 30,			
	2015	2014			2015	2014		
Loss from discontinued operations, net	\$(10.1	)	\$(818.4	)	\$(10.3	)	\$(820.4)
Income from discontinued operations attributable to noncontrolling interests	—		(.1	)	—		(.2)
Loss from discontinued operations attributable to Ensco	\$(10.1	)	\$(818.5	)	\$(10.3	)	\$(820.6)

Note 5 - Earnings Per Share

We compute basic and diluted earnings per share ("EPS") in accordance with the two-class method. Net income (loss) 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 (loss) from continuing operations attributable to Ensco shares used in our basic and diluted EPS computations for the three-month and six-month periods ended June 30, 2015 and 2014 (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Income (loss) from continuing operations attributable to Ensco	\$270.4	\$(354.2)	\$595.3	\$(59.6)
Income from continuing operations allocated to non-vested share awards	(3.7)	(2.1)	(7.4)	(3.9)
Income (loss) from continuing operations attributable to Ensco shares	\$266.7	\$(356.3)	\$587.9	\$(63.5)

The following table is a reconciliation of the weighted-average shares used in our basic and diluted EPS computations for the three-month and six-month periods ended June 30, 2015 and 2014 (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Weighted-average shares - basic	232.1	231.5	232.0	231.4
Potentially dilutive shares	.1	—	.1	—
Weighted-average shares - diluted	232.2	231.5	232.1	231.4

Antidilutive share options totaling 500,000 were excluded from the computation of diluted EPS for the three-month and six-month periods ended June 30, 2015 and 2014.

Note 6 -Debt

Senior Notes

During the first quarter of 2015, we issued \$700.0 million aggregate principal amount of unsecured 5.20% senior notes due 2025 (the “2025 Notes”) at a discount of \$2.6 million and \$400.0 million aggregate principal amount of unsecured 5.75% senior notes due 2044 (the “New 2044 Notes”) at a discount of \$18.7 million in a public offering. Interest on the 2025 Notes is payable semiannually on March 15 and September 15 of each year commencing September 15, 2015. Interest on the New 2044 Notes is payable semiannually on April 1 and October 1 of each year commencing on April 1, 2015.

The 2025 Notes were issued pursuant to the Indenture between us and Deutsche Bank Trust Company Americas, as trustee (the “Trustee”), dated March 17, 2011 (the “Base Indenture”), as supplemented by the Third Supplemental Indenture between us and the Trustee, dated as of March 12, 2015 (the “Third Supplemental Indenture”). The New 2044 Notes were issued as additional notes under the Base Indenture, as supplemented by the Second Supplemental Indenture between us and the Trustee, dated September 29, 2014 (the “Second Supplemental Indenture”), pursuant to which we previously issued \$625.0 million aggregate principal amount of 5.75% senior notes due 2044 (the “Existing 2044 Notes”) in September 2014 (the Base Indenture, as amended and supplemented by the Second Supplemental Indenture and the Third Supplement Indenture, the “Indenture”). The New 2044 Notes and Existing 2044 Notes are treated as a single series of debt securities under the Indenture (collectively, the “2044 Notes”).

We may redeem the 2025 Notes and 2044 Notes, in whole at any time or in part from time to time, prior to maturity. If we elect to redeem the 2025 Notes before the date that is three months prior to the maturity date or the 2044 Notes 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 2025 Notes or 2044 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 2025 Notes, 2044 Notes and Indenture also contain customary events of default, including failure to pay principal or interest on the 2025 Notes or 2044 Notes when due, among others. The 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.

Redemption of 2016 Senior Notes and MARAD Obligations

During 2011, we issued \$1.0 billion of 3.25% senior notes with a maturity in 2016 (the "2016 Notes"). In March 2015, we commenced a cash tender offer (the "Tender Offer") for the \$1.0 billion outstanding aggregate principal amount of our 2016 Notes. Senior notes totaling \$854.6 million were settled on March 12, 2015 for \$878.0 million (excluding accrued interest) using a portion of the net proceeds from the public offering of the 2025 Notes and New 2044 Notes. Under the terms of the Tender Offer, we paid a premium totaling approximately \$23.4 million, which approximates the "make-whole" premium that would have been required had we elected to redeem the debt. The premium was recorded as a loss on debt extinguishment and included in other, net in our condensed consolidated statement of operations for the six-month period ended June 30, 2015. Additionally, we wrote-off \$1.7 million of unamortized debt discount and \$1.5 million of unamortized debt issuance costs associated with the \$854.6 million of notes tendered, resulting in a total pre-tax loss on debt extinguishment of \$26.6 million.

Concurrent with the settlement of the Tender Offer, we exercised our right to redeem the remaining 2016 Notes. In April 2015, we completed the redemption of the \$145.4 million of 2016 Notes that remained outstanding using a portion of the net proceeds from the public offering of the 2025 Notes and New 2044 Notes. The redemption payment included a "make-whole" premium of \$3.8 million which was recorded as a loss on debt extinguishment and included in other, net in our condensed consolidated statement of operations for the three-month and six-month periods ended June 30, 2015.

In April 2015, we used the remaining net proceeds from our March 2015 public offering, together with cash on hand, to redeem \$51.0 million of our 4.33% MARAD notes due 2016 and our 4.65% MARAD bonds due 2020 (the "MARAD Obligations"). We incurred additional losses on debt extinguishment of \$3.1 million, which were included in other, net in our condensed consolidated statement of operations for the three-month and six-month periods ended June 30, 2015. These losses primarily consisted of a "make-whole" premium.

In July 2015, we redeemed the remaining \$14.3 million aggregate principal amount of the MARAD Obligations.

Revolving Credit

We have a \$2.25 billion senior unsecured revolving credit facility with a syndicate of banks to be used for general corporate purposes with a term expiring on September 30, 2019 (the "Credit Facility"). Advances under the Credit Facility bear interest at Base Rate or LIBOR plus an applicable margin rate (currently 0.125% per annum for Base Rate advances and 1.125% per annum for LIBOR advances) depending on our credit rating. Amounts repaid may be re-borrowed during the term of the 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 Credit Facility requires us to maintain a total debt to total capitalization ratio that is less than or equal to a specified percentage. In March 2015, we amended the Credit Facility to increase the percentage from 50% to 60%.

We have the right, subject to receipt of commitments from new or existing lenders, to increase the commitments under the Credit Facility to an aggregate amount of up to \$2.75 billion. We had no amounts outstanding under the Credit Facility as of June 30, 2015 and December 31, 2014.

Note 7 -Impairment

Impairment of Long-Lived Assets

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. During the second quarter, we concluded that a triggering event had occurred on several rigs due to contract concessions and performed an asset impairment analysis. Based on the analysis performed, we concluded the carrying values of these rigs were recoverable. We continue to have ongoing discussions with certain customers requesting contract concessions. The outcome of these negotiations remains uncertain; however, deterioration of existing contract terms and/or change in our long-term operating assumptions resulting from these negotiations could lead to a material impairment charge in future periods.

During the second quarter of 2014, demand for floaters deteriorated as a result of continued reduction in capital spending by customers in addition to delays in customers' 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 previously realized. In response to the adverse change in the floaters business climate, management evaluated our older, less capable floaters and committed to a plan to sell five rigs. ENSCO 5000, ENSCO 5001, ENSCO 5002, ENSCO 6000 and ENSCO 7500 were removed from our portfolio of rigs marketed for contract drilling services and 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." We completed the sale of ENSCO 5000 during the fourth quarter of 2014 and ENSCO 5002 during the second quarter of 2015. The remaining three floaters were classified as "held for sale" on our June 30, 2015 condensed consolidated balance sheet.

We measured the fair value of the "held for sale" rigs by applying a market approach, which was based on unobservable third-party estimated prices that would be received in exchange for the assets in an orderly transaction between market participants. We recorded a pre-tax, non-cash loss on impairment totaling \$546.4 million during the three-month and six-month periods ended June 30, 2014. The impairment charge was included in loss from discontinued operations, net in our condensed consolidated statement of operations for the three-month and six-month periods ended June 30, 2014. See "Note 9 - Discontinued Operations" for additional information on our "held for sale" rigs.

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, of which \$288.0 million related to ENSCO DS-2 which was removed from our portfolio of rigs marketed for contract drilling services during the fourth quarter of 2014. As a result, the ENSCO DS-2 impairment charge was reclassified to loss from discontinued operations, net in our condensed consolidated statement of operations for the three-month and six-month periods ended June 30, 2014. The remaining \$703.5 million impairment charge was included in loss on impairment in our condensed consolidated statement of operations for the three-month and six-month periods ended June 30, 2014. We measured the fair value of these rigs by applying an income approach, using projected discounted cash flows. These valuations were based on unobservable inputs that require significant judgments for which there is limited information, including assumptions regarding future day rates, utilization, operating costs and capital requirements.

Note 8 -Shareholders' Equity

Consistent with prior years' practice, during the three-month period ended June 30, 2015, we granted 1.7 million non-vested share awards 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 period ended June 30, 2015 was \$23.41 per share.

Note 9 -Discontinued Operations

During 2014, management committed to a plan to sell six floaters and two jackups. ENSCO 5000, ENSCO 5001, ENSCO 5002, ENSCO 6000, ENSCO 7500, ENSCO DS-2, ENSCO 58 and ENSCO 90 were removed from our portfolio of rigs marketed for contract drilling services. These rigs were written down to fair value, less costs to sell. We measured the fair value of these 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. The operating results from these rigs were included in loss from discontinued operations, net in our condensed consolidated statements of operations for the three-month and six-month periods ended June 30, 2015 and 2014. On a quarterly basis, we reassess the fair values of our "held for sale" assets to determine whether any adjustments to the carrying values are necessary.

During the three-month period ended June 30, 2015, we sold ENSCO 5002 for net proceeds of \$1.6 million. The proceeds from the sale were included in investing activities of discontinued operations in our condensed consolidated statement of cash flows for the six-month period ended June 30, 2015. We recognized a pre-tax gain of \$1.6 million in connection with the disposal. The gain on sale was included in loss from discontinued operations, net in our condensed consolidated statement of operations for the three-month and six-month periods ended June 30, 2015.

During the fourth quarter of 2014, we completed the sale of ENSCO 5000 for net proceeds of \$1.3 million. The remaining six rigs (ENSCO 5001, ENSCO 6000, ENSCO 7500, ENSCO DS-2, ENSCO 58 and ENSCO 90) are being actively marketed and were classified as "held for sale" on our June 30, 2015 condensed consolidated balance sheet.

During the third quarter of 2014, we sold ENSCO 93, a jackup contracted to Pemex. In connection with the sale, we executed a charter agreement with the purchaser to continue operating the rig for the remainder of the Pemex contract, which ended in June 2015. As a result, ENSCO 93 operating results were included in loss from discontinued operations, net in our condensed consolidated statement of operations for the three-month and six-month periods ended June 30, 2015 and 2014.

During the three-month period ended June 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 six-month period ended June 30, 2014. We recognized a pre-tax gain of \$10.3 million in connection with the disposal. The gain on sale and operating results were included in loss from discontinued operations, net in our condensed consolidated statement of operations for the three-month and six-month periods ended June 30, 2014.

During the six-month period ended June 30, 2014, we sold ENSCO 69 and Pride Wisconsin for net proceeds of \$32.2 million and recorded a pre-tax gain of \$23.6 million. The gain on sale and operating results were included in loss from discontinued operations, net in our condensed consolidated statement of operations for the six-month period ended June 30, 2014. The net proceeds from the sale were received in December 2013 and included in investing activities of discontinued operations in our condensed consolidated statement of cash flows for the year ended December 31, 2013.

The following table summarizes loss from discontinued operations, net for the three-month and six-month periods ended June 30, 2015 and 2014 (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenues	\$8.1	\$99.1	\$17.7	\$219.4
Operating expenses	11.3	114.9	33.2	251.6
Operating loss	(3.2)	(15.8)	(15.5)	(32.2)
Income tax (expense) benefit	(2.9)	(6.5)	9.2	(11.5)
Loss on impairment, net	(7.2)	(796.8)	(7.2)	(796.8)
Gain on disposal of discontinued operations, net	3.2	.7	3.2	20.1
Loss from discontinued operations, net	\$(10.1)	\$(818.4)	\$(10.3)	\$(820.4)

Income tax benefit from discontinued operations for the six-month period ended June 30, 2015 included \$13.3 million of discrete tax benefits.

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

Note 10 -Income Taxes

Our consolidated effective income tax rate for the three-month and six-month periods ended June 30, 2015 was 17.5% and 18.4%, respectively. There were no material discrete tax items for the three-month period ended June 30, 2015. Excluding the impact of discrete income tax items for the six-month period ended June 30, 2015, our consolidated effective income tax rate was 17.5%. These discrete tax items were primarily attributable to the recognition of liabilities for unrecognized tax benefits associated with tax positions taken in prior years.

Excluding the impact of the \$703.5 million loss on impairment and discrete income tax expense, our consolidated effective income tax rate for the three-month and six-month periods ended June 30, 2014 was 10.4% and 10.5%, respectively.

The increase in our effective tax rate, excluding discrete items, during 2015 is primarily attributable to an increase in the relative components of our estimated 2015 earnings, excluding discrete items, generated in tax jurisdictions with higher tax rates and tax legislation enacted by the U.K. government that became effective on April 1, 2014.

Note 11 -Contingencies

Brazil Internal Investigation

Pride International, Inc. ("Pride") commenced drilling operations in Brazil during 2001, and, in 2008, entered into a drilling contract with Petrobras for DS-5, a rig Pride had ordered from a shipyard in South Korea. At the time Ensco acquired Pride in mid-2011, Pride's Brazil fleet had grown to ten rigs.

Beginning in 2006, Pride conducted periodic compliance reviews of its business with Petrobras, and, after the acquisition, Ensco conducted similar compliance reviews, the most recent of which commenced after media reports surfaced regarding ongoing investigations of various kickback and bribery schemes in Brazil.

While conducting our most recent compliance review, we became aware of an internal audit report prepared by Petrobras, after media reports surfaced regarding its contents. The audit report alleges irregularities in relation to DS-5 - specifically, that Petrobras overpaid under the DS-5 drilling contract, purportedly because the terms of the DS-5 contract were more favorable to Pride than the terms that Petrobras had negotiated with other offshore drilling contractors during that time. We believe this allegation by Petrobras is inaccurate, as publicly available data show that the DS-5 contract terms were comparable to other contracts signed by Petrobras in late 2007 and early 2008. We have provided this information to Petrobras as relevant to their internal audit report. Petrobras submitted its internal audit report to Brazilian governmental authorities, who have subsequently requested a copy of the DS-5 drilling contract from Petrobras.

Statements from the internal audit report, including those relating to alleged overpayments for the DS-5 contract, were subsequently cited along with other allegations in Brazilian court procedural documents used in the arrest of a former Petrobras director. While the Petrobras internal audit report became public more than two months ago, we have not been contacted by Brazil authorities.

Nevertheless, upon learning of the Petrobras internal audit report, our Audit Committee expanded the scope of our most recent review of our business with Petrobras. Also, our Audit Committee appointed independent counsel to commission and undertake an internal investigation to examine the facts and circumstances surrounding the allegations set forth in the internal audit report and court documents related to the arrest of the former Petrobras director. Our investigation is ongoing, but to date we have found no evidence that Pride was involved in any wrongdoing.

Our rigs working for Petrobras continue to operate under their existing contracts. Further, we have voluntarily contacted the SEC and the U.S. Department of Justice ("DOJ") to advise them of the internal audit report and our Audit Committee's independent investigation. We cannot predict whether any governmental authority will seek to investigate this matter, or if a proceeding were opened, the scope or ultimate outcome of any such investigation. If the SEC or DOJ determines that violations of the U.S. Foreign Corrupt Practices Act of 1977 (the "FCPA") have occurred, or if any governmental authority determines that we have violated applicable anti-bribery laws, they could seek civil and criminal sanctions, including monetary penalties, against us, as well as changes to our business practices and compliance programs, any of which could have a material adverse effect on our business and financial condition.

ENSCO 74 Loss

During 2008, ENSCO 74 was lost as a result of Hurricane Ike in the U.S. Gulf of Mexico. The ENSCO 74 sunken rig hull 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 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. 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 currently in excess of \$5.0 million for losses incurred when the tanker struck the ENSCO 74 hull. This matter went to trial in June 2014, and we won a directed verdict on all claims. The plaintiff appealed the decision to the United States Court of Appeals for the Fifth Circuit. 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.

ENSCO 29 Wreck Removal

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

Our property insurance policies include coverage for ENSCO 29 wreckage and debris removal costs up to \$3.8 million. We also maintain liability insurance policies that provide coverage under certain circumstances for wreckage and debris removal costs in excess of the \$3.8 million coverage provided under the property insurance policies. We believe that it is not probable a liability exists with respect to this matter, and no liability has been recorded on our condensed consolidated balance sheet as of June 30, 2015. 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.

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 U.K. by approximately 65 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 plaintiffs to settle lawsuits filed in Mississippi for a nominal amount. A special master reviewed all 58 cases and made an allocation of settlement funds among the parties. The District Court Judge reviewed the allocations and accepted the special master's recommendations and approved

the settlements. The settlement documents and final documentation for the individual plaintiffs are continuing to be processed.

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

Other Matters

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

In the ordinary course of business with customers and others, we have entered into letters of credit and surety bonds to guarantee our performance as it relates to our drilling contracts, contract bidding, customs duties, tax appeals and other obligations in various jurisdictions. Letters of credit and surety bonds outstanding as of June 30, 2015 totaled \$229.6 million and were issued under facilities provided by various banks and other financial institutions. Obligations under these letters of credit and surety bonds are not normally called as we typically comply with the underlying performance requirement. As of June 30, 2015, we had not been required to make collateral deposits with respect to these agreements.

Note 12 -Sale-leaseback

During the third quarter of 2014, we sold jackup rigs ENSCO 83, ENSCO 89, ENSCO 93 and ENSCO 98, all of which are contracted to Petroleos Mexicanos (“Pemex”). 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 had anticipated completion dates in either 2015 or 2016. We accounted for the transaction as a sale-leaseback, whereby we retain a significant portion of the remaining use of the rigs as a result of the charter agreements.

We recorded an aggregate gain on sale of \$7.5 million at the time of disposal, which represented the portion of the gain that exceeded the present value of payments due under the charter agreements. The remaining \$29.4 million gain was deferred and amortized to contract drilling expense within the Jackup segment over the remaining charter term of each rig. Of the \$29.4 million deferred gain, \$6.9 million and \$14.0 million were recognized in contract drilling expense in our condensed consolidated statements of operations for the three-month and six-month periods ended June 30, 2015 and \$8.4 million was included in accrued liabilities and other on our condensed consolidated balance sheet as of June 30, 2015.

Due to our charter agreements with the purchaser, ENSCO 83, ENSCO 89 and ENSCO 98 operating results for periods beginning after the date of sale (September 30, 2014) were included in income (loss) from continuing

operations within the Other segment. Operating results for these rigs prior to September 30, 2014 were included in income (loss) from continuing operations within the Jackup segment.

The ENSCO 93 contract with Pemex ended in June 2015. As a result, ENSCO 93 operating results were included in loss from discontinued operations, net in our condensed consolidated statements of operations for the three-month and six-month periods ended June 30, 2015 and 2014. See "Note 9 - Discontinued Operations" for additional information.

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 six-month periods ended 2015 and 2014 is presented below (in millions). General and administrative expense and depreciation expense incurred by our corporate office are not allocated to our operating segments for purposes of measuring segment operating income and were included in "Reconciling Items." We measure segment assets as property and equipment. Prior year information has been reclassified to conform to the current year presentation.

Three Months Ended June 30, 2015

	Floaters	Jackups	Other	Operating Segments Total	Reconciling Items	Consolidated Total
Revenues	\$634.3	\$384.1	\$40.6	\$1,059.0	\$—	\$1,059.0
Operating expenses						
Contract drilling (exclusive of depreciation)	277.7	192.7	32.2	502.6	—	502.6
Depreciation	94.4	43.6	—	138.0	2.5	140.5
General and administrative	—	—	—	—	29.7	29.7
Operating income (loss)	\$262.2	\$147.8	\$8.4	\$418.4	\$(32.2)	\$386.2
Property and equipment, net	\$9,870.7	\$3,223.4	\$—	\$13,094.1	\$75.8	\$13,169.9

Three Months Ended June 30, 2014

	Floaters	Jackups	Other	Operating Segments Total	Reconciling Items	Consolidated Total
Revenues	\$679.5	\$440.6	\$16.5	\$1,136.6	\$—	\$1,136.6
Operating expenses						
Contract drilling (exclusive of depreciation)	309.9	220.9	11.7	542.5	—	542.5
Loss on impairment	703.5	—	—	703.5	—	703.5
Depreciation	88.3	41.8	—	130.1	2.1	132.2
General and administrative	—	—	—	—	36.2	36.2
Operating (loss) income	\$(422.2)	\$177.9	\$4.8	\$(239.5)	\$(38.3)	\$(277.8)
Property and equipment, net	\$9,661.1	\$3,152.9	\$—	\$12,814.0	\$67.2	\$12,881.2

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Six Months Ended June 30, 2015

	Floaters	Jackups	Other	Operating Segments Total	Reconciling Items	Consolidated Total
Revenues	\$ 1,329.3	\$812.4	\$81.2	\$2,222.9	\$—	\$2,222.9
Operating expenses						
Contract drilling (exclusive of depreciation)	571.2	384.2	65.5	1,020.9	—	1,020.9
Depreciation	187.4	85.1	—	272.5	5.1	277.6
General and administrative	—	—	—	—	59.8	59.8
Operating income (loss)	\$570.7	\$343.1	\$15.7	\$929.5	\$(64.9)	\$864.6
Property and equipment, net	\$9,870.7	\$3,223.4	\$—	\$13,094.1	\$75.8	\$13,169.9

Six Months Ended June 30, 2014

	Floaters	Jackups	Other	Operating Segments Total	Reconciling Items	Consolidated Total
Revenues	\$1,331.1	\$839.1	\$33.1	\$2,203.3	\$—	\$2,203.3
Operating expenses						
Contract drilling (exclusive of depreciation)	616.5	423.2	23.0	1,062.7	—	1,062.7
Loss on impairment	703.5	—	—	703.5	—	703.5
Depreciation	179.0	80.3	—	259.3	4.0	263.3
General and administrative	—	—	—	—	74.3	74.3
Operating (loss) income	\$(167.9	) \$335.6	\$10.1	\$177.8	\$(78.3	) \$99.5
Property and equipment, net	\$9,661.1	\$3,152.9	\$—	\$12,814.0	\$67.2	\$12,881.2

Information about Geographic Areas

As of June 30, 2015, the geographic distribution of our drilling rigs by reportable segment was as follows:

	Floaters	Jackups	Total ⁽¹⁾
North & South America (excluding Brazil)	9	7	16
Middle East & Africa	3	12	15
Europe & Mediterranean	1	11	12
Asia & Pacific Rim	4	7	11
Brazil	4	—	4
Asia & Pacific Rim (under construction)	2	1	3
Middle East & Africa (under construction)	—	2	2
Held for sale	4	2	6
Total	27	42	69

⁽¹⁾ We provide management services on six rigs owned by third-parties not included in the table above.

Note 14 -Supplemental Financial Information

Consolidated Balance Sheet Information

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

	June 30, 2015	December 31, 2014
Trade	\$709.9	\$878.8
Other	19.8	15.9
	729.7	894.7
Allowance for doubtful accounts	(15.3	) (11.4
	\$714.4	\$883.3

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

	June 30, 2015	December 31, 2014
Inventory	\$251.7	\$240.3
Assets held for sale	145.7	152.4
Prepaid taxes	79.0	90.6
Deferred costs	60.5	61.9
Deferred tax assets	43.9	43.8
Prepaid expenses	35.1	33.8
Other	12.0	6.6
	\$627.9	\$629.4

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

	June 30, 2015	December 31, 2014
Deferred costs	\$86.9	\$82.3
Supplemental executive retirement plan assets	44.8	43.2
Prepaid taxes on intercompany transfers of property	38.4	39.7
Deferred tax assets	36.8	38.4
Intangible assets	31.7	49.0
Unbilled receivables	1.7	18.6
Warranty and other claim receivables	—	30.6
Other	11.2	12.4
	\$251.5	\$314.2

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

	June 30, 2015	December 31, 2014
Deferred revenue	\$218.2	\$241.3
Personnel costs	143.9	214.0
Taxes	98.6	97.0
Accrued interest	89.7	83.8
Derivative liabilities	20.0	24.1
Other	24.6	36.4
	\$595.0	\$696.6

Other liabilities consisted of the following (in millions):

	June 30, 2015	December 31, 2014
Deferred revenue	\$265.8	\$373.2
Unrecognized tax benefits (inclusive of interest and penalties)	143.8	142.4
Supplemental executive retirement plan liabilities	46.3	45.1
Intangible liabilities	21.2	40.7
Personnel costs	15.3	26.1
Other	34.2	39.8
	\$526.6	\$667.3

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

	June 30, 2015	December 31, 2014
Derivative Instruments	\$9.4	\$8.0
Other	5.2	3.9
	\$14.6	\$11.9

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 derivative counterparties 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.

Consolidated revenues by customer for the three-month and six-month periods ended June 30, 2015 and 2014 were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,		
	2015	2014	2015	2014	
BP ⁽¹⁾	16	% 17	% 14	% 17	%
Petrobras ⁽²⁾	15	% 10	% 13	% 10	%
Total ⁽²⁾	10	% 8	% 9	% 10	%
Anadarko ⁽²⁾	5	% 10	% 5	% 11	%
Other	54	% 55	% 59	% 52	%
	100	% 100	% 100	% 100	%

During the three-month periods ended June 30, 2015 and 2014, 79% and 81% of the revenues provided by BP, ⁽¹⁾ respectively, were attributable to our Floaters segment. During the six-month period ended June 30, 2015 and 2014, 82% and 80% of the revenues provided by BP, respectively, were attributable to our Floaters segment.

⁽²⁾ During the three-month and six-month periods ended June 30, 2015 and 2014, all revenues were provided by our Floaters segment.

Consolidated revenues by region for the three-month and six-month periods ended June 30, 2015 and 2014 were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
U.S. Gulf of Mexico ⁽¹⁾	\$271.0	\$464.7	\$609.8	\$873.5
Angola ⁽²⁾	182.4	157.8	351.7	308.4
Brazil ⁽³⁾	115.7	111.2	238.4	245.7
United Kingdom ⁽⁴⁾	104.3	86.1	224.9	150.9
Other	385.6	316.8	798.1	624.8
	\$1,059.0	\$1,136.6	\$2,222.9	\$2,203.3

During the three-month period ended June 30, 2015 and 2014, 83% and 77% of the revenues earned in the U.S. Gulf of Mexico, respectively, were attributable to our Floaters segment. During the six-month period ended June 30, 2015 and 2014, 84% and 77% of the revenues earned in the U.S. Gulf of Mexico, respectively, were attributable to our Floaters segment.

During the three-month period ended June 30, 2015 and 2014, 91% and 100% of the revenues earned in Angola, respectively, were attributable to our Floaters segment. During the six-month period ended June 30, 2015 and 2014, 90% and 100% of the revenues earned in Angola, respectively, were attributable to our Floaters segment.

During the three-month and six-month periods ended June 30, 2015 and 2014, all revenues were provided by our Floaters segment.

During the three-month and six-month periods ended June 30, 2015 and 2014, all revenues were provided by our Jackups segment.

Note 15 -Guarantee of Registered Securities

On May 31, 2011, Ensco plc completed a merger transaction (the "Merger") with Pride. In connection with the Merger, Ensco plc and Pride entered into a supplemental indenture to the indenture dated as of July 1, 2004 between Pride and the Bank of New York Mellon, as indenture trustee, providing for, among other matters, the full and unconditional guarantee by Ensco plc of Pride's 8.5% unsecured senior notes due 2019, 6.875% unsecured senior notes due 2020 and 7.875% unsecured senior notes due 2040, which had an aggregate outstanding principal balance of \$1.7 billion as of June 30, 2015. The Ensco plc guarantee provides for the unconditional and irrevocable guarantee of the prompt payment, when due, of any amount owed to the holders of the notes.

Ensco plc is also a full and unconditional guarantor of the 7.2% debentures due 2027 issued by ENSCO International Incorporated during 1997, which had an aggregate outstanding principal balance of \$150.0 million as of June 30, 2015.

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

The following tables present the unaudited condensed consolidating statements of operations for the three-month and six-month periods ended June 30, 2015 and 2014; the unaudited condensed consolidating statements of comprehensive income for the three-month and six-month periods ended June 30, 2015 and 2014; the condensed consolidating balance sheets as of June 30, 2015 (unaudited) and December 31, 2014; and the unaudited condensed

consolidating statements of cash flows for the six-month periods ended June 30, 2015 and 2014, in accordance with Rule 3-10 of Regulation S-X.

ENSOCO PLC AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

Three Months Ended June 30, 2015

(in millions)

(Unaudited)

	Ensco plc	ENSOCO International Incorporated	Pride International, Inc.	Other Non-Guarantor Subsidiaries of Ensco	Consolidating Adjustments	Total
OPERATING REVENUES	\$8.7	\$34.5	\$—	\$ 1,086.6	\$(70.8)	\$ 1,059.0
OPERATING EXPENSES						
Contract drilling (exclusive of depreciation)	6.3	34.5	—	532.6	(70.8)	502.6
Depreciation	—	2.4	—	138.1	—	140.5
General and administrative	13.7	—	—	16.0	—	29.7
OPERATING (LOSS) INCOME	(11.3)	(2.4)	—	399.9	—	386.2
OTHER (EXPENSE) INCOME, NET	(36.3)	2.4	(15.2)	(6.3)	—	(55.4)
(LOSS) INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(47.6)	—	(15.2)	393.6	—	330.8
INCOME TAX PROVISION	—	14.1	—	43.9	—	58.0
DISCONTINUED OPERATIONS, NET	—	—	—	(10.1)	—	(10.1)
EQUITY EARNINGS IN AFFILIATES, NET OF TAX	307.9	47.5	71.4	—	(426.8)	—
NET INCOME	260.3	33.4	56.2	339.6	(426.8)	262.7
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	(2.4)	—	(2.4)
NET INCOME ATTRIBUTABLE TO ENSOCO	\$260.3	\$33.4	\$56.2	\$ 337.2	\$(426.8)	\$260.3

ENSCO PLC AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

Three Months Ended June 30, 2014

(in millions)

(Unaudited)

	Ensco plc	ENSCO International Incorporated	Pride International, Inc.	Other Non-Guarantor Subsidiaries of Ensco	Consolidating Adjustments	Total
OPERATING REVENUES	\$7.8	\$38.9	\$—	\$ 1,169.7	\$(79.8)	\$1,136.6
OPERATING EXPENSES						
Contract drilling (exclusive of depreciation)	8.0	38.9	—	575.4	(79.8)	542.5
Loss on impairment	—	—	—	703.5	—	703.5
Depreciation	—	1.8	—	130.4	—	132.2
General and administrative	14.5	.1	—	21.6	—	36.2
OPERATING LOSS	(14.7)	(1.9)	—	(261.2)	—	(277.8)
OTHER EXPENSE, NET	(12.0)	(1.4)	(13.7)	(3.7)	—	(30.8)
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(26.7)	(3.3)	(13.7)	(264.9)	—	(308.6)
INCOME TAX PROVISION	—	7.6	—	35.0	—	42.6
DISCONTINUED OPERATIONS, NET	—	—	—	(818.4)	—	(818.4)
EQUITY EARNINGS IN AFFILIATES, NET OF TAX	(1,146.0)	(1,481.5)	(1,554.5)	—	4,182.0	—
NET LOSS	(1,172.7)	(1,492.4)	(1,568.2)	(1,118.3)	4,182.0	(1,169.6)
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	(3.1)	—	(3.1)
NET LOSS ATTRIBUTABLE TO ENSCO	\$(1,172.7)	\$(1,492.4)	\$(1,568.2)	\$(1,121.4)	\$4,182.0	\$(1,172.7)

ENSCO PLC AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

Six Months Ended June 30, 2015

(in millions)

(Unaudited)

	Ensco plc	ENSCO International Incorporated	Pride International, Inc.	Other Non-Guarantor Subsidiaries of Ensco	Consolidating Adjustments	Total
OPERATING REVENUES	\$17.4	\$69.3	\$—	\$ 2,278.2	\$(142.0)	\$2,222.9
OPERATING EXPENSES						
Contract drilling (exclusive of depreciation)	13.1	69.3	—	1,080.5	(142.0)	1,020.9
Loss on impairment	—	—	—	—	—	—
Depreciation	.1	4.9	—	272.6	—	277.6
General and administrative	27.0	.1	—	32.7	—	59.8
OPERATING (LOSS) INCOME	(22.8)	(5.0)	—	892.4	—	864.6
OTHER (EXPENSE) INCOME, NET	(96.2)	(14.4)	(31.1)	13.7	—	(128.0)
(LOSS) INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(119.0)	(19.4)	(31.1)	906.1	—	736.6
INCOME TAX PROVISION	—	27.9	—	107.8	—	135.7
DISCONTINUED OPERATIONS, NET	—	—	—	(10.3)	—	(10.3)
EQUITY EARNINGS IN AFFILIATES, NET OF TAX	704.0	92.7	135.3	—	(932.0)	—
NET INCOME	585.0	45.4	104.2	788.0	(932.0)	590.6
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	(5.6)	—	(5.6)
NET INCOME ATTRIBUTABLE TO ENSCO	\$585.0	\$45.4	\$104.2	\$ 782.4	\$(932.0)	\$585.0

ENSCO PLC AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

Six Months Ended June 30, 2014

(in millions)

(Unaudited)

	Ensco plc	ENSCO International Incorporated	Pride International, Inc.	Other Non-Guarantor Subsidiaries of Ensco	Consolidating Adjustments	Total
OPERATING REVENUES	\$15.5	\$77.8	\$—	\$ 2,269.3	\$(159.3)	\$2,203.3
OPERATING EXPENSES						
Contract drilling (exclusive of depreciation)	15.3	77.8	—	1,128.9	(159.3)	1,062.7
Loss on impairment	—	—	—	703.5	—	703.5
Depreciation	.1	3.3	—	259.9	—	263.3
General and administrative	30.8	.2	—	43.3	—	74.3
OPERATING (LOSS) INCOME	(30.7)	(3.5)	—	133.7	—	99.5
OTHER EXPENSE, NET (LOSS) INCOME FROM	(28.6)	(5.4)	(25.9)	—	—	(59.9)
CONTINUING OPERATIONS BEFORE INCOME TAXES	(59.3)	(8.9)	(25.9)	133.7	—	39.6
INCOME TAX PROVISION	—	38.4	—	53.7	—	92.1
DISCONTINUED OPERATIONS, NET	—	—	—	(820.4)	—	(820.4)
EQUITY EARNINGS IN AFFILIATES, NET OF TAX	(820.9)	(1,387.5)	(1,569.8)	—	3,778.2	—
NET LOSS	(880.2)	(1,434.8)	(1,595.7)	(740.4)	3,778.2	(872.9)
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	(7.3)	—	(7.3)
NET LOSS ATTRIBUTABLE TO ENSCO	\$(880.2)	\$(1,434.8)	\$(1,595.7)	\$(747.7)	\$3,778.2	\$(880.2)

ENSCO PLC AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Three Months Ended June 30, 2015

(in millions)

(Unaudited)

	Ensco plc	ENSCO International Incorporated	Pride International, Inc.	Other Non-Guarantor Subsidiaries of Ensco	Consolidating Adjustments	Total
NET INCOME	\$260.3	\$33.4	\$56.2	\$ 339.6	\$(426.8)	\$262.7
OTHER COMPREHENSIVE INCOME, NET						
Net change in fair value of derivatives	—	8.7	—	—	—	8.7
Reclassification of net losses on derivative instruments from other comprehensive income into net income	—	5.1	—	—	—	5.1
Other	—	—	—	(1.3)	—	(1.3)
NET OTHER COMPREHENSIVE INCOME	—	13.8	—	(1.3)	—	12.5
COMPREHENSIVE INCOME	260.3	47.2	56.2	338.3	(426.8)	275.2
COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	(2.4)	—	(2.4)
COMPREHENSIVE INCOME ATTRIBUTABLE TO ENSCO	\$260.3	\$47.2	\$56.2	\$ 335.9	\$(426.8)	\$272.8

ENSCO PLC AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Three Months Ended June 30, 2014

(in millions)

(Unaudited)

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

ENSOC PLC AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Six Months Ended June 30, 2015

(in millions)

(Unaudited)

	Ensco plc	ENSOC International Incorporated	Pride International, Inc.	Other Non-Guarantor Subsidiaries of Ensco	Consolidating Adjustments	Total
NET INCOME	\$585.0	\$45.4	\$104.2	\$788.0	\$(932.0)	) \$590.6
OTHER COMPREHENSIVE INCOME, NET						
Net change in fair value of derivatives	—	(8.7)	) —	—	—	(8.7)
Reclassification of net losses on derivative instruments from other comprehensive income into net income	—	10.1	—	—	—	10.1
Other	—	—	—	1.3	—	1.3
NET OTHER COMPREHENSIVE INCOME	—	1.4	—	1.3	—	2.7
COMPREHENSIVE INCOME	585.0	46.8	104.2	789.3	(932.0)	) 593.3
COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	(5.6)	) —	(5.6)
COMPREHENSIVE INCOME ATTRIBUTABLE TO ENSOC	\$585.0	\$46.8	\$104.2	\$783.7	\$(932.0)	) \$587.7

ENSOCO PLC AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Six Months Ended June 30, 2014

(in millions)

(Unaudited)

	Ensco plc	ENSOCO International Incorporated	Pride International, Inc.	Other Non-Guarantor Subsidiaries of Ensco	Consolidating Adjustments	Total
NET LOSS	\$(880.2)	\$(1,434.8)	\$(1,595.7)	\$(740.4)	\$3,778.2	\$(872.9)
OTHER COMPREHENSIVE INCOME, NET						
Net change in fair value of derivatives	—	9.9	—	—	—	9.9
Reclassification of net gains on derivative instruments from other comprehensive income into net income	—	(1.9)	—	—	—	(1.9)
Other	—	—	—	.5	—	.5
NET OTHER COMPREHENSIVE INCOME	—	8.0	—	.5	—	8.5
COMPREHENSIVE LOSS	(880.2)	(1,426.8)	(1,595.7)	(739.9)	3,778.2	(864.4)
COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	(7.3)	—	(7.3)
COMPREHENSIVE LOSS ATTRIBUTABLE TO ENSOCO	\$(880.2)	\$(1,426.8)	\$(1,595.7)	\$(747.2)	\$3,778.2	\$(871.7)

ENSOCO PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEETS

June 30, 2015

(in millions)

(Unaudited)

	Ensco plc	ENSOCO International Incorporated	Pride International, Inc.	Other Non-Guarantor Subsidiaries of Ensco	Consolidating Adjustments	Total
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	\$334.6	\$—	\$104.4	\$ 209.3	\$—	\$648.3
Short-term investments	650.0	—	—	—	—	650.0
Accounts receivable, net	—	—	—	714.4	—	714.4
Accounts receivable from affiliates	17.4	143.1	—	68.6	(229.1)	—
Other	.2	74.0	—	553.7	—	627.9
Total current assets	1,002.2	217.1	104.4	1,546.0	(229.1)	2,640.6
PROPERTY AND EQUIPMENT, AT COST	2.1	76.6	—	15,808.1	—	15,886.8
Less accumulated depreciation	1.8	38.9	—	2,676.2	—	2,716.9
Property and equipment, net	.3	37.7	—	13,131.9	—	13,169.9
GOODWILL	—	—	—	276.1	—	276.1
DUE FROM AFFILIATES	3,022.7	5,421.2	1,978.8	7,443.9	(17,866.6)	—
INVESTMENTS IN AFFILIATES	9,817.6	1,327.1	595.4	—	(11,740.1)	—
OTHER ASSETS, NET	27.6	46.1	—	177.8	—	251.5
	\$13,870.4	\$7,049.2	\$2,678.6	\$ 22,575.7	\$(29,835.8)	\$16,338.1
LIABILITIES AND SHAREHOLDERS' EQUITY						
CURRENT LIABILITIES						
Accounts payable and accrued liabilities	\$56.0	\$25.8	\$34.1	\$ 798.0	\$—	\$913.9
Accounts payable to affiliates	9.4	82.1	—	137.6	(229.1)	\$—
Current maturities of long-term debt	—	—	—	14.4	—	\$14.4
Total current liabilities	65.4	107.9	34.1	950.0	(229.1)	928.3
DUE TO AFFILIATES	1,236.6	4,502.6	1,752.7	10,374.7	(17,866.6)	—
LONG-TERM DEBT	3,806.7	149.2	1,955.4	—	—	5,911.3
DEFERRED INCOME TAXES	—	202.6	—	7.4	—	210.0
OTHER LIABILITIES	—	4.4	6.2	516.0	—	526.6
ENSOCO SHAREHOLDERS' EQUITY	8,761.7	2,082.5	(1,069.8)	10,716.3	(11,740.1)	8,750.6
	—	—	—	11.3	—	11.3

NONCONTROLLING
INTERESTS

Total equity	8,761.7	2,082.5	(1,069.8	) 10,727.6	(11,740.1	) 8,761.9
	\$13,870.4	\$7,049.2	\$2,678.6	\$ 22,575.7	\$(29,835.8	) \$16,338.1

ENSCO PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEETS
December 31, 2014
(in millions)

	Ensco plc	ENSCO International Incorporated	Pride International, Inc.	Other Non-Guarantor Subsidiaries of Ensco	Consolidating Adjustments	Total
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	\$287.4	\$—	\$90.8	\$ 286.6	\$—	\$664.8
Short-term investments	712.0	—	—	45.3	—	\$757.3
Accounts receivable, net	—	—	—	883.3	—	883.3
Accounts receivable from affiliates	34.5	210.4	—	134.6	(379.5)	—
Other	4.1	86.9	—	538.4	—	629.4
Total current assets	1,038.0	297.3	90.8	1,888.2	(379.5)	2,934.8
PROPERTY AND EQUIPMENT, AT COST	2.1	71.5	—	14,901.9	—	14,975.5
Less accumulated depreciation	1.7	34.1	—	2,404.9	—	2,440.7
Property and equipment, net	.4	37.4	—	12,497.0	—	12,534.8
GOODWILL	—	—	—	276.1	—	276.1
DUE FROM AFFILIATES	2,873.2	4,748.2	1,835.0	6,308.8	(15,765.2)	—
INVESTMENTS IN AFFILIATES	9,084.8	1,233.5	461.6	—	(10,779.9)	—
OTHER ASSETS, NET	17.0	47.4	—	249.8	—	314.2
	\$13,013.4	\$6,363.8	\$2,387.4	\$ 21,219.9	\$(26,924.6)	\$16,059.9
LIABILITIES AND SHAREHOLDERS' EQUITY						
CURRENT LIABILITIES						
Accounts payable and accrued liabilities	\$47.8	\$42.8	\$34.3	\$ 944.9	\$—	\$1,069.8
Accounts payable to affiliates	23.5	158.3	—	197.7	(379.5)	—
Current maturities of long-term debt	—	—	—	34.8	—	34.8
Total current liabilities	71.3	201.1	34.3	1,177.4	(379.5)	1,104.6
DUE TO AFFILIATES	994.8	3,817.4	1,547.7	9,405.3	(15,765.2)	—
LONG-TERM DEBT	3,724.4	149.2	1,973.2	38.8	—	5,885.6
DEFERRED INCOME TAXES	—	176.8	—	2.7	—	179.5
OTHER LIABILITIES	—	6.1	7.0	654.2	—	667.3
ENSCO SHAREHOLDERS' EQUITY	8,222.9	2,013.2	(1,174.8)) 9,933.6	(10,779.9)) 8,215.0
NONCONTROLLING INTERESTS	—	—	—	7.9	—	7.9

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Total equity	8,222.9	2,013.2	(1,174.8) 9,941.5	(10,779.9) 8,222.9
	\$13,013.4	\$6,363.8	\$2,387.4	\$ 21,219.9	\$(26,924.6) \$16,059.9

38

ENSOCO PLC AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

Six Months Ended June 30, 2015

(in millions)

(Unaudited)

	Ensco plc	ENSOCO International Incorporated	Pride International, Inc.	Other Non-guarantor Subsidiaries of Ensco	Consolidating Adjustments	Total
OPERATING ACTIVITIES						
Net cash (used in) provided by operating activities of continuing operations	\$(66.2)	\$(19.7)	\$(49.9)	\$ 1,026.8	\$—	\$891.0
INVESTING ACTIVITIES						
Additions to property and equipment	—	(5.1)	—	(908.8)	—	(913.9)
Maturities of short-term investments	712.0	—	—	45.3	—	757.3
Purchases of short-term investments	(650.0)	—	—	—	—	(650.0)
Other	—	—	—	1.1	—	1.1
Net cash provided by (used in) investing activities of continuing operations	62.0	(5.1)	—	(862.4)	—	(805.5)
FINANCING ACTIVITIES						
Proceeds from issuance of senior notes	1,078.7	—	—	—	—	1,078.7
Reduction of long-term borrowings	(998.3)	—	—	(59.7)	—	(1,058.0)
Cash dividends paid	(70.5)	—	—	—	—	(70.5)
Premium paid on redemption of debt	(27.2)	—	—	(3.1)	—	(30.3)
Debt financing costs	(10.5)	—	—	—	—	(10.5)
Advances from (to) affiliates	88.2	24.8	63.5	(176.5)	—	—
Other	(9.0)	—	—	2.2	—	(6.8)
Net cash provided by (used in) financing activities	51.4	24.8	63.5	(237.1)	—	(97.4)
DISCONTINUED OPERATIONS						
Operating activities	—	—	—	(4.2)	—	(4.2)
Investing activities	—	—	—	(.6)	—	(.6)
Net cash used in discontinued operations	—	—	—	(4.8)	—	(4.8)
Effect of exchange rate changes on cash and cash equivalents	—	—	—	.2	—	.2
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	47.2	—	13.6	(77.3)	—	(16.5)

CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	287.4	—	90.8	286.6	—	664.8
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$334.6	\$—	\$104.4	\$ 209.3	\$—	\$648.3

ENSCO PLC AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

Six Months Ended June 30, 2014

(in millions)

(Unaudited)

	Ensco plc	ENSCO International Incorporated	Pride International, Inc.	Other Non-guarantor Subsidiaries of Ensco	Consolidating Adjustments	Total
OPERATING ACTIVITIES						
Net cash (used in) provided by operating activities of continuing operations	\$(34.8)	\$(25.3)	\$(43.6)	\$ 1,066.6	\$—	\$962.9
INVESTING ACTIVITIES						
Additions to property and equipment	—	(15.2)	—	(614.5)	—	(629.7)
Maturities of short-term investments	—	—	—	50.0	—	50.0
Purchases of short-term investments	—	—	—	(33.3)	—	(33.3)
Other	—	—	—	2.4	—	2.4
Net cash used in investing activities of continuing operations	—	(15.2)	—	(595.4)	—	(610.6)
FINANCING ACTIVITIES						
Cash dividends paid	(351.2)	—	—	—	—	(351.2)
Reduction of long-term borrowings	—	—	—	(23.7)	—	(23.7)
Advances from (to) affiliates	385.8	40.0	44.0	(469.8)	—	—
Other	(9.2)	—	—	(4.2)	—	(13.4)
Net cash provided by (used in) financing activities	25.4	40.0	44.0	(497.7)	—	(388.3)
DISCONTINUED OPERATIONS						
Operating activities	—	—	—	(41.5)	—	(41.5)
Investing activities	—	—	—	56.7	—	56.7
Net cash provided by discontinued operations	—	—	—	15.2	—	15.2
Effect of exchange rate changes on cash and cash equivalents	—	—	—	.2	—	.2
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS						
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	(9.4)	(.5)	.4	(11.1)	—	(20.6)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	46.5	.5	4.9	113.7	—	165.6
CASH AND CASH EQUIVALENTS, END OF	\$37.1	\$—	\$5.3	\$ 102.6	\$—	\$145.0

PERIOD

40

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

Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the accompanying unaudited consolidated financial statements as of June 30, 2015 and for the three-month and six-month periods ended June 30, 2015 and 2014 included elsewhere herein and with our annual report on Form 10-K for the year ended December 31, 2014. 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 and elsewhere in this quarterly report. See "Forward-Looking Statements."

EXECUTIVE SUMMARY

We are one of the leading providers of offshore contract drilling services to the international oil and gas industry. We currently own and operate an offshore drilling rig fleet of 69 rigs, including four rigs currently under construction, with drilling operations in most of the strategic markets around the globe. Our rig fleet includes ten drillships, 13 dynamically positioned semisubmersible rigs, four moored semisubmersible rigs and 42 jackup rigs. Our fleet is the world's second largest amongst competitive rigs, our ultra-deepwater fleet is one of the newest in the industry, and our premium jackup fleet is the largest of any offshore drilling company.

The contracting environment remained challenging for offshore drilling contractors during the second quarter, despite a slight increase in contracting opportunities as compared to the first quarter. The majority of these opportunities are short-term in nature with an extremely competitive bidding process. Customers' capital spending levels have declined significantly in recent periods, negatively impacting both utilization and day rates. Certain customers are requesting contract concessions or terminating drilling contracts. Brent crude prices, which averaged approximately \$60 per barrel during the second quarter, continue to constrain customer demand, and we expect that there will be limited contracting opportunities during the remainder of 2015 and into 2016.

In April, we accepted delivery of ENSCO 110, a premium jack-up rig, and ENSCO DS-9, an ultra-deepwater drillship. ENSCO 110 has commenced drilling operations under a long-term contract in the United Arab Emirates. In July, we received a notice of termination for convenience from our ENSCO DS-9 customer under the terms of the drilling contract. The rig is currently uncontracted.

Also in July, we accepted delivery of ENSCO DS-8, which is committed under a long-term contract in Angola, and agreed with the shipyard to delay the delivery of ENSCO DS-10, our only remaining floater under construction, until the first quarter of 2017.

Six of our older, less capable rigs are being marketed for sale as part of our fleet high-grading strategy and were classified as "held-for-sale" on our condensed consolidated balance sheet as of June 30, 2015. Additionally, we continue taking steps to reduce costs in response to limited contracting opportunities and have cold stacked, or are in the process of cold stacking, a significant number of rigs.

We expect that cash flow generated during 2015 will primarily be used to fund capital expenditures, most notably milestone payments for newbuild rigs. During the first and second quarters, our Board of Directors declared a \$0.15 per share quarterly dividend, a \$0.60 per share reduction from the prior year level. When evaluating dividend payment timing and amounts, our Board of Directors considers several factors, including our profitability, liquidity, financial condition, market outlook, reinvestment opportunities and capital requirements.

We completed a \$1.1 billion debt offering in March 2015 and used the proceeds to redeem our 2016 Notes and our outstanding MARAD obligations. As a result, we have no material debt maturities prior to 2019.

Based on our strong balance sheet and contractual backlog of \$7.4 billion, we believe future capital expenditures, debt service payments and dividend payments will primarily be funded from cash and short-term investments, future operating cash flows and borrowings under our commercial paper program and/or revolving credit

facility. These sources of cash also provide flexibility to potentially make additional investments in our fleet and sustain an adequate level of liquidity. We may decide to access debt and/or equity markets to raise additional capital or increase liquidity, as necessary.

BUSINESS ENVIRONMENT

Floaters

The floater contracting environment continues to be challenged by reduced demand, as well as additional newbuild supply. Floater demand remains low following the sharp decline in commodity prices during 2014 and early 2015. Customers have delayed drilling programs and are exploring subletting opportunities for contracted rigs thereby exacerbating supply pressure. In addition, certain customers are requesting contract concessions or terminating drilling contracts. There are limited contracting opportunities in the current market, and day rates and utilization are expected to remain under pressure into 2016.

In July, we received a notice of termination for convenience from our ENSCO DS-9 customer. Under the terms of the contract, our customer is obligated to pay us termination fees, which are payable monthly, of two years of the operating day rate (approximately \$550,000), which may be partially defrayed should we re-contract the rig and/or mitigate certain costs. Our customer is also contractually obligated to reimburse certain costs that we incur as a direct result of the termination.

During the second quarter, we agreed with our customer to extend the contract term on ENSCO DS-7 by twelve months at a reduced day rate and early terminate the contract for ENSCO DS-1. ENSCO DS-1 will be cold stacked in Spain. Additionally, our customer informed us that they intend to place ENSCO DS-6 on a special standby rate equal to 70% of the contractual operating rate, currently expected to begin in late September 2015.

During the first quarter, we received notice of termination for convenience for ENSCO DS-4, which is currently operating in the U.S. Gulf of Mexico. The estimated effective date of the contract termination is August 2015 based on the projected completion of the customer's well program. Under the terms of the ENSCO DS-4 drilling contract, the customer is obligated to pay a lump sum cancellation fee soon after contract termination.

Currently, there are approximately 10 newbuild floaters under construction scheduled for delivery before the end of 2015. Several newbuilds originally scheduled for 2015 delivery have already been delayed into future years, and it is possible that more uncontracted newbuilds will be delayed. Roughly half of the 10 remaining 2015 deliveries are without contracts.

Drilling contractors have scrapped or cold stacked approximately 60 floaters since September 2014 due to a lack of contracting opportunities. We expect that additional floaters will be scrapped or cold stacked into 2016, which should help to alleviate supply pressure.

Jackups

Demand for jackups also remains under pressure due to the sharp decline in commodity prices. Customers have delayed drilling programs and are exploring subletting opportunities for contracted rigs thereby exacerbating supply pressure. In addition, certain customers are requesting contract concessions or terminating drilling contracts. There are limited contracting opportunities in the current market, and day rates and utilization are expected to remain under pressure into 2016. We agreed to reduced day rates on certain jackup drilling contracts during the second quarter. Currently, there are approximately 45 competitive newbuild jackup rigs scheduled for delivery during the remainder of the year, substantially all of which are uncontracted. Over the past year, some jackup orders have been cancelled and many newbuild jackups have been delayed. We expect that additional rigs may be delayed or cancelled given limited contracting opportunities. Currently, approximately 55 marketed jackups older than 30 years of age are

stacked or idle. Furthermore, approximately 45 additional competitive jackups that are 30 years of age or older have contracts that expire during 2015. These rigs may be challenged to find additional work. Operating costs for idle rigs

as well as expenditures required to recertify rigs during regulatory surveys may prove cost prohibitive and, as a result, drilling contractors may elect to scrap or cold stack these rigs. We expect jackup scrapping and cold stacking to increase during the remainder of the year.

RESULTS OF OPERATIONS

The following table summarizes our condensed consolidated results of operations for the three-month and six-month periods ended June 30, 2015 and 2014 (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenues	\$1,059.0	\$1,136.6	\$2,222.9	\$2,203.3
Operating expenses				
Contract drilling (exclusive of depreciation)	502.6	542.5	1,020.9	1,062.7
Loss on impairment	—	703.5	—	703.5
Depreciation	140.5	132.2	277.6	263.3
General and administrative	29.7	36.2	59.8	74.3
Operating income (loss)	386.2	(277.8)	864.6	99.5
Other expense, net	(55.4)	(30.8)	(128.0)	(59.9)
Provision for income taxes	58.0	42.6	135.7	92.1
Income (loss) from continuing operations	272.8	(351.2)	600.9	(52.5)
Loss from discontinued operations, net	(10.1)	(818.4)	(10.3)	(820.4)
Net income (loss)	262.7	(1,169.6)	590.6	(872.9)
Net income attributable to noncontrolling interests	(2.4)	(3.1)	(5.6)	(7.3)
Net income (loss) attributable to Ensco	\$260.3	\$(1,172.7)	\$585.0	\$(880.2)

For the three-month period ended June 30, 2015, revenues declined \$77.6 million, or 7%, as compared to the prior year quarter. The decline in revenues was primarily due to an increase in uncontracted time across our fleet and, to a lesser extent, lower average day rates in our floater fleet, partially offset by revenues generated from semisubmersible rigs that were undergoing capital enhancement projects during 2014 and the addition of ENSCO 110, ENSCO 121 and ENSCO 122 to our jackup fleet.

For the six-month period ended June 30, 2015, revenues increased \$19.6 million, or 1%, as compared to the prior year period. The increase in revenues was primarily due to the aforementioned semisubmersible rigs that were undergoing capital enhancement projects during 2014 and newbuild additions to our jackup fleet, partially offset by an increase in uncontracted time across our fleet and lower average day rates in our floater fleet.

Despite the aforementioned additions to our fleet, contract drilling expense declined \$39.9 million, or 7%, and \$41.8 million, or 4%, for the three-month and six-month periods ended June 30, 2015, respectively, primarily due to cost control initiatives implemented during the latter half of 2014 and first half of 2015.

During the three-month and six-month periods ended June 30, 2014, we recorded a non-cash loss on impairment with respect to older, less capable rigs in our Floaters segment totaling \$703.5 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 June 30, 2015 and 2014:

	2015	2014
Floaters ⁽¹⁾⁽³⁾	21	21
Jackups ⁽²⁾⁽³⁾	37	41
Under construction ⁽³⁾⁽⁵⁾	5	8
Held for sale ⁽¹⁾⁽²⁾⁽⁴⁾	6	5
Total	69	75

(1) During the latter half of 2014, we classified ENSCO DS-2 as "held for sale."

(2) During the latter half of 2014, we sold ENSCO 83, ENSCO 89, ENSCO 93 and ENSCO 98 and classified ENSCO 58 and ENSCO 90 as "held for sale."

During 2015, we accepted delivery of ENSCO DS-9, an ultra-deepwater drillship, and ENSCO 110, a premium jack-up rig. During the latter half of 2014, we accepted delivery of ENSCO 122, an ultra-premium harsh environment jackup rig.

(4) During 2015, we sold ENSCO 5002. During the latter half of 2014, we sold ENSCO 5000.

(5) ENSCO DS-8 is included in rigs under construction as this rig was not accepted until July 2015.

The following table summarizes our rig utilization and average day rates by reportable segment for the three-month and six-month periods ended June 30, 2015 and 2014:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Rig Utilization ⁽¹⁾				
Floaters	76	% 76	% 81	% 75
Jackups	77	% 88	% 82	% 87
Total	76	% 84	% 81	% 83
Average Day Rates ⁽²⁾				
Floaters	\$417,463	\$480,616	\$421,603	\$473,703
Jackups	139,797	138,276	142,079	136,514
Total	\$237,263	\$246,698	\$240,762	\$244,978

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.

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

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

Operating Income

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

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

Three Months Ended June 30, 2015

	Floaters	Jackups	Other	Operating Segments Total	Reconciling Items	Consolidated Total
Revenues	\$634.3	\$384.1	\$40.6	\$1,059.0	\$—	\$1,059.0
Operating expenses						
Contract drilling (exclusive of depreciation)	277.7	192.7	32.2	502.6	—	502.6
Depreciation	94.4	43.6	—	138.0	2.5	140.5
General and administrative	—	—	—	—	29.7	29.7
Operating income (loss)	\$262.2	\$147.8	\$8.4	\$418.4	\$(32.2)	\$386.2

Three Months Ended June 30, 2014

	Floaters	Jackups	Other	Operating Segments Total	Reconciling Items	Consolidated Total
Revenues	\$679.5	\$440.6	\$16.5	\$1,136.6	\$—	\$1,136.6
Operating expenses						
Contract drilling (exclusive of depreciation)	309.9	220.9	11.7	542.5	—	542.5
Loss on impairment	703.5	—	—	703.5	—	703.5
Depreciation	88.3	41.8	—	130.1	2.1	132.2
General and administrative	—	—	—	—	36.2	36.2
Operating (loss) income	\$(422.2)	\$177.9	\$4.8	\$(239.5)	\$(38.3)	\$(277.8)

Six Months Ended June 30, 2015

	Floaters	Jackups	Other	Operating Segments Total	Reconciling Items	Consolidated Total
Revenues	\$1,329.3	\$812.4	\$81.2	\$2,222.9	\$—	\$2,222.9
Operating expenses						
Contract drilling (exclusive of depreciation)	571.2	384.2	65.5	1,020.9	—	1,020.9
Depreciation	187.4	85.1	—	272.5	5.1	277.6
General and administrative	—	—	—	—	59.8	59.8
Operating income (loss)	\$570.7	\$343.1	\$15.7	\$929.5	\$(64.9)	\$864.6

Six Months Ended June 30, 2014

	Floaters	Jackups	Other	Operating Segments Total	Reconciling Items	Consolidated Total
Revenues	\$1,331.1	\$839.1	\$33.1	\$2,203.3	\$—	\$2,203.3
Operating expenses						
Contract drilling (exclusive of depreciation)	616.5	423.2	23.0	1,062.7	—	1,062.7
Loss on Impairment	703.5	—	—	703.5	—	703.5
Depreciation	179.0	80.3	—	259.3	4.0	263.3
General and administrative	—	—	—	—	74.3	74.3
Operating (loss) income	\$(167.9)	\$335.6	\$10.1	\$177.8	\$(78.3)	\$99.5

Floaters

Floater revenues for the three-month period ended June 30, 2015 declined \$45.2 million, or 7%, compared to the prior year quarter primarily due to lower average day rates. Utilization was consistent at 76% as more days under contract for ENSCO 5004, ENSCO 5005 and ENSCO 5006, all of which were in the shipyard for capital enhancement projects during 2014, were offset by fewer days under contract for several floaters in the U.S. Gulf of Mexico.

Floater contract drilling expense for the three-month period ended June 30, 2015 declined \$32.2 million, or 10%, compared to the prior year primarily due to cost control initiatives which reduced offshore personnel costs and daily rig operating expenses. During the second quarter, we completed the ENSCO 8501 and ENSCO 8502 cold stacking process, which significantly reduced daily operating expenses as compared to the prior year quarter. These declines were partially offset by higher contract drilling expense for ENSCO 5004, ENSCO 5005 and ENSCO 5006. Depreciation expense increased \$6.1 million, or 7%, primarily due to capital enhancement projects on the aforementioned rigs, partially offset by lower depreciation expense on floaters that were impaired during 2014.

Floater revenues for the six-month period ended June 30, 2015 were consistent with the prior year period. Revenues increased due to more days under contract for ENSCO 5004, ENSCO 5005 and ENSCO 5006 as previously mentioned, partially offset by lower average day rates and fewer days under contract for several floaters in the U.S. Gulf of Mexico.

Floater contract drilling expense for the six-month period ended June 30, 2015 declined \$45.3 million, or 7%, compared to the prior year primarily due to cost control initiatives which reduced offshore personnel costs and daily rig operating expenses, as well as completing the ENSCO 8501 and ENSCO 8502 cold stacking, which significantly reduced daily operating expenses as compared to the prior year quarter. These declines were partially offset by higher contract drilling expense for ENSCO 5004, ENSCO 5005 and ENSCO 5006. Depreciation expense increased by \$8.4 million, or 5%, primarily due to capital enhancement projects on the aforementioned rigs, partially offset by lower depreciation expense on floaters that were impaired during 2014.

Jackups

Jackup revenues for the three-month period ended June 30, 2015 declined \$56.5 million, or 13%, as compared to the prior year quarter primarily due to fewer contracted days across our jackup fleet, as well as the sale of ENSCO 83, ENSCO 89 and ENSCO 98. We executed charter agreements with the purchaser to continue operating these rigs for the remaining contract period. Revenues earned by ENSCO 83, ENSCO 89, and ENSCO 98 subsequent to their sale on September 30, 2014 were included within the Other segment. These revenue declines were partially offset by the commencement of the ENSCO 121 and ENSCO 122 long-term contracts during the second and fourth quarters of 2014, respectively, and commencement of the ENSCO 110 long-term contract during second quarter of 2015.

Jackup contract drilling expense for the three-month period ended June 30, 2015 declined \$28.2 million, or 13%, as compared to the prior year quarter primarily due to rig stackings, as well as other cost control initiatives which reduced offshore personnel costs and daily rig operating expenses. Contract drilling expense also declined due to the sale of ENSCO 83, ENSCO 89 and ENSCO 98, partially offset by the aforementioned additions to our jackup fleet. Depreciation expense increased by \$1.8 million, or 4%, primarily due to additions to our jackup fleet.

Jackup revenues for the six-month period ended June 30, 2015 declined \$26.7 million, or 3%, as compared to the prior year period. The decline was primarily due to fewer contracted days across our jackup fleet and the sale of the aforementioned jackup rigs, partially offset by the aforementioned newbuild additions to our jackup fleet.

Jackup contract drilling expense for the six-month period ended June 30, 2015 declined \$39.0 million, or 9%, as compared to the prior year period due to the sale of the aforementioned jackup rigs. Jackup contract drilling expense also declined due to rig stackings and other cost control initiatives which reduced offshore personnel costs and daily rig operating expenses, partially offset by the aforementioned additions to our Jackup fleet. Depreciation expense increased by \$4.8 million, or 6%, primarily due to additions to our Jackup fleet.

Impairment of Long-Lived Assets

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. During the second quarter, we concluded that a triggering event had occurred on several rigs due to contract concessions and performed an asset impairment analysis. Based on the analysis performed, we concluded the carrying values of these rigs were recoverable. We continue to have ongoing discussions with certain customers seeking contract concessions. The outcome of these negotiations remains uncertain; however, deterioration of existing contract terms and/or change in our long-term operating assumptions resulting from these negotiations could lead to a material impairment charge in future periods.

During the second quarter of 2014, demand for floaters deteriorated as a result of continued reduction in capital spending by customers in addition to delays in customers' 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 previously realized. In response to the adverse change in the floaters business climate, management evaluated our older, less capable floaters and committed to a plan to sell five rigs. ENSCO 5000, ENSCO 5001, ENSCO 5002, ENSCO 6000 and ENSCO 7500 were removed from our portfolio of rigs marketed for contract drilling services and actively marketed for sale. These rigs were written down to fair value, less costs to sell, as of May 31, 2014 and were classified as "held for sale." We completed the sale of ENSCO 5000 during the fourth quarter of 2014 and ENSCO 5002 during the second quarter of 2015. The remaining three floaters were classified as "held for sale" on our June 30, 2015 condensed consolidated balance sheet.

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

operations, net in our condensed consolidated statement of operations for the three-month and six-month periods ended June 30, 2014. See "Note 9 - Discontinued Operations" for additional information on our "held for sale" rigs.

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, of which \$288.0 million related to ENSCO DS-2 which was removed from our portfolio of rigs marketed for contract drilling services during the fourth quarter of 2014. As a result, the ENSCO DS-2 impairment charge was reclassified to loss from discontinued operations, net in our condensed consolidated statement of operations for the three-month and six-month periods ended June 30, 2014. The remaining \$703.5 million impairment charge was included in loss on impairment in our condensed consolidated statement of operations for the three-month and six-month periods ended June 30, 2014. We measured the fair value of these rigs by applying an income approach, using projected discounted cash flows. These valuations were based on unobservable inputs that require significant judgments for which there is limited information, including assumptions regarding future day rates, utilization, operating costs and capital requirements.

Other Income (Expense)

The following table summarizes other income (expense) for the three-month and six-month periods ended June 30, 2015 and 2014 (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Interest income	\$3.4	\$3.5	\$5.8	\$7.1
Interest expense, net:				
Interest expense	(78.0)	(55.7)	(150.0)	(111.6)
Capitalized interest	26.8	19.3	46.4	40.6
	(51.2)	(36.4)	(103.6)	(71.0)
Other, net	(7.6)	2.1	(30.2)	4.0
	\$(55.4)	\$(30.8)	\$(128.0)	\$(59.9)

Interest expense for three-month and six-month periods ended June 30, 2015 increased as compared to the prior year periods due to our September 2014 and March 2015 debt offerings. Interest expense capitalized during the three-month and six-month periods ended June 30, 2015 increased as compared to the prior year periods due to an increase in the average outstanding amount of capital invested in newbuild construction.

Other, net for the three-month and six-month periods ended June 30, 2015 included a pre-tax loss of \$6.9 million and \$33.5 million, respectively, related to the extinguishment of our 2016 Notes and a significant portion of our MARAD obligations.

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 \$700,000 and net foreign currency exchange gains of \$1.5 million, inclusive of offsetting fair value derivatives, were included in other, net for the three-month and six-month periods ended June 30, 2015, respectively. Net foreign currency exchange gains of \$100,000 and \$1.6 million, inclusive of offsetting fair value derivatives, were

included in other, net for the three-month and six-month periods ended June 30, 2014, respectively.

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 June 30, 2015 and 2014 was \$58.0 million and \$42.6 million, respectively. Income tax expense for the six-month periods ended June 30, 2015 and 2014 was \$135.7 million and \$92.1 million, respectively.

Our consolidated effective income tax rate for the three-month and six-month periods ended June 30, 2015 was 17.5% and 18.4%, respectively. There were no material discrete tax items for the three-month period ended June 30, 2015. Excluding the impact of discrete income tax items for the six-month period ended June 30, 2015, our consolidated effective income tax rate was 17.5%. These discrete tax items were primarily attributable to the recognition of liabilities for unrecognized tax benefits associated with tax positions taken in prior years.

Excluding the impact of the \$703.5 million loss on impairment and discrete income tax expense, our consolidated effective income tax rate for the three-month and six-month periods ended June 30, 2014 was 10.4% and 10.5%, respectively.

The increase in our effective tax rate, excluding discrete items, during 2015 is primarily attributable to an increase in the relative components of our estimated 2015 earnings, excluding discrete items, generated in tax jurisdictions with higher tax rates and tax legislation enacted by the U.K. government. During 2014, the U.K. government enacted tax legislation that limits types of lease payments that can be deducted for U.K. tax purposes. In addition, the legislation prohibits taxable profits from operations in the U.K. Continental Shelf from being reduced by unrelated losses or expenses. The tax legislation was effective beginning April 1, 2014.

Discontinued Operations

During 2014, management committed to a plan to sell six floaters and two jackups. ENSCO 5000, ENSCO 5001, ENSCO 5002, ENSCO 6000, ENSCO 7500, ENSCO DS-2, ENSCO 58 and ENSCO 90 were removed from our portfolio of rigs marketed for contract drilling services. These rigs were written down to fair value, less costs to sell. We measured the fair value of these 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. The operating results from these rigs were included in loss from discontinued operations, net in our condensed consolidated statements of operations for the three-month and six-month periods ended June 30, 2015 and 2014. On a quarterly basis, we reassess the fair values of our "held for sale" assets to determine whether any adjustments to the carrying values are necessary.

During the three-month period ended June 30, 2015, we sold ENSCO 5002 for net proceeds of \$1.6 million. The proceeds from the sale were included in investing activities of discontinued operations in our condensed consolidated statement of cash flows for the six-month period ended June 30, 2015. We recognized a pre-tax gain of \$1.6 million in connection with the disposal. The gain on sale was included in loss from discontinued operations, net in our condensed consolidated statement of operations for the three-month and six-month periods ended June 30, 2015.

During the fourth quarter of 2014, we completed the sale of ENSCO 5000 for net proceeds of \$1.3 million. The remaining six rigs (ENSCO 5001, ENSCO 6000, ENSCO 7500, ENSCO DS-2, ENSCO 58 and ENSCO 90) are being actively marketed and were classified as "held for sale" on our June 30, 2015 condensed consolidated balance sheet.

During the third quarter of 2014, we sold ENSCO 93, a jackup contracted to Pemex. In connection with the sale, we executed a charter agreement with the purchaser to continue operating the rig for the remainder of the Pemex contract, which ended in June 2015. As a result, ENSCO 93 operating results were included in loss from discontinued operations, net in our condensed consolidated statement of operations for the three-month and six-month periods ended June 30, 2015 and 2014.

During the three-month period ended June 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 six-month period ended June 30, 2014. We recognized a pre-tax gain of \$10.3 million in connection with the disposal. The gain on sale and operating results were included in loss from discontinued operations, net in our condensed consolidated statement of operations for the three-month and six-month periods ended June 30, 2014.

During the six-month period ended June 30, 2014, we sold ENSCO 69 and Pride Wisconsin for net proceeds of \$32.2 million and recorded a pre-tax gain of \$23.6 million. The gain on sale and operating results were included in loss from discontinued operations, net in our condensed consolidated statement of operations for the six-month period ended June 30, 2014. The net proceeds from the sale were received in December 2013 and included in investing activities of discontinued operations in our condensed consolidated statement of cash flows for the year ended December 31, 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.

We expect cash flow generated during 2015 will primarily be used to fund capital expenditures, most notably milestone payments for newbuild rigs. During the first and second quarters, our Board of Directors declared a \$0.15 per share quarterly dividend, a \$0.60 per share reduction from the prior year level. When evaluating dividend payment timing and amounts, our Board of Directors considers several factors, including our profitability, liquidity, financial condition, market outlook, reinvestment opportunities and capital requirements.

During the six-month period ended June 30, 2015, our primary sources of cash were \$1.1 billion in proceeds from our March 2015 debt issuance and \$891.0 million generated from operating activities of continuing operations. Our primary uses of cash for the same period were \$1.1 billion for the repayment of long-term borrowings and \$913.9 million for the construction, enhancement and other improvement of our drilling rigs.

During the six-month period ended June 30, 2014, our primary source of cash was \$962.9 million generated from operating activities of continuing operations. Our primary uses of cash for the same period were \$629.7 million for the construction, enhancement and other improvement of our drilling rigs and \$351.2 million for dividend payments.

Cash Flow and Capital Expenditures

Our cash flow from operating activities of continuing operations and capital expenditures for the six-month periods ended June 30, 2015 and 2014 were as follows (in millions):

	2015	2014
Cash flow from operating activities of continuing operations	\$891.0	\$962.9
Capital expenditures		
New rig construction	\$681.9	\$242.1
Rig enhancements	114.7	247.0
Minor upgrades and improvements	117.3	140.6
	\$913.9	\$629.7

Cash flow from operating activities of continuing operations declined \$71.9 million, or 7%, for the six-month period ended June 30, 2015 as compared to the prior year period. The decline primarily resulted from a \$181.9 million increase in cash payments related to contract drilling expenses and a \$18.1 million increase in cash payments for interest, partially offset by a \$118.9 million increase in cash receipts from contract drilling services.

In April, we accepted delivery of ENSCO 110, a premium jack-up rig, and ENSCO DS-9, an ultra-deepwater drillship. ENSCO 110 has commenced drilling operations under a long-term contract in the United Arab Emirates. ENSCO DS-9 is uncontracted following receipt of a notice of termination for convenience from our customer. In July, we accepted delivery of ENSCO DS-8, which is committed under a long-term contract in Angola, and we agreed with the shipyard to delay the delivery of ENSCO DS-10, our only remaining uncontracted floater under construction, until the first quarter of 2017. The final milestone payment for ENSCO DS-10 is due upon rig delivery.

After accepting ENSCO DS-8, we currently have four rigs under construction, including one ultra-deepwater drillship, two premium jackup rigs and one ultra-premium harsh environment jackup rig.

The following table summarizes the cumulative amount of contractual payments made as of June 30, 2015 for our rigs under construction and estimated timing of our remaining contractual payments (in millions):

	Cumulative Paid ⁽¹⁾	Remaining 2015	2016	2017	Total ⁽²⁾
ENSCO DS-8	\$161.4	\$355.4	\$—	\$—	\$516.8
ENSCO DS-10	206.0	31.0	9.3	310.1	556.4
ENSCO 123	53.5	—	214.6	—	268.1
ENSCO 140	78.4	79.1	39.2	—	196.7
ENSCO 141	78.4	—	117.2	—	195.6
	\$577.7	\$465.5	\$380.3	\$310.1	\$1,733.6

(1) Cumulative paid represents the aggregate amount of contractual payments made from commencement of the construction agreement through June 30, 2015.

(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 \$6.3 million as of June 30, 2015. 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 2015 to include approximately \$1.3 billion for newbuild construction, approximately \$200.0 million for rig enhancement projects and approximately \$200.0 million for minor upgrades and improvements. Depending on market conditions and future opportunities, we may make additional capital expenditures to upgrade rigs for customer requirements and construct or acquire additional rigs.

Financing and Capital Resources

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

	June 30, 2015		December 31, 2014	
Total debt	\$5,925.7		\$5,920.4	
Total capital*	\$14,676.3		\$14,135.4	
Total debt to total capital	40.4	%	41.9	%

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

Senior Notes and Debentures

During the first quarter of 2015, we issued \$700.0 million aggregate principal amount of unsecured 5.20% senior notes due 2025 (the "2025 Notes") at a discount of \$2.6 million and \$400.0 million aggregate principal amount of unsecured 5.75% senior notes due 2044 (the "New 2044 Notes") at a discount of \$18.7 million in a public offering. Interest on the 2025 Notes is payable semiannually on March 15 and September 15 of each year commencing September 15, 2015. Interest on the New 2044 Notes is payable semiannually on April 1 and October 1 of each year commencing on April 1, 2015.

The New 2044 Notes and the \$625.0 million aggregate principal amount of 5.75% senior notes due 2044 that we issued during September 2014 are treated as a single series of debt securities (collectively, the "2044 Notes") under the indenture governing the 2044 Notes.

As of June 30, 2015, in addition to the 2025 Notes and 2044 Notes, we had outstanding \$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, \$625.0 million aggregate principal amount of unsecured 4.50% senior notes due 2024, and \$300.0 million aggregate principal amount of unsecured 7.875% senior notes due 2040. As of June 30, 2015, 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.

Redemption of 2016 Senior Notes and MARAD Obligations

During 2011, we issued \$1.0 billion of 3.25% senior notes with a maturity in 2016 (the "2016 Notes"). In March 2015, we commenced a cash tender offer (the "Tender Offer") for the \$1.0 billion outstanding aggregate principal amount of our 2016 Notes. Senior notes totaling \$854.6 million were settled on March 12, 2015 for \$878.0 million (excluding accrued interest) using a portion of the net proceeds from the public offering of the 2025 Notes and New 2044 Notes. Under the terms of the Tender Offer, we paid a premium totaling approximately \$23.4 million, which approximates the "make-whole" premium that would have been required had we elected to redeem the debt. The premium was recorded as a loss on debt extinguishment and included in other, net in our condensed consolidated statement of operations for the six-month period ended June 30, 2015. Additionally, we wrote-off \$1.7 million of unamortized debt discount and \$1.5 million of unamortized debt issuance costs associated with the \$854.6 million of notes tendered,

resulting in a total pre-tax loss on debt extinguishment of \$26.6 million.

Concurrent with the settlement of the Tender Offer, we exercised our right to redeem the remaining 2016 Notes. In April 2015, we completed the redemption of the \$145.4 million of 2016 Notes that remained outstanding using a portion of the net proceeds from the public offering of the 2025 Notes and New 2044 Notes. The redemption payment included a "make-whole" premium of \$3.8 million which was recorded as a loss on debt extinguishment and included in other, net in our condensed consolidated statement of operations for the three-month and six-month periods ended June 30, 2015.

In April 2015, we used the remaining net proceeds from our March 2015 public offering, together with cash on hand, to redeem \$51.0 million of our 4.33% MARAD notes due 2016 and our 4.65% MARAD bonds due 2020 (the "MARAD Obligations"). We incurred additional losses on debt extinguishment of \$3.1 million, which were included in other, net in our condensed consolidated statement of operations for the three-month and six-month periods ended June 30, 2015. These losses primarily consisted of a "make-whole" premium.

In July 2015, we redeemed the remaining \$14.3 million aggregate principal amount of the MARAD Obligations.

Revolving Credit

We have a \$2.25 billion senior unsecured revolving credit facility with a syndicate of banks to be used for general corporate purposes with a term expiring on September 30, 2019 (the "Credit Facility"). Advances under the Credit Facility bear interest at Base Rate or LIBOR plus an applicable margin rate (currently 0.125% per annum for Base Rate advances and 1.125% per annum for LIBOR advances) depending on our credit rating. Amounts repaid may be re-borrowed during the term of the 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 Credit Facility requires us to maintain a total debt to total capitalization ratio that is less than or equal to a specified percentage. In March 2015, we amended the Credit Facility to increase the percentage from 50% to 60%.

We have the right, subject to receipt of commitments from new or existing lenders, to increase the commitments under the Credit Facility to an aggregate amount of up to \$2.75 billion. We had no amounts outstanding under the Credit Facility as of June 30, 2015 and December 31, 2014.

Commercial Paper

We participate in a commercial paper program with three commercial paper dealers pursuant to which we may issue, on a private placement basis, unsecured commercial paper notes up to a maximum aggregate amount outstanding at any time of \$2.25 billion. Amounts issued under the commercial paper program are supported by the available and unused committed capacity under our credit facility. As a result, amounts issued under the commercial paper program will be limited by the amount of our available and unused committed capacity under our credit facility. The proceeds of such financings will be used for capital expenditures and other general corporate purposes. The commercial paper will bear interest at rates that vary based on market conditions and the ratings assigned by credit rating agencies at the time of issuance. The commercial paper maturities will vary but may not exceed 364 days from the date of issuance. The commercial paper is not redeemable or subject to voluntary prepayment by us prior to maturity. We had no amounts outstanding under our commercial paper program as of June 30, 2015 and December 31, 2014.

Other Financing

We filed an automatically effective shelf registration statement on Form S-3 with the U.S. Securities and Exchange Commission ("SEC") on January 15, 2015, 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 2018.

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 shares

53

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 June 30, 2015, no shares have been repurchased under the share repurchase program. The program terminates in May 2018.

Other Commitments

As of June 30, 2015, we were contingently liable for an aggregate amount of \$229.6 million under outstanding letters of credit and surety bonds which guarantee our performance as it relates to our drilling contracts, contract bidding, customs duties, tax appeals and other obligations in various jurisdictions. Obligations under these letters of credit and surety bonds are not normally called, as we typically comply with the underlying performance requirement. As of June 30, 2015, we had not been required to make any collateral deposits with respect to these agreements.

Liquidity

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

	June 30, 2015	December 31, 2014
Cash and cash equivalents	\$648.3	\$664.8
Short-term investments	650.0	757.3
Working capital	1,712.3	1,830.2
Current ratio	2.8	2.7

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

We expect to fund our long-term liquidity needs, including contractual obligations, anticipated capital expenditures and dividends, from our operating cash flows and, if necessary, funds borrowed under our revolving credit facility or other future financing arrangements.

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

Effects of Climate Change and Climate Change Regulation

Greenhouse gas ("GHG") emissions have increasingly become the subject of international, national, regional, state and local attention. During 2009, the United States Environmental Protection Agency (the "EPA") officially published its findings that emissions of carbon dioxide, methane and other GHGs present an endangerment to human health and the environment because emissions of such gases are, according to the EPA, contributing to warming of the earth's atmosphere and other climatic changes. These EPA findings allowed the agency to proceed with the adoption and implementation of regulations to restrict GHG emissions under existing provisions of the Clean Air Act that establish Prevention of Significant Deterioration ("PSD") construction and Title V operating permit reviews for certain large stationary sources that are potential major sources of GHG emissions. 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.

The Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013 now requires all quoted U.K. companies to report their annual GHG emissions in the company's directors' report. Additionally, 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 United States 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 United States 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 United States 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 June 30, 2015, we had cash flow hedges outstanding to exchange an aggregate \$359.3 million for various foreign currencies. We have net assets and liabilities denominated in numerous foreign currencies and use various strategies to manage our exposure to changes in foreign currency exchange rates. We occasionally enter into derivatives that hedge the fair value of recognized foreign currency denominated assets or liabilities, thereby reducing exposure to earnings fluctuations caused by changes in foreign currency exchange rates. We do not designate such derivatives as hedging instruments. In these situations, a natural hedging relationship generally exists whereby changes in the fair value of the derivatives offset changes in the fair value of the underlying hedged items. As of June 30, 2015, we held derivatives not designated as hedging instruments to exchange an aggregate \$169.5 million for various foreign currencies.

If we were to incur a hypothetical 10% adverse change in foreign currency exchange rates, net unrealized losses associated with our foreign currency denominated assets and liabilities as of June 30, 2015 would approximate \$24.6 million. Approximately \$13.9 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 derivative counterparties 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 condensed 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, 2014 included in our annual report on Form 10-K filed with the SEC on March 2, 2015. These policies, along with our underlying judgments and assumptions made in their application, have a significant impact on our condensed 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, 2014. During the quarter ended June 30, 2015, there were no material changes to the judgments, assumptions or policies upon which our critical accounting estimates are based.

New Accounting Pronouncements

During 2015, the Financial Accounting Standards Board issued Accounting Standards Update 2015-03, Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs ("Update 2015-03"), which requires that debt issuance costs related to a recognized debt liability be presented on the balance sheet as a direct deduction from the carrying amount of the related debt liability, consistent with debt discounts. Update 2015-03 is effective for annual and interim periods for fiscal years beginning after December 15, 2015. Early application is permitted. We will adopt the accounting standard on a retrospective basis effective January 1, 2016. There will be no impact to the manner in which debt issuance costs are amortized in our condensed consolidated financial statements.

During 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. In July 2015, the Financial Accounting Standards Board voted to delay the effective date one year. The ASU is now effective for annual

and interim periods for fiscal years beginning after December 15, 2017, though companies have an option of adopting the standard for fiscal years beginning after December 15, 2016. The ASU will replace most existing revenue recognition guidance in U.S. GAAP and may be adopted using a retrospective, modified retrospective

or prospective with a cumulative catch-up approach. We are currently evaluating the effect that ASU 2014-09 will have on our condensed consolidated financial statements and related disclosures.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Item 4. Controls and Procedures

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

During the fiscal quarter ended June 30, 2015, 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

Brazil Internal Investigation

Pride International, Inc. ("Pride") commenced drilling operations in Brazil during 2001, and, in 2008, entered into a drilling contract with Petrobras for DS-5, a rig Pride had ordered from a shipyard in South Korea. At the time Ensco acquired Pride in mid-2011, Pride's Brazil fleet had grown to ten rigs.

Beginning in 2006, Pride conducted periodic compliance reviews of its business with Petrobras, and, after the acquisition, Ensco conducted similar compliance reviews, the most recent of which commenced after media reports surfaced regarding ongoing investigations of various kickback and bribery schemes in Brazil.

While conducting our most recent compliance review, we became aware of an internal audit report prepared by Petrobras, after media reports surfaced regarding its contents. The audit report alleges irregularities in relation to DS-5 - specifically, that Petrobras overpaid under the DS-5 drilling contract, purportedly because the terms of the DS-5 contract were more favorable to Pride than the terms that Petrobras had negotiated with other offshore drilling contractors during that time. We believe this allegation by Petrobras is inaccurate, as publicly available data show that the DS-5 contract terms were comparable to other contracts signed by Petrobras in late 2007 and early 2008. We have provided this information to Petrobras as relevant to their internal audit report. Petrobras submitted its internal audit report to Brazilian governmental authorities, who have subsequently requested a copy of the DS-5 drilling contract from Petrobras.

Statements from the internal audit report, including those relating to alleged overpayments for the DS-5 contract, were subsequently cited along with other allegations in Brazilian court procedural documents used in the arrest of a former Petrobras director. While the Petrobras internal audit report became public more than two months ago, we have not been contacted by Brazil authorities.

Nevertheless, upon learning of the Petrobras internal audit report, our Audit Committee expanded the scope of our most recent review of our business with Petrobras. Also, our Audit Committee appointed independent counsel to commission and undertake an internal investigation to examine the facts and circumstances surrounding the allegations set forth in the internal audit report and court documents related to the arrest of the former Petrobras director. Our investigation is ongoing, but to date we have found no evidence that Pride was involved in any wrongdoing.

Our rigs working for Petrobras continue to operate under their existing contracts. Further, we have voluntarily contacted the SEC and the U.S. Department of Justice ("DOJ") to advise them of the internal audit report and our Audit Committee's independent investigation. We cannot predict whether any governmental authority will seek to investigate this matter, or if a proceeding were opened, the scope or ultimate outcome of any such investigation. If the SEC or DOJ determines that violations of the U.S. Foreign Corrupt Practices Act of 1977 (the "FCPA") have occurred, or if any governmental authority determines that we have violated applicable anti-bribery laws, they could seek civil and criminal sanctions, including monetary penalties, against us, as well as changes to our business practices and compliance programs, any of which could have a material adverse effect on our business and financial condition. Our customers and other parties we do business with could seek to take actions adverse to our interests. Further, investigating and resolving such allegations is expensive and could consume significant senior management time and attention.

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 certain jurisdictions and the seizure of rigs or other assets. At this stage of such inquiries, we are unable to determine what, if any, legal liability may result. Our customers in certain 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 stakeholders. 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, 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 U.K. by approximately 65 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 plaintiffs to settle lawsuits filed in Mississippi for a nominal amount. A special master reviewed all 58 cases and made an allocation of settlement funds among the parties. The District Court Judge reviewed the allocations and accepted the special master's recommendations and approved the settlements. The settlement documents and final documentation for the individual plaintiffs are continuing to be processed.

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 Illinois, Mississippi, Texas, Louisiana and the U.K., 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, brine, chemicals, grease or fuel from drilling rigs operating offshore Brazil from 2008 to 2015, pursuant to which the governmental authorities have assessed, or are anticipated to assess, fines in an aggregate amount of approximately \$190,000. 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 \$190,000 liability related to these matters was included in accrued liabilities and other on our condensed consolidated balance sheet as of June 30, 2015.

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 \$3.0 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.

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, 2014, 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, 2014.

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

The table below provides a summary of our repurchases of equity securities during the three-month period ended June 30, 2015:

Issuer Purchases of Equity Securities

Period	Total Number of Securities Purchased ⁽¹⁾	Average Price Paid per Security	Total Number of Securities Purchased as Part of Publicly Announced Plans or Programs ⁽²⁾	Approximate Dollar Value of Securities that May Yet Be Purchased Under Plans or Programs
April 1 - April 30	1,580	\$21.53	—	\$2,000,000,000
May 1 - May 31	16,207	\$26.36	—	\$2,000,000,000
June 1 - June 30	126,308	\$23.98	—	\$2,000,000,000
Total	144,095	\$24.22	—	

During the three-month period ended June 30, 2015, 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.

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 June 30, 2015, no shares have been repurchased under the share repurchase program. The program terminates in May 2018.

Item 6. Exhibits

Exhibit Number	Exhibit
10.1	Third Amendment to the Ensco plc 2012 Long-Term Incentive Plan, effective March 30, 2015 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on May 19, 2015, File No. 1-08097).
10.2	Amended and Restated ENSCO International Incorporated 2005 Cash Incentive Plan (as revised and restated for amendments through March 30, 2015) (incorporated by reference to Annex 3 to the Company's Proxy Statement filed on April 3, 2015, File No. 1-08097).
*12.1	Computation of ratio of earnings to fixed charges.
*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.

Ensco plc

Date: July 30, 2015

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

/s/ JONATHAN H. BAKSHT
Jonathan H. Baksht
Vice President - Finance

/s/ ROBERT W. EDWARDS III
Robert W. Edwards III
Controller
(principal accounting officer)

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