

## **(BDRILL) - Borr Drilling Limited Announces Third Quarter 2017 Results**

Hamilton, Bermuda, 22 November 2017, Borr Drilling Limited (“Borr Drilling” or the “Company”) announces its third quarter unaudited results for the period ended 30 September 2017.

### **Highlights**

- Letter of commitment received from Total E&P Nigeria Limited for work in Nigeria.
- Completed the listing on Oslo Stock Exchange 30 August 2017
- In September 2017 the contract with BW Energy Dussafu, a subsidiary of BW Offshore, for a drilling campaign offshore Gabon was signed.

### **Subsequent events**

- On 6 October 2017, Borr Drilling and Schlumberger signed an enhanced collaboration agreement.
- On 6 October 2017, the Company signed a master agreement with PPL setting forth the terms pursuant to which PPL agreed to sell six premium jack-up drilling rigs and three premium jack-up drilling rigs under construction
- On 8 October 2017, the Company concluded a private placement of 162,500,000 new shares at a subscription price of US\$ 4.00 raising gross proceeds to the Company of US\$ 650 million
- In November 2017 the contract with Total in Nigeria was concluded and fully executed
- In November 2017 the Company took delivery of the first new build jack-up drilling rig from PPL

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### ***Management Discussion and analysis***

#### ***Consolidated Statement of Operations (Financial Performance & Operating Results)***

##### ***Three months ended 30 September 2017***

No operating revenues were reported for the three months ended 30 September 2017. The project commencement for Total E&P Nigeria Limited, previously scheduled for the third quarter of 2017, was delayed by the operator and will commence operations in late November 2017. The drilling campaign for BW Energy Dussafu is scheduled to start in January 2018.

Total operating expenses were US\$24.9 million for the three months ended 30 September 2017. Total operating expenses consists of rig operating and maintenance expenses, depreciation and amortization and general and administrative expenses.

Total rig operating and maintenance expenses were US\$9.4 million for the three months ended 30 September 2017. These costs relate to stacking costs for our jack-up drilling rig fleet and re-activation costs for the rigs scheduled for new contracts.

Total depreciation and amortization was US\$8.0 million for the three months ended 30 September 2017. This relates to depreciation charges for our jack-up drilling fleet.

Total general and administrative expenses were US\$7.5 million for the three months ended 30 September 2017. US\$2.5 million is non-cash costs related to employee benefit programs. The remaining US\$5.0 million is linked to salaries, consulting fees, professional fees and one-off costs associated with the Oslo Stock Exchange listing.

Total general and administrative expenses excluding one-off costs were approximately US\$4 million in the quarter.

#### *Consolidated Balance Sheet*

The Company has total assets of US\$1,008.2 million as of September 30, 2017, (31 December 2016: US\$158.1 million). The increase in total assets of the Company is primarily driven by cash and cash equivalents from the proceeds from the private placement in March 2017 and the acquisition of ten jack-up drilling rigs from Transocean Inc., and the completed asset acquisition of the two Hercules jack-up drilling rigs.

As of 30 September 2017, equity was US\$916.6 million which corresponds to an equity ratio of 90.9 percent. As of 31 December 2016, equity was US\$157.8 million which corresponds to an equity ratio of 99.8 percent.

Total liabilities as of 30 September 2017, were US\$91.6 million (31 December 2016: US\$0.2 million). The increase is mainly attributable to trade payable and accruals and a US\$71.4 million non-current liability related to the onerous contract position of the five newbuilding contracts acquired from Transocean Inc.

#### *Consolidated Statement of Cash Flows*

Net cash flow generated from operating activities was negative US\$17.7 million for the three months ended 30 September 2017.

Net cash flow used in investing activities was US\$26.4 million for the three months ended 30 September 2017. The investments activities mainly relate to purchase of securities issued by a rig company for approximately US\$21.3 million.

Net cash flow used in financing activities was US\$8.4 million during the three months ended 30 September 2017 and relate to purchase of treasury shares.



As of 30 September 2017, the Company's cash and cash equivalents amounted to US\$141.2 million (31 December 2016: US\$138.1 million).

#### *Outstanding shares*

As of 30 September 2017 common shares in Borr Drilling totalled 315,792,500 shares. The Company issued 162,500,000 new shares in October, taking the total count to 478,292,500 shares. Additionally, the Board has approved up to 10 million options to be used as a long-term incentive program for the Company's employees.

On 6 October 2017 the Company issued a further 4,736,887 warrants ("Warrants") to Schlumberger as a consequence of signature of an enhanced collaboration agreement between the Company and Schlumberger.

Immediately thereafter, the Company agreed to repurchase all of the 9,473,774 Warrants held by Schlumberger at a price of US\$ 0.50 per Warrant, US\$ 4.7 million in total. Consequently, all Warrants were then cancelled.

#### ***Operations and corporate development***

During the quarter the company completed the listing process and started trading on the Oslo Stock Exchange on August 30, 2017. Borr Drilling will, as of 1 December 2017, be included in the OSEBX index.

On 6 October 2017 Borr and Schlumberger signed an enhanced collaboration agreement. The agreement forms an important milestone in the relationship and provides further detail around the structure and operation of this groundbreaking relationship. The two parties continue to work on a number of fronts to challenge traditional business models in the industry. The target is to offer a more flexible and efficient service to our customers.

Also on 6 October 2017 the Company signed a master agreement with PPL to purchase a total of 9 premium jack-up drilling rigs with deliveries from November 2017 into Q2 2019. All rigs are of the BMC Pacific Class 400 design. The first unit has been named "Galar" and was delivered in accordance with plan on 15 November 2017. The Board is pleased with the agreement with PPL and Borr's growing fleet of 22 premium jack-up rigs following this transaction.

To finance the purchase, Borr completed an equity issue on 8 October 2017 raising gross proceeds of US\$ 650 million. In addition, debt financing for all remaining payments to the yards was secured at attractive terms. The structure and terms of the PPL transaction attracted significant interest from a broad range of investors.

The total fleet count is currently 26 rigs. The Board consider the four older units that are cold stacked in Scotland to be non-core. More specifically, we are not actively marketing these units for drilling contracts at present given the capital investment needed to reactivate the assets and



the current day rate levels in this segment of the market. Given the significant over supply present in the market, further consolidation and scrapping of older units is needed and anticipated.

Subsequent to the third quarter, the Company realized a gain of approximately US\$ 15 million on forward contracts to purchase shares in Atwood Oceanics which, due to a merger, was converted to a forward contract for Ensco shares. The Board was pleased to see that the merger between Ensco and Atwood was completed and believe this to be part of the necessary consolidation of our fragmented industry.

The Ensco position has subsequently been reduced, however Borr intends to continue to look for opportunistic equity and debt investments within our core markets. A critical criteria will be attractive valuation of underlying assets.

#### ***Contracts***

The Company executed a contract with Total E&P Nigeria Limited for upcoming work in Nigeria during the quarter. Together with the contract already in place with BW Energy Dussafu, this pivotal contract with one of the most important procurers of jackup rig time reflects Borr's growing acceptance in the marketplace.

#### ***Market***

The overall jack-up market continues to show healthy tendering activity and the company is optimistic about a further increase in utilization levels going into 2018. Over the past year, Independent Cantilever (IC) jack-up rig count in our key markets (West Africa, South East Asia and Middle East) has increased by 11%. Supported by strong current tendering activity in these regions, including several multi-year opportunities, the company expect the positive trend to continue.

Customer preference for modern rigs has continued throughout the year with third quarter rig count for IC jack-ups that are less than 10 years old rising by more than 10% since the start of the year. Utilization is at the highest levels experienced since third quarter 2015. For IC jack-ups older than 10 years, the rig count is down by 7% since the beginning of 2017.

Announced attrition of jack-ups remains low with 11 jack-ups being retired in 2017, and a total of 44 removed from service since the start of the downturn. However, of the 150 jack-ups built prior to 2000 that are sitting idle, 91 have been idle for more than 2 years. The Company believe that many of these rigs require meaningful capital investment in order to return to the market, and should be considered uncompetitive and are unlikely to be reactivated without a significant improvement in day rates.

### ***Outlook***

During the quarter the company has made progress in several areas that are important to the positioning of Borr for the anticipated recovery in the offshore drilling market.

A new organisation with a total of 35 very experienced people has been established with head office in Dubai. The Board is excited to see the experience, dedication and enthusiasm shown by the new organisation in their effort to establish Borr as the leading premium Jack-up operator. Borr's focus will be on delivering a superior drilling service to the counterparties who contract with us.

The Company continues to look for accretive assets deals that fit well with the current fleet. The purchase prices of premium jack-up rigs have risen continuously since our first acquisition late last year and the market shows potential for further improvement. Borr is positioning as a consolidator in the market, but will also be disciplined with respect to purchase price and quality of assets considered for acquisition.

The fleet has already reached the critical size necessary to achieve operational synergies and market presence. The target for the Board and management is to optimize long term returns to our current shareholders. An efficiently priced Borr equity is an absolute condition for further fleet expansion.

The level of market activity continues to improve for the premium jackup segment. We see tendering activity and utilisation in our segments continuing to develop positively with the assistance of small but directional increases in the underlying commodity price. Tendering in this phase of the market cycle can be time consuming and the visibility of opportunities, whilst improving, is developing from a challenging base. We anticipate additional backlog to be added in coming months based on the tenders we are currently participating in and/or through the projects we are developing with our industrial partners. However Borr intends to be a rational market participant and will remain focussed on opportunities that generate positive cash returns after activation investments and preserve upside in what is considered to be an improving environment. Increased free cashflow generation and anticipated growth in capital expenditure budgets across our international client base should lead to improvements in industry activity levels.

The Board is proud of what the Borr organisation has achieved and the assets acquired to date. A unique fleet of the most modern jack-ups has been developed at historically low prices. A low cost structure combined with a strong balance sheet positions Borr preferentially relative to its competitors.



***Forward looking statements***

This announcement includes forward looking statements. Forward looking statements are, typically, statements that do not reflect historical facts and may be identified by words such as "anticipate", "believe", "continue", "estimate", "expect", "intends", "may", "should", "will" and similar expressions.

The forward looking statements in this announcement are based upon various assumptions, many of which are based, in turn, upon further assumptions. Although Borr Drilling Limited believes that these assumptions are reasonable, they are, by their nature, uncertain and subject to significant known and unknown risks, contingencies and other factors which are difficult or impossible to predict and which are beyond our control. Such risks, uncertainties, contingencies and other factors could cause actual events to differ materially from the expectations expressed or implied by the forward looking statements included herein.

The information, opinions and forward looking statements contained in this announcement speak only as of the date hereof and are subject to change without notice."

***About Borr Drilling***

Borr Drilling Limited is an international drilling contractor to the offshore oil and gas industry. Incorporated in Bermuda in 2016, the Company's services are focused on the shallow water segment. The Company is the owner of a fleet of 13 jack-up drilling rigs, further, the Company has thirteen jack-up drilling rigs on order with deliveries scheduled from 2018 to 2020.

Visit our website at: [www.borrdrilling.com](http://www.borrdrilling.com)

21 November 2017

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