ENSCO

Go Beyond

2018

Annual Report and United Kingdom Statutory Accounts

SHAREHOLDER INFORMATION

Annual General Meeting

The annual general meeting of shareholders will be held at the Serpentine Suite of the London Hilton on Park Lane, 22 Park Ln, London, W1K 1BE, United Kingdom at 8:00 a.m. London time on Monday, 20 May 2019.

Transfer Agent

Registered holders of our shares may direct their questions to Computershare.

Computershare Trust Company, N.A.
P.O. Box 43001
Providence, RI 02940-3001
Within USA, US territories & Canada: +1 888-926-3470
Outside USA, US territories & Canada: +1 732-491-0636
Fax: +1 781-575-3605
Email: web.queries@computershare.com
Hours: Monday through Friday, 8:30 a.m. to 6 p.m. (ET)

Corporate Governance, Board and Board Committees

The corporate governance section of our website, www.enscoplc.com, contains information regarding (i) the composition of our Board of Directors and board committees, (ii) corporate governance in general, (iii) shareholder communications with the Board, (iv) the Ensco Code of Business Conduct, (v) the Ensco Corporate Governance Policy, (vi) Ethics Hotline reporting provisions, and (vii) the charters of the board committees. A direct link to the company's SEC filings, including reports required under Section 16 of the Securities Exchange Act of 1934, is located in the Investors section. **Copies of these documents may be obtained without charge by contacting Ensco's Investor Relations Department. Reasonable expenses will be charged for copies of exhibits listed in the back of SEC Forms 10-K and 10-Q. Please list the exhibits you would like to receive and submit your request in writing to Ensco's Investor Relations Department at the address below. We will notify you of the cost and furnish the requested exhibits upon receipt of payment.**

Ensco Investor Relations Department

5847 San Felipe, Suite 3300
Houston, Texas 77057-3008
(713) 789-1400
www.enscoplc.com

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Board of Directors and Officers

Dear Fellow Shareholders:

Improved commodity prices and lower offshore project costs led to an increase in new contract awards for offshore drillers for the second consecutive year during 2018. However, while utilization of offshore drilling rigs has increased gradually from 2016 lows, an excess of supply persists for many asset classes and new contracts are still providing limited cash margins for drillers.

Despite these competitive market conditions, our offshore crews and onshore personnel continue to deliver outstanding operational and safety performance to customers. We also advanced new technologies and innovative solutions aimed at improving the drilling process to help lower customers' offshore project costs. By consistently providing safe operations and utilizing innovation and technology to drive efficiencies, we will continue to differentiate our performance from the competition.

In October 2018, we announced our pending merger with Rowan and we expect this transaction to close in the first half of 2019. The pro forma company will be the industry-leading offshore driller across all water depths that is ideally-positioned to capitalize on opportunities as the industry recovery unfolds while creating meaningful long-term value for shareholders.

Safety and Operational Performance

We continue to work towards attaining our goal of zero safety incidents and we are proud to once again have been awarded top honours in the Health, Safety and Environment category in the annual independent survey conducted by EnergyPoint Research. Furthermore, our total recordable incident rate, a key performance indicator that measures the number of safety incidents in a given period, of 0.25 was approximately 30% better than the industry average last year.

Achieved 98% operational utilisation and safety performance that outperformed the industry average

While we should be proud of our achievements in 2018, we are also mindful that our total recordable incident rate and our lost time incident rate both increased when compared to our record performance set in 2017. The safety of everyone on our offshore installations and inside our facilities is of the utmost importance and we continue to evaluate and implement initiatives to improve upon our recent results.

Several of our rigs achieved impressive safety milestones during 2018. In the North Sea, ENSCO 92 surpassed ten years without a lost time incident and ENSCO 100 achieved three years without a recordable incident and nine years without a lost time incident. In the U.S. Gulf of Mexico, ENSCO 68 and ENSCO 87 both reached seven years without a lost time incident, and in the Middle East, ENSCO 54 achieved a "perfect year" meaning they had 365 consecutive days with no downtime and no incidents. These examples are evidence of our crews' commitment to safe operations and the robustness of our safety systems.

Across the fleet, operational utilization was 98% – a slight decline from the 99% achieved for each of the past two years, but a very strong performance nonetheless. Operational utilisation is a key metric that significantly impacts our financial results as it measures our ability to monetize revenue backlog.

Strong operational and safety performance led to new contracting success

Consistently providing high levels of safety and operational performance is a key driver of customer satisfaction, and is instrumental in forming long-lasting relationships with customers. To this end, our safety and operational results helped us in winning new contracts

and extensions that added more than $900 million in revenue backlog last year. This additional work absorbed more than 30 rig years of available days across the Ensco fleet, a 35% increase from the prior year, which allows us to keep several rigs active as market conditions improve.

Fleet Restructuring

As the industry downturn began, our expectation was that customers would prefer higher specification assets when market conditions began to improve and that these assets would benefit from increased utilization, and ultimately higher day rates, ahead of the broader global fleet. As a result, we embarked on a multi-year fleet restructuring to focus on the newest, most technically-capable assets while maintaining exposure to both shallow- and deep-water markets.

Since the beginning of 2013, we have renewed our fleet by adding eight rigs through our newbuild program, eleven high-specification assets through the Atwood acquisition and divesting of 30 older rigs. Furthermore, the pending Rowan merger will create one of the highest-quality fleets in the industry. Pro forma fleet highlights include:

The pending Rowan merger will create one of the highest-quality fleets across all water depths

- 28 floaters including 25 ultra-deepwater rigs capable of drilling in water depths greater than 7,500 feet, with an average age of six years – among the youngest and most capable fleets in the industry
    - Second-largest fleet of highest-specification drillships[1], with 11 of these seventh generation ultra-deepwater rigs
- 54 jackups[2] including 38 modern units equipped with many advanced features requested by clients such as increased leg length, expanded cantilever reach and greater hoisting capacity
    - Leading provider of modern harsh environment jackups, with 16 of these high-specification rigs

As demand has increased over the past two years, we have seen a customer preference for the most-technically capable assets that deliver efficiencies for their offshore projects. For example, utilization for the highest-specification drillships has increased to approximately 80% – more than 20 percentage points higher than for all other drillships. Similarly, modern jackups have experienced approximately 18 percentage points higher utilization than older jackups on average since the beginning of 2017. Our modern and diverse fleet enables us to meet a broad spectrum of customers' well program requirements and serve increasing customer demand for the highest-specification assets.

Customer demand is highest for the most technically-capable assets

Targeted Investments

Our operational results benefit from the investments we have made in proprietary systems, processes and technologies over the past several years. These focused investments help to differentiate Ensco's assets from the competition through better performance and reliability.

Proprietary systems, processes and technologies improve our performance and help to reduce customers' offshore project costs

One example of these efforts is our recently launched Continuous Tripping Technology™. This groundbreaking technology is a patented system that fully automates the pipe tripping process without stopping to make or break connections, enabling continuous movement of the drill string into or out of the well at a constant controlled speed. We expect that this technology will lead to pipe tripping times that are up to three times faster than conventional stand-by-

[1] Defined as drillships delivered in 2013 or later, equipped with dual BOP and 2.5 mm lbs. hookload derricks
[2] Excludes seven jackups contributed to ARO Drilling and two rigs earmarked for retirement

stand methods. For offshore projects that involve multiple wells, these efficiencies could lead to tens of millions of dollars in savings for a customer.

In addition to increased efficiencies, Continuous Tripping Technology makes the pipe tripping process safer by using automation to eliminate human error and personnel exposure. Further, the constant tripping speed improves wellbore stability by minimizing surge and swab pressure associated with conventional pipe tripping methods.

Continuous Tripping Technology was recently installed on newbuild jackup ENSCO 123 and commissioning of this system is currently underway ahead of the rig's maiden contract that is expected to commence later this year. Continuous Tripping Technology can be retrofitted on existing rigs and we plan to use ENSCO 123 as a way to test customer demand for this enhanced service offering before evaluating upgrades to other rigs in the fleet.

We also made progress in our transition from the industry's standard time-based maintenance model to reliability-based maintenance. In 2017 we launched the Ensco Predictive Intelligence Center (EPIC), which allows us to perform predictive analytics with machine learning software to optimise maintenance activities. EPIC has been implemented on eleven floaters and two jackups so far and we expect that this technology will be rolled out across more of our modern assets during 2019.

Transition to reliability-based maintenance optimises asset performance and helps to lower cost of ownership

We believe these investments in innovation and technology will create added value for customers and help to lower the overall cost of ownership for Ensco, improving our ability to win more work for our assets while increasing returns for shareholders.

Financial Management

Since the beginning of the industry downturn midway through 2014, we have completed several transactions that have helped to reduce near-term debt maturities and increase liquidity. In January 2018, we issued $1.0 billion of new senior notes due 2026 and used these funds to repurchase $722 million aggregate principal amount of our nearest-term maturities.

The pending merger will enhance our liquidity position – as of 31 December 2018, the combined company had $1.6 billion of cash and short-term investments. Additionally, as of our most recent company filings, the combined company would have pro forma contracted revenue backlog of $2.8 billion, excluding revenue backlog from Rowan's ARO Drilling joint venture.

The pending Rowan merger will enhance our liquidity position

Furthermore, we expect that increased geographic and customer diversification will result in greater access to the capital markets than either company would have on a standalone basis, which will improve our competitiveness going forward.

Looking Ahead

We continue to see improvements in the outlook for the offshore drilling sector as lower development costs for exploration and production companies, coupled with higher oil prices, have created a more conducive environment for new offshore project investments. New contracts and open tenders for offshore rigs have increased despite recent oil price volatility, demonstrating customers' willingness to focus on longer-term fundamentals when evaluating new offshore projects.

Offshore fundamentals continue to improve

In the shallow-water market, we saw significant improvements in the contracting environment during 2018 in certain regions, and we expect to see a more broad-based recovery during 2019. The floater market recovery is still in its early stages and day rates for floater contracts beginning in 2019 are expected to be competitive. However, based on the tenders that we see in the market today, we expect that utilization will improve during 2019 and pricing will move higher thereafter.

In light of these dynamic market conditions, we believe that the planned combination of Ensco and Rowan will establish a stronger company capable of thriving throughout the market cycles. Our increased scale, diversification and financial strength will provide significant advantages to better serve our customers and create value for our shareholders.

In Closing

When our planned merger with Rowan closes, I will become the Executive Chairman of the combined company and be succeeded as Chief Executive Officer and President by Tom Burke. Tom is an extremely talented executive and I am eager to work alongside him and the other members of our Board of Directors as we prepare the company for the future.

It has been a privilege to serve as Chief Executive Officer and President of Ensco for almost five years during an extremely challenging period for both the company and industry as a whole, and I would like to thank our Board of Directors, the management team and our employees for their hard work and dedication. I believe the actions we have taken during this period position the company, and you as shareholders, to benefit as the market recovery unfolds, and I look forward to seeing the combined company grow under Tom's leadership in the years ahead.

The actions we have taken position Ensco to benefit as the market recovery unfolds

Sincerely,

Carl Trowell
Chief Executive Officer and President

29 March 2019

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 (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements include words or phrases such as "anticipate," "believe," "estimate," "expect," "intend," "likely," "plan," "project," "could," "may," "might," "should," "will" and similar words and specifically include statements regarding expected financial performance; the proposed transaction with Rowan Companies plc ("Rowan") dividends; expected utilization, day rates, revenues, operating expenses, contract terms, contract backlog, capital expenditures, insurance, financing and funding; expected work commitments, awards and contracts; the timing of availability, delivery, mobilization, contract commencement or relocation or other movement of rigs and the timing thereof; future rig construction (including work-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, customer drilling programs, stacking of rigs, effects of new rigs on the market and effects of declines in commodity prices; expected divestitures of assets; general market, business and industry conditions, trends and outlook; future operations; the impact of increasing regulatory complexity; 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 or contract disputes 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: our ability to complete the combination with Rowan; failure, difficulties and delays in meeting conditions required for closing set forth in the Transaction Agreement (as defined herein); our ability to obtain requisite regulatory approval and satisfy the other conditions to consummate the transaction with Rowan; the potential impact of the pendency or implementation of the transaction with Rowan on relationships, including with employees, suppliers, customers, competitors, lenders and credit rating agencies; our ability to successfully integrate Rowan's operations and employees and to realize synergies and cost savings in connection with the Rowan Transaction (as defined herein); changes in future levels of drilling activity and capital expenditures by our customers, 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; changes in worldwide rig supply and demand, competition or technology, including as a result of delivery of newbuild drilling rigs; downtime and other risks associated with offshore rig operations, 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; governmental action, terrorism, piracy, military action and political and economic uncertainties, including uncertainty or instability resulting from the U.K.'s planned withdrawal from the European Union, 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, modification or upgrades, unexpected delays in equipment delivery, engineering, design or commissioning issues following delivery, or changes in the commencement, completion or service dates; possible cancellation, suspension, renegotiation or termination (with or without cause) of drilling contracts as a result of general and industry-specific economic conditions, mechanical difficulties, performance or other reasons; our ability to enter into, and the terms of, future drilling contracts, including contracts for our newbuild units and acquired rigs, for rigs currently idled and for rigs whose contracts are expiring; any failure to execute definitive contracts following announcements of letters of intent, letters of award or other expected work commitments; 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 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; 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, operations or financial results; 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, damages or losses, whether related to storms or hurricanes (including wreckage or debris removal), collisions, groundings, blowouts, fires, explosions, other accidents, terrorism or otherwise, for which insurance coverage and contractual indemnities may be insufficient, unenforceable or otherwise unavailable; our ability to obtain financing, service our indebtedness and pursue other business opportunities may be limited by our debt levels, debt agreement restrictions and the credit ratings assigned to our debt by independent credit rating agencies; the adequacy of sources of liquidity for us and our customers; tax matters, including our effective tax rates, tax positions, results of audits, changes in tax laws, treaties and regulations, tax assessments and liabilities for taxes; delays in contract commencement dates or the cancellation of drilling programs by operators; the occurrence of cybersecurity incidents, attacks or other breaches to our information technology systems; adverse changes in foreign currency exchange rates, including their effect on the fair value measurement of our derivative instruments; and potential long-lived asset impairments.

In addition to the numerous risks, uncertainties and assumptions described above, you should also carefully read and consider "Item 1A. Risk Factors" in Part I of our Form 10-K for the year ended December 31, 2018 and "Management's Discussion and Analysis of Financial Condition and Results of Operations" section included within this Annual Report. 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.

ENSCO

Contract Drilling Fleet

The following table provides certain information about the rigs in our drilling fleet by reportable segment as of February 20, 2019:

Rig Name	Rig Type	Year Built/ Rebuilt	Design	Maximum Water Depth/ Drilling Depth	Location	Status
Floaters						
ENSCO DS-3	Drillship	2010	Dynamically Positioned	10,000'/40,000'	Spain	Preservation stacked[1]
ENSCO DS-4	Drillship	2010	Dynamically Positioned	10,000'/40,000'	Nigeria	Under contract
ENSCO DS-5	Drillship	2011	Dynamically Positioned	10,000'/40,000'	Spain	Preservation stacked[1]
ENSCO DS-6	Drillship	2012	Dynamically Positioned	10,000'/40,000'	Spain	Available
ENSCO DS-7	Drillship	2013	Dynamically Positioned	10,000'/40,000'	Cyprus	Available
ENSCO DS-8	Drillship	2015	Dynamically Positioned	10,000'/40,000'	Angola	Under contract
ENSCO DS-9	Drillship	2015	Dynamically Positioned	10,000'/40,000'	French Guiana	Under contract
ENSCO DS-10	Drillship	2018	Dynamically Positioned	10,000'/40,000'	Nigeria	Under contract
ENSCO DS-11	Drillship	2013	Dynamically Positioned	12,000'/40,000'	Spain	Available
ENSCO DS-12	Drillship	2013	Dynamically Positioned	12,000'/40,000'	Spain	Under contract
ENSCO DS-13	Drillship	2019	Dynamically Positioned	12,000'/40,000'	South Korea	Under construction[2]
ENSCO DS-14	Drillship	2020	Dynamically Positioned	12,000'/40,000'	South Korea	Under construction[2]
ENSCO 5004	Semisubmersible	1982/2001/2014	F&G Enhanced Pacesetter	1,500'/25,000'	Mediterranean	Under contract
ENSCO 5006	Semisubmersible	1999/2014	Bingo 8000	7,000'/25,000'	Australia	Under contract
ENSCO 6002	Semisubmersible	2001/2009/2015	Megathyst	5,600'/25,000'	Brazil	Under contract
ENSCO 8500	Semisubmersible	2008	Dynamically Positioned	8,500'/35,000'	Gulf of Mexico	Preservation stacked[1]
ENSCO 8501	Semisubmersible	2009	Dynamically Positioned	8,500'/35,000'	Gulf of Mexico	Preservation stacked[1]
ENSCO 8502	Semisubmersible	2010/2012	Dynamically Positioned	8,500'/35,000'	Gulf of Mexico	Preservation stacked[1]
ENSCO 8503	Semisubmersible	2010	Dynamically Positioned	8,500'/35,000'	Mexico	Under contract
ENSCO 8504	Semisubmersible	2011	Dynamically Positioned	8,500'/35,000'	Japan	Under contract
ENSCO 8505	Semisubmersible	2012	Dynamically Positioned	8,500'/35,000'	Gulf of Mexico	Under contract
ENSCO 8506	Semisubmersible	2012	Dynamically Positioned	8,500'/35,000'	Gulf of Mexico	Preservation stacked[1]
ENSCO DPS-1	Semisubmersible	2012	Dynamically Positioned	10,000'/35,000'	Australia	Under contract
ENSCO MS-1	Semisubmersible	2011	F&G ExD Millennium	8200'/32,000'	Malaysia	Available
Jackups						
ENSCO 54	Jackup	1982/1997/2014	F&G L-780 MOD II-C	300'/25,000'	Saudi Arabia	Under contract
ENSCO 67	Jackup	1976/2005	MLT 84-CE	400'/30,000'	Indonesia	Under contract
ENSCO 68	Jackup	1976/2004	MLT 84-CE	400'/30,000'	Gulf of Mexico	Under contract
ENSCO 70	Jackup	1981/1996/2014	Hitachi K1032N	250'/30,000	United Kingdom	Preservation stacked[1]
ENSCO 71	Jackup	1982/1995/2012	Hitachi K1032N	225'/25,000'	United Kingdom	Preservation stacked[1]
ENSCO 72	Jackup	1981/1996	Hitachi K1025N	225'/25,000'	United Kingdom	Under contract
ENSCO 75	Jackup	1999	MLT Super 116-C	400'/30,000'	Gulf of Mexico	Under contract
ENSCO 76	Jackup	2000	MLT Super 116-C	350'/30,000'	Saudi Arabia	Under contract
ENSCO 84	Jackup	1981/2005/2012	MLT 82-SD-C	250'/25,000'	Saudi Arabia	Under contract
ENSCO 87	Jackup	1982/2006	MLT 116-C	350'/25,000'	Gulf of Mexico	Under contract
ENSCO 88	Jackup	1982/2004/2014	MLT 82-SD-C	250'/25,000'	Saudi Arabia	Under contract
ENSCO 92	Jackup	1982/1996	MLT 116-C	225'/25,000'	United Kingdom	Under contract
ENSCO 96	Jackup	1982/1997/2012	Hitachi 250-C	250'/25,000'	Saudi Arabia	Under contract
ENSCO 97	Jackup	1980/1997/2012	MLT 82 SD-C	250'/25,000'	Saudi Arabia	Under contract
ENSCO 100	Jackup	1987/2009	MLT 150-88-C	350'/30,000	United Kingdom	Available
ENSCO 101	Jackup	2000	KFELS MOD V-A	400'/30,000'	United Kingdom	Under contract
ENSCO 102	Jackup	2002	KFELS MOD V-A	400'/30,000'	Gulf of Mexico	Under contract

Rig Name	Rig Type	Year Built/ Rebuilt	Design	Maximum Water Depth/ Drilling Depth	Location	Status
Jackups						
ENSCO 104	Jackup	2002	KFELS MOD V-B	400'/30,000'	UAE	Under contract
ENSCO 105	Jackup	2002	KFELS MOD V-B	400'/30,000'	Singapore	Preservation stacked[1]
ENSCO 106	Jackup	2005	KFELS MOD V-B	400'/30,000'	Indonesia	Under contract
ENSCO 107	Jackup	2006	KFELS MOD V-B	400'/30,000'	Australia	Under contract
ENSCO 108	Jackup	2007	KFELS MOD V-B	400'/30,000'	Saudi Arabia	Under contract
ENSCO 109	Jackup	2008	KFELS MOD V-Super B	350'/35,000'	Angola	Under contract
ENSCO 110	Jackup	2015	KFELS MOD V-B	400'/30,000'	Qatar	Under contract
ENSCO 111	Jackup	2003	KFELS MOD V-B	400'/36,000'	Malta	Cold stacked
ENSCO 112	Jackup	2008	MLT Super 116-E	350'/30,000'	Malta	Cold stacked
ENSCO 113	Jackup	2012	Pacific Class 400	400'/30,000'	Philippines	Cold stacked
ENSCO 114	Jackup	2012	Pacific Class 400	400'/30,000'	Philippines	Cold stacked
ENSCO 115	Jackup	2013	Pacific Class 400	400'/30,000'	Malaysia	Under contract
ENSCO 120	Jackup	2013	KFELS Super A	400'/40,000'	United Kingdom	Under contract
ENSCO 121	Jackup	2013	KFELS Super A	400'/40,000'	United Kingdom	Under contract
ENSCO 122	Jackup	2014	KFELS Super A	400'/40,000'	United Kingdom	Under contract
ENSCO 123	Jackup	2019	KFELS Super A	400'/40,000'	Singapore	Under construction[3]
ENSCO 140	Jackup	2016	Cameron Letourneau Super 116E	400'/30,000'	Saudi Arabia	Under contract
ENSCO 141	Jackup	2016	Cameron Letourneau Super 116E	400'/30,000'	Saudi Arabia	Under contract

(1) Prior to stacking, upfront steps are taken to preserve the rig. This may include a quayside power source to dehumidify key equipment and/or provide electric current to the hull to prevent corrosion. Also, certain equipment may be removed from the rig for storage in a temperature-controlled environment. While stacked, large equipment that remains on the rig is periodically inspected and maintained by Ensco personnel. These steps are designed to reduce time and lower cost to reactivate the rig when market conditions improve.

(2) Rig is currently under construction and is not contracted. The "year built" provided is based on the current construction schedule.

(3) Rig is currently under construction but is contracted to commence operations in July 2019 in the North Sea. The "year built" provided is based on the current construction schedule.

Selected Financial Data

The financial data below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and notes thereto included in "Financial Statements and Supplementary Data."

	Year Ended December 31,				
	2018	2017	2016	2015	2014
	(in millions, except per share amounts)				
Consolidated Statement of Operations Data					
Revenues	$ 1,705.4	$ 1,843.0	$ 2,776.4	$ 4,063.4	$ 4,564.5
Operating expenses					
Contract drilling (exclusive of depreciation)	1,319.4	1,189.5	1,301.0	1,869.6	2,076.9
Loss on impairment	40.3	182.9	—	2,746.4	4,218.7
Depreciation	478.9	444.8	445.3	572.5	537.9
General and administrative	102.7	157.8	100.8	118.4	131.9
Operating income (loss)	(235.9)	(132.0)	929.3	(1,243.5)	(2,400.9)
Other income (expense), net	(303.0)	(64.0)	68.2	(227.7)	(147.9)
Income tax expense (benefit)	89.6	109.2	108.5	(13.9)	140.5
Income (loss) from continuing operations	(628.5)	(305.2)	889.0	(1,457.3)	(2,689.3)
Income (loss) from discontinued operations, net[1]	(8.1)	1.0	8.1	(128.6)	(1,199.2)
Net income (loss)	(636.6)	(304.2)	897.1	(1,585.9)	(3,888.5)
Net (income) loss attributable to noncontrolling interests	(3.1)	.5	(6.9)	(8.9)	(14.1)
Net income (loss) attributable to Ensco	$ (639.7)	$ (303.7)	$ 890.2	$ (1,594.8)	$ (3,902.6)
Earnings (loss) per share – basic and diluted					
Continuing operations	$ (1.45)	$ (0.91)	$ 3.10	$ (6.33)	$ (11.70)
Discontinued operations	(0.02)	—	0.03	(0.55)	(5.18)
	$ (1.47)	$ (0.91)	$ 3.13	$ (6.88)	$ (16.88)
Weighted-average shares outstanding					
Basic and diluted	434.1	332.5	279.1	232.2	231.6

(1) See Note 11 to our consolidated financial statements included in "Financial Statements and Supplementary Data" for information on discontinued operations.

	Year Ended December 31,				
	2018	2017	2016	2015	2014
	(in millions)				
Consolidated Balance Sheet and Cash Flow Statement Data					
Working capital	$ 781.2	$ 853.5	$ 2,424.9	$ 1,509.6	$ 1,788.9
Total assets	$ 14,023.7	$ 14,625.9	$ 14,374.5	$ 13,610.5	$ 16,023.3
Long-term debt	$ 5,010.4	$ 4,750.7	$ 4,942.6	$ 5,868.6	$ 5,868.1
Ensco shareholders' equity	$ 8,091.4	$ 8,732.1	$ 8,250.6	$ 6,512.9	$ 8,215.0
Cash flows from operating activities of continuing operations	$ (55.7)	$ 259.4	$ 1,077.4	$ 1,697.9	$ 2,057.9

Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities

Market Information

Our Class A ordinary shares are traded on the NYSE under the ticker symbol "ESV." Many of our shareholders hold shares electronically, all of which are owned by a nominee of DTC. We had 77 shareholders of record on February 1, 2019.

Dividends

Our Board of Directors declared a $0.01 quarterly cash dividend for the first quarter of 2019. In October 2017, we amended our revolving credit facility, which prohibits us from paying dividends in excess of $0.01 per share per fiscal quarter. Dividends in excess of this amount would require the amendment or waiver of such provision.

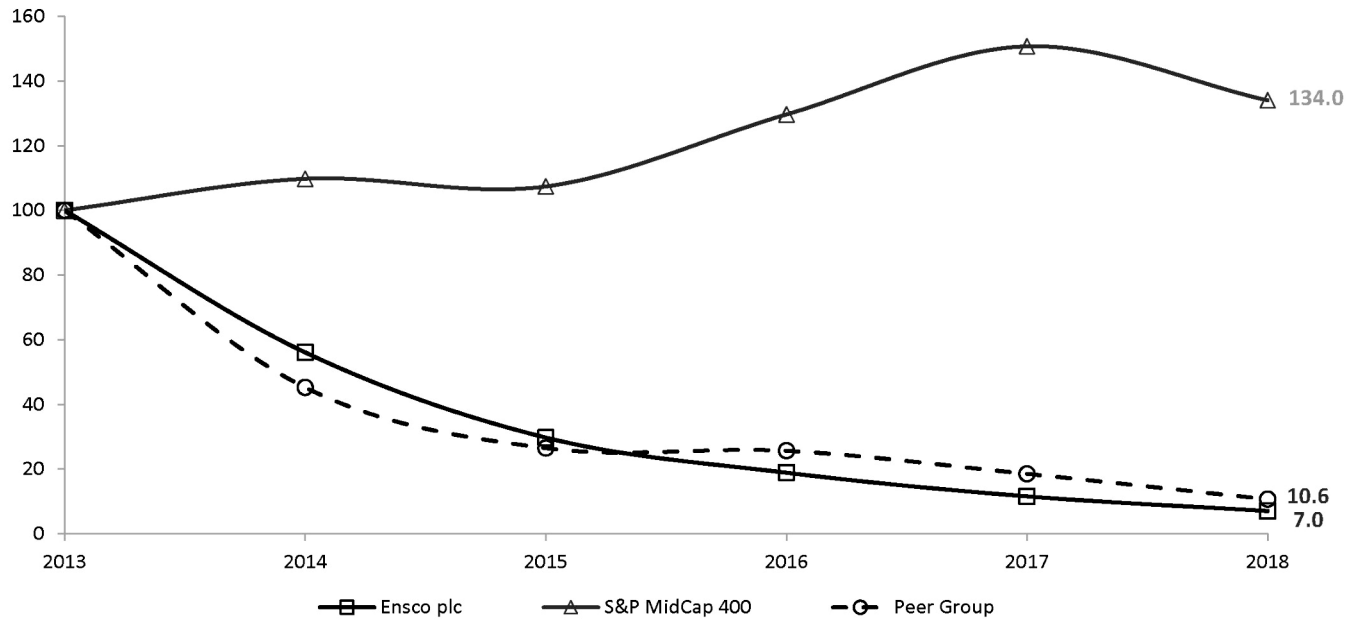
The declaration and amount of future dividends is at the discretion of our Board of Directors and could change in future periods. In the future, our Board of Directors may, without advance notice, determine to reduce or suspend our dividend in order to improve our financial flexibility and best position us for long-term success. 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.

Performance Chart

The chart below presents a comparison of the five-year cumulative total return, assuming $100 invested on December 31, 2013 for Ensco plc, the Standard & Poor's MidCap 400 Index, and a self-determined peer group. Total return assumes the reinvestment of dividends, if any, in the security on the ex-dividend date. The Standard & Poor's MidCap 400 Index includes Ensco and has been included as a comparison. Since Ensco operates exclusively as an offshore drilling company, a self-determined peer group composed exclusively of major offshore drilling companies has been included as a comparison.*

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN[(1)]

Among Ensco plc, the S&P MidCap 400 Index and Peer Group



[(1)]100 invested on 12/31/2013 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

	Fiscal Year Ended December 31,					
	2013	**2014**	**2015**	**2016**	**2017**	**2018**
Ensco plc	100.0	56.1	29.7	18.8	11.5	7.0
S&P MidCap 400	100.0	109.8	107.4	129.7	150.7	134.0
Peer Group	100.0	45.2	26.5	25.6	18.5	10.6

*Our self-determined peer group is weighted according to market capitalization and consists of the following companies: Transocean Ltd., Diamond Offshore Drilling Inc., Noble Corporation plc, SeaDrill Limited and Rowan Companies plc.

INTRODUCTION

Our Business

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 56 rigs, with drilling operations in most of the strategic markets around the globe. We also have three rigs under construction. Inclusive of our rigs under construction, our fleet includes 12 drillships, nine dynamically positioned semisubmersible rigs, three moored semisubmersible rigs and 35 jackup rigs. We operate the world's largest fleet amongst competitive rigs, including one of the newest ultra-deepwater fleets in the industry and a leading premium jackup fleet.

Our customers include many of the leading national and international oil companies, in addition to many independent operators. We are among the most geographically diverse offshore drilling companies, with current operations spanning 14 countries on six continents. The markets in which we operate include the Gulf of Mexico, Brazil, the Mediterranean, the North Sea, the Middle East, West Africa, Australia and Southeast Asia.

We provide drilling services on a day rate contract basis. Under day rate contracts, we provide an integrated service that includes the provision of a drilling rig and rig crews for which we receive a daily rate that may vary between the full rate and zero rate throughout the duration of the contractual term, depending on the operations of the rig. We also may receive lump-sum fees or similar compensation for the mobilization, demobilization and capital upgrades of our rigs. Our customers bear substantially all of the costs of constructing the well and supporting drilling operations, as well as the economic risk relative to the success of the well.

Proposed Rowan Transaction

On October 7, 2018, Ensco plc and Rowan Companies plc ("Rowan") entered into an agreement that provides for the combination of the two companies (as amended the "Transaction Agreement"). Ensco has agreed to acquire the entire issued and to be issued share capital of Rowan in an all-stock transaction (the "Rowan Transaction") by way of a scheme of arrangement to be undertaken by Rowan under Part 26 of the UK Companies Act 2006. On January 29, 2019, the Transaction Agreement was amended to increase the exchange ratio in connection with the Rowan Transaction from 2.215 to 2.750.

Subject to the terms and conditions of the Transaction Agreement, each Class A ordinary share of Rowan will be converted into the right to receive 2.750 Class A ordinary shares of Ensco plc. We estimate the total consideration to be delivered in the Rowan Transaction to be approximately $1.5 billion, consisting of approximately 351.3 million of our shares based on the closing price of $4.41 on February 22, 2019. The value of the Rowan Transaction consideration will fluctuate until the closing date based on changes in the price of our shares and the number of Rowan ordinary shares outstanding.

The completion of the Rowan Transaction is subject to various closing conditions, including, among others, (i) the sanction of the Rowan Transaction by the High Court of Justice of England and Wales, (ii) the receipt of certain required regulatory approvals or lapse of certain review periods with respect thereto, including in the Kingdom of Saudi Arabia, (iii) the absence of legal restraints prohibiting or restraining the Rowan Transaction and (iv) the absence of any law or order reasonably expected to result in the dissolution of the Saudi Aramco Offshore Drilling Company, Rowan's joint venture with Saudi Aramco (the "ARO JV"), or the sale, disposition, forfeiture or nationalization of Rowan's interest in the ARO JV. Shareholders of Rowan and Ensco approved the Rowan Transaction and related proposals on February 21, 2019. The Rowan Transaction is expected to close during the first half of 2019, subject to satisfaction of all conditions to closing. Upon closing of the Rowan Transaction, we intend to complete a reverse split of our ordinary shares under which every four existing Ensco ordinary shares will be consolidated into one Ensco ordinary share.

Atwood Merger

On October 6, 2017 (the "Merger Date"), we completed a merger transaction (the "Atwood Merger") with Atwood Oceanics, Inc. ("Atwood") and Echo Merger Sub, LLC, a wholly-owned subsidiary of Ensco plc. Pursuant to the merger agreement, Echo Merger Sub, LLC, merged with and into Atwood, with Atwood as the surviving entity and an indirect, wholly-owned subsidiary of Ensco plc. Total consideration delivered in the Atwood Merger consisted of 132.2 million of our Class A ordinary shares and $11.1 million of cash in settlement of certain share-based payment awards. The total aggregate value of consideration transferred was $781.8 million. Additionally, upon closing of the Atwood Merger, we utilized cash acquired of $445.4 million and cash on hand to extinguish Atwood's revolving credit facility, outstanding senior notes and accrued interest totaling $1.3 billion. The estimated fair values assigned to assets acquired net of liabilities assumed exceeded the consideration transferred, resulting in a bargain purchase gain of $140.2 million that was recognized during the fourth quarter of 2017. During 2018, we recognized measurement period adjustments as we completed our fair value assessments resulting in additional bargain purchase gain of $1.8 million.

Our Industry

Operating results in the offshore contract drilling industry are highly cyclical and are directly related to the demand for drilling rigs and the available supply of drilling rigs. Low demand and excess supply can independently affect day rates and utilization of drilling rigs. Therefore, adverse changes in either of these factors can result in adverse changes in our industry. While the cost of moving a rig may cause the balance of supply and demand to vary somewhat between regions, significant variations between regions are generally of a short-term nature due to rig mobility.

Drilling Rig Demand

The decline in oil prices from 2014 highs led to a significant reduction in demand for offshore drilling services in recent years as many projects became uneconomic for customers at lower commodity prices. Customers significantly reduced their capital spending budgets, including the cancellation or deferral of existing programs, resulting in fewer contracting opportunities for offshore drilling rigs. Declines in capital spending levels, together with the oversupply of rigs, resulted in significantly reduced day rates and utilization.

More recently, oil prices have increased meaningfully from the decade lows reached during 2016, with Brent crude averaging nearly $55 per barrel in 2017 and more than $70 per barrel through the first nine months of 2018, leading to signs of a gradual recovery in demand for offshore drilling services. However, macroeconomic and geopolitical headwinds triggered a market correction during the fourth quarter of 2018, resulting in a decline in Brent crude prices from more than $85 per barrel at the beginning of the quarter to approximately $50 per barrel at year-end.

While market volatility may continue over the near-term, we expect long-term oil prices to remain at levels sufficient to result in more offshore projects that are economic for our customers. Therefore, we expect that near-term market conditions will remain challenging while demand for contract drilling services continues its gradual recovery with different segments of the market recovering more quickly than others.

Although oil prices have declined from the recent highs reached in 2018, we continue to observe improvements in the shallow-water market as higher levels of customer demand and rig retirements have led to gradually increasing jackup utilization over the past year. Moreover, new floater contracts and open tenders have increased as compared to a year ago due to improving economics for deepwater projects.

Despite the increase in customer activity, contract awards remain subject to an extremely competitive bidding process, and the corresponding pressure on operating day rates in recent periods has resulted in low margin contracts, particularly for floaters. Therefore, we expect our results from operations to continue to decline over the near-term as current contracts with above market rates expire and new contracts are executed at lower rates. We believe further improvements in demand coupled with a reduction in rig supply are necessary to improve the commercial landscape for day rates.

Drilling Rig Supply

Drilling rig supply continues to exceed drilling rig demand for both floaters and jackups. However, the decline in customer capital expenditure budgets over the past several years has led to a lack of contracting opportunities resulting in meaningful global fleet attrition. Since the beginning of the downturn, drilling contractors have retired approximately 120 floaters and 90 jackups. As demand for offshore drilling ultimately improves, we expect that newer, more capable rigs will be the first to obtain contract awards, increasing the likelihood that older, less capable rigs do not return to the global active fleet.

Approximately 20 floaters older than 30 years are idle, 10 additional floaters older than 30 years have contracts expiring by the end of 2019 without follow-on work and a further 10 floaters aged between 15 and 30 years have been idle for more than two years. Operating costs associated with keeping these rigs idle as well as expenditures required to recertify these aging rigs may prove cost prohibitive. Drilling contractors will likely elect to scrap or cold-stack some or all of these rigs.

Approximately 100 jackups older than 30 years are idle, and 60 jackups that are 30 years or older have contracts expiring by the end of 2019 without follow-on work. Expenditures required to recertify these aging rigs may prove cost prohibitive and drilling contractors may instead elect to scrap or cold-stack these rigs. We expect jackup scrapping and cold-stacking to continue during 2019.

There are 41 newbuild drillships and semisubmersibles reported to be under construction, of which 20 are scheduled to be delivered before the end of 2019. Most newbuild floaters are uncontracted. Several newbuild deliveries have been delayed into future years, and we expect that more uncontracted newbuilds will be delayed or cancelled.

There are 77 newbuild jackups reported to be under construction, of which 51 are scheduled to be delivered before the end of 2019. Most newbuild jackups 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.

Liquidity, Backlog and Debt Maturities

We remain focused on our liquidity and over the past several years have executed a number of financing transactions to improve our financial position and manage our debt maturities. Based on our balance sheet, our contractual backlog and $2.0 billion available under our Credit Facility, we expect to fund our liquidity needs, including contractual obligations and anticipated capital expenditures, as well as working capital requirements, from cash and short-term investments and, if necessary, funds borrowed under our Credit Facility or other future financing arrangements, including available shipyard financing options for our two drillships under construction. We may rely on the issuance of debt and/or equity securities in the future to supplement our liquidity needs.

Cash and Debt

As of December 31, 2018, we had $5.0 billion in total debt outstanding, representing 38.2% of our total capitalization. We also had $604.1 million in cash and short-term investments and $2.0 billion undrawn capacity under our Credit Facility.

In January 2018, we issued $1.0 billion aggregate principal amount of unsecured 7.75% senior notes due 2026 (the "2026 Notes"), net of debt issuance costs of $16.5 million. Net proceeds of $983.5 million from the 2026 Notes were partially used to fund the repurchase and redemption of $237.6 million principal amount of our 8.50% senior notes due 2019, $328.0 million principal amount of our 6.875% senior notes due 2020 and $156.2 million principal amount of our 4.70% senior notes due 2021. We recognized a pre-tax loss on debt extinguishment of $19.0 million during the first quarter of 2018.

Following the January 2018 debt offering, repurchases and redemption, our only debt maturities until 2024 are $122.9 million during 2020 and $113.5 million during 2021.

Backlog

As of December 31, 2018, our backlog was $2.2 billion as compared to $2.8 billion as of December 31, 2017. Our floater backlog declined $636.8 million primarily due to revenues realized during 2018, partially offset by new contract awards and contract extensions. While our floater utilization increased marginally in 2018 to 46% from 45% in 2017, our floater backlog declined as revenues were realized on above-market, longer-term contracts and new contracts were executed a lower rates for shorter terms. Our jackup backlog increased $58.0 million primarily due to new contract awards as utilization increased to 63% in 2018 from 60% in 2017, partially offset by revenues realized during 2018. Our other segment backlog declined $59.8 million due to revenues realized during 2018.

As current contracts expire, we may experience further declines in backlog, which could result in a decline in revenues and operating cash flows during 2019. Contract backlog includes the impact of drilling contracts signed or terminated after each respective balance sheet date but prior to filing our annual reports on February 28, 2019 and February 27, 2018, respectively.

Drilling Rig Construction and Delivery

We remain focused on our long-established strategy of high-grading our fleet, as evidenced by the recently completed Atwood Merger and proposed Rowan Transaction. During the three-year period ended December 31, 2018, we invested approximately $1.0 billion in the construction of new drilling rigs. We will continue to invest in the expansion and high-grading of our fleet or execute other strategic transactions to optimize our asset portfolio when we believe attractive opportunities exist.

We believe our remaining capital commitments will primarily be funded from cash and short-term investments, and, if necessary, funds borrowed under our Credit Facility or other future financing arrangements, including available shipyard financing options for our two drillships under construction. We may decide to access debt and/or equity markets to raise additional capital or increase liquidity as necessary.

Floaters

We previously entered into an agreement with Samsung Heavy Industries to construct ENSCO DS-10, an ultra deepwater drillship. During 2017, we took delivery of ENSCO DS-10 and made the final milestone payment of $75.0 million. ENSCO DS-10 commenced drilling operations offshore Nigeria in March 2018.

In connection with the Atwood Merger, we acquired two ultra-deepwater drillships, ENSCO DS-13 and ENSCO DS-14, which are currently under construction in the Daewoo Shipbuilding & Marine Engineering Co. Ltd. yard in South Korea. ENSCO DS-13 and ENSCO DS-14 are scheduled for delivery during the third quarter of 2019 and second quarter of 2020, respectively. Upon delivery, the remaining milestone payments and accrued interest thereon may be financed through a promissory note with the shipyard for each rig. The promissory notes will bear interest at a rate of 5.0% per annum with a maturity date of December 30, 2022 and will be secured by a mortgage on each respective rig.

Jackups

During 2014, we entered into an agreement with Lamprell Energy Limited to construct two premium jackup rigs, ENSCO 140 and ENSCO 141, which are significantly enhanced versions of the LeTourneau Super 116E jackup design and incorporate Ensco's patented Canti-Leverage Advantage™ technology. ENSCO 140 and ENSCO 141 were delivered during 2016 and commenced drilling operations offshore Saudi Arabia in July and August 2018, respectively.

We previously entered into an agreement with Keppel FELS to construct an ultra-premium harsh environment jackup, ENSCO 123. In December 2017, we agreed to delay delivery of ENSCO 123 until 2019, and in January 2018, we made a $207.4 million milestone payment. The remaining unpaid balance of $9.0 million is due upon delivery. ENSCO 123 was designed to incorporate Ensco's patented Continuous Tripping Technology™, a new proprietary

solution that provides safer and more efficient pipe tripping and helps to lower customers' offshore project costs. We expect ENSCO 123 to commence drilling operations in the North Sea in July 2019.

Divestitures

Our business strategy has been to focus on ultra-deepwater floater and premium jackup operations and de-emphasize other assets and operations that are not part of our long-term strategic plan or that no longer meet our standards for economic returns. Consistent with this strategy, we sold 12 jackup rigs, five dynamically positioned semisubmersible rigs, one moored semisubmersible rig and two drillships during the three-year period ended December 31, 2018.

We continue to focus on our fleet management strategy in light of the composition of our rig fleet. As part of this strategy, we may act opportunistically from time to time to monetize assets to enhance shareholder value and improve our liquidity profile, in addition to selling or disposing of older, lower-specification or non-core rigs.

BUSINESS ENVIRONMENT

Floaters

The floater contracting environment continues to be challenged due to limited demand and excess newbuild supply. Floater demand declined significantly since the beginning of the current market downturn due to lower commodity prices that have caused our customers to reduce capital expenditures. More recently, we have observed increased activity that has translated into marginal improvements in near-term utilization of our floater fleet; however, further improvements in demand and/or reductions in supply will be necessary before meaningful increases in utilization and day rates are realized.

During first quarter 2018, we executed two short-term contracts and a contract extension for ENSCO 8503, as well as a short-term contract for ENSCO 8505, in the U.S Gulf of Mexico.

During second quarter 2018, we executed a short-term contract extension for ENSCO DS-12 offshore Suriname as well as a short-term contract and contract extension for ENSCO 8505 and ENSCO 8503, respectively, in the U.S. Gulf of Mexico. Additionally, our customer terminated the contract for ENSCO 8504 offshore Vietnam due to force majeure.

During third quarter 2018, we executed a one-well contract for ENSCO DS-9 that commenced in December 2018 offshore French Guiana, a two-well contract for ENSCO DS-12 that is expected to commence in April 2019 offshore Senegal, an eight-well contract for ENSCO 8505 that commenced in January 2019, a100-day contract for ENSCO 8503 that commenced in November 2018 offshore Mexico and a one-well contract for ENSCO 8504 that is expected to commence in April 2019 offshore Japan.

During fourth quarter 2018, we executed a one-year contract extension for ENSCO DS-10 offshore Nigeria and a two-well contract extension for ENSCO 5004 in the Mediterranean.

During first quarter 2019, we executed a four-well contract in the U.S. Gulf of Mexico for ENSCO 8503 that is expected to commence in June 2019 and a two-well contract offshore Australia for ENSCO DPS-1 that is expected to commence in February 2020.

During 2018, we sold three floaters for scrap value resulting in insignificant pre-tax gains.

Jackups

Demand for jackups has improved with increased tendering activity observed in recent periods; however, day rates remain depressed due to the oversupply of rigs.

During first quarter 2018, we executed a 16-month contract for ENSCO 104 offshore UAE. We also executed short-term contracts or extensions for ENSCO 72, ENSCO 101 and ENSCO 122 in the North Sea as well as for ENSCO 68, ENSCO 75 and ENSCO 87 in the U.S. Gulf of Mexico.

During second quarter 2018, we executed three-year contracts for ENSCO 140, ENSCO 141 and ENSCO 108 offshore Saudi Arabia. ENSCO 140 and ENSCO 141 commenced operations during July 2018 and August 2018, respectively, and ENSCO 108 commenced operations during the fourth quarter. We also executed a 10-month contract for ENSCO 115 offshore Thailand that is expected to commence during first quarter 2019 and short-term contracts or extensions for ENSCO 101 and ENSCO 122 in the North Sea as well as for ENSCO 68 and ENSCO 75 in the U.S. Gulf of Mexico.

During third quarter 2018, we executed a nine-month contract extension for ENSCO 75 and short-term contracts or extensions for ENSCO 72, ENSCO 121 and ENSCO 122 in the North Sea as well as for ENSCO 68, ENSCO 87 and ENSCO 102 in the U.S. Gulf of Mexico.

During fourth quarter 2018, we executed a four-year contract extension for ENSCO 76 offshore Saudi Arabia and a 500-day contract extension for ENSCO 67 offshore Indonesia. We also executed a contract with a customer in the North Sea comprising three campaigns scheduled to commence in July 2019, March 2020 and June 2020. ENSCO 123 is contracted to perform the first and third campaigns and ENSCO 100 is contracted to perform the second campaign. However, the contract allows for us to provide any ENSCO 120 Series rig to perform the second and third campaigns. Additionally, we executed short-term contracts for ENSCO 87 and ENSCO 102 in the U.S. Gulf of Mexico.

During first quarter 2019, we executed short-term contracts or extensions for ENSCO 72, ENSCO 100 and ENSCO 121 in the North Sea, ENSCO 96 offshore Saudi Arabia and ENSCO 107 offshore Australia.

During 2018, we sold three jackups for scrap value resulting in insignificant pre-tax gains.

RESULTS OF OPERATIONS

The following table summarizes our consolidated results of operations for each of the years in the three-year period ended December 31, 2018 (in millions):

	2018	2017	2016
Revenues	$ 1,705.4	$ 1,843.0	$ 2,776.4
Operating expenses			
Contract drilling (exclusive of depreciation)	1,319.4	1,189.5	1,301.0
Loss on impairment	40.3	182.9	—
Depreciation	478.9	444.8	445.3
General and administrative	102.7	157.8	100.8
Operating income (loss)	(235.9)	(132.0)	929.3
Other income (expense), net	(303.0)	(64.0)	68.2
Provision for income taxes	89.6	109.2	108.5
Income (loss) from continuing operations	(628.5)	(305.2)	889.0
Income (loss) from discontinued operations, net	(8.1)	1.0	8.1
Net income (loss)	(636.6)	(304.2)	897.1
Net (income) loss attributable to noncontrolling interests	(3.1)	.5	(6.9)
Net income (loss) attributable to Ensco	$ (639.7)	$ (303.7)	$ 890.2

Overview

Year Ended December 31, 2018

Revenues declined by $137.6 million, or 7%, as compared to the prior year. The decline was primarily due to a decline in average day rates in both our floater and jackup fleets and the sale of several rigs during the year that operated in the year-ago period, partially offset by increased utilization and the addition of Atwood rigs to the fleet.

Contract drilling expense increased by $129.9 million, or 11%, as compared to the prior year. The increase was primarily due to addition of Atwood rigs to the fleet and the commencement of drilling operations for several of our newbuild rigs. This increase was partially offset by the sale of several rigs during the year that operated in the year-ago period and cost incurred during the prior year to settle a previously disclosed legal contingency.

Excluding the impact of $7.5 million and $51.6 million of transaction costs recognized during 2018 and 2017 respectively, general and administrative expenses declined by $11.0 million, or 10%, as compared to the prior year. The decline was primarily due to lower compensation costs and the recovery of certain legal costs awarded to us in connection with the SHI litigation.

Year Ended December 31, 2017

Excluding the impact of ENSCO DS-9 and ENSCO 8503 lump-sum termination payments totaling $205.0 million received during 2016, revenues declined by $728.4 million, or 28%, as compared to the prior year. The decline was primarily due to a decline in average day rates in both our floater and jackup segments and the sale of several rigs during the year that operated in the year-ago period. The decline was partially offset by the addition of Atwood rigs to the fleet during the fourth quarter of 2017.

Contract drilling expense declined by $111.5 million, or 9%, as compared to the prior year. The decline was primarily due to lower fleet-wide utilization and the sale of several rigs that operated in the year-ago period. This decline was partially offset by the addition of Atwood rigs to the fleet during the fourth quarter of 2017.

Excluding the impact of $51.6 million of transaction costs associated with the Atwood Merger, general and administrative expenses increased by $5.4 million, or 5%, as compared to the prior year primarily due to increased compensation costs for certain performance-based awards.

Rig Counts, Utilization and Average Day Rates

The following table summarizes our offshore drilling rigs by reportable segment, rigs under construction and rigs held-for-sale as of December 31, 2018, 2017 and 2016:

	2018	2017	2016
Floaters[(1)(2)]	22	24	19
Jackups[(3)]	34	37	36
Under construction[(2)(4)]	3	3	2
Held-for-sale[(5)]	—	1	2
Total	59	65	59

(1) During 2018, we sold ENSCO 5005 and ENSCO 6001. During 2017, we added ENSCO DS-11, ENSCO DS-12, ENSCO DPS-1 and ENSCO MS-1 from the Atwood Merger.

(2) During 2017, we accepted delivery of ENSCO DS-10.

(3) During 2018, we sold ENSCO 80, ENSCO 81 and ENSCO 82. During 2017, we added ENSCO 111, ENSCO 112, ENSCO 113, ENSCO 114 and ENSCO 115 from the Atwood Merger and sold ENSCO 86, ENSCO 99, ENSCO 52 and ENSCO 56.

(4) During 2017, we added ENSCO DS-13 and ENSCO DS-14 from the Atwood Merger, both of which are under construction.

(5) During 2018, we sold ENSCO 7500. During 2017, we sold ENSCO 90.

The following table summarizes our rig utilization and average day rates from continuing operations by reportable segment for each of the years in the three-year period ended December 31, 2018:

	2018	2017	2016
Rig Utilization[1]			
Floaters	46%	45%	54%
Jackups	63%	60%	60%
Total	56%	55%	58%
Average Day Rates[2]			
Floaters	$ 248,395	$ 327,736	$ 359,758
Jackups	77,086	84,913	110,682
Total	$ 131,313	$ 158,484	$ 192,427

(1) Rig utilization is derived by dividing the number of days under contract by the number of days in the period. Days under contract equals the total number of days that rigs have earned and recognized day rate revenue, including days associated with early contract terminations, compensated downtime and mobilizations. When revenue is deferred and amortized over a future period, for example when we receive fees while mobilizing to commence a new contract or while being upgraded in a shipyard, the related days are excluded from days under contract.

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

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

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

Operating Income by Segment

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 each of the years in the three-year period ended December 31, 2018 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 (loss) and were included in "Reconciling Items."

Year Ended December 31, 2018

	Floaters	Jackups	Other	Operating Segments Total	Reconciling Items	Consolidated Total
Revenues	$ 1,013.5	$ 630.9	$ 61.0	$ 1,705.4	$ —	$ 1,705.4
Operating expenses						
Contract drilling (exclusive of depreciation)	737.4	526.5	55.5	1,319.4	—	1,319.4
Loss on impairment	—	40.3	—	40.3	—	40.3
Depreciation	311.8	153.3	—	465.1	13.8	478.9
General and administrative	—	—	—	—	102.7	102.7
Operating income (loss)	$ (35.7)	$ (89.2)	$ 5.5	$ (119.4)	$ (116.5)	$ (235.9)

Year Ended December 31, 2017

	Floaters	Jackups	Other	Operating Segments Total	Reconciling Items	Consolidated Total
Revenues	$ 1,143.5	$ 640.3	$ 59.2	$ 1,843.0	$ —	$ 1,843.0
Operating expenses						
Contract drilling (exclusive of depreciation)	624.2	512.1	53.2	1,189.5	—	1,189.5
Loss on impairment	174.7	8.2	—	—	—	182.9
Depreciation	297.4	131.5	—	428.9	15.9	444.8
General and administrative	—	—	—	—	157.8	157.8
Operating income (loss)	$ 47.2	$ (11.5)	$ 6.0	$ 41.7	$ (173.7)	$ (132.0)

Year Ended December 31, 2016

	Floaters	Jackups	Other	Operating Segments Total	Reconciling Items	Consolidated Total
Revenues	$ 1,771.1	$ 929.5	$ 75.8	$ 2,776.4	$ —	$ 2,776.4
Operating expenses						
Contract drilling (exclusive of depreciation)	725.0	516.8	59.2	1,301.0	—	1,301.0
Depreciation	304.1	123.7	—	427.8	17.5	445.3
General and administrative	—	—	—	—	100.8	100.8
Operating income	$ 742.0	$ 289.0	$ 16.6	$ 1,047.6	$ (118.3)	$ 929.3

Floaters

During 2018, revenues declined by $130.0 million, or 11%, as compared to the prior year primarily due to lower average day rates resulting from the expiration of above-market, older contracts that were replaced with new market-rate contracts and sale of ENSCO 6001. The decline was partially offset by the addition of Atwood rigs to the fleet and the commencement of ENSCO DS-10 drilling operations.

Contract drilling expense increased by $113.2 million, or 18%, as compared to the prior year primarily due to the addition of Atwood rigs to the fleet and commencement of ENSCO DS-10 drilling operations. This increase was partially offset by the sale of ENSCO 6001, lower rig reactivation costs and costs incurred in the prior year to settle a previously disclosed legal contingency.

Depreciation expense increased by $14.4 million, or 5%, compared to the prior year primarily due to the addition of Atwood rigs and commencement of ENSCO DS-10 drilling operations. The increase was partially offset by lower depreciation expense on non-core assets that were impaired to scrap value during the fourth quarter of 2017.

During 2017, excluding the impact of ENSCO DS-9 and ENSCO 8503 lump-sum termination payments totaling $205.0 million received during 2016, revenues declined by $422.6 million, or 27%. The decline was primarily due to fewer days under contract across our fleet, sale of ENSCO 6003 and ENSCO 6004 and lower average day rates. The decline in revenues was partially offset by the reactivation of ENSCO DS-4 and the addition of Atwood rigs to the fleet.

Contract drilling expense declined by $100.8 million, or 14%, as compared to the prior year primarily due to rig stackings, sale of ENSCO 6004 and ENSCO 6003 and other cost control initiatives that reduced personnel costs and other daily rig operating expenses. This decline was partially offset by the addition of Atwood rigs to the fleet, rig reactivation costs and ENSCO DS-4 contract drilling expense.

Depreciation expense declined by $6.7 million, or 2%, as compared to the prior year primarily due to the extension of useful lives for certain contracted rigs, partially offset by the addition of Atwood rigs.

Jackups

During 2018, revenues declined by $9.4 million, or 1%, as compared to the prior year primarily due to the sale of ENSCO 52 and ENSCO 80 and lower average day rates across the fleet. These declines were partially offset by more days under contract across the fleet, the commencement of ENSCO 140 and ENSCO 141 and addition of Atwood rigs to the fleet.

Contract drilling expense increased by $14.4 million, or 3%, as compared to the prior year primarily due to more days under contract across the fleet, the addition of Atwood rigs and contract commencements for ENSCO 140 and ENSCO 141. These increases were partially offset by lower rig reactivation costs and the sale of ENSCO 52 and ENSCO 80.

Depreciation expense increased by $21.8 million, or 17%, as compared to the prior year primarily due to the addition of Atwood rigs and ENSCO 140 and ENSCO 141 to the fleet. The increase was partially offset by lower depreciation expense on a non-core rig that was impaired to scrap value during the fourth quarter of 2017.

During 2017, revenues declined by $289.2 million, or 31%, as compared to the prior year. The decline was primarily due to lower average day rates, fewer days under contract across our fleet, additional shipyard days and sale of ENSCO 53 and ENSCO 52.

Contract drilling expense declined by $4.7 million, or 1%, as compared to the prior year due to the sale of ENSCO 94, ENSCO 53, ENSCO 52 and ENSCO 56 and other cost control initiatives that reduced personnel costs and other daily rig operating expenses. This decline was partially offset by rigs that were stacked in 2016 which operated in 2017 and related rig reactivation costs.

Depreciation expense increased by $7.8 million, or 6%, as compared to the prior year primarily due to the addition of Atwood rigs, partially offset by the extension of useful lives for certain contracted rigs.

Impairment of Long-Lived Assets

See Note 5 to our consolidated financial statements included in "Financial Statements and Supplementary Data" for information on impairment of long-lived assets.

Other Income (Expense), Net

The following table summarizes other income (expense), net, for each of the years in the three-year period ended December 31, 2018 (in millions):

	2018	2017	2016
Interest income	$ 14.5	$ 25.8	$ 13.8
Interest expense, net:			
Interest expense	(345.3)	(296.7)	(274.5)
Capitalized interest	62.6	72.5	45.7
	(282.7)	(224.2)	(228.8)
Other, net	(34.8)	134.4	283.2
	$ (303.0)	$ (64.0)	$ 68.2

Interest income declined during 2018 and increased during 2017 as compared to the respective prior year periods as a result of corresponding changes in our average short-term investment balances.

Interest expense increased during 2018 by $48.6 million, or 16%, as compared to the prior year due to the debt transactions we undertook during the first quarter of 2018. Interest expense increased during 2017 by $22.2 million, or 8%, as compared to the prior year due to the issuance of convertible debt and exchange notes, partially offset by lower interest expense due to debt repurchases.

Interest expense capitalized declined during 2018 by $9.9 million, or 14%, as compared to the prior year due to a decline in the amount of capital invested in newbuild construction, resulting from newbuild rigs placed into service. Interest expense capitalized during 2017 increased $26.8 million, or 59%, as compared to the prior year due to an increase in the amount of capital invested in newbuild construction.

Other income (expense), net, during 2018 included a pre-tax loss of $19.0 million related to the repurchase and redemption of senior notes and foreign currency losses as discussed below. Other income (expense), net, included a gain on bargain purchase recognized in connection with the Atwood Merger of $140.2 million and pre-tax gains on debt extinguishment totaling $287.8 million during 2017 and 2016, respectively.

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. These transactions are remeasured in U.S. dollars based on a combination of both current and historical exchange rates. Net foreign currency exchange losses, inclusive of offsetting fair value derivatives, were $17.2 million, $5.1 million and $6.0 million, and were included in other, net, in our consolidated statements of operations for the years ended December 31, 2018, 2017 and 2016, respectively. Net foreign currency exchange losses incurred during 2018 included $5.8 million, $3.6 million and $2.0 million related to Angolan kwanza, Brazilian reals and euros, respectively.

Net unrealized losses of $700,000 and gains of $4.5 million and $1.8 million from marketable securities held in our supplemental executive retirement plans ("SERP") were included in other, net, in our consolidated statements of operations for the years ended December 31, 2018, 2017 and 2016, respectively. Information on the fair value measurement of our marketable securities held in the SERP is presented in Note 4 to our consolidated financial statements included in "Financial Statements and Supplementary Data."

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 generally 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 profitability levels and changes in tax laws, our annual effective income tax rate may vary substantially from one reporting period to another. In periods of declining profitability, our income tax expense may not decline proportionally with income, which could result in higher effective income tax rates. Further, we may continue to incur income tax expense in periods in which we operate at a loss.

U.S. Tax Reform

The U.S. Tax Cuts and Jobs Act ("U.S. tax reform") was enacted on December 22, 2017 and introduced significant changes to U.S. income tax law, including a reduction in the statutory income tax rate from 35% to 21% effective January 1, 2018, a one-time transition tax on deemed repatriation of deferred foreign income, a base erosion anti-abuse tax that effectively imposes a minimum tax on certain payments to non-U.S. affiliates, new and revised rules relating to the current taxation of certain income of foreign subsidiaries and revised rules associated with limitations on the deduction of interest.

Due to the timing of the enactment of U.S. tax reform and the complexity involved in applying its provisions, we made reasonable estimates of its effects and recorded such amounts in our consolidated financial statements as of December 31, 2017 on a provisional basis. Throughout 2018, we continued to analyze applicable information and data, interpret rules and guidance issued by the U.S. Treasury Department and Internal Revenue Service, and make adjustments to the provisional amounts, as provided for in Staff Accounting Bulletin No. 118. The U.S. Treasury Department is expected to continue finalizing rules associated with U.S. tax reform during 2019 and, when issued, these rules may have a material impact on our consolidated financial statements.

During 2018, we recognized a tax benefit of $11.7 million associated with the one-time transition tax on deemed repatriation of the deferred foreign income of our U.S. subsidiaries. We recognized a net tax expense of $16.5 million during the fourth quarter of 2017 in connection with enactment of U.S. tax reform, consisting of a $38.5 million tax expense associated with the one-time transition tax on deemed repatriation of the deferred foreign income of our U.S. subsidiaries, a $17.3 million tax expense associated with revisions to rules over the taxation of income of foreign subsidiaries, a $20.0 million tax benefit resulting from the re-measurement of our deferred tax assets and liabilities as of December 31, 2017 to reflect the reduced tax rate and a $19.3 million tax benefit resulting from adjustments to the valuation allowance on deferred tax assets.

See Note 10 to our consolidated financial statements included in "Financial Statements and Supplementary Data" for additional information.

Effective Tax Rate

During the years ended December 31, 2018, 2017 and 2016, we recorded income tax expense of $89.6 million, $109.2 million and $108.5 million, respectively. Our consolidated effective income tax rates were (16.6)%, (55.7)% and 10.9% during the same periods, respectively.

Our 2018 consolidated effective income tax rate includes the impact of various discrete tax items, including $46.0 million of tax benefit associated with the utilization of foreign tax credits subject to a valuation allowance, the transition tax on deemed repatriation of the deferred foreign income of our U.S. subsidiaries, and a restructuring transaction, partially offset by $21.0 million of tax expense related to recovery of certain costs associated with an ongoing legal matter, repurchase and redemption of senior notes and rig sales.

Our 2017 consolidated effective income tax rate includes $32.2 million associated with the impact of various discrete tax items, including $16.5 million of tax expense associated with U.S. tax reform and $15.7 million of tax expense associated with the exchange offers and debt repurchases, rig sales, a restructuring transaction, settlement of a previously disclosed legal contingency, the effective settlement of a liability for unrecognized tax benefits associated with a tax position taken in prior years and other resolutions of prior year tax matters.

Our 2016 consolidated effective income tax rate includes the impact of various discrete tax items, including a $16.9 million tax expense resulting from net gains on the repurchase of various debt during the year, the recognition of an $8.4 million net tax benefit relating to the sale of various rigs, a $5.5 million tax benefit resulting from a net reduction in the valuation allowance on U.S. foreign tax credits and a net $5.3 million tax benefit associated with liabilities for unrecognized tax benefits and other adjustments relating to prior years.

Excluding the impact of the aforementioned discrete tax items, our consolidated effective income tax rates for the years ended December 31, 2018, 2017 and 2016 were (24.8)%, (96.0)% and 20.3%, respectively. The changes in our consolidated effective income tax rate excluding discrete tax items during the three-year period result primarily from U.S. tax reform and changes in the relative components of our earnings from the various taxing jurisdictions in which our drilling rigs are operated and/or owned and differences in tax rates in such taxing jurisdictions.

Divestitures

Our business strategy has been to focus on ultra-deepwater floater and premium jackup operations and de-emphasize other assets and operations that are not part of our long-term strategic plan or that no longer meet our standards for economic returns. Consistent with this strategy, we sold 12 jackup rigs, five dynamically positioned semisubmersible rigs, one moored semisubmersible rig and two drillships during the three-year period ended December 31, 2018.

We continue to focus on our fleet management strategy in light of the composition of our rig fleet. As part of this strategy, we may act opportunistically from time to time to monetize assets to enhance shareholder value and improve our liquidity profile, in addition to selling or disposing of older, lower-specification or non-core rigs.

We sold the following rigs during the three-year period ended December 31, 2018 (in millions):

Rig	Date of Sale	Classification[1]	Segment[1]	Net Proceeds	Net Book Value[2]	Pre-tax Gain/ (Loss)
ENSCO 80	August 2018	Continuing	Jackups	$ 1.0	$ .5	$ .5
ENSCO 5005	August 2018	Continuing	Floaters	4.0	2.0	2.0
ENSCO 6001	July 2018	Continuing	Floaters	2.0	.9	1.1
ENSCO 7500	April 2018	Discontinued	Floaters	2.6	1.5	1.1
ENSCO 81	April 2018	Continuing	Jackups	1.0	.3	.7
ENSCO 82	April 2018	Continuing	Jackups	1.0	.3	.7
ENSCO 52	August 2017	Continuing	Jackups	.8	.4	.4
ENSCO 86	June 2017	Continuing	Jackups	.3	.3	—
ENSCO 90	June 2017	Discontinued	Jackups	.3	.3	—
ENSCO 99	June 2017	Continuing	Jackups	.3	.3	—
ENSCO 56	April 2017	Continuing	Jackups	1.0	.3	.7
ENSCO 94	November 2016	Continuing	Jackups	.9	.3	.6
ENSCO 53	October 2016	Continuing	Jackups	.9	.3	.6
ENSCO DS-1	June 2016	Continuing	Floaters	5.0	2.3	2.7
ENSCO 6004	May 2016	Continuing	Floaters	.9	.9	—
ENSCO 6003	May 2016	Continuing	Floaters	.9	.9	—
ENSCO DS-2	May 2016	Discontinued	Floaters	5.0	4.0	1.0
ENSCO 91	May 2016	Continuing	Jackups	.8	.3	.5
ENSCO 58	April 2016	Discontinued	Jackups	.7	.3	.4
ENSCO 6000	April 2016	Discontinued	Floaters	.6	.8	(.2)
				$ 30.0	$ 17.2	$ 12.8

(1) Classification denotes the location of the operating results and gain (loss) on sale for each rig in our consolidated statements of operations. For rigs' operating results that were reclassified to discontinued operations in our consolidated statements of operations, these results were previously included within the specified operating segment.

(2) Includes the rig's net book value as well as inventory and other assets on the date of the sale.

Discontinued Operations

Prior to 2015, individual rig disposals were classified as discontinued operations once the rigs met the criteria to be classified as held-for-sale. The operating results of the rigs through the date the rig was sold as well as the gain or loss on sale were included in results from discontinued operations, net, in our consolidated statement of operations. Net proceeds from the sales of the rigs were included in investing activities of discontinued operations in our consolidated statement of cash flows in the period in which the proceeds were received.

During 2015, we adopted the Financial Accounting Standards Board's Accounting Standards Update 2014-08, *Presentation of Financial Statements* (*Topic 205*) *and Property, Plant, and Equipment* (*Topic 360*): *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity* ("*Update 2014-08*"). Under the revised guidance, only disposals representing a strategic shift in operations should be presented as discontinued operations. As a result, individual assets that are classified as held-for-sale beginning in 2015 are not reported as discontinued operations and their operating results and gain or loss on sale are included in continuing operations in our consolidated statements of operations.

The following table summarizes income (loss) from discontinued operations for each of the years in the three-year period ended December 31, 2018 (in millions):

	2018	2017	2016
Revenues	$ —	$ —	$ —
Operating expenses	2.0	1.5	3.1
Operating loss	(2.0)	(1.5)	(3.1)
Income tax expense (benefit)	7.1	(2.1)	(10.1)
Gain on disposal of discontinued operations, net	1.0	.4	1.1
Income (loss) from discontinued operations	$ (8.1)	$ 1.0	$ 8.1

Income tax expense (benefit) from discontinued operations for the years ended December 31, 2018, 2017 and 2016 included $6.9 million of discrete tax expense and $2.1 million and $10.2 million of discrete tax benefits, respectively.

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

LIQUIDITY AND CAPITAL RESOURCES

We remain focused on our liquidity and over the past several years have executed a number of financing transactions to improve our financial position and manage our debt maturities. In recent periods, a substantial portion of our cash has been utilized to repurchase debt and invest in the expansion and enhancement of our fleet of drilling rigs through newbuild construction, acquisition and upgrade projects. We expect that our cash and short-term investments will primarily be used to fund capital expenditures and service our debt during 2019.

Based on our balance sheet, our contractual backlog and $2.0 billion available under our Credit Facility, we expect to fund our liquidity needs, including contractual obligations and anticipated capital expenditures, as well as working capital requirements, from cash and short-term investments and, if necessary, funds borrowed under our Credit Facility or other future financing arrangements, including available shipyard financing options for our two drillships under construction. We may rely on the issuance of debt and/or equity securities in the future to supplement our liquidity needs.

In January 2018, we issued $1.0 billion aggregate principal amount of unsecured 7.75% senior notes due 2026 at par, net of debt issuance costs of $16.5 million. Net proceeds of $983.5 million from the 2026 Notes were partially used to fund the repurchase and redemption of $237.6 million principal amount of our 8.50% notes due 2019, $328.0 million principal amount of our 6.875% notes due 2020 and $156.2 million principal amount of our 4.70% notes due 2021. We recognized a pre-tax loss on debt extinguishment of $19.0 million during the first quarter of 2018.

During 2017, upon closing of the Atwood Merger, we utilized acquired cash of $445.4 million and cash on hand from the liquidation of short-term investments to repay Atwood's debt and accrued interest of $1.3 billion. We amended our credit facility upon closing to extend the final maturity date by two years. Previously, our Credit Facility had a borrowing capacity of $2.25 billion through September 2019 that declined to $1.13 billion through September 2020. Subsequent to the amendment, our borrowing capacity is $2.0 billion through September 2019 and declines to $1.3 billion through September 2020 and to $1.2 billion through September 2022. The Credit Facility, as amended, requires us to maintain a total debt to total capitalization ratio that is less than or equal to 60%.

During the three-year period ended December 31, 2018, our primary sources of cash were $1.8 billion in proceeds from the issuance of senior notes, an aggregate $1.3 billion generated from operating activities of continuing operations, $850.9 million from net maturities of short-term investments and $585.5 million in proceeds from an equity offering. Our primary uses of cash during the same period included $2.2 billion for the repurchase and redemption of outstanding debt, $871.6 million for the repayment of Atwood debt, $1.3 billion for the construction, enhancement and other improvement of our drilling rigs, including $980.7 million invested in newbuild construction, and $43.3 million for dividend payments.

Explanations of our liquidity and capital resources for each of the years in the three-year period ended December 31, 2018 are set forth below.

Cash Flows and Capital Expenditures

Our cash flows from operating activities of continuing operations and capital expenditures on continuing operations for each of the years in the three-year period ended December 31, 2018 were as follows (in millions):

	2018	2017	2016
Net cash provided by (used in) operating activities of continuing operations	$ (55.7)	$ 259.4	$ 1,077.4
Capital expenditures on continuing operations:			
New rig construction	$ 341.1	$ 429.8	$ 209.8
Rig enhancements	45.2	45.1	15.9
Minor upgrades and improvements	40.4	61.8	96.5
	$ 426.7	$ 536.7	$ 322.2

During 2018, cash flows from continuing operations declined by $315.1 million, or 121%, as compared to the prior year due primarily to declining margins and higher cash interest expense due to the debt financing transactions we undertook during the first quarter of 2018. As challenging industry conditions persist, and our remaining above-market contracts expire and utilization increases with the execution of new market-rate contracts, coupled with the potential impact of rig reactivation costs, our operating cash flows are expected to decline further and remain negative over the near-term.

During 2017, excluding the impact of ENSCO DS-9 and ENSCO 8503 lump-sum termination payments totaling $205.0 million received during 2016, cash flows from continuing operations declined by $613.0 million, or 70%, as compared to the prior year. The decline primarily resulted from a $823.0 million decline in cash receipts from contract drilling services, partially offset by a $190.4 million decline in cash payments related to contract drilling expenses and a $65.0 million decline in cash paid for interest, net of amounts capitalized.

We remain focused on our long-established strategy of high-grading and expanding the size of our fleet. During the three-year period ended December 31, 2018, we invested $980.7 million in the construction of new drilling rigs and an additional $106.2 million enhancing the capability and extending the useful lives of our existing fleet.

Based on our current projections, we expect capital expenditures during 2019 to include approximately $160 million for newbuild construction, approximately $20 million for rig enhancement projects and approximately $50 million for minor upgrades and improvements. Depending on market conditions and opportunities, we may make additional capital expenditures to upgrade rigs for customer requirements and construct or acquire additional rigs. Of the $160 million for newbuild construction, approximately $100 million relates to the final milestone payment and accrued interest thereon for ENSCO DS-13 which may, at our election, be converted to a promissory note bearing interest of 5.0% per annum due December 30, 2022.

Dividends

Our Board of Directors declared a $0.01 quarterly cash dividend per Class A ordinary share for each quarter during 2018. In October 2017, we amended our Credit Facility, which prohibits us from paying dividends in excess of $0.01 per share per fiscal quarter. Dividends in excess of this amount would require the amendment or waiver of such provision. The declaration and amount of future dividends is at the discretion of our Board of Directors. In the future, our Board of Directors may, without advance notice, determine to reduce or suspend our dividend in order to improve our financial flexibility and best position us for long-term success. When evaluating dividend payment timing and amounts, our Board of Directors considers several factors, including our profitability, liquidity, financial condition, market outlook, reinvestment opportunities, capital requirements and limitations under our Credit Facility.

Financing and Capital Resources

Our total debt, total capital and total debt to total capital ratios as of December 31, 2018, 2017 and 2016 are summarized below (in millions, except percentages):

	2018	2017	2016
Total debt	$ 5,010.4	$ 4,750.7	$ 5,274.5
Total capital[(1)]	13,101.8	13,482.8	13,525.1
Total debt to total capital	38.2%	35.2%	39.0%

(1) Total capital consists of total debt and Ensco shareholders' equity.

During 2018, our total debt increased by $259.7 million and total capital declined by $381.0 million, respectively. Our total debt increased as a result of the debt transactions we undertook during the first quarter of 2018 and our total capital declined as a result of our current period net loss, partially offset by the aforementioned increase in our total debt. This resulted in an increase of our total debt to total capital ratio from 35.2% to 38.2%.

During 2017, our total debt and total capital declined by $523.8 million and $42.3 million, respectively. Our total debt declined as a result of debt repurchased during the year and our total capital declined as a result of the net loss incurred during the period and the aforementioned reduction in total debt, partially offset by the equity issued in connection with the Atwood Merger. This resulted in a decline of our total debt to total capital ratio from 39.0% to 35.2%.

Convertible Senior Notes

In December 2016, Ensco Jersey Finance Limited, a wholly-owned subsidiary of Ensco plc, issued $849.5 million aggregate principal amount of unsecured 2024 Convertible Notes in a private offering. The 2024 Convertible Notes are fully and unconditionally guaranteed, on a senior, unsecured basis, by Ensco plc and are exchangeable into cash, our Class A ordinary shares or a combination thereof, at our election. Interest on the 2024 Convertible Notes is payable semiannually on January 31 and July 31 of each year. The 2024 Convertible Notes will mature on January 31, 2024, unless exchanged, redeemed or repurchased in accordance with their terms prior to such date. Holders may exchange their 2024 Convertible Notes at their option any time prior to July 31, 2023 only under certain circumstances set forth in the indenture governing the 2024 Convertible Notes. On or after July 31, 2023, holders may exchange their 2024 Convertible Notes at any time. The exchange rate is 71.3343 shares per $1,000 principal amount of notes, representing an exchange price of $14.02 per share, and is subject to adjustment upon certain events. The 2024 Convertible Notes may not be redeemed by us except in the event of certain tax law changes.

The indenture governing the 2024 Convertible Notes contains customary events of default, including failure to pay principal or interest on such notes when due, among others. The indenture also contains certain restrictions, including, among others, restrictions on our ability and the ability of our subsidiaries to create or incur secured indebtedness, enter into certain sale/leaseback transactions and enter into certain merger or consolidation transactions.

See Note 6 to our consolidated financial statements included in "Financial Statements and Supplementary Data" for additional information on our 2024 Convertible Notes.

Senior Notes

On January 26, 2018, we issued $1.0 billion aggregate principal amount of unsecured 7.75% senior notes due 2026 at par, net of $16.5 million in debt issuance costs. Interest on the 2026 Notes is payable semiannually on February 1 and August 1 of each year.

During 2017, we exchanged $332.0 million aggregate principal amount of unsecured 8.00% senior notes due 2024 (the “8% 2024 Notes”) for certain amounts of our outstanding senior notes due 2019, 2020 and 2021. Interest on the 8% 2024 Notes is payable semiannually on January 31 and July 31 of each year.

During 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. Interest on the New 2044 Notes is payable semiannually on April 1 and October 1 of each year.

During 2014, we issued $625.0 million aggregate principal amount of unsecured 4.50% senior notes due 2024 (the "2024 Notes") at a discount of $850,000 and $625.0 million aggregate principal amount of unsecured 5.75% senior notes due 2044 (the "Existing 2044 Notes" and together with the New 2044 Notes, the "2044 Notes") at a discount of $2.8 million. Interest on the 2024 Notes and the Existing 2044 Notes is payable semiannually on April 1 and October 1 of each year. The Existing 2044 Notes and the New 2044 Notes are treated as a single series of debt securities under the indenture governing the notes.

During 2011, we issued $1.5 billion aggregate principal amount of unsecured 4.70% senior notes due 2021 (the “2021 Notes”) at a discount of $29.6 million in a public offering. Interest on the 2021 Notes is payable semiannually on March 15 and September 15 of each year.

Upon consummation of our acquisition of Pride International LLC ("Pride") during 2011, we assumed outstanding debt comprised of $900.0 million aggregate principal amount of unsecured 6.875% senior notes due 2020, $500.0 million aggregate principal amount of unsecured 8.5% senior notes due 2019 and $300.0 million aggregate principal amount of unsecured 7.875% senior notes due 2040 (collectively, the "Acquired Notes" and together with the 2021 Notes, 8% 2024 Notes, 2024 Notes, 2025 Notes, 2026 Notes and 2044 Notes, the "Senior Notes"). Ensco plc has fully and unconditionally guaranteed the performance of all Pride obligations with respect to the Acquired Notes. See "Note 15 - Guarantee of Registered Securities" for additional information on the guarantee of the Acquired Notes.

We may redeem the 8% 2024 Notes, 2024 Notes, 2025 Notes, 2026 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 8% 2024 Notes, 2024 Notes, 2025 Notes and 2026 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 8% 2024 Notes, 2024 Notes, 2025 Notes, 2026 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 we are not required to pay a "make-whole" premium.

We may redeem each series of the 2021 Notes and the Acquired Notes, in whole or in part, at any time at a price equal to 100% of their principal amount, plus accrued and unpaid interest and a "make-whole" premium.

The indentures governing the Senior Notes contain customary events of default, including failure to pay principal or interest on such notes when due, among others. The indentures governing the Senior Notes also contain

certain restrictions, including, among others, restrictions on our ability and the ability of our subsidiaries to create or incur secured indebtedness, enter into certain sale/leaseback transactions and enter into certain merger or consolidation transactions.

Debentures Due 2027

During 1997, Ensco International Incorporated issued $150.0 million of unsecured 7.20% Debentures due 2027 (the "Debentures"). Interest on the Debentures is payable semiannually on May 15 and November 15 of each year. We may redeem the Debentures, in whole or in part, at any time prior to maturity, at a price equal to 100% of their principal amount, plus accrued and unpaid interest and a "make-whole" premium. During 2009, Ensco plc entered into a supplemental indenture to unconditionally guarantee the principal and interest payments on the Debentures. See "Note 15 - Guarantee of Registered Securities" for additional information on the guarantee of the Debentures.

The Debentures and the indenture pursuant to which the Debentures were issued also contain customary events of default, including failure to pay principal or interest on the Debentures when due, among others. The indenture also contains certain restrictions, including, among others, restrictions on our ability and the ability of our subsidiaries to create or incur secured indebtedness, enter into certain sale/leaseback transactions and enter into certain merger or consolidation transactions.

Tender Offers, Redemptions and Open Market Repurchases

Concurrent with the issuance of the 2026 Notes in January 2018, we launched cash tender offers for up to $985.0 million aggregate principal amount of certain series of our senior notes issued by us and Pride, our wholly-owned subsidiary. The tender offers expired February 7, 2018, and we repurchased $182.6 million of our 8.50% senior notes due 2019, $256.6 million of our 6.875% senior notes due 2020 and $156.2 million of our 4.70% senior notes due 2021. Subsequently, we issued a redemption notice for the remaining outstanding $55.0 million principal amount of the 8.50% senior notes due 2019 and repurchased $71.4 million principal amount of our senior notes due 2020. As a result of these transactions, we recognized a pre-tax loss from debt extinguishment of $19.0 million, net of discounts, premiums, debt issuance costs and commissions during the first quarter of 2018.

During 2017, we repurchased $194.1 million of our outstanding senior notes on the open market for an aggregate purchase price of $204.5 million with cash on hand and recognized an insignificant pre-tax gain, net of discounts, premiums and debt issuance costs.

Our tender offers and open market repurchases during the two-year period ended December 31, 2018 are summarized in the following tables (in millions):

Year Ended December 31, 2018

	Aggregate Principal Amount Repurchased	Aggregate Repurchase Price[1]
8.50% Senior notes due 2019	$ 237.6	$ 256.8
6.875% Senior notes due 2020	328.0	354.7
4.70% Senior notes due 2021	156.2	159.7
Total	$ 721.8	$ 771.2

Year Ended December 31, 2017

	Aggregate Principal Amount Repurchased	Aggregate Repurchase Price[1]
8.50% Senior notes due 2019	$ 54.6	$ 60.1
6.875% Senior notes due 2020	100.1	105.1
4.70% Senior notes due 2021	39.4	39.3
Total	$ 194.1	$ 204.5

(1) Excludes accrued interest paid to holders of the repurchased senior notes.

Exchange Offers

During 2017, we completed exchange offers to exchange our outstanding 2019 Notes, 2020 Notes and 2021 Notes for the 8% 2024 Notes and cash. The exchange offers resulted in the tender of $649.5 million aggregate principal amount of our outstanding notes that were settled and exchanged as follows (in millions):

	Aggregate Principal Amount Repurchased	8% Senior Notes Due 2024 Consideration	Cash Consideration	Total Consideration
8.50% Senior notes due 2019	$ 145.8	$ 81.6	$ 81.7	$ 163.3
6.875% Senior notes due 2020	129.8	69.3	69.4	138.7
4.70% Senior notes due 2021	373.9	181.1	181.4	362.5
Total	$ 649.5	$ 332.0	$ 332.5	$ 664.5

During the year ended December 31, 2017, we recognized a pre-tax loss on the exchange offers of approximately $6.2 million, consisting of a loss of $3.5 million that includes the write-off of premiums on tendered debt and $2.7 million of transaction costs.

Debt to Equity Exchange

During 2016, we entered into a privately-negotiated exchange agreement whereby we issued 1,822,432 Class A ordinary shares, representing less than one percent of our outstanding shares, in exchange for $24.5 million principal amount of our 2044 Notes, resulting in a pre-tax gain from debt extinguishment of $8.8 million.

Revolving Credit

In October 2017, we amended our revolving credit facility ("Credit Facility") to extend the final maturity date by two years. Previously, our Credit Facility had a borrowing capacity of $2.25 billion through September 2019 that declined to $1.13 billion through September 2020. Subsequent to the amendment, our borrowing capacity is $2.0 billion through September 2019 and declines to $1.3 billion through September 2020 and to $1.2 billion through September 2022. The credit agreement governing our Credit Facility includes an accordion feature allowing us to increase the commitments expiring in September 2022 up to an aggregate amount not to exceed $1.5 billion.

Advances under the Credit Facility bear interest at Base Rate or LIBOR plus an applicable margin rate, depending on our credit ratings. We are required to pay a quarterly commitment fee on the undrawn portion of the $2.0 billion commitment, which is also based on our credit ratings.

In January 2018, Moody's downgraded our senior unsecured bond credit rating from B2 to B3. The rating actions resulted in an increase to the interest rates applicable to our borrowings and the quarterly commitment fee on

the undrawn portion of the $2.0 billion commitment. The applicable margin rates are 3.00% per annum for Base Rate advances and 4.00% per annum for LIBOR advances. The quarterly commitment fee is 0.75% per annum on the undrawn portion of the $2.0 billion commitment.

The Credit Facility requires us to maintain a total debt to total capitalization ratio that is less than or equal to 60% and to provide guarantees from certain of our rig-owning subsidiaries sufficient to meet certain guarantee coverage ratios. The Credit Facility also contains customary restrictive covenants, including, among others, prohibitions on creating, incurring or assuming certain debt and liens (subject to customary exceptions, including a permitted lien basket that permits us to raise secured debt up to the lesser of $750 million or 10% of consolidated tangible net worth (as defined in the Credit Facility)); entering into certain merger arrangements; selling, leasing, transferring or otherwise disposing of all or substantially all of our assets; making a material change in the nature of the business; paying or distributing dividends on our ordinary shares (subject to certain exceptions, including the ability to continue paying a quarterly dividend of $0.01 per share); borrowings, if after giving effect to any such borrowings and the application of the proceeds thereof, the aggregate amount of available cash (as defined in the Credit Facility) would exceed $150 million; and entering into certain transactions with affiliates.

The Credit Facility also includes a covenant restricting our ability to repay indebtedness maturing after September 2022, which is the final maturity date of our Credit Facility. This covenant is subject to certain exceptions that permit us to manage our balance sheet, including the ability to make repayments of indebtedness (i) of acquired companies within 90 days of the completion of the acquisition or (ii) if, after giving effect to such repayments, available cash is greater than $250 million and there are no amounts outstanding under the Credit Facility.

As of December 31, 2018, we were in compliance in all material respects with our covenants under the Credit Facility. We expect to remain in compliance with our Credit Facility covenants during 2019. We had no amounts outstanding under the Credit Facility as of December 31, 2018 and 2017.

Our access to credit and capital markets depends on the credit ratings assigned to our debt. As a result of recent rating actions by credit rating agencies, we no longer maintain an investment-grade status. Our current credit ratings, and any additional actual or anticipated downgrades in our credit ratings, could limit our available options when accessing credit and capital markets, or when restructuring or refinancing our debt. In addition, future financings or refinancings may result in higher borrowing costs and require more restrictive terms and covenants, which may further restrict our operations.

Maturities

The descriptions of our senior notes above reflect the original principal amounts issued, which have subsequently changed as a result of our tenders, repurchases, exchanges, redemptions and new debt issuances such that the maturities of our debt were as follows (in millions):

Senior Notes	Original Principal	2016 Tenders, Repurchases and Equity Exchange	2017 Exchange Offers Repurchases	2018 Tender Offers, Redemption and Debt Issuance	Remaining Principal
8.50% due 2019	$ 500.0	$ (62.0)	$ (200.4)	$ (237.6)	$ —
6.875% due 2020	900.0	(219.2)	(229.9)	(328.0)	122.9
4.70% due 2021	1,500.0	(817.0)	(413.3)	(156.2)	113.5
3.00% Exchangeable senior notes due 2024	849.5	—	—	—	849.5
4.50% due 2024	625.0	(1.7)	—	—	623.3
8.00% due 2024	—	—	332.0	—	332.0
5.20% due 2025	700.0	(30.7)	—	—	669.3
7.75% due 2026	—	—	—	1,000.0	1,000.0
7.20% due 2027	150.0	—	—	—	150.0
7.875% due 2040	300.0	—	—	—	300.0
5.75% due 2044	1,025.0	(24.5)	—	—	1,000.5
Total	$ 6,549.5	$ (1,155.1)	$ (511.6)	$ 278.2	$ 5,161.0

Other Financing

We filed an automatically effective shelf registration statement on Form S-3 with the U.S. Securities and Exchange Commission on November 21, 2017, 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 expires in November 2020.

Our shareholders approved a new share repurchase program at our annual shareholder meeting held in May 2018. Subject to certain provisions under English law, including the requirement of Ensco plc to have sufficient distributable reserves, we may repurchase shares up to a maximum of $500.0 million in the aggregate from one or more financial intermediaries under the program, but in no case more than 65.0 million shares. The program terminates in May 2023. Our prior share repurchase program approved by our shareholders in 2013, under which we could repurchase up to a maximum of $2.0 billion in the aggregate, not to exceed 35.0 million shares, expired in May 2018. As of December 31, 2018, there had been no share repurchases under this program. In October 2017, we amended our Credit Facility, which prohibits us from repurchasing our shares, except in certain limited circumstances. Any share repurchases, outside of such limited circumstances, would require the amendment or waiver of such provision.

From time to time, we and our affiliates may repurchase our outstanding senior notes in the open market, in privately negotiated transactions, through tender offers, exchange offers or otherwise, or we may redeem senior notes, pursuant to their terms. In connection with any exchange, we may issue equity, issue new debt and/or pay cash consideration. Any future repurchases, exchanges or redemptions will depend on various factors existing at that time. There can be no assurance as to which, if any, of these alternatives (or combinations thereof) we may choose to pursue in the future. There can be no assurance that an active trading market will exist for our outstanding senior notes following any such transaction.

Contractual Obligations

We have various contractual commitments related to our new rig construction and rig enhancement agreements, long-term debt and operating leases. We expect to fund these commitments from existing cash and short-term investments and, if necessary, funds borrowed under our Credit Facility or other future financing arrangements, including available shipyard financing options for our two drillships under construction. The actual timing of our new rig construction and rig enhancement payments may vary based on the completion of various milestones, which are beyond our control. The following table summarizes our significant contractual obligations as of December 31, 2018 and the periods in which such obligations are due (in millions):

	Payments due by period				
	2019	2020 and 2021	2022 and 2023	Thereafter	Total
Principal payments on long-term debt	$ —	$ 236.4	$ —	$ 4,924.6	$ 5,161.0
Interest payments on long-term debt	298.1	585.2	568.7	1,953.0	3,405.0
New rig construction agreements[(1) (2)]	92.9	165.0	—	—	257.9
Operating leases	32.3	30.6	18.1	15.2	96.2
Total contractual obligations[(3)]	$ 423.3	$ 1,017.2	$ 586.8	$ 6,892.8	$ 8,920.1

(1) The remaining milestone payments for ENSCO DS-13 and ENSCO DS-14 bear interest at a rate of 4.5% per annum, which accrues during the holding period until delivery. Delivery is scheduled for September 2019 and June 2020 for ENSCO DS-13 and ENSCO DS-14, respectively. Upon delivery, the remaining milestone payments and accrued interest thereon may be financed through a promissory note with the shipyard for each rig. The promissory notes will bear interest at a rate of 5.0% per annum with a maturity date of December 30, 2022 and will be secured by a mortgage on each respective rig. The remaining milestone payments for ENSCO DS-13 and ENSCO DS-14 are included in the table above in the period in which we expect to take delivery of the rig. However, we may elect to execute the promissory notes and defer payment until December 2022.

(2) Total commitments are based on fixed-price shipyard construction contracts, exclusive of our internal costs associated with project management, commissioning and systems integration testing. Total commitments also exclude holding costs and interest.

(3) Contractual obligations do not include $177.0 million of unrecognized tax benefits, inclusive of interest and penalties, included on our consolidated balance sheet as of December 31, 2018. We are unable to specify with certainty the future periods in which we may be obligated to settle such amounts.

Other Commitments

We have other commitments that we are contractually obligated to fulfill with cash under certain circumstances. These commitments include letters of credit to 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 are not normally called, as we typically comply with the underlying performance requirement. As of December 31, 2018, we had not been required to make collateral deposits with respect to these agreements. The following table summarizes our other commitments as of December 31, 2018 (in millions):

	Commitment expiration by period				
	2019	2020 and 2021	2022 and 2023	Thereafter	Total
Letters of credit	$ 105.4	$ 14.7	$ —	$ 6.2	$ 126.3

Liquidity

Our liquidity position as of December 31, 2018, 2017 and 2016 is summarized below (in millions, except ratios):

	2018	2017	2016
Cash and cash equivalents	$ 275.1	$ 445.4	$ 1,159.7
Short-term investments	329.0	440.0	50.0
Working capital	781.2	853.5	2,424.9
Current ratio	2.5	2.1	3.8

We expect to fund our liquidity needs, including contractual obligations and anticipated capital expenditures, as well as working capital requirements, from our cash and short-term investments, and, if necessary, funds borrowed under the Credit Facility or future financing arrangements, including available shipyard financing options for our two drillships under construction. We may rely on the issuance of debt or equity securities in the future to supplement our liquidity needs.

Notwithstanding our current liquidity position, if we experience significant further deterioration in demand for offshore drilling, our ability to maintain a sufficient level of liquidity to meet our financial obligations could be materially and adversely impacted. Further, our access to credit and capital markets depends on the credit ratings assigned to our debt by independent credit rating agencies. Our credit rating is no longer investment-grade. Our current credit ratings, and any additional actual or anticipated downgrades in our credit ratings, could limit our ability to access credit and capital markets, or to restructure or refinance our indebtedness. In addition, future financings or refinancings may result in higher borrowing costs and require more restrictive terms and covenants, which may further restrict our operations.

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. At the December 2015 Conference of the Parties to the United Nations Framework Convention on Climate Change held in Paris, an agreement was reached that requires countries to review and "represent a progression" in their intended nationally determined contributions to the reduction of GHG emissions, setting GHG emission reduction goals every five years beginning in 2020. This agreement, known as the Paris Agreement, entered into force on November 4, 2016 and, as of February 2019, had been ratified by 187 of the 197 parties to the United Nations Framework Convention on Climate Change, including the United Kingdom, the United States and the majority of the other countries in which we operate. However, on August 4, 2017, the United States formally communicated to the United Nations its intent to withdraw from participation in the Paris Agreement. Nevertheless, pursuant to the agreement, withdrawal cannot officially occur earlier than November 4, 2020, four years after the agreement entered into force. In response to the announced withdrawal plan, a number of state and local governments in the United States have expressed intentions to take GHG-related actions by implementing their own programs to reduce GHG emissions. The United Nations Climate Change Conference held in Katowice, Poland in December 2018 adopted further rules regarding the implementation of the Paris Agreement and in connection with this conference numerous countries issued commitments to increase their GHG emission reduction targets.

In an effort to reduce GHG emissions, governments have implemented or considered legislative and regulatory mechanisms to institute carbon pricing mechanisms, such as the European Union's Emission Trading System, and to impose technical requirements to reduce carbon emissions. The Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013 now requires all quoted U.K. companies, including Ensco plc, to report their annual GHG emissions in the Company's directors' report.

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 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 permitting requirements, including emissions control technology requirements, for certain large stationary sources that are potential major sources of GHG emissions. These requirements for stationary sources took effect on January 2, 2011; however, in June 2014 the U.S. Supreme Court reversed a D.C. Circuit Court of Appeals decision upholding these rules and struck down the EPA's greenhouse gas permitting rules to the extent they impose a requirement to obtain a federal air permit based solely on emissions of greenhouse gases. Large sources of other air pollutants, such as VOC or nitrogen oxides, could still be required to implement process or technology controls and obtain permits regarding emissions of greenhouse gases. The EPA has also adopted rules requiring annual monitoring and reporting of GHG emissions from specified sources in the U.S., including, among others, certain onshore and offshore oil and natural gas production facilities. Although a number of bills related to climate change have been introduced in the U.S. Congress in the past, comprehensive federal climate legislation has not yet been passed by Congress. If such legislation were to be adopted in the U.S., such legislation could adversely impact many industries. 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. 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 and 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.

In addition, there have also been efforts in recent years to influence the investment community, including investment advisors and certain sovereign wealth, pension and endowment funds promoting divestment of fossil fuel equities and pressuring lenders to limit funding to companies engaged in the extraction of fossil fuel reserves. Such environmental activism and initiatives aimed at limiting climate change and reducing air pollution could ultimately interfere with our business activities and operations. Finally, increasing attention to the risks of climate change has resulted in an increased possibility of lawsuits brought by public and private entities against oil and gas companies in connection with their greenhouse gas emissions. Should we be targeted by any such litigation, we may incur liability, which, to the extent that societal pressures or political or other factors are involved, could be imposed without regard to the company's causation of or contribution to the asserted damage, or to other mitigating factors.

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 December 31, 2018, we had cash flow hedges outstanding to exchange an aggregate $187.8 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 carrying value of the underlying hedged items. As of December 31, 2018, we held derivatives not designated as hedging instruments to exchange an aggregate $175.7 million for various foreign currencies.

If we were to incur a hypothetical 10% adverse change in foreign currency exchange rates, net unrealized losses associated with our foreign currency denominated assets and liabilities as of December 31, 2018 would approximate $17.3 million. Approximately $12.5 million of these unrealized losses would be offset by corresponding gains on the derivatives utilized to offset changes in the fair value of net assets and liabilities denominated in foreign currencies.

We utilize derivatives and undertake foreign currency exchange rate hedging activities in accordance with our established policies for the management of market risk. We mitigate our credit risk relating to counterparties of our derivatives through a variety of techniques, including transacting with multiple, high-quality financial institutions, thereby limiting our exposure to individual counterparties and by entering into International Swaps and Derivatives Association, Inc. (“ISDA”) Master Agreements, which include provisions for a legally enforceable master netting agreement, with 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 our derivatives mature during the next 18 months. See Note 7 to our consolidated financial statements included in "Financial Statements and Supplementary Data" for additional information on our derivative instruments.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires us to make estimates, judgments and assumptions that affect the amounts reported in our consolidated financial statements and accompanying notes. Our significant accounting policies are included in Note 1 to our consolidated financial statements. These policies, along with our underlying judgments and assumptions made in their application, have a significant impact on our consolidated financial statements. We identify our critical accounting policies as those that are the most pervasive and important to the portrayal of our financial position and operating results and that require the most difficult, subjective and/or complex judgments 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 income taxes.

Property and Equipment

As of December 31, 2018, the carrying value of our property and equipment totaled $12.6 billion, which represented 90% of total assets. This carrying value reflects the application of our property and equipment accounting policies, which incorporate our estimates, judgments and assumptions relative to the capitalized costs, useful lives and salvage values of our rigs.

We develop and apply property and equipment accounting policies that are designed to appropriately and consistently capitalize those costs incurred to enhance, improve and extend the useful lives of our assets and expense those costs incurred to repair or maintain the existing condition or useful lives of our assets. The development and application of such policies requires estimates, judgments and assumptions relative to the nature of, and benefits from, expenditures on our assets. We establish property and equipment accounting policies that are designed to depreciate our assets over their estimated useful lives. The judgments and assumptions used in determining the useful lives of our property and equipment reflect both historical experience and expectations regarding future operations, utilization and performance of our assets. The use of different estimates, judgments and assumptions in the establishment of our property and equipment accounting policies, especially those involving the useful lives of our rigs, would likely result in materially different asset carrying values and operating results.

The useful lives of our drilling rigs are difficult to estimate due to a variety of factors, including technological advances that impact the methods or cost of oil and natural gas exploration and development, changes in market or economic conditions and changes in laws or regulations affecting the drilling industry. We evaluate the remaining useful lives of our rigs on a periodic basis, considering operating condition, functional capability and market and economic factors.

Property and equipment held-for-sale is recorded at the lower of net book value or fair value less cost to sell.

During 2018, we recorded a pre-tax, non-cash loss on impairment of $40.3 million related to one older non-core jackup rig. We estimate the aforementioned impairment will cause a decline in depreciation expense of approximately $13.1 million for the year ended December 31, 2019.

Our fleet of 22 floater rigs, excluding two rigs under construction, represented 69% of the gross cost and 70% net carrying amount of our depreciable property and equipment as of December 31, 2018. Our floater rigs are depreciated over useful lives ranging from 10 to 35 years. Our fleet of 34 jackup rigs, excluding one rig under construction, represented 23% of the gross cost and 21% of the net carrying amount of our depreciable property and equipment as of December 31, 2018. Our jackup rigs are depreciated over useful lives ranging from 10 to 30 years.

The following table provides an analysis of estimated increases and decreases in depreciation expense from continuing operations that would have been recognized for the year ended December 31, 2018 for various assumed changes in the useful lives of our drilling rigs effective January 1, 2018:

Increase (decrease) in useful lives of our drilling rigs	Estimated (decrease) increase in depreciation expense that would have been recognized (in millions)
10%	$(38.6)
20%	(70.7)
(10%)	45.1
(20%)	101.7

Impairment of Long-Lived Assets

We recorded pre-tax, non-cash losses on impairment of long-lived assets of $40.3 million and $182.9 million during 2018 and 2017, respectively. See Note 5 to our consolidated financial statements included in "Financial Statements and Supplementary Data" for additional information on our property and equipment.

We evaluate the carrying value of our property and equipment, primarily our drilling rigs, when events or changes in circumstances indicate that the carrying value of such rigs may not be recoverable. Generally, extended periods of idle time and/or inability to contract rigs at economical rates are an indication that a rig may be impaired. Impairment situations may arise with respect to specific individual rigs, groups of rigs, such as a specific type of drilling rig, or rigs in a certain geographic location.

For property and equipment used in our operations, recoverability generally is determined by comparing the carrying value of an asset to the expected undiscounted future cash flows of the asset. If the carrying value of an asset is not recoverable, the amount of impairment loss is measured as the difference between the carrying value of the asset and its estimated fair value. The determination of expected undiscounted cash flow amounts requires significant estimates, judgments and assumptions, including utilization levels, day rates, expense levels and capital requirements, as well as cash flows generated upon disposition, for each of our drilling rigs. Due to the inherent uncertainties associated with these estimates, we perform sensitivity analysis on key assumptions as part of our recoverability test.

Our judgments and assumptions about future cash flows to be generated by our drilling rigs are highly subjective and based on consideration of the following:

- global macroeconomic and political environment,
- historical utilization, day rate and operating expense trends by asset class,
- regulatory requirements such as surveys, inspections and recertification of our rigs,
- remaining useful lives of our rigs,
- expectations on the use and eventual disposition of our rigs,
- weighted-average cost of capital,
- oil price projections,
- sanctioned and unsanctioned offshore project data,
- offshore economic project break-even data,
- global rig supply and construction orders,
- global rig fleet capabilities and relative rankings, and
- expectations of global rig fleet attrition.

We collect and analyze the above information to develop a range of estimated utilization levels, day rates, expense levels and capital requirements, as well as estimated cash flows generated upon disposition. The most subjective assumptions that impact our impairment analyses include projections of future oil prices and timing of global rig fleet attrition, which, in large part, impact our estimates on timing and magnitude of recovery from the

current industry downturn. However, there are numerous judgments and assumptions unique to the projected future cash flows of each rig that individually, and in the aggregate, can significantly impact the recoverability of its carrying value.

The highly cyclical nature of our industry cannot be reasonably predicted with a high level of accuracy and therefore differences between our historical judgments and assumptions and actual results will occur. We reassess our judgments and assumptions in the period in which significant differences are observed and may conclude that a triggering event has occurred and perform a recoverability test. We recognized impairment charges during 2014, 2015, 2017 and 2018 upon observation of significant unexpected changes in our business climate and estimated useful lives of certain assets.

There are numerous factors underlying the highly cyclical nature of our industry that are reasonably likely to impact our judgments and assumptions including, but not limited to, the following:

- changes in global economic conditions,
- production levels of the Organization of Petroleum Exporting Countries ("OPEC"),
- production levels of non-OPEC countries,
- advances in exploration and development technology,
- offshore and onshore project break-even economics,
- development and exploitation of alternative fuels,
- natural disasters or other operational hazards,
- changes in relevant law and governmental regulations,
- political instability and/or escalation of military actions in the areas we operate,
- changes in the timing and rate of global newbuild rig construction, and
- changes in the timing and rate of global rig fleet attrition.

There is a wide range of interrelated changes in our judgments and assumptions that could reasonably occur as a result of unexpected developments in the aforementioned factors, which could result in materially different carrying values for an individual rig, group of rigs or our entire rig fleet, materially impacting our operating results.

Income Taxes

We conduct operations and earn income in numerous countries and are subject to the laws of numerous tax jurisdictions. As of December 31, 2018, our consolidated balance sheet included a $41.3 million net deferred income tax liability, a $24.8 million liability for income taxes currently payable and a $177.0 million liability for unrecognized tax benefits, inclusive of interest and penalties.

The carrying values of deferred income tax assets and liabilities reflect the application of our income tax accounting policies and are based on estimates, judgments and assumptions regarding future operating results and levels of taxable income. Carryforwards and tax credits are assessed for realization as a reduction of future taxable income by using a more-likely-than-not determination. We do not offset deferred tax assets and deferred tax liabilities attributable to different tax paying jurisdictions.

We do not provide deferred taxes on the undistributed earnings of certain subsidiaries because our policy and intention is to reinvest such earnings indefinitely. Should we make a distribution from these subsidiaries in the form of dividends or otherwise, we may be subject to additional income taxes.

The carrying values of liabilities for income taxes currently payable and unrecognized tax benefits are based on our interpretation of applicable tax laws and incorporate estimates, judgments and assumptions regarding the use of tax planning strategies in various taxing jurisdictions. The use of different estimates, judgments and assumptions in connection with accounting for income taxes, especially those involving the deployment of tax planning strategies, may result in materially different carrying values of income tax assets and liabilities and operating results.

We operate in several jurisdictions where tax laws relating to the offshore drilling industry are not well developed. In jurisdictions where available statutory law and regulations are incomplete or underdeveloped, we obtain professional guidance and consider existing industry practices before utilizing tax planning strategies and meeting our tax obligations.

Tax returns are routinely subject to audit in most jurisdictions and tax liabilities occasionally are finalized through a negotiation process. In some jurisdictions, income tax payments may be required before a final income tax obligation is determined in order to avoid significant penalties and/or interest. While we historically have not experienced significant adjustments to previously recognized tax assets and liabilities as a result of finalizing tax returns, there can be no assurance that significant adjustments will not arise in the future. In addition, there are several factors that could cause the future level of uncertainty relating to our tax liabilities to increase, including the following:

- During recent years, the number of tax jurisdictions in which we conduct operations has increased, and we currently anticipate that this trend will continue.

- In order to utilize tax planning strategies and conduct operations efficiently, our subsidiaries frequently enter into transactions with affiliates that are generally subject to complex tax regulations and are frequently reviewed and challenged by tax authorities.

- We may conduct future operations in certain tax jurisdictions where tax laws are not well developed, and it may be difficult to secure adequate professional guidance.

- Tax laws, regulations, agreements, treaties and the administrative practices and precedents of tax authorities change frequently, requiring us to modify existing tax strategies to conform to such changes.

- We recognized the impact of the enactment of U.S. tax reform during the fourth quarter of 2017 on a provisional basis. Throughout 2018, we continued to analyze applicable information and data, interpret rules and guidance issued by the U.S. Treasury Department and Internal Revenue Service, and make adjustments to the provisional amounts as provided for in Staff Accounting Bulletin No. 118. The U.S. Treasury Department is expected to continue finalizing rules associated with U.S. tax reform during 2019 and, when issued, these rules may have a material impact on our consolidated financial statements.

NEW ACCOUNTING PRONOUNCEMENTS

See Note 1 to our consolidated financial statements included in "Item 8. Financial Statements and Supplementary Data" for information on new accounting pronouncements.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) or 15d-15(f). Our internal control over financial reporting system is designed to provide reasonable assurance as to the reliability of our financial reporting and the preparation and presentation of consolidated financial statements in accordance with accounting principles generally accepted in the United States, as well as to safeguard assets from unauthorized use or disposition. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, we have conducted an evaluation of the effectiveness of our internal control over financial reporting based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, we have concluded that our internal control over financial reporting is effective as of December 31, 2018 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

KPMG LLP, the independent registered public accounting firm who audited our consolidated financial statements, has issued an audit report on our internal control over financial reporting. KPMG LLP's audit report on our internal control over financial reporting is included herein.

February 28, 2019

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
Ensco plc:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Ensco plc and subsidiaries (the Company) as of December 31, 2018 and 2017, the related consolidated statements of operations, comprehensive income (loss), and cash flows for each of the years in the three-year period ended December 31, 2018 and the related notes (collectively, the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 28, 2019 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 2002.

Houston, Texas

February 28, 2019

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
Ensco plc:

Opinion on Internal Control Over Financial Reporting

We have audited Ensco plc and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2018 and 2017, the related consolidated statements of operations, comprehensive income (loss), and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes (collectively, the consolidated financial statements), and our report dated February 28, 2019 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report On Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Houston, Texas
February 28, 2019

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

	Year Ended December 31,		
	2018	2017	2016
OPERATING REVENUES	$ 1,705.4	$ 1,843.0	$ 2,776.4
OPERATING EXPENSES			
Contract drilling (exclusive of depreciation)	1,319.4	1,189.5	1,301.0
Loss on impairment	40.3	182.9	—
Depreciation	478.9	444.8	445.3
General and administrative	102.7	157.8	100.8
	1,941.3	1,975.0	1,847.1
OPERATING INCOME (LOSS)	(235.9)	(132.0)	929.3
OTHER INCOME (EXPENSE)			
Interest income	14.5	25.8	13.8
Interest expense, net	(282.7)	(224.2)	(228.8)
Other, net	(34.8)	134.4	283.2
	(303.0)	(64.0)	68.2
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(538.9)	(196.0)	997.5
PROVISION FOR INCOME TAXES			
Current income tax expense	33.0	54.2	79.8
Deferred income tax expense	56.6	55.0	28.7
	89.6	109.2	108.5
INCOME (LOSS) FROM CONTINUING OPERATIONS	(628.5)	(305.2)	889.0
INCOME (LOSS) FROM DISCONTINUED OPERATIONS, NET	(8.1)	1.0	8.1
NET INCOME (LOSS)	(636.6)	(304.2)	897.1
NET (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(3.1)	.5	(6.9)
NET INCOME (LOSS) ATTRIBUTABLE TO ENSCO	$ (639.7)	$ (303.7)	$ 890.2
EARNINGS (LOSS) PER SHARE - BASIC AND DILUTED			
Continuing operations	$ (1.45)	$ (0.91)	$ 3.10
Discontinued operations	(0.02)	—	0.03
	$ (1.47)	$ (0.91)	$ 3.13
WEIGHTED-AVERAGE SHARES OUTSTANDING			
Basic and Diluted	434.1	332.5	279.1

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

ENSCO PLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in millions)

	Year Ended December 31,		
	2018	2017	2016
NET INCOME (LOSS)	$ (636.6)	$ (304.2)	$ 897.1
OTHER COMPREHENSIVE INCOME (LOSS), NET			
Net change in fair value of derivatives	(9.7)	8.5	(5.4)
Reclassification of net (gains) losses on derivative instruments from other comprehensive income (loss) into net income (loss)	(1.0)	.4	12.4
Other	(.5)	.7	(.5)
NET OTHER COMPREHENSIVE INCOME (LOSS)	(11.2)	9.6	6.5
COMPREHENSIVE INCOME (LOSS)	(647.8)	(294.6)	903.6
COMPREHENSIVE (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(3.1)	.5	(6.9)
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO ENSCO	$ (650.9)	$ (294.1)	$ 896.7

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

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

	December 31,	
ASSETS	**2018**	**2017**
CURRENT ASSETS		
Cash and cash equivalents	$ 275.1	$ 445.4
Short-term investments	329.0	440.0
Accounts receivable, net	344.7	345.4
Other	360.9	381.2
Total current assets	1,309.7	1,612.0
PROPERTY AND EQUIPMENT, AT COST	15,517.0	15,332.1
Less accumulated depreciation	2,900.8	2,458.4
Property and equipment, net	12,616.2	12,873.7
OTHER ASSETS	97.8	140.2
	$ 14,023.7	$ 14,625.9
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable - trade	$ 210.5	$ 432.6
Accrued liabilities and other	318.0	325.9
Total current liabilities	528.5	758.5
LONG-TERM DEBT	5,010.4	4,750.7
OTHER LIABILITIES	396.0	386.7
COMMITMENTS AND CONTINGENCIES		
ENSCO SHAREHOLDERS' EQUITY		
Class A ordinary shares, U.S. $.10 par value, 460.7 million and 447.0 million shares issued as of December 31, 2018 and 2017	46.1	44.7
Class B ordinary shares, £1 par value, 50,000 shares issued as of December 31, 2018 and 2017	.1	.1
Additional paid-in capital	7,225.0	7,195.0
Retained earnings	874.2	1,532.7
Accumulated other comprehensive income	18.2	28.6
Treasury shares, at cost, 23.6 million and 11.1 million shares as of December 31, 2018 and 2017	(72.2)	(69.0)
Total Ensco shareholders' equity	8,091.4	8,732.1
NONCONTROLLING INTERESTS	(2.6)	(2.1)
Total equity	8,088.8	8,730.0
	$ 14,023.7	$ 14,625.9

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

ENSCO PLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Year Ended December 31,		
	2018	2017	2016
OPERATING ACTIVITIES			
Net income (loss)	$ (636.6)	$ (304.2)	$ 897.1
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities of continuing operations:			
Depreciation expense	478.9	444.8	445.3
Deferred income tax expense	56.6	55.0	28.7
Share-based compensation expense	41.6	41.2	39.6
Loss on impairment	40.3	182.9	—
Amortization, net	(40.2)	(61.6)	(139.7)
(Gain) loss on debt extinguishment	19.0	2.6	(287.8)
Discontinued operations, net	8.1	(1.0)	(8.1)
Bargain purchase gain	(1.8)	(140.2)	—
Other	(3.6)	(25.5)	(38.3)
Changes in operating assets and liabilities, net of acquisition	(18.0)	65.4	140.6
Net cash provided by (used in) operating activities of continuing operations	(55.7)	259.4	1,077.4
INVESTING ACTIVITIES			
Maturities of short-term investments	1,030.0	2,042.5	2,212.0
Purchases of short-term investments	(919.0)	(1,040.0)	(2,474.6)
Additions to property and equipment	(426.7)	(536.7)	(322.2)
Net proceeds from disposition of assets	11.0	2.8	9.8
Acquisition of Atwood, net of cash acquired	—	(871.6)	—
Net cash used in investing activities of continuing operations	(304.7)	(403.0)	(575.0)
FINANCING ACTIVITIES			
Proceeds from issuance of senior notes	1,000.0	—	849.5
Reduction of long-term borrowings	(771.2)	(537.0)	(863.9)
Cash dividends paid	(17.9)	(13.8)	(11.6)
Debt issuance costs	(17.0)	(12.0)	(23.4)
Proceeds from equity issuance	—	—	585.5
Other	(5.7)	(7.7)	(7.1)
Net cash provided by (used in) financing activities	188.2	(570.5)	529.0
Net cash provided by (used in) discontinued operations	2.5	(.8)	8.4
Effect of exchange rate changes on cash and cash equivalents	(.6)	.6	(1.4)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(170.3)	(714.3)	1,038.4
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	445.4	1,159.7	121.3
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 275.1	$ 445.4	$ 1,159.7

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

1. DESCRIPTION OF THE BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business

We are one of the leading providers of offshore contract drilling services to the international oil and gas industry. We own and operate an offshore drilling rig fleet of 56 rigs spanning most of the strategic markets around the globe. We also have three rigs under construction. Inclusive of our rigs under construction, our fleet includes 12 drillships, 9 dynamically positioned semisubmersible rigs, three moored semisubmersible rigs and 35 jackup rigs. We operate the world's largest fleet amongst competitive rigs, including one of the newest ultra-deepwater fleets in the industry and a leading premium jackup fleet.

Our customers include many of the leading national and international oil companies, in addition to many independent operators. We are among the most geographically diverse offshore drilling companies, with current operations spanning 14 countries on six continents. The markets in which we operate include the Gulf of Mexico, Brazil, the Mediterranean, the North Sea, the Middle East, West Africa, Australia and Southeast Asia.

We provide drilling services on a day rate contract basis. Under day rate contracts, we provide an integrated service that includes the provision of a drilling rig and rig crews for which we receive a daily rate that may vary between the full rate and zero rate throughout the duration of the contractual term, depending on the operations of the rig. We also may receive lump-sum fees or similar compensation for the mobilization, demobilization and capital upgrades of our rigs. Our customers bear substantially all of the costs of constructing the well and supporting drilling operations, as well as the economic risk relative to the success of the well.

Proposed Rowan Transaction

On October 7, 2018, Ensco plc and Rowan Companies plc ("Rowan") entered into an agreement that provides for the combination of the two companies (as amended the "Transaction Agreement"). Ensco has agreed to acquire the entire issued and to be issued share capital of Rowan in an all-stock transaction (the " Rowan Transaction") by way of a scheme of arrangement to be undertaken by Rowan under Part 26 of the UK Companies Act 2006. On January 29, 2019, the Transaction Agreement was amended to increase the exchange ratio in connection with the Rowan Transaction from 2.215 to 2.750.

Subject to the terms and conditions of the Transaction Agreement, each Class A ordinary share of Rowan will be converted into the right to receive 2.750 Class A ordinary shares of Ensco plc. We estimate the total consideration to be delivered in the Rowan Transaction to be approximately $1.5 billion, consisting of approximately 351.3 million of our shares based on the closing price of $4.41 on February 22, 2019. The value of the Rowan Transaction consideration will fluctuate until the closing date based on changes in the price of our shares and the number of Rowan ordinary shares outstanding.

The completion of the Rowan Transaction is subject to various closing conditions, including, among others, (i) the sanction of the Rowan Transaction by the High Court of Justice of England and Wales, (ii) the receipt of certain required regulatory approvals or lapse of certain review periods with respect thereto, including in the Kingdom of Saudi Arabia, (iii) the absence of legal restraints prohibiting or restraining the Rowan Transaction and (iv) the absence of any law or order reasonably expected to result in the dissolution of the Saudi Aramco Offshore Drilling Company, Rowan's joint venture with Saudi Aramco (the "ARO JV"), or the sale, disposition, forfeiture or nationalization of Rowan's interest in the ARO JV. Shareholders of Rowan and Ensco approved the Rowan Transaction on February 21, 2019. The Rowan Transaction is expected to close during the first half of 2019, subject to satisfaction of all conditions to closing. Upon closing of the Rowan Transaction, we intend to complete a reverse split of our ordinary shares under which every four existing Ensco ordinary shares will be consolidated into one Ensco ordinary share.

Atwood Merger

On October 6, 2017 (the "Merger Date"), we completed a merger transaction (the "Atwood Merger") with Atwood Oceanics, Inc. ("Atwood") and Echo Merger Sub, LLC, a wholly-owned subsidiary of Ensco plc. Pursuant to the merger agreement, Echo Merger Sub, LLC, merged with and into Atwood, with Atwood as the surviving entity and an indirect, wholly-owned subsidiary of Ensco plc. Total consideration delivered in the Atwood Merger consisted of 132.2 million of our Class A ordinary shares and $11.1 million of cash in settlement of certain share-based payment awards. The total aggregate value of consideration transferred was $781.8 million. Additionally, upon closing of the Atwood Merger, we utilized cash acquired of $445.4 million and cash on hand to extinguish Atwood's revolving credit facility, outstanding senior notes and accrued interest totaling $1.3 billion. The estimated fair values assigned to assets acquired net of liabilities assumed exceeded the consideration transferred, resulting in a bargain purchase gain of $140.2 million that was recognized during the fourth quarter of 2017. During 2018, we recognized measurement period adjustments as we completed our fair value assessments resulting in additional bargain purchase gain of $1.8 million.

Basis of Presentation—U.K. Companies Act 2006 Section 435 Statement

The accompanying consolidated financial statements have been prepared in accordance with U.S. GAAP, which the Board of Directors consider to be the most meaningful presentation of our results of operations and financial position. The accompanying consolidated financial statements do not constitute U.K. statutory accounts for the year ended December 31, 2018 and 2017 as required to be prepared under the U.K. Companies Act 2006. The U.K. statutory accounts are prepared in accordance with Financial Reporting Standard 102, the financial reporting standard applicable in the U.K. and Republic of Ireland ("FRS 102"). The auditor has reported on the U.K. statutory accounts for the year ended December 31, 2017; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the U.K. Companies Act 2006. The U.K. statutory accounts for the year ended December 31, 2018 have yet to be finalized and will be delivered to the U.K. registrar of companies during 2019.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Ensco plc, those of our wholly-owned subsidiaries and entities in which we hold a controlling financial interest. All intercompany accounts and transactions have been eliminated. Certain previously reported amounts have been reclassified to conform to the current year presentation.

Pervasiveness of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires us 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.

Foreign Currency Remeasurement and Translation

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. These transactions are remeasured in U.S. dollars based on a combination of both current and historical exchange rates. Most transaction gains and losses, including certain gains and losses on our derivative instruments, are included in other, net, in our consolidated statement of operations. Certain gains and losses from the translation of foreign currency balances of our non-U.S. dollar functional currency subsidiaries are included in accumulated other comprehensive income on our consolidated balance sheet. Net foreign currency exchange losses, inclusive of offsetting fair value derivatives, were $17.2 million, $5.1 million and $6.0 million, and were included in other, net, in our consolidated statements of operations for the years ended December 31, 2018, 2017 and 2016, respectively.

Cash Equivalents and Short-Term Investments

Highly liquid investments with maturities of three months or less at the date of purchase are considered cash equivalents. Highly liquid investments with maturities of greater than three months but less than one year at the date of purchase are classified as short-term investments.

Short-term investments consisted of time deposits with initial maturities in excess of three months but less than one year and totaled $329.0 million and $440.0 million as of December 31, 2018 and 2017, respectively. Cash flows from purchases and maturities of short-term investments were classified as investing activities in our consolidated statements of cash flows for the years ended December 31, 2018, 2017 and 2016. To mitigate our credit risk, our investments in time deposits are diversified across multiple, high-quality financial institutions.

Property and Equipment

All costs incurred in connection with the acquisition, construction, major enhancement and improvement of assets are capitalized, including allocations of interest incurred during periods that our drilling rigs are under construction or undergoing major enhancements and improvements. Costs incurred to place an asset into service are capitalized, including costs related to the initial mobilization of a newbuild drilling rig. Repair and maintenance costs are charged to contract drilling expense in the period in which they are incurred. Upon the sale or retirement of assets, the related cost and accumulated depreciation are removed from the balance sheet, and the resulting gain or loss is included in contract drilling expense, unless reclassified to discontinued operations.

Our property and equipment is depreciated on a straight-line basis, after allowing for salvage values, over the estimated useful lives of our assets. Drilling rigs and related equipment are depreciated over estimated useful lives ranging from four to 35 years. Buildings and improvements are depreciated over estimated useful lives ranging from seven to 30 years. Other equipment, including computer and communications hardware and software costs, is depreciated over estimated useful lives ranging from three to six years.

We evaluate the carrying value of our property and equipment for impairment when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. For property and equipment used in our operations, recoverability generally is determined by comparing the carrying value of an asset to the expected undiscounted future cash flows of the asset. If the carrying value of an asset is not recoverable, the amount of impairment loss is measured as the difference between the carrying value of the asset and its estimated fair value. Property and equipment held-for-sale is recorded at the lower of net book value or fair value less cost to sell.

We recorded pre-tax, non-cash impairment losses related to long-lived assets of $40.3 million and $182.9 million during 2018 and 2017, respectively. See "Note 5 - Property and Equipment" for additional information on our impairment charges.

If the global economy deteriorates and/or our expectations relative to future offshore drilling industry conditions decline, it is reasonably possible that additional impairment charges may occur with respect to specific individual rigs, groups of rigs, such as a specific type of drilling rig, or rigs in a certain geographic location.

Operating Revenues and Expenses

See "Note 2 - Revenue from Contracts with Customers" for information on our accounting policies for revenue recognition and certain operating costs that are deferred and amortized over future periods, which reflects our revenue recognition policies subsequent to our adoption of ASC Topic 606, *Revenue from Contracts with Customers*, effective January 1, 2018. Prior to our adoption of ASC Topic 606, we recognized revenue in accordance with prior guidance under ASC Topic 605. With the exception of a change in our policy to recognize demobilization revenue over the related contract term, if certain conditions are met, our revenue recognition policies are substantively unchanged as a result of our adoption of ASC Topic 606.

Derivative Instruments

We use derivatives to reduce our exposure to various market risks, primarily foreign currency exchange rate risk. See "Note 7 - Derivative Instruments" for additional information on how and why we use derivatives.

All derivatives are recorded on our consolidated balance sheet at fair value. Derivatives subject to legally enforceable master netting agreements are not offset on our consolidated balance sheet. 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. Derivatives qualify for hedge accounting when they are formally designated as hedges and are effective in reducing the risk exposure that they are designated to hedge.

Changes in the fair value of derivatives that are designated as hedges of the variability in expected future cash flows associated with existing recognized assets or liabilities or forecasted transactions ("cash flow hedges") are recorded in accumulated other comprehensive income ("AOCI"). Amounts recorded in AOCI associated with cash flow hedges are subsequently reclassified into contract drilling, depreciation or interest expense as earnings are affected by the underlying hedged forecasted transactions.

Gains and losses on a cash flow hedge, or a portion of a cash flow hedge, that no longer qualifies as effective due to an unanticipated change in the forecasted transaction are recognized currently in earnings and included in other, net, in our consolidated statement of operations based on the change in the fair value of the derivative. When a forecasted transaction becomes probable of not occurring, gains and losses on the derivative previously recorded in AOCI are reclassified currently into earnings and included in other, net, in our consolidated statement of operations.

We occasionally enter into derivatives that hedge the fair value of recognized assets or liabilities, but do not designate such derivatives as hedges or the derivatives otherwise do not qualify for hedge accounting. In these situations, a natural hedging relationship generally exists where changes in the fair value of the derivatives offset changes in the fair value of the underlying hedged items. Changes in the fair value of these derivatives are recognized currently in earnings in other, net, in our consolidated statement of operations.

Derivatives with asset fair values are reported in other current assets or other assets, net, on our consolidated balance sheet depending on maturity date. Derivatives with liability fair values are reported in accrued liabilities and other, or other liabilities on our consolidated balance sheet depending on maturity date.

Income Taxes

We conduct operations and earn income in numerous countries. Current income taxes are recognized for the amount of taxes payable or refundable based on the laws and income tax rates in the taxing jurisdictions in which operations are conducted and income is earned.

Deferred tax assets and liabilities are recognized for the anticipated future tax effects of temporary differences between the financial statement basis and the tax basis of our assets and liabilities using the enacted tax rates in effect at year-end. A valuation allowance for deferred tax assets is recorded when it is more-likely-than-not that the benefit from the deferred tax asset will not be realized. We do not offset deferred tax assets and deferred tax liabilities attributable to different tax paying jurisdictions.

We operate in certain jurisdictions where tax laws relating to the offshore drilling industry are not well developed and change frequently. Furthermore, we may enter into transactions with affiliates or employ other tax planning strategies that generally are subject to complex tax regulations. As a result of the foregoing, the tax liabilities and assets we recognize in our financial statements may differ from the tax positions taken, or expected to be taken, in our tax returns. Our tax positions are evaluated for recognition using a more-likely-than-not threshold, and those tax positions requiring recognition are measured as the largest amount of tax benefit that is greater than 50% likely of being realized upon effective settlement with a taxing authority that has full knowledge of all relevant information. Interest and penalties relating to income taxes are included in current income tax expense in our consolidated statement of operations.

Our drilling rigs frequently move from one taxing jurisdiction to another based on where they are contracted to perform drilling services. The movement of drilling rigs among taxing jurisdictions may involve a transfer of drilling rig ownership among our subsidiaries through an intercompany rig sale. The pre-tax profit resulting from an intercompany rig sale is eliminated from our consolidated financial statements, and the carrying value of a rig sold in an intercompany transaction remains at historical net depreciated cost prior to the transaction. Our consolidated financial statements do not reflect the asset disposition transaction of the selling subsidiary or the asset acquisition transaction of the acquiring subsidiary. Prior to our adoption of Accounting Standards Update 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory ("Update 2016-16") on January 1, 2017, income taxes resulting from an intercompany rig sale, as well as the tax effect of any reversing temporary differences resulting from the sale, were deferred and amortized on a straight-line basis over the remaining useful life of the rig. Subsequent to our adoption of Update 2016-16, the income tax effects resulting from intercompany rig sales are recognized in earnings in the period in which the sale occurs.

In some instances, we may determine that certain temporary differences will not result in a taxable or deductible amount in future years, as it is more-likely-than-not we will commence operations and depart from a given taxing jurisdiction without such temporary differences being recovered or settled. Under these circumstances, no future tax consequences are expected and no deferred taxes are recognized in connection with such operations. We evaluate these determinations on a periodic basis and, in the event our expectations relative to future tax consequences change, the applicable deferred taxes are recognized or derecognized.

We do not provide deferred taxes on the undistributed earnings of certain subsidiaries because our policy and intention is to reinvest such earnings indefinitely. Should we make a distribution from these subsidiaries in the form of dividends or otherwise, we may be subject to additional income taxes.

The U.S. Tax Cuts and Jobs Act ("U.S. tax reform") was enacted on December 22, 2017 and introduced significant changes to U.S. income tax law, including a reduction in the statutory income tax rate from 35% to 21% effective January 1, 2018, a one-time transition tax on deemed repatriation of deferred foreign income, a base erosion anti-abuse tax that effectively imposes a minimum tax on certain payments to non-U.S. affiliates, new and revised rules relating to the current taxation of certain income of foreign subsidiaries and revised rules associated with limitations on the deduction of interest. See "Note 10 - Income Taxes" for additional information.

Share-Based Compensation

We sponsor share-based compensation plans that provide equity compensation to our key employees, officers and non-employee directors. Our Long-Term Incentive Plan (the "2018 LTIP") allows our Board of Directors to authorize share grants to be settled in cash or shares. Compensation expense for share awards to be settled in shares is measured at fair value on the date of grant and recognized on a straight-line basis over the requisite service period (usually the vesting period). Compensation expense for share awards to be settled in cash is remeasured each quarter with a cumulative adjustment to compensation cost during the period based on changes in our share price. Any adjustments to the compensation cost recognized in our consolidated statement of operations for awards that are forfeited are recognized in the period in which the forfeitures occur. See "Note 9 - Benefit Plans" for additional information on our share-based compensation.

Fair Value Measurements

We measure certain of our assets and liabilities based on a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy assigns the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities ("Level 1") and the lowest priority to unobservable inputs ("Level 3"). Level 2 measurements represent inputs that are observable for similar assets or liabilities, either directly or indirectly, other than quoted prices included within Level 1. See "Note 4 - Fair Value Measurements" for additional information on the fair value measurement of certain of our assets and liabilities.

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 consolidated balance sheet and net income attributable to noncontrolling interests is presented separately in our consolidated statement of operations. For each of the years in the three-year period ended December 31, 2018, all income attributable to noncontrolling interest was from continuing operations.

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 includes the effect of all potentially dilutive performance awards and excludes non-vested shares. In each of the years in the three-year period ended December 31, 2018, our potentially dilutive instruments were not included in the computation of diluted EPS as the effect of including these shares in the calculation would have been anti-dilutive.

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 each of the years in the three-year period ended December 31, 2018 (in millions):

	2018	2017	2016
Income (loss) from continuing operations attributable to Ensco	$ (631.6)	$ (304.7)	$ 882.1
Income from continuing operations allocated to non-vested share awards	(.5)	(.4)	(16.6)
Income (loss) from continuing operations attributable to Ensco shares	$ (632.1)	$ (305.1)	$ 865.5

Anti-dilutive share awards totaling 1.5 million, 2.0 million and 500,000 for the years ended December 31, 2018, 2017 and 2016, respectively, were excluded from the computation of diluted EPS.

During 2016, we issued our 3.00% exchangeable senior notes due 2024 (the "2024 Convertible Notes"). See "Note 6 - Debt" for additional information on this issuance. We have the option to settle the notes in cash, shares or a combination thereof for the aggregate amount due upon conversion. Our intent is to settle the principal amount of the 2024 Convertible Notes in cash upon conversion. If the conversion value exceeds the principal amount (i.e., our share price exceeds the exchange price on the date of conversion), we expect to deliver shares equal to the remainder of our conversion obligation in excess of the principal amount.

During each respective reporting period that our average share price exceeds the exchange price, an assumed number of shares required to settle the conversion obligation in excess of the principal amount will be included in our denominator for the computation of diluted EPS using the treasury stock method. Our average share price did not exceed the exchange price during the years ended December 31, 2018 and December 31, 2017.

New Accounting Pronouncements

Recently adopted accounting standards

In August 2018, the Financial Accounting Standards Board (the "FASB") issued Update 2018-15, Intangibles —Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract ("Update 2018-15"), which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that included an internal-use software license). This update is effective for fiscal years beginning after December 15, 2020 and interim periods within those fiscal years, with early adoption permitted. We elected to early-adopt Update 2018-15 effective October 1, 2018. As a result of adopting Update 2018-15, we began deferring and amortizing certain costs incurred to implement cloud computing arrangements that would have been recognized as incurred under previous guidance. We do not expect our adoption of Update 2018-15 to have a material impact on our financial position or results of operations in future periods.

In February 2018, the FASB issued Update 2018-02, Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects From Accumulated Other Comprehensive Income ("Update 2018-02"), which allows for a reclassification from accumulated other comprehensive income (AOCI) to retained earnings for stranded tax effects resulting from U.S. tax reform. This update is effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years, with early adoption permitted. We adopted Update 2018-02 effective January 1, 2018. As a result, we reclassified a total of $800,000 in tax effects from AOCI to opening retained earnings.

In October 2016, the FASB issued Accounting Standards Update 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory* ("Update 2016-16"), which requires entities to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transaction occurs as opposed to deferring tax consequences and amortizing them into future periods. We adopted Update 2016-16 on a modified retrospective basis effective January 1, 2017. As a result of modified retrospective application, we reduced prepaid taxes on intercompany transfers of property and related deferred tax liabilities resulting in the recognition of a cumulative-effect reduction in retained earnings of $14.1 million on our consolidated balance sheet as of January 1, 2017.

During 2014, the FASB issued Update 2014-09, Revenue from Contracts with Customers (Topic 606) ("Update 2014-09"), which requires entities to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. Update 2014-09 is effective for annual and interim periods for fiscal years beginning after December 15, 2017. We adopted Update 2014-09 effective January 1, 2018, using the modified retrospective approach. Only customer contracts that were not completed as of the effective adoption date were evaluated under the transition guidance to determine if a cumulative catch-up adjustment to retained earnings was warranted. Revenues recognized in prior years for customer contracts that expired prior to the effective adoption date continue to be reported under the previous revenue recognition guidance. Our adoption of Update 2014-09 did not result in a cumulative effect on retained earnings and no adjustments were made to prior periods. While Update 2014-09 requires additional disclosure regarding revenues recognized from customer contracts, our adoption did not have a material impact on the recognition of current or prior period revenues as compared to previous guidance nor do we expect a material impact to our pattern of revenue recognition in future periods. See "Note 2 - Revenue from Contracts with Customers" for additional information.

Recently issued accounting standards

In August 2017, the FASB issued Update 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities ("Update 2017-12"), which will make more hedging strategies eligible for hedge accounting. It also amends presentation and disclosure requirements and changes how companies assess effectiveness. This update is effective for annual and interim periods beginning after December 15, 2018, with

early adoption permitted. We are currently evaluating the effect that Update 2017-12 will have on our consolidated financial statements and related disclosures. However, we do not expect our adoption of Update 2017-12 to have a material impact on our financial position or results of operations.

During 2016, the FASB issued Update 2016-02, Leases (Topic 842) ("Update 2016-02"), which requires an entity to recognize lease assets and lease liabilities on the balance sheet and to disclose key qualitative and quantitative information about the entity's leasing arrangements. This update is effective for annual and interim periods beginning after December 15, 2018, with early adoption permitted. During our evaluation of Update 2016-02, we concluded that our drilling contracts contain a lease component. In July 2018, the FASB issued Accounting Standard Update 2018-11, Leases (Topic 842), Targeted Improvements, which (1) provides for a new transition method whereby entities may elect to adopt the Update using a prospective with cumulative catch-up approach and (2) provides lessors with a practical expedient, by class of underlying asset, to not separate lease and non-lease components and account for the combined component under Topic 606 when the non-lease component is the predominant element of the combined component. The lessor practical expedient is limited to circumstances in which the lease, if accounted for separately, would be classified as an operating lease under Topic 842. While we are still finalizing our analysis, we believe the non-lease component of our contracts is the predominant element and that the lease component, if accounted for separately, would be classified as an operating lease. Accordingly, we expect that substantially all of our contracts will qualify for the practical expedient provided for in Update 2018-11. Therefore, we expect to elect the practical expedient prescribed in Update 2018-11 and account for the combined component as a single component under Topic 606. We do not expect our adoption to have a material impact on the recognition of current or prior period revenues as compared to previous guidance nor do we expect a material impact to our pattern of revenue recognition in future periods. With respect to leases whereby we are the lessee, we expect to recognize upon adoption on January 1, 2019 lease liabilities ranging from approximately $75 million to $80 million and offsetting "right of use" assets ranging from approximately $65 million to $70 million. Our adoption of Update 2016-02 is not expected to have a material impact on our ability to comply with current debt covenants.

With the exception of the updated standards discussed above, there have been no accounting pronouncements issued and not yet effective that have significance, or potential significance, to our consolidated financial statements.

2. REVENUE FROM CONTRACTS WITH CUSTOMERS

We provide drilling services on a day rate contract basis. Under day rate contracts, we provide an integrated service that includes the provision of a drilling rig and rig crews for which we receive a daily rate that may vary between the full rate and zero rate throughout the duration of the contractual term, depending on the operations of the rig. We also may receive lump-sum fees or similar compensation for the mobilization, demobilization and capital upgrades of our rigs. Our customers bear substantially all of the costs of constructing the well and supporting drilling operations, as well as the economic risk relative to the success of the well.

Our integrated drilling service provided under each drilling contract is a single performance obligation satisfied over time and comprised of a series of distinct time increments, or service periods. Total revenue is determined for each individual drilling contract by estimating both fixed and variable consideration expected to be earned over the contract term. Fixed consideration generally relates to activities such as mobilization, demobilization and capital upgrades of our rigs that are not distinct within the context of our contracts and is recognized on a straight-line basis over the contract term. Variable consideration generally relates to distinct service periods during the contract term and is recognized in the period when the services are performed.

The amount estimated for variable consideration is only recognized as revenue to the extent that it is probable that a significant reversal will not occur during the contract term. We have applied the optional exemption afforded in Update 2014-09 and have not disclosed the variable consideration related to our estimated future day rate revenues. The remaining duration of our drilling contracts based on those in place as of December 31, 2018 was between approximately one month and four years.

Day Rate Drilling Revenue

Our drilling contracts provide for payment on a day rate basis and include a rate schedule with higher rates for periods when the drilling unit is operating and lower rates or zero rates for periods when drilling operations are interrupted or restricted. The day rate invoiced to the customer is determined based on the varying rates applicable to specific activities performed on an hourly basis. Day rate consideration is allocated to the distinct hourly increment to which it relates within the contract term and is generally recognized consistent with the contractual rate invoiced for the services provided during the respective period. Invoices are typically issued to our customers on a monthly basis and payment terms on customer invoices typically range from 30 to 45 days.

Certain of our contracts contain performance incentives whereby we may earn a bonus based on pre-established performance criteria. Such incentives are generally based on our performance over individual monthly time periods or individual wells. Consideration related to performance bonus is generally recognized in the specific time period to which the performance criteria was attributed.

We may receive termination fees if certain drilling contracts are terminated by the customer prior to the end of the contractual term. Such compensation is recognized as revenue when our performance obligation is satisfied, the termination fee can be reasonably measured and collection is probable. For the year ended December 31, 2017, operating revenues included $185.0 million for the lump-sum consideration received in settlement and release of the ENSCO DS-9 customer's ongoing early termination obligations. For the year ended December 31, 2016, operating revenues included $20.0 million for the lump-sum consideration received in settlement of the ENSCO 8503 customer's remaining obligations under the contract.

Mobilization / Demobilization Revenue

In connection with certain contracts, we receive lump-sum fees or similar compensation for the mobilization of equipment and personnel prior to the commencement of drilling services or the demobilization of equipment and personnel upon contract completion. Fees received for the mobilization or demobilization of equipment and personnel are included in operating revenues. The costs incurred in connection with the mobilization and demobilization of equipment and personnel are included in contract drilling expense.

Mobilization fees received prior to commencement of drilling operations are recorded as a contract liability and amortized on a straight-line basis over the contract term. Demobilization fees expected to be received upon contract completion are estimated at contract inception and recognized on a straight-line basis over the contract term. In some cases, demobilization fees may be contingent upon the occurrence or non-occurrence of a future event. In such cases, this may result in cumulative-effect adjustments to demobilization revenues upon changes in our estimates of future events during the contract term.

Capital Upgrade / Contract Preparation Revenue

In connection with certain contracts, we receive lump-sum fees or similar compensation for requested capital upgrades to our drilling rigs or for other contract preparation work. Fees received for requested capital upgrades and other contract preparation work are recorded as a contract liability and amortized on a straight-line basis over the contract term to operating revenues. Costs incurred for capital upgrades are capitalized and depreciated over the useful life of the asset.

Contract Assets and Liabilities

Contract assets represent amounts recognized as revenue but for which the right to invoice the customer is dependent upon our future performance. Once the previously recognized revenue is invoiced, the corresponding contract asset, or a portion thereof, is transferred to accounts receivable. Contract liabilities generally represent fees received for mobilization or capital upgrades.

Contract assets and liabilities are presented net on our consolidated balance sheet on a contract-by-contract basis. Current contract assets and liabilities are included in other current assets and accrued liabilities and other, respectively, and noncurrent contract assets and liabilities are included in other assets and other liabilities, respectively, on our consolidated balance sheets.

The following table summarizes our contract assets and contract liabilities (in millions):

	December 31, 2018	December 31, 2017
Current contract assets	$ 4.0	$ 3.0
Noncurrent contract assets	$ —	$ 2.8
Current contract liabilities (deferred revenue)	$ 56.9	$ 71.9
Noncurrent contract liabilities (deferred revenue)	$ 20.5	$ 51.2

Changes in contract assets and liabilities during the period are as follows (in millions):

	Contract Assets	Contract Liabilities
Balance as of December 31, 2017	$ 5.8	$ 123.1
Revenue recognized in advance of right to bill customer	2.2	—
Increase due to cash received	—	49.4
Decrease due to amortization of deferred revenue that was included in the beginning contract liability balance	—	(72.0)
Decrease due to amortization of deferred revenue that was added during the period	—	(23.1)
Decrease due to transfer to receivables during the period	(4.0)	—
Balance as of December 31, 2018	$ 4.0	$ 77.4

Deferred Contract Costs

Costs incurred for upfront rig mobilizations and certain contract preparations are attributable to our future performance obligation under each respective drilling contract. Such costs are deferred and amortized on a straight-line basis over the contract term. Demobilization costs are recognized as incurred upon contract completion. Costs associated with the mobilization of equipment and personnel to more promising market areas without contracts are expensed as incurred. Deferred contract costs were included in other current assets and other assets on our consolidated balance sheets and totaled $23.5 million and $40.6 million as of December 31, 2018 and 2017, respectively. Amortization of such costs totaled $34.0 million, $28.1 million and $42.5 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Deferred Certification Costs

We must obtain certifications from various regulatory bodies in order to operate our drilling rigs and must maintain such certifications through periodic inspections and surveys. The costs incurred in connection with maintaining such certifications, including inspections, tests, surveys and drydock, as well as remedial structural work and other compliance costs, are deferred and amortized on a straight-line basis over the corresponding certification periods. Deferred regulatory certification and compliance costs were included in other current assets and other assets on our consolidated balance sheets and totaled $13.6 million and $15.3 million as of December 31, 2018 and 2017, respectively. Amortization of such costs totaled $12.4 million, $12.1 million and $16.8 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Future Amortization of Contract Liabilities and Deferred Costs

Our contract liabilities and deferred costs are amortized on a straight-line basis over the contract term or corresponding certification period to operating revenues and contract drilling expense, respectively. Expected future amortization of our contract liabilities and deferred costs recorded as of December 31, 2018 is set forth in the table below (in millions):

	2019	2020	2021	2022 and Thereafter	Total
Amortization of contract liabilities	$ 57.0	$ 11.7	$ 7.2	$ 1.5	$ 77.4
Amortization of deferred costs	$ 23.8	$ 9.4	$ 2.4	$ 1.5	$ 37.1

3. ACQUISITION OF ATWOOD

On the Merger Date, we completed the Atwood Merger with Atwood and Echo Merger Sub, LLC, our wholly-owned subsidiary. Assets acquired and liabilities assumed in the Atwood Merger were recorded at their estimated fair values as of the Merger Date under the acquisition method of accounting. As of September 30, 2018, we completed our fair value assessments.

Consideration

As a result of the Atwood Merger, Atwood shareholders received 1.60 Ensco Class A Ordinary shares for each share of Atwood common stock, representing a value of $9.33 per share of Atwood common stock based on a closing price of $5.83 per Class A ordinary share on October 5, 2017, the last trading day before the Merger Date. Total consideration delivered in the Atwood Merger consisted of 132.2 million of our Class A ordinary shares and $11.1 million of cash in settlement of certain share-based payment awards. The total aggregate value of consideration transferred was $781.8 million. Additionally, upon closing of the Atwood Merger, we utilized cash acquired of $445.4 million and cash on hand to extinguish Atwood's revolving credit facility, outstanding senior notes and accrued interest totaling $1.3 billion. The estimated fair values assigned to assets acquired net of liabilities assumed exceeded the consideration transferred, resulting in a bargain purchase gain of $140.2 million that was recognized during the fourth quarter of 2017. During 2018, we recognized measurement period adjustments as we completed our fair value assessments resulting in additional bargain purchase gain of $1.8 million. Bargain purchase gain was included in other, net, in our consolidated statements of operations.

Assets Acquired and Liabilities Assumed

The provisional amounts recorded for assets acquired and liabilities assumed as of the Merger Date and respective measurement period adjustments were as follows (in millions):

	Amounts Recognized as of Merger Date	Measurement Period Adjustments [1]	Estimated Fair Value
Assets:			
Cash and cash equivalents[2]	$ 445.4	$ —	$ 445.4
Accounts receivable[3]	62.3	(1.6)	60.7
Other current assets	118.1	4.6	122.7
Property and equipment	1,762.0	9.2	1,771.2
Other assets	23.7	(5.1)	18.6
Liabilities:			
Accounts payable and accrued liabilities	64.9	(1.1)	63.8
Other liabilities	118.7	6.4	125.1
Net assets acquired	2,227.9	1.8	2,229.7
Less:			
Merger consideration	(781.8)		(781.8)
Repayment of Atwood debt[2]	(1,305.9)		(1,305.9)
Bargain purchase gain	$ 140.2		$ 142.0

[1] The measurement period adjustments reflect changes in the estimated fair values of certain assets and liabilities, primarily related to inventory, capital equipment and other liabilities. The measurement period adjustments were recorded to reflect new information obtained about facts and circumstances existing as of the Merger Date and did not result from subsequent intervening events.

[2] Upon closing of the Atwood Merger, we utilized acquired cash of $445.4 million and cash on hand from the liquidation of short-term investments to repay Atwood's debt and accrued interest of $1.3 billion.

[3] Gross contractual amounts receivable totaled $64.7 million as of the Merger Date.

Bargain Purchase Gain

The fair values assigned to assets acquired net of liabilities assumed exceeded the consideration transferred, resulting in a bargain purchase gain primarily due to depressed offshore drilling company valuations. Market capitalizations across the offshore drilling industry declined significantly since mid-2014 due to the decline in commodity prices and the related imbalance of supply and demand for drilling rigs. The resulting bargain purchase gain was further driven by the decline in our share price from $6.70 to $5.83 between the last trading day prior to the announcement of the Atwood Merger and the Merger Date.

Merger-Related Costs

Merger-related costs were expensed as incurred and consisted of various advisory, legal, accounting, valuation and other professional or consulting fees totaling $19.4 million for the year ended December 31, 2017. These costs are included in general and administrative expense in our consolidated statements of operations.

Property and Equipment

Property and equipment acquired in connection with the Atwood Merger consisted primarily of drilling rigs and related equipment, including four drillships (two of which are under construction), two semisubmersible rigs and five jackup rigs. We recorded property and equipment acquired at its estimated fair value of $1.8 billion. We estimated

the fair value of the rigs and equipment by applying an income approach, using projected discounted cash flows, or a market approach. We estimated remaining useful lives for Atwood's drilling rigs, which ranged from 16 to 35 years based on original estimated useful lives of 30 to 35 years.

Deferred Taxes

The Atwood Merger was executed through the acquisition of Atwood's outstanding common stock and, therefore, the historical tax bases of the acquired assets and assumed liabilities, net operating losses and other tax attributes of Atwood were assumed as of the Merger Date. However, adjustments were recorded to recognize deferred tax assets and liabilities for the tax effects of differences between acquisition date fair values and tax bases of assets acquired and liabilities assumed. Additionally, the interaction of our and Atwood's tax attributes that impacted the deferred taxes of the combined entity were also recognized as part of acquisition accounting. As of the Merger Date, an increase of $2.5 million to Atwood’s net deferred tax liability was recognized.

Deferred tax assets and liabilities recognized in connection with the Atwood Merger were measured at rates enacted as of the Merger Date. Tax rate changes, or any deferred tax adjustments for new tax legislation, following the Merger Date, including the recently enacted U.S. tax reform, are reflected in our operating results in the period in which the change in tax laws or rate is enacted.

Intangible Assets and Liabilities

We recorded intangible assets totaling $30.1 million, inclusive of certain measurement period adjustments, as of the Merger Date representing the estimated fair value of Atwood's firm drilling contracts with favorable contract terms compared to then-market day rates for comparable drilling rigs.

Operating revenues were net of $11.4 million and $16.1 million of asset amortization during the years ended December 31, 2018 and 2017, respectively. The remaining balance of $2.6 million was included in other assets on our consolidated balance sheet as of December 31, 2018 and will be amortized to operating revenue during 2019.

We recorded intangible liabilities of $60.0 million for the estimated fair value of unfavorable drillship construction contracts, which were determined by comparing the firm obligations for the remaining construction of ENSCO DS-13 and ENSCO DS-14 to the estimated current market rates for the construction of a comparable drilling rig. The liabilities will be amortized over the estimated life of ENSCO DS-13 and ENSCO DS-14 as a reduction of depreciation expense beginning on the date the rig is placed into service.

Pro Forma Impact of the Atwood Merger

The following unaudited supplemental pro forma results present consolidated information as if the Atwood Merger was completed on January 1, 2016. The pro forma results include, among others, (i) the amortization associated with acquired intangible assets and liabilities, (ii) a reduction in depreciation expense for adjustments to property and equipment and (iii) a reduction to interest expense resulting from the retirement of Atwood's revolving credit facility and 6.50% senior notes due 2020. The pro forma results do not include any potential synergies or non-recurring charges resulting directly from the Atwood Merger.

(in millions, except per share amounts)	Twelve Months Ended (Unaudited)	
	2017[1]	2016
Revenues	$ 2,226.0	$ 3,622.1
Net income (loss)	(347.0)	1,284.9
Earnings (loss) per share - basic and diluted	(.80)	3.18

[1] Pro forma net income and earnings per share were adjusted to exclude an aggregate $80.7 million of merger-related and integration costs incurred by Ensco and Atwood during 2017 and the $140.2 million estimated bargain purchase gain.

4. FAIR VALUE MEASUREMENTS

The following fair value hierarchy table categorizes information regarding our net financial assets measured at fair value on a recurring basis as of December 31, 2018 and 2017 (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 December 31, 2018				
Supplemental executive retirement plan assets	$ 27.2	$ —	$ —	$ 27.2
Total financial assets	27.2	—	—	27.2
Derivatives, net	—	(10.7)	—	(10.7)
Total financial liabilities	$ —	$ (10.7)	$ —	$ (10.7)
As of December 31, 2017				
Supplemental executive retirement plan assets	$ 30.9	$ —	$ —	$ 30.9
Derivatives, net	—	6.8	—	6.8
Total financial assets	$ 30.9	$ 6.8	$ —	$ 37.7

Supplemental Executive Retirement Plans

Our Ensco supplemental executive retirement plans (the "SERPs") are non-qualified plans that provide for eligible employees 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 consolidated balance sheets as of December 31, 2018 and 2017. The fair value measurements of assets held in the SERP were based on quoted market prices. Net unrealized losses of $700,000 and gains of $4.5 million and $1.8 million from marketable securities held in our SERP were included in other, net, in our consolidated statements of operations for the years ended December 31, 2018, 2017 and 2016, respectively.

Derivatives

Our derivatives were measured at fair value on a recurring basis using Level 2 inputs as of December 31, 2018 and 2017. See "Note 7 - 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 measurements of our derivatives were 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 debt instruments as of December 31, 2018 and 2017 were as follows (in millions):

	December 31, 2018		December 31, 2017	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
8.50% Senior notes due 2019[1]	$ —	$ —	$ 251.4	$ 252.9
6.875% Senior notes due 2020[1]	127.5	121.6	477.9	473.1
4.70% Senior notes due 2021[1]	112.7	101.8	267.1	265.3
3.00% Exchangeable senior notes due 2024 [2]	666.8	575.5	635.7	757.1
4.50% Senior notes due 2024	619.8	405.2	619.3	527.1
8.00% Senior notes due 2024	337.0	273.7	337.9	333.8
5.20% Senior notes due 2025	664.4	443.9	663.6	571.4
7.75% Senior notes due 2026	985.0	725.5	—	—
7.20% Debentures due 2027	149.3	109.1	149.3	141.9
7.875% Senior notes due 2040	375.0	223.2	376.7	258.8
5.75% Senior notes due 2044	972.9	566.3	971.8	690.4
Total	$ 5,010.4	$ 3,545.8	$ 4,750.7	$ 4,271.8

(1) The decline in the carrying value of our 8.50% senior notes due 2019, 6.875% senior notes due 2020 and our 4.70% senior notes due 2021 from December 31, 2017 to December 31, 2018 is primarily due to debt repurchases and redemptions as discussed in "Note 6 - Debt".

(2) Our 3.00% exchangeable senior notes due 2024 (the "2024 Convertible Notes") were issued with a conversion feature. The 2024 Convertible Notes were separated into their liability and equity components on our consolidated balance sheet. The equity component was initially recorded to additional paid-in capital and as a debt discount, which will be amortized to interest expense. Excluding the unamortized discount, the carrying value of the 2024 Convertible Notes was $836.3 million and $834.0 million as of December 31, 2018 and 2017. See "Note 6 - Debt" for additional information on this issuance.

The estimated fair values of our senior notes and debentures were determined using quoted market prices. 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 December 31, 2018 and 2017.

5. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2018 and 2017 consisted of the following (in millions):

	2018	2017
Drilling rigs and equipment	$ 14,542.5	$ 12,272.4
Work-in-progress	779.2	2,876.3
Other	195.3	183.4
	$ 15,517.0	$ 15,332.1

Work-in-progress as of December 31, 2018 primarily consisted of $416.8 million related to the construction of ultra-deepwater drillships ENSCO DS-13 and ENSCO DS-14 and $352.4 million related to the construction of ENSCO 123, an ultra-premium harsh environment jackup rig.

Work-in-progress as of December 31, 2017 primarily consisted of $2.0 billion related to the construction of ultra-deepwater drillships ENSCO DS-9, ENSCO DS-10, ENSCO DS-13 and ENSCO DS-14, $423.6 million related to the construction of premium jackup rigs ENSCO 140 and ENSCO 141 and $321.6 million related to the construction of ENSCO 123, an ultra-premium harsh environment jackup rig.

ENSCO DS-9, ENSCO DS-10, ENSCO 140 and ENSCO 141 were placed into service and reclassified from work-in-progress to drilling rigs and equipment during the year ended December 31, 2018.

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 2018, we recorded a pre-tax, non-cash loss on impairment of $40.3 million related to one older non-core jackup rig. During the fourth quarter, we concluded that a triggering event occurred due to the expiration of a legacy higher day rate contract resulting in the performance of a recoverability test. We determined that the estimated undiscounted cash flows over the remaining useful life of the rig were not sufficient to recover the rig's carrying value and concluded the rig was impaired as of December 31, 2018.

During 2017, we recognized a pre-tax, non-cash loss on impairment of $182.9 million related to older, less capable, non-core assets in our fleet. During the fourth quarter, we determined that the remaining useful life of certain non-core rigs would not extend substantially beyond their current contracts, resulting in triggering events and the performance of recoverability tests. Our estimates of undiscounted cash flows over the revised estimated remaining useful lives were not sufficient to recover each asset's carrying value. Accordingly, we concluded that two semisubmersibles and one jackup were impaired as of December 31, 2017.

For rigs whose carrying values were determined not to be recoverable during 2018 and 2017, we recorded an impairment for the difference between their fair values and carrying values. We estimated the fair values 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. Forecasted day rates and utilization took into account market conditions and our anticipated business outlook.

If the global economy, our overall business outlook and/or our expectations regarding the marketability of one or more of our drilling rigs deteriorate further, we may conclude that a triggering event has occurred and perform a recoverability test that could lead to a material impairment charge in future periods.

6. DEBT

The carrying value of our long-term debt as of December 31, 2018 and 2017 consisted of the following (in millions):

	2018	2017
8.50% Senior notes due 2019[1]	$ —	$ 251.4
6.875% Senior notes due 2020[1]	127.5	477.9
4.70% Senior notes due 2021[1]	112.7	267.1
3.00% Exchangeable senior notes due 2024[2]	666.8	635.7
4.50% Senior notes due 2024	619.8	619.3
8.00% Senior notes due 2024	337.0	337.9
5.20% Senior notes due 2025	664.4	663.6
7.75% Senior notes due 2026	985.0	—
7.20% Debentures due 2027	149.3	149.3
7.875% Senior notes due 2040	375.0	376.7
5.75% Senior notes due 2044	972.9	971.8
Total long-term debt	$ 5,010.4	$ 4,750.7

(1) The decline in the carrying value of our 8.50% senior notes due 2019, 6.875% senior notes due 2020 and our 4.70% senior notes due 2021 resulted from repurchases and redemptions during the first quarter of 2018 discussed below.

(2) Our 2024 Convertible Notes were issued with a conversion feature. The 2024 Convertible Notes were separated into their liability and equity components on our consolidated balance sheet. The equity component was initially recorded to additional paid-in capital and as a debt discount that will be amortized to interest expense over the life of the instrument. Excluding the unamortized discount, the carrying value of the 2024 Convertible Notes was $836.3 million and $834.0 million as of December 31, 2018 and 2017, respectively.

2024 Convertible Notes

In December 2016, Ensco Jersey Finance Limited, a wholly-owned subsidiary of Ensco plc, issued $849.5 million aggregate principal amount of unsecured 2024 Convertible Notes in a private offering. The 2024 Convertible Notes are fully and unconditionally guaranteed, on a senior, unsecured basis, by Ensco plc and are exchangeable into cash, our Class A ordinary shares or a combination thereof, at our election. Interest on the 2024 Convertible Notes is payable semiannually on January 31 and July 31 of each year. The 2024 Convertible Notes will mature on January 31, 2024, unless exchanged, redeemed or repurchased in accordance with their terms prior to such date. Holders may exchange their 2024 Convertible Notes at their option any time prior to July 31, 2023 only under certain circumstances set forth in the indenture governing the 2024 Convertible Notes. On or after July 31, 2023, holders may exchange their 2024 Convertible Notes at any time. The exchange rate is 71.3343 shares per $1,000 principal amount of notes, representing an exchange price of $14.02 per share, and is subject to adjustment upon certain events. The 2024 Convertible Notes may not be redeemed by us except in the event of certain tax law changes.

Upon conversion of the 2024 Convertible Notes, holders will receive cash, our Class A ordinary shares or a combination thereof, at our election. Our intent is to settle the principal amount of the 2024 Convertible Notes in cash upon conversion. If the conversion value exceeds the principal amount (i.e., our share price exceeds the exchange price on the date of conversion), we expect to deliver shares equal to our conversion obligation in excess of the principal amount. During each respective reporting period that our average share price exceeds the exchange price, an assumed number of shares required to settle the conversion obligation in excess of the principal amount will be included in the denominator for our computation of diluted EPS using the treasury stock method. See "Note 1 - Description of the Business and Summary of Significant Accounting Policies" for additional information regarding the impact to our EPS.

The 2024 Convertible Notes were separated into their liability and equity components and included in long-term debt and additional paid-in capital on our consolidated balance sheet, respectively. The carrying amount of the liability component was calculated by measuring the estimated fair value of a similar liability that does not include an associated conversion feature. The carrying amount of the equity component representing the conversion feature was determined by deducting the fair value of the liability component from the principal amount of the 2024 Convertible Notes. The difference between the carrying amount of the liability and the principal amount is amortized to interest expense over the term of the 2024 Convertible Notes, together with the coupon interest, resulting in an effective interest rate of approximately 8% per annum. The equity component is not remeasured if we continue to meet certain conditions for equity classification.

The costs related to the issuance of the 2024 Convertible Notes were allocated to the liability and equity components based on their relative fair values. Issuance costs attributable to the liability component are amortized to interest expense over the term of the notes and the issuance costs attributable to the equity component were recorded to additional paid-in capital on our consolidated balance sheet.

As of December 31, 2018 and 2017, the 2024 Convertible Notes consist of the following (in millions):

Liability component:	**2018**	**2017**
Principal	$ 849.5	$ 849.5
Less: Unamortized debt discount and issuance costs	(182.7)	(213.8)
Net carrying amount	666.8	635.7
Equity component, net	$ 220.0	$ 220.0

During the year ended December 31, 2018, we recognized $25.5 million associated with coupon interest and $31.0 million associated with the amortization of debt discount and issuance costs. During the year ended December 31, 2017, we recognized $25.5 million associated with coupon interest and $31.4 million associated the amortization of debt discount and issuance costs.

The indenture governing the 2024 Convertible Notes contains customary events of default, including failure to pay principal or interest on such notes when due, among others. The indenture also contains certain restrictions, including, among others, restrictions on our ability and the ability of our subsidiaries to create or incur secured indebtedness, enter into certain sale/leaseback transactions and enter into certain merger or consolidation transactions.

Senior Notes

On January 26, 2018, we issued $1.0 billion aggregate principal amount of unsecured 7.75% senior notes due 2026 (the "2026 Notes") at par, net of $16.5 million of debt issuance costs. Interest on the 2026 Notes is payable semiannually on February 1 and August 1 of each year.

During 2017, we exchanged $332.0 million aggregate principal amount of unsecured 8.00% senior notes due 2024 (the “8 % 2024 Notes”) for certain amounts of our outstanding senior notes due 2019, 2020 and 2021. Interest on the 8% 2024 Notes is payable semiannually on January 31 and July 31 of each year.

During 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. Interest on the New 2044 Notes is payable semiannually on April 1 and October 1 of each year.

During 2014, we issued $625.0 million aggregate principal amount of unsecured 4.50% senior notes due 2024 (the "2024 Notes") at a discount of $850,000 and $625.0 million aggregate principal amount of unsecured 5.75% senior notes due 2044 (the "Existing 2044 Notes" and together with the New 2044 Notes, the "2044 Notes") at a discount of $2.8 million. Interest on the 2024 Notes and the Existing 2044 Notes is payable semiannually on April 1 and October 1 of each year. The Existing 2044 Notes and the New 2044 Notes are treated as a single series of debt securities under the indenture governing the notes.

During 2011, we issued $1.5 billion aggregate principal amount of unsecured 4.70% senior notes due 2021 (the “2021 Notes”) at a discount of $29.6 million in a public offering. Interest on the 2021 Notes is payable semiannually on March 15 and September 15 of each year.

Upon consummation of the Pride acquisition during 2011, we assumed outstanding debt comprised of $900.0 million aggregate principal amount of unsecured 6.875% senior notes due 2020, $500.0 million aggregate principal amount of unsecured 8.5% senior notes due 2019 and $300.0 million aggregate principal amount of unsecured 7.875% senior notes due 2040 (collectively, the "Acquired Notes" and together with the 2021 Notes, 8% 2024 Notes, 2024 Notes, 2025 Notes, 2026 Notes and 2044 Notes, the "Senior Notes"). Ensco plc has fully and unconditionally guaranteed the performance of all Pride obligations with respect to the Acquired Notes. See "Note 15 - Guarantee of Registered Securities" for additional information on the guarantee of the Acquired Notes.

We may redeem the 8% 2024 Notes, 2024 Notes, 2025 Notes, 2026 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 8% 2024 Notes, 2024 Notes, 2025 Notes and 2026 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 8% 2024 Notes, 2024 Notes, 2025 Notes, 2026 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 we are not required to pay a "make-whole" premium.

We may redeem each series of the 2021 Notes and the Acquired Notes, in whole or in part, at any time at a price equal to 100% of their principal amount, plus accrued and unpaid interest and a "make-whole" premium.

The indentures governing the Senior Notes contain customary events of default, including failure to pay principal or interest on such notes when due, among others. The indentures governing the Senior Notes also contain certain restrictions, including, among others, restrictions on our ability and the ability of our subsidiaries to create or incur secured indebtedness, enter into certain sale/leaseback transactions and enter into certain merger or consolidation transactions.

Debentures Due 2027

During 1997, Ensco International Incorporated issued $150.0 million of unsecured 7.20% Debentures due 2027 (the "Debentures"). Interest on the Debentures is payable semiannually on May 15 and November 15 of each year. We may redeem the Debentures, in whole or in part, at any time prior to maturity, at a price equal to 100% of their principal amount, plus accrued and unpaid interest and a "make-whole" premium. During 2009, Ensco plc entered into a supplemental indenture to unconditionally guarantee the principal and interest payments on the Debentures. See "Note 15 - Guarantee of Registered Securities" for additional information on the guarantee of the Debentures.

The Debentures and the indenture pursuant to which the Debentures were issued also contain customary events of default, including failure to pay principal or interest on the Debentures when due, among others. The indenture also

contains certain restrictions, including, among others, restrictions on our ability and the ability of our subsidiaries to create or incur secured indebtedness, enter into certain sale/leaseback transactions and enter into certain merger or consolidation transactions.

Tender Offers, Redemptions and Open Market Repurchases

Concurrent with the issuance of the 2026 Notes in January 2018, we launched cash tender offers for up to $985.0 million aggregate principal amount of certain series of our senior notes issued by us and Pride. The tender offers expired February 7, 2018, and we repurchased $182.6 million of our 8.50% senior notes due 2019, $256.6 million of our 6.875% senior notes due 2020 and $156.2 million of the 2021 Notes. Subsequently, we issued a redemption notice for the remaining outstanding $55.0 million principal amount of the 8.50% senior notes due 2019 and repurchased $71.4 million principal amount of our senior notes due 2020. As a result of these transactions, we recognized a pre-tax loss from debt extinguishment of $19.0 million, net of discounts, premiums, debt issuance costs and commissions during the first quarter of 2018.

During 2017, we repurchased $194.1 million of our outstanding senior notes on the open market for an aggregate purchase price of $204.5 million with cash on hand and recognized an insignificant pre-tax gain, net of discounts, premiums and debt issuance costs.

Our tender offers and open market repurchases during the two-year period ended December 31, 2018 were as follows (in millions):

Year Ended December 31, 2018

	Aggregate Principal Amount Repurchased	Aggregate Repurchase Price[1]
8.50% Senior notes due 2019	$ 237.6	$ 256.8
6.875% Senior notes due 2020	328.0	354.7
4.70% Senior notes due 2021	156.2	159.7
Total	$ 721.8	$ 771.2

Year Ended December 31, 2017

	Aggregate Principal Amount Repurchased	Aggregate Repurchase Price[1]
8.50% Senior notes due 2019	$ 54.6	$ 60.1
6.875% Senior notes due 2020	100.1	105.1
4.70% Senior notes due 2021	39.4	39.3
Total	$ 194.1	$ 204.5

(1) Excludes accrued interest paid to holders of the repurchased senior notes.

Exchange Offers

During 2017, we completed exchange offers to exchange our outstanding 2019 Notes, 2020 Notes and 2021 Notes for our 8% 2024 Notes and cash. The exchange offers resulted in the tender of $649.5 million aggregate principal amount of our outstanding notes that were settled and exchanged as follows (in millions):

	Aggregate Principal Amount Repurchased	8% Senior Notes Due 2024 Consideration	Cash Consideration	Total Consideration
8.50% Senior notes due 2019	$ 145.8	$ 81.6	$ 81.7	$ 163.3
6.875% Senior notes due 2020	129.8	69.3	69.4	138.7
4.70% Senior notes due 2021	373.9	181.1	181.4	362.5
Total	$ 649.5	$ 332.0	$ 332.5	$ 664.5

During the year ended December 31, 2017, we recognized a pre-tax loss on the exchange offers of approximately $6.2 million, consisting of a loss of $3.5 million that includes the write-off of premiums on tendered debt and $2.7 million of transaction costs.

Debt to Equity Exchange

During 2016, we entered into a privately-negotiated exchange agreement whereby we issued 1,822,432 Class A ordinary shares, representing less than one percent of our outstanding shares, in exchange for $24.5 million principal amount of our 2044 Notes, resulting in a pre-tax gain from debt extinguishment of $8.8 million.

Revolving Credit

In October 2017, we amended our revolving credit facility ("Credit Facility") to extend the final maturity date by two years. Previously, our Credit Facility had a borrowing capacity of $2.25 billion through September 2019 that declined to $1.13 billion through September 2020. Subsequent to the amendment, our borrowing capacity is $2.0 billion through September 2019 and declines to $1.3 billion through September 2020 and to $1.2 billion through September 2022. The credit agreement governing our Credit Facility includes an accordion feature allowing us to increase the commitments expiring in September 2022 up to an aggregate amount not to exceed $1.5 billion.

Advances under the Credit Facility bear interest at Base Rate or LIBOR plus an applicable margin rate, depending on our credit ratings. We are required to pay a quarterly commitment fee on the undrawn portion of the $2.0 billion commitment, which is also based on our credit ratings.

In January 2018, Moody's downgraded our senior unsecured bond credit rating from B2 to B3. The rating actions resulted in an increase to the interest rates applicable to our borrowings and the quarterly commitment fee on the undrawn portion of the $2.0 billion commitment. The applicable margin rates are 3.00% per annum for Base Rate advances and 4.00% per annum for LIBOR advances. The quarterly commitment fee is 0.75% per annum on the undrawn portion of the $2.0 billion commitment.

The Credit Facility requires us to maintain a total debt to total capitalization ratio that is less than or equal to 60% and to provide guarantees from certain of our rig-owning subsidiaries sufficient to meet certain guarantee coverage ratios. The Credit Facility also contains customary restrictive covenants, including, among others, prohibitions on creating, incurring or assuming certain debt and liens (subject to customary exceptions, including a permitted lien basket that permits us to raise secured debt up to the lesser of $750 million or 10% of consolidated tangible net worth (as defined in the Credit Facility)); entering into certain merger arrangements; selling, leasing, transferring or otherwise disposing of all or substantially all of our assets; making a material change in the nature of the business; paying or distributing dividends on our ordinary shares (subject to certain exceptions, including the ability to continue paying a

quarterly dividend of $0.01 per share); borrowings, if after giving effect to any such borrowings and the application of the proceeds thereof, the aggregate amount of available cash (as defined in the Credit Facility) would exceed $150 million; and entering into certain transactions with affiliates.

The Credit Facility also includes a covenant restricting our ability to repay indebtedness maturing after September 2022, which is the final maturity date of our Credit Facility. This covenant is subject to certain exceptions that permit us to manage our balance sheet, including the ability to make repayments of indebtedness (i) of acquired companies within 90 days of the completion of the acquisition or (ii) if, after giving effect to such repayments, available cash is greater than $250 million and there are no amounts outstanding under the Credit Facility.

As of December 31, 2018, we were in compliance in all material respects with our covenants under the Credit Facility. We expect to remain in compliance with our Credit Facility covenants during 2019. We had no amounts outstanding under the Credit Facility as of December 31, 2018 and 2017.

Our access to credit and capital markets depends on the credit ratings assigned to our debt. As a result of recent rating actions by credit rating agencies, we no longer maintain an investment-grade status. Our current credit ratings, and any additional actual or anticipated downgrades in our credit ratings, could limit our available options when accessing credit and capital markets, or when restructuring or refinancing our debt. In addition, future financings or refinancings may result in higher borrowing costs and require more restrictive terms and covenants, which may further restrict our operations.

Maturities

The descriptions of our senior notes above reflect the original principal amounts issued, which have subsequently changed as a result of our tenders, repurchases, exchanges, redemptions and new debt issuances such that the maturities of our debt were as follows (in millions):

Senior Notes	Original Principal	2016 Tenders, Repurchases and Equity Exchange	2017 Exchange Offers and Repurchases	2018 Tender Offers, Redemption and Debt Issuance	Remaining Principal
8.50% due 2019	$ 500.0	$ (62.0)	$ (200.4)	$ (237.6)	$ —
6.875% due 2020	900.0	(219.2)	(229.9)	(328.0)	122.9
4.70% due 2021	1,500.0	(817.0)	(413.3)	(156.2)	113.5
3.00% Exchangeable senior notes due 2024	849.5	—	—	—	849.5
4.50% due 2024	625.0	(1.7)	—	—	623.3
8.00% due 2024	—	—	332.0	—	332.0
5.20% due 2025	700.0	(30.7)	—	—	669.3
7.75% due 2026	—	—	—	1,000.0	1,000.0
7.20% due 2027	150.0	—	—	—	150.0
7.875% due 2040	300.0	—	—	—	300.0
5.75% due 2044	1,025.0	(24.5)	—	—	1,000.5
Total	$ 6,549.5	$ (1,155.1)	$ (511.6)	$ 278.2	$ 5,161.0

Interest Expense

Interest expense totaled $282.7 million, $224.2 million and $228.8 million for the years ended December 31, 2018, 2017 and 2016, respectively, which was net of capitalized interest of $62.6 million, $72.5 million and $45.7 million associated with newbuild rig construction and other capital projects.

7. DERIVATIVE INSTRUMENTS

We use derivatives to reduce our exposure to various market risks, primarily foreign currency exchange rate risk. 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 mitigate our credit risk relating to the counterparties of our derivatives by transacting with multiple, high-quality financial institutions, thereby limiting 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 our derivative counterparties. See "Note 14 - Supplemental Financial Information" for additional information on the mitigation of credit risk relating to counterparties of our derivatives. We do not enter into derivatives for trading or other speculative purposes.

All derivatives were recorded on our consolidated balance sheets at fair value. Derivatives subject to legally enforceable master netting agreements were not offset on our 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. See "Note 1 - Description of the Business and Summary of Significant Accounting Policies" for additional information on our accounting policy for derivatives and "Note 4 - Fair Value Measurements" for additional information on the fair value measurement of our derivatives.

As of December 31, 2018 and 2017, our consolidated balance sheets included net foreign currency derivative liabilities of $10.7 million and assets of $6.8 million, respectively. All of our derivatives mature within the next 18 months.

Derivatives recorded at fair value on our consolidated balance sheets as of December 31, 2018 and 2017 consisted of the following (in millions):

	Derivative Assets		Derivative Liabilities	
	2018	2017	2018	2017
Derivatives Designated as Hedging Instruments				
Foreign currency forward contracts - current[1]	$ .2	$ 5.9	$ 8.3	$ .2
Foreign currency forward contracts - non-current[2]	—	.5	.4	.1
	.2	6.4	8.7	.3
Derivatives not Designated as Hedging Instruments				
Foreign currency forward contracts - current[1]	.4	.9	2.6	.2
Total	$ .6	$ 7.3	$ 11.3	$ .5

(1) Derivative assets and liabilities that have maturity dates equal to or less than 12 months from the respective balance sheet dates were included in other current assets and accrued liabilities and other, respectively, on our consolidated balance sheets.

(2) Derivative assets and liabilities that have maturity dates greater than 12 months from the respective balance sheet dates were included in other assets and other liabilities, respectively, on our 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 December 31, 2018, we had cash flow hedges outstanding to exchange an aggregate $187.8 million for various foreign currencies, including $88.0 million for British pounds, $50.3 million for Australian dollars, $19.7 million for euros, $16.2 million for Brazilian reals, $11.0 million for Singapore dollars and $2.6 million for other currencies.

Gains and losses, net of tax, on derivatives designated as cash flow hedges included in our consolidated statements of operations and comprehensive income for each of the years in the three-year period ended December 31, 2018 were as follows (in millions):

	Gain (Loss) Recognized in Other Comprehensive Income ("OCI") on Derivatives (Effective Portion)			(Gain) Loss Reclassified from AOCI into Income (Effective Portion)[1]			Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)[2]		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Interest rate lock contracts[3]	$ —	$ —	$ —	$ .2	$ .2	$ .2	$ —	$ —	$ —
Foreign currency forward contracts[4]	(9.7)	8.5	(5.4)	(1.2)	.2	12.2	(1.9)	(.7)	1.9
Total	$ (9.7)	$ 8.5	$ (5.4)	$ (1.0)	$ .4	$ 12.4	$ (1.9)	$ (.7)	$ 1.9

(1) Changes in the fair value of cash flow hedges are recorded in AOCI. Amounts recorded in AOCI associated with cash flow hedges are subsequently reclassified into contract drilling, depreciation or interest expense as earnings are affected by the underlying hedged forecasted transaction.

(2) Gains and losses recognized in income for amounts excluded from effectiveness testing were included in other, net, in our consolidated statements of operations.

(3) Losses on interest rate lock derivatives reclassified from AOCI into income were included in interest expense, net, in our consolidated statements of operations.

(4) During the year ended December 31, 2018, $400,000 of gains were reclassified from AOCI into contract drilling expense and $800,000 of gains were reclassified from AOCI into depreciation expense in our consolidated statement of operations. During the year ended December 31, 2017, $1.1 million of losses were reclassified from AOCI into contract drilling expense and $900,000 of gains were reclassified from AOCI into depreciation expense in our consolidated statement of operations. During the year ended December 31, 2016, $13.1 million of losses were reclassified from AOCI into contract drilling and $900,000 of gains were reclassified from AOCI into depreciation expense in our 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 December 31, 2018, we held derivatives not designated as hedging instruments to exchange an aggregate $175.7 million for various foreign currencies, including $89.3 million for euros, $19.8 million for Australian dollars, $19.6 million for Qatari riyals, $10.3 million for Indonesian rupiahs, $10.2 million for British pounds and $26.5 million for other currencies.

Net losses of $11.8 million, gains of $10.0 million and losses of $7.0 million associated with our derivatives not designated as hedging instruments were included in other, net, in our consolidated statements of operations for the years ended December 31, 2018, 2017 and 2016, respectively.

As of December 31, 2018, the estimated amount of net losses associated with derivatives, net of tax, that will be reclassified to earnings during the next 12 months was as follows (in millions):

Net unrealized losses to be reclassified to contract drilling expense	$	(5.2)
Net realized gains to be reclassified to depreciation expense		.8
Net realized losses to be reclassified to interest expense		(.2)
Net losses to be reclassified to earnings	$	(4.6)

8. SHAREHOLDERS' EQUITY

Activity in our various shareholders' equity accounts for each of the years in the three-year period ended December 31, 2018 was as follows (in millions):

	Shares	Par Value	Additional Paid-in Capital	Retained Earnings	AOCI	Treasury Shares	Non-controlling Interest
BALANCE, December 31, 2015	242.9	$ 24.4	$ 5,554.5	$ 985.3	$ 12.5	$ (63.8)	$ 4.3
Net income	—	—	—	890.2	—	—	6.9
Dividends paid ($0.04 per share)	—	—	—	(11.4)	—	—	—
Distributions to noncontrolling interests	—	—	—	—	—	—	(7.8)
Equity issuance	65.6	6.5	579.0	—	—	—	—
Equity for debt exchange	1.8	.2	14.8	—	—	—	—
Equity component of convertible debt	—	—	220.0	—	—	—	—
Contributions from noncontrolling interests	—	—	—	—	—	—	1.0
Tax expense on share-based compensation	—	—	(3.4)	—	—	—	—
Repurchase of shares	—	—	—	—	—	(2.0)	—
Share-based compensation cost	—	—	37.3	—	—	—	—
Net other comprehensive loss	—	—	—	—	6.5	—	—
BALANCE, December 31, 2016	310.3	31.1	6,402.2	1,864.1	19.0	(65.8)	4.4
Net loss	—	—	—	(303.7)	—	—	(.5)
Dividends paid ($0.04 per share)	—	—	—	(13.6)	—	—	—
Cumulative-effect reduction from adoption of ASU 2016-16	—	—	—	(14.1)	—	—	—
Distributions to noncontrolling interests	—	—	—	—	—	—	(6.0)
Equity issuance in connection with Atwood Merger	132.2	13.2	757.5	—	—	—	—
Shares issued under share-based compensation plans, net	4.5	.5	(.4)	—	—	(1.3)	—
Repurchase of shares	—	—	—	—	—	(1.9)	—
Share-based compensation cost	—	—	35.7	—	—	—	—
Net other comprehensive income	—	—	—	—	9.6	—	—
BALANCE, December 31, 2017	447.0	44.8	7,195.0	1,532.7	28.6	(69.0)	(2.1)
Net loss	—	—	—	(639.7)	—	—	3.1
Dividends paid ($0.04 per share)	—	—	—	(18.0)	—	—	—
Cumulative-effect reduction from adoption of ASU 2018-02	—	—	—	(.8)	.8	—	—
Shares issued under share-based compensation plans, net	13.7	1.4	(.6)	—	—	(1.3)	—
Distributions to noncontrolling interests	—	—	—	—	—	—	(3.6)
Repurchase of shares	—	—	—	—	—	(1.9)	—
Share-based compensation cost	—	—	30.6	—	—	—	—
Net other comprehensive income	—	—	—	—	(11.2)	—	—
BALANCE, December 31, 2018	460.7	$ 46.2	$ 7,225.0	$ 874.2	$ 18.2	$ (72.2)	$ (2.6)

In October 2017, as a result of the Atwood Merger, we issued 132.2 million of our Class A Ordinary shares, representing total equity consideration of $770.7 million based on a closing price of $5.83 per Class A ordinary share on October 5, 2017, the last trading day before the Merger Date.

In April, 2016, we closed an underwritten public offering of 65,550,000 Class A ordinary shares at $9.25 per share. We received net proceeds from the offering of $585.5 million.

In October 2016, we entered into a privately-negotiated exchange agreement whereby we issued 1,822,432 Class A ordinary shares, representing less than one percent of our outstanding Class A ordinary shares, in exchange for $24.5 million principal amount of our 2044 Notes, resulting in a pre-tax gain from debt extinguishment of $8.8 million.

As a U.K. company governed in part by the Companies Act, we cannot issue new shares (other than in limited circumstances) without being authorized by our shareholders. At our 2018 annual general meeting, our shareholders authorized the allotment of 145.6 million Class A ordinary shares (or 291.2 million Class A ordinary shares in connection with an offer by way of a rights issue or other similar issue). This authority was further increased by shareholders at an additional general meeting on February 21, 2019, expiring at the next annual shareholder meeting or at the close of business on April 22, 2020 (whichever is earlier).

Under English law, we are only able to declare dividends and return funds to our shareholders out of the accumulated distributable reserves on our statutory balance sheet. The declaration and amount of future dividends is at the discretion of our Board of Directors and will depend on our profitability, liquidity, financial condition, market outlook, reinvestment opportunities, capital requirements and other factors and restrictions our Board of Directors deems relevant. There can be no assurance that we will pay a dividend in the future.

Our shareholders approved a new share repurchase program at our annual shareholder meeting held in May 2018. Subject to certain provisions under English law, including the requirement of Ensco plc to have sufficient distributable reserves, we may repurchase shares up to a maximum of $500.0 million in the aggregate from one or more financial intermediaries under the program, but in no case more than 65.0 million shares. The program terminates in May 2023. Our prior share repurchase program approved by our shareholders in 2013, under which we could repurchase up to a maximum of $2.0 billion in the aggregate, not to exceed 35.0 million shares, expired in May 2018. As of December 31, 2018, there had been no share repurchases under this program.

9. BENEFIT PLANS

In May 2018, our shareholders approved the 2018 Long-Term Incentive Plan (the "2018 LTIP") effective January 1, 2018, to provide for the issuance of non-vested share awards, share option awards and performance awards (collectively "awards"). The 2018 LTIP is similar to and replaces the Company's previously adopted 2012 Long-Term Incentive Plan (the “2012 LTIP”). No further awards will be granted under the 2012 LTIP. Under the 2018 LTIP, 59.0 million shares were reserved for issuance as awards to officers, non-employee directors and key employees who are in a position to contribute materially to our growth, development and long-term success. As of December 31, 2018, there were 34.0 million shares available for issuance as awards under the 2018 LTIP. Awards may be satisfied by newly issued shares, including shares held by a subsidiary or affiliated entity, or by delivery of shares held in an affiliated employee benefit trust at the Company's discretion.

In connection with the Atwood Merger, we assumed Atwood’s Amended and Restated 2007 Long-Term Incentive Plan (the “Atwood LTIP”) and the options outstanding thereunder. As of December 31, 2018, there were 1.4 million shares remaining available for future issuance as awards under the Atwood LTIP, which may be granted to employees and other service providers who were not employed or engaged with Ensco prior to the Atwood Merger.

Non-Vested Share Awards and Cash-Settled Awards

Grants of share awards and share units (collectively "share awards") and share units to be settled in cash ("cash-settled 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 grant. During 2018, we granted 114,000 cash-settled awards and 6.3 million share awards to our employees and non-employee directors pursuant to the 2018 LTIP. Our non-vested share awards have voting and dividend rights effective on the date of grant, and our non-vested share units have dividend rights effective on the date of grant. Compensation expense for share awards is measured at fair value on the date of grant and recognized on a straight-line basis over the requisite service period (usually the vesting period). Compensation expense for cash-settled awards is remeasured each quarter with a cumulative adjustment to compensation cost during the period based on changes in our share price. Our compensation cost is reduced for forfeited awards in the period in which the forfeitures occur.

The following table summarizes share award and cash-settled award compensation expense recognized during each of the years in the three-year period ended December 31, 2018 (in millions):

	2018	2017	2016
Contract drilling	$ 18.9	$ 18.3	$ 19.9
General and administrative	14.5	14.5	16.6
	33.4	32.8	36.5
Tax benefit	(2.8)	(4.8)	(5.9)
Total	$ 30.6	$ 28.0	$ 30.6

The following table summarizes the value of share awards and cash-settled awards granted and vested during each of the years in the three-year period ended December 31, 2018:

	Share Awards			Cash-Settled Awards		
	2018	2017	2016	2018	2017	2016
Weighted-average grant-date fair value of share awards granted (per share)	$ 6.16	$ 7.90	$ 10.42	$ 5.31	$ 6.27	$ 9.64
Total fair value of share awards vested during the period (in millions)	$ 7.5	$ 8.6	$ 8.8	$ 9.9	$ 3.9	$ —

The following table summarizes share awards and cash-settled awards activity for the year ended December 31, 2018 (shares in thousands):

	Share Awards		Cash-settled Awards	
	Awards	Weighted-Average Grant-Date Fair Value	Awards	Weighted-Average Grant-Date Fair Value
Share awards and cash-settled awards as of December 31, 2017	3,305	$ 16.06	7,089	$ 7.37
Granted	6,298	6.16	114	5.31
Vested	(1,312)	19.85	(1,512)	7.53
Forfeited	(225)	11.62	(574)	7.18
Share awards and cash-settled awards as of December 31, 2018	8,066	$ 7.84	5,117	$ 7.30

As of December 31, 2018, there was $63.5 million of total unrecognized compensation cost related to share awards, which is expected to be recognized over a weighted-average period of 3.5 years.

Share Option Awards

Share option awards ("options") granted to employees generally become exercisable in 25% increments over a four-year period or 33% increments over a three-year period and, to the extent not exercised, expire on either the seventh or tenth anniversary of the date of grant. The exercise price of options granted under the 2018 LTIP equals the market value of the underlying shares on the date of grant. As of December 31, 2018, options granted to purchase 691,852 shares with a weighted-average exercise price of $25.46 were outstanding under the 2018 LTIP and predecessor or acquired plans. Excluding options assumed under the Atwood LTIP, no options have been granted since 2011, and there was no unrecognized compensation cost related to options as of December 31, 2018.

Performance Awards

Under the 2018 LTIP, performance awards may be issued to our senior executive officers. Performance awards are subject to achievement of specified performance goals based on relative total shareholder return ("TSR") and relative return on capital employed ("ROCE") as compared to a specified peer group. The performance goals are determined by a committee or subcommittee of the Board of Directors. Awards are payable in either Ensco shares or cash upon attainment of relative TSR and ROCE performance goals. Performance awards granted during 2017 and 2018 are payable in cash while performance awards granted in 2016 are payable in Ensco shares.

Performance awards generally vest at the end of a three-year measurement period based on attainment of performance goals. Our performance awards granted during 2016 are classified as equity awards and awards granted during 2017 and 2018 are classified as liability awards, all with compensation expense recognized over the requisite service period. The estimated probable outcome of attainment of the specified performance goals is based primarily on relative performance over the requisite performance period. Any subsequent changes in this estimate for the relative ROCE performance goal for the 2016 awards and both the ROCE and TSR performance goals for the 2017 and 2018 awards are recognized as a cumulative adjustment to compensation cost in the period in which the change in estimate occurs.

The aggregate grant-date fair value of performance awards granted during 2018, 2017 and 2016 totaled $6.7 million, $6.7 million and $6.1 million, respectively. The aggregate fair value of performance awards vested during 2018, 2017 and 2016 totaled $0.7 million, $2.9 million and $2.8 million, respectively.

During the years ended December 31, 2018, 2017 and 2016, we recognized $8.2 million, $8.4 million and $3.1 million of compensation expense for performance awards, respectively, which was included in general and administrative expense in our consolidated statements of operations. As of December 31, 2018, there was $10.3 million of total unrecognized compensation cost related to unvested performance awards, which is expected to be recognized over a weighted-average period of 1.9 years.

Savings Plans

We have savings plans, (the Ensco Savings Plan, the Ensco Multinational Savings Plan and the Ensco Limited Retirement Plan), which cover eligible employees as defined within each plan. The Ensco Savings Plan includes a 401(k) savings plan feature, which allows eligible employees to make tax-deferred contributions to the plan. The Ensco Limited Retirement Plan also allows eligible employees to make tax-deferred contributions to the plan. Contributions made to the Ensco Multinational Savings Plan may or may not qualify for tax deferral based on each plan participant's local tax requirements.

We generally make matching cash contributions to the plans. We match 100% of the amount contributed by the employee up to a maximum of 5% of eligible salary. Matching contributions totaled $14.4 million, $12.2 million and $16.7 million for the years ended December 31, 2018, 2017 and 2016, respectively. Any additional discretionary contributions made into the plans require approval of the Board of Directors and are generally paid in cash. We recorded an additional discretionary contribution provision of $19.2 million for the year ended December 31, 2016, which was paid during 2017. Matching contributions and additional discretionary contributions become vested in 33% increments upon completion of each initial year of service with all contributions becoming fully vested subsequent to achievement

of three or more years of service. As of January 1, 2019, the plans were modified such that all previously paid employer contributions became 100% vested and any future employer contributions will vest immediately. We have 1.0 million shares reserved for issuance as matching contributions under the Ensco Savings Plan.

10. INCOME TAXES

We generated losses of $115.1 million, profits of $6.3 million and losses of $151.6 million from continuing operations before income taxes in the U.S. and losses of $423.8 million and $202.3 million and profits of $1.1 billion from continuing operations before income taxes in non-U.S. jurisdictions for the years ended December 31, 2018, 2017 and 2016, respectively.

The following table summarizes components of our provision for income taxes from continuing operations for each of the years in the three-year period ended December 31, 2018 (in millions):

	2018	2017	2016
Current income tax (benefit) expense:			
U.S.	$ (19.9)	$ (2.2)	$ (6.6)
Non-U.S.	52.9	56.4	86.4
	33.0	54.2	79.8
Deferred income tax expense:			
U.S.	52.9	36.0	15.9
Non-U.S.	3.7	19.0	12.8
	56.6	55.0	28.7
Total income tax expense	$ 89.6	$ 109.2	$ 108.5

U.S. Tax Reform

U.S. tax reform was enacted on December 22, 2017 and introduced significant changes to U.S. income tax law, including a reduction in the statutory income tax rate from 35% to 21% effective January 1, 2018, a one-time transition tax on deemed repatriation of deferred foreign income, a base erosion anti-abuse tax that effectively imposes a minimum tax on certain payments to non-U.S. affiliates, new and revised rules relating to the current taxation of certain income of foreign subsidiaries and revised rules associated with limitations on the deduction of interest.

Due to the timing of the enactment of U.S. tax reform and the complexity involved in applying its provisions, we made reasonable estimates of its effects and recorded such amounts in our consolidated financial statements as of December 31, 2017 on a provisional basis. Throughout 2018, we continued to analyze applicable information and data, interpret rules and guidance issued by the U.S. Treasury Department and Internal Revenue Service, and make adjustments to the provisional amounts as provided for in Staff Accounting Bulletin No. 118. The U.S. Treasury Department is expected to continue finalizing rules associated with U.S. tax reform during 2019 and, when issued, these rules may have a material impact on our consolidated financial statements.

During 2018, we recognized a tax benefit of $11.7 million associated with the one-time transition tax on deemed repatriation of the deferred foreign income of our U.S. subsidiaries. We recognized a net tax expense of $16.5 million during the fourth quarter of 2017 in connection with enactment of U.S. tax reform, consisting of a $38.5 million tax expense associated with the one-time transition tax on deemed repatriation of the deferred foreign income of our U.S. subsidiaries, a $17.3 million tax expense associated with revisions to rules over the taxation of income of foreign subsidiaries, a $20.0 million tax benefit resulting from the re-measurement of our deferred tax assets and liabilities as of December 31, 2017 to reflect the reduced tax rate and a $19.3 million tax benefit resulting from adjustments to the valuation allowance on deferred tax assets.

Deferred Taxes

The following table summarizes significant components of deferred income tax assets and liabilities as of December 31, 2018 and 2017 (in millions):

	2018	2017
Deferred tax assets:		
Net operating loss carryforwards	$ 148.4	$ 187.1
Foreign tax credits	123.6	132.3
Interest limitation carryforwards	40.2	—
Premiums on long-term debt	23.8	36.1
Employee benefits, including share-based compensation	15.4	20.7
Deferred revenue	10.3	26.0
Other	14.5	12.8
Total deferred tax assets	376.2	415.0
Valuation allowance	(316.0)	(278.8)
Net deferred tax assets	60.2	136.2
Deferred tax liabilities:		
Property and equipment	(54.5)	(51.5)
Deferred U.S. tax on foreign income	(31.5)	(24.8)
Deferred costs	(5.3)	(9.1)
Deferred transition tax	—	(13.7)
Other	(3.7)	(8.7)
Total deferred tax liabilities	(95.0)	(107.8)
Net deferred tax asset (liability)	$ (34.8)	$ 28.4

The realization of substantially all of our deferred tax assets is dependent upon generating sufficient taxable income during future periods in various jurisdictions in which we operate. Realization of certain of our deferred tax assets is not assured. We recognize a valuation allowance for deferred tax assets when it is more-likely-than-not that the benefit from the deferred tax asset will not be realized. The amount of deferred tax assets considered realizable could increase or decrease in the near-term if our estimates of future taxable income change.

As of December 31, 2018, we had deferred tax assets of $123.6 million for U.S. foreign tax credits ("FTCs"), $148.4 million related to $784.2 million of net operating loss ("NOL") carryforwards and $40.2 million for U.S. interest limitation carryforwards, which can be used to reduce our income taxes payable in future years. The FTCs expire between 2022 and 2028. NOL carryforwards, which were generated in various jurisdictions worldwide, include $449.8 million that do not expire and $334.4 million that will expire, if not utilized, between 2019 and 2037. U.S. interest limitation carryforwards do not expire. Due to the uncertainty of realization, we have a $271.8 million valuation allowance on FTC, NOL carryforwards and U.S. interest limitation carryforwards.

Effective Tax Rate

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 generally 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 profitability levels and changes in tax laws, our annual effective income tax rate may vary substantially from one reporting period to another. In periods of declining profitability, our income tax expense may not decline proportionally with income, which could result in higher effective income tax rates. Further, we may continue to incur income tax expense in periods in which we operate at a loss.

Our consolidated effective income tax rate on continuing operations for each of the years in the three-year period ended December 31, 2018, differs from the U.K. statutory income tax rate as follows:

	2018	**2017**	**2016**
U.K. statutory income tax rate	19.0 %	19.2 %	20.0%
Non-U.K. taxes	(18.0)	(40.4)	(7.9)
Valuation allowance	(16.9)	(18.0)	2.6
Debt repurchases	(1.6)	(2.8)	(4.1)
Asset impairments	(1.4)	(17.1)	—
Bargain purchase gain	(.2)	13.8	—
U.S. tax reform	2.2	(8.4)	—
Tax restructuring transaction	1.7	—	—
Other	(1.4)	(2.0)	.3
Effective income tax rate	(16.6)%	(55.7)%	10.9%

Our 2018 consolidated effective income tax rate includes the impact of various discrete tax items, including $46.0 million of tax benefit associated with the utilization of foreign tax credits subject to a valuation allowance, the transition tax on deemed repatriation of the deferred foreign income of our U.S. subsidiaries and a restructuring transaction, partially offset by $21.0 million of tax expense related to recovery of certain costs associated with an ongoing legal matter, repurchase and redemption of senior notes, unrecognized tax benefits associated with tax positions taken in prior years and rig sales.

Our 2017 consolidated effective income tax rate includes $32.2 million associated with the impact of various discrete tax items, including $16.5 million of tax expense associated with U.S. tax reform and $15.7 million of tax expense associated with the exchange offers and debt repurchases, rig sales, a restructuring transaction, settlement of a previously disclosed legal contingency, the effective settlement of a liability for unrecognized tax benefits associated with a tax position taken in prior years and other resolutions of prior year tax matters.

Our 2016 consolidated effective income tax rate includes the impact of various discrete tax items, including a $16.9 million tax expense resulting from net gains on the repurchase of various debt during the year, the recognition of an $8.4 million net tax benefit relating to the sale of various rigs, a $5.5 million tax benefit resulting from a net reduction in the valuation allowance on U.S. foreign tax credits and a net $5.3 million tax benefit associated with liabilities for unrecognized tax benefits and other adjustments relating to prior years.

Excluding the impact of the aforementioned discrete tax items, our consolidated effective income tax rates for the years ended December 31, 2018, 2017 and 2016 were (24.8)%, (96.0)% and 20.3%, The changes in our consolidated effective income tax rate, excluding discrete tax items, during the three-year period result primarily from U.S. tax reform and changes in the relative components of our earnings from the various taxing jurisdictions in which our drilling rigs are operated and/or owned and differences in tax rates in such taxing jurisdictions.

Unrecognized Tax Benefits

Our tax positions are evaluated for recognition using a more-likely-than-not threshold, and those tax positions requiring recognition are measured as the largest amount of tax benefit that is greater than 50% likely of being realized upon effective settlement with a taxing authority that has full knowledge of all relevant information. As of December 31, 2018, we had $143.0 million of unrecognized tax benefits, of which $136.5 million was included in other liabilities on our consolidated balance sheet and the remaining $6.5 million, which is associated with a tax position taken in tax years with NOL carryforwards, was presented as a reduction of deferred tax assets. As of December 31, 2017, we had $147.6 million of unrecognized tax benefits, of which $139.4 million was included in other liabilities on our consolidated balance sheet and the remaining $8.2 million, which is associated with a tax position taken in tax years with NOL carryforwards, was presented as a reduction of deferred tax assets. If recognized, $127.4 million of the $143.0 million unrecognized tax benefits as of December 31, 2018 would impact our consolidated effective income tax rate. A reconciliation of the beginning and ending amount of unrecognized tax benefits for the years ended December 31, 2018 and 2017 is as follows (in millions):

	2018	2017
Balance, beginning of year	$ 147.6	$ 122.0
Increases in unrecognized tax benefits as a result of tax positions taken during the current year	6.5	5.4
Impact of foreign currency exchange rates	(5.0)	8.1
Lapse of applicable statutes of limitations	(4.5)	(.4)
Increase in unrecognized tax benefits as a result of tax positions taken during prior years	2.5	.7
Decreases in unrecognized tax benefits as a result of tax positions taken during prior years	(3.8)	(.2)
Settlements with taxing authorities	(.3)	(10.2)
Increases in unrecognized tax benefits as a result of the Atwood Merger	—	22.2
Balance, end of year	$ 143.0	$ 147.6

Accrued interest and penalties totaled $40.5 million and $38.6 million as of December 31, 2018 and 2017, respectively, and were included in other liabilities on our consolidated balance sheets. We recognized a net expense of $1.9 million and $4.4 million and a net benefit of $3.8 million associated with interest and penalties during the years ended December 31, 2018, 2017 and 2016, respectively. Interest and penalties are included in current income tax expense in our consolidated statements of operations.

Our 2014 and subsequent years remain subject to examination for U.S. federal tax returns. Tax years as early as 2005 remain subject to examination in the other major tax jurisdictions in which we operated.

Statutes of limitations applicable to certain of our tax positions lapsed during 2018, 2017 and 2016, resulting in net income tax benefits, inclusive of interest and penalties, of $5.3 million, $1.1 million and $600,000, respectively.

Absent the commencement of examinations by tax authorities, statutes of limitations applicable to certain of our tax positions will lapse during 2019. Therefore, it is reasonably possible that our unrecognized tax benefits will decline during the next 12 months by $500,000, inclusive of $300,000 of accrued interest and penalties, all of which would impact our consolidated effective income tax rate if recognized.

Intercompany Transfer of Drilling Rigs

In October 2016, the FASB issued Accounting Standards Update 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory ("Update 2016-16"), which requires entities to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transaction occurs as opposed to deferring tax consequences and amortizing them into future periods. We adopted Update 2016-16 on a modified retrospective basis effective January 1, 2017. As a result of modified retrospective application, we reduced prepaid taxes on intercompany transfers of property and related deferred tax liabilities resulting in the recognition of a cumulative-effect reduction in retained earnings of $14.1 million on our consolidated balance sheet as of January 1, 2017. We did not recognize any income tax benefit or expense from the intercompany transfer of drilling rigs during the years ended December 31, 2018 and 2017, respectively.

Undistributed Earnings

Dividend income received by Ensco plc from its subsidiaries is exempt from U.K. taxation. We do not provide deferred taxes on undistributed earnings of certain subsidiaries because our policy and intention is to reinvest such earnings indefinitely. Each of the subsidiaries for which we maintain such policy has sufficient net assets, liquidity, contract backlog and/or other financial resources available to meet operational and capital investment requirements, which allows us to continue to maintain our policy of reinvesting the undistributed earnings indefinitely.

As of December 31, 2018, the aggregate undistributed earnings of the subsidiaries for which we maintain a policy and intention to reinvest earnings indefinitely totaled $386.7 million. Should we make a distribution from these subsidiaries in the form of dividends or otherwise, we would be subject to additional income taxes. The unrecognized deferred tax liability related to these undistributed earnings was not practicable to estimate as of December 31, 2018.

11. DISCONTINUED OPERATIONS

Our business strategy has been to focus on ultra-deepwater floater and premium jackup operations and de-emphasize other assets and operations that are not part of our long-term strategic plan or that no longer meet our standards for economic returns. Consistent with this strategy, we sold 12 jackup rigs, five dynamically positioned semisubmersible rigs, one moored semisubmersible rig and two drillships during the three-year period ended December 31, 2018.

We continue to focus on our fleet management strategy in light of the new composition of our rig fleet and will continue to review our fleet composition as we position Ensco for the future. As part of this strategy, we may act opportunistically from time to time to monetize assets to enhance shareholder value and improve our liquidity profile, in addition to selling or disposing of older, lower-specification or non-core rigs.

Prior to 2015, individual rig disposals were classified as discontinued operations once the rigs met the criteria to be classified as held-for-sale. The operating results of the rigs through the date the rig was sold as well as the gain or loss on sale were included in results from discontinued operations, net, in our consolidated statement of operations. Net proceeds from the sales of the rigs were included in investing activities of discontinued operations in our consolidated statement of cash flows in the period in which the proceeds were received.

During 2015, we adopted the Financial Accounting Standards Board's Accounting Standards Update 2014-08, *Presentation of Financial Statements* (*Topic 205*) *and Property, Plant, and Equipment* (*Topic 360*): *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity* ("*Update 2014-08*"). Under the new guidance, only disposals representing a strategic shift in operations should be presented as discontinued operations. As a result, individual assets that are classified as held-for-sale beginning in 2015 are not reported as discontinued operations and their operating results and gain or loss on sale of these rigs are included in continuing operations in our consolidated statements of operations. Rigs that were classified as held-for-sale prior to 2015 continue to be reported as discontinued operations.

The following rig sales were included in discontinued operations during the three-year period ended December 31, 2018 (in millions):

Rig	Date of Sale	Segment[1]	Net Proceeds	Net Book Value[2]	Pre-tax Gain (Loss)
ENSCO 7500	April 2018	Floaters	$ 2.6	$ 1.5	$ 1.1
ENSCO 90	June 2017	Jackups	.3	.3	—
ENSCO DS-2	May 2016	Floaters	5.0	4.0	1.0
ENSCO 58	April 2016	Jackups	.7	.3	.4
ENSCO 6000	April 2016	Floaters	.6	.8	(.2)
			$ 9.2	$ 6.9	$ 2.3

(1) The rigs' operating results were reclassified to discontinued operations in our consolidated statements of operations for each of the years in the three-year period ended December 31, 2018 and were previously included within the specified operating segment.

(2) Includes the rig's net book value as well as inventory and other assets on the date of the sale.

The following table summarizes income (loss) from discontinued operations for each of the years in the three-year period ended December 31, 2018 (in millions):

	2018	2017	2016
Revenues	$ —	$ —	$ —
Operating expenses	2.0	1.5	3.1
Operating loss	(2.0)	(1.5)	(3.1)
Income tax expense (benefit)	7.1	(2.1)	(10.1)
Gain on disposal of discontinued operations, net	1.0	.4	1.1
Income (loss) from discontinued operations	$ (8.1)	$ 1.0	$ 8.1

Income tax benefit from discontinued operations for the years ended December 31, 2018, 2017 and 2016 included $6.9 million of discrete tax expense and $2.1 million and $10.2 million of discrete tax benefits, respectively.

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

12. COMMITMENTS AND CONTINGENCIES

Leases

We are obligated under leases for certain of our offices and equipment. Rental expense relating to operating leases was $40.1 million, $37.0 million and $39.7 million during the years ended December 31, 2018, 2017 and 2016, respectively. Future minimum rental payments under our noncancellable operating lease obligations are as follows: $32.3 million during 2019; $18.7 million during 2020; $11.9 million during 2021; $9.2 million during 2022; $8.9 million during 2023 and $15.2 million thereafter.

Capital Commitments

The following table summarizes the cumulative amount of contractual payments made as of December 31, 2018 for our rigs under construction and estimated timing of our remaining contractual payments (in millions):

	Cumulative Paid[1]	2019	2020	Thereafter	Total[2]
ENSCO 123[3]	$ 276.4	$ 9.0	$ —	$ —	$ 285.4
ENSCO DS-14[4]	15.0	—	165.0	—	180.0
ENSCO DS-13[4]	—	83.9	—	—	83.9
	$ 291.4	$ 92.9	$ 165.0	$ —	$ 549.3

(1) Cumulative paid represents the aggregate amount of contractual payments made from commencement of the construction agreement through December 31, 2018. Contractual payments made by Atwood prior to the Atwood Merger for ENSCO DS-13 and ENSCO DS-14 are excluded.

(2) Total commitments are based on fixed-price shipyard construction contracts, exclusive of our internal costs associated with project management, commissioning and systems integration testing. Total commitments also exclude holding costs and interest.

(3) In January 2018, we made a milestone payment of $207.4 million. The remaining unpaid balance of $9.0 million is due upon delivery. The $207.4 million milestone payment was invoiced and included in accounts payable - trade as of December 31, 2017 on our consolidated balance sheet.

(4) The remaining milestone payments for ENSCO DS-13 and ENSCO DS-14 bear interest at a rate of 4.5% per annum, which accrues during the holding period until delivery. Delivery is scheduled for September 2019 and June 2020 for ENSCO DS-13 and ENSCO DS-14, respectively. Upon delivery, the remaining milestone payments and accrued interest thereon may be financed through a promissory note with the shipyard for each rig. The promissory notes will bear interest at a rate of 5.0% per annum with a maturity date of December 30, 2022 and will be secured by a mortgage on each respective rig. The remaining milestone payments for ENSCO DS-13 and ENSCO DS-14 are included in the table above in the period in which we expect to take delivery of the rig. However, we may elect to execute the promissory notes and defer payment until December 2022.

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.

DSA Dispute

On January 4, 2016, Petrobras sent a notice to us declaring the drilling services agreement with Petrobras (the "DSA") for ENSCO DS-5, a drillship ordered from Samsung Heavy Industries, a shipyard in South Korea ("SHI"), void effective immediately, reserving its rights and stating its intention to seek any restitution to which it may be entitled. The previously disclosed arbitral hearing on liability related to the matter was held in March 2018. Prior to the arbitration tribunal issuing its decision, we and Petrobras agreed in August 2018 to a settlement of all claims relating

to the DSA. No payments were made by either party in connection with the settlement agreement. The parties agreed to normalize business relations and the settlement agreement provides for our participation in current and future Petrobras tenders on the same basis as all other companies invited to these tenders. No losses were recognized during 2018 with respect to this settlement as all disputed receivables with Petrobras related to the DSA were fully reserved in 2015. See Item 3 "Legal Proceedings" in our quarterly report on Form 10-Q for the quarter ended June 30, 2018 for further information about the DSA dispute.

In November 2016, we initiated separate arbitration proceedings in the U.K. against SHI for the losses incurred in connection with the foregoing Petrobras arbitration and certain other losses relating to the DSA. SHI subsequently filed a statement of defense disputing our claim. In January 2018, the arbitration tribunal for the SHI matter issued an award on liability fully in our favor. In August 2018, the tribunal awarded us approximately $2.8 million in costs and legal fees incurred to date, plus interest, which was collected during the fourth quarter.

The January 2018 arbitration award provides that SHI is liable to us for $10 million or damages that we can prove. We have submitted to the tribunal our claim for damages. The arbitral hearing on damages owed to us by SHI is scheduled to take place in the first quarter of 2019. We are unable to estimate the ultimate outcome of recovery for damages at this time.

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 and cash flows.

In the ordinary course of business with customers and others, we have entered into letters of credit 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 outstanding as of December 31, 2018 totaled $126.3 million and are 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 December 31, 2018, we had not been required to make collateral deposits with respect to these agreements.

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 each of the years in the three-year period ended December 31, 2018 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.

Year Ended December 31, 2018

	Floaters	Jackups	Other	Operating Segments Total	Reconciling Items	Consolidated Total
Revenues	$ 1,013.5	$ 630.9	$ 61.0	$ 1,705.4	$ —	$ 1,705.4
Operating expenses						
Contract drilling (exclusive of depreciation)	737.4	526.5	55.5	1,319.4	—	1,319.4
Loss on impairment	—	40.3	—	40.3	—	40.3
Depreciation	311.8	153.3	—	465.1	13.8	478.9
General and administrative	—	—	—	—	102.7	102.7
Operating income (loss)	$ (35.7)	$ (89.2)	$ 5.5	$ (119.4)	$ (116.5)	$ (235.9)
Property and equipment, net	$ 9,465.6	$ 3,114.1	$ —	$ 12,579.7	$ 36.5	$ 12,616.2
Capital expenditures	$ 105.5	$ 317.7	$ —	$ 423.2	$ 3.5	$ 426.7

Year Ended December 31, 2017

	Floaters	Jackups	Other	Operating Segments Total	Reconciling Items	Consolidated Total
Revenues	$ 1,143.5	$ 640.3	$ 59.2	$ 1,843.0	$ —	$ 1,843.0
Operating expenses						
Contract drilling (exclusive of depreciation)	624.2	512.1	53.2	1,189.5	—	1,189.5
Loss on impairment	174.7	8.2	—	182.9	—	182.9
Depreciation	297.4	131.5	—	428.9	15.9	444.8
General and administrative	—	—	—	—	157.8	157.8
Operating income (loss)	$ 47.2	$ (11.5)	$ 6.0	$ 41.7	$ (173.7)	$ (132.0)
Property and equipment, net	$ 9,650.9	$ 3,177.6	$ —	$ 12,828.5	$ 45.2	$ 12,873.7
Capital expenditures	$ 470.3	$ 62.1	$ —	$ 532.4	$ 4.3	$ 536.7

Year Ended December 31, 2016

	Floaters	Jackups	Other	Operating Segments Total	Reconciling Items	Consolidated Total
Revenues	$ 1,771.1	$ 929.5	$ 75.8	$ 2,776.4	$ —	$ 2,776.4
Operating expenses						
Contract drilling (exclusive of depreciation)	725.0	516.8	59.2	1,301.0	—	1,301.0
Depreciation	304.1	123.7	—	427.8	17.5	445.3
General and administrative	—	—	—	—	100.8	100.8
Operating income	$ 742.0	$ 289.0	$ 16.6	$ 1,047.6	$ (118.3)	$ 929.3
Property and equipment, net	$ 8,300.4	$ 2,561.0	$ —	$ 10,861.4	$ 57.9	$ 10,919.3
Capital expenditures	$ 110.3	$ 206.2	$ —	$ 316.5	$ 5.7	$ 322.2

Information about Geographic Areas

As of December 31, 2018, our Floaters segment consisted of 10 drillships, nine dynamically positioned semisubmersible rigs and three moored semisubmersible rigs deployed in various locations. Additionally, our Floaters segment included two ultra-deepwater drillships under construction in South Korea. Our Jackups segment consisted of 35 jackup rigs, of which 34 were deployed in various locations and one was under construction in Singapore.

As of December 31, 2018, the geographic distribution of our drilling rigs by operating segment was as follows:

	Floaters	Jackups	Total
North & South America	8	4	12
Europe & the Mediterranean	7	11	18
Middle East & Africa	3	12	15
Asia & Pacific Rim	4	7	11
Asia & Pacific Rim (under construction)	2	1	3
Total	24	35	59

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

For purposes of our long-lived asset geographic disclosure, we attribute assets to the geographic location of the drilling rig as of the end of the applicable year. For new construction projects, assets are attributed to the location of future operation if known or to the location of construction if the ultimate location of operation is undetermined.

Information by country for those countries that account for more than 10% of our long-lived assets as well as the United Kingdom, our country of domicile, was as follows (in millions):

	Long-lived Assets		
	2018	2017	2016
Spain	$ 2,306.6	$ 2,004.2	$ 2,334.5
United States	2,270.0	2,764.9	2,898.3
Nigeria	1,368.2	583.3	—
United Kingdom	1,185.2	609.4	409.0
Singapore	23.9	2,859.3	1,388.4
Other countries	5,462.3	4,052.6	3,889.1
Total	$ 12,616.2	$ 12,873.7	$ 10,919.3

14. SUPPLEMENTAL FINANCIAL INFORMATION

Consolidated Balance Sheet Information

Accounts receivable, net, as of December 31, 2018 and 2017 consisted of the following (in millions):

	2018	2017
Trade[1]	$ 301.7	$ 335.4
Other	46.4	33.6
	348.1	369.0
Allowance for doubtful accounts [1]	(3.4)	(23.6)
	$ 344.7	$ 345.4

[1] The decline in trade receivables and allowance for doubtful accounts is primarily due to the settlement with Petrobras described in "Note 12 - Commitments and Contingencies".

Other current assets as of December 31, 2018 and 2017 consisted of the following (in millions):

	2018	2017
Inventory	$ 268.1	$ 278.8
Prepaid taxes	35.0	43.5
Deferred costs	23.5	29.7
Prepaid expenses	15.2	14.2
Other	19.1	15.0
	$ 360.9	$ 381.2

Other assets as of December 31, 2018 and 2017 consisted of the following (in millions):

	2018	2017
Deferred tax assets	$ 29.4	$ 38.8
Supplemental executive retirement plan assets	27.2	30.9
Deferred costs	21.5	37.4
Intangible assets	2.5	15.7
Other	17.2	17.4
	$ 97.8	$ 140.2

Accrued liabilities and other as of December 31, 2018 and 2017 consisted of the following (in millions):

	2018	2017
Accrued interest	$ 100.6	$ 83.1
Personnel costs	82.5	112.0
Deferred revenue	56.9	71.9
Income and other taxes payable	36.9	46.4
Derivative liabilities	10.9	.4
Other	30.2	12.1
	$ 318.0	$ 325.9

Other liabilities as of December 31, 2018 and 2017 consisted of the following (in millions):

	2018	2017
Unrecognized tax benefits (inclusive of interest and penalties)	$ 177.0	$ 178.0
Deferred tax liabilities	70.7	18.5
Intangible liabilities	53.5	59.6
Supplemental executive retirement plan liabilities	28.1	32.0
Personnel costs	25.1	18.1
Deferred revenue	20.5	51.2
Deferred rent	11.7	17.1
Other	9.4	12.2
	$ 396.0	$ 386.7

Accumulated other comprehensive income as of December 31, 2018 and 2017 consisted of the following (in millions):

	2018	2017
Derivative instruments	$ 12.6	$ 22.5
Currency translation adjustment	7.3	7.8
Other	(1.7)	(1.7)
	$ 18.2	$ 28.6

Consolidated Statement of Operations Information

Repair and maintenance expense related to continuing operations for each of the years in the three-year period ended December 31, 2018 was as follows (in millions):

	2018	2017	2016
Repair and maintenance expense	$ 198.4	$ 188.7	$ 151.1

Consolidated Statement of Cash Flows Information

Net cash provided by (used in) operating activities of continuing operations attributable to the net change in operating assets and liabilities for each of the years in the three-year period ended December 31, 2018 was as follows (in millions):

	2018	2017	2016
(Increase) decrease in accounts receivable	$ (6.2)	$ 83.2	$ 222.4
(Increase) decrease in other assets	(2.8)	(14.0)	44.0
Decrease in liabilities	(9.0)	(3.8)	(125.8)
	$ (18.0)	$ 65.4	$ 140.6

During periods in which our business contracts, resulting in significantly lower revenues and expenses as compared to the prior year, we typically generate positive cash flows from the net change in operating assets and liabilities as the impact from the collection of receivables that were accrued during the prior period is generally larger than the impact from the payment of expenses incurred in the prior period. For the years ended December 31, 2017 and 2016, our business contracted significantly as compared to the respective prior year periods resulting in positive cash generated from the net change in operating assets and liabilities. During the year ended December 31, 2018, our business contracted at a more moderate pace, resulting in modest negative cash flows from the net change in operating assets and liabilities.

Cash paid for interest and income taxes for each of the years in the three-year period ended December 31, 2018 was as follows (in millions):

	2018	2017	2016
Interest, net of amounts capitalized	$ 232.6	$ 199.8	$ 264.8
Income taxes	58.4	62.8	56.4

Capitalized interest totaled $62.6 million, $72.5 million and $45.7 million during the years ended December 31, 2018, 2017 and 2016, respectively. Capital expenditure accruals totaling $27.8 million, $234.3 million and $11.5 million for the years ended December 31, 2018, 2017 and 2016, respectively, were excluded from investing activities in our consolidated statements of cash flows. In January 2018, we made a $207.4 million milestone payment for ENSCO 123 and the remaining unpaid balance of $9.0 million is due upon delivery. The $207.4 million milestone payment was invoiced and included in accounts payable - trade as of December 31, 2017 on our consolidated balance sheet.

Amortization, net, includes amortization of deferred mobilization revenues and costs, deferred capital upgrade revenues, intangible amortization and other amortization.

Other includes amortization of debt discounts and premiums, deferred financing costs, deferred charges for income taxes incurred on intercompany transfers of drilling rigs and other items.

Concentration of Risk

We are exposed to credit risk relating to our receivables from customers, our cash and cash equivalents, 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 our expectations. We mitigate our credit risk relating to cash and investments by focusing on diversification and quality of instruments. Short-term investments consist of a portfolio of time deposits held with several well-capitalized financial institutions, and we monitor the financial condition of those financial institutions.

We mitigate our credit risk relating to counterparties of our derivatives through a variety of techniques, including transacting with multiple, high-quality financial institutions, thereby limiting our exposure to individual counterparties and by entering into ISDA Master Agreements, which include provisions for a legally enforceable master netting agreement, with our derivative counterparties. See "Note 7 - Derivative Instruments" for additional information on our derivative activity.

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.

Consolidated revenues by customer for the years ended December 31, 2018, 2017 and 2016 were as follows:

	2018	2017	2016
Total[1]	15%	22%	13%
Saudi Aramco[2]	11%	9%	6%
Petrobras[1]	8%	11%	9%
BP [3]	7%	15%	12%
Other	59%	43%	60%
	100%	100%	100%

(1) For the years ended December 31, 2018, 2017 and 2016, all Total and Petrobras revenues were attributable to the Floater segment.

(2) For the years ended December 31, 2018, 2017 and 2016, all Saudi Aramco revenues were attributable to the Jackup segment.

(3) For the year ended December 31, 2018, 27%, 53% and 20% of BP revenues were attributable to our Floater, Other and Jackup segments, respectively. For the year ended December 31, 2017, 78% of BP revenues were attributable to our Floater segment and the remaining revenues were attributable to our Other segment. For the year ended December 31, 2016, 76%, 17% and 7% of BP revenues were attributable to our Floater, Other and Jackup segments, respectively.

For purposes of our geographic disclosure, we attribute revenues to the geographic location where such revenues are earned. Consolidated revenues by region, including the United Kingdom, our country of domicile, for the years ended December 31, 2018, 2017 and 2016 were as follows (in millions):

	2018	2017	2016
Angola[1]	$ 285.7	$ 445.7	$ 552.1
Australia[2]	283.9	206.7	222.8
U.S. Gulf of Mexico[3]	214.7	149.8	531.7
United Kingdom[4]	192.6	164.6	246.2
Saudi Arabia[4]	182.2	171.8	210.6
Brazil[5]	139.6	196.2	298.0
Egypt[5]	31.2	214.8	141.2
Other	375.5	293.4	573.8
	$1,705.4	$1,843.0	$2,776.4

(1) For the years ended December 31, 2018, 2017 and 2016, 86%, 88% and 87% of revenues earned in Angola, respectively, were attributable to our Floaters segment with the remaining revenues attributable to our Jackup segment.

(2) For the years ended December 31, 2018, 2017 and 2016, 92%, 87% and 95% of revenues earned in Australia, respectively, were attributable to our Floaters segment with the remaining revenues attributable to our Jackup segment.

(3) For the years ended December 31, 2018, 2017 and 2016, 30%, 29% and 82% of revenues earned in the U.S. Gulf of Mexico, respectively, were attributable to our Floaters segment, 42%, 31% and 7% of revenues were attributable to our Jackup segment, respectively, and the remaining revenues were attributable to our Other segment, respectively.

(4) For the years ended December 31, 2018, 2017 and 2016, all revenues were attributable to our Jackup segment.

(5) For the years ended December 31, 2018, 2017 and 2016, all revenues were attributable to our Floater segment.

15. GUARANTEE OF REGISTERED SECURITIES

In connection with the Pride acquisition, 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 6.875% senior notes due 2020 and 7.875% senior notes due 2040, which had an aggregate outstanding principal balance of $422.9 million as of December 31, 2018. 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 in November 1997, which had an aggregate outstanding principal balance of $150.0 million as of December 31, 2018.

Pride (formerly Pride International, Inc.) and Ensco International Incorporated are 100% owned subsidiaries of Ensco plc. 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 our condensed consolidating statements of operations for each of the years in the three-year period ended December 31, 2018; our condensed consolidating statements of comprehensive income (loss) for each of the years in the three-year period ended December 31, 2018; our condensed consolidating balance sheets as of December 31, 2018 and 2017; and our condensed consolidating statements of cash flows for each of the years in the three-year period ended December 31, 2018, in accordance with Rule 3-10 of Regulation S-X.

ENSCO PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
Year Ended December 31, 2018
(in millions)

	Ensco plc	ENSCO International Incorporated	Pride International LLC	Other Non-guarantor Subsidiaries of Ensco	Consolidating Adjustments	Total
OPERATING REVENUES	$ 49.5	$ 155.2	$ —	$ 1,802.8	$ (302.1)	$ 1,705.4
OPERATING EXPENSES						
Contract drilling (exclusive of depreciation)	51.0	139.5	—	1,431.0	(302.1)	1,319.4
Loss on impairment	—	—	—	40.3	—	40.3
Depreciation	—	14.2	—	464.7	—	478.9
General and administrative	46.3	.4	—	56.0	—	102.7
OPERATING INCOME (LOSS)	(47.8)	1.1	—	(189.2)	—	(235.9)
OTHER INCOME (EXPENSE), NET	2.7	(135.2)	(89.0)	(109.0)	27.5	(303.0)
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(45.1)	(134.1)	(89.0)	(298.2)	27.5	(538.9)
INCOME TAX EXPENSE	—	43.3	—	46.3	—	89.6
DISCONTINUED OPERATIONS, NET	—	—	—	(8.1)	—	(8.1)
EQUITY EARNINGS (LOSSES) IN AFFILIATES, NET OF TAX	(594.6)	121.8	93.3	—	379.5	—
NET INCOME (LOSS)	(639.7)	(55.6)	4.3	(352.6)	407.0	(636.6)
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	(3.1)	—	(3.1)
NET INCOME (LOSS) ATTRIBUTABLE TO ENSCO	$ (639.7)	$ (55.6)	$ 4.3	$ (355.7)	$ 407.0	$ (639.7)

ENSCO PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
Year Ended December 31, 2017
(in millions)

	Ensco plc	ENSCO International Incorporated	Pride International LLC	Other Non-guarantor Subsidiaries of Ensco	Consolidating Adjustments	Total
OPERATING REVENUES	$ 52.9	$ 163.3	$ —	$ 1,941.2	$ (314.4)	$ 1,843.0
OPERATING EXPENSES						
Contract drilling (exclusive of depreciation)	50.0	149.9	—	1,304.0	(314.4)	1,189.5
Loss on impairment	—	—	—	182.9	—	182.9
Depreciation	—	15.9	—	428.9	—	444.8
General and administrative	45.4	50.8	—	61.6	—	157.8
OPERATING LOSS	(42.5)	(53.3)	—	(36.2)	—	(132.0)
OTHER INCOME (EXPENSE), NET	(6.8)	(110.5)	(71.7)	110.5	14.5	(64.0)
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(49.3)	(163.8)	(71.7)	74.3	14.5	(196.0)
INCOME TAX EXPENSE	—	45.0	—	64.2	—	109.2
DISCONTINUED OPERATIONS, NET	—	—	—	1.0	—	1.0
EQUITY EARNINGS (LOSSES) IN AFFILIATES, NET OF TAX	(254.4)	129.6	84.2	—	40.6	—
NET INCOME (LOSS)	(303.7)	(79.2)	12.5	11.1	55.1	(304.2)
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	.5	—	.5
NET INCOME (LOSS) ATTRIBUTABLE TO ENSCO	$ (303.7)	$ (79.2)	$ 12.5	$ 11.6	$ 55.1	$ (303.7)

ENSCO PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
Year Ended December 31, 2016
(in millions)

	Ensco plc	ENSCO International Incorporated	Pride International LLC	Other Non-guarantor Subsidiaries of Ensco	Consolidating Adjustments	Total
OPERATING REVENUES	$ 27.9	$ 144.4	$ —	$ 2,897.4	$ (293.3)	$ 2,776.4
OPERATING EXPENSES						
Contract drilling (exclusive of depreciation)	27.3	144.8	.1	1,422.1	(293.3)	1,301.0
Depreciation	—	17.2	.4	427.7	—	445.3
General and administrative	36.2	.2	—	64.4	—	100.8
OPERATING INCOME (LOSS)	(35.6)	(17.8)	(0.5)	983.2	—	929.3
OTHER INCOME (EXPENSE), NET	152.9	(79.0)	(76.6)	7.8	63.1	68.2
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	117.3	(96.8)	(77.1)	991.0	63.1	997.5
INCOME TAX EXPENSE (BENEFIT)	—	.7	(.6)	108.4	—	108.5
DISCONTINUED OPERATIONS, NET	—	—	—	8.1	—	8.1
EQUITY EARNINGS IN AFFILIATES, NET OF TAX	772.9	205.7	125.7	—	(1,104.3)	—
NET INCOME	890.2	108.2	49.2	890.7	(1,041.2)	897.1
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	(6.9)	—	(6.9)
NET INCOME ATTRIBUTABLE TO ENSCO	$ 890.2	$ 108.2	$ 49.2	$ 883.8	$ (1,041.2)	$ 890.2

ENSCO PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME
Year Ended December 31, 2018
(in millions)

	Ensco plc	ENSCO International Incorporated	Pride International LLC	Other Non-Guarantor Subsidiaries of Ensco	Consolidating Adjustments	Total
NET INCOME (LOSS)	$ (639.7)	$ (55.6)	$ 4.3	$ (352.6)	$ 407.0	$ (636.6)
OTHER COMPREHENSIVE LOSS, NET						
Net change in fair value of derivatives	—	(9.7)	—	—	—	(9.7)
Reclassification of net gains on derivative instruments from other comprehensive loss into net loss	—	(1.0)	—	—	—	(1.0)
Other	—	—	—	(.5)	—	(.5)
NET OTHER COMPREHENSIVE LOSS	—	(10.7)	—	(.5)	—	(11.2)
COMPREHENSIVE INCOME (LOSS)	(639.7)	(66.3)	4.3	(353.1)	407.0	(647.8)
COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	(3.1)	—	(3.1)
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO ENSCO	$ (639.7)	$ (66.3)	$ 4.3	$ (356.2)	$ 407.0	$ (650.9)

ENSCO PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME
Year Ended December 31, 2017
(in millions)

	Ensco plc	ENSCO International Incorporated	Pride International LLC	Other Non-Guarantor Subsidiaries of Ensco	Consolidating Adjustments	Total
NET INCOME (LOSS)	$ (303.7)	$ (79.2)	$ 12.5	$ 11.1	$ 55.1	$ (304.2)
OTHER COMPREHENSIVE INCOME, NET						
Net change in fair value of derivatives	—	8.5	—	—	—	8.5
Reclassification of net losses on derivative instruments from other comprehensive income into net income	—	.4	—	—	—	.4
Other	—	—	—	.7	—	.7
NET OTHER COMPREHENSIVE INCOME	—	8.9	—	.7	—	9.6
COMPREHENSIVE INCOME (LOSS)	(303.7)	(70.3)	12.5	11.8	55.1	(294.6)
COMPREHENSIVE LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	.5	—	.5
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO ENSCO	$ (303.7)	$ (70.3)	$ 12.5	$ 12.3	$ 55.1	$ (294.1)

ENSCO PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME
Year Ended December 31, 2016
(in millions)

	Ensco plc	ENSCO International Incorporated	Pride International LLC	Other Non-Guarantor Subsidiaries of Ensco	Consolidating Adjustments	Total
NET INCOME	$ 890.2	$ 108.2	$ 49.2	$ 890.7	$ (1,041.2)	$ 897.1
OTHER COMPREHENSIVE INCOME (LOSS), NET						
Net change in fair value of derivatives	—	(5.4)	—	—	—	(5.4)
Reclassification of net gains on derivative instruments from other comprehensive income into net loss	—	12.4	—	—	—	12.4
Other	—	—	—	(.5)	—	(.5)
NET OTHER COMPREHENSIVE INCOME (LOSS)	—	7.0	—	(.5)	—	6.5
COMPREHENSIVE INCOME	890.2	115.2	49.2	890.2	(1,041.2)	903.6
COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	(6.9)	—	(6.9)
COMPREHENSIVE INCOME ATTRIBUTABLE TO ENSCO	$ 890.2	$ 115.2	$ 49.2	$ 883.3	$ (1,041.2)	$ 896.7

ENSCO PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEETS
December 31, 2018
(in millions)

	Ensco plc	ENSCO International Incorporated	Pride International LLC	Other Non-guarantor Subsidiaries of Ensco	Consolidating Adjustments	Total
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	$ 199.8	$ —	$ 2.7	$ 72.6	$ —	$ 275.1
Short-term investments	329.0	—	—	—	—	329.0
Accounts receivable, net	7.3	25.4	—	312.0	—	344.7
Accounts receivable from affiliates	1,861.2	171.4	—	131.7	(2,164.3)	—
Other	.6	6.0	—	354.3	—	360.9
Total current assets	2,397.9	202.8	2.7	870.6	(2,164.3)	1,309.7
PROPERTY AND EQUIPMENT, AT COST	1.8	125.2	—	15,390.0	—	15,517.0
Less accumulated depreciation	1.8	91.3	—	2,807.7	—	2,900.8
Property and equipment, net	—	33.9	—	12,582.3	—	12,616.2
DUE FROM AFFILIATES	2,413.8	234.5	125.0	2,715.1	(5,488.4)	—
INVESTMENTS IN AFFILIATES	8,522.6	3,713.7	1,199.9	—	(13,436.2)	—
OTHER ASSETS	8.1	—	—	89.7	—	97.8
	$ 13,342.4	$ 4,184.9	$ 1,327.6	$ 16,257.7	$ (21,088.9)	$ 14,023.7
LIABILITIES AND SHAREHOLDERS' EQUITY						
CURRENT LIABILITIES						
Accounts payable and accrued liabilities	$ 85.3	$ 32.0	$ 12.7	$ 398.5	$ —	$ 528.5
Accounts payable to affiliates	59.7	139.5	38.2	1,926.9	(2,164.3)	—
Total current liabilities	145.0	171.5	50.9	2,325.4	(2,164.3)	528.5
DUE TO AFFILIATES	1,432.0	1,226.9	1,366.5	1,463.0	(5,488.4)	—
LONG-TERM DEBT	3,676.5	149.3	502.6	682.0	—	5,010.4
OTHER LIABILITIES	.1	64.3	—	331.6	—	396.0
ENSCO SHAREHOLDERS' EQUITY (DEFICIT)	8,088.8	2,572.9	(592.4)	11,458.3	(13,436.2)	8,091.4
NONCONTROLLING INTERESTS	—	—	—	(2.6)	—	(2.6)
Total equity (deficit)	8,088.8	2,572.9	(592.4)	11,455.7	(13,436.2)	8,088.8
	$ 13,342.4	$ 4,184.9	$ 1,327.6	$ 16,257.7	$ (21,088.9)	$ 14,023.7

ENSCO PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEETS
December 31, 2017
(in millions)

	Ensco plc	ENSCO International Incorporated	Pride International LLC	Other Non-guarantor Subsidiaries of Ensco	Consolidating Adjustments	Total
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	$ 185.2	$ —	$ 25.6	$ 234.6	$ —	$ 445.4
Short-term investments	440.0	—	—	—	—	440.0
Accounts receivable, net	6.9	.4	—	338.1	—	345.4
Accounts receivable from affiliates	351.8	492.7	—	424.3	(1,268.8)	—
Other	—	8.8	—	372.4	—	381.2
Total current assets	983.9	501.9	25.6	1,369.4	(1,268.8)	1,612.0
PROPERTY AND EQUIPMENT, AT COST	1.8	120.8	—	15,209.5	—	15,332.1
Less accumulated depreciation	1.8	77.1	—	2,379.5	—	2,458.4
Property and equipment, net	—	43.7	—	12,830.0	—	12,873.7
DUE FROM AFFILIATES	3,002.1	2,618.0	165.1	3,736.1	(9,521.3)	—
INVESTMENTS IN AFFILIATES	9,098.5	3,591.9	1,106.6	—	(13,797.0)	—
OTHER ASSETS	12.9	5.0	—	226.5	(104.2)	140.2
	$ 13,097.4	$ 6,760.5	$ 1,297.3	$ 18,162.0	$ (24,691.3)	$ 14,625.9
LIABILITIES AND SHAREHOLDERS' EQUITY						
CURRENT LIABILITIES						
Accounts payable and accrued liabilities	$ 55.4	$ 39.0	$ 21.7	$ 642.4	$ —	$ 758.5
Accounts payable to affiliates	67.3	458.3	12.4	730.8	(1,268.8)	—
Total current liabilities	122.7	497.3	34.1	1,373.2	(1,268.8)	758.5
DUE TO AFFILIATES	1,402.9	3,559.2	753.9	3,805.3	(9,521.3)	—
LONG-TERM DEBT	2,841.8	149.2	1,106.0	653.7	—	4,750.7
OTHER LIABILITIES	—	3.1	—	487.8	(104.2)	386.7
ENSCO SHAREHOLDERS' EQUITY (DEFICIT)	8,730.0	2,551.7	(596.7)	11,844.1	(13,797.0)	8,732.1
NONCONTROLLING INTERESTS	—	—	—	(2.1)	—	(2.1)
Total equity (deficit)	8,730.0	2,551.7	(596.7)	11,842.0	(13,797.0)	8,730.0
	$ 13,097.4	$ 6,760.5	$ 1,297.3	$ 18,162.0	$ (24,691.3)	$ 14,625.9

ENSCO PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
Year Ended December 31, 2018
(in millions)

	Ensco plc	ENSCO International Incorporated	Pride International LLC	Other Non-guarantor Subsidiaries of Ensco	Consolidating Adjustments	Total
OPERATING ACTIVITIES						
Net cash provided by (used in) operating activities of continuing operations	$ 18.1	$ (135.1)	$ (97.6)	$ 158.9	$ —	$ (55.7)
INVESTING ACTIVITIES						
Maturities of short-term investments	1,030.0	—	—	—	—	1,030.0
Purchases of short-term investments	(919.0)	—	—	—	—	(919.0)
Purchase of affiliate debt	(551.7)	—	—	—	551.7	—
Sale of affiliate debt	479.0	—	—	—	(479.0)	—
Additions to property and equipment	—	—	—	(426.7)	—	(426.7)
Net proceeds from disposition of assets		—	—	11.0	—	11.0
Net cash provided by (used in) investing activities of continuing operations	38.3	—	—	(415.7)	72.7	(304.7)
FINANCING ACTIVITIES						
Proceeds from issuance of senior notes	1,000.0	—	—	—	—	1,000.0
Advances from (to) affiliates	(845.0)	135.1	612.5	97.4	—	—
Reduction of long-term borrowings	(159.9)	—	(537.8)	(0.8)	(72.7)	(771.2)
Cash dividends paid	(17.9)	—	—	—	—	(17.9)
Debt issuance costs	(17.0)	—	—	—	—	(17.0)
Other	(2.0)	—	—	(3.7)	—	(5.7)
Net cash provided by (used in) financing activities	(41.8)	135.1	74.7	92.9	(72.7)	188.2
Net cash provided by discontinued operations	—	—	—	2.5	—	2.5
Effect of exchange rate changes on cash and cash equivalents	—	—	—	(.6)	—	(.6)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	14.6	—	(22.9)	(162.0)	—	(170.3)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	185.2	—	25.6	234.6	—	445.4
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 199.8	$ —	$ 2.7	$ 72.6	$ —	$ 275.1

ENSCO PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
Year Ended December 31, 2017
(in millions)

	Ensco plc	ENSCO International Incorporated	Pride International LLC	Other Non-guarantor Subsidiaries of Ensco	Consolidating Adjustments	Total
OPERATING ACTIVITIES						
Net cash provided by (used in) operating activities of continuing operations	$ (18.2)	$ (117.6)	$ (100.1)	$ 495.3	$ —	$ 259.4
INVESTING ACTIVITIES						
Purchases of short-term investments	(1,022.9)	—	—	(17.1)	—	(1,040.0)
Maturities of short-term investments	1,748.0	5.5	—	289.0	—	2,042.5
Additions to property and equipment	—	—	—	(536.7)	—	(536.7)
Net proceeds from disposition of assets	—	—	—	2.8	—	2.8
Purchase of affiliate debt	(316.3)	—	—	—	316.3	—
Acquisition of Atwood, net of cash acquired	—	—	—	(871.6)	—	(871.6)
Net cash provided by (used in) investing activities of continuing operations	408.8	5.5	—	(1,133.6)	316.3	(403.0)
FINANCING ACTIVITIES						
Reduction of long-term borrowings	(220.7)	—	—	—	(316.3)	(537.0)
Debt issuance costs	(12.0)	—	—	—	—	(12.0)
Cash dividends paid	(13.8)	—	—	—	—	(13.8)
Advances from (to) affiliates	(848.9)	112.1	105.9	630.9	—	—
Other	(2.6)	—	—	(5.1)	—	(7.7)
Net cash provided by (used in) financing activities	(1,098.0)	112.1	105.9	625.8	(316.3)	(570.5)
Net cash used in discontinued operations	—	—	—	(.8)	—	(.8)
Effect of exchange rate changes on cash and cash equivalents	—	—	—	.6	—	.6
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(707.4)	—	5.8	(12.7)	—	(714.3)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	892.6	—	19.8	247.3	—	1,159.7
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 185.2	$ —	$ 25.6	$ 234.6	$ —	$ 445.4

ENSCO PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
Year Ended December 31, 2016
(in millions)

	Ensco plc	ENSCO International Incorporated	Pride International LLC	Other Non-guarantor Subsidiaries of Ensco	Consolidating Adjustments	Total
OPERATING ACTIVITIES						
Net cash provided by (used in) operating activities of continuing operations	$ (101.3)	$ (46.5)	$ (116.9)	$ 1,342.1	$ —	$ 1,077.4
INVESTING ACTIVITIES						
Purchases of short-term investments	(2,047.1)	(5.5)	—	(422.0)	—	(2,474.6)
Additions to property and equipment	—	—	—	(322.2)	—	(322.2)
Maturities of short-term investments	2,062.0	—	—	150.0	—	2,212.0
Net proceeds from disposition of assets	—	—	—	9.8	—	9.8
Purchase of affiliate debt	(237.9)	—	—	—	237.9	—
Net cash used in investing activities of continuing operations	(223.0)	(5.5)	—	(584.4)	237.9	(575.0)
FINANCING ACTIVITIES						
Proceeds from debt issuance	—	—	—	849.5	—	849.5
Reduction of long-term borrowing	(626.0)	—	—	—	(237.9)	(863.9)
Proceeds from equity issuance	585.5	—	—	—	—	585.5
Cash dividends paid	(11.6)	—	—	—	—	(11.6)
Debt issuance costs	(23.4)	—	—	—	—	(23.4)
Advances from (to) affiliates	1,200.6	52.0	134.7	(1,387.3)	—	—
Other	(2.2)	—	—	(4.9)	—	(7.1)
Net cash provided by (used in) financing activities	1,122.9	52.0	134.7	(542.7)	(237.9)	529.0
Net cash provided by discontinued operations	—	—	—	8.4	—	8.4
Effect of exchange rate changes on cash and cash equivalents	—	—	—	(1.4)	—	(1.4)
NET INCREASE IN CASH AND CASH EQUIVALENTS	798.6	—	17.8	222.0	—	1,038.4
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	94.0	—	2.0	25.3	—	121.3
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 892.6	$ —	$ 19.8	$ 247.3	$ —	$ 1,159.7

16. UNAUDITED QUARTERLY FINANCIAL DATA

The following tables summarize our unaudited quarterly condensed consolidated income statement data for the years ended December 31, 2018 and 2017 (in millions, except per share amounts):

	2018				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Operating revenues	$ 417.0	$ 458.5	$ 430.9	$ 399.0	$ 1,705.4
Operating expenses					
Contract drilling (exclusive of depreciation)	325.2	344.3	327.1	322.8	1,319.4
Loss on impairment[1]	—	—	—	40.3	40.3
Depreciation	115.2	120.7	120.6	122.4	478.9
General and administrative	27.9	26.1	25.1	23.6	102.7
Operating loss	(51.3)	(32.6)	(41.9)	(110.1)	(235.9)
Other expense, net	(70.7)	(84.8)	(77.7)	(69.8)	(303.0)
Loss from continuing operations before income taxes	(122.0)	(117.4)	(119.6)	(179.9)	(538.9)
Income tax expense	18.4	24.7	23.3	23.2	89.6
Loss from continuing operations	(140.4)	(142.1)	(142.9)	(203.1)	(628.5)
Loss from discontinued operations, net	(.1)	(8.0)	—	—	(8.1)
Net loss	(140.5)	(150.1)	(142.9)	(203.1)	(636.6)
Net (income) loss attributable to noncontrolling interests	.4	(.9)	(2.1)	(.5)	(3.1)
Net loss attributable to Ensco	$ (140.1)	$ (151.0)	$ (145.0)	$ (203.6)	$ (639.7)
Loss per share – basic and diluted					
Continuing operations	$ (.32)	$ (.33)	$ (.33)	$ (.47)	$ (1.45)
Discontinued operations	—	(.02)	—	—	(.02)
	$ (.32)	$ (.35)	$ (.33)	$ (.47)	$ (1.47)

[1] Fourth quarter included an aggregate loss of $40.3 million associated with the impairment of an older, non-core jackup rig. See "Note 5 - Property and Equipment" for additional information.

	2017				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Operating revenues	$ 471.1	$ 457.5	$ 460.2	$ 454.2	$ 1,843.0
Operating expenses					
Contract drilling (exclusive of depreciation)[1]	278.1	291.3	285.8	334.3	1,189.5
Loss on impairment[2]	—	—	—	182.9	182.9
Depreciation	109.2	107.9	108.2	119.5	444.8
General and administrative[3]	26.0	30.5	30.4	70.9	157.8
Operating income (loss)	57.8	27.8	35.8	(253.4)	(132.0)
Other income (expense), net[4]	(57.7)	(53.2)	(40.4)	87.3	(64.0)
Income (loss) from continuing operations before income taxes	.1	(25.4)	(4.6)	(166.1)	(196.0)
Income tax expense[5]	24.1	19.3	23.4	42.4	109.2
Loss from continuing operations	(24.0)	(44.7)	(28.0)	(208.5)	(305.2)
Income (loss) from discontinued operations, net	(.6)	.4	(.2)	1.4	1.0
Net loss	(24.6)	(44.3)	(28.2)	(207.1)	(304.2)
Net (income) loss attributable to noncontrolling interests	(1.1)	(1.2)	2.8	—	.5
Net loss attributable to Ensco	$ (25.7)	$ (45.5)	$ (25.4)	$ (207.1)	$ (303.7)
Loss per share – basic and diluted					
Continuing operations	$ (.09)	$ (.15)	$ (.08)	$ (.49)	$ (.91)
Discontinued operations	—	—	—	—	—
	$ (.09)	$ (.15)	$ (.08)	$ (.49)	$ (.91)

(1) Fourth quarter included $7.0 million of integration costs associated with the Atwood Merger. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional information.

(2) Fourth quarter included an aggregate loss of $182.9 million associated with the impairment of certain rigs. See "Note 5 - Property and Equipment" for additional information.

(3) Fourth quarter included integration costs of $30.9 million and merger-related costs consisting of various advisory, legal, accounting, valuation and other professional or consulting fees totaling $11.5 million. See "Note 3 - Acquisition of Atwood" for additional information.

(4) Fourth quarter included a bargain purchase gain of $140.2 million related to the Atwood Merger. See "Note 3 - Acquisition of Atwood" for additional information.

(5) Fourth quarter included net discrete tax expense of $16.5 million in connection with enactment of U.S. tax reform. See "Note 10 - Income taxes" for additional information.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

ENSCO

ENSCO

Go Beyond

2018

United Kingdom Statutory Accounts

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Strategic report

Our business

Ensco plc ("we," "our", the "company" or the "group") is 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 56 rigs, with drilling operations in most of the strategic markets around the globe. We also have three rigs under construction. Inclusive of our rigs under construction, our fleet includes 12 drillships, nine dynamically positioned semisubmersible rigs, three moored semisubmersible rigs and 35 jackup rigs. We operate the world's largest fleet amongst competitive rigs, including one of the newest ultra-deepwater fleets in the industry and a leading premium jackup fleet.

Our customers include many of the leading national and international oil companies, in addition to many independent operators. We are among the most geographically diverse offshore drilling companies, with current operations spanning 14 countries on six continents. The markets in which we operate include the Gulf of Mexico, Brazil, the Mediterranean, the North Sea, the Middle East, West Africa, Australia and Southeast Asia.

We provide drilling services on a day rate contract basis. Under day rate contracts, we provide an integrated service that includes the provision of a drilling rig and rig crews for which we receive a daily rate that may vary between the full rate and zero rate throughout the duration of the contractual term, depending on the operations of the rig. We also may receive lump-sum fees or similar compensation for the mobilisation, demobilisation and capital upgrades of our rigs. Our customers bear substantially all of the costs of constructing the well and supporting drilling operations, as well as the economic risk relative to the success of the well.

Proposed Rowan transaction

On 7 October 2018, Ensco plc and Rowan Companies plc ("Rowan") entered into an agreement that provides for the combination of the two companies (as amended the "Transaction Agreement"). Ensco has agreed to acquire the entire issued and to be issued share capital of Rowan in an all-stock transaction (the "Rowan Transaction") by way of a scheme of arrangement to be undertaken by Rowan under Part 26 of the UK Companies Act 2006. On 29 January 2019, the Transaction Agreement was amended to increase the exchange ratio in connection with the Rowan Transaction from 2.215 to 2.750.

Subject to the terms and conditions of the Transaction Agreement, each Class A ordinary share of Rowan will be converted into the right to receive 2.750 Class A ordinary shares of Ensco plc. We estimate the total consideration to be delivered in the Rowan Transaction to be approximately $1.5 billion, consisting of approximately 351.3 million of our shares based on the closing price of $4.41 on 22 February 2019. The value of the Rowan Transaction consideration will fluctuate until the closing date based on changes in the price of our shares and the number of Rowan ordinary shares outstanding.

The completion of the Rowan Transaction is subject to various closing conditions, including, among others, (i) the sanction of the Rowan Transaction by the High Court of Justice of England and Wales, (ii) the receipt of certain required regulatory approvals or lapse of certain review periods with respect thereto, including in the Kingdom of Saudi Arabia, (iii) the absence of legal restraints prohibiting or restraining the Rowan Transaction and (iv) the absence of any law or order reasonably expected to result in the dissolution of the Saudi Aramco Offshore Drilling Company, Rowan's joint venture with Saudi Aramco (the "ARO JV"), or the sale, disposition, forfeiture or nationalisation of Rowan's interest in the ARO JV. Shareholders of Rowan and Ensco approved the Rowan Transaction and related proposals on 21 February 2019. The Rowan Transaction is expected to close during the first half of 2019, subject to satisfaction of all conditions to closing. Upon closing of the Rowan Transaction, we intend to complete a reverse split of our ordinary shares under which every four existing Ensco ordinary shares will be consolidated into one Ensco ordinary share.

Atwood merger

On 6 October 2017 (the "Merger Date"), we completed a merger transaction (the "Atwood Merger") with Atwood Oceanics, Inc. ("Atwood") and Echo Merger Sub, LLC, a wholly-owned subsidiary of Ensco plc. Pursuant to the merger agreement, Echo Merger Sub, LLC, merged with and into Atwood, with Atwood as the surviving entity and an indirect, wholly-owned subsidiary of Ensco plc. Total consideration delivered in the Atwood Merger consisted of 132.2 million of our Class A ordinary shares and $11.1 million of cash in settlement of certain share-based payment awards. The total aggregate value of consideration transferred was $781.8 million. Additionally, upon closing of the Atwood Merger, we utilised cash acquired of $445.4 million and cash on

hand to extinguish Atwood's revolving credit facility, outstanding senior notes and accrued interest totalling $1.3 billion. The estimated fair values assigned to assets acquired net of liabilities assumed exceeded the consideration transferred, resulting in negative goodwill of $120.7 million. During 2018, we recognised measurement period adjustments as we completed our fair value assessments resulting in additional negative goodwill of $1.8 million.

Principal risks and uncertainties

There are numerous factors that affect our business and operating results, many of which are beyond our control. The success of our business largely depends on the level of activity in the oil and gas industry, which can be significantly affected by volatile oil and natural gas prices. The offshore contract drilling industry historically has been highly competitive and cyclical, with periods of low demand and excess rig availability that could result in adverse effects on our business. Our business will be adversely affected if we are unable to secure contracts on economically favourable terms. Our customers may be unable or unwilling to fulfil their contractual commitments to us, including their obligations to pay for losses, damages or other liabilities resulting from operations under the contract. We may suffer losses if our customers terminate or seek to renegotiate our contracts, if operations are suspended or interrupted or if a rig becomes a total loss. The loss of a significant customer could adversely affect us. Our current backlog of contract drilling turnover may not be fully realised and may decline significantly in the future, which may have a material adverse effect on our financial position, operating results or cash flows. We may incur impairments as a result of future declines in demand for offshore drilling rigs.

Operating results in the offshore contract drilling industry are highly cyclical and directly related to the demand for drilling rigs and the available supply of drilling rigs. Low demand and excess supply can independently affect day rates and utilisation of drilling rigs. Therefore, adverse changes in either of these factors can result in adverse changes in our industry. While the cost of moving a rig and the availability of rig-moving vessels may cause the balance of supply and demand to vary somewhat between regions, significant variations between regions are generally of a short-term nature due to rig mobility.

We operate in geographical locations which are subject to political, economic and other uncertainties (including taxation), including countries known to have a reputation for corruption. Legal and regulatory proceedings could affect us adversely. Rig construction, upgrade and enhancement projects are subject to risks, including delays and cost overruns. Failure to recruit and retain skilled personnel could adversely affect our operations and financial results. Increases in regulatory requirements could significantly increase our costs, limit our drilling activity or reduce demand for our drilling services. Compliance with or breach of environmental laws can be costly and could limit our operations. Our debt levels and debt agreement restrictions may limit our liquidity and flexibility in obtaining additional financing and in pursuing other business opportunities.

In connection with the Rowan Transaction, it is possible that some customers, suppliers and other persons with whom we or Rowan have business relationships may delay or defer certain business decisions, or might decide to seek to terminate, change or renegotiate their relationship with us or Rowan as a result of the Rowan Transaction, which could negatively affect our or Rowan’s respective financial positions, operating results or cash flows, as well as the market price of our shares and Rowan shares, regardless of whether the Rowan Transaction is completed.

Under the terms of the Rowan Transaction Agreement, we and Rowan are subject to certain restrictions on the conduct of our businesses prior to completing the Rowan Transaction, which may adversely affect our and Rowan's ability to execute certain business strategies. Such limitations could negatively affect each party’s businesses and operations prior to the completion of the Rowan Transaction. Furthermore, the process of planning to integrate two businesses and organisations for the post-transaction period may divert management’s attention and resources and could ultimately have an adverse effect on each party. These uncertainties could cause customers, suppliers and others that deal with us or Rowan to seek to change existing business relationships with such party, which in turn could have an adverse effect on the combined company’s ability to realise the anticipated benefits of the Rowan Transaction.

In June 2016, a referendum was held in the UK which resulted in a majority voting in favour of the UK withdrawing from the EU (commonly referred to as "Brexit"). The UK will continue to be a member of the EU until the expiration of a two-year notice period, following the UK’s formal notification to the European Council under Article 50 of the Treaty on European Union (which occurred on 29 March 2017), or until such other date as is agreed by all 28 member states of the EU, unless prior to any such date the UK elects to revoke its formal Article 50 notification to the European Council. While the UK government and the European Commission have agreed to the terms of a withdrawal agreement, the UK Parliament voted against the withdrawal agreement in its current form. There is currently no certainty that the withdrawal agreement will be ratified by, in particular, the UK

Parliament or the European Parliament or the European Council. Consequently, the terms on which, and the date on which, the UK will withdraw from the EU (if at all) remain difficult to predict. In addition, it is expected that, if and when the UK withdraws from the EU, the UK and the EU will hold further negotiations seeking to establish the terms of the long-term trading relationship between the UK and the EU.

The referendum and the political negotiation surrounding the terms of the UK's withdrawal from the EU have created significant uncertainty about the future relationship between the UK and the EU, including with respect to the laws and regulations that will apply. This is because if the UK withdraws from the EU (and subject to the terms of any withdrawal agreement), the UK will determine which EU-derived laws to replace or replicate in the event of a withdrawal. The referendum has also given rise to calls for the governments of other EU member states to consider withdrawal, while the UK's withdrawal negotiation process has increased the risk of governmental change in the UK as well as the possibility of a further referendum concerning Scotland's independence from the rest of the UK.

If no withdrawal agreement is reached by 29 March 2019, or such other date as is agreed by all 28 member states of the EU, the UK's membership of the EU could terminate under a so-called "hard Brexit." Under this scenario, there could be increased costs from the imposition of tariffs on trade or non-tariff barriers between the UK and EU, shipping delays because of the need for customs inspections and temporary shortages of certain goods. Any of the foregoing might cause our UK suppliers to pass along these increased costs, if realized, to us in the UK. In addition, trade and investment between the UK, the EU and other countries would be impacted by the fact that the UK currently operates under tax and trade treaties concluded between the EU and other countries. Following a "hard Brexit", the UK would need to negotiate its own tax and trade treaties with other countries, as well as with the EU. Any new, or changes to existing, UK tax laws could make the UK a less desirable jurisdiction of incorporation for our parent company, Ensco plc. In addition, one of our UK subsidiaries owns two jackup rigs, and following a "hard Brexit," the EU might require some form of importation fee or guarantee on certain UK owned rigs that operate outside UK waters.

These developments, or the perception that any of them could occur, have had and may continue to have a material adverse effect on global, regional and/or national economic conditions and the stability of global financial markets, and may significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Any of these factors could depress economic activity, result in changes to currency exchange rates, tariffs, treaties, taxes, import/export regulations, laws and other regulatory matters, and/or restrict our access to capital and the free movement of our employees, which could have a material adverse effect on our financial position, operating results or cash flows. Approximately 11% of our total turnover was generated in the UK for the year ended 31 December 2018.

Our industry

Operating results in the offshore contract drilling industry are highly cyclical and are directly related to the demand for drilling rigs and the available supply of drilling rigs. Low demand and excess supply can independently affect day rates and utilisation of drilling rigs. Therefore, adverse changes in either of these factors can result in adverse changes in our industry. While the cost of moving a rig may cause the balance of supply and demand to vary somewhat between regions, significant variations between regions are generally of a short-term nature due to rig mobility.

Drilling rig demand

The decline in oil prices from 2014 highs led to a significant reduction in demand for offshore drilling services in recent years as many projects became uneconomic for customers at lower commodity prices. Customers significantly reduced their capital spending budgets, including the cancellation or deferral of existing programs, resulting in fewer contracting opportunities for offshore drilling rigs. Declines in capital spending levels, together with the oversupply of rigs, resulted in significantly reduced day rates and utilisation.

More recently, oil prices have increased meaningfully from the decade lows reached during 2016, with Brent crude averaging nearly $55 per barrel in 2017 and more than $70 per barrel through the first nine months of 2018, leading to signs of a gradual recovery in demand for offshore drilling services. However, macroeconomic and geopolitical headwinds triggered a market correction during the fourth quarter of 2018, resulting in a decline in Brent crude prices from more than $85 per barrel at the beginning of the quarter to approximately $50 per barrel at year-end.

While market volatility may continue over the near-term, we expect long-term oil prices to remain at levels sufficient to result in more offshore projects that are economic for our customers. Therefore, we expect that near-term market conditions will remain challenging while demand for contract drilling services continues its gradual recovery with different segments of the market recovering more quickly than others.

Although oil prices have declined from the recent highs reached in 2018, we continue to observe improvements in the shallow-water market as higher levels of customer demand and rig retirements have led to gradually increasing jackup utilisation over the past year. Moreover, new floater contracts and open tenders have increased as compared to a year ago due to improving economics for deepwater projects.

Despite the increase in customer activity, contract awards remain subject to an extremely competitive bidding process, and the corresponding pressure on operating day rates in recent periods has resulted in low margin contracts, particularly for floaters. Therefore, we expect our results from operations to continue to decline over the near-term as current contracts with above market rates expire and new contracts are executed at lower rates. We believe further improvements in demand coupled with a reduction in rig supply are necessary to improve the commercial landscape for day rates.

Drilling rig supply

Drilling rig supply continues to exceed drilling rig demand for both floaters and jackups. However, the decline in customer capital expenditure budgets over the past several years has led to a lack of contracting opportunities resulting in meaningful global fleet attrition. Since the beginning of the downturn, drilling contractors have retired approximately 120 floaters and 90 jackups. As demand for offshore drilling ultimately improves, we expect that newer, more capable rigs will be the first to obtain contract awards, increasing the likelihood that older, less capable rigs do not return to the global active fleet.

Approximately 20 floaters older than 30 years are idle, 10 additional floaters older than 30 years have contracts expiring by the end of 2019 without follow-on work and a further 10 floaters aged between 15 and 30 years have been idle for more than two years. Operating costs associated with keeping these rigs idle as well as expenditures required to recertify these aging rigs may prove cost prohibitive. Drilling contractors will likely elect to scrap or cold-stack some or all of these rigs.

Approximately 100 jackups older than 30 years are idle, and 60 jackups that are 30 years or older have contracts expiring by the end of 2019 without follow-on work. Expenditures required to recertify these aging rigs may prove cost prohibitive and drilling contractors may instead elect to scrap or cold-stack these rigs. We expect jackup scrapping and cold-stacking to continue during 2019.

There are 41 newbuild drillships and semisubmersibles reported to be under construction, of which 20 are scheduled to be delivered before the end of 2019. Most newbuild floaters are uncontracted. Several newbuild deliveries have been delayed into future years, and we expect that more uncontracted newbuilds will be delayed or cancelled.

There are 77 newbuild jackups reported to be under construction, of which 51 are scheduled to be delivered before the end of 2019. Most newbuild jackups 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.

Liquidity and backlog

We remain focused on our liquidity and over the past several years have executed a number of financing transactions to improve our financial position and manage our debt maturities. Based on our balance sheet, our contractual backlog and $2.0 billion available under our credit facility, we expect to fund our liquidity needs, including contractual obligations and anticipated capital expenditures, as well as working capital requirements, from cash and short-term investments and, if necessary, funds borrowed under our credit facility or other future financing arrangements, including available shipyard financing options for our two drillships under construction. We may rely on the issuance of debt and/or equity securities in the future to supplement our liquidity needs.

As of 31 December 2018, we had $4.9 billion in total debt outstanding, representing 37.5% of our total capitalisation calculated in accordance with U.S. GAAP. We also had $604.1 million in cash and short-term investments and $2.0 billion undrawn capacity under our credit facility.

In January 2018, we issued $1.0 billion aggregate principal amount of unsecured 7.75% senior notes due 2026 (the "2026 Notes"), net of debt issuance costs of $16.5 million. Net proceeds of $983.5 million from the 2026 Notes were partially used to fund the repurchase and redemption of $237.6 million principal amount of our 8.50% senior notes due 2019, $328.0 million principal amount of our 6.875% senior notes due 2020 and $156.2 million principal amount of our 4.70% senior notes due 2021. We recognised a pre-tax loss on debt extinguishment of $19.0 million during the first quarter of 2018.

Following the January 2018 debt offering, repurchases and redemption, our only debt maturities until 2024 are $122.9 million during 2020 and $113.5 million during 2021.

Backlog

As of 31 December 2018, our backlog was $2.2 billion as compared to $2.8 billion as of 31 December 2017. Our floater backlog declined $636.8 million primarily due to turnover realised during 2018, partially offset by new contract awards and contract extensions. While our floater utilisation increased marginally in 2018 to 46% from 45% in 2017, our floater backlog declined as turnover was realised on above-market, longer-term contracts and new contracts were executed at lower rates for shorter terms. Our jackup backlog increased $58.0 million primarily due to new contract awards as utilisation increased to 63% in 2018 from 60% in 2017, partially offset by turnover realised during 2018. Our other segment backlog declined $59.8 million due to turnover realised during 2018.

As current contracts expire, we may experience further declines in backlog, which could result in a decline in turnover and operating cash flows during 2019. Contract backlog includes the impact of drilling contracts signed or terminated after each respective balance sheet date but until 28 February 2019 and 27 February 2018, respectively.

Drilling rig construction and delivery

We remain focused on our long-established strategy of high-grading our fleet, as evidenced by the recently completed Atwood Merger and proposed Rowan Transaction. During the three-year period ended 31 December 2018, we invested approximately $1.0 billion in the construction of new drilling rigs. We will continue to invest in the expansion and high-grading of our fleet or execute other strategic transactions to optimise our asset portfolio when we believe attractive opportunities exist.

We believe our remaining capital commitments will primarily be funded from cash and short-term investments, and, if necessary, funds borrowed under our credit facility or other future financing arrangements, including available shipyard financing options for our two drillships under construction. We may decide to access debt and/or equity markets to raise additional capital or increase liquidity as necessary.

Floaters

We previously entered into an agreement with Samsung Heavy Industries to construct ENSCO DS-10, an ultra-deepwater drillship. During 2017, we took delivery of ENSCO DS-10 and made the final milestone payment of $75.0 million. ENSCO DS-10 commenced drilling operations offshore Nigeria in March 2018.

In connection with the Atwood Merger, we acquired two ultra-deepwater drillships, ENSCO DS-13 and ENSCO DS-14, which are currently under construction in the Daewoo Shipbuilding & Marine Engineering Co. Ltd. yard in South Korea. ENSCO DS-13 and ENSCO DS-14 are scheduled for delivery during the third quarter of 2019 and second quarter of 2020, respectively. Upon delivery, the remaining milestone payments and accrued interest thereon may be financed through a promissory note with the shipyard for each rig. The promissory notes will bear interest at a rate of 5.0% per annum with a maturity date of 30 December 2022 and will be secured by a mortgage on each respective rig.

Jackups

During 2014, we entered into an agreement with Lamprell Energy Limited to construct two premium jackup rigs, ENSCO 140 and ENSCO 141, which are significantly enhanced versions of the LeTourneau Super 116E jackup design and incorporate Ensco's patented Canti-Leverage Advantage™ technology. ENSCO 140 and ENSCO 141 were delivered during 2016 and commenced drilling operations offshore Saudi Arabia in July and August 2018, respectively.

We previously entered into an agreement with Keppel FELS to construct an ultra-premium harsh environment jackup, ENSCO 123. In December 2017, we agreed to delay delivery of ENSCO 123 until 2019, and in January 2018, we made a $207.4 million milestone payment. The remaining unpaid balance of $9.0 million is due upon delivery. ENSCO 123 was designed to incorporate Ensco's patented Continuous Tripping Technology™, a new proprietary solution that provides safer and more efficient pipe tripping and helps to lower customers' offshore project costs. We expect ENSCO 123 to commence drilling operations in the North Sea in July 2019.

Divestitures

Our business strategy has been to focus on ultra-deepwater floater and premium jackup operations and de-emphasise other assets and operations that are not part of our long-term strategic plan or that no longer meet our standards for economic returns. Consistent with this strategy, we sold 12 jackup rigs, five dynamically positioned semisubmersible rigs, one moored semisubmersible rig and two drillships during the three-year period ended 31 December 2018.

We continue to focus on our fleet management strategy in light of the composition of our rig fleet. As part of this strategy, we may act opportunistically from time to time to monetise assets to enhance shareholder value and improve our liquidity profile, in addition to selling or disposing of older, lower-specification or non-core rigs.

BUSINESS ENVIRONMENT

Floaters

The floater contracting environment continues to be challenged due to limited demand and excess newbuild supply. Floater demand declined significantly since the beginning of the current market downturn due to lower commodity prices that have caused our customers to reduce capital expenditures. More recently, we have observed increased activity that has translated into marginal improvements in near-term utilisation of our floater fleet; however, further improvements in demand and/or reductions in supply will be necessary before meaningful increases in utilisation and day rates are realised.

During first quarter 2018, we executed two short-term contracts and a contract extension for ENSCO 8503, as well as a short-term contract for ENSCO 8505, in the U.S. Gulf of Mexico.

During second quarter 2018, we executed a short-term contract extension for ENSCO DS-12 offshore Suriname as well as a short-term contract and contract extension for ENSCO 8505 and ENSCO 8503, respectively, in the U.S. Gulf of Mexico. Additionally, our customer terminated the contract for ENSCO 8504 offshore Vietnam due to force majeure.

During third quarter 2018, we executed a one-well contract for ENSCO DS-9 that commenced in December 2018 offshore French Guiana, a two-well contract for ENSCO DS-12 that is expected to commence in April 2019 offshore Senegal, an eight-well contract for ENSCO 8505 that commenced in January 2019, a 100-day contract for ENSCO 8503 that commenced in November 2018 offshore Mexico and a one-well contract for ENSCO 8504 that is expected to commence in April 2019 offshore Japan.

During fourth quarter 2018, we executed a one-year contract extension for ENSCO DS-10 offshore Nigeria and a two-well contract extension for ENSCO 5004 in the Mediterranean.

During first quarter 2019, we executed a four-well contract in the U.S. Gulf of Mexico for ENSCO 8503 that is expected to commence in June 2019 and a two-well contract offshore Australia for ENSCO DPS-1 that is expected to commence in February 2020.

During 2018, we sold three floaters for scrap value resulting in insignificant pre-tax gains.

Jackups

Demand for jackups has improved with increased tendering activity observed in recent periods; however, day rates remain depressed due to the oversupply of rigs.

During first quarter 2018, we executed a 16-month contract for ENSCO 104 offshore UAE. We also executed short-term contracts or extensions for ENSCO 72, ENSCO 101 and ENSCO 122 in the North Sea as well as for ENSCO 68, ENSCO 75 and ENSCO 87 in the U.S. Gulf of Mexico.

During second quarter 2018, we executed three-year contracts for ENSCO 140, ENSCO 141 and ENSCO 108 offshore Saudi Arabia. ENSCO 140 and ENSCO 141 commenced operations during July 2018 and August 2018, respectively, and ENSCO 108 commenced operations during the fourth quarter. We also executed a 10-month contract for ENSCO 115 offshore Thailand that is expected to commence during first quarter 2019 and short-term contracts or extensions for ENSCO 101 and ENSCO 122 in the North Sea as well as for ENSCO 68 and ENSCO 75 in the U.S. Gulf of Mexico.

During third quarter 2018, we executed a nine-month contract extension for ENSCO 75 and short-term contracts or extensions for ENSCO 72, ENSCO 121 and ENSCO 122 in the North Sea as well as for ENSCO 68, ENSCO 87 and ENSCO 102 in the U.S. Gulf of Mexico.

During fourth quarter 2018, we executed a four-year contract extension for ENSCO 76 offshore Saudi Arabia and a 500-day contract extension for ENSCO 67 offshore Indonesia. We also executed a contract with a customer in the North Sea comprising three campaigns scheduled to commence in July 2019, March 2020 and June 2020. ENSCO 123 is contracted to perform the first and third campaigns and ENSCO 100 is contracted to perform the second campaign. However, the contract allows for us to provide any ENSCO 120 Series rig to perform the second and third campaigns. Additionally, we executed short-term contracts for ENSCO 87 and ENSCO 102 in the U.S. Gulf of Mexico.

During first quarter 2019, we executed short-term contracts or extensions for ENSCO 72, ENSCO 100 and ENSCO 121 in the North Sea, ENSCO 96 offshore Saudi Arabia and ENSCO 107 offshore Australia.

During 2018, we sold three jackups for scrap value resulting in insignificant pre-tax gains.

Consolidated results of operations

The following table summarises our consolidated results of operations for the years ended 31 December 2018 and 2017:

	2018 $ millions	2017 $ millions
Turnover	1,705.4	1,843.0
Operating loss	(177.1)	(127.3)
Loss before taxation	(240.3)	(202.0)
Tax on loss	(89.1)	(77.0)
Loss for financial year	(329.4)	(279.0)

Turnover declined by $137.6 million, or 7%, as compared to the prior year. The decline was primarily due to a decline in average day rates in both our floater and jackup fleets and the sale of several rigs during the year that operated in the year-ago period, partially offset by increased utilisation and the addition of Atwood rigs to the fleet.

Contract drilling expense increased by $133.4 million, or 11%, as compared to the prior year. The increase was primarily due to addition of Atwood rigs to the fleet and the commencement of drilling operations for several of our newbuild rigs. This increase was partially offset by the sale of several rigs during the year that operated in the year-ago period and cost incurred during the prior year to settle a previously disclosed legal contingency.

Utilisation and average day rates

The following table summarises the rig utilisation and average day rates by reportable segment for the years ended 31 December 2018 and 2017:

	2018	2017
Rig utilisation[1]		
Floaters	46%	45%
Jackups	63%	60%
Total	56%	55%

	2018	2017
	$	$
Average day rates[2]		
Floaters	248,395	327,736
Jackups	77,086	84,913
Total	131,313	158,484

(1) Rig utilisation 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 recognised day rate turnover, including days associated with early contract terminations, compensated downtime and mobilisations. When turnover is earned but is deferred and amortised over a future period, for example when a rig earns turnover while mobilising to commence a new contract or while being upgraded in a shipyard, the related days are excluded from days under contract. For newly-constructed or acquired rigs, the number of days in the period begins upon commencement of drilling operations for rigs with a contract or when the rig becomes available for drilling operations for rigs without a contract.

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

Segment highlights

Floaters

During 2018, turnover declined by $130.0 million, or 11%, as compared to the prior year primarily due to lower average day rates resulting from the expiration of above-market, older contracts that were replaced with new market-rate contracts and sale of ENSCO 6001. The decline was partially offset by the addition of Atwood rigs to the fleet and the commencement of ENSCO DS-10 drilling operations.

Contract drilling expense increased by $116.7 million, or 19%, as compared to the prior year primarily due to the addition of Atwood rigs to the fleet and commencement of ENSCO DS-10 drilling operations. This increase was partially offset by the sale of ENSCO 6001, lower rig reactivation costs and costs incurred in the prior year to settle a previously disclosed legal contingency.

Jackups

During 2018, turnover declined by $9.4 million, or 1%, as compared to the prior year primarily due to the sale of ENSCO 52 and ENSCO 80 and lower average day rates across the fleet. These declines were partially offset by more days under contract across the fleet, the commencement of ENSCO 140 and ENSCO 141 and addition of Atwood rigs to the fleet.

Contract drilling expense increased by $14.4 million, or 3%, as compared to the prior year primarily due to more days under contract across the fleet, the addition of Atwood rigs and contract commencements for ENSCO 140 and ENSCO 141. These increases were partially offset by lower rig reactivation costs and the sale of ENSCO 52 and ENSCO 80.

Backlog information

Our contract drilling backlog reflects commitments, represented by signed drilling contracts, and is calculated by multiplying the contracted day rate by the contract period. The contracted day rate excludes certain types of lump sum fees for rig mobilisation, demobilisation, contract preparation, as well as customer reimbursables and bonus opportunities. Contract backlog is adjusted for drilling contracts signed or terminated after each respective balance sheet date until 28 February 2019 and 27 February 2018, respectively.

The following table summarises our contract backlog of business as of 31 December 2018 and 2017:

	2018 $ millions	2017 $ millions
Floaters	941.5	1,578.3
Jackups	1,071.0	1,013.0
Other	169.9	229.7
Total	2,182.4	2,821.0

As of 31 December 2018, our backlog was $2.2 billion as compared to $2.8 billion as of 31 December 2017. Our floater backlog declined $636.8 million primarily due to turnover realised during 2018, partially offset by new contract awards and contract extensions. While our floater utilisation increased marginally in 2018 to 46% from 45% in 2017, our floater backlog declined as turnover was realised on above-market, longer-term contracts and new contracts were executed at lower rates for shorter terms. Our jackup backlog increased $58.0 million primarily due to new contract awards as utilisation increased to 63% in 2018 from 60% in 2017, partially offset by turnover realised during 2018. Our other segment backlog declined $59.8 million due to turnover realised during 2018.

Our drilling contracts generally contain provisions permitting early termination of the contract (i) if the rig is lost or destroyed or (ii) by the customer if operations are suspended for a specified period of time due to breakdown of major rig equipment, unsatisfactory performance, "force majeure" events beyond the control of either party or other specified conditions. In addition, our drilling contracts generally permit early termination of the contract by the customer for convenience (without cause), exercisable upon advance notice to us, and in some cases without making an early termination payment to us. There can be no assurances that our customers will be able to or willing to fulfil their contractual commitments to us.

The amount of actual turnover earned will be different from amounts disclosed in our backlog calculations due to a lack of predictability of various factors, including unscheduled repairs, maintenance requirements, newbuild rig delivery dates, weather delays, contract terminations or renegotiations and other factors.

Liquidity and capital resources

We remain focused on our liquidity and over the past several years have executed a number of financing transactions to improve our financial position and manage our debt maturities. In recent periods, a substantial portion of our cash has been utilized to repurchase debt and invest in the expansion and enhancement of our fleet of drilling rigs through newbuild construction, acquisition and upgrade projects. We expect that our cash and short-term investments will primarily be used to fund capital expenditures and service our debt during 2019.

Based on our balance sheet, our contractual backlog and $2.0 billion available under our credit facility, we expect to fund our liquidity needs, including contractual obligations and anticipated capital expenditures, as well as working capital requirements, from cash and short-term investments and, if necessary, funds borrowed under our credit facility or other future financing arrangements, including available shipyard financing options for our two drillships under construction. We may rely on the issuance of debt and/or equity securities in the future to supplement our liquidity needs.

In January 2018, we issued $1.0 billion aggregate principal amount of unsecured 7.75% senior notes due 2026 at par, net of debt issuance costs of $16.5 million. Net proceeds of $983.5 million from the 2026 Notes were partially used to fund the repurchase and redemption of $237.6 million principal amount of our 8.50% notes due 2019, $328.0 million principal amount of our 6.875% notes due 2020 and $156.2 million principal amount of our 4.70% notes due 2021. We recognised a pre-tax loss on debt extinguishment of $19.1 million during 2018.

Government regulation and environmental matters

Our operations are affected by political initiatives and by laws and regulations that relate to the oil and gas industry, including laws and regulations that have or may impose increased financial responsibility and oil spill abatement contingency plan capability requirements. Accordingly, we will be directly affected by the approval and adoption of laws and regulations curtailing exploration and development drilling for oil and natural gas for economic, environmental, safety or other policy reasons. It is also possible that these laws and regulations and political initiatives could adversely affect our operations in the future by significantly increasing our operating costs or restricting areas open for drilling activity.

Our operations are subject to laws and regulations controlling the discharge of materials into the environment, pollution, contamination and hazardous waste disposal or otherwise relating to the protection of the environment. These laws and regulations may, among other things:

- require the acquisition of various permits before drilling commences;
- require notice to stakeholders of proposed and ongoing operations;
- require the installation of expensive pollution control equipment;
- restrict the types, quantities and concentration of various substances that can be released into the environment in connection with drilling; and
- restrict the production rate of natural resources below the rate that would otherwise be possible.

Environmental laws and regulations specifically applicable to our business activities could impose significant liability on us for damages, clean-up costs, fines and penalties in the event of oil spills or similar discharges of pollutants or contaminants into the environment or improper disposal of hazardous waste generated in the course of our operations, which may not be covered by contractual indemnification or insurance, or for which indemnity is prohibited by applicable law and could have a material adverse effect on our financial position, operating results and cash flows. To date, such laws and regulations have not had a material adverse effect on our operating results, and we have not experienced an accident that has exposed us to material liability arising out of or relating to discharges of pollutants into the environment. However, the legislative, judicial and regulatory response to any well-control incidents could substantially increase our customers' liabilities in respect of oil spills and also could increase our liabilities. In addition to potential increased liabilities, such legislative, judicial or regulatory action could impose increased financial, insurance or other requirements that may adversely impact the entire offshore drilling industry.

Additionally, environmental laws and regulations are revised frequently, and any changes, including changes in implementation or interpretation, that result in more stringent and costly waste handling, disposal and cleanup requirements for our industry could have a significant impact on our operating costs.

The International Convention on Oil Pollution Preparedness, Response and Cooperation, the International Convention on Civil Liability for Oil Pollution Damage 1992, the UK Merchant Shipping Act 1995, Marpol 73/78 (the International Convention for the Prevention of Pollution from Ships), the UK Merchant Shipping (Oil Pollution Preparedness, Response and Co-operation Convention) Regulations 1998, as amended, and other related legislation and regulations and the Oil Pollution Act of 1990 ("OPA 90"), as amended, the Clean Water Act and other U.S. federal statutes applicable to us and our operations, as well as similar statutes in Texas, Louisiana, other coastal states and other non-U.S. jurisdictions, address oil spill prevention, reporting and control and have significantly expanded potential liability, fine and penalty exposure across many segments of the oil and gas industry. Such statutes and related regulations impose a variety of obligations on us related to the prevention of oil spills, disposal of waste and liability for resulting damages. For instance, OPA 90 imposes strict and, with limited exceptions, joint and several liability upon each responsible party for oil removal costs as well as a variety of fines, penalties and damages. Similar environmental laws apply in our other areas of operation. Failure to comply with these statutes and regulations may subject us to civil or criminal enforcement action, which may not be covered by contractual indemnification or insurance, or for which indemnity is prohibited under applicable law, and could have a material adverse effect on our financial position, operating results and cash flows.

High-profile and catastrophic events such as the 2010 Macondo well incident have heightened governmental and environmental concerns about the oil and gas industry. From time to time, legislative proposals have been introduced that would materially limit or prohibit offshore drilling in certain areas. We are adversely affected by restrictions on drilling in certain areas of the U.S. Gulf of Mexico and elsewhere, including the adoption of additional safety requirements and policies regarding the approval of drilling permits and restrictions on development and production activities in the U.S. Gulf of Mexico that have and may further impact our operations.

As a result of Macondo, the Bureau of Safety and Environmental Enforcement ("BSEE") issued a drilling safety rule in 2012 that included requirements for the cementing of wells, well-control barriers, blowout preventers, well-control fluids, well completions, workovers and decommissioning operations. BSEE also issued regulations requiring operators to have safety and environmental management systems ("SEMS") prior to conducting operations and requiring operators and contractors to agree on how the contractors will assist the operators in complying with the SEMS. In addition, in August 2012, BSEE issued an Interim Policy Document ("IPD") stating that it would begin issuing Incidents of Non-Compliance ("INC's") to contractors as well as operators for serious violations of BSEE regulations. Following federal court decisions successfully challenging the scope of BSEE's jurisdiction over offshore contractors, this IPD has been removed from the list of IPDs on the BSEE website. If this judicial precedent stands, it may reduce regulatory and civil litigation liability exposures.

In late 2014, the United States Coast Guard ("USCG") proposed new regulations that would impose GPS equipment and positioning requirements for mobile offshore drilling units ("MODUs") and jackup rigs operating in the U.S. Gulf of Mexico and issued notices regarding the development of guidelines for cybersecurity measures used in the marine and offshore energy sectors for all vessels and facilities that are subject to the Maritime Transportation Security Act of 2002 ("MTSA"), including our rigs. The regulations imposing GPS equipment and positioning requirements have not yet been issued. On 12 July 2017, the USCG announced the availability of and requested comments on draft guidelines for addressing cyber risks at MTSA-regulated facilities.

On 28 July 2016, BSEE adopted a new well-control rule that will be implemented in phases over the next several years (the "2016 Well Control Rule"). This new rule includes more stringent design requirements for well-control equipment used in offshore drilling operations. In May 2018, BSEE proposed revisions to the 2016 Well Control Rule. This proposed rule would revise requirements for well design, well control, casing, cementing, real-time monitoring and subsea containment. The revisions are targeted to ensure safety and environmental protection while correcting errors in the 2016 rule and reducing certain unnecessary regulatory burdens imposed under the existing regulations. The proposed revisions have not yet been finalised. We are continuing to evaluate the cost and effect that these new rules will have on our operations. Based on our current assessment of the rules, we do not expect to incur significant costs to comply with the 2016 Well Control Rule.

The continuing and evolving threat of cyber attacks will likely require increased expenditures to strengthen cyber risk management systems for MODUs and onshore facilities. For example, on 11 May 2017, President Trump issued EO 13800, entitled Strengthening the Cybersecurity of Federal Networks and Critical Infrastructure, which is intended to improve the nation's ability to defend against increasing and evolving cyber attacks, and in July 2017 the USCG issued proposed cybersecurity guidelines for port facilities and offshore facilities, including MODUs, that could be impacted by cyber attacks. We cannot currently estimate the future expenditures associated with increased regulatory requirements, which may be material, and we continue to monitor regulatory changes as they occur.

Additionally, climate change is receiving increasing attention from scientists and legislators, and significant focus is being put on companies that are active producers of depleting natural resources. Globally, there are a number of legislative and regulatory proposals at various levels of government to address the greenhouse gas emissions that contribute to climate change. Although it is not possible at this time to predict how legislation or new regulations that may be adopted to address greenhouse gas emissions would impact our business, any such future laws and regulations could require us or our customers to incur increased operating costs. Any such legislation or regulatory programs could also increase the cost of consuming oil, and thereby reduce demand for oil, which could reduce our customers' demand for our services. Consequently, legislation and regulatory programs to reduce greenhouse gas emissions could have an adverse effect on our financial position, operating results and cash flows.

If new laws are enacted or other government actions are taken that restrict or prohibit offshore drilling in our principal areas of operation or impose additional regulatory (including environmental protection) requirements that materially increase the liabilities, financial requirements or operating or equipment costs associated with offshore drilling, exploration, development or production of oil and natural gas, our financial position, operating results and cash flows could be materially adversely affected.

Employees

We employed 4,416 personnel worldwide as of 31 December 2018, which does not include contractors working for the company. The majority of our personnel work on rig crews and are compensated on an hourly basis. The following table summarises the split of women and men within the group as of 31 December 2018:

	Women	Men
Directors	2	9
Senior management	11	138
Other employees	253	4,003
Total	266	4,150

The company places considerable value on the involvement of its employees and maintains a practice of keeping them informed through formal and informal meetings and various internal publications.

Full and fair consideration is given to the employment and promotion of disabled persons, taking into account the degree of disablement, proposed job function and working environment. An employee who becomes disabled while in employment will continue where possible in the employment in which he or she was engaged prior to the disablement. Training and development is undertaken for all employees including disabled persons.

Social, community and human rights issues

Ensco has a number of policies setting out its commitment to human rights, including its Ethics and Compliance Policy, Vendor-Supplier Business Integrity Principles, Code of Business Conduct and Slavery and Human Trafficking Statement. Ensco is committed to conducting business ethically and legally throughout the world and in accordance with its core values. Ensco undertakes appropriate employee training and vetting of vendors and suppliers across its supply chain in order to implement these core values in its operations.

By order of the board

/s/ Carl G. Trowell

Carl G. Trowell 22 March 2019
Director, Chief Executive Officer and President

Directors' report

The directors of Ensco plc present their report for the year ended 31 December 2018.

Principal activity

The principal activity of Ensco plc, referred to herein as the company, and its subsidiaries, referred to herein as the group, is to provide offshore contract drilling services to the international oil and gas industry. Further information on our operations is included in the strategic report.

Business review and future outlook

Information on the performance of the business and the future outlook for the group is included in the strategic report.

Greenhouse gas emissions

Ensco's greenhouse gas emissions are categorised into two groups: direct emissions (from rig power generation and loss of refrigerants) and indirect emissions (from purchased electricity for onshore offices, warehouses and rig shore-power). All emissions from the facilities over which Ensco has direct operational control were included.

The Companies Act 2006 requires reporting on the following greenhouse gases:

- Carbon dioxide ("CO_2");
- Methane ("CH_4");
- Nitrous Oxide ("N_2O");
- Hydrofluorocarbons ("HFCs");
- Perfluorocarbons ("PFCs"); and
- Sulphur Hexafluoride ("SF_6").

PFCs and SF_6 are not emitted by Ensco, and therefore not considered in this report.

Ensco's greenhouse gas emissions are reported in metric tons (Mt) carbon dioxide equivalents ("CO_2e"). Calculations are performed using the emission factors and global warming potential for each chemical compound, which are in accordance with the current guidance from the UK Department for Environment, Food and Rural Affairs and the WRI / WBCSD Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition). The 2018 annual CO_2e emitted from Ensco's worldwide operations is 753,113 Mt (2017: 610,780 Mt).

Ensco has developed an intensity ratio that we believe is the most relevant to the company and will provide the most useful information to readers on a comparative year over year basis. Ensco's intensity ratio is determined by dividing annual emissions by total installed horsepower for the operating rig fleet (proportional approach used based on the rig operating hours). Ensco's 2018 ratio is 0.831 (2017: 0.759). The following table details our emissions by category.

Greenhouse Gas Emissions	**2018**	**2017**
Direct emissions (rigs owned by Ensco)	736,280 Mt	604,208 Mt
Indirect emissions (onshore offices, warehouses and rig shore-power)	16,833 Mt	6,572 Mt
Total emissions (CO_2e)	753,113 Mt	610,780 Mt
Intensity Ratio	**0.831**	**0.759**

Directors

The directors who held office during the year ended 31 December 2018 and up to the date of this report were as follows:

Paul E. Rowsey, III (Chairman)
Carl G. Trowell
J. Roderick Clark
Roxanne J. Decyk
Mary E. Francis CBE
C. Christopher Gaut
Jack E. Golden
Gerald W. Haddock
Francis S. Kalman
Keith O. Rattie
Phil D. Wedemeyer

Third party indemnity provisions

The group has granted an indemnity to its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the UK Companies Act 2006. Such qualifying third party indemnity provision remains in force as of the date of approving the directors' report.

Dividends

Our Board of Directors declared a $0.01 quarterly cash dividend per Class A ordinary share for each quarter during 2018. In October 2017, we amended our credit facility, which prohibits us from paying dividends in excess of $0.01 per share per fiscal quarter. Dividends in excess of this amount would require the amendment or waiver of such provision. The declaration and amount of future dividends is at the discretion of our Board of Directors. In the future, our Board of Directors may, without advance notice, determine to reduce or suspend our dividend in order to improve our financial flexibility and best position us for long-term success. When evaluating dividend payment timing and amounts, our Board of Directors considers several factors, including our profitability, liquidity, financial condition, market outlook, reinvestment opportunities, capital requirements and limitations under our credit facility.

On 22 March 2019, the company paid a dividend in the amount of $4.4 million ($0.01 per share).

Exposure to price, credit, liquidity and cash flow risk

Price risk arises on financial instruments because of changes in, for example, equity prices. The group currently is not exposed to any material price risk.

Credit risk is the risk that one party to a contract or financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The group is exposed to credit risk relating to its receivables from customers, cash and investments and use of derivatives in connection with the management of foreign currency exchange rate risk. The group minimises its credit risk relating to receivables from customers, which primarily consist of major international, government-owned and independent oil and natural gas companies, by performing ongoing credit evaluations and contracting insurance coverage when deemed appropriate. The group also maintains reserves for potential credit losses, which to date have been within management's expectations. The group minimises its credit risk relating to cash and investments by focusing on diversification and quality of instruments. Cash balances are maintained in major, well-capitalised commercial banks. Cash equivalents consist of a portfolio of high-grade instruments. Custody of cash and cash equivalents is maintained at several major financial institutions, and the group monitors the financial condition of those financial institutions.

We mitigate our credit risk relating to counterparties of our derivatives through a variety of techniques, including transacting with multiple, high-quality financial institutions, thereby limiting our exposure to individual counterparties and by entering into International Swaps and Derivatives Association, Inc. ("ISDA") Master Agreements, which include provisions for a legally enforceable master netting agreement, with 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 expect to fund our liquidity needs, including contractual obligations and anticipated capital expenditures, as well as working capital requirements, from our cash and short-term investments, and, if necessary, funds borrowed under the credit facility or future financing arrangements, including available shipyard financing options for our two drillships under construction. We may rely on the issuance of debt or equity securities in the future to supplement our liquidity needs.

Use of derivatives

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 turnover and expenses are denominated in U.S. dollars; however, a portion of the turnover 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 utilises derivatives to reduce our exposure to unanticipated fluctuations in earnings and cash flows caused by changes in foreign currency exchange rates.

We utilise 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 31 December 2018, we had cash flow hedges outstanding to exchange an aggregate $187.8 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 recognised 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 carrying value of the underlying hedged items. As of 31 December 2018, we held derivatives not designated as hedging instruments to exchange an aggregate $175.7 million for various foreign currencies.

If we were to incur a hypothetical 10% adverse change in foreign currency exchange rates, net unrealised losses associated with our foreign currency denominated assets and liabilities as of 31 December 2018 would approximate $17.3 million. Approximately $12.5 million of these unrealised losses would be offset by corresponding gains on the derivatives utilised to offset changes in the fair value of net assets and liabilities denominated in foreign currencies.

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 our derivatives mature during the next 18 months.

Policy and practice on payment of creditors

Statutory regulations issued under the UK Companies Act 2006 require companies to make a statement of their policy and practice in respect of the payment of trade creditors. Individual operating companies are responsible for agreeing terms and conditions for their business transactions and ensuring that suppliers are aware of the terms of payment. At year end, there were 52 days (2017: 58 days) of purchases in trade creditors.

Political contributions

The company did not make any political contributions during the year (2017: nil).

Employee matters included in the strategic report

Disclosures relating to employees are presented in the strategic report.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

In accordance with Section 489 of the UK Companies Act 2006, a resolution for the re-appointment of KPMG LLP as statutory auditor of the company is to be proposed at the forthcoming annual general meeting.

By order of the board

/s/ Carl G. Trowell

Carl G. Trowell
Director, Chief Executive Officer and President

6 Chesterfield Gardens
London
W1J 5BQ
22 March 2019

Directors' remuneration report

Introduction

Ensco plc's ("we," "our" or the "company") Board of Directors (the "Board") believes that our current program is competitive and appropriate within the market where we primarily compete for directors and executive talent. However, we are sensitive to the compensation governance practices prevalent in the United Kingdom and recognise that some characteristics of our current programs may not be consistent with those practices. Some characteristics of our programs that differ from typical UK practice but are common and competitively appropriate within our market include:

- Awards of time-vested restricted shares to executives: restricted shares are a common award type among our compensation and performance peer groups and are intended to help encourage retention, facilitate long-term share ownership and further align our executive directors with our shareholders' interests. In 2018, time-vested restricted shares made up 50% of our executive director's annual long-term incentive awards. The other 50% was granted in the form of performance unit awards that will be settled in cash at the end of a three-year performance cycle, which are contingent upon achievement of certain levels of total shareholder return ("TSR") and return on capital employed ("ROCE") relative to our performance peer group.
- The use of equity for compensating non-executive directors: equity is a common component of non-executive director compensation within our compensation and performance peer groups, where it is widely considered to be a "best practice" for non-executive directors to receive at least 50% of their annual compensation in equity.

Our director compensation program takes into account the additional director responsibilities attendant with service on the board of a public limited company that is incorporated under the laws of England and Wales and listed on the New York Stock Exchange and subject to U.S. Securities and Exchange Commission reporting requirements, as compared with other public companies that are listed and incorporated in the U.S.

References in this Remuneration Report to the Board include the Board as well as any other relevant committees of the Board.

2018 Compensation Highlights

Below are highlights of the compensation-related decisions that impacted our executive director and non-executive directors during 2018:

- **Base salary and retainers:** In February 2018, the Board decided, for the fourth year in a row, to freeze the base salary for our executive director. There were no changes in 2018 to the retainers paid to our non-executive directors.
- **Ensco Cash Incentive Plan ("ECIP") performance measures shifted to emphasise key operational performance measures:** The ECIP provides annual cash bonus incentives to participating employees, including our executive director, based on the achievement of short-term and medium-term performance goals and objectives. In February 2018, the Board decided, for the fourth year in a row, to freeze ECIP target bonus opportunity percentages for our executives, including our executive director.

  Our non-executive directors do not participate in the ECIP.
- **Increased weight on EBITDA in the ECIP from 30% to 50%**: As the offshore drilling industry continues to weather the prolonged downturn, cash management and liquidity remain a strategic priority for the company. Furthermore, as signs of a cyclical bottom emerge in the offshore drilling market, we will focus on margin improvement. As a result, our Compensation Committee elected to replace two performance measures in our 2017 ECIP, Days Sales Outstanding ("DSO") and Backlog Days, with an increased weight assigned to EBITDA for our 2018 ECIP as this metric focuses on margin, cash generation and cost containment. The performance target established for EBITDA in 2018 was lower than the performance target established for EBITDA in 2017, reflecting a more challenging market in 2018. However, given the challenging expectations regarding operating efficiencies and cost reductions required to reach the 2018 target, we believe the EBITDA target for 2018 was at least as challenging if not more challenging than the goal established for 2017.

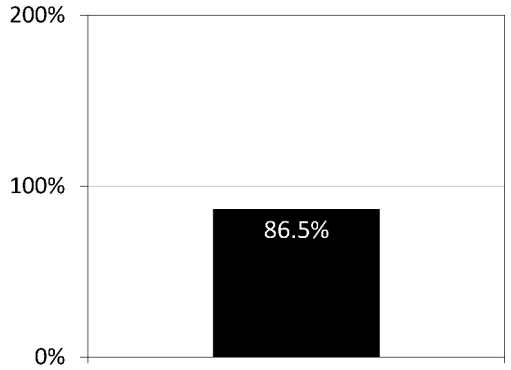
  Our non-executive directors do not participate in the ECIP.
- **Addition of a process safety metric in the ECIP:** To further emphasise the company's focus on safety, process safety was introduced as an additional component of our ECIP safety performance measure. While TRIR, which measures personal safety performance, remains an integral part of our ECIP, process safety adds a new focus on the prevention of catastrophic safety events that may not have otherwise been captured or measured through TRIR performance.

  Our non-executive directors do not participate in the ECIP.

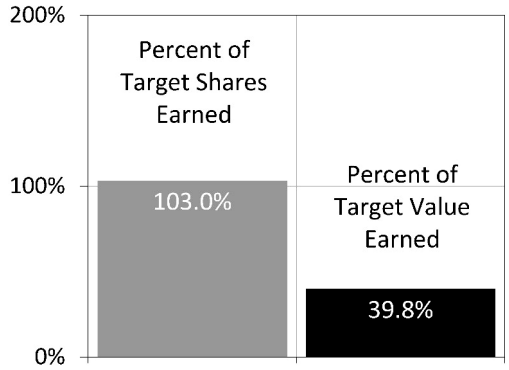
- **Annual formula-derived ECIP bonuses for 2018 performance paid out at 86.5%:** We achieved strategic team goals ("STGs") in excess of target. We achieved at or above-target for Safety (TRIR), process safety, and Floaters downtime and above-threshold performance for EBITDA.
- **Long-term performance units paid out at 103.0% of target with realised value at 39.8% of target grant date value:** With respect to performance units granted in 2016 with a three-year performance period ended 31 December 2018, we achieved a rank of 6 and 2 out of 8 performance peer group companies in relative Total Shareholder Return ("TSR") and Return on Capital Employed ("ROCE") performance, respectively. After giving effect to the decline in our share price over the three-year performance period, the realisable value of these awards as of the end of 2018 was less than half of the original grant date value.

  Our executive director receives performance units. Our non-executive directors do not receive performance units.

ECIP Payout
(percent of target)



2016 - 2018 Performance Unit Payout
(percent of target)



Measures	Performance Level		
EBITDA	$ 261,600	Above threshold	
Process Safety	0.08	Above target	
TRIR	0.25	Meets target	
Downtime - Floaters	2.62%	Above target	
Downtime - Jackups	1.97%	Below threshold	
Strategic Goals	2.46	Above target	

Measure	Performance Level	
TSR (relative)	**6 of 8**	**Threshold performance**
ROCE (relative)	**2 of 8**	**Above target performance**

Submitted by Rod Clark, Chairman of the Compensation Committee

Board and Compensation Committee membership

The following table lists the current members of the Board and the Compensation Committee:

Board of Directors	Compensation Committee
Carl G. Trowell	
J. Roderick Clark	Chairperson
Roxanne J. Decyk	Member
Mary E. Francis CBE	
C. Christopher Gaut	
Jack E. Golden	Member
Gerald W. Haddock	
Francis S. Kalman	Member
Keith O. Rattie	
Paul E. Rowsey, III	
Phil D. Wedemeyer	

Mr. Trowell is the only executive director currently on the Board. Mr. Trowell was appointed to the Board on 2 June 2014. Mr. Trowell does not receive additional compensation for his services as a director. All other members of the Board are non-executive directors.

Compensation methodology and process

In carrying out its responsibilities for establishing, implementing and monitoring the effectiveness of our general and executive compensation philosophy, plans and programs, the Board and Compensation Committee rely on outside experts to assist in their deliberations. During 2018, the Board and Compensation Committee received compensation advice and data from Pearl Meyer & Partners, LLC ("Pearl Meyer"). The Board and Compensation Committee also received data regarding compensation trends, issues and recommendations from management.

Pearl Meyer was engaged by the Compensation Committee to provide counsel regarding:

- Compensation philosophy and practices, including executive and non-executive director compensation;
- Peer group composition;
- Compensation program design;
- Short-term and long-term incentive plan administration; and
- Competitive compensation analysis for executive officers and non-executive directors.

With respect to non-executive director compensation, Pearl Meyer reviewed the company's philosophy and practices regarding general Board compensation, committee compensation, committee chair compensation and non-executive director equity award programs. In connection with these reviews, Pearl Meyer provided the Compensation Committee with comparative market assessments of executive and non-executive director compensation levels, including information relative to compensation trends and retention prevailing practices.

In addition to providing the Compensation Committee with information regarding compensation trends in the general marketplace, compensation practices of other companies in the offshore drilling and oilfield services industries and regulatory compliance developments, Pearl Meyer also evaluated certain data that our Human Resources department submitted to the Compensation Committee regarding incentive compensation calculations for awards payable under the ECIP and the Long-Term Incentive Plan ("LTIP").

The Compensation Committee meets regularly in executive session with Pearl Meyer outside the presence of management. Pearl Meyer did not provide any services to the company or management other than services requested by or with the approval of the Compensation Committee, and its services were limited to executive and non-executive director compensation consulting.

Fees paid to Pearl Meyer by the company during 2018 (approximately $247,800) were less than 1% of Pearl Meyer's total turnover.

The Compensation Committee regularly reviews the services provided by its outside consultants and believes that Pearl Meyer is independent in providing executive compensation consulting services. The Compensation Committee continues to monitor the independence of its compensation consultant on a periodic basis.

We compete for executive-level talent with oilfield service companies as well as other industries and professions. To provide guidance to the Board and Compensation Committee, comparative salary data is obtained from several sources, including Pearl Meyer, industry-specific surveys and compensation peer company proxy statements filed with the U.S. Securities and Exchange Commission. Each year, Pearl Meyer reviews with the Compensation Committee the composition of the compensation and performance peer groups. Our compensation peer group, which was approved by the Compensation Committee for 2018 in consultation with Pearl Meyer, was composed of 9 offshore drilling and oilfield services companies of comparable overall size and historical financial performance. The compensation peer group for 2018 was adjusted from the compensation peer group used for 2017 by removing the following three peers whose financial size was significantly larger than other companies in the group:

- Baker Hughes - a GE Company
- National Oilwell Varco, Inc.
- TechnipFMC plc. (we had included FMC Technologies prior to its merger with Technip in 2017)

Compensation risk

The Compensation Committee carefully considers the relationship between risk and our overall compensation policies, programs and practices for the Chairman, Chief Executive Officer and non-executive directors. The Compensation Committee continually monitors the company's general compensation practices, specifically the design, administration and assessment of our incentive plans, to identify any components, measurement factors or potential outcomes that might create an incentive for excessive risk-taking detrimental to the company. The Compensation Committee has determined that the company's compensation plans and policies do not encourage excessive risk-taking.

The Compensation Committee also paid particular attention to potential unintended consequences associated with the establishment of the ECIP and performance unit award goals and related measurement criteria under the LTIP. In formulating such goals and performance criteria, the Compensation Committee focused on matters such as safety performance, financial performance, relative TSR, relative ROCE and STGs. The Compensation Committee determined that such goals and performance criteria did not encourage participation in high-risk activities that are reasonably likely to have a material adverse effect on the company.

In addition, the Compensation Committee believes that there are numerous governance characteristics of our compensation programs that serve to mitigate excessive risk taking. We have clawback and award disqualification provisions in place in the LTIP awards and through the ECIP.

Remuneration Policy Summary for Executive Directors

Our current Remuneration Policy, which was approved at the Annual General Meeting on 22 May 2017, will apply until the 2020 Annual General Meeting of Shareholders, unless revised by a vote of shareholders ahead of that time. A copy of the Remuneration Policy is being provided to our shareholders as an annex to our proxy statement for our 2019 Annual General Meeting of Shareholders. Our proxy statement is available at www.proxyvote.com. The following is a summary of the Remuneration Policy as it applies to executive directors:

Element	Purpose and Link to Strategy	Operation	Maximum Opportunity[1]	Performance Measures	Clawback/Award Disqualification[2]
Salary and Fees	Attract and retain high performing individuals reflecting market value of role and the executive director's skills, experience and performance.	Salaries are set by the Board and are reviewed annually taking into account the executive director's role, experience and performance and by reference to the median salary paid to executive directors of our compensation peer group companies. Salary increases typically take effect in the first quarter of each year.	Salary increases will ordinarily be in line with increases awarded to other employees in the company and will not ordinarily exceed 10% per year. Salary adjustments may be made to reflect wider market conditions in the geography in which the individual operates.	None, although overall performance of the individual is considered by the Board when setting salaries annually.	Not applicable

Element	Purpose and Link to Strategy	Operation	Maximum Opportunity[1]	Performance Measures	Clawback/Award Disqualification[2]
Benefits	Competitive benefits taking into account market value and benefits offered to the wider UK and U.S. management population.	Benefits include, but are not limited to, health insurance, life insurance and annual executive health physicals. Benefits include provisions for relocation assistance upon appointment when applicable. Overseas allowance and reimbursement components could include: monthly housing allowance; cost of living allowance; transportation allowance; annual home leave allowance; dependents' schooling assistance; tax equalisation for certain overseas allowance and reimbursement benefits; foreign service premium; supplemental equity awards and other similar benefits. Benefit provision is tailored to reflect market practice in the geography in which the executive director is based and different policies may apply if current or future executive directors are based in a different country.	Set at a level the Board considers appropriate as compared to benefits offered in connection with comparable roles by companies of a similar size in the relevant market. Executive director benefits will ordinarily be in line with benefits offered to other salaried employees. The Board reserves the discretion to increase its spend on benefits in appropriate circumstances such as in response to an increase in benefits costs. The Board further reserves the discretion to introduce new benefits where it concludes that it is in the interests of the company to do so, having regard for the particular circumstances.	None	Not applicable
Annual Cash Bonus	Incentivise delivery of company strategic objectives and enhance performance on an annual basis.	Awards are provided to the executive director through the Ensco Cash Incentive Plan (the "ECIP"). Awards are tied to achievement of specific performance measures and are paid out in cash after the end of the financial year based on performance against the targets and performance measures set annually by the Board.	The maximum ECIP payout is $5 million per year. The maximum payout is established as two times the target payout. The threshold payout is one-half of target payout.	Performance metrics are formula-derived and selected annually based on the current business objectives. The Board may select performance measures from a list of financial, business and operational goals set forth in the ECIP, as it may be amended, restated or replaced from time to time.[3]	The Board will seek to reduce the size of cash incentive awards for executive directors who violate our Code of Business Conduct Policy or in the case of certain financial restatements.
Employer Matching and Profit Sharing Programs	Incentivise the delivery of company strategic targets.	The executive director may participate in the employer matching and profit sharing provisions of our defined contribution savings plans on a tax-deferred basis.	The maximum total matching contribution annually is 5% of eligible salary. Annual profit sharing distributions are limited to a maximum of 10% of eligible employee salary. The Board may set a higher level in exceptional circumstances or to reflect local practice and regulation, if relevant.	None	Not applicable

Element	Purpose and Link to Strategy	Operation	Maximum Opportunity[1]	Performance Measures	Clawback/Award Disqualification[2]
Long-Term Incentive Plan ("LTIP")[4]	Incentivise long-term company financial performance in line with the company's strategy and long-term shareholder returns. Promote alignment with shareholders by tying executive compensation to creation of long-term shareholder value and encouraging executives to build meaningful equity ownership stakes.	Awards will normally be made annually under the LTIP. The Board also has a practice of granting special equity awards to newly-hired or promoted officers and may grant special equity awards to ensure the retention of officers and to further support our succession planning efforts. Awards will take the form of either share options, restricted share awards, restricted share unit awards, stock appreciation rights, performance awards and performance unit awards. Except in exceptional circumstances, awards will generally vest over a three year period. Participation and individual award levels will be determined at the discretion of the Board within the terms of the LTIP. Performance awards and performance unit awards may be settled in cash, shares or a combination of cash and shares.	The maximum aggregate grant date fair value of awards under the LTIP made to a participant will not exceed $10 million per year.	Awards of share options, restricted share awards and restricted share unit awards will be time-based and are not subject to performance measures. Performance awards and performance unit awards are earned at the end of a pre-determined period subject to performance against pre-determined performance measures and targets. The Board may select performance measures from a list of financial, business and operational goals set forth in the LTIP, as it may be amended, restated or replaced from time to time.[5] The Board has discretion to amend the performance measures in exceptional circumstances if it considers it appropriate to do so, such as during cases of accounting changes, relevant merger and acquisition activity and any non-significant changes. Any such amendments would be fully disclosed in the following year's remuneration report.	The Board will seek to claw back or reduce equity incentive awards for executive directors who violate our Code of Business Conduct Policy or in the case of certain financial restatements.

(1) The Board reserves the right to make payments and to agree to make payments outside the Remuneration Policy in exceptional circumstances. The Board would only use this right where it believes the use is in the best interests of the company and when it would be impractical to seek prior specific approval of the shareholders of the company at a general meeting.

(2) The company has clawback provisions in its long-term incentive award agreements and award disqualification measures in the LTIP and the ECIP. Using this authority, the Board may seek to claw back or reduce equity incentive awards or reduce the size of cash incentive awards for executive officers, including executive directors, who violate our Code of Business Conduct or in the case of certain financial restatements (including application of the provisions of the Sarbanes-Oxley Act of 2002, as amended, in the event of a restatement of our earnings).

(3) Performance measures that may be selected by the Board in granting an ECIP award include: (a) net income as a percentage of revenue; (b) earnings per share (EPS); (c) return on net assets employed before interest and taxes (RONAEBIT); (d) operating margin as a percentage of revenue; (e) safety performance relative to industry standards and the company annual target; (f) strategic team goals (STGs); (g) net operating profit after taxes; (h) net operating profit after taxes per share; (i) return on invested capital; (j) return on assets or net assets; (k) total stockholder return (TSR); (l) return on capital employed (ROCE); (m) relative total stockholder return (as compared with a peer group of the company or other appropriate index); (n) earnings or adjusted earnings before interest, taxes, depletion, depreciation and/or amortisation (EBIT, EBITD, EBITDA); (o) net income; (p) free cash flow; (q) free cash flow per share; (r) revenue (or any component thereof); (s) revenue growth; (t) days sales outstanding (DSO); (u) downtime for any asset; (v) backlog related measures or (w) any other performance objective approved by the shareholders of the company in accordance with Section 162(m) of the U.S. Internal Revenue Code of 1986. For example, the 2016 ECIP awards were made to the executive director based on the following performance measures: EBITDA; EPS; DSO; Safety (TRIR); Downtime for Floaters and Jackups and STGs.

(4) Under the LTIP, the Board may grant, in addition to the restricted shares and performance unit awards under the previous Remuneration Policy, share options, restricted share unit awards, stock appreciation rights and performance awards, to align the policy with the awards that could be granted under the terms of the LTIP.

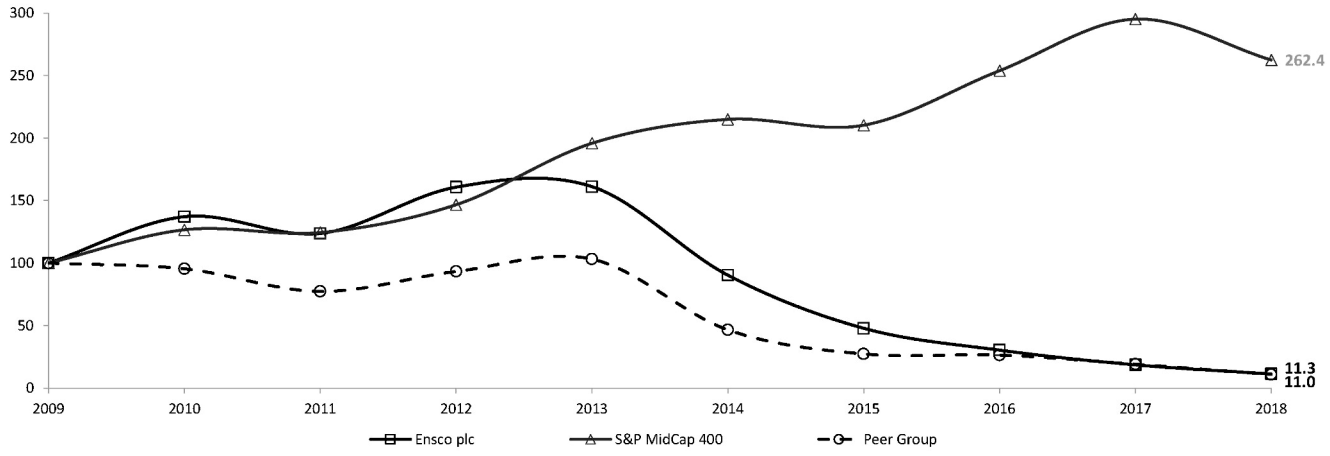
(5) Performance measures that may be selected by the Board in granting a LTIP performance award or performance unit award include: (a) net income as a percentage of revenue; (b) earnings per share (EPS); (c) return on net assets employed before interest and taxes (RONAEBIT); (d) operating margin as a percentage of revenue; (e) safety performance relative to industry standards and the company annual target; (f) strategic team goals (STGs); (g) net operating profit after taxes; (h) net operating profit after taxes per share; (i) return on invested capital; (j) return on assets or net assets; (k) total shareholder return (TSR); (l) relative total shareholder return (as compared with a peer group of the company or other appropriate index) (relative TSR); (m) absolute return on capital employed (absolute ROCE); (n) relative return on capital employed (as compared with a peer group of the company or other appropriate index) (relative ROCE); (o) earnings or adjusted earnings before interest, taxes, depletion, depreciation and/or amortisation (EBIT, EBITD, EBITDA); (p) net income; (q) free cash flow; (r) free cash flow per share; (s) revenue (or any component thereof); (t) revenue growth; (u) backlog related measures or (v) any other performance objective approved by the holders of Shares, in accordance with Section 162(m) of the U.S. Internal Revenue Code of 1986. For example, performance unit awards were granted to the executive director based upon long-term relative performance criteria during 2016 for the performance period beginning 1 January 2016 and ending 31 December 2018 based upon the relative TSR and Relative ROCE performance measures.

Total shareholder return

The chart below presents a comparison of the nine-year cumulative total return, assuming $100 invested on 31 December 2009 for Ensco plc, the Standard and Poor's MidCap 400 Index and a self-determined peer group. Total return assumes the reinvestment of dividends, if any, in the security on the ex-dividend date. Since Ensco operated exclusively as an offshore drilling company, a self-determined peer group composed exclusively of major offshore drilling companies has been included as a comparison.* Ensco is no longer part of the Standard & Poor's 500 Stock Price Index. The Standard & Poor's MidCap 400 Index includes Ensco and has been included as a comparison.

COMPARISON OF CUMULATIVE TOTAL RETURN*

Among Ensco plc, the S&P MidCap 400 Index and Peer Group



$100 invested on 12/31/09; includes the reinvestment of dividends in the same security on the ex-dividend date.

**The self-determined peer group is weighted according to market capitalization at the beginning of each year and consists of the following companies: Transocean Ltd., Diamond Offshore Drilling Inc., Noble Corp., SeaDrill Ltd., and Rowan Companies plc.*

Share price

The highest and lowest prices of the company's Class A ordinary shares during the year ended 31 December 2018 were $9.41 and $3.27, respectively. The closing market price of the company's Class A ordinary shares on 31 December 2018 was $3.56.

Information subject to audit

The auditors are required to report on the information contained in the Share Price section above and tables A, B, C, D, E and F below.

Remuneration of Chief Executive Officer

The Chief Executive Officer, our only current executive director, does not receive any additional compensation for his services as director.

A longstanding objective of the Board has been to motivate, reward and retain our Chief Executive Officer by means of equity compensation through our LTIP. The value of equity awards over time bears a direct relationship to the market price of our shares, which the Board believes will promote alignment with shareholders, instill a sense of ownership and shareholder perspective that will manifest itself in positive and sustainable long-term performance and provide a strong retentive element to our compensation program. In order to accomplish these goals, our approach to long-term incentive compensation included a combination of time-vested and performance-based long-term incentive awards. The tables below summarise total Chief Executive Officer remuneration and include annual bonus payouts and performance unit awards vesting as a percentage of maximum opportunity for the current year and previous four years.

Mr. Trowell was hired as our President and Chief Executive Officer on 2 June 2014. Upon hiring Mr. Trowell, Daniel W. Rabun retired as Chief Executive Officer but remained employed by the company as an executive director to serve as Chairman of the Board of Directors until 18 May 2015. The remuneration disclosed in the table below reflects the total remuneration for Mr. Trowell since his appointment as Chief Executive Officer in June 2014:

	2018	2017	2016	2015	2014[1]
Total Remuneration	$ 6,207,433	5,906,374	$ 4,550,662	$ 4,933,408	$ 7,758,001
Annual Bonus as a Percentage of Maximum	43%	64%	50%	69%	30%
Performance Awards Vesting as a Percentage of Maximum	34%	12%	7%	N/A	N/A

(1) In connection with Mr. Trowell's hiring, he was granted a make-whole restricted share award subject to a three-year cliff vesting of $4.0 million.

The remuneration disclosed below reflects the total remuneration for Mr. Rabun from 2009 through his retirement as Chief Executive Officer in June 2014, including a prorated annual bonus payout during 2014:

	2014	2013	2012	2011	2010	2009
Total Remuneration	$ 5,835,655	$ 9,878,742	$ 10,188,238	$ 10,897,191	$ 7,152,858	$ 4,619,128
Annual Bonus as a Percentage of Maximum	30%	54%	77%	61%	68%	66%
Performance Awards Vesting as a Percentage of Maximum	30%	40%	66%	43%	77%	57%

Remuneration of Executive Director - Table A

The compensation paid to our executive director for the fiscal years ended 31 December 2018, 2017 and 2016 is reported in the tables below.

Name	Year	Salary and Fees ($)	Taxable Benefits ($)[2]	Annual Incentives ($)[3]	Long-Term Incentives ($)[4]	Pensions ($)	Other ($)[5]	Total ($)
Carl G. Trowell[1]	2018	801,600	102,007	3,262,722	838,704	—	1,202,400	6,207,433
	2017	772,800	92,236	3,583,027	299,111	—	1,159,200	5,906,374
	2016	816,000	163,513	3,397,608	173,541	—	—	4,550,662

(1) Mr. Trowell was appointed to the Board on 2 June 2014.

(2) Taxable benefits provided to our executive director include the following:

Name	Year	Group Term Life Insurance	Dividends on Share Awards*	Other	Total
Carl G. Trowell	2018	$ 642	$ 61,285	$ 40,080	$ 102,007
	2017	$ 605	$ 52,991	$ 38,640	$ 92,236
	2016	$ 639	$ 80,334	$ 82,540	$ 163,513

* The amounts disclosed in this column represent the dividends or dividend equivalents earned and paid during 2018, 2017 and 2016 on the director's unvested restricted shares and share units and the 2014-2016 performance unit awards and the dividends that are to be paid for the 2016-2018 performance unit awards.

(3) The amounts disclosed in this column represent the aggregate grant-date fair value of restricted share awards or units granted during the respective year and bonuses awarded for the respective years pursuant to the ECIP.

(4) The amounts disclosed in this column represent aggregate amounts received or receivable in respect of performance unit awards where final vesting is or was determined as a result of the achievement of performance measures or targets relating to a period ending in the relevant financial year. Please see below for further information on individual award calculations and performance unit awards outstanding at the beginning and end of 2018.

The following table sets forth information regarding the components of annual incentives earned by our executive director for the fiscal years ended 31 December 2018, 2017 and 2016:

Name	Year	Restricted Share Awards ($)	ECIP ($)	Total ($)
Carl G. Trowell	2018	2,500,000	762,722	3,262,722
	2017	2,500,025	1,083,002	3,583,027
	2016	2,500,008	897,600	3,397,608

During 2018, the Board approved financial, safety performance and STGs for our executive officers, including our executive director, for the 2018 plan year. The ECIP performance measures and actual results for the executive officers for the 2018 plan year were as follows:

2018 ECIP PERFORMANCE MEASURES

Performance Measure	Weighting	Threshold	Target	Maximum	Actual Results	% of Target Earned
EBITDA[1]	**50.0%**	$ 228,000	$ 304,000	$ 380,000	$ 261,600	36.1%
Process Safety	**5.0%**	0.20	0.10	0.07	0.08	8.3%
TRIR	**5.0%**	0.40	0.25	0.12	0.25	5.0%
Downtime - Floaters	**10.0%**	4.5%	3.0%	1.5%	2.62%	12.5%
Downtime - Jackups	**10.0%**	1.7%	1.35%	1.0%	1.97%	—%
STGs	**20.0%**	50%	100%	200%	123.0%	24.6%
TOTAL AWARD	**100.0%**					86.5%

(1) For purposes of the ECIP, EBITDA is calculated by taking operating revenues (excluding non-cash amortised revenue) and subtracting contract drilling expenses (excluding non-cash amortised expense) and general and administrative expenses, adjusted to exclude the impact of gain or losses on asset disposals, transaction costs and significant non-recurring items.

Individual Award Calculation

Executive Officer	2018 Target Opportunity	x	Weighted % of Target Earned	=	Formula-Derived ECIP Award	+	Discretionary Adjustment ($)	=	Actual ECIP Award
Mr. Trowell	$ 881,760		86.5%		$ 762,722		—		$ 762,722

The performance measures and actual results for performance unit awards granted under the LTIP during 2016 for the performance period beginning 1 January 2016 and ending 31 December 2018 were as follows:

Performance Measure	Weight		Threshold	Target	Maximum	Actual Results	% of Target Payout Achieved
Relative TSR	50%	Rank					
		Award	6 of 8	4 of 8	1 of 8		
		Multiplier	0.40	1.00	2.0	6	40%
Relative ROCE	50%	Rank					
		Award	6 of 8	4 of 8	1 of 8		
		Multiplier	0.40	1.00	2.0	2	166%

Performance unit awards granted under the LTIP during 2016 for the performance period beginning 1 January 2016 and ending 31 December 2018 were paid to our executive director in shares in March 2019 as follows in the table below.

	Relative TSR	Relative ROCE	Total Shares Earned	Total Value of Shares Earned*
Carl G. Trowell	45,746	189,845	235,591	$ 838,704

* Performance unit awards valued based on the share closing price of $3.56 on 31 December 2018.

(5) The amount disclosed in this column consists of the portion of the retention award that vested on 31 December 2018 and was paid in January 2019. See "2018 Compensation Highlights" in this remuneration report for further information.

Performance Unit Awards - Table B

The following table sets forth information regarding performance unit awards outstanding at the beginning and end of 2018 for our executive director. Our non-executive directors do not receive performance unit awards.

	Date of Grant	End of Period Over Which Qualifying Conditions Must be Fulfilled for Each Award(1)	Grant-date Fair Value of Performance Unit Awards at Beginning of FY ($)(2)(3)(4)	Grant-date Fair Value of Performance Unit Awards Granted During the FY ($)(2)(3)(4)	Actual Payout Related to Awards Which Vested During the FY ($)	Grant-date Fair Value of Performance Unit Awards at End of FY ($)(2)(3)(4)
Carl G. Trowell	23/2/2015	31/12/2017	2,499,984	—	299,111	—
	3/3/2016 (5)	31/12/2018	2,275,000	—	N/A	2,275,000
	6/3/2017	31/12/2019	2,500,000	—	N/A	2,500,000
	5/3/2018	31/12/2020	—	2,500,000	N/A	2,500,000

(1) Performance unit awards are measured over a three-year performance period. Any amounts earned under the performance unit awards are not payable until after the close of the performance period. Performance awards are subject to forfeiture if the recipient leaves the company prior to award payout.

(2) Grant-date fair value for performance unit awards is measured using the estimated probable payout on the grant date. The performance unit awards are based upon financial performance measured over the three-year performance period. Performance unit awards granted in 2018 and 2017 are denominated and paid in cash. Performance unit awards granted in 2016 are denominated in units and may be settled in shares or cash at the sole discretion of the Board. The goals for the performance unit awards granted have three performance bands: a threshold, a target and a maximum. If the minimum threshold for the respective financial performance measure is not met, no amount will be paid for that component. Payments are calculated using straight-line interpolation for performance between the threshold and target and between the target and maximum for each component.

(3) TSR is defined as dividends paid during the performance period plus the ending share price of the performance period minus the beginning share price of the performance period, divided by the beginning share price of the performance period. The beginning share price is based on the average daily closing price during the quarter preceding the performance period, and the ending share price is based on the average daily closing price of the last quarter of the performance period. ROCE is

defined as net income from continuing operations, adjusted for certain nonrecurring gains and losses, plus after-tax net interest expense, divided by total equity as of 1 January of the respective year plus the average of the long-term debt balances as of 1 January and 31 December of the respective year.

(4) In 2016 and 2017, the company's relative performance is evaluated against a group of seven performance peer companies, consisting of Diamond Offshore Drilling, Inc., Helmerich & Payne, Inc., Nabors Industries Ltd., Noble Corporation plc, Rowan Companies plc, Transocean Ltd and Seadrill Ltd. The performance peer group for the 2018 performance unit awards was changed from our 2017 peer group to remove Seadrill Ltd due to its Chapter 11 U.S. Bankruptcy Code restructuring announced in 2017. If the group decreases in size during the performance period as a result of mergers, acquisitions or economic conditions, the applicable multipliers will be adjusted to pre-determined amounts based on the remaining number of performance peer group companies for the two relative performance measures.

(5) The performance unit award for the performance period beginning 1 January 2016 and ending 31 December 2018 was paid in shares in March 2019.

Remuneration of non-executive directors

The Remuneration Policy, which was approved at the Annual General Meeting on 22 May 2017, will apply until the 2020 Annual General Meeting of Shareholders. The following is a summary of the Current Remuneration Policy as it applies to non-executive directors:

Element	Purpose and Link to Strategy	Operation	Maximum Opportunity
Fees	Attract and retain qualified candidates.	Reviewed annually by the Board by reference to the median of our compensation peer group companies. Compensation adjustments, if applicable, are normally effective from on or around 1 June. Adjustments will not ordinarily exceed 10% per annum. The Chairman of the Board and the chairs of the Audit, Compensation and Nominating and Governance Committees receive additional retainers to compensation for their roles. The additional retainer for the Chairman of the Board and the committee chairs are established by reference to the market median of our compensation peer group companies. No eligibility for bonuses or retirement benefits. Compensation also includes an annual award of stock-based compensation under the LTIP that is not subject to performance tests. Annual equity awards made to the Chairman of the Board and to other non-executive directors.	No prescribed maximum annual increase.
Benefits	Attract and retain qualified candidates.	Travel to Board meeting locations or the location of other company business. Eligible to participate in U.S. and UK group health and welfare insurance plans.	None

Non-Executive Directors Compensation - Table C

The compensation paid to our non-executive directors for the fiscal years ended 31 December 2018 and 2017 is reported in the tables below. The compensation paid to non-executive directors includes an element of equity-based compensation, designed to provide greater alignment of interests between non-executive directors and the company's shareholders. This equity-based compensation is not subject to the achievement of performance metrics given the nature of the role performed by the non-executive directors.

Name	Year	Salary and Fees ($)	Taxable Benefits ($)[1]	Annual Incentives ($)[2]	Total ($)
J. Roderick Clark	2018	115,000	19,750	200,006	334,756
	2017	115,000	14,909	200,009	329,918
Roxanne J. Decyk	2018	100,000	17,431	200,006	317,437
	2017	100,000	17,796	200,009	317,805
Mary E. Francis CBE	2018	100,000	3,771	200,006	303,777
	2017	100,000	5,566	200,009	305,575
C. Christopher Gaut	2018	100,000	7,542	200,006	307,548
	2017	100,000	7,343	200,009	307,352
Jack E. Golden[3]	2018	100,000	3,998	200,006	304,004
	2017	48,641	238	130,419	179,298
Gerald W. Haddock	2018	100,000	19,155	200,006	319,161
	2017	100,000	18,726	200,009	318,735
Francis S. Kalman	2018	100,000	16,339	200,006	316,345
	2017	100,000	17,175	200,009	317,184
Keith O. Rattie	2018	120,000	15,695	200,006	335,701
	2017	120,000	16,274	200,009	336,283
Paul E. Rowsey, III	2018	210,000	22,417	275,018	507,435
	2017	210,000	11,745	275,015	496,760
Phil D. Wedemeyer[3]	2018	100,000	8,170	200,006	308,176
	2017	48,641	238	130,419	179,298

(1) Taxable benefits provided to our non-executive directors include dividends on non-vested restricted share awards, payments made by the company on the behalf of the directors for contributions to group health and welfare insurance and payments made by the company to reimburse directors for business expenses incurred in connection with the attendance of Board meetings in the UK, which are subject to UK income tax.

The payments made by the company to each director during 2018 and 2017 as reimbursement for business expenses incurred in connection with the attendance of Board meetings in the United Kingdom, which are subject to UK income tax are as follows:

Name	2018	2017
J. Roderick Clark	$ 7,847	$ 3,643
Roxanne J. Decyk	$ 5,528	$ 6,530
Mary E. Francis CBE	$ 191	$ 2,871
C. Christopher Gaut	$ 5,300	$ 5,578
Jack E. Golden	$ 1,892	$ —
Gerald W. Haddock	$ 7,252	$ 7,460
Francis S. Kalman	$ 4,436	$ 5,909
Keith O. Rattie	$ 3,792	$ 5,008
Paul E. Rowsey, III	$ 9,043	$ 9,337
Phil D. Wedemeyer	$ 6,544	$ —

(2) The non-executive director amounts disclosed in this column represent the aggregate grant-date fair value of restricted share units granted during the respective year.

(3) The 2017 Director compensation for Messrs. Golden and Wedemeyer was paid on a pro-rata basis to reflect appointment of Ensco's Board on 6 October 2017.

Time-vested Restricted Shares - Table D

The following table sets forth information regarding the number and amount of restricted share awards outstanding at the beginning and end of the fiscal year ended 31 December 2018 for each director serving on the Board during 2018:

	Date of Grant	End of Period Over Which Qualifying Conditions Must be Fulfilled for Each Award[1]		Restricted Shares/Units Outstanding at Beginning of FY (#)	Restricted Shares/Units Granted During the FY (#)	Restricted Shares/ Units Which Vested During the FY (#)	Market Price Per Share on Date of Grant ($)	Market Price Per Share on Vesting of Award ($)	Income Realised Upon Vesting ($)	Restricted Shares/Units Outstanding at End of FY (#)
Carl G. Trowell	23/2/2015	1/3/2018	(3)	29,087	—	29,087	28.65	4.46	129,728	—
	3/3/2016	3/3/2019	(3)	152,486	—	76,243	10.93	4.42	336,994	76,243
	6/3/2017	6/3/2020	(3)	259,608	—	86,536	9.63	4.60	398,066	173,072
	5/3/2018	5/3/2021	(3)	—	535,332	—	4.67	N/A	N/A	535,332
J. Roderick Clark	1/6/2015	1/6/2018	(4)	3,562	—	3,562	23.40	6.58	23,438	—
	1/6/2016	1/6/2019	(4)	13,818	—	6,909	9.65	6.58	45,461	6,909
	1/6/2017	1/6/2020	(4)	31,647	—	10,549	6.32	6.58	69,412	21,098
	1/6/2018	1/6/2021	(4)	—	30,396	—	6.58	N/A	N/A	30,396
Roxanne J. Decyk	1/6/2015	1/6/2018	(4)	3,562	—	3,562	23.40	6.58	23,438	—
	1/6/2016	1/6/2019	(4)	13,818	—	6,909	9.65	6.58	45,461	6,909
	1/6/2017	1/6/2020	(4)	31,647	—	10,549	6.32	6.58	69,412	21,098
	1/6/2018	1/6/2021	(4)	—	30,396	—	6.58	N/A	N/A	30,396
Mary E. Francis CBE	1/6/2015	1/6/2018	(4)	3,562	—	3,562	23.40	6.58	23,438	—
	1/6/2016	1/6/2019	(4)	13,818	—	6,909	9.65	6.58	45,461	6,909
	1/6/2017	1/6/2020	(4)	31,647	—	10,549	6.32	6.58	69,412	21,098
	1/6/2018	1/6/2021	(4)	—	30,396	—	6.58	N/A	N/A	30,396
C. Christopher Gaut	1/6/2015	1/6/2018	(4)	3,562	—	3,562	23.40	6.58	23,438	—
	1/6/2016	1/6/2019	(4)	13,818	—	6,909	9.65	6.58	45,461	6,909
	1/6/2017	1/6/2020	(4)	31,647	—	10,549	6.32	6.58	69,412	21,098
	1/6/2018	1/6/2021	(4)	—	30,396	—	6.58	N/A	N/A	30,396
Jack E. Golden	6/10/2017	6/10/2021	(5)	12,000	—	3,000	5.68	8.48	25,440	9,000
	1/11/2017	1/11/2020	(4)	23,799	—	7,933	5.48	6.58	52,199	15,866
	1/6/2018	1/6/2021	(4)	—	30,396	—	6.58	N/A	N/A	30,396
Gerald W. Haddock	1/6/2015	1/6/2018	(4)	3,562	—	3,562	23.40	6.58	23,438	—
	1/6/2016	1/6/2019	(4)	13,818	—	6,909	9.65	6.58	45,461	6,909
	1/6/2017	1/6/2020	(4)	31,647	—	10,549	6.32	6.58	69,412	21,098
	1/6/2018	1/6/2021	(4)	—	30,396	—	6.58	N/A	N/A	30,396
Francis S. Kalman	1/6/2015	1/6/2018	(4)	3,562	—	3,562	23.40	6.58	23,438	—
	1/6/2016	1/6/2019	(4)	13,818	—	6,909	9.65	6.58	45,461	6,909
	1/6/2017	1/6/2020	(4)	31,647	—	10,549	6.32	6.58	69,412	21,098
	1/6/2018	1/6/2021	(4)	—	30,396	—	6.58	N/A	N/A	30,396
Keith O. Rattie	1/6/2015	1/6/2018	(4)	3,562	—	3,562	23.40	6.58	23,438	—
	1/6/2016	1/6/2019	(4)	13,818	—	6,909	9.65	6.58	45,461	6,909
	1/6/2017	1/6/2020	(4)	31,647	—	10,549	6.32	6.58	69,412	21,098
	1/6/2018	1/6/2021	(4)	—	30,396	—	6.58	N/A	N/A	30,396
Paul E. Rowsey, III	1/6/2015	1/6/2018	(4)	4,630	—	4,630	23.40	6.58	30,465	—
	1/6/2016	1/6/2019	(4)	19,000	—	9,500	9.65	6.58	62,510	9,500
	1/6/2017	1/6/2020	(4)	43,515	—	14,505	6.32	6.58	95,443	29,010
	1/6/2018	1/6/2021	(4)	—	41,796	—	6.58	N/A	N/A	41,796
Phil D. Wedemeyer	1/11/2017	1/11/2020	(4)	23,799	—	7,933	5.48	6.58	52,199	15,866
	1/6/2018	1/6/2021	(4)	—	30,396	—	6.58	N/A	N/A	30,396

(1) The end of period date noted in the table above refers to the date on which all restricted share awards and units for the grant identified have vested.

(2) Restricted share units granted in the form of time-vested restricted shares that cliff vest after three years.

(3) Restricted share units vest (restrictions lapse) at a rate of 33% each year over a three-year period from the grant date.

(4) Restricted share units granted to non-executive directors between 2015 and 2018 vest (restrictions lapse) at a rate of 33% each year over a three-year period or upon retirement from the Board.

(5) Prior to the acquisition of Atwood, Mr. Golden had elected to defer receipt of 9,375 shares under Atwood's deferred compensation plan for non-employee directors. Upon closing of the acquisition, these shares were converted into 15,000 Ensco share units at a share price of $5.68. 3,000 of these share units were settled in shares and issued to Mr. Golden on the acquisition date with the remaining 12,000 share units scheduled to settle in shares at a rate of 25% over the four-year period from the acquisition date.

Director option ownership - Table E

None of our directors have outstanding options.

Other remuneration

We do not have a defined benefit pension scheme.

Agreements with directors

There are no agreements or letters of appointment in place with our non-executive directors. All directors are subject to annual nomination by the Board and re-election by our shareholders.

Mr. Trowell entered into an amended and restated employment agreement on 7 October 2018 (the "New Employment Agreement"). The terms of the New Employment Agreement will not become effective until the completion of the Rowan Transaction, and as such, were not in effect as of 31 December 2018. The New Employment Agreement is further described in Ensco's 2019 Definitive Proxy Statement on Schedule 14A (a copy of which was filed with the Securities & Exchange Commission on 29 March 2019 (see www.sec.gov)) under the heading "Compensation Discussion and Analysis - Other Executive Compensation Matters - Mr. Trowell's Employment Agreement Following Closing of the Rowan Transaction."

On 3 May 2014, the company entered into an employment agreement with Mr. Trowell. Mr. Trowell's employment under his current employment agreement will continue, subject to the terms of the agreement, until terminated by either party giving the other not less than six months' prior notice in writing. A copy of Mr. Trowell's employment agreement is filed as Exhibit 10.1 to the company's quarterly report on Form 10-Q filed on 1 August 2014 (see www.sec.gov).

Dr. Burke's employment Agreement Following Closing of the Rowan Transaction

Concurrently with the execution of the transaction agreement with Rowan, Dr. Burke entered into an employment agreement with Rowan Companies, Inc., ENSCO Global Resources Limited and Ensco (solely for purposes of guaranteeing the payments and obligations under the employment agreement) (the "Burke Employment Agreement"). The Burke Employment Agreement has an initial term of two years commencing at the closing date. The term is automatically extended each year for one additional year unless Dr. Burke is provided written notice of non-renewal at least ninety days prior to the ten-applicable term. The Burke Employment Agreement will become effective only upon the closing of the transaction. If the closing of the transaction does not occur, the Burke Employment Agreement will be null and void.

Waiver of Equity Award Acceleration. Dr. Burke's change in control agreement provides for single-trigger equity award acceleration upon a change in control (as described above). The Burke Employment Agreement modifies the treatment of Dr. Burke's equity awards under his change in control agreement. Time-vesting awards held by Dr. Burke as of the closing date will not accelerate solely due to the closing. Performance-based awards held by Dr. Burke as of the closing date will be treated in accordance with the transaction agreement. Upon a termination without "Cause", resignation for "Good Reason" or due to Dr. Burke's death or disability, in each case that occurs during the three-year period after the closing (such period, the "Protection Period"), then (i) equity awards will fully vest and (ii) vested stock options and stock appreciation rights will be exercisable until the earlier of (A) the second anniversary after the termination or (B) the original maximum term of the stock option or stock appreciation right. After the closing, equity awards held by Dr. Burke will fully accelerate upon the occurrence of a subsequent change in control. However, if a change in control occurs after the Protection Period, then there will be no single-trigger acceleration with regard to equity awards granted after the closing date if the award agreements for such awards provide for double-trigger vesting.

Cash Compensation. The Burke Employment Agreement provides for an annual base salary of $950,000. Dr. Burke will also be eligible to participate in an annual short-term incentive bonus plan with a target opportunity of 110% of his annual base salary.

Cash Sign-On Bonus. In consideration of Dr. Burke's (i) waiver of single trigger vesting for certain equity awards subject to time-based vesting only as of the closing date, (ii) waiver of certain rights in connection with a change in control or a resignation for "Good Reason," (iii) waiver of certain severance payments upon a change in control under his existing change in control agreement and (iv) relocation from the United States to the UK and the associated cost of living and tax burden associated with such move, Dr. Burke will receive a one-time, lump-sum cash payment of $3,750,000 as a sign-on bonus. In the event Dr. Burke's employment terminates as a result of his resignation without Good Reason or a termination for Cause, in each case during the three-year period immediately following the date of the transaction agreement, Dr. Burke will be required to immediately re-pay the signing bonus, on a pro-rata basis, net of any taxes paid thereon.

Equity-Based Compensation. Dr. Burke will be eligible to receive equity awards under Ensco's long-term incentive award plans and programs. For the two years after the closing date, Dr. Burke will be eligible to receive equity awards from Ensco with a target annual award level of not less than 500% of his base salary on terms and conditions no less favorable than those applicable to executive officers of Ensco generally.

Benefits. Dr. Burke will be eligible to participate in the employee benefit plans of Ensco. This will include participation in Ensco's expatriate assignment and tax equalisation policy as applied to Ensco expatriate employees in London generally, which will entitle Dr. Burke to the following benefits: (i) a cost of living allowance of $25,000 per year; (ii) a housing allowance equal to $160,000 annually; (iii) education reimbursement of up to $45,000 per child per year; (iv) reimbursement for Dr. Burke's and each of his eligible dependents for one home leave roundtrip airline ticket and ground transportation (airport transfer) per year; and (v) reimbursement for tax preparation services. In the event Dr. Burke's principal place of employment is relocated, Dr. Burke will also receive a payment in the amount of $20,000, along with such other relocation benefits provided under Ensco's relocation policy.

Severance Payments and Benefits. Upon a termination of the Burke Employment Agreement without Cause or a resignation for Good Reason, Dr. Burke would be eligible to receive severance payments and benefits, subject to his execution and non-revocation of a release of claims. He would only be eligible to receive such payments and benefits under the Burke Employment Agreement if he is not eligible to receive benefits under his change in control agreement. Commencing on the third anniversary of the closing of the transaction, Dr. Burke would be eligible to receive the following payments and benefits: (i) an amount in cash equal to two times his base salary; (ii) an amount in cash equal to two times the "Average Bonus Amount" (i.e., the greater of: (A) the average of the combined annual bonus awards received by Dr. Burke pursuant to Ensco's annual incentive plan in the three calendar years immediately before the date of termination (including the annual bonus awards received from Rowan) and (B) Dr. Burke's target annual bonus for the year during which the termination of employment occurs); (iii) a pro-rated portion of the annual bonus award that Dr. Burke would have earned had he remained employed through the end of the fiscal year in which the date of termination occurs based upon actual performance for such year (and, to the extent there is any discretionary component thereof, with the discretionary aspects being determined at not less than the target level); (iv) continued coverage in the employer provided medical, dental and vision plans available to Dr. Burke and his eligible dependents immediately prior to the date of termination, to the extent such coverage is elected by Dr. Burke pursuant to COBRA, for a period of twenty four months following the date of termination; (v) if before, upon the commencement of or during the term of the Burke Employment Agreement, Dr. Burke was required to relocate his principal place of employment outside of the United States, reimbursement of the reasonable cost of return relocation-related expenses (not including make-whole payments for any loss incurred on the sale of Dr. Burke's principal residence); and (vi) any of Dr. Burke's unvested equity, equity-based or long-term incentive awards granted under any equity or long-term incentive plans of Ensco or Rowan will immediately become 100% vested in all of the rights and interests then held by Dr. Burke, provided, however, that unless a provision more favorable to the Executive is included in an applicable award agreement, all performance-based awards will remain subject to attaining the applicable performance goals and conditions. Until the third anniversary of the closing of the transaction, Dr. Burke will be eligible for severance under his change in control agreement.

Share Ownership Guidelines

Equity accumulation by our directors is encouraged, and we have specific share ownership guidelines, which are included in the Ensco Corporate Governance Policy. As respects non-executive directors, within five years of appointment to the Board, each such director should hold a number of vested and unvested shares of the company having a value of at least five times the director's annual retainer. As respects named executive officers, guidelines specific to the position in question shall apply within five years of appointment to the position. Our executive director should hold a number of vested and unvested shares having a fair market value of at least six times his or her base salary. Each executive and non-executive director was in compliance with these guidelines at the end of 2018.

Directors' interest in shares - Table F

The interest of the current directors in office as of 31 December 2018 in shares and share incentives are shown in the table below.

Name	Unvested Restricted Shares/ Units held as of 31 Dec 2018	Unrestricted Shares held as of 31 Dec 2018	Vested Unexercised Options held as of 31 Dec 2018	Unearned Performance Unit Awards held as of 31 Dec 2018[1]	Total Awards held as of 31 Dec 2018
Executive Director					
Carl G. Trowell	784,647	277,019	—	228,729	1,290,395
Non-executive Directors					
J. Roderick Clark	58,403	54,628	—	—	113,031
Roxanne J. Decyk	58,403	34,992	—	—	93,395
Mary E. Francis CBE	58,403	23,406	—	—	81,809
C. Christopher Gaut	58,403	58,314	—	—	116,717
Jack E. Golden [2]	55,262	82,632	—	—	137,894
Gerald W. Haddock	58,403	69,432	—	—	127,835
Francis S. Kalman	58,403	62,138	—	—	120,541
Keith O. Rattie	58,403	46,978	—	—	105,381
Paul E. Rowsey, III	80,306	88,354	—	—	168,660
Phil D. Wedemeyer	46,262	76,552	—	—	122,814

(1) The amounts disclosed represent the target level of performance for Mr. Trowell's unearned performance unit awards as of 31 December 2018.

(2) The unrestricted shares held as of 31 December 2018 by Mr. Golden is inclusive of 9,000 remaining unvested share units described in footnote 5 to Table D.

Statement of change in pay of Chief Executive Officer compared with employees

The table below summarises the percentage change in salary, taxable benefits and annual incentives of the Chief Executive Officer and our employee population, as defined below, for the fiscal years ended 31 December 2018 and 2017.

	Chief Executive Officer	Employees
	Percentage Change (2018 vs 2017)	Percentage Change (2018 vs 2017)[1]
Salary	— %	3.9 %
Taxable Benefits[2]	6.6 %	(0.2)%
Annual Incentives	(8.1)%	(8.4)%

(1) We selected our Corporate salaried employee population for this comparison based upon the duties of these employees, the locations where they work and the structure of their remuneration.

(2) Taxable benefits for Mr. Trowell consist of: dividends paid on restricted share awards; dividends for the 2015-2017 and 2016-2018 performance unit awards; payments in lieu of matching contributions; group term life insurance; and tax preparation fees. Taxable benefits for employees consist primarily of: dividends paid on restricted share awards; dividends for the 2016-2018 performance unit awards payable to only our senior executives; and overseas allowances to the extent paid to any given employee.

Relative Importance of Spend on Pay

The table below shows the overall spend on employee pay, dividend payments and capital expenditures for the fiscal years ended 31 December 2018 and 2017.

	2018	2017	Percentage Change
Employee Pay	$ 564,500,000	$ 549,700,000	3 %
Dividend Payments	$ 17,900,000	$ 13,800,000	30 % [2]
Capital Expenditures[1]	$ 426,700,000	$ 536,700,000	(20)%

(1) Capital Expenditures consist of expenditures on new rig construction, rig enhancement and minor upgrades and improvements.
(2) Increase in dividend payments due to an increase in outstanding shares as a result of the Atwood acquisition.

2019 Implementation Statement (Period from 1 January 2019 to 31 December 2019)

Base Salary, Benefits, Employer Matching and Profit Sharing Programs

Base salary, benefits and employer matching and profit sharing programs were implemented in line with the Current Remuneration Policy.

2019 ECIP Awards

The ECIP awards were implemented in line with the Remuneration Policy.

For the 2019 plan year, the Compensation Committee approved three performance bands (threshold, target and maximum) for each of the measures under the ECIP. The 2019 ECIP performance measures and weightings approved by the Compensation Committee were unchanged from 2018.

2019 LTIP Awards

LTIP Awards were implemented in line with the Current Remuneration Policy.

Annual LTIP awards for the 2019 plan year were approved for each of our NEOs following review of competitive data provided by Pearl Meyer and were established at levels consistent with the company's philosophy of targeting the market median. Award values set by the Compensation Committee for 2019 are the same as 2018 award values.

For 2019 awards, the Compensation Committee decided to eliminate the Relative ROCE component given the increasing difficulty of identifying an appropriate peer group for financial performance in light of restructurings and consolidation in the offshore drilling sector. The Compensation Committee added an absolute TSR modifier so that our plan measures both relative and absolute performance. The 2019 awards include a relative payout schedule that may be modified by absolute TSR - including capping awards at 100% of target if absolute TSR is negative.

2019 Performance Award Matrix

The performance peer group for the 2019 performance unit awards was changed from our 2018 performance peer group to remove Rowan and to add additional peers, including two offshore drillers recently emerged from bankruptcy (Seadrill and Pacific Drilling). The performance peer group against which we measure our performance is composed of the drilling companies listed below:

2019- 2021 Performance Peer Group
Borr Drilling
Diamond Offshore Drilling Inc.
Helmerich & Payne, Inc.
Nabors Industries Ltd.
Noble Corporation
Pacific Drilling
SeaDrill Ltd.
Transocean Ltd

The full relative performance payout schedule for our 2019 performance unit awards is summarised below and includes payout ranges should members of our performance peer group consolidate or otherwise change:

Relative Performance Measure Payout
(2019 - 2021 Performance Units)

Ensco Rank Against Peers	2019 - 2021 Award Multiplier (8 peers)	Multiplier (7 peers)
1	2.00	2.00
2	2.00	1.95
3	1.67	1.57
4	1.33	1.19
5	1.00	0.86
6	0.75	0.57
7	0.50	0.00
8	0.00	0.00
9	0.00	—

In addition, our 2019 awards will be subject to a modifier based upon absolute TSR performance over the period:

Absolute TSR over 3-Year Performance Period	Absolute TSR Collar Payout Terms
Negative	Payout capped at 100% of Target
>= 10% annualised	Payout of no less than threshold

Shareholder voting on remuneration matters

The Board values shareholders' input on the design of our employee compensation programs. The Board believes that our programs are structured to deliver realised pay that is commensurate with performance and that we have a pay for performance approach to executive pay that holds management accountable for producing profitable growth. The Board also believes that we have adopted multiple compensation governance "best practices."

At our last annual general meeting of shareholders held on 21 May 2018, we received 200,932,133 votes in favour of our Directors' Remuneration Report, 75,929,619 votes in opposition and 2,048,911 abstentions, for total support of 72.6% of the votes cast on the proposal and total opposition of 27.4% of the votes cast on the proposal.

Please see "2019 implementation statement" above for a description of other compensation changes being implemented in 2019.

The Directors' Remuneration Report was approved by the Board of Directors on 22 March 2019 and was signed on its behalf by:

/s/ Carl G. Trowell

_____

Carl G. Trowell
Director, Chief Executive Officer
and President

Statement of Directors' responsibilities in respect of the Annual Report and Financial Statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group's and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report and Directors' Remuneration Report that complies with that law and those regulations.

Independent Auditor's Report to the Members of Ensco plc

1 Our opinion is unmodified

We have audited the financial statements of Ensco plc ("the Company") for the year-ended 31 December 2018 which comprise the Consolidated Profit and Loss Account, Consolidated Other Comprehensive Income/(Loss), Consolidated Balance Sheet, Company Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, and the related notes, including the accounting policies in notes 1 and 2.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2018 and of the Group's loss for the year then ended;
- the Group and parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and we are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

a. Carrying value of tangible fixed assets ($8,938.8 million, 2017: restated $9,150.5 million): Risk unchanged from 2017

The carrying value of tangible fixed assets is 87% (2017: 85%) of the Group's total assets.

Refer to page 51 (accounting policy); page 55 critical accounting policies, judgements and estimates; and page 66 (financial disclosures).

The risk – subjective estimate

The carrying value of tangible fixed assets is significant and at risk of irrecoverability due to the reduced level of activity in the oil and gas industry caused by volatile oil and gas prices. Significant judgment is required to assess whether any impairment indicators have arisen at year-end and whether any impairments recorded in prior years should be reversed. When an impairment indicator is identified or a prior period impairment may require reversal, significant estimation may be required in the assessment and calculation of an asset's recoverable amount.

The effect of these matters is that, as part of our risk assessment, we determined that the recoverable amount of tangible fixed assets has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.

Our response

Our procedures included:

— **Control operation:** We tested the design, implementation and operating effectiveness of the Group's control over the preparation of qualitative quarterly assessments to identify indicators of impairment over the carrying value of tangible fixed assets.

— **Our sector experience:** We critically evaluated the completeness of the Group's assessment of indicators of impairment or impairment reversal. We used our experience of the sector in which the Group operates to seek to identify additional or contrary evidence, including inspecting externally and internally derived data in respect of current and forecast global rig activity.

— **Tests of detail:** For one rig where an impairment indicator was identified and an impairment test performed, we compared the key assumption used in the calculation of the asset's recoverable amount, being estimated day rates, to third party day rate forecast data. We performed sensitivity analysis on this assumption and confirmed that the forecast period did not extend beyond the remaining useful life of the asset.

— **Assessing transparency:** We assessed whether the Group's disclosures about the judgements relating to the identification of impairment indicators and the outcome of the year-end impairment assessment fairly reflect the risks inherent in the carrying value of tangible fixed assets and the judgements and estimates applied in the measurement of the recoverable amount of the asset which has been impaired.

b. Estimation of uncertain tax provision ($177.0 million, 2017: $178.0 million): Risk unchanged from 2017

Provisions for liabilities principally comprise provisions relating to tax uncertainties.
Refer to page 52 (accounting policy); page 57 critical accounting policies, judgements and estimates; and page 76 (financial disclosures).

The risk – subjective estimate

The Group operates in and is subject to the legislation of multiple tax jurisdictions, including those where the tax laws relating to offshore drilling are not well developed. Tax positions and treatments may be challenged at a later date. Provisions are held principally in respect of current tax deductions previously taken and ongoing tax audits.

This is an area which requires significant judgement. The amounts involved are potentially significant and the application of accounting standards to determine the amount, if any, to be provided as a liability, is inherently subjective. The risk also reflects the finalisation of rules for U.S. Tax reform, which is expected to continue during 2019, and the judgement involved in applying its provisions at 31 December 2018.

The effect of these matters is that, as part of our risk assessment, we determined that the uncertain tax provision has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 18) disclose the Group's estimate of possible changes in this provision in the next financial year.

Our response

Our procedures included:

— **Control operation:** We tested the design, implementation and operating effectiveness of the Group's review controls over the monitoring of uncertain tax positions on a quarterly basis.

— **Our tax expertise:** We used our own international and local tax specialists to assess the Group's tax positions, its correspondence with the relevant tax authorities, and to analyse and challenge the assumptions used to determine tax provisions based on our knowledge and experiences of the application of the applicable international and local legislation by the relevant authorities and courts.

— **Assessing transparency:** We assessed the adequacy and appropriateness of the disclosure in respect of tax and uncertain tax provision.

c. Recoverability of parent Company's investment in subsidiaries ($4,606.3 million 2017: restated $4,606.3 million): Risk unchanged from 2017

Refer to page 50 (accounting policy) and page 68 (financial disclosures).

The risk – low risk, high value

The carrying amount of the parent company's investments in subsidiaries represents 48% (2017: 53%) of the company's total assets. Due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.

Our response

Our procedures included:

— **Tests of detail:** We compared the carrying amount of 100% of the company's investments with the relevant subsidiaries' consolidated net assets, to identify whether the consolidated net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount.

— **Assessing component audits:** We assessed the work performed by the KPMG component team and considered the results of that work on the consolidated net assets that support the company's investments.

Removal of risk reported in 2017 in respect of the fair value of the tangible fixed assets acquired in the acquisition of Atwood Oceanics, Inc.

As the fair value accounting for the tangible fixed assets acquired in the Atwood Oceanics, Inc. business combination was finalised by the Group by 30 September 2018, without any material adjustment in the current financial year, we do not assess this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

3 Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at $35 million (2017: $35 million), determined with reference to a benchmark of Total assets (of which it represents 0.3% (2017: 0.3%)).

Materiality for the parent company financial statements as a whole was set at $30 million (2017: $30 million), by reference to component materiality. This is lower than the materiality we would otherwise have determined with reference to a benchmark of company net assets, of which it represents 0.7% (2017: 0.7%).

We agreed to report to the Board of Directors any corrected or uncorrected identified misstatements exceeding $1.7 million (2017: $1.7 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's two (2017: two) reporting components we subjected both (2017: both) to full scope audits for group purposes. These components accounted for the following percentages of the Group's results: 100% (2017: 100%) of Group revenue, 100% of Group loss before tax (2017: 100% loss before tax) and 100% (2017: 100%) of Group net assets. The work on one of the two components (2017: one of two) was performed by component auditors in the United States of America, the other, being the parent company, by the Group audit team in the United Kingdom.

The Group team instructed the component auditor as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the following component materialities, having regard to the mix of size and risk profile of the Group across the components:

- Ensco plc U.S. component $31 million (2017: $31 million)
- Ensco plc Company component $30 million (2017: $30 million)

The Group team visited one (2017: one) component location in the United States of America (2017: United States of America). Telephone conference meetings were also held with this component auditor. At this visit and meetings, the findings reported to the Group team were discussed in more detail, and any further work required by the Group team was then performed by the component auditor.

4 We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could

have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and the Company's business model, including the impact of Brexit, and analysed how those risks might affect the Group's and the Company's financial resources or ability to continue operations over the going concern period. We evaluated those risks and concluded that they were not significant enough to require us to perform additional audit procedures.

Based on this work, we are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5 We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and Directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the Strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

6 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 36, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine

is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

8 The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

/s/ David Derbyshire

David Derbyshire (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
37 Albyn Place
Aberdeen
AB10 1JB
22 March 2019

Consolidated Profit and Loss Account
for the year ended 31 December 2018

	Note	2018 $ millions	2017 $ millions
Turnover	*4*	1,705.4	1,843.0
Cost of sales			
Contract drilling expense		(1,325.2)	(1,191.8)
Depreciation and amortisation		(419.1)	(385.8)
Impairment of tangible fixed assets and other assets	*12*	(40.3)	(255.5)
		(1,784.6)	(1,833.1)
Gross (loss)/profit		(79.2)	9.9
General and administrative expenses		(102.7)	(138.4)
Other operating income/(expense), net	*5*	4.8	1.2
Operating loss		(177.1)	(127.3)
Interest receivable and similar income	*8*	234.0	157.9
Interest payable and other similar expenses	*9*	(297.2)	(232.6)
Loss before taxation		(240.3)	(202.0)
Tax on loss	*10*	(89.1)	(77.0)
Loss for financial year		(329.4)	(279.0)
Loss for the financial year attributable to:			
Shareholders of the parent company		(332.5)	(278.5)
Non-controlling interests	*21*	3.1	(0.5)
Total loss for financial year		(329.4)	(279.0)
Loss per share			
Basic loss per share		(0.77)	(0.84)
Diluted loss per share		(0.77)	(0.84)

All of the results above are derived from continuing operations.

The accompanying notes form an integral part of these financial statements.

Consolidated Other Comprehensive Income/(Loss)
for the year ended 31 December 2018

	2018 $ millions	2017 $ millions
Loss for financial year	(329.4)	(279.0)
Other comprehensive (loss)/income		
Foreign exchange on translation of foreign operations	(0.6)	0.7
Other comprehensive (loss)/income for the year	(0.6)	0.7
Total other comprehensive income/(loss) attributable to:		
Shareholders of the parent company	(333.1)	(277.8)
Non-controlling interests	3.1	(0.5)
	(330.0)	(278.3)

The accompanying notes form an integral part of these financial statements.

Consolidated Balance Sheet
at 31 December 2018

	Note	2018 $ millions	Restated 2017 $ millions
Fixed assets			
Intangible assets		2.5	17.2
Negative goodwill		(117.5)	(121.6)
Tangible fixed assets	*12*	8,938.8	9,150.5
		8,823.8	9,046.1
Current assets			
Stocks	*14*	268.1	278.8
Debtors (including $82.0 million (2017: $85.7 million) due after more than one year)	*15*	532.8	541.5
Investments	*13*	329.0	440.0
Cash and cash equivalents		275.1	445.4
		1,405.0	1,705.7
Creditors: amounts falling due within one year	*16*	(515.9)	(742.8)
Net current assets		889.1	962.9
Total assets less current liabilities		9,712.9	10,009.0
Creditors: amounts falling due after more than one year	*17*	(5,061.6)	(5,100.8)
Provisions for liabilities	*18*	(277.6)	(211.1)
Net assets		4,373.7	4,697.1
Capital and reserves			
Called up share capital	*20*	46.2	44.8
Other reserves		4,330.1	4,654.4
		4,376.3	4,699.2
Non-controlling interests	*21*	(2.6)	(2.1)
Shareholders' funds		4,373.7	4,697.1

These financial statements were approved by the board of directors on 22 March 2019 and were signed on its behalf by:

/s/ Carl G. Trowell

Carl G. Trowell
Director, Chief Executive Officer and President

The accompanying notes form an integral part of these financial statements.

Company Balance Sheet
at 31 December 2018

	Note	2018 $ millions	Restated (note 1) 2017 $ millions
Fixed assets			
Investments	*13*	4,606.3	4,606.3
		4,606.3	4,606.3
Current assets			
Debtors (including $2,585.0 million (2017: $3,164.6 million) due after more than one year)	15	4,454.1	3,469.7
Investments	*13*	329.0	440.0
Cash at bank and in hand		199.8	185.2
		4,982.9	4,094.9
Creditors: amounts falling due within one year	16	(145.2)	(66.0)
Net current assets		4,837.7	4,028.9
Total assets less current liabilities		9,444.0	8,635.2
Creditors: amounts falling due after more than one year	*17*	(5,132.2)	(4,343.1)
Net assets		4,311.8	4,292.1
Capital and reserves			
Called up share capital	*20*	46.2	44.8
Other reserves		4,265.6	4,247.3
Shareholders' funds		4,311.8	4,292.1

These financial statements were approved by the board of directors on 22 March 2019 and were signed on its behalf by:

/s/ Carl G. Trowell

Carl G. Trowell
Director, Chief Executive Officer and President

Company registered number: 07023598
Company registered office: 6 Chesterfield Gardens, London, W1J 5BQ.

The accompanying notes form an integral part of these financial statements.

Consolidated Cash Flow Statement
for the year ended 31 December 2018

	2018 $ millions	2017 $ millions
Cash flows from operating activities		
Loss for financial year	(329.4)	(279.0)
Adjustments for:		
Depreciation and amortisation	419.1	385.8
Interest payable and other similar expenses	297.2	232.6
Interest receivable and similar income	(234.0)	(157.9)
Tax expense	89.1	77.0
Share-based compensation cost	41.6	41.2
Impairment of tangible fixed assets and other assets	40.3	255.5
Other amortisation	(40.2)	(61.6)
Other, net	(2.7)	(1.9)
	281.0	491.7
Decrease in creditors	(34.4)	(55.1)
(Increase)/decrease in debtors	(16.3)	78.8
(Increase)/decrease in stocks	(8.4)	6.3
Decrease in provisions	(4.8)	(5.8)
Other, net	-	(0.7)
	(63.9)	23.5
Taxation paid	(58.4)	(62.8)
Net cash inflow from operating activities	158.7	452.4
Cash flows from investing activities		
Receipts from maturities of investments	1,030.0	2,042.6
Purchase of investments	(919.0)	(1,040.0)
Payments to acquire tangible fixed assets	(364.1)	(464.2)
Interest received	18.1	24.9
Receipts from sales of tangible fixed assets	13.6	3.4
Acquisition of Atwood	-	(891.0)
Net cash outflow from investing activities	(221.4)	(324.3)
Cash flows from financing activities		
Proceeds from new loan	1,000.0	-
Repayment of long-term borrowings	(771.2)	(537.0)
Interest paid	(295.2)	(272.3)
Cash dividends paid	(18.0)	(13.8)
Debt issuance costs	(17.0)	(12.0)
Other	(5.6)	(7.9)
Net cash outflow from financing activities	(107.0)	(843.0)
Decrease in cash and cash equivalents	(169.7)	(714.9)
Cash and cash equivalents at beginning of year	445.4	1,159.7
Effect of exchange rate changes on cash	(0.6)	0.6
Cash and cash equivalents at year end	275.1	445.4

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity
for the year ended 31 December 2018

Year ended 31 December 2018	Called up share capital $ millions	Share premium account $ millions	Own share reserve $ millions	Other reserves $ millions	Profit and loss reserve $ millions	Total shareholders equity $ millions	Non-controlling interests $ millions	Total equity $ millions
At beginning of year	44.8	960.5	(69.0)	4,412.2	(649.3)	4,699.2	(2.1)	4,697.1
Total comprehensive loss for the year								
Loss for the financial year	-	-	-	-	(332.5)	(332.5)	3.1	(329.4)
Other comprehensive income								
Foreign currency translation	-	-	-	(0.6)	-	(0.6)	-	(0.6)
Total comprehensive loss for the year	-	-	-	(0.6)	(332.5)	(333.1)	3.1	(330.0)
Transactions with owners, recorded directly in equity								
Cash dividends paid	-	-	-	-	(18.0)	(18.0)	(3.6)	(21.6)
Shares issued under share based compensation plans, net	1.4	-	(1.3)	(0.6)	-	(0.5)	-	(0.5)
Repurchase of own shares	-	-	(1.9)	-	-	(1.9)	-	(1.9)
Share-based compensation cost	-	-	-	30.6	-	30.6	-	30.6
At end of year	46.2	960.5	(72.2)	4,441.6	(999.8)	4,376.3	(2.6)	4,373.7

Year ended 31 December 2017	Called up share capital $ millions	Share premium account $ millions	Own share reserve $ millions	Other reserves $ millions	Profit and loss reserve $ millions	Total shareholders equity $ millions	Non-controlling interests $ millions	Total equity $ millions
At beginning of year	31.1	203.0	(65.8)	4,376.2	(357.2)	4,187.3	4.4	4,191.7
Total comprehensive loss for the year								
Loss for the financial year	-	-	-	-	(278.5)	(278.5)	(0.5)	(279.0)
Other comprehensive income								
Foreign currency translation	-	-	-	0.7	-	0.7	-	0.7
Total comprehensive loss for the year	-	-	-	0.7	(278.5)	(277.8)	(0.5)	(278.3)
Transactions with owners, recorded directly in equity								
Cash dividends paid	-	-	-	-	(13.6)	(13.6)	(6.0)	(19.6)
Shares issued for Atwood acquisition	13.2	757.5	-	-	-	770.7	-	770.7
Shares issued under share based compensation plans, net	0.5	-	(1.3)	(0.4)	-	(1.2)	-	(1.2)
Repurchase of own shares	-	-	(1.9)	-	-	(1.9)	-	(1.9)
Share-based compensation cost	-	-	-	35.7	-	35.7	-	35.7
At end of year	44.8	960.5	(69.0)	4,412.2	(649.3)	4,699.2	(2.1)	4,697.1

The merger reserve was reclassed to the profit and loss account.

The accompanying notes form an integral part of these financial statements.

Company Statement of Changes in Equity
for the year ended 31 December 2018

Year ended 31 December 2018	Called up share capital $ millions	Share premium account $ millions	Own share reserve $ millions	Other reserves $ millions	Profit and loss reserve $ millions	Total equity $ millions
At beginning of year as restated	44.8	956.9	(66.4)	1,974.9	1,381.9	4,292.1
Total comprehensive profit for the year						
Profit for the financial year	-	-	-	-	25.8	25.8
Total comprehensive profit for the year	-	-	-	-	25.8	25.8
Transactions with owners, recorded directly in equity						
Cash dividends paid	-	-	-	-	(18.0)	(18.0)
Shares issued under share based compensation plans, net	1.4	-	(1.3)	(0.6)	-	(0.5)
Repurchase of own shares	-	-	(1.9)	-	-	(1.9)
Share-based compensation cost	-	-	-	14.3	-	14.3
At end of year	46.2	956.9	(69.6)	1,988.6	1,389.7	4,311.8

Year ended 31 December 2017	Called up share capital $ millions	Share premium account $ millions	Merger reserves $ millions	Own share reserve $ millions	Other reserves $ millions	Profit and loss reserve $ millions	Total equity $ millions
At beginning of year as previously reported	31.1	199.4	1,501.3	(63.2)	3,584.6	1,324.2	6,577.4
Prior year adjustment (note 1)	-	-	(1,501.3)	-	(1,622.7)	-	(3,124.0)
At beginning of year as restated	31.1	199.4	-	(63.2)	1,961.9	1,324.2	3,453.4
Total comprehensive profit for the year							
Profit for the financial year	-	-	-	-	-	71.3	71.3
Total comprehensive profit for the year	-	-	-	-	-	71.3	71.3
Transactions with owners, recorded directly in equity							
Cash dividends paid	-	-	-	-	-	(13.6)	(13.6)
Shares issued for Atwood acquisition	13.2	757.5	-	-	-	-	770.7
Shares issued under share based compensation plans, net	0.5	-	-	(1.3)	(0.4)	-	(1.2)
Repurchase of own shares	-	-	-	(1.9)	-	-	(1.9)
Share-based compensation cost	-	-	-	-	13.4	-	13.4
At end of year	44.8	956.9	-	(66.4)	1,974.9	1,381.9	4,292.1

The accompanying notes form an integral part of these financial statements.

Notes

1 Significant accounting policies

Ensco plc ("we," "our" or the "company") and its subsidiaries (together, "the group") are incorporated and domiciled in the UK. These group and company financial statements were prepared in accordance with Financial Reporting Standard ("FRS") 102, the Financial Reporting Standard applicable in the UK.

Basis of preparation

The financial statements are prepared on the historical cost basis, except for the convertible senior notes, supplemental executive retirement plan assets and derivative financial instruments that are measured at fair value.

The functional currency of the company is the U.S. dollar. The U.S. dollar is the prevalent currency used within the oil and natural gas industry and the group has a significant level of U.S. dollar cash flows, assets and liabilities. The group and company financial statements are therefore presented in U.S. dollars. All amounts in the financial statements have been rounded to the nearest $ million.

The 2017 balance sheet and related notes have been restated for the Atwood Oceanics, Inc. merger measurement period adjustments as required under FRS 102. See note 3 for more information.

Under section 408 of the UK Companies Act 2006, the company is exempt from the requirement to present its own profit and loss account.

The company is included in the consolidated financial statements and considered to be a qualifying entity under FRS 102. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company cash flow statement with related notes is included;
- Key management personnel compensation has not been included a second time; and
- Certain disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues.

The company has taken advantage of the exemption available under FRS 102 from disclosing transactions with its subsidiary undertakings where 100% of the voting rights are controlled within the group. The company has no transactions with related parties that are not 100% owned by the group. The company's subsidiaries have transactions with related parties that are not 100% owned within the group. Those transactions primarily relate to the provision of drilling rigs and their values are not disclosed due to their commercial sensitivity.

Prior year restatement under FRS 102

As part of the company's investment in subsidiary impairment analysis performed as of 31 December 2018, the company modified its approach with respect to evaluation of impairment indicators under FRS 102. The modification in approach resulted from a change in view regarding the selection of the appropriate GAAP basis by which the underlying net assets of the subsidiary undertaking should be measured for purposes of assessing impairment indicators under FRS 102. The modified approach was deemed to provide a more consistent representation of the investment carrying value relative to the group's basis of accounting under FRS 102. The modified approach, if applied consistently to all prior periods, would result in a reduction in the investment carrying value and the company's equity by $3.1 billion at 31 December 2017 and 1 January 2017, reflecting the identification of a prior year impairment indicator and subsequent estimation of the investment's recoverable amount.

To consistently align the modified approach with the approach utilized for the current year impairment analysis performed, the company has determined to restate the prior year company balance sheet under FRS 102 by impairing the carrying value of the investment in subsidiary by $3.1 billion with a corresponding reduction in the profit and loss reserve in equity. Concurrently, $1.5 billion was then transferred from the merger reserve and $1.6 billion from other reserves to the profit and loss reserve. The

transfer of the merger reserve to the profit and loss reserve reflects how the majority of the impairment relates to assets acquired through the Pride merger during 2011. The Pride merger qualified for merger relief and thus the equity capital created was recorded to the company's merger reserve which becomes a realised profit on impairment of the related investment. The transfer of the other reserve to the profit and loss reserve reflects how the other reserve was previously created and realised from a partial capital reduction of the same merger reserve in 2014. Subsequent to these adjustments under FRS 102, the investment in subsidiaries carrying value totals $4.6 billion and the company's remaining distributable reserves total $3.4 billion at 31 December 2018. This restatement does not give rise to any changes in the consolidated accounts of the Ensco plc group. The company's accounting policy for investment in subsidiary undertakings is described below.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are detailed in note 2.

Going concern

The group's business activities, together with the factors likely to affect its future development, performance and financial position are set out in the strategic report. We remain focused on our liquidity and over the past several years have executed a number of financing transactions to improve our financial position and manage our debt maturities. We may rely on the issuance of debt and/or equity securities in the future to supplement our liquidity needs. Based on having $604.1 million in cash and short-term investments, $2.0 billion (reducing to $1.3 billion from September 2019) undrawn capacity under our credit facility, no significant debt maturities until 2024 (other than $122.9 million during 2020 and $113.5 million during 2021), capital commitments not exceeding $257.9 million and $2.2 billion of contractual backlog as of 31 December 2018, the directors believe that the group is well placed to successfully manage its business risks. After having made the appropriate inquiries, the directors have a reasonable expectation that the group has adequate resources to finance its operations for at least the 12 month period following the approval of these financial statements. Consequently, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings made up to 31 December 2018. A subsidiary is an entity that is controlled by the company. The purchase method of accounting has been adopted for business combinations. Under this method, the results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities.

Investment in subsidiary undertakings

In the company's financial statements, investment in subsidiary undertakings is stated at costs less amounts written-off. The carrying amounts of the Company's investment in subsidiary undertakings are reviewed at each reporting date to determine whether there are any events or changes in circumstances that may indicate that the carrying value may not be recoverable. If any such indication exists, then the investment's recoverable amount is estimated. The recoverable amount of an investment is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognised if the carrying amount of the investment exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Foreign currency remeasurement

The functional currency of a substantial portion of the group's companies is the U.S. dollar. As is customary in the oil and natural gas industry, a majority of the group's turnover is denominated in U.S. dollars; however, a portion of the turnover and expenses incurred by its non-U.S. subsidiaries are denominated in currencies other than the U.S. dollar. Non-monetary balances are held at historical exchange rates. Monetary balances are translated at the year end exchange rates with any gains or losses taken to interest receivable and other similar income or interest payable and other similar expenses. Transactions are shown in the profit and loss account at the average exchange rate during the month that the transaction occurred. Transaction gains and losses, including gains and losses on the settlement of certain derivative instruments, are included in interest receivable and similar income and interest payable and other similar expenses in the group's consolidated profit and loss account.

Cash and cash equivalents

Cash, for the purpose of the cash flow statement, consists of cash in hand, deposits repayable on demand and investments with a maturity of less than three months that are repayable on demand without penalty.

Tangible fixed assets and depreciation

All directly attributable costs incurred in connection with the acquisition, construction, enhancement and improvement of tangible fixed assets are capitalised, including allocations of interest incurred during periods that the group's drilling rigs are under construction or undergoing major enhancements and improvements. Costs incurred to place an asset into service are capitalised, including costs related to the initial mobilisation of a newbuild drilling rig that are not reimbursed by the customer. Repair and maintenance costs are charged to contract drilling expense in the period in which they occur. Upon sale or retirement of tangible fixed assets, the related cost and accumulated depreciation are removed from the balance sheet, and the resulting gain or loss is included in net profit or loss on disposal of tangible fixed assets.
The group's tangible fixed assets are depreciated on the straight-line method, after allowing for salvage values, over their estimated useful economic lives. Drilling rigs and related equipment are depreciated over estimated economic useful lives ranging up to 35 years. Buildings and improvements are depreciated over estimated economic useful lives ranging up to 30 years. Other equipment, including computer and communications hardware and software costs, is depreciated over estimated economic useful lives ranging up to 6 years. Depreciable lives and residual values are reviewed if there is an indication of a significant change during the year in the asset's future economic benefit consumption pattern.

Negative goodwill

The group recognises negative goodwill at the acquisition date as the fair value of the consideration (and directly attributable transaction costs) less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

Negative goodwill arising from an acquisition is capitalised, classified within assets on the balance sheet and amortised on a straight-line basis over its estimated useful economic life. The estimated useful economic life of the group's negative goodwill is 30 years, which represents the weighted-average period that the non-monetary assets arising on the acquisition are depreciated. Negative goodwill is stated at cost less any accumulated amortisation. Negative goodwill amortisation is included in depreciation and amortisation in the profit and loss account.

Impairment of tangible fixed assets

The group evaluates the carrying value of its fixed assets for impairment when events or changes in circumstances indicate that a potential impairment exists. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of fixed assets is the greater of their net realisable value and value in use. An impairment loss is recognised whenever the carrying value of an asset exceeds its recoverable amount. In assessing value in use, the asset's expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

Turnover and contract drilling expenses

Substantially all of the group's drilling contracts ("contracts") are performed on a day rate basis, and the terms of such contracts are typically for a specific period of time or the period of time required to complete a specific task, such as drill a well. Contract turnover and expenses are recognised on a per day basis as the work is performed. Day rate turnover is typically earned, and contract drilling expense is typically incurred, on a uniform basis over the terms of the group's contracts.

In connection with some contracts, the group receives lump-sum fees or similar compensation for the mobilisation of equipment and personnel prior to the commencement of drilling services or the demobilisation of equipment and personnel upon contract completion. Fees received for the mobilisation or demobilisation of equipment and personnel are included in turnover. The costs

incurred in connection with the mobilisation and demobilisation of equipment and personnel are included in contract drilling expense.

Mobilisation fees received and costs incurred are deferred and recognised on a straight-line basis over the period that the related drilling services are performed. Demobilisation fees expected to be received upon contract completion are estimated at contract inception and recognised on a straight-line basis over the contract term. In some cases, demobilisation fees may be contingent upon the occurrence or non-occurrence of a future event. In such cases, this may result in adjustments upon changes of estimate during the contract term. In prior years, demobilisation income was recognised at the end of the contract. The change to the new policy described had no material impact as at 31 December 2017 or for the comparative year then ended. Costs associated with the mobilisation of equipment and personnel to more promising market areas without contracts are expensed as incurred.

In connection with some contracts, the group receives up-front lump-sum fees or similar compensation for capital improvements to its drilling rigs. Such compensation is deferred and recognised as turnover over the period that the related drilling services are performed. The cost of such capital improvements is capitalised and depreciated over the economic useful life of the asset.

The group must obtain certifications from various regulatory bodies in order to operate its drilling rigs and must maintain such certifications through periodic inspections and surveys. The costs incurred in connection with maintaining such certifications, including inspections, tests, surveys and drydock, as well as remedial structural work and other compliance costs, are deferred and amortised over the corresponding certification periods.

Interest receivable and similar income/interest payable and similar expenses

Interest receivable and similar income include interest receivable on funds invested, gain on extinguishment of debt, fair value change on convertible debt, net derivative instrument gains and net foreign exchange gains that are recognised in the profit and loss account.

Interest payable and similar expenses include interest payable, fair value change on convertible debt, debt extinguishment costs, net derivative instrument losses and net foreign exchange losses that are recognised in the profit and loss account. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset as incurred.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

Taxation

We conduct operations and earn income in numerous countries. Current income taxes are recognised for the amount of taxes payable or refundable based on the laws and income tax rates in the taxing jurisdictions in which operations are conducted and profit is earned.

The charge for taxation is based on taxable profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax assets and liabilities are recognised for the anticipated future tax effects of temporary differences between the financial statement basis and the tax basis of our assets and liabilities using the enacted tax rates in effect at year-end. Deferred tax assets are recorded when it is more-likely-than-not that the benefit from the deferred tax asset will not be realised. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date. We do not offset deferred tax assets and deferred tax liabilities attributable to different tax paying jurisdictions.

We operate in certain jurisdictions where tax laws relating to the offshore drilling industry are not well developed and change frequently. Furthermore, we may enter into transactions with affiliates or employ other tax planning strategies that generally are subject to complex tax regulations. As a result of the foregoing, the tax liabilities and assets we recognise in our financial statements may differ from the tax positions taken, or expected to be taken, in our tax returns. Our tax positions are evaluated for recognition using a more-likely-than-not threshold, and those tax positions requiring recognition are measured as the largest amount of tax benefit that is greater than 50% likely of being realised upon effective settlement with a taxing authority that has

full knowledge of all relevant information. Interest and penalties relating to income taxes are included in current income tax expense in our consolidated profit and loss account.

Our drilling rigs frequently move from one taxing jurisdiction to another based on where they are contracted to perform drilling services. The movement of drilling rigs among taxing jurisdictions may involve a transfer of drilling rig ownership among our subsidiaries through an intercompany rig sale. The pre-tax profit resulting from an intercompany rig sale is eliminated from our consolidated financial statements, and the carrying value of a rig sold in an intercompany transaction remains at historical net depreciated cost prior to the transaction. Our consolidated financial statements do not reflect the asset disposition transaction of the selling subsidiary or the asset acquisition transaction of the acquiring subsidiary. The income tax effects resulting from intercompany rig sales are recognised in tax on profit or loss in the year in which the sale occurs.

In some instances, we may determine that certain temporary differences will not result in a taxable or deductible amount in future years, as it is more-likely-than-not we will commence operations and depart from a given taxing jurisdiction without such temporary differences being recovered or settled. Under these circumstances, no future tax consequences are expected and no deferred taxes are recognised in connection with such operations. We evaluate these determinations on a periodic basis and, in the event our expectations relative to future tax consequences change, the applicable deferred taxes are recognised or derecognised.

Dividend income received by Ensco plc from its subsidiaries is exempt from UK taxation. We do not provide deferred taxes on the undistributed earnings of certain subsidiaries because our policy and intention is to reinvest such earnings indefinitely. Should we make a distribution from these subsidiaries in the form of dividends or otherwise, we may be subject to additional income taxes.

The U.S. Tax Cuts and Jobs Act ("U.S. tax reform") was enacted on 22 December 2017 and introduced significant changes to U.S. income tax law, including a reduction in the statutory income tax rate from 35% to 21% effective 1 January 2018, a one-time transition tax on deemed repatriation of deferred foreign income, a base erosion anti-abuse tax that effectively imposes a minimum tax on certain payments to non-U.S. affiliates, new and revised rules relating to the current taxation of certain income of foreign subsidiaries and revised rules associated with limitations on the deduction of interest. See note 10 for additional information.

Share-based compensation

We sponsor share-based compensation plans that provide equity compensation to our key employees, officers and non-employee directors. Our Long-Term Incentive Plan (the "2018 LTIP") allows our Board of Directors to authorise share grants to be settled in cash or shares. Compensation expense for share awards to be settled in shares is measured at fair value on the date of grant and recognised on a straight-line basis over the requisite service period (usually the vesting period). Compensation expense for share awards to be settled in cash is remeasured each quarter with a cumulative adjustment to compensation cost during the period based on changes in our share price. Any adjustments to the compensation cost recognised in our consolidated profit and loss account for awards that are forfeited are recognised in the period in which the forfeitures occur.

Classification of financial instruments issued

Financial instruments issued are treated as equity only to the extent the following two conditions are achieved:

a) no contractual obligations to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable; and
b) where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent the above is not met, the proceeds of issue are classified as a financial liability.

Trade and other debtors/creditors

Trade and other debtors/creditors are recognised initially at the transaction price. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

Interest-bearing notes receivables and borrowings classified as basic financial instruments

Interest-bearing notes receivables and borrowings classified as basic financial instruments are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses. Issuance costs are capitalised and amortised to interest receivable and similar items and interest payable and similar expenses over the term of the instrument.

Financial instruments not considered to be basic financial instruments ("other financial instruments")

Other financial instruments not meeting the definition of basic financial instruments (including interest-bearing borrowings which contain a conversion feature and derivative financial instruments) are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss. Issuance costs are expensed in the profit and loss account in the year of issuance. The group uses derivative financial instruments to manage its exposure to foreign currency exchange rate risk.

Provisions for litigation and other items

A provision is recognised in the balance sheet when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the group, the company treats the guarantee contract as a contingent liability in its individual financial statements until such time as it becomes probable that the company will be required to make a payment under the guarantee.

Stocks

Stocks are stated at the lower of weighted-average cost or net realisable value. Net realisable value is based on estimated selling price less any further costs expected to be incurred on disposal.

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Dividends on shares presented within equity

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the group. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Own shares

Transactions of the company sponsored stock compensation trust are treated as being those of the company and are therefore reflected in the company and group financial statements. In particular, the trust's purchases and sales of shares in the company are debited and credited directly to own share reserve. The trust acquires the shares required to settle the awards from the company at the nominal value of the shares.

Other reserves

Other reserves primarily consists of the $3.0 billion of distributable reserves arising from the 2014 capital reorganisation.

Non-controlling interests

Local third parties hold an interest in certain of the group's subsidiaries. These interests are presented as non-controlling interests within the consolidated balance sheet, profit and loss account and cash flow statement.

Earnings/(loss) per share

The group presents basic and diluted earnings/(loss) per share data for its ordinary shares. Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to ordinary shareholders of the company by the weighted-average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings/(loss) per share is determined by adjusting the profit/(loss) attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, adjusted for own shares held and for the effects of all potentially dilutive ordinary shares, consisting of share options and performance awards granted to employees.

2 Critical accounting policies, judgements and estimates

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United Kingdom requires us to make estimates, judgements and assumptions that affect the amounts reported in our consolidated financial statements and accompanying notes. Our significant accounting policies are included in note 1 to our consolidated financial statements. These policies, along with our underlying judgements and assumptions made in their application, have a significant impact on our consolidated financial statements. We identify our critical accounting policies as those that are the most pervasive and important to the portrayal of our financial position and operating results and that require the most difficult, subjective and/or complex judgements regarding estimates in matters that are inherently uncertain. Our critical accounting policies are those related to tangible fixed assets, impairment of long-lived assets and income taxes.

Tangible fixed assets

As of 31 December 2018, the carrying value of our tangible fixed assets totalled $8.9 billion, which represented 87% of total assets. This carrying value reflects the application of our tangible fixed assets accounting policies, which incorporate our estimates, judgements and assumptions relative to the capitalised costs, useful lives and salvage values of our rigs.

We develop and apply tangible fixed assets accounting policies that are designed to appropriately and consistently capitalise those costs incurred to enhance, improve and extend the useful lives of our assets and expense those costs incurred to repair or maintain the existing condition or useful lives of our assets. The development and application of such policies requires estimates, judgements and assumptions relative to the nature of, and benefits from, expenditures on our assets. We establish tangible fixed assets accounting policies that are designed to depreciate our assets over their estimated useful lives. The judgements and assumptions used in determining the useful lives of our tangible fixed assets reflect both historical experience and expectations regarding future operations, utilisation and performance of our assets. The use of different estimates, judgements and assumptions in the establishment of our tangible fixed assets accounting policies, especially those involving the useful lives of our rigs, would likely result in materially different asset carrying values and operating results.

The useful lives of our drilling rigs are difficult to estimate due to a variety of factors, including technological advances that impact the methods or cost of oil and natural gas exploration and development, changes in market or economic conditions and changes in laws or regulations affecting the drilling industry. We evaluate the remaining useful lives of our rigs on a periodic basis, considering operating condition, functional capability and market and economic factors.

Impairment of tangible fixed assets

We recorded pre-tax, non-cash losses on impairment of long-lived assets of $40.3 million and $229.1 million during 2018 and 2017, respectively. See note 12 for additional information on our drilling rigs and equipment impairment.

We evaluate the carrying value of our tangible fixed assets, primarily our drilling rigs, when events or changes in circumstances indicate that the carrying value of such rigs may not be recoverable. Generally, extended periods of idle time and/or inability to contract rigs at economical rates are an indication that a rig may be impaired. Impairment situations may arise with respect to specific individual rigs, groups of rigs, such as a specific type of drilling rig, or rigs in a certain geographic location.

For tangible fixed assets used in our operations, recoverability generally is determined by comparing the carrying value of an asset to the expected discounted future cash flows of the asset. If the carrying value of an asset is not recoverable, the amount of impairment loss is measured as the difference between the carrying value of the asset and its estimated fair value. The determination of expected discounted cash flow amounts requires significant estimates, judgements and assumptions, including utilisation levels, day rates, expense levels and capital requirements, as well as cash flows generated upon disposition, for each of our drilling rigs. Due to the inherent uncertainties associated with these estimates, we perform sensitivity analysis on key assumptions as part of our recoverability test.

Our judgements and assumptions about future cash flows to be generated by our drilling rigs are highly subjective and based on consideration of the following:

- global macroeconomic and political environment,
- historical utilisation, day rate and operating expense trends by asset class,
- regulatory requirements such as surveys, inspections and recertification of our rigs,
- remaining useful lives of our rigs,
- expectations on the use and eventual disposition of our rigs,
- weighted-average cost of capital,
- oil price projections,
- sanctioned and unsanctioned offshore project data,
- offshore economic project break-even data,
- global rig supply and construction orders,
- global rig fleet capabilities and relative rankings, and
- expectations of global rig fleet attrition.

We collect and analyse the above information to develop a range of estimated utilisation levels, day rates, expense levels and capital requirements, as well as estimated cash flows generated upon disposition. The most subjective assumptions that impact our impairment analyses include projections of future oil prices and timing of global rig fleet attrition, which, in large part, impact our estimates on timing and magnitude of recovery from the current industry downturn. However, there are numerous judgements and assumptions unique to the projected future cash flows of each rig that individually, and in the aggregate, can significantly impact the recoverability of its carrying value.

The highly cyclical nature of our industry cannot be reasonably predicted with a high level of accuracy and therefore differences between our historical judgements and assumptions and actual results will occur. We reassess our judgements and assumptions in the period in which significant differences are observed and may conclude that a triggering event has occurred and perform a recoverability test. We recognised impairment charges during 2014, 2015, 2017 and 2018 upon observation of significant unexpected changes in our business climate and estimated useful lives of certain assets.

There are numerous factors underlying the highly cyclical nature of our industry that are reasonably likely to impact our judgements and assumptions including, but not limited to, the following:

- changes in global economic conditions,
- production levels of the Organization of Petroleum Exporting Countries ("OPEC"),
- production levels of non-OPEC countries,
- advances in exploration and development technology,
- offshore and onshore project break-even economics,
- development and exploitation of alternative fuels,
- natural disasters or other operational hazards,
- changes in relevant law and governmental regulations,
- political instability and/or escalation of military actions in the areas we operate,
- changes in the timing and rate of global newbuild rig construction, and
- changes in the timing and rate of global rig fleet attrition.

There is a wide range of interrelated changes in our judgements and assumptions that could reasonably occur as a result of unexpected developments in the aforementioned factors, which could result in materially different carrying values for an individual rig, group of rigs or our entire rig fleet, materially impacting our operating results.

An impairment loss is reversed for tangible fixed assets where the recoverable amount increases as a result of a change in economic conditions or in the expected use of the asset. An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised. The reversal of the impairment loss is recognised in the period of the change in economic conditions or in the expected use of the asset.

Income taxes

We conduct operations and earn income in numerous countries and are subject to the laws of numerous tax jurisdictions. As of 31 December 2018, our consolidated balance sheet included a $29.5 million net deferred income tax asset within debtors, $88.0 million net deferred income tax liability within provisions, a $36.9 million liability for income taxes currently payable and a $177.0 million liability for unrecognised tax benefits, inclusive of interest and penalties.

The carrying values of deferred income tax assets and liabilities reflect the application of our income tax accounting policies and are based on estimates, judgements and assumptions regarding future operating results and levels of taxable income.

Carryforwards and tax credits are assessed for realisation as a reduction of future taxable income by using a more-likely-than-not determination. We do not offset deferred tax assets and deferred tax liabilities attributable to different tax paying jurisdictions.

We do not provide deferred taxes on the undistributed earnings of certain subsidiaries because our policy and intention is to reinvest such earnings indefinitely. Should we make a distribution from these subsidiaries in the form of dividends or otherwise, we may be subject to additional income taxes.

The carrying values of liabilities for income taxes currently payable and unrecognised tax benefits are based on our interpretation of applicable tax laws and incorporate estimates, judgements and assumptions regarding the use of tax planning strategies in various taxing jurisdictions. The use of different estimates, judgements and assumptions in connection with accounting for income taxes, especially those involving the deployment of tax planning strategies, may result in materially different carrying values of income tax assets and liabilities and operating results.

We operate in several jurisdictions where tax laws relating to the offshore drilling industry are not well developed. In jurisdictions where available statutory law and regulations are incomplete or underdeveloped, we obtain professional guidance and consider existing industry practices before utilising tax planning strategies and meeting our tax obligations.

Tax returns are routinely subject to audit in most jurisdictions and tax liabilities occasionally are finalised through a negotiation process. In some jurisdictions, income tax payments may be required before a final income tax obligation is determined in order to avoid significant penalties and/or interest. While we historically have not experienced significant adjustments to previously recognised tax assets and liabilities as a result of finalising tax returns, there can be no assurance that significant adjustments will not arise in the future. In addition, there are several factors that could cause the future level of uncertainty relating to our tax liabilities to increase, including the following:

- During recent years, the number of tax jurisdictions in which we conduct operations has increased, and we currently anticipate that this trend will continue.
- In order to utilise tax planning strategies and conduct operations efficiently, our subsidiaries frequently enter into transactions with affiliates that are generally subject to complex tax regulations and are frequently reviewed and challenged by tax authorities.
- We may conduct future operations in certain tax jurisdictions where tax laws are not well developed, and it may be difficult to secure adequate professional guidance.
- Tax laws, regulations, agreements, treaties and the administrative practices and precedents of tax authorities change frequently, requiring us to modify existing tax strategies to conform to such changes.
- We recognised the impact of the enactment of U.S. tax reform during 2017 on a provisional basis. Throughout 2018, we continued to analyse applicable information and data, interpret rules and guidance issued by the U.S. Treasury Department and Internal Revenue Service, and make adjustments to the provisional amounts. The U.S. Treasury Department is expected to continue finalising rules associated with U.S. tax reform during 2019 and, when issued, these rules may have a material impact on our consolidated financial statements.

3 Acquisition of Atwood

On the Merger Date, we completed the Atwood Merger with Atwood and Echo Merger Sub, LLC, our wholly-owned subsidiary. Assets acquired and liabilities assumed in the Atwood Merger were recorded at their estimated fair values as of the Merger Date under the acquisition method of accounting. As of 30 September 2018, we completed our fair value assessments.

Consideration

As a result of the Atwood Merger, Atwood shareholders received 1.60 Ensco Class A Ordinary shares for each share of Atwood common stock, representing a value of $9.33 per share of Atwood common stock based on a closing price of $5.83 per Class A ordinary share on 5 October 2017, the last trading day before the Merger Date. Total consideration delivered in the Atwood Merger consisted of 132.2 million of our Class A ordinary shares and $11.1 million of cash in settlement of certain share-based payment awards. The total aggregate value of consideration transferred was $781.8 million. Additionally, upon closing of the Atwood Merger, we utilised cash acquired of $445.4 million and cash on hand to extinguish Atwood's revolving credit facility, outstanding senior notes and accrued interest totalling $1.3 billion. The estimated fair values assigned to assets acquired net of liabilities assumed exceeded the consideration transferred, resulting in negative goodwill of $120.7 million. During 2018, we recognised measurement period adjustments as we completed our fair value assessments resulting in additional negative goodwill of $1.8 million.

Assets acquired and liabilities assumed

The provisional amounts recorded for assets acquired and liabilities assumed as of the Merger Date and respective measurement period adjustments were as follows:

	Book values $ millions	Fair value adjustments $ millions	Measurement period adjustments[2] $ millions	Recognised values on acquisition $ millions
Assets				
Tangible fixed assets	4,115.1	(2,353.1)	9.2	1,771.2
Trade receivable	63.0	(0.7)	(1.6)	60.7
Other current assets	136.6	5.2	(0.5)	141.3
Cash and cash equivalents[1]	445.4	-	-	445.4
Liabilities				
Trade creditors and accruals	(64.6)	(0.3)	1.1	(63.8)
Other liabilities, including taxes	(78.9)	(39.9)	(6.4)	(125.2)
Net assets acquired	4,616.6	(2,388.8)	1.8	2,229.6
Total cost of business combination				
Merger consideration				(781.8)
Repayment of Atwood debt				(1,305.9)
Costs directly attributable to the business combination				(19.4)
Total consideration including debt repaid				(2,107.1)
Negative goodwill on acquisition				122.5

(1) Upon closing of the Merger, we utilised acquired cash of $445.4 million and cash on hand from the liquidation of short-term investments to repay Atwood's debt and accrued interest of $1.3 billion.

(2) The measurement period adjustments reflect changes in the estimated fair values of certain assets and liabilities, primarily related to inventory, capital equipment and other liabilities. The measurement period adjustments were recorded to reflect new information obtained about facts and circumstances existing as of the Merger Date and did not result from subsequent intervening events.

Negative goodwill

The fair values assigned to assets acquired net of liabilities assumed exceeded the consideration transferred, resulting in negative goodwill primarily due to depressed offshore drilling company valuations. Market capitalisations across the offshore drilling industry declined significantly since mid-2014 due to the decline in commodity prices and the related imbalance of supply and demand for drilling rigs. The resulting negative goodwill was further driven by the decline in our share price from $6.70 to $5.83 between the last trading day prior to the announcement of the Atwood Merger and the Merger Date. The negative goodwill was included in our consolidated balance sheet for the year ended 31 December 2017 and amortised on a straight-line basis over its estimated useful economic life of 30 years.

Merger-related costs

Merger-related costs consisted of various advisory, legal, accounting, valuation and other professional or consulting fees totalling $19.4 million for the year ended 31 December 2017. These costs are included in negative goodwill in our consolidated balance sheet.

Tangible fixed assets

Tangible fixed assets acquired in connection with the Atwood Merger consisted primarily of drilling rigs and related equipment, including four drillships (two of which are under construction), two semisubmersible rigs and five jackup rigs. We recorded tangible fixed assets acquired at their estimated fair value of $1.8 billion. We estimated the fair value of the rigs and equipment by applying an income approach, using projected discounted cash flows, or a market approach. We estimated remaining useful lives for Atwood's drilling rigs, which ranged from 16 to 35 years based on original estimated useful lives of 30 to 35 years.

Deferred taxes

The Atwood Merger was executed through the acquisition of Atwood's outstanding common stock and, therefore, the historical tax bases of the acquired assets and assumed liabilities, net operating losses and other tax attributes of Atwood were assumed as of the Merger Date. However, adjustments were recorded to recognise deferred tax assets and liabilities for the tax effects of differences between acquisition date fair values and tax bases of assets acquired and liabilities assumed. Additionally, the interaction of our and Atwood's tax attributes that impacted the deferred taxes of the combined entity were also recognised as part of acquisition accounting. As of the Merger Date, an increase of $2.5 million to Atwood’s net deferred tax liability was recognised.

Deferred tax assets and liabilities recognised in connection with the Atwood Merger were measured at rates enacted as of the Merger Date. Tax rate changes, or any deferred tax adjustments for new tax legislation, following the Merger Date, including the recently enacted U.S. tax reform, are reflected in our operating results in the period in which the change in tax laws or rate is enacted.

Intangible assets and liabilities

We recorded intangible assets totalling $30.1 million, inclusive of certain measurement period adjustments, as of the Merger Date representing the estimated fair value of Atwood's firm drilling contracts with favourable contract terms compared to then-market day rates for comparable drilling rigs.

Turnover was net of $11.4 million and $16.1 million of asset amortisation during the years ended 31 December 2018 and 2017, respectively. The remaining balance of $2.6 million was included in debtors on our consolidated balance sheet as of 31 December 2018 and will be amortised to turnover during 2019.

We recorded intangible liabilities of $60.0 million for the estimated fair value of unfavourable drillship construction contracts, which were determined by comparing the firm obligations for the remaining construction of ENSCO DS-13 and ENSCO DS-14 to the estimated current market rates for the construction of a comparable drilling rig. The liabilities will be amortised over the estimated life of ENSCO DS-13 and ENSCO DS-14 as a reduction of depreciation expense beginning on the date the rig is placed into service.

4 Segmental 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.

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 profit/(loss) and were included in "Reconciling Items." Tangible fixed assets not allocated to the group's operating segments were also included in "Reconciling Items."
The tables below set out information for each of the operating segments.

Year ended 31 December 2018

	Floaters $ millions	Jackups $ millions	Other $ millions	Operating Segments Total $ millions	Reconciling Items $ millions	Group Total $ millions
Turnover						
Turnover to third parties	1,013.5	630.9	61.0	1,705.4	-	1,705.4
Operating expenses						
Contract drilling expense	743.2	526.5	55.5	1,325.2	-	1,325.2
Depreciation and amortisation	277.4	132.0	-	409.4	9.7	419.1
Impairment of tangible fixed assets	-	40.3	-	40.3	-	40.3
General and administrative expenses	-	-	-	-	102.7	102.7
Other operating income, net	(4.8)	-	-	(4.8)	-	(4.8)
Operating loss	(2.3)	(67.9)	5.5	(64.7)	(112.4)	(177.1)
Tangible fixed assets	6,852.7	2,049.6	-	8,902.3	36.5	8,938.8
Capital expenditures	73.4	287.4	-	360.8	3.3	364.1

Year ended 31 December 2017

	Floaters $ millions	Jackups $ millions	Other $ millions	Operating Segments Total $ millions	Reconciling Items $ millions	Group Total $ millions
Turnover						
Turnover to third parties	1,143.5	640.3	59.2	1,843.0	-	1,843.0
Operating expenses						
Contract drilling expense	626.5	512.1	53.2	1,191.8	-	1,191.8
Depreciation and amortisation	233.5	137.4	-	370.9	14.9	385.8
Impairment of tangible fixed assets	234.3	21.2	-	255.5	-	255.5
General and administrative expenses	-	-	-	-	138.4	138.4
Other operating income, net	(1.2)	-	-	(1.2)	-	(1.2)
Operating loss	50.4	(30.4)	6.0	26.0	(153.3)	(127.3)
Tangible fixed assets - Restated	7,027.4	2,077.9	-	9,105.3	45.2	9,150.5
Capital expenditures	404.3	55.8	-	460.1	4.1	464.2

Information about geographic areas

For purposes of our geographic disclosure, we attribute turnover to the geographic location where such turnover was earned. Consolidated turnover by region for the years ended 31 December 2018 and 2017 was as follows:

	2018 $ millions	2017 $ millions
Angola [(1)]	285.7	445.7
Australia[(2)]	283.9	206.7
U.S. Gulf of Mexico[(3)]	214.7	149.8
United Kingdom[(4)]	192.6	164.6
Saudi Arabia[(4)]	182.2	171.8
Brazil[(5)]	139.6	196.2
Egypt[(5)]	31.2	214.8
Other	375.5	293.4
	1,705.4	1,843.0

(1) For the years ended 31 December 2018 and 2017, 86% and 88% of turnover earned in Angola, respectively, was attributable to our Floaters segment with the remaining turnover attributable to our Jackup segment.

(2) For the years ended 31 December 2018 and 2017, 92% and 87% of turnover earned in Australia, respectively, was attributable to our Floaters segment with the remaining turnover attributable to our Jackup segment.

(3) For the years ended 31 December 2018 and 2017, 30% and 29% of turnover earned in the U.S. Gulf of Mexico, respectively, was attributable to our Floaters segment, 42% and 31% of turnover was attributable to our Jackup segment, respectively, and the remaining turnover was attributable to our Other segment.

(4) For the years ended 31 December 2018 and 2017, turnover was attributable to our Jackup segment.

(5) For the years ended 31 December 2018 and 2017, turnover was attributable to our Floater segment.

For purposes of our tangible fixed assets geographic area disclosure, we attribute assets to the geographic location of the drilling rig as of the end of the applicable year. For new construction projects, assets are attributed to the location of future operation if known or to the location of construction if the ultimate location of operation is undetermined.

Information by country for those countries that account for more than 10% of our drilling rigs and equipment was as follows:

	2018 $ millions	Restated 2017 $ millions
Spain	1,458.8	1,370.7
United States	1,207.1	1,652.9
Nigeria	871.5	264.6
United Kingdom	788.9	371.8
Singapore	23.9	2,055.8
Other countries	4,588.6	3,434.7
	8,938.8	9,150.5

5 Notes to the profit and loss account

Group

Loss before taxation is stated after the following:	2018 $ millions	2017 $ millions
Depreciation	423.2	386.8
Impairment of tangible fixed assets and other assets	40.3	255.5
Operating lease rentals – offices and equipment	40.1	29.0
Amortisation of other intangibles and other assets	(40.2)	(61.6)
Amortisation of negative goodwill	(4.1)	(1.0)
Net profit on disposal of drilling rigs and equipment	4.8	1.2

Auditors' remuneration	2018 $ millions	2017 $ millions
Audit of these financial statements	0.1	0.1
Amounts receivable by associates of the auditors in respect of:		
Audit of Ensco plc financial statements for other regulatory purposes	2.2	2.4
Audit of financial statements of subsidiaries pursuant to legislation	0.3	0.3
Other services relating to taxation	0.9	0.9

6 Remuneration of directors

Remuneration of directors

	2018 $ millions	2017 $ millions
Directors' emoluments	3.4	3.2
Amounts receivable under long-term incentive schemes	6.2	5.8
	9.6	9.0

The aggregate of emoluments and amounts receivable under long-term incentive schemes of the highest paid director was $6.2 million (2017: $5.9 million). During the year, the highest paid director received shares under a long-term incentive scheme.

	2018	2017
The number of directors who exercised share options was:	-	-
The number of directors with shares received or receivable under long-term incentive schemes was:	11	11

The directors benefited from qualifying third party indemnity provisions.

7 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

	Number of employees 2018	Number of employees 2017
Floaters	1,513	1,513
Jackups	1,808	1,742
Shore-based	1,189	1,183
	4,510	4,438

The aggregate payroll costs of these persons were as follows:

	2018 $ millions	2017 $ millions
Wages and salaries	492.0	461.4
Share based payments	41.6	41.2
Social security costs	16.5	15.7
Savings plan contributions	14.4	31.4
	564.5	549.7

The parent company had no employees during the year ended 31 December 2018 (2017: nil).

Key management personnel compensation in total was $24.1 million for the year ended 31 December 2018 (2017: $24.7 million).

8 Interest receivable and similar income

Group	2018 $ millions	2017 $ millions
Fair value change on convertible debt (note 17)	219.5	113.4
Interest receivable on cash and investments	14.5	25.8
Net fair value changes on derivatives	-	14.0
Other income	-	4.7
	234.0	157.9

9 Interest payable and other similar expenses

Group	2018 $ millions	2017 $ millions
Senior notes, debentures and bonds	314.2	290.4
Less finance costs capitalised	(62.6)	(72.5)
Loss on extinguishment of debt	19.1	5.3
Net foreign currency exchange losses	16.4	9.4
Net fair value changes on derivatives	9.4	-
Other expenses	0.7	-
	297.2	232.6

Finance costs have been capitalised into tangible fixed assets at a rate of 6.8% (2017: 6.4%).

10 Taxation

Analysis of charge in year	2018 $ millions	2017 $ millions
UK corporation tax		
Current tax at the standard rate of 19.0% (2017: 19.25%)	-	9.1
Adjustments in respect of prior years	0.7	(0.1)
	0.7	9.0
Foreign tax		
Current tax for the year	74.5	44.0
Adjustments in respect of prior years	(42.2)	1.2
	32.3	45.2
Total current tax	33.0	54.2
Deferred tax		
Origination/reversal of timing differences	38.4	16.1
Adjustments in respect of prior years	17.7	6.7
Total deferred tax	56.1	22.8
Tax on loss	89.1	77.0

Factors affecting the tax charge for the current period

The tax charge for the year differs from the standard rate of corporation tax in the UK. The differences are explained below.

	2018 $ millions	2017 $ millions
Tax reconciliation		
Loss before taxation	(240.3)	(202.0)
Tax at the standard UK rate of 19.0% (2017: 19.25%)	(45.7)	(38.9)
Effects of:		
Higher tax rates on non-U.K. earnings	153.2	34.0
Net expense in connection with resolutions of tax issues and adjustments relating to prior years	(23.8)	7.8
U.S. Tax Reform	(11.7)	16.5
Debt buyback and debt swap	8.9	5.4
Impairment of tangible fixed assets and other assets	7.7	47.6
UK controlled foreign company charge	-	8.9
Other	0.5	(4.3)
Tax on loss	89.1	77.0

During 2018, we recognized a tax benefit of $11.7 million associated with the one-time transition tax on deemed repatriation of the deferred foreign income of our U.S. subsidiaries. We recognized a net tax expense of $16.5 million during 2017 in connection with enactment of U.S. tax reform, consisting of a $38.5 million tax expense associated with the one-time transition tax on deemed repatriation of the deferred foreign income of our U.S. subsidiaries, a $17.3 million tax expense associated with revisions to rules over the taxation of income of foreign subsidiaries, a $20.0 million tax benefit resulting from the re-measurement of our deferred tax assets and liabilities as of 31 December 2017 to reflect the reduced tax rate and a $19.3 million tax benefit resulting from adjustments to the valuation allowance on deferred tax assets.

11 Dividends

The aggregate amount of dividends consists of:

	2018 $ millions	2017 $ millions
Dividends paid in the year	18.0	13.8

The quarterly dividends approved by the directors and paid by the company from 1 January 2018 to 31 December 2018 were:

Payment Date	Per Class A Ordinary Share $ per share	Total Dividends Paid $ millions
16 March 2018	0.01	4.5
15 June 2018	0.01	4.5
21 September 2018	0.01	4.5
14 December 2018	0.01	4.5
		18.0

On 22 March 2019, the company paid a dividend in the amount of $4.4 million ($0.01 per share) that was not recognised as a liability at the balance sheet date as it was approved by the directors subsequent to 31 December 2018.

The quarterly dividends approved by the directors and paid by the company from 1 January 2017 to 31 December 2017 were:

Payment Date	Per Class A Ordinary Share $ per share	Total Dividends Paid $ millions
17 March 2017	0.01	3.1
16 June 2017	0.01	3.1
22 September 2017	0.01	3.2
15 December 2017	0.01	4.4
		13.8

12 Tangible fixed assets

Group	Drilling rigs and equipment $ millions	Assets in course of construction $ millions	Other $ millions	Total $ millions
Cost				
At beginning of year - restated	16,360.9	2,876.2	183.6	19,420.7
Additions	-	253.3	-	253.3
Transfers	2,346.4	(2,354.2)	7.8	-
Disposals	(1,365.6)	(0.1)	-	(1,365.7)
At end of year	17,341.7	775.2	191.4	18,308.3
Depreciation				
At beginning of year	9,560.8	593.9	115.5	10,270.2
Charge for year	405.7	-	17.5	423.2
Transfers	593.9	(593.9)	-	-
Impairment	40.3	-	-	40.3
Disposals	(1,364.2)	-	-	(1,364.2)
At end of year	9,236.5	-	133.0	9,369.5
Net book value				
At 31 December 2018	8,105.2	775.2	58.4	8,938.8
At 31 December 2017 - restated	6,800.1	2,282.3	68.1	9,150.5

Included in additions to the cost of tangible fixed assets is $62.6 million (2017: $72.5 million) in respect of capitalised finance costs.

During 2018, we recorded a pre-tax, non-cash loss on impairment of $40.3 million related to one older non-core jackup rig. We concluded that a triggering event occurred due to the expiration of a legacy higher day rate contract resulting in the performance of a recoverability test. We determined that the estimated discounted cash flows over the remaining useful life of the rig were not sufficient to recover the rig's carrying value and concluded the rig was impaired as of 31 December 2018. The impairment

charge was included in impairment of tangible fixed assets and other assets within cost of sales. We measured the fair value of these rigs by applying an income approach, using projected discounted cash flows and a pre-tax discount rate of 13.0 percent.

If the global economy, our overall business outlook and/or our expectations regarding the marketability of one or more of our drilling rigs deteriorate further, we may conclude that a triggering event has occurred and perform a recoverability test that could lead to a material impairment charge in future periods.

13 Investments

Group

Information on the group's subsidiary undertakings is included in note 27.

Short-term deposits consist of cash deposited with a financial institution for a specified period of time, which bears interest.

	Short-term deposits $ millions
Cost	
At beginning of year	440.0
Additions	919.0
Repaid at maturity	(1,030.0)
At end of year	329.0

Company

Short-term deposits consist of cash deposited with a financial institution for a specified period of time, which bears interest.

	Time deposits $ millions
Cost	
At beginning of year	440.0
Additions	919.0
Repaid at maturity	(1,030.0)
At end of year	329.0

The company's investment in subsidiaries is as follows:

	$ millions
Cost	
At beginning and end of year	7,730.3
Provision	
At beginning and end of year (restated note 1)	(3,124.0)
Net book value	
At 31 December 2018	4,606.3
At 31 December 2017 (restated note 1)	4,606.3

14 Stocks

Group stocks totalled $268.1 million at 31 December 2018 (2017: $278.8 million) and primarily are comprised of consumable supplies required to operate drilling rigs and equipment. An inventory charge of $19.1 million was recognised during the year ended 31 December 2018 (2017: $24.7 million).

15 Debtors

Group

	2018 $ millions	Restated 2017 $ millions
Amounts falling due within one year		
Trade debtors	344.7	343.8
Prepaid taxes	35.0	43.5
Deferred mobilisation costs	23.5	29.7
Prepaid expenses	15.2	14.2
Deferred tax assets	13.3	13.1
Other debtors	19.1	11.5
	450.8	455.8
Amounts falling due in more than one year		
Deferred mobilisation costs	21.5	37.4
SERP assets	27.2	30.9
Deferred tax assets	16.2	-
Other debtors	17.1	17.4
	82.0	85.7
	532.8	541.5

A bad debt reserve charge of $0.4 million was recognised during the year ended 31 December 2018 (2017: reversal of $0.7 million).

The group deferred tax assets are analysed as follows:	2018 $ millions	2017 $ millions
Deferred turnover	12.1	17.8
Net operating loss carryforwards	8.8	36.8
Employee benefits, including share based compensation	7.4	14.2
Foreign tax credits	-	30.8
Premium on long-term debt	-	8.9
U.S. tax on foreign income	-	(24.8)
U.S. tax deferred transition rate	-	(13.7)
Accelerated capital allowances on tangible fixed assets	-	(68.8)
Other timing differences	1.2	11.9
	29.5	13.1

Unrecognised deferred tax assets

As of 31 December 2018, we had unrecognised deferred tax assets of $123.6 million (2017: $132.3 million) for U.S. foreign tax credits ("FTCs"), $148.4 million (2017: $187.1 million) related to $784.2 million (2017: $844.1 million) of net operating loss ("NOL") carryforwards and $42.0 million (2017: nil) for U.S. interest limitation carry forwards, which can be used to reduce our income taxes payable in future years. The FTCs expire between 2022 and 2028. NOL carryforwards, which were generated in various jurisdictions worldwide, include $449.8 million (2017: $429.2 million) that do not expire and $334.4 million (2017: $414.9 million) that will expire, if not utilized, between 2019 and 2037. U.S. interest limitation carryforwards do not expire. Due to the uncertainty of realization, we have a $271.8 million valuation allowance on FTC, NOL carryforwards and U.S. interest limitation carryforwards.

Company

	2018 $ millions	2017 $ millions
Amounts falling due within one year		
Revolving note receivable from a group company	1,792.8	259.2
Receivable from group companies	68.4	38.9
Other assets	7.9	7.0
	1,869.1	305.1
Amounts falling due in more than one year		
Notes receivable from group companies	2,413.9	3,002.0
Receivable from group companies	163.0	149.6
Other assets	8.1	13.0
	2,585.0	3,164.6
Total debtors	4,454.1	3,469.7

During 2015, the company entered into revolving loan agreements with a group company. The maximum borrowing capacity under the agreements is $2.0 billion. Interest is paid quarterly in arrears at LIBOR plus 1.75%. The borrowings under the agreements are due on demand, but no later than 14 December 2020.

During 2017, the company entered into a loan agreement with a group company for $1,025.0 million. The borrowings under the agreement are due on 6 October 2022. Interest is paid annually at the rate of 7.0%.

During 2016, the company entered into three notes receivable from a group company for $500.0 million with an interest rate of 8.5% due on 24 June 2023, $300.0 million with an interest rate of 8.9% due on 24 June 2024 and $468.4 million with an interest rate of 9.5% due on 24 June 2025. Interest is paid semi-annually on the notes. The $468.4 million note due on 24 June 2025 was repaid in 2018. $266.8 million of the $300.0 million note due on 24 June 2024 was repaid in 2018.

During 2017, the company purchased a group company's debt on the open market. The borrowings are due on 1 January 2019. Interest is paid semi-annually at a rate of 8.5%. The amount outstanding net of premiums/discounts at 31 December 2017 was $273.8 million. The debt was repaid in 2018.

During 2017 and 2018, the company purchased a group company's debt on the open market. The borrowings are due on 1 January 2020. Interest is paid semi-annually at a rate of 6.875%. The amount outstanding net of premiums/discounts at 31 December 2018 was $784.9 million (2017: $434.8 million).

16 Creditors: amounts falling due within one year

Group

	2018 $ millions	Restated 2017 $ millions
Trade creditors	210.5	432.6
Interest payable to debt holders	100.6	83.1
Personnel costs	69.9	97.4
Deferred turnover	57.0	73.0
Corporation tax	36.9	46.4
Other financial liabilities	10.9	0.4
Other creditors and accruals	30.1	9.9
	515.9	742.8

Company

	2018 $ millions	2017 $ millions
Interest payable to debt holders	85.4	52.4
Amounts owed to group companies	49.3	0.1
Interest payable to group companies	10.5	13.5
	145.2	66.0

17 Creditors: amounts falling due after more than one year

Group

	2018 $ millions	Restated 2017 $ millions
Interest bearing debt	4,913.3	4,904.2
Contract intangibles	53.5	59.6
Supplemental executive retirement plan liabilities	28.1	32.0
Deferred turnover	20.5	51.2
Deferred rent	11.7	17.1
Other creditors	34.5	36.7
	5,061.6	5,100.8

Interest bearing debt is repayable as follows:

Group	2018 $ millions	2017 $ millions
Interest bearing debt falling due within five years	236.4	958.1
Interest bearing debt falling due after five years	4,924.6	3,924.7
	5,161.0	4,882.8
Adjustments to recognise 2024 Convertible Notes at fair value, deferred financing costs and unamortised discounts and premiums, net included in interest bearing debt	(247.7)	21.4
	4,913.3	4,904.2

Interest bearing debt consists of the instruments discussed below.

The carrying value of our long-term debt as of 31 December 2018 and 2017 consisted of the following:

	2018 $ millions	2017 $ millions
8.50% Senior notes due 2019[(1)]	-	251.4
6.875% Senior notes due 2020[(1)]	127.5	477.9
4.70% Senior notes due 2021[(1)]	112.7	267.1
3.00% Convertible senior notes due 2024	569.7	789.2
4.50% Senior notes due 2024	619.8	619.3
8.00% Senior notes due 2024	337.0	337.9
5.20% Senior notes due 2025	664.4	663.6
7.75% Senior notes due 2026	985.0	-
7.20% Debentures due 2027	149.3	149.3
7.875% Senior notes due 2040	375.0	376.7
5.75% Senior notes due 2044	972.9	971.8
Total long-term debt	4,913.3	4,904.2

(1) The decline in the carrying value of our 8.50% senior notes due 2019, 6.875% senior notes due 2020 and our 4.70% senior notes due 2021 resulted from repurchases and redemptions during 2018 discussed below.

2024 convertible notes

In December 2016, Ensco Jersey Finance Limited, a wholly-owned subsidiary of Ensco plc, issued $849.5 million aggregate principal amount of unsecured 2024 Convertible Notes in a private offering. The 2024 Convertible Notes are fully and unconditionally guaranteed, on a senior, unsecured basis, by Ensco plc and are exchangeable into cash, our Class A ordinary shares or a combination thereof, at our election. Interest on the 2024 Convertible Notes is payable semiannually on 31 January and 31 July of each year. The 2024 Convertible Notes will mature on 31 January 2024, unless exchanged, redeemed or repurchased in accordance with their terms prior to such date. Holders may exchange their 2024 Convertible Notes at their option any time prior to 31 July 2023 only under certain circumstances set forth in the indenture governing the 2024 Convertible Notes. On or after 31 July 2023, holders may exchange their 2024 Convertible Notes at any time. The exchange rate is 71.3343 shares per $1,000 principal amount of notes, representing an exchange price of $14.02 per share, and is subject to adjustment upon certain events. The 2024 Convertible Notes may not be redeemed by us except in the event of certain tax law changes.

Upon conversion of the 2024 Convertible Notes, holders will receive cash, our Class A ordinary shares or a combination thereof, at our election. Our intent is to settle the principal amount of the 2024 Convertible Notes in cash upon conversion. If the conversion value exceeds the principal amount (i.e., our share price exceeds the exchange price on the date of conversion), we expect to deliver shares equal to our conversion obligation in excess of the principal amount. During each respective reporting period that our average share price exceeds the exchange price, an assumed number of shares required to settle the conversion obligation in excess of the principal amount will be included in the denominator for our computation of diluted EPS using the treasury stock method.

As a result of the conversion feature described above, the 2024 Convertible Notes are measured at fair value with changes in fair value recognised in the profit and loss account. During 2018, a fair value gain of $219.5 million was recognised in interest receivable and other similar items (2017: $113.4 million). The fair value of the convertible senior notes at 31 December 2018 was $569.7 million (2017: $789.2 million).

The indenture governing the 2024 Convertible Notes contains customary events of default, including failure to pay principal or interest on such notes when due, among others. The indenture also contains certain restrictions, including, among others, restrictions on our ability and the ability of our subsidiaries to create or incur secured indebtedness, enter into certain sale/leaseback transactions and enter into certain merger or consolidation transactions.

Senior notes

On 26 January 2018, we issued $1.0 billion aggregate principal amount of unsecured 7.75% senior notes due 2026 (the "2026 Notes") at par, net of $16.5 million of debt issuance costs. Interest on the 2026 Notes is payable semiannually on 1 February and 1 August of each year.

During 2017, we exchanged $332.0 million aggregate principal amount of unsecured 8.00% senior notes due 2024 (the "8% 2024 Notes") for certain amounts of our outstanding senior notes due 2019, 2020 and 2021. Interest on the 8% 2024 Notes is payable semiannually on 31 January and 31 July of each year.

During 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 15 March and 15 September of each year. Interest on the New 2044 Notes is payable semiannually on 1 April and 1 October of each year.

During 2014, we issued $625.0 million aggregate principal amount of unsecured 4.50% senior notes due 2024 (the "2024 Notes") at a discount of $850,000 and $625.0 million aggregate principal amount of unsecured 5.75% senior notes due 2044 (the "Existing 2044 Notes" and together with the New 2044 Notes, the "2044 Notes") at a discount of $2.8 million. Interest on the 2024 Notes and the Existing 2044 Notes is payable semiannually on 1 April and 1 October of each year. The Existing 2044 Notes and the New 2044 Notes are treated as a single series of debt securities under the indenture governing the notes.

During 2011, we issued $1.5 billion aggregate principal amount of unsecured 4.70% senior notes due 2021 (the "2021 Notes") at a discount of $29.6 million in a public offering. Interest on the 2021 Notes is payable semiannually on 15 March and 15 September of each year.

Upon consummation of the Pride acquisition during 2011, we assumed outstanding debt comprised of $900.0 million aggregate principal amount of unsecured 6.875% senior notes due 2020, $500.0 million aggregate principal amount of unsecured 8.5% senior notes due 2019 and $300.0 million aggregate principal amount of unsecured 7.875% senior notes due 2040 (collectively, the "Acquired Notes" and together with the 2021 Notes, 8% 2024 Notes, 2024 Notes, 2025 Notes, 2026 Notes and 2044 Notes, the "Senior Notes"). Ensco plc has fully and unconditionally guaranteed the performance of all Pride obligations with respect to the Acquired Notes.

We may redeem the 8% 2024 Notes, 2024 Notes, 2025 Notes, 2026 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 8% 2024 Notes, 2024 Notes, 2025 Notes and 2026 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 8% 2024 Notes, 2024 Notes, 2025 Notes, 2026 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 we are not required to pay a "make-whole" premium.

We may redeem each series of the 2021 Notes and the Acquired Notes, in whole or in part, at any time at a price equal to 100% of their principal amount, plus accrued and unpaid interest and a "make-whole" premium.

The indentures governing the Senior Notes contain customary events of default, including failure to pay principal or interest on such notes when due, among others. The indentures governing the Senior Notes also contain certain restrictions, including, among others, restrictions on our ability and the ability of our subsidiaries to create or incur secured indebtedness, enter into certain sale/leaseback transactions and enter into certain merger or consolidation transactions.

Debentures due 2027

During 1997, Ensco International Incorporated issued $150.0 million of unsecured 7.20% Debentures due 2027 (the "Debentures"). Interest on the Debentures is payable semiannually on 15 May and 15 November of each year. We may redeem the Debentures, in whole or in part, at any time prior to maturity, at a price equal to 100% of their principal amount, plus accrued and unpaid interest and a "make-whole" premium. During 2009, Ensco plc entered into a supplemental indenture to unconditionally guarantee the principal and interest payments on the Debentures.

The Debentures and the indenture pursuant to which the Debentures were issued also contain customary events of default, including failure to pay principal or interest on the Debentures when due, among others. The indenture also contains certain restrictions, including, among others, restrictions on our ability and the ability of our subsidiaries to create or incur secured indebtedness, enter into certain sale/leaseback transactions and enter into certain merger or consolidation transactions.

Tender offers, redemptions and open market repurchases

Concurrent with the issuance of the 2026 Notes in January 2018, we launched cash tender offers for up to $985.0 million aggregate principal amount of certain series of our senior notes issued by us and Pride. The tender offers expired 7 February 2018, and we repurchased $182.6 million of our 8.50% senior notes due 2019, $256.6 million of our 6.875% senior notes due 2020 and $156.2 million of the 2021 Notes. Subsequently, we issued a redemption notice for the remaining outstanding $55.0 million principal amount of the 8.50% senior notes due 2019 and repurchased $71.4 million principal amount of our senior notes due 2020. As a result of these transactions, we recognised a pre-tax loss from debt extinguishment of $19.0 million, net of discounts, premiums, debt issuance costs and commissions in 2018.

During 2017, we repurchased $194.1 million of our outstanding senior notes on the open market for an aggregate purchase price of $204.5 million with cash on hand and recognised an insignificant pre-tax gain, net of discounts, premiums and debt issuance costs.

Our tender offers and open market repurchases during the two-year period ended 31 December 2018 were as follows:

Year ended 31 December 2018

	Aggregate Principal Amount Repurchased $ millions	Aggregate Repurchase Price[1] $ millions
8.50% Senior notes due 2019	237.6	256.8
6.875% Senior notes due 2020	328.0	354.7
4.70% Senior notes due 2021	156.2	159.7
Total	721.8	771.2

Year ended 31 December 2017

	Aggregate Principal Amount Repurchased $ millions	Aggregate Repurchase Price[1] $ millions
8.50% Senior notes due 2019	54.6	60.1
6.875% Senior notes due 2020	100.1	105.1
4.70% Senior notes due 2021	39.4	39.3
Total	194.1	204.5

[1] Excludes accrued interest paid to holders of the repurchased senior notes.

Exchange offers

During 2017, we completed exchange offers to exchange our outstanding 2019 Notes, 2020 Notes and 2021 Notes for our 8% 2024 Notes and cash. The exchange offers resulted in the tender of $649.5 million aggregate principal amount of our outstanding notes that were settled and exchanged as follows:

	Aggregate Principal Amount Repurchased $ millions	8% Senior Notes Due 2024 Consideration $ millions	Cash Consideration $ millions	Total Consideration $ millions
8.50% Senior notes due 2019	145.8	81.6	81.7	163.3
6.875% Senior notes due 2020	129.8	69.3	69.4	138.7
4.70% Senior notes due 2021	373.9	181.1	181.4	362.5
Total	649.5	332.0	332.5	664.5

During the year ended 31 December 2017, we recognised a pre-tax loss on the exchange offers of approximately $6.2 million, consisting of a loss of $3.5 million that includes the write-off of premiums on tendered debt and $2.7 million of transaction costs.

Revolving credit

In October 2017, we amended our revolving credit facility ("Credit Facility") to extend the final maturity date by two years. Previously, our Credit Facility had a borrowing capacity of $2.25 billion through September 2019 that declined to $1.13 billion through September 2020. Subsequent to the amendment, our borrowing capacity is $2.0 billion through September 2019 and declines to $1.3 billion through September 2020 and to $1.2 billion through September 2022. The credit agreement governing our Credit Facility includes an accordion feature allowing us to increase the commitments expiring in September 2022 up to an aggregate amount not to exceed $1.5 billion.

Advances under the Credit Facility bear interest at Base Rate or LIBOR plus an applicable margin rate, depending on our credit ratings. We are required to pay a quarterly commitment fee on the undrawn portion of the $2.0 billion commitment, which is also based on our credit ratings.

In January 2018, Moody's downgraded our senior unsecured bond credit rating from B2 to B3. The rating actions resulted in an increase to the interest rates applicable to our borrowings and the quarterly commitment fee on the undrawn portion of the $2.0 billion commitment. The applicable margin rates are 3.00% per annum for Base Rate advances and 4.00% per annum for LIBOR advances. The quarterly commitment fee is 0.75% per annum on the undrawn portion of the $2.0 billion commitment.

The Credit Facility requires us to maintain a total debt to total capitalisation ratio calculated in accordance with U.S. GAAP that is less than or equal to 60% and to provide guarantees from certain of our rig-owning subsidiaries sufficient to meet certain guarantee coverage ratios. The Credit Facility also contains customary restrictive covenants, including, among others, prohibitions on creating, incurring or assuming certain debt and liens (subject to customary exceptions, including a permitted lien basket that permits us to raise secured debt up to the lesser of $750 million or 10% of consolidated tangible net worth (as defined in the Credit Facility)); entering into certain merger arrangements; selling, leasing, transferring or otherwise disposing of all or substantially all of our assets; making a material change in the nature of the business; paying or distributing dividends on our ordinary shares (subject to certain exceptions, including the ability to continue paying a quarterly dividend of $0.01 per share); borrowings, if after giving effect to any such borrowings and the application of the proceeds thereof, the aggregate amount of available cash (as defined in the Credit Facility) would exceed $150.0 million; and entering into certain transactions with affiliates.

The Credit Facility also includes a covenant restricting our ability to repay indebtedness maturing after September 2022, which is the final maturity date of our Credit Facility. This covenant is subject to certain exceptions that permit us to manage our balance sheet, including the ability to make repayments of indebtedness (i) of acquired companies within 90 days of the completion of the acquisition or (ii) if, after giving effect to such repayments, available cash is greater than $250.0 million and there are no amounts outstanding under the Credit Facility.

As of 31 December 2018, we were in compliance in all material respects with our covenants under the Credit Facility. We expect to remain in compliance with our Credit Facility covenants during 2019. We had no amounts outstanding under the Credit Facility as of 31 December 2018 and 2017.

Our access to credit and capital markets depends on the credit ratings assigned to our debt. As a result of recent rating actions by credit rating agencies, we no longer maintain an investment-grade status. Our current credit ratings, and any additional actual or anticipated downgrades in our credit ratings, could limit our available options when accessing credit and capital markets, or when restructuring or refinancing our debt. In addition, future financings or refinancings may result in higher borrowing costs and require more restrictive terms and covenants, which may further restrict our operations.

Company	2018 $ millions	2017 $ millions
Interest bearing debt	3,689.7	2,857.3
Notes payables to group companies	1,413.1	1,381.1
Option element of convertible bond	29.4	104.7
	5,132.2	4,343.1

Company

	2018 $ millions	2017 $ millions
Interest bearing debt falling due within five years	-	269.7
Interest bearing debt falling due after five years	3,738.6	2,625.1
	3,738.6	2,894.8
Less: deferred financing costs and unamortised discounts included in interest bearing debt	(48.9)	(37.5)
Total interest bearing debt	3,689.7	2,857.3

The company is a party to the convertible senior notes, senior notes and revolving credit agreements disclosed above.

During 2010, the company issued a $751.8 million promissory note due 19 December 2020 to a group company. Interest on the note is payable semiannually at a fixed rate of 4.75%.

In December 2016, Ensco Jersey Finance Limited, a subsidiary of the company, issued $849.5 million convertible senior notes, due 31 January 2024. The convertible senior notes can be settled in the company's shares, cash or a combination of both at the group's discretion. The company is obligated to settle the option element of the convertible senior notes upon conversion by the bondholders. Fair value of the option element is estimated on the basis of quoted market prices.

In December 2016, the company issued a $849.5 million promissory note due on 31 January 2024 to Ensco Jersey Finance Limited. Interest is paid semi-annually at a rate of 3.0%.

Notes payable to a group company are repayable as follows:

	2018 $ millions	2017 $ millions
Notes payable to a group company due within five years	751.8	751.8
Note payable to a group company due after five years	849.5	849.5
	1,601.3	1,601.3
Less: deferred financing costs and unamortised discounts included in notes payable to group companies	(188.2)	(220.2)
Total interest bearing debt	1,413.1	1,381.1

18 Provisions for liabilities

Group

	Deferred taxation $ millions	Provision for tax uncertainties $ millions	Employee provision $ millions	Total $ millions
At beginning of year	18.5	178.0	14.6	211.1
Charge to the profit and loss	69.5	(1.0)	2.8	71.3
Utilised during year	-	-	(4.8)	(4.8)
At end of year	88.0	177.0	12.6	277.6

Deferred taxation

The elements of deferred taxation are as follows:

	2018 $ millions	2017 $ millions
Net operating loss carryforwards	(3.4)	6.7
Accelerated capital allowances on tangible fixed assets	96.7	5.9
Deferred turnover	2.0	-
Foreign tax credits	(18.9)	-
Employee benefits, including share based compensation	(0.9)	-
Premium on long-term debt	(6.4)	-
U.S. tax on foreign income	31.5	-
Other timing differences	(12.6)	5.9
Total deferred tax liabilities	88.0	18.5
Deferred tax asset (see note 15)	(29.5)	(13.1)
	58.5	5.4

Provision for tax uncertainties

The group's tax positions are evaluated for recognition using a more-likely-than-not threshold. A provision is recognised for those tax positions where the likelihood of payment is greater than 50%. We are unable to specify with certainty the future periods in which we may be obligated to settle such amounts.

Absent the commencement of examinations by tax authorities, statutes of limitations applicable to certain of our tax positions will lapse during 2019. Therefore, it is reasonably possible that our unrecognized tax benefits will decline during the next 12 months by $500,000, inclusive of $300,000 of accrued interest and penalties, all of which would impact our consolidated effective income tax rate if recognized.

See note 2 for further information on provision for tax uncertainties.

Employee provision

We are involved in employee lawsuits and claims arising in the ordinary course of business. The outcome of such lawsuits and claims cannot be predicted with certainty, and the amount of the liability that could arise with respect to such lawsuits and claims has been recognised; nevertheless, there can be no assurances as to the ultimate outcome.

19 Financial instruments

The amounts for the Group's principal financial assets and financial liabilities carried at amortised cost are as follows:

	2018 $ millions	2017 $ millions
Cash and cash equivalents	275.1	445.4
Investment in time deposits	329.0	440.0
Trade debtors - Restated	344.7	343.8
Interest bearing debt	4,343.6	4,115.0
Trade creditors	210.5	432.6
Other creditors		
Interest payable to debt holders	100.6	83.1
Personnel costs	69.9	97.4

The amounts for all financial assets and financial liabilities carried at fair value are as follows:

	2018 $ millions	2017 $ millions
Interest bearing debt	569.7	789.2
SERP assets	27.2	30.9
Unrealised gain/(loss) on foreign currency forward contracts, net	(10.7)	6.8

The fair value of the SERP assets was based on quoted market prices. The SERP is a non-qualified plan where eligible employees may defer a portion of their compensation for use after retirement. Assets held in the SERP consist of marketable securities and are measured at fair value based on quoted market prices. SERP assets are held on behalf of employees and are not available for use by the group.

The fair value of the interest bearing debt was based on the quoted market price.

The fair value measurements of our derivatives were based on market prices that are generally observable for similar assets or liabilities at commonly quoted intervals.

We utilise 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 31 December 2018, we had cash flow hedges outstanding to exchange an aggregate $187.8 million for various foreign currencies. Hedge accounting is not adopted.

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 recognised 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 carrying value of the underlying hedged items. As of 31 December 2018, we held derivatives not designated as hedging instruments to exchange an aggregate $175.7 million for various foreign currencies.

20 Called up share capital

	2018 $ millions	2017 $ millions
Allotted, called up and fully paid		
460.7 million (2017: 447.0 million) Class A ordinary shares of U.S. $.10 each	46.1	44.7
50,000 (2017: 50,000) Class B ordinary shares of £1 each	0.1	0.1
	46.2	44.8

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

In October 2017, as a result of the Merger, we issued 132.2 million of our Class A Ordinary shares, representing total equity consideration of $770.7 million based on a closing price of $5.83 per Class A ordinary share on 5 October 2017, the last trading day before the Merger Date.

As a UK company governed in part by the Companies Act, we cannot issue new shares (other than in limited circumstances) without being authorised by our shareholders. At our 2018 annual general meeting, our shareholders authorised the allotment of 145.6 million Class A ordinary shares (or 291.2 million Class A ordinary shares in connection with an offer by way of a rights issue or other similar issue). This authority was further increased by shareholders at an additional general meeting on 21 February 2019, expiring at the next annual shareholder meeting or at the close of business on 22 April 2020 (whichever is earlier).

Under English law, we are only able to declare dividends and return funds to our shareholders out of the accumulated distributable reserves on our statutory balance sheet. The declaration and amount of future dividends is at the discretion of our Board of Directors and will depend on our profitability, liquidity, financial condition, market outlook, reinvestment opportunities, capital requirements and other factors and restrictions our Board of Directors deems relevant. There can be no assurance that we will pay a dividend in the future.

Our shareholders approved a new share repurchase program at our annual shareholder meeting held in May 2018. Subject to certain provisions under English law, including the requirement of Ensco plc to have sufficient distributable reserves, we may repurchase shares up to a maximum of $500.0 million in the aggregate from one or more financial intermediaries under the program, but in no case more than 65.0 million shares. The program terminates in May 2023. Our prior share repurchase program approved by our shareholders in 2013, under which we could repurchase up to a maximum of $2.0 billion in the aggregate, not to exceed 35.0 million shares, expired in May 2018. As of 31 December 2018, there had been no share repurchases under this program.

21 Non-controlling interests

Group	2018 $ millions	2017 $ millions
At beginning of year	(2.1)	4.4
Profit/(loss) for year attributable to non-controlling interests	3.1	(0.5)
Distributions to non-controlling interests	(3.6)	(6.0)
At end of year	(2.6)	(2.1)

22 Contingent liabilities

DSA dispute

On 4 January 2016, Petrobras sent a notice to us declaring the drilling services agreement with Petrobras (the "DSA") for ENSCO DS-5, a drillship ordered from Samsung Heavy Industries, a shipyard in South Korea ("SHI"), void effective immediately, reserving its rights and stating its intention to seek any restitution to which it may be entitled. The arbitral hearing on liability related to the matter was held in March 2018. Prior to the arbitration tribunal issuing its decision, we and Petrobras agreed in August 2018 to a settlement of all claims relating to the DSA. No payments were made by either party in connection with the settlement agreement. The parties agreed to normalise business relations and the settlement agreement provides for our participation in current and future Petrobras tenders on the same basis as all other companies invited to these tenders. No losses were recognised during 2018 with respect to this settlement as all disputed receivables with Petrobras related to the DSA were fully reserved in 2015.

In November 2016, we initiated separate arbitration proceedings in the UK against SHI for the losses incurred in connection with the foregoing Petrobras arbitration and certain other losses relating to the DSA. SHI subsequently filed a statement of defense disputing our claim. In January 2018, the arbitration tribunal for the SHI matter issued an award on liability fully in our favour. In August 2018, the tribunal awarded us approximately $2.8 million in costs and legal fees incurred to date, plus interest, which was collected in 2018.

The January 2018 arbitration award provides that SHI is liable to us for $10 million or damages that we can prove. We submitted our claim for damages to the tribunal, and the arbitral hearing on damages owed to us by SHI took place in the first quarter of 2019. We are awaiting the result of the tribunal's decision, and we are unable to estimate the ultimate outcome of recovery for damages at this time.

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 and cash flows.

23 Commitments

Capital commitments at the end of the financial year, for which no provision has been made, related to the group's newbuild rig construction and rig enhancement projects are as follows:

Group

	2018 $ millions	2017 $ millions
Contractual commitments	257.9	482.2

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

Annual commitments under non-cancellable operating leases at the end of the financial year are as follows:

Group

	2018 Offices and equipment $ millions	2017 Offices and equipment $ millions
Operating lease obligations which occur:		
Within one year	32.3	22.6
In the second to fifth years inclusive	48.7	48.3
Over five years	15.2	24.6
	96.2	95.5

Company

	2018 Office and equipment $ millions	2017 Office and equipment $ millions
Operating lease obligations which occur:		
Within one year	1.0	1.0
In the second to fifth years inclusive	0.7	1.7
	1.7	2.7

24 Employee compensation schemes

Share based payments

In May 2018, our shareholders approved the 2018 Long-Term Incentive Plan (the "2018 LTIP") effective 1 January 2018, to provide for the issuance of non-vested share awards, share option awards and performance awards (collectively "awards"). The 2018 LTIP is similar to and replaces the Company's previously adopted 2012 Long-Term Incentive Plan (the "2012 LTIP"). No further awards will be granted under the 2012 LTIP. Under the 2018 LTIP, 59.0 million shares were reserved for issuance as awards to officers, non-employee directors and key employees who are in a position to contribute materially to our growth, development and long-term success. As of 31 December 2018, there were 34.0 million shares available for issuance as awards under the 2018 LTIP. Awards may be satisfied by newly issued shares, including shares held by a subsidiary or affiliated entity, or by delivery of shares held in an affiliated employee benefit trust at the Company's discretion.

In connection with the Atwood Merger, we assumed Atwood's Amended and Restated 2007 Long-Term Incentive Plan (the "Atwood LTIP") and the options outstanding thereunder. As of 31 December 2018, there were 1.4 million shares remaining available for future issuance as awards under the Atwood LTIP, which may be granted to employees and other service providers who were not employed or engaged with Ensco prior to the Atwood Merger.

Non-vested share awards and cash-settled awards

Grants of share awards and share units (collectively "share awards") and share units to be settled in cash ("cash-settled 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 grant. During 2018, we granted 114,000 cash-settled awards and 6.3 million share awards to our employees and non-employee directors pursuant to the 2018 LTIP. Our non-vested share awards have voting and dividend rights effective on the date of grant, and our non-vested share units have dividend rights effective on the date of grant. Compensation expense for share awards is measured at fair value on the date of grant and recognised on a straight-line basis over the requisite service period (usually the vesting period). Compensation expense for cash-settled awards is remeasured each quarter with a cumulative adjustment to compensation cost during the period based on changes in our share price. Our compensation cost is reduced for forfeited awards in the period in which the forfeitures occur.

Grants of share awards

Group

	2018	2017
Share Awards		
Number of share awards granted (thousands)	6,298	1,433
Weighted-average grant-date fair value of share awards granted (dollars per share)	$6.16	$7.90
Cash-settled Awards		
Number of share awards granted (thousands)	114	4,968
Weighted-average grant-date fair value of share awards granted (dollars per share)	$5.31	$6.27

Share award related compensation cost recognised during 2018 was $41.6 million (2017: $41.2 million).

Share option awards

Share option awards ("options") granted to employees generally become exercisable in 25% increments over a four-year period or 33% increments over a three-year period and, to the extent not exercised, expire on either the seventh or tenth anniversary of the date of grant. The exercise price of options granted under the 2018 LTIP equals the market value of the underlying shares on the date of grant. As of 31 December 2018, options granted to purchase 691,852 shares with a weighted-average exercise price of $25.46 were outstanding under the 2018 LTIP and predecessor or acquired plans. Excluding options assumed under the Atwood LTIP, no options have been granted since 2011, and there was no unrecognised compensation cost related to options as of 31 December 2018.

Performance awards

Under the 2018 LTIP, performance awards may be issued to our senior executive officers. Performance awards are subject to achievement of specified performance goals based on relative total shareholder return ("TSR") and relative return on capital employed ("ROCE") as compared to a specified peer group. The performance goals are determined by a committee or subcommittee of the Board of Directors. Awards are payable in either Ensco shares or cash upon attainment of relative TSR and ROCE performance goals. Performance awards granted during 2017 and 2018 are payable in cash.

Performance awards generally vest at the end of a three-year measurement period based on attainment of performance goals. Our performance awards granted during 2017 and 2018 are classified as liability awards, with compensation expense recognised over the requisite service period. The estimated probable outcome of attainment of the specified performance goals is based primarily on relative performance over the requisite performance period. Any subsequent changes in this estimate for the ROCE and TSR performance goals for the 2017 and 2018 awards are recognised as a cumulative adjustment to compensation cost in the period in which the change in estimate occurs.

The aggregate grant-date fair value of performance awards granted during 2018 and 2017 totalled $6.7 million and $6.7 million, respectively. The aggregate fair value of performance awards vested during 2018 and 2017 totalled $0.7 million and $2.9 million, respectively.

During the years ended 31 December 2018 and 2017, we recognised $8.2 million and $8.4 million of compensation expense for performance awards, respectively. As of 31 December 2018, there was $10.3 million of total unrecognised compensation cost related to unvested performance awards, which is expected to be recognised over a weighted-average period of 1.9 years.

Savings plans

We have savings plans, which cover eligible employees, as defined within each plan. We generally make matching cash contributions to the plans. We match 100% of the amount contributed by the employee up to a maximum of 5% of eligible salary. Matching contributions totalled $14.4 million and $12.2 million for the years ended 31 December 2018 and 2017,

respectively. Any additional discretionary contributions made into the plans require approval of the Board of Directors and are generally paid in cash. Matching contributions and additional discretionary contributions become vested in 33% increments upon completion of each initial year of service with all contributions becoming fully vested subsequent to achievement of three or more years of service. As of 1 January 2019, the plans were modified such that all previously paid employer contributions became 100% vested and any future employer contributions will vest immediately. We have 1.0 million shares reserved for issuance as matching contributions under the Ensco Savings Plan.

25 Earnings/(loss) per share

The calculation of basic earnings/(loss) per share was based on the earnings/(loss) attributable to ordinary shareholders divided by the weighted-average number of ordinary shares outstanding of 434.1 million (2017: 332.5 million).

The calculation of diluted earnings/(loss) per share was based on the earnings/(loss) attributable to ordinary shareholders divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares of 434.1 million (2017: 332.5 million).

The following table is a reconciliation of earnings/(loss) for the financial year attributable to Ensco shares used in our basic and diluted earnings/(loss) per share computations for years ended 31 December 2018 and 2017:

	2018 $ millions	2017 $ millions
Loss for financial year	(332.5)	(278.5)
Profit from the financial year allocated to non-vested share awards	0.5	0.4
Loss for the financial year attributable to Ensco shares	(333.0)	(278.9)

The following table is a reconciliation of the weighted-average shares used in our basic and diluted earnings/(loss) per share computations for years ended 31 December 2018 and 2017:

	2018 millions	2017 millions
Weighted-average shares - basic	434.1	332.5
Potentially dilutive shares	-	-
Weighted-average shares - diluted	434.1	332.5

Antidilutive share options totalling 1.5 million and 2.0 million for the years ended 31 December 2018 and 2017, respectively, were excluded from the computation of diluted EPS.

During 2016, we issued our 3.00% exchangeable senior notes due 2024 (the "2024 Convertible Notes"). See note 17 for additional information on this issuance. We have the option to settle the notes in cash, shares or a combination thereof for the aggregate amount due upon conversion. Our intent is to settle the principal amount of the 2024 Convertible Notes in cash upon conversion. If the conversion value exceeds the principal amount (i.e. our share price exceeds the exchange price on the date of conversion), we expect to deliver shares equal to the remainder of our conversion obligation in excess of the principal amount.

During each respective reporting period that our average share price exceeds the exchange price, an assumed number of shares required to settle the conversion obligation in excess of the principal amount will be included in our denominator for the computation of diluted EPS using the treasury stock method. Our average share price did not exceed the exchange price during the years ended 31 December 2018 and 31 December 2017.

26 Post balance sheet events

On 22 March 2019, the company paid a dividend in the amount of $4.4 million ($0.01 per share).

27 Group's subsidiary undertakings

The group's subsidiary undertakings, which are all consolidated, are as follows:

	Country of Incorporation and Address	Percentage of Voting Securities Owned by the Group
Alpha Achiever Company*	Cayman Islands (1)	100%
Alpha Admiral Company*	Cayman Islands (1)	100%
Alpha Advantage Company*	Cayman Islands (1)	100%
Alpha Archer Company*	Cayman Islands (1)	100%
Alpha Aurora Company*	Cayman Islands (1)	100%
Alpha Beacon Company*	Cayman Islands (1)	100%
Alpha Falcon Company*	Cayman Islands (1)	100%
Alpha Falcon Drilling Company*	Cayman Islands (1)	100%
Alpha Hunter Company*	Cayman Islands (1)	100%
Alpha International Drilling Company S.à r.l.*	Luxembourg (2)	100%
Alpha Leasing Drilling Limited*	Mauritius (3)	100%
Alpha Mako Company*	Cayman Islands (1)	100%
Alpha Manta Company*	Cayman Islands (1)	100%
Alpha Offshore Drilling (S) Pte. Ltd.*	Singapore (4)	100%
Alpha Offshore Drilling Services Company (Cayman Islands)*	Cayman Islands (26)	100%
Alpha Offshore Drilling Services Company (Ghana) Limited*	Ghana (5)	100%
Alpha Offshore International Leasing Limited*	United Kingdom (6)	100%
Alpha Orca Company*	Cayman Islands (1)	100%
Alpha Osprey Company*	Cayman Islands (1)	100%
Alpha South Pacific Holding Company*	Cayman Islands (1)	100%
Atwood Advantage S.à r.l.*	Luxembourg (8)	100%
Atwood Australian Waters Drilling Pty Ltd*	Australia (7)	100%
Atwood Beacon S.à r.l.*	Luxembourg (8)	100%
Atwood Deep Seas, Ltd.*	United States (9)	100%
Atwood Drilling, Inc.*	United States (9)	100%
Atwood Hunter Co.*	United States (9)	100%
Atwood Malta Holding Company Limited*	Malta (10)	100%
Atwood Oceanics (M) Sdn. Bhd.*	Malaysia (11)	100%
Atwood Oceanics Australia Pty. Limited*	Australia (7)	100%
Atwood Oceanics Drilling Mexico, S. de R.L. de C.V.*	Mexico (12)	100%
Atwood Oceanics Global Limited*	Cayman Islands (1)	100%
Atwood Oceanics International Limited*	Cayman Islands (1)	100%
Atwood Oceanics Leasing Limited*	Malaysia (13)	100%
Atwood Oceanics Malta Limited*	Malta (10)	100%
Atwood Oceanics Management, Inc.*	United States (9)	100%
Atwood Oceanics Pacific Limited*	Cayman Islands (1)	100%
Atwood Oceanics Services Mexico, S. de R.L. de C.V.*	Mexico (12)	100%
Atwood Oceanics, Inc.*	United States (9)	100%
Atwood Offshore (Gibraltar) Advantage Limited*	Gibraltar (14)	100%
Atwood Offshore (Gibraltar) Beacon Limited*	Gibraltar (14)	100%
Atwood Offshore (Gibraltar) Limited*	Gibraltar (14)	100%

Atwood Offshore Drilling Limited*	Hong Kong (15)	100%
Atwood Offshore Labor Company*	Cayman Islands (1)	100%
Atwood Offshore Services Company*	Cayman Islands (1)	100%
Atwood Offshore Worldwide Limited*	Cayman Islands (1)	100%
Aurora Offshore Services Gmbh*	Germany (17)	100%
C.A. Foravep, Forasol Venezolana de Perforaciones	Venezuela (30)	100%
Caland Boren B.V.	Netherlands (18)	100%
Clearways Offshore Drilling Sdn. Bhd.*	Malaysia (11)	49%
Drillquest International Offshore Drilling Services Company*	Cayman Islands (1)	100%
Drillquest Offshore Company*	Cayman Islands (1)	100%
Dupont Maritime LLC	Liberia (19)	100%
Durand Maritime S.A.S.	France (20)	100%
ENSCO (Barbados) Limited	Cayman Islands (1)	100%
ENSCO (Bermuda) Limited	Bermuda (21)	100%
Ensco (Myanmar) Limited	Myanmar (22)	100%
Ensco (Thailand) Limited	Thailand (23)	100%
ENSCO Arabia Co. Ltd.	Saudi Arabia (24)	50%
ENSCO Asia Company LLC	United States (9)	100%
ENSCO Asia Pacific Pte. Limited	Singapore (25)	100%
ENSCO Associates Company	Cayman Islands (26)	100%
ENSCO Australia Pty. Limited	Australia (27)	100%
ENSCO Capital Limited	Cayman Islands (1)	100%
ENSCO Corporate Resources LLC	United States (28)	100%
ENSCO de Venezuela, S.R.L.	Venezuela (29)	100%
Ensco Deepwater Drilling Limited	United Kingdom (37)	100%
Ensco Deepwater USA LLC	United States (28)	100%
ENSCO Development Limited	Cayman Islands (1)	100%
Ensco do Brasil Petróleo e Gás Ltda.	Brazil (31)	100%
ENSCO Drilling (Caribbean), Inc.	Cayman Islands (26)	100%
ENSCO Drilling Company (Nigeria) Ltd.	Nigeria (32)	100%
ENSCO Drilling Company LLC	United States (28)	100%
Ensco Drilling I Ltd.	Cayman Islands (26)	100%
ENSCO Drilling Mexico LLC	United States (28)	100%
Ensco Drilling Transnational Services Limited	Ghana (33)	90%
Ensco Endeavors Limited	Cayman Islands (1)	100%
ENSCO Finance Limited	United Kingdom (37)	100%
Ensco France S.A.S.	France (20)	100%
ENSCO Gerudi (M) Sdn. Bhd.	Malaysia (34)	49%
ENSCO Global GmbH	Switzerland (35)	100%
Ensco Global II Ltd.	Cayman Islands (1)	100%
ENSCO Global Investments LP	United Kingdom (37)	100%
Ensco Global IV Ltd.	British Virgin Islands (36)	100%
ENSCO Global Limited	Cayman Islands (1)	100%
Ensco Global Offshore Drilling Ltd.	British Virgin Islands (36)	100%
ENSCO Global Resources Limited	United Kingdom (37)	100%
Ensco Holdco Limited	United Kingdom (37)	100%
ENSCO Holding Company	United States (28)	100%
Ensco Holdings I Ltd.	Cayman Islands (26)	100%
Ensco Holdings II Ltd.	United States (28)	100%
Ensco Holdings III Ltd.	United States (28)	100%

ENSCO Holland B.V.	Netherlands (18)	100%
ENSCO Incorporated	United States (9)	100%
Ensco Intercontinental GmbH	Switzerland (35)	100%
ENSCO International Incorporated	United States (28)	100%
Ensco International Ltd.	British Virgin Islands (36)	100%
Ensco International Management GP LLC	United States (28)	100%
Ensco International Management LP LLC	United States (28)	100%
Ensco Investments I Ltd.	United Kingdom (37)	100%
ENSCO Investments LLC	United States (38)	100%
Ensco Jersey Finance Limited	Jersey (39)	100%
ENSCO Labuan Limited	Malaysia (40)	100%
ENSCO Limited	Cayman Islands (1)	100%
Ensco Management Corp.	British Virgin Islands (36)	100%
ENSCO Maritime Limited	Bermuda (21)	100%
Ensco North America LLC	United States (28)	100%
Ensco Ocean 1 Company	Cayman Islands (1)	90%
Ensco Ocean 2 Company	Cayman Islands (26)	100%
ENSCO Oceanics Company LLC	United States (28)	100%
ENSCO Oceanics International Company	Cayman Islands (41)	100%
ENSCO Offshore Company	United States (28)	100%
ENSCO Offshore International Company	Cayman Islands (41)	100%
ENSCO Offshore International Holdings Limited	Cayman Islands (1)	100%
ENSCO Offshore International Inc.	Republic of the Marshall Islands (49)	100%
Ensco Offshore International LLC	United States (28)	100%
Ensco Offshore Petróleo e Gás Ltda.	Brazil (31)	100%
Ensco Offshore Services LLC	United States (28)	100%
ENSCO Offshore U.K. Limited	United Kingdom (37)	100%
ENSCO Overseas Limited	Cayman Islands (1)	100%
Ensco Rowan Limited	United Kingdom (16)	100%
ENSCO Services Limited	United Kingdom (37)	100%
ENSCO Services LLC	United States (28)	100%
Ensco South Pacific LLC	United States (28)	100%
Ensco Transcontinental I LLC	United States (38)	100%
Ensco Transcontinental I LP	United Kingdom (37)	100%
Ensco Transcontinental II LLC	United States (38)	100%
Ensco Transcontinental II LP	United Kingdom (37)	100%
Ensco Transnational I Ltd.	Cayman Islands (26)	100%
Ensco Transnational II Ltd.	Cayman Islands (26)	100%
Ensco Transnational III Ltd.	Cayman Islands (26)	100%
Ensco Transnational Limited	Cayman Islands (1)	100%
ENSCO U.K. Limited	United Kingdom (37)	100%
Ensco UK Drilling Limited	United Kingdom (37)	100%
ENSCO United Incorporated	United States (28)	100%
Ensco United LLC	United States (28)	100%
Ensco Universal Holdings I Ltd.	Cayman Islands (1)	100%
Ensco Universal Holdings II Ltd.	Cayman Islands (1)	100%
ENSCO Universal Limited	United Kingdom (37)	100%
Ensco Vistas Limited	Cayman Islands (1)	100%
ENSCO Worldwide GmbH	Switzerland (35)	100%
Ensco Worldwide Holdings Ltd.	Cayman Islands (26)	100%

ENSCO Worldwide Investments Limited	United Kingdom (37)	100%
Foradel SDN B.H.D.	Malaysia (42)	100%
Forasub B.V.	Netherlands (18)	100%
Forinter Limited	Jersey (43)	100%
Inter-Drill Ltd.	Bahamas (47)	100%
International Technical Services LLC	United States (28)	100%
Internationale de Travaux et de Materiel (I.T.M.) S.A.S.	France (20)	100%
Ocean Deep Drilling ESV Nigeria Limited	Nigeria (44)	49%
Offshore Drilling Services LLC	United States (28)	100%
P.T. ENSCO Sarida Offshore	Indonesia (45)	49%
Pacific Offshore Labor Company*	Cayman Islands (1)	100%
Petroleum International Pte. Ltd.	Singapore (46)	100%
Pride Arabia Co. Ltd.	Saudi Arabia (24)	100%
Pride Foramer S.A.S.	France (20)	100%
Pride Forasol Drilling Nigeria Ltd.	Nigeria (32)	100%
Pride Forasol S.A.S.	France (20)	100%
Pride Global II Ltd.	British Virgin Islands (36)	100%
Pride Global III Ltd.	British Virgin Islands (36)	100%
Pride Global Offshore Nigeria Limited	Nigeria (32)	100%
Pride International LLC	United States (28)	100%
Pride International Management Company LP	United States (28)	100%
PT Alpha Offshore Drilling*	Indonesia (48)	100%
PT Pentawood Offshore Drilling*	Indonesia (48)	100%
Societe Maritime de Services "SOMASER" S.A.S.	France (20)	100%
Sonamer Angola Ltd.	Bahamas (47)	100%
Sonamer Drilling International Limited	Bahamas (47)	100%
Sonamer Jack-Ups Ltd.	Bahamas (47)	100%
Sonamer Limited	Bahamas (47)	100%
Sonamer Perfuracoes Ltd.	Bahamas (47)	85%
Swiftdrill Malta*	Malta (10)	100%
Swiftdrill Offshore Drilling Services Company*	Cayman Islands (1)	100%
Swiftdrill, Inc.*	Cayman Islands (1)	100%

* The year-end date for these companies is 30 September.

ENSCO Maritime Limited has a year-end date of 31 March.

All other subsidiaries have a year-end date of 31 December.

The functional currency of a substantial portion of the subsidiaries is the U.S. dollar.

The group's subsidiary undertakings have issued ordinary shares to their parent.

The addresses of the group's subsidiary undertakings listed in the table above are as follows:

Address Reference	Physical Address
(1)	P.O. Box 309, Ugland House, Grand Cayman, Cayman Islands, KY1-1104
(2)	46A Avenue J.F. Kennedy, L-1855, Luxembourg
(3)	c/o DTOS, 10th Floor, Standard Chartered Tower, 19 Cybercity, Ebene, Republic of Mauritius
(4)	45 Cantonment Road, Singapore, 089748
(5)	H/No. 42 Shiashie Road, East Legon, Accra

(6) 95 Aldwych, London, WC2B4JF
(7) 35 Peel Road, O'Connor, Western Australia, 6163
(8) 20 Avenue Pasteur, L-2310, Luxembourg
(9) 1999 Bryan Street, Suite 900, Dallas, Texas, 75201, United States
(10) Vincenti Buildings, 28/19 (Suite No. 1273) Strait Street, Valetta VLT, 1432, Malta
(11) Level 18, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200, Kuala Lumpur, Malaysia
(12) Bosque De Ciruelos 180, PP-101, Bosques De Las Lomas, Miguel Hidalto, Distrito Federal, C.P. 11700, Mexico
(13) Level 15 (A2) Main Office Tower, Financial Park Labuan, Jalan Merdeka, 87000, Labuan FT, Malaysia
(14) Suite 1, Burns House, 19 Town Range, Gibraltar
(15) Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
(16) 6 Chesterfield Gardens, London, W1J 5BQ, United Kingdom
(17) Nierstiner Strasse 20, 60598 Frankfurt am Main, Germany
(18) Lune Arena, Herikerbergweg 238, Amerstadam Zuidoost, Amsterdam, Netherlands
(19) 80 Broad Street, Monrovia, Liberia, 1000
(20) Le Millenium 1120, Avenue du Very Galant, Lescar, France, 64230
(21) Cumberland House, 9th Floor, One Victoria Street, Hamilton, HM 11, Bermuda
(22) Unit 1206, 12th Fl., Sakura Tower, 339 Bogyoke Aung San Road, Kyauktada Township, Yangon, Republic of Myanmar
(23) 25th Floor, Abdulrahim Place, 990 Rama IV Road, Bangrak, Bangkok, Thailand, 10500
(24) Al-Khobar, Homoud Street, Postal Code 31932, Al-Khobar, Saudi Arabia, 31932
(25) 8 Marina Blvd. # 05-02, Marina Bay Financial Centre Tower 1, Singapore, 018981
(26) 89 Nexus Way, Camana Bay, P.O. Box 31106, Grand Cayman, Cayman Islands, KY1-1205
(27) 38 Station Street, Subiaco, Western Australia, 6008, Australia
(28) 1209 Orange Street, Wilmington, Delaware, 19801, United States
(29) Torre La Castella, Piso 6, Av. Eugenio Mendoza, Las Castellana, Caracas, Venezuela
(30) Edificio Atlantic, Piso 6, Los Palos Grandes, Caracas, 1060, Venezuela
(31) Rua Internacional No. 1000, Granja dos Cavaleiros, Macae-RJ, Brazil, CEP27.901-0
(32) 1, Murtala Muhammed Drive, Ikoyi, Lagos, Nigeria
(33) House No. 2, Beach Road, Sekondi Takoradi Metropolitan, Takoradi, Ghana
(34) B-13-15, Level 13. Menara Prima Tower B, Jalan PJU 1/39, Dataran Prima, Petaling Jaya, Selangor Darul Ehsan, Malaysia, 47301
(35) Dammstrasse 19, Zug, Switzerland, 6301
(36) Kingston Chambers, Post Office Box 173, Road Town, Tortola, British Virgin Islands, VG1110
(37) 7 Albemarle Street, London, England and Wales, W1S 4HQ, United Kingdom
(38) 701 S. Carson St., Suite 200, Carson City, Nevada, 89701, United States
(39) 22 Grennville St., St Helier, Jersey, JE48PX
(40) Level 1, Lot 7, Block F, Saguking Commercial Bldg., Jalan Patau-Patau, Labuan FT, Malaysia (Labuan), 87000
(41) One Capital Place, PO Box 847, Grand Cayman, Cayman Islands, KY1-1103
(42) 568-9-21 9th Floor, Kompleks Mutiara, 3 1/2 Mile Jalan Ipoh, Kualu Lu, Malaysia, 51200
(43) 11 Bath Street, St Helier, Jersey, JE2 4ST
(44) 2 Ajose Adeogun Street, Victoria Island, Lagos, Nigeria
(45) Wahana Graha Building, 2nd & 3rd Floor, JL. Warung Buncit Raya No. 2, Jakarta, Indonesia, 12760
(46) 10 Collyer Quay # 10-01, Ocean Financial Centre, Singapore, 049315
(47) East Bay Street, Ocean Centre, Montagu Foreshore, P.O. Box SS-199084, Nassau, Bahamas
(48) Gedung Plaza Bapindo, Menara Mandiri Lt. 16, Jl. Jend. Sudirman Kav. 54-55, Senayan, Kevayoran Baru Jakarta Selatan DKI, Jakarta - 12190, Indonesia
(49) Ajeltake Road, Ajeltake Island, Majuro Marshall Islands MH96960

BOARD OF DIRECTORS

Paul E. Rowsey, III [1]
Non-Executive Chairman of the Board
Former Chief Executive Officer
Compatriot Capital, Inc. (Retired)

J. Roderick Clark [2]
Former President and Chief Operating Officer
Baker Hughes Incorporated (Retired)

Roxanne J. Decyk [2]
Former Executive Vice President of
Global Government Relations
Royal Dutch Shell plc (Retired)

Mary E. Francis CBE [1] [3]
Former Senior Civil Servant in British Treasury
and Prime Minister's Office (Retired)

C. Christopher Gaut [1]
Chairman and Chief Executive Officer
Forum Energy Technologies, Inc.

Jack E. Golden [2]
Managing Partner
Edgewater Energy LLC

Gerald W. Haddock [1] [3]
President and Founder
Haddock Enterprises, LLC

Francis S. Kalman [2] [3]
Former Executive Vice President
McDermott International, Inc. (Retired)

Keith O. Rattie [3]
Former Chairman, President and Chief Executive Officer
Questar Corporation (Retired)

Carl Trowell
President and Chief Executive Officer
Ensco plc

Phil D. Wedemeyer [3]
Former Partner
Grant Thornton LLP (Retired)

[1] Nominating and Governance Committee
[2] Compensation Committee
[3] Audit Committee

EXECUTIVE MANAGEMENT

Carl Trowell
President and Chief Executive Officer

P. Carey Lowe
Executive Vice President and Chief Operating Officer

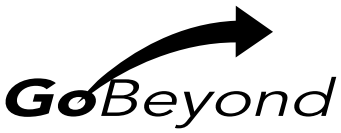
Jonathan Baksht
Senior Vice President and Chief Financial Officer

Steven J. Brady
Senior Vice President – Eastern Hemisphere

John S. Knowlton
Senior Vice President – Technical

Gilles Luca
Senior Vice President – Western Hemisphere

Michael T. McGuinty
Senior Vice President – General Counsel and Secretary



Ensco plc
6 Chesterfield Gardens
London W1J 5BQ

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