# Borr Drilling Limited (BDRILL) Announces First Quarter 2018 Results

Hamilton, Bermuda, May 31, 2018: Borr Drilling Limited ("Borr", "Borr Drilling" or the "Company") announces results for the first quarter of 2018, ending March 31.

**Highlights**

- Completed the acquisition of Paragon Offshore Limited ("Paragon")
- Completed equity offering of US$250 million at a subscription price of US$4.60 per share on March 23, 2018 to fund the Paragon acquisition
- The "Norve" commenced operations for BW Energy Dussafu B.V. ("BW Energy") in Gabon in January
- Three newbuilds were delivered in the quarter, the "Gerd" and the "Gersemi" from PPL Shipyard Pte Ltd. ("PPL"), and the "Saga" from Keppel FELS Limited ("Keppel")
- Mr Patrick Schorn, Executive Vice President - Wells in Schlumberger, joined the Board of Directors
- Mr Svend Anton Maier appointed Chief Executive Officer of the Company, replacing Mr Simon Johnson on March 22, 2018.

**Subsequent events**

- Announced the sale of 14 rigs *en bloc*, bringing the total number of divestments to 26 rigs from the beginning of the year in Borr and Paragon combined. 25 rigs have been delivered to the new owner, and none of the rigs will re-enter the international jack-up drilling market post the transaction.
- Secured a US$200 million non-amortising revolving bank loan facility with two-year duration
- Placement of US$350 million in principle amount of convertible bonds with a five-year tenor, coupon of 3.875% and conversion premium of 37.5%. In addition, entered into call spread agreement enhancing economic conversion premium to 75%.
- Signed agreements to acquire five jack-up drilling rigs from Keppel for a total consideration of US$742.5 million in May 2018

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***Management Discussion and analysis***

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

*Three months ended March 31, 2018*

Operating revenues were US$10.6 million for the three months ended March 31, 2018 (US$ nil in Q1 2017). The project for Total E&P Nigeria Limited ("Total") for the "Frigg" commenced late in December 2017. The drilling campaign for BW Energy for the "Norve" commenced in January 2018.

Total operating expenses were US$62.8 million for the three months ended March 31, 2018 (US$4.9 million in Q1 2017). Total operating expenses consists of rig operating and maintenance expenses, depreciation, amortisation and impairment of non-current assets and general and administrative expenses.

Total rig operating, maintenance expenses and lay-up costs were US$22.5 million for the three months ended March 31, 2018 (US$2.3 million in Q1 2017). Rig operating and maintenance expenses increased by US$20.2 million in Q1 2018 compared to Q1 2017. The increase is primarily driven by operational costs for the rigs "Frigg" and "Norve".

Total depreciation, amortisation and impairment of non-current assets were US$12.2 million for the three months ended March 31, 2018 (US$1.0 million in Q1 2017). Depreciation in Q1 2018 increased by US$11.2 million compared to Q1 2017 as a result of a larger fleet of jack-up drilling rigs.

Total general and administrative expenses were US$10.2 million for the three months ended March 31, 2018 (US$1.6 million in Q1 2017). The increase of US$8.6 million compared to Q1 2017 was primarily a result of termination benefits and various professional fees in connection with the acquisition of Paragon, a larger organization and additional offices due to more rigs in operations. On a run-rate basis at present activity levels, the G&A is expected to be around US$25m excluding non-cash employee share option charges for the next 12 months.

Gain from bargain purchase was US$38.1 million for the three months ended March 31, 2018 (US$ nil in Q1 2017). This relates to non-cash bargain purchase gain on the Paragon acquisition.

Total restructuring expenses were US$17.9 million for the three months ended March 31, 2018 (US$ nil in Q1 2017). This relates solely to termination payments and close-down costs linked to Paragon acquisition.

Other financial expense was US$19.7 million for the three months ended March 31, 2018 (US$ nil in Q1 2017). The increase relates to unrealized loss on forward contracts of US$20.0 million. As of May 30, 2018, this forward position has since end of the quarter increased in value with approximately US$25 million.

Paragon is included in the consolidated statement of operations from March 29, 2018. Paragon contributed with operating revenues of US$1.1 million and operating expense of US$2.2 million resulting in operating loss for the period ending March 31, 2018 of US$1.1 million.

*Consolidated Balance Sheet*

The Company had total assets of US$2,137.3 million as of March 31, 2018 (December 31, 2017: US$1,672.3 million). Total assets increased by US$465.0 million compared to December 31, 2017 primarily as a result of the acquisition of Paragon Offshore in the first quarter and delivery of the three newbuildings “Saga”, “Gerd” and “Gersemi”. The Company took ownership of 22 jack-up drilling rigs and one semisubmersible when acquiring Paragon, whereof 15 rigs are classified as held for sale at the end of the quarter. The acquired jack-up drilling rigs’ estimated fair value is US$261 million. The delivery financing accepted on the two newbuildings, “Gerd” and “Gersemi” was US$174.0 million.

As of March 31, 2018, total equity was US$1,670.1 million which corresponds to an equity ratio of 78.1 percent. As of December 31, 2017, total equity was US$1,492.9 million which corresponds to an equity ratio of 89.3 percent.

Total liabilities as of March 31, 2018, were US$467.2 million (December 31, 2017: US$179.4 million). The increase is mainly attributable to US$174.0 million in long-term debt related to the delivery financing for the two newbuildings “Gerd” and “Gersemi”, liability to shareholders related to the March private placement of US$27.6 million and unrealized loss on forward contracts of US$15.5 million.

*Consolidated Statement of Cash Flows*

*Three months ended March 31, 2018*

Net cash flow used in operating activities was US$42.7 million for the three months ended March 31, 2018 (December 31, 2017: negative US$32.6) and is explained by the net operating loss. Cash-flow was negatively impacted by the Paragon close down costs. This is expected to be significantly less in the coming quarters.

Net cash flow used in investing activities was US$214.7 million for the three months ended March 31, 2018 (December 31, 2017: 1,447.8). The investment activities primarily relate to the acquisition of Paragon, net of cash acquired of US$198.3 million.

Net cash flow provided by financing activities was US$144.9 million (December 31, 2017: 1,506.3) during the three months ended March 31, 2018 and relates to the March 2018 Private Placement raising net proceeds of

US$211.5 million (Tranche 1) and paid down US$89.3 million for the outstanding term loan of Paragon, including accrued interest and breakage fee.

As of March 31, 2018, the Company's cash and cash equivalents amounted to US$51.5 million (December 31, 2017: US$164.0 million). The available liquidity as of today, net of the up-front payment to Keppel of US$288 million, is in excess of US$300million.

*Outstanding shares*

As of March 31, 2018, the total issued common shares in Borr Drilling was 525,000,000. In addition to the outstanding shares the Board has approved up to 6,855,000 options to be used as a long-term incentive program for the Company's employees.

On March 23, 2018, the Company completed a private placement of 54,347,827 new shares at a subscription price of US$4.60 per share (the "March 2018 Private Placement") raising gross proceeds of US$250 million which was used for the acquisition of Paragon and general corporate purposes. 46,707,500 new shares were issued in March 2018 and the remaining 7,640,327 shares was issued on May 30, 2018.

Following issuance of the shares on May 30, 2018, the Company has a share capital of USD 5,326,403.27, divided into 532,640,327 shares

Effective from the special general meeting of 5 April 2018, the authorised share capital of the Company is US$6,250,000 represented by 625,000,000 common shares of US$0.01 par value.

At April 11, 2018, the Company repurchased 500,000 of its own shares from the Group's former CEO at a price of US$4.65 per share. The purchase was a part of the terms agreed on.

***Fleet development***

As of March 31, 2018, the Company's fleet consisted of 48 jack-up drilling rigs and one semisubmersible, whereof 10 jack-ups are to be delivered between June 2018 and the end of 2020.

On January 4, 2018, the Company took delivery of the "Gerd", the second rig from PPL,

On January 5, 2018, the first rig from Keppel, the "Saga", was delivered.

On February 23, 2018, the Company took delivery of the "Gersemi", the third rig from PPL.

On April 13, 2018, the Company took delivery of "Grid", the fourth jack-up rig from PPL.

All the newbuild rigs are being warm stacked at the yard, where they are under supervision of the respective yards until they find work.

The Company took ownership of 23 rigs from Paragon in the first quarter of 2018, whereof two were divested in April, the "L786" and the "M1161".

On April 30, 2018, the Company announced an agreement to divest 14 old jack-up rigs *en bloc* to a non-drilling company, of which 13 were acquired from Paragon. The rigs have been delivered ´as-is where-is´ to the new owner in May 2018. The disposal is expected to contribute up to US$16 million in profit to Borr's Q2-2018 results. 13 of the rigs will be demobilised as drilling rigs and will be targeted for MOPU orientated work. The remaining unit is allocated to development work for a specific life extension project. None of the rigs will re-enter the international jack-up drilling market post this transaction.

On May 8, 2018, the Company entered into an agreement to sell the “Brage”, a standard jack-up drilling rig built in 1998 that has been cold stacked and which the Company has viewed as “non-core”. The delivery is expected to take place in June 2018, and the rig will discontinue to operate as a drilling rig.

On May 16, 2018 the Company announced the acquisition of five rigs under construction from Keppel for a total consideration of US$742.5 million. Of the total consideration, the Company will pay US$288 million up-front while Keppel will provide delivery financing of US$432 million. The loans are non-amortising, and payable in five years from rig delivery date. Furthermore, US$22.5 million of the consideration is a back-end fee and is payable together with the delivery loan principal. The five rigs will be delivered with one rig a quarter starting Q4 2019. As part of the transaction, the Company has also agreed to delay the delivery of “Tivar” to July 2020.

The Company is, as of the date of this report, the owner of 15 premium (delivered in 2001 and after) jack-up drilling rigs and 8 standard jack-up drilling rigs (built before 2001), and one semi-submersible. Furthermore, the Group will take delivery of 14 rigs from yard from the second quarter 2018 until the fourth quarter 2020. When all rigs are delivered the fleet will consist of 37 rigs, whereof 29 are premium, whereof 27 are built after 2011.

### *Operations*

In January 2018, “Norve”, a 2011 built BMC Pacific Class 400 jack-up rig purchased from Transocean in May 2017, commenced operation for BW Energy in Gabon. The contract duration is for the drilling of three production wells of an anticipated duration of 160-180 days, and the rig will end its contract period with BW Energy in July 2018.

In May 2018, the Company secured a six-month contract in West Africa for “Norve” at a dayrate of US$80,000. The contract is expected to commence in direct continuation of the BW contract.

Following the closure of the Paragon transaction, Borr had nine contracted rigs at the end of Q1-2018; four in the North Sea, two in the Middle East, one in Asia and two in West Africa.

The company experienced some downtime due to equipment failure on the start-up of “Frigg”, but are overall pleased with the performance of the fleet. The operation of Norve, which is a joint operation with Schlumberger has performed very well and shows clear benefits of the efficiency of an integrated contracting model.

### *Corporate Development and Financing*

In January 2018, Patrick Schorn, Executive Vice President – Wells in Schlumberger Limited, joined the Board of Directors. He is bringing vast experience and industry insight to the Board and his appointment represents another milestone in the development of the relationship between Borr Drilling and Schlumberger.

On March 29, 2018, the Company completed the acquisition of Paragon and took ownership of 22 jack-up drilling rigs, whereof six had contracts attached, and one semi-submersible working under contractual obligations in the North-Sea. The acquisition price was US$43.88 per share, 99.41% of the Paragon shareholders had tendered their shares and the total consideration paid by Borr was approximately US$240 million. Additionally, at closing Borr paid down the outstanding term loan of Paragon in the amount of US$89.3 million, including accrued interest and breakage fee.

On May 16, 2018, the Company announced the completion of a US$350 million convertible bonds issuance with a coupon of 3.875% per annum and a conversion premium of 37.5% above a reference price of US$4.87 per share. In connection with this placement the Company has also entered into a call spread at a cost of approximately 8% of the gross proceeds, which increases the effective conversion premium for the Company to 75% above the reference price.

On May 16, 2018, as part of the transaction with Keppel, the Company secured US$432 million in delivery financing from the yard for the five rigs at attractive terms. The loans are non-amortising and payable five years after delivery of the rigs.

In May 2018, the Company entered into a US$200 million Senior Secured Revolving Loan Facility Agreement with DNB Bank. The facility has an availability period of two years at attractive terms.

***Market***

Recent contracting activity in the jack-up market has moved the contracted rig count to 335 units, the highest level experienced in two years (since May 2016). In particular the Middle East and the North Sea has seen high activity with oil companies adding incremental rigs. Several multi-rig tenders for long-term duration in various countries in the Middle East have either already been concluded or are expected to conclude in the near future.

Recent tender awards in the Middle-East and North-Sea have reduced the availability of high-spec units from the major drilling companies. Borr is currently in discussions with several majors for multi-rig, multi-year employment. As stated before the Board are however not likely to enter in long-term contracts unless they give a significant contribution to capital.

Modern jack-ups continue to be in demand, supported by Independent Cantilever (IC) jack-ups less than 10 years old representing 61% of the total backlog days awarded year-to-date. Competition on new opportunities remain high and excluding niche markets, dayrate level remain around operating cash breakeven for the industry.

Prospects for new opportunities are on upward trend as tendering activity and discussions with customers are increasing across all regions. Marketed utilization for the global jack-up fleet currently stands at 74%, three percentage points higher than at the start of the year.

Fleet attrition has accelerated in 2018 as the industry retires jack-ups that have been stacked for a longer period. Year-to-date 28 jack-ups has been retired compared to full year retirements in 2016 and 2017 of 15 and 16 jack-ups, respectively. A total of 231 units, or 45 %, of the global jack up fleet are more than 30 years old today. A significant number of these older units are unlikely ever to drill again. The high reactivation cost, inability to meet customers technical requirements, combined with safety concerns, make these units unattractive to operate. Furthermore, the increase in demand for jack up rigs that can drill deeper and more complex wells is further strengthening the case for modern, premium equipment. This argument is also highlighted by the age restrictions introduced in several recent tender processes.

***Outlook***

The Company took further steps in the first quarter of 2018 to consolidate the jack-up drilling rig industry and rationalising the international jack-up fleet with the acquisition of Paragon Offshore. This transaction has given Borr Drilling access to two high spec jack-up drilling rigs positioned in the North-Sea at an attractive price and also given the company a strong operational platform. The board is pleased with the way Borr’s management in a very short time has integrated the Paragon organisation, and furthermore divested most of the non-core assets at a price level significantly higher than anticipated when the transaction was entered into. The Company has also received several approaches from potential buyers of the North-Sea semi-submersible MSS1, which is not considered to be part of the core fleet. The price indications received are higher compared to the valuation assumed in the Paragon acquisition.

The acquisition of the five rigs from Keppel in May 2018, which comes with a delayed delivery schedule and attractive financing, is clearly strengthening the company´s position.

Borr has within 18 months of industry distress been able to build the largest jack-up company in the world. The Company is now entering a phase where the market for attractive assets and attractive M&A opportunities are becoming limited, and the Board is of the view that the current fleet profile - both in terms of number of assets, standardisation of equipment, the age of the fleet and the average purchase price – has created a very solid foundation for the company.

For the remainder of the year, focus will be on continuation of the high standard of operational performance and working together with our partner to develop the integrated contract drilling concept. In addition, we will on an opportunistic basis seek employment opportunities for several of our units. Utilisation for the total fleet year to date is 95.6%, and since the acquisition of Paragon utilisation has been 98.9% on the fleet combined. The Board is pleased with the operational performance and the safety record, which demonstrates the Company´s focus on delivering superior services to our clients.

The Board retains its position to be cautious about pursuing contract opportunities that are long dated at close to cash breakeven day-rate levels. Borr will be a rational market participant focusing on opportunities that generate positive cash returns after re-activation, mobilisation and operating costs. However, we observe that several of our major competitors now are low on, or out of short-term available capacity. Together with the strengthening of the oil price, this is likely to lead to improving dayrate levels. Such a trend can already be seen in the North-Sea market. Management anticipate to enter into several more rig contracts in 2018, but shareholders should not expect significant uptick in contracting until 2019.

With a market capitalization of US$2.7 billion, Borr is already among the top three offshore drilling companies measured by market cap. The general interest in the company has significantly improved over the last year. In order to increase liquidity in the trading of the Company's shares further, the Board of Directors has decided to start the process for exploring a listing of Borr's shares on an additional recognized international stock exchange.

The company has, after closure of the US$350 million convertible bonds, purchase of the call spread, the US$200 million revolving bank facility, and after equity payments of US$288 paid to Keppel for the five rigs, total available liquidity in excess of US$300 million. At current activity level we expect a cash-burn excluding investments and extraordinary items of between US$20-25 million per quarter for the next twelve months. With the solid liquidity position, the non-amortizing debt profile, modern fleet and 8 uncollateralized high-spec rigs, the Company is in a strong financial position.

The operating results for the Q2 will based on the acquisition of Paragon show a sequential improvement. The net income for Q2 2018, will be positively impacted by the gain of up to US$16 million relating to the sale of 14 non-core rigs and if market prices remain at current level, a gain on mark-to-market of securities.

***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 incorporated in Bermuda in 2016 and listed on the Oslo Stock Exchange from August 30, 2017.  The Company owns and operates jack-up drilling rigs of modern and high specification designs and provides services focused on the shallow water segment to the offshore oil and gas industry worldwide.

Please visit our website at: www.borrdrilling.com

May 31, 2018
The Board of Directors
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