

Ensco plc
Form 10-Q
July 30, 2013

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2013

OR

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

Commission File Number 1-8097

Ensco plc
(Exact name of registrant as specified in its charter)

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

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

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

W1J 5BQ
(Zip Code)

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

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

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

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

Large accelerated filer Accelerated filer

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

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

Yes No

As of July 22, 2013, there were 233,530,769 Class A ordinary shares of the registrant issued and outstanding.

ENSCO PLC
INDEX TO FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2013

PART I FINANCIAL INFORMATION

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FORWARD-LOOKING STATEMENTS

Statements contained in this report that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements include words or phrases such as "anticipate," "believe," "estimate," "expect," "intend," "plan," "project," "could," "may," "might," "should," "will" and similar words and specifically include statements regarding expected financial performance; expected utilization, day rates, revenues, operating expenses, contract term, contract backlog, capital expenditures, insurance, financing and funding; the timing of availability, delivery, mobilization, contract commencement or relocation or other movement of rigs; future rig construction (including construction in progress and completion thereof), enhancement, upgrade or repair and timing and cost thereof; the suitability of rigs for future contracts; general market, business and industry conditions, trends and outlook; future operations; the impact of increasing regulatory complexity; expected contributions from our rig fleet expansion program and our program to high-grade the rig fleet by investing in new equipment and divesting selected assets and underutilized rigs; expense management; and the likely outcome of litigation, legal proceedings, investigations or insurance or other claims and the timing thereof.

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

downtime and other risks associated with offshore rig operations or rig relocations, including rig or equipment failure, damage and other unplanned repairs, the limited availability of transport vessels, hazards, self-imposed drilling limitations and other delays due to severe storms and hurricanes and the limited availability or high cost of insurance coverage for certain offshore perils, such as hurricanes in the Gulf of Mexico or associated removal of wreckage or debris;

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

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

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

risks inherent to shipyard rig construction, repair or enhancement, including risks associated with concentration of our construction contracts with two shipyards, unexpected delays in equipment delivery and engineering or design issues following delivery, or changes in the commencement, completion or service dates;

possible cancellation or suspension of drilling contracts as a result of mechanical difficulties, performance or other reasons;

the outcome of litigation, legal proceedings, investigations or other claims or contract disputes, including any inability to collect receivables or resolve significant contractual or day rate disputes, any purported renegotiation, nullification, cancellation or breach of contracts with customers or other parties and any failure to negotiate or complete definitive contracts following announcements of receipt of letters of intent;

governmental regulatory, legislative and permitting requirements affecting drilling operations, including limitations on drilling locations (such as the Gulf of Mexico during hurricane season);

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new and future regulatory, legislative or permitting requirements, future lease sales, changes in laws, rules and regulations that have or may impose increased financial responsibility, additional oil spill abatement contingency plan capability requirements and other governmental actions that may result in claims of force majeure or otherwise adversely affect our existing drilling contracts;

our ability to attract and retain skilled personnel on commercially reasonable terms, whether due to labor regulations, unionization or otherwise;

environmental or other liabilities, risks or losses, whether related to storm or hurricane damage, losses or liabilities (including wreckage or debris removal), collisions, groundings, blowouts, fires, explosions and other accidents or terrorism or otherwise, for which insurance coverage and contractual indemnities may be insufficient, unenforceable or otherwise unavailable;

our ability to obtain additional financing and pursue other business opportunities may be limited by our debt levels and debt agreement restrictions;

our ability to realize expected benefits from the 2009 redomestication as a U.K. public limited company and the related reorganization of Ensco's corporate structure, including the effect of any changes in laws, rules and regulations, or the interpretation thereof, or in the applicable facts, that could adversely affect our status as a non-U.S. corporation for U.S. tax purposes or otherwise adversely affect our anticipated consolidated effective income tax rate;

delays in actual contract commencement dates;

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

potential long-lived asset or goodwill impairments.

In addition to the numerous risks, uncertainties and assumptions described above, you should also carefully read and consider "Item 1A. Risk Factors" in Part I and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II of our annual report on Form 10-K for the year ended December 31, 2012, which is available on the SEC's website at www.sec.gov. Each forward-looking statement speaks only as of the date of the particular statement, and we undertake no obligation to publicly update or revise any forward looking statements, except as required by law.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
Ensco plc:

We have reviewed the accompanying condensed consolidated balance sheet of Ensco plc and subsidiaries (the Company) as of June 30, 2013, and the related condensed consolidated statements of income, and comprehensive income for the three-month and six-month periods ended June 30, 2013 and 2012, and the related condensed consolidated statements of cash flows for the six-month periods ended June 30, 2013 and 2012. These condensed consolidated financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole.

Accordingly, we do not express such an opinion.

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

We have previously audited, in accordance with standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Ensco plc and subsidiaries as of December 31, 2012, and the related consolidated statements of income, comprehensive income, and cash flows for the year then ended (not presented herein); and in our report dated February 21, 2013, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2012, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ KPMG LLP

Houston, Texas
July 30, 2013

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

	Three Months Ended June 30,	
	2013	2012
OPERATING REVENUES	\$1,248.1	\$1,071.1
OPERATING EXPENSES		
Contract drilling (exclusive of depreciation)	606.8	494.0
Depreciation	152.9	136.3
General and administrative	36.4	35.5
	796.1	665.8
OPERATING INCOME	452.0	405.3
OTHER INCOME (EXPENSE)		
Interest income	4.7	5.8
Interest expense, net	(44.2)	(30.0)
Other, net	(.3)	(.5)
	(39.8)	(24.7)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	412.2	380.6
PROVISION FOR INCOME TAXES		
Current income tax expense	54.4	36.9
Deferred income tax (benefit) expense	(4.8)	6.5
	49.6	43.4
INCOME FROM CONTINUING OPERATIONS	362.6	337.2
DISCONTINUED OPERATIONS		
Loss from discontinued operations, net	—	(7.3)
Gain on disposal of discontinued operations, net	—	12.8
	—	5.5
NET INCOME	362.6	342.7
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(1.7)	(1.4)
NET INCOME ATTRIBUTABLE TO ENSCO	\$360.9	\$341.3
EARNINGS PER SHARE - BASIC AND DILUTED		
Continuing operations	\$1.55	\$1.45
Discontinued operations	—	0.02
	\$1.55	\$1.47
NET INCOME ATTRIBUTABLE TO ENSCO SHARES - BASIC AND DILUTED	\$357.0	\$337.8
WEIGHTED-AVERAGE SHARES OUTSTANDING		
Basic	230.8	229.2
Diluted	231.0	229.4
CASH DIVIDENDS PER SHARE	\$0.50	\$0.375

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

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

	Six Months Ended	
	June 30,	
	2013	2012
OPERATING REVENUES	\$2,398.0	\$2,091.7
OPERATING EXPENSES		
Contract drilling (exclusive of depreciation)	1,167.6	996.2
Depreciation	301.9	272.3
General and administrative	74.2	73.7
	1,543.7	1,342.2
OPERATING INCOME	854.3	749.5
OTHER INCOME (EXPENSE)		
Interest income	8.0	11.7
Interest expense, net	(83.4)	(64.6)
Other, net	5.8	1.5
	(69.6)	(51.4)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	784.7	698.1
PROVISION FOR INCOME TAXES		
Current income tax expense	116.6	69.2
Deferred income tax (benefit) expense	(15.3)	11.2
	101.3	80.4
INCOME FROM CONTINUING OPERATIONS	683.4	617.7
DISCONTINUED OPERATIONS		
Income (loss) from discontinued operations, net	.2	(20.4)
(Loss) gain on disposal of discontinued operations, net	(1.1)	12.8
	(.9)	(7.6)
NET INCOME	682.5	610.1
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(4.5)	(3.4)
NET INCOME ATTRIBUTABLE TO ENSCO	\$678.0	\$606.7
EARNINGS (LOSS) PER SHARE - BASIC AND DILUTED		
Continuing operations	\$2.91	\$2.65
Discontinued operations	—	(0.03)
	\$2.91	\$2.62
NET INCOME ATTRIBUTABLE TO ENSCO SHARES - BASIC AND DILUTED	\$670.8	\$600.5
WEIGHTED-AVERAGE SHARES OUTSTANDING		
Basic	230.6	229.0
Diluted	230.8	229.3
CASH DIVIDENDS PER SHARE	\$1.00	\$0.75

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

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

	Three Months Ended June 30,	
	2013	2012
NET INCOME	\$362.6	\$342.7
OTHER COMPREHENSIVE (LOSS) INCOME, NET		
Net change in fair value of derivatives	(9.6	) (.1
Reclassification of net losses (gains) on derivative instruments from other comprehensive income into net income	.4	(.8
Other	.6	.4
NET OTHER COMPREHENSIVE LOSS	(8.6	) (.5
COMPREHENSIVE INCOME	354.0	342.2
COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(1.7	) (1.4
COMPREHENSIVE INCOME ATTRIBUTABLE TO ENSCO	\$352.3	\$340.8

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

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

	Six Months Ended	
	June 30,	
	2013	2012
NET INCOME	\$682.5	\$610.1
OTHER COMPREHENSIVE (LOSS) INCOME, NET		
Net change in fair value of derivatives	(13.6	) 6.2
Reclassification of net gains on derivative instruments from other comprehensive income into net income	(.6	) (.9
Other	.5	(1.5
NET OTHER COMPREHENSIVE (LOSS) INCOME	(13.7	) 3.8
COMPREHENSIVE INCOME	668.8	613.9
COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(4.5	) (3.4
COMPREHENSIVE INCOME ATTRIBUTABLE TO ENSCO	\$664.3	\$610.5

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

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

	June 30, 2013 (Unaudited)	December 31, 2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$489.8	\$487.1
Accounts receivable, net	902.1	811.4
Other	391.6	425.4
Total current assets	1,783.5	1,723.9
PROPERTY AND EQUIPMENT, AT COST		
Less accumulated depreciation	2,885.9	2,591.5
Property and equipment, net	13,390.5	13,145.6
GOODWILL	3,274.0	3,274.0
OTHER ASSETS, NET	358.6	421.8
	\$18,806.6	\$18,565.3
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable - trade	\$300.9	\$357.8
Accrued liabilities and other	512.9	584.4
Current maturities of long-term debt	47.5	47.5
Total current liabilities	861.3	989.7
LONG-TERM DEBT	4,758.7	4,798.4
DEFERRED INCOME TAXES	338.5	351.7
OTHER LIABILITIES	530.3	573.4
COMMITMENTS AND CONTINGENCIES		
ENSCO SHAREHOLDERS' EQUITY		
Class A ordinary shares, U.S. \$.10 par value, 450.0 million shares authorized, 239.5 million and 237.7 million shares issued	24.0	23.8
Class B ordinary shares, £1 par value, 50,000 shares authorized and issued	.1	.1
Additional paid-in capital	5,443.4	5,398.7
Retained earnings	6,879.4	6,434.7
Accumulated other comprehensive income	6.4	20.1
Treasury shares, at cost, 6.0 million shares and 5.3 million shares	(43.2	) (31.0
Total Ensco shareholders' equity	12,310.1	11,846.4
NONCONTROLLING INTERESTS	7.7	5.7
Total equity	12,317.8	11,852.1
	\$18,806.6	\$18,565.3

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

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

	Six Months Ended	
	June 30,	
	2013	2012
OPERATING ACTIVITIES		
Net income	\$682.5	\$610.1
Adjustments to reconcile net income to net cash provided by operating activities of continuing operations:		
Discontinued operations, net	.9	7.6
Depreciation expense	301.9	272.3
Share-based compensation expense	26.1	23.6
Deferred income tax (benefit) expense	(15.3)	) 11.2
Amortization of intangibles and other, net	(15.2)	) (17.5)
Other	(6.2)	) 2.7
Changes in operating assets and liabilities	(190.5)	) 106.0
Net cash provided by operating activities of continuing operations	784.2	1,016.0
INVESTING ACTIVITIES		
Additions to property and equipment	(598.6)	) (1,047.1)
Maturities of short-term investments	50.0	4.5
Other	1.4	2.6
Net cash used in investing activities of continuing operations	(547.2)	) (1,040.0)
FINANCING ACTIVITIES		
Cash dividends paid	(233.3)	) (173.8)
Reduction of long-term borrowings	(23.7)	) (23.7)
Proceeds from exercise of share options	22.0	14.4
Commercial paper borrowings, net	—	(102.9)
Reimbursement of equity issuance cost	—	66.7
Other	(14.2)	) (11.0)
Net cash used in financing activities	(249.2)	) (230.3)
DISCONTINUED OPERATIONS		
Operating activities	.2	(5.4)
Investing activities	15.5	54.5
Net cash provided by discontinued operations	15.7	49.1
Effect of exchange rate changes on cash and cash equivalents	(.8)	) 1.2
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2.7	(204.0)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	487.1	430.7
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$489.8	\$226.7

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

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

Note 1 -Unaudited Condensed Consolidated Financial Statements

We prepared the accompanying condensed consolidated financial statements of Ensco plc and subsidiaries (the "Company," "Ensco," "our," "we" or "us") in accordance with accounting principles generally accepted in the United States of America ("GAAP"), pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") included in the instructions to Form 10-Q and Article 10 of Regulation S-X. The financial information included in this report is unaudited but, in our opinion, includes all adjustments (consisting of normal recurring adjustments) that are necessary for a fair presentation of our financial position, results of operations and cash flows for the interim periods presented. The December 31, 2012 condensed consolidated balance sheet data were derived from our 2012 audited consolidated financial statements, but do not include all disclosures required by GAAP. Certain previously reported amounts have been reclassified to conform to the current year presentation. The preparation of our condensed consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, the related revenues and expenses and disclosures of gain and loss contingencies as of the date of the financial statements. Actual results could differ from those estimates.

The financial data for the three-month and six-month periods ended June 30, 2013 and 2012 included herein have been subjected to a limited review by KPMG LLP, our independent registered public accounting firm. The accompanying independent registered public accounting firm's review report is not a report within the meaning of Sections 7 and 11 of the Securities Act of 1933, and the independent registered public accounting firm's liability under Section 11 does not extend to it.

Results of operations for the three-month and six-month periods ended June 30, 2013 are not necessarily indicative of the results of operations that will be realized for the year ending December 31, 2013. We recommend these condensed consolidated financial statements be read in conjunction with our annual report on Form 10-K for the year ended December 31, 2012 and our quarterly report on Form 10-Q filed with the SEC on February 22, 2013 and April 30, 2013, respectively.

Note 2 -Fair Value Measurements

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

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
As of June 30, 2013				
Supplemental executive retirement plan assets	\$36.0	\$—	\$—	\$36.0
Total financial assets	36.0	—	—	36.0
Derivatives, net	\$—	(18.2	) \$—	\$(18.2
Total financial liabilities	\$—	\$(18.2	) \$—	\$(18.2
As of December 31, 2012				
	\$29.8	\$—	\$—	\$29.8

Supplemental executive retirement
plan assets

Derivatives, net	—	5.2	—	5.2
Total financial assets	\$29.8	\$5.2	\$—	\$35.0

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Supplemental Executive Retirement Plan Assets

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

Derivatives

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

Other Financial Instruments

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

	June 30, 2013		December 31, 2012	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
4.7% Senior notes due 2021	\$1,475.9	\$1,594.7	\$1,474.7	\$1,715.6
6.875% Senior notes due 2020	1,032.8	1,069.7	1,040.6	1,138.3
3.25% Senior notes due 2016	995.7	1,046.4	995.1	1,068.9
8.5% Senior notes due 2019	608.5	632.1	616.4	661.7
7.875% Senior notes due 2040	383.2	410.8	383.8	423.9
7.2% Debentures due 2027	149.1	186.3	149.0	193.2
4.33% MARAD bonds, including current maturities, due 2016	95.5	96.0	112.3	113.0
6.36% MARAD bonds, including current maturities, due 2015	31.7	34.3	38.0	41.7
4.65% MARAD bonds, including current maturities, due 2020	33.8	38.1	36.0	41.4
Total	\$4,806.2	\$5,108.4	\$4,845.9	\$5,397.7

The estimated fair values of our senior notes and debentures were determined using quoted market prices. The estimated fair values of our Maritime Administration ("MARAD") bonds were determined using an income approach valuation model. The estimated fair values of our cash and cash equivalents, short-term investments, receivables, trade payables and other liabilities approximated their carrying values as of June 30, 2013 and December 31, 2012.

Note 3 -Derivative Instruments

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

currency forward contracts ("derivatives") to reduce our exposure to various market risks, primarily foreign currency exchange rate risk.

All derivatives were recorded on our condensed consolidated balance sheets at fair value. Derivatives subject to legally enforceable master netting agreements were not offset in our condensed consolidated balance sheets.

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Accounting for the gains and losses resulting from changes in the fair value of derivatives depends on the use of the derivative and whether it qualifies for hedge accounting. Net liabilities of \$18.2 million and net assets of \$5.2 million associated with our foreign currency derivatives were included in our condensed consolidated balance sheets as of June 30, 2013 and December 31, 2012, respectively. All of our derivatives mature during the next 18 months. See "Note 2 - Fair Value Measurements" for additional information on the fair value measurement of our derivatives.

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

	Derivative Assets		Derivative Liabilities	
	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012
Derivatives Designated as Hedging Instruments				
Foreign currency forward contracts - current ⁽¹⁾	\$.4	\$ 5.0	\$ 15.5	\$.3
Foreign currency forward contracts - non-current ⁽²⁾	—	.5	2.6	—
	.4	5.5	18.1	.3
Derivatives Not Designated as Hedging Instruments				
Foreign currency forward contracts - current ⁽¹⁾	4.2	.2	4.7	.2
	4.2	.2	4.7	.2
Total	\$4.6	\$5.7	\$22.8	\$.5

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

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

We utilize cash flow hedges to hedge forecasted foreign currency denominated transactions, primarily to reduce our exposure to foreign currency exchange rate risk associated with contract drilling expenses and capital expenditures denominated in various currencies. As of June 30, 2013, we had cash flow hedges outstanding to exchange an aggregate \$360.2 million for various foreign currencies, including \$135.6 million for British pounds, \$131.4 million for Brazilian reais, \$35.0 million for Singapore dollars, \$27.7 million for Australian dollars and \$30.5 million for other currencies.

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

Three Months Ended June 30, 2013 and 2012

	(Loss) Recognized in Other Comprehensive Income (Effective Portion)		(Loss) Gain Reclassified from Accumulated Other Comprehensive Income ("AOCI") into Income (Effective Portion) ⁽¹⁾		(Loss) Gain Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing) ⁽²⁾	
	2013	2012	2013	2012	2013	2012
Interest rate lock contracts ⁽³⁾	\$—	\$—	\$(.1) \$.1	\$—	\$—

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Foreign currency forward contracts ⁽⁴⁾	(9.6)	(.1)	(.3)	.7	(1.6)	1.0
Total	\$(9.6)	\$(.1)	\$(.4)	\$.8	\$(1.6)	\$1.0

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Six Months Ended June 30, 2013 and 2012

	(Loss) Gain Recognized in Other Comprehensive Income (Effective Portion)		(Loss) Gain Reclassified from AOCI into Income (Effective Portion) ⁽¹⁾		(Loss) Gain Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing) ⁽²⁾	
	2013	2012	2013	2012	2013	2012
Interest rate lock contracts ⁽³⁾	\$—	\$—	\$(.2	) \$ .2	\$—	\$—
Foreign currency forward contracts ⁽⁵⁾	(13.6	) 6.2	.8	.7	(1.4	) .2
Total	\$(13.6	) \$6.2	\$.6	\$.9	\$(1.4	) \$ .2

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

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

(3) Gains and losses on interest rate lock derivatives reclassified from AOCI into income (effective portion) were included in interest expense, net in our condensed consolidated statements of income.

(4) During the three-month period ended June 30, 2013, \$500,000 of losses were reclassified from AOCI into contract drilling expense and \$200,000 of gains were reclassified from AOCI into depreciation expense in our condensed consolidated statement of income.

(5) During the six-month period ended June 30, 2013, \$400,000 of gains were reclassified from AOCI into contract drilling expense and \$400,000 of gains were reclassified from AOCI into depreciation expense in our condensed consolidated statement of income.

We have net assets and liabilities denominated in numerous foreign currencies and use various methods to manage our exposure to foreign currency exchange rate risk. We predominantly structure our drilling contracts in U.S. dollars, which significantly reduces the portion of our cash flows and assets denominated in foreign currencies. We occasionally enter into derivatives that hedge the fair value of recognized foreign currency denominated assets or liabilities but do not designate such derivatives as hedging instruments. In these situations, a natural hedging relationship generally exists whereby changes in the fair value of the derivatives offset changes in the fair value of the underlying hedged items. As of June 30, 2013, we held derivatives not designated as hedging instruments to exchange an aggregate \$180.1 million for various foreign currencies, including \$95.8 million for euros, \$18.3 million for British pounds, \$18.2 million for Swiss francs, \$15.5 million for Australian dollars, \$13.4 million for Indonesian rupiah and \$18.9 million for other currencies.

Net losses of \$300,000 and net gains of \$800,000 associated with our derivatives not designated as hedging instruments were included in other, net, in our condensed consolidated statements of income for the three-month periods ended June 30, 2013 and 2012, respectively. Net losses of \$4.7 million and net gains of \$1.7 million associated with our derivatives not designated as hedging instruments were included in other, net, in our condensed consolidated statements of income for the six-month periods ended June 30, 2013 and 2012, respectively.

As of June 30, 2013, the estimated amount of net losses associated with derivative instruments, net of tax, that would be reclassified into earnings during the next twelve months totaled \$7.6 million.

Note 4 - Noncontrolling Interests

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

Income from continuing operations attributable to Ensco for the three-month and six-month periods ended June 30, 2013 and 2012 was as follows (in millions):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
Income from continuing operations	\$362.6	\$337.2	\$683.4	\$617.7
Income from continuing operations attributable to noncontrolling interests	(1.7	) (1.4	) (4.5	) (3.4
Income from continuing operations attributable to Ensco	\$360.9	\$335.8	\$678.9	\$614.3

Income (loss) from discontinued operations, net, for the three-month period ended June 30, 2012 and the six-month periods ended June 30, 2013 and 2012 was attributable to Ensco.

Note 5 - Earnings Per Share

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

The following table is a reconciliation of net income attributable to Ensco shares used in our basic and diluted EPS computations for the three-month and six-month periods ended June 30, 2013 and 2012 (in millions):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
Net income attributable to Ensco	\$360.9	\$341.3	\$678.0	\$606.7
Net income allocated to non-vested share awards	(3.9	) (3.5	) (7.2	) (6.2
Net income attributable to Ensco shares	\$357.0	\$337.8	\$670.8	\$600.5

The following table is a reconciliation of the weighted-average shares used in our basic and diluted EPS computations for the three-month and six-month periods ended June 30, 2013 and 2012 (in millions):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
Weighted-average shares - basic	230.8	229.2	230.6	229.0
Potentially dilutive shares	.2	.2	.2	.3
Weighted-average shares - diluted	231.0	229.4	230.8	229.3

Antidilutive share options totaling 300,000 and 700,000 were excluded from the computation of diluted EPS for the three-month periods ended June 30, 2013 and 2012, respectively. Antidilutive share options totaling 300,000 and 400,000 were excluded from the computation of diluted EPS for the six-month periods ended June 30, 2013 and 2012, respectively.

Note 6 -Debt

On May 7, 2013, we entered into a Fourth Amended and Restated Credit Agreement (the "Five-Year Credit Facility"), among Ensco, a subsidiary of Ensco, Citibank, N.A., as Administrative Agent, DNB Bank ASA, as Syndication Agent, and a syndicate of banks party thereto. The Five-Year Credit Facility provides for a \$2.0 billion senior unsecured revolving credit facility to be used for general corporate purposes with a five-year term expiring on May 7, 2018. The Five-Year Credit Facility amends and restates our \$1.45 billion credit agreement which was scheduled to mature on May 12, 2016. Advances under the Five-Year Credit Facility bear interest at Base Rate or LIBOR plus an applicable margin rate (currently 0.125% per annum for Base Rate advances and 1.125% per annum for LIBOR advances) depending on our credit rating. Amounts repaid may be re-borrowed during the term. We are required to pay a quarterly undrawn facility fee (currently 0.125% per annum) on the total \$2.0 billion commitment, which is also based on our credit rating. In addition to other customary restrictive covenants, the Five-Year Credit Facility requires us to maintain a total debt to total capitalization ratio less than or equal to 50%. We have the right, subject to lender consent, to increase the commitments under the Five-Year Credit Facility to an aggregate amount of up to \$2.5 billion. We had no amounts outstanding under the Five-Year Credit Facility as of June 30, 2013 and December 31, 2012.

In connection with the amendment of our Five-Year Credit Facility, we terminated our \$450 million 364-day revolving unsecured credit facility dated as of May 12, 2011.

Note 7 -Share-Based Compensation

During the three-month and six-month periods ended June 30, 2013, we granted 700,000 and 1.0 million non-vested share awards to our employees, officers and non-employee directors for annual equity awards and for equity awards granted to new or recently promoted employees, pursuant to our 2012 Long-Term Incentive Plan ("LTIP"). Grants of non-vested share awards generally vest at rates of 20% or 33% per year, as determined by a committee or subcommittee of the Board of Directors at the time of the grant. Our non-vested share awards have dividend rights effective on the date of grant and are measured at fair value using the market value of our shares on the date of grant. The weighted-average grant-date fair value of non-vested share awards granted during the three-month and six-month periods ended June 30, 2013 was \$60.35 and \$59.91 per share, respectively.

Note 8 -Discontinued Operations

During the six-month period ended June 30, 2013, we sold jackup rig Pride Pennsylvania for net proceeds of \$15.5 million. The proceeds were included in investing activities of discontinued operations in our condensed consolidated statement of cash flows for the six-month period ended June 30, 2013. We recognized a loss of \$1.1 million in connection with the disposal, which was included in loss on disposal of discontinued operations, net in our condensed consolidated statement of income for the six-month period ended June 30, 2013. During the third quarter of 2012, we classified Pride Pennsylvania as held for sale and the rig was written down to fair value less estimated cost to sell. Pride Pennsylvania operating results were reclassified to discontinued operations in our condensed consolidated statements of income for the three-month and six-month periods ended June 30, 2012.

During 2012, we sold three jackup rigs (ENSCO 59, ENSCO 61 and Pride Hawaii), one moored semisubmersible rig (ENSCO 5003) and our last remaining barge rig (ENSCO I). The rigs' operating results were reclassified to discontinued operations in our condensed consolidated statements of income for the three-month and six-month periods ended June 30, 2012. Two of the jackup rigs (ENSCO 59 and ENSCO 61) were sold during the three-month period ended June 30, 2012 for net proceeds of \$54.5 million. The proceeds were included in investing activities of discontinued operations in our condensed consolidated statement of cash flows for the six-month period ended June 30, 2012. We recognized a gain of \$12.8 million in connection with the disposals, which was included in gain on disposal of discontinued operations, net in our condensed consolidated statements of income for the three-month and six-month periods ended June 30, 2012.

The following table summarizes income (loss) from discontinued operations for the three-month and six-month periods ended June 30, 2013 and 2012 (in millions):

	Three Months Ended		Six Months Ended	
	June 30, 2013	2012	June 30, 2013	2012
Revenues	\$—	\$.9	\$—	\$6.7
Operating expenses	—	11.9	.1	33.3
Operating loss	—	(11.0)	(.1)	(26.6)
Other income	—	.2	.3	.7
Income tax benefit	—	3.5	—	5.5
Gain (loss) on disposal of discontinued operations, net	—	12.8	(1.1)	12.8
Income (loss) from discontinued operations	\$—	\$5.5	\$(.9)	\$(7.6)

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

Note 9 - Income Taxes

Our consolidated effective income tax rate for the three-month and six-month periods ended June 30, 2013 was 12.0% and 12.9%, respectively, as compared to 11.4% and 11.5% in the prior year periods. Excluding the impact of discrete items, our consolidated effective income tax rate for the three-month and six-month periods ended June 30, 2013 was 11.8% and 12.0%, respectively, as compared to 12.7% and 12.5% for the prior year periods. Discrete tax expense for the six-month period ended June 30, 2013 was primarily attributable to the recognition of a liability for unrecognized tax benefits of \$4.9 million associated with a tax position taken in prior years. Discrete tax benefit for the three-month and six-month periods ended June 30, 2012 was primarily attributable to derecognition of liabilities upon the lapse of the statute of limitations on uncertain tax positions.

Note 10 -Contingencies

ENSCO 74 Loss

During 2008, ENSCO 74 was lost as a result of Hurricane Ike in the U.S. Gulf of Mexico. Portions of its legs remained underwater adjacent to the customer's platform, and the sunken rig hull of ENSCO 74 was located approximately 95 miles from the original drilling location when it was struck by an oil tanker during 2009. Wreck removal operations on the sunken rig hull of ENSCO 74 were completed during 2010.

In April 2012, we entered into an agreement with the customer pursuant to which, among other matters, the customer agreed to remove the legs. Regardless of the actual removal costs incurred by the customer, we agreed to pay \$19.0 million in nine installments upon the completion of certain milestones during the removal. We have insurance coverage for the actual removal costs incurred by the customer.

We paid \$14.0 million to the customer through June 30, 2013 and received \$13.6 million in insurance reimbursements. Our condensed consolidated balance sheet as of June 30, 2013 included a \$5.0 million liability for remaining installments due to the customer in accrued liabilities and other and a \$5.4 million receivable for recovery of related costs under our insurance policy in other assets, net.

We filed a petition for exoneration or limitation of liability under U.S. admiralty and maritime law during 2009. A number of claimants presented claims in the exoneration/limitation proceedings. Currently, only three claims remain.

The owner of the oil tanker that struck the hull of ENSCO 74 filed claims seeking monetary damages currently in excess of \$5.0 million for losses incurred when the tanker struck the sunken hull of ENSCO 74. The owner of a pipeline filed claims alleging that ENSCO 74 caused the pipeline to rupture during Hurricane Ike and sought damages for the cost of repairs and business interruption in an amount in excess of \$26.0 million. These matters are currently scheduled for trial in September 2013. Based on information currently available, primarily the adequacy of available defenses, we have not concluded that it is probable liabilities exist with respect to these matters.

We have liability insurance policies that provide coverage for claims such as the tanker and pipeline claims as well as removal of wreckage and debris in excess of the property insurance policy sublimit, subject to a \$10.0 million per occurrence self-insured retention for third-party claims and an annual aggregate limit of \$500.0 million. We believe all liabilities associated with the ENSCO 74 loss during Hurricane Ike resulted from a single occurrence under the terms of the applicable insurance policies. However, legal counsel for certain liability underwriters have asserted that the liability claims arise from separate occurrences. In the event of multiple occurrences, the self-insured retention is \$15.0 million for two occurrences and \$1.0 million for each occurrence thereafter.

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

Asbestos Litigation

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

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

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

Environmental Matters

We currently are subject to pending notices of assessment relating to spills of drilling fluids, oil, chemicals, grease or fuel from drilling rigs operating offshore Brazil from 2008 to 2013, pursuant to which the governmental authorities have assessed, or are anticipated to assess, fines in an aggregate amount of approximately \$300,000. We have contested these notices and appealed certain adverse decisions and are awaiting decisions in these cases. Although we do not expect final disposition of these assessments to have a material adverse effect on our financial position, operating results or cash flows, there can be no assurance as to the ultimate outcome of these assessments. A \$300,000 liability related to these matters was included in accrued liabilities and other on our condensed consolidated balance sheet as of June 30, 2013.

We currently are subject to a pending administrative proceeding initiated during 2009 by a Spanish government authority seeking payment in an aggregate amount of approximately \$4.0 million for an alleged environmental spill originating from ENSCO 5006 while it was operating offshore Spain. Our customer has posted guarantees with the Spanish government to cover potential penalties. Additionally, we expect to be indemnified for any payments resulting from this incident by our customer under the terms of the drilling contract. A criminal investigation of the incident

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was initiated during 2010 by a prosecutor in Tarragona, Spain, and the administrative proceedings have been suspended pending the outcome of this investigation. We do not know at this time what, if any, involvement we may have in this investigation.

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

Other Matters

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

In the ordinary course of business with customers and others, we have entered into letters of credit and surety bonds to guarantee our performance as it relates to our drilling contracts, contract bidding, customs duties, tax appeals and other obligations in various jurisdictions. Letters of credit and surety bonds outstanding as of June 30, 2013 totaled \$160.3 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 June 30, 2013, we had not been required to make collateral deposits with respect to these agreements.

Note 11 -Segment Information

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

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

Three Months Ended June 30, 2013

	Floaters	Jackups	Other	Operating Segments Total	Reconciling Items	Consolidated Total
Revenues	\$823.4	\$404.4	\$20.3	\$1,248.1	\$—	\$1,248.1
Operating expenses						
Contract drilling (exclusive of depreciation)	377.2	213.6	16.0	606.8	—	606.8
Depreciation	110.9	40.4	—	151.3	1.6	152.9
	—	—	—	—	36.4	36.4

General and
administrative

Operating income (loss)	\$ 335.3	\$ 150.4	\$ 4.3	\$ 490.0	\$(38.0)) \$ 452.0
Property and equipment, net	\$ 10,862.5	\$ 2,491.2	\$—	\$ 13,353.7	\$ 36.8	\$ 13,390.5

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Three Months Ended June 30, 2012

	Floaters	Jackups	Other	Operating Segments Total	Reconciling Items	Consolidated Total
Revenues	\$673.2	\$376.6	\$21.3	\$1,071.1	\$—	\$1,071.1
Operating expenses						
Contract drilling (exclusive of depreciation)	293.4	184.8	15.8	494.0	—	494.0
Depreciation	93.0	41.4	—	134.4	1.9	136.3
General and administrative	—	—	—	—	35.5	35.5
Operating income (loss)	\$286.8	\$150.4	\$5.5	\$442.7	\$(37.4)	) \$405.3
Property and equipment, net	\$10,513.5	\$2,429.0	\$12.0	\$12,954.5	\$29.5	\$12,984.0

Six Months Ended June 30, 2013

	Floaters	Jackups	Other	Operating Segments Total	Reconciling Items	Consolidated Total
Revenues	\$1,542.6	\$814.9	\$40.5	\$2,398.0	\$—	\$2,398.0
Operating expenses						
Contract drilling (exclusive of depreciation)	722.1	413.8	31.7	1,167.6	—	1,167.6
Depreciation	218.0	80.7	—	298.7	3.2	301.9
General and administrative	—	—	—	—	74.2	74.2
Operating income (loss)	\$602.5	\$320.4	\$8.8	\$931.7	\$(77.4)	) \$854.3
Property and equipment, net	\$10,862.5	\$2,491.2	\$—	\$13,353.7	\$36.8	\$13,390.5

Six Months Ended June 30, 2012

	Floaters	Jackups	Other	Operating Segments Total	Reconciling Items	Consolidated Total
Revenues	\$1,312.5	\$736.4	\$42.8	\$2,091.7	\$—	\$2,091.7
Operating expenses						
Contract drilling (exclusive of depreciation)	606.3	358.4	31.5	996.2	—	996.2
Depreciation	184.0	82.8	—	266.8	5.5	272.3
General and administrative	—	—	—	—	73.7	73.7
Operating income (loss)	\$522.2	\$295.2	\$11.3	\$828.7	\$(79.2)	) \$749.5
Property and equipment, net	\$10,513.5	\$2,429.0	\$12.0	\$12,954.5	\$29.5	\$12,984.0

Information about Geographic Areas

As of June 30, 2013, the geographic distribution of our drilling rigs by reportable segment was as follows:

	Floaters	Jackups	Total ⁽¹⁾
North & South America (excluding Brazil)	8	14	22
Brazil	10	—	10
Europe & Mediterranean	1	8	9
Middle East & Africa	4	9	13
Asia & Pacific Rim	2	11	13
Asia & Pacific Rim (under construction)	4	4	8
Total	29	46	75

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

Note 12 -Supplemental Financial Information

Consolidated Balance Sheet Information

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

	June 30, 2013	December 31, 2012
Trade	\$908.1	\$812.4
Other	11.8	18.2
	919.9	830.6
Allowance for doubtful accounts	(17.8	) (19.2
	\$902.1	\$811.4

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

	June 30, 2013	December 31, 2012
Inventory	\$227.7	\$207.8
Prepaid taxes	69.0	62.2
Prepaid expenses	27.2	20.3
Deferred costs	38.9	46.9
Deferred tax assets	19.9	14.6
Short-term investments	—	50.0
Assets held for sale	—	14.2
Other	8.9	9.4
	\$391.6	\$425.4

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

	June 30, 2013	December 31, 2012
Intangible assets	\$101.5	\$143.3
Unbilled receivables	67.4	77.1
Prepaid taxes on intercompany transfers of property	55.2	58.3
Supplemental executive retirement plan assets	36.0	29.8
Deferred costs	34.0	45.2
Warranty and other claim receivables	30.6	30.6
Deferred tax assets	22.1	19.3
Wreckage and debris removal receivables	5.4	13.2
Other	6.4	5.0
	\$358.6	\$421.8

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

	June 30, 2013	December 31, 2012
Personnel costs	\$181.5	\$231.1
Deferred revenue	137.0	146.2
Interest	68.0	67.9
Taxes	64.7	86.9
Derivative liabilities	20.2	.4
Wreckage and debris removal	5.0	9.0
Other	36.5	42.9
	\$512.9	\$584.4

Other liabilities consisted of the following (in millions):

	June 30, 2013	December 31, 2012
Deferred revenue	\$207.7	\$224.5
Unrecognized tax benefits (inclusive of interest and penalties)	135.8	129.6
Intangible liabilities	85.8	118.0
Supplemental executive retirement plan liabilities	39.2	33.3
Personnel costs	29.3	31.6
Other	32.5	36.4
	\$530.3	\$573.4

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

	June 30, 2013	December 31, 2012
Derivative Instruments	\$10.2	\$24.4
Other	(3.8)	(4.3)
	\$6.4	\$20.1

Concentration of Risk

We are exposed to credit risk relating to our receivables from customers, our cash and cash equivalents 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 to date have been within management's expectations. We mitigate our credit risk relating to cash and cash equivalents by focusing on diversification and quality of instruments. Cash equivalents consist of a portfolio of high-grade instruments. Custody of cash and cash equivalents is maintained at several well-capitalized financial institutions, and we monitor the financial condition of those financial institutions.

We mitigate our credit risk relating to counterparties of our derivatives through a variety of techniques, including transacting with multiple, high-quality financial institutions, thereby limiting our exposure to individual counterparties and generally by entering into International Swaps and Derivatives Association, Inc. ("ISDA") Master Agreements, which include provisions for a legally enforceable master netting agreement, with almost all of our derivative counterparties. The terms of the ISDA agreements may also include credit support requirements, cross default provisions, termination events, or set-off provisions, in addition to a master netting agreement. 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.

During the three-month and six-month periods ended June 30, 2013, Petrobras provided an aggregate \$215.5 million and \$415.6 million, or 17%, of our consolidated revenues, respectively, which were attributable to our Floaters segment.

Revenues provided by our drilling operations in the U.S. Gulf of Mexico during the three-month period ended June 30, 2013 totaled \$435.2 million, or 35%, of our consolidated revenues, of which 76% were provided by our Floaters segment. Revenues provided by our drilling operations in Brazil during the three-month period ended June 30, 2013 totaled \$268.4 million, or 22%, of our consolidated revenues, all of which were provided by our Floaters segment. Revenues provided by our drilling operations in Angola during the three-month period ended June 30, 2013 totaled \$127.0 million, or 10%, of our consolidated revenues, the majority of which were provided by our Floaters segment.

Revenues provided by our drilling operations in the U.S. Gulf of Mexico during the six-month period ended June 30, 2013 totaled \$836.7 million, or 35%, of our consolidated revenues, of which 75% were provided by our Floaters segment. Revenues provided by our drilling operations in Brazil during the six-month period ended June 30, 2013 totaled \$511.7 million, or 21%, of our consolidated revenues, all of which were provided by our Floaters segment.

Note 13 -Guarantee of Registered Securities

On May 31, 2011, Ensco plc completed a merger transaction (the "Merger") with Pride International Inc. ("Pride"). In connection with the Merger, Ensco plc and Pride entered into a supplemental indenture to the indenture dated as of July 1, 2004 between Pride and the Bank of New York Mellon, as indenture trustee, providing for, among other matters, the full and unconditional guarantee by Ensco plc of Pride's 8.5% unsecured senior notes due 2019, 6.875% unsecured senior notes due 2020 and 7.875% unsecured senior notes due 2040, which had an aggregate outstanding principal balance of \$1.7 billion as of June 30, 2013. 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 also is a full and unconditional guarantor of the 7.2% debentures due 2027 issued by ENSCO International Incorporated during 1997, which had an aggregate outstanding principal balance of \$150.0 million as of June 30, 2013.

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

The following tables present the unaudited condensed consolidating statements of income for the three-month and six-month periods ended June 30, 2013 and 2012; the unaudited condensed consolidating statements of comprehensive income for the three-month and six-month periods ended June 30, 2013 and 2012; the condensed consolidating balance sheets as of June 30, 2013 (unaudited) and December 31, 2012; and the unaudited condensed consolidating statements of cash flows for the six-month periods ended June 30, 2013 and 2012, in accordance with Rule 3-10 of Regulation S-X.

ENSCO PLC AND SUBSIDIARIES

CONDENSED CONSOLIDATING STATEMENTS OF INCOME

Three Months Ended June 30, 2013

(in millions)

(Unaudited)

	Ensco plc	ENSCO International Incorporated	Pride International, Inc.	Other Non-Guarantor Subsidiaries of Ensco	Consolidating Adjustments	Total
OPERATING REVENUES	\$5.5	\$38.2	\$—	\$ 1,282.3	\$(77.9)	\$1,248.1
OPERATING EXPENSES						
Contract drilling (exclusive of depreciation)	12.8	38.2	—	633.7	(77.9)	606.8
Depreciation	.1	1.0	—	151.8	—	152.9
General and administrative	16.2	.1	—	20.1	—	36.4
OPERATING (LOSS) INCOME	(23.6)	(1.1)	—	476.7	—	452.0
OTHER EXPENSE, NET (LOSS) INCOME BEFORE INCOME TAXES	(15.3)	(5.7)	(16.0)	(2.8)	—	(39.8)
INCOME TAX PROVISION	—	31.2	—	18.4	—	49.6
EQUITY EARNINGS IN AFFILIATES, NET OF TAX	399.8	78.8	77.2	—	(555.8)	—
NET INCOME	360.9	40.8	61.2	455.5	(555.8)	362.6
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	(1.7)	—	(1.7)
NET INCOME ATTRIBUTABLE TO ENSCO	\$360.9	\$40.8	\$61.2	\$ 453.8	\$(555.8)	\$360.9

ENSCO PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF INCOME
Three Months Ended June 30, 2012
(in millions)
(Unaudited)

	Ensco plc	ENSCO International Incorporated	Pride International, Inc.	Other Non-Guarantor Subsidiaries of Ensco	Consolidating Adjustments	Total
OPERATING REVENUES	\$5.7	\$64.7	\$—	\$ 1,109.4	\$(108.7)	\$1,071.1
OPERATING EXPENSES						
Contract drilling (exclusive of depreciation)	13.2	64.7	—	524.8	(108.7)	494.0
Depreciation	.1	.9	—	135.3	—	136.3
General and administrative	13.9	.1	—	21.5	—	35.5
OPERATING (LOSS) INCOME	(21.5)	(1.0)	—	427.8	—	405.3
OTHER (EXPENSE) INCOME, NET	(8.9)	(5.6)	(14.9)	4.7	—	(24.7)
(LOSS) INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(30.4)	(6.6)	(14.9)	432.5	—	380.6
INCOME TAX PROVISION	—	21.7	7.0	14.7	—	43.4
DISCONTINUED OPERATIONS, NET	—	—	—	5.5	—	5.5
EQUITY EARNINGS IN AFFILIATES, NET OF TAX	371.7	81.4	97.1	—	(550.2)	—
NET INCOME	341.3	53.1	75.2	423.3	(550.2)	342.7
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	(1.4)	—	(1.4)
NET INCOME ATTRIBUTABLE TO ENSCO	\$341.3	\$53.1	\$75.2	\$ 421.9	\$(550.2)	\$341.3

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

	Ensco plc	ENSCO International Incorporated	Pride International, Inc.	Other Non-Guarantor Subsidiaries of Ensco	Consolidating Adjustments	Total
OPERATING REVENUES	\$11.0	\$76.3	\$—	\$ 2,466.0	\$(155.3)	\$2,398.0
OPERATING EXPENSES						
Contract drilling (exclusive of depreciation)	25.2	76.3	—	1,221.4	(155.3)	1,167.6
Depreciation	.2	1.8	—	299.9	—	301.9
General and administrative	33.1	.3	—	40.8	—	74.2
OPERATING (LOSS) INCOME	(47.5)	(2.1)	—	903.9	—	854.3
OTHER (EXPENSE) INCOME, NET	(29.9)	(13.1)	(30.6)	4.0	—	(69.6)
(LOSS) INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(77.4)	(15.2)	(30.6)	907.9	—	784.7
INCOME TAX PROVISION	—	60.7	—	40.6	—	101.3
DISCONTINUED OPERATIONS, NET	—	—	—	(.9)	—	(.9)
EQUITY EARNINGS IN AFFILIATES, NET OF TAX	755.4	190.5	129.6	—	(1,075.5)	—
NET INCOME	678.0	114.6	99.0	866.4	(1,075.5)	682.5
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	(4.5)	—	(4.5)
NET INCOME ATTRIBUTABLE TO ENSCO	\$678.0	\$114.6	\$99.0	\$ 861.9	\$(1,075.5)	\$678.0

ENSCO PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF INCOME
Six Months Ended June 30, 2012
(in millions)
(Unaudited)

	Ensco plc	ENSCO International Incorporated	Pride International, Inc.	Other Non-Guarantor Subsidiaries of Ensco	Consolidating Adjustments	Total
OPERATING REVENUES	\$33.3	\$75.3	\$—	\$ 2,152.4	\$(169.3)	\$2,091.7
OPERATING EXPENSES						
Contract drilling (exclusive of depreciation)	26.1	75.3	—	1,064.1	(169.3)	996.2
Depreciation	.2	1.7	—	270.4	—	272.3
General and administrative	28.5	.1	—	45.1	—	73.7
OPERATING (LOSS) INCOME	(21.5)	(1.8)	—	772.8	—	749.5
OTHER (EXPENSE) INCOME, NET	(20.1)	(5.9)	(26.6)	1.2	—	(51.4)
(LOSS) INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(41.6)	(7.7)	(26.6)	774.0	—	698.1
INCOME TAX PROVISION	—	32.9	7.0	40.5	—	80.4
DISCONTINUED OPERATIONS, NET	—	—	—	(7.6)	—	(7.6)
EQUITY EARNINGS IN AFFILIATES, NET OF TAX	648.3	125.6	176.8	—	(950.7)	—
NET INCOME	606.7	85.0	143.2	725.9	(950.7)	610.1
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	(3.4)	—	(3.4)
NET INCOME ATTRIBUTABLE TO ENSCO	\$606.7	\$85.0	\$143.2	\$ 722.5	\$(950.7)	\$606.7

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

	Ensco plc	ENSCO International Incorporated	Pride International, Inc.	Other Non-Guarantor Subsidiaries of Ensco	Consolidating Adjustments	Total
NET INCOME	\$360.9	\$40.8	\$61.2	\$ 455.5	\$(555.8)	\$362.6
OTHER COMPREHENSIVE (LOSS) INCOME, NET						
Net change in fair value of derivatives	—	(9.6)	—	—	—	(9.6)
Reclassification of net (gains) losses on derivative instruments from other comprehensive income into net income	—	(.7)	—	1.1	—	.4
Other	—	—	—	.6	—	.6
NET OTHER COMPREHENSIVE (LOSS) INCOME	—	(10.3)	—	1.7	—	(8.6)
COMPREHENSIVE INCOME	360.9	30.5	61.2	457.2	(555.8)	354.0
COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	(1.7)	—	(1.7)
COMPREHENSIVE INCOME ATTRIBUTABLE TO ENSCO	\$360.9	\$30.5	\$61.2	\$ 455.5	\$(555.8)	\$352.3

ENSCO PLC AND SUBSIDIARIES
 CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME
 Three Months Ended June 30, 2012
 (in millions)
 (Unaudited)

	Ensco plc	ENSCO International Incorporated	Pride International, Inc.	Other Non-Guarantor Subsidiaries of Ensco	Consolidating Adjustments	Total
NET INCOME	\$341.3	\$53.1	\$75.2	\$ 423.3	\$(550.2)	\$342.7
OTHER COMPREHENSIVE INCOME (LOSS), NET						
Net change in fair value of derivatives	—	.9	—	(1.0)	—	(.1)
Reclassification of net gains on derivative instruments from other comprehensive income into net income	—	—	—	(.8)	—	(.8)
Other	—	—	—	.4	—	.4
NET OTHER COMPREHENSIVE INCOME (LOSS)	—	.9	—	(1.4)	—	(.5)
COMPREHENSIVE INCOME	341.3	54.0	75.2	421.9	(550.2)	342.2
COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	(1.4)	—	(1.4)
COMPREHENSIVE INCOME ATTRIBUTABLE TO ENSCO	\$341.3	\$54.0	\$75.2	\$ 420.5	\$(550.2)	\$340.8

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

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

ENSCO PLC AND SUBSIDIARIES
 CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME
 Six Months Ended June 30, 2012
 (in millions)
 (Unaudited)

	Ensco plc	ENSCO International Incorporated	Pride International, Inc.	Other Non-Guarantor Subsidiaries of Ensco	Consolidating Adjustments	Total
NET INCOME	\$606.7	\$85.0	\$143.2	\$725.9	\$(950.7)	\$610.1
OTHER COMPREHENSIVE INCOME (LOSS), NET						
Net change in fair value of derivatives	—	2.8	—	3.4	—	6.2
Reclassification of net losses (gains) on derivative instruments from other comprehensive income into net income	—	.1	—	(1.0)	—	(.9)
Other	—	—	—	(1.5)	—	(1.5)
NET OTHER COMPREHENSIVE INCOME	—	2.9	—	.9	—	3.8
COMPREHENSIVE INCOME	606.7	87.9	143.2	726.8	(950.7)	613.9
COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	(3.4)	—	(3.4)
COMPREHENSIVE INCOME ATTRIBUTABLE TO ENSCO	\$606.7	\$87.9	\$143.2	\$723.4	\$(950.7)	\$610.5

ENSCO PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEETS

June 30, 2013

(in millions)

(Unaudited)

	Ensco plc	ENSCO International Incorporated	Pride International, Inc.	Other Non-Guarantor Subsidiaries of Ensco	Consolidating Adjustments	Total
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	\$291.4	\$.7	\$46.0	\$ 151.7	\$—	\$489.8
Accounts receivable, net	—	.3	—	901.8	—	902.1
Accounts receivable from affiliates	1,324.1	232.3	2.8	2,450.2	(4,009.4)	—
Other	2.9	36.0	—	352.7	—	391.6
Total current assets	1,618.4	269.3	48.8	3,856.4	(4,009.4)	1,783.5
PROPERTY AND EQUIPMENT, AT COST	2.1	29.9	—	16,244.4	—	16,276.4
Less accumulated depreciation	1.3	24.3	—	2,860.3	—	2,885.9
Property and equipment, net	.8	5.6	—	13,384.1	—	13,390.5
GOODWILL	—	—	—	3,274.0	—	3,274.0
DUE FROM AFFILIATES	2,315.0	3,832.7	1,766.0	4,377.9	(12,291.6)	—
INVESTMENTS IN AFFILIATES	14,235.4	2,875.3	3,913.5	—	(21,024.2)	—
OTHER ASSETS, NET	10.1	66.1	—	282.4	—	358.6
	\$18,179.7	\$7,049.0	\$5,728.3	\$ 25,174.8	\$(37,325.2)	\$18,806.6
LIABILITIES AND SHAREHOLDERS' EQUITY						
CURRENT LIABILITIES						
Accounts payable and accrued liabilities	\$31.4	\$39.9	\$34.2	\$ 708.3	\$—	\$813.8
Accounts payable to affiliates	2,412.9	112.9	—	1,483.6	(4,009.4)	—
Current maturities of long-term debt	—	—	—	47.5	—	47.5
Total current liabilities	2,444.3	152.8	34.2	2,239.4	(4,009.4)	861.3
DUE TO AFFILIATES	946.0	2,405.0	1,026.9	7,913.7	(12,291.6)	—
LONG-TERM DEBT	2,471.6	149.1	2,024.5	113.5	—	4,758.7
DEFERRED INCOME TAXES	—	316.0	—	22.5	—	338.5
OTHER LIABILITIES	—	4.2	9.8	516.3	—	530.3
ENSCO SHAREHOLDERS' EQUITY	12,317.8	4,021.9	2,632.9	14,361.7	(21,024.2)	12,310.1
NONCONTROLLING INTERESTS	—	—	—	7.7	—	7.7

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Total equity	12,317.8	4,021.9	2,632.9	14,369.4	(21,024.2)	12,317.8
	\$18,179.7	\$7,049.0	\$5,728.3	\$ 25,174.8	\$(37,325.2)	\$18,806.6

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ENSOCO PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEETS

December 31, 2012

(in millions)

	Ensco plc	ENSOCO International Incorporated	Pride International, Inc.	Other Non-Guarantor Subsidiaries of Ensco	Consolidating Adjustments	Total
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	\$271.8	\$1.7	\$85.0	\$ 128.6	\$—	\$487.1
Accounts receivable, net	—	.2	—	811.2	—	811.4
Accounts receivable from affiliates	1,294.5	226.5	—	2,375.1	(3,896.1)	—
Other	2.8	24.9	—	397.7	—	425.4
Total current assets	1,569.1	253.3	85.0	3,712.6	(3,896.1)	1,723.9
PROPERTY AND EQUIPMENT, AT COST	2.1	30.2	—	15,704.8	—	15,737.1
Less accumulated depreciation	1.1	23.5	—	2,566.9	—	2,591.5
Property and equipment, net	1.0	6.7	—	13,137.9	—	13,145.6
GOODWILL	—	—	—	3,274.0	—	3,274.0
DUE FROM AFFILIATES	3,483.5	3,594.7	1,628.4	4,748.9	(13,455.5)	—
INVESTMENTS IN AFFILIATES	13,469.3	2,693.8	3,824.8	—	(19,987.9)	—
OTHER ASSETS, NET	11.3	67.4	—	343.1	—	421.8
	\$18,534.2	\$6,615.9	\$5,538.2	\$ 25,216.5	\$(37,339.5)	\$18,565.3
LIABILITIES AND SHAREHOLDERS' EQUITY						
CURRENT LIABILITIES						
Accounts payable and accrued liabilities	\$31.0	\$28.1	\$34.1	\$ 849.0	\$—	\$942.2
Accounts payable to affiliates	2,364.8	136.9	—	1,394.4	(3,896.1)	—
Current maturities of long-term debt	—	—	—	47.5	—	47.5
Total current liabilities	2,395.8	165.0	34.1	2,290.9	(3,896.1)	989.7
DUE TO AFFILIATES	1,816.7	2,054.7	877.5	8,706.6	(13,455.5)	—
LONG-TERM DEBT	2,469.6	149.0	2,040.8	139.0	—	4,798.4
DEFERRED INCOME TAXES	—	335.1	—	16.6	—	351.7
OTHER LIABILITIES	—	—	10.8	562.6	—	573.4
ENSOCO SHAREHOLDERS' EQUITY	11,852.1	3,912.1	2,575.0	13,495.1	(19,987.9)	11,846.4
NONCONTROLLING INTERESTS	—	—	—	5.7	—	5.7

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Total equity	11,852.1	3,912.1	2,575.0	13,500.8	(19,987.9)	11,852.1
	\$18,534.2	\$6,615.9	\$5,538.2	\$ 25,216.5	\$(37,339.5)	\$18,565.3

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

	Ensco plc	ENSCO International Incorporated	Pride International, Inc.	Other Non-guarantor Subsidiaries of Ensco	Consolidating Adjustments	Total
OPERATING ACTIVITIES						
Net cash (used in) provided by operating activities of continuing operations	\$(58.5)	\$(106.3)	\$(47.9)	\$ 996.9	\$—	\$784.2
INVESTING ACTIVITIES						
Additions to property and equipment	—	—	—	(598.6)	—	(598.6)
Maturities of short-term investments	—	—	—	50.0	—	50.0
Other	—	.3	—	1.1	—	1.4
Net cash provided by (used in) investing activities of continuing operations	—	.3	—	(547.5)	—	(547.2)
FINANCING ACTIVITIES						
Cash dividends paid	(233.3)	—	—	—	—	(233.3)
Reduction of long-term borrowings	—	—	—	(23.7)	—	(23.7)
Proceeds from exercise of share options	22.0	—	—	—	—	22.0
Advances from (to) affiliates	301.5	105.0	8.9	(415.4)	—	—
Other	(12.1)	—	—	(2.1)	—	(14.2)
Net cash provided by (used in) financing activities	78.1	105.0	8.9	(441.2)	—	(249.2)
DISCONTINUED OPERATIONS						
Operating activities	—	—	—	.2	—	.2
Investing activities	—	—	—	15.5	—	15.5
Net cash provided by discontinued operations	—	—	—	15.7	—	15.7
Effect of exchange rate changes on cash and cash equivalents	—	—	—	(.8)	—	(.8)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS						
	19.6	(1.0)	(39.0)	23.1	—	2.7
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD						
	271.8	1.7	85.0	128.6	—	487.1
CASH AND CASH EQUIVALENTS, END OF						
	\$291.4	\$.7	\$46.0	\$ 151.7	\$—	\$489.8

PERIOD

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ENSCO PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
Six Months Ended June 30, 2012
(in millions)
(Unaudited)

	Ensco plc	ENSCO International Incorporated	Pride International, Inc.	Other Non-guarantor Subsidiaries of Ensco	Consolidating Adjustments	Total
OPERATING ACTIVITIES						
Net cash (used in) provided by operating activities of continuing operations	\$(17.7)	\$(38.0)	\$ 10.9	\$ 1,060.8	\$—	\$1,016.0
INVESTING ACTIVITIES						
Additions to property and equipment	—	—	—	(1,047.1)	—	(1,047.1)
Maturities of short-term investments	—	—	—	4.5	—	4.5
Other	—	1.4	—	1.2	—	2.6
Net cash provided by (used in) investing activities of continuing operations	—	1.4	—	(1,041.4)	—	(1,040.0)
FINANCING ACTIVITIES						
Cash dividends paid	(173.8)	—	—	—	—	(173.8)
Commercial paper borrowings, net	(102.9)	—	—	—	—	(102.9)
Reimbursement of equity issuance cost	66.7	—	—	—	—	66.7
Reduction of long-term borrowings	—	—	—	(23.7)	—	(23.7)
Proceeds from exercise of share options	2.5	11.9	—	—	—	14.4
Advances from (to) affiliates	18.7	42.4	(23.1)	(38.0)	—	—
Other	(8.4)	—	—	(2.6)	—	(11.0)
Net cash (used in) provided by financing activities	(197.2)	54.3	(23.1)	(64.3)	—	(230.3)
DISCONTINUED OPERATIONS						
Operating activities	—	—	—	(5.4)	—	(5.4)
Investing activities	—	—	—	54.5	—	54.5
Net cash provided by discontinued operations	—	—	—	49.1	—	49.1
Effect of exchange rate changes on cash and cash equivalents	—	—	—	1.2	—	1.2
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS						
	(214.9)	17.7	(12.2)	5.4	—	(204.0)
	236.6	—	22.6	171.5	—	430.7

CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD							
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$21.7	\$17.7	\$10.4	\$176.9	\$—		\$226.7

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

Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the accompanying unaudited consolidated financial statements as of June 30, 2013 and for the three-month and six-month periods ended June 30, 2013 and 2012 included elsewhere herein and with our annual report on Form 10-K for the year ended December 31, 2012. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under "Risk Factors" in Item 1A of our annual report. See "Forward-Looking Statements."

EXECUTIVE SUMMARY

Ensco owns the world's second largest offshore drilling rig fleet amongst competitive rigs. We have assembled the newest ultra-deepwater fleet and largest active premium jackup fleet of any offshore drilling company. We currently own and operate an offshore drilling rig fleet of 75 rigs, including eight rigs under construction. Our fleet includes ten drillships, 19 semisubmersible rigs and 46 independent leg jackups.

Average Brent crude oil prices exceeded \$100 per barrel during the second quarter of 2013, and we believe current prices support drilling programs by operators in the floater and jackup markets. In response to strong demand for rigs in existing deepwater markets, along with growing demand from emerging exploration areas, we recently entered into an agreement with Samsung Heavy Industries ("SHI") to construct our eighth ultra-deepwater drillship (ENSCO DS-10), which is scheduled for delivery during the third quarter of 2015. In April 2013, in response to continued customer demand and a strong market for premium jackups, we entered into an agreement with Keppel FELS Limited ("KFELS") to construct a premium jackup (ENSCO 110), which is scheduled for delivery during the first quarter of 2015. We currently have eight rigs under construction, including four ultra-deepwater drillships, three ultra-premium harsh environment jackup rigs and one premium jackup rig as part of our ongoing strategy to expand and high-grade our fleet.

A substantial portion of our projected cash flow will continue to be invested in the expansion and enhancement of our fleet of drilling rigs. We will also continue to return cash flow to shareholders through our quarterly cash dividend. We believe our strong balance sheet, \$11.3 billion of contract backlog and borrowing capacity under our commercial paper program and revolving credit facility will provide flexibility to make additional investments in our fleet and sustain an adequate level of liquidity during the remainder of 2013 and beyond.

BUSINESS ENVIRONMENT

Floaters

The floater market remained strong during the second quarter of 2013. Marketed utilization for the global fleet exceeded 96%, and day rates were consistent with the prior quarter.

In West Africa, marketed utilization for ultra-deepwater floaters was 99%. Multiple newbuild drillships are expected to enter the market before the end of 2013; however, the majority of these rigs are contracted and the remaining rigs are expected to be absorbed by the market. We believe demand in the region will support current utilization levels and day rates through the remainder of 2013. Additional drilling opportunities exist in Angola, Ghana, Nigeria and Morocco.

New discoveries in the U.S. Gulf of Mexico have led to additional rigs entering the region. Demand for floaters in the region remained robust and multiple contracts were announced for ultra-deepwater drillships during the second quarter of 2013. The U.S. Gulf of Mexico market is expected to remain active through 2014 as multiple operators begin

drilling programs. We believe there will be incremental demand in Mexico, as Petróleos Mexicanos ("PEMEX"), the national oil company of Mexico, is expanding its floater drilling program.

In Brazil, the National Petroleum Agency's recent licensing round earned record proceeds. The next licensing round, which includes several pre-salt blocks, is scheduled for the fourth quarter of 2013. We believe these lease sales will result in incremental demand in Brazil as independent oil companies come to the market for rigs to drill their new exploration acreage.

We expect the Asia Pacific market to remain strong with incremental requirements in Australia, Indonesia, Myanmar and Vietnam. The Mediterranean market is also expected to present additional drilling opportunities.

Worldwide rig supply in the floater market continues to increase as a result of newbuild construction programs. It has been reported that over 100 newbuild drillships and semisubmersible rigs are currently under construction, 17 of which are scheduled for delivery during the remainder of 2013. The majority of newbuild floater rigs scheduled for delivery during the remainder of 2013 are contracted, and we expect these newbuild floater rigs to be absorbed into the market without a significant effect on utilization levels and day rates.

Jackups

Demand for jackups continued to be robust during the second quarter of 2013, putting upward pressure on day rates and leading to longer contractual terms. Marketed utilization for the worldwide jackup fleet was 94% during the quarter.

Demand is strong in the U.S. Gulf of Mexico, and a number of operators exercised options or contracted rigs at higher day rates. We expect the U.S. Gulf of Mexico market to remain tight during 2013 and into 2014 given limited rig supply. In Mexico, PEMEX added three rigs to its existing contracted fleet and currently has 44 rigs under contract. We believe there will be incremental demand in Mexico as PEMEX is expected to contract five to ten additional jackups.

A high level of tender activity in the Asia Pacific market continues to support increasing day rates. The Asia Pacific market is expected to remain in balance for the remainder of the year, inclusive of rigs from outside the region that are being offered in current tenders and newbuild jackups that will be delivered during the year. Additional drilling opportunities are expected in Myanmar and Vietnam.

In the Middle East, the number of rigs reached an all-time high, but demand in the region absorbed all available supply. There were multiple tenders issued during the second quarter of 2013, and any excess capacity in the region will likely be absorbed by incremental rig requirements.

The North Sea market is very tight with limited rig availability through the end of 2014. Current tenders in the region are for work beginning in late 2014 and beyond.

Worldwide rig supply in the jackup market continues to increase as a result of newbuild construction programs. It has been reported that over 100 newbuild jackup rigs are under construction, 35 of which are scheduled for delivery during the remainder of 2013. Less than half of the newbuild jackup rigs scheduled for delivery during the remainder of 2013 are contracted; however, we expect these newbuild jackup rigs to be absorbed into the market without a significant effect on marketed rig utilization levels and day rates.

RESULTS OF OPERATIONS

The following table summarizes our condensed consolidated results of operations for the three-month and six-month periods ended June 30, 2013 and 2012 (in millions):

	Three Months Ended		Six Months Ended June	
	June 30, 2013	2012	30, 2013	2012
Revenues	\$1,248.1	\$1,071.1	\$2,398.0	\$2,091.7
Operating expenses				
Contract drilling (exclusive of depreciation)	606.8	494.0	1,167.6	996.2
Depreciation	152.9	136.3	301.9	272.3
General and administrative	36.4	35.5	74.2	73.7
Operating income	452.0	405.3	854.3	749.5
Other expense, net	(39.8)	(24.7)	(69.6)	(51.4)
Provision for income taxes	49.6	43.4	101.3	80.4
Income from continuing operations	362.6	337.2	683.4	617.7
Income (loss) from discontinued operations, net	—	5.5	(.9)	(7.6)
Net Income	362.6	342.7	682.5	610.1
Net income attributable to noncontrolling interests	(1.7)	(1.4)	(4.5)	(3.4)
Net income attributable to Ensco	\$360.9	\$341.3	\$678.0	\$606.7

Revenues and operating income increased \$177.0 million, or 17%, and \$46.7 million, or 12%, respectively, for the three-month period ended June 30, 2013 as compared to the prior year quarter. For the six-month period ended June 30, 2013, revenues and operating income increased \$306.3 million, or 15%, and \$104.8 million, or 14%, respectively, as compared to the prior year period. The increase in revenues and operating income for the three-month and six-month periods ended June 30, 2013 was primarily due to the addition of newbuild rigs to our Floaters segment and an increase in average day rates for our Jackups segment. The increase was partially offset by a decline in utilization across our fleet primarily due to an increase in shipyard days. See below for additional information on our results by segment.

The U.S. credit rating of OGX Petróleo e Gás Participações S.A. ("OGX") was recently downgraded due to multiple factors, including their liquidity profile. We continue to provide drilling services to the customer and are engaged in ongoing discussions relative to timing of payments for drilling services and other contractual terms.

We recognized revenue for drilling services provided to OGX during the three-month and six-month periods ended June 30, 2013. Our net receivable with the customer totaled \$17.7 million as of June 30, 2013 and was included in accounts receivable, net, on our condensed consolidated balance sheet. Our contractual backlog as of June 30, 2013 includes \$47.7 million related to the remaining firm commitments with OGX. Although we currently expect to collect full payment on our outstanding receivables, it is possible that the customer's liquidity situation could deteriorate and have an adverse effect on our operating results.

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

Rig Counts, Utilization and Average Day Rates

The following table summarizes our offshore drilling rigs by reportable segment and rigs under construction as of June 30, 2013 and 2012:

	2013	2012
Floaters ⁽¹⁾	25	24
Jackups	42	42
Under construction ⁽¹⁾⁽²⁾	8	7
Total ⁽³⁾	75	73

(1) ENSCO 8506 was delivered during the third quarter of 2012 and commenced drilling operations in the U.S. Gulf of Mexico under a long-term contract during the first quarter of 2013.

(2) During the second quarter of 2013, we entered into an agreement with SHI to construct our eighth ultra-deepwater drillship (ENSCO DS-10), which is uncontracted and scheduled for delivery during the third quarter of 2015. We entered into an agreement with KFELS in April 2013 to construct a new premium jackup rig (ENSCO 110), which is uncontracted and scheduled for delivery during the first quarter of 2015.

(3) The total number of rigs for each period excludes rigs reclassified as discontinued operations.

The following table summarizes our rig utilization and average day rates by reportable segment for the three-month and six-month periods ended June 30, 2013 and 2012:

	Three Months Ended		Six Months Ended	
	June 30, 2013	2012	June 30, 2013	2012
Rig Utilization ⁽¹⁾				
Floaters	86	% 92	% 84	% 89
Jackups	83	% 90	% 85	% 90
Total	84	% 90	% 85	% 90
Average Day Rates ⁽²⁾				
Floaters	\$399,316	\$351,963	\$389,949	\$350,990
Jackups	122,083	105,356	119,619	102,472
Total	\$228,017	\$191,663	\$218,919	\$187,105

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 (1) days associated with compensated downtime and mobilizations. When revenue is earned but is deferred and amortized over a future period, for example when a rig earns revenue while mobilizing to commence a new contract or while being upgraded in a shipyard, the related days are excluded from days under contract.

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

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

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

Operating Income

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

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

Three Months Ended June 30, 2013

	Floaters	Jackups	Other	Operating Segments Total	Reconciling Items	Consolidated Total
Revenues	\$823.4	\$404.4	\$20.3	\$1,248.1	\$—	\$1,248.1
Operating expenses						
Contract drilling (exclusive of depreciation)	377.2	213.6	16.0	606.8	—	606.8
Depreciation	110.9	40.4	—	151.3	1.6	152.9
General and administrative	—	—	—	—	36.4	36.4
Operating income (loss)	\$335.3	\$150.4	\$4.3	\$490.0	\$(38.0)	\$452.0

Three Months Ended June 30, 2012

	Floaters	Jackups	Other	Operating Segments Total	Reconciling Items	Consolidated Total
Revenues	\$673.2	\$376.6	\$21.3	\$1,071.1	\$—	\$1,071.1
Operating expenses						
Contract drilling (exclusive of depreciation)	293.4	184.8	15.8	494.0	—	494.0
Depreciation	93.0	41.4	—	134.4	1.9	136.3
General and administrative	—	—	—	—	35.5	35.5
Operating income (loss)	\$286.8	\$150.4	\$5.5	\$442.7	\$(37.4)	\$405.3

Six Months Ended June 30, 2013

	Floaters	Jackups	Other	Operating Segments Total	Reconciling Items	Consolidated Total
Revenues	\$1,542.6	\$814.9	\$40.5	\$2,398.0	\$—	\$2,398.0
Operating expenses	722.1	413.8	31.7	1,167.6	—	1,167.6

Contract drilling (exclusive of depreciation)						
Depreciation	218.0	80.7	—	298.7	3.2	301.9
General and administrative	—	—	—	—	74.2	74.2
Operating income (loss)	\$602.5	\$320.4	\$8.8	\$931.7	\$(77.4)	) \$854.3

Six Months Ended June 30, 2012

	Floaters	Jackups	Other	Operating Segments Total	Reconciling Items	Consolidated Total
Revenues	\$1,312.5	\$736.4	\$42.8	\$2,091.7	\$—	\$2,091.7
Operating expenses						
Contract drilling (exclusive of depreciation)	606.3	358.4	31.5	996.2	—	996.2
Depreciation	184.0	82.8	—	266.8	5.5	272.3
General and administrative	—	—	—	—	73.7	73.7
Operating income (loss)	\$522.2	\$295.2	\$11.3	\$828.7	\$(79.2)	\$749.5

Floaters

Floaters revenues for the three-month period ended June 30, 2013 increased by \$150.2 million, or 22%, as compared to the prior year quarter. The increase in revenues was primarily due to commencement of ENSCO 8505 drilling operations during the second quarter of 2012 and commencement of ENSCO 8506 and ENSCO DS-6 drilling operations during the first quarter of 2013. These increases were partially offset by a decline in utilization due to ENSCO 5005, which was in the shipyard during the three-month period ended June 30, 2013, and, to a lesser extent, subsea equipment related downtime on various rigs.

Floaters contract drilling expense for the three-month period ended June 30, 2013 increased by \$83.8 million, or 29%, as compared to the prior year quarter primarily due to the aforementioned additions to our fleet and increased personnel costs. The favorable settlement of third-party claims totaling \$22.2 million during the prior year quarter also contributed to the increase in contract drilling expense. These increases were partially offset by lower contract drilling expense for ENSCO 5005. Depreciation expense increased by \$17.9 million, or 19%, primarily due to the additions to our Floaters fleet.

Floaters revenues for the six-month period ended June 30, 2013 increased by \$230.1 million, or 18%, as compared to the prior year period. The increase in revenues was primarily due to commencement of ENSCO 8505, ENSCO 8506 and ENSCO DS-6 drilling operations as previously noted. These increases were partially offset by a decline in utilization due to downtime prompted by a vendor notice regarding inspection and replacement of connector bolts on various rigs and ENSCO 5005, which was in the shipyard during the six-month period ended June 30, 2013.

Floaters contract drilling expense for the six-month period ended June 30, 2013 increased by \$115.8 million, or 19%, as compared to the prior year period primarily due to the aforementioned additions to our fleet and increased personnel costs. The favorable settlement of third-party claims totaling \$22.2 million during the prior year period also contributed to the increase in contract drilling expense. These increases were partially offset by lower contract drilling expense for ENSCO 5005. Depreciation expense increased by \$34.0 million, or 18%, primarily due to the additions to our Floaters fleet.

Jackups

Jackups revenues for the three-month and six-month periods ended June 30, 2013 increased by \$27.8 million, or 7%, and \$78.5 million, or 11%, as compared to the respective prior year periods. The increase in revenues was primarily due to an increase in average day rates, mostly attributable to the U.S. Gulf of Mexico, North Sea and Southeast Asia. The increase in average day rates was partially offset by a decline in utilization due to an increase in shipyard days.

Jackups contract drilling expense for the three-month and six-month periods ended June 30, 2013 increased \$28.8 million, or 16%, and \$55.4 million, or 15%, as compared to the respective prior year periods, primarily due to increased personnel costs.

Other Income (Expense)

The following table summarizes other income (expense) for the three-month and six-month periods ended June 30, 2013 and 2012 (in millions):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
Interest income	\$4.7	\$5.8	\$8.0	\$11.7
Interest expense, net:				
Interest expense	(57.3	) (57.6	) (114.2	) (115.2
Capitalized interest	13.1	27.6	30.8	50.6
	(44.2	) (30.0	) (83.4	) (64.6
Other, net	(.3	) (.5	) 5.8	1.5
	\$(39.8	) \$(24.7	) \$(69.6	) \$(51.4

Interest income for the three-month and six-month periods ended June 30, 2013 declined as compared to the respective prior year periods primarily due to declining outstanding principal amounts due from customers for reimbursement of mobilization and upgrade costs on certain long-term drilling contracts. Interest expense was comparable over the same periods as the outstanding principal balances associated with our long-term debt instruments remained consistent with the prior year periods. Interest expense capitalized during the three-month and six-month periods ended June 30, 2013 declined as compared to the prior year periods due to a decline in the average outstanding amount of capital invested in newbuild construction. ENSCO 8505 was placed into service during the fourth quarter of 2012 and ENSCO 8506 and ENSCO DS-6 were placed into service during the first quarter of 2013.

Our functional currency is the U.S. dollar, and a portion of the revenues earned and expenses incurred by certain of our subsidiaries are denominated in currencies other than the U.S. dollar ("foreign currencies"). These transactions are remeasured in U.S. dollars based on a combination of both current and historical exchange rates. Net foreign currency exchange losses of \$300,000 and net foreign currency exchange gains of \$4.8 million were included in other, net, for the three-month and six-month periods ended June 30, 2013, respectively. The \$4.8 million net foreign currency exchange gains for the six-month period ended June 30, 2013 were primarily attributable to the devaluation of the Venezuelan Bolivar.

Other, net for the three-month period ended June 30, 2012 included net foreign currency exchange losses of \$200,000. During the six-month period ended June 30, 2012, other, net, included net unrealized gains of \$1.4 million from marketable securities held in our SERP.

Provision for Income Taxes

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

another.

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Income tax expense was \$49.6 million and \$43.4 million for the three-month periods ended June 30, 2013 and 2012, respectively. The \$6.2 million increase in income tax expense as compared to the prior year quarter was primarily due to increased profitability and the impact of various discrete tax items recognized during the three-month period ended June 30, 2012. Discrete tax benefit recognized during the prior year period was primarily attributable to derecognition of liabilities upon the lapse of the statute of limitations applicable to uncertain tax positions. These items were partially offset by a decline in our consolidated effective income tax rate, excluding discrete tax items, to 11.8%, compared to a consolidated effective income tax rate, excluding discrete tax items, of 12.7% for the three-month period ended June 30, 2012.

Income tax expense was \$101.3 million and \$80.4 million for the six-month periods ended June 30, 2013 and 2012, respectively. The \$20.9 million increase in income tax expense as compared to the prior year period was primarily due to increased profitability and the impact of various discrete tax items recognized during the current and prior year periods. Discrete tax expense for the six-month period ended June 30, 2013 was primarily attributable to the recognition of a liability for unrecognized tax benefits of \$4.9 million associated with a tax position taken in prior years. Discrete tax benefit for the six-month period ended June 30, 2012 was primarily attributable to derecognition of liabilities upon the lapse of the statute of limitations applicable to uncertain tax positions. These items were partially offset by a decline in our consolidated effective income tax rate, excluding discrete tax items, to 12.0%, compared to a consolidated effective income tax rate, excluding discrete tax items, of 12.5% for the six-month period ended June 30, 2012.

Discontinued Operations

During the six-month period ended June 30, 2013, we sold jackup rig Pride Pennsylvania for net proceeds of \$15.5 million. The proceeds were included in investing activities of discontinued operations in our condensed consolidated statement of cash flows for the six-month period ended June 30, 2013. We recognized a loss of \$1.1 million in connection with the disposal, which was included in loss on disposal of discontinued operations, net in our condensed consolidated statement of income for the six-month period ended June 30, 2013. During the third quarter of 2012, we classified Pride Pennsylvania as held for sale and the rig was written down to fair value less estimated cost to sell. Pride Pennsylvania operating results were reclassified to discontinued operations in our condensed consolidated statements of income for the three-month and six-month periods ended June 30, 2012.

During 2012, we sold three jackup rigs (ENSCO 59, ENSCO 61 and Pride Hawaii), one moored semisubmersible rig (ENSCO 5003) and our last remaining barge rig (ENSCO I). The rigs' operating results were reclassified to discontinued operations in our condensed consolidated statements of income for the three-month and six-month periods ended June 30, 2012. Two of the jackup rigs (ENSCO 59 and ENSCO 61) were sold during the three-month period ended June 30, 2012 for net proceeds of \$54.5 million, and we recognized a gain of \$12.8 million in connection with the disposals.

LIQUIDITY AND CAPITAL RESOURCES

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

During the six-month period ended June 30, 2013, our primary source of cash was \$784.2 million generated from operating activities of continuing operations and \$50.0 million in proceeds from the maturity of short-term investments. Our primary use of cash for the same period was \$598.6 million for the construction, enhancement and

other improvement of our drilling rigs and \$233.3 million for dividend payments.

During the six-month period ended June 30, 2012, our primary source of cash was \$1.0 billion generated from operating activities of continuing operations, \$66.7 million from reimbursement of equity issuance costs and \$54.5 million in proceeds from the sale of two jackup rigs. Our primary use of cash for the same period was \$1.0 billion for the construction, enhancement and other improvement of our drilling rigs, \$173.8 million for dividend payments and \$126.6 million for debt payments.

Cash Flow and Capital Expenditures

Our cash flow from operating activities of continuing operations and capital expenditures for the six-month periods ended June 30, 2013 and 2012 were as follows (in millions):

	2013	2012
Cash flow from operating activities of continuing operations	\$784.2	\$1,016.0
Capital expenditures		
New rig construction	\$335.8	\$793.2
Rig enhancements	138.9	153.5
Minor upgrades and improvements	123.9	100.4
	\$598.6	\$1,047.1

Cash flow from operating activities of continuing operations declined \$231.8 million, or 23%, for the six-month period ended June 30, 2013 as compared to the prior year period. The decline primarily resulted from a \$248.7 million increase in cash payments related to contract drilling expenses, a \$71.4 million increase in cash payments for income taxes, a \$47.6 million increase in cash payments related to general and administrative expenses and a \$36.6 million decline in cash receipts resulting from the sale of trading securities during the prior year period, partially offset by a \$191.5 million increase in cash receipts from contract drilling services.

Cash payments during the six-month period ended June 30, 2013 related to contract drilling and general and administrative expenses were generally higher than the comparable prior year period due in part to the full year impact of the Pride acquisition on certain annual payments made during the six-month period ended June 30, 2013. Annual payments made during the six-month period ended June 30, 2012 were based on seven months of acquired company operating activity.

Cash receipts from contract drilling services for the six-month period ended June 30, 2012 included \$80.0 million associated with customer reimbursed capital upgrade projects which are amortized to revenue over the term of the related drilling contract. The \$36.6 million in cash receipts from the sale of trading securities during the six-month period ended June 30, 2012 was in connection with the resolution of certain litigation in respect of our Seahawk Drilling, Inc. bankruptcy claims.

We remain focused on our long-established strategy of high-grading and expanding the size of our fleet. During the second quarter of 2013, we entered into an agreement to construct our eighth ultra-deepwater drillship (ENSCO DS-10) for estimated total construction costs of approximately \$625.0 million, inclusive of costs associated with commissioning, systems integration testing and project management, and a new premium jackup rig (ENSCO 110) for estimated total construction costs of approximately \$225.0 million, inclusive of costs associated with commissioning, systems integration testing and project management.

We currently have four ultra-deepwater drillships (ENSCO DS-7, ENSCO DS-8, ENSCO DS-9 and ENSCO DS-10) under construction with scheduled delivery dates during the third quarter of 2013, third quarter of 2014, fourth quarter of 2014 and third quarter of 2015, respectively. ENSCO DS-7 is expected to commence drilling operations under a long-term contract in Angola during the fourth quarter of 2013 while ENSCO DS-8, ENSCO DS-9 and ENSCO DS-10 are currently uncontracted.

We also have three ultra-high specification harsh environment jackup rigs (ENSCO 120, ENSCO 121 and ENSCO 122) and one premium jackup rig (ENSCO 110) under construction. These rigs are scheduled for delivery during the third quarter and fourth quarter of 2013, the second half of 2014 and the first quarter of 2015, respectively. ENSCO 120 and ENSCO 121 are committed under long-term drilling contracts in the North Sea and expected to commence drilling operations during the fourth quarter of 2013 and the second quarter of 2014, respectively. ENSCO 122 and ENSCO 110 are currently uncontracted.

We have significant contractual commitments related to our newbuild construction agreements. We expect to fund these commitments from our cash and cash equivalents, future operating cash flows, and if necessary, funds borrowed under our commercial paper program, revolving credit facility or other future financing arrangements. The actual timing of our contractual construction payments may vary based on the completion of various construction milestones, which, to a large extent, are beyond our control.

The following table summarizes the cumulative amount of contractual payments made as of June 30, 2013 for our rigs under construction and estimated timing of our remaining contractual payments (in millions):

	Cumulative Paid ⁽¹⁾	Remaining 2013	2014	2015	Total ⁽²⁾
ENSCO DS-7	\$ 149.4	\$ 356.9	\$ —	\$ —	\$ 506.3
ENSCO DS-8	107.6	53.8	378.7	—	540.1
ENSCO DS-9	105.0	52.5	367.9	—	525.4
ENSCO DS-10	103.0	—	103.0	309.0	515.0
ENSCO 110	41.0	—	—	164.0	205.0
ENSCO 120	43.8	178.0	—	—	221.8
ENSCO 121	43.8	176.7	—	—	220.5
ENSCO 122	49.0	—	197.6	—	246.6
	\$ 642.6	\$ 817.9	\$ 1,047.2	\$ 473.0	\$ 2,980.7

(1) Cumulative paid represents the aggregate amount of contractual payments made from commencement of the construction agreement through June 30, 2013.

(2) Total commitments are based on fixed-price shipyard construction contracts, exclusive of costs associated with commissioning, systems integration testing, project management, capitalized interest, inventory and other spares.

Based on our current projections, we expect capital expenditures during 2013 to include approximately \$1.3 billion for newbuild construction, approximately \$370 million for rig enhancement projects and approximately \$250 million for minor upgrades and improvements. Depending on market conditions and future opportunities, we may make additional capital expenditures to upgrade rigs for customer requirements and construct or acquire additional rigs.

Financing and Capital Resources

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

	June 30, 2013		December 31, 2012	
Total debt	\$4,806.2		\$4,845.9	
Total capital*	\$17,116.3		\$16,692.3	
Total debt to total capital	28.1	%	29.0	%

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

Senior Notes and Debentures

As of June 30, 2013, we had outstanding \$1.0 billion aggregate principal amount of unsecured 3.25% senior notes due 2016, \$500.0 million aggregate principal amount of unsecured 8.5% senior notes due 2019, \$900.0 million aggregate principal amount of unsecured 6.875% senior notes due 2020, \$1.5 billion aggregate principal amount of unsecured 4.7% senior notes due 2021 and \$300.0 million aggregate principal amount of unsecured 7.875% senior notes due 2040. As of June 30, 2013, we also had outstanding \$150.0 million aggregate principal amount of unsecured 7.2% debentures due 2027. We make semiannual interest payments on each of the aforementioned notes and debentures.

Commercial Paper

We participate in a commercial paper program with four commercial paper dealers pursuant to which we may issue, on a private placement basis, unsecured commercial paper notes up to a maximum aggregate amount outstanding at any time of \$1.0 billion. Amounts issued under the commercial paper program are supported by the available and unused committed capacity under our Five-Year Credit Facility. As a result, amounts issued under the commercial paper program will be limited by the amount of our available and unused committed capacity under our Five-Year Credit Facility. The proceeds of such financings will be used for capital expenditures and other general corporate purposes. The commercial paper will bear interest at rates that vary based on market conditions and the ratings assigned by credit rating agencies at the time of issuance. The commercial paper maturities will vary but may not exceed 364 days from the date of issuance. The commercial paper is not redeemable or subject to voluntary prepayment by us prior to maturity. We had no amounts outstanding under our commercial paper program as of June 30, 2013 and December 31, 2012.

Revolving Credit

On May 7, 2013, we entered into a Fourth Amended and Restated Credit Agreement (the "Five-Year Credit Facility"), among Ensco, a subsidiary of Ensco, Citibank, N.A., as Administrative Agent, DNB Bank ASA, as Syndication Agent, and a syndicate of banks party thereto. The Five-Year Credit Facility provides for a \$2.0 billion senior unsecured revolving credit facility to be used for general corporate purposes with a five-year term expiring on May 7, 2018. The Five-Year Credit Facility amends and restates our \$1.45 billion credit agreement which was scheduled to mature on May 12, 2016. Advances under the Five-Year Credit Facility bear interest at Base Rate or LIBOR plus an applicable margin rate (currently 0.125% per annum for Base Rate advances and 1.125% per annum for LIBOR advances) depending on our credit rating. Amounts repaid may be re-borrowed during the term. We are required to pay a quarterly undrawn facility fee (currently 0.125% per annum) on the total \$2.0 billion commitment, which is also based on our credit rating. In addition to other customary restrictive covenants, the Five-Year Credit Facility requires us to maintain a total debt to total capitalization ratio less than or equal to 50%. We have the right, subject to lender consent, to increase the commitments under the Five-Year Credit Facility to an aggregate amount of up to \$2.5 billion. We had no amounts outstanding under the Five-Year Credit Facility as of June 30, 2013 and December 31, 2012.

In connection with the amendment of our Five-Year Credit Facility, we terminated our \$450 million 364-day revolving unsecured credit facility dated as of May 12, 2011.

Other Financing

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

As of June 30, 2013, we had an aggregate \$161.0 million outstanding under our Maritime Administration bond issues that require semiannual principal and interest payments due in 2015, 2016 and 2020, respectively.

Our shareholders approved a new share repurchase program for up to a maximum of \$2.0 billion in the aggregate at our May 2013 annual shareholder meeting. We may purchase up to 35.0 million shares under the program, which terminates in May 2018.

Other Commitments

We were contingently liable as of June 30, 2013 in the aggregate amount of \$160.3 million under outstanding letters of credit and surety bonds which guarantee our performance as it relates to our drilling contracts, contract bidding, customs duties, tax appeals and other obligations in various jurisdictions. Obligations under these letters of credit and surety bonds are not normally called, as we typically comply with the underlying performance requirement. As of June 30, 2013, we had not been required to make any collateral deposits with respect to these agreements.

Liquidity

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

	June 30, 2013	December 31, 2012
Cash and cash equivalents	\$489.8	\$487.1
Short-term investments	\$—	\$50.0
Working capital	\$922.2	\$734.2
Current ratio	2.1	1.7

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

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

Effects of Climate Change and Climate Change Regulation

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

In recent years, cap and trade initiatives to limit GHG emissions have been introduced in the European Union. Similarly, a number of bills related to climate change have been introduced in the U.S. Congress. If these or similar

bills were to be adopted, such legislation could adversely impact many industries. However, it appears unlikely that comprehensive federal climate legislation will be passed by Congress in the foreseeable future. In the absence of federal legislation, almost half of the states have begun to address GHG emissions, primarily through the planned development

of emission inventories or regional GHG cap and trade programs. Future regulation of GHG emissions could occur pursuant to future treaty obligations, statutory or regulatory changes or new climate change legislation in the jurisdictions in which we operate. If Congress undertakes comprehensive tax reform in the coming year, it is possible that such reform may include a carbon tax, which could impose additional direct costs on operations and reduce demand for refined products. Depending on the particular program, we, or our customers, could be required to control GHG emissions or to purchase and surrender allowances for GHG emissions resulting from our operations. It is uncertain whether any of these initiatives will be implemented. If such initiatives are implemented, we do not believe that such initiatives would have a direct, material adverse effect on our financial condition, operating results or cash flows.

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

MARKET RISK

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

We utilize cash flow hedges to hedge forecasted foreign currency denominated transactions, primarily to reduce our exposure to foreign currency exchange rate risk on future expected contract drilling expenses and capital expenditures denominated in various foreign currencies. We predominantly structure our drilling contracts in U.S. dollars, which significantly reduces the portion of our cash flows and assets denominated in foreign currencies. As of June 30, 2013, we had cash flow hedges outstanding to exchange an aggregate \$360.2 million for various foreign currencies. We have net assets and liabilities denominated in numerous foreign currencies and use various strategies to manage our exposure to changes in foreign currency exchange rates. We occasionally use derivatives to match foreign currency denominated liabilities with equal or near equal amounts of foreign currency denominated assets, thereby reducing exposure to earnings fluctuations caused by changes in foreign currency exchange rates. We do not designate such derivatives as hedging instruments. In these situations, a natural hedging relationship generally exists whereby changes in the fair value of the derivatives offset changes in the fair value of the underlying hedged items. As of June 30, 2013, we held derivatives not designated as hedging instruments outstanding to exchange an aggregate \$180.1 million for various foreign currencies.

If we were to incur a hypothetical 10% adverse change in foreign currency exchange rates, net unrealized losses associated with our foreign currency denominated assets and liabilities as of June 30, 2013 would approximate \$23.4 million. Approximately \$13.0 million of these unrealized losses would be offset by corresponding gains on the derivatives utilized to offset changes in the fair value of net assets and liabilities denominated in foreign currencies.

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

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

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires our management to make estimates, judgments and assumptions that affect the amounts reported in our consolidated financial statements and accompanying notes. Our significant accounting policies are included in Note 1 to our audited consolidated financial statements for the year ended December 31, 2012 included in our annual report on Form 10-K filed with the SEC on February 22, 2013. These policies, along with our underlying judgments and assumptions made in their application, have a significant impact on our consolidated financial statements. We identify our critical accounting policies as those that are the most pervasive and important to the portrayal of our financial position and operating results and that require the most difficult, subjective and/or complex judgments by management regarding estimates in matters that are inherently uncertain. Our critical accounting policies are those related to property and equipment, impairment of long-lived assets and goodwill and income taxes.

Property and Equipment

As of June 30, 2013, the carrying value of our property and equipment totaled \$13.4 billion, which represented 71% of total assets. This carrying value reflects the application of our property and equipment accounting policies, which incorporate management's 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 by management 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 by management 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.

For additional information on the useful lives of our drilling rigs, including an analysis of the impact of various changes in useful life assumptions, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Estimates" in Part II of our annual report on Form 10-K for the year ended December 31, 2012.

Impairment of Long-Lived Assets and Goodwill

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. However, the offshore drilling industry historically has been highly cyclical, and it is not unusual for rigs to be unutilized or underutilized for significant periods of time and subsequently resume full or near full utilization when business cycles change. Likewise, during periods of supply and demand imbalance, rigs frequently are contracted at or near cash break-even rates for extended periods of time until day rates increase when demand comes back into balance with supply. 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. Our rigs are mobile and generally may be moved from markets with excess supply, if economically feasible. Our drilling rigs are suited for, and accessible to, markets throughout the world.

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.

If the global economy deteriorates and/or other events or changes in circumstances indicate that the carrying value of one or more drilling rigs may not be recoverable, we may conclude that a triggering event has occurred and perform a recoverability test. If, at the time of the recoverability test, management's judgments and assumptions regarding future industry conditions and operations have diminished, it is reasonably possible that we could conclude that one or more of our drilling rigs are impaired.

We test goodwill for impairment on an annual basis or when events or changes in circumstances indicate that a potential impairment exists. When testing goodwill for impairment, we perform a qualitative assessment to determine whether it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount. Our two reportable segments represent our reporting units. If we determine it is more-likely-than-not that the fair value of a reporting unit exceeds its carrying value after qualitatively assessing all facts and circumstances, its goodwill is considered not impaired.

If the global economy deteriorates and/or our expectations relative to future offshore drilling industry conditions decline, we may conclude that the fair value of one or both of our reporting units has more-likely-than-not declined below its carrying amount and perform a quantitative assessment whereby we estimate the fair value of each reporting unit. In most instances, our calculation of the fair values of our reporting units is based on estimates of future discounted cash flows to be generated by our drilling rigs, which reflect management's judgments and assumptions regarding the appropriate risk-adjusted discount rate, as well as future industry conditions and operations, including expected utilization levels, day rates, expense levels, capital requirements and terminal values for each of our rigs. Due to the inherent uncertainties associated with these estimates, we perform sensitivity analysis on key assumptions as part of our goodwill impairment test.

If the aggregate fair value of our reporting units exceeds our market capitalization, we evaluate the reasonableness of the implied control premium which includes a comparison to implied control premiums from recent market transactions within our industry or other relevant benchmark data. To the extent that the implied control premium based on the aggregate fair value of our reporting units is not reasonable, we adjust the discount rate used in our

discounted cash flow model and reduce the estimated fair values of our reporting units.

If the estimated fair value of a reporting unit exceeds its carrying value, its goodwill is considered not impaired. If the estimated fair value of a reporting unit is less than its carrying value, we estimate the implied fair value of the reporting unit's goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to such excess. In the event we dispose of drilling rig operations that constitute a business, goodwill would be allocated in the determination of gain or loss on disposal.

Based on our annual goodwill impairment test performed as of December 31, 2012, there was no impairment of goodwill, and neither of our reporting units were determined to be at risk of a goodwill impairment in the near-term.

If the global economy deteriorates and/or our expectations relative to future offshore drilling industry conditions decline, we may conclude that the fair value of one or both of our reporting units has more-likely-than-not declined below its carrying amount and perform an interim period goodwill impairment test. If, at the time of the goodwill impairment test, management's judgments and assumptions regarding future industry conditions and operations have diminished, or if the market value of our shares has declined, we could conclude that the goodwill of one or both of our reporting units has been impaired. It is reasonably possible that the judgments and assumptions inherent in our goodwill impairment test may change in response to future market conditions.

Asset impairment evaluations are highly subjective. In most instances, they involve expectations of future cash flows to be generated by our drilling rigs, which reflect management's judgments and assumptions regarding future industry conditions and operations, as well as management's estimates of expected utilization levels, day rates, expense levels and capital requirements. The estimates, judgments and assumptions used by management in the application of our asset impairment policies reflect both historical experience and an assessment of current operational, industry, market, economic and political environments. The use of different estimates, judgments, assumptions and expectations regarding future industry conditions and operations would likely result in materially different asset carrying values and 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 June 30, 2013, our condensed consolidated balance sheet included a \$297.5 million net deferred income tax liability, a \$48.4 million liability for income taxes currently payable and a \$135.8 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 management's 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 would be subject to additional income taxes.

The carrying values of liabilities for income taxes currently payable and unrecognized tax benefits are based on management's interpretation of applicable tax laws and incorporate management's 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 many 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:

- The Internal Revenue Service and/or Her Majesty's Revenue and Customs may disagree with our interpretation of tax laws, treaties, or regulations with respect to our redomestication to the U.K. during 2009.

- 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.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Item 4. Controls and Procedures

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

During the fiscal quarter ended June 30, 2013, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Pride FCPA Investigation

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

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

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

Asbestos Litigation

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

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

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

Environmental Matters

We currently are subject to pending notices of assessment relating to spills of drilling fluids, oil, chemicals, grease or fuel from drilling rigs operating offshore Brazil from 2008 to 2013, pursuant to which the governmental authorities have assessed, or are anticipated to assess, fines in an aggregate amount of approximately \$300,000. We have contested these notices and appealed certain adverse decisions and are awaiting decisions in these cases. Although we do not expect final disposition of these assessments to have a material adverse effect on our financial position, operating results or cash flows, there can be no assurance as to the ultimate outcome of these assessments. A \$300,000 liability related to these matters was included in accrued liabilities and other on our condensed consolidated balance sheet as of June 30, 2013.

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

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

Other Matters

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

Item 1A. Risk Factors

There are numerous factors that affect our business and results of operations, many of which are beyond our control. In addition to information set forth in this quarterly report, you should carefully read and consider "Item 1A. Risk Factors" in Part I and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II of our annual report on Form 10-K for the year ended December 31, 2012, which contains descriptions of significant risks that might cause our actual results of operations in future periods to differ materially from those currently anticipated or expected.

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

The table below provides a summary of our repurchases of equity securities during the quarter ended June 30, 2013:
Issuer Purchases of Equity Securities

Period	Total Number of Securities Purchased ⁽¹⁾	Average Price Paid per Security	Total Number of Securities Purchased as Part of Publicly Announced Plans or Programs ⁽²⁾	Approximate Dollar Value of Securities that May Yet Be Purchased Under Plans or Programs
April 1 - April 30	1,720	\$57.83	—	\$—
May 1 - May 31	7,099	\$61.60	—	\$2,000,000,000
June 1 - June 30	131,652	\$60.15	—	\$2,000,000,000
Total	140,471	\$60.20	—	

During the quarter ended June 30, 2013, repurchases of our equity securities were made by an affiliated employee benefit trust from employees and non-employee directors in connection with the settlement of income tax withholding obligations arising from the vesting of share awards. Such securities remain available for re-issuance in connection with employee share awards.

In May 2013, we announced that our shareholders approved a new share repurchase program for up to a maximum of \$2.0 billion in the aggregate at our 2013 annual shareholder meeting. We may purchase up to 35.0 million shares under the program. The program terminates in May 2018.

Item 6. Exhibits

Exhibit Number	Exhibit
*3.1	Articles of Association of Ensco plc.
10.1	Fourth Amended and Restated Credit Agreement, dated as of May 7, 2013, among Ensco plc and Pride International, Inc., as Borrowers, the Banks named therein, Citibank, N.A., as Administrative Agent, DNB Bank ASA, as Syndication Agent, Deutsche Bank Securities Inc., HSBC Bank USA, NA and Wells Fargo Bank, National Association, as Co-Documentation Agents, and Citigroup Global Markets Inc., DNB Markets, Inc., Deutsche Bank Securities Inc., HSBC Securities (USA) Inc. and Wells Fargo Securities, LLC, as Joint Lead Arrangers and Joint Book Managers (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on May 13, 2013, File No. 1-8097).
10.2	Amendment No. 5 to the Ensco 2005 Amended and Restated Supplemental Executive Retirement Plan (Dated May 21, 2013 and effective October 1, 2013 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on May 24, 2013, File No. 1-8097).
*15.1	Letter regarding unaudited interim financial information.
*31.1	Certification of the Chief Executive Officer of Registrant Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*31.2	Certification of the Chief Financial Officer of Registrant Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
**32.1	Certification of the Chief Executive Officer of Registrant Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
**32.2	Certification of the Chief Financial Officer of Registrant Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*101.INS	XBRL Instance Document
*101.SCH	XBRL Taxonomy Extension Schema
*101.CAL	XBRL Taxonomy Extension Calculation Linkbase
*101.DEF	XBRL Taxonomy Extension Definition Linkbase
*101.LAB	XBRL Taxonomy Extension Label Linkbase
*101.PRE	XBRL Taxonomy Extension Presentation Linkbase
*	Filed herewith.
**	Furnished herewith.

SIGNATURES

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

Ensco plc

Date: July 30, 2013

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

/s/ DOUGLAS J. MANKO
Douglas J. Manko
Vice President - Finance

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

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*101.DEF	XBRL Taxonomy Extension Definition Linkbase
*101.LAB	XBRL Taxonomy Extension Label Linkbase
*101.PRE	XBRL Taxonomy Extension Presentation Linkbase
*	Filed herewith.
**	Furnished herewith.