Borr Drilling Limited

Unaudited Condensed Consolidated Financial Statements
For the first quarter and the three months ended March 31, 2019
(Comparatives first quarter 2018, fourth quarter 2018 and the twelve months ended December 31, 2018)

Borr Drilling Limited
Unaudited Consolidated Financial Statements
Unaudited Condensed Consolidated Statement of Operations
(In $ millions except per share data)

	Notes	3 months to March 31, 2019	3 months to December 31, 2018	3 months to March 31, 2018	12 months to December 31, 2018
Operating revenues	3	51.9	53.5	10.6	164.9
Gain from bargain purchase	11	-	-	38.1	38.1
Gain on disposals		-	1.3	-	18.8
Operating expenses					
Rig operating and maintenance expenses		(57.1)	(59.5)	(22.5)	(180.1)
Depreciation of non-current assets	7	(23.9)	(23.8)	(12.2)	(79.5)
Impairment of non-current assets	7	(11.4)	-	-	-
Amortisation of contract backlog	11	(7.4)	(8.5)	-	(24.2)
General and administrative expenses	19	(10.1)	(10.8)	(10.2)	(38.7)
Restructuring costs	11	-	(3.2)	(17.9)	(30.7)
Total operating expenses		**(109.9)**	**(105.8)**	**(62.8)**	**(353.2)**
Operating loss		**(58.0)**	**(51.0)**	**(14.1)**	**(131.4)**
Other income (expenses), net					
Interest income		0.3	0.2	0.5	1.2
Interest expense	18	(13.0)	(8.5)	-	(13.7)
Other, net	4, 14	14.5	(50.9)	(20.2)	(44.5)
Total other income (expenses)		**1.8**	**(59.2)**	**(19.7)**	**(57.0)**
Loss before income taxes		**(56.2)**	**(110.2)**	**(33.8)**	**(188.4)**
Income tax expense	5	(0.2)	(0.5)	-	(2.5)
Net loss		**(56.4)**	**(110.7)**	**(33.8)**	**(190.9)**
Net (loss) income attributable to non-controlling interests		**(1.5)**	**(0.2)**	**(0.1)**	**(0.4)**
Net loss attributable to shareholders of Borr Drilling Limited		**(54.9)**	**(110.5)**	**(33.7)**	**(190.5)**
Basic loss per share	6	**(0.11)**	**(0.21)**	**(0.07)**	**(0.37)**
Diluted loss per share	6	**(0.11)**	**(0.21)**	**(0.07)**	**(0.37)**
Weighted-average shares outstanding		**525,341,755**	**527,520,948**	**482,490,927**	**514,387,507**
Condensed Consolidated Statement of Comprehensive Income (Loss)					
Loss after income taxes		**(56.4)**	**(110.7)**	**(33.8)**	**(190.9)**
Unrealised gain (loss) from marketable securities	13	(7.3)	0.6	-	0.6
Other comprehensive gain (loss)		**(7.3)**	**0.6**	**-**	**0.6**
Total comprehensive loss		**(63.7)**	**(110.1)**	**(33.8)**	**(190.3)**
Comprehensive loss for the period attributable to					
Shareholders of Borr Drilling Limited		**(62.2)**	(109.9)	(33.7)	(189.9)
Non-controlling interests		**(1.5)**	(0.2)	(0.1)	(0.4)
Total comprehensive loss		**(63.7)**	**(110.1)**	**(33.8)**	**(190.3)**

See accompanying notes that are an integral part of these Unaudited Condensed Consolidated Financial Statements

Borr Drilling Limited
Unaudited Consolidated Financial Statements

Unaudited Condensed Consolidated Balance Sheet

(In $ millions except number of shares)

	Notes	March 31, 2019	December 31, 2018	March 31, 2018
ASSETS				
Current assets				
Cash and cash equivalents		29.4	27.9	51.5
Restricted cash	12	29.4	63.4	55.0
Trade receivables		25.7	25.1	25.4
Jack-up drilling rigs held for sale	7	-	-	15.0
Marketable securities	13	26.8	4.2	-
Prepaid expenses		10.0	10.8	9.5
Acquired contract backlog		12.8	20.2	31.6
Deferred mobilization and contract preparation cost		18.2	6.0	7.3
Accrued revenue		18.5	18.9	16.1
Tax retentions receivable		11.6	11.6	11.6
Other current assets	15	27.1	20.5	11.5
Total current assets		**209.5**	**208.6**	**234.5**
Non-current assets				
Property, Plant and Equipment		7.1	9.5	16.1
Jack-up rigs	7	2,416.1	2,278.1	1,442.0
Newbuildings	8	432.5	361.8	399.1
Deferred mobilization and contract preparation cost		7.5	5.1	-
Marketable securities	13	-	31.0	20.7
Other long-term assets	16	25.7	19.6	24.9
Total non-current assets		**2,888.9**	**2.705.1**	**1,902.8**
Total assets		**3,098.4**	**2,913.7**	**2,137.3**
LIABILITIES AND EQUITY				
Current liabilities				
Trade accounts payables		14.7	9.6	16.2
Amounts due to related parties	22	0.8	0.4	27.7
Unrealized loss on forward contracts		23.6	35.1	15.6
Accrued expenses		66.8	63.7	31.2
Onerous contracts		-	3.2	1.2
Current portion of long-term debt	18	58.5	-	-
Other current liabilities	21	18.4	7.3	31.0
Total current liabilities		**182.8**	**119.3**	**122.9**
Non-Current liabilities				
Long-term debt	18	1,356.9	1,174.6	261.0
Other liabilities		15.6	8.0	8.8
Onerous contracts	17	71.3	78.3	74.5
Total non-current liabilities		**1,443.8**	**1,260.9**	**344.3**
Total liabilities		**1,626.6**	**1,380.2**	**467.2**
Commitments and contingencies	23			

See accompanying notes that are an integral part of these Unaudited Condensed Consolidated Financial Statements.

Borr Drilling Limited
Unaudited Consolidated Financial Statements
Unaudited Condensed Consolidated Balance Sheet
(In $ millions except number of shares)

Stockholders' Equity			
Common shares of par value $0.01 per share: authorized 625,000,000 (2018: 625,000,000) shares, issued 532,640,327 (2018: 532,640,327) shares and outstanding 525,341,755 (2018: 525,341,755) shares at March 31, 2019	5.3	5.3	5.3
Additional paid in capital	1,839.5	1,837.5	1,799.3
Treasury shares	(26.2)	(26.2)	(9.0)
Other comprehensive loss	(12.9)	(5.6)	(6.2)
Accumulated deficit	(334.1)	(279.2)	(122.5)
Equity attributable to the Company	**1,471.6**	**1,531.8**	**1,666.9**
Non-controlling interest	0.2	1.7	3.2
Total equity	**1,471.8**	**1,533.5**	**1,670.1**
Total liabilities and equity	**3,098.4**	**2,913.7**	**2,137.3**

See accompanying notes that are an integral part of these Unaudited Condensed Consolidated Financial Statements.

Borr Drilling Limited
Unaudited Consolidated Financial Statements

Unaudited Condensed Consolidated Statement of Cash Flows
(In $ millions)

	Notes	3 months to March31, 2019	3 months to December 31, 2018	3 months to March 31, 2018	12 months to December 31, 2018
Cash Flows from Operating Activities					
Net (loss)/income		(56.4)	(110.7)	(33.8)	(190.9)
Adjustments to reconcile net (loss)/income to net cash provided by operating activities:					
Non-cash compensation expense related to stock options and warrants	19	2.0	1.4	0.4	3.7
Depreciation of non-current assets	7	23.9	23.8	12.2	79.5
Impairment of non-current assets	7	11.4	-	-	-
Amortisation of acquired contract backlog	11	7.4	8.5	-	24.2
Gain on sale of rigs	7	-	(1.3)	-	(18.8)
Change in financial instruments	4	(15.1)	65.2	20.0	65.2
Bargain purchase gain	11	-	-	(38.1)	(38.1)
Deferred income tax	5	(0.3)	0.4	-	(0.5)
Change in other current and non-current assets		(2.0)	(12.9)	(10.6)	(24.8)
Change in current and non-current liabilities		15.2	(15.7)	4.5	(34.7)
Net cash (used in)/provided by operating activities		**(13.9)**	**(41.3)**	**(45.4)**	**(135.2)**
Cash Flows from Investing Activities					
Purchase of plant and equipment		-	(3.0)	-	(7.8)
Proceeds from sale of fixed assets		0.6	3.0	-	41.6
Purchase business combination (acquisition), net of cash acquired	9	-	-	(194.1)	(195.1)
Purchase of marketable securities	13	(4.0)	(3.3)	-	(13.0)
Proceeds from sale of marketable securities	13	4.2	-	-	-
Payment and costs in respect of newbuildings	8	(129.0)	-	(0.6)	(362.4)
Payments and costs in respect of jack-up rigs	7	(43.9)	(15.9)	(4.1)	(23.4)
Net cash (used in)/provided by investing activities		**(172.1)**	**(19.2)**	**(198.8)**	**(560.1)**
Cash Flows from Financing Activities					
Proceeds from share issuance, net of issuance costs and conversion of shareholders loans		-	-	211.5	218.9
Proceeds from related party shareholder loan	22	-	-	27.7	27.7
Purchase of treasury shares		-	(10.0)	(2.3)	(19.7)
Repayment of long-term debt	9	-	-	(89.3)	(89.3)
Purchase of financial instruments	13	-	-	-	(28.5)
Proceeds, net of deferred loan costs, from issuance of long-term debt	18	95.0	100.0	-	474.4
Proceeds, net of deferred loan costs, from issuance of short-term debt	18	58.5	-	-	-
Net cash (used in)/provided by financing activities		**153.5**	**90.0**	**147.6**	**583.5**
Net increase (decrease) in cash and cash equivalents		**(32.5)**	**29.5**	**(96.6)**	**(111.8)**
Foreign exchange translation difference		-	-	-	-
Cash and cash equivalents and restricted cash at beginning of the period		91.3	61.8	203.1	203.1
Cash, cash equivalents and restricted cash at the end of period		**58.8**	**91.3**	**106.5**	**91.3**
Supplementary disclosure of cash flow information					
Interest paid, net of capitalized interest		(8.7)	(9.6)	-	(8.6)
Income taxes paid		(1.7)	(1.8)	-	(3.2)
Issuance of long-term debt as non-cash settlement for newbuild delivery instalment	18	87.0	87.0		609.0
Non-cash settlement of related party shareholder loan	22	-	-	-	27.7
Non-cash payments and cost in respect of jack-up rigs	7	17.0	(28.5)	-	(28.5)

See accompanying notes that are an integral part of these Unaudited Condensed Consolidated Financial Statements.

Borr Drilling Limited
Unaudited Consolidated Financial Statements

Unaudited Condensed Consolidated Statement of Changes in Shareholders' Equity
(In $ millions except share and per share data)

	Number of shares	Common shares	Treasury shares	Additional paid in capital	Other Comprehensive Loss	Accumulated Deficit	Non-controlling interest	Total equity
Consolidated balance at December 31, 2017	**476,322,500**	**4.8**	**(6.7)**	**1,587.8**	**(6.2)**	**(88.8)**	**2.0**	**1,492.9**
Issue of common shares	46,707,500	0.4	-	214.3	-	-	-	214.7
Equity issuance costs	-	-	-	(3.3)				(3.3)
Other transactions:								
Share-based compensation	-	-	-	0.4	-	-	-	0.4
Purchase of treasury shares	(500,000)	-	(2.3)	-	-	-	-	(2.3)
Total comprehensive loss	-	-	-	-	-	(33.7)	(0.1)	(33.8)
Non-controlling interest	-	-	-	-	-	-	1.3	1.3
Other, net				0.1		-	-	0.1
Consolidated balance at March 31, 2018	**522,530,000**	**5.3**	**(9.0)**	**1,799.3**	**(6.2)**	**(122.5)**	**3.2**	**1,670.1**
Issue of common shares	7,640,327	0.1	-	35.1	-	-	-	35.2
Equity issuance costs	-	-	-	(0.1)				(0.1)
Other transactions:								
Share-based compensation	-	-	-	3.4	-	-	-	3.4
Settlement of directors' fees	-	-	0.2	(0.2)	-	-	-	-
Purchase of treasury shares	(6,798,572)	-	(17.4)	-	-	-	-	(17.4)
Total comprehensive loss	-	-	-	-	0.6	(156.8)	(0.4)	(156.6)
Non-controlling interest	-	-	-	-	-	0.1	(1.1)	(1.0)
Other, net				-		-	-	-
Consolidated balance at December 31, 2018	**525,341,755**	**5.3**	**(26.2)**	**1,837.5**	**(5.6)**	**(279.2)**	**1.7**	**1,533.5**
Share-based compensation	-	-	-	2.0	-	-	-	2.0
Total comprehensive loss	-	-	-	-	(7.3)	(54.9)	(1.5)	**(63.7)**
Other, net	-	-	-					
Consolidated balance at March 31, 2019	**525,341,755**	**5.3**	**(26.2)**	**1839.5**	**(12.9)**	**(334.1)**	**0.2**	**1,471.8**

See accompanying notes that are an integral part of these Unaudited Condensed Consolidated Financial Statements

Note 1 - General information

Borr Drilling Limited was incorporated in Bermuda on August 8, 2016. The company is listed on the Oslo Stock Exchange, under the ticker BDRILL. Borr Drilling Limited is an international offshore drilling contractor providing services to the oil and gas industry, with the ambition of acquiring and operating modern jack-up drilling rigs. As of March 31, 2019, the total fleet consisted of 37 jack-up drilling rigs and one semi-submersible drilling rig, of which 9 jack-up drilling rigs are scheduled for delivery between 2019 and 2020.

As used herein, and unless otherwise required by the context, the term "Borr Drilling" refers to Borr Drilling Limited and the terms "Company,", "Borr", "we," "Group," "our" and words of similar import refer to Borr Drilling and its consolidated companies. The use herein of such terms as "group", "organisation", "we", "us", "our" and "its", or references to specific entities, is not intended to be a precise description of corporate relationships.

Basis of presentation

We have prepared our accompanying unaudited condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States ("U.S.") for interim financial information. Pursuant to such rules and regulations, these financial statements do not include all disclosures required by accounting principles generally accepted in the U.S. for complete financial statements. The condensed consolidated financial statements reflect all adjustments, which are, in the opinion of management, necessary for a fair statement of financial position, results of operations and cash flows for the interim periods. Such adjustments are considered to be of a normal recurring nature unless otherwise noted. Operating results for the three months ended March 31, 2019, are not necessarily indicative of the results that may be expected for the year ending December 31, 2019, or for any future period. The accompanying condensed consolidated financial statements and notes thereto should be read in conjunction with the audited consolidated financial statements and notes thereto including the Company's annual report for the year ended December 31, 2018. The amounts are presented in millions of United States dollar (U.S. dollar), unless otherwise stated. The financial statements have been prepared on a going concern basis.

Certain amounts in prior periods have been reclassified to conform to current presentation, including the bargain purchase gain reported in the first quarter of 2018 that has been reclassified as part of operating items. Such reclassifications did not have a material effect on our consolidated statement of financial position, results of operations or cash flows.

The Condensed Consolidated Financial Statements present the financial position of Borr Drilling Limited and its subsidiaries. Investments in companies in which the Company controls, or directly or indirectly holds more than 50% of the voting control are consolidated in the financial statements.

Subsequent events have been reviewed from the period end to the issuance of the Condensed Consolidated Financial Statements on May 29, 2019.

Basis of consolidation

The consolidated financial statements include the assets and liabilities of the Company. All intercompany balances, transactions and internal sales have been eliminated on consolidation. Unrealized gains and losses arising from transactions with affiliates are eliminated to the extent of the Company's interest in the entity. The non-controlling interests of subsidiaries were included in the Consolidated Balance Sheets and Statements of Operations as "Non-controlling interests". Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Going concern

The consolidated financial statements have been prepared on a going concern basis. The Company is dependent on loans and/or equity issuances to finance the remaining obligations under its current secured loan repayments, newbuilding contracts and working capital requirements which raises substantial doubt about the Company's ability to continue as a going concern. The Company has since the 2018 annual report was issued on April 30, 2019, received credit approved commitments for loan financing of $645.0 million, which is scheduled to refinance all current short-term credit facilities of $510 million. This financing is subject to normal documentation procedures, and it is anticipated that it will be drawable on or before June 30, 2019. We believe, based on execution of these arrangements that we will be able to meet the going concern requirement for at least the next twelve months as of May 29, 2019. The board finds it likely based on the current commitments and our track-record in terms of raising financing, that we will be able to refinance the short-term debt, however there can be no assurances that we will be able to finalise these arrangements.

Use of estimates

Preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Accounting policies

The accounting policies used in the preparation of the condensed interim consolidated financial statements are consistent with those followed in the preparation of the Company's consolidated financial statements for the year ended December 31, 2018. None of the new accounting standards or amendments that were adopted as of the first quarter of 2019 had a significant effect on the condensed interim consolidated financial statements, except as described below.

Recently Issued Accounting Standards

Adoption of new accounting standards

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02 (Topic 842, "Leases"), as amended, which generally requires lessees to recognize operating and financing lease liabilities and corresponding right-of-use (ROU) assets on the balance sheet and to provide enhanced disclosures surrounding the amount, time and uncertainty of cash flows arising from lease agreements. We adopted this standard, on a modified retrospective basis, effective January 1, 2019 and will not restate comparative periods. With respect to leases in which we are the lessee, we recognized a lease liability of $12.1 million and a corresponding right-of-use asset of approximately $2.0 million as of January 1, 2019. Adoption of this standard did not materially impact our Consolidated Statement of Operations and had no impact on our Consolidated Statement of Cash Flows.

We have elected the package of practical expedients that permits us to not reassess (1) whether previously expired or existing contracts are or contain leases, (2) the lease classification for any expired or existing leases, and (3) any initial direct costs for any existing leases as of the effective date. In addition, we have elected the hindsight practical expedient in connection with our adoption of the new lease standard. As lessee, we have made the accounting policy election to not recognize a right-of-use asset lease and lease liability for leases with a term of 12 months or less. We will recognize lease payments in the Consolidated Statements of Operations on a straight-line basis over the lease term. We have also elected the practical expedient to not separate lease and non-lease components.

Many of our leases contain variable non-lease components such as maintenance, taxes, insurance, and similar costs for the spaces we occupy. For new and amended leases beginning in 2019 and after, the Company has elected the practical expedient not to separate these non-lease components of leases for classes of all underlying assets and instead account for them as a single lease component for all leases. We straight-line the net fixed payments of operating leases over the lease term and expense the variable lease payments in the period in which we incur the obligation to pay such variable amounts. These variable lease payments are not included in our calculation of our ROU assets or lease liabilities.

As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. Certain of our lease agreements include options to extend or terminate the lease, which we do not include in our minimum lease terms unless management is reasonably certain to exercise.

Our drilling contracts contain a lease component related to the underlying drilling equipment, in addition to the service component provided by our crews and our expertise to operate such drilling equipment. We have concluded the non-lease service of operating our equipment and providing expertise in the drilling of the client's well is predominant in our drilling contracts. We have applied the practical expedient to account for the lease and associated non-lease components as a single component. With the election of the practical expedient, we will continue to present a single performance obligation under the new revenue guidance in Accounting Standards Codification ("ASC") Topic 606, "Revenue from Contracts with Customers."

In June 2018, the FASB issued ASU No. 2018-07, Compensation – Stock Compensation (Topic 718): Improvements to Nonemployee Share Based-Payment Accounting. This ASU intends to improve the usefulness of information provided and reducing the cost and complexity of financial reporting. A main objective of this ASU is to substantially align the accounting for share-based payments to employees and non-employees. The guidance is effective for annual reporting periods beginning after December 15, 2018 for public entities, including interim periods within that period. Our adoption did not have a material effect on our Condensed Consolidated Financial Statements.

Issued not effective accounting standards

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which revises guidance for the accounting for credit losses on financial instruments within its scope. The new standard introduces an approach, based on expected losses, to estimate credit losses on certain types of financial instruments and modifies the impairment model for available-for-sale debt securities. The guidance will be effective January 1, 2020, with early adoption permitted. Entities are required to apply the standard's provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is adopted. We continue to evaluate the requirements and do not expect our adoption to have a material effect on our condensed consolidated statements of financial position, operations or cash flows or on the disclosures contained in our notes to condensed consolidated financial statements.

Note 3 - Revenues

In the three months ended March 31, 2019, December 31, 2018 and March 31, 2018 and twelve months ended December 31, 2018, the Company recognised revenues of $51.9 million, $53.5 million, $10.6 million and $164.9 million, respectively, primarily relating to dayrates.

To obtain contracts with our customers, the Company incurs costs to prepare a rig for contract and deliver or mobilise a rig to the drilling location. The Company defers pre-operating costs, such as contract preparation and mobilisation costs, and recognise such costs on a straight-line basis, consistent with the general pace of activity, in rig operating and maintenance costs over the estimated firm period of drilling. In the three months ended March 31, 2019, December 31, 2018 and March 31, 2018 and twelve months ended December 31, 2018, the Company recognised $0.5 million, $2.0 million, $4.2 million and $12.0 million, respectively, of pre-operating expenses included in rig operating and maintenance expenses in the Unaudited Condensed Consolidated Statements of Operations.

The Company has one operating segment, and this is reviewed by the Chief Operating Decision Maker, which is the Company's board of directors (the "Board"), as an aggregated sum of assets, liabilities and activities that exists to generate cash flows.

Geographic data

Revenues are attributed to geographical location based on the country of operations for drilling activities, i.e. the country where the revenues are generated.

The following presents our revenues by geographic area:	3 months to March 31, 2019	3 months to December 31, 2018	3 months to March 31, 2018	12 months to December 31, 2018
(In $ millions)				
North Sea	25.4	26.1	0.7	75.1
West Africa	11.5	12.0	9.4	44.4
Middle East	10.5	11.2	0.5	41.1
South East Asia	3.5	4.2	-	4.3
Mexico	1.0	-	-	-
Total	**51.9**	**53.5**	**10.6**	**164.9**

Major customers

Following customers accounted for more than 10% of our contract revenues:	3 months to March 31, 2019	3 months to December 31, 2018	3 months to March 31, 2018	12 months to December 31, 2018
(In % of operating revenues)				
National Drilling Company (ADOC)	20%	21%	3%	21%
TAQA Bratani Limited	17%	16%	2%	17%
Perenco Oil Company	14%	16%	-	8%
Total S.A.	13%	20%	32%	13%
Tulip Oil	11%	1%	-	-
Centrica North Sea Limited (Spirit Energy)	10%	10%	1%	10%
Total	**85%**	**84%**	**38%**	**69%**

Fixed Assets — Jack-up rigs[(1)]

The following presents the net book value of our jack-up rigs by geographic area

(In $ millions)	**As of March 31, 2019**	**As of December 31, 2018**
Middle East	42.2	42.0
North Sea	308.4	320.0
West Africa	663.2	203.0
South East Asia	1,284.8	1,713.1
Mexico	117.5	-
Total	**2,416.1**	**2,278.1**

(1)The fixed assets referred to in the table above exclude assets under construction. Asset locations at the end of a period are not necessarily indicative of the geographic distribution of the revenues or operating profits generated by such assets during such period.

Contract balances

Accounts receivable are recognized when the right to consideration becomes unconditional based upon contractual billing schedules. Payment terms on invoiced amounts are typically 30 days. Current contract asset balances are included in "Deferred mobilization costs, Acquired contract backlog and Accrued revenue" and non-current contract assets are included in "Other assets" on our Consolidated Balance Sheets.

The following table provides information about contract assets from contracts with customers:

(In $ millions)	**As of March 31, 2019**	**As of December 31, 2018**
Current contract assets	49.5	45.1
Non-current contract assets	7.5	5.1
Total contract assets	**57.0**	**50.2**

Significant changes in the remaining performance obligation contract assets balances for the period ended March 31, 2019 are as follows:

(In $ millions)	**Contract assets**
Net balance at January 1, 2019	**50.2**
Additions to deferred costs, acquired contract backlog and accrued revenue	33.2
Amortization of deferred costs	(26.4)
Total contract assets	**57.0**

Contract Costs

Certain direct and incremental costs incurred for upfront preparation, initial rig mobilization and modifications are costs of fulfilling a contract and are recoverable. These recoverable costs are deferred and amortized ratably to contract drilling expense as services are rendered over the initial term of the related drilling contract. Costs incurred for the demobilization of rigs at contract completion are recognized as incurred during the demobilization process.

Note 4 - Other income (expenses)

Other income (expense) is comprised of the following:

	3 months to March 31, 2019	3 months to December 31, 2018	3 months to March 31, 2018	12 months to December 31, 2018
(In $ millions)				
Foreign exchange loss, net	0.2	(0.6)	(0.2)	(1.1)
Other financial expenses	(0.8)	(1.2)	-	(3.5)
Change in unrealised (loss)/gain on call spread (note 14)	3.6	(16.9)	-	(25.7)
(Loss)/gain on forward contracts (note 14)	11.5	(32.2)	(20.0)	(14.2)
Total	**14.5**	**(50.9)**	**(20.2)**	**(44.5)**

(Loss)/gain on forward contracts is presented net for the three months ended March 31, 2019. The Company did not realize any gains or losses in the first quarter of 2019.

Note 5 - Taxation

Borr Drilling Limited is a Bermuda company not required to pay taxes in Bermuda on ordinary income or capital gains as it qualifies as an Exempted Company. We operate through various subsidiaries in numerous countries throughout the world and are subject to tax laws, policies, treaties and regulations, as well as the interpretation or enforcement thereof, in jurisdictions in which we or any of our subsidiaries operate, were incorporated, or otherwise considered to have a tax presence. Our income tax expense is based upon our interpretation of the tax laws in effect in various countries at the time that the expense was incurred.

The change in the effective tax rate from period to period is primarily attributable to changes in the profitability or loss mix of our operations in various jurisdictions. As our operations continually change among numerous jurisdictions, and methods of taxation in these jurisdictions vary greatly, there is little direct correlation between the income tax provision or benefit and income or loss before taxes. We used a discrete effective tax rate method to calculate income taxes.

Income tax expense is comprised of the following:	3 months to March 31, 2019	3 months to December 31, 2018	3 months to March 31, 2018	12 months to December 31, 2018
(In $ millions)				
Current tax	0.5	0.9	-	2.0
Change in deferred tax	(0.3)	(0.4)	-	0.5
Total	**0.2**	**0.5**	**-**	**2.5**

Note 6 - Earnings/(Loss) per share

The computation of basic earnings/(loss) per share ("EPS") is based on the weighted average number of shares outstanding during the period. Diluted EPS does not include the effect of the assumed conversion of potentially dilutive instruments which are 15,375,000 share options outstanding issued to employees and directors and convertible bonds with a conversion price of $6.6963 for a total of 52,267,670 shares. Due to the Company's current loss-making position these are deemed to have an anti-dilutive effect on the EPS of the Company.

	3 months to March 31, 2019	3 months to December 31, 2018	3 months to March 31, 2018	12 months to December 31, 2018
Basic loss per share	(0.11)	(0.21)	(0.07)	(0.37)
Diluted loss per share	(0.11)	(0.21)	(0.07)	(0.37)
Issued ordinary shares at the end of the period	532,640,327	532,640,327	525,000,000	532,640,327
Weighted average numbers of shares in issue for the period	525,341,755	527,520,948	482,490,927	514,387,507

The number of share options that would be considered dilutive under the "if converted method" for the three months ended March 31, 2019 is 537,134 (three months ended March 31, 2018: 694,577).

Note 7 - Jack-up rigs

(In $ millions)	Cost	Accumulated depreciation	Net carrying value
Balance at December 31, 2018	2,366.6	(88.5)	2,278.1
Additions	26.9	-	26.9
Asset transfers (note 8)	146.0	-	146.0
Depreciation and amortisation	-	(23.5)	(23.5)
Impairment	(11.4)	-	(11.4)
Balance at March 31, 2019	**2,528.1**	**(112.0)**	**2,416.1**

The Company took delivery of the “Njord” in the first quarter 2019. The final delivery instalment was funded by delivery financing from PPL Shipyard of $87.0 million.

The Company entered into a sale agreement for the “Baug”, “C20051” and “Eir” subsequent to quarter end, see note 24. An impairment loss of $11.4 million was recognized for the “Eir” in the first quarter of 2019 as a result of entering into the sale agreement. As of March 31, 2019, management do not consider conditions of held for sale presentation to be achieved and the rigs are recognized under jack-up rigs.

In addition, the Company recorded a depreciation charge of $0.4 million in the first quarter of 2019, $3.1 million in the fourth quarter 2018, $US nil in the first quarter of 2018 and $9.9 million for the full year 2018 related to property, plant and equipment.

Note 8 - Newbuildings

(In $ millions)	March 31, 2019	December 31, 2018	March 31, 2018
Opening balance	361.8	642.7	642.7
Additions	210.9	971.4	174.4
Capitalized interest	5.8	23.4	2.7
Asset transfers	(146.0)	(1,275.7)	(420.7)
Total	**432.5**	**361.8**	**399.1**

The Company took delivery of the “Njord” in the first quarter 2019. The delivery instalment was funded by delivery financing from PPL Shipyard Ltd of $87.0 million. Also in the first quarter of 2019, the Company entered into a novation agreement to acquire Hull No. B378 from Keppel Shipyard Ltd (see note 10) for a purchase price of $122.1 million. The acquisition was partly funded by a new bridge financing facility from Danske Bank A/S and partly by drawing down on the $160 million Senior secured revolving loan facility entered into in the first quarter (see note 18).

Note 9 - Leases

We have operating leases expiring at various dates, principally for real estate, office space, storage facilities and operating equipment. For our Houston office space, we have previously deemed the lease as an onerous lease as a result of change in our operating strategy, it is expected that the lease will expire on March 1, 2022. For this operating lease, upon adoption of the new standard, we offset the right-of-use asset of the lease by the existing carrying amount of the liability previously recorded on the date of adoption. We have subleased a section of our Houston office space as an operating lease for an amount of approximately $50,000 per month.

Supplemental balance sheet information related to leases was as follows:

(In $ millions)	January 1, 2019	March 31, 2019
Operating leases		
Operating leases right-of-use assets	2.0	1.7
Current operating lease liabilities	4.1	3.7
Long-term operating lease liabilities	8.0	7.4

The current portion of the ROU asset is recognized within other current assets (see note 15) and the non-current portion is recognized within other long-term assets (see note 16). The current lease liabilities are recognized within other current liabilities (see note 21) and the non-current lease liabilities are recognized within other liabilities.

Components of lease cost is comprised of the following:	**March 31, 2019**
(In $ millions)	
Operating lease cost	0.5
Short-term lease cost	2.3
Variable lease cost	-
Total lease cost	**2.8**
Sublease income	**0.2**

Supplemental cash flow information related to leases was as follows:	**March 31, 2019**
(In $ millions)	
Cash payments for onerous lease contracts	0.9
Operating cash flows from operating leases	0.3
Total lease payments	**1.2**
Weighted average remaining lease term for operating leases (years)	9.45
Weighted average discount rate for operating leases	6.38%

Maturities of lease liabilities were as follows:	**March 31, 2019**
(In $ millions)	
2019	4.6
2020	4.0
2021	3.5
2022	-
2023	-
Thereafter	-
Total lease payments	**12.1**
Less interest	**1.0**
Present value of lease liability	**11.1**

As at December 31, 2018, our nominal lease payment maturities under the previous operating lease standard were as follows:	**December 31, 2018**
(In $ millions)	
2019	4.6
2020	3.6
2021	3.6
2022	0.5
2023	-
Thereafter	-
Total lease payments	**12.3**

Note 10 - Asset acquisition

Acquisition of Keppel's Hull B378

In March 2019, the Company entered into an assignment agreement with the original owner for the assignment of the rights and obligations under a construction contract to take delivery of one KFELS Super B Bigfoot premium jack-up rig identified as Keppel's Hull No. B378 from Keppel for a purchase price of $122.1 million. The construction contract was, at the same time, novated to our subsidiary, Borr Jack-Up XXXII Inc., and amended. Borr Jack-Up XXXII Inc. took delivery of the rig on May 9, 2019 (see note 24). The rig has been named ''Thor.''

Acquisition of Keppel Rigs

In May 2018, the Company signed a master agreement to acquire five premium newbuild jack-up drilling rigs from Keppel FELS Limited. Total consideration for the transaction will be approximately $742.5 million. In the second quarter of 2018, the Company paid a pre-delivery instalment of $288.0 million. The pre-delivery instalment is secured by a parent guarantee from Keppel Offshore & Marine Ltd. The Company has secured financing of the delivery payment for each Keppel Rig from Offshore Partners Pte. Ltd (formerly Caspian Rigbuilders Pte. Ltd). Each loan is non-amortizing and matures five years after the respective delivery dates. The delivery financing will be secured by a first priority mortgage, an assignment of earnings, an assignment of insurance and a charge over shares and parent guarantee from the Company. The Company expects to take delivery of the first rig in the fourth quarter of 2019, with the remaining rigs scheduled to be delivered quarterly thereafter until the last rig is delivered in the fourth quarter of 2020. The remaining contracted instalments, payable on delivery, for the Keppel newbuilds acquired in 2018 are approximately $454.5 million as of March 31, 2019.

Note 11 - Business acquisition

Paragon Offshore Limited

The Company announced a binding tender offer agreement (the "Tender Offer Agreement") on February 21, 2018 to offer to purchase all outstanding shares in Paragon Offshore Limited ("Paragon") ("the Offer"). The total acquisition price to purchase all outstanding shares was $241.3 million. The transaction was subject to the satisfaction of the offer conditions, customary closing conditions, including, among other customary conditions, that (a) at least 67% of the outstanding Paragon shares were validly tendered and not withdrawn before the expiration date, (b) no material adverse change shall have occurred prior to closing, and (c) Paragon shall have completed all actions necessary to acquire ownership of certain Prospector drilling rigs and legal entities currently subject to Chapter 11 proceedings in the United States Bankruptcy Court in the District of Delaware. On March 29, 2018, all of the conditions to the Offer were satisfied and the transaction closed. Shareholders holding 99.41% of the shares accepted the offer for a total payment of approximately $240.0 million.

Recognised amounts of identifiable assets acquired and liabilities assumed at fair value:

	March 29, 2018
(In $ millions)	
Cash and Cash equivalents	41.7
Restricted cash	4.2
Trade receivables	31.0
Other current assets (including contract backlog of $31.6 million)	53.4
Jack-up drilling rigs	246.0
Assets held for sale	15.0
Property, Plant and Equipment	16.1
Other long-term assets (including contract backlog of $12.8 million)	24.8
Trade payables	(10.5)
Accruals and other current liabilities	(40.9)
Long term debt	(87.7)
Other non-current liabilities	(13.7)
Total	**279.4**

Fair value of consideration satisfied by cash:	
Payment upon completion by the Company (March 29, 2018)	240.0
Payment to non-controlling interest	1.3
Total	**241.3**

Total fair value of purchase consideration	241.3
Fair value of net assets acquired	279.4
Bargain Gain	**(38.1)**

At the time of the acquisition, Paragon was an international driller with a fleet of 23 drilling units. This fleet included two modern jack-up drilling rigs, the Prospector 1 and Prospector 5, built in 2013 and 2014, respectively. The fleet also included a semi-submersible drilling rig, MSS1, with a long-term contract for TAQA in the North Sea which commenced on March 6, 2018. We disposed of 16 jack-up rigs acquired in the Paragon transaction during 2018.

The Paragon transaction is accounted for as a business combination. The estimated fair value of the individual rigs was derived by using a market and income-based approach with market participant-based assumptions. A bargain purchase gain of $38.1 million was recognized in the Consolidated Statement of Operations. A bargain purchase gain arises when fair value of the net assets acquired is higher than total fair value of purchase consideration.

Immediately following the closing of the Paragon transaction, the Company settled the long-term debt of $87.7 million plus $1.6 million of accrued interest and brokerage fees.

During 2018, the Company purchased the remaining outstanding shares in Paragon Offshore limited for $1.0 million.

Paragon pro forma information (unaudited)

Basis of preparation

The unaudited pro forma financial information is based on Borr Drilling's and Paragon's historical consolidated financial statements as adjusted to give effect to the acquisition of Paragon. The unaudited revenue and net income (loss) for the three months ended March 31, 2018 give effect to the Paragon acquisition as if it had occurred on January 1, 2017.

	Pro forma for the three months ended March 31, 2018
(In $ millions)	**(unaudited)**
Revenue	37.8
Net income (loss)	(145.6)

Certain one-time adjustments were included in the pro forma financial information.

Note 12 - Restricted cash

	March 31, 2019	**December 31, 2018**	**March 31, 2018**
(In $ millions)			
Opening balance	63.4	39.1	39.1
Transfer to (from) restricted cash	(34.0)	24.3	15.9
Total	**29.4**	**63.4**	**55.0**

All restricted cash is classified as current assets and consist of deposits in margin accounts and bank deposits in relation to forward contracts and deposits made for issued guarantees.

Note 13 - Marketable Securities

Our marketable securities consist of debt securities and equity securities. Debt securities are marked to market, with changes in fair value recognised in "Other comprehensive income" ("OCI"). Equity securities are re-measured at fair value with unrealized gains and losses recognized under other income (expenses), net. In the first quarter 2019, the Company purchased debt securities for approximately $3.1 million.

As of December 31, 2018, an accumulated unrealised loss of $5.6 million was recognised in OCI for the non-current marketable securities. In the first quarter of 2019, we recorded an unrealised loss of $7.3 million through OCI.

The following table sets forth Marketable securities, non-current

(In $ millions)	3 months to March 31, 2019	12 months to December 31, 2018
Opening balance	31.0	20.7
Purchase of marketable securities	3.1	9.7
Unrealized gain/(loss) on marketable securities	(7.3)	0.6
Reclassification to marketable securities, current	(26.8)	-
Total marketable securities, non-current	**-**	**31.0**

The following table sets forth Marketable securities, current

(In $ millions)	3 months to March 31, 2019	12 months to December 31, 2018
Opening balance	4.2	-
Purchase of marketable securities	-	4.2
Sale of marketable securities	(4.2)	-
Reclassification from marketable securities, non-current	26.8	-
Total marketable securities, current	**26.8**	**4.2**

We have reclassified $26.8 million of our debt securities from non-current to current in the first quarter of 2019 due to recent developments in the issuer of the debt securities. Realization of the investment is estimated to take place within the next 12 months.

During the first quarter of 2019, the Company sold its shares acquired in the fourth quarter of 2018 and generated a gain of $0.0 million.

Note 14 - Financial Instruments

Forward contracts

As of March 31, 2019, the Company has forward contracts to purchase shares in listed drilling companies for an aggregate amount of approximately $90.4 million. The forward contracts consist of forward assets of $66.8 million and forward liabilities of $90.4 million and are presented as net unrealized loss of $23.6 million under accrued expenses and other current liabilities (see note 20) in the Consolidated Balance Sheets as of March 31, 2019. During the first quarter of 2019, the Company sold shares resulting in net cash proceeds of $4.2 million (see note 13) and simultaneously purchased forward contracts with exposure to the same amount.

Call Spread

Fair value adjustments during the first quarter of 2019 resulted in an unrealised gain recognised in the Condensed Consolidated Statements of Operations in other income (expense), net, of $3.6 million. As of March 31, 2019, aggregated fair value adjustments were unrealised loss of $22.2 million related to one-off costs for entering the position and subsequent fair value adjustments. The Call Spread is presented under other long-term assets, see note 16

Note 15 - Other current assets

Other current assets are comprised of the following:	March 31, 2019	December 31, 2018	March 31, 2018
(In $ millions)			
Client rechargeable	9.6	5.1	0.4
Other receivables	7.5	7.9	6.2
Current taxes receivable	6.3	4.3	4.9
Deferred financing fee	2.8	3.2	-
Right-of-use lease asset, current	0.9	-	-
Total	**27.1**	**20.5**	**11.5**

Note 16 - Other long-term assets

Other long-term assets are comprised of the following:

(In $ millions)	March 31, 2019	December 31, 2018	March 31, 2018
Contract backlog (note 11)	-	-	12.8
Other receivables	1.4	0.5	1.3
Deferred tax asset	2.9	2.6	3.1
Call Spread (note 14)	6.4	2.8	-
Tax refunds	4.2	4.2	4.2
Prepaid fees	10.0	9.5	3.5
Right-of-use lease asset, non-current	0.8	-	-
Total	**25.7**	**19.6**	**24.9**

Note 17 - Onerous contracts

(In $ millions)	March 31, 2019	December 31, 2018	March 31, 2018
Onerous lease commitments	-	10.2	4.4
Onerous rig contracts	71.3	71.3	71.3
Total	**71.3**	**81.5**	**75.7**

Onerous contracts for Hull B366 (TBN "Tivar") of $16.8 million, Hull B367 (TBN "Vale") of $26.9 million and Hull B368 (TBN "Var") of $27.6 million, in total $71.3 million, relate to the estimated excess of remaining shipyard instalments to be made to Keppel FELS over the value in use estimate for the jack-up drillings rigs to be delivered. Remaining shipyard instalments and onerous contract are expected to be settled when the newbuildings are delivered and paid in 2020. As a result of the adoption of the new lease standard from January 1, 2019, the onerous lease commitments for our office space in Houston and Beverwijk are now included in our lease liabilities (see note 9 and 21).

Note 18 - Long-term debt

Long-term debt is comprised of the following:

	Carrying amount		Principal amount		Back end fee	
(In $ millions)	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
$120 Bridge Facility	58.5	-	60.0	-	-	-
$160 DC Revolving Credit Facility	60.0	-	60.0	-	-	-
$200 DNB Revolving Credit Facility	165.0	130.0	165.0	130.0	-	-
$350 Convertible bonds	345.6	346.5	350.0	350.0	-	-
PPL Delivery Financing	786.3	698.1	753.3	669.6	29.6	26.1
Total	**1,415.4**	**1,174.6**	**1,388.3**	**1,149.6**	**29.6**	**26.1**

At March 31, 2019 the scheduled maturities of our debt were as follows:

(In $ millions)	Maturities
2019	60.0
2020	225.0
2021	-
2022	83.7
2023	935.9
2024	83.7
Thereafter	-
Total principal amount of debt	**1,388.3**
Total debt-related balances, net	27.1
Total carrying amount of debt	**1,415.4**

$200 million DNB Revolving Credit Facility and Guarantee Facility

The DNB Revolving Credit Facility matures in May 2020 and bears interest at a rate of LIBOR plus a specified margin.

In January 2019, we executed an amendment to the DNB Revolving Credit Facility agreement which allows us to procure the issuance of guarantees as required in the ordinary course of business, typically for bid bonds, import bonds and performance bonds, up to an aggregate amount of $30 million. Our obligations to reimburse the bank for any payment made under such guarantees is secured by the guarantees, security over the rigs, insurances and shares provided under the DNB Revolving Credit Facility agreement. This amendment replaced the cash collateral required by the common terms agreement with DNB Bank ASA, which we refer to as the Guarantee Facility, and resulted in the release of $25.0 million of cash that was categorized as restricted as of December 31, 2018.

As of March 31, 2019, and December 31, 2018 we had $165.0 million and $130 million outstanding, respectively under the facility. We were in compliance with the covenants and our obligations under the DNB Revolving Credit Facility agreement. We expect to remain in compliance with the covenants and our obligations under the DNB Revolving Credit Facility agreement in 2019.

As of March 31, 2019, “Frigg”, “Idun”, “Norve”, “Prospector 1” and “Prospector 5” were pledged as collateral for the DNB Revolving Credit Facility. Total book value of the encumbered rigs was $476.8 million as of March 31, 2019.

$ 160 million DC Revolving Credit Facility and Guarantee Facility

In March 2019, we entered into a $160 million revolving credit facility and guarantee facility agreement with Danske Bank A/S and Citigroup Global Markets Limited (“DC Revolving Credit Facility”) (consisting of a $100.0 million credit facility and $60.0 million for the issuance of guarantees as required in the ordinary course of business), secured by mortgages over four of our jack-up rigs, assignments, pledges or charges of rig insurances, earnings, earnings accounts, shares and intra-group loans, as applicable, as well as guarantees from certain of our rig-owning subsidiaries providing the security as owners of the mortgaged rigs.

Our DC Revolving Credit Facility matures in May 2020 and bears interest at a rate of LIBOR plus a specified margin. Our DC Revolving Credit Facility agreement contains various financial covenants, including requirements that we maintain a minimum book equity ratio of 40%, positive working capital and minimum liquidity equal to the greater of $50 million and 5% of net interest-bearing debt (including a contractual right to reduce this requirement to 4% in the event the liquidity covenant in the DNB Revolving Credit Facility agreement is amended to this effect). Our DC Revolving Credit Facility agreement also contains a loan to value clause requiring that the fair market value of our rigs shall at all times cover at least 175% of the aggregate outstanding facility amount and any undrawn and uncancelled part of the facility. Our DC Revolving Credit Facility agreement also contains various restrictive covenants, including, among others, restrictions on incurring additional indebtedness; restrictions on paying dividends; restrictions on us repurchasing our Shares; restrictions on changing the general nature of our business; and restrictions on removing Tor Olav Trøim from our Board. Furthermore, Tor Olav Trøim is required to maintain ownership of at least 30 million Shares (subject to adjustment for certain transactions, including any reverse share split). The DC Revolving Credit Facility agreement also contains events of default which include non-payment, cross default, breach of covenants, insolvency and changes which have or are likely to have a material adverse effect on the relevant obligor’s business, ability to perform its obligations under the DC Revolving Credit Facility agreement or security documents, or jeopardize the security. If there is an event of default, the lenders under our DC Revolving Credit Facility may have the right to declare a default or may seek to negotiate changes to the covenants and/or require additional security as a condition of not doing so. The lenders under our DC Revolving Credit Facility may also require replacement or additional security if the fair market value of the jack-up rigs over which security is provided is insufficient to meet our market value-to-loan covenant. In addition, the DC Revolving Credit Facility agreement contains a ‘‘Most Favored Nation’’ clause giving the lenders a right to amend the financial covenants to reflect any more lender-favorable covenants in any other agreement pursuant to which loan or guarantee facilities are provided to us, including amendments to our Financing Arrangements. We expect to remain compliant with the covenants and our obligations under the DC Revolving Credit Facility agreement in 2019.

As of March 31, 2019, “Odin”, “Mist”, “Ran” and “Saga” were pledged as collateral for the $160 million senior secured revolving loan facility. Total book value of the encumbered rigs was $392.8 million as of March 31, 2019.

$ 120 million Bridge Facility

In March 2019, we entered into a $120.0 million senior secured term loan facilities agreement, consisting of two facilities (Facility A and Facility B) of $60.0 million each, with Danske Bank A/S and DNB Bank ASA (“Bridge Facility”), secured by a mortgage over one of our currently owned jack-up rigs, with another mortgage to be taken out over the rig ‘‘Thor’’ upon delivery, an assignment of rig insurances and a pledge over the shares of certain of our rig-owning subsidiaries providing the security as owners of the mortgaged rigs. Our Bridge Facility matures on September 30, 2019 and bears interest at a rate of LIBOR plus a specified margin. As of March 31, 2019, Facility A had been utilized in the amount of $60.0 million, and $60.0 million in Facility B remained undrawn. The availability period of Facility B expires June 30, 2019. Our Bridge Facility contains various financial covenants, including requirements that we maintain a minimum book equity ratio of 40% and minimum liquidity equal to the greater of $50 million and 5% of net interest-bearing debt.

Our Bridge Facility also contains various covenants, including, among others, restrictions on incurring additional indebtedness; restrictions on paying dividends; restrictions on us repurchasing our Shares; restrictions on changing the general nature of our business; restrictions on making certain investments; and restrictions on removing Tor Olav Trøim from our Board. Furthermore, Tor Olav Trøim is required to maintain ownership of at least 30 million Shares (subject to adjustment for certain transactions, including any reverse share split). The Bridge Facility agreement also contains events of default which include non-payment, cross default, breach of covenants, insolvency and changes which have or are likely to have a material adverse effect on the relevant obligor's business, ability to perform its obligations under the Bridge Facility or security documents, or jeopardize the security. If there is an event of default, the lenders under our Bridge Facility may have the right to declare a default or may seek to negotiate changes to the covenants and/or require additional security as a condition of not doing so. In addition, the Bridge Facility contains a ''Most Favored Nation'' clause giving the lenders a right to amend the financial covenants to reflect any more lender-favorable covenants in any other agreement pursuant to which loan or guarantee facilities are provided to us, including amendments to our Financing Arrangements. We expect to remain in compliance with the covenants and our obligations under the Bridge Facility in 2019.

As of March 31, 2019, “Skald” and “Thor” were pledged as collateral for the $120 million bridge loan facility. Total book value of the encumbered rigs was $252.5 million as of March 31, 2019.

$350 million Convertible Bonds

In May 2018 we raised $350.0 million through the issuance of our Convertible Bonds, which mature in 2023. The initial conversion price (which is subject to adjustment) is $6.6963 per Share, for a total of 52,267,670 Shares. The Convertible Bonds have a coupon of 3.875% per annum payable semi-annually in arrears in equal instalments. The terms and conditions governing our Convertible Bonds contain customary events of default, including failure to pay any amount due on the bonds when due, and certain restrictions, including, among others, restrictions on our ability and the ability of our subsidiaries to incur secured capital markets indebtedness. The Company has entered into Call Spreads to mitigate the effect of conversion – see note 14 for details.

As of March 31, 2019, we were compliant with the covenants and our obligations under our Convertible Bonds. We expect to remain compliant with our obligations under our Convertible Bonds in 2019.

Our Delivery Financing Arrangements

In addition to two jack-up rigs which we have taken delivery of against full payment from Keppel, we have contracts with Keppel to purchase nine jack-up rigs under construction. We have the option to accept delivery financing for two of the jack-up rigs to be delivered from Keppel. For five of our newbuild jack-up rigs under construction and nine additional jack-up rigs which have been delivered from PPL, we have agreed to accept and accepted, respectively, delivery financing from PPL and Keppel subject to the terms described below:

PPL Newbuild Financing

In October 2017, we agreed to acquire nine premium “Pacific Class 400” jack-up rigs from PPL (the “PPL Rigs”). We accepted delivery of eight of the PPL Rigs as of December 31, 2018 and all nine PPL Rigs had been delivered as of January 31, 2019. In connection with delivery of the PPL Rigs, our rig-owning subsidiaries as buyers of the PPL Rigs agreed to accept delivery financing for a portion of the purchase price equal to $87.0 million per jack-up rig (the “PPL Financing”). The PPL Financing for each PPL Rig is an interest-bearing secured seller's credit, guaranteed by the Company which matures on the date falling 60 months from the delivery date of the respective PPL Rig.

The PPL Financing for each respective PPL Rig is secured by a mortgage on such PPL Rig and an assignment of the insurances in respect of such PPL Rig. The PPL Financing also contains various covenants and the events of default include non-payment, cross default, breach of covenants, insolvency and changes which have or are likely to have a material adverse effect on the relevant obligor's business, ability to perform its obligations under the PPL Financing agreements or security documents, or jeopardize the security. In addition, each rig-owning subsidiary is subject to covenants which management considered to be customary in a transaction of this nature.

As of March 31, 2019, and December 31, 2018, we had $782.6 and $695.6 million, respectively, of PPL Financing outstanding and were compliant with the covenants and our obligations under the PPL Financing agreements. We expect to remain compliant with the covenants and our obligations under the PPL Financing agreements in 2019. We expect to satisfy our obligations under the PPL Financing for each respective PPL Rig with cash flow from operations when due.

As of March 31, 2019, “Galar”, “Gerd”, “Gersemi”, “Grid”, “Gunnlod”, “Groa”, “Gyme”, “Natt” and “Njord” were pledged as collateral for the PPL financing. Total book value for the encumbered rigs was $1,306.7 million as of March 31, 2019.

Interest

Average interest rate for all our interest-bearing debt, excluding Convertible Bonds, was 6.09% for the period ended March 31, 2019.

Note 19 - Share-based compensation

Share-based payment charges for the period ending:

(In $ millions)	3 months to March 31, 2019	3 months to December 31, 2018	3 months to March 31, 2018	12 months to December 31, 2018
Total	**2.0**	**1,4**	**0.4**	**3.7**

At March 11, 2019, the Company issued 2,300,000 share options to certain employees and directors of the Company. The awards were granted under the existing approved share option scheme. The options have a strike price of $3.50 per share, which compares to the Company's share's closing price of $2.84 on March 8, 2019. The options will expire after five years and have a four-year vesting period. Expected life after vesting is estimated at two years. Risk free interest rate is set to 2% and expected future volatility is estimated at 32%. Total number of options authorised by the Board is 17,470,000 and 15,375,000 have been awarded as of March 31, 2019.

Note 20 - Fair values of financial instruments

The carrying value and estimated fair value of the Company's cash and financial instruments were as follows:

		As at March 31, 2019		As at December 31, 2018		As at March 31, 2018	
(In $ millions)	Hierarchy	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value
Assets							
Cash and cash equivalents	1	29.4	29.4	27.9	27.9	51.5	51.5
Restricted cash	1	29.4	29.4	63.4	63.4	55.0	55.0
Marketable securities – non-current	1	-	-	31.0	31.0	20.7	20.7
Marketable securities – current	1	26.8	26.8	4.2	4.2	-	-
Trade receivables	1	25.7	25.7	25.1	25.1	25.4	25.4
Accrued revenue	1	18.5	18.5	18.9	18.9	16.1	16.1
Tax retentions receivable	1	11.6	11.6	11.6	11.6	11.6	11.6
Other current assets (excluding prepayments and deferred costs)	1	23.4	23.4	17.3	17.3	23.1	23.1
Forward contracts (note 14)	2	66.8	66.8	50.3	50.3	57.7	57.7
Liabilities							
Long-term liabilities	2	1,320.1	1,356.9	1,113.6	1,174.6	261.0	261.0
Current portion of long-term debt		58.5	58.5	-	-	-	-
Trade payables	1	14.7	14.7	10.0	10.0	16.2	16.2
Accruals and other current liabilities	1	85.2	85.2	71.0	71.0	90.0	90.0
Forward contracts (note 14)	2	90.4	90.4	85.4	85.4	73.3	73.3

Financial instruments included in the consolidated accounts within 'Level 1 and 2' of the fair value hierarchy are valued using quoted market prices, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency.

Included in "Level 1" are cash and cash equivalents, restricted cash, trade receivables, marketable securities, other current assets (excluding prepayments and deferred costs), trade payables, accruals and other current liabilities. The carrying value of any accounts receivable and payables approximates fair value due to the short time to expected payment or receipt of cash.

Included in "Level 2" are forward contracts and Call Spread (note 14). No assets or liabilities have been transferred from one level to another during the quarter.

Note 21 - Other current liabilities

Accruals and other current liabilities are comprised of the following:	March 31, 2019	December 31, 2018	March 31, 2018
(In $ millions)			
Accrued payroll and severance	11.1	3.1	26.3
Taxes payable	3.6	4.2	4.7
Operating lease liability, current	3.7	-	-
Total accruals and other current liabilities	**18.4**	**7.3**	**31.0**

Note 22 - Related party transactions

Transactions with those holding significant influence over the Company

Equity offering
At March 22, 2018, the Company announced that it would raise up to $250 million in an equity offering divided in two tranches. Tranche 2 of (the "Equity Offering") was subject to approval by the extraordinary general meeting to be held on 5 April 2018 and subsequent share issue. In connection with the settlement of Tranche 2, $27.7 million was registered as liability to shareholders including $20.0 million to Drew Holdings Ltd ("Drew") as of March 31, 2018. Drew is a trust established for the benefit of Tor Olav Trøim, the Chairman of the Company. As of May 30, 2018, the 7,640,327 new shares allocated in Tranche 2 of the Equity Offering were validly issued and fully paid.

Director fee
On November 20, 2018, the Company transferred 71,428 of its treasury shares to Mr. Jan A. Rask. Following this transaction, Mr. Rask owns a total of 71,428 shares in the Company. Mr Jan A. Rask received treasury shares during fourth quarter 2018 as settlement of his director fee for the period from the Company's Annual General Meeting in 2017 until the Annual General Meeting in 2018. In accordance with the agreement, settlement of treasury shares was valued at $3.50 per share, being the share price at the time Mr Rask was elected as an independent director of the Board 31 August 2017. The three other directors, which represent directly, or indirectly large shareholders do not receive any director compensation

Commercial Arrangements
We have obtained certain rig and other operating supplies from Schlumberger and may continue to obtain such supplies in the future. Purchases from Schlumberger were $6.1 million during the first quarter of 2019, $5.2 million during the fourth quarter of 2018, $0.6 million during the first quarter of 2018 and $8.5 million during 2018. $0.8 million and $0.4 million were outstanding at March 31, 2019 and December 31, 2018, respectively.

Note 23 - Commitments and contingencies

The Company has the following commitments as of March 31, 2019:

(in $ millions)	Delivery instalment	Back-end fee
Delivery instalments for jack-up drilling rigs		
Total	**880.2**	**22.5**

In addition, under the PPL Financing, PPL Shipyard is entitled to certain fees payable in connection with the increase in market value of the relevant PPL Shipyard Rig from October 31, 2017 until the repayment date, less the relevant rig owner's equity cost of ownership of each jack-up rig and any interest paid on the delivery financing. No provision has been made for such fees as of March 31, 2019.

The following table sets forth when our commitments fall due as of March 31, 2019
(In $ millions)

	Less than 1 year	1–3 years	3–5 years	More than 5 years	Total
Delivery instalments for jack-up rigs	172.8	707.4	0.0	0.0	880.2

Other commercial commitments

We have other commercial commitments which contractually obligate us to settle with cash under certain circumstances. Surety bonds and parent company guarantees entered into between certain customers and governmental bodies guarantee our performance regarding certain drilling contracts, customs import duties and other obligations in various jurisdictions.

The principal amounts of the outstanding surety bonds were $82.5 million and $13.2 million as of March 31, 2019 and December 31, 2018, respectively. In addition, we had outstanding bank guarantees and performance bonds amounting to $11.5 million as of March 31, 2019 and $9.8 million as of December 31, 2018.

As of March 31, 2019, these obligations and their expiration dates are as follows:

(In $ millions)	1 year	1-3 years	3-5 years	Thereafter	Total
Surety bonds and other guarantees	69.4	24.0	—	0.6	94.0

Note 24 - Subsequent events

Delivery of Thor
The company took delivery of "Thor" on May 9, 2019 from Keppel Shipyard. The rig was acquired from BOTL Lease Co. Ltd. in March 2019. In connection with the delivery, the Company drew down $60 million on the $120 million bridge loan facility (see notes 8, 10 and 18).

Sale of rigs
In May 2019, the Company entered into binding sale and purchase agreements for the sale of the "Eir", "Baug" and "C20051", none of which were on contract at the end of the first quarter 2019. The rigs will be sold to an undisclosed, private buyer for non-drilling purposes for a consideration of $3.0 million each, therefore a total consideration of $9.0 million. The sale of "Baug" and "C20051" closed in May 2019, and we expect the sale of "Eir" to take effect in early 2020. The Company has adjusted the book value of "Eir" to reflect the sale value of the rig, recording an impairment of $11.4 million in the first quarter of 2019 (see also note 7).

Note 25 - Reconciliation of alternative performance measures

(In $ millions)	**3 months to March 31, 2019**	**3 months to December 31, 2018**	**3 months to March 31, 2018**	**12 months to December 31, 2018**
Net loss	(56.4)	(110.7)	(33.8)	(190.9)
Depreciation of non-current assets	23.9	23.8	12.2	79.5
Impairment of non-current assets	11.4	-	-	-
Amortization contract backlog (note 11)	7.4	8.5	-	24.2
Total other income (expenses), net	(1.8)	59.2	19.7	57.0
Gain from bargain purchase (note 11)	-	-	-	(38.1)
Income tax expense (note 5)	0.2	0.5	-	2.5
EBITDA	**(15.3)**	**(18.7)**	**(1.9)**	**(65.8)**

The Company uses certain financial information calculated on a basis other than in accordance with accounting principles generally accepted in the United States (US GAAP) including EBITDA. EBITDA as used herein represent net loss adjusted for: depreciation and impairment of non-current assets, amortization of contract backlog, net financials, gain from bargain purchase and income tax expense. EBITDA is included as a supplemental disclosure because the Company believes that the measure provides useful information regarding the Company's operational performance.