

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

FORM 10-Q

(Mark One)

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

EC4N 6EU

(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 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
4.875% Senior Notes due 2022	VAL/22	New York Stock Exchange
4.50% Senior Notes due 2024	VAL24	New York Stock Exchange
4.75% Senior Notes due 2024	VAL/24	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
7.375% Senior Notes due 2025	VAL/25	New York Stock Exchange
7.75% Senior Notes due 2026	VAL26	New York Stock Exchange
5.4% Senior Notes due 2042	VAL/42	New York Stock Exchange
5.75% Senior Notes due 2044	VAL44	New York Stock Exchange
5.85% Senior Notes 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	☒	Accelerated filer	☐
Non-Accelerated filer	☐	Smaller reporting company	☐
		Emerging-growth company	☐

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

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

As of July 24, 2020, there were 199,430,217 Class A ordinary shares of the registrant issued and outstanding.

VALARIS PLC
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FOR THE QUARTER ENDED JUNE 30, 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; our ability to continue to meet the financial covenants in our debt agreements and continue as a going concern; the success of our ongoing efforts to develop and implement a restructuring of our capital structure; expected utilization, day rates, revenues, operating expenses, cash flow, contract terms, contract backlog, capital expenditures, insurance, financing and funding; the effect, impact, potential duration and other implications of the COVID-19 global pandemic; 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 difficult market conditions, our projected negative cash flows in 2020 and highly leveraged balance sheet, including:

- our failure to satisfy the obligations with respect to our indebtedness, including our missed interest payments and other cross-defaults or payment defaults, and any expiration of the related forbearance and waiver agreements with our lenders and bondholders, which have raised 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 reorganization of the Company and any resulting dilution for our shareholders;
- the COVID-19 global pandemic, the related public health measures implemented by governments worldwide and the decline in oil prices during 2020, including the duration and severity of the outbreak, the duration of the price and demand decline and the extent of disruptions to our operations;
- the dispute over production levels among members of the Organization of Petroleum Exporting Countries and other oil and gas producing nations ("OPEC+");
- 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;
- delays in contract commencement dates or 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 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;
- the reaction of our customers, prospective customers, suppliers and service providers to the increased performance and credit risks associated with our constrained liquidity position and capital structure, which reflects a recently increased risk of bankruptcy or insolvency proceedings;
- 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 attract and retain skilled personnel on commercially reasonable terms, whether due to labor regulations, unionization, or otherwise, or to retain employees, customers or suppliers as a result of our financial condition generally or as a result of a potential restructuring of our indebtedness or reorganization of the Company;
- internal control risk due to significant employee reductions;
- 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;
- 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;
- 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;
- 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, as updated in Item 1A of Part II of our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020, 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

To 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 June 30, 2020, the related condensed consolidated statements of operations and comprehensive income (loss) for the three and six-month periods ended June 30, 2020 and 2019, the related condensed consolidated statements of cash flows for the six-month periods ended June 30, 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.

Inability to Continue as a Going Concern

As indicated in Note 1 of the Company's unaudited condensed consolidated interim financial information as of June 30, 2020 and for the three-month and six-month periods then ended, certain conditions indicate that the Company may be unable to continue as a going concern. The accompanying unaudited and condensed consolidated interim financial information does not include any adjustments that might result from the outcome of this uncertainty.

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
July 30, 2020

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

	Three Months Ended June 30,	
	2020	2019
OPERATING REVENUES	\$ 388.8	\$ 583.9
OPERATING EXPENSES		
Contract drilling (exclusive of depreciation)	370.7	500.3
Loss on impairment	838.0	2.5
Depreciation	131.5	157.9
General and administrative	62.6	81.2
Total operating expenses	1,402.8	741.9
EQUITY IN EARNINGS OF ARO	(5.2)	.6
OPERATING LOSS	(1,019.2)	(157.4)
OTHER INCOME (EXPENSE)		
Interest income	5.7	11.9
Interest expense, net	(116.2)	(118.3)
Other, net	5.1	703.7
	(105.4)	597.3
INCOME (LOSS) BEFORE INCOME TAXES	(1,124.6)	439.9
PROVISION (BENEFIT) FOR INCOME TAXES		
Current income tax expense	13.8	21.2
Deferred income tax expense (benefit)	(29.6)	11.4
	(15.8)	32.6
NET INCOME (LOSS)	(1,108.8)	407.3
NET (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	1.4	(1.8)
NET INCOME (LOSS) ATTRIBUTABLE TO VALARIS	\$ (1,107.4)	\$ 405.5
EARNINGS (LOSS) PER SHARE - BASIC AND DILUTED	\$ (5.58)	\$ 2.09
WEIGHTED-AVERAGE SHARES OUTSTANDING		
Basic and Diluted	198.6	188.6

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

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

	Six Months Ended June 30,	
	2020	2019
OPERATING REVENUES	\$ 845.4	\$ 989.8
OPERATING EXPENSES		
Contract drilling (exclusive of depreciation)	846.7	832.9
Loss on impairment	3,646.2	2.5
Depreciation	296.0	282.9
General and administrative	116.0	110.8
Total operating expenses	4,904.9	1,229.1
EQUITY IN EARNINGS OF ARO	(11.5)	.6
OPERATING LOSS	(4,071.0)	(238.7)
OTHER INCOME (EXPENSE)		
Interest income	10.5	15.4
Interest expense, net	(229.4)	(199.3)
Other, net	5.6	706.0
	(213.3)	522.1
INCOME (LOSS) BEFORE INCOME TAXES	(4,284.3)	283.4
PROVISION (BENEFIT) FOR INCOME TAXES		
Current income tax expense (benefit)	(58.7)	46.8
Deferred income tax expense (benefit)	(109.1)	17.3
	(167.8)	64.1
NET INCOME (LOSS)	(4,116.5)	219.3
NET (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	2.8	(4.2)
NET INCOME (LOSS) ATTRIBUTABLE TO VALARIS	\$ (4,113.7)	\$ 215.1
EARNINGS (LOSS) PER SHARE - BASIC AND DILUTED	\$ (20.75)	\$ 1.40
WEIGHTED-AVERAGE SHARES OUTSTANDING		
Basic and Diluted	198.3	148.9

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

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

	Three Months Ended June 30,	
	2020	2019
NET INCOME (LOSS)	\$ (1,108.8)	\$ 407.3
OTHER COMPREHENSIVE INCOME (LOSS), NET		
Net change in derivative fair value	4.8	(1.6)
Reclassification of net (gains) losses on derivative instruments from other comprehensive income (loss) into net income (loss)	(10.9)	1.8
NET OTHER COMPREHENSIVE INCOME (LOSS)	(6.1)	.2
COMPREHENSIVE INCOME (LOSS)	(1,114.9)	407.5
COMPREHENSIVE (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	1.4	(1.8)
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO VALARIS	\$ (1,113.5)	\$ 405.7

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

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

	Six Months Ended June 30,	
	2020	2019
NET INCOME (LOSS)	\$ (4,116.5)	\$ 219.3
OTHER COMPREHENSIVE INCOME (LOSS), NET		
Net change in derivative fair value	(8.1)	(1.6)
Reclassification of net (gains) losses on derivative instruments from other comprehensive income (loss) into net income (loss)	(11.0)	3.4
Other	(.4)	(.1)
NET OTHER COMPREHENSIVE INCOME (LOSS)	(19.5)	1.7
COMPREHENSIVE INCOME (LOSS)	(4,136.0)	221.0
COMPREHENSIVE (INCOME) LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	2.8	(4.2)
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO VALARIS	\$ (4,133.2)	\$ 216.8

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)

	June 30, 2020	December 31, 2019
	(Unaudited)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 202.0	\$ 97.2
Accounts receivable, net	363.3	520.7
Other current assets	500.8	446.5
Total current assets	1,066.1	1,064.4
PROPERTY AND EQUIPMENT, AT COST	13,220.3	18,393.8
Less accumulated depreciation	2,027.7	3,296.9
Property and equipment, net	11,192.6	15,096.9
LONG-TERM NOTES RECEIVABLE FROM ARO	452.8	452.9
INVESTMENT IN ARO	117.2	128.7
OTHER ASSETS	210.2	188.3
	\$ 13,038.9	\$ 16,931.2
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable - trade	\$ 151.9	\$ 288.2
Accrued liabilities and other	398.1	417.7
Current maturities of long-term debt	2,518.1	124.8
Total current liabilities	3,068.1	830.7
LONG-TERM DEBT	4,092.2	5,923.5
OTHER LIABILITIES	693.2	867.4
COMMITMENTS AND CONTINGENCIES		
VALARIS SHAREHOLDERS' EQUITY		
Class A ordinary shares, U.S. \$.40 par value, 206.1 and 205.9 million shares issued as of June 30, 2020 and December 31, 2019	82.5	82.4
Class B ordinary shares, £1 par value, 50,000 shares issued as of June 30, 2020 and December 31, 2019	.1	.1
Additional paid-in capital	8,639.9	8,627.8
Retained (deficit) earnings	(3,442.0)	671.7
Accumulated other comprehensive (loss) income	(13.3)	6.2
Treasury shares, at cost, 6.8 million and 7.9 million shares as of June 30, 2020 and December 31, 2019	(76.8)	(77.3)
Total Valaris shareholders' equity	5,190.4	9,310.9
NONCONTROLLING INTERESTS	(5.0)	(1.3)
Total equity	5,185.4	9,309.6
	\$ 13,038.9	\$ 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)

	Six Months Ended June 30,	
	2020	2019
OPERATING ACTIVITIES		
Net income (loss)	\$ (4,116.5)	\$ 219.3
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Loss on impairment	3,646.2	2.5
Depreciation expense	296.0	282.9
Deferred income tax expense (benefit)	(109.1)	17.3
Debt discounts and other	28.8	8.7
Share-based compensation expense	13.5	19.2
Amortization, net	12.2	(17.3)
Equity in earnings of ARO	11.5	(.6)
(Gain on) adjustment to bargain purchase	6.3	(712.8)
Other	(2.7)	2.9
Changes in operating assets and liabilities	(156.7)	(111.5)
Contributions to pension plans and other post-retirement benefits	(10.6)	(4.0)
Net cash used in operating activities	(381.1)	(293.4)
INVESTING ACTIVITIES		
Additions to property and equipment	(67.1)	(134.8)
Net proceeds from disposition of assets	13.8	4.5
Maturities of short-term investments	—	339.0
Rowan cash acquired	—	931.9
Purchases of short-term investments	—	(145.0)
Net cash provided by (used in) investing activities	(53.3)	995.6
FINANCING ACTIVITIES		
Borrowings on credit facility	566.0	—
Repayments of credit facility borrowings	(15.0)	—
Reduction of long-term borrowings	(9.7)	—
Debt solicitation fees	—	(8.7)
Cash dividends paid	—	(4.5)
Other	(1.9)	(4.7)
Net cash provided by (used in) financing activities	539.4	(17.9)
Effect of exchange rate changes on cash and cash equivalents	(.2)	(.3)
INCREASE IN CASH AND CASH EQUIVALENTS	104.8	684.0
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	97.2	275.1
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 202.0	\$ 959.1

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 and six months ended June 30, 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 and six months ended June 30, 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.

Going Concern

Following several years of market volatility beginning with oil price declines in 2014, as we entered 2020, we expected that volatility to continue over the near-term with the expectation that long-term oil prices would remain at levels sufficient to support a continued gradual recovery in the demand for offshore drilling services. We were focused on opportunities to put our rigs to work, manage liquidity, extend our financial runway, and reduce debt as we sought to navigate the extended market downturn and improve our balance sheet. Recognizing our ability to maintain a sufficient level of liquidity to meet our financial obligations depended upon our future performance, which is subject to general economic conditions, industry cycles and financial, business and other factors affecting our operations, many of which are beyond our control, we had significant financial flexibility within our capital structure to support our liability management efforts. Since then, the combined effects of the global COVID-19 pandemic, the significant decline in the demand for oil and the substantial surplus in the supply of oil have resulted in significantly reduced demand and day rates for offshore drilling provided by the Company and increased uncertainty regarding long-term market conditions.

The development of COVID-19 into a pandemic, the actions taken to mitigate the spread of COVID-19 by governmental authorities around the world and the risk of infection have altered, and are expected to continue to alter, policies of governments and companies and behaviors of customers around the world in ways that we anticipate will have a significant negative effect on oil consumption, with measures such as government-imposed or voluntary social

distancing and quarantining, reduced travel and remote work policies. At the start of the COVID-19 pandemic and related mitigation efforts, disagreements developed within OPEC+ as certain oil producers competing for market share initiated efforts to aggressively increase oil production, thereby increasing inventory levels even further. The convergence of these events resulted in a significant decline in the demand for oil and a substantial surplus in the supply of oil in the first half of 2020, leading oil producers to cancel or shorten the duration of many of the Company's 2020 drilling contracts, cancel future drilling programs and seek pricing and other contract concessions. As a result, the Company's earnings, cash flows and rig values were significantly, adversely impacted in the six months ended June 30, 2020. Although OPEC+ agreed in April 2020 to reduce production, the continued decreased demand for crude oil and historically low oil prices are expected to continue for the foreseeable future. Such challenging conditions had, and are expected to continue to have, a significant impact on our business, operations and financial condition in various respects, including substantially reducing demand for our services.

These events have had a meaningful adverse impact on our current and expected liquidity position and financial runway. The Company did not make interest payments due in June and July 2020 on the Defaulted Notes (as defined herein). The June 2020 missed interest payments represent a default or event of default under the Defaulted Notes. An aggregate of approximately \$2.1 billion is outstanding under the Defaulted Notes. Pursuant to the Second A&R Waiver (as defined herein), the lenders under our revolving credit facility have waived certain defaults and events of default under the revolving credit facility, including in relation to the non-payment of interest on the Defaulted Notes, and pursuant to the Forbearance Agreement (as defined herein), certain holders of our senior notes have agreed to forbear from the exercise of certain rights and remedies that they have with respect to certain specified defaults and events of defaults (including cross-defaults). The Second A&R Waiver and the Forbearance Agreement each terminate automatically on August 3, 2020. See "[Note 10 - Debt](#)" for a description of the terms of the Second A&R Waiver and the Forbearance Agreement.

Based on our evaluation of the circumstances described above, coupled with significant asset impairments (See [Note 6](#) - "Property and Equipment") and substantial borrowings on our revolving credit facility, we determined that there was a significant level of uncertainty as to whether we will be in compliance over the next 12 months 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%. If we exceed the total debt to total capitalization covenant in our revolving credit facility, further borrowings under the revolving credit facility would not be permitted, absent a waiver in respect of the resulting event of default from the breach of the total debt to total capitalization covenant, and all outstanding borrowings could become immediately due and payable by actions of lenders holding a majority of the commitments under the revolving credit facility. Any such acceleration would trigger a cross-acceleration event of default with respect to approximately \$2.1 billion outstanding under the Defaulted Notes. In addition to the approximately \$58.5 million of missed interest payments on the Defaulted Notes discussed above, there is substantial uncertainty whether we will pay \$79.2 million of interest on other series of outstanding notes on or prior to August 15, 2020 together with the \$122.9 million outstanding principal amount of our 6.875% Senior Notes due on August 15, 2020. Therefore, due to the uncertainty as to our ability to comply with our debt covenants over the next 12 months and the related potential for cross-covenant defaults, we concluded that there is a substantial doubt regarding our ability to continue as a going concern within one year after the date that the financial statements are issued.

We are actively pursuing a variety of transactions and cost-cutting measures, including, but not limited to, further reductions in corporate overhead and discretionary expenditures, another potential waiver from lenders under, or amendment to, our revolving credit facility, another potential forbearance from holders of our senior notes, further reductions in capital expenditures and increased focus on operational efficiencies. We are also actively negotiating with certain holders of our senior notes and the lenders under our revolving credit facility regarding a comprehensive restructuring of our indebtedness. While there can be no assurances as to ultimate timing, we expect our restructuring is likely to be implemented imminently through cases under Chapter 11 of the U.S. Bankruptcy Code and that our restructuring may result in cancellation of existing equity interests and little or no recovery to existing shareholders.

In light of the foregoing, the unaudited condensed consolidated financial statements included herein were prepared on a going concern basis of accounting, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The consolidated financial statements do not reflect any adjustments that

might be necessary should we be unable to continue as a going concern. We will continue to evaluate our going concern assessment in connection with future periodic reports.

New Accounting Pronouncements

Recently adopted accounting standards

Credit Losses - In June 2016, the Financial Accounting Standards Board ("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.

Accounting pronouncements to be adopted

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 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, for which an entity has elected certain optional expedients 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 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 ASU No. 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 June 30, 2020 was between approximately one month and four years.

Day Rate Drilling Revenue

Our drilling contracts provide for payment on a day rate basis and include a rate schedule with higher rates for periods when the drilling unit is operating and lower rates or zero rates for periods when drilling operations are interrupted or restricted. The day rate invoiced to the customer is determined based on the varying rates applicable to specific activities performed on an hourly basis 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):

	June 30, 2020	December 31, 2019
Current contract assets	\$ 6.6	\$ 3.5
Noncurrent contract assets	\$.5	\$ —
Current contract liabilities (deferred revenue)	\$ 31.5	\$ 30.0
Noncurrent contract liabilities (deferred revenue)	\$ 11.2	\$ 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	4.6	—
Increase due to cash received	—	23.5
Decrease due to amortization of deferred revenue that was included in the beginning contract liability balance	—	(17.5)
Decrease due to amortization of deferred revenue that was added during the period	—	(3.0)
Decrease due to transfer to receivables during the period	(1.0)	—
Balance as of June 30, 2020	\$ 7.1	\$ 42.7

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 \$20.8 million and \$19.7 million as of June 30, 2020 and December 31, 2019, respectively. During the three and six months ended June 30, 2020, amortization of such costs totaled \$17.5 million and \$28.9 million, respectively. During the three and six months ended June 30, 2019, amortization of such costs totaled \$14.7 million and \$21.1 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 \$9.5 million and \$10.8 million as of June 30, 2020 and December 31, 2019, respectively. During the three and six months ended June 30, 2020, amortization of such costs totaled \$2.6 million and \$5.7 million, respectively. During the three and six months ended June 30, 2019, amortization of such costs totaled \$2.8 million and \$5.7 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 June 30, 2020 is set forth in the table below (in millions):

	Remaining 2020	2021	2022	2023 and Thereafter	Total
Amortization of contract liabilities	\$ 21.6	\$ 17.2	\$ 3.9	\$ —	\$ 42.7
Amortization of deferred costs	\$ 15.7	\$ 11.1	\$ 3.2	\$.3	\$ 30.3

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 first quarter of 2020 and are included in other, net, in our condensed consolidated statements of operations for the six months ended June 30, 2020.

⁽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.

As a result of a price concession negotiated following the onset of the COVID-19 pandemic, on one of our bare boat charter agreements for a rig leased to our 50/50 joint venture with Saudi Aramco ("ARO"), we recognized a \$5.7 million impairment to the related contract intangible during the quarter ending June 30, 2020. The impairment was included in loss on impairment in our condensed consolidated statements of operations for the three and six months ended June 30, 2020.

Amortization of the intangible assets and liabilities resulted in a net reduction of operating revenues of \$0.6 million and \$1.9 million for the three and six months ended June 30, 2020. The remaining balance of intangible assets and liabilities of \$3.8 million and \$0.9 million, respectively, was included in other assets and other liabilities, respectively, on our condensed consolidated balance sheet as of June 30, 2020. These balances will be amortized to operating revenues over the respective remaining contract terms on a straight-line basis. As of June 30, 2020, the remaining term of the underlying contracts is approximately 1.5 years. Amortization of these intangibles is expected to result in a reduction to revenue of \$0.9 million and \$2.0 million for the remainder of 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 \$159.6 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 \$104.5 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 \$15.0 million and \$17.8 million for the three and six months ended June 30, 2019. These costs were included in general and administrative expense in our condensed consolidated statement of operations.

Revenue and Earnings of Rowan

Our condensed consolidated statements of operations for the three and six months ended June 30, 2019 include revenues of \$147.2 million and a net loss of \$95.3 million associated with Rowan's operations from the Transaction Date through June 30, 2019.

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 June 30, 2019	Six Months Ended June 30, 2019
Revenues	\$ 599.0	\$ 1,179.5
Net loss	\$ (271.3)	\$ (591.8)
Loss per share - basic and diluted	\$ (1.38)	\$ (3.02)

- ⁽¹⁾ Pro forma net loss and loss per share were adjusted to exclude an aggregate \$71.5 million and \$80.8 million of transaction-related and integration costs incurred during the three and six months ended June 30, 2019, respectively, and the estimated \$712.8 million bargain purchase gain.

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 June 30, 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 shipyard 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 remained 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. During the quarter ended June 30, 2020, almost all remaining employees seconded to ARO became employees of 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 as well as the rigs leased from us.

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 related. 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		Six Months Ended		April 11 - June
	June 30, 2020				30, 2019
Revenues	\$	146.0	\$	286.3	\$ 123.8
Operating expenses					
Contract drilling (exclusive of depreciation)		112.5		220.8	78.9
Depreciation		13.3		26.3	12.4
General and administrative		7.1		15.4	5.3
Operating income		13.1		23.8	27.2
Other expense, net		6.7		13.3	8.7
Provision (Benefit) for income taxes		(.2)		.7	1.7
Net income	\$	6.6	\$	9.8	\$ 16.8

	June 30, 2020		December 31, 2019	
Current assets	\$	349.2	\$	407.2
Non-current assets		924.1		874.8
Total assets	\$	1,273.3	\$	1,282.0
Current liabilities	\$	206.8	\$	183.2
Non-current liabilities		973.4		1,015.5
Total liabilities	\$	1,180.2	\$	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 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	Six Months Ended	April 11 - June
	June 30, 2020		30, 2019
50% interest in ARO net income	\$ 3.3	\$ 4.9	\$ 8.4
Amortization of basis differences	(8.5)	(16.4)	(7.8)
Equity in earnings of ARO	\$ (5.2)	\$ (11.5)	\$.6

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	Six Months Ended	April 11 - June
	June 30, 2020		30, 2019
Lease revenue	\$ 19.9	\$ 41.4	\$ 18.3
Secondment and Transition Services revenue	.2	22.0	20.8
Total revenue from ARO ⁽¹⁾	\$ 20.1	\$ 63.4	\$ 39.1

⁽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 items above totaled \$8.6 million and \$21.8 million as of June 30, 2020 and December 31, 2019, respectively, and are included in accounts receivable, net, on our condensed consolidated balance sheets.

Additionally, as of December 31, 2019, we had a receivable from ARO of \$14.2 million related to an agreement between us and ARO, pursuant to which ARO would reimburse us for certain capital expenditures related to the shipyard upgrade projects for the VALARIS JU-147 and VALARIS JU-148. Such amount was received in the first quarter of 2020.

We had no amounts payable to ARO as of June 30, 2020 and \$0.7 million as of December 31, 2019.

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 June 30, 2020 and December 31, 2019, the carrying amount of the long-term notes receivable from ARO was \$452.8 million and \$452.9 million, respectively. 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 and \$9.2 million for the three and six months ended June 30, 2020, respectively and \$5.1 million for the period from April 11 through June 30, 2019. As of June 30, 2020, our interest receivable from ARO was \$9.2 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 and contract assets related to services provided to ARO, partially offset by payables for services received.

	June 30, 2020	December 31, 2019
Total assets	\$ 593.7	\$ 623.5
Less: total liabilities	—	.7
Maximum exposure to loss	\$ 593.7	\$ 622.8

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 June 30, 2020				
Supplemental executive retirement plan assets	\$ 22.3	\$ —	\$ —	\$ 22.3
Total financial assets	22.3	—	—	22.3
Derivatives, net	—	(1.0)	—	(1.0)
Total financial liabilities	\$ —	\$ (1.0)	\$ —	\$ (1.0)
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 provided 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 a rabbi trust maintained for the SERP are 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 June 30, 2020 and December 31, 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):

	June 30, 2020		December 31, 2019	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
6.875% Senior notes due 2020	\$ 123.4	\$ 9.7	\$ 124.8	\$ 117.3
4.70% Senior notes due 2021	100.5	7.1	113.2	95.5
4.875% Senior notes due 2022	603.3	69.2	599.2	460.5
3.00% Exchangeable senior notes due 2024 ⁽¹⁾	716.2	124.0	699.0	607.4
4.50% Senior notes due 2024	302.1	26.3	302.0	167.2
4.75% Senior notes due 2024	280.8	33.5	276.5	201.4
8.00% Senior notes due 2024	295.4	19.4	295.7	181.7
5.20% Senior notes due 2025	331.9	28.1	331.7	186.7
7.375% Senior notes due 2025	331.4	37.2	329.2	218.6
7.75% Senior notes due 2026	988.2	82.6	987.1	575.1
7.20% Debentures due 2027	111.7	15.7	111.7	70.0
7.875% Senior notes due 2040	372.3	22.1	373.3	153.5
5.40% Senior notes due 2042	263.7	42.3	262.8	194.4
5.75% Senior notes due 2044	974.4	76.4	973.3	450.0
5.85% Senior notes due 2044	269.5	44.6	268.8	194.8
Amounts borrowed under credit facility ⁽²⁾	545.5	551.0	—	—
Total debt	\$ 6,610.3	\$ 1,189.2	\$ 6,048.3	\$ 3,874.1
Less: current maturities	2,518.1	794.6	124.8	117.3
Total long-term debt	\$ 4,092.2	\$ 394.6	\$ 5,923.5	\$ 3,756.8

⁽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 \$839.9 million and \$838.3 million as of June 30, 2020 and December 31, 2019, respectively.

⁽²⁾ Total outstanding borrowings under our credit facility are \$551.0 million and are recorded net of \$5.5 million of unamortized deferred financing cost on our condensed consolidated balance sheet. In addition, we have \$37.8 million in letters of credit issued under our credit facility, leaving \$1.0 billion of undrawn borrowing capacity at June 30, 2020.

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 June 30, 2020 and December 31, 2019.

Note 6 - Property and Equipment

Property and equipment as of June 30, 2020 and December 31, 2019 consisted of the following (in millions):

	June 30, 2020	December 31, 2019
Drilling rigs and equipment	\$ 12,559.5	\$ 17,714.0
Work-in-progress	473.2	473.6
Other	187.6	206.2
	\$ 13,220.3	\$ 18,393.8

Impairment of Long-Lived Assets

During the three and six months ended June 30, 2020, we recorded pre-tax, non-cash impairments with respect to certain floaters, jackups and spare equipment of \$832.3 million and \$3.6 billion, respectively, which were included in loss on impairment in our condensed consolidated statement of operations for the respective periods.

Assets held-for-use

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

During the second quarter, given the anticipated sustained market impacts arising from the decline in oil price and demand late in the first quarter, we revised our long-term operating assumptions which resulted in a triggering event for purposes of evaluating impairment and we performed a fleet-wide recoverability test. As a result, we recorded a pre-tax, non-cash impairment with respect to two floaters and spare equipment totaling \$817.3 million. We measured the fair value of these assets to be \$69.0 million at the time of impairment by applying an income approach 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 the income approach, assumptions regarding future day rates, utilization, operating costs and capital requirements.

During the first quarter, the COVID-19 global pandemic and the response thereto negatively impacted the macro-economic environment and global economy. Global oil demand fell sharply at the same time global oil supply increased as a result of certain oil producers competing for market share which lead to a supply glut. As a consequence, Brent crude oil fell from around \$60 per barrel at year-end 2019 to around \$20 per barrel as of mid-April 2020. These adverse changes and impacts to our customer's capital expenditure plans 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 in the first quarter with respect to certain floaters, jackups and spare equipment totaling \$2.8 billion. We measured the fair value of these assets to be \$72.3 million at the time of impairment 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 took into account then current market conditions and our anticipated business outlook at that time, both of which had been impacted by the adverse changes in the business environment observed during the first quarter.

Assets held-for-sale

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. 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. To this end, we continually assess our rig portfolio and actively work with our rig broker to market certain rigs.

On a quarterly basis, we assess whether any rig meets the criteria established for held-for-sale classification on our balance sheet. All rigs classified as held-for-sale are recorded at fair value, less costs to sell. We measure the fair value of our assets held-for-sale by applying a market approach based on unobservable third-party estimated prices that would be received in exchange for the assets in an orderly transaction between market participants or a negotiated sales price. We reassess the fair value of our held-for-sale assets on a quarterly basis and adjust the carrying value, as necessary.

During the second quarter of 2020, we began marketing the VALARIS 8500, VALARIS 8501, VALARIS 8502, VALARIS DS-3, VALARIS DS-5, VALARIS DS-6 and VALARIS JU-105. We concluded that the rigs met the held-for-sale criteria during the second quarter of 2020 and their carrying value was reduced to fair value, less costs to sell, based on their estimated sales price. We recorded a pre-tax, non-cash loss on impairment totaling \$15.0 million, which was included in loss on impairment in our condensed consolidated statement of operations for the three and six months ended June 30, 2020. In July 2020, we completed the sale of all of these rigs, except VALARIS DS-6, VALARIS 8502 and VALARIS JU-105.

Our seven held-for-sale rigs had a remaining aggregate carrying value of \$20.9 million and are included in other assets, net, on our condensed consolidated balance sheet as of June 30, 2020.

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 and retiree medical cost were as follows (in millions):

	Three Months Ended		Six Months Ended	April 11 - June 30,
	June 30, 2020			2019
Service cost ⁽¹⁾	\$	.7	\$	1.3
Interest cost ⁽²⁾		6.4		12.9
Expected return on plan assets ⁽²⁾		(9.5)		(19.0)
Net periodic pension and retiree medical cost (income)	\$	(2.4)	\$	(4.8)
			\$	(1.3)

⁽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 six months ended June 30, 2020, we contributed \$10.6 million to our pension and other post-retirement benefit plans and we do not expect to make additional contributions to such plans for the remainder of 2020. Approximately \$21.4 million of anticipated payments have been deferred to January 1, 2021 as a result of relief provided

under the U.S. Cares Act. These amounts 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 June 30, 2020 and December 31, 2019, our condensed consolidated balance sheets included net foreign currency derivative liabilities of \$1.0 million and assets of \$5.4 million, respectively. All of our derivative instruments mature during the next 15 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	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Derivatives Designated as Hedging Instruments				
Foreign currency forward contracts - current ⁽¹⁾	\$ 1.1	\$ 4.2	\$ 4.0	\$.7
Foreign currency forward contracts - non-current ⁽²⁾	.3	.8	.2	—
	\$ 1.4	\$ 5.0	\$ 4.2	\$.7
Derivatives not Designated as Hedging Instruments				
Foreign currency forward contracts - current ⁽¹⁾	\$ 2.0	\$ 1.3	\$.2	\$.2
Total	\$ 3.4	\$ 6.3	\$ 4.4	\$.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 future expected contract drilling expenses and capital expenditures denominated in various currencies. As of June 30, 2020, we had cash flow hedges outstanding to exchange an aggregate \$134.9 million for various foreign currencies, including \$74.7 million for British pounds, \$39.4 million for Australian dollars, \$9.2 million for euros and \$11.6 million for other currencies.

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

Three Months Ended June 30, 2020 and 2019

	Gain (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
Foreign currency forward contracts ⁽²⁾	\$ 4.8	\$ (1.6)	\$ (10.9)	\$ 1.8

Six Months Ended June 30, 2020 and 2019

	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 ⁽³⁾	\$ —	\$ —	\$ —	\$.1
Foreign currency forward contracts ⁽⁴⁾	(8.1)	(1.6)	(11.0)	3.3
Total	\$ (8.1)	\$ (1.6)	\$ (11.0)	\$ 3.4

⁽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⁾ During the three months ended June 30, 2020, \$1.6 million of losses were reclassified from AOCI into contract drilling expense and \$12.5 million of gains were reclassified from AOCI into depreciation expense in our condensed consolidated statement of operations. During the three months ended June 30, 2019, \$2.0 million of losses were reclassified from AOCI into contract drilling expense and \$200,000 of gains were reclassified from AOCI into depreciation expense in our condensed consolidated statement of operations.

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

⁽⁴⁾ During the six months ended June 30, 2020, \$2.5 million of losses were reclassified from AOCI into contract drilling expense and \$13.5 million of gains were reclassified from AOCI into depreciation expense in our condensed consolidated statement of operations. During the six months ended June 30, 2019, \$3.7 million of losses were reclassified from AOCI into contract drilling expense and \$400,000 of gains were reclassified from AOCI into depreciation expense in our condensed consolidated statement of operations.

We have net assets and liabilities denominated in numerous foreign currencies and use various methods to manage our exposure to foreign currency exchange rate risk. We predominantly structure our drilling contracts in U.S. dollars, which significantly reduces the portion of our cash flows and assets denominated in foreign currencies. We occasionally enter into derivatives that hedge the fair value of recognized foreign currency denominated assets or liabilities but do not designate such derivatives as hedging instruments. In these situations, a natural hedging relationship generally exists whereby changes in the fair value of the derivatives offset changes in the fair value of the underlying hedged items. As of June 30, 2020, we did not have foreign currency exposure due to our outstanding derivatives not designated as hedging instruments.

Net gains of \$1.4 million and net losses of \$2.2 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 months ended June 30, 2020 and 2019, respectively. Net gains of \$1.3 million and net losses of \$5.3 million associated

with our derivatives not designated as hedging instruments were included in other, net, in our condensed consolidated statements of operations for the six months ended June 30, 2020 and 2019, respectively.

As of June 30, 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 \$1.9 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 the three and six months ended June 30, 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 and six months ended June 30, 2020 and 2019 (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Income (loss) from continuing operations attributable to Valaris	\$ (1,107.4)	\$ 405.5	\$ (4,113.7)	\$ 215.1
Income from continuing operations allocated to non-vested share awards ⁽¹⁾	—	(12.1)	—	(6.3)
Income (loss) from continuing operations attributable to Valaris shares	\$ (1,107.4)	\$ 393.4	\$ (4,113.7)	\$ 208.8

⁽¹⁾ Losses are not allocated to non-vested share awards. Due to the net loss position, potentially dilutive share awards are excluded from the computation of diluted EPS. There were no potentially dilutive share awards for the three and six months ended June 30, 2019.

Anti-dilutive share awards totaling 400,000 were excluded from the computation of diluted EPS for the three and six months ended June 30, 2020, respectively. Anti-dilutive share awards totaling 400,000 and 300,000 were excluded from the computation of diluted EPS for the three and six months ended June 30, 2019, respectively.

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 and six months ended June 30, 2020 and 2019.

Note 10 - Debt

Second A&R Waiver

On July 15, 2020, the Company, certain lenders party thereto, Citibank, N.A., as administrative agent (the "Agent"), and the other parties party thereto entered into a Second Amended and Restated Waiver to Fourth Amended and Restated Credit Agreement (the "Second A&R Waiver"), which amends, restates and replaces the Amended and Restated Waiver to Fourth Amended and Restated Credit Agreement, dated June 30, 2020 (the "A&R Waiver"), which was previously entered into by the Company, certain lenders party thereto, the Agent and the other parties thereto and which amended, restated and replaced the Waiver to Fourth Amended and Restated Credit Agreement, dated June 1,

2020, which was previously entered into by the Company, certain lenders party thereto, the Agent and the other parties party thereto (the “Initial Waiver”).

The Initial Waiver was entered into under the Company’s Fourth Amended and Restated Credit Agreement dated May 7, 2013 (as amended, the “revolving credit facility”) to waive any resulting default or event of default attributed to any failure by the Company or any of its subsidiaries to make all or any part of their required interest payments due (i) on June 1, 2020 with respect to the Company’s 4.875% Senior Notes due 2022 (the “2022 Notes”) and 5.40% Senior Notes due 2042 (the “2042 Notes”) (collectively, the “June 1 Interest Payments”) and (ii) on June 15, 2020 with respect to the Company’s 7.375% Senior Notes due 2025 (the “2025 Notes”) (the “June 15 Interest Payments”) and together with the June 1 Interest Payments, the “June Interest Payments”). The A&R Waiver was entered into by the parties thereto to continue to waive any default or event of default addressed in the A&R Waiver as well as to also waive any default or event of default under the revolving credit facility resulting from any cross-defaults (the “June 1 Cross-Defaults”) under the 2022 Notes, 2042 Notes, 2025 Notes, the 4.75% Senior Notes due 2024 (the “2024 Notes”) and the 5.85% Senior Notes due 2044 (the “2044 Notes”) and, collectively, the “Defaulted Notes”) in respect of the failure to pay the June 1 Interest Payments.

The Second A&R Waiver was entered into to continue to waive any default or event of default under the revolving credit facility attributed to (i) the failure to make the June Interest Payments and (ii) the June 1 Cross-Defaults. Additionally, the Second A&R Waiver waived any default or event of default under the revolving credit facility attributed to (i) any failure by the Company or any of its subsidiaries to make all or any part of their required interest payments due on (a) July 15, 2020, with respect to the Company’s 2024 Notes and 2044 Notes, (b) July 31, 2020, with respect to the Company’s 8.00% Senior Notes due 2024 and with respect to a subsidiary of the Company’s 3.00% Exchangeable Notes due 2024 and (c) August 1, 2020, with respect to the Company’s 7.75% Senior Notes due 2025, (ii) any resulting cross-defaults under the Defaulted Notes in respect of the failure to pay the June Interest Payments and (iii) an additional waiver relating to a vendor payment.

The Second A&R Waiver will remain in effect until the earliest of (i) August 3, 2020, (ii) termination or invalidity of the Forbearance Agreement (as defined below), the Forbearance Agreement ceasing to be in full force and effect or amendment of the Forbearance Agreement without consent of the requisite number of revolving credit facility lenders, (iii) acceleration by the holders of any of the Defaulted Notes in accordance with the terms of the Defaulted Notes and (iv) the date on which the aggregate amount of advances (excluding letter of credit obligations) outstanding under the revolving credit facility exceeds \$630.0 million. The Second A&R Waiver includes customary representations and does not limit, impair or constitute a waiver of the rights and remedies of the lenders or the Agent, and except as expressly provided in the Second A&R Waiver and does not amend or affect the terms of the revolving credit facility.

Noteholder Forbearance

On July 15, 2020, the Company entered into a Forbearance Agreement (the “Forbearance Agreement”) pursuant to that certain indenture dated July 21, 2009 between the Company and U.S. Bank National Association, as indenture trustee, under which the respective Defaulted Notes were issued with certain beneficial holders or investment managers or advisors for such beneficial holders (the “Supporting Holders”). At the time of entry into the Forbearance Agreement, the Supporting Holders held (i) approximately 44.0% of the outstanding 2022 Notes, (ii) approximately 74.2% of the outstanding 2024 Notes, (iii) approximately 65.3% of the outstanding 2025 Notes, (iv) approximately 68.9% of the outstanding 2042 Notes and (v) approximately 82.9% of the outstanding 2044 Notes. The parties previously entered into a Forbearance Agreement on June 30, 2020 that expired on July 15, 2020.

Pursuant to the Forbearance Agreement, the Supporting Holders have agreed to (i) forbear from the exercise of certain rights and remedies that they have under the related indenture or applicable law with respect to certain specified defaults and events of defaults (including cross-defaults as a result of an acceleration) and (ii) in the event that the applicable trustee or any holder or group of holders takes any action which results in an acceleration during the Forbearance Period (as defined below), to deliver written notice to the applicable trustee to rescind such acceleration and its consequences and take all other action in their power to cause such acceleration to be rescinded and annulled.

The Company and the Supporting Holders have agreed to continue this forbearance until the earlier of (i) August 3, 2020, (ii) the occurrence of any other default or event of default under the related indenture that is not cured within any applicable grace period, (iii) the acceleration of the Company's obligations under the revolving credit facility, (iv) the termination or invalidity of the Second A&R Waiver, the Second A&R Waiver otherwise ceasing to be in full force and effect, or the Second A&R Waiver being amended, supplemented or otherwise modified in each case without the consent of the Supporting Holders, (v) the commencement of a case under title 11 of the United States Code or any similar reorganization, liquidation, insolvency or receivership proceeding by or against the Company or a subsidiary of the Company or (vi) the failure of the Company to timely comply with any term, condition or covenant set forth in the Forbearance Agreement (such period, the "Forbearance Period").

Senior Notes

We did not make interest payments due in June and July 2020 on the Defaulted Notes. The June 2020 missed interest payments represent current events of default under the Defaulted Notes. We have entered into the Forbearance Agreement pursuant to which certain holders of our senior notes have agreed to forbear from the exercise of certain rights and remedies that they have with respect to certain specified defaults and events of defaults (including cross-defaults). However, the events of default under the Defaulted Notes have not been waived and still exist, and the Forbearance Agreement will terminate automatically on August 3, 2020 and may be terminated upon certain other events that may occur prior to August 3, 2020. Accordingly, the amounts outstanding under the Defaulted Notes were classified as current in the accompanying Condensed Consolidated Balance Sheet as of June 30, 2020.

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 5.40% unsecured senior notes due 2042 and (6) \$400.0 million in aggregate principal amount of 5.85% unsecured senior notes due 2044. 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 June 30, 2020, we had \$588.8 million outstanding under our credit facility, inclusive of \$37.8 million in letters of credit, leaving \$1.0 billion of undrawn capacity available. 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 six months of 2020, we incurred impairments of \$3.6 billion, which contributed to an increase in the total debt to total capitalization ratio to 57.7% as of June 30, 2020. As of June 30, 2020, we were in compliance with our debt covenants due to the Second A&R Waiver. There is a significant level of uncertainty that we will remain in compliance with our credit facility covenants during the next twelve months. The full impact that the pandemic and the decline in oil prices and demand 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 in respect of the resulting event of default, 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 outstanding under the Defaulted Notes.

The failure to make the interest payments due in June 2020 on the Defaulted Notes would have represented an event of default under the revolving credit facility if it had not been waived pursuant to the Second A&R Waiver. We have entered into the Second A&R Waiver pursuant to which the lenders under our revolving credit facility have waived certain defaults and events of default under the revolving credit facility, including in relation to the non-payment of interest under the Defaulted Notes. However, the Second A&R Waiver will terminate automatically on August 3, 2020 and may be terminated upon certain other events that may occur prior to August 3, 2020, including if advances

outstanding under the revolving credit facility exceed \$630.0 million. Accordingly, the amounts outstanding under the revolving credit facility were classified as current in the accompanying Condensed Consolidated Balance Sheet as of June 30, 2020.

The revolving credit 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 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. 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

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 in other, net, in the consolidated statement of operations.

Note 11 -
Shareholders' Equity

Activity in our various shareholders' equity accounts for the three and six months ended June 30, 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)
Net loss	—	—	—	(1,107.4)	—	—	(1.4)
Shares issued under share-based compensation plans, net	.2	.1	(.7)	—	—	.6	—
Repurchase of shares	—	—	—	—	—	(.1)	—
Share-based compensation cost	—	—	5.7	—	—	—	—
Net other comprehensive loss	—	—	—	—	(6.1)	—	—
Distributions to noncontrolling interests	—	—	—	—	—	—	(.9)
BALANCE, June 30, 2020	206.1	\$ 82.6	\$ 8,639.9	\$ (3,442.0)	\$ (13.3)	\$ (76.8)	\$ (5.0)

	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)
Net income	—	—	—	405.5	—	—	1.8
Equity issuance in connection with the Rowan Transaction	88.0	35.2	1,367.5	—	—	.1	—
Shares issued under share-based compensation plans, net	2.6	1.1	(1.1)	—	—	(.8)	—
Repurchase of shares	—	—	—	—	—	(1.4)	—
Share-based compensation cost	—	—	13.8	—	—	—	—
Net other comprehensive income	—	—	—	—	.2	—	—
BALANCE, June 30, 2019	205.8	\$ 82.5	\$ 8,610.4	\$ 1,084.8	\$ 19.9	\$ (77.0)	\$ 1.6

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 and six months ended June 30, 2020 and 2019. We used a discrete effective tax rate method to calculate income taxes for the three and six months ended June 30, 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 months ended June 30, 2020 was \$47.3 million and was primarily attributable to rig impairments and other resolutions of prior year tax matters. Discrete income tax benefit for the three months ended June 30, 2019 was \$1.2 million and was primarily attributable to resolution of prior period tax matters. Excluding the aforementioned discrete tax items, income tax expense for the three months ended June 30, 2020 and 2019 was \$31.5 million and \$33.8 million, respectively.

Discrete income tax benefit for the six months ended June 30, 2020 was \$211.7 million and was primarily attributable to a restructuring transaction, rig impairments, implementation of the U.S. Cares Act, changes in liabilities for unrecognized tax benefits associated with tax positions taken in prior years and the resolution of other prior period tax matters. Discrete income tax benefit for the six months ended June 30, 2019 was \$0.6 million and was primarily attributable to unrecognized tax benefits associated with tax positions taken in prior years and the resolution of other prior period tax matters. Excluding the aforementioned discrete tax items, income tax expense for the six months ended June 30, 2020 and 2019 was \$43.9 million and \$64.7 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 4.875% unsecured senior notes due 2022, 5.40% unsecured senior notes due 2042, 7.375% unsecured senior notes due 2025, 4.75% unsecured senior notes due

2024 and 5.85% unsecured senior notes due 2044. We recognized a tax benefit of \$66.0 million during the six months ended June 30, 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 \$159.6 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 \$104.5 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 \$159.6 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 \$88.8 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 six months ended June 30, 2020.

During 2019, the Australian tax authorities issued aggregate tax assessments totaling approximately A\$101 million (approximately \$69.7 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 \$15.6 million liability for these assessments as of June 30, 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 are seeking 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.

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 June 30, 2020 totaled \$112.9 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 June 30, 2020, we had not been required to make collateral deposits with respect to these agreements.

Note 14 - Segment Information

Our business consists of four operating segments: (1) Floaters, which includes our drillships and semisubmersible rigs, (2) Jackups, (3) ARO and (4) Other, which consists of management services on rigs owned by third-parties and the activities associated with our arrangements with ARO under the Transition Services Agreement, Rig Lease Agreements and Secondment Agreement. Floaters, Jackups and ARO are also reportable segments.

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." 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. 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 and six months ended June 30, 2020 and 2019 is presented below (in millions):

Three Months Ended June 30, 2020

	Floaters	Jackups	ARO	Other	Reconciling Items	Consolidated Total
Revenues	\$ 163.6	\$ 186.3	\$ 146.0	\$ 38.9	\$ (146.0)	\$ 388.8
Operating expenses						
Contract drilling (exclusive of depreciation)	170.8	182.7	112.5	17.2	(112.5)	370.7
Loss on impairment	831.9	0.4	—	5.7	—	838.0
Depreciation	62.0	52.8	13.3	11.2	(7.8)	131.5
General and administrative	—	—	7.1	—	55.5	62.6
Equity in earnings of ARO	—	—	—	—	(5.2)	(5.2)
Operating income (loss)	\$ (901.1)	\$ (49.6)	\$ 13.1	\$ 4.8	\$ (86.4)	\$ (1,019.2)
Property and equipment, net	\$ 6,536.9	\$ 4,000.6	\$ 739.7	\$ 655.1	\$ (739.7)	\$ 11,192.6

Three Months Ended June 30, 2019

	Floaters	Jackups	ARO	Other	Reconciling Items	Consolidated Total
Revenues	\$ 295.6	\$ 229.2	\$ 123.8	\$ 59.1	\$ (123.8)	\$ 583.9
Operating expenses						
Contract drilling (exclusive of depreciation)	249.2	212.2	78.9	38.9	(78.9)	500.3
Loss on impairment	—	—	—	—	2.5	2.5
Depreciation	98.4	55.5	12.4	—	(8.4)	157.9
General and administrative	—	—	5.3	—	75.9	81.2
Equity in earnings of ARO	—	—	—	—	0.6	0.6
Operating income (loss)	\$ (52.0)	\$ (38.5)	\$ 27.2	\$ 20.2	\$ (114.3)	\$ (157.4)
Property and equipment, net	\$ 10,364.7	\$ 5,055.6	\$ 656.5	\$ —	\$ (621.1)	\$ 15,455.7

Six Months Ended June 30, 2020

	Floater	Jackups	ARO	Other	Reconciling Items	Consolidated Total
Revenues	\$ 343.2	\$ 399.1	\$ 286.3	\$ 103.1	\$ (286.3)	\$ 845.4
Operating expenses						
Contract drilling (exclusive of depreciation)	384.7	408.8	220.8	53.2	(220.8)	846.7
Loss on impairment	3,386.2	254.3	—	5.7	—	3,646.2
Depreciation	151.4	111.3	26.3	22.3	(15.3)	296.0
General and administrative	—	—	15.4	—	100.6	116.0
Equity in earnings of ARO	—	—	—	—	(11.5)	(11.5)
Operating income (loss)	\$ (3,579.1)	\$ (375.3)	\$ 23.8	\$ 21.9	\$ (162.3)	\$ (4,071.0)
Property and equipment, net	\$ 6,536.9	\$ 4,000.6	\$ 739.7	\$ 655.1	\$ (739.7)	\$ 11,192.6

Six Months Ended June 30, 2019

	Floater	Jackups	ARO	Other	Reconciling Items	Consolidated Total
Revenues	\$ 528.3	\$ 386.2	123.8	\$ 75.3	\$ (123.8)	\$ 989.8
Operating expenses						
Contract drilling (exclusive of depreciation)	431.0	347.6	78.9	54.3	(78.9)	832.9
Loss on impairment	—	—	—	—	2.5	2.5
Depreciation	183.2	92.4	12.4	—	(5.1)	282.9
General and administrative	—	—	5.3	—	105.5	110.8
Equity in earnings of ARO	—	—	—	—	0.6	0.6
Operating income (loss)	\$ (85.9)	\$ (53.8)	\$ 27.2	\$ 21.0	\$ (147.2)	\$ (238.7)
Property and equipment, net	\$ 10,364.7	\$ 5,055.6	\$ 656.5	\$ —	\$ (621.1)	\$ 15,455.7

Information about Geographic Areas

As of June 30, 2020, the geographic distribution of our and ARO's drilling rigs was as follows:

	Floater	Jackups	Other	Total Valaris	ARO
North & South America	7	7	—	14	—
Europe & the Mediterranean	5	14	—	19	—
Middle East & Africa	2	12	9	23	7
Asia & Pacific Rim	3	6	—	9	—
Asia & Pacific Rim (under construction)	2	—	—	2	—
Held-for-sale	6	1	—	7	—
Total	25	40	9	74	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):

	June 30, 2020	December 31, 2019
Trade	\$ 316.7	\$ 466.4
Other	54.9	60.3
	371.6	526.7
Allowance for doubtful accounts	(8.3)	(6.0)
	\$ 363.3	\$ 520.7

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

	June 30, 2020	December 31, 2019
Materials and supplies	\$ 303.0	\$ 340.1
Prepaid expenses	81.0	13.5
Prepaid taxes	44.5	36.2
Deferred costs	21.9	23.3
Assets held-for-sale	20.9	2.3
Other	29.5	31.1
	\$ 500.8	\$ 446.5

Other assets consisted of the following (in millions):

	June 30, 2020	December 31, 2019
Tax receivables	\$ 64.4	\$ 36.3
Deferred tax assets	48.6	26.6
Right-of-use assets	46.2	58.1
Supplemental executive retirement plan assets	22.3	26.0
Deferred costs	8.4	7.1
Intangible assets	3.8	11.9
Other	16.5	22.3
	\$ 210.2	\$ 188.3

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

	June 30, 2020	December 31, 2019
Accrued interest	\$ 157.2	\$ 115.2
Personnel costs	97.9	134.4
Income and other taxes payable	65.9	61.2
Deferred revenue	31.5	30.0
Lease liabilities	16.8	21.1
Derivative liabilities	4.2	.9
Settlement of legal dispute	—	20.3
Other	24.6	34.6
	\$ 398.1	\$ 417.7

Other liabilities consisted of the following (in millions):

	June 30, 2020	December 31, 2019
Unrecognized tax benefits (inclusive of interest and penalties)	\$ 240.1	\$ 323.1
Pension and other post-retirement benefits	230.3	246.7
Intangible liabilities	50.8	52.1
Lease liabilities	44.1	51.8
Deferred tax liabilities	37.1	99.0
Supplemental executive retirement plan liabilities	22.7	26.7
Personnel costs	15.1	24.5
Deferred revenue	11.2	9.7
Other	41.8	33.8
	\$ 693.2	\$ 867.4

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

	June 30, 2020	December 31, 2019
Pension and other post-retirement benefits	\$ (21.7)	\$ (21.7)
Derivative instruments	3.5	22.6
Currency translation adjustment	6.7	7.1
Other	(1.8)	(1.8)
	\$ (13.3)	\$ 6.2

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Other, net, for the three and six months ended June 30, 2020 and 2019 (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net periodic pension (cost) income, excluding service cost	\$ 3.1	\$ 1.7	\$ 6.1	\$ 1.7
Currency translation adjustments	(1.2)	(2.8)	2.6	(3.1)
Gain on bargain purchase and measurement period adjustments	—	712.8	(6.3)	712.8
Other income (expense)	3.2	(8.0)	3.2	(5.4)
	\$ 5.1	\$ 703.7	\$ 5.6	\$ 706.0

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 and six months ended June 30, 2020 and 2019 were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Woodside Energy ⁽¹⁾	12%	4%	7%	4%
BP ⁽²⁾	11%	9%	9%	8%
Saudi Aramco ⁽³⁾	9%	9%	9%	10%
Total ⁽⁴⁾	5%	13%	11%	15%
Other	63%	65%	64%	63%
	100%	100%	100%	100%

⁽¹⁾ During the three and six months ended June 30, 2020 and 2019, all revenues were attributable to our Floaters segment.

⁽²⁾ During the three-month period ended June 30, 2020, 17% of the revenues provided by BP were attributable to our Jackups segment, 39% of the revenues were attributable to our Floaters segment and the remaining were attributable to our managed rigs. During the six-month period ended June 30, 2020, 20% of the revenues

provided by BP were attributable to our Jackups segment, 27% of the revenues were attributable to our Floaters segment and the remaining were attributable to our managed rigs.

During the three-month period ended June 30, 2019, 44% of the revenues provided by BP were attributable to our Jackups segment, 19% of the revenues were attributable to our Floaters segment and the remaining were attributable to our managed rigs. During the six-month period ended June 30, 2019, 39% of the revenues provided by BP were attributable to our Jackups segment, 13% of the revenues were attributable to our Floaters segment and the remaining were attributable to our managed rigs.

- (3) During the three and six months ended June 30, 2020 and 2019, all revenues were attributable to our Jackups segment.
- (4) During the three and six months ended June 30, 2020, 56% and 82% of revenues provided by Total were attributable to the Floaters segment and the remaining were attributable to the Jackup segment. During the three and six months ended June 30, 2019, 90% and 95% of revenues provided by Total were attributable to the Floaters segment and the remaining were attributable to the Jackup segment.

Consolidated revenues by region for the three and six months ended June 30, 2020 and 2019 were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Australia ⁽¹⁾	\$ 72.3	\$ 70.0	\$ 98.3	\$ 137.3
U.S. Gulf of Mexico ⁽²⁾	66.6	93.4	145.3	148.1
Saudi Arabia ⁽³⁾	57.3	83.2	141.2	136.6
United Kingdom ⁽⁴⁾	52.8	54.2	105.3	97.6
Norway ⁽⁴⁾	46.5	9.7	87.5	9.7
Angola ⁽⁵⁾	1.7	68.1	63.2	138.7
Other	91.6	205.3	204.6	321.8
	\$ 388.8	\$ 583.9	\$ 845.4	\$ 989.8

- (1) During the three months ended June 30, 2020 and 2019, 100% and 94% of the revenues earned in Australia, respectively, were attributable to our Floaters segment, and remaining revenues were attributable to our Jackups segment.

During the six months ended June 30, 2020 and 2019, 89% and 94% of the revenues earned in Australia, respectively, were attributable to our Floaters segment, and remaining revenues were attributable to our Jackups segment.

- (2) During the three months ended June 30, 2020, 66% of the revenues earned in the U.S. Gulf of Mexico were attributable to our Floaters segment, 6% were attributable to our Jackups segment and the remaining revenues were attributable to our managed rigs. During the six months ended June 30, 2020, 61% of the revenues earned in the U.S. Gulf of Mexico were attributable to our Floaters segment, 12% were attributable to our Jackups segment and the remaining revenues were attributable to our managed rigs.

During the three months ended June 30, 2019, 39% of the revenues earned in the U.S. Gulf of Mexico were attributable to our Floaters segment, 39% were attributable to our Jackups segment and the remaining revenues were attributable to our managed rigs. During the six months ended June 30, 2019, 34% of the revenues earned in the U.S. Gulf of Mexico were attributable to our Floaters segment, 41% were attributable to our Jackups segment and the remaining revenues were attributable to our managed rigs.

- (3) During the three and six months ended June 30, 2020, 62% and 57% of the revenues earned in Saudi Arabia, respectively, were attributable to our Jackups segment. The remaining revenues were attributable to our Other segment and relates to our rigs leased to ARO and certain revenues related to our Transition Services Agreement and Secondment Agreement.

During the three and six months ended June 30, 2019, 60% and 76% of the revenues earned in Saudi Arabia, respectively, were attributable to our Jackups segment. The remaining revenues were attributable to our Other segment and relates to our rigs leased to ARO and certain revenues related to our Transition Services Agreement and Secondment Agreement.

- (4) During the three and six months ended June 30, 2020 and 2019, all revenues earned in the United Kingdom and Norway were attributable to our Jackups segment.

- (5) During the three months ended June 30, 2020, all of the revenues earned in Angola were attributable to our Jackup segment. During the three months ended June 30, 2019, 90% of the revenues earned in Angola, were attributable to our Floaters segment, and the remaining revenues were attributable to our Jackups segment.

During the six months ended June 30, 2020 and 2019, 79% and 88% of the revenues earned in Angola, respectively, were attributable to our Floaters segment, and the 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 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 June 30, 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 June 30, 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 and six months ended June 30, 2020 and 2019; the unaudited condensed consolidating statements of comprehensive income (loss) for the three and six months ended June 30, 2020 and 2019; the condensed consolidating balance sheets as of June 30, 2020 (unaudited) and December 31, 2019; and the unaudited condensed consolidating statements of cash flows for the six months ended June 30, 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 June 30, 2020
(In millions)
(Unaudited)

	Valaris plc	ENSCO International Incorporated	Pride International LLC	Other Non- Guarantor Subsidiaries of Valaris	Consolidating Adjustments	Total
OPERATING REVENUES	\$ 17.6	\$ 49.7	\$ —	\$ 445.7	\$ (124.2)	\$ 388.8
OPERATING EXPENSES						
Contract drilling (exclusive of depreciation)	35.6	52.6	—	406.7	(124.2)	370.7
Loss on impairment	—	—	—	838.0	—	838.0
Depreciation	—	4.7	—	126.8	—	131.5
General and administrative	13.5	13.3	—	35.8	—	62.6
Total operating expenses	49.1	70.6	—	1,407.3	(124.2)	1,402.8
EQUITY IN EARNINGS OF ARO	—	—	—	(5.2)	—	(5.2)
OPERATING LOSS	(31.5)	(20.9)	—	(966.8)	—	(1,019.2)
OTHER INCOME (EXPENSE), NET	(129.6)	(0.4)	(18.3)	38.4	4.5	(105.4)
LOSS BEFORE INCOME TAXES	(161.1)	(21.3)	(18.3)	(928.4)	4.5	(1,124.6)
PROVISION (BENEFIT) FOR INCOME TAXES	—	(88.4)	—	72.6	—	(15.8)
EQUITY EARNINGS (LOSSES) IN AFFILIATES, NET OF TAX	(946.3)	(50.0)	9.3	—	987.0	—
NET INCOME (LOSS)	(1,107.4)	17.1	(9.0)	(1,001.0)	991.5	(1,108.8)
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	1.4	—	1.4
NET INCOME (LOSS) ATTRIBUTABLE TO VALARIS	\$ (1,107.4)	\$ 17.1	\$ (9.0)	\$ (999.6)	\$ 991.5	\$ (1,107.4)

VALARIS PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
Three Months Ended June 30, 2019
(In millions)
(Unaudited)

	Valaris plc	ENSCO International Incorporated	Pride International LLC	Other Non- Guarantor Subsidiaries of Valaris	Consolidating Adjustments	Total
OPERATING REVENUES	\$ 19.9	\$ 36.1	\$ —	\$ 607.9	\$ (80.0)	\$ 583.9
OPERATING EXPENSES						
Contract drilling (exclusive of depreciation)	18.3	31.8	—	530.2	(80.0)	500.3
Loss on impairment	—	—	—	2.5	—	2.5
Depreciation	—	4.0	—	153.9	—	157.9
General and administrative	46.4	.1	—	34.7	—	81.2
Total operating expenses	64.7	35.9	—	721.3	(80.0)	741.9
EQUITY IN EARNINGS OF ARO	—	—	—	.6	—	.6
OPERATING INCOME (LOSS)	(44.8)	.2	—	(112.8)	—	(157.4)
OTHER INCOME (EXPENSE), NET	694.9	(15.6)	(20.3)	(66.0)	4.3	597.3
INCOME (LOSS) BEFORE INCOME TAXES	650.1	(15.4)	(20.3)	(178.8)	4.3	439.9
PROVISION FOR INCOME TAXES	—	12.4	—	20.2	—	32.6
EQUITY EARNINGS (LOSSES) IN AFFILIATES, NET OF TAX	(244.6)	43.2	27.0	—	174.4	—
NET INCOME (LOSS)	405.5	15.4	6.7	(199.0)	178.7	407.3
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	(1.8)	—	(1.8)
NET INCOME (LOSS) ATTRIBUTABLE TO VALARIS	\$ 405.5	\$ 15.4	\$ 6.7	\$ (200.8)	\$ 178.7	\$ 405.5

VALARIS PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
Six Months Ended June 30, 2020
(In millions)
(Unaudited)

	Valaris plc	ENSCO International Incorporated	Pride International LLC	Other Non- Guarantor Subsidiaries of Valaris	Consolidating Adjustments	Total
OPERATING REVENUES	\$ 34.9	\$ 96.7	\$ —	\$ 939.0	\$ (225.2)	\$ 845.4
OPERATING EXPENSES						
Contract drilling (exclusive of depreciation)	56.2	95.7	—	920.0	(225.2)	846.7
Loss on impairment	—	—	—	3,646.2	—	3,646.2
Depreciation	—	9.3	—	286.7	—	296.0
General and administrative	33.7	24.8	—	57.5	—	116.0
Total operating expenses	89.9	129.8	—	4,910.4	(225.2)	4,904.9
EQUITY IN EARNINGS OF ARO	—	—	—	(11.5)	—	(11.5)
OPERATING LOSS	(55.0)	(33.1)	—	(3,982.9)	—	(4,071.0)
OTHER INCOME (EXPENSE), NET	215.5	(.2)	(37.8)	(399.7)	8.9	(213.3)
INCOME (LOSS) BEFORE INCOME TAXES	160.5	(33.3)	(37.8)	(4,382.6)	8.9	(4,284.3)
BENEFIT FOR INCOME TAXES	—	(100.0)	—	(67.8)	—	(167.8)
EQUITY EARNINGS (LOSSES) IN AFFILIATES, NET OF TAX	(4,274.2)	(134.6)	14.9	—	4,393.9	—
NET LOSS	(4,113.7)	(67.9)	(22.9)	(4,314.8)	4,402.8	(4,116.5)
NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	2.8	—	2.8
NET LOSS ATTRIBUTABLE TO VALARIS	\$ (4,113.7)	\$ (67.9)	\$ (22.9)	\$ (4,312.0)	\$ 4,402.8	\$ (4,113.7)

VALARIS PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS
Six Months Ended June 30, 2019
(In millions)
(Unaudited)

	Valaris plc	ENSCO International Incorporated	Pride International LLC	Other Non- Guarantor Subsidiaries of Valaris	Consolidating Adjustments	Total
OPERATING REVENUES	\$ 31.3	\$ 75.6	\$ —	\$ 1,038.3	\$ (155.4)	\$ 989.8
OPERATING EXPENSES						
Contract drilling (exclusive of depreciation)	30.0	67.5	—	890.8	(155.4)	832.9
Loss on impairment	—	—	—	2.5	—	2.5
Depreciation	—	7.7	—	275.2	—	282.9
General and administrative	61.3	.2	—	49.3	—	110.8
Total operating expenses	91.3	75.4	—	1,217.8	(155.4)	1,229.1
EQUITY IN EARNINGS OF ARO	—	—	—	.6	—	.6
OPERATING INCOME (LOSS)	(60.0)	.2	—	(178.9)	—	(238.7)
OTHER INCOME (EXPENSE), NET	678.8	(31.0)	(40.8)	(93.3)	8.4	522.1
INCOME (LOSS) BEFORE INCOME TAXES	618.8	(30.8)	(40.8)	(272.2)	8.4	283.4
PROVISION FOR INCOME TAXES	—	29.0	—	35.1	—	64.1
EQUITY EARNINGS (LOSSES) IN AFFILIATES, NET OF TAX	(403.7)	75.3	53.1	—	275.3	—
NET INCOME (LOSS)	215.1	15.5	12.3	(307.3)	283.7	219.3
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	(4.2)	—	(4.2)
NET INCOME (LOSS) ATTRIBUTABLE TO VALARIS	\$ 215.1	\$ 15.5	\$ 12.3	\$ (311.5)	\$ 283.7	\$ 215.1

VALARIS PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE LOSS
Three Months Ended June 30, 2020
(In millions)
(Unaudited)

	Valaris plc	ENSCO International Incorporated	Pride International LLC	Other Non- Guarantor Subsidiaries of Valaris	Consolidating Adjustments	Total
NET INCOME (LOSS)	\$ (1,107.4)	\$ 17.1	\$ (9.0)	\$ (1,001.0)	\$ 991.5	\$ (1,108.8)
OTHER COMPREHENSIVE LOSS, NET						
Net change in derivative fair value	—	4.8	—	—	—	4.8
Reclassification of net gains on derivative instruments from other comprehensive loss to net loss	—	(10.9)	—	—	—	(10.9)
NET OTHER COMPREHENSIVE LOSS	—	(6.1)	—	—	—	(6.1)
COMPREHENSIVE INCOME (LOSS)	(1,107.4)	11.0	(9.0)	(1,001.0)	991.5	(1,114.9)
COMPREHENSIVE LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	1.4	—	1.4
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO VALARIS	\$ (1,107.4)	\$ 11.0	\$ (9.0)	\$ (999.6)	\$ 991.5	\$ (1,113.5)

VALARIS PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
Three Months Ended June 30, 2019
(In millions)
(Unaudited)

	Valaris plc	ENSCO International Incorporated	Pride International LLC	Other Non- Guarantor Subsidiaries of Valaris	Consolidating Adjustments	Total
NET INCOME (LOSS)	\$ 405.5	\$ 15.4	\$ 6.7	\$ (199.0)	\$ 178.7	\$ 407.3
OTHER COMPREHENSIVE INCOME, NET						
Net change in derivative fair value	—	(1.6)	—	—	—	(1.6)
Reclassification of net losses on derivative instruments from other comprehensive income to net income (loss)	—	1.8	—	—	—	1.8
NET OTHER COMPREHENSIVE INCOME	—	.2	—	—	—	.2
COMPREHENSIVE INCOME (LOSS)	405.5	15.6	6.7	(199.0)	178.7	407.5
COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	(1.8)	—	(1.8)
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO VALARIS	\$ 405.5	\$ 15.6	\$ 6.7	\$ (200.8)	\$ 178.7	\$ 405.7

VALARIS PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE LOSS
Six Months Ended June 30, 2020
(In millions)
(Unaudited)

	<u>Valaris plc</u>	<u>ENSCO International Incorporated</u>	<u>Pride International LLC</u>	<u>Other Non- Guarantor Subsidiaries of Valaris</u>	<u>Consolidating Adjustments</u>	<u>Total</u>
NET LOSS	\$ (4,113.7)	\$ (67.9)	\$ (22.9)	\$ (4,314.8)	\$ 4,402.8	\$ (4,116.5)
OTHER COMPREHENSIVE LOSS, NET						
Net change in derivative fair value	—	(8.1)	—	—	—	(8.1)
Reclassification of net gains on derivative instruments from other comprehensive loss to net loss	—	(11.0)	—	—	—	(11.0)
Other	—	—	—	(.4)	—	(.4)
NET OTHER COMPREHENSIVE LOSS	—	(19.1)	—	(.4)	—	(19.5)
COMPREHENSIVE LOSS	(4,113.7)	(87.0)	(22.9)	(4,315.2)	4,402.8	(4,136.0)
COMPREHENSIVE LOSS ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	2.8	—	2.8
COMPREHENSIVE LOSS ATTRIBUTABLE TO VALARIS	\$ (4,113.7)	\$ (87.0)	\$ (22.9)	\$ (4,312.4)	\$ 4,402.8	\$ (4,133.2)

VALARIS PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
Six Months Ended June 30, 2019
(In millions)
(Unaudited)

	Valaris plc	ENSCO International Incorporated	Pride International LLC	Other Non- Guarantor Subsidiaries of Valaris	Consolidating Adjustments	Total
NET INCOME (LOSS)	\$ 215.1	\$ 15.5	\$ 12.3	\$ (307.3)	\$ 283.7	\$ 219.3
OTHER COMPREHENSIVE INCOME (LOSS), NET						
Net change in derivative fair value	—	(1.6)	—	—	—	(1.6)
Reclassification of net losses on derivative instruments from other comprehensive income (loss) to net income (loss)	—	3.4	—	—	—	3.4
Other	—	—	—	(.1)	—	(.1)
NET OTHER COMPREHENSIVE INCOME (LOSS)	—	1.8	—	(.1)	—	1.7
COMPREHENSIVE INCOME (LOSS)	215.1	17.3	12.3	(307.4)	283.7	221.0
COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	—	—	—	(4.2)	—	(4.2)
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO VALARIS	\$ 215.1	\$ 17.3	\$ 12.3	\$ (311.6)	\$ 283.7	\$ 216.8

VALARIS PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING BALANCE SHEETS
June 30, 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	\$ 156.5	\$ —	\$ —	\$ 45.5	\$ —	\$ 202.0
Accounts receivable, net	.2	25.7	—	337.4	—	363.3
Accounts receivable from affiliates	4,334.8	201.2	1.4	1,224.7	(5,762.1)	—
Other current assets	.5	53.6	—	446.7	—	500.8
Total current assets	4,492.0	280.5	1.4	2,054.3	(5,762.1)	1,066.1
PROPERTY AND EQUIPMENT, AT COST						
	1.1	113.6	—	13,105.6	—	13,220.3
Less accumulated depreciation	1.1	93.4	—	1,933.2	—	2,027.7
Property and equipment, net	—	20.2	—	11,172.4	—	11,192.6
LONG - TERM NOTES RECEIVABLE FROM ARO						
	—	—	—	452.8	—	452.8
INVESTMENT IN ARO						
	—	—	—	117.2	—	117.2
DUE FROM AFFILIATES	1,593.3	217.5	38.9	4,680.8	(6,530.5)	—
INVESTMENTS IN AFFILIATES	9,166.5	654.2	1,239.8		(11,060.5)	—
OTHER ASSETS	1.1	20.4	—	188.7	—	210.2
	\$ 15,252.9	\$ 1,192.8	\$ 1,280.1	\$ 18,666.2	\$ (23,353.1)	\$ 13,038.9
LIABILITIES AND SHAREHOLDERS' EQUITY						
CURRENT LIABILITIES						
Accounts payable and accrued liabilities	\$ 141.1	\$ 16.6	\$ 12.2	\$ 380.1	\$ —	\$ 550.0
Accounts payable to affiliates	1,117.0	237.2	802.2	3,605.7	(5,762.1)	—
Current maturities of long-term debt	2,394.8		123.3	—	—	2,518.1
Total current liabilities	3,652.9	253.8	937.7	3,985.8	(5,762.1)	3,068.1
DUE TO AFFILIATES	3,534.0	505.6	641.2	1,849.7	(6,530.5)	—
LONG-TERM DEBT	2,880.6	111.7	372.3	727.6		4,092.2
OTHER LIABILITIES		247.6		445.6	—	693.2
VALARIS SHAREHOLDERS' EQUITY (DEFICIT)	5,185.4	74.1	(671.1)	11,662.5	(11,060.5)	5,190.4
NONCONTROLLING INTERESTS						
	—	—	—	(5.0)	—	(5.0)
Total equity (deficit)	5,185.4	74.1	(671.1)	11,657.5	(11,060.5)	5,185.4
	\$ 15,252.9	\$ 1,192.8	\$ 1,280.1	\$ 18,666.2	\$ (23,353.1)	\$ 13,038.9

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	.2	19.7	—	500.8	—	520.7
Accounts receivable from affiliates	4,031.4	386.0	—	897.2	(5,314.6)	—
Other current assets	.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
LONG-TERM NOTES RECEIVABLE 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
Six Months Ended June 30, 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	\$ (203.1)	\$ 149.5	\$ (40.3)	\$ (287.2)	\$ —	\$ (381.1)
INVESTING ACTIVITIES						
Additions to property and equipment	—	—	—	(67.1)	—	(67.1)
Proceeds from disposition of assets	—	—	—	13.8	—	13.8
Net cash used in investing activities	—	—	—	(53.3)	—	(53.3)
FINANCING ACTIVITIES						
Borrowings on credit facility	566.0	—	—	—	—	566.0
Advances from (to) affiliates	(202.9)	(149.5)	40.3	312.1	—	—
Repayments of credit facility borrowings	(15.0)	—	—	—	—	(15.0)
Reduction of long -term borrowings	(9.7)	—	—	—	—	(9.7)
Other	(.3)	—	—	(1.6)	—	(1.9)
Net cash provided by (used in) financing activities	338.1	(149.5)	40.3	310.5	—	539.4
Effect of exchange rate changes on cash and cash equivalents	—	—	—	(.2)	—	(.2)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	135.0	—	—	(30.2)	—	104.8
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	21.5	—	—	75.7	—	97.2
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 156.5	\$ —	\$ —	\$ 45.5	\$ —	\$ 202.0

VALARIS PLC AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
Six Months Ended June 30, 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 used in operating activities	\$ (79.9)	\$ (117.5)	\$ (68.6)	\$ (27.4)	\$ —	\$ (293.4)
INVESTING ACTIVITIES						
Rowan cash acquired	—	—	—	931.9	—	931.9
Maturities of short-term investments	339.0	—	—	—	—	339.0
Purchases of short-term investments	(145.0)	—	—	—	—	(145.0)
Additions to property and equipment	—	—	—	(134.8)	—	(134.8)
Other	2.5	—	—	2.0	—	4.5
Net cash provided by investing activities	196.5	—	—	799.1	—	995.6
FINANCING ACTIVITIES						
Debt solicitation fees	—	—	—	(8.7)	—	(8.7)
Cash dividends paid	(4.5)	—	—	—	—	(4.5)
Repurchase of common shares	(4.2)	—	—	—	—	(4.2)
Advances from (to) affiliates	174.5	117.5	68.6	(360.6)	—	—
Other	(0.5)	—	—	—	—	(0.5)
Net cash provided by (used in) financing activities	165.3	117.5	68.6	(369.3)	—	(17.9)
Effect of exchange rate changes on cash and cash equivalents	—	—	—	(.3)	—	(.3)
INCREASE IN CASH AND CASH EQUIVALENTS	281.9	—	—	402.1	—	684.0
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	199.8	—	2.7	72.6	—	275.1
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 481.7	\$ —	\$ 2.7	\$ 474.7	\$ —	\$ 959.1

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 condensed consolidated financial statements as of June 30, 2020 and for the three and six months ended June 30, 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 three rigs marked for retirement and classified as held-for-sale, we currently own and operate an offshore drilling rig fleet of 65 rigs, with drilling operations in almost every major offshore market across six continents. Inclusive of rigs under construction, our fleet includes 13 drillships, five dynamically positioned semisubmersible rigs, one moored semisubmersible rig and 48 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.

As of June 30, 2020, we had \$7.1 billion of indebtedness outstanding, and as of the date hereof we had \$58.5 million of due and unpaid interest on our indebtedness. Pursuant to the Second Amended and Restated Waiver to Fourth Amended and Restated Credit Agreement (the "Second A&R Waiver"), the lenders under our revolving credit facility have waived certain defaults and events of default under the revolving credit facility, including in relation to the non-payment of interest under the Defaulted Notes (defined herein), and pursuant to the Forbearance Agreement (the "Forbearance Agreement"), certain holders of our senior notes have agreed to forbear from the exercise of certain rights and remedies that they have with respect to certain specified defaults and events of defaults (including cross-defaults). The Second A&R Waiver and the Forbearance Agreement each terminate automatically on August 3, 2020. See "[Note 10 - Debt](#)" for a description of the terms of the Second A&R Waiver and the Forbearance Agreement. We continue to have discussions with our lenders and bondholders regarding the terms of a potential comprehensive restructuring of our indebtedness. While there can be no assurances as to ultimate timing, we expect our restructuring is likely to be implemented imminently through cases under Chapter 11 of the U.S. Bankruptcy Code and that our restructuring may result in cancellation of existing equity interest and little or no recovery to existing shareholders.

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 half of 2020, the COVID-19 global pandemic and the response thereto have 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 fell from around \$60 per barrel at year-end 2019 to around \$20 per barrel in mid-April. 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. While there has been some recent improvement to Brent crude oil prices, to approximately \$43 per barrel as of mid-July 2020, there is still a significant amount of uncertainty around the sustainability of the improvement in oil prices to support a recovery in demand for offshore drilling services.

Additionally, the full impact that the pandemic and the 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 and demand decline, and the extent of disruptions to our operations. To date, the COVID-19 pandemic has resulted in only limited operational downtime where outbreaks have been experienced on rigs requiring a shutdown of operations while crews are tested and incremental sanitation protocols are implemented. While we have not experienced downtime due to quarantines or an inability to staff our rigs due to travel restrictions or stay-at-home orders, we are incurring additional personnel, housing and logistics costs in order to mitigate these potential impacts to our operations. In limited instances, we have been reimbursed for these costs by our customers. Our operations and business may be subject to further economic disruptions as a result of the spread of COVID-19 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 drilling 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.

The combined effects of the global COVID-19 pandemic, the significant decline in the demand for oil and the substantial surplus in the supply of oil have resulted in significantly reduced demand and day rates for offshore drilling provided by the Company and increased uncertainty regarding long-term market conditions. These recent events have had a significant adverse impact on our current and expected liquidity position and financial runway. The Company did not make interest payments due in June and July 2020 on the Defaulted Notes (as defined herein). The June 2020 missed interest payments currently represents a default or event of default under the Defaulted Notes. An aggregate of approximately \$2.1 billion is outstanding under the Defaulted Notes. Pursuant to the Second A&R Waiver (as defined herein), the lenders under our revolving credit facility have waived certain defaults under the revolving credit facility, including in relation to the non-payment of interest on the Defaulted Notes, and pursuant to the Forbearance Agreement (as defined herein), certain holders of our senior notes have agreed to forbear from the exercise of certain rights and remedies that they have with respect to certain specified defaults and events of defaults (including cross-defaults). At the time of entry into the Forbearance Agreement, the Supporting Holders (as defined herein) held (i) approximately 44.0% of the outstanding 2022 Notes, (ii) approximately 74.2% of the outstanding 2024 Notes, (iii) approximately 65.3% of the outstanding 2025 Notes, (iv) approximately 68.9% of the outstanding 2042 Notes and (v) approximately 82.9% of the outstanding 2044 Notes. The Second A&R Waiver and the Forbearance Agreement each terminate automatically on August 3, 2020. See "[Note 10](#) - Debt" for a description of the terms of the Second A&R Waiver and the Forbearance Agreement.

Based on our evaluation of the circumstances described above, coupled with significant asset impairments (See "[Note 6](#) - Property and Equipment") and substantial borrowings on our revolving credit facility, we determined that there was a significant level of uncertainty as to whether we will be in 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%, within the next twelve months. If we exceed the total debt to total capitalization covenant in our revolving credit facility, further borrowings under the revolving credit facility would not be permitted, absent a waiver in respect of the resulting event of default from the breach of the total debt to total capitalization covenant, and all outstanding borrowings could become immediately due and payable by actions of lenders holding a majority of the commitments under the revolving credit facility. Any such acceleration would trigger a cross-acceleration event of default with respect to approximately \$2.1 billion outstanding under the Defaulted Notes. In addition to the approximately \$58.5 million of missed interest payments on the Defaulted Notes discussed above, there is substantial uncertainty whether the Company will pay \$79.2 million of interest on other series of outstanding notes on or prior to August 15, 2020 together with the \$122.9 million outstanding principal amount of our 6.875% Senior Notes due on August 15, 2020. Therefore, due to the uncertainty as to our ability to comply with our debt covenants over the next 12 months and the related potential for cross-covenant defaults, we concluded that there is a substantial doubt regarding our ability to continue as a going concern within one year after the date that the financial statements are issued.

We are actively pursuing a variety of transactions and cost-cutting measures, including, but not limited to, further reductions in corporate overhead and discretionary expenditures, another potential waiver from lenders under, or amendment to, our revolving credit facility, another potential forbearance from holders of our senior notes, further reductions in capital expenditures and increased focus on operational efficiencies. We are also actively negotiating with certain holders of our senior notes and certain lenders under our revolving credit facility regarding a comprehensive restructuring of our indebtedness. While there can be no assurances as to ultimate timing, we expect our restructuring is likely to be implemented imminently through cases under Chapter 11 of the U.S. Bankruptcy Code and that our restructuring may result in cancellation of existing equity interest and little or no recovery to existing shareholders.

In light of the foregoing, the unaudited condensed consolidated financial statements included herein were prepared on a going concern basis of accounting, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The consolidated financial statements do not reflect any adjustments that might be necessary should we be unable to continue as a going concern. We will continue to evaluate our going concern assessment in connection with future periodic reports.

Backlog

Our backlog was \$1.6 billion and \$2.5 billion as of June 30, 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 July 30, 2020, respectively.

BUSINESS ENVIRONMENT

Floaters

The floater contracting environment remains challenging due to limited demand, excess newbuild supply and the fall in oil prices earlier in the year. Floater demand declined materially in March and April 2020, as our customers 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. To date, the COVID-19 pandemic has resulted in only limited operational downtime where outbreaks have been experienced on rigs requiring a shutdown of operations while crews are tested and incremental sanitation protocols are implemented. While we have not experienced downtime due to quarantines or an inability to staff our rigs due to travel restrictions or stay-at-home orders, we are incurring additional personnel, housing and logistics costs in order to mitigate these potential impacts to our operations. In limited instances, we have been reimbursed for these costs by our customers. Our operations and business may be subject to further economic disruptions as a result of the spread of COVID-19 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. There can be no assurance that these, or other issues caused by the COVID-19 pandemic, will not materially affect our ability to operate our rigs in the future.

During 2020, we have received notices of termination, requests for concessions, cancellation and/or deferral of drilling programs by operators and we may receive additional requests for concessions, termination and/or deferral notices during the pendency of the current market environment.

During the second quarter, the VALARIS DS-7 contract for operations offshore Ghana and the contract awarded in the first quarter of 2020 for operations offshore Senegal/Mauritania, the VALARIS DS-9 contract awarded in the first quarter of 2020 for operations offshore Brazil and the VALARIS MS-1 contract awarded in the first quarter of 2020 for operations offshore Australia were terminated. Additionally, the VALARIS DPS-1 contract was terminated in June, earlier than the previously scheduled end date of September 2021, and the VALARIS DS-10, VALARIS DS-15 and VALARIS 8505 are expected to operate on reduced day rates for various periods during 2020. During the first quarter, the VALARIS 5004 operated on a reduced day rate from mid-March to mid-April, at which point the contract was terminated, and 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 resulted 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 are seeking 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-12 was awarded a one-well contract that commenced in February 2020. VALARIS MS-1 was awarded 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 was expected to commence in mid-November 2020, but is now expected to be July 2021 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. During the second quarter of 2020, we began marketing the VALARIS 8500, VALARIS 8501, VALARIS 8502, VALARIS DS-3, VALARIS DS-5 and VALARIS DS-6 and classified the rigs as held-for-sale, resulting in an impairment of approximately \$14.6 million as the net book value exceeded the fair value less costs to sell. All of these rigs except VALARIS DS-6 and VALARIS 8502 were subsequently sold in July 2020.

There are approximately 25 newbuild drillships and semisubmersible rigs reported to be under construction, of which four 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 150 floaters since the beginning of 2014. Approximately 15 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. Improvements in demand and/or reductions in supply will be necessary before meaningful increases in utilization and day rates are realized.

Jackups

Despite recent gains in the jackup market, demand for jackups has declined in light of increased market uncertainty. To date, the COVID-19 pandemic has resulted in only limited operational downtime where outbreaks have been experienced on rigs requiring a shutdown of operations while crews are tested and incremental sanitation protocols are implemented. While we have not experienced downtime due to quarantines or an inability to staff our rigs due to travel restrictions or stay-at-home orders, we are incurring additional personnel, housing and logistics costs in order to mitigate these potential impacts to our operations. In limited instances, we have been reimbursed for these costs by our customers. Our operations and business may be subject to further economic disruptions as a result of the

spread of COVID-19 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. There can be no assurance, however, that these, or other issues caused by the COVID-19 pandemic, will not materially affect our ability to operate our rigs in the future.

During 2020, we have received notices of termination, requests for concessions, cancellation and/or deferral of drilling programs by operators, and we may receive additional requests for concessions, termination and/or deferral notices during the pendency of the current market environment.

During the second quarter, the VALARIS JU-84 contract was terminated and we negotiated a day rate reduction for VALARIS JU-290 to operate at a standby rate from September 2020 to March 2021.

During the first quarter of 2020, the VALARIS JU-109 contract was terminated. In April 2020, there were various negotiated customer contract concessions, including day rate reductions: VALARIS JU-120 is operating on a reduced day rate from late-April 2020 to late-September 2020. VALARIS JU-92 was previously expected to operate on a reduced day rate from mid-May 2020 to late-September 2020, but has continued to operate at full dayrate and VALARIS JU-72 operated 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 ended its contract in late-April 2020, in both cases, earlier than expected.

During the second quarter of 2020, we executed short-term contracts for VALARIS JU-102 and VALARIS JU-87 that commenced in June 2020 and May 2020, respectively. We were also awarded a two-well extension for VALARIS JU-291 with an expected duration of approximately 180 days from January 2021 to June 2021. We executed a four year contract for VALARIS JU-104 expected to commence in September 2020 and we extended the VALARIS JU-67 contract 210 days from May 2020 to December 2020.

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 commenced 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 and VALARIS JU-70 was sold in June 2020, resulting in an insignificant pre-tax gain and pre-tax loss, respectively. Additionally, VALARIS JU-71 was sold in June 2020 resulting in an insignificant pre-tax loss. During the second quarter of 2020, we classified VALARIS 105 as held-for-sale, resulting in an impairment of approximately \$0.4 million as the net book value exceeded the fair value less costs to sell.

There are approximately 45 newbuild jackup rigs reported to be under construction, of which 15 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 110 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. Improvements in demand and/or reductions in supply will be necessary before meaningful increases in utilization and day rates are realized.

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 condensed consolidated balance sheet. In the second quarter of 2020, we began marketing the VALARIS 8500, VALARIS 8501, VALARIS 8502, VALARIS DS-3, VALARIS DS-5, VALARIS DS-6 and VALARIS 105, and classified the rigs as held-for-sale on our June 30, 2020 condensed consolidated balance sheet. To date all of these rigs, except VALARIS DS-6, VALARIS 8502 and VALARIS 105 have been sold.

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 and six months ended June 30, 2020 and 2019 (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019 ⁽¹⁾	2020	2019 ⁽¹⁾
Revenues	\$ 388.8	\$ 583.9	\$ 845.4	\$ 989.8
Operating expenses				
Contract drilling (exclusive of depreciation)	370.7	500.3	846.7	832.9
Loss on impairment	838.0	2.5	3,646.2	2.5
Depreciation	131.5	157.9	296.0	282.9
General and administrative	62.6	81.2	116.0	110.8
Total operating expenses	1,402.8	741.9	4,904.9	1,229.1
Equity in earnings of ARO	(5.2)	.6	(11.5)	.6
Operating loss	(1,019.2)	(157.4)	(4,071.0)	(238.7)
Other income (expense), net	(105.4)	597.3	(213.3)	522.1
Provision (benefit) for income taxes	(15.8)	32.6	(167.8)	64.1
Net income (loss)	(1,108.8)	407.3	(4,116.5)	219.3
Net (income) loss attributable to noncontrolling interests	1.4	(1.8)	2.8	(4.2)
Net income (loss) attributable to Valaris	\$ (1,107.4)	\$ 405.5	\$ (4,113.7)	\$ 215.1

⁽¹⁾ The three months and six months ended June 30, 2019 include results of the Rowan transaction from April 11, 2019 through June 30, 2019.

Overview

Revenues decreased \$195.1 million, or 33%, for the three months ended June 30, 2020, as compared to the prior year quarter primarily due to \$87.8 million from fewer days under contract across our fleet, \$86.7 million from the sale of VALARIS 5006, VALARIS 6002, VALARIS 5004, VALARIS JU-68 and VALARIS JU-96, which operated in the prior year quarter, \$61.5 million due to the termination of the VALARIS DS-8 contract and \$19.0 million due

to lower revenues earned from our rigs leased to ARO and under the Secondment Agreement and Transition Services Agreement. This decrease was partially offset by \$46.3 million of contract termination fees received for certain rigs.

Revenues decreased \$144.4 million, or 15%, for the six months ended June 30, 2020, as compared to the prior year period primarily due to \$161.2 million from the sale of VALARIS 5006, VALARIS 6002, VALARIS 5004, VALARIS JU-68 and VALARIS JU-96, which operated in the prior comparative period, \$102.2 million as a result of fewer days under contract across our fleet and \$71.7 million due to the termination of VALARIS DS-8 contract. The decline in revenue was partially offset by \$113.6 million of revenue earned by rigs added from the Rowan Transaction, \$46.3 million of contract termination fees received for certain rigs and \$24.3 million due to revenues earned from our rigs leased to ARO and under the Secondment Agreement and Transition Services Agreement.

Contract drilling expense decreased \$129.6 million, or 26%, for the three months ended June 30, 2020, as compared to the prior year quarter, primarily due to \$65.0 million of lower cost on idle rigs, \$29.5 million from the sale of VALARIS 5006, VALARIS 6002, VALARIS 5004, VALARIS JU-68 and VALARIS JU-96, which operated in the prior year quarter, and \$15.5 million due to costs incurred for services provided to ARO under the Secondment Agreement and other costs for rigs leased to ARO.

Contract drilling expense increased \$13.8 million, or 2%, for the six months ended June 30, 2020, as compared to the prior year period, primarily due to \$140.1 million of contract drilling expenses incurred on rigs added from the Rowan Transaction. This increase was partially offset by \$57.0 million due to lower cost on idle rigs and \$60.4 million from the sale of VALARIS 5006, VALARIS 6002, VALARIS 5004, VALARIS JU-68 and VALARIS JU-96, which operated in the prior-year period.

During the three and six months ended June 30, 2020, we recorded a non-cash loss on impairment of \$838.0 million and \$3.6 billion, respectively, with respect to assets in our fleet and a certain contract intangible, primarily due to the adverse change in the current and anticipated market for these assets. See "[Note 3](#) - Rowan Transaction" and "[Note 6](#) - Property and Equipment" for additional information.

Depreciation expense decreased \$26.4 million, or 17% for the three months ended June 30, 2020, as compared to the prior year quarter, primarily due to lower depreciation expense on certain non-core assets which were impaired to scrap value during the first quarter of 2020.

Depreciation expense increased \$13.1 million, or 5%, for the six months ended June 30, 2020, as compared to the prior year period, primarily due to depreciation expense recorded for rigs added in the Rowan Transaction. This increase was partially offset by lower depreciation expense on certain assets which were impaired to scrap value during the first quarter of 2020.

General and administrative expenses decreased by \$18.6 million, or 23% for the three months ended June 30, 2020, as compared to the prior year quarter, primarily due to merger related costs in the respective prior year comparable period.

General and administrative expenses increased by \$5.2 million, or 5%, for the six months ended June 30, 2020, as compared to the respective prior year period, primarily due to professional fees.

Other expense, net, increased \$702.7 million, or 118% and \$735.4 million or 141%, for the three and six months ended June 30, 2020, respectively, as compared to the respective prior year comparative period, primarily due to the gain on bargain purchase recognized in the prior year.

Rig Counts, Utilization and Average Day Rates

The following table summarizes our and ARO's offshore drilling rigs as of June 30, 2020 and 2019:

	2020	2019
Floaters ⁽¹⁾	17	26
Jackups ⁽²⁾	39	44
Other	9	9
Under construction	2	2
Held-for-sale ⁽¹⁾⁽²⁾	7	—
Total Valaris	74	81
ARO ⁽³⁾	7	7

⁽¹⁾ During the fourth quarter of 2019, we sold VALARIS 5006. During the first and second quarters of 2020, we sold VALARIS 6002 and VALARIS 5004, respectively. During the second quarter of 2020, we classified VALARIS 8500, VALARIS 8501, VALARIS 8502, VALARIS DS-3, VALARIS DS-5 and VALARIS DS-6 as held-for-sale.

⁽²⁾ During the fourth quarter of 2019, we sold VALARIS JU-96 and in the first quarter of 2020, we sold VALARIS JU-68. During the second quarter of 2020, we classified VALARIS JU-105 as held-for-sale and sold VALARIS JU-70 and VALARIS JU-71.

⁽³⁾ 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 and six months ended June 30, 2020 and 2019. Rig utilization and average day rates for the three and six months ended June 30, 2019 periods include results of rigs added in the Rowan Transaction or ARO from the date the Rowan Transaction closed in April 2019:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Rig Utilization⁽¹⁾				
Floaters	32%	53%	35%	48%
Jackups	53%	69%	57%	69%
Other ⁽²⁾	100%	82%	100%	85%
Total Valaris	53%	65%	56%	63%
ARO	97%	97%	93%	97%
Average Day Rates⁽³⁾				
Floaters	\$ 152,968	\$ 218,339	\$ 176,338	\$ 227,415
Jackups	83,698	78,229	82,515	75,608
Other ⁽²⁾	37,368	50,347	39,856	56,618
Total Valaris	\$ 83,912	\$ 110,063	\$ 89,668	\$ 113,510
ARO	\$ 104,346	\$ 112,906	\$ 106,518	\$ 112,906

⁽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

Our business consists of four operating segments: (1) Floaters, which includes our drillships and semisubmersible rigs, (2) Jackups, (3) ARO and (4) Other, which consists of management services on rigs owned by third-parties and the activities associated with our arrangements with ARO under the Transition Services Agreement, Rig Lease Agreements and Secondment Agreement. Floaters, Jackups and ARO are also reportable segments.

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." 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. 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 and six months ended June 30, 2020 and 2019 is presented below (in millions):

Three Months Ended June 30, 2020

	Floaters	Jackups	ARO	Other	Reconciling Items	Consolidated Total
Revenues	\$ 163.6	\$ 186.3	\$ 146.0	\$ 38.9	\$ (146.0)	\$ 388.8
Operating expenses						
Contract drilling (exclusive of depreciation)	170.8	182.7	112.5	17.2	(112.5)	370.7
Loss on impairment	831.9	.4	—	5.7	—	838.0
Depreciation	62.0	52.8	13.3	11.2	(7.8)	131.5
General and administrative	—	—	7.1	—	55.5	62.6
Equity in earnings of ARO	—	—	—	—	(5.2)	(5.2)
Operating income (loss)	\$ (901.1)	\$ (49.6)	\$ 13.1	\$ 4.8	\$ (86.4)	\$ (1,019.2)

Three Months Ended June 30, 2019

	Floaters	Jackups	ARO	Other	Reconciling Items	Consolidated Total
Revenues	\$ 295.6	\$ 229.2	\$ 123.8	\$ 59.1	\$ (123.8)	\$ 583.9
Operating expenses						
Contract drilling (exclusive of depreciation)	249.2	212.2	78.9	38.9	(78.9)	500.3
Loss on impairment	—	—	—	—	2.5	2.5
Depreciation	98.4	55.5	12.4	—	(8.4)	157.9
General and administrative	—	—	5.3	—	75.9	81.2
Equity in earnings of ARO	—	—	—	—	.6	.6
Operating income (loss)	\$ (52.0)	\$ (38.5)	\$ 27.2	\$ 20.2	\$ (114.3)	\$ (157.4)

Six Months Ended June 30, 2020

	Floaters	Jackups	ARO	Other	Reconciling Items	Consolidated Total
Revenues	\$ 343.2	\$ 399.1	\$ 286.3	\$ 103.1	\$ (286.3)	\$ 845.4
Operating expenses						
Contract drilling (exclusive of depreciation)	384.7	408.8	220.8	53.2	(220.8)	846.7
Loss on impairment	3,386.2	254.3	—	5.7	—	3,646.2
Depreciation	151.4	111.3	26.3	22.3	(15.3)	296.0
General and administrative	—	—	15.4	—	100.6	116.0
Equity in earnings of ARO	—	—	—	—	(11.5)	(11.5)
Operating income (loss)	\$ (3,579.1)	\$ (375.3)	\$ 23.8	\$ 21.9	\$ (162.3)	\$ (4,071.0)

Six Months Ended June 30, 2019

	Floaters	Jackups	ARO	Other	Reconciling Items	Consolidated Total
Revenues	\$ 528.3	\$ 386.2	\$ 123.8	\$ 75.3	\$ (123.8)	\$ 989.8
Operating expenses						
Contract drilling (exclusive of depreciation)	431.0	347.6	78.9	54.3	(78.9)	832.9
Loss on impairment	—	—	—	—	2.5	2.5
Depreciation	183.2	92.4	12.4	—	(5.1)	282.9
General and administrative	—	—	5.3	—	105.5	110.8
Equity in earnings of ARO	—	—	—	—	.6	.6
Operating income (loss)	\$ (85.9)	\$ (53.8)	\$ 27.2	\$ 21.0	\$ (147.2)	\$ (238.7)

Floaters

Floater revenue declined \$132.0 million, or 45%, for the three months ended June 30, 2020, as compared to the prior year quarter due to \$75.2 million from the sale of VALARIS 5006, VALARIS 6002 and VALARIS 5004, which operated in the prior year quarter, \$61.5 million due to the termination of the VALARIS DS-8 contract, and \$42.8 million as a result of fewer days under contract across the floater fleet. This decline was partially offset by \$46.3 million of contract termination fees received for certain rigs.

Floater revenue declined \$185.1 million, or 35%, for the six months ended June 30, 2020, as compared to the prior year period due to \$137.3 million from the sale of VALARIS 5006, VALARIS 6002 and VALARIS 5004, which operated in the prior year comparative period, \$71.7 million due to the termination of the VALARIS DS-8 contract, and \$57.5 million as a result of fewer days under contract across the floater fleet. This decline was partially offset by \$46.3 million of contract termination fees received for certain rigs and \$40.1 million earned by rigs added in the Rowan Transaction.

Floater contract drilling expense declined \$78.4 million, or 31%, for the three months ended June 30, 2020, as compared to the prior year quarter, primarily due to \$42.1 million lower cost on idle rigs and \$21.1 million due to the sale of VALARIS 5006, VALARIS 6002 and VALARIS 5004, which operated in the prior year quarter.

Floater contract drilling expense declined \$46.3 million, or 11%, for the six months ended June 30, 2020, as compared to the prior year period, primarily due to \$45.9 million lower cost on idle rigs and \$41.4 million from the sale of VALARIS 5006, VALARIS 6002 and VALARIS 5004, which operated in the prior year comparative period. This decrease was partially offset by \$53.8 million of contract drilling expense incurred by rigs added in the Rowan Transaction.

During the three and six months ended June 30, 2020, we recorded a non-cash loss on impairment of \$831.9 million and \$3.4 billion, respectively, 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 declined for the three months ended June 30, 2020, as compared to the respective prior year quarter, primarily due to lower depreciation on certain non-core assets which were impaired to scrap value during the first quarter of 2020.

Floater depreciation expense declined for the six months ended June 30, 2020, as compared to the respective prior year period, primarily due to lower depreciation on certain non-core assets which were impaired to scrap value during the first quarter of 2020, partially offset by depreciation on rigs added in the Rowan Transaction.

Jackups

Jackup revenues declined \$42.9 million, or 19%, for the three months ended June 30, 2020, as compared to the prior year quarter, primarily due to \$45.0 million as a result of fewer days under contract across the jackup fleet and \$11.5 million due to the sale of VALARIS JU-96 and VALARIS JU-68.

Jackup revenues increased \$12.9 million, or 3%, for the six months ended June 30, 2020, as compared to the prior year period, primarily due to \$73.5 million of revenue earned by rigs added in the Rowan Transaction. This increase was partially offset by \$44.7 million as a result of fewer days under contract across the jackup fleet and \$23.9 million due to the sale of VALARIS JU-96 and VALARIS JU-68, which operated in the prior year period.

Jackup contract drilling expense declined \$29.5 million, or 14%, for the three months ended June 30, 2020, as compared to the prior year quarter, primarily due to \$22.9 million of lower cost on idle rigs and \$8.4 million due to the sale of VALARIS JU-96 and VALARIS JU-68, which operated in the prior year quarter.

Jackup contract drilling expense increased \$61.2 million, or 18%, for the six months ended June 30, 2020, as compared to the prior year period, primarily due to \$86.3 million of contract drilling expense incurred by rigs added in the Rowan Transaction. This increase was partially offset by \$19.0 million due to the sale of VALARIS JU-96 and VALARIS JU-68, which operated in the prior year period.

During the three and six months ended June 30, 2020, we recorded a non-cash loss on impairment of \$0.4 million and \$254.3 million, respectively, with respect to assets in our Jackup segment primarily 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 declined \$2.7 million, or 5%, for the three months ended June 30, 2020 as compared to the prior year quarter, primarily due to lower depreciation on certain non-core assets which were impaired to scrap value during the first quarter of 2020.

Jackup depreciation expense increased \$18.9 million, or 20%, for the six months ended June 30, 2020 as compared to the prior year period, primarily due to the addition of rigs in the Rowan Transaction. This increase was partially offset by lower depreciation on certain non-core assets which were impaired during the first quarter of 2020.

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 months and six months ended June 30, 2020.

Contract drilling expenses for the three months and six months ended June 30, 2020, are 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 related. General and administrative expenses for the three months and six months ended June 30, 2020, include costs incurred under the Transition Services Agreement and other administrative costs.

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

Other

Other revenues declined \$20.2 million for the three months ended June 30, 2020, as compared to the prior year quarter, primarily due to \$20.6 million of lower revenues earned under the Secondment Agreement and Transition Services Agreement.

Other revenues increased \$27.8 million for the six months ended June 30, 2020, as compared to the prior year period, primarily due to \$24.3 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 declined \$21.7 million and \$1.1 million for the three and six months ended June 30, 2020, as compared to the respective prior year period, primarily due to lower costs incurred for services provided to ARO under the Secondment Agreement and lower other costs for rigs leased to ARO.

During the three months and six months ended June 30, 2020, we recorded a non-cash loss on impairment of \$5.7 million, with respect to a certain contract intangible due to current market conditions. See "[Note 3](#) - Rowan Transaction" for additional information.

Other Income (Expense)

The following table summarizes other income (expense) for the three and six months ended June 30, 2020 and 2019 (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Interest income	\$ 5.7	\$ 11.9	\$ 10.5	\$ 15.4
Interest expense, net:				
Interest expense	(116.8)	(126.4)	(230.7)	(213.6)
Capitalized interest	.6	8.1	1.3	14.3
	(116.2)	(118.3)	(229.4)	(199.3)
Other, net	5.1	703.7	5.6	706.0
	\$ (105.4)	\$ 597.3	\$ (213.3)	\$ 522.1

Interest income for the three and six months ended June 30, 2020 decreased as compared to the respective prior year period primarily due to fewer investments in time deposits and lower cash balances in the current year as compared to the prior year comparable period.

Interest expense decreased \$2.1 million for the three months ended June 30, 2020, as compared to the prior year quarter, primarily due to interest savings due to the repurchase of debt in 2019 and the first quarter of 2020.

Interest expense increased \$30.1 million for the six months ended June 30, 2020, as compared to the prior year period, primarily due to interest expense incurred on senior notes acquired in the Rowan Transaction, partially offset by interest savings due to the repurchases of debt in 2019 and the first quarter of 2020.

Other, net, for the three and six months ended June 30, 2019 includes \$712.8 million of gain on bargain purchase recognized in connection with 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 losses of \$1.2 million and gains of \$2.6 million, inclusive of offsetting fair value derivatives, were included in other, net, for the three and six months ended June 30, 2020, respectively. During the three months ended June 30, 2020, the net foreign currency exchange losses were primarily attributable to the Euro and the net foreign currency exchange gains the six months ended June 30, 2020, were primarily attributable to the Euro and Australian Dollar.

Net foreign currency exchange losses of \$2.8 million and \$3.1 million, inclusive of offsetting fair value derivatives, were included in other, net, for the three and six months ended June 30, 2019, respectively. These losses were primarily attributable to the Brazilian Real, Angolan Kwanza, Euro and Venezuelan Bolivar.

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 June 30, 2020 was \$47.3 million and was primarily attributable to rig impairments and other resolutions of prior year tax matters. Discrete income tax benefit for the three months ended June 30, 2019 was \$1.2 million and was primarily attributable to the resolution of prior period tax matters. Excluding the aforementioned discrete tax items, income tax expense for the three months ended June 30, 2020 and 2019 was \$31.5 million and \$33.8 million, respectively.

Discrete income tax benefit for the six months ended June 30, 2020 was \$211.7 million and was primarily attributable to a restructuring transaction, rig impairments, 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 benefit for the six months ended June 30, 2019 was \$0.6 million and was primarily attributable to unrecognized tax benefits associated with tax positions taken in prior years and the resolution of other prior period tax matters. Excluding the aforementioned discrete tax items, income tax expense for the six months ended June 30, 2020 and 2019 was \$43.9 million and \$64.7 million, respectively.

LIQUIDITY AND CAPITAL RESOURCES

As a result of the impacts to our financial position resulting from declining commodity price conditions and in consideration of the substantial amount of long-term debt outstanding, we have engaged financial and legal advisors to assist us in, among other things, analyzing various alternatives to address our liquidity and capital structure, which may include, but not be limited to, seeking a restructuring, amendment or refinancing of existing debt through a private restructuring or a reorganization under Chapter 11 of the U.S. Bankruptcy Code. 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. While there can be no assurances as to ultimate timing, we expect our restructuring is likely to be implemented imminently through cases under Chapter 11 of the U.S. Bankruptcy Code and that our restructuring may result in the cancellation of existing equity interests and little or no recovery to existing shareholders.

We did not make interest payments due in June 2020 on the 4.875% Senior Notes due 2022, 5.40% Senior Notes due 2042 and 7.375% Senior Notes due 2025. We also did not make an interest payment on July 15, 2020, on

the 4.75% Senior Notes due 2024 and 5.85% Senior Notes due 2044. The June 2020 missed interest payments represent current events of default under the 4.875% Senior Notes due 2022, 5.40% Senior Notes due 2042, 7.375% Senior Notes due 2025, 4.75% Senior Notes due 2024 and 5.85% Senior Notes due 2044 (the “Defaulted Notes”). We have entered into the Forbearance Agreement pursuant to which certain holders of our senior notes have agreed to forbear from the exercise of certain rights and remedies that they have with respect to certain specified defaults and events of defaults (including cross-defaults). However, the events of default under the Defaulted Notes have not been waived and still exist, and the Forbearance Agreement will terminate automatically on August 3, 2020 and may be terminated upon certain other events that may occur prior to August 3, 2020. In addition to the approximately \$58.5 million of missed interest payments on the Defaulted Notes discussed above, there is substantial uncertainty whether we will pay \$79.2 million of interest on other series of outstanding notes on or prior to August 15, 2020 together with the \$122.9 million outstanding principal amount of our 6.875% Senior Notes due on August 15, 2020.

Our focus on liquidity and capital resources includes our cash position, debt levels and maturity profile, cost of capital, and our credit facility. 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 six months of 2020, we incurred impairments of \$3.6 billion, which contributed to an increase in the total debt to total capitalization ratio to 57.7% as of June 30, 2020. As of June 30, 2020, we were in compliance with our debt covenants due to the Second A&R Waiver. The full impact that the pandemic and the decline in oil prices and demand will have on our results of operations, financial condition, liquidity and cash flows is uncertain. We may incur additional material impairments as a result of declines in demand for offshore drilling rigs. As of June 30, 2020, at current debt levels, if we incur additional impairments or experience additional losses in excess of approximately \$500 million in the near future, we would no longer be in compliance with such covenant, leading to a significant level of uncertainty as to whether we will be in compliance over the next 12 months.

As a result of these uncertainties, our missed interest payments and the likelihood of a restructuring or reorganization, management has concluded that there is substantial doubt regarding our ability to continue as a going concern. See “[Note 1](#) - Unaudited Condensed Consolidated Financial Statements” and “[Note 10](#) - Debt” for additional information.

The failure to make certain interest payments under the Defaulted Notes, due to cross-default provisions, represents a default or event of default under the revolving credit facility. However, any default or event of default under the revolving credit facility resulting from such failure has been waived, for the term of such waiver, pursuant to the Second A&R Waiver. We have entered into the Second A&R Waiver pursuant to which the lenders under our revolving credit facility have waived certain defaults under the revolving credit facility, including in relation to the non-payment of interest on the Defaulted Notes. However, the Second A&R Waiver will terminate automatically on August 3, 2020 and may be terminated upon certain other events that may occur prior to August 3, 2020, including if advances outstanding under the revolving credit facility exceed \$630.0 million. If we exceed the total debt to total capitalization covenant in our revolving credit facility or the Second A&R Waiver is terminated without the prior cure of the defaults and events of default waived thereunder, further borrowings under the revolving credit facility would not be permitted, absent a waiver in respect of the resulting event of default from the breach of the total debt to total capitalization covenant, and all outstanding borrowings could become immediately due and payable by action of lenders holding a majority of the commitments under the revolving credit facility. Any such acceleration would trigger a cross-acceleration event of default with respect to approximately \$2.1 billion outstanding under the Defaulted Notes.

The revolving credit facility generally limits us to no more than \$200 million in available cash (including certain liquid investments as defined in the revolving credit facility documents), and requires consent of all lenders for draws on the revolving 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 revolving 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 credit facility lenders will not assert a material adverse effect as a basis to deny further borrowing requests.

Liquidity

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

	June 30, 2020	December 31, 2019
Cash and cash equivalents	\$ 202.0	\$ 97.2
Available credit facility borrowing capacity	1,033.4	1,622.2
Total liquidity	\$ 1,235.4	\$ 1,719.4
Working capital	\$ (2,002.0)	\$ 233.7
Current ratio	0.3	1.3

Cash and Debt

As of June 30, 2020, we had \$7.1 billion of total debt principal outstanding, representing 57.7% of our total capitalization. We also had \$202.0 million in cash and \$1.0 billion of undrawn capacity under our credit facility, which expires in September 2022. The credit agreement governing the revolving 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 June 30, 2020, our principal debt maturities through 2024 include \$122.9 million in August 2020, \$100.7 million in January 2021, \$620.8 million in 2022 and \$1.8 billion in 2024.

During the six months ended June 30, 2020, our primary source of cash was \$551.0 million in net borrowings under our credit facility. Our primary uses of cash for the same period were \$381.1 million used in operating activities, \$67.1 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 six months ended June 30, 2019, our primary source of cash was Rowan cash acquired of \$931.9 million and \$194.0 million from net maturities of short-term investments. Our primary uses of cash for the same period were \$134.8 million for the construction, enhancement and other improvements of our drilling rigs and \$293.4 million used in operating activities of continuing operations.

Cash Flow and Capital Expenditures

Our cash flow from operating activities and capital expenditures for the six months ended June 30, 2020 and 2019 were as follows (in millions):

	2020	2019
Net cash used in operating activities	\$ (381.1)	\$ (293.4)
Capital expenditures		
New rig construction	\$ 2.8	\$ 40.8
Rig enhancements	35.8	66.2
Minor upgrades and improvements	28.5	27.8
	\$ 67.1	\$ 134.8

Cash flows used in operating activities increased \$87.7 million as compared to the prior year period primarily due to declining margins. 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 \$40 million for newbuild construction, rig enhancement projects and minor upgrades and improvements. Approximately \$12 million of our projected capital expenditures are 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 June 30, 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 31, 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):

	June 30, 2020	December 31, 2019
Total debt ⁽¹⁾	\$ 7,066.3	\$ 6,528.1
Total capital ⁽²⁾	\$ 12,256.7	\$ 15,839.0
Total debt to total capital	57.7%	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 six months ended June 30, 2020, our total debt principal increased by \$538.2 million primarily as a result of borrowings on our credit facility and total capital declined by \$3.6 billion due to operating losses, inclusive of impairment of assets.

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 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.

We did not make interest payments due in June and July 2020 on the Defaulted Notes. The June 2020 missed interest payments represent current events of default under the Defaulted Notes. We have entered into the Forbearance Agreement pursuant to which certain holders of our senior notes have agreed to forbear from the exercise of certain rights and remedies that they have with respect to certain specified defaults and events of defaults (including cross-defaults). However, the events of default under the Defaulted Notes have not been waived and still exist, and the Forbearance Agreement will terminate automatically on August 3, 2020 and may be terminated upon certain other events that may occur prior to August 3, 2020. Accordingly, the amounts outstanding under the Defaulted Notes were classified as current in the accompanying Condensed Consolidated Balance Sheet as of June 30, 2020.

Revolving Credit Facility

Our borrowing capacity under our credit facility is \$1.6 billion through September 2022 of which \$1.0 billion is available as of June 30, 2020. The credit agreement governing the revolving 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 revolving 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 revolving 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 revolving 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 revolving 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 revolving credit facility) would exceed \$200 million; and entering into certain transactions with affiliates.

The revolving credit facility also includes a covenant restricting our ability to repay indebtedness maturing after September 2022, which is the final maturity date of the revolving 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 revolving credit facility.

The missed interest payments under the Defaulted Notes, due to cross-default provisions, represent a default or event of default under the revolving credit facility. However, any default or event of default under the revolving credit facility resulting from such failure has been waived, for the term of such waiver, pursuant to the Second A&R Waiver. We have entered into the Second A&R Waiver pursuant to which certain lenders under our revolving credit facility have waived certain defaults under the revolving credit facility, including in relation to the non-payment of interest on the Defaulted Notes. However, the Second A&R Waiver will terminate automatically on August 3, 2020 and may be terminated upon certain other events that may occur prior to August 3, 2020, including if advances outstanding under the revolving credit facility exceed \$630.0 million. Accordingly, the amounts outstanding under the revolving credit facility were classified as current in the accompanying Condensed Consolidated Balance Sheet as of June 30, 2020.

As of June 30, 2020, we were in compliance in all material respects with our covenants under the revolving credit facility due to the Second A&R Waiver. We had \$588.8 million outstanding under the revolving credit facility, inclusive of \$37.8 million in letters of credit, leaving a remaining \$1.0 billion of undrawn capacity under our credit facility as of June 30, 2020.

Our access to credit and capital markets is limited because of current market conditions and our credit rating among other reasons. 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 notes receivable may be reduced by the transfer of certain employee benefit obligations to the joint venture.

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 June 30, 2020 (in millions):

Maturity Date		Principal Amount
October 2027	\$	275.1
October 2028		177.7
Total	\$	452.8

Other Financing Arrangements

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 June 30, 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 June 30, 2020, we were contingently liable for an aggregate amount of \$112.9 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 June 30, 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 \$69.7 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 \$15.6 million liability for these assessments as of June 30, 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 June 30, 2020, we had cash flow hedges outstanding to exchange an aggregate \$134.9 million for various foreign currencies.

We have net assets and liabilities denominated in numerous foreign currencies and use various strategies to manage our exposure to changes in foreign currency exchange rates. We occasionally enter into derivatives that hedge the fair value of recognized foreign currency denominated assets or liabilities, thereby reducing exposure to earnings fluctuations caused by changes in foreign currency exchange rates. We do not designate such derivatives as hedging instruments. In these situations, a natural hedging relationship generally exists whereby changes in the fair value of the derivatives offset changes in the fair value of the underlying hedged items. As of June 30, 2020, we did not have foreign currency exposure due to our outstanding derivatives not designated as hedging instruments.

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 15 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 and six months ended June 30, 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 Exchange Act 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 June 30, 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 Exchange Act) are effective.

Changes in Internal Controls – There have been no changes in our internal controls over financial reporting during the fiscal quarter ended June 30, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. *Legal Proceedings*

UMB Bank Lawsuit

On March 19, 2020, UMB Bank, National Association (“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. The plea to the jurisdiction was denied by the court on June 5, 2020 and discovery is now ongoing. 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 Class Action

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. The defendants have not yet been served. We anticipate that an amended complaint will be filed in the fourth 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 \$107,000 liability related to these matters was included in accrued liabilities and other on our condensed consolidated balance sheet as of June 30, 2020.

Other Matters

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

Item 1A. Risk Factors

There are numerous factors that affect our business and results of operations, many of which are beyond our control. In addition to information set forth in this quarterly report, you should carefully read and consider "Item 1A. Risk Factors" in Part I and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II of our annual report on Form 10-K for the year ended December 31, 2019, as updated in Item 1A of Part II of our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020, which contains descriptions of significant risks that may cause our actual results of operations in future periods to differ materially from those currently anticipated or expected.

We failed to make interest payments due in June and July 2020 on the Defaulted Notes. The June 2020 missed interest payments currently represent a default or event of default under the Defaulted Notes.

We did not make interest payments due in June and July 2020 on the Defaulted Notes. The June 2020 missed interest payments currently represent a default or event of default under the Defaulted Notes, and due to cross-default provisions, represents an event of default under the revolving credit facility. However, any default or event of default under the revolving credit facility resulting from such failure has been waived, for the term of such waiver, pursuant to the Second A&R Waiver. Due to the events of default under the Defaulted Notes, the holders or trustee under the Defaulted Notes may accelerate payment under the notes. Pursuant to the Second A&R Waiver, the lenders under our revolving credit facility have waived certain defaults and events of default under the revolving credit facility, including in relation to the non-payment of interest on the Defaulted Notes, and pursuant to the Forbearance Agreement, certain holders of our senior notes have agreed to forbear from the exercise of certain rights and remedies that they have with respect to certain specified defaults and events of defaults (including cross-defaults). See "[Note 10 - Debt](#)" for a description of the terms of the Second A&R Waiver and the Forbearance Agreement.

During the Forbearance Period (as defined in Note 10), the events of default under the Defaulted Notes have not been waived and still exist, and the Second A&R Waiver and the Forbearance Agreement each terminate automatically on August 3, 2020 and may be terminated upon certain other events that may occur prior to August 3, 2020. In addition to the approximately \$58.5 million of missed interest payments on the Defaulted Notes discussed above, there is substantial uncertainty that we will pay \$79.2 million of interest on other series of outstanding notes on or prior to August 15, 2020 together with the \$122.9 million outstanding principal amount of our 6.875% Senior Notes due on August 15, 2020. We have concluded that these circumstances create substantial doubt regarding our ability to continue as a going concern. We do not anticipate maintaining compliance over the next 12 months 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% under the revolving credit facility and may not be able to restructure, refinance or otherwise satisfy our obligations under our indebtedness.

We continue to have discussions with our lenders and bondholders regarding the terms of a potential comprehensive restructuring of our indebtedness, which may include additional waivers, forbearances or amendments to the covenants or other provisions of our indebtedness to address any existing or future defaults and have engaged financial and legal advisors to assist us. If we are unable to reach an agreement with our lenders and bondholders, the lenders and bondholders may choose to accelerate repayment of our indebtedness. If our lenders or our bondholders accelerate the payment of amounts outstanding under the revolving credit facility or Defaulted Notes, we do not currently have sufficient liquidity to repay such indebtedness and would need additional sources of capital to do so.

We cannot provide any assurances that we will be successful in any restructuring of existing debt obligations or obtaining capital sufficient to fund the refinancing of our outstanding indebtedness or to provide sufficient liquidity to meet our operating needs. While there can be no assurances as to ultimate timing, we expect our restructuring is likely to be implemented imminently through cases under Chapter 11 of the U.S. Bankruptcy Code and that our restructuring may result in the cancellation of existing equity interests and little or no recovery to existing shareholders.

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 June 30, 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
April 1 - April 30	11,824	\$ 0.48	—	\$ 500,000,000
May 1 - May 31	20,687	\$ 0.34	—	\$ 500,000,000
June 1 - June 30	242,988	\$ 0.40	—	\$ 500,000,000
Total	275,499	\$ 0.40	—	

⁽¹⁾ During the three months ended June 30, 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 June 30, 2020, there had been no share repurchases under the repurchase program. Our revolving credit facility prohibits the repurchase of shares for cash, except in certain limited circumstances.

Item 5. Other Information

We did not make certain interest payments due in June and July 2020 on the Defaulted Notes. The June 2020 missed interest payments currently represent a default or event of default under the Defaulted Notes. An aggregate of approximately \$2.1 billion is outstanding under the Defaulted Notes. Pursuant to the Second A&R Waiver, the lenders under our revolving credit facility have waived certain defaults under the revolving credit facility, including in relation to the non-payment of interest on the Defaulted Notes, and pursuant to the Forbearance Agreement, certain holders of our senior notes have agreed to forbear from the exercise of certain rights and remedies that they have with respect to certain specified defaults and events of defaults (including cross-defaults). The Second A&R Waiver and the Forbearance Agreement each terminate automatically on August 3, 2020. See “[Note 10](#) - Debt” for a description of the terms of the Second A&R Waiver and the Forbearance Agreement.

Item 6. Exhibits

Exhibit Number	Exhibit
10.1	<u>Waiver to Fourth Amended and Restated Credit Agreement dated as of June 1, 2020 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on June 1, 2020, File No. 1-8097)</u>
* 10.2	<u>Amended and Restated Waiver to Fourth Amended and Restated Credit Agreement dated as of June 30, 2020</u>
* 10.3	<u>Valaris Executive Severance Plan</u>
* 10.4	<u>Forbearance Agreement dated as of June 30, 2020</u>
* 10.5	<u>Deed of Amendment No. 1 to Restated Employment Agreement of Carl Trowell dated as of April 26, 2020</u>
* 10.6	<u>Consultancy Agreement of Carl Trowell dated as of April 26, 2020</u>
10.7	<u>Amendment to 2018 Valaris plc Long Term Incentive Plan (incorporated by reference to Annex 2 to the Registrant's Proxy Statement on Schedule DEF 14A filed on April 27, 2020, File No. 1-8097)</u>
* 10.8	<u>Valaris Cash Incentive Plan</u>
* 10.9	<u>Form of Executive STI Retention Bonus Letter Agreement (No Retention)</u>
* 10.10	<u>Form of Executive STI Retention Bonus Letter Agreement (Messrs. Baksht and McGuinty)</u>
* 10.11	<u>Form of Executive STI Retention Bonus Letter Agreement (Retention)</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 instance 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: July 30, 2020

/s/ JONATHAN H. BAKSHT

Jonathan H. Baksht
Executive Vice President and
Chief Financial Officer
(principal financial officer)

/s/ COLLEEN W. GRABLE

Colleen W. Grable
Controller
(principal accounting officer)

AMENDED AND RESTATED WAIVER TO FOURTH AMENDED AND RESTATED CREDIT AGREEMENT

This AMENDED AND RESTATED WAIVER TO FOURTH AMENDED AND RESTATED CREDIT AGREEMENT (this “A&R Waiver”), is dated as of June 30, 2020, by and among Valaris plc, an English public limited company (the “Parent”), Pride International LLC, a Delaware limited liability company and indirect wholly-owned Subsidiary of the Parent (the “Pride” and together with the Parent, the “Borrowers”), the Guarantors, the Banks and Issuing Banks listed on the signature pages hereto (the “Required Banks”) (which in each case herein, constitute the “Majority Banks” under the Credit Agreement (as defined below)) and Citibank, N.A., as administrative agent (the “Administrative Agent”).

PRELIMINARY STATEMENTS:

WHEREAS, the Borrowers, the Banks, the Administrative Agent and the Issuing Banks are parties to that certain Fourth Amended and Restated Credit Agreement dated as of May 7, 2013 (as amended by the First Amendment dated as of September 30, 2014, the Second Amendment dated as of March 9, 2015, the Third Amendment dated as of July 1, 2016, the Extension Agreement dated as of October 4, 2016, the Fourth Amendment dated as of December 15, 2016, the Commitment Agreement and Fifth Amendment dated as of October 3, 2017 and effective as of October 6, 2017, and the Commitment Increase Agreement and Sixth Amendment to Fourth Amended and Restated Credit Agreement and as the same may be further amended, restated, increased and extended, the “Credit Agreement”).

WHEREAS, the Borrowers, the Administrative Agent and the Majority Banks entered into that certain Waiver to Fourth Amended and Restated Credit Agreement dated as of June 1, 2020 (the “Initial Waiver Date”), pursuant to which the Majority Banks party thereto waived certain provisions of the Credit Agreement on the terms and conditions set forth therein (the “Initial Waiver”). The parties hereto wish to amend and restate the Initial Waiver as set forth herein.

WHEREAS, the Parent is the “Issuer” under the (i) 4.875% Senior Notes due 2022 (the “2022 Notes”), (ii) 5.40% Senior Notes due 2042 (the “2042 Notes”, and together with the 2022, the “June 1 Interest Rowan Notes”), (iii) 7.375% Senior Notes due 2025 (the “2025 Notes” or the “June 15 Interest Rowan Notes”), (iv) 4.75% Senior Notes due 2024 (the “2024 Notes”) and (v) 5.85% Senior Notes due 2044 (the “2044 Notes”, and together with the 2024 Notes, June 1 Interest Rowan Notes and the June 15 Interest Rowan Notes, collectively, the “Rowan Notes”).

WHEREAS, the Borrowers have advised the Required Banks that the Parent failed to make all or any part of its required interest payments due on (i) June 1, 2020, with respect to the June 1 Interest Rowan Notes (the “Missed June 1 Payments”) and (ii) June 15, 2020, with respect to the June 15 Interest Rowan Notes (the “Missed June 15 Payments” and, together with the Missed June 1 Payments, the “Missed Payments”).

WHEREAS, the respective indentures for the June 1 Interest Rowan Notes contain a 30 day grace period for the payment of interest when due under such notes, which with respect to the Missed June 1 Payments will expire on July 1, 2020 (the “Grace Period Expiration Date”).

WHEREAS, the Parent has informed the Required Banks that, subject to receipt of the Forbearance Agreement (as defined below), it does not intend on making the Missed June 1 Payments prior to the Grace Period Expiration Date, which failure will result in an event of default under each of the June 1 Interest Rowan Notes, June 15 Interest Rowan Notes, the 2024 Notes and the 2044 Notes (collectively, the “Rowan Notes Cross Default”).

WHEREAS, the Parent has informed the Required Banks that it is seeking a written forbearance from holders of the Rowan Notes with respect to the exercise of remedies relating to the Missed June 1 Payments and the Rowan Notes Cross Default.

WHEREAS, pursuant to the Credit Agreement, each of (i) the failure of the Parent to make the Missed June 1 Payments prior to the Grace Period Expiration Date, (ii) the Rowan Notes Cross Default and (iii) the failure of the Parent to make the Missed June 15 Payments results in the existence of a Default under the Credit Agreement and, after giving effect to all applicable grace periods afforded under the respective Rowan Notes, results in an Event of Default pursuant to Section 7.01(e) of the Credit Agreement (for the avoidance of doubt, both under Section 7.01(e)(i) on account of such Missed Payments and under Section 7.01(e)(ii) on account of the Rowan Notes Cross Default) (the “Specified Notes Defaults”).

WHEREAS, the Borrowers have requested that the Required Banks waive (a) the Specified Notes Defaults; (b) any misrepresentation that might arise under Section 4.11 of the Credit Agreement solely as a result of the Specified Notes Defaults; and (c) any requirement to provide notice of the occurrences described in clauses (a) and (b) (clauses (a), (b) and (c), together, the “Specified Defaults”) and the Administrative Agent and the Required Banks have agreed to do so subject to the terms and conditions of this A&R Waiver.

NOW, THEREFORE, in consideration of the mutual covenants herein contained and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Defined Terms. Unless otherwise specifically defined herein, each term used herein (including in the recitals above) that is defined in the Credit Agreement has the meaning assigned to such term in the Credit Agreement.

Section 2. Waiver.

Effective as of the A&R Waiver Effective Date (as defined below), subject to the terms and conditions of this A&R Waiver and in reliance upon the representations and warranties of the Loan Parties set forth in Section 4 below, the Required Banks hereby waive the Specified Defaults, with effect from the Initial Waiver Date until the earliest of (a) July 15, 2020, (b) the termination or invalidity of the Forbearance Agreement (as defined below), the Forbearance Agreement otherwise ceasing to be in full force and effect, or the Forbearance Agreement being amended, supplemented or otherwise modified in each case without the consent of the Majority Banks, and (c) the acceleration by the holders of any of the Rowan Notes in accordance with the terms thereof. This is a limited, one-time waiver and, except as expressly set forth herein, shall not be deemed to: (x) constitute a waiver of any other Default, Event of Default or any other breach of the Credit Agreement or any of the other Loan Documents, whether now existing or hereafter arising, (y) constitute a waiver of any right or remedy of any of the Administrative Agent, Banks or Issuing Banks under the Loan Documents which does not arise as a result of the Specified Defaults (all such rights and remedies being expressly reserved by the Administrative Agent, Banks and Issuing Banks) or (z) establish a custom or course of dealing or conduct between the Administrative Agent, Banks and Issuing Banks, on the one hand, and the Borrowers, the Guarantors or any other Loan Party on the other hand. The foregoing waiver shall not be deemed to constitute a consent of any other act, omission or any breach of the Credit Agreement or any of the other Loan Documents.

Section 3. Reaffirmation of Guaranty. Each Guarantor hereby ratifies, confirms, acknowledges and agrees that its Obligations under the Guaranty to which it is a party are in full force and effect and that such Guarantor continues to unconditionally and irrevocably guarantee the full and punctual payment, when due, whether at stated maturity or earlier by acceleration or otherwise, all of the Obligations in accordance

with the terms of such Guaranty and its execution and delivery of this A&R Waiver does not indicate or establish an approval or consent requirement by such Guarantor under such Guaranty in connection with the execution and delivery of amendments, consents or waivers to the Credit Agreement, the Rowan Notes or any of the other Loan Documents.

Section 4. Representations True; No Default. Each of the Loan Parties represents that:

(a) this A&R Waiver has been duly authorized, executed and delivered on its behalf, and the Credit Agreement and the other Loan Documents to which it is a party, constitute the legal, valid and binding obligations of such Loan Party, enforceable against such Loan Party in accordance with their terms, except as such enforceability may be limited by any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally and by general principles of equity;

(b) after giving effect to this A&R Waiver, the representations and warranties of such Loan Party contained in Article IV of the Credit Agreement and in the other Loan Documents to which it is a party are true and correct in all material respects on and as of the date hereof as though made on and as of the date hereof (other than (i) those representations and warranties that expressly relate to a specific earlier date, which representations and warranties were true and correct in all material respects as of such earlier date and (ii) those representations and warranties that are by their terms subject to a materiality qualifier, which representations and warranties are true and correct in all respects); and

(c) after giving effect to this A&R Waiver, no Default or Event of Default under the Credit Agreement has occurred and is continuing.

Section 5. Effectiveness. This A&R Waiver shall become effective as of the first date (the "A&R Waiver Effective Date") on which each of the conditions precedent set forth in this Section 5 is satisfied :

(a) the Administrative Agent (or its counsel) shall have received counterparts of this A&R Waiver duly and validly executed and delivered by duly authorized officers of:

- (i) each Loan Party;
- (ii) the Administrative Agent; and
- (iii) the Required Banks;

(b) after giving effect to this A&R Waiver, the representations and warranties of such Loan Party contained in Article IV of the Credit Agreement and in the other Loan Documents to which it is a party shall be true and correct in all material respects on and as of the date hereof as though made on and as of the date hereof (other than (i) those representations and warranties that expressly relate to a specific earlier date, which representations and warranties shall be true and correct in all material respects as of such earlier date and (ii) those representations and warranties that are by their terms subject to a materiality qualifier, which representations and warranties shall be true and correct in all respects);

(c) after giving effect to this A&R Waiver, no Event of Default under the Credit Agreement shall have occurred and be continuing;

(d) the Borrowers shall have paid all reasonable and documented fees and out-of-pocket expenses of counsel and advisors for the Administrative Agent which are payable pursuant to

Section 9.04 of the Credit Agreement, to the extent invoiced at least one Business Day prior to the A&R Waiver Effective Date; and

(e) a forbearance or other agreement in form and substance satisfactory to the Administrative Agent (the “Forbearance Agreement”) shall, prior to or contemporaneously with the A&R Waiver Effective Date, have been executed and delivered to the Borrowers by holders of (i) greater than 40% of the aggregate outstanding obligations under the 2022 Notes and (ii) greater than 50% of the aggregate outstanding obligations under each of the other Rowan Notes, which Forbearance Agreement shall be effective in accordance with its terms.

Section 6. Miscellaneous Provisions.

(a) From and after the execution, delivery, and effectiveness of this A&R Waiver as set forth in Section 5 above, the Credit Agreement shall continue in full force and effect. Each Loan Party hereby agrees and acknowledges that the Administrative Agent, the Issuing Banks, and the Banks require and will require strict performance by such Loan Party of all of its respective obligations, agreements and covenants contained in the Credit Agreement, and the other Loan Documents to which it is a party (including any action or circumstance which is prohibited or limited during the existence of a Default or Event of Default), and no inaction or action by the Administrative Agent, any Issuing Bank, or any Bank regarding any Default or Event of Default is intended to be or shall be a waiver thereof (other than as set forth herein). Each Loan Party hereby also agrees and acknowledges that no course of dealing and no delay in exercising any right, power, or remedy conferred to the Administrative Agent, any Issuing Bank, or any Bank in the Credit Agreement or in any other Loan Documents or now or hereafter existing at law, in equity, by statute, or otherwise shall operate as a waiver of (other than as set forth herein) or otherwise prejudice any such right, power, or remedy.

(b) The Administrative Agent, the Issuing Banks, and the Banks hereby expressly reserve all of their rights, remedies, and claims under the Loan Documents. Nothing in this A&R Waiver shall constitute a waiver (other than as set forth herein) or relinquishment of (i) any Default or Event of Default under any of the Loan Documents, (ii) any of the agreements, terms or conditions contained in any of the Loan Documents, (iii) any rights or remedies of the Administrative Agent, any Issuing Bank, or any Bank with respect to the Loan Documents, or (iv) the rights of the Administrative Agent, any Issuing Bank, or any Bank to collect the full amounts owing to them under the Loan Documents.

(c) The Credit Agreement and this A&R Waiver shall be read and construed as one and the same instrument; provided that no provision of this A&R Waiver may be waived or modified without the consent of all the parties hereto.

(d) Any reference in any of the Loan Documents to the Credit Agreement shall be a reference to the Credit Agreement as modified by this A&R Waiver.

(e) This A&R Waiver is a Loan Document for purposes of the provisions of the other Loan Documents. Without limiting the foregoing, any breach of the representations, warranties, and covenants under this A&R Waiver may be a Default or an Event of Default under the Loan Documents.

(f) This A&R Waiver shall be construed in accordance with and governed by the laws of the State of New York.

(g) This A&R Waiver may be signed in any number of counterparts and by different parties in separate counterparts and may be in original or facsimile form, each of which shall be deemed an original

but all of which together constitute one and the same instrument. The words “executed,” “execution,” “signed,” “signature” and words of like import in this A&R Waiver shall be deemed to include electronic signatures or the keeping of electronic records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

(h) The headings herein shall be accorded no significant in interpreting this A&R Waiver.

Section 7. Binding Effect. This A&R Waiver shall be binding upon and inure to the benefit of the Loan Parties, the Banks, the Issuing Banks and the Administrative Agent and their respective successors and assigns, except that the Loan Parties shall not have the right to assign their rights hereunder or any interest herein.

[Signature Pages Follow.]

IN WITNESS WHEREOF, the parties hereto have caused this A&R Waiver to be duly executed by their respective officers thereunto duly authorized, as of the date first above written.

BORROWERS:

VALARIS PLC

By: /s/ Darin Gibbins
Name: Darin Gibbins
Title: An Authorized Signatory

PRIDE INTERNATIONAL LLC

By: /s/ Derek Sample
Name: Derek Sample
Title: An Authorized Signatory

GUARANTORS:

ENSCO JERSEY FINANCE LIMITED

By: /s/ Jonathan P. Cross
Name: Jonathan P. Cross
Title: An Authorized Signatory

ALPHA ACHIEVER COMPANY
ENSCO OCEAN 2 COMPANY
ENSCO OFFSHORE INTERNATIONAL COMPANY
ENSCO OVERSEAS LIMITED
ENSCO MANAGEMENT CORP.
PRIDE GLOBAL II LTD.

By: /s/ Derek Sangster
Name: Derek A. Sangster
Title: An Authorized Signatory

ENSCO GLOBAL GMBH
ENSCO INTERCONTINENTAL GMBH
ENSCO WORLDWIDE GMBH

By: /s/ Derek Sangster
Name: Derek A. Sangster
Title: An Authorized Signatory

ROWAN OFFSHORE LUXEMBOURG S.À R.L.
ROWAN RIGS S.À R.L.

By: /s/ Derek Sangster
Name: Derek A. Sangster
Title: An Authorized Signatory

Signature Page to Second Amended and Restated Waiver to Fourth Amended and Restated Credit Agreement (Valaris)

ADMINISTRATIVE AGENT:

CITIBANK, N.A., as Administrative Agent

By: /s/ Derrick Lenz

Name: Derrick Lenz

Title: Vice President

REQUIRED BANKS:

CITIBANK, N.A., as a Bank and an Issuing Bank

By: /s/ Derrick Lenz

Name: Derrick Lenz

Title: Vice President

Signature Page to Second Amended and Restated Waiver to Fourth Amended and Restated Credit Agreement (Valaris)

CITICORP NORTH AMERICA, INC., as a Bank

By: /s/ Peter Baumann

Name: Peter Baumann

Title: Vice President

Signature Page to Second Amended and Restated Waiver to Fourth Amended and Restated Credit Agreement (Valaris)

DNB CAPITAL LLC, as a Bank

By: /s/ Samantha Stone

Name: Samantha Stone

Title: Vice President

By: /s/ Mita Zalavadia

Name: Mita Zalavadia

Title: Assistant Vice President

Signature Page to Second Amended and Restated Waiver to Fourth Amended and Restated Credit Agreement (Valaris)

DNB Bank ASA, NEW YORK Branch as an Issuing Bank

By: /s/ Samantha Stone

Name: Samantha Stone

Title: Vice President

By: /s/ Mita Zalavadia

Name: Mita Zalavadia

Title: Assistant Vice President

Signature Page to Second Amended and Restated Waiver to Fourth Amended and Restated Credit Agreement (Valaris)

HSBC Bank USA, N.A., as a Bank and an Issuing Bank

By: /s/ Temesgen Haile

Name: Temesgen Haile

Title: Vice President

Signature Page to Second Amended and Restated Waiver to Fourth Amended and Restated Credit Agreement (Valaris)

DEUTSCHE BANK, AG NEW YORK BRANCH,
as a Bank and an Issuing Bank

By: /s/ Ming K Chu
Name: Ming K Chu
Title: Director

By: /s/ Annie Chung
Name: Annie Chung
Title: Director

Signature Page to Second Amended and Restated Waiver to Fourth Amended and Restated Credit Agreement (Valaris)

Bank of America, N.A., as a Bank

By: /s/ C. Mark Hedrick

Name: C. Mark Hedrick

Title: Managing Director

Signature Page to Second Amended and Restated Waiver to Fourth Amended and Restated Credit Agreement (Valaris)

BNP PARIBAS, as a Bank

By: /s/ Amy Kirschner

Name: Amy Kirschner

Title: Managing Director

By: /s/ Sriram Chandrasekaran

Name: Sriram Chandrasekara

Title: Director

Signature Page to Second Amended and Restated Waiver to Fourth Amended and Restated Credit Agreement (Valaris)

BARCLAYS BANK PLC, as a Bank

By: /s/ Sydney G. Dennis

Name: Sydney G. Dennis

Title: Director

Signature Page to Second Amended and Restated Waiver to Fourth Amended and Restated Credit Agreement (Valaris)

Morgan Stanley Senior Funding, Inc., as a Bank

By: /s/ Kevin J. Newman

Name: Kevin Newman

Title: Vice President

Signature Page to Second Amended and Restated Waiver to Fourth Amended and Restated Credit Agreement (Valaris)

Goldman Sachs Bank USA, as a Bank

By: /s/ Jamie Minieri

Name: Jamie Minieri

Title: Authorized Signatory

Signature Page to Second Amended and Restated Waiver to Fourth Amended and Restated Credit Agreement (Valaris)

VALARIS EXECUTIVE SEVERANCE PLAN
(As Amended and Restated 30 April 2020)

INTRODUCTION

The purpose of this Valaris Executive Severance Plan is to enable the Employer to offer certain payments and benefits to Eligible Individuals if their employment with the Employer is terminated by the Employer without Cause (and not on account of death or Disability).

Article I
DEFINITIONS

For purposes of the Plan, capitalized terms and phrases used herein shall have the meanings ascribed in this Article I.

1.1 **“Accrued Obligations”** means (i) all earned but unpaid Base Pay through the date of termination prorated for any partial period of employment, payable in accordance with customary payroll practices and the requirements of applicable law; (ii) any benefits to which such individual has a vested entitlement as of the date of termination, payable in accordance with the terms of any applicable benefit plan or as otherwise required by law; (iii) any accrued but unused vacation, payable in a lump sum with the individual’s final paycheck or as otherwise required by law; and (iv) payment of any approved but not yet reimbursed business expenses incurred prior to the date of termination, payable in accordance with applicable policies of the Company and its Affiliates.

1.2 **“Affiliate”** shall have the meaning set forth in Rule 12b-2 promulgated under Section 12 of the Exchange Act.

1.3 **“Base Pay”** means a Participant’s annual base compensation rate for services paid by the Employer to the Participant at the time immediately prior to the Participant’s termination of employment, as reflected in the Employer’s payroll records. Base Pay shall not include commissions, bonuses, overtime pay, incentive compensation, retention awards or benefits paid under any retirement plan, any group medical, dental or other welfare benefit plan, non-cash compensation, or any other additional compensation.

1.4 **“Board”** means the Board of Directors of Valaris plc, a public limited company incorporated under the laws of England and Wales, or any successor thereto.

1.5 **“Cause”** means any of the following: (a) the willful and continued failure of a Participant to perform substantially the Participant’s duties and obligations (other than any such failure resulting from bodily injury or disease or any other incapacity due to mental or physical illness), (b) gross misconduct by the Participant, (c) the willful and material breach by the Participant of any policies of the Company or its Affiliates or the Valaris Code of Conduct, or (d) the conviction of the Participant by a court of competent jurisdiction, from which conviction no further appeal can be taken, of a crime punishable by imprisonment.

1.6 “**Change in Control**” means the occurrence of any of the following events: (a) a change in the ownership of Valaris 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 in the capital of Valaris plc (the “**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 Valaris plc; *provided, however*, a Change in Control of Valaris 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 (i) own all or substantially all of the assets of Valaris plc as constituted immediately prior to such transaction or series of transactions, or (ii) 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 Valaris 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 Valaris plc or the ultimate parent company of Valaris plc and its subsidiaries.

1.7 “**COBRA**” means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended together with the regulations and other official guidance promulgated thereunder.

1.8 “**Code**” means the United States Internal Revenue Code of 1986, as amended, and the treasury regulations and other official guidance promulgated thereunder.

1.9 “**Code Section 409A**” means Section 409A of the Code together with the treasury regulations and other official guidance promulgated thereunder.

1.10 “**Company**” means Ensco Incorporated, a Delaware corporation and any of its successors as provided in Article VI hereof.

1.11 “**Compensation Committee**” means the Compensation Committee of the Board.

1.12 “**Dependents**” means the Participant’s spouse and other dependents covered under the Employer’s medical, dental and vision plans immediately before the Participant’s termination date.

1.13 “**Disability**” shall occur upon the Participant becoming eligible for disability benefits under the Employer’s long-term disability plan, or, if earlier, upon the Participant becoming eligible for Social Security disability benefits or any comparable state-provided disability benefits for Participants located in non-United States jurisdictions.

1.14 “**Effective Date**” means 10 November 2019, the effective date of Board approval of this Plan.

1.15 “**Eligible Individual**” means an employee of the Employer employed in one of the positions specified on Appendix A-1 or Appendix A-2, as applicable, or any other appendices as adopted and approved by the Committee from time to time, excluding any employee with an individual employment agreement or any other written agreement with the Employer, in either case, that provides for severance payments or benefits outside the context of a Change in Control. Eligible Individuals shall be limited to a select group or management or highly compensated employees of the Employer.

1.16 “**Employer**” means the Company and its Affiliates. For purposes of determining the entity responsible for making payments hereunder to a Participant, “**Employer**” shall mean the legal entity on whose payroll records the Participant is listed.

1.17 “**Exchange Act**” means the Securities Exchange Act of 1934, as amended together with regulations and other official guidance promulgated thereunder.

1.18 “**Participant**” means an Eligible Individual who is approved by the Compensation Committee (or an authorized delegate thereof) to participate in the Plan. An Eligible Individual shall become a Participant in the Plan as of the later of (i) the date he or she commences employment with the Employer, and (ii) the date he or she is approved by the Compensation Committee (or an authorized delegate thereof) to participate in the Plan.

1.19 “**Plan**” means this Valaris Executive Severance Plan, as amended from time to time in accordance with the terms and conditions hereof.

1.20 “**Release**” shall have the meaning set forth in Section 2.2 hereof.

1.21 “**Severance Benefits**” means the severance payments and benefits specified for a Participant in Appendix A-1 or Appendix A-2, as applicable, or any other appendices as adopted for any Participant by the Committee from time to time.

1.24 “**Target Bonus**” means a Participant’s target bonus opportunity under the Ensco plc 2018 Cash Incentive Plan, as amended from time to time, or any other annual, quarterly or similar cash incentive program maintained by the Employer, excluding, for the avoidance of doubt, any plan, arrangement or agreement governing performance units, cash long-term incentive awards, or retention awards.

Article II

SEVERANCE BENEFITS

2.1 Eligibility for Severance Benefits.

(a) **Qualifying Events.** If a Participant’s employment is terminated by the Employer without Cause (excluding by reason of death or Disability), then the Employer shall pay or provide the Participant with the Severance Benefits in accordance with Section 2.3 hereto, subject to the provisions of this Plan, including Section 2.2 hereof.

(b) **Non-Qualifying Events.** Unless otherwise provided by the Compensation Committee at the time of such a termination, a Participant shall not be entitled to the Severance Benefits if the Participant's employment is terminated (i) by the Employer for Cause, (ii) by the Participant for any reason, (iii) on account of the Participant's death or Disability, or (iv) for any reason other than as expressly specified in Section 2.1(a) hereof.

(c) **No Duty to Mitigate; Offset; Set-off.** No Participant entitled to receive Severance Benefits hereunder shall be required to seek other employment or to attempt in any way to reduce any amount payable to the Participant by the Employer pursuant to the Plan and there shall be no offset against any amounts due to the Participant under the Plan on account of any remuneration attributable to any subsequent employment that the Participant may obtain or otherwise. Except as set forth below, the amounts payable hereunder shall not be subject to setoff, counterclaim, recoupment, defense or other right which the Employer may have against the Participant. Notwithstanding the foregoing, to the extent that a Participant is entitled to severance payments or benefits from the Employer under any other severance policy, plan, program or agreement, including under applicable local legal requirements, the Ensco Incorporated Severance Plan (Shore-Based Employees), the Rowan Companies Plc Protection Plan, or any Change in Control Severance Agreement entered into with the Company or any of its Affiliates, each of the Severance Benefits payable under this Plan shall be reduced (but not below zero) by an amount equal to the comparable payments or benefits provided under such other policy, plan, program or agreement. In the event of the Participant's breach of any provision hereunder, including, without limitation, Section 2.2 hereof or any provision of the Release, the Company shall be entitled to recover any payments previously made to the Participant hereunder (including the value of any equity awards accelerated, valued by reference to the fair market value of a share of applicable stock on the date of acceleration).

2.2 **Release Required.** As a condition to receiving the Severance Benefits, the Participant must execute and not revoke a separation and release agreement in substantially the form attached hereto as Appendix B, with such changes thereto as the Company determines are appropriate to comply with local law or custom or any changes in legal requirements or best practices after the Effective Date (the "Release"). The Release must be executed and delivered to the Company within the period of time set forth therein.

2.3 **Plan Benefits.**

(a) **Accrued Obligations.** In the event of a Participant's termination of employment for any reason, such Participant shall be entitled to receive the Accrued Obligations. Participation in all benefit plans of the Employer will terminate upon a Participant's date of termination except as otherwise specifically provided in the applicable plan.

(b) **Severance Benefits.** The Severance Benefits for a Participant shall be determined as set forth in Appendix A-1 or Appendix A-2, attached hereto, as applicable, or as set forth in any other applicable appendices as adopted by the Committee for such Participant from time to time.

Article III
UNFUNDED PLAN

The Plan shall be “unfunded” and the Severance Benefits shall be paid out of the general assets of the Employer as and when the Severance Benefits become payable under the Plan. All Participants shall be solely unsecured general creditors of the Employer. If the Employer decides in its sole discretion to establish any advance accrued reserve on its books against the future expense of the Severance Benefits payable hereunder, or if the Employer decides in its sole discretion to fund a trust from which Plan benefits may be paid from time to time, such reserve or trust shall not under any circumstances be deemed to be an asset of the Plan.

Article IV
ADMINISTRATION OF THE PLAN

4.1 The Compensation Committee (or, where applicable, any duly authorized delegee of the Compensation Committee) shall have the exclusive right, power, and authority, in its sole and absolute discretion, to administer, apply and interpret the Plan and any other documents related thereto in good faith, and to decide all factual and legal matters arising in connection with the operation or administration of the Plan. Without limiting the generality of the foregoing, the Compensation Committee (or, where applicable, any duly authorized delegee of the Compensation Committee) shall have the sole and absolute discretionary authority to:

- (a) take all actions and make all decisions (including factual decisions) with respect to the eligibility for and the amount of benefits payable under the Plan;
- (b) formulate, interpret and apply rules, regulations and policies necessary to administer the Plan;
- (c) decide questions, including legal or factual questions, relating to the calculation and payment of benefits, and all other determinations made, under the Plan;
- (d) resolve and/or clarify in good faith any factual or other ambiguities, inconsistencies and omissions arising under the Plan or other Plan documents; and
- (e) process, and approve or deny, benefit claims and rule on any benefit exclusions.

All determinations made by the Compensation Committee (or, where applicable, any duly authorized delegee of the Compensation Committee) with respect to any matter arising under the Plan shall be final and binding on the Employer, the Participant, any beneficiary, and all other parties affected thereby.

4.2 Subject to the limitations of applicable law, the Compensation Committee may delegate any and all of its powers and responsibilities hereunder to other persons by formal resolution adopted by the Compensation Committee. Any such delegation shall not be effective until it is

adopted by the Compensation Committee and accepted by the person(s) designated and may be rescinded at any time by written notice from the Compensation Committee to the person to whom the delegation is made. The Company's Chief Executive Officer and Vice President, Human Resources are each hereby delegated the day-to-day authority to enter into Releases under the Plan and process the payment of benefits under the Plan.

Article V AMENDMENT AND TERMINATION

The Board may amend, modify or terminate this Plan without notice, at any time and for any reason, except as prohibited by law; *provided, however*, that no such amendment, modification or termination may (a) materially and adversely affect the benefits or protections provided hereunder to any Participant who has incurred a termination by the Employer without Cause (excluding by reason of death or Disability) prior to the date of such amendment, modification or termination, or (b) for a period of twelve (12) months following the consummation of a Change in Control, without a Participant's written consent, (i) prevent that Participant from becoming eligible for Severance Benefits under the Plan, or (ii) reduce or alter to the detriment of the Participant the Severance Benefits payable, or potentially payable, to the Participant under the Plan (including, without limitation, imposing additional conditions on payment or changes to the time or form of payment).

Article VI SUCCESSORS

For purposes of the Plan, the Company shall include any and all successors or assignees, whether direct or indirect, by purchase, merger, consolidation or otherwise, to all or substantially all of the business or assets of the Company and such successors and assignees shall perform the Company's obligations under the Plan, in the same manner and to the same extent that the Company would be required to perform such obligations if no such succession or assignment had taken place. In the event that the surviving corporation in any transaction to which the Company is a party is a subsidiary of another corporation, the ultimate parent corporation of such surviving corporation shall cause the surviving corporation to perform the obligations of the Company under the Plan in the same manner and to the same extent that the Company would be required to perform such obligations if no such succession or assignment had taken place. In such event, the term "Company," as used in the Plan, shall mean the Company, as hereinbefore defined, and any successor or assignee (including the ultimate parent corporation) to the business or assets thereof which by reason hereof becomes bound by the terms and provisions of the Plan.

Article VII MISCELLANEOUS

7.1 **Minors and Incompetents.** If the Compensation Committee shall find that any person to whom Severance Benefits are payable under the Plan is unable to care for his or her affairs because of illness or accident, or is a minor, any Severance Benefits due (unless a prior claim therefore shall have been made by a duly appointed guardian, committee or other legal representative) may be paid to the spouse, a child, parent, or brother or sister, or to any person deemed by the Compensation Committee to have incurred expense for such person otherwise entitled

to Severance Benefits, in such manner and proportions as the Compensation Committee may determine in its sole discretion. Any such payment of Severance Benefits shall be a complete discharge of the liabilities of the Company, the Employer and the Compensation Committee under the Plan.

7.2 **Limitation of Rights.** Nothing contained herein shall be construed as conferring upon a Participant the right to continue in the employ of the Employer as an employee or in any other capacity or to interfere with the Employer's right to discharge such Participant at any time for any reason whatsoever.

7.3 **Payment Not Salary.** Any Severance Benefits payable under the Plan shall not be deemed salary or other compensation to the Participant for the purposes of computing benefits to which the Participant may be entitled under any retirement plan or other arrangement of the Employer maintained for the benefit of its employees, unless such plan or arrangement provides otherwise.

7.4 **Severability.** In case any provision of the Plan shall be illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but the Plan shall be construed and enforced as if such illegal and invalid provision never existed.

7.5 **Withholding.** The Employer shall have the right to make such provisions as it deems necessary or appropriate to satisfy any obligation it may have to withhold federal, state or local income, payroll, national insurance or other taxes incurred by reason of payments pursuant to the Plan. In lieu thereof, to the extent permitted by applicable law, the Company and/or the Employer shall have the right to withhold the amounts of such taxes from any other sums due or to become due from the Company and/or the Employer to the Participant upon such terms and conditions as the Compensation Committee may prescribe.

7.6 **Non-Alienation of Benefits.** The Severance Benefits payable under the Plan shall not be subject to alienation, transfer, assignment, garnishment, execution or levy of any kind, and any attempt to cause any Severance Benefit to be so subjected shall not be recognized.

7.7 **Governing Law.** The Plan shall be governed by the laws of the State of Texas, without regard to the conflicts of law principles thereof.

7.8 **Code Section 409A.** The provisions of this Section 7.8 shall only apply if and to the extent that the applicable Participant is subject to the provisions of Code Section 409A. The intent of the parties is that payments and benefits under this Plan comply with or be exempt from Code Section 409A and, accordingly, to the maximum extent permitted, this Plan shall be interpreted to be in compliance therewith. If the Participant notifies the Company (with specificity as to the reason therefor) that the Participant believes that any provision of this Plan (or of any award of compensation, including equity compensation or benefits) would cause the Participant to incur any additional tax or interest under Code Section 409A and the Company concurs with such belief or the Company (without any obligation whatsoever to do so) independently makes such determination, the Company shall, after consulting with the Participant, reform such provision to attempt to comply with Code Section 409A through good faith modifications to the minimum extent reasonably appropriate to conform with Code Section 409A. To the extent that any provision hereof is modified

in order to comply with Code Section 409A, such modification shall be made in good faith and shall, to the maximum extent reasonably possible, maintain the original intent and economic benefit to the Participant and the Company of the applicable provision without violating the provisions of Code Section 409A. In no event whatsoever shall the Company be liable for any additional tax, interest or penalty that may be imposed on the Participant by Code Section 409A or damages for failing to comply with Code Section 409A. With respect to any payment or benefit considered to be nonqualified deferred compensation under Code Section 409A, a termination of employment shall not be deemed to have occurred for purposes of any provision of this Plan providing for the payment of any amounts or benefits upon or following a termination of employment unless such termination is also a “separation from service” within the meaning of Code Section 409A and, for purposes of any such provision of this Plan, references to a “termination,” “termination of employment” or like terms shall mean “separation from service.” Notwithstanding anything to the contrary in this Plan, if the Participant is deemed on the date of termination to be a “specified employee” within the meaning of that term under Code Section 409A(a)(2)(B), then with regard to any payment or the provision of any benefit that is considered nonqualified deferred compensation under Code Section 409A payable on account of a “separation from service,” such payment or benefit shall not be made or provided until the date which is the earlier of (i) the expiration of the six month period measured from the date of such “separation from service” of the Participant, and (ii) the date of the Participant’s death, to the extent required under Code Section 409A. Upon the expiration of the foregoing delay period, all payments and benefits delayed pursuant to this Section 7.8 (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to the Participant, without interest, in a lump sum, and any remaining payments and benefits due under this Plan shall be paid or provided in accordance with the normal payment dates specified for them herein. To the extent that reimbursements or other in-kind benefits under this Plan constitute “nonqualified deferred compensation” for purposes of Code Section 409A, (x) all expenses or other reimbursements hereunder shall be made on or prior to the last day of the taxable year following the taxable year in which such expenses were incurred by the Participant, (y) any right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, and (z) no such reimbursement, expenses eligible for reimbursement, or in-kind benefits provided in any taxable year shall in any way affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year. For purposes of Code Section 409A, the Participant’s right to receive any installment payments pursuant to this Plan shall be treated as a right to receive a series of separate and distinct payments. Whenever a payment under this Plan specifies a payment period with reference to a number of days, the actual date of payment within the specified period shall be within the sole discretion of the Company. Notwithstanding any other provision of this Plan to the contrary, in no event shall any payment under this Plan that constitutes “nonqualified deferred compensation” for purposes of Code Section 409A be subject to offset by any other amount unless otherwise permitted by Code Section 409A. Where payments under this Plan are to be made within a specified period after the Release becomes effective and irrevocable, and such period for the Participant’s consideration, execution and revocation of the Release spans two taxable years, payment shall be made in later taxable year.

7.9 Parachute Payment Limitations.

(a) Notwithstanding any contrary provision in this Plan, if an Eligible Individual is a “disqualified individual” (as defined in Section 280G of the Code), and the Severance Benefits that would otherwise be paid to such Eligible Individual under this Plan together with any other payments or benefits that such Eligible Individual has a right to receive from the Company (and affiliated entities required to be aggregated in accordance with Q/A-10 and Q/A-46 of Treas. Reg. §1.280G-1) (collectively, the “Payments”) would constitute a “parachute payment” (as defined in Section 280G of the Code), the Payments shall be either (a) reduced (but not below zero) so that the aggregate present value of such Payments and benefits received by the Eligible Individual from the Company and its Affiliates shall be \$1.00 less than three times such Eligible Individual’s “base amount” (as defined in Section 280G of the Code) (the “Safe Harbor Amount”) and so that no portion of such Payments received by such Eligible Individual shall be subject to the excise tax imposed by Section 4999; or (b) paid in full, whichever produces the better net after-tax result for such Eligible Individual (taking into account any applicable excise tax under Section 4999 and any applicable federal, state and local income and employment taxes). The determination as to whether any such reduction in the amount of the Payments is necessary shall be made by the Company in good faith and such determination shall be conclusive and binding on such Eligible Individual. If reduced Payments are made to the Eligible Individual pursuant to this Section 7.9 and through error or otherwise those Payments exceed the Safe Harbor Amount, the Eligible Individual shall immediately repay such excess to the Company or its applicable Affiliate upon notification that an overpayment has been made.

(b) The reduction of Payments, if applicable, shall be made by reducing, first, Severance Benefits to be paid in cash hereunder in the order in which such payments would be paid or provided (beginning with such payment or benefit that would be made last in time and continuing, to the extent necessary, through to such payment or benefit that would be made first in time) and second, by reducing any other cash payments that would be payable to the Eligible Individual outside of this Plan which are valued in full for purposes of Code Section 280G in a similar order (last to first), any third, by reducing any equity acceleration hereunder of awards which are valued in full for purposes of Section 280G of the Code in a similar order (last to first), and finally, by reducing any other payments or benefit provided hereunder in a similar order (last to first).

7.10 Non-Exclusivity. The adoption of the Plan by the Company shall not be construed as creating any limitations on the power of the Company to adopt such other supplemental severance arrangements as it deems desirable, and such arrangements may be either generally applicable or limited in application. Nothing in this Plan shall prevent or limit the Participant’s continuing or future participation in any benefit, bonus, incentive or other plan or program provided by the Company of any of its Affiliates and for which the Participant may qualify, nor shall anything herein limit or reduce such rights as the Participant may have under any agreements with the Company or any of its Affiliates; *provided*, that no payments or benefits under the Plan shall result in a duplication of payments or benefits provided under any severance plan or arrangement to which the Participant is eligible to participate or a party to. Amounts which are vested benefits or which the Participant is otherwise entitled to receive under any plan, policy, practice or program of or any contract or agreement with the Company or any of its Affiliates at or subsequent to the date of termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement, except as explicitly modified by this Plan.

7.11 **Headings and Captions; Number.** The headings and captions herein are provided for reference and convenience only. They shall not be considered part of the Plan and shall not be employed in the construction of the Plan. Whenever used in the Plan, the singular shall be deemed to include the plural, unless the context clearly indicates otherwise.

7.12 **Communications.** All announcements, notices and other communications regarding the Plan will be made by the Company in writing (whether in electronic form or otherwise). Except for written amendments to the Plan or official written communications issued by the Company in connection with the Plan, Participants in the Plan may not rely on any representation or statement made by the Employer or any of its officers, directors, employees or agents, whether written or oral, regarding such Participants' participation in the Plan and any rights hereunder.

7.13 **Notices.** For purposes of this Plan, notices and all other communications provided for in this Plan or contemplated hereby shall be in writing and shall be deemed to have been duly given when personally delivered, delivered by a nationally recognized overnight delivery service or when mailed via United States certified or registered mail, return receipt requested, postage prepaid, and addressed, in the case of the Company, to the Company at:

Valaris plc
Attn: General Counsel
5847 San Felipe, Suite 3300
Houston, TX 77057

and in the case of the Participant, to the Participant at the most recent address of the Participant that is set forth in the Company's records.

7.14 **Local Legal Requirements.** The Company's Chief Executive Officer and Vice President, Human Resources may create sub-plans that revise the terms of this Plan, including the Release attached hereto as Exhibit B, as each such individual deems advisable or appropriate to conform to or comply with any applicable foreign or local legal requirements or customs. Such sub-plans shall be applied consistently to all similarly-situated Participants located in the effected jurisdiction and shall not have the effect of increasing the amount of any Severance Benefits payable or to be provided hereunder.

Appendix A-1

Severance Benefits for Executive Vice Presidents

1. Cash Severance.

(a) If a Participant incurs a qualifying termination on or prior to April 4, 2020, an amount of cash, payable by the Employer in a lump sum promptly and in all events within 30 days following the date on which the Release as required by Section 2.2 becomes effective and irrevocable, equal to 2.00 *multiplied by* the sum of (i) the Participant's Base Pay *plus* (ii) the Participant's annualized Target Bonus.

(b) If a Participant incurs a qualifying termination on or following April 5, 2020, an amount of cash, payable by the Employer in a lump sum promptly and in all events within 30 days following the date on which the Release as required by Section 2.2 becomes effective and irrevocable, equal to 1.50 *multiplied by* the Participant's Base Pay.

2. Bonus for Performance Period of Termination.

A cash amount, equal to the Participant's Target Bonus for the performance period in which the termination occurs, payable by the Employer in a lump sum promptly and in all events within 30 days following the date on which the Release required by Section 2.2 becomes effective and irrevocable; provided, however, that the foregoing shall not prevent the Participant from receiving any bonus relating to any performance period completed prior to termination.

3. LTIP Awards.

(a) Time-Based Awards. Any outstanding time-based equity awards (including cash settleable awards) granted prior to the Effective Date held by the Participant as of the date of termination shall be treated as set forth in the applicable plan and award agreement. Any outstanding unvested time-based equity awards (including cash settleable awards) granted on or following the Effective Date held by the Participant as of the date of termination shall 100% accelerate and become exercisable or settle (as applicable) within 30 days following the date on which the Release as required by Section 2.2 becomes effective and irrevocable.

(b) Performance-Based Awards. Any outstanding unvested performance-based equity awards (including cash settleable awards) granted prior to the Effective Date held by the Participant as of the date of termination shall be treated as set forth in the applicable plan and award agreement. A pro-rated portion of any outstanding unvested performance-based equity awards (including cash settleable awards) granted on or following the Effective Date held by the Participant as of the date of termination shall vest based on actual performance over the applicable performance period, with such pro-rated portion determined based on the number of full months of the Participant's continuous service during the performance period out of the number of full months in the performance period. Vesting

and settlement of such pro-rated awards shall not be accelerated and such awards shall remain subject to achievement of applicable performance criteria.

4. **Other Benefits**

(a) Subject to the Participant's timely election of continuation coverage under COBRA or other applicable law, the Employer shall maintain continued group health plan coverage following the Participant's termination date under any of the Employer's medical, dental and vision plans that covered the Participant immediately before the Participant's termination date, for the Participant and his or her eligible Dependents, for a period of twelve (12) months following the Participant's termination date. During this period, the Participant shall be responsible for paying any contributions toward the cost of such coverages at active employee rates and the Employer shall (either directly or through reimbursement) subsidize the difference between such rates and any applicable premiums, whether under COBRA or otherwise. Following such 12-month period, the Participant shall be responsible for the full cost associated with any continued coverage, whether under COBRA, any insurance policy conversion rights or otherwise. The Employer's obligation to provide subsidized continuation coverage under this Plan shall immediately terminate if the Participant becomes eligible for group medical coverage provided by another employer. The Participant shall give prompt notice to the Employer if he or she becomes eligible for group medical coverage offered by another employer during the 12-month period referenced in this section. In jurisdictions outside the United States, a health coverage benefit that is comparable to what is described in this Section 4(a) shall be offered.

(b) The Participant shall receive Company-provided outplacement services for up to twelve (12) months following the Participant's termination of employment.

(c) The Employer, at its sole discretion in accordance with local customs, shall reimburse the Participant, up to a maximum aggregate amount of \$1,500 or £1000, for any legal fees actually incurred by or on behalf of the Participant in connection with the execution of the Release.

Appendix A-2

Severance Benefits for Senior Vice Presidents

1. Cash Severance.

(a) If a Participant incurs a qualifying termination on or prior to April 4, 2020, an amount of cash, payable by the Employer in a lump sum promptly and in all events within 30 days following the date on which the Release as required by Section 2.2 becomes effective and irrevocable, equal to the sum of (i) the Participant's Base Pay *plus* (ii) the Participant's annualized Target Bonus.

(b) If a Participant incurs a qualifying termination on or following April 5, 2020, an amount of cash, payable by the Employer in a lump sum promptly and in all events within 30 days following the date on which the Release as required by Section 2.2 becomes effective and irrevocable, equal to the Participant's Base Pay.

2. Bonus for Performance Period of Termination.

A cash amount, equal to the Participant's Target Bonus for the performance period in which the termination occurs, payable by the Employer in a lump sum promptly and in all events within 30 days following the date on which the Release required by Section 2.2 becomes effective and irrevocable; provided, however, that the foregoing shall not prevent the Participant from receiving any bonus relating to any performance period completed prior to termination.

3. LTIP Awards.

(a) Time-Based Awards. Any outstanding time-based equity awards (including cash settleable awards) granted prior to the Effective Date held by the Participant as of the date of termination shall be treated as set forth in the applicable plan and award agreement. Any outstanding unvested time-based equity awards (including cash settleable awards) granted on or following the Effective Date held by the Participant as of the date of termination shall 100% accelerate and become exercisable or settle (as applicable) within 30 days following the date on which the Release as required by Section 2.2 becomes effective and irrevocable.

(b) Performance-Based Awards. Any outstanding unvested performance-based equity awards (including cash settleable awards) granted prior to the Effective Date held by the Participant as of the date of termination shall be treated as set forth in the applicable plan and award agreement. A pro-rated portion of any outstanding unvested performance-based equity awards (including cash settleable awards) granted on or following the Effective Date held by the Participant as of the date of termination shall vest based on actual performance over the applicable performance period, with such pro-rated portion determined based on the number of full months of the Participant's continuous service during the performance period out of the number of full months in the performance period. Vesting

and settlement of such pro-rated awards shall not be accelerated and such awards shall remain subject to achievement of applicable performance criteria.

4. Other Benefits

(a) Subject to the Participant's timely election of continuation coverage under COBRA or other applicable law, the Employer shall maintain continued group health plan coverage following the Participant's termination date under any of the Employer's medical, dental and vision plans that covered the Participant immediately before the Participant's termination date, for the Participant and his or her eligible Dependents, for a period of twelve (12) months following the Participant's termination date. During this period, the Participant shall be responsible for paying any contributions toward the cost of such coverages at active employee rates and the Employer shall (either directly or through reimbursement) subsidize the difference between such rates and any applicable premiums, whether under COBRA or otherwise. Following such 12-month period, the Participant shall be responsible for the full cost associated with any continued coverage, whether under COBRA, any insurance policy conversion rights or otherwise. The Employer's obligation to provide subsidized continuation coverage under this Plan shall immediately terminate if the Participant becomes eligible for group medical coverage provided by another employer. The Participant shall give prompt notice to the Employer if he or she becomes eligible for group medical coverage offered by another employer during the 12-month period referenced in this section. In jurisdictions outside the United States, a health coverage benefit that is comparable to what is described in this Section 4(a) shall offered.

(b) The Participant shall receive Company-provided outplacement services for up to twelve (12) months following the Participant's termination of employment.

(c) The Employer, at determined in its sole discretion in accordance with local customs, shall reimburse the Participant, up to a maximum aggregate amount of \$1,500 or £1000, for any legal fees actually incurred by or on behalf of Participant in connection with the execution of the Release.

Appendix B

Form of Separation and Release Agreement

This Release Agreement (this "Release Agreement") is entered into as of the date set forth below by and between [____], an individual ("Employee"), and [____] (the "Company"). Capitalized terms used herein that are not otherwise defined shall have the meaning ascribed to such terms in the Valaris Executive Severance Plan (the "Severance Plan").

WHEREAS, Employee has been employed by the Company as its [____];

WHEREAS, Employee's employment with the Company will terminate effective as of [____] (the "Termination Date");

WHEREAS, Employee is eligible to receive severance payments and benefits (the "Severance Benefits") in accordance with and subject to the terms of the Severance Plan; and

WHEREAS, Employee's receipt of the Severance Benefits is subject to Employee's execution and non-revocation of a release of claims, and the Company and Employee desire to enter into this Release Agreement upon the terms set forth herein.

NOW, THEREFORE, in consideration of the covenants undertaken and the releases contained in this Release Agreement, and in consideration of the obligations of the Company to pay the Severance Benefits (conditioned upon this Release Agreement), Employee and the Company agree as follows:

1. Release. Employee, on behalf of herself, his or her descendants, dependents, heirs, executors, administrators, assigns, and successors, and each of them, hereby acknowledges full and complete satisfaction of the Company's obligations to him or her and covenants not to sue and fully releases and discharges the Company and each of its direct and indirect parents, subsidiaries and affiliates, past and present, as well as its and their trustees, directors, officers, members, managers, partners, agents, attorneys, insurers, employees, stockholders, representatives, assigns, and successors, past and present, and each of them, hereinafter together and collectively referred to as the "Releasees," with respect to and from any and all claims, wages, demands, rights, liens, agreements or contracts (written or oral), covenants, actions, suits, causes of action, obligations, debts, costs, expenses, attorneys'

fees, damages, judgments, orders and liabilities of whatever kind or nature in law, equity or otherwise (each, a “Claim”), which he or she now owns or holds or he or she has at any time heretofore owned or held or may in the future hold as against any of said Releasees arising out of or in any way connected with Employee’s service as an officer, director, employee, member or manager of any Releasee or Employee’s separation from his or her position as an officer, director, employee, manager and/or member, as applicable, of any Releasee, whether known or unknown, suspected or unsuspected, resulting from any act or omission by or on the part of said Releasees, or any of them, committed or omitted prior to the date of this Release Agreement including, without limiting the generality of the foregoing, any Claim under Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act of 1967 (“ADEA”), the Americans with Disabilities Act, the Family and Medical Leave Act of 1993, or any other federal, state or local law, regulation, or ordinance, or any Claim for severance pay, bonus, sick leave, holiday pay, vacation pay, life insurance, health or medical insurance or any other fringe benefit, workers’ compensation or disability; *provided however*, that the foregoing release shall not apply to any obligation of the Company to Employee pursuant to or with respect to any of the following: (1) any right to indemnification that Employee may have pursuant to the Company’s Bylaws or the Company’s corporate charter or under any written indemnification agreement with the Company (or any corresponding provision of any subsidiary or affiliate of the Company) with respect to any loss, damages or expenses (including but not limited to attorneys’ fees to the extent otherwise provided) that Employee may in the future incur with respect to his or her service as an employee, officer or director of the Company or any of its subsidiaries or affiliates; (2) any rights that Employee may have to insurance coverage for such losses, damages or expenses under any Company (or subsidiary or affiliate) directors and officers liability insurance policy; (3) any rights to continued group health plan coverage that Employee may have under COBRA; or (4) any rights to payment of benefits that Employee may have under a retirement plan sponsored or maintained by the Company that is intended to qualify under Section 401(a) of the Internal Revenue Code of 1986, as amended. In addition, this release does not cover any Claim that cannot be so released as a matter of applicable law. Employee acknowledges and agrees that he or she has received any and all leave and other benefits that he or she has been and is entitled to pursuant to the Family and Medical Leave Act of 1993.

2. Acknowledgment of Payment of Wages and Offset. Employee acknowledges that he or she has received all amounts owed for his or her regular and usual salary (including, but not limited to, any bonus or other wages), and usual benefits through the date of this Release Agreement. The Severance Benefits shall, however, be subject to setoff, counterclaim, recoupment, defense or other right which the Company may have against Employee and shall, to the extent permitted by applicable law, be reduced by the amount of any (i) severance pay or acceleration of benefits under any other agreement with, or plan, program, or policy of, the Company (if any) and (ii) other payments that the Company may otherwise be compelled to pay to Employee under applicable law (other than amounts owed for his or her regular and usual salary including, but not limited to, any bonus or other wages, and usual benefits through the Termination Date).

3. ADEA Waiver. Employee expressly acknowledges and agrees that by entering into this Release Agreement, Employee is waiving any and all rights or Claims that he or she may have arising under ADEA and the Older Worker Benefits Protection Act (“OWBPA”), which have arisen on or before the date of execution of this Release Agreement. Employee further expressly acknowledges and agrees that:

(A) Employee is hereby advised in writing by this Release Agreement to consult with an attorney before signing this Release Agreement;

(B) Employee has voluntarily chosen to enter into this Release Agreement and has not been forced or pressured in any way to sign it;

(C) Employee was given a copy of this Release Agreement on [_____] and informed that he or she had [forty-five (45) / twenty-one (21)] days within which to consider this Release Agreement and that if he or she wished to execute this Release Agreement prior to expiration of such [45 / 21]-day period, he or she should execute the Endorsement attached hereto;

(D) Employee was informed that he or she had seven (7) days following the date of execution of this Release Agreement in which to revoke this Release Agreement, and this Release Agreement will become null and void if Employee elects revocation during that time. Any revocation must be in writing and must be received by the Company during the seven-day revocation period. In the event that Employee exercises his or her right of revocation, neither the Company nor Employee will have any obligations under this Release Agreement;

(E) Nothing in this Release Agreement prevents or precludes Employee from challenging or seeking a determination in good faith of the validity of this waiver under the ADEA or the OWBPA, nor does it impose any condition precedent, penalties or costs from doing so, unless specifically authorized by federal law.

4. No Transferred Claims. Employee warrants and represents that the Employee has not heretofore assigned or transferred to

any person not a party to this Release Agreement any released matter or any part or portion thereof and he or she shall defend, indemnify and hold the Company and each of its affiliates harmless from and against any claim (including the payment of attorneys' fees and costs actually incurred whether or not litigation is commenced) based on or in connection with or arising out of any such assignment or transfer made, purported or claimed.

5. Severability. It is the desire and intent of the parties hereto that the provisions of this Release Agreement be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, if any particular provision of this Release Agreement shall be adjudicated by a court of competent jurisdiction to be invalid, prohibited or unenforceable under any present or future law, such provision, as to such jurisdiction, shall be ineffective, without invalidating the remaining provisions of this Release Agreement or affecting the validity or enforceability of such provision in any other jurisdiction; furthermore, in lieu of such invalid or unenforceable provision there will be added automatically as a part of this Release Agreement, a legal, valid and enforceable provision as similar in terms to such invalid or unenforceable provision as may be possible. Notwithstanding the foregoing, if such provision could be more narrowly drawn so as not to be invalid, prohibited or unenforceable in such jurisdiction, it shall, as to such jurisdiction, be so narrowly drawn, without invalidating the remaining provisions of this Release Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

6. Counterparts. This Release Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

7. Governing Law. THIS RELEASE AGREEMENT WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW OR CONFLICTING PROVISION OR RULE (WHETHER OF THE STATE OF TEXAS OR ANY OTHER JURISDICTION) THAT WOULD CAUSE THE LAWS OF ANY JURISDICTION OTHER THAN THE STATE OF TEXAS TO BE APPLIED. IN FURTHERANCE OF THE FOREGOING, THE INTERNAL LAW OF THE STATE OF TEXAS, WILL CONTROL THE INTERPRETATION AND CONSTRUCTION OF THIS RELEASE AGREEMENT, EVEN IF UNDER SUCH JURISDICTION'S CHOICE OF LAW OR CONFLICT OF LAW ANALYSIS, THE SUBSTANTIVE LAW OF SOME OTHER JURISDICTION WOULD ORDINARILY APPLY.

8. Amendment and Waiver. The provisions of this Release Agreement may be amended and waived only with the prior written consent of the Company and Employee, and no course of conduct or failure or delay in enforcing the provisions of this Release Agreement shall be construed as a waiver of such provisions or affect the validity, binding effect or enforceability of this Release Agreement or any provision hereof.

9. Descriptive Headings. The descriptive headings of this Release Agreement are inserted for convenience only and do not constitute a part of this Release Agreement.

10. Construction. Where specific language is used to clarify by example a general statement contained herein, such specific language shall not be deemed to modify, limit or restrict in any manner the construction of the general statement to which it relates. The language used in this Release Agreement shall be deemed to be the language chosen by the parties to express their mutual intent, and no rule of strict construction shall be applied against any party.

11. Arbitration. Any disputes relating to this Release Agreement, including the arbitrability thereof, shall by mutual agreement be finally settled by binding arbitration in accordance with the Judicial Arbitration & Mediation Service, Inc. ("JAMS") Comprehensive Arbitration Rules and Procedures or any successor provision thereto, as follows: Any party aggrieved will deliver a notice to the other party setting forth the specific points in dispute. Any points remaining in dispute thirty (30) days after the giving of such notice may be submitted to JAMS arbitration conducted before a single neutral arbitrator in Houston, Texas. The arbitrator shall be appointed by agreement of the parties hereto or, if no agreement can be reached, by JAMS. The arbitrator may enter a default decision against any party who fails to participate in the arbitration proceedings. Notwithstanding the foregoing, a party who seeks equitable relief shall not be obligated to utilize the arbitration proceedings required hereunder and instead may seek such relief in any state or federal court sitting in Houston, Texas. The decision of the arbitrator on the points in dispute will be final, unappealable and binding, and judgment on the award may be entered in any court having jurisdiction thereof. The arbitrator shall only be authorized to interpret the provisions of this Release Agreement, and shall not amend, change or add to any such provisions. The parties agree that this provision has been adopted by the parties to rapidly and inexpensively resolve any disputes between them and that this provision will be grounds for dismissal of any court action commenced by either party with respect to this Release Agreement, other than post-arbitration actions seeking to enforce an arbitration award or proceedings seeking equitable relief as permitted by this Release Agreement. In the event that any court determines that this arbitration procedure is not binding, or otherwise allows any litigation regarding a dispute, claim, or controversy covered by this Release Agreement to proceed, the parties hereto hereby waive any and all right to a trial by jury in or with respect to such litigation. Each party will bear its own expenses and the fees of its own attorneys. The parties and the arbitrator will keep confidential, and will not disclose to any person, except the

parties' advisors and legal representatives, or as may be required by law or to enforce in court an arbitrator's award, the existence of any dispute hereunder. Employee acknowledges that arbitration pursuant to this Release Agreement includes all controversies or claims of any kind (e.g., whether in contract or in tort, statutory or common law, legal or equitable) now existing or hereafter arising under any federal, state, local or foreign law, including, but not limited to, the ADEA, the OWBPA, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1866, the Employee Retirement Income Security Act, the Family and Medical Leave Act of 1993, the Americans With Disabilities Act and all similar federal, state and local laws, and Employee hereby waives all rights thereunder to have a judicial tribunal and/or a jury determine such claims.

12. Restrictive Covenants.

(A) Each party acknowledges and agrees that Employee shall continue to be obligated to comply with the terms of any restrictive covenant, intellectual property, or confidentiality agreement that Employee executed in connection with Employee's employment with the Company or its affiliates.

(B) Confidentiality. During the course of Employee's employment with the Company, the Company has (1) disclosed or entrusted to Employee, and provided Employee with access to, Confidential Information (as defined below), (2) placed Employee in a position to develop business goodwill belonging to Valaris, plc ("Valaris") and its affiliates, and (3) disclosed or entrusted to Employee business opportunities to be developed for Valaris and its affiliates. Valaris and its affiliates have also taken such actions on the date of this Release Agreement. Employee acknowledges that Confidential Information has been developed or acquired by Valaris and its affiliates through the expenditure of substantial time, effort and money and provides Valaris and its affiliates with an advantage over competitors who do not know or use the Confidential Information. Employee further acknowledges and agrees that the nature of the Confidential Information obtained during his or her employment would make it difficult, if not impossible, for Employee to perform in a similar capacity for a business competitive with Valaris and its affiliates without disclosing or utilizing Confidential Information. Employee shall hold in confidence and not directly or indirectly disclose, use, copy or make lists of any Confidential Information, except to the extent necessary to carry out his or her duties on behalf of Valaris and its affiliates. Employee agrees to give to Valaris and its affiliates notice of any and all attempts to compel disclosure of any Confidential Information within one (1) business day of being informed that such disclosure is being, or will be, compelled. Such written notice shall include a description of the Confidential Information to be disclosed, the court, government agency, or other forum through which the disclosure is sought, and the date by which the Confidential Information is to be disclosed, and shall contain a copy of the subpoena, order or other process used to compel disclosure. For the avoidance of doubt, the provisions of this subsection shall not apply to (a) any disclosure or use authorized by Valaris or its affiliates or required by applicable law and (b) any information that is or becomes generally available to the public (other than as a result of Employee's unauthorized disclosure). This confidentiality covenant shall be in addition to, and not limit or restrict in any way, any other confidentiality agreement or other post-employment covenant between Employee and Valaris and its affiliates.

As used herein, "Confidential Information" means information (whether or not recorded in documentary form, or stored on any magnetic or optical disk or memory) relating to the business, products, affairs and finances of Valaris or any of its affiliates for the time being confidential to Valaris or its affiliates, and trade secrets including, without limitation, technical data and know-how relating to the business of Valaris or any of its affiliates or any of their respective business contacts, including in particular (by way of illustration only and without limitation): (i) information relating to the business of exploring, acquiring, developing, exploiting and disposing of oil and natural gas resources (regardless of when conceived, made, developed or acquired); (ii) information relating to the business or prospective business, current or projected plans or internal affairs of Valaris or any of its affiliates; (iii) information relating to the current or prospective marketing or sales of any products or services of Valaris or any of its affiliates, including non-public lists of customers' and suppliers' names, addresses and contacts; sales targets and statistics; market share and pricing information; marketing surveys; research and reports; non-public advertising and promotional material; strategies; and financial and sales data; (iv) information relating to any actual or prospective business strategies of Valaris or any of its affiliates; (v) information relating to any actual acquisitions, investments or corporate opportunities or prospective acquisition, investment targets or corporate opportunities; (vi) know-how, trade secrets, unpublished information relating to Valaris or any of its affiliates' intellectual property and to the creation, production or supply of any products or services of Valaris or any of its affiliates; (vii) information to which Valaris or any of its affiliates owes an obligation of confidence to a third party (including, without limitation, customers, clients, suppliers, partners, joint venturers and professional advisors of Valaris or any of its affiliates); and (viii) other commercial, financial or technical information relating to the business or prospective business of Valaris or any of its affiliates, or to any past, current or prospective client, customer, supplier, licensee, officer or employee, agent of Valaris or any of its affiliates, or any member or person interested in the share capital or assets of Valaris or any of its affiliates, and any other person to whom Valaris or any of its affiliates may provide or from whom they may receive information (whether marked confidential or not).

(C) Non-Compete. In exchange for the Severance Benefits and the Company's provision to Employee of Confidential Information and to protect the Company and its affiliates' legitimate business interests, Employee hereby agrees that for a period of [twelve (12) / six (6)] months after the Termination Date (the "Restricted Period"), Employee will not, without the prior written consent of the Chief Executive Officer of Valaris plc, directly or indirectly, provide services to, or own any interest in, manage, operate, control, or participate in the ownership, management, operation or control of, any Direct Competitor (including as an employee or consultant, other than as an employee of, or consultant to, the Company or its affiliates); *provided, however*, that notwithstanding the foregoing, Employee may own, directly or indirectly, solely as a passive investment, securities of any entity traded on a national securities exchange if Employee is not a controlling person of, or a member of a group which controls, such entity and does not, directly or indirectly, own two percent (2%) or more of any class of securities of such entity.

(D) Non-Solicitation. Employee hereby agrees that during the Restricted Period Employee will not, directly or indirectly, induce or attempt to induce, or cause or solicit any officer, manager, contractor or employee of the Company or its Affiliates to cease their relationship with the Company or its Affiliates or hire or engage any such officer, manager, contractor or employee of the Company or its Affiliates, or in any way materially interfere with the relationship between the Company and its Affiliates, on the one hand, and any such officer, manager, contractor or employee, on the other hand. Notwithstanding the foregoing, nothing in this Release Agreement shall prohibit Employee from making a general, public solicitation for employment, or using an employee recruiting or search firm to conduct a search, that does not specifically target employees or consultants of the Company or its Affiliates so long as no persons who were at any time during the twelve (12) month period prior to the commencement of such solicitation, employees or consultants of the Company or its Affiliates are hired or otherwise engaged as a result of such general solicitations or search firm efforts. Employee hereby agrees that during the Restricted Period, he will not, directly or indirectly, induce, or attempt to induce, cause or solicit any customer, client or supplier of the Company or its Affiliates to reduce or cease doing business with the Company or its Affiliates, or in any way knowingly interfere with the relationship between any customer, client or supplier of the Company or its Affiliates, on the one hand, and the Company and its Affiliates, on the other hand.

(E) Intellectual Property Assignment. Employee hereby assigns to the Company all rights, including, without limitation, copyrights, patents, trade secret rights, and other intellectual property rights associated with any ideas, concepts, techniques, inventions, processes, works of authorship, Confidential Information or trade secrets (i) developed or created by Employee, solely or jointly with others, during the course of performing work for or on behalf of the Company or any of its Affiliates at any time during Employee's period of employment with the Company, (ii) that Employee conceived, developed, discovered or made in whole or in part during Employee's employment by the Company that relate to the business of the Company or its Affiliates or the actual or demonstrably anticipated research or development of the Company or its Affiliates, or (iii) that Employee conceives, develops, discovers or makes in whole or in part during or after Employee's employment by the Company that are made through the use of any trade secrets of the Company or the use of the equipment, facilities, supplies, or time of the Company or its Affiliates (collectively, "Work Product"). Without limiting the foregoing, to the extent possible, all software, compilations and other original works of authorship included in the Work Product will be considered a "work made for hire" as that term is defined in Title 17 of the United States Code. If, notwithstanding the foregoing, Employee for any reason retains any right, title or interest in or relating to any Work Product, Employee agrees promptly to assign, in writing and without any requirement of further consideration, all such right, title, and interest to the Company. Upon request of the Company at any time, Employee will take such further actions, including execution and delivery of instruments of conveyance, as may be appropriate to evidence, perfect, record or otherwise give full and proper effect to any assignments of rights under or pursuant to this Release Agreement.

(F) Company Documents and Property. All writings, records, and other documents and things comprising, containing, describing, discussing, explaining, or evidencing any Confidential Information, and all equipment, computers, mobile phones, components, manuals, parts, keys, tools, and the like in Employee's custody, possession or control that have been obtained by, prepared by, or provided to, Employee by the Company or any Affiliate in the course or scope of Employee's employment with the Company (or any Affiliate) shall be the exclusive property of the Company (or such Affiliate, as applicable), shall not be copied and/or removed from the premises of the Company or any Affiliate, except in pursuit of the business of the Company or an Affiliate, and shall be delivered to the Company or an Affiliate, as applicable, without Employee retaining any copies or electronic versions, within one (1) day following the Termination Date or at any other time requested by the Company.

(G) No Disparaging Comments. Employee and the Company shall refrain from any criticisms or disparaging comments about each other or in any way relating to Employee's employment or separation from employment with the Company; *provided, however*, that nothing in this Release Agreement shall apply to or restrict in any way the communication of information to any governmental law enforcement agency by either Party that is required by compulsion of law. A

violation or threatened violation of this prohibition may be enjoined by a court of competent jurisdiction. The rights under this provision are in addition to any and all rights and remedies otherwise afforded by law to the Parties. Employee acknowledges that in executing this Release Agreement, he or she has knowingly, voluntarily, and intelligently waived any free speech, free association, free press or First Amendment to the United States Constitution (including, without limitation, any counterpart or similar provision or right under any other state constitution which may be deemed to apply) and rights to disclose, communicate, or publish disparaging information or comments concerning or related to the Company; provided, however, nothing in this Release Agreement shall be deemed to prevent Employee from testifying fully and truthfully in response to a subpoena from any court or from responding to an investigative inquiry from any governmental agency. For all purposes of the obligations of Employee under this Section 12(G), the term “Company” refers to the Company and its Affiliates, and its and their directors, officers, employees, shareholders, investors, partners and agents.

(H) Cooperation. Employee agrees to make himself or herself available as reasonably practical with respect to, and to use reasonable efforts to cooperate in conjunction with, the transition of duties and any litigation or investigation arising from events that occurred during Employee’s employment with or engagement by the Company (whether such litigation or investigation is then pending or subsequently initiated) involving the Company or any affiliate thereof, including providing testimony and preparing to provide testimony if so requested by the Company.

(I) Employee also agrees to keep confidential the terms of this Release Agreement. This provision does not prohibit Employee from providing this information on a confidential and privileged basis to his or her attorneys or accountants for purposes of obtaining legal or tax advice or as otherwise required by law. Moreover, the parties have the right to disclose in confidence trade secrets to government officials, or to an attorney, for the sole purpose of reporting or investigating a suspected violation of law. The parties also have the right to disclose trade secrets in a document filed in a lawsuit or other proceeding, but only if the filing is made under seal and protected from public disclosure all in accordance with 18 U.S.C. § 1833(b). Nothing in this Release Agreement shall restrict such disclosures.

13. Nouns and Pronouns. Whenever the context may require, any pronouns used herein shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns and pronouns shall include the plural and vice-versa.

14. Legal Counsel. Each party recognizes that this is a legally binding contract and acknowledges and agrees that they have had the opportunity to consult with legal counsel of their choice. Employee acknowledges and agrees that he or she has read and understands this Release Agreement completely, is entering into it freely and voluntarily, and has been advised to seek counsel prior to entering into this Release Agreement and he or she has had ample opportunity to do so.

15. Entire Agreement. The Severance Plan and this Release Agreement set forth the entire agreement of the parties and fully supersede and replace any and all prior agreements, promises, representations, or understandings, written or oral, between the Employer and Employee that relate to the subject matter of the Severance Plan and this Release Agreement. This Release Agreement may be amended or modified only by a written instrument identified as an amendment hereto that is executed by both parties.

This Release Agreement may not be executed prior to the Termination Date. The undersigned has read and understands the consequences of this Release Agreement and voluntarily signs it. The undersigned declares under penalty of perjury under the laws of the State of Texas that the foregoing is true and correct.

EXECUTED this ____ day of _____, 20____, at _____.

“Employee”

ENDORSEMENT

I, [____], hereby acknowledge that I was given [45 / 21] days to consider the foregoing Release Agreement and voluntarily chose to sign the Release Agreement prior to the expiration of the [45 / 21]-day period.

I declare under penalty of perjury under the laws of the United States and the State of Texas that the foregoing is true and correct.

EXECUTED this ____ day of _____, 20____, at [_____].

[]

FORBEARANCE AGREEMENT

This **FORBEARANCE AGREEMENT**, dated as of June 30, 2020 (this “Agreement”), is by and among Valaris plc, a public limited company organized under the laws of England and Wales (the “Company” or the “Issuer”) and the undersigned beneficial holders or investment managers or advisors for such beneficial holders (together with any party that executes a Forbearance Joinder Agreement (the form of which is attached hereto as Exhibit A) after the date hereof, the “Supporting Holders”) of the Issuer’s 4.875% Senior Notes due 2022 (the “2022 Notes”), 4.75% Senior Notes due 2024 (the “2024 Notes”), 7.375% Senior Notes due 2025 (the “2025 Notes”), 5.4% Senior Notes due 2042 (the “2042 Notes”) and 5.85% Senior Notes due 2044 (the “2044 Notes” and together with the 2022 Notes, the 2024 Notes, the 2025 Notes and the 2042 Notes, the “Notes”).

WHEREAS, the Issuer is party to that certain Indenture, dated as of July 21, 2009 (as supplemented by the Ninth Supplemental Indenture, dated as of June 7, 2019, and the Tenth Supplemental Indenture dated as of February 3, 2020, the “Base Indenture”), as supplemented by, with respect to the 2022 Notes, the Fourth Supplemental Indenture, dated as of May 21, 2012 (the Base Indenture, as so supplemented, the “2022 Notes Indenture”), with respect to the 2024 Notes, the Sixth Supplemental Indenture, dated as of January 15, 2014 (the Base Indenture, as so supplemented, the “2024 Notes Indenture”), with respect to the 2025 Notes, the Eighth Supplemental Indenture, dated as of December 19, 2016 (the Base Indenture, as so supplemented, the “2025 Notes Indenture”), with respect to the 2042 Notes, the Fifth Supplemental Indenture, dated as of December 11, 2012 (the Base Indenture, as so supplemented, the “2042 Notes Indenture”) and with respect to the 2044 Notes, the Seventh Supplemental Indenture, dated as of January 15, 2014 (the Base Indenture, as so supplemented, the “2044 Notes Indenture”; the 2022 Notes Indenture, the 2024 Notes Indenture, the 2025 Notes Indenture, the 2042 Notes Indenture and the 2044 Notes Indenture, each an “Indenture” and, collectively, the “Indentures”), under which the respective Notes were issued;

WHEREAS, the current principal amount outstanding of the 2022 Notes is approximately \$620.8 million and interest payments on the 2022 Notes are due semiannually, on June 1 and December 1 (or if any day is not a business day, on the next succeeding business day) and an interest payment on the Notes of approximately \$15.1 million was due on June 1, 2020 (the “2022 Notes Payment”), and the Issuer failed to make such 2022 Notes Payment (the “2022 Notes Default”);

WHEREAS, the current principal amount outstanding of the 2042 Notes is \$400.0 million and interest payments on the 2042 Notes are due semiannually, on June 1 and December 1 (or if any day is not a business day, on the next succeeding business day) and an interest payment on the Notes of \$10.8 million was due on June 1, 2020 (the “2042 Notes Payment”), and the Issuer failed to make such 2042 Notes Payment (the “2042 Notes Default”);

WHEREAS, the current principal amount outstanding of the 2025 Notes is \$360.8 million and interest payments on the 2025 Notes are due semiannually, on June 15 and December 15 (or if any day is not a business day, on the next succeeding business day) and an interest payment on the Notes of approximately \$13.3 million was due on June 15, 2020 (the “2025 Notes Payment”), and the Issuer failed to make such 2025 Notes Payment (the “2025 Notes Default” and together with the 2022 Notes Default and the 2042 Notes Default, the “Specified Defaults”);

WHEREAS, pursuant to Section 5.1(a) of the Base Indenture, a default for 30 days in the payment when due of interest on the Notes will mature into an Event of Default under the applicable Indentures, and therefore the Specified Defaults will mature into Events of Default on July 2, 2020 and July 16, 2020, as applicable (the “Resulting Events of Default”);

WHEREAS, pursuant to Section 3.02 of each supplemental Indenture, a default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness (as defined by the Indentures) of the Company or any of its Significant Subsidiaries (as defined by the Indentures), if (a) that default (x) is caused by a failure to pay principal of or premium, if any, or interest on such Indebtedness prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a “Payment Default”), or (y) results in the acceleration of such Indebtedness prior to its express maturity, and (b) in each case described in clauses (x) or (y) above, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates \$35.0 million or more shall constitute an Event of Default (a “Resulting Cross-Default” and together with the Resulting Events of Default, the “Specified Events of Default”); and

WHEREAS, upon the terms and conditions contained herein, during the Forbearance Period the Supporting Holders are prepared to (i) forbear from exercising, and directing the applicable trustee or otherwise taking any action to cause any other Holders to exercise, their rights and remedies in respect of the Indentures and the Notes with respect to the Specified Defaults and the Specified Events of Default and (ii) in the event that the applicable trustee or any Holder or group of Holders declares the Notes to

be due and payable immediately (an “Acceleration”), to deliver written notice to the applicable trustee to rescind and annul such Acceleration and its consequences and take all other action in their power to cause such Acceleration to be rescinded and annulled.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section I.FORBEARANCE

Section 1.01 Forbearance. During the Forbearance Period, each Supporting Holder (severally and not jointly) hereby agrees (i) to forbear from exercising any of their rights and remedies, including with respect to an acceleration, under the Indentures or applicable law with respect to the Specified Defaults and the Specified Events of Defaults and (ii) in the event that the applicable trustee or any Holder or Group of Holders takes any action which results in an Acceleration during the Forbearance Period (as defined below), to deliver written notice to the applicable trustee to rescind such Acceleration and its consequences and take all other action in their power to cause such Acceleration to be rescinded and annulled. During the Forbearance Period, each Supporting Holder (severally and not jointly) agrees that it (individually or collectively) will not deliver any notice or instruction to the applicable trustee directing the applicable trustee to exercise during the Forbearance Period any of the rights and remedies under the Indentures or applicable law with respect to the Specified Defaults and the Specified Events of Default.

Section 1.02 Limitation on Transfers of Notes. During the Forbearance Period, each of the Supporting Holders hereby agrees not to sell, assign, pledge, lend, hypothecate, transfer or otherwise dispose of (each, a “Transfer”) any ownership (including beneficial ownership) of Notes (or any rights in respect thereof, including but not limited to the right to vote) held by such Supporting Holder as of the date hereof except to a party who (i) is already a Supporting Holder party to this Agreement or (ii) prior to such Transfer, agrees in writing to be bound by all of the terms of this Agreement (including with respect to any and all claims it already may hold against the Issuer prior to such Transfer) by executing a Forbearance Joinder Agreement substantially in the form of Exhibit A hereto, and delivering an executed copy thereof, within two (2) business days of closing of such Transfer, to counsel to the Issuer and counsel to the Supporting Holders, Kramer Levin Naftalis & Frankel LLP (“Kramer Levin” at tmayer@kramerlevin.com and szide@kramerlevin.com). Any Transfer made in violation of this Section 1.02 shall be void ab initio, and the Issuer shall have the right to enforce the voiding of any such Transfer.

Section 1.01 Forbearance Period. The forbearance shall commence on the Forbearance Effective Date (as defined below) and continue until the earlier of (a) July 15, 2020, and (b) the date on which any Event of Termination (as defined below) shall have occurred (the earlier of (a) and (b), the “Termination Date” and the period commencing on the Forbearance Effective Date and ending on the Termination Date, the “Forbearance Period”). From and after the Termination Date, the forbearance shall immediately and automatically terminate and have no further force or effect, and each of the Supporting Holders shall be released from any and all obligations and agreements under this Agreement and shall be entitled to exercise any of the rights and remedies as if this Agreement had never existed, and all of the rights and remedies under the Indentures and the Notes and in law and in equity shall be available without restriction or modification, as if this forbearance had not occurred.

Section 1.02 Effect of Forbearance. No Supporting Holder has waived (regardless of any delay in exercising such rights and remedies) any default or Event of Default that may be continuing on the date hereof or any default or Event of Default that may occur after the date hereof (whether the same or similar to the Specified Defaults or the Specified Events of Default or otherwise), and no Supporting Holder has agreed to forbear with respect to any of its rights or remedies concerning any default or Event of Default (other than, during the Forbearance Period, the Specified Defaults and the Specified Events of Default solely to the extent expressly set forth herein) that may have occurred or be continuing as of the date hereof, or that may occur after the date hereof. Except as expressly set forth herein, each Supporting Holder reserves all of its rights, powers, and remedies under the Indentures, the Notes and applicable law, including, for the avoidance of doubt, any claims asserted in *UMB Bank, N.A. v. Gibbins, et al.*, Case No. 2020-18184 (Tex. Dist. Ct. Harris Cty.). Except as expressly set forth herein, the execution, delivery and effectiveness of this Agreement shall not directly or indirectly constitute a course of dealing or other basis for altering the Indentures, the Notes, or any other contract, agreement or instrument. The Supporting Holders’ agreement to forbear from exercising certain of their rights and remedies with respect to the Specified Defaults and the Specified Events of Default during the Forbearance Period does not in any manner whatsoever limit any Supporting Holder’s right to insist upon strict compliance with the Indentures and the Notes.

SECTION II. EVENTS OF TERMINATION

Section 2.01 Events of Termination. The Forbearance Period shall automatically terminate if any of the following events shall occur (each, an “Event of Termination”):

- (a) other than with respect to the Specified Defaults and the Specified Events of Default, there occurs an Event of Default or any other Default under the Indentures or the Notes that is not cured within any applicable grace period;
- (b) a case under title 11 of the United States Code or any similar reorganization, liquidation, insolvency, or receivership proceeding under applicable law is commenced by or against the Issuer or a subsidiary of the Issuer;
- (c) the obligations of the Company under the Credit Agreement (as defined in the Credit Agreement Waiver) are accelerated;
- (d) the termination or invalidity of the Credit Agreement Waiver, the Credit Agreement Waiver otherwise ceasing to be in full force and effect, or the Credit Agreement Waiver being amended, supplemented or otherwise modified in each case without the consent of the Supporting Holders; or
- (e) the failure of the Issuer to timely comply with any term, condition or covenant set forth in this Agreement.

SECTION III. REPRESENTATIONS AND WARRANTIES AND AGREEMENTS

Section 3.01 Representations and Warranties of the Issuer. In consideration of the foregoing agreements, the Issuer hereby represents and warrants to each Supporting Holder as follows:

- (a) Each of this Agreement, the Indentures and the Notes constitutes a valid and legally binding agreement, enforceable against the Issuer in accordance with its terms.
- (b) The Issuer is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization and has all requisite power and authority to own and operate its properties, to carry on its business as now conducted and to enter into and, as applicable, perform its obligations hereunder and under the Indentures and the Notes.
- (c) Each of this Agreement, the Indentures and the Notes has been duly and validly authorized by the Issuer and has been duly executed and delivered by the Issuer.
- (d) No consent or authorization of, filing with, notice to or other act by or in respect of, any governmental or regulatory authority or any other person is required in connection with the Issuer's entry into, and performance of, this Agreement, the Indentures and the Notes, except for consents, authorizations, filings and notices which have been obtained or made and are in full force and effect or which are immaterial in nature; and the entry into and performance of this Agreement, the Indentures and the Notes by the Issuer does and will not conflict with, or result in the default under, any material agreement or document of the Issuer, its constituent documents or any applicable law, regulation or court order, consent or ruling.
- (e) As of the date hereof, except for the Specified Defaults and the Specified Events of Default, no default or Event of Default has occurred or is continuing under this Agreement, the Indentures or the Notes.
- (f) All of the recitals to this Agreement are true and correct.
- (g) The Company has obtained an executed extension through July 15, 2020 of the Waiver to Fourth Amended and Restated Credit Agreement dated as of June 1, 2020 (the "Credit Agreement Waiver") on terms acceptable to the Supporting Holders.

Section 3.02 Representations and Warranties of the Supporting Holders. In consideration of the foregoing agreements, each Supporting Holder severally but not jointly hereby represents and warrants to the Issuer as follows:

- (a) This Agreement constitutes a valid and legally binding agreement, enforceable against such party in accordance with its terms.
- (b) As of the date hereof, it beneficially holds, or advises or manages for a beneficial holder, the principal amount of Notes set forth below such Supporting Holder's signature hereto and to that extent it advises or acts as a manager for any beneficial holder, it has the authority to enter into this Agreement on behalf of such beneficial holder and that this Agreement is a valid and legally binding agreement, enforceable against that holder and such party.

Section 3.03 The parties to this Agreement acknowledge that (a) nothing in this Agreement, including the presentation of drafts from one party to another, constitutes the making of an offer to sell or the solicitation of an offer to buy securities or loans of any kind or the solicitation of a consent or waiver of any rights under the Indentures and (b) the entry into this Agreement shall not constitute, directly or indirectly, a waiver, an amendment, an incurrence, a refinancing, an extension or a modification in any way of any debt or a recapitalization or restructuring in any way of the obligations of the Issuer.

Section 3.04 The Supporting Holders have not made any assurances concerning (a) the manner in which or whether any Event of Default may be resolved or (b) any additional forbearance or any waiver, restructuring or other accommodations.

SECTION IV. CONDITIONS TO EFFECTIVENESS

This Agreement shall become effective at the time (the “Forbearance Effective Date”) that all of the following conditions precedent have been met (or waived):

Section 4.01 Execution of this Agreement. The parties to this Agreement shall have received counterparts of this Agreement duly executed by (i) the Issuer and (ii) the beneficial holders, or investment managers or advisors for such beneficial holders, of at least (a) 40% of the outstanding principal amount of the 2022 Notes, (b) 50% of the outstanding principal amount of the 2024 Notes, (c) 50% of the outstanding principal amount of the 2025 Notes, (d) 50% of the outstanding principal amount of the 2042 Notes, and (e) 50% of the outstanding principal amount of the 2044 Notes.

Section 4.02 Representations and Warranties. The representations and warranties contained herein shall be true and correct in all respects, and no default or Event of Default (other than the Specified Default) shall exist on the date hereof or on the Forbearance Effective Date.

Section 4.03 Credit Agreement Waiver. The Company has obtained an executed extension through July 15, 2020 of the Credit Agreement Waiver on terms acceptable to the Supporting Holders.

SECTION V. MISCELLANEOUS

Section 5.01 Counterparts. This Agreement may be executed and delivered in any number of counterparts with the same effect as if the signatures on each counterpart were upon the same instrument. Any counterpart delivered by facsimile or by other electronic method of transmission shall be deemed an original signature thereto.

Section 5.02 Interpretive Matters.

(a) Unless the context of this Agreement clearly requires otherwise, references to the plural include the singular, references to the singular include the plural, and the term “including” is not limiting. The words “hereof,” “herein,” “hereby,” “hereunder,” and similar terms in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement. Section, subsection and clause references herein are to this Agreement unless otherwise specified.

(b) The term “person” as used in this Agreement shall be broadly interpreted to include, without limitation, any individual, corporation, company, partnership or other entity.

(c) Capitalized terms used but not defined in this Agreement have the meanings given to them in the Indentures.

Section 5.03 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, not including the conflict of law rules and principles thereof.

Section 5.04 Successors and Assigns. This Agreement shall be binding upon the Issuer, the Supporting Holders and their respective successors and assigns, and shall inure to the benefit of each such person and their permitted successors and assigns.

Section 5.05 Additional Parties. Without in any way limiting the provisions hereof, additional holders or beneficial owners of Notes may elect to become parties to this Agreement by executing and delivering to counsel to the Issuer and Kramer Levin a Forbearance Joinder Agreement substantially in the form of Exhibit A hereto. Such additional holder or beneficial owner of Notes shall become a Supporting Holder under this Agreement in accordance with the terms of this Agreement.

Section 5.06 Headings. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

Section 5.07 Integration. This Agreement contains the entire understanding of the parties hereto with regard to the subject matter contained herein. This Agreement supersedes all prior or contemporaneous negotiations, promises, covenants, agreements and representations of every nature whatsoever with respect to the matters referred to in this Agreement, all of which have become merged and finally integrated into this Agreement. Each of the parties hereto understands that in the event of any subsequent litigation, controversy or dispute concerning any of the terms, conditions or provisions of this Agreement, no party shall be entitled to offer or introduce into evidence any oral promises or oral agreements between the parties relating to the subject matter of this Agreement not included or referred to herein and not reflected by a writing included or referred to herein.

Section 5.08 Jury Trial Waiver. The Issuer and the Supporting Holders, by acceptance of this Agreement, mutually hereby knowingly, voluntarily and intentionally waive the right to a trial by jury in respect of any litigation based herein, arising out of, under or in connection with this Agreement and the Indentures or any other documents contemplated to be executed in connection herewith, or any course of conduct, course of dealings, statements (whether verbal or written) or actions of any party, including, without limitation, any course of conduct, course of dealings, statements or actions of any Supporting Holder relating to the administration of the Notes or enforcement of the Indentures arising out of tort, strict liability, contract or any other law, and agree that no party will seek to consolidate any such action with any other action in which a jury trial cannot be or has not been waived.

Section 5.09 Email. Unless the context of this Agreement clearly requires otherwise, any notice or other communication required by this Agreement, regardless of whether the applicable subsection of this Agreement contemplates email delivery of such notice or communication, may be done via email.

Section 5.10 Amendment. This Agreement may only be amended or modified in writing (including email by counsel) by the Issuer and each Supporting Holder.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

VALARIS PLC

By: /s/ Darin Gibbins
Name: Darin Gibbins
Title: An Authorized Signatory

Exhibit A
FORM OF FORBEARANCE JOINDER AGREEMENT

[●], 2020

Valaris plc
110 Cannon Street
London, EC4N 6EU, United Kingdom
Attention: General Counsel

RE: Forbearance Agreement

Ladies and Gentlemen:

Reference is made to the Forbearance Agreement dated as of June 30, 2020 entered into between the Issuer and the Supporting Holders party thereto (such Forbearance Agreement, as in effect on the date hereof and as it may hereafter be amended, supplemented or otherwise modified from time to time, together with this Forbearance Joinder Agreement, being the “Forbearance Agreement”). Any capitalized terms not defined in this Forbearance Joinder Agreement have the meanings given to them in the Forbearance Agreement.

SECTION I. Joining Obligations Under the Forbearance Agreement. The undersigned (the “Joining Noteholder”) hereby agrees, as of the date first above written, to join and to be bound as a Supporting Holder by all of the terms and conditions of the Forbearance Agreement, to the same extent as each of the other Supporting Holders thereunder. The undersigned further agrees, as of the date first above written, that each reference in the Forbearance Agreement to a “Supporting Holder” shall also mean and be a reference to the undersigned, including the making of each applicable representation and warranty set forth in Section 3 of the Forbearance Agreement.

SECTION II. Execution and Delivery. Delivery of an executed counterpart of a signature page to this Forbearance Joinder Agreement by telecopy or in .PDF or similar format by email shall be effective as delivery of an original executed counterpart of this Forbearance Joinder Agreement. For the avoidance of doubt, the Issuer does not need to separately execute this Forbearance Joinder Agreement but is nevertheless bound by the terms of the Forbearance Agreement with respect to the Joining Noteholder as if such Joining Noteholder were a party to the Forbearance Agreement.

SECTION III. Governing Law; Waiver of Jury Trial, Etc. The parties hereto hereby agree that Sections 6.03 and 6.08 of the Forbearance Agreement shall apply to this Forbearance Joinder Agreement.

[Signature Page Follows]

Very truly yours,

[JOINING HOLDER]

By: ____
Name:
Title:

Holder’s principal amount of:

2022 Notes: \$ _____
2024 Notes: \$ _____
2025 Notes: \$ _____
2042 Notes: \$ _____
2044 Notes: \$ _____

**DEED OF AMENDMENT NO. 1 TO
RESTATED EMPLOYMENT AGREEMENT
Dated 26 April 2020**

THIS DEED OF AMENDMENT NO. 1 (this “**Amendment**”) to that certain Restated Employment Agreement dated as of 7 October 2018 by and between ENSCO SERVICES LIMITED, incorporated and registered in England and Wales with company number 04605864 whose registered office is at 7 Albemarle Street, London, England, W1S 4HQ (the “**Company**”) and CARL TROWELL (the “**Employee**,” and together with the Company, the “**Parties**”) (the “**Employment Agreement**”), is entered into between the Parties on this 26th day of April 2020.

WHEREAS, the Parties desire to amend the Employment Agreement to provide that the Term thereof shall end on 30 April 2020, and to make related changes to the Employee’s remuneration; and

WHEREAS, Section 30 of the Employment Agreement provides that a variation or agreed termination to the Employment Agreement may be effective through a writing signed by the Parties (or their authorised representatives); and

WHEREAS, the Parties desire to record their intention for the Employee to serve as a non-executive director of Valaris plc following the expiry of the Term of the Employment Agreement.

NOW, THEREFORE, BE IT RESOLVED that the Employment Agreement is hereby amended effective as of the date hereof as follows. Capitalized terms used, but not defined herein have the meanings ascribed to them in the Employment Agreement.

1. Section 2.2 of the Employment Agreement is amended and restated to read as follows:

“2.2 The Appointment shall commence on the Commencement Date and shall continue, subject to the remaining terms of this Agreement, until it terminates on 30 April 2020 (the “**Term**”) without the need for notice.”

2. A new sentence is added to Section 9.1 of the Employment Agreement to read as follows:

“Notwithstanding the foregoing, any bonus for the 2020 calendar year under the ECIP will be withheld by the Company and not paid to the Employee, and the Employee shall forfeit his entitlement to any such bonus with effect immediately on expiry of the Term.”

3. Section 9.4 of the Employment Agreement is amended and restated to read as follows:

“9.4 The Employee shall forfeit all of his then unvested RSU Awards with effect immediately following expiry of the Term.”

4. Section 10.5 of the Employment Agreement is amended and restated to read as follows:

“10.5 The Employee shall forfeit his right to continue to receive private medical insurance with effect immediately following expiry of the Term.”

5. Section 20.1 of the Employment Agreement is amended and restated to read as follows:

“20.1 Subject to clauses 20.3 to 20.7 (inclusive), the Company shall, within 14 days following expiry of the Term, pay to the Employee (i) a lump sum severance payment equal to £800,000 (eight hundred thousand Great British Pounds) and (ii) an additional amount of £3,000,000 (three million Great British Pounds) based on achievement of synergy targets (the amounts in (i) and (ii) being paid subject to deduction of income tax and National Insurance contributions) (items (i) and (ii) collectively, the “**Severance Payment**”).”

6. A new sentence shall be added to the end of Section 20.4 of the Employment Agreement as follows:

“For the avoidance of doubt, this clause 20.4 doesn’t apply to the Employee ceasing to be employed on 30 April 2020 in accordance with clause 2.2”

7. A new Section 20.7 shall be inserted into the Employment Agreement as follows:

“20.7 The Employee shall repay to the Company so much (if any) of the gross amount of any payment as may be determined to have been paid to the Employee by the Company in circumstances enabling an order of any court to be made for such amount to be repaid to the Company or paid to any third party (and the Employee’s obligation under this section 20.7 is limited to the amount identified as being payable by the Employee in any such order and the making of any such payment to any such third party discharges the Employee’s obligation to the Company). Where such an obligation arises, payment shall be made in a manner and at a time specified by the Company. So far as reasonably possible, the Company shall act reasonably and engage with the Employee in good faith before so specifying.”

8. Section 21.1 of the Employment Agreement is amended and restated to read as follows:

“21.1 On termination of the Appointment (however arising) or, if earlier, at the start of a period of Garden Leave, the Employee shall, at the Company’s request:

(a) resign immediately without compensation from any directorship, office or trusteeship that he holds in or on behalf of any Group Company; provided that Employee shall not be required to resign from his directorship with Valaris plc prior to the 2020 Annual General Meeting of Shareholders of Valaris plc;

(b) subject to clause 21.2, immediately deliver to the Company all documents, books, materials, records, correspondence, papers and information (on whatever

media and wherever located) relating to the business or affairs of any Group Company or its business contacts, any keys, credit card and any other property of any Group Company, which is in his possession or under his control;

(c) irretrievably delete any information relating to the business of any Group Company stored on any magnetic or optical disk or memory and all matter derived from such sources which is in his possession or under his control outside the Company's premises; and

(d) provide a signed statement that he has complied fully with his obligations under this clause 21.1 together with such reasonable evidence of compliance as the Company may request."

9. Section 21.4 of the Employment Agreement is amended and restated to read as follows:

"21.4 Save as otherwise set out in this Agreement, on or following the expiry or termination of the Appointment howsoever arising the Employee shall not be entitled to any compensation for the loss of any rights or benefits under any share option, bonus, ECIP, long-term incentive plan or other profit sharing scheme operated by any Group Company in which he may participate."

10. Section 22.1 of the Employment Agreement is amended and restated to read as follows:

"22.1 In order to protect the Confidential Information and business connections of the Company and each Group Company to which he has access as a result of the Appointment, the Employee covenants with the Company (for itself and as trustee and agent for each Group Company) that he shall not at any time: (A) in respect of each of section 22.1(a), 22.1(b), 22.1(c), 22.1(e) and 22.1(f) during the 12 month period after the Termination Date; and (B) in respect of section 22.1(d) during the 24 month period after the Termination Date."

and section 22.1 of the Employment Agreement shall then continue with sections 22.1(a) to 22.1(f) (inclusive) unamended.

11. The final sentence of Section 29.1 of the Employment Agreement is deleted, such that Section 29.1 of the Employment Agreement is amended and restated to read as follows:

"29.1 This Agreement constitutes the whole agreement between the parties (and in the case of the Company, as agent for any Group Companies) and supersedes all previous discussions, correspondence, negotiations, arrangements, understandings and agreements between them (including, but not limited to, the Prior Agreement)."

12. The Employee shall serve as a non-executive Director of Valaris plc, effective immediately following the end of the Term, and his holding of that office shall terminate without the need for notice on the date of the Annual General Meeting of Shareholders

of Valaris plc, currently anticipated to be held on 15 June 2020. The Employee shall be entitled to participate in the non-executive compensation program during the period of his appointment, and the fee in respect of his service as a non-executive director of Valaris plc shall be calculated in accordance with the Valaris plc Remuneration Policy then in force, and subject to time pro-rating. The Employee will be entitled to receive private medical insurance during the period of his appointment, if and to the extent such benefits are provided to other non-executive directors of Valaris plc for that period, subject always to the terms of the applicable scheme and of any related policy of insurance as is in force from time to time. No warranty is given as to the continued existence or extent of such benefits.

13. Prior to the expiry of the Term, the Employee will enter into a consultancy agreement with the Company, to take effect from 15 June 2020, pursuant to which he will provide such services as are required by the Chairman of the Board of the Company in order to facilitate a transition period between his role as Executive Chairman and that of his successor, for no additional remuneration.
14. This Deed of Amendment may be executed by faxed or emailed copies in any number of counterparts, and by the parties on separate counterparts, but shall not be effective until each party has executed at least one counterpart. Each counterpart shall constitute an original of this document, but all the counterparts shall together constitute but one and the same instrument.

[Signature Page Follows.]

This document has been executed as a deed and is delivered and takes effect as of 26 April 2020.

Executed as a deed by **Ensco Services Limited**, a director, and in the presence of:

/s/ Lynn Anne Winton

/s/ Jack Winton

Director

Name

Signed as a deed by **Carl G. Trowell** in the presence of:

/s/ Myra M. Bom

/s/ Carl G. Trowell

Carl G. Trowell

Name

DATED 26 April 2020

ENSCO SERVICES LIMITED

- and -

MR CARL TROWELL

CONSULTANCY AGREEMENT

THIS AGREEMENT is made this 27th day of April 2020

BETWEEN:-

- (1) **ENSCO SERVICES LIMITED** (registered in England under number 04605864) whose registered office is at 7 Albemarle Street, London, England, W1S 4HQ (the “**Company**”), and
- (2) **CARL TROWELL** (the “**Consultant**”).

IT IS AGREED as follows.

1. Definitions

In this Agreement:-

- (A) the “**Group**” means the Company and any other company which is for the time being its subsidiary, subsidiary undertaking or holding company, or a subsidiary or subsidiary undertaking of any such holding company (the terms “subsidiary” and “holding company” being defined as in section 1159 of the Companies Act 2006 and “subsidiary undertaking” being defined as in section 1162 of that Act) and, where the context so permits, any one of those companies,
- (B) “**Invention**” means any invention, development, discovery, idea, improvement, or innovation made by the Consultant in the provision of the Services whether patentable or capable of registration or not and whether or not recorded in any medium,
- (C) “**Liability**” means any liability, loss, damage, cost, claim or expense (including but not limited to legal fees) on an after tax basis,
- (D) the “**Services**” means such services as are required by the Chairman of the Board of the Company in order to facilitate a transition period between Mr. Trowell’s role as Executive Chairman and that of his successor, including without limitation providing advisory services to his successor, and enabling the Company and the Group to draw on the Consultant’s knowledge of the Company and the Group during the transition period and to seek his advice, given the Consultant’s long-standing experience of the Company’s and the Group’s operations and his knowledge of its stakeholders and customers.

2. Provision of Services

- 2.1 From 15 June 2020 until the termination of this Agreement in accordance with clause 9 below the Consultant shall provide the Services to the Company and such other companies in the Group as the Chairman of the Board of the Company requires at such times and at such places as may be necessary for the proper provision of the Services and which may be agreed between the parties from time to time.
- 2.2 During the term of this Agreement, when providing the Services, the Consultant shall:
 - (A) not be required to devote more than 30 hours in each calendar month to the provision of the Services,
 - (B) comply with such reasonable regulations and directions as the Company or member of the Group may from time to time prescribe in connection with the provision of the Services, and

- (C) use his reasonable endeavours to promote the interests of and generally act in good faith in relation to, the Company and the Group.

2.3 The Consultant shall:

- (A) use all reasonable care and skill in the provision of the Services; and
- (B) comply with all applicable laws and regulations, and policies issued by the Company and the Group from time to time including without limitation those relating to discrimination, bullying and harassment, social media, and anti-bribery/corruption.

2.4 The Company shall provide the Consultant with such information about the Company as he may reasonably require for the provision of the Services to the Company. The Consultant shall provide the Company with such information in relation to the Services as the Company shall reasonably require.

2.5 The Consultant shall be responsible for the provision (at his own cost) of suitable equipment, materials, office accommodation and the clerical and secretarial assistance necessary for the proper provision of the Services.

2.6 The Company shall be under no obligation to provide the Consultant with any work, whether during or following termination of this Agreement.

3. Absences of the Consultant

3.1 In the event of the Consultant's illness or injury he shall advise the Company of such illness or injury as soon as is reasonably practicable, giving details of the illness or injury and its likely duration.

4. Expenses

4.1 The cost of all travelling and other out of pocket expenses incurred by the Consultant in providing the Services to the Company shall be the liability of the Company provided those expenses are reasonably incurred, of reasonable amounts and evidenced in such manner as the Company may reasonably require.

4.2 For the avoidance of doubt, the Consultant is not entitled to any payments, including without limitation any fees, from the Company or any member of the Group in respect of the Services. The Consultant has agreed, at the request of the Company, to make his services available to the Company and the Group without remuneration in the context of the termination of his employment on 30 April 2020 and as part of the overall arrangements relating to his departure.

5. Other Activities

5.1 Nothing in this Agreement shall prevent the Consultant from providing his services to, or undertaking, any other business or profession, or being or becoming an employee, consultant or agent of or adviser to any other company, firm or person, or assisting or having any financial interest in any other business or profession, provided that:-

- (A) such activity does not cause a breach of the obligations set out in clauses 2.1 to 2.3 above or give rise to an actual or potential conflict with the interests of the Group, and
- (B) the Consultant at all times keeps the Company fully informed of any such activity.

6. Confidentiality

- 6.1 The Consultant agrees and warrants that during the term of this Agreement and at all times thereafter all and any information (in whatever media) regarding the operations, products, suppliers, customers, clients, finance, marketing, sales, administration, maintenance, research and development, future intentions and policy of the Group and any other information which may be a trade secret or of a confidential nature including any Invention of which he is or becomes aware, together with the existence and contents of this Agreement, shall be treated by him with the strictest confidence and secrecy and that no such information shall be disclosed to any third party (except as required by law or to employees or directors of the Group whose province it is to know such information) or used for the Consultant's own purposes or for any purposes other than those of the Company or the Group without the written permission of the Company. This restriction shall continue to apply for as long as the Consultant is in a position to use the information more readily than others who have not worked for the Group.
- 6.2 The Consultant shall not, without the prior written consent of the Company either during the term of this Agreement or thereafter, make any public statement about any member of the Group.
- 6.3 All notes, papers, memoranda, records and writings (in whatever media, including that which may be stored on a computer) made by the Consultant relative to the business of the Company and the Group shall be and remain the property of the Company and shall be handed over to the Company or deleted from time to time on demand and in any event upon the termination of this Agreement.

7. Data Protection

- 7.1 The Company/the Group and its or their employees and agents may from time to time hold, process and disclose the Consultant's personal data in accordance with the terms of the Company's/the Group's privacy notice and/or data protection policies in force from time to time.
- 7.2 The Company/the Group and the Consultant shall each comply with their respective obligations under the EU General Data Protection Regulation 5419/16 and/or the Data Protection Act 2018, and the Consultant agrees to make available to the Company/the Group all information necessary to demonstrate his compliance with this clause 7 and allow for and contribute to audits, including inspections.

8. Authority and Relationship of the Parties

- 8.1 The Consultant shall not:
- (A) assume, create or incur any liability or obligation on behalf of the Company/the Group (and acknowledges that he has no right to do so) save as specifically authorised by the Company in writing; or
 - (B) at any time after the termination of this Agreement, either personally or by an agent, directly or indirectly, represent himself as being in any way connected with or interested in the business of the Company/the Group.
- 8.2 The Consultant agrees that he is a self employed contractor and nothing in this Agreement shall be construed to express or imply any other relationship, in particular an employment relationship, worker status or a partnership. The Consultant shall not have the status or rights of an employee or worker under all and any applicable employment legislation.
- 8.3 The Consultant shall bear exclusive responsibility for the payment of any National Insurance contributions, income tax and any other statutory charges or deductions specified by law from time to time in respect of any payments made to him under this Agreement.

- 8.4 The Consultant shall indemnify and keep indemnified the Company and the Group against any Liability it suffers or incurs as a result of:
- (A) any claims in respect of any of the matters set out in clauses 8.2 and 8.3 (excluding secondary National Insurance contributions, to the extent prohibited by law); and
 - (B) any act or omission of the Consultant.

9. Termination

- 9.1 This Agreement shall, subject to the remainder of this clause 9, continue in force until 31 December 2020.
- 9.2 The Company may terminate this Agreement without cause on 5 days' notice or forthwith by notice to the Consultant in the event of:-
- (A) the Consultant being convicted of a criminal offence which the Company reasonably believes would adversely affect its business or the provision of the Services, or
 - (B) the Consultant appearing either to be unable to pay one or more of his debts or to have no reasonable prospect of being able to do so, being the subject of a bankruptcy petition or order, having an order under Section 252 Insolvency Act 1986 made in respect of him, or commencing negotiations with a view to making, or proposing or making any composition, compromise, assignment or arrangement with all or any class of his creditors, or
 - (C) the Consultant committing any act of fraud or dishonesty or doing anything which the Company reasonably believes would or may bring the Company or the Group into disrepute, or
 - (D) the Consultant being in actual or potential conflict of interest as a result of his other activities, undertakings or interests, or
 - (E) any serious or persistent default or breach by the Consultant of any of his obligations hereunder.

10. Miscellaneous

- 10.1 Any notice required to be given by either party hereunder shall be left at or sent by registered or recorded delivery post to, in case of the Company, the registered office for the time being of the Company marked for the attention of its Company Secretary and, in the case of the Consultant, to his last known address. Any such notice shall be treated as served at the time when it is handed to or left at the registered office or address (as appropriate) of the party to be served or, if served by post, 48 hours after its posting. In proving service by post it shall be sufficient to prove that the notice was properly addressed and put in the post.
- 10.2 This Agreement supersedes all prior arrangements, agreements and understandings and constitutes the entire agreement between the parties relating to the Services. It may only be modified or otherwise amended by the written agreement of both the parties.
- 10.3 The rights and obligations of the Consultant hereunder shall not be capable of charge or assignment by him without the prior written consent of the Company.
- 10.4 This Agreement may be executed by faxed or emailed copies in any number of counterparts, and by the parties on separate counterparts, but shall not be effective until each party has executed at

least one counterpart. Each counterpart shall constitute an original of this Agreement, but all the counterparts together constitute but one and the same instrument.

- 10.5 This Agreement shall be governed by and construed under English law and each of the parties hereby irrevocably agrees that the Courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with this Agreement.

[Signature Page Follows.]

IN WITNESS whereof this Agreement has been executed the day and year first above written.

Signed for and on behalf of
ENSCO SERVICES LIMITED
by

/s/ John Winton
John Winton, Director

Signed by the Consultant

/s/ Carl G. Trowell
Carl G. Trowell

VALARIS PLC

2018 CASH INCENTIVE PLAN

(As Effective February 19, 2018 and as amended through June 15, 2020)

Valaris plc 2018 Cash Incentive Plan

(As Effective February 19, 2018 and as amended through June 15, 2020)

SECTION 1.

ESTABLISHMENT AND PURPOSE

(a) **Purpose.** This Plan is established to (1) offer selected Employees, including officers, of the Company or its Subsidiaries an opportunity to participate in the growth and financial success of the Company, (2) provide the Company an opportunity to attract and retain the best available personnel for positions of substantial responsibility, (3) provide incentives to such Employees by means of performance-related incentives to achieve short-term performance goals, and (4) promote the growth and success of the Company's business by aligning the financial interests of Employees with that of the shareholders of the Company.

(b) **Effective Date.** This Plan is effective as of February 19, 2018 and applies to Awards granted as of the Effective Date and thereafter. The ENSCO International Incorporated 2005 Cash Incentive Plan (as Revised and Restated for Amendments through 30 March 2015) (the "**2005 ECIP**"), will be frozen and no additional bonuses will be awarded under the 2005 ECIP, but the 2005 ECIP will continue to apply to and govern the determination and payment of bonuses awarded under the 2005 ECIP for the fiscal years of the Company during the period beginning on January 1, 2005, and ending on December 31, 2017.

SECTION 2.

DEFINITIONS

For purposes of this Plan, the following terms have the following meanings, unless another definition is clearly indicated by particular usage and context:

(a) **Applicable Law** means the requirements relating to the administration of the Plan under U.S. state corporate laws, U.S. federal and state securities laws, the Code, and the applicable laws of the United States or any applicable foreign country or jurisdiction, including regulations and other authoritative guidance issued thereunder by the appropriate governmental authority, all as determined by the Committee.

(b) **Award** means any Performance Bonus or Discretionary Bonus, whether granted singly, in combination, or in tandem for a Performance Period, to a Participant pursuant to applicable terms and conditions as the Committee may establish and specify in the applicable Award Notice.

(c) **Award Notice** means the document issued, either in writing or an electronic medium, by the Committee to a Participant evidencing the grant of an Award, and setting forth the terms and conditions applicable to that Award, including any amendments thereto.

(d) **Board** means the then-current board of directors of the Company.

(e) **CEO** means the then-current Chief Executive Officer of the Company.

(f) **Change in Control** means the occurrence of any of the following events: (1) a change in the ownership of the Company, which occurs on the date that any one person, or more than one person acting as a group, acquires

ownership of shares of the Company that, together with shares held by such person or persons, constitutes more than 50% of the total voting power of the shares of the Company, (2) a majority of the members of the Board is replaced during any 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 (3) a sale of all or substantially all of the assets of Company. Whether a Change in Control has occurred will be determined consistent with Section 409A to the extent that an Award is subject to, and not exempt under, Section 409A.

Notwithstanding the foregoing, a “Change in Control” of the Company will not be deemed to have occurred by virtue of the consummation of any transaction or series of related transactions immediately following which the beneficial owners of the voting shares of the Company 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 (1) own all or substantially all of the assets of the Company as constituted immediately prior to such transaction or series of transactions, or (2) are the ultimate parent with direct or indirect ownership of all of the voting shares of the Company after such transaction or series of transactions.

(g) Code means the Internal Revenue Code of 1986, as amended, and the regulations and other authority promulgated thereunder by the appropriate governmental entity.

(h) Committee means the Compensation Committee of the Board, or such other committee that satisfies Applicable Law as may be appointed by the Board from time to time to oversee and administer this Plan. The Committee may, in its discretion, delegate one or more of its duties hereunder to designated agents or other Employees (or a committee of Employees), and to that extent and in that context, the term “Committee” as used herein will also refer to any delegate or subcommittee.

(i) Company means Valaris plc, a public limited company incorporated under the laws of England and Wales, and any successor in interest thereto.

(j) Director means a Board member.

(k) Disability means, unless otherwise defined in the Award Notice, a permanent and total disability (as defined in Code Section 22(e)(3)), whereby the Employee is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months. A determination of Disability may be made by a physician selected or approved by the Committee and, in this respect, the Employee will submit to any reasonable examination(s) required by such physician upon request. Notwithstanding the foregoing provisions of this paragraph, in the event that any Award is subject to Code Section 409A, then, in lieu of the foregoing definition and to the extent necessary to comply with the requirements of Code Section 409A, the definition of “Disability” for purposes of such Award will be the definition of “disability” provided under Code Section 409A if and to the extent inconsistent with the above definition.

(l) Discretionary Bonus means an award of cash granted under Section 6 that is not subject to Performance Goals but may be subject to time-based or other restrictions.

(m) Effective Date means February 19, 2018.

(n) Employee means either: (i) where the employee is resident outside the United Kingdom, any employee of the Company (or any parent or Subsidiary) within the meaning of Code Section 3401(c) including, without limitation, officers who are members of the Board; or (ii) where the employee is resident in the United Kingdom, any employee of the Company (or any parent or Subsidiary) within the meaning of Section 230(1) of the UK Employment Rights Act 1996.

(o) Exchange Act means the Securities Exchange Act of 1934, as amended, and as interpreted by the rules, regulations and other authoritative guidance issued thereunder by the appropriate governmental entity.

(p) GAAP means generally accepted accounting principles.

(q) Participant means any individual described in Section 1 who is selected by the Committee as being eligible under Section 4 for a grant of an Award.

(r) Performance Bonus means an award of cash granted under Section 5 that is paid solely on account of the attainment of a specified performance target in relation to one or more Performance Goals over the Performance Period.

(s) Performance Goals means, with respect to any Performance Bonus, the business criteria (or other factors) selected by the Committee to measure the level of performance of the Company during the Performance Period. For any Performance Period, the Committee may select as the Performance Goal(s) any one or combination of the following measures, as interpreted and defined by the Committee, which measures (to the extent applicable) may be (A) applied to the Company, any Subsidiary, or any division or operating unit of the Company or a Subsidiary; and (B) absolute or relative to the performance of one or more peer companies or an index of peer companies:

(1) earnings (including, without limitation, total shareholder return, earnings per Share or earnings before or after taxes);

(2) return measures (including, without limitation, return on invested capital, return on assets, capital, equity, investment or sales);

(3) cash flow (including, without limitation, operating cash flow, free cash flow or cash flow return on capital or investments);

(4) share price (including, without limitation, growth measures and total shareholder return);

(5) operating metrics; (including, without limitation, operational downtime, rig utilization, days sales outstanding, project completion time, budget goals, and similar matters);

(6) safety performance and/or incident rate;

(7) technology, efficiency, corporate responsibility or human resources management targets;

(8) strategic team goals; and

(9) any other performance criteria, objective or goal that has been approved by the Committee in its discretion.

(t) Performance Period means the period established by the Committee at the time a Performance Bonus is awarded or thereafter, during which any Performance Goal specified by the Committee with respect to such Award is to be measured. Unless the Committee determines otherwise, it is intended that the Performance Period will coincide with the fiscal year of the Company, which is a calendar year.

(u) Plan means this Valaris plc 2018 Cash Incentive Plan, as it may amended from time to time.

(v) Section 409A means Section 409A of the Code.

(w) Separation from Service means a “separation from service” as defined under Section 409A and the regulations issued thereunder.

(x) Service means service rendered by an individual to the Company or any of its Subsidiaries in the capacity of an Employee, including any prior credited service recognized by the Company or the Committee.

(y) Subsidiary means any entity (whether a corporation, partnership, joint venture or other form of entity), other than the Company, whether domestic or foreign, in an unbroken chain of entities beginning with the Company if each of the entities other than the last entity in the unbroken chain beneficially owns, at the time of the determination, securities or interests representing at least 50% of the total combined voting power of all classes of securities or interests in one of the other entities in such chain.

SECTION 3.

ADMINISTRATION

(a) General Administration. This Plan is administered by the Committee. The Committee has authority to determine which Participants receive Awards, grant Awards and set Award terms and conditions, subject to the conditions and limitations in the Plan. The Committee will administer this Plan so as to comply at all times with the applicable requirements under Applicable Law and, subject to the requirements of any Applicable Law, has the authority to take all actions and make all determinations under the Plan, to interpret the Plan and Award Agreements and to adopt, amend and repeal Plan administrative rules, guidelines and practices as it deems advisable. The Committee may correct

defects and ambiguities, supply omissions and reconcile inconsistencies in the Plan or any Award as it deems necessary or appropriate to administer the Plan and any Awards. The Committee's determinations under the Plan are in its sole discretion and will be final and binding on all persons having or claiming any interest in the Plan or any Award.

The Committee may, in its sole and absolute discretion, and subject to Applicable Law and the provisions of this Plan, from time to time delegate any or all of its authority to administer this Plan to any other persons or committee as it deems to be necessary or appropriate for the proper administration of this Plan. All interpretations and determinations of the Committee made with respect to the granting of Awards will be final, conclusive and binding on all interested parties. The Committee may make grants of Awards on an individual or group basis.

(b) Employment of Advisors. The Committee may employ or engage attorneys, consultants, accountants, and other advisors, and the Committee, the Company and the officers and directors of the Company may rely, without further inquiry, upon the advice, opinions or valuations of such advisors. The fees and expenses of such advisors will be the obligation of the Company.

(c) Limitation of Liability/Rights of Indemnification. Each individual who is or was a member of the Board or the Committee or who has otherwise been delegated authority under the Plan will, to the fullest extent permitted by law, be indemnified by the Company against and from any damage, loss, liability, cost and expense that may be imposed upon or reasonably incurred by such individual in connection with or resulting from any claim, action, suit, or proceeding to which such individual may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan, except for any such act or omission constituting willful misconduct or gross negligence. Each such individual will, to the fullest extent permitted by law, be indemnified by the Company for all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by such individual in satisfaction of any judgment in any such action, suit, or proceeding against such individual, provided that such individual will give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification will not be exclusive of any other rights of indemnification to which each such individual may be entitled (i) under the Company's Articles of Association, (ii) pursuant to any separate indemnification or hold harmless agreement with the Company or any Affiliate, (iii) as a matter of law, contract or otherwise, or (iv) any power that the Company or any Affiliate may have to indemnify them or hold them harmless.

(d) Expenses. All the expenses of administering the Plan will be borne by the Company.

(e) Change in Control, Disability or Death. Unless otherwise determined by the Committee in its sole discretion, any Award outstanding as of the effective date of a Change in Control and any Award outstanding for a Participant at the effective date of such Participant's Disability or death will become payable on a pro rata basis, and any Performance Bonus will be payable at 100% of the target level of each applicable Performance Goal.

If a Change in Control event occurs, all Awards will be determined and paid to Participants within sixty (60) days of such event unless the Participant previously elected to defer such Award under a deferred compensation program, in which case the provisions in that deferred compensation program with respect to payment in the event of a "change in control event" under Section 409A will control. If such sixty (60)-day period spans two calendar years, the payment will be made in the later of the two years.

In the event of a Participant's death, payment of the vested portion of an Award will be made no later than December 31 of the year next following the year of the Participant's death, as follows: (i) if a Participant leaves a surviving spouse, payment will be made to such surviving spouse on behalf of the Participant; and (ii) if a Participant leaves no surviving spouse, payment will be made to (A) if there is administration of such Participant's estate, the executor or administrator of such estate, upon receipt by the Committee of supporting evidence from the estate that is satisfactory to the Committee, or (B) if there is no administration of such Participant's estate, such Participant's heirs at law as determined by a court of competent jurisdiction, in such proportion as determined by such court in its signed court order that is received by, and satisfactory to, the Committee.

(f) Challenge to Control; Committee Discretion. The Committee may, in its discretion, direct that all employment continuation requirements be waived if it finds, in its discretion, that a major challenge to the control of the Company exists; subject, however, to the requirement that exercise of such discretion will result in all Awards being determined on a pro-rated basis consistent with the procedure described in Section 3(e). Any amount that has been deferred as provided under Section 7(b) will be processed in accordance with the applicable deferred compensation plan.

(g) Employee Termination or Resignation. Except as provided in Section 3(e), or as otherwise determined by the Committee, if a Participant resigns or is terminated and such employment termination occurs before the payment date of

an Award, the Participant will forfeit the unpaid Award(s) in its entirety and not be entitled to receive any payment with respect to such Award(s).

SECTION 4.

ELIGIBILITY

(a) **General Eligibility**. The Committee will determine the categories of Employees that are eligible for various Awards under the Plan. The Committee may elect to revise these categories for any Award or to provide specific Awards only to certain individuals that may or may not be in any of these categories. The Committee has full discretion to determine eligibility under the Plan.

(b) **Disqualification of Award**. This Plan is intended to align Employee and shareholder interests. Occasionally unusual circumstances may arise that are not anticipated by this Plan. Should a situation occur in which there is a financial restatement or where a Participant is deemed to have (1) breached the Company's Code of Business Conduct (Ethics) Policy; (2) materially breached any other policy, standard or procedure of the Company; (3) experienced a significant incident involving a fatal or serious injury to an Employee under the supervision of the Participant, or significant damage to the property of the Company or its Subsidiary or the environment which is caused by the actions or inactions of the Participant or one or more Employees under his or her supervision, the Committee, in its sole discretion, may disqualify the Participant from earning or receiving payment of any Award for a given Performance Period, in whole or in part. Participation in future Performance Periods may be considered independent of this decision.

SECTION 5.

PERFORMANCE BONUSES

(a) **Performance Bonuses**. The Committee may grant Performance Bonuses under this Plan in the form of cash in the amounts and pursuant to the terms and conditions that the Committee may determine and set forth in the Award Notice, subject to this Section 5.

(b) **Performance Periods**. Generally, Performance Bonuses will be awarded in connection with a twelve (12) month Performance Period, which will be the fiscal year of the Company. The Committee may also set other Performance Periods for certain Awards in its discretion.

(c) **Eligible Participants**. For any Performance Period, the Committee may determine the Employees who will be eligible to receive a Performance Bonus with respect to any such Performance Period after the commencement of that Performance Period. The Participant's Award Notice will be provided to each Participant as soon as administratively feasible after such Participant becomes eligible for a Performance Period. An Award Notice will specify the applicable Performance Period, and the Performance Goals, specific performance factors and targets related to the Performance Goals, award criteria, and the targeted amount of his or her Performance Bonus, as well as any other applicable terms and conditions of the Performance Bonus.

(d) **Performance Goals; Specific Performance Targets; Award Criteria**. For each Performance Bonus, the Committee will fix and establish in writing the Performance Goals that will apply to that Performance Period, including the specific performance factors, targets and relative weighting as it relates to each Participant or category of Participants as well as the criteria for computing the amount that will be paid with respect to each level of attained performance. The Committee will also set forth the minimum level of performance, based on objective factors and criteria, that must be attained during the Performance Period before any Performance Goal is deemed to be attained and any Performance Bonus will be earned and become payable, and the percentage of the Performance Bonus which will be earned and become payable upon attainment of various levels of performance that equal or exceed the minimum required level.

(e) **Adjustments**.

(1) In order to assure the incentive features of this Plan and to avoid distortion in its operation, the Committee may make adjustments in the Performance Goals, specific performance factors, and targets related to those Performance Goals and award criteria, as established for a Performance Period under this Section 5, whether before or after the end of the Performance Period, to the extent that the Committee deems appropriate in its sole discretion. Any such determination made by the Committee will be conclusive and binding upon all parties concerned, and are intended to compensate for or reflect any extraordinary changes which may have occurred during the Performance Period that

significantly affect any factor which formed part of the basis for determination of such Performance Goals, specific performance targets related to those Performance Goals, and award criteria. Such changes may include, without limitation, changes in accounting practices, tax, regulatory or other laws or regulations, or economic changes not in the ordinary course of business cycles. The Committee also reserves the right to adjust Performance Bonus Awards to insulate them from the effects of unanticipated, extraordinary, major business developments, e.g., unusual events such as a special asset write-down, sale of a division, etc. The determination of financial performance achieved for any Performance Period may, but need not be, adjusted by the Committee to reflect such extraordinary, major business developments. Any such determination will not be affected by subsequent adjustments or restatements. The Committee also reserves the right to exercise a discretionary increase or decrease to the amount of the Performance Bonus payable for the Performance Period.

(2) In the event of any change in outstanding shares of the Company by reason of any share dividend or split, recapitalization, merger, consolidation, combination or exchange of shares or other similar corporate change, the Committee will make such adjustments, if any, that it deems appropriate in the Performance Goals, specific performance factors and targets related to those Performance Goals and award criteria established under this Section 5 for any Performance Period not then completed; and all such adjustments will be conclusive and binding upon all parties concerned.

(3) Notwithstanding the foregoing provisions of this u, with respect to any Performance Bonus, the Committee will not have any discretion granted by this Section 5(e) to the extent that reserving or exercising such discretion would create adverse tax consequences under Section 409A.

(f) Promotion or Transfer. In the event of promotion or transfer during a Performance Period, unless otherwise determined by the Committee, any outstanding Performance Bonuses will be determined on a pro rata basis at the different job levels and/or different units or unit sectors. Promotion or transfer after the Performance Period does not affect any determination of an Award pay-out amount for that Performance Period.

SECTION 6.

DISCRETIONARY BONUSES

The Committee has designed this Plan with the intent to ensure that its design regarding Performance Bonus Awards will eliminate or minimize the need for the Award of any Discretionary Bonuses. The Committee recognizes, however, that unusual circumstances may occur that prevent paying appropriate rewards to certain Employees. In recognition of truly extraordinary performance, occasional Discretionary Bonuses may be granted by the Committee. In summary, while Discretionary Bonus Awards are made entirely at the discretion of the Committee, they are primarily intended to provide a means of redressing rare inequities in Performance Bonuses or to reward exemplary performance on a very limited basis.

SECTION 7.

PAYMENT; TAX WITHHOLDING

(a) Eligibility for Non-Tax Deferred Payment. Except as provided in Section 3(e) through Section 3(g), each Participant who has (1) been granted a Performance Bonus with respect to such Performance Period, and (2) remained continuously employed by the Company or a Subsidiary through the last day of such Performance Period, will be entitled to the payment amount applicable to such Participant's Performance Bonus, for such Performance Period, and his or her Discretionary Bonus, if any. Payments will be made in cash lump sum payments by April 30 of the calendar year next following the Performance Period, but in no event later than December 31, of that same calendar year.

(b) Tax Deferred Payment.

(1) If an Award recipient for any Performance Period is eligible to participate in any nonqualified deferred compensation program administered by the Company, he or she may elect, prior to the first day of that Performance Period, to defer all or any portion of that Award payment under such terms and conditions, and up to the limits, as determined in the discretion of the Committee and permitted by the terms of the deferred compensation plan. Notwithstanding the preceding sentence of this Section 7(b)(1), in the case of an Award granted to a Participant who first becomes eligible to participate in the nonqualified deferred compensation program after the commencement of the Performance Period, an initial deferral election may be made by such Participant after commencement of the Performance Period with respect to the portion of the Award which constitutes "performance-based compensation"

under Section 409A; provided that (i) any such election must be made on or before the date that is six months before the end of the Performance Period, (ii) the Participant must perform services continuously from the later of the beginning of the Performance Period or the date that all of the required performance criteria are established under Section 5(d) through the date that an election is made under the deferred compensation program, and (iii) in no event may an election to defer performance-based compensation be made after such compensation has become readily ascertainable for purposes of Section 409A. With respect to this Section 7(b), if the performance-based compensation is a specified or calculable amount, the compensation will be considered to be readily ascertainable if and when the amount is first substantially certain to be paid. If the performance-based compensation is not a specified or calculable amount because, for example, the amount may vary based upon the level of performance, the compensation, or any portion thereof, will be considered to be readily ascertainable when the amount is first both calculable and substantially certain to be paid.

(2) Except as provided in Section 7(b)(3), (i) a Performance Bonus granted in accordance with Section 5(c) and Section 5(d) will be considered to constitute “performance-based compensation” under Section 409A, and (ii) a Discretionary Bonus granted for a Performance Period in accordance with the second paragraph of Section 6, will be considered to constitute “performance-based compensation” under Section 409A, to the extent that the amount of such Discretionary Bonus, or the entitlement to such Discretionary Bonus, is contingent on the satisfaction of organizational or individual performance criteria relating to the Performance Period that were established in writing while the outcome was substantially uncertain and by not later than ninety (90) days after the commencement of the Performance Period to which such criteria relate.

(3) For purposes of this Section 7(b), “performance-based compensation” under Section 409A will not include any amount or portion of an Award that will be paid either regardless of performance, or based upon a level of performance, that is substantially certain to be met at the time the criteria is established. The amount payable under an Award may be “performance-based compensation” under Section 409A where the amount will be paid regardless of satisfaction of the performance criteria due to the Participant’s death, Disability, or a Change in Control, provided that the payment made under such a circumstance without regard to the satisfaction of the performance criteria will not constitute “performance-based compensation” under Section 409A.

(4) Any portion of any Award not deferred under this Section 7(b) will be paid as described under Section 7(a).

(c) Tax Withholding. Awards under this Plan will be subject to withholdings for tax and social security contributions as required by Applicable Law. Any deferred payments pursuant to Section 7(b) will be subject to tax and social security withholding as provided in the applicable deferred compensation plan.

(d) Impact on Employee Benefits. Awards paid under this Plan will not be included in the determination of an Employee’s eligible compensation when determining benefits under other benefit plans or programs maintained by the Company or any Subsidiary for employees, unless otherwise expressly included under such other plan.

SECTION 8.

FUNDING AND STATUS OF PLAN

This Plan is a bonus program of the Company and not an “employee benefit plan” within the meaning of Section 3(3) of ERISA. This Plan is not a “funded plan” under ERISA or any other Applicable Law that prescribes certain Participant rights and fiduciary obligations. Any funding for Awards is for accounting purposes only and does not confer any rights on Participants with respect to any Company assets. To the extent that a Participant acquires a right to receive payment from the Company under this Plan, such right will be no greater than the right of an unsecured general creditor of the Company.

SECTION 9.

TERM OF PLAN; EFFECT OF AMENDMENT OR TERMINATION

(a) Effective Date; Term of Plan. This Plan will continue in effect until terminated under this Section 9.

(b) Amendment and Termination. The Committee, in its discretion, may terminate or amend this Plan at any time as the Committee deems advisable. Unless the Committee determines otherwise, any Award outstanding at the time of such termination or amendment will be paid on a pro rata basis, and any Performance Bonus will be payable at 100% of the target level of each applicable Performance Goal.

SECTION 10.

MISCELLANEOUS

(a) Anti-Alienation. No benefit or payment under this Plan may be subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, lien or charge, by operation of law or otherwise, including levy, garnishment, pledge, or bankruptcy, except by will or the laws of descent and distribution, and any attempt to treat otherwise will be void. No payment or benefit will be in any manner liable for or subject to the recipient's debts, contracts, liabilities, or torts except where legislation provides for regulatory action or court order (garnishment, etc.) to supersede this restriction.

(b) Employee's Representations. No provisions of this Plan or any Award Notice will be construed to (1) give any Participant any right to remain an Employee of, or provide Services to, the Company or any of its Subsidiaries or (2) affect the right to terminate any Employee's Service at any time, with or without cause, to the same extent as if this Plan did not exist. No Employee will have any claim or right to be granted an Award under the Plan. Neither the Plan, nor any action taken hereunder, will be construed at any time as giving any Employee any right to be retained in Service. By accepting any Award, each Participant will be deemed to have indicated his or her complete acceptance of all the terms and conditions of the Plan and the Participant's Award Notice. Each Participant acknowledges that the Plan is intended to conform to the extent necessary with Applicable Laws. Notwithstanding anything herein to the contrary, the Plan and all Awards will be administered only in conformance with Applicable Laws. To the extent that Applicable Law permits, the Plan and all Award Notices will be deemed amended as necessary to conform to Applicable Laws as determined by the Committee.

(c) Rules of Construction.

In the interpretation of the Plan, except where the context otherwise requires:

- (1) "including" or "include" does not denote or imply any limitation;
- (2) "or" has the inclusive meaning "and/or";
- (3) the singular includes the plural, and vice versa, and each gender includes each of the others;
- (4) captions or headings are only for reference and are not to be considered in interpreting the Plan;
- (5) any grammatical form or variant of a term defined in the Plan will be construed to have a meaning corresponding to the definition of the term set forth herein;
- (6) the terms "hereof," "hereto," "hereunder" and similar terms in the Plan refer to the Plan as a whole and not to any particular provision of the Plan;
- (7) "Section" refers to a Section of the Plan, unless otherwise stated in the Plan; and
- (8) a reference to any statute, rule, or regulation includes any amendment thereto or any statute, rule, or regulation enacted or promulgated in replacement thereof.

(d) Section 409A.

(1) *General.* Any provisions of the Plan that are subject to Section 409A, are intended to comply with all applicable requirements of Section 409A, or an exemption from the application of Section 409A, and will be interpreted and administered accordingly. Notwithstanding any provision of this Plan to the contrary, a termination of employment will not be deemed to have occurred for purposes of any provision of this Plan providing for the payment of any amount or benefit that constitutes "non-qualified deferred compensation" (within the meaning of Section 409A) upon or following a termination of the Participant's employment unless such termination is also a Separation from Service and, for purposes of any such provision, references herein to a "termination," "termination of employment", "termination of Service", or like terms will mean a Separation from Service, if applicable. Each payment under this Plan will be treated as a separate payment for purposes of Section 409A. In no event may the Participant, directly or indirectly, designate the calendar year of any payment to be made under this Plan.

(2) *Specified Employee.* Notwithstanding any provision of this Plan to the contrary, if any payment or other benefit provided hereunder would be subject to additional taxes and interest under Section 409A because the timing of

such payment is not delayed as required by Section 409A for a “specified employee” (as defined under Section 409A), then if the Participant is on the date of Participant’s Separation from Service a specified employee, any such payment or benefit that such Participant would otherwise be entitled to receive during the first six months following the Separation from Service will be accumulated and paid in a lump sum within ten (10) days after the date that is six months following the date of the Separation from Service, or such earlier date upon which such amount can be paid under Section 409A without being subject to such additional taxes and interest such as, for example, upon the Participant’s death. Any remaining payments due to such Participant under this Plan will be paid as otherwise provided in this Plan.

(3) *No Section 409A Representations.* The Company makes no representations, warranties, or guarantees regarding the tax consequences of this Plan, or any payments made hereunder, under Section 409A or otherwise, and Participants should consult with their own tax advisors.

(e) Governing Law and Choice of Venue. The Plan will be interpreted, construed and constructed in accordance with the laws of England and Wales, without regard to conflict of laws principles.

(f) Severability. In the event that any provision of the Plan is declared invalid and not binding on the parties hereto in a final decree or order issued by a court of competent jurisdiction, such declaration will not affect the validity of the other provisions of the Plan to which such declaration of invalidity does not relate and such other provisions will remain in full force and effect.

(g) Waiver. The failure of the Company to enforce any provision of this Plan will not be construed as a waiver or limitation of the right to subsequently enforce and compel strict compliance of such provision. Any such waiver by the Company will not operate or be construed to be a waiver of any subsequent breach thereof.

(h) Entire Agreement. This Plan document, together with any Award Notice that is provided to any Participant, (1) constitutes the entire agreement and understanding by and between the Company and the Participants with respect to the matters set forth therein, and (2) no representations, promises, agreements, or understandings, written or oral, not contained therein will be of any force or effect.

(i) Third parties. No third party has any rights under the United Kingdom’s Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Plan.

IN WITNESS WHEREOF, the Plan is hereby executed, by a duly authorized officer of the Company, to be effective as of the Effective Date.

Valaris plc

By: /s/ Michael T. McGuinty

Name: Michael T. McGuinty

Title: Senior Vice President, General Counsel and Secretary



May [●], 2020

PERSONAL AND CONFIDENTIAL

[FIRST NAME][LAST NAME]

Dear [FIRST NAME],

As you know, Valaris plc (together with its subsidiaries, the “***Company***”) is currently facing a challenging business environment due largely to the recent collapse in oil prices, the dramatic decline in global demand for oil and the economic uncertainties created by world efforts to control the spread of the COVID-19 pandemic. In light of this situation, the Company has made certain changes to your compensation as described in this letter agreement (this “***Agreement***”). We thank you for your hard work and continuous efforts and are pleased that we are able to offer a revised compensation program during these challenging times.

Retention Bonus

Subject to the terms of this Agreement, the Company has granted you a cash retention bonus in the aggregate amount of U.S. \$[] (the “***Retention Bonus***”). You will receive the Retention Bonus, net of applicable taxes and withholdings, within thirty (30) days following May 1, 2020.

You will be required to repay the Retention Bonus, net of any taxes you are required to pay in respect thereof and taking into account any tax benefit that may be available in respect of such repayment to the Company, in the event, during the twelve (12) months following the Retention Bonus payment date, your employment with the Company is terminated (or you are under notice of such a termination) for Cause (as defined in the Company’s Executive Severance Plan (as the same may be amended, the “***Severance Plan***”)) or as a result of your voluntary resignation (or providing notice of such a resignation) (other than as a result of death or disability) without Good Reason (as defined in the Company’s 2018 Long-Term Incentive Plan (as the same may be amended, the “***LTIP***”) (such repayment obligations, the “***Clawback***”). The Clawback will expire on the earlier of (i) the first (1st) anniversary of the Retention Bonus payment date, (ii) the consummation of a “Change in Control” of Valaris plc (as defined in the Severance Plan), or (iii) the completion of any liquidation, windup, reorganization, or restructuring of the Company, whether under the federal law of the United States or any other jurisdiction. Any required repayment under the Clawback must

be made promptly, and in all events within twenty (20) calendar days following the date of your termination of employment with the Company.

Quarterly Cash Incentive

Subject to the terms of this Agreement, you will also be eligible to receive quarterly cash incentive payments, based on the Company's achievement of quarterly performance metrics, for the period commencing with the second quarter of fiscal year 2020 and ending with the first quarter of fiscal year 2021 (the "**Performance Period**") under the Ensco plc 2018 Cash Incentive Plan (as the same may be amended, the "**ECIP**").

- Your target award for the Performance Period will equal \$[_____] (your "**Annual Target**") meaning that your target award per quarter will equal \$[_____] (your "**Quarterly Target**"). Upon the completion of each quarter, the Company will determine its level of achievement against the performance metrics applicable to such quarter. You will receive a detailed breakdown of the applicable performance metrics in a separate communication in the coming weeks.
 - Based on the level of achievement of the Company's performance metrics, you will be eligible to receive a payment for each quarter ranging from 0% (for below threshold performance) to 50% (for threshold performance) to 100% (for target performance) to 150% (for maximum or greater performance) of your Quarterly Target. In the event that the level of achievement during a quarter falls between threshold and target performance or between target and maximum performance, the applicable payout based on such achievement will be determined by linear interpolation.
 - Your earned quarterly cash incentive payments will be paid in quarterly installments, net of applicable taxes and withholdings, as soon as administratively practicable following the Company's determination of the level of achievement for each such quarter; provided, that in no event will such a payment be made on or after the sixtieth (60th) day following the end of the applicable fiscal quarter.
 - Notwithstanding the foregoing, as determined in the sole discretion of the Company, you may receive an advance payment equal to 100% of your Quarterly Target for a quarter and shall have no further rights to additional sums with respect to such quarter, except as otherwise set forth with regard to the "catch-up" payment described below. In the event your advance payment (i.e., 100% of your Quarterly Target) is greater than the amount you would otherwise have earned for that quarter based on actual performance, your quarterly cash incentive payment for the next quarter will be reduced by the amount of the overpayment or, if your employment terminates in circumstances in which you are not entitled to receive any incentive payment for such subsequent quarter, you may, in the discretion of the Company, be required to repay such excess (net of any taxes you are required to pay with
-

respect thereof) within twenty (20) calendar days following the date you receive notice of the actual payment amount.

- As soon as practicable following March 31, 2021, the Company will determine the overall level of achievement for the Performance Period against cumulative performance metrics for the 12-month period from April 1, 2020 through March 31, 2021 (the “**Cumulative Performance**”). You will be eligible to receive an additional “catch-up” payment, payable with your cash incentive payment for the first quarter of fiscal year 2021, to the extent that the Company’s Cumulative Performance for the Performance Period would result in a payout that exceeds the aggregate payments that you were otherwise entitled to or received for the Performance Period.

Your eligibility to receive a cash incentive payment for each applicable quarter and any catch-up payment for the year is subject to your continued employment with the Company through (and not being under any notice of termination of employment as of) the applicable payment date.

In the event your employment is terminated by the Company for Cause or due to your voluntary resignation without Good Reason, you will immediately forfeit any unpaid cash incentive payment for any previously completed fiscal quarters and you will not be eligible to receive a payment with respect to any fiscal quarters ending on or following your termination date. In the event your employment is terminated by the Company without Cause or by resignation for Good Reason or as a result of death or disability, you will (i) receive any earned but unpaid cash incentive for any previously completed fiscal quarters; (ii) receive a payment for the fiscal quarter during which your termination of employment occurs based on actual performance for such quarter prorated by multiplying the amount of such bonus that would be payable for the full fiscal quarter by a fraction, the numerator of which is the number of days you were employed during the fiscal quarter in which your termination of employment occurs and the denominator of which is equal to the number of days contained in such fiscal quarter; and (iii) forfeit and not be eligible to receive any payment with respect to any fiscal quarters following the fiscal quarter during which your employment terminates. The payments referred to in (i) and (ii) immediately above will be subject to the terms and conditions set forth in the Severance Plan, including the requirement to execute and not revoke a Release (as defined in the Severance Plan).

In the event of a Change in Control, you will (i) receive any earned but unpaid cash incentive for previously completed fiscal quarters; (ii) receive a payment equal to 100% of the Quarterly Target for the fiscal quarter during which the Change in Control is consummated; and (iii) forfeit and not be eligible to receive any payment with respect to any fiscal quarters following the fiscal quarter during which the Change in Control has occurred. The payments referred to in (i) and (ii) immediately above will be made as soon as administratively practicable following a Change in Control, and in all events within thirty (30) days thereafter.

Relationship to Other Payments and Agreements

Your eligibility to receive the payments described above under “Retention Bonus” and “Quarterly Cash Incentive” are in lieu of your participation in and eligibility to receive or retain any award under the LTIP during fiscal year 2020. By signing this Agreement below, you expressly acknowledge and agree that you are forfeiting, in exchange for no consideration, the restricted share units and performance units previously granted to you under the LTIP on [February 27, 2020]. In addition, and for the avoidance of doubt, the payments described above under “Quarterly Cash Incentive” will be the only payments that you will be eligible to receive under the ECIP for fiscal year 2020. All payments under this Agreement are not pensionable and shall not be considered compensation for purposes of any of the Company’s retirement programs.

Miscellaneous

This Agreement and the rights and obligations hereunder will be governed by and construed in accordance with the laws of [the State of Texas / England and Wales] without reference to any jurisdiction’s principles of conflicts of law and reflect the parties entire understanding and agreement with regard to the foregoing.

The Company reserves the right to amend, modify or terminate this compensation program for any calendar quarter that has not commenced (i.e., the Company cannot amend, modify or terminate the program with respect to any calendar quarter that has already commenced).

Should you have any questions regarding the foregoing, please contact Kristin Larsen at Kristin.larsen@valaris.com. We look forward to your continued support and efforts during these challenging times for Valaris.

Sincerely,

/s/ Thomas Burke

Thomas Burke
President and Chief Executive Officer

ACKNOWLEDGED AND AGREED:

Signature:

Printed Name:

Date:



May [●], 2020

PERSONAL AND CONFIDENTIAL

[FIRST NAME][LAST NAME]

Dear [FIRST NAME],

As you know, Valaris plc (together with its subsidiaries, the “***Company***”) is currently facing a challenging business environment due largely to the recent collapse in oil prices, the dramatic decline in global demand for oil and the economic uncertainties created by world efforts to control the spread of the COVID-19 pandemic. In light of this situation, the Company has made certain changes to your compensation as described in this letter agreement (this “***Agreement***”). We thank you for your hard work and continuous efforts and are pleased that we are able to offer a revised compensation program during these challenging times.

Retention Bonus

Subject to the terms of this Agreement, the Company has granted you a cash retention bonus in the aggregate amount of U.S. \$[] (the “***Retention Bonus***”). You will receive the Retention Bonus, net of applicable taxes and withholdings, within thirty (30) days following May 1, 2020.

You will be required to repay the Retention Bonus, net of any taxes you are required to pay in respect thereof and taking into account any tax benefit that may be available in respect of such repayment to the Company, in the event, during the twelve (12) months following the Retention Bonus payment date, your employment with the Company is terminated (or you are under notice of such a termination) for Cause (as defined in the Company’s Executive Severance Plan (as the same may be amended, the “***Severance Plan***”)) or as a result of your voluntary resignation (or providing notice of such a resignation) (other than as a result of death or disability) without Good Reason (as defined in the Company’s 2018 Long-Term Incentive Plan (as the same may be amended, the “***LTIP***”) (such repayment obligations, the “***Clawback***”). The Clawback will expire on the earlier of (i) the first (1st) anniversary of the Retention Bonus payment date, (ii) the consummation of a “Change in Control” of Valaris plc (as defined in the Severance Plan), or (iii) the completion of any liquidation, windup, reorganization, or restructuring of the Company, whether under the federal law of the United States or any other jurisdiction. Any required repayment under the Clawback must be made promptly, and in all events within twenty (20) calendar days following the date of your termination of employment with the Company.

Quarterly Cash Incentive

Subject to the terms of this Agreement, you will also be eligible to receive quarterly cash incentive payments, based on the Company's achievement of quarterly performance metrics, for the period commencing with the second quarter of fiscal year 2020 and ending with the first quarter of fiscal year 2021 (the "**Performance Period**") under the Ensco plc 2018 Cash Incentive Plan (as the same may be amended, the "**ECIP**").

- Your target award for the Performance Period will equal \$[_____] (your "**Annual Target**") meaning that your target award per quarter will equal \$[_____] (your "**Quarterly Target**"). Upon the completion of each quarter, the Company will determine its level of achievement against the performance metrics applicable to such quarter. You will receive a detailed breakdown of the applicable performance metrics in a separate communication in the coming weeks.
 - Based on the level of achievement of the Company's performance metrics, you will be eligible to receive a payment for each quarter ranging from 0% (for below threshold performance) to 50% (for threshold performance) to 100% (for target performance) to 150% (for maximum or greater performance) of your Quarterly Target. In the event that the level of achievement during a quarter falls between threshold and target performance or between target and maximum performance, the applicable payout based on such achievement will be determined by linear interpolation.
 - Your earned quarterly cash incentive payments will be paid in quarterly installments, net of applicable taxes and withholdings, as soon as administratively practicable following the Company's determination of the level of achievement for each such quarter; provided, that in no event will such a payment be made on or after the sixtieth (60th) day following the end of the applicable fiscal quarter.
 - Notwithstanding the foregoing, as determined in the sole discretion of the Company, you may receive an advance payment equal to 100% of your Quarterly Target for a quarter and shall have no further rights to additional sums with respect to such quarter, except as otherwise set forth with regard to the "catch-up" payment described below. In the event your advance payment (i.e., 100% of your Quarterly Target) is greater than the amount you would otherwise have earned for that quarter based on actual performance, your quarterly cash incentive payment for the next quarter will be reduced by the amount of the overpayment or, if your employment terminates in circumstances in which you are not entitled to receive any incentive payment for such subsequent quarter, you may, in the discretion of the Company, be required to repay such excess (net of any taxes you are required to pay with respect thereof) within twenty (20) calendar days following the date you receive notice of the actual payment amount.
-

- As soon as practicable following March 31, 2021, the Company will determine the overall level of achievement for the Performance Period against cumulative performance metrics for the 12-month period from April 1, 2020 through March 31, 2021 (the “**Cumulative Performance**”). You will be eligible to receive an additional “catch-up” payment, payable with your cash incentive payment for the first quarter of fiscal year 2021, to the extent that the Company’s Cumulative Performance for the Performance Period would result in a payout that exceeds the aggregate payments that you were otherwise entitled to or received for the Performance Period.

Your eligibility to receive a cash incentive payment for each applicable quarter and any catch-up payment for the year is subject to your continued employment with the Company through (and not being under any notice of termination of employment as of) the applicable payment date.

In the event your employment is terminated by the Company for Cause or due to your voluntary resignation without Good Reason, you will immediately forfeit any unpaid cash incentive payment for any previously completed fiscal quarters and you will not be eligible to receive a payment with respect to any fiscal quarters ending on or following your termination date. In the event your employment is terminated by the Company without Cause or by resignation for Good Reason or as a result of death or disability, you will (i) receive any earned but unpaid cash incentive for any previously completed fiscal quarters; (ii) receive a payment for the fiscal quarter during which your termination of employment occurs based on actual performance for such quarter prorated by multiplying the amount of such bonus that would be payable for the full fiscal quarter by a fraction, the numerator of which is the number of days you were employed during the fiscal quarter in which your termination of employment occurs and the denominator of which is equal to the number of days contained in such fiscal quarter; and (iii) forfeit and not be eligible to receive any payment with respect to any fiscal quarters following the fiscal quarter during which your employment terminates. The payments referred to in (i) and (ii) immediately above will be subject to the terms and conditions set forth in the Severance Plan, including the requirement to execute and not revoke a Release (as defined in the Severance Plan).

In the event of a Change in Control, you will (i) receive any earned but unpaid cash incentive for previously completed fiscal quarters; (ii) receive a payment equal to 100% of the Quarterly Target for the fiscal quarter during which the Change in Control is consummated; and (iii) forfeit and not be eligible to receive any payment with respect to any fiscal quarters following the fiscal quarter during which the Change in Control has occurred. The payments referred to in (i) and (ii) immediately above will be made as soon as administratively practicable following a Change in Control, and in all events within thirty (30) days thereafter.

Relationship to Other Payments and Agreements

By signing this Agreement below, you hereby forfeit and expressly acknowledge and agree that you will have no right to receive the second installment of the retention bonus previously awarded to you under that certain letter agreement between you and [ENSCO Corporate Resources LLC / Ensco Asia Pacific Pte Limited] dated as of March 1, 2020. In addition, your eligibility to

receive the payments described above under “Retention Bonus” and “Quarterly Cash Incentive” are in lieu of your participation in and eligibility to receive or retain any award under the LTIP during fiscal year 2020. By signing this Agreement below, you expressly acknowledge and agree that you are forfeiting, in exchange for no consideration, the restricted share units and performance units previously granted to you under the LTIP on [February 27, 2020]. In addition, and for the avoidance of doubt, the payments described above under “Quarterly Cash Incentive” will be the only payments that you will be eligible to receive under the ECIP for fiscal year 2020. All payments under this Agreement are not pensionable and shall not be considered compensation for purposes of any of the Company’s retirement programs.

Miscellaneous

This Agreement and the rights and obligations hereunder will be governed by and construed in accordance with the laws of [the State of Texas / England and Wales] without reference to any jurisdiction’s principles of conflicts of law and reflect the parties entire understanding and agreement with regard to the foregoing.

The Company reserves the right to amend, modify or terminate this compensation program for any calendar quarter that has not commenced (i.e., the Company cannot amend, modify or terminate the program with respect to any calendar quarter that has already commenced).

Should you have any questions regarding the foregoing, please contact Kristin Larsen at Kristin.larsen@valaris.com. We look forward to your continued support and efforts during these challenging times for Valaris.

Sincerely,

/s/ Thomas Burke

Thomas Burke
President and Chief Executive Officer

ACKNOWLEDGED AND AGREED:

Signature:	_____
Printed Name:	_____
Date:	_____



May [●], 2020

PERSONAL AND CONFIDENTIAL

[FIRST NAME][LAST NAME]

Dear [FIRST NAME],

As you know, Valaris plc (together with its subsidiaries, the “**Company**”) is currently facing a challenging business environment due largely to the recent collapse in oil prices, the dramatic decline in global demand for oil and the economic uncertainties created by world efforts to control the spread of the COVID-19 pandemic. In light of this situation, the Company has made certain changes to your compensation as described in this letter agreement (this “**Agreement**”). We thank you for your hard work and continuous efforts and are pleased that we are able to offer a revised compensation program during these challenging times.

Retention Bonus

Subject to the terms of this Agreement, the Company has granted you a cash retention bonus in the aggregate amount of U.S. \$[] (the “**Retention Bonus**”). You will receive the Retention Bonus, net of applicable taxes and withholdings, within thirty (30) days following May 1, 2020.

You will be required to repay the Retention Bonus, net of any taxes you are required to pay in respect thereof and taking into account any tax benefit that may be available in respect of such repayment to the Company, in the event, during the twelve (12) months following the Retention Bonus payment date, your employment with the Company is terminated (or you are under notice of such a termination) for Cause (as defined in the Company’s Executive Severance Plan (as the same may be amended, the “**Severance Plan**”)) or as a result of your voluntary resignation (or providing notice of such a resignation) (other than as a result of death or disability) without Good Reason (as defined in the Company’s 2018 Long-Term Incentive Plan (as the same may be amended, the “**LTIP**”)) (such repayment obligations, the “**Clawback**”). The Clawback will expire on the earlier of (i) the first (1st) anniversary of the Retention Bonus payment date, (ii) the consummation of a “Change in Control” of Valaris plc (as defined in the Severance Plan), or (iii) the completion of any liquidation, windup, reorganization, or restructuring of the Company, whether under the federal law of the United States or any other jurisdiction. Any required repayment under the Clawback must be made promptly, and in all events within twenty (20) calendar days following the date of your termination of employment with the Company.

Quarterly Cash Incentive

Subject to the terms of this Agreement, you will also be eligible to receive quarterly cash incentive payments, based on the Company's achievement of quarterly performance metrics, for the period commencing with the second quarter of fiscal year 2020 and ending with the first quarter of fiscal year 2021 (the "**Performance Period**") under the Ensco plc 2018 Cash Incentive Plan (as the same may be amended, the "**ECIP**").

- Your target award for the Performance Period will equal \$[_____] (your "**Annual Target**") meaning that your target award per quarter will equal \$[_____] (your "**Quarterly Target**"). Upon the completion of each quarter, the Company will determine its level of achievement against the performance metrics applicable to such quarter. You will receive a detailed breakdown of the applicable performance metrics in a separate communication in the coming weeks.
 - Based on the level of achievement of the Company's performance metrics, you will be eligible to receive a payment for each quarter ranging from 0% (for below threshold performance) to 50% (for threshold performance) to 100% (for target performance) to 150% (for maximum or greater performance) of your Quarterly Target. In the event that the level of achievement during a quarter falls between threshold and target performance or between target and maximum performance, the applicable payout based on such achievement will be determined by linear interpolation.
 - Your earned quarterly cash incentive payments will be paid in quarterly installments, net of applicable taxes and withholdings, as soon as administratively practicable following the Company's determination of the level of achievement for each such quarter; provided, that in no event will such a payment be made on or after the sixtieth (60th) day following the end of the applicable fiscal quarter.
 - Notwithstanding the foregoing, as determined in the sole discretion of the Company, you may receive an advance payment equal to 100% of your Quarterly Target for a quarter and shall have no further rights to additional sums with respect to such quarter, except as otherwise set forth with regard to the "catch-up" payment described below. In the event your advance payment (i.e., 100% of your Quarterly Target) is greater than the amount you would otherwise have earned for that quarter based on actual performance, your quarterly cash incentive payment for the next quarter will be reduced by the amount of the overpayment or, if your employment terminates in circumstances in which you are not entitled to receive any incentive payment for such subsequent quarter, you may, in the discretion of the Company, be required to repay such excess (net of any taxes you are required to pay with respect thereof) within twenty (20) calendar days following the date you receive notice of the actual payment amount.
-

- As soon as practicable following March 31, 2021, the Company will determine the overall level of achievement for the Performance Period against cumulative performance metrics for the 12-month period from April 1, 2020 through March 31, 2021 (the “**Cumulative Performance**”). You will be eligible to receive an additional “catch-up” payment, payable with your cash incentive payment for the first quarter of fiscal year 2021, to the extent that the Company’s Cumulative Performance for the Performance Period would result in a payout that exceeds the aggregate payments that you were otherwise entitled to or received for the Performance Period.

Your eligibility to receive a cash incentive payment for each applicable quarter and any catch-up payment for the year is subject to your continued employment with the Company through (and not being under any notice of termination of employment as of) the applicable payment date.

In the event your employment is terminated by the Company for Cause or due to your voluntary resignation without Good Reason, you will immediately forfeit any unpaid cash incentive payment for any previously completed fiscal quarters and you will not be eligible to receive a payment with respect to any fiscal quarters ending on or following your termination date. In the event your employment is terminated by the Company without Cause or by resignation for Good Reason or as a result of death or disability, you will (i) receive any earned but unpaid cash incentive for any previously completed fiscal quarters; (ii) receive a payment for the fiscal quarter during which your termination of employment occurs based on actual performance for such quarter prorated by multiplying the amount of such bonus that would be payable for the full fiscal quarter by a fraction, the numerator of which is the number of days you were employed during the fiscal quarter in which your termination of employment occurs and the denominator of which is equal to the number of days contained in such fiscal quarter; and (iii) forfeit and not be eligible to receive any payment with respect to any fiscal quarters following the fiscal quarter during which your employment terminates. The payments referred to in (i) and (ii) immediately above will be subject to the terms and conditions set forth in the Severance Plan, including the requirement to execute and not revoke a Release (as defined in the Severance Plan).

In the event of a Change in Control, you will (i) receive any earned but unpaid cash incentive for previously completed fiscal quarters; (ii) receive a payment equal to 100% of the Quarterly Target for the fiscal quarter during which the Change in Control is consummated; and (iii) forfeit and not be eligible to receive any payment with respect to any fiscal quarters following the fiscal quarter during which the Change in Control has occurred. The payments referred to in (i) and (ii) immediately above will be made as soon as administratively practicable following a Change in Control, and in all events within thirty (30) days thereafter.

Relationship to Other Payments and Agreements

By signing this Agreement below, you hereby forfeit and expressly acknowledge and agree that you will have no right to receive the retention bonus previously awarded to you under [that certain letter agreement between you and [ENSCO Corporate Resources LLC / Ensco Asia Pacific Pte Limited] dated as of March 1, 2020]. In addition, your eligibility to receive the payments

described above under “Retention Bonus” and “Quarterly Cash Incentive” are in lieu of your participation in and eligibility to receive or retain any award under the LTIP during fiscal year 2020. By signing this Agreement below, you expressly acknowledge and agree that you are forfeiting, in exchange for no consideration, the restricted share units and performance units previously granted to you under the LTIP on [Insert grant date for annual awards]. In addition, and for the avoidance of doubt, the payments described above under “Quarterly Cash Incentive” will be the only payments that you will be eligible to receive under the ECIP for fiscal year 2020. All payments under this Agreement are not pensionable and shall not be considered compensation for purposes of any of the Company’s retirement programs.

Miscellaneous

This Agreement and the rights and obligations hereunder will be governed by and construed in accordance with the laws of [the State of Texas / England and Wales] without reference to any jurisdiction’s principles of conflicts of law and reflect the parties entire understanding and agreement with regard to the foregoing.

The Company reserves the right to amend, modify or terminate this compensation program for any calendar quarter that has not commenced (i.e., the Company cannot amend, modify or terminate the program with respect to any calendar quarter that has already commenced).

Should you have any questions regarding the foregoing, please contact Kristin Larsen at Kristin.larsen@valaris.com. We look forward to your continued support and efforts during these challenging times for Valaris.

Sincerely,

/s/ Thomas Burke

Thomas Burke
President and Chief Executive Officer

ACKNOWLEDGED AND AGREED:

Signature:	_____
Printed Name:	_____
Date:	_____

July 30, 2020

Valaris plc
London, England

Re: Registration Statements on Form S-8 (Nos. 333-230813, 333-174611, 333-58625, 333-97757, 333-125048, 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 statement, we acknowledge our awareness of the use therein of our report dated July 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.

/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 June 30, 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: July 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 June 30, 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: July 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 June 30, 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
July 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 June 30, 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

July 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.