

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

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended March 31, 2020
OR

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

Commission File Number 1-8097

Valaris plc

(Exact name of registrant as specified in its charter)

England and Wales

(State or other jurisdiction of
incorporation or organization)

98-0635229

(I.R.S. Employer
Identification No.)

110 Cannon Street

London, England

(Address of principal executive offices)

EC4N6EU

(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Ticker Symbol(s)	Name of each exchange on which on which registered
Class A ordinary shares, U.S. \$0.40 par value	VAL	New York Stock Exchange
4.70% Senior Notes due 2021	VAL21	New York Stock Exchange
4.50% Senior Notes due 2024	VAL24	New York Stock Exchange
8.00% Senior Notes due 2024	VAL24A	New York Stock Exchange
5.20% Senior Notes due 2025	VAL25A	New York Stock Exchange
7.75% Senior Notes due 2026	VAL26	New York Stock Exchange
5.75% Senior Notes due 2044	VAL44	New York Stock Exchange
4.875% Senior Note due 2022	VAL/22	New York Stock Exchange
4.75% Senior Note due 2024	VAL/24	New York Stock Exchange
7.375% Senior Note due 2025	VAL/25	New York Stock Exchange
5.4% Senior Note due 2042	VAL/42	New York Stock Exchange
5.85% Senior Note due 2044	VAL/44	New York Stock Exchange

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-Accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging-growth company	<input type="checkbox"/>

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. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of April 27, 2020, there were 205,941,431 Class A ordinary shares of the registrant issued and outstanding.

VALARIS PLC
INDEX TO FORM 10-Q
FOR THE QUARTER ENDED MARCH 31, 2020

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FORWARD-LOOKING STATEMENTS

Statements contained in this report that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements include words or phrases such as "anticipate," "believe," "estimate," "expect," "intend," "likely," "plan," "project," "could," "may," "might," "should," "will" and similar words and specifically include statements regarding expected financial performance; expected utilization, day rates, revenues, operating expenses, cash flow, contract terms, contract backlog, capital expenditures, insurance, financing and funding; the offshore drilling market, including supply and demand, customer drilling programs, stacking of rigs, effects of new rigs on the market and effects of declines in commodity prices; expected work commitments, awards and contracts; the timing of availability, delivery, mobilization, contract commencement or relocation or other movement of rigs and the timing thereof; future rig construction (including work in progress and completion thereof), enhancement, upgrade or repair and timing and cost thereof; the suitability of rigs for future contracts; performance of our joint venture with Saudi Arabian Oil Company ("Saudi Aramco"); expected divestitures of assets; general market, business and industry conditions, trends and outlook; future operations; the impact of increasing regulatory complexity; the outcome of tax disputes, assessments and settlements; our program to high-grade the rig fleet by investing in new equipment and divesting selected assets and underutilized rigs; synergies and expected additional cost savings; dividends; expense management; and the likely outcome of litigation, legal proceedings, investigations or insurance or other claims or contract disputes and the timing thereof.

Such statements are subject to numerous risks, uncertainties and assumptions that may cause actual results to vary materially from those indicated, particularly in light of our projected negative cash flows in 2020 and highly leveraged balance sheet, including:

- the coronavirus global pandemic, the related public health measures implemented by governments worldwide and the precipitous decline in oil prices during 2020, including the duration and severity of the outbreak, the duration of the price decline and the extent of disruptions to our operations;
- decreases in levels of drilling activity and capital expenditures by our customers, whether as a result of the global capital markets and liquidity, prices of oil and natural gas or otherwise, which may cause us to idle or stack additional rigs;
- cancellation, suspension, renegotiation or termination (with or without cause) of drilling contracts or drilling programs as a result of general and industry-specific economic conditions, mechanical difficulties, performance or other reasons;
- potential additional asset impairments, including the impact of any impairment on our compliance with debt covenants, our ability to continue to borrow under our revolving credit facility and any resulting acceleration of our debt;
- our failure to satisfy the obligations with respect to our indebtedness or recapitalization of the Company (as defined herein), which could result in an event of default that could raise substantial doubt about our ability to continue as a going concern;
- the outcome of any discussions with our lenders and bondholders regarding the terms of a potential restructuring of our indebtedness or recapitalization of the Company and any resulting dilution for our shareholders;
- our ability to obtain financing, service our indebtedness, fund negative cash flows and capital expenditures and pursue other business opportunities, which may be limited by our significant debt levels, debt agreement restrictions and the credit ratings assigned to our debt by independent credit rating agencies;
- the adequacy of sources of liquidity for us and our customers;
- potential delisting of our Class A ordinary shares from the New York Stock Exchange ("NYSE") if we fail to satisfy the NYSE's minimum share price requirement, which could result in the holders of our 2024

Convertible Notes having the right to require us to repurchase the notes at a price equal to the principal amount thereof plus accrued interest to the repurchase date;

- our ability to successfully integrate the business, operations and employees of Rowan Companies Limited (formerly Rowan Companies plc) ("Rowan") and the Company to realize synergies and cost savings in connection with the Rowan Transaction (as defined herein);
- changes in worldwide rig supply and demand, competition or technology, including as a result of delivery of newbuild drilling rigs;
- downtime and other risks associated with offshore rig operations, including rig or equipment failure, damage and other unplanned repairs, the limited availability of transport vessels, hazards, self-imposed drilling limitations and other delays due to severe storms and hurricanes and the limited availability or high cost of insurance coverage for certain offshore perils, such as hurricanes in the Gulf of Mexico or associated removal of wreckage or debris;
- our ability to successfully recover losses from underwriters under our loss of hire policy in connection with the VALARIS DS-8 non-drilling incident;
- governmental action, terrorism, piracy, military action and political and economic uncertainties, including uncertainty or instability resulting from the U.K.'s withdrawal from the European Union, civil unrest, political demonstrations, mass strikes, or an escalation or additional outbreak of armed hostilities or other crises in oil or natural gas producing areas of the Middle East, North Africa, West Africa or other geographic areas, which may result in expropriation, nationalization, confiscation or deprivation or destruction of our assets; or suspension and/or termination of contracts based on force majeure events or adverse environmental safety events;
- risks inherent to shipyard rig construction, repair, modification or upgrades, unexpected delays in equipment delivery, engineering, design or commissioning issues following delivery, or changes in the commencement, completion or service dates;
- our ability to enter into, and the terms of, future drilling contracts, including contracts for our newbuild units and acquired rigs, for rigs currently idled and for rigs whose contracts are expiring;
- any failure to execute definitive contracts following announcements of letters of intent, letters of award or other expected work commitments;
- the outcome of litigation, legal proceedings, investigations or other claims or contract disputes, including any inability to collect receivables or resolve significant contractual or day rate disputes, any renegotiation, nullification, cancellation or breach of contracts with customers or other parties and any failure to execute definitive contracts following announcements of letters of intent;
- governmental regulatory, legislative and permitting requirements affecting drilling operations, including limitations on drilling locations (such as the Gulf of Mexico during hurricane season) and regulatory measures to limit or reduce greenhouse gases;
- potential impacts on our business resulting from climate-change or greenhouse gas legislation or regulations, and the impact on our business from climate-change related physical changes or changes in weather patterns;
- new and future regulatory, legislative or permitting requirements, future lease sales, changes in laws, rules and regulations that have or may impose increased financial responsibility, additional oil spill abatement contingency plan capability requirements and other governmental actions that may result in claims of force majeure or otherwise adversely affect our existing drilling contracts, operations or financial results;
- our ability to attract and retain skilled personnel on commercially reasonable terms, whether due to labor regulations, unionization or otherwise;
- environmental or other liabilities, risks, damages or losses, whether related to storms, hurricanes or other weather-related events (including wreckage or debris removal), collisions, groundings, blowouts, fires, explosions, other accidents, terrorism or otherwise, for which insurance coverage and contractual indemnities may be insufficient, unenforceable or otherwise unavailable;

- our ability to obtain financing, service our indebtedness, fund negative cash flow and capital expenditures and pursue other business opportunities may be limited by our significant debt levels, debt agreement restrictions and the credit ratings assigned to our debt by independent credit rating agencies;
- the adequacy of sources of liquidity for us and our customers;
- tax matters, including our effective tax rates, tax positions, results of audits, changes in tax laws, treaties and regulations, tax assessments and liabilities for taxes;
- our ability to realize the expected benefits of our joint venture with Saudi Aramco, including our ability to fund any required capital contributions;
- delays in contract commencement dates or the cancellation of drilling programs by operators;
- activism by our security holders;
- economic volatility and political, legal and tax uncertainties following the June 23, 2016, vote in the U.K. to exit from the European Union;
- the occurrence of cybersecurity incidents, attacks or other breaches to our information technology systems, including our rig operating systems; and
- adverse changes in foreign currency exchange rates, including their effect on the fair value measurement of our derivative instruments.

In addition to the numerous risks, uncertainties and assumptions described above, you should also carefully read and consider "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part I and "Item 1A. Risk Factors" in Part II of this report and "Item 1A. Risk Factors" in Part I and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II of our annual report on Form 10-K for the year ended December 31, 2019, which is available on the U.S. Securities and Exchange Commission website at www.sec.gov. Each forward-looking statement speaks only as of the date of the particular statement, and we undertake no obligation to publicly update or revise any forward looking statements, except as required by law.

PART I - FINANCIAL INFORMATION

Item 1. *Financial Statements*

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
Valaris plc:

Results of Review of Interim Financial Information

We have reviewed the condensed consolidated balance sheet of Valaris plc and subsidiaries (the Company, formerly known as Ensco Rowan plc and Ensco plc) as of March 31, 2020, the related condensed consolidated statements of operations and comprehensive loss for the three-month periods ended March 31, 2020 and 2019, the related condensed consolidated statements of cash flows for the three-month periods ended March 31, 2020 and 2019, and the related notes (collectively, the consolidated interim financial information). Based on our reviews, we are not aware of any material modifications that should be made to the consolidated interim financial information for it to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company as of December 31, 2019, and the related consolidated statements of operations, comprehensive loss, and cash flows for the year then ended (not presented herein); and in our report dated February 21, 2020, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2019, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

This consolidated interim financial information is the responsibility of the Company's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our reviews in accordance with the standards of the PCAOB. A review of consolidated interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ KPMG LLP

Houston, Texas
April 30, 2020

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

	Three Months Ended March 31,	
	2020	2019
OPERATING REVENUES	\$ 456.6	\$ 405.9
OPERATING EXPENSES		
Contract drilling (exclusive of depreciation)	476.0	332.6
Loss on impairment	2,808.2	—
Depreciation	164.5	125.0
General and administrative	53.4	29.6
Total operating expenses	3,502.1	487.2
EQUITY IN EARNINGS OF ARO	(6.3)	—
OPERATING LOSS	(3,051.8)	(81.3)
OTHER INCOME (EXPENSE)		
Interest income	4.8	3.5
Interest expense, net	(113.2)	(81.0)
Other, net	.5	2.3
	(107.9)	(75.2)
LOSS BEFORE INCOME TAXES	(3,159.7)	(156.5)
PROVISION (BENEFIT) FOR INCOME TAXES		
Current income tax expense (benefit)	(72.5)	25.6
Deferred income tax expense (benefit)	(79.5)	5.9
	(152.0)	31.5
NET LOSS	(3,007.7)	(188.0)
NET (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	1.4	(2.4)
NET LOSS ATTRIBUTABLE TO VALARIS	\$ (3,006.3)	\$ (190.4)
LOSS PER SHARE - BASIC AND DILUTED	\$ (15.19)	\$ (1.75)
WEIGHTED-AVERAGE SHARES OUTSTANDING		
Basic and Diluted	197.9	108.7

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

VALARIS PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In millions)
(Unaudited)

	Three Months Ended March 31,	
	2020	2019
NET LOSS	\$ (3,007.7)	\$ (188.0)
OTHER COMPREHENSIVE INCOME (LOSS), NET		
Net change in derivative fair value	(12.9)	—
Reclassification of net (gains) losses on derivative instruments from other comprehensive income (loss) into net loss	(.1)	1.6
Other	(.4)	(.1)
NET OTHER COMPREHENSIVE INCOME (LOSS)	(13.4)	1.5
COMPREHENSIVE LOSS	(3,021.1)	(186.5)
COMPREHENSIVE (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	1.4	(2.4)
COMPREHENSIVE LOSS ATTRIBUTABLE TO VALARIS	\$ (3,019.7)	\$ (188.9)

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

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

	March 31, 2020 (Unaudited)	December 31, 2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 184.9	\$ 97.2
Accounts receivable, net	493.2	520.7
Other current assets	427.5	446.5
Total current assets	1,105.6	1,064.4
PROPERTY AND EQUIPMENT, AT COST	14,461.9	18,393.8
Less accumulated depreciation	2,304.7	3,296.9
Property and equipment, net	12,157.2	15,096.9
LONG-TERM NOTES RECEIVABLE FROM ARO	452.9	452.9
INVESTMENT IN ARO	122.4	128.7
OTHER ASSETS	187.0	188.3
	\$ 14,025.1	\$ 16,931.2
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable - trade	\$ 258.4	\$ 288.2
Accrued liabilities and other	402.3	417.7
Current maturities of long-term debt	224.5	124.8
Total current liabilities	885.2	830.7
LONG-TERM DEBT	6,148.6	5,923.5
OTHER LIABILITIES	695.7	867.4
COMMITMENTS AND CONTINGENCIES		
VALARIS SHAREHOLDERS' EQUITY		
Class A ordinary shares, U.S. \$.40 par value, 205.9 million shares issued as of March 31, 2020 and December 31, 2019	82.4	82.4
Class B ordinary shares, £1 par value, 50,000 shares issued as of March 31, 2020 and December 31, 2019	.1	.1
Additional paid-in capital	8,634.9	8,627.8
Retained (deficit) earnings	(2,334.6)	671.7
Accumulated other comprehensive (loss) income	(7.2)	6.2
Treasury shares, at cost, 7.5 million and 7.9 million shares as of March 31, 2020 and December 31, 2019	(77.3)	(77.3)
Total Valaris shareholders' equity	6,298.3	9,310.9
NONCONTROLLING INTERESTS	(2.7)	(1.3)
Total equity	6,295.6	9,309.6
	\$ 14,025.1	\$ 16,931.2

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

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

	Three Months Ended March 31,	
	2020	2019
OPERATING ACTIVITIES		
Net loss	\$ (3,007.7)	\$ (188.0)
Adjustments to reconcile net loss to net cash used in operating activities:		
Loss on impairment	2,808.2	—
Depreciation expense	164.5	125.0
Deferred income tax expense (benefit)	(79.5)	5.9
Debt discounts and other	14.2	2.2
Share-based compensation expense	7.8	5.3
Adjustment to gain on bargain purchase	6.3	—
Equity in earnings of ARO	6.3	—
Gain on extinguishment of debt	(3.1)	—
Amortization, net	2.8	(14.5)
Other	9.7	(.8)
Changes in operating assets and liabilities	(129.9)	40.5
Contributions to pension plans and other post-retirement benefits	(4.0)	—
Net cash used in operating activities	(204.4)	(24.4)
INVESTING ACTIVITIES		
Additions to property and equipment	(36.3)	(29.0)
Net proceeds from disposition of assets	10.4	.3
Maturities of short-term investments	—	204.0
Purchases of short-term investments	—	(120.0)
Net cash provided by (used in) investing activities	(25.9)	55.3
FINANCING ACTIVITIES		
Borrowings on credit facility	343.9	—
Repayments of credit facility borrowings	(15.0)	—
Reduction of long-term borrowings	(9.7)	—
Cash dividends paid	—	(4.5)
Other	(.9)	(2.8)
Net cash provided by (used in) financing activities	318.3	(7.3)
Effect of exchange rate changes on cash and cash equivalents	(.3)	(.3)
INCREASE IN CASH AND CASH EQUIVALENTS	87.7	23.3
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	97.2	275.1
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 184.9	\$ 298.4

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

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

Note 1 - Unaudited Condensed Consolidated Financial Statements

On April 11, 2019, we completed our combination with Rowan Companies Limited (formerly named Rowan Companies plc) ("Rowan") and effected a four-to-one share consolidation (being a reverse stock split under English law or the "Reverse Stock Split") and changed our name to Ensco Rowan plc. On July 30, 2019, we changed our name to Valaris plc. All share and per-share amounts in these financial statements reflect the Reverse Stock Split.

We prepared the accompanying condensed consolidated financial statements of Valaris plc and subsidiaries (the "Company," "Valaris," "our," "we" or "us") in accordance with accounting principles generally accepted in the United States of America ("GAAP"), pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") included in the instructions to Form 10-Q and Article 10 of Regulation S-X. The financial information included in this report is unaudited but, in our opinion, includes all adjustments (consisting of normal recurring adjustments) that are necessary for a fair presentation of our financial position, results of operations and cash flows for the interim periods presented. The December 31, 2019 condensed consolidated balance sheet data was derived from our 2019 audited consolidated financial statements, but does not include all disclosures required by GAAP. The preparation of our condensed consolidated financial statements requires us to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, the related revenues and expenses and disclosures of gain and loss contingencies as of the date of the financial statements. Actual results could differ from those estimates.

The financial data for the three-month periods ended March 31, 2020 and 2019 included herein have been subjected to a limited review by KPMG LLP, our independent registered public accounting firm. The accompanying independent registered public accounting firm's review report is not a report within the meaning of Sections 7 and 11 of the Securities Act, and the independent registered public accounting firm's liability under Section 11 does not extend to it.

Results of operations for the three months ended March 31, 2020 are not necessarily indicative of the results of operations that will be realized for the year ending December 31, 2020. We recommend these condensed consolidated financial statements be read in conjunction with our annual report on Form 10-K for the year ended December 31, 2019, filed with the SEC on February 21, 2020.

New Accounting Pronouncements

Recently adopted accounting standards

Credit Losses - In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("Update 2016-13"), which requires companies to measure credit losses of financial instruments, including customer accounts receivable, utilizing a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Subsequent to the issuance of Update 2016-13, the FASB issued several additional Accounting Standard Updates to clarify implementation guidance, provide narrow-scope improvements and provide additional disclosure guidance. We adopted Update 2016-13 effective January 1, 2020 with no material impact to our financial statements upon adoption as our previously estimated reserves were in line with expected credit losses calculated under Update 2016-13.

Income Taxes - In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* ("Update 2019-12"), which removes certain exceptions for investments, intraperiod allocations and interim tax calculations and adds guidance to reduce complexity in accounting for income taxes. We will be required to adopt the amended guidance in annual and interim periods beginning after December 15, 2020, with early adoption permitted. The various amendments in Update 2019-12 are applied on a retrospective basis, modified retrospective basis and prospective basis, depending on the amendment. We are in the process of evaluating the impact this amendment will have on our consolidated financial statements.

Defined Benefit Plans - In August 2018, the FASB issued ASU No. 2018-14, *Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20): Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans* ("Update 2018-14"), which modifies the disclosure requirements for employers that sponsor defined benefit pension or other post-retirement plans. We will be required to adopt the amended guidance in annual and interim reports beginning January 1, 2021, with early adoption permitted. Adoption is required to be applied on a retrospective basis to all periods presented. We will adopt the new standard effective January 1, 2021 and do not expect the adoption of Update 2018-14 to have a material impact on our consolidated financial statements.

Reference Rate Reform - In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* ("Update 2020-04"), which provides optional expedients and exceptions for applying generally accepted accounting principles (GAAP) to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments in Update 2020-04 apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The expedients and exceptions provided by the amendments do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022, except for hedging relationships existing as of December 31, 2022, that an entity has elected certain optional expedients for and that are retained through the end of the hedging relationship. The provisions in Update 2020-04 are effective upon issuance and can be applied prospectively through December 31, 2022. We are in the process of evaluating the impact this amendment will have on our consolidated financial statements.

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

Note 2 - Revenue from Contracts with Customers

Our drilling contracts with customers provide a drilling rig and drilling services on a day rate contract basis. Under day rate contracts, we provide an integrated service that includes the provision of a drilling rig and rig crews for which we receive a daily rate that may vary between the full rate and zero rate throughout the duration of the contractual term, depending on the operations of the rig.

We also may receive lump-sum fees or similar compensation for the mobilization, demobilization and capital upgrades of our rigs. Our customers bear substantially all of the costs of constructing the well and supporting drilling operations, as well as the economic risk relative to the success of the well.

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

The amount estimated for variable consideration is only recognized as revenue to the extent that it is probable that a significant reversal will not occur during the contract term. We have applied the optional exemption afforded in Update 2014-09, Revenue from Contracts with Customers (Topic 606), and have not disclosed the variable consideration related to our estimated future day rate revenues. The remaining duration of our drilling contracts based on those in place as of March 31, 2020 was between approximately one month and three years.

Day Rate Drilling Revenue

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

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

We may receive termination fees if certain drilling contracts are terminated by the customer prior to the end of the contractual term. Such compensation is recognized as revenue when our performance obligation is satisfied, the termination fee can be reasonably measured and collection is probable.

Mobilization / Demobilization Revenue

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

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

Capital Upgrade / Contract Preparation Revenue

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

Contract Assets and Liabilities

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

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

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

	March 31, 2020	December 31, 2019
Current contract assets	\$ 7.2	\$ 3.5
Noncurrent contract assets	\$.4	\$ —
Current contract liabilities (deferred revenue)	\$ 24.5	\$ 30.0
Noncurrent contract liabilities (deferred revenue)	\$ 8.8	\$ 9.7

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

	Contract Assets	Contract Liabilities
Balance as of December 31, 2019	\$ 3.5	\$ 39.7
Revenue recognized in advance of right to bill customer	5.1	—
Increase due to cash received	—	6.2
Decrease due to amortization of deferred revenue that was included in the beginning contract liability balance	—	(12.0)
Decrease due to amortization of deferred revenue that was added during the period	—	(.6)
Decrease due to transfer to receivables during the period	(1.0)	—
Balance as of March 31, 2020	\$ 7.6	\$ 33.3

Deferred Contract Costs

Costs incurred for upfront rig mobilizations and certain contract preparations are attributable to our future performance obligation under each respective drilling contract. Such costs are deferred and amortized on a straight-line basis over the contract term. Demobilization costs are recognized as incurred upon contract completion. Costs associated with the mobilization of equipment and personnel to more promising market areas without contracts are expensed as incurred. Deferred contract costs were included in other current assets and other assets on our condensed consolidated balance sheets and totaled \$29.2 million and \$19.7 million as of March 31, 2020 and December 31, 2019, respectively. During the three-month periods ended March 31, 2020 and 2019, amortization of such costs totaled \$11.5 million and \$6.4 million, respectively.

Deferred Certification Costs

We must obtain certifications from various regulatory bodies in order to operate our drilling rigs and must maintain such certifications through periodic inspections and surveys. The costs incurred in connection with maintaining such certifications, including inspections, tests, surveys and drydock, as well as remedial structural work and other compliance costs, are deferred and amortized on a straight-line basis over the corresponding certification periods.

Deferred regulatory certification and compliance costs were included in other current assets and other assets on our condensed consolidated balance sheets and totaled \$10.7 million and \$10.8 million as of March 31, 2020 and December 31, 2019, respectively. During the three-month periods ended March 31, 2020 and 2019, amortization of such costs totaled \$3.1 million and \$2.8 million, respectively.

Future Amortization of Contract Liabilities and Deferred Costs

Our contract liabilities and deferred costs are amortized on a straight-line basis over the contract term or corresponding certification period to operating revenues and contract drilling expense, respectively. Expected future amortization of our contract liabilities and deferred costs recorded as of March 31, 2020 is set forth in the table below (in millions):

	Remaining 2020	2021	2022	2023 and Thereafter	Total
Amortization of contract liabilities	\$ 21.3	\$ 9.8	\$ 2.2	\$ —	\$ 33.3
Amortization of deferred costs	\$ 28.6	\$ 9.3	\$ 1.6	\$.4	\$ 39.9

Note 3 - Rowan Transaction

On April 11, 2019 (the "Transaction Date"), we completed our combination with Rowan pursuant to the Transaction Agreement (the "Rowan Transaction"). Assets acquired and liabilities assumed in the Rowan Transaction were recorded at their estimated fair values as of the Transaction Date under the acquisition method of accounting. When the fair value of the net assets acquired exceeds the consideration transferred in an acquisition, the difference is recorded as a bargain purchase gain in the period in which the transaction occurs. As of March 31, 2020, we completed our fair value assessments of assets acquired and liabilities assumed.

Assets Acquired and Liabilities Assumed

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

	Amounts Recognized as of Transaction Date	Measurement Period Adjustments ⁽¹⁾	Estimated Fair Value
Assets:			
Cash and cash equivalents	\$ 931.9	\$ —	\$ 931.9
Accounts receivable ⁽²⁾	207.1	(6.9)	200.2
Other current assets	101.6	(2.6)	99.0
Long-term notes receivable from ARO	454.5	—	454.5
Investment in ARO	138.8	2.5	141.3
Property and equipment	2,989.8	(26.0)	2,963.8
Other assets	41.7	1.1	42.8
Liabilities:			
Accounts payable and accrued liabilities	259.4	15.7	275.1
Current portion of long-term debt	203.2	—	203.2
Long-term debt	1,910.9	—	1,910.9
Other liabilities	376.3	34.5	410.8
Net assets acquired	2,115.6	(82.1)	2,033.5
Less: Merger consideration	(1,402.8)	—	(1,402.8)
Estimated bargain purchase gain	\$ 712.8	\$ (82.1)	\$ 630.7

- (1) The measurement period adjustments reflect changes in the estimated fair values of certain assets and liabilities, primarily related to long-lived assets, deferred income taxes and uncertain tax positions. The measurement period adjustments were recorded to reflect new information obtained about facts and circumstances existing as of the Transaction Date and did not result from subsequent intervening events. The adjustments recorded resulted in a \$6.3 million decline to bargain purchase gain during the three-months ended March 31, 2020 and are included in other, net, in our condensed consolidated statements of operations.
- (2) Gross contractual amounts receivable totaled \$208.3 million as of the Transaction Date.

Bargain Purchase Gain

The estimated fair values assigned to assets acquired net of liabilities assumed exceeded the consideration transferred, resulting in a bargain purchase gain primarily driven by the decline in our share price from \$33.92 to \$15.88 between the last trading day prior to the announcement of the Rowan Transaction and the Transaction Date.

Intangible Assets and Liabilities

We recorded intangible assets and liabilities of \$16.2 million and \$2.1 million, respectively, representing the estimated fair value of Rowan's firm contracts in place at the Transaction Date with favorable or unfavorable contract terms compared to then-market day rates for comparable drilling rigs. Amortization of the intangible assets and liabilities resulted in a net reduction of operating revenues of \$1.3 million for the three months ended March 31, 2020. The remaining balance of intangible assets and liabilities of \$10.4 million and \$1.2 million, respectively, was included in other assets and other liabilities, respectively, on our condensed consolidated balance sheet as of March 31, 2020. These balances will be amortized to operating revenues over the respective remaining contract terms on a straight-line basis. As of March 31, 2020, the remaining terms of the underlying contracts is approximately 1.8 years. Amortization of these intangibles is expected to result in a reduction to revenue of \$3.8 million and \$5.4 million for 2020 and 2021, respectively.

Uncertain Tax Positions

Uncertain tax positions assumed in a business combination are measured at the largest amount of the tax benefit that is greater than 50% likely of being realized upon effective settlement with a taxing authority that has full knowledge of all relevant information. As of the Transaction Date, Rowan had previously recognized net liabilities for uncertain tax positions totaling \$50.4 million.

During 2019, the Luxembourg tax authorities issued aggregate tax assessments totaling approximately €142.0 million (approximately \$156.7 million converted using the current period-end exchange rate) related to tax years 2014, 2015 and 2016 for several of Rowan's Luxembourg subsidiaries. As a result of our review and analysis of facts and circumstances that existed at the Transaction Date, we recognized liabilities related to the Luxembourg tax assessments totaling €93.0 million (approximately \$102.6 million converted using the current period-end exchange rates).

Transaction-related costs

Transaction-related costs were expensed as incurred and consisted of various advisory, legal, accounting, valuation and other professional or consulting fees totaling \$5.9 million during the three months ended March 31, 2019. These costs were included in general and administrative expense in our condensed consolidated statement of operations.

Unaudited Pro Forma Impact of the Rowan Transaction

The following unaudited supplemental pro forma results present consolidated information as if the Rowan Transaction was completed on January 1, 2019. The pro forma results include, among others, (i) the amortization associated with acquired intangible assets and liabilities (ii) a reduction in depreciation expense for adjustments to property and equipment (iii) the amortization of premiums and discounts recorded on Rowan's debt (iv) removal of the historical amortization of unrealized gains and losses related to Rowan's pension plans and (v) the amortization of basis differences in assets and liabilities of ARO. The pro forma results do not include any potential synergies or non-recurring charges that may result directly from the Rowan Transaction.

(in millions, except per share amounts)

	Three Months Ended March 31, 2019	
Revenues	\$	582.0
Net loss	\$	(275.0)
Loss per share - basic and diluted	\$	(1.40)

- ⁽¹⁾ Pro forma net loss and loss per share were adjusted to exclude an aggregate \$9.4 million of transaction - related and integration costs incurred by Ensco and Rowan during three months ended March 31, 2019.

Note 4 - Equity Method Investment in ARO

Background

ARO, a company that owns and operates offshore drilling rigs in Saudi Arabia, was formed and commenced operations in 2017 pursuant to the terms of an agreement entered into by Rowan and Saudi Aramco to create a 50/50 joint venture ("Shareholder Agreement"). Pursuant to the Rowan Transaction, Valaris acquired Rowan's interest in ARO making Valaris a 50% partner. ARO owns seven jackup rigs and leases nine rigs from us through bareboat charter arrangements (the "Lease Agreements") whereby substantially all operating costs are incurred by ARO. As of March 31, 2020, all nine of the leased rigs were operating under three-year drilling contracts with Saudi Aramco. The seven rigs owned by ARO, previously purchased from Rowan and Saudi Aramco, are currently operating under contracts with Saudi Aramco for an aggregate 15 years, renewed and re-priced every three years, provided that the rigs meet the technical and operational requirements of Saudi Aramco.

Valaris and Saudi Aramco have agreed to take all steps necessary to ensure that ARO purchases at least 20 newbuild jackup rigs ratably over an approximate 10 -year period. In January 2020, ARO ordered the first two newbuild jackups, each with a price of \$176 million, for delivery scheduled in 2022. The partners intend for the newbuild jackup rigs to be financed out of available cash from ARO's operations and/or funds available from third-party debt financing. In the event ARO has insufficient cash from operations or is unable to obtain third-party financing, each partner may periodically be required to make additional capital contributions to ARO, up to a maximum aggregate contribution of \$1.25 billion from each partner to fund the newbuild program. Each partner's commitment shall be reduced by the actual cost of each newbuild rig, on a proportionate basis. The partners agreed that Saudi Aramco, as a customer, will provide drilling contracts to ARO in connection with the acquisition of the newbuild rigs. The initial contracts provided by Saudi Aramco for each of the newbuild rigs will be for an eight-year term. The day rate for the initial contracts for each newbuild rig will be determined using a pricing mechanism that targets a six-year payback period for construction costs on an EBITDA basis. The initial eight-year contracts will be followed by a minimum of another eight years of term, re-priced in three-year intervals based on a market pricing mechanism.

Upon establishment of ARO, Rowan entered into (1) an agreement to provide certain back-office services for a period of time until ARO develops its own infrastructure (the "Transition Services Agreement"), and (2) an agreement to provide certain Rowan employees through secondment arrangements to assist with various onshore and offshore services for the benefit of ARO (the "Secondment Agreement"). These agreements remain in place subsequent to the

Rowan Transaction. Pursuant to these agreements, we or our seconded employees provide various services to ARO, and in return, ARO provides remuneration for those services. From time to time, we may also sell equipment or supplies to ARO.

Summarized Financial Information

The operating revenues of ARO presented below reflect revenues earned under drilling contracts with Saudi Aramco for the seven ARO-owned jackup rigs and the rigs leased from us that operated during the three months ended March 31, 2020.

The contract drilling expenses, depreciation and general and administrative expenses presented below are also for the three months ended March 31, 2020. Contract drilling expense is inclusive of the bareboat charter fees for the rigs leased from us. Cost incurred under the Secondment Agreement are included in contract drilling expense and general and administrative, depending on the function to which the seconded employee's service relates. Substantially all costs incurred under the Transition Services Agreement are included in general and administrative. See additional discussion below regarding these related-party transactions.

Summarized financial information for ARO is as follows (in millions):

	Three Months Ended March 31, 2020
Revenues	\$ 140.3
Operating expenses	
Contract drilling (exclusive of depreciation)	108.3
Depreciation	13.0
General and administrative	8.3
Operating income	10.7
Other expense, net	6.6
Provision for income taxes	.9
Net income	\$ 3.2

	March 31, 2020	December 31, 2019
Current assets	\$ 351.2	\$ 407.2
Non-current assets	943.8	874.8
Total assets	\$ 1,295.0	\$ 1,282.0
Current liabilities	\$ 215.6	\$ 183.2
Non-current liabilities	992.9	1,015.5
Total liabilities	\$ 1,208.5	\$ 1,198.7

Equity in Earnings of ARO

We account for our interest in ARO using the equity method of accounting and only recognize our portion of ARO's net income, adjusted for basis differences as discussed below, which is included in equity in earnings of ARO in our condensed consolidated statements of operations. ARO is a variable interest entity; however, we are not the primary beneficiary and therefore do not consolidate ARO. Judgments regarding our level of influence over ARO included considering key factors such as each partner's ownership interest, representation on the board of managers of ARO and ability to direct activities that most significantly impact ARO's economic performance, including the ability to influence policy-making decisions.

As a result of the Rowan Transaction, we recorded our equity method investment in ARO at its estimated fair value on the Transaction Date. Additionally, we computed the difference between the fair value of ARO's net assets and the carrying value of those net assets in ARO's US GAAP financial statements ("basis differences"). The basis differences primarily relate to ARO's long-lived assets and the recognition of intangible assets associated with certain of ARO's drilling contracts that were determined to have favorable terms as of the Transaction Date. The basis differences are amortized over the remaining life of the assets or liabilities to which they relate and are recognized as an adjustment to the equity in earnings of ARO in our condensed consolidated statements of operations. The amortization of those basis differences are combined with our 50% interest in ARO's net income. A reconciliation of those components is presented below (in millions):

	Three Months Ended March 31, 2020	
50% interest in ARO net income	\$	1.6
Amortization of basis differences		(7.9)
Equity in earnings of ARO	\$	(6.3)

Related-Party Transactions

Revenues recognized by us related to the Lease Agreements, Transition Services Agreement and Secondment Agreement are as follows (in millions):

	Three Months Ended March 31, 2020	
Lease revenue	\$	21.5
Secondment revenue		18.3
Transition Services revenue		3.5
Total revenue from ARO ⁽¹⁾	\$	43.3

⁽¹⁾ All of the revenues presented above are included in our Other segment in our segment disclosures. See Note 14 - Segment Information for additional information.

Amounts receivable from ARO related to the above items totaled \$34.0 million and \$21.8 million as of March 31, 2020 and December 31, 2019, respectively, and are included in accounts receivable, net, on our condensed consolidated balance sheets. Accounts payable to ARO totaled \$0.7 million as of March 31, 2020 and December 31, 2019.

We also had an agreement between us and ARO, pursuant to which ARO will reimburse us for certain capital expenditures related to the shipyard upgrade projects for the VALARIS JU-147 and VALARIS JU-148. As of December 31, 2019, \$14.2 million related to reimbursement of these expenditures were outstanding and included in accounts receivable, net, on our condensed consolidated balance sheet. Such amount was received in the first quarter of 2020.

During 2017 and 2018, Rowan contributed cash to ARO in exchange for 10-year shareholder notes receivable at a stated interest rate of LIBOR plus two percent. As of March 31, 2020 and December 31, 2019, the carrying amount of the long-term notes receivable from ARO was \$452.9 million. The Shareholders' Agreement prohibits the sale or transfer of the shareholder note to a third party, except in certain limited circumstances. Interest is recognized as interest income in our condensed consolidated statement of operations and totaled \$4.6 million for the three months ended March 31, 2020. As of March 31, 2020, we had interest receivable from ARO of \$4.6 million, which is included in Other current assets on our condensed consolidated balance sheet. There was no interest receivable from ARO as of December 31, 2019.

Maximum Exposure to Loss

The following summarizes the total assets and liabilities as reflected in our condensed consolidated balance sheet as well as our maximum exposure to loss related to ARO (in millions). Our maximum exposure to loss is limited to (1) our equity investment in ARO; (2) the outstanding balance on our shareholder notes receivable; and (3) other receivables for services provided to ARO, partially offset by payables for services received.

	March 31, 2020
Total assets	\$ 613.9
Less: total liabilities	.7
Maximum exposure to loss	\$ 613.2

Note 5 - Fair Value Measurements

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

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
As of March 31, 2020				
Supplemental executive retirement plan assets	\$ 21.2	\$ —	\$ —	\$ 21.2
Total financial assets	21.2	—	—	21.2
Derivatives, net	—	(12.6)	—	(12.6)
Total financial liabilities	\$ —	\$ (12.6)	\$ —	\$ (12.6)
As of December 31, 2019				
Supplemental executive retirement plan assets	\$ 26.0	\$ —	\$ —	\$ 26.0
Derivatives, net	—	5.4	—	5.4
Total financial assets	\$ 26.0	\$ 5.4	\$ —	\$ 31.4

Supplemental Executive Retirement Plan Assets

Our Valaris supplemental executive retirement plans (the "SERP") are non-qualified plans that provide eligible employees an opportunity to defer a portion of their compensation for use after retirement. The SERPs were frozen to the entry of new participants in November 2019 and to future compensation deferrals as of January 1, 2020. Assets held in the SERP were marketable securities measured at fair value on a recurring basis using Level 1 inputs and were included in other assets, net, on our consolidated balance sheets as of March 31, 2020 and 2019. The fair value measurements of assets held in the SERP were based on quoted market prices.

Derivatives

Our derivatives were measured at fair value on a recurring basis using Level 2 inputs. See "Note 8 - Derivative Instruments" for additional information on our derivatives, including a description of our foreign currency hedging activities and related methodologies used to manage foreign currency exchange rate risk. The fair value measurements of our derivatives were based on market prices that are generally observable for similar assets or liabilities at commonly quoted intervals.

Other Financial Instruments

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

	March 31, 2020		December 31, 2019	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
6.875% Senior notes due 2020	\$ 124.1	\$ 27.8	\$ 124.8	\$ 117.3
4.70% Senior notes due 2021	100.4	10.4	113.2	95.5
4.875% Senior notes due 2022	601.2	125.9	599.2	460.5
3.00% Exchangeable senior notes due 2024 ⁽¹⁾	707.7	214.3	699.0	607.4
4.50% Senior notes due 2024	302.0	28.6	302.0	167.2
4.75% Senior notes due 2024	278.6	64.2	276.5	201.4
8.00% Senior notes due 2024	295.5	27.6	295.7	181.7
5.20% Senior notes due 2025	331.8	33.8	331.7	186.7
7.375% Senior notes due 2025	330.2	82.6	329.2	218.6
7.75% Senior notes due 2026	987.7	107.7	987.1	575.1
7.20% Debentures due 2027	111.7	16.6	111.7	70.0
7.875% Senior notes due 2040	372.8	46.9	373.3	153.5
5.40% Senior notes due 2042	263.2	78.8	262.8	194.4
5.75% Senior notes due 2044	974.2	93.5	973.3	450.0
5.85% Senior notes due 2044	269.1	80.6	268.8	194.8
Amounts borrowed under credit facility ⁽²⁾	322.9	328.9	—	—
Total debt	\$ 6,373.1	\$ 1,368.2	\$ 6,048.3	\$ 3,874.1
Less: current maturities	224.5	—	124.8	—
Total long-term debt	\$ 6,148.6	\$ 1,368.2	\$ 5,923.5	\$ 3,874.1

⁽¹⁾ Our 2024 Convertible Notes were issued with a conversion feature. The 2024 Convertible Notes were separated into their liability and equity components on our condensed consolidated balance sheet. The equity component was initially recorded to additional paid-in capital and as a debt discount that will be amortized to interest expense over the life of the instrument. Excluding the unamortized discount, the carrying value of the 2024 Convertible Notes was \$839.2 million and \$838.3 million as of March 31, 2020 and December 31, 2019, respectively.

⁽²⁾ Total outstanding borrowings under our credit facility are \$328.9 million and are recorded net of \$6.0 million of unamortized deferred financing cost on our condensed consolidated balance sheet. In addition, we have \$3.2 million in letters of credit issued under our credit facility, leaving \$1.3 billion of undrawn borrowing capacity.

The estimated fair values of our senior notes and debentures were determined using quoted market prices, which are level 1 inputs. The estimated fair values of our cash and cash equivalents, accounts receivable, notes receivable, trade payables and other liabilities approximated their carrying values as of March 31, 2020 and December 31, 2019.

Note 6 - Property and Equipment

Property and equipment as of March 31, 2020 and December 31, 2019 consisted of the following (in millions):

	March 31, 2020	December 31, 2019
Drilling rigs and equipment	\$ 13,792.0	\$ 17,714.0
Work-in-progress	482.4	473.6
Other	187.5	206.2
	\$ 14,461.9	\$ 18,393.8

Impairment of Long-Lived Assets

On a quarterly basis, we evaluate the carrying value of our property and equipment to identify events or changes in circumstances ("triggering events") that indicate the carrying value may not be recoverable.

During the first quarter, the coronavirus global pandemic and the response thereto has negatively impacted the macro-economic environment and global economy. Global oil demand has fallen sharply at the same time global oil supply has increased as a result of certain oil producers competing for market share, leading to a supply glut. As a consequence, Brent crude oil has fallen from around \$60 per barrel at year-end 2019 to around \$20 per barrel as of mid-April 2020. In response to dramatically reduced oil price expectations for the near term, our customers are reviewing and in most cases lowering significantly, their capital expenditure plans in light of revised pricing expectations. Customers are expected to continue to operate under reduced budgets until we see a meaningful recovery in commodity prices. The significant supply and demand imbalance will continue to be adversely impacted by future newbuild deliveries, program delays and lower capital spending by operators. These adverse changes in the first quarter resulted in further deterioration in our forecasted day rates and utilization for the remainder of 2020 and beyond. As a result, we concluded that a triggering event had occurred and we performed a fleet-wide recoverability test. We determined that our estimated undiscounted cash flows were not sufficient to recover the carrying values of certain rigs and concluded such were impaired as of March 31, 2020.

Based on the asset impairment analysis performed as of March 31, 2020, we recorded a pre-tax, non-cash loss on impairment with respect to certain floaters, jackups and spare equipment totaling \$2.8 billion. The impairment charge was included in loss on impairment in our condensed consolidated statement of operations for the three months ended March 31, 2020. We measured the fair value of these assets to be \$72.3 million as of March 31, 2020 by applying either an income approach, using projected discounted cash flows or estimated scrap value. These valuations were based on unobservable inputs that require significant judgments for which there is limited information, including, in the case of an income approach, assumptions regarding future day rates, utilization, operating costs and capital requirements.

In instances where we applied an income approach, forecasted day rates and utilization take into account current market conditions and our anticipated business outlook, both of which have been impacted by the adverse changes in the business environment observed during the first quarter.

Note 7 - Pension and Other Post-retirement Benefits

We have defined-benefit pension plans and a retiree medical plan that provides post-retirement health and life insurance benefits.

The components of net periodic pension cost were as follows (in millions):

	Three Months Ended March 31, 2020	
Service cost ⁽¹⁾	\$.6
Interest cost ⁽²⁾		6.5
Expected return on plan assets ⁽²⁾		(9.5)
Net periodic pension cost	\$	(2.4)

⁽¹⁾ Included in contract drilling and general and administrative expense in our condensed consolidated statements of operations.

⁽²⁾ Included in other, net, in our condensed consolidated statements of operations.

During the three months ended March 31, 2020, we contributed \$4.0 million to our pension and other post-retirement benefit plans and expect to make additional contributions to such plans totaling approximately \$32.6 million for the remainder of 2020, which represent the minimum contributions we are required to make under relevant statutes. We do not expect to make contributions in excess of the minimum required amounts.

Note 8 - Derivative Instruments

Our functional currency is the U.S. dollar. As is customary in the oil and gas industry, a majority of our revenues are denominated in U.S. dollars; however, a portion of the revenues earned and expenses incurred by certain of our subsidiaries are denominated in currencies other than the U.S. dollar. These transactions are remeasured in U.S. dollars based on a combination of both current and historical exchange rates. We use derivatives to reduce our exposure to various market risks, primarily foreign currency exchange rate risk.

All derivatives were recorded on our condensed consolidated balance sheets at fair value. Derivatives subject to legally enforceable master netting agreements were not offset on our condensed consolidated balance sheets. Accounting for the gains and losses resulting from changes in the fair value of derivatives depends on the use of the derivative and whether it qualifies for hedge accounting. As of March 31, 2020 and December 31, 2019, our condensed consolidated balance sheets included net foreign currency derivative liabilities of \$12.6 million and assets of \$5.4 million, respectively. All of our derivative instruments mature during the next 18 months. See "[Note 5- Fair Value Measurements](#)" for additional information on the fair value measurement of our derivatives.

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

	Derivative Assets		Derivative Liabilities	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Derivatives Designated as Hedging Instruments				
Foreign currency forward contracts - current ⁽¹⁾	\$ 1.0	\$ 4.2	\$ 10.8	\$.7
Foreign currency forward contracts - non-current ⁽²⁾	.1	.8	1.3	—
	\$ 1.1	\$ 5.0	\$ 12.1	\$.7
Derivatives not Designated as Hedging Instruments				
Foreign currency forward contracts - current ⁽¹⁾	\$ 1.7	\$ 1.3	\$ 3.3	\$.2
Total	\$ 2.8	\$ 6.3	\$ 15.4	\$.9

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

⁽²⁾ Derivative assets and liabilities that have maturity dates greater than 12 months from the respective balance sheet dates were included in other assets and other liabilities, respectively, on our condensed consolidated balance sheets.

We utilize cash flow hedges to hedge forecasted foreign currency denominated transactions, primarily to reduce our exposure to foreign currency exchange rate risk associated with contract drilling expenses and capital expenditures denominated in various currencies. As of March 31, 2020, we had cash flow hedges outstanding to exchange an aggregate \$206.4 million for various foreign currencies, including \$119.8 million for British pounds, \$55.7 million for Australian dollars, \$13.5 million for euros, \$8.4 million for Norwegian krone, \$5.6 million for Singapore dollars, and \$3.4 million for Brazilian reals.

Gains and losses, net of tax, on derivatives designated as cash flow hedges included in our condensed consolidated statements of operations and comprehensive loss for the three-month periods ended March 31, 2020 and 2019 were as follows (in millions):

	Loss Recognized in Other Comprehensive Loss ("OCI") on Derivatives (Effective Portion)		(Gain) Loss Reclassified from ("AOCI") into Income (Effective Portion) ⁽¹⁾	
	2020	2019	2020	2019
Interest rate lock contracts ⁽²⁾	\$ —	\$ —	\$ —	\$.1
Foreign currency forward contracts ⁽³⁾	(12.9)	—	(.1)	1.5
Total	\$ (12.9)	\$ —	\$ (.1)	\$ 1.6

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

⁽²⁾ Losses on interest rate lock derivatives reclassified from AOCI into income were included in interest expense, net, in our condensed consolidated statements of operations.

- ⁽³⁾ During the three months ended March 31, 2020, \$0.9 million of losses were reclassified from AOCI into contract drilling expense and \$1.0 million of gains were reclassified from AOCI into depreciation expense in our condensed consolidated statement of operations. During the three months ended March 31, 2019, \$1.7 million of losses were reclassified from AOCI into contract drilling expense and \$0.2 million of gains were reclassified from AOCI into depreciation expense in our condensed consolidated statement of operations.

We have net assets and liabilities denominated in numerous foreign currencies and use various methods to manage our exposure to foreign currency exchange rate risk. We predominantly structure our drilling contracts in U.S. dollars, which significantly reduces the portion of our cash flows and assets denominated in foreign currencies. We occasionally enter into derivatives that hedge the fair value of recognized foreign currency denominated assets or liabilities but do not designate such derivatives as hedging instruments. In these situations, a natural hedging relationship generally exists whereby changes in the fair value of the derivatives offset changes in the fair value of the underlying hedged items. As of March 31, 2020, we held derivatives not designated as hedging instruments to exchange an aggregate \$65.0 million for various foreign currencies, including \$21.8 million for Euros, \$20.7 million for British pounds, \$8.3 million for Norwegian krone, \$5.5 million for Nigerian Naira, 5.4 million for Egyptian dollars and \$3.3 million for other currencies.

Net losses of \$0.1 million and \$3.1 million associated with our derivatives not designated as hedging instruments were included in other, net, in our condensed consolidated statements of operations for the three-month periods ended March 31, 2020 and 2019, respectively.

As of March 31, 2020, the estimated amount of net losses associated with derivatives, net of tax, that will be reclassified to earnings during the next 12 months totaled \$7.9 million.

Note 9 - Earnings Per Share

We compute basic and diluted earnings per share ("EPS") in accordance with the two-class method. Net loss attributable to Valaris used in our computations of basic and diluted EPS is adjusted to exclude net income allocated to non-vested shares granted to our employees and non-employee directors. Weighted-average shares outstanding used in our computation of diluted EPS is calculated using the treasury stock method and includes the effect of all potentially dilutive stock options and excludes non-vested shares. In each of the three-month periods ended March 31, 2020 and 2019, our potentially dilutive instruments were not included in the computation of diluted EPS as the effect of including these shares in the calculation would have been anti-dilutive.

The following table is a reconciliation of loss from continuing operations attributable to Valaris shares used in our basic and diluted EPS computations for the three-month periods ended March 31, 2020 and 2019 (in millions):

	Three Months Ended March 31,	
	2020	2019
Loss from continuing operations attributable to Valaris	\$ (3,006.3)	\$ (190.4)
Income from continuing operations allocated to non-vested share awards ⁽¹⁾	—	(.1)
Loss from continuing operations attributable to Valaris shares	\$ (3,006.3)	\$ (190.5)

- ⁽¹⁾ Losses are not allocated to non-vested share awards. Therefore, in periods in which we were in a net loss position, only dividends attributable to our non-vested share awards are included.

Anti-dilutive share awards totaling \$400,000 and \$200,000 for the three-month periods ended March 31, 2020 and 2019, respectively, were excluded from the computation of diluted EPS.

We have the option to settle our 2024 Convertible Notes in cash, shares or a combination thereof for the aggregate amount due upon conversion. During each respective reporting period that our average share price exceeds the exchange price, an assumed number of shares required to settle the conversion obligation in excess of the principal amount will be included in our denominator for the computation of diluted EPS using the treasury stock method. Our average share price did not exceed the exchange price during the three-month periods ended March 31, 2020 and 2019.

Note 10 - Debt

Rowan Transaction

As a result of the Rowan Transaction, we acquired the following senior notes issued by Rowan Companies, Inc. ("RCI") and guaranteed by Rowan: (1) \$201.4 million in aggregate principal amount of 7.875% unsecured senior notes due 2019, which have been repaid in full, (2) \$620.8 million in aggregate principal amount of 4.875% unsecured senior notes due 2022, (3) \$398.1 million in aggregate principal amount of 4.75% unsecured senior notes due 2024, (4) \$500.0 million in aggregate principal amount of 7.375% unsecured senior notes due 2025, (5) \$400.0 million in aggregate principal amount of 5.4% unsecured senior notes due 2042 and (6) \$400.0 million in aggregate principal amount of 5.85% unsecured senior notes due 2044 (collectively, the "Rowan Notes"). On February 3, 2020, Rowan and RCI transferred substantially all their assets on a consolidated basis to Valaris plc, Valaris plc became the obligor on the notes and Rowan and RCI were relieved of their obligations under the notes and the related indenture.

Revolving Credit Facility

As of March 31, 2020, we had \$332.1 million outstanding under our credit facility, inclusive of \$3.2 million in letters of credit, leaving \$1.3 billion of undrawn capacity available. As of March 31, 2020, we were in compliance with our debt covenants. We expect to remain in compliance with our credit facility covenants during the next twelve months. However, the full impact that the pandemic and the precipitous decline in oil prices will have on our results of operations, financial condition, liquidity and cash flows is uncertain. If we were to violate the covenants of the revolving credit facility, further borrowings under the credit facility would not be permitted, absent a waiver, and all outstanding borrowings could become immediately due and payable by action of lenders holding a majority of the commitments under the facility. Any such acceleration would trigger a cross-acceleration event of default with respect to approximately \$2.1 billion of our outstanding senior notes. The revolving facility generally limits the company to no more than \$200.0 million in available cash (including certain liquid investments as defined in the facility documents), and requires consent of all lenders for draws on the facility that would result in the company having more than \$200.0 million in available cash and liquid investments.

Furthermore, the agent under the revolving facility has reserved the right to assert that a material adverse effect has occurred based on changes in the oil market and certain company-specific operating incidents, including the drop of the blowout preventer stack off the VALARIS DS-8. See "[Note 13](#) - Contingencies" for additional information. We do not believe that a material adverse effect has occurred, but there can be no assurance that the lenders will not assert a material adverse effect as a basis to deny further borrowing requests.

2024 Convertible Notes

In December 2016, Ensco Jersey Finance Limited, a wholly-owned subsidiary of Valaris plc, issued \$849.5 million aggregate principal amount of unsecured 2024 Convertible Notes in a private offering. The 2024 Convertible Notes are fully and unconditionally guaranteed, on a senior, unsecured basis, by Valaris plc and are exchangeable into cash, our Class A ordinary shares or a combination thereof, at our election. Interest on the 2024 Convertible Notes is payable semiannually on January 31 and July 31 of each year. The 2024 Convertible Notes will mature on January 31, 2024, unless exchanged, redeemed or repurchased in accordance with their terms prior to such date. Holders may exchange their 2024 Convertible Notes at their option any time prior to July 31, 2023 only under certain circumstances set forth in the indenture governing the 2024 Convertible Notes. On or after July 31, 2023, holders may exchange their 2024 Convertible Notes at any time. The exchange rate is 17.8336 shares per \$1,000 principal amount of notes,

representing an exchange price of \$56.08 per share, and is subject to adjustment upon certain events. The 2024 Convertible Notes may not be redeemed by us except in the event of certain tax law changes.

On April 15, 2020, we were notified by the NYSE that the average closing price of our Class A ordinary shares was below \$1.00 per share over a period of 30 consecutive trading days, which is the minimum average share price required to maintain listing on NYSE. The company has until late December 2020 to regain compliance. If our shares are delisted from the NYSE and not concurrently listed on Nasdaq, the holders of our 2024 Convertible Notes would have the right to require us to repurchase the notes at a price equal to the principal amount thereof plus accrued interest to the repurchase date. Such an accelerated repurchase, if required by the holders, could be in excess of the forecasted availability under the revolving credit facility and new financing facilities could be required, which we may not be able to put in place.

Open Market Repurchases

During the three months ended March 31, 2020, we repurchased \$12.8 million of our outstanding 4.70% Senior notes due 2021 on the open market for an aggregate purchase price of \$9.7 million, with cash on hand. As a result of the transaction, we recognized a pre-tax gain of \$3.1 million, net of discounts in other, net, in the consolidated statement of operations.

Note 11 - Shareholders' Equity

Activity in our various shareholders' equity accounts for the three-month periods ended March 31, 2020 and 2019 were as follows (in millions, except per share amounts):

	Shares	Par Value	Additional Paid-in Capital	Retained Earnings (Deficit)	AOCI	Treasury Shares	Non- controlling Interest
BALANCE, December 31, 2019	205.9	\$ 82.5	\$ 8,627.8	\$ 671.7	\$ 6.2	\$ (77.3)	\$ (1.3)
Net loss	—	—	—	(3,006.3)	—	—	(1.4)
Shares issued under share-based compensation plans, net	—	—	(.7)	—	—	.9	—
Repurchase of shares	—	—	—	—	—	(.9)	—
Share-based compensation cost	—	—	7.8	—	—	—	—
Net other comprehensive loss	—	—	—	—	(13.4)	—	—
BALANCE, March 31, 2020	205.9	\$ 82.5	\$ 8,634.9	\$ (2,334.6)	\$ (7.2)	\$ (77.3)	\$ (2.7)

	Shares	Par Value	Additional Paid-in Capital	Retained Earnings	AOCI	Treasury Shares	Non- controlling Interest
BALANCE, December 31, 2018	115.2	\$ 46.2	\$ 7,225.0	\$ 874.2	\$ 18.2	\$ (72.2)	\$ (2.6)
Net loss	—	—	—	(190.4)	—	—	2.4
Dividends paid (\$0.04 per share)	—	—	—	(4.5)	—	—	—
Shares issued under share-based compensation plans, net	—	—	(.1)	—	—	.1	—
Repurchase of shares	—	—	—	—	—	(2.8)	—
Share-based compensation cost	—	—	5.3	—	—	—	—
Net other comprehensive income	—	—	—	—	1.5	—	—
BALANCE, March 31, 2019	115.2	\$ 46.2	\$ 7,230.2	\$ 679.3	\$ 19.7	\$ (74.9)	\$ (0.2)

Note 12 -

Income Taxes

Valaris plc, our parent company, is domiciled and resident in the U.K. Our subsidiaries conduct operations and earn income in numerous countries and are subject to the laws of taxing jurisdictions within those countries. The income of our non-U.K. subsidiaries is generally not subject to U.K. taxation. Income tax rates imposed in the tax jurisdictions in which our subsidiaries conduct operations vary, as does the tax base to which the rates are applied. In some cases, tax rates may be applicable to gross revenues, statutory or negotiated deemed profits or other bases utilized under local tax laws, rather than to net income. Therefore, we generally incur income tax expense in periods in which we operate at a loss.

Our drilling rigs frequently move from one taxing jurisdiction to another to perform contract drilling services. In some instances, the movement of drilling rigs among taxing jurisdictions will involve the transfer of ownership of the drilling rigs among our subsidiaries. As a result of frequent changes in the taxing jurisdictions in which our drilling rigs are operated and/or owned, changes in profitability levels and changes in tax laws, our annual effective income tax rate may vary substantially from one reporting period to another.

Income tax rates and taxation systems in the jurisdictions in which our subsidiaries conduct operations vary and our subsidiaries are frequently subjected to minimum taxation regimes. In some jurisdictions, tax liabilities are based on gross revenues, statutory or negotiated deemed profits or other factors, rather than on net income and our subsidiaries are frequently unable to realize tax benefits when they operate at a loss. Accordingly, during periods of declining profitability, our income tax expense may not decline proportionally with income, which could result in higher effective income tax rates. Furthermore, we will continue to incur income tax expense in periods in which we operate at a loss.

Historically, we calculated our provision for income taxes during interim reporting periods by applying the estimated annual effective tax rate for the full fiscal year to pre-tax income or loss, excluding discrete items, for the reporting period. We determined that since small changes in estimated pre-tax income or loss would result in significant changes in the estimated annual effective tax rate, the historical method would not provide a reliable estimate of income taxes for the three-month periods ended March 31, 2020 and 2019. We used a discrete effective tax rate method to calculate income taxes for the three-month periods ended March 31, 2020 and 2019. We will continue to evaluate income tax estimates under the historical method in subsequent quarters and employ a discrete effective tax rate method if warranted.

Discrete income tax benefit for the three-month period ended March 31, 2020 was \$164.4 million and was primarily attributable to a restructuring transaction, implementation of the U.S. Cares Act, changes in liabilities for unrecognized tax benefits associated with tax positions taken in prior years and other resolutions of prior year tax matters. Discrete income tax expense for the three-month period ended March 31, 2019 was \$0.6 million and was attributable to unrecognized tax benefits associated with tax positions taken in prior years. Excluding the aforementioned discrete tax items, income tax expense for the three-month periods ended March 31, 2020 and 2019 was \$12.4 million and \$30.9 million, respectively.

Restructuring Transactions

As discussed in "[Note 10 - Debt](#)", on February 3, 2020, Rowan and RCI transferred substantially all their assets and liabilities to Valaris plc and Valaris plc became the obligor on the Rowan Notes. We recognized a tax benefit of \$66.0 million during the three-month period ended March 31, 2020 in connection with this transaction.

Unrecognized tax benefits

During 2019, the Luxembourg tax authorities issued aggregate tax assessments totaling approximately €142.0 million (approximately \$156.7 million converted using the current period-end exchange rates) related to tax years 2014, 2015 and 2016 for several of Rowan's Luxembourg subsidiaries. We recorded €93.0 million (approximately \$102.6 million converted using the current period-end exchange rates) in purchase accounting related to these

assessments. During the first quarter of 2020, in connection with the administrative appeals process, the tax authority withdrew assessments of €142.0 million (approximately \$156.7 million converted using the current period-end exchange rates), accepting the associated tax returns as previously filed. Accordingly, we de-recognized previously accrued liabilities for uncertain tax positions and net wealth taxes of €79.0 million (approximately \$87.2 million converted using the current period-end exchange rates) and €2.0 million (approximately \$2.2 million converted using the current period-end exchange rates), respectively. The de-recognition of amounts related to these assessments was recognized as a tax benefit during the three-month period ended March 31, 2020 and is included in changes in operating assets and liabilities on the condensed consolidated statement of cash flows for the three-month period ended March 31, 2020.

During 2019, the Australian tax authorities issued aggregate tax assessments totaling approximately A\$101 million (approximately \$62.0 million converted at current period-end exchange rates) plus interest related to the examination of certain of our tax returns for the years 2011 through 2016. During the third quarter of 2019, we made a A\$42 million payment (approximately \$29 million at then-current exchange rates) to the Australian tax authorities to litigate the assessment. We have recorded a \$13.6 million liability for these assessments as of March 31, 2020. We believe our tax returns are materially correct as filed, and we are vigorously contesting these assessments. Although the outcome of such assessments and related administrative proceedings cannot be predicted with certainty, we do not expect these matters to have a material adverse effect on our financial position, operating results and cash flows.

Note 13 - Contingencies

Angola Non-Drilling Event

In March 2020, VALARIS DS-8 experienced a non-drilling incident while operating offshore Angola, resulting in the blowout preventer (BOP) stack being disconnected from the riser while the rig was moving between well locations. The BOP stack, which we later recovered, dropped to the seabed floor, clear of any subsea structures. No injuries, environmental pollution or third-party damage resulted from the BOP stack being disconnected.

As a result of the incident, the operator terminated the contract. The termination results in a decline in our contracted revenue backlog of approximately \$150 million. We have loss of hire insurance for \$602,500 per day, after a 45-day deductible waiting period, through the end of the contract in November 2020. The waiting period expired on April 22, 2020. We will seek to recover losses incurred in accordance with the terms of this insurance policy, which would largely offset the lost backlog noted above. There can be no assurance as to the timing or amount of insurance proceeds ultimately received.

Indonesian Well-Control Event

In July 2019, a well being drilled offshore Indonesia by one of our jackup rigs experienced a well-control event requiring the cessation of drilling activities. In February 2020, the rig resumed operations. Indonesian authorities initiated an investigation into the event and have contacted the customer, us and other parties involved in drilling the well for additional information. We are cooperating with the Indonesian authorities. We cannot predict the scope or ultimate outcome of this investigation. If the Indonesian authorities determine that we violated local laws in connection with this matter, we could be subject to penalties including environmental or other liabilities, which may have a material adverse impact on us.

Middle East Dispute

On July 30, 2019, we received notice that a local partner of legacy Ensco plc in the Middle East filed a lawsuit in the U.K. against the Company alleging it induced the breach of a non-compete provision in an agreement between the local partner and a subsidiary of the Company. The lawsuit included a claim for an unspecified amount of damages in excess of £100 million and other relief. We reached an agreement to settle this matter and to acquire the local partner's interest in the subsidiary for an aggregate amount of \$27.5 million, which was paid in April 2020. Of this amount, we concluded that \$20.3 million was attributable to the settlement of the dispute and was recognized as a loss

included in other, net, in our consolidated statement of operations for the year ended 31 December 2019. The remaining amount is attributable to the acquisition of the local partner's interest in the subsidiary and will be recorded to equity in the second quarter of 2020.

ARO Funding Obligations

Valaris and Saudi Aramco have agreed to take all steps necessary to ensure that ARO purchases at least 20 newbuild jackup rigs ratably over an approximate 10-year period. In January 2020, ARO ordered the first two newbuild jackups for delivery scheduled in 2022. The partners intend for the newbuild jackup rigs to be financed out of available cash from ARO's operations and/or funds available from third-party debt financing. ARO paid a 25% down payment from cash on hand for each of the newbuilds ordered in January 2020. In the event ARO has insufficient cash from operations or is unable to obtain third-party financing, each partner may periodically be required to make additional capital contributions to ARO, up to a maximum aggregate contribution of \$1.25 billion from each partner to fund the newbuild program. Each partner's commitment shall be reduced by the actual cost of each newbuild rig, on a proportionate basis. The partners agreed that Saudi Aramco, as a customer, will provide drilling contracts to ARO in connection with the acquisition of the newbuild rigs. The initial contracts for each newbuild rig will be determined using a pricing mechanism that targets a six-year payback period for construction costs on an EBITDA basis. The initial eight-year contracts will be followed by a minimum of another eight years of term, re-priced in three-year intervals based on a market pricing mechanism.

Other Matters

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

In the ordinary course of business with customers and others, we have entered into letters of credit to guarantee our performance as it relates to our drilling contracts, contract bidding, customs duties, tax appeals and other obligations in various jurisdictions. Letters of credit outstanding as of March 31, 2020 totaled \$117.9 million and are issued under facilities provided by various banks and other financial institutions. Obligations under these letters of credit are not normally called, as we typically comply with the underlying performance requirement. As of March 31, 2020, we had not been required to make collateral deposits with respect to these agreements.

Note 14 - Segment Information

Prior to the Rowan Transaction, our business consisted of three operating segments: (1) Floaters, which included our drillships and semisubmersible rigs, (2) Jackups and (3) Other, which consisted of management services on rigs owned by third-parties. Floaters and Jackups were also reportable segments.

As a result of the Rowan Transaction, we concluded that we would maintain the aforementioned segment structure while adding ARO as a reportable segment for the new combined company. We also concluded that the activities associated with our arrangements with ARO, consisting of our Transition Services Agreement, Rig Lease Agreements and Secondment Agreement, do not constitute reportable segments and are therefore included within Other in the following segment disclosures. Substantially all of the expenses incurred associated with our Transition Services Agreement are included in general and administrative under "Reconciling Items" in the table set forth below.

General and administrative expense and depreciation expense incurred by our corporate office are not allocated to our operating segments for purposes of measuring segment operating income (loss) and are included in "Reconciling Items." We measure segment assets as property and equipment. The full operating results included below for ARO (representing only results of ARO from the Transaction Date) are not included within our consolidated results and thus deducted under "Reconciling Items" and replaced with our equity in earnings of ARO. See "[Note 4](#) - Equity Method Investment in ARO" for additional information on ARO and related arrangements.

Segment information for the three-month periods ended March 31, 2020 and 2019 is presented below (in millions):

Three Months Ended March 31, 2020

	Floater	Jackups	ARO	Other	Reconciling Items	Consolidated Total
Revenues	\$ 179.6	\$ 212.8	\$ 140.3	\$ 64.2	\$ (140.3)	\$ 456.6
Operating expenses						
Contract drilling (exclusive of depreciation)	213.9	226.1	108.3	36.0	(108.3)	476.0
Loss on impairment	2,554.3	253.9	—	—	—	2,808.2
Depreciation	89.4	58.5	13.0	11.1	(7.5)	164.5
General and administrative	—	—	8.3	—	45.1	53.4
Equity in earnings of ARO	—	—	—	—	(6.3)	(6.3)
Operating income (loss)	\$ (2,678.0)	\$ (325.7)	\$ 10.7	\$ 17.1	\$ (75.9)	\$ (3,051.8)
Property and equipment, net	\$ 7,442.5	\$ 4,036.0	\$ 740.6	\$ 678.7	\$ (740.6)	\$ 12,157.2

Three Months Ended March 31, 2019

	Floater	Jackups	Other	Reconciling Items	Consolidated Total
Revenues	\$ 232.7	\$ 157.0	\$ 16.2	\$ —	\$ 405.9
Operating expenses					
Contract drilling (exclusive of depreciation)	181.8	135.4	15.4	—	332.6
Depreciation	84.8	36.9	—	3.3	125.0
General and administrative	—	—	—	29.6	29.6
Operating income (loss)	\$ (33.9)	\$ (15.3)	\$.8	\$ (32.9)	\$ (81.3)
Property and equipment, net	\$ 9,383.6	\$ 3,091.7	\$ —	\$ 33.6	\$ 12,508.9

Information about Geographic Areas

As of March 31, 2020, the geographic distribution of our and ARO's drilling rigs was as follows:

	Floater	Jackups	Other	Total Valaris	ARO
North & South America	10	7	—	17	—
Europe & the Mediterranean	7	15	—	22	—
Middle East & Africa	4	12	9	25	7
Asia & Pacific Rim	3	7	—	10	—
Asia & Pacific Rim (under construction)	2	—	—	2	—
Held-for-sale	—	1	—	1	—
Total	26	42	9	77	7

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

Note 15 - Supplemental Financial Information*Consolidated Balance Sheet Information*

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

	March 31, 2020	December 31, 2019
Trade	\$ 442.4	\$ 466.4
Other	60.9	60.3
	503.3	526.7
Allowance for doubtful accounts	(10.1)	(6.0)
	\$ 493.2	\$ 520.7

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

	March 31, 2020	December 31, 2019
Materials and supplies	\$ 308.9	\$ 340.1
Prepaid taxes	45.5	36.2
Deferred costs	32.6	23.3
Prepaid expenses	11.4	13.5
Other	29.1	33.4
	\$ 427.5	\$ 446.5

Other assets consisted of the following (in millions):

	March 31, 2020	December 31, 2019
Tax receivables	\$ 61.1	\$ 36.3
Right-of-use assets	53.9	58.1
Supplemental executive retirement plan assets	21.2	26.0
Deferred tax assets	19.0	26.6
Intangible assets	10.4	11.9
Deferred costs	7.3	7.1
Other	14.1	22.3
	\$ 187.0	\$ 188.3

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

	March 31, 2020	December 31, 2019
Personnel costs	\$ 126.4	\$ 134.4
Accrued interest	100.1	115.2
Income and other taxes payable	71.1	61.2
Deferred revenue	24.5	30.0
Settlement of legal dispute	20.3	20.3
Lease liabilities	19.1	21.1
Derivative liabilities	14.1	.9
Other	26.7	34.6
	\$ 402.3	\$ 417.7

Other liabilities consisted of the following (in millions):

	March 31, 2020	December 31, 2019
Pension and other post-retirement benefits	\$ 243.1	\$ 246.7
Unrecognized tax benefits (inclusive of interest and penalties)	233.4	323.1
Intangible liabilities	51.5	52.1
Lease liabilities	48.0	51.8
Deferred tax liabilities	35.2	99.0
Supplemental executive retirement plan liabilities	21.6	26.7
Personnel costs	13.9	24.5
Deferred revenue	8.8	9.7
Other	40.2	33.8
	\$ 695.7	\$ 867.4

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

	March 31, 2020	December 31, 2019
Pension and other post-retirement benefits	\$ (21.7)	\$ (21.7)
Derivative instruments	9.6	22.6
Currency translation adjustment	6.7	7.1
Other	(1.8)	(1.8)
	\$ (7.2)	\$ 6.2

Concentration of Risk

We are exposed to credit risk related to our receivables from customers, our cash and cash equivalents, investments and our use of derivatives in connection with the management of foreign currency exchange rate risk. We mitigate our credit risk relating to receivables from customers, which consist primarily of major international, government-owned and independent oil and gas companies, by performing ongoing credit evaluations. We also maintain reserves for potential credit losses, which generally have been within our expectations. We mitigate our credit risk relating to cash and investments by focusing on diversification and quality of instruments.

We mitigate our credit risk relating to counterparties of our derivatives through a variety of techniques, including transacting with multiple, high-quality financial institutions, thereby limiting our exposure to individual counterparties and by entering into International Swaps and Derivatives Association, Inc. ("ISDA") Master Agreements, which include

provisions for a legally enforceable master netting agreement, with our derivative counterparties. The terms of the ISDA agreements may also include credit support requirements, cross default provisions, termination events or set-off provisions. Legally enforceable master netting agreements reduce credit risk by providing protection in bankruptcy in certain circumstances and generally permitting the closeout and netting of transactions with the same counterparty upon the occurrence of certain events. See "[Note 8](#) - Derivative Instruments" for additional information on our derivative activity.

Consolidated revenues by customer for the three-month periods ended March 31, 2020 and 2019 were as follows:

	Three Months Ended March 31,	
	2020	2019
Total ⁽¹⁾	16%	18%
Saudi Aramco ⁽²⁾	10%	13%
Other	74%	69%
	100%	100%

⁽¹⁾ During the three months ended March 31, 2020, 89% of revenues provided by Total were attributable to the Floaters segment and the remainder was attributable to the Jackup segment. During the three months ended March 31, 2019, all revenues were attributable to our Floaters segment.

⁽²⁾ During the three-month periods ended March 31, 2020 and 2019, all revenues were attributable to our Jackups segment.

Consolidated revenues by region for the three-month periods ended March 31, 2020 and 2019 were as follows:

	Three Months Ended March 31,	
	2020	2019
Saudi Arabia ⁽¹⁾	\$ 83.9	\$ 53.4
U.S. Gulf of Mexico ⁽²⁾	78.7	54.7
Angola ⁽³⁾	61.5	70.6
United Kingdom ⁽⁴⁾	52.5	43.4
Australia ⁽⁵⁾	26.0	67.3
Other	154.0	116.5
	\$ 456.6	\$ 405.9

- (1) During the three months ended March 31, 2020, 53% and 47% of the revenues earned in Saudi Arabia were attributable to our Jackups and Other segments, respectively. During the three months ended March 31, 2019, all revenues earned in Saudi Arabia were attributable to our Jackups segment.
- (2) During the three months ended March 31, 2020, 57% of the revenues earned in the U.S. Gulf of Mexico were attributable to our Floaters segment, 16% were attributable to our Jackups segment, and the remaining revenues were attributable to our managed rigs. During the three months ended March 31, 2019, 25% of the revenues earned in the U.S. Gulf of Mexico were attributable to our Floaters segment, 45% were attributable to our Jackups segment and the remaining revenues were attributable to our managed rigs.
- (3) During the three-month periods ended March 31, 2020 and 2019, 82% and 86% of the revenue earned in Angola, respectively, were attributable to our Floaters segment, and the remaining revenues were attributable to our Jackups segment.
- (4) During the three-month periods ended March 31, 2020 and 2019, all revenues earned in the United Kingdom were attributable to our Jackups segment.
- (5) During the three-month periods ended March 31, 2020 and 2019, 59% and 94% of the revenues earned in Australia, respectively, were attributable to our Floaters segment, and remaining revenues were attributable to our Jackups segment.

Note 16 - Guarantee of Registered Securities

In connection with the Pride acquisition, Valaris and Pride entered into a supplemental indenture to the indenture dated as of July 1, 2004 between Pride and the Bank of New York Mellon, as indenture trustee, providing for, among other matters, the full and unconditional guarantee by Valaris of Pride's 6.875% senior notes due 2020 and 7.875% senior notes due 2040, which had an aggregate outstanding principal balance of \$422.9 million as of March 31, 2020. The Valaris guarantee provides for the unconditional and irrevocable guarantee of the prompt payment, when due, of any amount owed to the holders of the notes.

Valaris is also a full and unconditional guarantor of the 7.2% debentures due 2027 issued by Ensco International Incorporated in November 1997, which had an aggregate outstanding principal balance of \$112.1 million as of March 31, 2020.

Pride and Ensco International Incorporated are 100% owned subsidiaries of Valaris. All guarantees are unsecured obligations of Valaris ranking equal in right of payment with all of its existing and future unsecured and unsubordinated indebtedness.

The following tables present the unaudited condensed consolidating statements of operations for the three-month periods ended March 31, 2020 and 2019; the unaudited condensed consolidating statements of comprehensive income (loss) for the three-month periods ended March 31, 2020 and 2019; the condensed consolidating balance sheets as of March 31, 2020 (unaudited) and December 31, 2019; and the unaudited condensed consolidating statements of cash flows for the three-month periods ended March 31, 2020 and 2019, in accordance with Rule 3-10 of Regulation S-X.

VALARIS PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
Three Months Ended March 31, 2020
(In millions)
(Unaudited)

	Valaris plc	ENSCO International Incorporated	Pride International LLC	Other Non- Guarantor Subsidiaries of Valaris	Consolidating Adjustments	Total
OPERATING REVENUES	\$ 17.3	\$ 47.0	\$ —	\$ 493.3	\$ (101.0)	\$ 456.6
OPERATING EXPENSES						
Contract drilling (exclusive of depreciation)	20.6	43.1	—	513.3	(101.0)	476.0
Loss on impairment	—	—	—	2,808.2	—	2,808.2
Depreciation	—	4.6	—	159.9	—	164.5
General and administrative	20.2	11.5	—	21.7	—	53.4
Total operating expenses	40.8	59.2	—	3,503.1	(101.0)	3,502.1
EQUITY IN EARNINGS OF ARO	—	—	—	(6.3)	—	(6.3)
OPERATING LOSS	(23.5)	(12.2)	—	(3,016.1)	—	(3,051.8)
OTHER INCOME (EXPENSE), NET	345.1	.2	(19.5)	(438.1)	4.4	(107.9)
INCOME (LOSS) BEFORE INCOME TAXES	321.6	(12.0)	(19.5)	(3,454.2)	4.4	(3,159.7)
INCOME TAX BENEFIT	—	(11.6)	—	(140.4)	—	(152.0)
EQUITY EARNINGS (LOSSES) IN AFFILIATES, NET OF TAX	(3,327.9)	(84.6)	5.6	—	3,406.9	—
NET LOSS	(3,006.3)	(85.0)	(13.9)	(3,313.8)	3,411.3	(3,007.7)
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	1.4	—	1.4
NET LOSS ATTRIBUTABLE TO VALARIS	\$ (3,006.3)	\$ (85.0)	\$ (13.9)	\$ (3,312.4)	\$ 3,411.3	\$ (3,006.3)

VALARIS PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
Three Months Ended March 31, 2019
(In millions)
(Unaudited)

	Valaris plc	ENSCO International Incorporated	Pride International LLC	Other Non- Guarantor Subsidiaries of Valaris	Consolidating Adjustments	Total
OPERATING REVENUES	\$ 11.4	\$ 39.5	\$ —	\$ 430.4	\$ (75.4)	\$ 405.9
OPERATING EXPENSES						
Contract drilling (exclusive of depreciation)	11.7	35.7	—	360.6	(75.4)	332.6
Depreciation	—	3.7	—	121.3	—	125.0
General and administrative	14.9	.1	—	14.6	—	29.6
OPERATING LOSS	(15.2)	—	—	(66.1)	—	(81.3)
OTHER EXPENSE, NET	(16.1)	(15.4)	(20.5)	(27.3)	4.1	(75.2)
LOSS BEFORE INCOME TAXES	(31.3)	(15.4)	(20.5)	(93.4)	4.1	(156.5)
INCOME TAX PROVISION	—	16.6	—	14.9	—	31.5
EQUITY EARNINGS (LOSSES) IN AFFILIATES, NET OF TAX	(159.1)	32.1	26.1	—	100.9	—
NET INCOME (LOSS)	(190.4)	.1	5.6	(108.3)	105.0	(188.0)
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	(2.4)	—	(2.4)
NET INCOME (LOSS) ATTRIBUTABLE TO VALARIS	\$ (190.4)	\$.1	\$ 5.6	\$ (110.7)	\$ 105.0	\$ (190.4)

VALARIS PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE LOSS
Three Months Ended March 31, 2020
(In millions)
(Unaudited)

	Valaris plc	ENSCO International Incorporated	Pride International LLC	Other Non- Guarantor Subsidiaries of Valaris	Consolidating Adjustments	Total
NET LOSS	\$ (3,006.3)	\$ (85.0)	\$ (13.9)	\$ (3,313.8)	\$ 3,411.3	\$ (3,007.7)
OTHER COMPREHENSIVE LOSS, NET						
Net change in derivative fair value	—	(12.9)	—	—	—	(12.9)
Reclassification of net gains on derivative instruments from other comprehensive loss to net loss	—	(.1)	—	—	—	(.1)
Other	—	—	—	(.4)	—	(.4)
NET OTHER COMPREHENSIVE LOSS	—	(13.0)	—	(.4)	—	(13.4)
COMPREHENSIVE LOSS	(3,006.3)	(98.0)	(13.9)	(3,314.2)	3,411.3	(3,021.1)
COMPREHENSIVE LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	1.4	—	1.4
COMPREHENSIVE LOSS ATTRIBUTABLE TO VALARIS	\$ (3,006.3)	\$ (98.0)	\$ (13.9)	\$ (3,312.8)	\$ 3,411.3	\$ (3,019.7)

VALARIS PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
Three Months Ended March 31, 2019
(In millions)
(Unaudited)

	Valaris plc	ENSCO International Incorporated	Pride International LLC	Other Non- Guarantor Subsidiaries of Valaris	Consolidating Adjustments	Total
NET INCOME (LOSS)	\$ (190.4)	\$.1	\$ 5.6	\$ (108.3)	\$ 105.0	\$ (188.0)
OTHER COMPREHENSIVE INCOME (LOSS), NET						
Reclassification of net losses on derivative instruments from other comprehensive income into net loss	—	1.6	—	—	—	1.6
Other	—	—	—	(.1)	—	(.1)
NET OTHER COMPREHENSIVE INCOME (LOSS)	—	1.6	—	(.1)	—	1.5
COMPREHENSIVE INCOME (LOSS)	(190.4)	1.7	5.6	(108.4)	105.0	(186.5)
COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	(2.4)	—	(2.4)
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO VALARIS	\$ (190.4)	\$ 1.7	\$ 5.6	\$ (110.8)	\$ 105.0	\$ (188.9)

VALARIS PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEETS
March 31, 2020
(In millions)
(Unaudited)

	Valaris plc	ENSCO International Incorporated	Pride International LLC	Other Non- Guarantor Subsidiaries of Valaris	Consolidating Adjustments	Total
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	\$ 137.8	\$ —	\$ —	\$ 47.1	\$ —	\$ 184.9
Accounts receivable, net	.2	25.5	—	467.5	—	493.2
Accounts receivable from affiliates	4,148.4	213.6	.7	1,123.4	(5,486.1)	—
Other	1.5	4.1	—	421.9	—	427.5
Total current assets	4,287.9	243.2	.7	2,059.9	(5,486.1)	1,105.6
PROPERTY AND EQUIPMENT, AT COST						
	1.9	109.5	—	14,350.5	—	14,461.9
Less accumulated depreciation	1.9	89.3	—	2,213.5	—	2,304.7
Property and equipment, net	—	20.2	—	12,137.0	—	12,157.2
SHAREHOLDER NOTE FROM ARO						
	—	—	—	452.9	—	452.9
INVESTMENT IN ARO						
	—	—	—	122.4	—	122.4
DUE FROM AFFILIATES						
	1,599.5	217.3	39.0	4,660.1	(6,515.9)	—
INVESTMENTS IN AFFILIATES						
	10,115.2	704.2	1,230.5	—	(12,049.9)	—
OTHER ASSETS						
	1.2	3.0	—	182.8	—	187.0
	\$ 16,003.8	\$ 1,187.9	\$ 1,270.2	\$ 19,615.1	\$ (24,051.9)	\$ 14,025.1
LIABILITIES AND SHAREHOLDERS' EQUITY						
CURRENT LIABILITIES						
Accounts payable and accrued liabilities	\$ 95.9	\$ 25.2	\$ 4.2	\$ 535.4	\$ —	\$ 660.7
Accounts payable to affiliates	1,041.1	190.4	785.3	3,469.3	(5,486.1)	\$ —
Current maturities of long-term debt	\$ 100.5	\$ —	\$ 124.0	\$ —	\$ —	\$ 224.5
Total current liabilities	1,237.5	215.6	913.5	4,004.7	(5,486.1)	885.2
DUE TO AFFILIATES						
	3,526.0	488.2	645.9	1,855.8	(6,515.9)	—
LONG-TERM DEBT						
	4,944.7	111.7	372.9	719.3	—	6,148.6
OTHER LIABILITIES						
	—	326.2	—	369.5	—	695.7
VALARIS SHAREHOLDERS' EQUITY (DEFICIT)						
	6,295.6	46.2	(662.1)	12,668.5	(12,049.9)	6,298.3
NONCONTROLLING INTERESTS						
	—	—	—	(2.7)	—	(2.7)
Total equity (deficit)	6,295.6	46.2	(662.1)	12,665.8	(12,049.9)	6,295.6
	\$ 16,003.8	\$ 1,187.9	\$ 1,270.2	\$ 19,615.1	\$ (24,051.9)	\$ 14,025.1

VALARIS PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEETS
December 31, 2019
(In millions)

	Valaris plc	ENSCO International Incorporated	Pride International LLC	Other Non- Guarantor Subsidiaries of Valaris	Consolidating Adjustments	Total
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	\$ 21.5	\$ —	\$ —	\$ 75.7	\$ —	\$ 97.2
Accounts receivable, net	0.2	19.7	—	500.8	—	520.7
Accounts receivable from affiliates	4,031.4	386.0	—	897.2	(5,314.6)	—
Other	.6	11.6	—	434.3	—	446.5
Total current assets	4,053.7	417.3	—	1,908.0	(5,314.6)	1,064.4
PROPERTY AND EQUIPMENT, AT COST						
	1.9	108.8	—	18,283.1	—	18,393.8
Less accumulated depreciation	1.9	84.7	—	3,210.3	—	3,296.9
Property and equipment, net	—	24.1	—	15,072.8	—	15,096.9
SHAREHOLDER NOTE FROM ARO						
	—	—	—	452.9	—	452.9
INVESTMENT IN ARO	—	—	—	128.7	—	128.7
DUE FROM AFFILIATES	73.8	—	38.9	1,775.7	(1,888.4)	—
INVESTMENTS IN AFFILIATES	9,778.5	788.8	1,224.9	—	(11,792.2)	—
OTHER ASSETS	7.9	3.8	—	182.6	(6.0)	188.3
	\$ 13,913.9	\$ 1,234.0	\$ 1,263.8	\$ 19,520.7	\$ (19,001.2)	\$ 16,931.2
LIABILITIES AND SHAREHOLDERS' EQUITY						
CURRENT LIABILITIES						
Accounts payable and accrued liabilities	\$ 99.2	\$ 29.3	\$ 12.2	\$ 565.2	\$ —	\$ 705.9
Accounts payable to affiliates	818.8	147.8	815.1	3,532.9	(5,314.6)	—
Current maturities of long - term debt	—	—	124.8	—	—	124.8
Total current liabilities	918.0	177.1	952.1	4,098.1	(5,314.6)	830.7
DUE TO AFFILIATES	710.3	478.8	586.6	112.7	(1,888.4)	—
LONG-TERM DEBT	2,990.6	111.7	373.3	2,447.9	—	5,923.5
OTHER LIABILITIES	(14.6)	90.6	—	797.4	(6.0)	867.4
VALARIS SHAREHOLDERS' EQUITY (DEFICIT)						
	9,309.6	375.8	(648.2)	12,065.9	(11,792.2)	9,310.9
NONCONTROLLING INTERESTS						
	—	—	—	(1.3)	—	(1.3)
Total equity (deficit)	9,309.6	375.8	(648.2)	12,064.6	(11,792.2)	9,309.6
	\$ 13,913.9	\$ 1,234.0	\$ 1,263.8	\$ 19,520.7	\$ (19,001.2)	\$ 16,931.2

VALARIS PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
Three Months Ended March 31, 2020
(In millions)
(Unaudited)

	Valaris plc	ENSCO International Incorporated	Pride International LLC	Other Non- guarantor Subsidiaries of Valaris	Consolidating Adjustments	Total
OPERATING ACTIVITIES						
Net cash provided by (used in) operating activities	\$ (88.3)	\$ 226.2	\$ (28.7)	\$ (313.6)	\$ —	\$ (204.4)
INVESTING ACTIVITIES						
Additions to property and equipment	—	—	—	(36.3)	—	(36.3)
Proceeds from disposition of assets	—	—	—	10.4	—	10.4
Net cash used in investing activities	—	—	—	(25.9)	—	(25.9)
FINANCING ACTIVITIES						
Borrowings on credit facility	343.9	—	—	—	—	343.9
Advances from (to) affiliates	(113.7)	(226.2)	28.7	311.2	—	—
Repayments of credit facility borrowings	(15.0)	—	—	—	—	(15.0)
Reduction of long -term borrowings	(9.7)	—	—	—	—	(9.7)
Other	(.9)	—	—	—	—	(.9)
Net cash provided by (used in) financing activities	204.6	(226.2)	28.7	311.2	—	318.3
Effect of exchange rate changes on cash and cash equivalents	—	—	—	(.3)	—	(.3)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	116.3	—	—	(28.6)	—	87.7
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	21.5	—	—	75.7	—	97.2
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 137.8	\$ —	\$ —	\$ 47.1	\$ —	\$ 184.9

VALARIS PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
Three Months Ended March 31, 2019
(In millions)
(Unaudited)

	Valaris plc	ENSCO International Incorporated	Pride International LLC	Other Non- guarantor Subsidiaries of Valaris	Consolidating Adjustments	Total
OPERATING ACTIVITIES						
Net cash provided by (used in) operating activities	\$ (45.9)	\$ (43.0)	\$ (55.2)	\$ 119.7	\$ —	\$ (24.4)
INVESTING ACTIVITIES						
Maturities of short-term investments	204.0	—	—	—	—	204.0
Purchases of short-term investments	(120.0)	—	—	—	—	(120.0)
Additions to property and equipment	—	—	—	(29.0)	—	(29.0)
Other	—	—	—	.3	—	.3
Net cash provided by (used in) investing activities	84.0	—	—	(28.7)	—	55.3
FINANCING ACTIVITIES						
Cash dividends paid	(4.5)	—	—	—	—	(4.5)
Advances from (to) affiliates	15.3	43.0	54.8	(113.1)	—	—
Other	(2.8)	—	—	—	—	(2.8)
Net cash provided by (used in) financing activities	8.0	43.0	54.8	(113.1)	—	(7.3)
Effect of exchange rate changes on cash and cash equivalents	—	—	—	(.3)	—	(.3)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	46.1	—	(.4)	(22.4)	—	23.3
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	199.8	—	2.7	72.6	—	275.1
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 245.9	\$ —	\$ 2.3	\$ 50.2	\$ —	\$ 298.4

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

Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the accompanying unaudited consolidated financial statements as of March 31, 2020 and for the three-month periods ended March 31, 2020 and 2019 included elsewhere herein and with our annual report on Form 10-K for the year ended December 31, 2019. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including those set forth under "Risk Factors" in Item 1A of our annual report and elsewhere in this quarterly report. See "Forward-Looking Statements."

EXECUTIVE SUMMARY

Our Business

We are a leading provider of offshore contract drilling services to the international oil and gas industry. Exclusive of two rigs under construction and one rig marked for retirement and classified as held-for-sale, we currently own and operate an offshore drilling rig fleet of 73 rigs, with drilling operations in almost every major offshore market across six continents. Inclusive of rigs under construction, our fleet includes 16 drillships, eight dynamically positioned semisubmersible rigs, one moored semisubmersible rigs and 50 jackup rigs, nine of which are leased to our 50/50 joint venture with Saudi Aramco. We operate the world's largest fleet amongst competitive rigs, including one of the newest ultra-deepwater fleets in the industry and a leading premium jackup fleet.

Our Industry

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

During the first quarter, the coronavirus global pandemic and the response thereto has negatively impacted the macro-economic environment and global economy. Global oil demand has fallen sharply at the same time global oil supply has increased as a result of certain oil producers competing for market share, leading to a supply glut. As a consequence, the price of Brent crude oil has fallen from around \$60 per barrel at year-end 2019 to around \$20 per barrel as of mid-April 2020. In response to dramatically reduced oil price expectations for the near term, our customers are reviewing, and in most cases lowering significantly, their capital expenditure plans in light of revised pricing expectations.

The full impact that the pandemic and the precipitous decline in oil prices will have on our results of operations, financial condition, liquidity and cash flows is uncertain due to numerous factors, including the duration and severity of the outbreak, the duration of the price decline, and the extent of disruptions to our operations. To date, there have been various impacts from the pandemic and drop in oil prices, including contract cancellations or the cancellation of drilling programs by operators, contract concessions, stacking rigs, inability to change crews due to travel restrictions, and workforce reductions. Our operations and business may be subject to further disruptions as a result of the spread of coronavirus among our workforce, the extension or imposition of further public health measures affecting supply chain and logistics, and the impact of the pandemic on key customers, suppliers, and other counterparties.

We expect that the remainder of 2020 will be a challenging year for contractors as customers wait to gain additional clarity on commodity pricing and seek to reduce costs in the near-term by attempting to renegotiate existing contract terms. We believe the current market and macro-economic conditions will create a challenging contracting environment through at least 2021.

Backlog

Our backlog was \$1.9 billion and \$2.5 billion as of March 31, 2020 and December 31, 2019, respectively. The decrease in our backlog was due to customer contract cancellations, customer concessions and revenues realized, partially offset by the addition of backlog from new contract awards and contract extensions.

As we finalize negotiations of contract concessions with our customers, above-market rate contracts expire and revenues are realized, we may experience further declines in backlog, which would result in a decline in revenues and operating cash flows over the near-term. Contract backlog was adjusted for drilling contracts signed, terminated or concessions granted after each respective balance sheet date but prior to filing each annual and quarterly report on February 21, 2020 and April 30, 2020, respectively.

BUSINESS ENVIRONMENT

Floaters

The floater contracting environment remains challenging due to limited demand, excess newbuild supply and the recent precipitous fall in oil prices. Floater demand has declined materially in March and April 2020, as our customers have reduced capital expenditures particularly for capital-intensive, long-lead deepwater projects in the wake of oil price declines from around \$60 per barrel at year-end 2019 to around \$20 per barrel in mid-April 2020. The decline in demand has resulted in the cancellation and delay of drilling programs and the termination of drilling contracts. During 2020, we have received notices of termination, requests for concessions, cancellation and/or deferral of drilling programs by operators, and we expect to receive additional termination and/or deferral notices during the pendency of the current market environment. To date, the coronavirus pandemic has not resulted in any forced shutdowns of our rigs due to quarantines or an inability to staff our rigs due to travel restrictions or stay-at-home orders, however, we are incurring additional costs in order to mitigate these impacts to our operations. There can be no assurance, however, that these, or other issues caused by the coronavirus pandemic, will not materially affect our ability to operate our rigs in the future.

In April 2020, the VALARIS DS-7 contract for operations offshore Ghana was terminated. VALARIS 5004 operated on a reduced day rate from mid-March to mid-April, at which point the contract was terminated. Additionally, the VALARIS DS-8 contract was terminated in March 2020 as described below.

In March 2020, VALARIS DS-8 experienced a non-drilling incident while operating offshore Angola, resulting in the blowout preventer (BOP) stack being disconnected from the riser while the rig was moving between well locations. The BOP stack, which we later recovered, dropped to the seabed floor, clear of any subsea structures. No injuries, environmental pollution or third-party damage resulted from the BOP stack being disconnected.

As a result of the incident, the operator terminated the contract. The termination results in a decline in our contracted revenue backlog of approximately \$150 million. We have loss of hire insurance for \$602,500 per day, after a 45-day deductible waiting period, through the end of the contract in November 2020. The waiting period expired on April 22, 2020. We will seek to recover losses incurred in accordance with the terms of this insurance policy, which would largely offset the lost backlog noted above. There can be no assurance as to the timing or amount of insurance proceeds ultimately received.

During the first quarter of 2020, VALARIS DS-7 was awarded a five-well contract that is expected to commence in September 2020 and has an estimated duration of 320 days. VALARIS DS-12 was awarded a one-well contract that commenced in February 2020. VALARIS DS-9 was awarded a one-well contract that is expected to commence in July 2020. VALARIS MS-1 was awarded two contracts, a one-well contract that is expected to commence in July 2020 with an estimated duration of 120 days, and a three-well contract that is expected to commence in the first quarter of 2021 and has an estimated duration of 155 days. VALARIS 8505 was awarded a one-well contract that is expected to commence in mid-November 2020 with an estimated duration of 80 days.

The VALARIS 6002 was sold in January 2020 resulting in an insignificant pre-tax gain. Additionally, the VALARIS 5004 was sold in April 2020 resulting in an insignificant pre-tax loss.

There are approximately 30 newbuild drillships and semisubmersible rigs reported to be under construction, of which nine are scheduled to be delivered before the end of 2020. Most newbuild floaters are uncontracted. Several newbuild deliveries have been delayed into future years, and we expect that more uncontracted newbuilds will be delayed or cancelled.

Drilling contractors have retired approximately 140 floaters since the beginning of 2014. Approximately 10 floaters older than 30 years of age are currently idle, approximately 10 additional floaters older than 30 years have contracts that will expire by end of 2020 without follow-on work. Additional rigs are expected to become idle as a result of recent market events. Operating costs associated with keeping these rigs idle as well as expenditures required to re-certify these aging rigs may prove cost prohibitive. Drilling contractors will likely elect to scrap or cold-stack some or all of these rigs.

Jackups

Despite recent gains in the jackup market, demand for jackups has declined in light of increased market uncertainty. During 2020, we have received notices of termination, requests for concessions, cancellation and/or deferral of drilling programs by operators, and we expect to receive additional termination and/or deferral notices during the pendency of the current market environment. To date, the coronavirus pandemic has not resulted in any forced shutdowns of our rigs due to quarantines or an inability to staff our rigs due to travel restrictions or stay-at-home orders, however, we are incurring additional costs in order to mitigate these impacts to our operations. There can be no assurance, however, that these, or other issues caused by the coronavirus pandemic, will not materially affect our ability to operate our rigs in the future.

During the first quarter of 2020, the VALARIS JU-109 contract was terminated. In April 2020, there were also various negotiated customer contract concessions, including day rate reductions: VALARIS JU-120 is expected to operate on a reduced day rate from late-April 2020 to late-September 2020, VALARIS JU-92 is expected to operate on a reduced day rate from mid-May 2020 to late-September 2020 and VALARIS JU-72 is expected to operate on a reduced day rate from April 2020 to July 2020. Additionally, VALARIS JU-249 ended its contract in April 2020, and VALARIS JU-100 is expected to end its contract in late-April 2020, in both cases, earlier than expected.

During the first quarter of 2020, we executed a three-well contract for VALARIS JU-118 that commenced in mid-March 2020 with an estimated duration of 425 days. Additionally, we executed a two-well contract for VALARIS JU-144 that is expected to commence in May 2020 with an estimated duration of 200 days. The previously disclosed contract for the JU-144 that was expected to commence in September 2020 was transferred to the VALARIS JU-102. VALARIS JU-87 was awarded a one-well contract that commenced in March 2020 with an estimated duration of 30 days and an extension to May 2020 for another well with an estimated duration of 30 days.

The VALARIS JU-68 was sold in January 2020 resulting in an insignificant pre-tax gain.

There are approximately 50 newbuild jackup rigs reported to be under construction, of which 30 are scheduled to be delivered before the end of 2020. Most newbuild jackups are uncontracted. Over the past year, some jackup orders have been cancelled, and many newbuild jackups have been delayed. We expect that scheduled jackup deliveries will continue to be delayed until more rigs are contracted.

Drilling contractors have retired approximately 100 jackups since the beginning of the downturn. Approximately 90 jackups older than 30 years are idle and 40 jackups that are 30 years or older have contracts expiring by the end of 2020 without follow-on work. Expenditures required to re-certify these aging rigs may prove cost prohibitive and drilling contractors may instead elect to scrap or cold-stack these rigs. We expect jackup scrapping and cold-stacking to continue for the remainder of 2020.

Divestitures

Our business strategy has been to focus on ultra-deepwater floater and premium jackup operations and de-emphasize other assets and operations that are not part of our long-term strategic plan or that no longer meet our standards for economic returns. In the fourth quarter of 2019, we began marketing the VALARIS 6002, VALARIS JU-68 and VALARIS JU-70, and classified the rigs as held-for-sale on our December 31, 2019 consolidated balance sheet. Consistent with this strategy, we sold VALARIS JU-68 and VALARIS 6002 in the first quarter, which were older, less capable rigs. The VALARIS JU-70 remains classified as held-for-sale on our March 31, 2020 condensed consolidated balance sheet. Additionally, we sold VALARIS 5004 in April 2020 resulting in an insignificant pre-tax loss.

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

RESULTS OF OPERATIONS

The following table summarizes our condensed consolidated results of operations for the three-month periods ended March 31, 2020 and 2019 (in millions):

	Three Months Ended March 31,	
	2020	2019 ⁽¹⁾
Revenues	\$ 456.6	\$ 405.9
Operating expenses		
Contract drilling (exclusive of depreciation)	476.0	332.6
Loss on impairment	2,808.2	—
Depreciation	164.5	125.0
General and administrative	53.4	29.6
Total operating expenses	3,502.1	487.2
Equity in earnings of ARO	(6.3)	—
Operating loss	(3,051.8)	(81.3)
Other income (expense), net	(107.9)	(75.2)
Provision (benefit) for income taxes	(152.0)	31.5
Net loss	(3,007.7)	(188.0)
Net (income) loss attributable to noncontrolling interests	1.4	(2.4)
Net loss attributable to Valaris	\$ (3,006.3)	\$ (190.4)

⁽¹⁾ The 2019 period does not include the results of the Rowan transaction as it closed in April 2019.

Overview

Revenues increased \$50.7 million, or 12%, for the three months ended March 31, 2020, as compared to the prior year quarter primarily due to \$103.6 million of revenue earned by rigs added from the Rowan Transaction and \$43.3 million due to revenues earned from our rigs leased to ARO, revenues earned from the Secondment Agreement and Transition Services Agreement. This increase was partially offset by \$74.5 million from the sale of VALARIS 6002, VALARIS 5006, VALARIS JU-68, VALARIS JU-96 and ENSCO 97, which operated in the prior year quarter. In addition, we experienced a decline in revenue as a result of fewer days under contract across our fleet and the interruption of operations experienced on the VALARIS DS-8.

Contract drilling expense increased \$143.4 million, or 43%, for the three months ended March 31, 2020, as compared to the prior year quarter, primarily due to \$140.1 million of contract drilling expenses incurred on rigs added from the Rowan Transaction, \$19.2 million due to expenses incurred under the Secondment Agreement and by our rigs leased to ARO and \$5.7 million due to the commencement of drilling operations of VALARIS 123. This increase was partially offset by \$30.9 million from the sale of VALARIS 5006, VALARIS 6002, VALARIS JU-68, VALARIS JU-96 and ENSCO 97, which operated in the prior-year period.

During the first quarter of 2020, we recorded a non-cash loss on impairment of \$2.8 billion with respect to assets in our fleet due to the adverse change in the current and anticipated market for these assets. See "Note 6 - Property and Equipment" for additional information.

Depreciation expense increased \$39.5 million, or 32%, for the three months ended March 31, 2020, as compared to the prior year quarter, primarily due to depreciation expense recorded for rigs added in the Rowan Transaction.

General and administrative expenses increased by \$23.8 million, or 80%, for the three months ended March 31, 2020, as compared to the prior year quarter, primarily due to higher professional fees.

Other expense increased \$32.7 million or 43%, for the three months ended March 31, 2020, as compared to the prior year quarter, primarily due to the increase of interest expense incurred on senior notes acquired in the Rowan Transaction.

Rig Counts, Utilization and Average Day Rates

The following table summarizes our and ARO's offshore drilling rigs as of March 31, 2020 and 2019:

	2020	2019
Floaters ⁽¹⁾	24	22
Jackups ⁽²⁾	41	33
Other ⁽³⁾	9	—
Under construction ⁽⁴⁾	2	3
Held-for-sale	1	1
Total Valaris	77	59
ARO ⁽⁵⁾	7	—

⁽¹⁾ During 2019, we added four drillships from the Rowan Transaction and sold VALARIS 5006. During the first quarter of 2020, we sold VALARIS 6002.

⁽²⁾ During 2019, we added 10 jackups from the Rowan Transaction, exclusive of rigs leased to ARO that are included in Other, accepted delivery of VALARIS JU-123, classified VALARIS-JU 70 as held-for-sale and sold VALARIS JU-96. In the first quarter of 2020, we sold VALARIS JU-68.

⁽³⁾ During 2019, we added nine jackups from the Rowan Transaction that are leased to ARO.

⁽⁴⁾ During 2019, we accepted the delivery of VALARIS JU-123.

⁽⁵⁾ This represents the seven rigs owned by ARO.

The following table summarizes our and ARO's rig utilization and average day rates by reportable segment for the three-month periods ended March 31, 2020 and 2019. Rig utilization and average day rates for the 2019 period do not include results of rigs added in the Rowan Transaction or ARO as the Rowan Transaction closed in April 2019:

	Three Months Ended March 31,	
	2020	2019
<u>Rig Utilization⁽¹⁾</u>		
Floaters	38%	43%
Jackups	61%	68%
Other ⁽²⁾	100%	100%
Total Valaris	59%	60%
ARO	90%	—
<u>Average Day Rates⁽³⁾</u>		
Floaters	\$ 195,541	\$ 240,440
Jackups	81,492	72,146
Other ⁽²⁾	42,343	82,712
Total Valaris	\$ 94,784	\$ 118,733
ARO	\$ 108,873	\$ —

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

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

- ⁽²⁾ Includes our two management services contracts and our nine rigs leased to ARO under bareboat charter contracts.
- ⁽³⁾ Average day rates are derived by dividing contract drilling revenues, adjusted to exclude certain types of non-recurring reimbursable revenues, lump-sum revenues and revenues attributable to amortization of drilling contract intangibles, by the aggregate number of contract days, adjusted to exclude contract days associated with certain mobilizations, demobilizations and shipyard contracts.

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

Operating Income by Segment

Prior to the Rowan Transaction, our business consisted of three operating segments: (1) Floaters, which included our drillships and semisubmersible rigs, (2) Jackups and (3) Other, which consisted only of our management services provided on rigs owned by third-parties. Our Floaters and Jackups segments were also reportable segments.

As a result of the Rowan Transaction, we concluded that we would maintain the aforementioned segment structure while adding ARO as a reportable segment for the new combined company. We also concluded that the activities associated with our arrangements with ARO, consisting of our Transition Services Agreement, Rig Lease Agreements and Secondment Agreement, do not constitute reportable segments and are therefore included within Other in the following segment disclosures. Substantially all of the expenses incurred associated with our Transition Services Agreement are included in general and administrative under "Reconciling Items" in the table set forth below.

General and administrative expense and depreciation expense incurred by our corporate office are not allocated to our operating segments for purposes of measuring segment operating income (loss) and are included in "Reconciling Items." The full operating results included below for ARO (representing only results of ARO from the Transaction Date) are not included within our consolidated results and thus deducted under "Reconciling Items" and replaced with our equity in earnings of ARO. See "[Note 4](#) - Equity Method Investment in ARO" for additional information on ARO and related arrangements.

Segment information for the three-month periods ended March 31, 2020 and 2019 is presented below (in millions):

Three Months Ended March 31, 2020

	Floaters	Jackups	ARO	Other	Reconciling Items	Consolidated Total
Revenues	\$ 179.6	\$ 212.8	\$ 140.3	\$ 64.2	\$ (140.3)	\$ 456.6
Operating expenses						
Contract drilling (exclusive of depreciation)	213.9	226.1	108.3	36.0	(108.3)	476.0
Loss on impairment	2,554.3	253.9	—	—	—	2,808.2
Depreciation	89.4	58.5	13.0	11.1	(7.5)	164.5
General and administrative	—	—	8.3	—	45.1	53.4
Equity in earnings of ARO	—	—	—	—	(6.3)	(6.3)
Operating income (loss)	\$ (2,678.0)	\$ (325.7)	\$ 10.7	\$ 17.1	\$ (75.9)	\$ (3,051.8)

Three Months Ended March 31, 2019

	Floaters	Jackups	Other	Reconciling Items	Consolidated Total
Revenues	\$ 232.7	\$ 157.0	\$ 16.2	\$ —	\$ 405.9
Operating expenses					
Contract drilling (exclusive of depreciation)	181.8	135.4	15.4	—	332.6
Depreciation	84.8	36.9	—	3.3	125.0
General and administrative	—	—	—	29.6	29.6
Operating income (loss)	\$ (33.9)	\$ (15.3)	\$.8	\$ (32.9)	\$ (81.3)

Floaters

Floater revenue declined \$53.1 million, or 23%, for the three months ended March 31, 2020, as compared to the prior year quarter due to \$62.1 million from the sale of VALARIS 5006 and VALARIS 6002, which operated in the prior year quarter, \$14.7 million due to fewer days under contract across the floater fleet and \$14.2 million as a result of the interruption of operations on VALARIS DS-8. This decline was partially offset by \$34.6 million earned by rigs added in the Rowan Transaction.

Floater contract drilling expense increased \$32.1 million, or 18%, for the three months ended March 31, 2020, as compared to the prior year quarter, primarily due to the \$53.8 million of contract drilling expense incurred by rigs added in the Rowan Transaction. The increase was partially offset by \$20.3 million from the sale of VALARIS 5006 and VALARIS 6002, which operated in the prior year quarter.

During the first quarter of 2020, we recorded a non-cash loss on impairment of \$2.6 billion with respect to assets in our Floater segment due to the adverse change in the current and anticipated market for these assets. See "[Note 6](#) - Property and Equipment" for additional information.

Floater depreciation expense increased for the three months ended March 31, 2020, as compared to the prior year quarter, primarily due to the addition of rigs in the Rowan Transaction.

Jackups

Jackup revenues increased \$55.8 million, or 36%, for the three months ended March 31, 2020, as compared to prior year quarter, primarily due to \$69.0 million of revenue earned by rigs added in the Rowan Transaction. This increase was partially offset by \$12.4 million from the sale of VALARIS JU-68, VALARIS JU-96 and ENSCO 97, which operated in the prior year quarter.

Jackup contract drilling expense increased \$90.7 million, or 67%, for the three months ended March 31, 2020, as compared to the prior year quarter, primarily due to \$86.3 million of contract drilling expense incurred by rigs added in the Rowan Transaction. This increase was partially offset by \$10.6 million from the sale of VALARIS JU-68, VALARIS JU-96 and ENSCO 97, which operated in the prior year quarter.

During the first quarter of 2020, we recorded a non-cash loss on impairment of \$253.9 million with respect to assets in our Jackup segment due to the adverse change in the current and anticipated market for these assets. See "[Note 6](#) - Property and Equipment" for additional information.

Jackup depreciation expense for the three months ended March 31, 2020 increased \$21.6 million, or 59%, as compared to the prior year quarter, primarily due to the addition of rigs in the Rowan Transaction.

ARO

ARO currently owns a fleet of seven jackup rigs, leases another nine jackup rigs from us and has plans to purchase at least 20 newbuild jackup rigs over an approximate 10 year period. In January 2020, ARO ordered the first two newbuild jackups with delivery scheduled in 2022. The rigs we lease to ARO are done so through bareboat charter agreements whereby substantially all operating costs are incurred by ARO. All nine jackup rigs leased to ARO are under three-year contracts with Saudi Aramco. All seven ARO-owned jackup rigs are under long-term contracts with Saudi Aramco.

The operating revenues of ARO reflect revenues earned under drilling contracts with Saudi Aramco for the seven ARO-own jackup rigs and the nine rigs leased from us that operated during the three month period ended March 31, 2020.

Contract drilling expenses for the three month period ended March 31, 2020, are inclusive of the bareboat charter fees for the rigs leased from us and costs incurred under the Secondment Agreement. General and administrative expenses for the three month period ended March 31, 2020, include costs incurred under the Transition Services Agreement and other administrative costs.

Other

Other revenues increased \$48.0 million for the three months ended March 31, 2020, as compared to the prior year quarter, primarily due to \$43.3 million of revenues earned from our rigs leased to ARO and revenues earned under the Secondment Agreement and Transition Services Agreement.

Other contract drilling expenses increased \$20.6 million for the three months ended March 31, 2020, as compared to the prior year quarter, primarily due to costs incurred for services provided to ARO under the Secondment Agreement and other costs for ARO rigs.

See "[Note 4](#) - Equity Method Investment in ARO" for additional information on ARO.

Other Income (Expense)

The following table summarizes other income (expense) for the three-month periods ended March 31, 2020 and 2019 (in millions):

	Three Months Ended March 31,	
	2020	2019
Interest income	\$ 4.8	\$ 3.5
Interest expense, net:		
Interest expense	(113.9)	(87.2)
Capitalized interest	.7	6.2
	(113.2)	(81.0)
Other, net	.5	2.3
	\$ (107.9)	\$ (75.2)

Interest income for the three months ended March 31, 2020 increased as compared to the prior year quarter primarily due to interest income of \$4.6 million earned on the shareholder note from ARO (see "[Note 4](#) - Equity Method Investment in ARO") acquired in the Rowan Transaction. This increase was partially offset by fewer investments in time deposits.

Interest expense for the three months ended March 31, 2020 increased by \$26.7 million as compared to the prior year quarter, primarily due to interest expense incurred on senior notes acquired in the Rowan Transaction.

Our functional currency is the U.S. dollar, and a portion of the revenues earned and expenses incurred by certain of our subsidiaries are denominated in currencies other than the U.S. dollar. These transactions are remeasured in U.S. dollars based on a combination of both current and historical exchange rates. Net foreign currency exchange gains of \$3.8 million and losses of \$0.3 million, inclusive of offsetting fair value derivatives, were included in other, net, for the three-month periods ended March 31, 2020 and 2019, respectively. During the three-months ended March 31, 2020, the net foreign currency exchange gains were primarily attributable to Euro, Norwegian krone and Nigerian naira.

Provision for Income Taxes

Valaris plc, our parent company, is domiciled and resident in the U.K. Our subsidiaries conduct operations and earn income in numerous countries and are subject to the laws of taxing jurisdictions within those countries. The income of our non-U.K. subsidiaries is generally not subject to U.K. taxation. Income tax rates imposed in the tax jurisdictions in which our subsidiaries conduct operations vary, as does the tax base to which the rates are applied. In some cases, tax rates may be applicable to gross revenues, statutory or negotiated deemed profits or other bases utilized under local tax laws, rather than to net income.

Our drilling rigs frequently move from one taxing jurisdiction to another to perform contract drilling services. In some instances, the movement of drilling rigs among taxing jurisdictions will involve the transfer of ownership of the drilling rigs among our subsidiaries. As a result of frequent changes in the taxing jurisdictions in which our drilling rigs are operated and/or owned, changes in the profitability levels and changes in tax laws, our consolidated effective income tax rate may vary substantially from one reporting period to another. In periods of declining profitability, our income tax expense may not decline proportionally with income, which could result in higher effective income tax rates. Further, we may continue to incur income tax expense in periods in which we operate at a loss.

Income tax rates and taxation systems in the jurisdictions in which our subsidiaries conduct operations vary and our subsidiaries are frequently subjected to minimum taxation regimes. In some jurisdictions, tax liabilities are based on gross revenues, statutory or negotiated deemed profits or other factors, rather than on net income and our subsidiaries are frequently unable to realize tax benefits when they operate at a loss. Accordingly, during periods of declining profitability, our consolidated income tax expense generally does not decline proportionally with consolidated income, which results in higher effective income tax rates. Furthermore, we generally continue to incur income tax expense in periods in which we operate at a loss on a consolidated basis.

Discrete income tax benefit for the three months ended March 31, 2020 was \$164.4 million and was primarily attributable to a restructuring transaction, implementation of the U.S. Cares Act, changes in liabilities for unrecognized tax benefits associated with tax positions taken in prior years and other resolutions of prior year tax matters. Discrete income tax expense for the three months ended March 31, 2019 was \$0.6 million and was attributable to unrecognized tax benefits associated with tax positions taken in prior years. Excluding the aforementioned discrete tax items, income tax expense for the three-month periods ended March 31, 2020 and 2019 was \$12.4 million and \$30.9 million, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Our focus on liquidity and capital resources includes our cash position, debt levels and maturity profile and cost of capital. Based on our balance sheet, our contractual backlog and \$1.3 billion available under our credit facility, we expect to fund our near term liquidity needs, including negative operating cash flows, debt service and other contractual obligations, anticipated capital expenditures, as well as working capital requirements, from cash, funds borrowed under our credit facility or other future financing arrangements. We currently expect that cash and cash equivalents and available funds under our credit facility are adequate to cover our liquidity requirements for at least the next twelve months.

Our credit facility is an integral part of our financial flexibility and liquidity. Our revolving credit facility requires compliance with covenants to maintain specified financial and guarantee coverage ratios, including a total debt to total capitalization ratio that is less than or equal to 60%. In the first quarter of 2020, we incurred impairments of \$2.8 billion, which contributed to an increase in the total debt to total capitalization ratio to 52.1% as of March 31, 2020. We may incur additional material impairments as a result of declines in demand for offshore drilling rigs. As of March 31, 2020, if we incur additional impairments or experience additional losses in excess of approximately \$1.7 billion in the near future, we would no longer be in compliance with such covenant. If we exceed the total debt to total capitalization covenant in our credit facility, further borrowings under the credit facility would not be permitted, absent a waiver, and all outstanding borrowings would become immediately due and payable by action of lenders holding a majority of the commitments under the credit facility. Any such acceleration would trigger a cross-acceleration event of default with respect to approximately \$2.1 billion of our outstanding senior notes.

The credit facility generally limits us to no more than \$200 million in available cash (including certain liquid investments as defined in the credit facility documents), and requires consent of all lenders for draws on the credit facility that would result in us having more than \$200 million in available cash and liquid investments. There can be no assurances that the lenders would approve borrowing requests that would result in us having more than \$200 million in available cash and liquid investments.

Furthermore, the agent under the credit facility has reserved the right to assert that a material adverse effect has occurred based on changes in the oil market and certain company-specific operating incidents, including the drop of the blowout preventer stack off the VALARIS DS-8, disclosed above. We do not believe that a material adverse effect has occurred, but there can be no assurance that the revolving lenders will not assert a material adverse effect as a basis to deny further borrowing requests.

We may rely on the issuance of debt in the future to supplement our liquidity needs. In the current market environment, however, we do not expect to have access to the capital markets on terms we would find favorable, if at all. We have engaged financial and legal advisors to assist us in, among other things, analyzing various alternatives to address our liquidity and capital structure. We may seek to extend our maturities and/or reduce the overall principal amount of our debt through exchange offers, other liability management, recapitalization and/or restructuring transactions. As part of the evaluation of alternatives, we also are engaged in discussions with our lenders and bondholders regarding the terms of a potential comprehensive restructuring of our indebtedness. Any comprehensive restructuring of our indebtedness and capital structure may require a substantial impairment or conversion of our indebtedness to equity, as well as impairment, losses or substantial dilution for our shareholders and other stakeholders. . We have the ability to issue debt that would be structurally senior to our currently outstanding debt, on both an unsecured and secured basis, subject to restrictions contained in our existing debt arrangements. Our liability management, recapitalization and/or restructuring efforts, if undertaken, may be unsuccessful or may not improve our financial position to the extent anticipated.

Our ability to maintain a sufficient level of liquidity to meet our financial obligations will also be dependent upon our future performance, which will be subject to general economic conditions, industry cycles and financial, business and other factors affecting our operations, many of which are beyond our control. For example, if demand for offshore drilling remains at current depressed levels or deteriorates further, our longer term ability to maintain a sufficient level of liquidity could be materially and adversely impacted, which could have a material adverse impact on our business, financial condition, results of operations, cash flows and our ability to repay or refinance our debt. For additional discussion of the risks associated with our indebtedness and current liquidity issues, please the discussion under “Risk Factors” in Item 1A of Part II of this Form 10-Q.

Liquidity

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

	March 31, 2020	December 31, 2019
Cash and cash equivalents	\$ 184.9	\$ 97.2
Available credit facility borrowing capacity	1,290.0	1,622.2
Total liquidity	\$ 1,474.9	\$ 1,719.4
Working capital	\$ 220.4	\$ 233.7
Current ratio	1.2	1.3

Cash and Debt

As of March 31, 2020, we had \$6.8 billion of total debt principal outstanding, representing 52.1% of our total capitalization. We also had \$184.9 million in cash and \$1.3 billion of undrawn capacity under our credit facility, which expires in September 2022. The credit agreement governing the credit facility includes an accordion feature allowing us to increase future commitments up to an aggregate amount not to exceed \$250.0 million, subject to the approval of the lenders agreeing to increase their commitments.

As of March 31, 2020, our principal debt maturities through 2024 include \$122.9 million in 2020, \$100.7 million in 2021, \$620.8 million in 2022 and \$1.8 billion in 2024.

During the three months ended March 31, 2020, our primary source of cash was \$328.9 million in net borrowings under our credit facility. Our primary uses of cash for the same period were \$204.4 million used in operating activities, \$36.3 million for the construction, enhancement and other improvements of our drilling rigs and \$9.7 million for the repurchase of outstanding debt on the open market.

During the three months ended March 31, 2019, our primary source of cash was \$84.0 million from net maturities of short-term investments. Our primary uses of cash for the same period were \$29.0 million for the construction, enhancement and other improvements of our drilling rigs and \$24.4 million used in operating activities of continuing operations.

Cash Flow and Capital Expenditures

Our cash flow from operating activities and capital expenditures for the three-month periods ended March 31, 2020 and 2019 were as follows (in millions):

	2020	2019
Net cash used in operating activities	\$ (204.4)	\$ (24.4)
Capital expenditures		
New rig construction	\$ 2.2	\$ 16.2
Rig enhancements	21.0	3.0
Minor upgrades and improvements	13.1	9.8
	\$ 36.3	\$ 29.0

Cash flows used in operating activities increased \$180.0 million as compared to the prior year quarter primarily due to declining margins and interest on the debt assumed in the Rowan Transaction. As our remaining above-market contracts expire and we renegotiate contracts with customers, we expect our operating cash flows will remain negative in the near term.

Based on our current projections, we expect capital expenditures for the remainder of 2020 to approximate \$85 million for newbuild construction, rig enhancement projects and minor upgrades and improvements. Approximately \$11 million of our projected capital expenditures is reimbursable by our customers. Depending on market conditions and opportunities, we may reduce our planned expenditures or make additional capital expenditures to upgrade rigs for customer requirements.

We have two ultra-deepwater drillships under construction, VALARIS DS-13 and VALARIS DS-14, which are scheduled for delivery in September 2021 and June 2022, respectively.

The following table summarizes the estimated timing of our remaining contractual payments for our rigs under construction as of March 31, 2020 (in millions):

	2020	2021	2022	Thereafter	Total ⁽¹⁾
VALARIS DS-13 ⁽²⁾	\$ —	\$ 83.9	\$ —	\$ —	\$ 83.9
VALARIS DS-14 ⁽²⁾	—	—	165.0	—	165.0
	\$ —	\$ 83.9	\$ 165.0	\$ —	\$ 248.9

⁽¹⁾ Total commitments are based on fixed-price shipyard construction contracts, exclusive of our internal costs associated with project management, commissioning and systems integration testing. Total commitments also exclude holding costs and interest.

⁽²⁾ The delivery dates for the VALARIS DS-13 and VALARIS DS-14 are September 30, 2021 and June 30, 2022, respectively. We can elect to request earlier delivery in certain circumstances. The interest rate on the final milestone payments are 7% per annum from October 1, 2019, for the VALARIS DS-13, and from July 1, 2020, for the VALARIS DS-14, until the actual delivery dates. The final milestone payments and applicable interest are due at the delivery dates (or, if accelerated, the actual delivery dates) and are estimated to be approximately \$313.3 million in aggregate for both rigs, inclusive of interest, assuming we take delivery on the delivery dates. In lieu of making the final milestone payments, we have the option to take delivery of the rigs and issue a promissory note for each rig to the shipyard owner for the amount due. The promissory notes will bear interest at a rate of 9% per annum with a maturity date of December 30, 2022 and will be secured by a mortgage on each respective rig. The remaining milestone payments for VALARIS DS-13 and VALARIS DS-14 are included in the table above in the period in which we expect to take delivery of the rig. However, we may elect to execute the promissory notes and defer payment until December 2022. If we issue the promissory note to the shipyard owner, we would also be required to provide a guarantee from Valaris plc.

Financing and Capital Resources

Debt to Capital

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

	March 31, 2020	December 31, 2019
Total debt ⁽¹⁾	\$ 6,844.2	\$ 6,528.1
Total capital ⁽²⁾	\$ 13,142.5	\$ 15,839.0
Total debt to total capital	52.1%	41.2%

⁽¹⁾ Total debt consists of the principal amount outstanding and borrowings on our credit facility.

⁽²⁾ Total capital consists of total debt and Valaris shareholders' equity.

During the first quarter of 2020, our total debt principal increased by \$316.1 million and total capital declined by \$2.7 billion primarily as a result of borrowings on our credit facility and operating losses, inclusive of impairment of assets, respectively.

Open Market Repurchases

In early March 2020, we repurchased \$12.8 million of our outstanding 4.70% Senior notes due 2021 on the open market for an aggregate purchase price of \$9.7 million, excluding accrued interest, with cash on hand. As a result of the transaction, we recognized a pre-tax gain of \$3.1 million net of discounts and debt issuance costs in other, net, in the consolidated statement of operations.

Senior Notes

On February 3, 2020, Rowan and Rowan Companies, Inc. ("RCI") transferred substantially all their assets on a consolidated basis to Valaris plc, Valaris plc became the obligor on the outstanding notes acquired in the Rowan Transaction and Rowan and RCI were relieved of their obligations under the notes and the related indenture. See "[Note 10](#) - Debt" for additional information.

Revolving Credit

Our borrowing capacity under our credit facility is \$1.6 billion through September 2022 of which \$1.3 billion is available as of March 31, 2020. The credit agreement governing the credit facility includes an accordion feature allowing us to increase the future commitments by up to an aggregate amount not to exceed \$250.0 million, subject to the approval of the lenders agreeing to increase their commitments.

Advances under the credit facility bear interest at Base Rate or LIBOR plus an applicable margin rate, depending on our credit ratings. We are required to pay a quarterly commitment fee on the undrawn portion of the \$1.6 billion commitment, which is also based on our credit ratings.

The credit facility requires us to maintain a total debt to total capitalization ratio that is less than or equal to 60% and to provide guarantees from certain of our rig-owning subsidiaries sufficient to meet certain guarantee coverage ratios. The credit facility also contains customary restrictive covenants, including, among others, prohibitions on creating, incurring or assuming certain debt and liens (subject to customary exceptions, including a permitted lien basket that permits us to raise secured debt up to the lesser of \$1 billion or 10% of consolidated tangible net worth (as defined in the credit facility)); entering into certain merger arrangements; selling, leasing, transferring or otherwise disposing of all or substantially all of our assets; making a material change in the nature of the business; paying or

distributing dividends on our ordinary shares (subject to certain exceptions, including the ability to pay a quarterly dividend of \$0.01 per share); borrowings, if after giving effect to any such borrowings and the application of the proceeds thereof, the aggregate amount of available cash (as defined in the credit facility) would exceed \$200 million; and entering into certain transactions with affiliates.

The credit facility also includes a covenant restricting our ability to repay indebtedness maturing after September 2022, which is the final maturity date of the credit facility. This covenant is subject to certain exceptions that permit us to manage our balance sheet, including the ability to make repayments of indebtedness (i) of acquired companies within 90 days of the completion of the acquisition or (ii) if, after giving effect to such repayments, available cash is greater than \$250.0 million and there are no amounts outstanding under the credit facility.

As of March 31, 2020, we were in compliance in all material respects with our covenants under the credit facility. We expect to remain in compliance with our credit facility covenants during the next twelve months. We had \$332.1 million outstanding under the credit facility, inclusive of \$3.2 million in letters of credit, leaving a remaining \$1.3 billion of undrawn capacity under our credit facility as of March 31, 2020.

Our access to credit and capital markets is limited because of current market conditions and our credit rating among other reasons. Our current credit ratings, and any additional actual or anticipated downgrades in our corporate credit ratings, or the credit ratings of our senior notes will restrict our ability to access credit and capital markets, or to restructure or refinance our indebtedness. In addition, future financings or refinancings will result in higher borrowing costs and may require collateral and/or more restrictive terms and covenants, which may further restrict our operations. Limitations on our ability to access credit and capital markets could have a material adverse impact on our financial position, operating results or cash flows.

Investment in ARO and Notes Receivable from ARO

We consider our investment in ARO to be a significant component of our investment portfolio and an integral part of our long-term capital resources. We expect to receive cash from ARO in the future both from the maturity of our long-term notes receivable and from the distribution of earnings from ARO. The long-term notes receivable earn interest at LIBOR plus two percent and mature during 2027 and 2028.

The distribution of earnings to the joint-venture partners is at the discretion of the ARO Board of Managers, consisting of 50/50 membership of managers appointed by Saudi Aramco and managers appointed by us, with approval required by both shareholders. The timing and amount of any cash distributions to the joint-venture partners cannot be predicted with certainty and will be influenced by various factors, including the liquidity position and long-term capital requirements of ARO. ARO has not made a cash distribution of earnings to its partners since its formation. See "[Note 4](#) - Equity Method Investment in ARO" for additional information on our investment in ARO and notes receivable from ARO.

The following table summarizes the maturity schedule of our notes receivable from ARO as of March 31, 2020 (in millions):

Maturity Date	Principal Amount	
October 2027	\$	275.2
October 2028		177.7
Total	\$	452.9

Other Financing Arrangements

We filed an automatically effective shelf registration statement on Form S-3 with the SEC on November 21, 2017, which provides us the ability to issue debt securities, equity securities, guarantees and/or units of securities in one or more offerings. The registration statement expires in November 2020.

During 2018, our shareholders approved our current share repurchase program. Subject to certain provisions under English law, including the requirement of the Company to have sufficient distributable reserves, we may repurchase shares up to a maximum of \$500.0 million in the aggregate from one or more financial intermediaries under the program, but in no case more than 16.3 million shares. The program terminates in May 2023. As of March 31, 2020, there had been no share repurchases under this program. Our credit facility prohibits us from repurchasing our shares, except in certain limited circumstances. Any share repurchases, outside of such limited circumstances, would require the amendment or waiver of such provision.

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

Other Commitments

We have other commitments that we are contractually obligated to fulfill with cash under certain circumstances. As of March 31, 2020, we were contingently liable for an aggregate amount of \$117.9 million under outstanding letters of credit which guarantee our performance as it relates to our drilling contracts, contract bidding, customs duties, tax appeals and other obligations in various jurisdictions. Obligations under these letters of credit are not normally called, as we typically comply with the underlying performance requirement. As of March 31, 2020, we had not been required to make any collateral deposits with respect to these agreements.

In connection with our 50/50 joint venture with ARO, we have a potential obligation to fund ARO for newbuild jackup rigs. In the event ARO has insufficient cash from operations or is unable to obtain third-party financing, each partner may periodically be required to make additional capital contributions to ARO, up to a maximum aggregate contribution of \$1.25 billion from each partner to fund the newbuild program. Each partner's commitment shall be reduced by the actual cost of each newbuild rig, on a proportionate basis. See "[Note 4](#) - Equity Method Investment in ARO" for additional information on our joint venture with ARO.

Recent Tax Assessments

During 2019, the Australian tax authorities issued aggregate tax assessments totaling approximately A\$101 million (approximately \$62.0 million converted at current period-end exchange rates) plus interest related to the examination of certain of our tax returns for the years 2011 through 2016. During the third quarter of 2019, we made a A\$42 million payment (approximately \$29 million at then-current exchange rates) to the Australian tax authorities to litigate the assessment. We have recorded a \$13.6 million liability for these assessments as of March 31, 2020. We believe our tax returns are materially correct as filed, and we are vigorously contesting these assessments. Although the outcome of such assessments and related administrative proceedings cannot be predicted with certainty, we do not expect these matters to have a material adverse effect on our financial position, operating results and cash flows. See "[Note 12](#) - Income Taxes" for additional information on recent tax assessments.

MARKET RISK

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

We utilize cash flow hedges to hedge forecasted foreign currency denominated transactions, primarily to reduce our exposure to foreign currency exchange rate risk on future expected contract drilling expenses and capital expenditures denominated in various foreign currencies. We predominantly structure our drilling contracts in U.S. dollars, which significantly reduces the portion of our cash flows and assets denominated in foreign currencies. As of March 31, 2020, we had cash flow hedges outstanding to exchange an aggregate \$206.4 million for various foreign currencies.

We have net assets and liabilities denominated in numerous foreign currencies and use various strategies to manage our exposure to changes in foreign currency exchange rates. We occasionally enter into derivatives that hedge the fair value of recognized foreign currency denominated assets or liabilities, thereby reducing exposure to earnings fluctuations caused by changes in foreign currency exchange rates. We do not designate such derivatives as hedging instruments. In these situations, a natural hedging relationship generally exists whereby changes in the fair value of the derivatives offset changes in the fair value of the underlying hedged items. As of March 31, 2020, we held derivatives not designated as hedging instruments to exchange an aggregate \$65.0 million for various foreign currencies.

If we were to incur a hypothetical 10% adverse change in foreign currency exchange rates, net unrealized losses associated with our foreign currency denominated assets and liabilities as of March 31, 2020 would approximate \$20.9 million. Approximately \$5.1 million of these unrealized losses would be offset by corresponding gains on the derivatives utilized to offset changes in the fair value of net assets and liabilities denominated in foreign currencies.

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

We do not enter into derivatives for trading or other speculative purposes. We believe that our use of derivatives and related hedging activities reduces our exposure to foreign currency exchange rate risk and does not expose us to material credit risk or any other material market risk. All of our derivatives mature during the next 18 months. See "[Note 8](#) - Derivative Instruments" for additional information on our derivative instruments.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires us to make estimates, judgments and assumptions that affect the amounts reported in our condensed consolidated financial statements and accompanying notes. Our significant accounting policies are included in Note 1 to our audited consolidated financial statements for the year ended December 31, 2019, included in our annual report on Form 10-K filed with the SEC on February 21, 2020. These policies, along with our underlying judgments and assumptions made in their application, have a significant impact on our condensed consolidated financial statements.

We identify our critical accounting policies as those that are the most pervasive and important to the portrayal of our financial position and operating results and that require the most difficult, subjective and/or complex judgments regarding estimates in matters that are inherently uncertain. Our critical accounting policies are those related to property and equipment, impairment of property and equipment, income taxes and pension and other post-retirement benefits. For a discussion of the critical accounting policies and estimates that we use in the preparation of our condensed consolidated financial statements, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Estimates" in Part II of our annual report on Form 10-K for the year ended December 31, 2019. During the three months ended March 31, 2020, there were no material changes to the judgments, assumptions or policies upon which our critical accounting estimates are based.

New Accounting Pronouncements

See Note 1 - Unaudited Condensed Consolidated Financial Statements to our condensed consolidated financial statements included in "Item 1. Financial Information" for information on new accounting pronouncements.

Item 3. *Quantitative and Qualitative Disclosures About Market Risk*

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

Item 4. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures – We have established disclosure controls and procedures to ensure that the information required to be disclosed by us in the reports that we file under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and made known to the officers who certify the Company's financial reports and to other members of senior management and the Board of Directors as appropriate to allow timely decisions regarding required disclosure.

Based on their evaluation as of March 31, 2020, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) are effective.

Changes in Internal Controls – There have been no changes in our internal controls over financial reporting during the fiscal quarter ended March 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, except as noted below.

In 2019, we completed our merger with Rowan (See "[Note 3](#) - Rowan Transaction" for more information). We are currently integrating Rowan into our operations and internal control processes and, pursuant to the SEC's guidance that a recently acquired business may be excluded from the scope of an assessment of internal control over financial reporting in the year of acquisition, the scope of our assessment of the effectiveness of our internal controls over financial reporting at December 31, 2019 excludes Rowan to the extent not integrated into our control environment.

PART II - OTHER INFORMATION

Item 1. *Legal Proceedings*

UMB Bank Lawsuit

On March 19, 2020, UMB Bank (“UMB”), the purported indenture trustee for four series of Valaris notes, filed a lawsuit in Harris County District Court in Houston, Texas. The lawsuit was filed against Valaris plc, two legacy Rowan entities, two legacy Ensco entities and the individual directors of the two legacy Rowan entities. The complaint alleges, among other things, breach of fiduciary duty, aiding and abetting breach of fiduciary duty and fraudulent transfer in connection with certain intercompany transactions occurring after completion of the Rowan merger and the Rowan entities’ guarantee of Valaris’ revolving credit facility. In addition to an unspecified amount of damages, the lawsuit seeks to void and undo all historical transfers of cash or other assets from legacy Rowan entities to Valaris and its other subsidiaries and the internal reorganization transaction. We and the other defendants intend to vigorously defend ourselves in the proceeding. On April 13, 2020, certain defendants that had been served by that date filed a plea to the jurisdiction, which seeks dismissal of the lawsuit on the grounds that the prior trustee was not properly removed and UMB was not properly appointed as trustee prior to filing the lawsuit. At this time, we are unable to predict the outcome of this matter or estimate the extent to which we may be exposed to any resulting liability. Although we do not expect final disposition of this matter to have a material adverse effect on our financial position, operating results and cash flows, there can be no assurance as to the ultimate outcome of the proceedings.

Shareholder Derivative Lawsuit

On August 20, 2019, plaintiff Xiaoyuan Zhang, a purported Valaris shareholder, filed a class action lawsuit on behalf of Valaris shareholders against Valaris plc and certain of our executive officers, alleging violations of federal securities laws. The complaint cites general statements in press releases and SEC filings and alleges that the defendants made false or misleading statements or failed to disclose material information regarding the performance of our ultra-deepwater segment, among other things.

The complaint asserts claims on behalf of a class of investors who purchased Valaris plc shares between April 11, 2019 and July 31, 2019. Under applicable law, the court appointed a lead plaintiff and lead counsel. We anticipate that an amended complaint will be filed in the second quarter of 2020. We strongly disagree and intend to vigorously defend against these claims. At this time, we are unable to predict the outcome of these matters or the extent of any resulting liability.

Environmental Matters

We are currently subject to pending notices of assessment relating to spills of drilling fluids, oil, brine, chemicals, grease or fuel from drilling rigs operating offshore Brazil from 2008 to 2017, pursuant to which the governmental authorities have assessed, or are anticipated to assess, fines. We have contested these notices and appealed certain adverse decisions and are awaiting decisions in these cases. Although we do not expect final disposition of these assessments to have a material adverse effect on our financial position, operating results and cash flows, there can be no assurance as to the ultimate outcome of these assessments. A \$112,000 liability related to these matters was included in accrued liabilities and other on our condensed consolidated balance sheet as of March 31, 2020.

We currently are subject to a pending administrative proceeding initiated during 2009 by a Spanish government authority seeking payment in an aggregate amount of approximately \$3.0 million, for an alleged environmental spill originating from VALARIS 5006 while it was operating offshore Spain. Our customer has posted guarantees with the Spanish government to cover potential penalties. Additionally, we expect to be indemnified for any payments resulting from this incident by our customer under the terms of the drilling contract. A criminal investigation of the incident was initiated during 2010 by a prosecutor in Tarragona, Spain, and the administrative proceedings have been suspended pending the outcome of this investigation. In May 2019, we were informed that the criminal investigation has been

completed. The six-month period for the Spanish government to resume administrative proceedings ended in November 2019, and such proceedings did not resume.

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

Other Matters

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

Item 1A. Risk Factors

There are numerous factors that affect our business and results of operations, many of which are beyond our control. In addition to information set forth in this quarterly report, including “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part I, you should carefully read and consider “Item 1A. Risk Factors” in Part I and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II of our annual report on Form 10-K for the year ended December 31, 2019, which contains descriptions of significant factors that may cause our future operating results to differ materially from those currently expected.

We may not be able to regain compliance with the continued listing requirements of the NYSE.

On April 15, 2020, we were notified by the NYSE that the average closing price of our Class A ordinary shares was below \$1.00 per share over a period of 30 consecutive trading days, which is the minimum average share price required to maintain listing on NYSE. We have until late December 2020 to regain compliance with the NYSE’s minimum share price requirement, during which time our shares would continue to be listed and traded on the NYSE, subject to our compliance with other continued listing standards. In order to regain compliance, on the last trading day of any calendar month during the cure period, our shares must have: (i) a closing price of at least \$1.00 per share and (ii) an average closing price of at least \$1.00 per share over the 30-trading day period ending on the last trading day of such month. If we fail to regain compliance with Section 802.01C of the NYSE Listed Company Manual by the end of the cure period, the shares will be subject to the NYSE’s suspension and delisting procedures. A delisting of our shares from the NYSE could negatively impact us by, among other things, reducing the liquidity and market price of our shares, reducing the number of investors willing to hold or acquire our shares and limiting our ability to issue securities or obtain financing in the future. If our shares are delisted from the NYSE and not concurrently listed on Nasdaq, the holders of our 2024 Convertible Notes would have the right to require us to repurchase the notes at a price equal to the principal amount thereof plus accrued interest to the repurchase date.

We have engaged financial and legal advisers to assist us in, among other things, analyzing various alternatives to address our liquidity and capital structure.

We have engaged financial and legal advisors to assist us in, among other things, analyzing various alternatives to address our liquidity and capital structure. We may seek to extend our maturities and/or reduce the overall principal amount of our debt through exchange offers, other liability management, recapitalization and/or restructuring transactions. As part of the evaluation of alternatives, we also are engaged in discussions with our lenders and bondholders regarding the terms of a potential comprehensive restructuring of our indebtedness. Any comprehensive restructuring of our indebtedness and capital structure may require a substantial impairment or conversion of our

indebtedness to equity, as well as impairment, losses or substantial dilution for our shareholders and other stakeholders, which may result in our shareholders receiving minimal, if any, recovery for their existing shares and may place our shareholders at significant risk of losing some or all of their investment.

The outcome of our restructuring discussions and other efforts to address our liquidity and capital structure is uncertain and could adversely affect our business, financial condition and results of operations and may impair our ability to continue as a going concern.

Our inability to comply with the financial covenants in our revolving credit facility would result in a default under the facility, which could result in an acceleration of all of our outstanding borrowings under the facility and certain series of our senior notes.

Our revolving credit facility requires compliance with covenants to maintain specified financial and guarantee coverage ratios, including a total debt to total capitalization ratio that is less than or equal to 60%. For the first quarter of 2020, we incurred impairments of \$2.8 billion, and as of March 31, 2020, the total debt to total capitalization ratio was 52.1%. If activity levels of our customers remain at significantly depressed levels or further deteriorate, we could incur additional material impairments in future periods, which likely would result in our not being able to comply with such financial covenant. If we incur impairments or experience additional losses in the near future in excess of approximately \$1.7 billion we would no longer be in compliance with such covenant.

If we exceed the total debt to total capitalization covenant in our credit facility, further borrowings under the credit facility would not be permitted, absent a waiver, and all outstanding borrowings would become immediately due and payable by actions of lenders holding a majority of the commitments under the credit facility. Any such acceleration would trigger a cross-acceleration event of default with respect to approximately \$2.1 billion of our outstanding senior notes. The credit facility generally limits us to no more than \$200 million in available cash (including certain liquid investments as defined in the credit facility documents), and requires consent of all lenders for draws on the credit facility that would result in our having more than \$200 million in available cash and liquid investments. There can be no assurances that the lenders would approve borrowing requests that would result in our having more than \$200 million in available cash and liquid investments.

Furthermore, the agent under the revolving facility has reserved the right to assert that a material adverse effect has occurred based on changes in the oil market and certain company-specific operating incidents, including the drop of the blowout preventer stack off the VALARIS DS-8, discussed above. We do not believe that a material adverse effect has occurred, but there can be no assurance that the revolving lenders will not assert a material adverse effect as a basis to deny further borrowing requests.

While we may seek to take certain corrective measures to maintain compliance with the total debt to total capitalization ratio covenant, there is no assurance that these measures will be effective or available to us. Any corrective measures that we do implement may prove inadequate and could have negative long-term consequences for our business.

If we are unable to satisfy our obligations with respect to our indebtedness, we may be unable to continue as a going concern.

If we fail to satisfy our obligations with respect to our indebtedness or fail to comply with the financial and other restrictive covenants contained in our revolving credit facility, an event of default could result, which would permit acceleration of our debt. In the event our debt is accelerated, the outstanding borrowings under our revolving credit facility and approximately \$2.1 billion of our outstanding senior notes would become due immediately. Such event could raise substantial doubt about our ability to continue as a going concern. There is no assurance that any particular actions with respect to refinancing or restructuring our indebtedness or curing potential defaults under our revolving credit facility could be completed or would be sufficient. Any such actions may have a material adverse effect on the value of our Class A ordinary shares.

The coronavirus pandemic and recent developments in the oil and gas industry could adversely impact our financial condition and results of operations.

In March 2020, the World Health Organization classified the coronavirus outbreak as a pandemic. To date, the pandemic and related public health measures implemented by governments worldwide have negatively impacted the macroeconomic environment and have resulted in significant financial market volatility. Global oil demand has fallen sharply at the same time global oil supply has increased as a result of certain oil producers competing for market share, leading to a supply glut. As a consequence, Brent crude oil has fallen from around \$60 per barrel at year-end 2019 to around \$20 per barrel as of mid-April 2020. In response to dramatically reduced oil price expectations for the near term, our customers are reviewing and in most cases lowering significantly, their capital expenditure plans in light of revised pricing expectations.

The full impact that the pandemic and the precipitous decline in oil prices will have on our results of operations, financial condition, liquidity and cash flows is uncertain due to numerous factors, including the duration and severity of the outbreak, the duration of the price decline, and the extent of disruptions to our operations. To date, there have been various impacts from the pandemic and drop in oil prices, including contract cancellations or the cancellation of drilling programs by operators, contract concessions, stacking rigs, inability to change crews due to travel restrictions, and workforce reductions. Our operations and business may be subject to further disruptions as a result of the spread of coronavirus among our workforce, the extension or imposition of further public health measures affecting supply chain and logistics, and the impact of the pandemic on key customers, suppliers, and other counterparties.

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

The following table provides a summary of our repurchases of equity securities during the quarter ended March 31, 2020:

Issuer Purchases of Equity Securities				
Period	Total Number of Securities Repurchased ⁽¹⁾	Average Price Paid per Security	Total Number of Securities Repurchased as Part of Publicly Announced Plans or Programs ⁽²⁾	Approximate Dollar Value of Securities that May Yet Be Repurchased Under Plans or Programs
January 1 - January 31	10,844	\$ 6.36	—	\$ 500,000,000
February 1 - February 29	169,613	\$ 3.38	—	\$ 500,000,000
March 1 - March 31	83,283	\$ 2.64	—	\$ 500,000,000
Total	263,740	\$ 3.27	—	

⁽¹⁾ During the three months ended March 31, 2020, equity securities were repurchased from employees and non-employee directors by an affiliated employee benefit trust in connection with the settlement of income tax withholding obligations arising from the vesting of share awards. Such securities remain available for re-issuance in connection with employee share awards.

⁽²⁾ Our shareholders approved a repurchase program at our annual shareholder meeting held in May 2018. Subject to certain provisions under English law, including the requirement of Valaris plc to have sufficient distributable reserves, we may repurchase up to a maximum of \$500.0 million in the aggregate from one or more financial intermediaries under the program, but in no case more than 16.3 million shares. The program terminates in May 2023. As of March 31, 2020, there had been no share repurchases under the repurchase program. The program terminates in May 2023. Our revolving credit facility prohibits the repurchase of shares for cash, except in certain limited circumstances.

Item 6. Exhibits

Exhibit Number	Exhibit
** 4.1	<u>Tenth Supplemental Indenture, dated February 3, 2020, between Rowan Companies LLC, Rowan Companies Limited, Valaris plc and U.S. Bank National Association, as Trustee, under the indenture dated July 21, 2009 (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on February 3, 2020, File No. 1-8097).</u>
** 10.1	<u>Cooperation and Support Agreement between Valaris plc and Luminus Management LLC, effective January 24, 2020, (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on January 27, 2020, File No. 1-8097)</u>
* 10.2	<u>Form of 2020 Performance Unit Award Agreement (CEO)</u>
* 10.3	<u>Form of 2020 Performance Unit Award Agreement (Non-UK resident Executives)</u>
* 10.4	<u>Form of 2020 Performance Unit Award Agreement (UK resident Executives)</u>
* 10.5	<u>Form of 2020 Restricted Share Unit Award Agreement (CEO)</u>
* 15.1	<u>Letter regarding unaudited interim financial information.</u>
* 31.1	<u>Certification of the Chief Executive Officer of Registrant Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
* 31.2	<u>Certification of the Chief Financial Officer of Registrant Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
** 32.1	<u>Certification of the Chief Executive Officer of Registrant Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
** 32.2	<u>Certification of the Chief Financial Officer of Registrant Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
* 101.INS	XBRL Instance Document - The instant document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
* 101.SCH	XBRL Taxonomy Extension Schema
* 101.CAL	XBRL Taxonomy Extension Calculation Linkbase
* 101.DEF	XBRL Taxonomy Extension Definition Linkbase
* 101.LAB	XBRL Taxonomy Extension Label Linkbase
* 101.PRE	XBRL Taxonomy Extension Presentation Linkbase

* Filed herewith.

** Furnished herewith.

SIGNATURES

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

Valaris plc

Date: April 30, 2020

/s/ JONATHAN H. BAKSHT

Jonathan H. Baksht
Executive Vice President and
Chief Financial Officer
(duly authorized officer)

ENSCO PLC 2018 LONG-TERM INCENTIVE PLAN
EXECUTIVE
NOTICE AND ACCEPTANCE OF PERFORMANCE UNIT AWARD

You have been granted the following award (the “**Award**”) of Performance Units pursuant to the Ensco plc 2018 Long-Term Incentive Plan (as the same may be amended from time to time, the “**Plan**”).

Name of Grantee: _____ (the “**Grantee**”)
Type of Grant: Performance Unit Award
Date of Grant: _____
Performance Period: 31 March 2020 – 30 September 2022
Dollar Target Amount of Performance Unit Award: _____
(the “**Target Amount**”)
Form of Payment: Periodic Cash Payments
Performance Goals and Weighting: As set forth in the attached Appendix.

The terms of the Award referenced herein are subject to the provisions of both this Notice and Acceptance of Performance Unit Award (the “**Grant Notice**”) and the attached Executive Performance Unit Award Agreement Terms and Conditions (the “**Terms and Conditions**”, and together with this Grant Notice, the “**Agreement**”), the Plan, and the Company’s procedures regarding the withholding of tax on awards granted under the Plan. Capitalized terms not otherwise defined in the Agreement shall have the meanings given to them given to them in the Plan.

The Terms and Conditions are provided herewith. The Plan and Plan prospectus are available to you through the Corporate Compensation Department in Houston and may be accessed on the Merrill Lynch Benefits OnLine® website.

Any income resulting from cash payments under the Award is subject to the Plan’s withholding provisions and the Company’s procedures regarding taxation of equity awards which may require cooperation by covered expatriates in arranging for satisfaction of required withholding, and may obligate such employees to make tax equalization and hypothetical tax payments to the Company (or a subsidiary of the Company) in satisfaction of governmental or employer required withholding. Subsequent to any U.S. tax filings by expatriate employees, all tax refunds or tax savings resulting from foreign tax credits must be promptly returned or reimbursed to the Company (or a subsidiary of the Company) pursuant to these procedures.

You must generally continue as an employee of the Company or a subsidiary of the Company through the actual payment date of any portion of the Award to become entitled to the cash payment under the Award.

The Award is subject to forfeiture under certain circumstances, and your entitlements thereunder may be limited in the event of a termination of employment with the Company or its subsidiaries. Furthermore, any cash payments received under this Award is subject to the “Return of Proceeds” provisions, which apply to these grants in the event you engage in competitive activity within the one-year period following your termination, as further described in the Terms and Conditions.

By electronically signing this Grant Notice, you hereby agree to accept the above Award pursuant to the provisions of the Plan and the Agreement and, for covered expatriates, to cooperate with the Company and its subsidiaries regarding required withholding and tax equalization and hypothetical tax payments required under the procedures regarding taxation on awards under the Plan. Your electronic signature also serves to acknowledge receipt of the Plan and the Agreement.

Please return this original signed document to the Corporate Compensation Department in Houston no later than 31 March, 2020.

ACCEPTED AND AGREED

Signature _____

Date _____

ENSCO PLC 2018 LONG-TERM INCENTIVE PLAN
EXECUTIVE
PERFORMANCE UNIT AWARD AGREEMENT
TERMS AND CONDITIONS

The Board of Directors (the “**Board**”) of Valaris plc, a public limited company incorporated under the laws of England and Wales (the “**Company**”), has adopted the Ensco plc 2018 Long-Term Incentive Plan (as the same may be amended, the “**Plan**”), and adopted Annex 1 to the Plan. (In this document, references to the Plan shall be taken to include Annex 1 to the Plan.) In furtherance of the purposes of the Plan and pursuant thereto, a performance unit award (the “**Award**”) has been granted under the Plan to the grantee (the “**Grantee**”) as specifically described in the Notice and Acceptance of Performance Unit Award Agreement (the “**Acceptance Agreement**”), which must be executed by the Grantee by the date specified in the Acceptance Agreement to reflect his or her acceptance of the following Terms and Conditions:

1. **Grant Of Award.** The Company hereby grants this Award to the Grantee, subject to the terms, conditions and restrictions set forth in the Plan and those specified herein. The target dollar amount that may become payable under this Award is specified in the Acceptance Agreement. The actual dollar amount subject to this Award that may be earned is up to 250% (or as low as 0%) of the Target Amount set out in the Grant Notice, with the final amount to be dependent upon the achievement of the performance goals and objectives during the Performance Period as set forth in the attached Appendix (the “Performance Requirements”), which Appendix is hereby incorporated into this Agreement by reference. The Acceptance Agreement and the terms, conditions and restrictions set forth herein, including the Appendix, shall collectively constitute the Award Agreement for this Award (the “Agreement”).

2. **Non-Transferability; Vesting.** The amount, if any, which becomes payable pursuant to this Award may not be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner during the Performance Period, other than by (a) the executor or administrator of the Grantee’s estate in the event of the Grantee’s death, or (b) a U.S. state court pursuant to a qualified domestic relations order, as defined under Code Section 414(p), that expressly refers to this Award (“**QDRO**”). The amount, if any, which becomes payable pursuant to this Award shall not be assignable by operation of law or subject to execution, attachment or similar process. Any attempted sale, pledge, assignment, hypothecation, transfer or other disposition of the amount, if any, which becomes payable pursuant to this Award contrary to the provisions of this Agreement or the Plan, and the levy of any execution, attachment or similar process upon that amount, shall be null and void and without force or effect. No transfer of this Award via enforcement of a QDRO, via a will, or by the laws of descent and distribution, shall be effective to bind the Company unless the Company shall have been furnished written notice thereof and an authenticated copy of the QDRO or will (as applicable) and/or such other evidence as the Committee may deem necessary, in its discretion, to establish the validity of the transfer. The transfer to the executor or administrator of the Grantee’s estate shall be binding upon the executors, administrators, heirs and successors of the Grantee.

The lapse of the restrictions on this Award shall be subject to acceleration on the terms and conditions stated in the Plan and in Section 3 hereof.

3. **Payment and Termination of Employment.**

(a) **Payment of Awards.** Except as provided in Sections 3(b)-(f) below, upon the Committee's written certification that any payment is due under this Award, the Grantee shall be entitled to the payment of the amount certified by the Committee if the Grantee remains continuously employed by the Company or a Subsidiary through the actual payment of such amount. Subject to prior compliance with Section 6 below, payments under this Award shall be made in cash. Payments of the Award shall be made in approximately 6-month increments throughout the Performance Period, as soon as administratively feasible following written certification by the Committee of (1) the achievement of the Performance Requirements for such period and (2) what payment is due under this Award.

(b) **Retirement; Termination of Employment without Cause; Resignation for Good Reason.** If the Grantee incurs a Separation from Service by reason of Retirement (as defined below) or a termination of Employment by the Company or a Subsidiary without Cause after 11 April 2022 and during the Performance Period, any portion of this Award allocated to any remaining Determination Date(s) (as defined in the Appendix) shall be earned on a pro rata basis by (i) comparing the actual level of performance for such Determination Date to the specific targets related to the Performance Criteria established by the Committee for that Determination Date, and then (ii) multiplying each such amount by a fraction, the numerator of which is the number of months in the Performance Period that had elapsed as of the date of the Grantee's Separation from Service and the denominator of which is thirty (30). Any amounts earned but not yet paid hereunder with respect to any Determination Date(s) occurring prior to the date of such Retirement or termination of Employment, shall remain outstanding and shall be paid in the ordinary course when such amounts would have otherwise vested under the Appendix. For the avoidance of doubt, no payouts shall be accelerated hereunder by virtue of the Grantee's Retirement or termination of Employment by the Company or a Subsidiary without Cause.

In addition, and without limiting the foregoing, if Grantee's Employment is terminated on or prior to 11 April 2022 by the Company or a Subsidiary without Cause or by Grantee for Good Reason, any portion of this Award allocated to any remaining Determination Date(s) shall be earned at the greater of (i) the target level of achievement or, (ii) the actual level of performance for such Determination Date and shall be paid in the ordinary course when such amounts would have otherwise vested under the Appendix. Any amounts earned but not yet paid hereunder with respect to any Determination Date(s) occurring prior to the date of such termination of Employment, shall remain outstanding and shall be paid in the ordinary course when such amounts would have otherwise vested under the Appendix.

As used herein, "**Cause**" and "**Good Reason**" shall have the meanings ascribed to such terms in that certain Employment Agreement dated as of 7 October 2018 by and among Rowan Companies, Inc., ENSCO Global Resources Limited, a UK company, the Company and Grantee (the "**Employment Agreement**").

(c) Death or Disability. If the Grantee incurs a Separation from Service by reason of his or her death or Disability (as defined in the Employment Agreement) during the Performance Period, 100% of the Grantee's Target Amount shall be deemed earned (regardless of actual performance), and the Grantee shall be entitled to payment of such Target Amount reduced (but not below \$0) by any payments made hereunder prior to the Grantee's death or Disability. If a Grantee's employment is terminated during the Performance Period because of his or her death, any payment provided by the Company in settlement of this Award shall be made to the executor or administrator of the Grantee's estate. Except as provided in Section 3(f), the Grantee (or such other individual or estate in the event of his or her death) shall receive payment of the amount determined pursuant to this Section 3(c) within sixty (60) days following the date of the Grantee's Separation from Service.

(d) Other Separation from Service. Except as provided in Section 3(e) hereof, if the Grantee incurs a Separation from Service for any reason other than Retirement, termination of Employment by the Company or a Subsidiary without Cause, resignation for Good Reason, Disability, or death during the Performance Period or before the Grantee's Award has been paid in full to the Grantee, then the Grantee shall forfeit the unpaid portion of this Award and shall not be entitled to receive any future payments under the Plan with respect to this Award. If the Grantee's Employment is terminated for Cause at any time, any unpaid portion of the Award will immediately be forfeited upon such termination of Employment and Grantee shall repay the Company any previously paid amounts under this Award.

(e) Change in Control. Notwithstanding the foregoing and subject to the provisions of this Section 3(e), in the event of a Change in Control and Grantee's subsequent Separation from Service within two (2) years following the effective date of such Change in Control due to (i) the involuntary termination of the Grantee's Employment without Cause, or (ii) voluntary termination of the Grantee's Employment with the Company and all of its Subsidiaries within thirty (30) days of his or her discovery of the occurrence of one or more events which constitute Good Reason, 100% (or, if greater, the average of the payout percentages that actually applied for any Determination Dates completed prior to the date of such Change in Control) of the Grantee's Target Amount shall be deemed earned (regardless of actual performance), and the Grantee shall be entitled to payment of such Target Amount reduced (but not below \$0) by any payments made hereunder prior to the Grantee's Separation from Service. In the event of the occurrence of any event that constitutes Good Reason, and in the event that Grantee wishes to resign from his or her employment on the basis of the occurrence of such event, the Grantee shall give written notice of his or her proposed resignation, and the successor corporation shall have a period of thirty (30) days following its receipt of such notice to remedy the breach or occurrence giving rise to such proposed resignation. In the event the successor corporation fails to so remedy said breach or occurrence by expiration of said 30-day period, the Grantee shall be deemed to have terminated his or her Employment for Good Reason pursuant to this Section 3(e) and shall be treated as if his or her Employment has been terminated without Cause. Except as provided in Section 3(f), the Grantee shall receive payment of the amount determined pursuant to this Section 3(e) within sixty (60) days following the date of the Grantee's Separation from Service.

In addition, and without limiting the foregoing, the first sentence of Section 4 of that certain Change in Control Agreement effective as of 25 April 2014 by and between the Grantee and Rowan Companies plc (the “**CiC Agreement**”) shall apply to the Award granted hereunder with respect to any Change in Control (for purposes of this sentence only, as such term is defined in the CiC Agreement) that occurs on or prior to 11 April 2022.

(f) Specified Employee. Notwithstanding the date of payment specified by Section 3(b), 3(c) (in the case of Disability) or 3(e) above, if the Grantee is a Specified Employee on the date that he or she incurs a Separation from Service then, to the extent required under Section 409A of the Code and the Treasury regulations and other authoritative guidance issued thereunder (“**Section 409A**”), payment of that amount shall not be made until the date which is upon the earlier of (i) the Grantee’s date of death, or (ii) six (6) months after the date that he or she incurs a Separation from Service (the “**Six Month Date**”), or as soon as administratively practicable thereafter that is within 30 days after the Six Month Date.

For purposes of this Section 3(f), “**Specified Employee**” shall be determined in accordance with Section 409A and shall mean an Employee for each twelve (12)-consecutive month period that begins on any April 1 and immediately follows a calendar year during which such Employee was, at any time during that calendar year (i) an officer of the Company or any Subsidiary having annual compensation greater than \$185,000 (as adjusted under Section 416(i)(1) of the Code); (ii) a more than five-percent owner of the Company or any Subsidiary; or (iii) a more than one-percent owner of the Company or any Subsidiary having annual compensation from the Company and all Subsidiaries of more than \$150,000. For this purpose, “annual compensation” shall mean annual compensation as defined in Section 415(c)(3) of the Code, which includes amounts contributed by the Company and all Subsidiaries pursuant to a salary reduction agreement which are excludable from the Grantee’s gross income under Section 125, 402(e)(3), 402(h)(1)(B), 408(p)(2)(A)(i), 457 or 403(b) of the Code, and elective amounts that are not includible in the gross income of the Grantee by reason of Section 132(f)(4) of the Code. For this purpose, no more than 50 Employees (or, if lesser, the greater of three or ten percent of the Employees) shall be treated as officers. The constructive ownership rules of Section 318 of the Code (or the principles of that section, in the case of an unincorporated Subsidiary) shall apply to determine ownership in each Subsidiary.

4. **Employment Relationship**. For purposes of this Agreement, Employment shall have the meaning given to it in the Plan.

(a) “**Retirement**” means Grantee’s Separation from Service (as defined in Section 4 below) as a result of the Grantee’s termination of Employment not for Cause on or after his or her Normal Retirement Age, but not by reason of Grantee’s death, Disability, or within two years following a Change in Control for Good Reason.

(b) “**Normal Retirement Age**” means the later of (i) Grantee’s 65th birthday, or (ii) the date Grantee has credit for at least twenty (20) years of employment as determined by the Committee. The Committee, in its discretion, may consider Grantee to have retired on or after Grantee’s Normal Retirement Age if Grantee’s employment terminates after his or her 62nd birthday but prior to satisfying the requirements specified in the preceding sentence.

(c) “**Separation from Service**” means “separation from service” within the meaning of Section 409A from the Company and all of its Subsidiaries.

Any question as to whether and when there has been a Separation from Service, and the cause of any termination of Employment, shall be determined by the Committee, in its discretion, and its determination shall be final, conclusive and binding on the Grantee and all other interested persons.

5. **Nature of Grant**. In accepting this Award, the Grantee acknowledges, understands and agrees that:

(a) The Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time to the extent permitted by the Plan.

(b) The grant of this Award is voluntary and occasional and does not create any contractual or other right to receive future grants of performance unit awards or other awards, or benefits in lieu of performance unit awards or other awards, even if performance unit awards or other awards have been granted in the past.

(c) All decisions with respect to future grants of other awards, if any, will be at the sole discretion of the Company.

(d) This Award and the Grantee’s participation in the Plan shall not create a right to Employment or be interpreted as forming an Employment or service contract with the Company or any of its Subsidiaries and shall not interfere with the ability of the Company or any of its Subsidiaries, as applicable, to terminate the Grantee’s Employment or service relationship (if any) at any time.

(e) The Grantee is voluntarily participating in the Plan.

(f) This Award and the amount payable pursuant to this Award are not intended to replace any pension rights or compensation.

(g) This Award and the amount payable pursuant to this Award, and the income and value of same, are not part of normal or expected compensation for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments.

(h) No claim or entitlement to compensation or damages shall arise from forfeiture of this Award resulting from the Grantee ceasing to provide Employment or other services to the Company or any of its Subsidiaries (for any reason whatsoever, whether or not it is later found to be invalid or in breach of employment laws in the jurisdiction where the Grantee is employed or the terms of the Grantee’s employment agreement, if any). In consideration of the grant of this Award to which the Grantee is otherwise not entitled, the Grantee irrevocably agrees, other than in the event of Company’s breach of this Agreement, to (i) not institute any claim against the Company

or any of its Subsidiaries in connection with this Agreement, (ii) waive the ability, if any, to bring any such claim, and (iii) release the Company and its Subsidiaries from any such claim. If, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, the Grantee shall be deemed irrevocably to have agreed not to pursue such claim and agrees to execute any and all documents necessary to request dismissal or withdrawal of such claim.

(i) Unless otherwise provided in the Plan or by the Company in its discretion, this Award and the benefits evidenced by this Agreement do not create any entitlement to have this Award or any such benefits transferred to, or assumed by, another company, nor to be exchanged, cashed out, or substituted for, in connection with any corporate transaction affecting the Shares.

(j) The following provisions apply only if the Grantee is providing services outside the United States:

(i) this Award and amount payable pursuant to this Award are not part of normal or expected compensation or salary for any purpose; and

(ii) the Grantee acknowledges and agrees that neither the Company nor any Subsidiary shall be liable for any foreign exchange rate fluctuation between the Grantee's local currency and the United States Dollar that may affect the value of this Award or any amounts due to the Grantee with respect to the settlement of this Award.

6. **Tax Withholding.** Awards under the Plan will be subject to withholding as required by law. To the extent that the Grantee is subject to withholding of federal, state, or local income taxes and/or other taxes or social insurance contributions imposed by the country of residence or citizenship of the Grantee or the country or residence of the Company or its Subsidiary which has the legal relationship of employer and employee with the Grantee, or is obligated to the Company or any of its Subsidiaries under the Company's tax equalization or hypothetical tax policies or specific agreements relating thereto (the "**Employee Taxes**"), the Grantee shall, at such time as (i) the payment under this Award or other amounts received pursuant to this Award first becomes includable in the gross income of the Grantee for such Employee Taxes, or (ii) a withholding obligation arises for the Company or any of its Subsidiaries with respect to this Award, as applicable, pay to the Company or its designee, or make arrangements satisfactory to the Committee or its designee regarding payment of, any and all such Employee Taxes required to be withheld with respect to such income and, if applicable, any amounts owed to the Company or its Subsidiaries under its tax equalization or hypothetical tax policies or specific agreements relating thereto.

Regardless of any action the Company or any of its Subsidiaries take with respect to the Employee Taxes, the Grantee acknowledges that the ultimate liability for all Employee Taxes is and remains the Grantee's responsibility and may exceed the amount actually withheld by the Company and a Subsidiary. The Grantee further acknowledges that the Company and its Subsidiaries (a) make no representations or undertakings regarding the treatment of any Employee Taxes in connection with any aspect of this Award, including, but not limited to, the grant of or lapse of the restrictions on this Award and any waiver of the forfeiture provisions applicable to this Award; and (b) do not commit to and are under no obligation to structure the terms of the grant or any aspect

of this Award to reduce or eliminate the Grantee's liability for Employee Taxes or achieve any particular tax result.

Subject in each case to approval by the Committee or its designee and compliance with all applicable law, the Grantee may elect to have any withholding obligation of the Company or any Subsidiary satisfied, in whole or in part, by (i) paying to the Company or a Subsidiary the amount of Employee Taxes in cash, check or other cash equivalent; and/or (ii) having the Company withhold from any amount payable under this Award or from any cash compensation payable to the Grantee.

The Company may refuse to issue payment under this Award if the Grantee fails to comply with the obligations in connection with Employee Taxes.

7. **Return of Proceeds**. If (a) the Grantee engages in an activity that competes with the business of the Company or any of its Subsidiaries within one (1) year after (i) the Grantee's voluntarily resignation or retirement from his or her position as an Employee, or (ii) his or her status as an Employee was terminated by the Company or a Subsidiary for Cause (either event constituting a "**Termination**" for purposes of this Section 7), and (b) any portion of this Award held by the Grantee had vested and become payable within one (1) year of the date of Termination; then the Grantee shall remit to the Company, or its designee, within five (5) business days of receipt of written demand therefor, an amount in good funds equal to the sum of all cash payments received by the Grantee in settlement of this Award.

8. **Data Privacy**. During the Grantee's participation in the Plan, the Company will have access to and process, or authorise the processing of, personal data (as defined in the Data Protection Act 2018, the EU General Data Protection Regulation 5419/16 and/or any implementing legislation (together, the "Data Protection Laws")) held and controlled by the Company and/or any its Subsidiaries and relating to employees or customers of the Grantee's employer, the Company and/or any of its Subsidiaries, or other individuals. The Company and its Subsidiaries will comply with the terms of the Data Protection Laws, and the Company's data protection policies issued from time to time, in relation to such data.

The Company and each of its Subsidiaries and its or their employees and agents may from time to time hold, process and disclose the Grantee's personal data in accordance with the terms of the data protection and privacy procedure in force from time to time. The current version of the applicable procedure is available on the Company's intranet.

9. **Electronic Delivery and Participation**. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Grantee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

10. **Language**. If the Grantee has received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will take precedence.

11. **Notices**. Notices delivered under this Agreement shall be delivered to the Company at its principal office (Attention: General Counsel and Secretary), and to the Grantee at such address as the Grantee shall designate in writing to the Company.

12. **Binding Effect and Interpretation**. This Agreement shall be binding upon and inure to the benefit of any successors to the Company or to the Grantee. In the event of conflict between this Agreement and the Plan, the terms of the Plan shall control. All undefined capitalized terms used herein shall have the meaning assigned to them in the Plan. The Board or the Committee shall have the authority to construe the terms of this Agreement, and such determinations shall be final and binding on the Grantee and the Company and its Subsidiaries. The Grantee may obtain a copy of the Plan on the Merrill Lynch Benefits OnLine[®] website or by contacting the Corporate Compensation Department in Houston.

13. **Severability**. The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

14. **Waiver**. The Grantee acknowledges that a waiver by the Company of breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by the Grantee or any other Grantee.

15. **Governing Law**. This Agreement and all actions hereunder shall be governed by and construed in accordance with the laws of England and Wales, without regard to conflict of laws principles thereof.

16. **Appendix**. Notwithstanding any provisions in this Agreement, this Award shall be subject to any special terms and conditions set forth in any Appendix to this Agreement for the Grantee's country. Moreover, if the Grantee relocates to one of the countries included in the Appendix, the special terms and conditions for such country will apply to the Grantee, to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with laws of the country where the Grantee resides or facilitate the administration of the Plan. The Appendix constitutes part of this Agreement.

17. **Imposition of Other Requirements**. The Company reserves the right to impose other requirements on participation in the Plan, on this Award and on any Shares received as payment under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with laws of the country where the Grantee resides or facilitate the administration of the Plan, and to require the Grantee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

18. **Section 409A**. The Plan and this Agreement, and the benefits provided hereunder, are intended to comply with Section 409A to the extent applicable thereto, or with an exemption from the application of Section 409A. Notwithstanding any provision of the Plan or this Agreement to the contrary, the Plan and this Agreement shall be interpreted and construed consistent with this intent. Notwithstanding the foregoing, the Company shall not be required to assume any increased economic burden in connection therewith.

The Grantee consents to any amendment of this Agreement which the Company may reasonably make in furtherance of such intention, and the Company shall promptly provide, or make available to, the Grantee a copy of such amendment. Further, to the extent that any terms of the Agreement are ambiguous, such terms shall be interpreted as necessary to comply with, or an exemption under, Section 409A when applicable.

Although the Company and the Plan Administrator intend to administer the Plan and this Agreement so that they will comply with the requirements of Section 409A to the extent applicable, or with an exemption from the application of Section 409A, neither the Company nor the Plan Administrator represents or warrants that the Plan or this Agreement will comply with Section 409A or any other provision of federal, state, local, or foreign law. Neither the Company or any of its Subsidiaries, nor their respective directors, officers, employees or advisers, shall be liable to any Grantee (or any other individual claiming a benefit through the Grantee) for any tax, interest, or penalties the Grantee may owe as a result of participation in the Plan, and the Company and its Subsidiaries shall have no obligation to indemnify or otherwise protect any Grantee from the obligation to pay any taxes pursuant to Section 409A. For purposes of applying the provisions of Section 409A, each separately identified amount to which a Grantee is entitled shall be treated as a separate payment.

[Appendix follows.]

ENSCO PLC 2018 LONG-TERM INCENTIVE PLAN
EXECUTIVE
NOTICE AND ACCEPTANCE OF PERFORMANCE UNIT AWARD

You have been granted the following award (the “**Award**”) of Performance Units pursuant to the Ensco plc 2018 Long-Term Incentive Plan (as the same may be amended from time to time, the “**Plan**”).

Name of Grantee: _____ (the “**Grantee**”)
Type of Grant: Performance Unit Award
Date of Grant: _____
Performance Period: 31 March 2020 – 30 September 2022
Dollar Target Amount of Performance Unit Award: _____
(the “**Target Amount**”)
Form of Payment: Periodic Cash Payments
Performance Goals and Weighting: As set forth in the attached Appendix.

The terms of the Award referenced herein are subject to the provisions of both this Notice and Acceptance of Performance Unit Award (the “**Grant Notice**”) and the attached Executive Performance Unit Award Agreement Terms and Conditions (the “**Terms and Conditions**”, and together with this Grant Notice, the “**Agreement**”), the Plan, and the Company’s procedures regarding the withholding of tax on awards granted under the Plan. Capitalized terms not otherwise defined in the Agreement shall have the meanings given to them given to them in the Plan.

The Terms and Conditions are provided herewith. The Plan and Plan prospectus are available to you through the Corporate Compensation Department in Houston and may be accessed on the Merrill Lynch Benefits OnLine® website.

Any income resulting from cash payments under the Award is subject to the Plan’s withholding provisions and the Company’s procedures regarding taxation of equity awards which may require cooperation by covered expatriates in arranging for satisfaction of required withholding, and may obligate such employees to make tax equalization and hypothetical tax payments to the Company (or a subsidiary of the Company) in satisfaction of governmental or employer required withholding. Subsequent to any U.S. tax filings by expatriate employees, all tax refunds or tax savings resulting from foreign tax credits must be promptly returned or reimbursed to the Company (or a subsidiary of the Company) pursuant to these procedures.

You must generally continue as an employee of the Company or a subsidiary of the Company through the actual payment date of any portion of the Award to become entitled to the cash payment under the Award.

The Award is subject to forfeiture under certain circumstances, and your entitlements thereunder may be limited in the event of a termination of employment with the Company or its subsidiaries. Furthermore, any cash payments received under this Award is subject to the “Return of Proceeds” provisions, which apply to these grants in the event you engage in competitive activity within the one-year period following your termination, as further described in the Terms and Conditions.

By electronically signing this Grant Notice, you hereby agree to accept the above Award pursuant to the provisions of the Plan and the Agreement and, for covered expatriates, to cooperate with the Company and its subsidiaries regarding required withholding and tax equalization and hypothetical tax payments required under the procedures regarding taxation on awards under the Plan. Your electronic signature also serves to acknowledge receipt of the Plan and the Agreement.

Please return this original signed document to the Corporate Compensation Department in Houston no later than [____] March, 2020.

ACCEPTED AND AGREED

[E-signature of Grantee]

[Date]

ENSCO PLC 2018 LONG-TERM INCENTIVE PLAN
EXECUTIVE
PERFORMANCE UNIT AWARD AGREEMENT
TERMS AND CONDITIONS

The Board of Directors (the “**Board**”) of Valaris plc, a public limited company incorporated under the laws of England and Wales (the “**Company**”), has adopted the Ensco plc 2018 Long-Term Incentive Plan (as the same may be amended, the “**Plan**”), and adopted Annex 1 to the Plan. (In this document, references to the Plan shall be taken to include Annex 1 to the Plan.) In furtherance of the purposes of the Plan and pursuant thereto, a performance unit award (the “**Award**”) has been granted under the Plan to the grantee (the “**Grantee**”) as specifically described in the Notice and Acceptance of Performance Unit Award Agreement (the “**Acceptance Agreement**”), which must be executed by the Grantee by the date specified in the Acceptance Agreement to reflect his or her acceptance of the following Terms and Conditions:

1. **Grant Of Award.** The Company hereby grants this Award to the Grantee, subject to the terms, conditions and restrictions set forth in the Plan and those specified herein. The target dollar amount that may become payable under this Award is specified in the Acceptance Agreement. The actual dollar amount subject to this Award that may be earned is up to 250% (or as low as 0%) of the Target Amount set out in the Grant Notice, with the final amount to be dependent upon the achievement of the performance goals and objectives during the Performance Period as set forth in the attached Appendix (the “Performance Requirements”), which Appendix is hereby incorporated into this Agreement by reference. The Acceptance Agreement and the terms, conditions and restrictions set forth herein, including the Appendix, shall collectively constitute the Award Agreement for this Award (the “Agreement”).

2. **Non-Transferability; Vesting.** The amount, if any, which becomes payable pursuant to this Award may not be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner during the Performance Period, other than by (a) the executor or administrator of the Grantee’s estate in the event of the Grantee’s death, or (b) a U.S. state court pursuant to a qualified domestic relations order, as defined under Code Section 414(p), that expressly refers to this Award (“**QDRO**”). The amount, if any, which becomes payable pursuant to this Award shall not be assignable by operation of law or subject to execution, attachment or similar process. Any attempted sale, pledge, assignment, hypothecation, transfer or other disposition of the amount, if any, which becomes payable pursuant to this Award contrary to the provisions of this Agreement or the Plan, and the levy of any execution, attachment or similar process upon that amount, shall be null and void and without force or effect. No transfer of this Award via enforcement of a QDRO, via a will, or by the laws of descent and distribution, shall be effective to bind the Company unless the Company shall have been furnished written notice thereof and an authenticated copy of the QDRO or will (as applicable) and/or such other evidence as the Committee may deem necessary, in its discretion, to establish the validity of the transfer. The transfer to the executor or administrator of the Grantee’s estate shall be binding upon the executors, administrators, heirs and successors of the Grantee.

The lapse of the restrictions on this Award shall be subject to acceleration on the terms and conditions stated in the Plan and in Section 3 hereof.

3. Payment and Termination of Employment.

(a) Payment of Awards. Except as provided in Sections 3(b)-(f) below, upon the Committee's written certification that any payment is due under this Award, the Grantee shall be entitled to the payment of the amount certified by the Committee if the Grantee remains continuously employed by the Company or a Subsidiary through the actual payment of such amount. Subject to prior compliance with Section 6 below, payments under this Award shall be made in cash. Payments of the Award shall be made in approximately 6-month increments throughout the Performance Period, as soon as administratively feasible following written certification by the Committee of (1) the achievement of the Performance Requirements for such period and (2) what payment is due under this Award.

(b) Retirement; Termination of Employment without Cause. If the Grantee incurs a Separation from Service by reason of Retirement (as defined below) or a termination of Employment by the Company or a Subsidiary without Cause during the Performance Period, any portion of this Award allocated to any remaining Determination Date(s) (as defined in the Appendix) shall be earned on a pro rata basis by (i) comparing the actual level of performance for such Determination Date to the specific targets related to the Performance Criteria established by the Committee for that Determination Date, and then (ii) multiplying each such amount by a fraction, the numerator of which is the number of months in the Performance Period that had elapsed as of the date of the Grantee's Separation from Service and the denominator of which is thirty (30). Any amounts earned but not yet paid hereunder with respect to any Determination Date(s) occurring prior to the date of such Retirement or termination of Employment, shall remain outstanding and shall be paid in the ordinary course when such amounts would have otherwise vested under the Appendix. For the avoidance of doubt, no payouts shall be accelerated hereunder by virtue of the Grantee's Retirement or termination of Employment by the Company or a Subsidiary without Cause.

(c) Death or Disability. If the Grantee incurs a Separation from Service by reason of his or her death or Disability during the Performance Period, 100% of the Grantee's Target Amount shall be deemed earned (regardless of actual performance), and the Grantee shall be entitled to payment of such Target Amount reduced (but not below \$0) by any payments made hereunder prior to the Grantee's death or Disability. If a Grantee's employment is terminated during the Performance Period because of his or her death, any payment provided by the Company in settlement of this Award shall be made to the executor or administrator of the Grantee's estate. Except as provided in Section 3(f), the Grantee (or such other individual or estate in the event of his or her death) shall receive payment of the amount determined pursuant to this Section 3(c) within sixty (60) days following the date of the Grantee's Separation from Service.

(d) Other Separation from Service. Except as provided in Section 3(e) hereof, if the Grantee incurs a Separation from Service for any reason other than Retirement, termination of Employment by the Company or a Subsidiary without Cause, Disability, or death during the Performance Period or before the Grantee's Award has been paid in full to the Grantee, then the Grantee shall forfeit the unpaid portion of this Award and shall not be entitled to receive any future

payments under the Plan with respect to this Award. If the Grantee's Employment is terminated for Cause at any time, any unpaid portion of the Award will immediately be forfeited upon such termination of Employment and Grantee shall repay the Company any previously paid amounts under this Award.

(e) Change in Control. Notwithstanding the foregoing and subject to the provisions of this Section 3(e), in the event of a Change in Control and Grantee's subsequent Separation from Service within two (2) years following the effective date of such Change in Control due to (i) the involuntary termination of the Grantee's Employment without Cause, or (ii) voluntary termination of the Grantee's Employment with the Company and all of its Subsidiaries within thirty (30) days of his or her discovery of the occurrence of one or more events which constitute Good Reason, 100% (or, if greater, the average of the payout percentages that actually applied for any Determination Dates completed prior to the date of such Change in Control) of the Grantee's Target Amount shall be deemed earned (regardless of actual performance), and the Grantee shall be entitled to payment of such Target Amount reduced (but not below \$0) by any payments made hereunder prior to the Grantee's Separation from Service. In the event of the occurrence of any event that constitutes Good Reason, and in the event that Grantee wishes to resign from his or her employment on the basis of the occurrence of such event, the Grantee shall give written notice of his or her proposed resignation, and the successor corporation shall have a period of thirty (30) days following its receipt of such notice to remedy the breach or occurrence giving rise to such proposed resignation. In the event the successor corporation fails to so remedy said breach or occurrence by expiration of said 30-day period, the Grantee shall be deemed to have terminated his or her Employment for Good Reason pursuant to this Section 3(e) and shall be treated as if his or her Employment has been terminated without Cause. Except as provided in Section 3(f), the Grantee shall receive payment of the amount determined pursuant to this Section 3(e) within sixty (60) days following the date of the Grantee's Separation from Service.

(f) Specified Employee. Notwithstanding the date of payment specified by Section 3(b), 3(c) (in the case of Disability) or 3(e) above, if the Grantee is a Specified Employee on the date that he or she incurs a Separation from Service then, to the extent required under Section 409A of the Code and the Treasury regulations and other authoritative guidance issued thereunder ("**Section 409A**"), payment of that amount shall not be made until the date which is upon the earlier of (i) the Grantee's date of death, or (ii) six (6) months after the date that he or she incurs a Separation from Service (the "**Six Month Date**"), or as soon as administratively practicable thereafter that is within 30 days after the Six Month Date.

For purposes of this Section 3(f), "**Specified Employee**" shall be determined in accordance with Section 409A and shall mean an Employee for each twelve (12)-consecutive month period that begins on any April 1 and immediately follows a calendar year during which such Employee was, at any time during that calendar year (i) an officer of the Company or any Subsidiary having annual compensation greater than \$185,000 (as adjusted under Section 416(i)(1) of the Code); (ii) a more than five-percent owner of the Company or any Subsidiary; or (iii) a more than one-percent owner of the Company or any Subsidiary having annual compensation from the Company and all Subsidiaries of more than \$150,000. For this purpose, "annual compensation" shall mean annual compensation as defined in Section 415(c)(3) of the Code, which includes amounts contributed by

the Company and all Subsidiaries pursuant to a salary reduction agreement which are excludable from the Grantee's gross income under Section 125, 402(e)(3), 402(h)(1)(B), 408(p)(2)(A)(i), 457 or 403(b) of the Code, and elective amounts that are not includible in the gross income of the Grantee by reason of Section 132(f)(4) of the Code. For this purpose, no more than 50 Employees (or, if lesser, the greater of three or ten percent of the Employees) shall be treated as officers. The constructive ownership rules of Section 318 of the Code (or the principles of that section, in the case of an unincorporated Subsidiary) shall apply to determine ownership in each Subsidiary.

4. **Employment Relationship**. For purposes of this Agreement, Employment shall have the meaning given to it in the Plan.

(a) “**Retirement**” means Grantee's Separation from Service (as defined in Section 4 below) as a result of the Grantee's termination of Employment not for Cause on or after his or her Normal Retirement Age, but not by reason of Grantee's death, Disability, or within two years following a Change in Control for Good Reason.

(b) “**Normal Retirement Age**” means the later of (i) Grantee's 65th birthday, or (ii) the date Grantee has credit for at least twenty (20) years of employment as determined by the Committee. The Committee, in its discretion, may consider Grantee to have retired on or after Grantee's Normal Retirement Age if Grantee's employment terminates after his or her 62nd birthday but prior to satisfying the requirements specified in the preceding sentence.

(c) “**Separation from Service**” means “separation from service” within the meaning of Section 409A from the Company and all of its Subsidiaries.

Any question as to whether and when there has been a Separation from Service, and the cause of any termination of Employment, shall be determined by the Committee, in its discretion, and its determination shall be final, conclusive and binding on the Grantee and all other interested persons.

5. **Nature of Grant**. In accepting this Award, the Grantee acknowledges, understands and agrees that:

(a) The Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time to the extent permitted by the Plan.

(b) The grant of this Award is voluntary and occasional and does not create any contractual or other right to receive future grants of performance unit awards or other awards, or benefits in lieu of performance unit awards or other awards, even if performance unit awards or other awards have been granted in the past.

(c) All decisions with respect to future grants of other awards, if any, will be at the sole discretion of the Company.

(d) This Award and the Grantee's participation in the Plan shall not create a right to Employment or be interpreted as forming an Employment or service contract with the Company or any of its Subsidiaries and shall not interfere with the ability of the Company or any of its Subsidiaries, as applicable, to terminate the Grantee's Employment or service relationship (if any) at any time.

(e) The Grantee is voluntarily participating in the Plan.

(f) This Award and the amount payable pursuant to this Award are not intended to replace any pension rights or compensation.

(g) This Award and the amount payable pursuant to this Award, and the income and value of same, are not part of normal or expected compensation for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments.

(h) No claim or entitlement to compensation or damages shall arise from forfeiture of this Award resulting from the Grantee ceasing to provide Employment or other services to the Company or any of its Subsidiaries (for any reason whatsoever, whether or not it is later found to be invalid or in breach of employment laws in the jurisdiction where the Grantee is employed or the terms of the Grantee's employment agreement, if any). In consideration of the grant of this Award to which the Grantee is otherwise not entitled, the Grantee irrevocably agrees, other than in the event of Company's breach of this Agreement, to (i) not institute any claim against the Company or any of its Subsidiaries in connection with this Agreement, (ii) waive the ability, if any, to bring any such claim, and (iii) release the Company and its Subsidiaries from any such claim. If, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, the Grantee shall be deemed irrevocably to have agreed not to pursue such claim and agrees to execute any and all documents necessary to request dismissal or withdrawal of such claim.

(i) Unless otherwise provided in the Plan or by the Company in its discretion, this Award and the benefits evidenced by this Agreement do not create any entitlement to have this Award or any such benefits transferred to, or assumed by, another company, nor to be exchanged, cashed out, or substituted for, in connection with any corporate transaction affecting the Shares.

(j) The following provisions apply only if the Grantee is providing services outside the United States:

(i) this Award and amount payable pursuant to this Award are not part of normal or expected compensation or salary for any purpose; and

(ii) the Grantee acknowledges and agrees that neither the Company nor any Subsidiary shall be liable for any foreign exchange rate fluctuation between the Grantee's local currency and the United States Dollar that may affect the value of this Award or any amounts due to the Grantee with respect to the settlement of this Award.

6. **Tax Withholding.** Awards under the Plan will be subject to withholding as required by law. To the extent that the Grantee is subject to withholding of federal, state, or local income taxes and/or other taxes or social insurance contributions imposed by the country of residence or citizenship of the Grantee or the country or residence of the Company or its Subsidiary which has the legal relationship of employer and employee with the Grantee, or is obligated to the Company or any of its Subsidiaries under the Company's tax equalization or hypothetical tax policies or specific agreements relating thereto (the "**Employee Taxes**"), the Grantee shall, at such time as (i) the payment under this Award or other amounts received pursuant to this Award first becomes includable in the gross income of the Grantee for such Employee Taxes, or (ii) a withholding obligation arises for the Company or any of its Subsidiaries with respect to this Award, as applicable, pay to the Company or its designee, or make arrangements satisfactory to the Committee or its designee regarding payment of, any and all such Employee Taxes required to be withheld with respect to such income and, if applicable, any amounts owed to the Company or its Subsidiaries under its tax equalization or hypothetical tax policies or specific agreements relating thereto.

Regardless of any action the Company or any of its Subsidiaries take with respect to the Employee Taxes, the Grantee acknowledges that the ultimate liability for all Employee Taxes is and remains the Grantee's responsibility and may exceed the amount actually withheld by the Company and a Subsidiary. The Grantee further acknowledges that the Company and its Subsidiaries (a) make no representations or undertakings regarding the treatment of any Employee Taxes in connection with any aspect of this Award, including, but not limited to, the grant of or lapse of the restrictions on this Award and any waiver of the forfeiture provisions applicable to this Award; and (b) do not commit to and are under no obligation to structure the terms of the grant or any aspect of this Award to reduce or eliminate the Grantee's liability for Employee Taxes or achieve any particular tax result.

Subject in each case to approval by the Committee or its designee and compliance with all applicable law, the Grantee may elect to have any withholding obligation of the Company or any Subsidiary satisfied, in whole or in part, by (i) paying to the Company or a Subsidiary the amount of Employee Taxes in cash, check or other cash equivalent; and/or (ii) having the Company withhold from any amount payable under this Award or from any cash compensation payable to the Grantee.

The Company may refuse to issue payment under this Award if the Grantee fails to comply with the obligations in connection with Employee Taxes.

7. **Return of Proceeds.** If (a) the Grantee engages in an activity that competes with the business of the Company or any of its Subsidiaries within one (1) year after (i) the Grantee's voluntarily resignation or retirement from his or her position as an Employee, or (ii) his or her status as an Employee was terminated by the Company or a Subsidiary for Cause (either event constituting a "**Termination**" for purposes of this [Section 7](#)), and (b) any portion of this Award held by the Grantee had vested and become payable within one (1) year of the date of Termination; then the Grantee shall remit to the Company, or its designee, within five (5) business days of receipt of written demand therefor, an amount in good funds equal to the sum of all cash payments received by the Grantee in settlement of this Award.

8. **Data Privacy.** The Grantee hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Grantee's personal data as described in this Agreement and any other Award materials by and among, as applicable, the Grantee's employer, the Company and its Subsidiaries for the exclusive purpose of implementing, administering and managing the Grantee's participation in the Plan.

The Grantee understands that the Company and the Grantee's employer may hold certain personal information about the Grantee, including, but not limited to, the Grantee's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares or directorships held in the Company, details of all Awards, canceled, exercised, vested, unvested or outstanding in the Grantee's favor, for the exclusive purpose of implementing, administering and managing the Plan ("**Data**").

The Grantee understands that the recipients of Data may be located in the United States or elsewhere, and that the recipients' country (e.g., the United States) may have different data privacy laws and protections than the Grantee's country. If the Grantee resides outside the United States, the Grantee understands that the Grantee may request a list with the names and addresses of any potential recipients of Data by contacting the Grantee's local human resources representative. The Grantee authorizes the Company and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer Data, in electronic or other form, for the sole purpose of implementing, administering and managing the Grantee's participation in the Plan. The Grantee understands that Data will be held only as long as is necessary to implement, administer and manage the Grantee's participation in the Plan. If the Grantee resides outside the United States, the Grantee understands that the Grantee may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing the Grantee's local human resources representative. Further, the Grantee understands that he or she is providing the consents herein on a purely voluntary basis. If the Grantee does not consent, or if the Grantee later seeks to revoke his or her consent, his or her employment status or service and career with the Company and its Subsidiaries will not be adversely affected; the only adverse consequence of refusing or withdrawing the Grantee's consent is that the Company would not be able to grant the Grantee an Award or other equity awards or administer or maintain such awards. Therefore, the Grantee understands that refusing or withdrawing his or her consent may affect the Grantee's ability to participate in the Plan. For more information on the consequences of the Grantee's refusal to consent or withdrawal of consent, the Grantee understands that he or she may contact his or her local human resources representative.

9. **Electronic Delivery and Participation.** The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Grantee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

10. **Language**. If the Grantee has received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will take precedence.

11. **Notices**. Notices delivered under this Agreement shall be delivered to the Company at its principal office (Attention: General Counsel and Secretary), and to the Grantee at such address as the Grantee shall designate in writing to the Company.

12. **Binding Effect and Interpretation**. This Agreement shall be binding upon and inure to the benefit of any successors to the Company or to the Grantee. In the event of conflict between this Agreement and the Plan, the terms of the Plan shall control. All undefined capitalized terms used herein shall have the meaning assigned to them in the Plan. The Board or the Committee shall have the authority to construe the terms of this Agreement, and such determinations shall be final and binding on the Grantee and the Company and its Subsidiaries. The Grantee may obtain a copy of the Plan on the Merrill Lynch Benefits OnLine® website or by contacting the Corporate Compensation Department in Houston.

13. **Severability**. The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

14. **Waiver**. The Grantee acknowledges that a waiver by the Company of breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by the Grantee or any other Grantee.

15. **Governing Law**. This Agreement and all actions hereunder shall be governed by and construed in accordance with the laws of England and Wales, without regard to conflict of laws principles thereof.

16. **Appendix**. Notwithstanding any provisions in this Agreement, this Award shall be subject to any special terms and conditions set forth in any Appendix to this Agreement for the Grantee's country. Moreover, if the Grantee relocates to one of the countries included in the Appendix, the special terms and conditions for such country will apply to the Grantee, to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with laws of the country where the Grantee resides or facilitate the administration of the Plan. The Appendix constitutes part of this Agreement.

17. **Imposition of Other Requirements**. The Company reserves the right to impose other requirements on participation in the Plan, on this Award and on any Shares received as payment under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with laws of the country where the Grantee resides or facilitate the administration of the Plan, and to require the Grantee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

18. **Section 409A**. The Plan and this Agreement, and the benefits provided hereunder, are intended to comply with Section 409A to the extent applicable thereto, or with an exemption

from the application of Section 409A. Notwithstanding any provision of the Plan or this Agreement to the contrary, the Plan and this Agreement shall be interpreted and construed consistent with this intent. Notwithstanding the foregoing, the Company shall not be required to assume any increased economic burden in connection therewith.

The Grantee consents to any amendment of this Agreement which the Company may reasonably make in furtherance of such intention, and the Company shall promptly provide, or make available to, the Grantee a copy of such amendment. Further, to the extent that any terms of the Agreement are ambiguous, such terms shall be interpreted as necessary to comply with, or an exemption under, Section 409A when applicable.

Although the Company and the Plan Administrator intend to administer the Plan and this Agreement so that they will comply with the requirements of Section 409A to the extent applicable, or with an exemption from the application of Section 409A, neither the Company nor the Plan Administrator represents or warrants that the Plan or this Agreement will comply with Section 409A or any other provision of federal, state, local, or foreign law. Neither the Company or any of its Subsidiaries, nor their respective directors, officers, employees or advisers, shall be liable to any Grantee (or any other individual claiming a benefit through the Grantee) for any tax, interest, or penalties the Grantee may owe as a result of participation in the Plan, and the Company and its Subsidiaries shall have no obligation to indemnify or otherwise protect any Grantee from the obligation to pay any taxes pursuant to Section 409A. For purposes of applying the provisions of Section 409A, each separately identified amount to which a Grantee is entitled shall be treated as a separate payment.

[Appendix follows.]

ENSCO PLC 2018 LONG-TERM INCENTIVE PLAN
EXECUTIVE
NOTICE AND ACCEPTANCE OF PERFORMANCE UNIT AWARD

You have been granted the following award (the “**Award**”) of Performance Units pursuant to the Ensco plc 2018 Long-Term Incentive Plan (as the same may be amended from time to time, the “**Plan**”).

Name of Grantee: _____ (the “**Grantee**”)
Type of Grant: Performance Unit Award
Date of Grant: _____
Performance Period: 31 March 2020 – 30 September 2022
Dollar Target Amount of Performance Unit Award: _____
(the “**Target Amount**”)
Form of Payment: Periodic Cash Payments
Performance Goals and Weighting: As set forth in the attached Appendix.

The terms of the Award referenced herein are subject to the provisions of both this Notice and Acceptance of Performance Unit Award (the “**Grant Notice**”) and the attached Executive Performance Unit Award Agreement Terms and Conditions (the “**Terms and Conditions**”, and together with this Grant Notice, the “**Agreement**”), the Plan, and the Company’s procedures regarding the withholding of tax on awards granted under the Plan. Capitalized terms not otherwise defined in the Agreement shall have the meanings given to them given to them in the Plan.

The Terms and Conditions are provided herewith. The Plan and Plan prospectus are available to you through the Corporate Compensation Department in Houston and may be accessed on the Merrill Lynch Benefits OnLine® website.

Any income resulting from cash payments under the Award is subject to the Plan’s withholding provisions and the Company’s procedures regarding taxation of equity awards which may require cooperation by covered expatriates in arranging for satisfaction of required withholding, and may obligate such employees to make tax equalization and hypothetical tax payments to the Company (or a subsidiary of the Company) in satisfaction of governmental or employer required withholding. Subsequent to any U.S. tax filings by expatriate employees, all tax refunds or tax savings resulting from foreign tax credits must be promptly returned or reimbursed to the Company (or a subsidiary of the Company) pursuant to these procedures.

You must generally continue as an employee of the Company or a subsidiary of the Company through the actual payment date of any portion of the Award to become entitled to the cash payment under the Award.

The Award is subject to forfeiture under certain circumstances, and your entitlements thereunder may be limited in the event of a termination of employment with the Company or its subsidiaries. Furthermore, any cash payments received under this Award is subject to the “Return of Proceeds” provisions, which apply to these grants in the event you engage in competitive activity within the one-year period following your termination, as further described in the Terms and Conditions.

By electronically signing this Grant Notice, you hereby agree to accept the above Award pursuant to the provisions of the Plan and the Agreement and, for covered expatriates, to cooperate with the Company and its subsidiaries regarding required withholding and tax equalization and hypothetical tax payments required under the procedures regarding taxation on awards under the Plan. Your electronic signature also serves to acknowledge receipt of the Plan and the Agreement.

Please return this original signed document to the Corporate Compensation Department in Houston no later than 31 March, 2020.

ACCEPTED AND AGREED

[E-signature of Grantee]

[Date]

ENSCO PLC 2018 LONG-TERM INCENTIVE PLAN
EXECUTIVE
PERFORMANCE UNIT AWARD AGREEMENT
TERMS AND CONDITIONS

The Board of Directors (the “**Board**”) of Valaris plc, a public limited company incorporated under the laws of England and Wales (the “**Company**”), has adopted the Ensco plc 2018 Long-Term Incentive Plan (as the same may be amended, the “**Plan**”), and adopted Annex 1 to the Plan. (In this document, references to the Plan shall be taken to include Annex 1 to the Plan.) In furtherance of the purposes of the Plan and pursuant thereto, a performance unit award (the “**Award**”) has been granted under the Plan to the grantee (the “**Grantee**”) as specifically described in the Notice and Acceptance of Performance Unit Award Agreement (the “**Acceptance Agreement**”), which must be executed by the Grantee by the date specified in the Acceptance Agreement to reflect his or her acceptance of the following Terms and Conditions:

1. **Grant Of Award.** The Company hereby grants this Award to the Grantee, subject to the terms, conditions and restrictions set forth in the Plan and those specified herein. The target dollar amount that may become payable under this Award is specified in the Acceptance Agreement. The actual dollar amount subject to this Award that may be earned is up to 250% (or as low as 0%) of the Target Amount set out in the Grant Notice, with the final amount to be dependent upon the achievement of the performance goals and objectives during the Performance Period as set forth in the attached Appendix (the “Performance Requirements”), which Appendix is hereby incorporated into this Agreement by reference. The Acceptance Agreement and the terms, conditions and restrictions set forth herein, including the Appendix, shall collectively constitute the Award Agreement for this Award (the “Agreement”).

2. **Non-Transferability; Vesting.** The amount, if any, which becomes payable pursuant to this Award may not be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner during the Performance Period, other than by (a) the executor or administrator of the Grantee’s estate in the event of the Grantee’s death, or (b) a U.S. state court pursuant to a qualified domestic relations order, as defined under Code Section 414(p), that expressly refers to this Award (“**QDRO**”). The amount, if any, which becomes payable pursuant to this Award shall not be assignable by operation of law or subject to execution, attachment or similar process. Any attempted sale, pledge, assignment, hypothecation, transfer or other disposition of the amount, if any, which becomes payable pursuant to this Award contrary to the provisions of this Agreement or the Plan, and the levy of any execution, attachment or similar process upon that amount, shall be null and void and without force or effect. No transfer of this Award via enforcement of a QDRO, via a will, or by the laws of descent and distribution, shall be effective to bind the Company unless the Company shall have been furnished written notice thereof and an authenticated copy of the QDRO or will (as applicable) and/or such other evidence as the Committee may deem necessary, in its discretion, to establish the validity of the transfer. The transfer to the executor or administrator of the Grantee’s estate shall be binding upon the executors, administrators, heirs and successors of the Grantee.

The lapse of the restrictions on this Award shall be subject to acceleration on the terms and conditions stated in the Plan and in Section 3 hereof.

3. Payment and Termination of Employment.

(a) Payment of Awards. Except as provided in Sections 3(b)-(f) below, upon the Committee's written certification that any payment is due under this Award, the Grantee shall be entitled to the payment of the amount certified by the Committee if the Grantee remains continuously employed by the Company or a Subsidiary through the actual payment of such amount. Subject to prior compliance with Section 6 below, payments under this Award shall be made in cash. Payments of the Award shall be made in approximately 6-month increments throughout the Performance Period, as soon as administratively feasible following written certification by the Committee of (1) the achievement of the Performance Requirements for such period and (2) what payment is due under this Award.

(b) Retirement; Termination of Employment without Cause. If the Grantee incurs a Separation from Service by reason of Retirement (as defined below) or a termination of Employment by the Company or a Subsidiary without Cause during the Performance Period, any portion of this Award allocated to any remaining Determination Date(s) (as defined in the Appendix) shall be earned on a pro rata basis by (i) comparing the actual level of performance for such Determination Date to the specific targets related to the Performance Criteria established by the Committee for that Determination Date, and then (ii) multiplying each such amount by a fraction, the numerator of which is the number of months in the Performance Period that had elapsed as of the date of the Grantee's Separation from Service and the denominator of which is thirty (30). Any amounts earned but not yet paid hereunder with respect to any Determination Date(s) occurring prior to the date of such Retirement or termination of Employment, shall remain outstanding and shall be paid in the ordinary course when such amounts would have otherwise vested under the Appendix. For the avoidance of doubt, no payouts shall be accelerated hereunder by virtue of the Grantee's Retirement or termination of Employment by the Company or a Subsidiary without Cause.

(c) Death or Disability. If the Grantee incurs a Separation from Service by reason of his or her death or Disability during the Performance Period, 100% of the Grantee's Target Amount shall be deemed earned (regardless of actual performance), and the Grantee shall be entitled to payment of such Target Amount reduced (but not below \$0) by any payments made hereunder prior to the Grantee's death or Disability. If a Grantee's employment is terminated during the Performance Period because of his or her death, any payment provided by the Company in settlement of this Award shall be made to the executor or administrator of the Grantee's estate. Except as provided in Section 3(f), the Grantee (or such other individual or estate in the event of his or her death) shall receive payment of the amount determined pursuant to this Section 3(c) within sixty (60) days following the date of the Grantee's Separation from Service.

(d) Other Separation from Service. Except as provided in Section 3(e) hereof, if the Grantee incurs a Separation from Service for any reason other than Retirement, termination of Employment by the Company or a Subsidiary without Cause, Disability, or death during the Performance Period or before the Grantee's Award has been paid in full to the Grantee, then the Grantee shall forfeit the unpaid portion of this Award and shall not be entitled to receive any future

payments under the Plan with respect to this Award. If the Grantee's Employment is terminated for Cause at any time, any unpaid portion of the Award will immediately be forfeited upon such termination of Employment and Grantee shall repay the Company any previously paid amounts under this Award.

(e) Change in Control. Notwithstanding the foregoing and subject to the provisions of this Section 3(e), in the event of a Change in Control and Grantee's subsequent Separation from Service within two (2) years following the effective date of such Change in Control due to (i) the involuntary termination of the Grantee's Employment without Cause, or (ii) voluntary termination of the Grantee's Employment with the Company and all of its Subsidiaries within thirty (30) days of his or her discovery of the occurrence of one or more events which constitute Good Reason, 100% (or, if greater, the average of the payout percentages that actually applied for any Determination Dates completed prior to the date of such Change in Control) of the Grantee's Target Amount shall be deemed earned (regardless of actual performance), and the Grantee shall be entitled to payment of such Target Amount reduced (but not below \$0) by any payments made hereunder prior to the Grantee's Separation from Service. In the event of the occurrence of any event that constitutes Good Reason, and in the event that Grantee wishes to resign from his or her employment on the basis of the occurrence of such event, the Grantee shall give written notice of his or her proposed resignation, and the successor corporation shall have a period of thirty (30) days following its receipt of such notice to remedy the breach or occurrence giving rise to such proposed resignation. In the event the successor corporation fails to so remedy said breach or occurrence by expiration of said 30-day period, the Grantee shall be deemed to have terminated his or her Employment for Good Reason pursuant to this Section 3(e) and shall be treated as if his or her Employment has been terminated without Cause. Except as provided in Section 3(f), the Grantee shall receive payment of the amount determined pursuant to this Section 3(e) within sixty (60) days following the date of the Grantee's Separation from Service.

(f) Specified Employee. Notwithstanding the date of payment specified by Section 3(b), 3(c) (in the case of Disability) or 3(e) above, if the Grantee is a Specified Employee on the date that he or she incurs a Separation from Service then, to the extent required under Section 409A of the Code and the Treasury regulations and other authoritative guidance issued thereunder ("**Section 409A**"), payment of that amount shall not be made until the date which is upon the earlier of (i) the Grantee's date of death, or (ii) six (6) months after the date that he or she incurs a Separation from Service (the "**Six Month Date**"), or as soon as administratively practicable thereafter that is within 30 days after the Six Month Date.

For purposes of this Section 3(f), "**Specified Employee**" shall be determined in accordance with Section 409A and shall mean an Employee for each twelve (12)-consecutive month period that begins on any April 1 and immediately follows a calendar year during which such Employee was, at any time during that calendar year (i) an officer of the Company or any Subsidiary having annual compensation greater than \$185,000 (as adjusted under Section 416(i)(1) of the Code); (ii) a more than five-percent owner of the Company or any Subsidiary; or (iii) a more than one-percent owner of the Company or any Subsidiary having annual compensation from the Company and all Subsidiaries of more than \$150,000. For this purpose, "annual compensation" shall mean annual compensation as defined in Section 415(c)(3) of the Code, which includes amounts contributed by

the Company and all Subsidiaries pursuant to a salary reduction agreement which are excludable from the Grantee's gross income under Section 125, 402(e)(3), 402(h)(1)(B), 408(p)(2)(A)(i), 457 or 403(b) of the Code, and elective amounts that are not includible in the gross income of the Grantee by reason of Section 132(f)(4) of the Code. For this purpose, no more than 50 Employees (or, if lesser, the greater of three or ten percent of the Employees) shall be treated as officers. The constructive ownership rules of Section 318 of the Code (or the principles of that section, in the case of an unincorporated Subsidiary) shall apply to determine ownership in each Subsidiary.

4. **Employment Relationship**. For purposes of this Agreement, Employment shall have the meaning given to it in the Plan.

(a) “**Retirement**” means Grantee's Separation from Service (as defined in Section 4 below) as a result of the Grantee's termination of Employment not for Cause on or after his or her Normal Retirement Age, but not by reason of Grantee's death, Disability, or within two years following a Change in Control for Good Reason.

(b) “**Normal Retirement Age**” means the later of (i) Grantee's 65th birthday, or (ii) the date Grantee has credit for at least twenty (20) years of employment as determined by the Committee. The Committee, in its discretion, may consider Grantee to have retired on or after Grantee's Normal Retirement Age if Grantee's employment terminates after his or her 62nd birthday but prior to satisfying the requirements specified in the preceding sentence.

(c) “**Separation from Service**” means “separation from service” within the meaning of Section 409A from the Company and all of its Subsidiaries.

Any question as to whether and when there has been a Separation from Service, and the cause of any termination of Employment, shall be determined by the Committee, in its discretion, and its determination shall be final, conclusive and binding on the Grantee and all other interested persons.

5. **Nature of Grant**. In accepting this Award, the Grantee acknowledges, understands and agrees that:

(a) The Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time to the extent permitted by the Plan.

(b) The grant of this Award is voluntary and occasional and does not create any contractual or other right to receive future grants of performance unit awards or other awards, or benefits in lieu of performance unit awards or other awards, even if performance unit awards or other awards have been granted in the past.

(c) All decisions with respect to future grants of other awards, if any, will be at the sole discretion of the Company.

(d) This Award and the Grantee's participation in the Plan shall not create a right to Employment or be interpreted as forming an Employment or service contract with the Company or any of its Subsidiaries and shall not interfere with the ability of the Company or any of its Subsidiaries, as applicable, to terminate the Grantee's Employment or service relationship (if any) at any time.

(e) The Grantee is voluntarily participating in the Plan.

(f) This Award and the amount payable pursuant to this Award are not intended to replace any pension rights or compensation.

(g) This Award and the amount payable pursuant to this Award, and the income and value of same, are not part of normal or expected compensation for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments.

(h) No claim or entitlement to compensation or damages shall arise from forfeiture of this Award resulting from the Grantee ceasing to provide Employment or other services to the Company or any of its Subsidiaries (for any reason whatsoever, whether or not it is later found to be invalid or in breach of employment laws in the jurisdiction where the Grantee is employed or the terms of the Grantee's employment agreement, if any). In consideration of the grant of this Award to which the Grantee is otherwise not entitled, the Grantee irrevocably agrees, other than in the event of Company's breach of this Agreement, to (i) not institute any claim against the Company or any of its Subsidiaries in connection with this Agreement, (ii) waive the ability, if any, to bring any such claim, and (iii) release the Company and its Subsidiaries from any such claim. If, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, the Grantee shall be deemed irrevocably to have agreed not to pursue such claim and agrees to execute any and all documents necessary to request dismissal or withdrawal of such claim.

(i) Unless otherwise provided in the Plan or by the Company in its discretion, this Award and the benefits evidenced by this Agreement do not create any entitlement to have this Award or any such benefits transferred to, or assumed by, another company, nor to be exchanged, cashed out, or substituted for, in connection with any corporate transaction affecting the Shares.

(j) The following provisions apply only if the Grantee is providing services outside the United States:

(i) this Award and amount payable pursuant to this Award are not part of normal or expected compensation or salary for any purpose; and

(ii) the Grantee acknowledges and agrees that neither the Company nor any Subsidiary shall be liable for any foreign exchange rate fluctuation between the Grantee's local currency and the United States Dollar that may affect the value of this Award or any amounts due to the Grantee with respect to the settlement of this Award.

6. **Tax Withholding.** Awards under the Plan will be subject to withholding as required by law. To the extent that the Grantee is subject to withholding of federal, state, or local income taxes and/or other taxes or social insurance contributions imposed by the country of residence or citizenship of the Grantee or the country or residence of the Company or its Subsidiary which has the legal relationship of employer and employee with the Grantee, or is obligated to the Company or any of its Subsidiaries under the Company's tax equalization or hypothetical tax policies or specific agreements relating thereto (the "**Employee Taxes**"), the Grantee shall, at such time as (i) the payment under this Award or other amounts received pursuant to this Award first becomes includable in the gross income of the Grantee for such Employee Taxes, or (ii) a withholding obligation arises for the Company or any of its Subsidiaries with respect to this Award, as applicable, pay to the Company or its designee, or make arrangements satisfactory to the Committee or its designee regarding payment of, any and all such Employee Taxes required to be withheld with respect to such income and, if applicable, any amounts owed to the Company or its Subsidiaries under its tax equalization or hypothetical tax policies or specific agreements relating thereto.

Regardless of any action the Company or any of its Subsidiaries take with respect to the Employee Taxes, the Grantee acknowledges that the ultimate liability for all Employee Taxes is and remains the Grantee's responsibility and may exceed the amount actually withheld by the Company and a Subsidiary. The Grantee further acknowledges that the Company and its Subsidiaries (a) make no representations or undertakings regarding the treatment of any Employee Taxes in connection with any aspect of this Award, including, but not limited to, the grant of or lapse of the restrictions on this Award and any waiver of the forfeiture provisions applicable to this Award; and (b) do not commit to and are under no obligation to structure the terms of the grant or any aspect of this Award to reduce or eliminate the Grantee's liability for Employee Taxes or achieve any particular tax result.

Subject in each case to approval by the Committee or its designee and compliance with all applicable law, the Grantee may elect to have any withholding obligation of the Company or any Subsidiary satisfied, in whole or in part, by (i) paying to the Company or a Subsidiary the amount of Employee Taxes in cash, check or other cash equivalent; and/or (ii) having the Company withhold from any amount payable under this Award or from any cash compensation payable to the Grantee.

The Company may refuse to issue payment under this Award if the Grantee fails to comply with the obligations in connection with Employee Taxes.

7. **Return of Proceeds.** If (a) the Grantee engages in an activity that competes with the business of the Company or any of its Subsidiaries within one (1) year after (i) the Grantee's voluntarily resignation or retirement from his or her position as an Employee, or (ii) his or her status as an Employee was terminated by the Company or a Subsidiary for Cause (either event constituting a "**Termination**" for purposes of this [Section 7](#)), and (b) any portion of this Award held by the Grantee had vested and become payable within one (1) year of the date of Termination; then the Grantee shall remit to the Company, or its designee, within five (5) business days of receipt of written demand therefor, an amount in good funds equal to the sum of all cash payments received by the Grantee in settlement of this Award.

8. **Data Privacy.** During the Grantee's participation in the Plan, the Company will have access to and process, or authorise the processing of, personal data (as defined in the Data Protection Act 2018, the EU General Data Protection Regulation 5419/16 and/or any implementing legislation (together, the "Data Protection Laws")) held and controlled by the Company and/or any its Subsidiaries and relating to employees or customers of the Grantee's employer, the Company and/or any of its Subsidiaries, or other individuals. The Company and its Subsidiaries will comply with the terms of the Data Protection Laws, and the Company's data protection policies issued from time to time, in relation to such data.

The Company and each of its Subsidiaries and its or their employees and agents may from time to time hold, process and disclose the Grantee's personal data in accordance with the terms of the data protection and privacy procedure in force from time to time. The current version of the applicable procedure is available on the Company's intranet.

9. **Electronic Delivery and Participation.** The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Grantee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

10. **Language.** If the Grantee has received this Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will take precedence.

11. **Notices.** Notices delivered under this Agreement shall be delivered to the Company at its principal office (Attention: General Counsel and Secretary), and to the Grantee at such address as the Grantee shall designate in writing to the Company.

12. **Binding Effect and Interpretation.** This Agreement shall be binding upon and inure to the benefit of any successors to the Company or to the Grantee. In the event of conflict between this Agreement and the Plan, the terms of the Plan shall control. All undefined capitalized terms used herein shall have the meaning assigned to them in the Plan. The Board or the Committee shall have the authority to construe the terms of this Agreement, and such determinations shall be final and binding on the Grantee and the Company and its Subsidiaries. The Grantee may obtain a copy of the Plan on the Merrill Lynch Benefits OnLine® website or by contacting the Corporate Compensation Department in Houston.

13. **Severability.** The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

14. **Waiver.** The Grantee acknowledges that a waiver by the Company of breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by the Grantee or any other Grantee.

15. **Governing Law.** This Agreement and all actions hereunder shall be governed by and construed in accordance with the laws of England and Wales, without regard to conflict of laws principles thereof.

16. **Appendix.** Notwithstanding any provisions in this Agreement, this Award shall be subject to any special terms and conditions set forth in any Appendix to this Agreement for the Grantee's country. Moreover, if the Grantee relocates to one of the countries included in the Appendix, the special terms and conditions for such country will apply to the Grantee, to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with laws of the country where the Grantee resides or facilitate the administration of the Plan. The Appendix constitutes part of this Agreement.

17. **Imposition of Other Requirements.** The Company reserves the right to impose other requirements on participation in the Plan, on this Award and on any Shares received as payment under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with laws of the country where the Grantee resides or facilitate the administration of the Plan, and to require the Grantee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

18. **Section 409A.** The Plan and this Agreement, and the benefits provided hereunder, are intended to comply with Section 409A to the extent applicable thereto, or with an exemption from the application of Section 409A. Notwithstanding any provision of the Plan or this Agreement to the contrary, the Plan and this Agreement shall be interpreted and construed consistent with this intent. Notwithstanding the foregoing, the Company shall not be required to assume any increased economic burden in connection therewith.

The Grantee consents to any amendment of this Agreement which the Company may reasonably make in furtherance of such intention, and the Company shall promptly provide, or make available to, the Grantee a copy of such amendment. Further, to the extent that any terms of the Agreement are ambiguous, such terms shall be interpreted as necessary to comply with, or an exemption under, Section 409A when applicable.

Although the Company and the Plan Administrator intend to administer the Plan and this Agreement so that they will comply with the requirements of Section 409A to the extent applicable, or with an exemption from the application of Section 409A, neither the Company nor the Plan Administrator represents or warrants that the Plan or this Agreement will comply with Section 409A or any other provision of federal, state, local, or foreign law. Neither the Company or any of its Subsidiaries, nor their respective directors, officers, employees or advisers, shall be liable to any Grantee (or any other individual claiming a benefit through the Grantee) for any tax, interest, or penalties the Grantee may owe as a result of participation in the Plan, and the Company and its Subsidiaries shall have no obligation to indemnify or otherwise protect any Grantee from the obligation to pay any taxes pursuant to Section 409A. For purposes of applying the provisions of Section 409A, each separately identified amount to which a Grantee is entitled shall be treated as a separate payment.

[Appendix follows.]

ENSCO PLC 2018 LONG-TERM INCENTIVE PLAN

CEO

NOTICE AND ACCEPTANCE OF RESTRICTED SHARE UNIT AWARD

You have been granted the following award (the "**Award**") of Restricted Share Units ("**RSUs**") and Dividend Equivalent Rights pursuant to the Ensco plc 2018 Long-Term Incentive Plan (the "**Plan**"). The value of each RSU represents the fair market value of one restricted Class A ordinary share, nominal value US\$0.40 per share, in Valaris plc (the "**Company**").

Name of Grantee: _____ (the "**Grantee**")

Total Number of RSUs Granted: _____

An equivalent number of tandem Dividend Equivalent Rights are granted in conjunction with the grant of RSUs.

Date of Grant: _____

Vesting Schedule:

Vesting Date

Number of
Vested RSUs

Total

The terms of the Award referenced herein are subject to the provisions of each of this Notice and Acceptance of Restricted Share Unit Award (the "**Grant Notice**"), the attached Employee Restricted Share Unit Award Agreement Terms and Conditions (including any applicable country-specific provisions contained in the Appendix attached thereto) (the "**Terms and Conditions**," and together with this Grant Notice, the "**Agreement**") and the Plan. Capitalized terms not otherwise defined in the Agreement shall have the meanings given to them given to them in the Plan.

The Terms and Conditions are provided herewith. The Plan and Plan prospectus are available to you through the Corporate Compensation Department in Houston and may be accessed on the Merrill Lynch Benefits OnLine® website.

Any income resulting from the issuance of Shares with respect to vested RSUs, and the payment of an amount equal to any dividend or other distribution on the Company's Shares, are subject to the Plan's withholding provisions and the Company's procedures regarding taxation of equity awards which may require cooperation by covered expatriates in arranging for satisfaction of required withholding, and may obligate such employees to make tax equalization and hypothetical tax payments to the Company (or a subsidiary of the Company) in satisfaction of governmental or employer required withholding. Subsequent to any U.S. tax filings by expatriate employees, all tax refunds or tax savings resulting from foreign tax credits must be promptly returned or reimbursed to the Company (or a subsidiary of the Company) pursuant to these procedures.

You must continue as an Employee in order to become vested in the RSUs subject to the Agreement and to any payment under the Award. Any RSUs subject to the Agreement that have not vested under the Vesting Schedule will be forfeited if and when you cease to be an Employee. The forfeiture restrictions applicable to the RSUs subject to this Award are subject to automatic waiver and earlier vesting under specified circumstances. Furthermore, the value of the benefits and payments received within one year before or after the termination of your employment are subject to the "Return of Proceeds" provisions which apply to these grants in the event you engage in competitive activity within the one-year period following your termination, as further described in Section 8 of the Terms and Conditions.

By signing this Grant Notice, you hereby agree to accept the above Award pursuant to the provisions of the Plan and the Agreement and, for Employees who are expatriates, to cooperate with the Company and its subsidiaries regarding required withholding and tax equalization and hypothetical tax payments required under the procedures regarding taxation on equity awards. Your electronic signature also serves to acknowledge receipt of the Plan and the Agreement.

ACCEPTED AND AGREED

Signature _____

Date _____

ENSCO PLC 2018 LONG-TERM INCENTIVE PLAN

CEO

RESTRICTED SHARE UNIT AWARD AGREEMENT

TERMS AND CONDITIONS

Valaris plc (the "**Company**"), formerly known as Ensco plc and Ensco Rowan plc, sponsors and maintains the Ensco plc 2018 Long-Term Incentive Plan (As Effective May 21, 2018) (as the same may be amended, the "**Plan**"). The Plan is hereby incorporated herein in its entirety by this reference. Capitalized terms not otherwise defined in the Agreement shall have the meaning given to such terms in the Plan. In furtherance of the purposes of the Plan, and pursuant thereto, the Award of RSUs and Dividend Equivalent Rights has been granted under to the Plan to the Grantee as described in the Grant Notice, which must be executed by the Grantee by the date specified therein to reflect the Grantee's acceptance of the Award and the terms of the Agreement. The Company and Grantee may be individually referred to herein as "**Party**" or collectively as "**Parties**."

1. **Grant of RSUs and Tandem Dividend Equivalent Rights.** Subject to the terms, conditions and restrictions set forth in the Plan and those specified herein, the Company hereby grants the number of Restricted Share Units ("**RSUs**") and tandem Dividend Equivalent Rights specified in the Grant Notice to Grantee (the RSUs together with the Dividend Equivalent Rights are the "**Award**"). Subject to Section 3(d) hereof, each RSU shall initially represent one share of the Company's Common Stock ("**Share**"). Each RSU represents an unsecured promise of the Company to deliver Shares to Grantee pursuant to the terms and conditions of the Plan and the Agreement. Each tandem Dividend Equivalent Right represents a right to receive cash payments equivalent to the amount of cash dividends declared and paid on one share of Common Stock after the Grant Date and before the Dividend Equivalent Right expires. RSUs and Dividend Equivalent Rights are used solely as units of measurement, and are not Shares; Grantee is not, and has no rights as, a shareholder of the Company by virtue of receiving the Award unless and until the RSUs are converted to Shares upon vesting and transferred to Grantee, as set forth herein. The Dividend Equivalent Rights have been awarded to Grantee in respect of services to be performed by Grantee exclusively in and after the year containing the Grant Date.

2. **Transfer Restrictions.** Grantee shall not sell, assign, transfer, exchange, pledge, encumber, gift, devise, hypothecate or otherwise dispose of (collectively, "**Transfer**") any RSUs or Dividend Equivalent Rights granted hereunder. Any purported Transfer of RSUs or Dividend Equivalent Rights in breach of the Agreement shall be void and ineffective, and shall not operate to Transfer any interest or title in the purported transferee.

3. Vesting and Payment of RSUs and Dividend Equivalent Rights.

(a) Vesting of RSUs and Dividend Equivalent Rights. Subject to these terms and conditions, Grantee's interest in the RSUs and tandem Dividend Equivalent Rights granted hereunder shall vest on each vesting date set out in the Grant Notice (the "**Vesting Date**"), provided that Grantee is still an Employee and has continuously been an Employee from the Grant Date through the Vesting Date, except as provided in Section 4. All RSUs that do not become vested

as of the end of the vesting period shall be forfeited. Any Dividend Equivalent Right subject to the Agreement shall expire at the time the RSU with respect to which the Dividend Equivalent Right is in tandem (i) is vested and paid, or, to the extent permitted by the laws of the applicable jurisdiction, deferred, (ii) is forfeited, or (iii) expires.

(b) Settlement of RSUs. As of each Vesting Date, the Grantee shall become entitled to the number of Shares which have become vested as determined in accordance with Section 3(a) and Section 4, as adjusted in accordance with Section 3(d), if applicable. All Shares delivered to or on behalf of Grantee in exchange for vested RSUs shall (i) be delivered on or prior to the Settlement Date following the Vesting Date and (ii) if applicable, be subject to any further transfer or other restrictions as may be required by a securities law or other applicable law as determined by the Company. For purpose of the Agreement, the "**Settlement Date**" shall be any business day within the sixty (60) day period immediately following each Vesting Date.

(c) Payment of Dividend Equivalent Rights. Payments with respect to any Dividend Equivalent Rights subject to the Agreement shall be paid or issued at the same time as such dividends or other distributions are paid or issued on Shares, and not more than sixty (60) days after that payment or issuance date. All rights with respect to, or in connection with, the RSUs shall be exercisable during Grantee's lifetime only by Grantee.

(d) Dividends, Splits and Voting Rights. As provided in the Plan, if the Company (i) declares a stock dividend or makes a distribution on Common Stock in Shares, (ii) subdivides or reclassifies outstanding Shares into a greater number of Shares, or (iii) combines or reclassifies outstanding Shares into a smaller number of Shares, then the number of RSUs granted under the Agreement shall be proportionately increased or reduced, as applicable, so as to prevent the enlargement or dilution of Grantee's rights and duties hereunder. The determination of the Committee regarding such adjustments shall be final and binding.

4. Accelerated Vesting and Forfeiture Events.

(a) Termination Due to Death, Disability or Retirement. If Grantee's Employment is terminated (i) due to Grantee's death or Disability (as defined in the Plan), or (ii) by Grantee due to Retirement (as defined herein), all of the then unvested RSUs and tandem Dividend Equivalent Rights shall become immediately 100% vested as of such termination of Employment date, which shall be considered the Vesting Date hereunder with respect to such unvested RSUs and tandem Dividend Equivalent Rights. For purposes of the Agreement, the term "**Retirement**" means Grantee's termination of Employment for a reason other than Cause on or after attaining Normal Retirement Age. For purposes of the Agreement, the term "**Normal Retirement Age**" means the later of (a) Grantee's 65th birthday, or (b) the date Grantee has credit for at least twenty (20) years of employment as determined by the Committee. The Committee, in its discretion, may consider Grantee to have retired on or after Grantee's Normal Retirement Age if Grantee's employment terminates after his 62nd birthday but prior to satisfying the requirements specified in the preceding sentence.

Notwithstanding the foregoing, in no event will Grantee be considered to have terminated Employment due to Retirement for purposes of the Agreement unless the date of Grantee's termination from Employment is at least one (1) year after the Grant Date.

(b) **Termination Following Change in Control.** If, following the occurrence of a Change in Control (as defined below) and before the second anniversary of such occurrence, (i) Grantee's Employment is terminated involuntarily, and not for Cause (as defined in the Plan), by the Company or its Affiliates, or (ii) such Employment is terminated by Grantee for Good Reason (as defined below), all of the then unvested RSUs and tandem Dividend Equivalent Rights shall become immediately 100% vested as of such termination of Employment date, which shall be considered the Vesting Date hereunder with respect to such unvested RSUs and tandem Dividend Equivalent Rights.

- (i) **"Change in Control"** means the occurrence of any of the following events: (A) a change in the ownership of Ensco plc, which occurs on the date that any one person, or more than one person acting in concert (as defined in the City Code on Takeovers and Mergers), acquires ownership of Shares that, together with Shares held by such person or persons acting in concert, constitutes more than fifty percent (50%) of the total voting power of the Shares, or (B) the majority of the members of the Board is replaced during any twelve (12) month period by directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election, or (C) a sale of all or substantially all of the assets of Ensco plc; provided, however, a Change in Control of Ensco plc shall not be deemed to have occurred by virtue of the consummation of any transaction or series of related transactions immediately following which the beneficial holders of the voting Shares immediately before such transaction or series of transactions continue to have a majority of the direct or indirect ownership in one or more entities which, singly or together, immediately following such transaction or series of transactions, either (A) own all or substantially all of the assets of Ensco plc as constituted immediately prior to such transaction or series of transactions, or (B) are the ultimate parent with direct or indirect ownership of all of the voting Shares after such transaction or series of transactions. For further clarification, a "Change in Control" of Ensco plc shall not be deemed to have occurred by virtue of the consummation of any transaction or series of related transactions effected for the purpose of changing the place of incorporation or form of organization of Ensco plc or the ultimate parent company of Ensco plc and its subsidiaries.
- (ii) **"Good Reason"** means the occurrence of any of the following events (without the Grantee's express written consent) arising during the Grantee's term of Employment: (A) a material reduction in the Grantee's base salary or a material reduction in the aggregate overall compensation opportunity available to Grantee, provided that the Board shall have the discretion to modify the Grantee's overall compensation package subject to the foregoing restrictions, (B) a material diminution in the Grantee's authority, duties or responsibilities, (C) in connection with the occurrence of a Change in Control, a permanent relocation in the geographic location at which the Grantee must perform services to a location outside the London Metropolitan Area, or (D) any other action or inaction that constitutes a material breach by the Company of its obligations under this Agreement. In the case of the Grantee's allegation of Good Reason, (A) the Grantee shall provide notice to the Board of the event alleged to constitute Good Reason within ninety

(90) days of the occurrence of such event, and (B) the Company shall have the opportunity to remedy the alleged Good Reason event within thirty (30) days from receipt of notice of such allegation. If the Company does not cure the circumstance giving rise to Good Reason to the Grantee's reasonable satisfaction, the Grantee must terminate his Employment with the Company within thirty (30) days following the end of the thirty (30) day cure period described in clause (B) above in order for his termination to be considered a termination for Good Reason.

(c) **Termination Due to Cause.** If Grantee's Employment is terminated for Cause (as defined in the Plan), all of the then outstanding RSUs and tandem Dividend Equivalent Rights, whether or not vested, shall be immediately forfeited and cancelled as of such termination of Employment date, and shall not vest or be paid in any respect, without the necessity of any notice or other further action.

(d) **Other Terminations.** If Grantee's Employment is terminated for any reason except as otherwise provided above in Section 4(a), (b), or (c), then (i) 20% of the then unvested RSUs and tandem Dividend Equivalent Rights shall become immediately 100% vested as of the termination of Employment date, and (ii) 80% of the then unvested RSUs and tandem Dividend Equivalent Rights shall be immediately forfeited and cancelled as of the termination of Employment date, and shall not vest in any respect, without the necessity of any notice or other further action.

5. **Grantee's Representations.** Notwithstanding any provision hereof to the contrary, Grantee hereby agrees and represents that Grantee will not acquire any Shares, and that the Company will not be obligated to issue any Shares to Grantee hereunder, if the issuance of such Shares constitutes a violation by Grantee or the Company of any law or regulation of any governmental authority. Any determination in this regard that is made by the Committee, in good faith, shall be final and binding. The rights and obligations of the Company and Grantee hereunder are subject to all applicable laws and regulations.

6. **Tax Consequences; No Advice Regarding Grant.** The vesting of the RSUs, the issuance of Shares with respect to vested RSUs, and the payment of an amount equal to any dividend or other distribution on the Shares will have tax consequences if the Grantee is subject to U.S. federal taxation under the U.S. Internal Revenue Code ("**Code**"). The grant of RSUs, the vesting of RSUs, the issuance of Shares with respect to RSUs, and the payment of an amount equal to any dividend or other distribution on the Shares, may also have tax consequences if the Grantee is subject to taxation in other jurisdictions. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding participation in the Plan or the acquisition or sale of the Shares that may be issued under the Agreement.

GRANTEE IS HEREBY ADVISED TO CONSULT WITH GRANTEE'S OWN PERSONAL TAX, LEGAL AND FINANCIAL ADVISERS REGARDING GRANTEE'S PARTICIPATION IN THE PLAN AND ANY TAX OR OTHER CONSEQUENCES ASSOCIATED WITH THIS AWARD.

7. **Tax Withholding.** To the extent that the receipt of Shares hereunder results in compensation income to Grantee for foreign or domestic federal, state or local income tax purposes that is subject to a tax withholding obligation by the Company, Grantee shall deliver to Company at such time the sum that the Company (or an Affiliate) requires to meet its tax withholding obligations under applicable law or regulation, and, if Grantee fails to do so, the Company (or an Affiliate), in

accordance with the Plan, is authorized to (a) withhold from the Shares to be issued pursuant to the Agreement, a number of Shares with an aggregate Fair Market Value as of the date the withholding is effectuated that would satisfy the applicable withholding amount; (b) withhold from any cash or other remuneration, then or thereafter payable to Grantee, any tax that is required to be withheld; or (c) sell such number of Shares before their transfer to Grantee as is appropriate to satisfy such tax withholding requirements, before transferring the resulting net number of Shares to Grantee in satisfaction of its obligations under the Agreement. Dividend Equivalent Right payments shall be subject to withholding for taxes to the extent required for the Company (or an Affiliate) to meet its tax withholding obligations with respect to such cash payments under applicable law or regulation. In the absence of any election by Grantee, any withholding obligation shall be satisfied pursuant to clause (a) above.

To the extent that Grantee is subject to withholding of federal, state, or local income taxes and/or other taxes or social insurance contributions imposed by the country of residence or citizenship of Grantee or the country or residence of the Company or its Subsidiary which has the legal relationship of employer and employee with Grantee or is obligated to the Company or any of its Subsidiaries under the Company's tax equalization or hypothetical tax policies or specific agreements relating thereto (the "**Employee Taxes**"), Grantee shall, at such time as the value of any Shares or other amounts received pursuant to the Agreement first becomes includable in the gross income of Grantee for such Employee Taxes, or the time that a withholding obligation arises for the Company or any of its Subsidiaries with respect to the Agreement, as applicable, pay to the Company or its designee, or make arrangements satisfactory to the Committee or its designee regarding payment of, any and all such Employee Taxes required to be withheld with respect to such income and, if applicable, any amounts owed to the Company or its Subsidiaries under its tax equalization or hypothetical tax policies or specific Agreements relating thereto.

Regardless of any action the Company or any of its Subsidiaries take with respect to the Employee Taxes, Grantee acknowledges that the ultimate liability for all Employee Taxes is and remains Grantee's responsibility and may exceed the amount actually withheld by the Company and a Subsidiary. Grantee further acknowledges that the Company and its Subsidiaries (i) make no representations or undertakings regarding the treatment of any Employee Taxes in connection with any aspect of this Award, including, but not limited to, the grant or vesting of the RSUs, the receipt of an amount equal to any dividend or other distribution on the Shares during the Restriction Period, the issuance of Shares with respect to vested RSUs, the receipt of any dividends or other distribution on Shares issued pursuant to the Agreement and the subsequent sale of any Shares acquired pursuant to the Agreement; and (ii) does not commit to and is under no obligation to structure the terms of the grant or any aspect of the Agreement to reduce or eliminate Grantee's liability for Employee Taxes or achieve any particular tax result.

The Company may refuse to issue the Shares upon vesting of the RSUs or make any payment under the Agreement if Grantee fails to comply with the obligations in connection with Employee Taxes.

8. Return of Proceeds. If (a) Grantee engages in an activity that competes with the business of the Company or any of its Subsidiaries within one (1) year after (i) Grantee's voluntarily resignation or Retirement from Grantee's position as an Employee, or (ii) Grantee's status as an Employee was terminated by the Company or a Subsidiary for Cause (either event constituting a "**Termination**" for purposes of this Section 9), and (B) RSUs held by Grantee had vested and become payable within one (1) year of the date of Termination; then Grantee shall remit to the

Company, or its designee, within five (5) business days of receipt of written demand therefor, an amount in good funds equal to the sum of the Fair Market Value of the Shares issued in the settlement of the RSUs pursuant to the Agreement, if any, computed as of the date of issuance of such Shares.

9. **Code Section 409A Compliance.** It is the intention of the Parties that the Agreement is written and administered, and will be interpreted and construed, in a manner such that no amount under the Agreement becomes subject to (a) gross income inclusion under Code Section 409A or (b) interest and additional tax under Code Section 409A (collectively, "**Section 409A Penalties**"), including, where appropriate, the construction of defined terms to have meanings that would not cause the imposition of the Section 409A Penalties. Accordingly, Grantee consents to any amendment of the Agreement which the Company may reasonably make in furtherance of such intention, and the Company shall promptly provide, or make available to, Grantee a copy of such amendment. Further, to the extent that any terms of the Agreement are ambiguous, such terms shall be interpreted as necessary to comply with Code Section 409A, or an exemption under Code Section 409A, when applicable.

Notwithstanding any provision of the Agreement to the contrary, if any benefit provided hereunder would be subject to Section 409A Penalties because the timing of such benefit is not delayed as required by Code Section 409A for a "specified employee" (as defined under Code Section 409A), then if Grantee is on the applicable date a specified employee, any such benefit that Grantee would otherwise be entitled to receive during the first six months following Grantee's "separation from service" (as defined under Code Section 409A) shall be accumulated and paid, within ten (10) days after the date that is six months following Grantee's date of "separation from service," or such earlier date upon which such benefit can be provided under Code Section 409A without being subject to the Section 409A Penalties such as, for example, upon Grantee's death.

10. **Data Privacy.** Grantee hereby acknowledges that Grantee's personal data as described in the Agreement and any other Award materials, may be collected, used and/or transferred in electronic or other form by and among, as applicable, Grantee's employer, the Company and its Subsidiaries for the exclusive purpose of implementing, administering and managing Grantee's participation in the Plan. Grantee understands that the Company and Grantee's employer may hold certain personal information about Grantee, including, but not limited to, Grantee's name, home address and telephone number, date of birth, social insurance number or other identification number, compensation, job title, any shares or directorships held in the Company or an Affiliate, details of all Awards or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in Grantee's favor, for the exclusive purpose of implementing, administering and managing the Plan (individually and collectively, "**Data**").

Grantee understands that Data will be transferred to Merrill Lynch and Computershare or such other stock plan service providers as may be selected by the Company in the future, which are assisting the Company with the implementation, administration and management of the Plan. In addition, Data may be transferred to the trustee of any trust established in connection with the Plan. Grantee understands that the recipients of Data may be located in the United States or elsewhere, and that the recipients' country may have different data privacy laws and protections than Grantee's country. If Grantee resides outside the United States, Grantee understands that Grantee may request a list with the names and addresses of any potential recipients of Data by contacting the Company's Corporate Compensation Department in Houston, Texas. Grantee authorizes the Company, Merrill Lynch, Computershare and any other possible recipients which

may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer Data, in electronic or other form, for the sole purpose of implementing, administering and managing Grantee's participation in the Plan. Grantee understands that Data will be held only as long as is necessary to implement, administer and manage Grantee's participation in the Plan. If Grantee resides outside the United States, Grantee understands that Grantee may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data, or refuse or withdraw the consents herein, in any case without cost, by contacting in writing the Corporate Compensation Department in Houston.

11. Electronic Delivery and Participation. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. Grantee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

12. Miscellaneous.

(a) No Fractional Shares. All provisions of the Agreement concern whole Shares. If the application of any provision hereunder would yield a fractional Share, such fractional Share shall be rounded up to the next whole Share.

(b) Not an Employment Agreement. The Agreement is not an employment Agreement, and no provision of the Agreement shall be construed or interpreted to create any employment relationship between Grantee and the Company (or any Affiliate) for any time period. The employment of Grantee with the Company (or an Affiliate) shall be subject to termination to the same extent as if the Agreement had not been executed.

(c) Notices. Any notice, instruction, authorization, request or demand required hereunder shall be in writing, and shall be delivered either by personal delivery, by telegram, telex, telecopy or similar facsimile means, by certified or registered mail, return receipt requested, or by courier or delivery service, addressed to the Company at its then current main corporate address (Attention: Corporate Secretary), and to Grantee at his address indicated on the Company's records, or at such other address and number as a Party has previously designated by written notice given to the other Party in the manner hereinabove set forth. Notices shall be deemed given when received, if sent by facsimile means (confirmation of such receipt by confirmed facsimile transmission being deemed receipt of communications sent by facsimile means); and when delivered and receipted for (or upon the date of attempted delivery where delivery is refused), if hand-delivered, sent by express courier or delivery service, or sent by certified or registered mail, return receipt requested.

(d) Amendment, Termination and Waiver. The Agreement may be amended, modified, terminated or superseded only by written instrument executed by or on behalf of the Company and by Grantee. Any waiver of the terms or conditions hereof shall be made only by a written instrument executed and delivered by the Party waiving compliance. Any waiver granted by the Company shall be effective only if executed and delivered by a duly authorized executive officer of the Company who is not the Grantee. The failure of any Party at any time or times to require performance of any provisions hereof shall in no manner affect the right to enforce the same. No waiver by any Party of any term or condition herein, or the breach thereof, in one or more instances shall be

deemed to be, or construed as, a further or continuing waiver of any such condition or breach or a waiver of any other condition or the breach of any other term or condition.

(e) Language. If Grantee has received a copy of the Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will take precedence.

(f) Severability. It is the desire of the Parties hereto that the Agreement be enforced to the maximum extent permitted by law, and should any provision contained herein be held unenforceable by a court of competent jurisdiction, the Parties hereby agree and consent that such provision shall be reformed to create a valid and enforceable provision to the maximum extent permitted by law; provided, however, if such provision cannot be reformed, it shall be deemed ineffective and deleted herefrom without affecting any other provision of the Agreement. The Agreement should be construed by limiting and reducing it only to the minimum extent necessary to be enforceable under then applicable law.

(g) Governing Law; Jurisdiction. All matters or issues relating to the interpretation, construction, validity, and enforcement of the Agreement shall be governed by the laws of England and Wales, without regard to conflict of laws principles.

(h) Imposition of Other Requirements. The Company reserves the right to (i) impose other requirements regarding participation in the Plan, with respect to the Agreement and on any Shares acquired under the Plan, to the extent that the Company determines it is necessary or advisable in order to (A) comply with Applicable Laws, including, the country where Grantee resides, or (B) facilitate the administration of the Plan, and (ii) require Grantee to sign any additional agreements or undertakings that are reasonably necessary to accomplish the foregoing.

(i) Grantee's Acknowledgment. Grantee represents and acknowledges that (i) Grantee is knowledgeable and sophisticated as to business matters, including the subject matter of the Agreement, (ii) Grantee has read the Agreement and understands its terms and conditions, (iii) Grantee has had ample opportunity to discuss the Agreement with Grantee's legal counsel, if so desired, prior to execution of the Agreement, and (iv) no strict rules of construction shall apply for or against the drafter of the Agreement or any other Party.

(j) Survival of Certain Provisions. Wherever appropriate to the intention of the Parties, the respective rights and obligations of the Parties hereunder shall survive any termination or expiration of the Agreement or the termination of Grantee's Employment.

(k) Successors and Assigns. The Agreement shall bind, be enforceable by, and inure to the benefit of, the Parties and their permitted successors and assigns as determined under the terms of the Agreement and the Plan.

(l) Counterparts. The Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument.

(m) Plan Documents. Grantee may obtain a copy of the Plan on the Merrill Lynch Benefits Online® website or by contacting the Corporate Compensation Department in Houston.

- (n) *Interpretive Matters.* In the interpretation of the Agreement, except where the context otherwise requires:
- (i) The headings used in the Agreement headings are for reference purposes only and will not affect in any way the meaning or interpretation of the Agreement;
 - (ii) The terms "**including**" and "**include**" do not denote or imply any limitation;
 - (iii) The conjunction "**or**" has the inclusive meaning "**and/or**;"
 - (iv) The singular includes the plural, and vice versa, and each gender includes each of the others;
 - (v) Reference to any statute, rule, or regulation includes any amendment thereto or any statute, rule, or regulation enacted or promulgated in replacement thereof; and
 - (vi) The words "herein," "hereof," "hereunder" and other compounds of the word "here" shall refer to the entire Agreement and not to any particular provision.

April 30, 2020

Valaris plc
London, England

Re: Registration Statements on Form S-8 (Nos. 333-230813, 333-174611, 333-58625, 033-40282, 333-97757, 333-125048, 333-156530, 333-181593, 333-204294, 333-211588, 333-218250, 333-220859 and 333-225151) and Form S-3 (No. 333-221706).

With respect to the subject registration statements, we acknowledge our awareness of the use therein of our report dated April 30, 2020 related to our review of interim financial information.

Pursuant to Rule 436 under the Securities Act of 1933 (the Act), such report is not considered part of a registration statement prepared or certified by an independent registered public accounting firm, or a report prepared or certified by an independent registered public accounting firm within the meaning of Sections 7 and 11 of the Act.

Very truly yours,

/s/ KPMG LLP

Houston, Texas

CERTIFICATION

I, Thomas P. Burke, certify that:

1. I have reviewed this report on Form 10-Q for the fiscal quarter ending March 31, 2020 of Valaris plc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: April 30, 2020

/s/ Thomas P. Burke

Thomas P. Burke
President and Chief Executive Officer and
Director

CERTIFICATION

I, Jonathan H. Baksht, certify that:

1. I have reviewed this report on Form 10-Q for the fiscal quarter ending March 31, 2020 of Valaris plc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: April 30, 2020

/s/ Jonathan H. Baksht

Jonathan H. Baksht
Executive Vice President and
Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Valaris plc (the "Company") on Form 10-Q for the period ending March 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas P. Burke, President and Chief Executive Officer and Director of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (the "Act"), that, to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act"); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Thomas P. Burke

Thomas P. Burke
President and Chief Executive Officer and Director
April 30, 2020

The foregoing certification is being furnished solely pursuant to § 906 of the Act and Rule 13a-14(b) promulgated under the Exchange Act and is not being filed as part of the Report or as a separate disclosure document.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Valaris plc (the "Company") on Form 10-Q for the period ending March 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jonathan H. Baksht, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (the "Act"), that, to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act"); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Jonathan H. Baksht

Jonathan H. Baksht
Executive Vice President and
Chief Financial Officer

April 30, 2020

The foregoing certification is being furnished solely pursuant to § 906 of the Act and Rule 13a-14(b) promulgated under the Exchange Act and is not being filed as part of the Report or as a separate disclosure document.