# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 8-K/A

**(Amendment No. 1)**

## CURRENT REPORT
## Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **October 3, 2017**

# Ensco plc

(Exact name of registrant as specified in charter)

| **England and Wales** | **98-0635229** |
|---|---|
| (State or other jurisdiction of incorporation) | (I.R.S. Employer Identification No.) |

**1-8097**
(Commission File No.)

**6 Chesterfield Gardens**
**London, England W1J 5BQ**
(Address of Principal Executive Offices)
(Zip Code)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined by Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2). Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

## EXPLANATORY NOTE

On October 6, 2017, Ensco plc (the "Company") filed a Current Report on Form 8-K (the "Form 8-K") reporting, among other things, the completion of its acquisition of Atwood Oceanics, Inc. ("Atwood"). Item 9.01 of the Form 8-K stated that the financial statements and pro forma financial information required to be filed under Item 9.01 of the Form 8-K are included in the Company's Registration Statement on Form S-4 (Registration No. 333-218808) filed with the Securities and Exchange Commission on June 16, 2017. The Company is filing this Amendment No. 1 to Current Report on Form 8-K/A (the "Amendment") solely to restate Item 9.01 of the Form 8-K in its entirety to file such financial statements and pro forma financial information as exhibits and include the related consent of PricewaterhouseCoopers LLP. No other amendments to the Form 8-K are being made by this Amendment.

**Item 9.01 Financial Statements and Exhibits.**

*(a) Financial Statements of Business Acquired*

*(b) Pro Forma Financial Information*

The financial statements and pro forma financial information required to be filed under Item 9.01 of Form 8-K, which were included or incorporated by reference in the joint proxy statement/prospectus dated August 18, 2017 of the Company and Atwood (the "Proxy Statement/Prospectus") included in the Company's Registration Statement on Form S-4 (Registration No. 333-218808) initially filed with the Securities and Exchange Commission on June 16, 2017, are filed as Exhibits 99.2, 99.3 and 99.4 hereto and incorporated by reference herein.

*(d) Exhibits*

| Exhibit Number | Description |
|---|---|
| 2.1 | Agreement and Plan of Merger, dated as of May 29, 2017, by and among the Company, Echo Merger Sub LLC and Atwood (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on May 30, 2017). |
| 10.1* | Commitment Agreement and Fifth Amendment to Fourth Amended and Restated Credit Agreement, dated as of October 3, 2017, among the Company, Pride International LLC, certain other subsidiaries of the Company party thereto, Citibank, N.A., as administrative agent, and the lenders party thereto. |
| 23.1 | Consent of PricewaterhouseCoopers LLP. |
| 99.1* | Press Release, dated October 6, 2017. |
| 99.2 | The audited consolidated financial statements of Atwood as of September 30, 2016 and 2015 and for the years ended September 30, 2016, 2015 and 2014 included in Part II, Item 8 of Atwood's Annual Report on Form 10-K for the fiscal year ended September 30, 2016 (File No. 1-13167), filed on November 15, 2016. |
| 99.3 | The unaudited condensed consolidated financial statements of Atwood as of and for the nine-month periods ended June 30, 2017 and 2016 included in Part I, Item 1 of Atwood's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2017 (File No. 1-13167), filed on August 3, 2017. |
| 99.4 | The unaudited pro forma condensed combined financial statements of the Company as of and for the six month period ended June 30, 2017 and for the year ended December 31, 2016 included on pages 118 through 129 of the Proxy Statement/Prospectus. |

* Previously filed

## 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 hereunto duly authorized.

**Ensco plc**

Date: December 15, 2017

By: /s/ Tommy E. Darby
Tommy E. Darby
Controller

**Exhibit 23.1**

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-174611, 333-58625, 033-40282, 333-97757, 333-125048, 333-156530, 333-181593, 333-204294, 333-211588, 333-218240 and 333-220859) and Form S-3 (Nos. 333-221706 and 333-201532) of Ensco plc of our report dated November 15, 2016 relating to the financial statements and the effectiveness of internal control over financial reporting of Atwood Oceanics, Inc., which appears in this Current Report on Form 8-K/A of Ensco plc.

/s/ PricewaterhouseCoopers LLP

Houston, Texas
December 15, 2017

Exhibit 99.2

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

## MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Atwood Oceanics, Inc. (which together with its subsidiaries is identified as the "Company," "we" or "our" unless stated otherwise or the context requires otherwise) is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting was designed by management, under the supervision of the Chief Executive Officer and Chief Financial Officer, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America, and includes those policies and procedures that:

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

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

Management assessed the effectiveness of the Company's internal control over financial reporting as of September 30, 2016. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control-Integrated Framework (2013)* .

Based on our evaluation under the criteria in *Internal Control-Integrated Framework (2013),* management has concluded that the Company maintained effective internal control over financial reporting as of September 30, 2016. PricewaterhouseCoopers LLP, our independent registered public accounting firm, has issued an attestation report on the effectiveness of the Company's internal control over financial reporting as of September 30, 2016, which appears on the following page.

**ATWOOD OCEANICS, INC.**

by

/s/ Robert J. Saltiel
Robert J. Saltiel
President and
Chief Executive Officer

November 15, 2016

/s/ Mark W. Smith
Mark W. Smith
Senior Vice President and
Chief Financial Officer

November 15, 2016

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Shareholders of Atwood Oceanics, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, comprehensive income, cash flows and changes in shareholders' equity present fairly, in all material respects, the financial position of Atwood Oceanics, Inc. and its subsidiaries at September 30, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2016 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2016, based on criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

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

/s/ PricewaterhouseCoopers LLP
Houston, Texas
November 15, 2016

**ATWOOD OCEANICS, INC. AND SUBSIDIARIES**
CONSOLIDATED STATEMENTS OF OPERATIONS

| (In thousands, except per share amounts) | Years Ended September 30, 2016 | 2015 | 2014 |
|---|---|---|---|
| **REVENUES:** | | | |
| Contract drilling | $ 976,348 | $ 1,342,052 | $ 1,103,397 |
| Revenues related to reimbursable expenses | 44,296 | 53,799 | 70,556 |
| Total revenues | 1,020,644 | 1,395,851 | 1,173,953 |
| | | | |
| **COSTS AND EXPENSES:** | | | |
| Contract drilling | 378,535 | 520,421 | 506,128 |
| Reimbursable expenses | 28,291 | 38,744 | 56,225 |
| Depreciation | 165,669 | 171,947 | 147,358 |
| General and administrative | 50,550 | 57,229 | 61,461 |
| Asset impairment | 103,539 | 60,777 | — |
| (Gain)/loss on sale of assets | 77 | 15,303 | (34,139) |
| Other, net | (299) | — | (1,864) |
| | 726,362 | 864,421 | 735,169 |
| | | | |
| **OPERATING INCOME** | 294,282 | 531,430 | 438,784 |
| | | | |
| **OTHER INCOME (EXPENSE):** | | | |
| Interest expense, net of capitalized interest | (68,566) | (52,551) | (41,803) |
| Interest income | 21 | 91 | 312 |
| Gains on extinguishment of debt | 69,041 | — | — |
| Other income | 17,977 | — | — |
| | 18,473 | (52,460) | (41,491) |
| | | | |
| **INCOME BEFORE INCOME TAXES** | 312,755 | 478,970 | 397,293 |
| **PROVISION FOR INCOME TAXES** | 47,483 | 46,397 | 56,471 |
| **NET INCOME** | $ 265,272 | $ 432,573 | $ 340,822 |
| | | | |
| **EARNINGS PER COMMON SHARE (NOTE 2):** | | | |
| Basic | $ 4.09 | $ 6.70 | $ 5.31 |
| Diluted | $ 4.09 | $ 6.65 | $ 5.24 |
| **WEIGHTED AVERAGE COMMON SHARES OUTSTANDING (NOTE 2):** | | | |
| Basic | 64,789 | 64,581 | 64,240 |
| Diluted | 64,839 | 65,030 | 65,074 |

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

**ATWOOD OCEANICS, INC. AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| (In thousands) | Years Ended September 30, 2016 | 2015 | 2014 |
|---|---|---|---|
| **Net income** | $ 265,272 | $ 432,573 | $ 340,822 |
| **Other comprehensive income/(losses):** | | | |
| Derivative financial instruments: | | | |
| Unrealized holding gain/(losses) | (4,690) | (4,061) | 4,208 |
| Gains/(losses) reclassified to net income | 3,624 | (228) | 834 |
| Total other comprehensive income (loss) | (1,066) | (4,289) | 5,042 |
| **Comprehensive income** | $ 264,206 | $ 428,284 | $ 345,864 |

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

**ATWOOD OCEANICS INC. AND SUBSIDIARIES**
CONSOLIDATED BALANCE SHEETS

| (In thousands, except par value) | | September 30, 2016 | | 2015 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash | $ | 145,427 | $ | 113,983 |
| Accounts receivable, net | | 113,091 | | 311,514 |
| Income tax receivable | | 6,095 | | 8,705 |
| Inventories of materials and supplies, net | | 109,925 | | 137,998 |
| Prepaid expenses, deferred costs and other current assets | | 18,504 | | 33,735 |
| Total current assets | | 393,042 | | 605,935 |
| | | | | |
| Property and equipment, net | | 4,127,696 | | 4,172,132 |
| | | | | |
| Other receivables | | 11,831 | | 11,831 |
| Deferred income taxes | | 165 | | 150 |
| Deferred costs and other assets | | 7,058 | | 11,285 |
| **Total assets** | $ | 4,539,792 | $ | 4,801,333 |
| | | | | |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | |
| Accounts payable | $ | 25,299 | $ | 70,161 |
| Accrued liabilities | | 7,868 | | 23,572 |
| Dividends payable | | — | | 16,164 |
| Interest payable | | 7,096 | | 7,704 |
| Income tax payable | | 8,294 | | 13,906 |
| Deferred credits and other liabilities | | 799 | | 3,941 |
| Total current liabilities | | 49,356 | | 135,448 |
| | | | | |
| Long-term debt | | 1,227,919 | | 1,678,268 |
| Deferred income taxes | | 1,202 | | 1,658 |
| Deferred credits | | — | | 800 |
| Other | | 30,929 | | 37,989 |
| Total long-term liabilities | | 1,260,050 | | 1,718,715 |
| | | | | |
| Commitments and contingencies (Note 9) | | | | |
| | | | | |
| Preferred stock, no par value, 1,000 shares authorized, none outstanding | | — | | — |
| Common stock, $1.00 par value, 180,000 shares authorized with 64,799 issued and outstanding at September 30, 2016 and 180,000 shares authorized and 64,654 shares issued and outstanding at September 30, 2015 | | 64,799 | | 64,654 |
| Paid-in capital | | 237,542 | | 213,096 |
| Retained earnings | | 2,929,839 | | 2,670,148 |
| Accumulated other comprehensive loss | | (1,794) | | (728) |
| Total shareholders' equity | | 3,230,386 | | 2,947,170 |
| **Total liabilities and shareholders' equity** | $ | 4,539,792 | $ | 4,801,333 |

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

**ATWOOD OCEANICS, INC. AND SUBSIDIARIES**
CONSOLIDATED STATEMENTS OF CHANGES IN
SHAREHOLDERS' EQUITY

| (In thousands) | Common Stock Shares | Common Stock Amount | Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Total Stockholders' Equity |
|---|---|---|---|---|---|---|
| **September 30, 2013** | 64,057 | $ 64,057 | $ 183,390 | $ 1,961,405 | $ (1,481) | $ 2,207,371 |
| Net income | — | — | — | 340,822 | — | 340,822 |
| Other comprehensive income | — | — | — | — | 5,042 | 5,042 |
| Dividends | — | — | — | (16,090) | — | (16,090) |
| Vesting of restricted stock awards and performance unit awards | 180 | 180 | (180) | — | — | — |
| Exercise of employee stock options | 125 | 125 | 3,563 | — | — | 3,688 |
| Stock compensation expense | — | — | 14,691 | — | — | 14,691 |
| **September 30, 2014** | 64,362 | 64,362 | 201,464 | 2,286,137 | 3,561 | 2,555,524 |
| Net income | — | — | — | 432,573 | — | 432,573 |
| Other comprehensive income | — | — | — | — | (4,289) | (4,289) |
| Dividends | — | — | — | (48,562) | — | (48,562) |
| Vesting of restricted stock awards and performance unit awards | 224 | 224 | (2,192) | — | — | (1,968) |
| Exercise of employee stock options | 68 | 68 | 996 | — | — | 1,064 |
| Stock compensation expense | — | — | 12,828 | — | — | 12,828 |
| **September 30, 2015** | 64,654 | 64,654 | 213,096 | 2,670,148 | (728) | 2,947,170 |
| Net income | — | — | — | 265,272 | — | 265,272 |
| Other comprehensive income (loss) | — | — | — | — | (1,066) | (1,066) |
| Dividends | — | — | — | (5,581) | — | (5,581) |
| Vesting of restricted stock and performance unit awards | 145 | 145 | (610) | — | — | (465) |
| Stock compensations expense | — | — | 11,862 | — | — | 11,862 |
| Stock compensation windfall tax benefits | — | — | 13,194 | — | — | 13,194 |
| **September 30, 2016** | 64,799 | $ 64,799 | $ 237,542 | $ 2,929,839 | $ (1,794) | $ 3,230,386 |

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

**ATWOOD OCEANICS, INC. AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CASH FLOWS

| (In thousands) | Years Ended September 30, 2016 | 2015 | 2014 |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| Net income | $ 265,272 | $ 432,573 | $ 340,822 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation | 165,669 | 171,947 | 147,358 |
| Amortization | 3,446 | 6,299 | 8,634 |
| Provision for doubtful accounts and inventory obsolescence | 9,501 | 4,286 | 2,826 |
| Deferred income tax benefit | 1,632 | (2,747) | (1,270) |
| Share-based compensation expense | 11,862 | 12,828 | 14,691 |
| Asset impairment | 103,539 | 60,777 | — |
| (Gain) loss on sale of assets | (222) | 15,303 | (34,139) |
| (Gain) on extinguishment of debt | (69,041) | — | — |
| Change in assets and liabilities: | | | |
| Accounts receivable | 176,614 | (72,575) | (43,965) |
| Income tax receivable | 2,610 | (2,445) | (1,588) |
| Inventories of materials and supplies | 12,385 | (19,068) | (17,220) |
| Prepaid expenses, deferred costs and other current assets | 7,498 | (3,655) | 15,463 |
| Deferred costs and other assets | (608) | 5,917 | (11,682) |
| Accounts payable | (36,227) | (11,967) | 1,932 |
| Accrued liabilities | (16,298) | 1,637 | 1,647 |
| Income tax payable | (5,612) | (328) | (2,320) |
| Deferred credits and other liabilities | (7,012) | 5,505 | 21,431 |
| Net cash provided by operating activities | 625,008 | 604,287 | 442,620 |
| **Cash flows from investing activities:** | | | |
| Capital expenditures | (223,731) | (448,019) | (975,731) |
| Net proceeds from sale of assets | 20,792 | (4,402) | 61,516 |
| Net cash used in investing activities | (202,939) | (452,421) | (914,215) |
| **Cash flows from financing activities:** | | | |
| Proceeds from borrowing of long-term debt | 45,000 | 225,000 | 700,000 |
| Principal repayments on long-term debt | (426,623) | (280,000) | (220,000) |
| Repayments on short-term debt, net | — | (11,885) | (13,979) |
| Dividends paid | (21,745) | (48,562) | — |
| Proceeds from exercise of stock options | — | 1,064 | 3,688 |
| Debt issuance costs paid | (451) | (3,580) | (6,804) |
| Windfall tax benefits from share-based payment arrangements | 13,194 | — | — |
| Net cash (used in) or provided by financing activities | (390,625) | (117,963) | 462,905 |
| Net increase (decrease) in cash and cash equivalents | 31,444 | 33,903 | (8,690) |
| Cash at beginning of period | 113,983 | 80,080 | 88,770 |
| **Cash at end of period** | $ 145,427 | $ 113,983 | $ 80,080 |
| **Cash paid during the period for:** | | | |
| Domestic and foreign income taxes | $ 35,653 | $ 50,428 | $ 55,777 |
| Interest, net of amounts capitalized | 67,958 | 48,209 | 35,265 |
| **Non-cash activities:** | | | |
| Decrease in accounts payables related to capital expenditures | (8,028) | (9,532) | (2,804) |
| Dividends payable | — | 16,164 | 16,090 |
| Increase in short-term debt related to funding of insurance policies | — | — | 17,793 |

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

**NOTE 1—NATURE OF OPERATIONS**

Atwood Oceanics, Inc. and its subsidiaries, which are collectively referred to herein as the "Company," "we," "us" or "our" except where stated or the context indicates otherwise, are a global offshore drilling contractor engaged in the drilling and completion of exploratory and developmental oil and gas wells. We currently own a diversified fleet of 10 mobile offshore drilling units located in the U.S. Gulf of Mexico, the Mediterranean Sea, offshore West Africa, offshore Southeast Asia and offshore Australia. In addition, we are constructing two ultra-deepwater drillships, currently scheduled for delivery in fiscal years 2017 and 2018. We were founded in 1968 and are headquartered in Houston, Texas with support offices in Australia, Malaysia, Thailand, Singapore, Luxembourg, Mauritius, the Cayman Islands, the United Arab Emirates and the United Kingdom.

**NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Consolidation***

The consolidated financial statements include the accounts of Atwood Oceanics, Inc. and all of its domestic and foreign subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

***Use of estimates***

The preparation of financial statements in conformity with generally accepted accounting principles in the United States ("GAAP") requires management to make extensive use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Accounts receivable***

We record accounts receivable at the amount we invoice our clients, net of allowance for doubtful accounts. Our clients are major international corporate entities and government organizations with stable payment experience. Historically, our uncollectible accounts receivable have been immaterial, and typically, we do not require collateral for our receivables. We provide an allowance for uncollectible accounts, as necessary, on a specific identification basis. Our allowance for doubtful accounts as of September 30, 2016 and 2015 was $1.2 million and $3.8 million, respectively. Our provision for doubtful accounts for fiscal years September 30, 2016, 2015 and 2014 was $5.6 million, $3.7 million and $1.0 million, respectively. The provision for doubtful accounts is reported as a component of Contract Drilling costs in our Consolidated Statements of Operations.

***Concentrations of market and credit risk***

All of our clients are in the oil and gas offshore exploration and production industry. This industry concentration has the potential to impact our overall exposure to market and credit risks, either positively or negatively, in that our clients could be affected by similar changes in economic, industry or other conditions. However, we believe that the credit risk posed by this industry concentration is offset by the creditworthiness of our client base. Revenues from individual clients that are 10% or more of our total revenues are as follows:

| (In thousands) | Fiscal 2016 | Fiscal 2015 | Fiscal 2014 |
|---|---|---|---|
| Shell Offshore Inc. | $ 213,785 | $ 201,190 | $ 179,763 |
| Kosmos Energy | 184,475 | 142,701 | 12,933 |
| Noble Energy Inc. | 179,545 | 227,682 | 169,851 |
| Chevron Australia Pty. Ltd. | 118,471 | 156,099 | 175,334 |
| Woodside Energy Ltd. | 109,236 | 166,796 | 68,484 |
| Apache Energy Ltd. | — | 39,233 | 209,871 |

In addition, we have certain clients that make up a significant portion of our Accounts Receivable at September 30, 2016, as indicated in the table below:

| | Percentage of Accounts Receivable |
|---|---|
| Shell Offshore Inc. | 31% |
| Kosmos Energy Ltd. | 26% |
| Woodside Energy Ltd. | 15% |
| Noble Energy Inc. | 11% |

***Inventories of material and supplies***

Inventories consist of spare parts, material and supplies held for consumption and are stated principally at average cost, net of reserves for excess and obsolete inventory of $8.8 million and $5.3 million as of September 30, 2016 and 2015, respectively. We maintain our reserves at between 3% and 5% of the balance to provide for non-recoverable costs. During the three and twelve months ended September 30, 2016, we recorded a non-cash charges of $3.9 million, which is reported in Contract Drilling costs to increase our reserve for excessive and/or obsolete materials and supplies. This charge included inventory items throughout our drilling rig fleet.

***Property and equipment***

Property and equipment are recorded at historical cost. Interest costs related to property under construction are capitalized as a component of construction costs.

Once rigs and related equipment are placed in service, they are depreciated using the straight-line method over their estimated useful lives after deducting their residual values, with depreciation discontinued only during the period when a drilling unit and/or its related drilling equipment is out-of-service while undergoing a significant upgrade that extends its useful life. Any future increases or decreases in our estimates of useful lives or salvage values will be recognized prospectively as decreases or increases in future depreciation expense, respectively. Our estimated useful lives of our various classifications of assets are as follows:

| | Years |
|---|---|
| Drilling vessels and related equipment | 5-35 |
| Drill pipe | 3 |
| Furniture and other | 3-10 |

Maintenance, repairs and minor replacements are charged against income as incurred. Major replacements and upgrades are capitalized and depreciated over the remaining useful life of the asset, as determined upon completion of the work. The cost and related accumulated depreciation of assets sold, retired or otherwise disposed are removed from the accounts at the time of disposition and any resulting gain or loss is reflected in the Consolidated Statements of Operations for the applicable periods.

***Impairment of property and equipment***

We evaluate our property and equipment whenever events or changes in circumstance indicate that the carrying amount of an asset may not be recoverable. An impairment loss on our property and equipment exists when the estimated future undiscounted cash flows are less than the carrying amount of the asset. If an asset is determined to be impaired, the loss is measured by the amount by which the carrying value of the asset exceeds its fair value. In determining an asset's fair value, we consider a number of factors such as estimated future cash flows, appraisals and current market value analysis.

***Revenue recognition***

We account for contract drilling revenue in accordance with accounting guidance and the terms of the underlying drilling contract. These contracts generally provide that revenue is earned and recognized on a daily rate (i.e. "day rate") basis, and day rates are typically earned for a particular level of service over the life of a contract assuming collectability is reasonably assured. Day rate contracts can be performed for a specified period of time or the time required to drill a specified well or number of wells. Revenues from day rate contracts for drilling and other operations performed during the term of a contract (including during mobilization) are classified under contract drilling services.

Certain fees received as compensation for relocating drilling rigs from one major operating area to another, equipment and upgrade costs reimbursed by the client, as well as receipt of advance billings of day rates are deferred and recognized as earned during the expected term of the related drilling contract, as are the day rates associated with such contracts. If receipt of such fees is not conditional, they will be recognized as earned on a straight-line method over the expected term of the related drilling contract. However, fees received upon termination of a drilling contract are generally recognized as earned during the period termination occurs as the termination fee is usually conditional based on the occurrence of an event as defined in the drilling contract, such as not obtaining follow on work to the contract in progress or relocation beyond a certain distance when the contract is completed.

As of September 30, 2016 and 2015, deferred fees associated with mobilization, related equipment purchases and upgrades and receipt of advance billings of day rates totaled $0.8 million and $4.7 million, respectively. Deferred fees are classified as current or long-term deferred credits in the accompanying Consolidated Balance Sheets based on the expected term of the applicable drilling contracts.

***Reimbursable revenue***

We recognize client reimbursable revenues as we bill our clients for reimbursement of costs associated with certain equipment, materials and supplies, subcontracted services, employee bonuses and other expenditures, resulting in little or no net effect on operating income since such recognition is concurrent with the recognition of the respective reimbursable costs in operating and maintenance expense.

***Deferred costs***

We defer certain mobilization costs relating to moving a drilling rig to a new area incurred prior to the commencement of the drilling operations and client requested equipment purchases. We amortize such costs on a straight-line basis over the expected term of the applicable drilling contract. Contract revenues and drilling costs are reported in the Consolidated Statements of Operations at their gross amounts.

As of September 30, 2016 and 2015, deferred costs associated with mobilization and related equipment purchases totaled $0.5 million and $3.1 million, respectively. Deferred costs are classified as current or long-term deferred costs in the accompanying Consolidated Balance Sheets based on the expected term of the applicable drilling contracts.

***Deferred drydocking costs***

Certifications from various regulatory bodies are required to operate our drilling rigs and well control systems and we must maintain such certifications through periodic inspections and surveys on an ongoing basis. We defer the periodic survey and drydock costs incurred in connection with obtaining regulatory certifications and we recognize such costs in Contract Drilling Expense over the period until the next survey using the straight-line method. As of September 30, 2016 and 2015, deferred drydocking costs totaling $1.8 million and $1.3 million, respectively, were included in Deferred Costs and Other Assets in the accompanying Consolidated Balance Sheets.

***Derivative financial instruments***

From time to time we may enter into a variety of derivative financial instruments in connection with the management of our exposure to variability in interest rates and currency exchange rates. We do not engage in derivative transactions for speculative or trading purposes and we are not a party to leveraged derivatives.

We enter into interest rate swaps to limit our exposure to fluctuations and volatility in interest rates. Our credit facility exposes us to short-term changes in market interest rates as our interest obligations on these instruments are periodically re-determined based on the prevailing Eurodollar rate.

Our functional currency is the U.S. dollar and thus our international operations expose us to foreign currency risk associated with cash flows from transactions denominated in currencies other than our functional currency. From time to time, we enter into foreign currency forward exchange contracts to limit our exposure to fluctuations and volatility in currency exchange rates. We have outstanding foreign currency forward exchange contracts that were entered into to hedge a portion of our anticipated euro receipts associated with revenues earned on a drilling contract. These forward contracts are designated as cash flow hedging instruments.

We record our derivative contracts at fair value on our Consolidated Balance Sheets (See Note 5). Each quarter, changes in the fair values of our derivative instruments designated and qualifying as cash flow hedging instruments will adjust the balance sheet asset or liability, with an offset to Accumulated Other Comprehensive Income (“AOCI”) for the effective portion of the

hedge. The effective portion of the cash flow hedge will remain in AOCI until it is reclassified into earnings in the period or periods during which the hedged transaction affects earnings or when it is probable that the hedged forecasted transaction will not occur by the end of the originally specified time period. Any changes in fair value resulting from ineffectiveness on interest rate swaps and foreign currency forward exchange contracts are recognized immediately into earnings as a component of interest expense and contract drilling, respectively. See our Consolidated Statement of Comprehensive Income for changes in our unrealized holding losses and reclassifications into earnings for fiscal years 2016, 2015 and 2014.

***Foreign exchange***

Monetary assets and liabilities denominated in foreign currency are re-measured to U.S. Dollars at the rate of exchange in effect at the end of the fiscal year, items of income and expense are re-measured at average monthly rates, and property and equipment and other nonmonetary amounts are re-measured at historical rates. Gains and losses on foreign currency transactions and re-measurements are generally related to and included in contract drilling costs in our Consolidated Statements of Operations. We recorded a foreign exchange loss of $2.4 million during fiscal year 2016, a loss of $2.7 million during fiscal year 2015 and a loss of $3.0 million during fiscal year 2014. The effect of exchange rate changes on cash held in foreign currencies was immaterial.

***Income taxes***

Deferred income taxes are recorded to reflect the tax consequences, if any, on future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end given the provisions of enacted tax laws in each respective jurisdiction. We do not record deferred taxes on the basis differences of our drilling rigs working in the U.S. Gulf of Mexico as we do not believe these differences will result in additional U.S. income tax expense. Deferred tax assets are reduced by a valuation allowance when, based upon management's estimates, it is more likely than not that a portion of the deferred tax assets will not be realized in a future period. In addition, we accrue for income tax contingencies, or uncertain tax positions, that we believe are more likely than not to be realized. See Note 8 for further discussion.

***Earnings per common share***

Basic earnings per share excludes dilution and is computed by dividing net income (loss) by the weighted-average number of common shares outstanding for the period. Diluted earnings per share reflects the assumed effect of the issuance of additional shares in connection with the exercise of stock options and vesting of restricted stock.

The computation of basic and diluted earnings per share for each of the past three fiscal years is as follows:

| (In thousands, except per share amounts) | Net Income | Weighted Average Shares | Per Share Amount |
|---|---|---|---|
| **Fiscal 2016** | | | |
| Basic earnings per share | $ 265,272 | 64,789 | $ 4.09 |
| Effect of dilutive securities: | | | |
| Restricted stock and performance units | — | 50 | — |
| Diluted earnings per share | $ 265,272 | 64,839 | $ 4.09 |
| **Fiscal 2015** | | | |
| Basic earnings per share | $ 432,573 | 64,581 | $ 6.70 |
| Effect of dilutive securities: | | | |
| Stock options | — | 61 | — |
| Restricted stock and performance units | — | 388 | (0.05) |
| Diluted earnings per share | $ 432,573 | 65,030 | $ 6.65 |
| **Fiscal 2014** | | | |
| Basic earnings per share | $ 340,822 | 64,240 | $ 5.31 |
| Effect of dilutive securities: | | | |
| Stock options | — | 239 | (0.01) |
| Restricted stock and performance units | — | 595 | (0.06) |
| Diluted earnings per share | $ 340,822 | 65,074 | $ 5.24 |

In fiscal year 2016 and 2015 there were 2,471,230 and 866,000 anti-dilutive securities excluded for the calculation of diluted earnings per share, respectively. There were no anti-dilutive securities excluded in fiscal 2014.

***Recently issued accounting pronouncements***

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) 2016-15, Statement of Cash Flows (Topic 230) - Classification of Certain Cash Receipts and Cash Payments. The ASU is intended to reduce diversity in practice in how certain cash receipts and cash payments are presented in the statement of cash flows. The new guidance clarifies the classification of cash activity related to: (1) debt prepayment or debt extinguishment costs, (2) settlement of zero-coupon debt instruments, (3) contingent consideration payments made after a business combination, (4) proceeds from the settlement of insurance claims, (5) proceeds from the settlement of corporate and bank-owned life insurance policies, (6)distributions received from equity-method investments, and (7) beneficial interests in securitization transactions. This update is effective for annual and interim periods beginning after December 15, 2019. We are currently evaluating what impact the adoption of this guidance will have on our financial statements or disclosures in our financial statements.

In June, 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326). The ASU introduces a new model for recognizing credit losses on financial instruments based on an estimate of current expected credit losses. The new model will apply to: (1) loans, accounts receivable, trade receivables, and other financial assets measured at amortized cost, (2) loan commitments and certain other off-balance sheet credit exposures, (3) debt securities and other financial assets measured at fair value through other comprehensive income, and (4) beneficial interests in securitized financial assets. This update is effective for annual and interim periods beginning after December 15, 2019. We are currently evaluating what impact the adoption of this guidance will have on our financial statements or disclosures in our financial statements.

In March 2016, the FASB issued ASU 2016-09, Improvements to Employee Share-Based Payment Accounting, as part of its simplification initiative. The ASU simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, classification of excess tax benefits on the statement of cash flows, forfeitures, statutory tax withholding requirements, classification of awards as either equity or liabilities, and classification of employee taxes paid on the statement of cash flows when an employer withholds shares for tax-withholding purposes. The amendments in this update are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. We are currently evaluating what impact the adoption of this guidance will have on our financial statements or disclosures in our financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842): Amendments which requires an entity to recognize lease assets and lease liabilities on the balance sheet and to disclose key qualitative and quantitative information about the entity's leasing arrangements. This update is effective for annual and interim periods beginning after December 15, 2018, with early adoption permitted. A modified retrospective approach is required. We are currently evaluating what impact the adoption of this guidance will have on our financial statements or disclosures in our financial statements.

In November 2015, the FASB issued ASU 2015-17, Income Taxes (Topic 740): Amendments for the balance sheet classification of deferred income taxes. The amended guidance requires the classification of all deferred tax assets and liabilities as noncurrent on the balance sheet instead of separating deferred taxes into current and noncurrent amounts. Deferred tax assets and liabilities will continue to be offset and presented as a single amount under the amended guidance. The effective date for public business entities is for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. We have not yet adopted nor selected a transition method and are currently evaluating what impact the adoption of this guidance will have on our financial statements or disclosures in our financial statements.

In April 2015, the FASB issued ASU 2015-03, Interest-Imputation of Interest (Subtopic 835-30): Amendments intended to simplify the presentation of debt issuance costs. This new guidance requires that debt issuance costs related to outstanding debt be netted against that liability in the balance sheet, consistent with the treatment of debt discounts. In August 2015, the FASB issued additional guidance to clarify that this presentation change does not address debt issuance costs related to line of credit arrangements. The new presentation guidance is effective for fiscal years and interim periods beginning after December 15, 2015 and early adoption is permitted. We adopted this guidance in the first quarter of fiscal 2016. We reclassified $1.7 million from Prepaid Expenses, Deferred Costs and Other Current Assets and $6.0 million from Deferred Costs and Other Assets to Long-Term Debt in the September 30, 2015 Consolidated Balance Sheet presented in this Form 10-K to conform to the current year presentation of debt issuance costs.

In May 2014, the FASB issued ASU 2014-09, Revenues from Contracts with Customers (Topic 606): A new guidance intended to change the criteria for recognition of revenue. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to clients in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. We are currently evaluating what impact the adoption of this guidance will have on our financial statements or disclosures in our financial statements.

## NOTE 3—PROPERTY AND EQUIPMENT

A summary of property and equipment by classification is as follows:

| (In thousands) | September 30, 2016 | September 30, 2015 |
|---|---|---|
| Drilling vessels and equipment | $ 3,898,686 | $ 4,003,483 |
| Construction work in progress | 857,572 | 720,852 |
| Drill pipe | 52,543 | 55,248 |
| Office equipment and other | 39,213 | 36,379 |
| Total cost | 4,848,014 | 4,815,962 |
| Less: Accumulated depreciation | (720,318) | (643,830) |
| Property and equipment, net | $ 4,127,696 | $ 4,172,132 |

***Impairments***

The *Atwood Falcon* completed the contract it was working under in early March 2016. Based on the lack of contracting opportunities and the further deterioration of commodity prices, we determined that it was not likely that additional work would be obtained in the foreseeable future. Based on our analysis, we concluded that the *Atwood Falcon* and its materials and supplies were impaired as of December 31, 2015, and we wrote them down to their approximate salvage value. We recorded a non-cash impairment charge of approximately $64.9 million ($64.9 million net of tax, or $1.00 per diluted share), which is included in Asset Impairment on the Consolidated Statement of Operations for the three months ended December 31, 2015. This impairment charge includes a write-down of property and equipment of $53.2 million and a write-down of our inventory of materials and supplies specific to the *Atwood Falcon* of $11.7 million. In April 2016, we completed the sale of the *Atwood Falcon.*

The *Atwood Hunter* completed the contract it was working under in December 2014. Based on the lack of contracting opportunities and the further deterioration of commodity prices, in January 2015, we determined that it was not likely that additional work would be obtained in the foreseeable future. Based on our analysis, in the three months ended December 31, 2014, we determined that the *Atwood Hunter* and its materials and supplies were impaired, and we wrote them down to their salvage value. We recorded a non-cash impairment charge of approximately $60.8 million ($56.1 million, net of tax, or $0.86 per diluted share), which is included in Asset Impairment on the Consolidated Statement of Operations for the three months ended December 31, 2014. This impairment charge included write-downs of property and equipment of $48.0 million and write-downs of our inventory of materials and supplies that was specific to the *Atwood Hunter* of $8.4 million. In August 2015, we completed the sale of the *Atwood Hunter.*

Consistent with our policy, we evaluate our drilling rigs and related equipment for impairment whenever events or changes in circumstances indicate the carrying value of these assets may exceed the estimated undiscounted future net cash flows. Our evaluation, among other things, includes a review of external market factors and an assessment on the future marketability of a specific drilling unit. Given the current level of oil prices, the decline in drilling activity and the continued delivery of new, more capable rigs, we consider these macro-economic factors to be indicators that some of our drilling rigs and/or related equipment may potentially be impaired.

At September 30, 2016, we performed impairment testing on our fleet of drilling rigs, including our two rigs currently under construction, which have an aggregate net book value of $4.0 billion. We concluded that the net book value of each drilling rig is recoverable through estimated future cash flows. The most significant assumptions used in our undiscounted cash flow model include: timing on awards of future drilling contracts, operating day rates, operating costs, capital expenditures, reactivation costs, drilling rig utilization, estimated remaining economic useful life and net proceeds received upon future sale/disposition. These significant assumptions are classified as Level 3 inputs by ASC Topic 820 Fair Value Measurement and Disclosures as they are based upon unobservable inputs and primarily rely on management assumptions and forecasts. Although we believe the assumptions used in our analysis are reasonable and appropriate, different assumptions and estimates could materially impact the analysis and our resulting conclusion. Our oldest drilling rig may be subject to greater risk of future impairment if the significant assumptions on which we have based our impairment testing at September 30, 2016 do not materialize or if we change those assumptions in future periods as new market conditions may dictate.

We maintain in drilling equipment in warehouse facilities around the world intended to support our current and future offshore drilling operations. As part of our fiscal year end evaluation of the current levels on hand and an assessment as to the expected future demand and likelihood of use, in the three month period ended September 30, 2016, we recorded a non-cash impairment

charge of $38.6 million ($38.6 million net of tax or $0.60 per diluted share) in our Consolidated Statements of Operations, included in Asset Impairment to write down these assets to their fair value.

***Sale of Other Assets***

During April 2016, the *Atwood Falcon* sale and recycling transaction closed and title of the vessel and associated equipment and machinery transferred to a third party buyer. Net proceeds received were immaterial.

During August 2015, we completed the sale of our rig, the *Atwood Hunter,* for recycling . We received $2.9 million in proceeds and we recorded a loss of approximately $5.5 million ($5.5 million, net of tax, or $0.08 per diluted share), which is included in (Gain) Loss on Sale of Assets on the Consolidated Statement of Operations for fiscal year 2015. We incurred costs of $8.7 million related to the impairment and sale of the *Atwood Hunter.*

During December 2014, we completed the sale of our rig, the *Atwood Southern Cross* , for recycling. We received $2.1 million in proceeds and incurred related costs of $2.0 million. We recorded a loss of approximately $8.0 million ($7.1 million, net of tax, or $0.11 per diluted share), which is included in (Gain) Loss on Sale of Assets on the Consolidated Statement of Operations for fiscal year 2015.

During January 2014, we sold our standard jackup drilling unit, the *Vicksburg* , for a sales price of $55.4 million. The carrying value of the rig and its related inventory was approximately $20.5 million.

During April 2014, we sold a wholly owned subsidiary which owned our semisubmersible tender assist drilling rig, the *Seahawk* , for a sales price of $4.0 million. The carrying value of the subsidiary after a $2.0 million impairment charge, approximated its sales price.

***Depreciation***

The amount of depreciation expense we record is dependent upon certain assumptions, including an asset's estimated useful life, rate of consumption and corresponding salvage value.  We periodically review these assumptions and may change one or more of these assumptions. Changes in our assumptions may require us to recognize, on a prospective basis, increased or decreased depreciation expense. As of September 30, 2016, we shortened the estimated useful life of the *Atwood Eagle* and as a result, relative to its previous deprecation schedule, this will increase the depreciation expense over the next four fiscal years by $5.8 million per fiscal year, and will decrease by $1.9 million fiscal year 2021.

***Other Income***

For the fiscal year 2016, we recognized approximately $18.0 million ($18.0 million, net of tax, or $0.28 per diluted share) of expected insurance recoveries related to cyclone damage to the *Atwood Osprey* . This amount is included in Other Income on the Consolidated Statement of Operations. We collected receivables from the insurance company of approximately $18 million during the twelve months ended September 30, 2016.

***Construction Projects***

As of September 30, 2016, we had expended approximately $845 million towards our two ultra-deepwater drillships under construction at Daewoo Shipbuilding and Marine Engineering Co., ("DSME") yard in South Korea. Remaining expected capital expenditure for these two drillships under construction totaled approximately $425 million at September 30, 2016. On December 17, 2015, we entered into a supplemental agreement (collectively, "Supplemental Agreement No. 4") to the construction contracts with DSME which delay our requirements to take delivery of the *Atwood Admiral* to September 30, 2017 and the *Atwood Archer* to June 30, 2018. Supplemental Agreement No. 4 amends all material terms of the previous agreements. In consideration of the agreement, we made a payment of $50 million for each drillship on December 31, 2015. DSME has extended all remaining milestone payments, $93.9 million for the *Atwood Admiral* and $305.9 million for the *Atwood Archer,* until their respective delivery dates. We retain the option to take earlier delivery of each vessel, subject to a forty-five-day notice period to DSME. Neither of these drillships have long-term drilling contracts in place and we may seek to delay delivery further to align delivery with anticipated offshore drilling demand.

In May 2016, we entered into an agreement with Hydril USA Distribution, LLC ("GE") to manufacture a complete second Blowout Preventer stack ("BOP") and an Auxiliary Stack Test System ("ASTS") for the *Atwood Condor* . The addition of the second BOP will increase the marketability and operational efficiency of the vessel. Total consideration for this agreement is approximately $19 million with 20% paid upon placement of the purchase order and the remaining 80% due upon delivery. To

accelerate the manufacturing and delivery process, which is targeted for February 2017, we provided certain capital spares we maintained to GE to be used in the manufacturing process. These capital spares will be replenished by GE with similar capital spares upon delivery of the BOP.

**NOTE 4—DEBT**

A summary of long-term debt is as follows:

| (In thousands) | September 30, 2016 | September 30, 2015 |
|---|---|---|
| Senior Notes 6.5% due 2020 ("Senior Notes") | $ 447,919 | $ 648,268 |
| Revolving Credit Facility | 780,000 | 1,030,000 |
| Total long-term debt | $ 1,227,919 | $ 1,678,268 |

***Senior Notes (Due February 2020)***

As of September 30, 2016, $448.7 million aggregate principal amount of our Senior Notes were outstanding. Our Senior Notes are presented in the table above together with the unamortized premium from their issuance of $3.2 million and $5.9 million and net of unamortized debt issuance costs of $4.0 million and $7.4 million as of September 30, 2016 and September 30, 2015, respectively. Our Senior Notes are unsecured obligations and are not guaranteed by any of our subsidiaries.

***Gains on extinguishment of debt***

During the year ended September 30, 2016, we repurchased $201.4 million aggregate principal amount of our Senior Notes at an aggregate cost of $135.7 million, that included payment for accrued interest of $3.7 million. As a result of the repurchases, we recognized a total gain on debt retirement, net of the write-off of debt issuance costs and premium, of $69.0 million ($54.7 million net of tax, or $0.84 per diluted share) in Gains on extinguishment of debt on the Consolidated Statements of Operations for fiscal year 2016. The repurchases were made using available cash balances.

***Revolving Credit Facility***

As of September 30, 2016, our revolving credit facility (the "Credit Facility"), had total commitments of $1.395 billion through May 2018 and $1.120 billion through May 2019. Our wholly-owned subsidiary, Atwood Offshore Worldwide Limited ("AOWL"), is the borrower under the Credit Facility and we and certain of our other subsidiaries are guarantors under the facility.

On March 25, 2016, we entered into an amendment to our Credit Facility (the "Fourth Amendment") that, among other things, effective on March 28, 2016, (i) removed the maximum leverage ratio and maximum secured leverage ratio financial covenants, (ii) amended the minimum interest expense coverage ratio such that it is not applicable until the quarter ending September 30, 2018, and decreased the minimum ratio required to 1.15:1.00, (iii) added a minimum liquidity financial covenant of $150 million, (iv) revised the restricted payments covenant to prohibit us from paying dividends, (v) reduced the total commitments under the Credit Facility by $152 million, and (vi) permits the incurrence of up to $400 million of second lien debt, subject to the parameters set forth therein. As a result of the Fourth Amendment, borrowings under the Credit Facility bear interest at the Eurodollar rate plus a margin ranging from 2.50% to 3.25% and the commitment fee on the unused portion of the underlying commitment ranges from 1.00% to 1.30% per annum, in each case based on our corporate credit ratings.

The Credit Facility was secured primarily by first preferred mortgages on eight of our active drilling units prior to the Fourth Amendment ( *Atwood Aurora* , *Atwood Beacon* , *Atwood Condor* , *Atwood Eagle, Atwood Falcon, Atwood Mako, Atwood Manta* and *Atwood Osp* rey), as well as liens on the equity interests of our subsidiaries that own, directly or indirectly, such drilling units. In connection with the amendment, we mortgaged the *Atwood Achiever* , the *Atwood Advantage* and the *Atwood Orca* as additional collateral under the Credit Facility, as well as pledged the equity interests in our subsidiaries that own, directly or indirectly, these three vessels. Additionally, the *Atwood Eagle* and *Atwood Falcon* , along with the pledged equity interests in certain of our subsidiaries that, directly or indirectly, own these two vessels, were removed as collateral under the Credit Facility. Our interest in the two drillships under construction remain unencumbered by the Credit Facility.

As of September 30, 2016, our Credit Facility had $1.395 billion of total commitments and we had $780 million of outstanding borrowings. As of September 30, 2016, we had approximately $615 million available for borrowings under the Credit Facility.

Approximately $275 million of the commitments mature in May 2018 and approximately $1.12 billion of the commitments under the Credit Facility mature in May 2019. We were in compliance with all financial covenants under the Credit Facility as of September 30, 2016 and 2015, and we anticipate that we will continue to be in compliance for the next fiscal year.

***Letter of Credit Facility***

On July 29, 2015, our subsidiary AOWL, entered into a letter of credit facility with BNP Paribas ("BNP"), pursuant to which BNP may, in its sole and absolute discretion, issue letters of credit from time to time at the request of AOWL, for the account of AOWL and its subsidiaries, up to an unlimited stated face amount of such letters of credit. Certain fees will be payable upon the issuance of each letter of credit under the letter of credit facility, with the amount of such fees depending on whether such letters of credit are performance letters of credit or financial letters of credit. BNP has no commitment under the facility to issue letters of credit, and the facility, as well as BNP's willingness to receive requests from AOWL with respect to the issuance of letters of credit may be cancelled by BNP at any time. The facility contains certain events of default, including but not limited to delinquent payments, bankruptcy filings, material adverse judgments, cross-defaults under other debt agreements, or a change of control. As of September 30, 2016, we had no outstanding letters of credits under this facility.

***Interest***

The weighted-average effective interest rate on our long-term debt during fiscal years 2016 and 2015 was 4.94% and 2.60%, respectively. The effective rate was determined after giving consideration to the effect of our interest rate swaps accounted for as hedges and the amortization of premiums or discounts. Interest expense for fiscal years 2016, 2015 and 2014 was $68.6 million, $52.6 million and $41.8 million, respectively. Capitalized interest expense for fiscal 2016, 2015 and 2014 was $17.2 million, $22.2 million and $30.2 million, respectively.

**NOTE 5—FAIR VALUE OF FINANCIAL INSTRUMENTS**

We have certain assets and liabilities that are required to be measured and disclosed at fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The fair value hierarchy prioritizes inputs to valuation techniques used to measure fair value into three levels. Priority is given to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Assets and liabilities measured at fair value are classified based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment, which may affect the valuation of the fair value of assets and liabilities and their placement within the fair value hierarchy levels. The determination of the fair values, stated below, takes into account the market for our financial assets and liabilities, the associated credit risk and other considerations.

We have classified and disclosed fair value measurements using the following levels of the fair value hierarchy:

***Level 1*** **:** Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

***Level 2*** **:** Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability.

***Level 3*** **:** Measurement based on prices or valuation models that require inputs that are both significant to the fair value measurement and less observable for objective sources (i.e., supported by little or no market activity).

***Fair value of Certain Assets and Liabilities***

The fair value of cash, accounts receivable and accounts payable approximate fair value because of their short term maturities.

***Fair Value of Financial Instruments***

Independent third party services are used to determine the fair value of our financial instruments using quoted market prices and observable inputs. When independent third party services are used, we obtain an understanding of how the fair values are derived and selectively corroborate fair values by reviewing other readily available market based sources of information.

***Long-term Debt—*** Our long-term debt consists of both our Senior Notes and our Credit Facility.

*Senior Notes* - The carrying value of our Senior Notes, net of unamortized premium, is $451.9 million ($448.7 million principal amount) while the fair value of our Senior Notes was $355.3 million at September 30, 2016. The fair value is determined by a market approach using quoted period-end bond prices. We have classified this as a Level 2 fair value measurement as valuation inputs for fair value measurements are quoted market prices at September 30, 2016 that can only be obtained from independent third party sources. The fair value amount has been calculated using these quoted prices. However, no assurance can be given that the fair value would be the amount realized in an active market exchange.

*Credit Facility* - Our Credit Facility is variable-rate and the carrying amounts of our variable-rate debt approximates fair value because such debt bears short-term, market-based interest rates. We have classified the fair value measurement of this instrument as Level 2 as valuation inputs for purposes of determining our fair value disclosure are readily available published Eurodollar rates.

***Derivative financial instruments—*** Our derivative financial instruments consist of our interest rate swap contracts and our foreign currency forward exchange contracts. We record our derivative contracts at fair value on our consolidated balance sheets. The fair values of our interest rate swaps and our foreign currency forward exchange contracts are based upon valuations calculated by an independent third party. The derivatives were valued according to the “Market approach” where possible, and the “Income approach” otherwise. A third party independently valued each instrument using forward price data obtained from reputable data providers (e.g., Bloomberg and Reuters) and reviewed market activity and similarity of pricing terms to determine appropriate reliability level assertions for each instrument. The contribution of the credit valuation adjustment to total fair value is less than 1% for all derivatives and is therefore not significant. Based on valuation inputs for fair value measurement and independent review performed by third party consultants, we have classified our derivative contracts as Level 2 as they were valued based upon observable inputs from dealer markets.

The following table sets forth the estimated fair value of our derivative financial instruments, for which we elected hedge accounting, as of September 30, 2016 and 2015, by location and hedge type, which are measured and recorded at fair value on a recurring basis:

| (In thousands) | Balance Sheet Classification | September 30, 2016 | September 30, 2015 |
|---|---|---|---|
| **Derivative assets designated as cash flow hedging instruments:** | | | |
| Short-term foreign currency forwards | Prepaid expenses, deferred costs and other current assets | $ — | $ 3,822 |
| **Derivative liabilities designated as cash flow hedging instruments:** | | | |
| Short-term interest rate swaps | Accrued liabilities | (1,312) | (1,326) |
| Long-term interest rate swaps | Other long-term liabilities | (482) | (974) |
| Total derivative contracts, net | | $ (1,794) | $ 1,522 |

**NOTE 6—SHAREHOLDERS' EQUITY**

***Dividends***

We paid a dividend of $0.075 per share in January 2016 that was declared in November 2015. In February 2016, our board of directors eliminated the payment of a quarterly dividend in order to preserve liquidity. In March 2016, we amended Credit Facility, which amendment, among other things, prohibits us from paying dividends during the remaining term of the Credit Facility. Future reinstatement of dividends would require the amendment or waiver of such provision. In addition, the declaration and amount of any future dividends would be at the discretion of our board of directors and would depend on our financial condition, results of operations, cash flows, prospects, industry conditions, capital requirements and other factors and restrictions our board of directors deemed relevant. There can be no assurance that we will pay a dividend in the future.

**NOTE 7—SHARE-BASED COMPENSATION**

Our incentive plans permit the issuance of restricted stock and restricted stock unit awards (which we refer to as "restricted stock awards"), performance awards, stock appreciation rights and stock options. There are 2.5 million shares available for future grants at September 30, 2016. We deliver newly issued shares of common stock for restricted stock awards upon vesting or upon exercise of stock options.

Share-based compensation is recognized as an expense over the requisite service period on a straight-line basis. The total share-based compensation expense is based on the fair value of the award measured at the grant date.

| | September 30, | | |
|---|---|---|---|
| **(In thousands, except average service periods)** | **2016** | **2015** | **2014** |
| Share-based compensation recognized | $ 11,862 | $ 12,828 | $ 14,691 |
| Unrecognized compensation cost, net of estimated forfeitures | 19,406 | 16,934 | 16,478 |
| Remaining weighted-average service period (years) | 1.7 | 2.0 | 1.7 |

***Restricted Stock***

We have awarded restricted stock and restricted stock units to certain employees and to our non-employee directors. All current awards of restricted stock to employees are subject to a vesting and restriction period up to three years, as set forth in the terms of the grant. Our restricted stock awards are subject to acceleration for change of control, retirement, death or disability. All awards of restricted stock to non-employee directors are subject to a vesting and restriction period of 13 months, subject to acceleration upon certain events, such as change of control, as set forth in the terms of the grant. We value restricted stock awards based on the fair market value of our common stock on the date of grant. Our restricted stock holders have the right to receive dividend equivalents for their restricted awards that vest. Recipients of restricted stock awards do not have the rights of a shareholder until shares of stock are issued to the recipient.

A summary of restricted stock activity for fiscal year 2016 is as follows:

| | **Number of Shares (000s)** | **Weighted Average Fair Value** |
|---|---|---|
| Unvested as of October 1, 2015 | 711 | $ 43.14 |
| Granted | 1,091 | 13.20 |
| Vested | (195) | 45.88 |
| Forfeited | (92) | 31.01 |
| Unvested as of September 30, 2016 | 1,515 | 21.96 |

***Performance Units***

We have made awards to certain employees that are subject to market-based performance conditions ("performance units"). All current awards of performance units are subject to a vesting and restriction period of three years. Our performance unit awards are subject to acceleration for change of control, retirement, death or disability. The number of performance unit awards that vest and the number of shares received upon vesting depends on the degree of achievement of specified corporate market-based performance criteria. The grant date fair value of the performance units we have granted was determined through use of the Monte Carlo simulation method. The Monte Carlo simulation method requires the use of highly subjective assumptions. Our key assumptions in the method include the price and the expected volatility of our and our self-determined peer group companies' stock, risk free rate of return, dividend yields and cross-correlations between our and our self-determined peer group companies

stock. The grant date fair value per share for the performance units we granted in fiscal year 2016, 2015 and 2014 were $15.63, $37.08 and $53.55, respectively. Our performance unit holders have the right to receive dividend equivalents for their performance units that vest. Recipients of performance units do not have the rights of a shareholder until shares of stock are issued to the recipient.

A summary of performance unit stock activity for fiscal year 2016 is as follows:

| | Number of Shares (000s) | | Weighted Average Fair Value |
|---|---|---|---|
| Unvested as of October 1, 2015 | 240 | $ | 43.73 |
| Granted | 255 | | 15.63 |
| Vested | — | | — |
| Forfeited | (69) | | 45.20 |
| Unvested as of September 30, 2016 | 426 | | 26.69 |

***Stock Options***

Under our stock incentive plans, our options have a maximum term of 10 years. Options vest ratably over a period ranging from the end of the first to the fourth year from the date of grant. Each option is for the purchase of one share of our common stock. The total fair value of stock options vested during fiscal years 2016, 2015 and 2014 was $0.5 million, $2.5 million and $2.8 million, respectively. There were no stock options exercised during the fiscal year 2016. Cash proceeds received for the exercise of options for the fiscal years 2015 and 2014 were $1.1 million and $3.7 million, respectively. No stock options were granted during fiscal years 2016, 2015 or 2014.

A summary of stock option activity for fiscal year 2016 is as follows:

| | Number of Options (000s) | | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life (Years) | Aggregate Intrinsic Value (000s) |
|---|---|---|---|---|---|
| Outstanding as of October 1, 2015 | 685 | $ | 34.90 | | |
| Granted | — | | — | | |
| Exercised | — | | — | | |
| Forfeited | — | | — | | |
| Expired | (68) | | 29.75 | | |
| Outstanding as of September 30, 2016 | 617 | | 35.47 | 3.4 | (16,533) |
| Exercisable as of September 30, 2016 | 617 | | 35.47 | 3.4 | (16,533) |

**NOTE 8—INCOME TAXES**

Domestic and foreign income before income taxes for the three-year period ended September 30, 2016 is as follows:

| (In thousands) | | Fiscal 2016 | | Fiscal 2015 | | Fiscal 2014 |
|---|---|---|---|---|---|---|
| Domestic income (loss) | $ | 99,822 | $ | 22,788 | $ | (36,756) |
| Foreign income | | 212,933 | | 456,182 | | 434,049 |
| Income before income taxes | $ | 312,755 | $ | 478,970 | $ | 397,293 |

The provision (benefit) for domestic and foreign taxes on income consists of the following:

| (In thousands) | Fiscal 2016 | Fiscal 2015 | Fiscal 2014 |
|---|---|---|---|
| Current—domestic | $ 2,454 | $ 453 | $ 773 |
| Deferred—domestic | 13,019 | (4,061) | (980) |
| Current—foreign | 32,480 | 48,691 | 56,968 |
| Deferred—foreign | (470) | 1,314 | (290) |
| Provision for income taxes | $ 47,483 | $ 46,397 | $ 56,471 |

***Deferred Taxes***

The components of the deferred income tax assets (liabilities) as of September 30, 2016 and 2015 are as follows:

| | September 30, | |
|---|---|---|
| (In thousands) | 2016 | 2015 |
| Deferred tax assets: | | |
| Net operating loss carryforwards | $ — | $ 22,930 |
| Tax credit carryforwards | 2,831 | 2,464 |
| Stock option compensation expense | 11,801 | 10,924 |
| Debt issuance costs | 251 | 221 |
| Basis difference in fleet spares | 4,310 | — |
| Book accruals | 3,189 | 3,064 |
| | 22,382 | 39,603 |
| Deferred tax liabilities: | | |
| Difference in book and tax basis of equipment | (209) | (209) |
| Deferred dividend withholding tax | (1,202) | (907) |
| Other timing differences | (199) | (1,422) |
| | (1,610) | (2,538) |
| Net deferred tax assets (liabilities) before valuation allowance | 20,772 | 37,065 |
| Valuation allowance | (21,808) | (38,573) |
| Net deferred tax liabilities | $ (1,036) | $ (1,508) |

As of September 30, 2016 and 2015, the valuation allowance of $21.8 million and $38.6 million, respectively, primarily related to our U.S net operating loss carryforward, stock option compensation expense, timing differences and federal tax credit carryforwards. Our net operating loss carryforwards which will begin to expire in 2025, total approximately $5.9 million. Our tax credit carryforwards, which began to expire in 2016, total approximately $5.2 million.

We apply the "with-and-without" approach when utilizing certain tax attributes whereby windfall tax benefits are used last to offset taxable income. We had approximately $19.8 million of windfall tax benefits from previous stock option exercises that have not been recognized as of September 30, 2015. This amount will not be recognized until the deduction would reduce our U.S income taxes payable. At such time, the amount was recorded as an increase to paid-in-capital. During the fiscal year ended September 30, 2016, approximately $13.2 million of these tax benefits were recognized and recorded as an increase to paid-in-capital, as the windfall benefit (embedded in our U.S. net operating loss carry-forward) reduced our income taxes payable as of September 30, 2016. The remaining $6.6 million of windfall tax benefits have not been recognized as of September 30, 2016.

We do not record federal income taxes on the undistributed earnings of our foreign subsidiaries that we consider to be indefinitely reinvested in foreign operations. The cumulative amount of such undistributed earnings was approximately $2.9 billion at September 30, 2016. If these earnings were distributed, we estimate approximately $670.0 million in additional taxes would be incurred. These earnings could also become subject to additional taxes under the anti-deferral provisions within the U.S. Internal Revenue Code. However, we believe this is highly unlikely given our current structure and have not provided deferred income taxes on these foreign earnings as we consider them to be permanently invested abroad.

We record estimated accrued interest and penalties related to uncertain tax positions in income tax expense. As of September 30, 2016, we have approximately $16.1 million of reserves for uncertain tax positions, including estimated accrued interest and

penalties of $3.8 million, which are included in Other Long Term Liabilities in the Consolidated Balance Sheet. All $16.1 million of the net uncertain tax liabilities would affect the effective tax rate if recognized.

A summary of activity related to the net uncertain tax positions including penalties and interest for fiscal year 2016 is as follows:

| (In thousands) | Liability for Uncertain Tax Positions |
|---|---|
| Balance at October 1, 2015 | $ 13,775 |
| Increases as a result of tax positions taken during the current period | 1,268 |
| Increases as a result of tax positions taken in prior periods | 2,347 |
| Decreases due to the lapse of the applicable statute of limitations | (1,337) |
| Balance at September 30, 2016 | $ 16,053 |

We believe that it is reasonably possible that approximately $1.0 million of our remaining unrecognized tax benefits may be recognized by the end of fiscal year 2017 as a result of a lapse of the statute of limitations.

Our U.S tax returns for fiscal year 2012 and subsequent years remain subject to examination by tax authorities. As we conduct business globally, we have various tax years remaining open to examination in our international tax jurisdictions, including tax returns in Australia for fiscal years 2009 through 2015. Although we cannot predict the outcome of ongoing or future tax examinations, we do not anticipate that the ultimate resolution of these examinations will have a material impact on our consolidated financial position, results of operations or cash flows.

We have historically earned most of our operating income in certain nontaxable and deemed profit tax jurisdictions, which significantly reduced our effective tax rate for fiscal years 2016, 2015 and 2014 when compared to the United States statutory rate. There were no significant transactions that materially impacted our effective tax rates for fiscal years 2016, 2015 or 2014. The differences between the United States statutory and our effective income tax rate are as follows:

| | Fiscal 2016 | Fiscal 2015 | Fiscal 2014 |
|---|---|---|---|
| Statutory income tax rate | 35 % | 35 % | 35 % |
| Resolution of prior period tax items | — | — | — |
| Increase in tax rate resulting from: | | | |
| Valuation allowance | — | — | 2 |
| Increases to the reserve for uncertain tax positions | 1 | — | 1 |
| Decrease in tax rate resulting from: | | | |
| Release of valuation allowance | (5) | (3) | — |
| Foreign tax rate differentials, net of foreign tax credit utilization | (16) | (22) | (24) |
| Effective income tax rate | 15 % | 10 % | 14 % |

## NOTE 9—COMMITMENTS AND CONTINGENCIES

### *Operating Leases*

Future minimum lease payments for operating leases for fiscal years ending September 30 are as follows (in thousands):

| | |
|---|---|
| 2017 | $ 2,420 |
| 2018 | 2,143 |
| 2019 | 2,152 |
| 2020 | 2,187 |
| 2021 and thereafter | 6,777 |

Total rent expense under operating leases was approximately $8.3 million, $10.1 million and $11.5 million for fiscal years 2016, 2015 and 2014, respectively. The future minimum lease payments for our Houston corporate office is a material portion of the amounts shown in the table above. This lease is for ten years and commenced on January 31, 2014.

***Purchase Commitments***

As of September 30, 2016, our purchase commitments relating to our drilling units under construction and the *Atwood Condor* second BOP are $399.8 million and $15.2 million, respectively.

***Litigation***

We are party to a number of lawsuits which are ordinary, routine litigation incidental to our business, the outcome of which is not expected to have, either individually or in the aggregate, a material adverse effect on our financial position, results of operations or cash flows.

***Other Matters***

The *Atwood Beacon* operated in India from early December 2006 to the end of July 2009. A service tax was enacted in India in 2004 on revenues derived from seismic and exploration activities. This service tax law was subsequently amended in June 2007 and again in May 2008 to state that revenues derived from mining services and drilling services were specifically subject to this service tax. The contract terms with our client in India provided that any liability incurred by us related to any taxes pursuant to laws not in effect at the time the contract was executed in 2005 was to be reimbursed by our client. We believe any service taxes assessed by the Indian tax authorities under the 2007 or 2008 amendments are an obligation of our client. Our client is disputing this obligation on the basis of its contention that revenues derived from drilling services were taxable under the initial 2004 law, and are, therefore, our obligation.

After reviewing the status of the drilling services we provided to our client, the Indian tax authorities assessed service tax obligations on revenues derived from the *Atwood Beacon* commencing on June 1, 2007. The relevant Indian tax authority issued an extensive written ruling setting forth the application of the June 1, 2007 service tax regulation and confirming the position that drilling services, including the services performed under our contract with our client prior to June 1, 2007, were not covered by the 2004 service tax law. In August 2012, the Indian Custom Excise and Service Tax Appellate Tribunal issued an Order in our favor confirming our position that service tax did not apply to drilling services performed prior to June 1, 2007. The Indian Service Tax Authority has appealed this ruling to the Indian Supreme Court.

As of September 30, 2016, we had paid to the Indian government $10.5 million in service taxes and have accrued $1.3 million of additional service tax obligations in accrued liabilities on our consolidated balance sheets, for a total of $11.8 million relating to service taxes. We recorded a corresponding $11.8 million long-term other receivable due from our client relating to service taxes due under the contract. We continue to pursue collection of such amounts from our client and expect to collect the amount recorded as receivable.

## NOTE 10—OPERATIONS BY GEOGRAPHIC AREAS

Our offshore contract drilling operations are managed and reported as a single reportable segment: Offshore Contract Drilling Services. Our drilling units are often redeployed globally due to changing demands of our clients, which consist largely of major integrated oil and natural gas companies and independent oil and natural gas companies and the geographic areas where we conduct our business can and does change from year to year. Our offshore contract drilling services segment currently conducts offshore contract drilling operations located in the U.S. Gulf of Mexico, the Mediterranean Sea, offshore West Africa, offshore Southeast Asia and offshore Australia. The accounting policies of our reportable segment are the same as those described in the summary of significant accounting policies (see Note 2). We evaluate the performance of our operating segment based on revenues from external clients and segment profit.

A summary of revenues by geographic areas for the fiscal years ended September 30, 2016, 2015 and 2014 is as follows:

| (In thousands) | Fiscal 2016 | Fiscal 2015 | Fiscal 2014 |
|---|---|---|---|
| Australia | $ 296,566 | $ 478,939 | $ 457,281 |
| Cameroon | 65,954 | 70,507 | 43,389 |
| Equatorial Guinea | — | 22,843 | 41,245 |
| Israel | — | — | 2,749 |
| Italy | 45,023 | 60,927 | 58,912 |
| Malaysia | — | 22,545 | 49,610 |
| Mauritania | 122,330 | 69,691 | — |
| Morocco | — | 119,594 | 18,128 |
| Senegal | 62,146 | — | — |
| Thailand | 35,295 | 129,634 | 149,961 |
| United States | 393,330 | 405,859 | 352,678 |
| Vietnam | — | 15,312 | — |
| Other | — | — | — |
| Total revenues | $ 1,020,644 | $ 1,395,851 | $ 1,173,953 |

A summary of property and equipment, net by geographic areas at September 30, 2016, 2015 and 2014 is as follows:

| | September 30, | | |
|---|---|---|---|
| (In thousands) | 2016 | 2015 | 2014 |
| Australia | $ 528,427 | $ 640,530 | $ 669,845 |
| Cameroon | 154,651 | 160,206 | 166,464 |
| Equatorial Guinea | — | — | 66,045 |
| Italy | — | 77,102 | 82,617 |
| South Korea (1) | 845,445 | 693,575 | 311,494 |
| Malaysia | 192 | 254 | 321 |
| Malta | 69,711 | — | 3,332 |
| Mauritania | 603,882 | 629,179 | — |
| Morocco | — | — | 627,459 |
| Phillipines | 325,575 | — | — |
| Singapore | 61,824 | — | — |
| Thailand | 168,735 | 349,972 | 539,333 |
| United States | 1,369,254 | 1,455,109 | 1,500,118 |
| Vietnam | — | 166,205 | — |
| Total property and equipment, net | $ 4,127,696 | $ 4,172,132 | $ 3,967,028 |

(1) Property and equipment, net in South Korea consists of assets under construction.

**NOTE 11—QUARTERLY FINANCIAL DATA (UNAUDITED)**

Summarized quarterly results for fiscal years 2016 and 2015 are as follows:

| | Fiscal 2016 Quarters Ended | | | |
|---|---|---|---|---|
| **(In thousands, except per share amounts)** | **December 31,** | **March 31,** | **June 30,** | **September 30,** |
| Revenues | $ 307,819 | $ 296,351 | $ 227,797 | $ 188,677 |
| Gross profit | 168,881 | 197,310 | 141,784 | 105,843 |
| Income before income taxes | 50,295 | 136,426 | 120,116 | 5,918 |
| Net income | 39,081 | 122,437 | 99,505 | 4,249 |
| Earnings per common share: | | | | |
| Basic | 0.60 | 1.89 | 1.54 | 0.07 |
| Diluted | 0.60 | 1.89 | 1.53 | 0.07 |

| | Fiscal 2015 Quarters Ended | | | |
|---|---|---|---|---|
| | **December 31,** | **March 31,** | **June 30,** | **September 30,** |
| Revenues | $ 351,726 | $ 350,387 | $ 330,562 | $ 363,176 |
| Gross profit | 203,354 | 210,602 | 187,238 | 235,492 |
| Income before income taxes | 55,340 | 134,976 | 122,539 | 166,115 |
| Net income | 46,218 | 122,669 | 112,992 | 150,694 |
| Earnings per common share: | | | | |
| Basic | 0.72 | 1.90 | 1.75 | 2.33 |
| Diluted | 0.71 | 1.89 | 1.73 | 2.32 |

The sum of the individual quarterly earnings per common share amounts may not agree with year-to-date earnings per common share as each quarterly computation is based on the weighted-average number of common shares outstanding during that period.

**NOTE 12—SUPPLEMENTAL INFORMATION**

Accrued liabilities were $7.9 million and $23.6 million at September 30, 2016 and 2015, respectively. Accrued employee costs, which are components of accrued liabilities, were $4.3 million and $13.7 million at September 30, 2016 and 2015, respectively. No other component of accrued liabilities was more than five percent of total current liabilities.

Exhibit 99.3

## ITEM 1. FINANCIAL STATEMENTS

### ATWOOD OCEANICS, INC. AND SUBSIDIARIES
### CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
### (UNAUDITED)

| (In thousands, except per share amounts) | Three Months Ended June 30, 2017 | Three Months Ended June 30, 2016 | Nine Months Ended June 30, 2017 | Nine Months Ended June 30, 2016 |
|---|---|---|---|---|
| **REVENUES:** | | | | |
| Contract drilling | $ 111,803 | $ 217,818 | $ 423,906 | $ 794,979 |
| Revenues related to reimbursable expenses | 5,431 | 9,979 | 18,590 | 36,988 |
| Total revenues | 117,234 | 227,797 | 442,496 | 831,967 |
| **COSTS AND EXPENSES:** | | | | |
| Contract drilling | 48,182 | 80,524 | 178,129 | 301,094 |
| Reimbursable expenses | 3,245 | 5,489 | 14,521 | 22,898 |
| Depreciation | 38,500 | 41,084 | 121,751 | 124,964 |
| General and administrative | 15,557 | 12,028 | 43,193 | 38,693 |
| Asset impairment | 211 | (659) | 59,173 | 64,773 |
| Loss on sale of assets | 379 | — | 261 | 77 |
| Other, net | — | 16 | — | (1,044) |
| | 106,074 | 138,482 | 417,028 | 551,455 |
| **OPERATING INCOME** | 11,160 | 89,315 | 25,468 | 280,512 |
| **OTHER (EXPENSE) INCOME:** | | | | |
| Interest expense, net of capitalized interest | (13,636) | (19,674) | (43,464) | (50,533) |
| Interest income | 708 | 9 | 975 | 19 |
| Gains on extinguishment of debt | — | 50,466 | — | 58,863 |
| Other income | — | — | — | 17,976 |
| | (12,928) | 30,801 | (42,489) | 26,325 |
| **(LOSS) INCOME BEFORE INCOME TAXES** | (1,768) | 120,116 | (17,021) | 306,837 |
| **PROVISION FOR INCOME TAXES** | 2,581 | 20,611 | 6,520 | 45,814 |
| **NET (LOSS) INCOME** | $ (4,349) | $ 99,505 | $ (23,541) | $ 261,023 |
| **(LOSS) EARNINGS PER COMMON SHARE (NOTE 3):** | | | | |
| Basic | $ (0.05) | $ 1.54 | $ (0.32) | $ 4.03 |
| Diluted | $ (0.05) | $ 1.53 | $ (0.32) | $ 4.02 |
| **WEIGHTED AVERAGE COMMON SHARES OUTSTANDING (NOTE 3):** | | | | |
| Basic | 80,542 | 64,795 | 74,515 | 64,750 |
| Diluted | 80,542 | 64,847 | 74,515 | 64,852 |

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

**ATWOOD OCEANICS, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**(UNAUDITED)**

| (In thousands) | Three Months Ended June 30, 2017 | Three Months Ended June 30, 2016 | Nine Months Ended June 30, 2017 | Nine Months Ended June 30, 2016 |
|---|---|---|---|---|
| **Net (loss) income** | $ (4,349) | $ 99,505 | $ (23,541) | $ 261,023 |
| **Other comprehensive (loss) income:** | | | | |
| Derivative financial instruments: | | | | |
| Unrealized holding (losses)/gains | (42) | (452) | 960 | (5,214) |
| Loss reclassified to net income | 188 | 351 | 947 | 3,032 |
| Total other comprehensive income (loss) | 146 | (101) | 1,907 | (2,182) |
| **Comprehensive (loss) income** | $ (4,203) | $ 99,404 | $ (21,634) | $ 258,841 |

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

**ATWOOD OCEANICS, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED BALANCE SHEETS**

| (In thousands, except par value) | June 30, 2017 (Unaudited) | September 30, 2016 |
|---|---|---|
| **ASSETS** | | |
| Cash | $ 474,313 | $ 145,427 |
| Accounts receivable, net | 78,140 | 113,091 |
| Income tax receivable | 2,769 | 6,095 |
| Inventories of materials and supplies, net | 102,444 | 109,925 |
| Prepaid expenses, deferred costs and other current assets | 13,617 | 18,504 |
| Total current assets | 671,283 | 393,042 |
| | | |
| Property and equipment, net | 4,137,741 | 4,127,696 |
| | | |
| Other receivables | 11,831 | 11,831 |
| Deferred income taxes | 165 | 165 |
| Deferred costs and other assets | 7,174 | 7,058 |
| **Total assets** | $ 4,828,194 | $ 4,539,792 |
| | | |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| Accounts payable | $ 35,822 | $ 25,299 |
| Accrued liabilities | 11,034 | 7,868 |
| Interest payable | 13,571 | 7,096 |
| Income tax payable | 7,239 | 8,294 |
| Deferred credits and other liabilities | 8,663 | 799 |
| Total current liabilities | 76,329 | 49,356 |
| | | |
| Long-term debt | 1,298,136 | 1,227,919 |
| Deferred income taxes | 1,815 | 1,202 |
| Deferred credits | 12,429 | — |
| Other | 39,663 | 30,929 |
| Total long-term liabilities | 1,352,043 | 1,260,050 |
| | | |
| Commitments and contingencies (Note 9) | | |
| | | |
| Preferred stock, no par value, 1,000 shares authorized, none outstanding | — | — |
| Common stock, $1.00 par value, 180,000 shares authorized with 80,544 issued (Note 10) and outstanding as of June 30, 2017 and 180,000 shares authorized and 64,799 shares issued and outstanding as of September 30, 2016 | 80,544 | 64,799 |
| Paid-in capital | 413,831 | 237,542 |
| Retained earnings | 2,905,334 | 2,929,839 |
| Accumulated other comprehensive loss | 113 | (1,794) |
| Total shareholders' equity | 3,399,822 | 3,230,386 |
| **Total liabilities and shareholders' equity** | $ 4,828,194 | $ 4,539,792 |

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

**ATWOOD OCEANICS, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**
**(UNAUDITED)**

| (In thousands) | Common Stock Shares | Common Stock Amount | Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Total Stockholders' Equity |
|---|---|---|---|---|---|---|
| **September 30, 2016** | 64,799 | $ 64,799 | $ 237,542 | $ 2,929,839 | $ (1,794) | $ 3,230,386 |
| Net loss | — | — | — | (23,541) | — | (23,541) |
| Cumulative effect of accounting change (Note 1) | — | — | 964 | (964) | — | — |
| Other comprehensive income | — | — | — | — | 1,907 | 1,907 |
| Vesting of restricted stock and performance unit awards | 220 | 220 | (773) | — | — | (553) |
| Stock compensation expense | — | — | 10,657 | — | — | 10,657 |
| Common stock equity issuance | 15,525 | 15,525 | 165,441 | — | — | 180,966 |
| **June 30, 2017** | 80,544 | $ 80,544 | $ 413,831 | $ 2,905,334 | $ 113 | $ 3,399,822 |

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

**ATWOOD OCEANICS, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(UNAUDITED)**

| (In thousands) | Nine Months Ended June 30, 2017 | Nine Months Ended June 30, 2016 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Net (loss) income | $ (23,541) | $ 261,023 |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities: | | |
| Depreciation | 121,751 | 124,964 |
| Amortization | 4,357 | 2,407 |
| Provision for doubtful accounts | 2,472 | 4,619 |
| Deferred income tax benefit | 86 | (378) |
| Share-based compensation expense | 10,657 | 8,224 |
| Asset impairment | 59,173 | 64,753 |
| Loss (gain) on sale of assets | 261 | (71) |
| Gain on extinguishment of debt | — | (58,863) |
| Other, net | — | (1,137) |
| Changes in assets and liabilities: | | |
| Accounts receivable | 32,479 | 121,964 |
| Income tax receivable | 3,326 | 511 |
| Inventories of materials and supplies | (891) | 12,988 |
| Prepaid expenses, deferred costs and other current assets | 6,324 | 19,377 |
| Deferred costs and other assets | (6,440) | (1,019) |
| Accounts payable | 911 | (33,674) |
| Accrued liabilities | 10,400 | (3,274) |
| Income tax payable | (1,055) | (376) |
| Deferred credits and other liabilities | 28,558 | (6,623) |
| Net cash provided by operating activities | 248,828 | 515,415 |
| | | |
| **Cash flows from investing activities:** | | |
| Capital expenditures | (173,246) | (198,248) |
| Proceeds from sale of assets | 2,338 | 20,813 |
| Net cash used in investing activities | (170,908) | (177,435) |
| | | |
| **Cash flows from financing activities:** | | |
| Proceeds from issuance of long-term debt | 125,000 | 45,000 |
| Principal payments on long-term debt | (55,000) | (290,110) |
| Dividends paid | — | (21,746) |
| Payments related to exercise of stock options | — | (930) |
| Proceeds from issuance of common stock | 180,966 | — |
| Windfall tax benefits from share-based payment arrangements | — | 14,797 |
| Net cash provided by (used in) financing activities | 250,966 | (252,989) |
| Net increase in cash and cash equivalents | 328,886 | 84,991 |
| Cash and cash equivalents, at beginning of period | 145,427 | 113,983 |
| **Cash and cash equivalents, at end of period** | $ 474,313 | $ 198,974 |
| | | |
| **Non-cash activities:** | | |
| Increase in accounts payable related to capital expenditures | $ 9,612 | $ 7,902 |

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

**NOTE 1—UNAUDITED INTERIM INFORMATION**

The accompanying unaudited condensed consolidated financial statements of Atwood Oceanics, Inc. and its subsidiaries as of June 30, 2017 and for the three and nine months ended June 30, 2017 and 2016, have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information. Unless otherwise indicated, references to "we", "us", "our" and the "Company" refer collectively to Atwood Oceanics, Inc. and subsidiaries. The year-end Consolidated Balance Sheet data was derived from the audited financial statements as of September 30, 2016. Although these financial statements and related information have been prepared without audit and certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("U.S.") have been condensed or omitted, we believe that the note disclosures are adequate to make the information not misleading. The interim financial results may not be indicative of results that could be expected for a full fiscal year. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the related notes included in our Annual Report on Form 10-K for the year ended September 30, 2016. In our opinion, the unaudited interim financial statements reflect all adjustments considered necessary for a fair statement of our financial position, results of operations, changes in shareholders' equity, and cash flows for the periods presented.

***Recently adopted accounting pronouncements***

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. The ASU is intended to reduce diversity in practice in how certain cash receipts and cash payments are presented in the statement of cash flows. The new guidance clarifies the classification of cash activity related to: (1) debt prepayment or debt extinguishment costs, (2) settlement of zero-coupon debt instruments, (3) contingent consideration payments made after a business combination, (4) proceeds from the settlement of insurance claims, (5) proceeds from the settlement of corporate and bank-owned life insurance policies, (6) distributions received from equity-method investments, and (7) beneficial interests in securitization transactions. This update is effective for annual and interim periods beginning after December 15, 2017. Effective October 1, 2016, we elected to early adopt ASU 2016-15. The adoption of ASU 2016-15 did not have an impact on our Unaudited Condensed Consolidated Statements of Cash Flows.

In March 2016, the FASB issued ASU 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting, as part of its simplification initiative. The ASU simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, classification of excess tax benefits on the statements of cash flows, forfeitures, statutory tax withholding requirements, classification of awards as either equity or liabilities, and classification of employee taxes paid on the statements of cash flows when an employer withholds shares for tax-withholding purposes. The amendments in this update are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. The standard contains various amendments, each requiring a specific method of adoption, and designates whether each amendment should be adopted using a retrospective, modified retrospective, or prospective transition method. Effective October 1, 2016, we elected to early adopt the ASU. The amendments within the ASU relate to the timing of when excess tax benefits are recognized and the accounting for forfeitures. We adopted this ASU using a modified retrospective method. In accordance with this method, we have recorded a cumulative-effect adjustment in our Unaudited Condensed Consolidated Balance Sheet as of October 1, 2016, relating to the timing of recognition of excess tax benefits, of $6.6 million to the beginning Retained earnings that was offset by an equal increase to Deferred tax assets valuation allowance of the same amount resulting in no impact on Retained earnings. We also recorded a cumulative-effect adjustment in our Unaudited Condensed Consolidated Balance Sheet as of October 1, 2016, to reflect actual forfeitures versus the previously-estimated forfeiture rate, of $1.0 million reduction to the Retained earnings with an offset to Paid-in capital. The amendments within the ASU related to the recognition of excess tax benefits and tax shortfalls in the income statement and presentation of excess tax benefits on the statements of cash flows were adopted prospectively, with no impact to prior periods.

In November 2015, the FASB issued ASU 2015-17, Income Taxes (Topic 740): Amendments for the Balance Sheet Classification of Deferred Income Taxes. The amended guidance requires the classification of all deferred tax assets and liabilities as noncurrent on the balance sheet instead of separating deferred taxes into current and noncurrent amounts. Deferred tax assets and liabilities will continue to be offset and presented as a single amount under the amended guidance. The effective date for public business entities is for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Effective October 1, 2016, we elected to early adopt the ASU on a prospective basis. The adoption of the ASU did not have a material impact on our Condensed Consolidated Balance Sheet.

***Recently issued accounting pronouncements***

In May 2017, the FASB issued ASU 2017-09, Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting. The amendments in this ASU provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. The new guidance clarifies that no new measurement date will be required if there is no change to the fair value, vesting conditions, and classification. This update is effective for annual and interim periods beginning after December 15, 2017, with early adoption permitted. We are currently evaluating what impact the adoption of this guidance will have on our financial statements or disclosures in our financial statements.

In October 2016, the FASB issued ASU 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory. The ASU eliminates the exception to defer the tax effect for all intra-entity sales of assets other than inventory until the transferred asset is sold to a third party or otherwise recovered through use. As a result, a reporting entity would recognize the tax expense from the sale of the asset in the seller's tax jurisdiction when the transfer occurs, even though the pre-tax effects of that transaction are eliminated in consolidation. Any deferred tax asset that arises in the buyer's jurisdiction would also be recognized at the time of the transfer. This update is effective for annual and interim periods beginning after December 15, 2017. We are currently evaluating what impact the adoption of this guidance will have on our financial statements or disclosures in our financial statements.

In June 2016, FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The ASU introduces a new model for recognizing credit losses on financial instruments based on an estimate of current expected credit losses. The new model will apply to: (1) loans, accounts receivable, trade receivables, and other financial assets measured at amortized cost, (2) loan commitments and certain other off-balance sheet credit exposures, (3) debt securities and other financial assets measured at fair value through other comprehensive income/(loss), and (4) beneficial interests in securitized financial assets. This update is effective for annual and interim periods beginning after December 15, 2019. We are currently evaluating what impact the adoption of this guidance will have on our financial statements or disclosures in our financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842): Amendments to the FASB Accounting Standards Codification. The amendments require an entity to recognize lease assets and lease liabilities on the balance sheet and to disclose key qualitative and quantitative information about the entity's leasing arrangements. This update is effective for annual and interim periods beginning after December 15, 2018, with early adoption permitted. A modified retrospective approach is required. We are currently evaluating what impact the adoption of this guidance will have on our financial statements or disclosures in our financial statements.

In August 2014, the FASB issued ASU 2014-15, Presentation of Financial Statements-Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. The new guidance requires management to assess a company's ability to continue as a going concern and to provide related footnote disclosures in certain circumstances. Disclosures are required when conditions give rise to substantial doubt. Substantial doubt is deemed to exist when it is probable that the company will be unable to meet its obligations within one year from the financial statement issuance date. The new guidance is effective for the annual period ending after December 15, 2016, and all annual and interim periods thereafter. We are currently evaluating what impact the adoption of this guidance will have on our financial statements or disclosures in our financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenues from Contracts with Customers (Topic 606): A new guidance intended to change the criteria for recognition of revenue. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to clients in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. We have not yet adopted nor selected a transition method and are currently evaluating what impact the adoption of this guidance will have on our financial statements or disclosures in our financial statements.

**NOTE 2—ACCOUNTS RECEIVABLE AND LONG TERM CONTRACTS**

***Accounts Receivable***

We record accounts receivable at the amount we invoice our clients. Our clients are major international corporate entities and government organizations with stable payment experience. Historically, our uncollectible accounts receivable have been immaterial, and typically, we do not require collateral for our receivables. We provide an allowance for uncollectible accounts, as necessary, on a specific identification basis. Our allowance for doubtful accounts as of June 30, 2017 and September 30, 2016

was $2.4 million and $1.2 million, respectively. Our provision for doubtful accounts for the three and nine months ended June 30, 2017 was $0.1 million and $2.5 million, and for the three and nine months ended June 30, 2016 was $3.4 million and $4.6 million, respectively. The provision for doubtful accounts is reported as a component of Contract drilling costs in our Unaudited Condensed Consolidated Statements of Operations.

***Long Term Contracts***

In January 2017, the client for the *Atwood Achiever* exercised its option provided as part of the "blend and extend" agreement we entered into in October 2015 to revert the contract to the original operating day rate and original end date. Exercise of this option resulted in a one-time payment to us of $48.1 million that includes the difference in day rates, taxes, and administrative fees covering the time periods for which the reduced day rate was applicable for previously provided drilling services, and is reported as a component of Contract drilling revenue in our Unaudited Condensed Consolidated Statements of Operations for the nine months ended June 30, 2017. Effective February 1, 2017 and continuing until the contract end date of approximately November 12, 2017, the operating day rate is $595,000.

## NOTE 3—EARNINGS (LOSS) PER COMMON SHARE

The computation of basic and diluted earnings (loss) per share for the three and nine months ended June 30, 2017 and 2016 is as follows:

| | Three Months Ended | | | Nine Months Ended | | |
|---|---|---|---|---|---|---|
| (In thousands, except per share amounts) | Net (Loss) Income | Shares | Per Share Amount | Net (Loss) Income | Shares | Per Share Amount |
| **June 30, 2017** | | | | | | |
| Basic (loss) earnings per share | $ (4,349) | 80,542 | $ (0.05) | $ (23,541) | 74,515 | $ (0.32) |
| Effect of dilutive securities: | | | | | | |
| Restricted stock and performance units | — | — | — | — | — | — |
| Diluted (loss) earnings per share | $ (4,349) | 80,542 | $ (0.05) | $ (23,541) | 74,515 | $ (0.32) |
| **June 30, 2016** | | | | | | |
| Basic earnings per share | $ 99,505 | 64,795 | 1.54 | 261,023 | 64,750 | $ 4.03 |
| Effect of dilutive securities: | | | | | | |
| Restricted stock and performance units | — | 52 | (0.01) | — | 102 | (0.01) |
| Diluted earnings per share | $ 99,505 | 64,847 | $ 1.53 | $ 261,023 | 64,852 | $ 4.02 |

Potential dilutive common shares outstanding for stock-based awards totaling 716 thousand and 481 thousand Shares were considered in the calculation of diluted weighted-average shares for the three and nine months ended June 30, 2017, respectively; however, due to our net loss position, those shares have not been reflected above because they would be anti-dilutive.

For the purpose of calculating diluted earnings per share for the three and nine months ended June 30, 2017, there were approximately 2,811,956 and 3,046,982 anti-dilutive securities, respectively, and for the three and nine months ended June 30, 2016, there were approximately 2,377,436 and 2,070,774 anti-dilutive securities, respectively.

## NOTE 4—PROPERTY AND EQUIPMENT

A summary of property and equipment by classification is as follows:

| (In thousands) | June 30, 2017 | September 30, 2016 |
|---|---|---|
| Drilling vessels and equipment | $ 3,775,450 | $ 3,898,686 |
| Construction work in progress | 1,010,092 | 857,572 |
| Drill pipe | 51,334 | 52,543 |
| Office equipment and other | 39,173 | 39,213 |
| Total cost | 4,876,049 | 4,848,014 |
| Less: Accumulated depreciation | (738,308) | (720,318) |
| Property and equipment, net | $ 4,137,741 | $ 4,127,696 |

***Impairments***

In February 2017, we agreed with Woodside Energy Ltd ("Woodside") to (i) substitute the *Atwood Condor* for the *Atwood Osprey,* offshore Australia, for approximately 550 days starting, at the latest, March 2018 and (ii) utilize the *Atwood Osprey* for an additional exploration well with an estimated duration of approximately 100 days. As a result, the *Atwood Condor* was joining the *Atwood Osprey* and the *Atwood Eagle* as one of our three rigs available to provide drilling services to clients in the Australian/Southeast Asian markets. Due to the age, specifications and marketability of the *Atwood Eagle* relative to the *Atwood Condor* and *Atwood Osprey,* the *Atwood Eagle* was positioned behind each of those two rigs to bid for contracting opportunities in the Australian/Southeast Asian markets at such time. Based on the foregoing and our ongoing review of market conditions in the region, we determined that the *Atwood Eagle* was less likely to obtain future drilling contracts that would provide sufficient financial returns to justify keeping the drilling rig in a marketable condition within our existing fleet. Based on our analysis, we concluded that the *Atwood Eagle* and its materials and supplies were impaired as of March 31, 2017, and we wrote them down to their approximate salvage value. We recorded a non-cash impairment charge of approximately $59.2 million ($57.8 million, net of tax, or $0.72 per diluted share), which is included in Asset Impairment on the Unaudited Condensed Consolidated Statement of Operations for the nine months ended June 30, 2017. This impairment charge included a write-down of property and equipment and deferred costs of $49.6 million, a write-down of our inventory of materials and supplies that was specific to the *Atwood Eagle* of $8.4 million, and accrued estimated transaction costs of $1.0 million. On May 5, 2017, we executed a sale and recycling agreement with respect to the *Atwood Eagle* , pursuant to which the vessel, together with associated equipment and machinery will be sold to a third party to be demolished and recycled. We expect that the sale of the rig will be finalized in September 2017.

The *Atwood Falcon* completed the contract under which it was working in early March 2016. Based on the lack of contracting opportunities and the further deterioration of commodity prices, we determined that it was not likely that additional work would be obtained in the foreseeable future. Based on our analysis, we concluded that the *Atwood Falcon* and its materials and supplies were impaired as of December 31, 2015, and we wrote them down to their approximate salvage value. We recorded a non-cash impairment charge of approximately $64.7 million ($64.7 million net of tax, or $1.00 per diluted share), which is included in Asset Impairment on the Unaudited Condensed Consolidated Statement of Operations for the nine months ended June 30, 2016. This impairment charge includes a write-down of property and equipment of $53.0 million and a write-down of our inventory of materials and supplies specific to the *Atwood Falcon* of $11.7 million. In April 2016, we completed the sale of the *Atwood Falcon.*

As of June 30, 2017, we had expended approximately $980 million towards our two ultra-deepwater drillships under construction at the Daewoo Shipbuilding and Marine Engineering Co. ("DSME") shipyard in South Korea. Remaining expected capital expenditure for these two drillships under construction, including costs associated with the second Blowout Preventer stack ("BOP"), totaled approximately $324 million at June 30, 2017. On December 5, 2016, we entered into supplemental agreements (collectively, "Supplemental Agreement No. 5") to the construction contracts with DSME which delay our requirements to take delivery of our two newbuild ultra-deepwater drillships, the *Atwood Admiral* and the *Atwood Archer* , by two years to September 30, 2019 and June 30, 2020, respectively. Supplemental Agreement No. 5 amends all material terms of the previous supplemental agreements. In consideration of Supplemental Agreement No. 5, we made a payment of $125 million for the *Atwood Archer* on December 13, 2016 and will make an additional interim payment of $15 million on the earlier of June 30, 2018 or the delivery date. With respect to the *Atwood Admiral,* we will make a payment of $10 million on the earlier of September 30, 2017 or the delivery date. Remaining milestone payments, $83.9 million for the *Atwood Admiral* and $165 million for the *Atwood Archer,* have been extended until December 30, 2022 through our ability to choose to finance such amounts in the form of promissory notes to be entered into on the delivery dates for each vessel bearing interest at a rate of 5% per annum and to be secured by a mortgage on the respective drillship. We have the option to take earlier delivery of each vessel, upon 45 days' notice.

***Other Income***

During the nine months ended June 30, 2016, we recognized approximately $18.0 million ($18.0 million, net of tax, or $0.28 per diluted share) of expected insurance recoveries related to cyclone damage to the *Atwood Osprey* . This amount is included in Other income on the Unaudited Condensed Consolidated Statement of Operations and was subsequently collected.

***Construction Projects***

During the three months ended June 30, 2017, Hydril USA Distribution, LLC ("GE") completed the manufacturing and delivery of the second BOP and an Auxiliary Stack Test System ("ASTS") for the *Atwood Condor* . Total consideration for this agreement is approximately $19 million with 20% paid upon placement of the purchase order which occurred in the three months ended June 30, 2016 and the remaining 80% was accrued in Accounts payable as of June 30, 2017 on the Unaudited Condensed Consolidated Balance Sheet.

The capital spare parts we provided to GE to be used in the manufacturing process were replenished by GE with similar capital spares with delivery of the BOP.

## NOTE 5—DEBT

A summary of long-term debt is as follows:

| (In thousands) | June 30, 2017 | September 30, 2016 |
|---|---|---|
| 6.5% Senior Notes due 2020 ("Senior Notes") aggregate principal amount | $ 448,650 | $ 448,650 |
| Senior Notes unamortized premium | 2,568 | 3,245 |
| Senior Notes unamortized debt issuance costs | (3,082) | (3,976) |
| Total Senior Notes | 448,136 | 447,919 |
| Revolving Credit Facility ("Credit Facility") | 850,000 | 780,000 |
| Total long-term debt | $ 1,298,136 | $ 1,227,919 |

***Revolving Credit Facility***

As of June 30, 2017, our Credit Facility had $1.395 billion of total commitments and $850 million of outstanding borrowings. As of June 30, 2017, we had approximately $518 million available for borrowings without violating financial covenants. Approximately $275 million of the commitments under the Credit Facility mature in May 2018 with the remaining $1.12 billion of the commitments maturing in May 2019. We were in compliance with all financial covenants under the Credit Facility as of June 30, 2017 and September 30, 2016, and we anticipate that we will continue to be in compliance for at least twelve months subsequent to the date our financial statements are issued.

The weighted-average effective interest rate on our long-term debt was approximately 5.1% per annum as of June 30, 2017. The effective rate was determined after giving consideration to the effect of our interest rate swaps accounted for as hedges and the amortization of our debt issuance costs and debt premiums. Interest capitalized for the three and nine months ended June 30, 2017 was approximately $6.8 million and $18.8 million, respectively. Interest capitalized for the three and nine months ended June 30, 2016 was approximately $4.2 million and $12.8 million, respectively.

## NOTE 6—FAIR VALUE OF FINANCIAL INSTRUMENTS

We have certain assets and liabilities that are required to be measured and disclosed at fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The fair value hierarchy prioritizes inputs to valuation techniques used to measure fair value into three levels. Priority is given to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Assets and liabilities measured at fair value are classified based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment, which may affect the valuation of the fair value of assets and liabilities and their placement within the fair value hierarchy levels. The determination of the fair values, stated below, takes into account the market for our financial assets and liabilities, the associated credit risk and other considerations.

We have classified and disclosed fair value measurements using the following levels of the fair value hierarchy:

***Level 1*** **:** Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

***Level 2*** **:** Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability.

***Level 3*** **:** Measurement based on prices or valuation models that require inputs that are both significant to the fair value measurement and less observable for objective sources (i.e., supported by little or no market activity).

***Fair value of Certain Assets and Liabilities***

The fair value of cash, accounts receivable and accounts payable approximate fair value because of their short term maturities.

***Fair Value of Financial Instruments***

Independent third party services are used to determine the fair value of our financial instruments using quoted market prices and observable inputs. When independent third party services are used, we obtain an understanding of how the fair values are derived and selectively corroborate fair values by reviewing other readily available market based sources of information.

***Long-term Debt—*** Our long-term debt consists of both our Senior Notes and our Credit Facility.

*Senior Notes* - The carrying value of our Senior Notes, net of unamortized premium, is $451.2 million ($448.7 million principal amount) while the fair value of our Senior Notes was $439.3 million at June 30, 2017. The fair value is determined by a market approach using quoted period-end bond prices. We have classified this as a Level 2 fair value measurement as valuation inputs for fair value measurements are quoted market prices at June 30, 2017 that can only be obtained from independent third party sources. The fair value amount has been calculated using these quoted prices. However, no assurance can be given that the fair value would be the amount realized in an active market exchange.

*Credit Facility* - Our Credit Facility is variable-rate and the carrying amounts of our variable-rate debt approximates fair value because such debt bears short-term, market-based interest rates. We have classified the fair value measurement of this instrument as Level 2 as valuation inputs for purposes of determining our fair value disclosure are readily available published Eurodollar rates.

***Derivative financial instruments—*** Our derivative financial instruments consist of our interest rate swaps. We record our derivative contracts at fair value on our Unaudited Condensed Consolidated Balance Sheet. The fair values of our interest rate swaps are based upon valuations calculated by an independent third party. The derivatives were valued according to the “Market approach” where possible, and the “Income approach” otherwise. A third party independently valued each instrument using forward price data obtained from reputable data providers (e.g., Bloomberg and Reuters) and reviewed market activity and similarity of pricing terms to determine appropriate reliability level assertions for each instrument. The contribution of the credit valuation adjustment to total fair value is less than 1% for all derivatives and is therefore not significant. Based on valuation inputs for fair value measurement and independent review performed by third party consultants, we have classified our derivative contracts as Level 2 as they were valued based upon observable inputs from dealer markets.

The following table sets forth the estimated fair value of our derivative financial instruments, for which we elected hedge accounting, as of June 30, 2017 and September 30, 2016, by location and hedge type, which are measured and recorded at fair value on a recurring basis:

| (In thousands) | Balance Sheet Classification | June 30, 2017 | September 30, 2016 |
|---|---|---|---|
| **Derivative assets designated as cash flow hedging instruments:** | | | |
| Short-term interest rate swaps asset | Prepaid expenses, deferred costs and other current assets | $ 113 | $ — |
| **Derivative liabilities designated as cash flow hedging instruments:** | | | |
| Short-term interest rate swaps | Accrued liabilities | — | (1,312) |
| Long-term interest rate swaps | Other long-term liabilities | — | (482) |
| Total derivative contracts, net | | $ 113 | $ (1,794) |

**NOTE 7—SHARE-BASED COMPENSATION**

A summary of our share-based compensation expense recognized during the nine months ended June 30, 2017 and 2016 and unrecognized compensation cost and remaining weighted-average service period as of June 30, 2017 and 2016 is as follows:

| (In thousands, except average service periods) | Nine Months Ended June 30, 2017 | Nine Months Ended June 30, 2016 |
|---|---|---|
| Share-based compensation recognized | $ 10,657 | $ 8,224 |
| Unrecognized compensation cost, net of estimated forfeitures | 18,298 | 18,085 |
| Remaining weighted-average service period (years) | 1.7 | 1.9 |

***Restricted Stock Units***

During the nine months ended June 30, 2017, we granted to certain employees and our non-employee directors, restricted stock units that are subject to vesting conditions. The grant date fair value of these awards was based on the fair value of our common stock on the date of grant. A summary of our restricted stock activity for the nine months ended June 30, 2017 is as follows:

| | Number of Shares (000s) | Weighted Average Fair Value |
|---|---|---|
| Unvested as of October 1, 2016 | 1,515 | $ 21.96 |
| Granted | 1,126 | 7.92 |
| Vested | (232) | 38.01 |
| Forfeited | (97) | 16.32 |
| Unvested as of June 30, 2017 | 2,312 | 13.74 |

***Performance Units***

During the nine months ended June 30, 2017, we granted to certain employees share-based awards that are subject to market-based performance conditions ("Performance Units"). The grant date fair value of these Performance Units was determined through use of the Monte Carlo simulation method. A summary of Performance Units stock activity for the nine months ended June 30, 2017 is as follows:

| | Number of Shares (000s) | Weighted Average Fair Value |
|---|---|---|
| Unvested as of October 1, 2016 | 426 | $ 26.69 |
| Granted | 360 | 8.50 |
| Vested | (47) | 53.55 |
| Forfeited | (61) | 24.87 |
| Unvested as of June 30, 2017 | 678 | 15.31 |

***Stock Options***

A summary of stock option activity for the nine months ended June 30, 2017 is as follows:

| | Number of Options (000s) | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life (Years) | Aggregate Intrinsic Value (000s) |
|---|---|---|---|---|
| Outstanding as of October 1, 2016 | 617 | $ 35.47 | 3.4 | $ (16,533) |
| Granted | — | — | — | — |
| Exercised | — | — | — | — |
| Forfeited | — | — | — | — |
| Expired | (68) | 27.18 | — | (1,297) |
| Outstanding as of June 30, 2017 | 549 | 36.50 | 3.0 | (15,570) |
| Exercisable as of June 30, 2017 | 549 | 36.50 | 3.0 | (15,570) |

**NOTE 8— INCOME TAXES**

We have historically calculated the provision for income taxes during interim reporting periods by applying an estimate of the annual effective tax rate for the full fiscal year to "ordinary" income or loss (pretax income or loss excluding unusual or infrequently occurring discrete items) for the reporting period. Beginning with this reporting year, we switched to a discrete effective tax rate method to calculate taxes. We determined that since small changes in estimated "ordinary" income would result in significant changes in the estimated annual effective tax rate that the historical annualized method would not provide a reliable estimate of our effective tax rate. We anticipate that we will utilize the discrete effective tax rate method to calculate taxes for the remainder of the fiscal year.

Our estimated consolidated effective income tax rate for the three and nine months ended June 30, 2017 was approximately (146)% and (38)%, respectively, as compared to 17% and 15% for the three and nine months ended June 30, 2016, respectively. The effective tax rate for the three and nine months ended June 30, 2017 was negative as compared to three and nine months ended June 30, 2016, as a result of losses incurred in jurisdictions for which there was no corresponding tax benefit. This included the second quarter non-cash impairment charge against the Atwood Eagle as the charge did not result in a corresponding reduction to our provision for income tax.

Our effective tax rate was lower than the U.S. statutory rate primarily due to to working in certain lower tax rate jurisdictions outside the United States. We record estimated accrued interest and penalties related to uncertain tax positions as income tax expense. As of June 30, 2017, we had approximately $16.8 million of reserves for uncertain tax positions, including estimated accrued interest and penalties of $4.0 million, which are included in Other long-term liabilities in the Unaudited Condensed Consolidated Balance Sheet. None of our reserves for uncertain tax positions relate to timing differences. All of the net uncertain tax liabilities would affect the effective tax rate if realized.

**NOTE 9—COMMITMENTS AND CONTINGENCIES**

***Litigation***

We are party to a number of lawsuits which are ordinary, routine litigation incidental to our business, the outcome of which is not expected to have, either individually or in the aggregate, a material adverse effect on our consolidated financial position, results of operations or cash flows.

The Company is currently involved in litigation relating to the Merger (See Note 11 to the Unaudited Condensed Consolidated Financial Statements). See Part II Item 1. Legal Proceedings for more information on legal matters.

**NOTE 10—SHAREHOLDERS' EQUITY**

***Equity Offering***

On January 13, 2017, we issued, in a public offering, 15,525,000 shares of common stock. The net proceeds from the offering, before deducting estimated offering expenses, were approximately $181 million. The net proceeds are currently held as cash and are expected to be used for general corporate purposes, which may include the repayment of borrowings under the Credit Facility, the funding of future purchases or redemption of our Senior Notes, working capital and capital expenditures, and otherwise to enhance our liquidity.

**NOTE 11—MERGER AGREEMENT WITH ENSCO PLC**

On May 29, 2017 the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with Ensco plc ("Ensco") and Echo Merger Sub LLC, a wholly owned subsidiary of Ensco ("Merger Sub"), pursuant to which Ensco will acquire the Company in an all-stock transaction.

The Merger Agreement provides that Merger Sub will merge with and into the Company (the "Merger"), with the Company continuing as the surviving company and a wholly owned subsidiary of Ensco. Subject to the terms and conditions of the Merger Agreement, at the effective time of the Merger (the "Effective Time"), each share of Company common stock, par value $1.00 per share (the "Company Common Stock") (other than shares of Company Common Stock held by Ensco, Merger Sub or the Company), will be converted into the right to receive 1.60 validly issued, fully paid and nonassessable Class A ordinary shares of Ensco, nominal value $0.10 (the "Ensco Shares").

The board of directors of the Company has unanimously approved and adopted the Merger Agreement and has agreed, subject to certain exceptions set forth in the Merger Agreement, to recommend that the Company's shareholders approve the Merger. Each of the Company and Ensco has also agreed not to directly or indirectly solicit competing acquisition proposals or, subject to certain exceptions with respect to unsolicited proposals that may be deemed to be "superior proposals," to enter into discussions concerning, or provide confidential information in connection with, any alternative business combinations. The Merger Agreement further provides that, upon termination of the Merger Agreement under certain circumstances, the Company or Ensco may be required to reimburse the other party for its expenses in an amount up to $10 million. Further, the Merger Agreement provides that, upon termination of the Merger Agreement under certain circumstances, Ensco may be required to pay the Company a reverse termination fee in an amount equal to $50 million (less any expenses reimbursed by Ensco), and the Company may be required to pay Ensco a termination fee in an amount equal to $30 million (less any expenses reimbursed by the Company).

The Merger Agreement contains customary representations, warranties and covenants by the Company, Merger Sub and Ensco. The Merger Agreement also contains customary pre-closing covenants, including the obligation of the Company and Ensco to conduct their respective businesses in the ordinary course of business and to refrain from taking specified actions without the consent of the other party.

Completion of the Merger is subject to certain customary conditions, including approval of the allotment and issuance of Ensco Shares by Ensco's shareholders, approval of the Merger by both the Company's and Ensco's shareholders, and receipt of required regulatory approvals. The Merger is expected to close in the calendar third quarter of 2017.

The Company is currently involved in litigation relating to the Merger. See Part II Item 1. Legal Proceedings for more information on legal matters.

**Exhibit 99.4**

## UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS OF ENSCO

On May 29, 2017, Ensco and Atwood entered into a definitive merger agreement pursuant to which Merger Sub, a wholly owned subsidiary of Ensco, will merge with and into Atwood, with Atwood surviving the merger and becoming a wholly owned subsidiary of Ensco. Pursuant to the terms of the merger agreement, at the Effective Time, Atwood shareholders will receive 1.60 Ensco Class A ordinary shares for each share of Atwood common stock. The merger will be accounted for using the acquisition method of accounting with Ensco identified as the acquirer in accordance with GAAP. Under the acquisition method of accounting, Ensco will record all assets acquired and liabilities assumed at their respective acquisition-date fair values at the Effective Time.

The following unaudited pro forma condensed combined financial statements and the related notes present the combination of the historical consolidated financial statements of Ensco and Atwood, adjusted to give effect to the merger. See additional information in *Note 1—Basis of Presentation* to the Unaudited Pro Forma Condensed Combined Financial Information.

**ENSCO PLC AND SUBSIDIARIES**
**UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET**
**AS OF JUNE 30, 2017**

| | Historical | | Pro Forma | Pro Forma |
|---|---|---|---|---|
| | Ensco | Atwood | Adjustments | Combined |
| **ASSETS** | | | | |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | $ 170 | $ 474 | $ — | $ 644 |
| Short-term investments | 1,681 | — | (1,316)(a) | 365 |
| Accounts receivable, net | 366 | 78 | — | 444 |
| Other | 315 | 119 | 45(b) | 479 |
| Total current assets | 2,532 | 671 | (1,271) | 1,932 |
| PROPERTY AND EQUIPMENT, NET | 11,059 | 4,138 | (2,265)(c) | 12,932 |
| OTHER ASSETS, NET | 133 | 19 | 21(d) | 173 |
| | $ 13,724 | $ 4,828 | $ (3,515) | $ 15,037 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts payable and accrued liabilities and other | $ 503 | $ 76 | $ 29(e) | $ 608 |
| Total current liabilities | 503 | 76 | 29 | 608 |
| LONG-TERM DEBT | 4,745 | 1,298 | (1,298)(f) | 4,745 |
| OTHER LIABILITIES | 286 | 54 | 148(g) | 488 |
| TOTAL EQUITY | 8,190 | 3,400 | (2,394)(h) | 9,196 |
| | $ 13,724 | $ 4,828 | $ (3,515) | $ 15,037 |

See notes to unaudited pro forma condensed combined financial statements.

**ENSCO PLC AND SUBSIDIARIES**
**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS**
**FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2017**

| | Historical | | Pro Forma | Pro Forma |
|---|---|---|---|---|
| | Ensco | Atwood | Adjustments | Combined |
| OPERATING REVENUES | $ 929 | $ 285 | $ (5)(i) | $ 1,209 |
| OPERATING EXPENSES | | | | |
| Contract drilling (exclusive of depreciation) | 569 | 121 | — | 690 |
| Loss on impairment | — | 59 | — | 59 |
| Depreciation | 218 | 80 | (61)(j) | 237 |
| General and administrative | 57 | 28 | — | 85 |
| | 844 | 288 | (61) | 1,071 |
| OPERATING INCOME (LOSS) | 85 | (3) | 56 | 138 |
| OTHER EXPENSE, NET | (111) | (26) | 41(k) | (96) |
| LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAX | (26) | (29) | 97 | 42 |
| PROVISION FOR INCOME TAX | 43 | 4 | — | 47 |
| LOSS FROM CONTINUING OPERATIONS | $ (69) | $ (33) | $ 97 | $ (5) |
| NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST AND NON-VESTED SHARES | (2) | — | — | $ (2) |
| LOSS FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE APPLICABLE COMPANY | $ (71) | $ (33) | $ 97 | $ (7) |
| LOSS PER SHARE FROM CONTINUING OPERATIONS | | | | |
| Basic and diluted | $ (0.24) | | | $ (0.02) |
| WEIGHTED-AVERAGE SHARES OUTSTANDING | | | | |
| Basic and diluted | 301 | | 134(l) | 435 |

See notes to unaudited pro forma condensed combined financial statements.

**ENSCO PLC AND SUBSIDIARIES**
**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS**

| | Historical | | Pro Forma | Pro Forma |
|---|---|---|---|---|
| | Ensco(1) | Atwood(2) | Adjustments | Combined |
| OPERATING REVENUES | $ 2,776 | $ 1,021 | $ (73)(i) | $ 3,724 |
| OPERATING EXPENSES | | | | |
| Contract drilling (exclusive of depreciation) | 1,301 | 407 | — | 1,708 |
| Loss on impairment | — | 104 | — | 104 |
| Depreciation | 445 | 166 | (102)(j) | 509 |
| General and administrative | 101 | 51 | — | 152 |
| | 1,847 | 728 | (102) | 2,473 |
| OPERATING INCOME | 929 | 293 | 29 | 1,251 |
| OTHER INCOME, NET | 68 | 18 | 95(k) | 181 |
| INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAX | 997 | 311 | 124 | 1,432 |
| PROVISION FOR INCOME TAX | 109 | 47 | — | 156 |
| INCOME FROM CONTINUING OPERATIONS | $ 888 | $ 264 | $ 124 | $ 1,276 |
| NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST AND NON-VESTED SHARES | (22) | — | — | (22) |
| INCOME FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE APPLICABLE COMPANY | $ 866 | $ 264 | $ 124 | $ 1,254 |
| EARNINGS PER SHARE FROM CONTINUING OPERATIONS | | | | |
| Basic and diluted | $ 3.10 | | | $ 3.04 |
| WEIGHTED-AVERAGE SHARES OUTSTANDING | | | | |
| Basic and diluted | 279 | | 134(l) | 413 |

(1) Ensco historical financial information is for the year ended December 31, 2016.
(2) Atwood historical financial information is for the fiscal year ended September 30, 2016.

See notes to unaudited pro forma condensed combined financial statements.

**ENSCO PLC AND SUBSIDIARIES**
**NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED**
**FINANCIAL STATEMENTS**

**Note 1—Basis of Presentation**

The unaudited pro forma condensed combined financial statements were prepared in accordance with Article 11 of SEC Regulation S-X using the acquisition method of accounting in accordance with GAAP and are based on the historical consolidated financial statements of Ensco and Atwood, after giving effect to the merger as well as pro forma adjustments.

The unaudited pro forma condensed combined balance sheet combines the unaudited historical condensed consolidated balance sheets of Ensco and Atwood as of June 30, 2017, giving effect to the merger as if it had occurred on June 30, 2017.

The unaudited pro forma condensed combined statements of operations for the fiscal year ended December 31, 2016 and the six months ended June 30, 2017 assume the merger took place on January 1, 2016, the beginning of Ensco's most recently completed fiscal year. Ensco's audited consolidated statement of operations for the fiscal year ended December 31, 2016 has been combined with Atwood's audited consolidated statement of operations for the fiscal year ended September 30, 2016. The unaudited pro forma condensed combined statement of operations for the six months ended June 30, 2017 combines the unaudited consolidated statement of operations of Ensco and Atwood for the six months ended June 30, 2017. The unaudited consolidated statement of operations of Atwood for the six months ended June 30, 2017 was prepared by combining the unaudited consolidated statements of operations for the three month periods ended March 31, 2017 and June 30, 2017.

The unaudited pro forma condensed combined financial statements are provided for illustrative purposes only and are not intended to represent the consolidated results of operations or financial position of the combined company that would have been recorded had the merger been completed as of the dates presented and should not be taken as representative of future results of operations or financial position of the combined company. The unaudited pro forma condensed combined financial statements do not reflect the impacts of any potential operational efficiencies, cost savings or economies of scale that Ensco may achieve with respect to the combined operations of Ensco and Atwood. Additionally, the pro forma statements of operations do not include non-recurring charges or credits and the related tax effects that result directly from the merger.

The unaudited pro forma condensed combined financial statements reflect the estimated merger consideration, which does not represent what the actual merger consideration transferred will be at the Effective Time. In accordance with GAAP, the fair value of equity securities issued as the consideration transferred will be measured on the closing date of the merger at the then-current market price. Ensco has estimated the total consideration to be $608 million, which will be paid through the conversion of approximately 83.5 million shares of Atwood common stock, inclusive of 2.9 million unvested restricted stock and performance unit awards that vest upon change of control, to 133.6 million Ensco Class A ordinary shares using the exchange ratio of 1.60 and valued at $7.28 per share of Atwood common stock based on the closing price of $4.55 per Ensco Class A ordinary share on August 14, 2017.

Under GAAP, acquisition-related transaction costs (e.g., advisory, legal, valuation and other professional fees) are not included as a component of consideration transferred but are accounted for as expenses in the periods in which the costs are incurred. Ensco estimates that advisory, legal, valuation and other professional fees and expenses will be $18 million and change of control severance for certain executive and other key Atwood employees will total $8 million. Transaction costs incurred by Atwood related to the merger are estimated to total $25 million. Following the completion of the merger, Ensco expects to incur additional charges and expenses relating to restructuring and integrating the operations of Ensco and Atwood, the amount of which has not yet been determined. Certain

transaction costs related to the merger are not included in the pro forma financial statements in this joint proxy statement/prospectus.

The unaudited pro forma condensed combined financial statements illustrate the assets and liabilities of Atwood recorded at their preliminary estimated fair values at the assumed closing date of the merger. The preliminary fair value estimates are subject to change based on the final valuations that will be determined as of the closing date of the merger. Actual results will differ from this unaudited pro forma condensed combined financial information once Ensco has determined the final merger consideration and completed the valuation analysis and computations necessary to finalize the required purchase price allocations. Accordingly, the final allocations of merger consideration and their effects on results of operations may differ materially from the preliminary allocations and unaudited pro forma combined amounts included herein. Many of these fair value measurements can be highly subjective, and it is possible that other professionals, applying reasonable judgment to the same facts and circumstances, could develop and support a range of alternative estimated amounts.

The unaudited pro forma condensed combined financial statements do not constitute statutory accounts required by the Companies Act 2006, which for the year ended December 31, 2016 were prepared in accordance with generally accepted accounting principles in the U.K. and were delivered to the Registrar of Companies in the United Kingdom. The U.K. statutory accounts included an unqualified auditor's report, which did not contain any reference to matters to which the auditors drew attention by way of emphasis without qualifying the report or any statements under Section 498(2) or 498(3) of the Companies Act 2006.

The unaudited pro forma condensed combined financial statements should be read in conjunction with the historical consolidated financial statements and accompanying notes contained in the Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q of Ensco and Atwood.

**Note 2—Accounting Policies**

The unaudited pro forma financial information has been compiled in a manner consistent with the accounting policies of Ensco and Atwood.

**Note 3—Estimated Merger Consideration and Allocation**

Under the terms of the merger agreement, Atwood stockholders will receive 1.60 Ensco Class A ordinary shares for each share of Atwood common stock for a total value of $7.28 per share of Atwood common stock based on the closing share price of $4.55 per Ensco Class A ordinary share on August 14, 2017. The estimated merger consideration of $608 million is comprised of 83.5 million shares of Atwood common stock, inclusive of 2.9 million unvested restricted stock and performance unit awards that vest upon change of control, converted to 133.6 million Ensco Class A ordinary shares using the exchange ratio of 1.60 and valued at $7.28 per share. The value of the merger consideration will fluctuate based upon changes in Ensco's share price and the number of Atwood common shares and equity awards outstanding at the closing date.

The table below illustrates the potential impact of the estimated merger consideration resulting from a 10% increase or decrease in the price of $4.55 per Ensco Class A ordinary share as of August 14, 2017. For purposes of this computation, the total number of Ensco Class A ordinary shares issued was assumed to be 133.6 million, as described above (in millions):

| | 10% Increase in Ensco share price | 10% Decrease in Ensco share price |
|---|---|---|
| Merger consideration | 669 | 547 |
| Bargain purchase gain | 355 | 477 |

Under GAAP, when the fair value assigned to acquired assets and liabilities exceeds the consideration transferred in an acquisition, the difference is reflected as a bargain purchase gain. The following table summarizes our estimated bargain purchase gain computation as of June 30, 2017 (in millions):

| | | |
|---|---|---|
| Current assets | $ | 717 |
| Non-current assets | | 1,913 |
| Total assets acquired | | 2,630 |
| Liabilities assumed | | (1,606) |
| Net assets acquired | | 1,024 |
| Less: Estimated merger consideration | | (608) |
| Estimated bargain purchase gain | $ | 416 |

The estimated fair value assigned to assets acquired and liabilities assumed exceeded the estimated consideration transferred resulting in a bargain purchase gain primarily due to (1) depressed offshore drilling company valuations resulting in Atwood market capitalization that was lower than the Net Asset Value calculated by Ensco Management and (2) the treatment of corporate overhead costs in purchase accounting under GAAP.

Market capitalizations across the offshore drilling industry have declined significantly since mid-2014 due to the decline in commodity prices and the related imbalance of supply and demand for drilling rigs. This imbalance has led to significantly depressed market capitalizations across the offshore drilling industry.

Ensco and Atwood's stock prices declined 88% and 85% from highs of $55.62 and $53.79 per share in mid-2014 to $6.70 and $8.08 per share on the last trading day prior to announcement of the merger, respectively. Ensco and Atwood are both trading below the Net Asset Values estimated by Ensco Management.

The industry downturn and corresponding decline in offshore drilling company market capitalizations have resulted in corporate overhead costs that are disproportionately high when compared to their respective enterprise values. This relationship could catalyze industry consolidation activity due to the high potential for transactions that are value accretive to shareholders through realized synergies, which is a key driver for this transaction. Ensco Management estimates that ongoing corporate overhead costs burdened Atwood's market capitalization by over $700 million.

Corporate overhead cost is not included in the purchase price allocation under GAAP when not directly attributable to the cash flows of the acquired assets and assumed liabilities. Accordingly, the fair values assigned to assets acquired and liabilities assumed in purchase accounting significantly exceeds Atwood's Net Asset Value estimated by Ensco Management, and the consideration to be transferred, resulting in a bargain purchase gain.

**Note 4—Pro Forma Adjustments**

(a) *Short-term investments*

Represents the pro forma adjustments to short-term investments as follows (in millions):

| | | |
|---|---|---|
| Repayment of Atwood revolving credit facility | $ | (851) |
| Repayment of Atwood 6.5% senior notes due 2020 | | (465) |
| | $ | (1,316) |

The pro forma adjustments relate to the assumed utilization of short-term investments to repay Atwood's revolving credit facility and 6.5% senior notes due 2020, inclusive of accrued and unpaid interest. Upon the closing of the merger, a change of control will occur under the indenture governing Atwood's 6.5% senior notes due 2020, and Atwood will be required to offer to repurchase all of the outstanding senior notes at 101% of their outstanding principal amount, plus accrued and unpaid interest. As of June 30, 2017, Atwood had $449 million in aggregate principal amount of senior notes outstanding.

(b) *Other current assets*

Represents the pro forma adjustments to record the estimated fair value of other current assets as follows (in millions):

| | | |
|---|---|---|
| Estimated fair value of Atwood drilling contracts | $ | 71 |
| Income tax receivable impact of certain pro forma adjustments | | 6 |
| Adjustment to record Atwood inventory at estimated fair value | | (25) |
| Elimination of Atwood historical debt issuance costs | | (4) |
| Elimination of Atwood historical deferred expenses related to contract drilling | | (3) |
| | $ | 45 |

The pro forma adjustment to record the estimated fair value of Atwood drilling contracts represents the intangible assets recognized for firm drilling contracts in place at the pro forma balance sheet date that have favorable contract terms as compared to current market day rates for comparable drilling rigs. Contracts that are expected to expire within 12 months of the pro forma balance sheet date are classified as current. The various factors considered in the pro forma adjustment are (1) the contracted day rate for each contract, (2) the remaining term of each contract, (3) the rig class and (4) the market conditions for each respective rig class at the pro forma balance sheet date. The intangible assets are computed based on the present value of the difference in cash inflows over the remaining contract term as compared to a hypothetical contract with the same remaining term at an estimated current market day rate using a risk-adjusted discount rate and an estimated effective income tax rate. The computed amount is subject to change based on contract positions and market conditions at the closing date of the merger. This balance will be amortized to operating revenues over the respective remaining contract terms on a straight-line basis.

The pro forma adjustment to Atwood's inventory adjusts the historical amounts to record the estimated fair value of consumable parts and supplies.

The pro forma adjustment for the elimination of Atwood's historical deferred expenses associated with contract drilling primarily relates to deferred mobilization costs. Costs incurred for mobilization of equipment and personnel prior to the commencement of drilling services are deferred and subsequently amortized by Atwood over the term of the related drilling contract. These deferred costs have no future economic benefit to Ensco and are eliminated from the pro forma financial statements.

(c) *Property and equipment, net*

Represents the pro forma adjustments to historical amounts to record the estimated fair value of property and equipment.

(d) *Other assets*

Represents the pro forma adjustments to record the estimated fair value of other assets as follows (in millions):

| | | |
|---|---|---|
| Estimated fair value of Atwood drilling contracts | $ | 15 |
| Deferred tax impact of certain pro forma adjustments | | 13 |
| Elimination of Atwood historical deferred expenses related to contract drilling | | (4) |
| Elimination of Atwood historical debt issuance costs | | (3) |
| | $ | 21 |

The pro forma adjustment to record the estimated fair value of Atwood drilling contracts represents the intangible assets recognized for firm long-term drilling contracts in place at the pro forma balance sheet date that have favorable contract terms as compared to current market day rates for comparable drilling rigs. Contracts that are expected to expire beyond 12 months from the pro forma balance sheet date are classified as non-current. The various factors considered in the pro forma adjustment are (1) the contracted day rate for each contract, (2) the remaining term of each contract, (3) the rig class and (4) the market conditions for each respective rig class at the pro forma balance sheet date. The intangible assets are computed based on the present value of the difference in cash inflows over the remaining contract term as compared to a hypothetical contract with the same remaining term at an estimated current market day rate using a risk-adjusted discount rate and an estimated effective income tax rate. The computed amount is subject to change based on contract positions and market conditions at the closing date of the merger. This balance will be amortized to operating revenues over the respective remaining contract terms on a straight-line basis.

The pro forma adjustment for the elimination of Atwood's historical deferred expenses associated with contract drilling primarily relates to deferred mobilization costs. Costs incurred for mobilization of equipment and personnel prior to the commencement of drilling services are deferred and subsequently amortized by Atwood over the term of the related drilling contract. These deferred costs have no future economic benefit to Ensco and are eliminated from the pro forma financial statements.

(e) *Accounts payable and accrued liabilities and other*

Represents the pro forma adjustments to record the estimated fair value of current liabilities as follows (in millions):

| | | |
|---|---|---|
| Estimated Atwood transaction costs | $ | 25 |
| Estimated Ensco transaction costs | | 18 |
| Change in control provisions on Atwood benefit plans | | 8 |
| Elimination of accrued interest from repayment of Atwood debt | | (13) |
| Elimination of Atwood historical deferred revenues and deferred rent | | (9) |
| | $ | 29 |

The pro forma adjustment for change in control provisions on Atwood benefit plans relates to the additional liability that will be incurred for estimated cash severance payments upon a change in control for benefits payable to executives and other key Atwood employees as a result of pre-existing employee arrangements.

The pro forma adjustment to eliminate Atwood's historical deferred revenues are primarily related to mobilization revenues that were previously paid by a customer as compensation to mobilize a rig to the drilling location. Such payments are deferred and subsequently amortized by Atwood over the term

of the related drilling contract. The deferred revenue does not represent contractual obligations of Atwood and are eliminated from the pro forma financial statements.

(f) *Long-term debt*

Represents the pro forma adjustments related to the repayment of Atwood's historical debt as follows (in millions):

| | | |
|---|---|---|
| Repayment of Atwood revolving credit facility | $ | (850) |
| Repayment of Atwood 6.5% senior notes due 2020 | | (448) |
| | $ | (1,298) |

The pro forma adjustments relate to the assumed repayment of Atwood's revolving credit facility and 6.5% senior notes due 2020 upon closing of the merger as a result of certain change of control provisions in each debt agreement.

(g) *Other liabilities*

Represents the pro forma adjustments to record the estimated fair value of other liabilities as follows (in millions):

| | | |
|---|---|---|
| Estimated fair value of Atwood drillship construction contracts | $ | 160 |
| Deferred tax impact of certain pro forma adjustments | | 7 |
| Elimination of Atwood historical deferred revenues and deferred rent | | (15) |
| Elimination of Atwood historical amounts accrued for retention awards | | (4) |
| | $ | 148 |

The pro forma adjustment for the estimated fair value of Atwood drillship construction contracts relates to an unfavorable construction contract liability recorded as a result of comparing the firm obligations for the remaining construction contracts to estimated current market rates for the construction of a similar design drilling rig. The unfavorable construction contract liability is computed based on the present value of the difference of the cash outflows for the remaining contractual payments as compared to a hypothetical contract with the same remaining contractual payments at current market rates using a risk-adjusted discount rate and estimated effective income tax rate.

The pro forma adjustment to record the estimated fair value of Atwood drilling contracts represents the intangible liabilities recognized for firm long-term drilling contracts in place at the pro forma balance sheet date that have unfavorable contract terms as compared to current market day rates for comparable drilling rigs. The various factors considered in the pro forma adjustment are (1) the contracted day rate for each contract, (2) the remaining term of each contract, (3) the rig class and (4) the market conditions for each respective rig class at the pro forma balance sheet date. The intangible liabilities are computed based on the present value of the difference in cash inflows over the remaining contract term as compared to a hypothetical contract with the same remaining term at an estimated current market day rate using a risk-adjusted discount rate and an estimated effective income tax rate. The computed amount is subject to change based on contract positions and market conditions at the closing date of the merger. This balance will be amortized to operating revenues over the remaining contract terms on a straight-line basis.

The pro forma adjustment to eliminate Atwood's historical deferred revenues are primarily related to mobilization revenues that were previously paid by a customer as compensation to mobilize a rig to the drilling location. Such payments are deferred and subsequently amortized by Atwood over the term

of the related drilling contract. The deferred revenue does not represent contractual obligations of Atwood and are eliminated from the pro forma financial statements.

The pro forma adjustment for the accrued retention bonus eliminates the historical accrued liability associated with the time-vested component of cash-based retention awards granted to executives and other key Atwood employees. The retention awards become fully vested upon a change of control and are therefore reflected in the pro forma adjustments to accounts payable and accrued liabilities and other.

(h) *Total equity*

Represents the pro forma adjustments to total equity as follows (in millions):

| | | |
|---|---|---|
| Elimination of Atwood’s historical stockholders’ equity | $ | (3,400) |
| Ensco share consideration recorded as capital in excess of par value | | 595 |
| Estimated bargain purchase gain(1) | | 416 |
| Ensco shares issued as merger consideration, par value | | 13 |
| Estimated Ensco transaction costs | | (18) |
| | $ | (2,394) |

---

(1) The estimated bargain purchase gain is inclusive of Atwood’s estimated transaction costs of $25 million and $5 million loss on the repayment of Atwood’s 6.5% senior notes due 2020 as these charges are included in the preliminary estimated fair value of the net assets acquired.

(i) *Operating revenues*

Represents the pro forma adjustments for the amortization of intangible assets and liabilities associated with the estimated fair value of Atwood drilling contracts.

(j) *Depreciation*

Represents the pro forma adjustments for depreciation of Atwood’s property and equipment. Atwood’s property and equipment consists primarily of drilling rigs and related equipment. The pro forma depreciation adjustments relate to the pro forma adjustment to record the estimated fair value of Atwood’s drilling rigs and related equipment after conforming depreciable lives and salvage values and computing depreciation using the straight-line method. Ensco estimated remaining useful lives for Atwood’s drilling rigs ranged from 16 to 35 years based on original estimated useful lives of 30 years to 35 years.

(k) *Other income (expense), net*

Represents the pro forma adjustments related to the elimination of Atwood's historical debt for the six months ended June 30, 2017 and year ended December 31, 2016 as follows (in millions):

| | Six Months Ended June 30, 2017 | Year Ended December 31, 2016 |
|---|---|---|
| Elimination of interest expense for repayment of Atwood outstanding debt | $ 27 | $ 69 |
| Additional Ensco interest capitalized from acquiring rigs under construction | 17 | 33 |
| Elimination of interest income earned by Ensco on short-term investments used to redeem Atwood outstanding debt | $ (3) | $ (7) |
| | $ 41 | $ 95 |

(l) *Weighted-average shares outstanding*

Represents the pro forma adjustment for Ensco shares to be issued to Atwood shareholders. Under the merger agreement, 83.5 million shares of Atwood common stock, inclusive of 2.9 million unvested restricted stock and performance unit awards that vest upon change of control, will be converted to 133.6 million Ensco Class A ordinary shares using the exchange ratio of 1.60 Ensco Class A ordinary shares for each share of Atwood common stock.