



## **Borr Drilling Limited Announces Results for the Third Quarter 2019**

Hamilton, Bermuda, November 26, 2019: Borr Drilling Limited (“Borr”, “Borr Drilling” or the “Company”) announces unaudited results for the three and nine months ending September 30, 2019.

The Chairman of the Board, Paal Kibsgaard, commented: “The jack-up market tightened further in the third quarter, with strong tendering activity, improving dayrates and a strengthening market outlook for 2020. We continued to execute well throughout our rig operations, as well as on our rig activation program. Over the past two years, we have brought 16 rigs into operation, with an additional three rigs presently committed to commence work. With a further 12 modern rigs left to be contracted, of which 7 are still to be delivered, we are in a strong market position, both in terms of capacity and the age profile of our fleet.

The third quarter financial results were in line with our expectations and continued to be impacted by significant rig activation capex. Still, we are pleased to report that operating cash-flow now covers the full SG&A, stacking cost and the servicing of our debt. We have approached our lending banks, seeking an adjustment of the book equity and liquidity covenants, and also the yard, to potentially delay delivery schedules for some of the remaining rigs. We are optimistic that agreements will be reached in the near future. This will further strengthen the company’s liquidity and provide considerable financial flexibility for further rig activations. Based on the current dayrates of around \$100k/day, and operating expenses of around \$50k/day, we aim to generate around \$500 million per year in gross cashflow before interest when all of our rigs are employed. This clearly shows the cashflow potential for Borr in the coming years, which the Company is fully focused on realising.”

### **Highlights in the third quarter 2019**

- Total operating revenues of \$102.7 million, net loss of \$79.2 million and Adjusted EBITDA\* of \$13.8 million for the third quarter of 2019 vs \$1.5 million in the second quarter of 2019
- Technical utilisation for the operating rigs was 99.1% in the third quarter and 99.0% for the first nine months of 2019
- Economical utilisation for the operating rigs was 95.2% in the third quarter and 95.3% for the first nine months of 2019
- Company completed an initial public offering on the New York Stock Exchange under the ticker BORR, issuing 5,750,000 shares at a price of \$9.30 per share
- Commenced two 18-month contracts for two premium newbuild jack-up rigs with Pemex in Mexico in August 2019, under an integrated services model, bringing the total number of rigs in operation to 16

### **Subsequent events**

- In October, Paal Kibsgaard, the former Chairman and CEO of Schlumberger, was appointed as the new Chairman of the Board, replacing Tor Olav Trøim, who continues to serve on the Board as Deputy Chairman. Mr Kibsgaard will in his initial year, serve as executive Chairman, focused on strengthening the Company’s organization, operating processes and its integrated service offering.
- Since the previous quarterly results release in August 2019, the Company has been awarded contracts, LOAs and extensions for 6 rigs with a combined revenue backlog of approximately \$169 million. Total additional backlog added year to date of approximately \$465 million
- In October, the company took delivery of the new build jack-up rig “Hermod” from the Keppel FELS shipyard in Singapore
- In November 2019, the Company sold marketable securities, resulting an estimated total realised loss of \$16.4 million, and improving the liquidity position by \$20.2 million

## **Management Discussion and Analysis**

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

The Management Discussion and Analysis below focuses on our income statement by comparing the third quarter of 2019 results to the second quarter of 2019 results.

\*For a definition of Adjusted EBITDA and why we use this measure, see page 3 of this report.

<i>In \$ million</i>	<b>Q3 - 2019</b>	<b>Q2 - 2019</b>
Operating revenues	100.6	86.6
Related Party Revenue	2.1	-
Gain/(loss) on disposals	-	3.9
Rig operating and maintenance expenses	(87.9)	(81.4)
Depreciation of non-current assets	(25.8)	(24.6)
Amortisation of contract backlog	(4.1)	(7.1)
General and administrative expenses	(10.9)	(14.0)
<b>Total operating expenses</b>	<b>(128.7)</b>	<b>(127.1)</b>
<b>Operating loss</b>	<b>(26.0)</b>	<b>(36.6)</b>
<b>Loss from Equity Associate</b>	<b>(1.6)</b>	<b>-</b>
Total financial income (expenses)	(47.8)	(64.1)
<b>Loss before income taxes</b>	<b>(75.4)</b>	<b>(100.7)</b>
Income tax expense	(3.8)	(2.5)
<b>Net loss</b>	<b>(79.2)</b>	<b>(103.2)</b>

*Three months ending September 30, 2019*

Total operating revenues were \$102.7 million for the three months ending September 30, 2019, an increase of \$12.2 million. The sequential increase in revenues was mainly driven by a full quarter of operations for four additional rigs. Operating revenues include logistics revenue of approximately \$5.0 million for “Odin” and related party revenues of \$2.1 million, representing contractual recharges to our Mexican Joint Ventures.

Rig operating and maintenance expenses, including reactivation and stacking costs, were \$87.9 million for the three months ending September 30, 2019, an increase of \$6.5 million quarter-on-quarter. This included mobilisation costs amortised in the quarter of \$9.9 million, reimbursable logistics expenses for the “Odin” of \$6.8 million, other reimbursable expenses of \$5.8 million, a non-cash accrual for legal expenses of \$3.0 million and re-activation costs of \$0.3 million. The increase from the second quarter of 2019 was primarily driven by four more rigs with a full quarter of operation compared to the second quarter and an increase in amortisation of mobilisation costs of \$4.0 million. This was partly offset by lower reactivation costs of \$0.3 million compared to \$3.5 million in the second quarter.

Depreciation of non-current assets was \$25.8 million for the three months ending September 30, 2019. The increase of \$1.2 million was mainly due to depreciation for the rig “Thor”, which was delivered from the yard in May 2019.

Amortisation of contract backlog was \$4.1 million for the three months ending September 30, 2019, relating to acquired contracts from the Paragon transaction in 2018. The remaining backlog recorded in the balance sheet of \$1.6 million is expected to be fully amortised by the end of 2019.

General and administrative expenses were \$10.9 million for the three months ending September 30, 2019, a decrease of \$3.1 million. The decrease was mainly due to lower legal and professional fees than in the second quarter of 2019 which pertained to the Initial Public Offering on the NYSE in July 2019 and included legal costs relating to the refinancing of debt facilities in June 2019. The third quarter expense also includes \$0.6 million of non-cash charges linked to the Company’s long-term share option programme.

Loss from Equity Method Investments was \$1.6 million for the three months ending September 30, 2019 related to a new Joint Venture structure where the Company owns 49% of Perforaciones Estratégicas e Integrales Mexicana, S.A. de C.V. (“Performex”) and OPEX Perforadora S.A. de C.V. (“OPEX”). The joint ventures operate under a fully integrated well service model in the Mexican waters of the Gulf of Mexico under 18-month contracts with PEMEX, utilising the “Grid” and “Gersemi” rigs and operated by Borr personnel. The provision of fully integrated well services is a new business model for the Company compared to traditional dayrate revenue.

Revenue for the integrated well service model is recognised based on percentage of completion method on a per well basis. Loss in the period is mainly due to only three weeks of operation during the quarter and pre-commencement cost of \$2.8 million incurred before contract start-up.

Total financial expenses (net) were \$47.8 million for the three months ending September 30, 2019 (\$64.1 million for the three months ending June 30, 2019). The principal items in the third quarter were:

- Mark-to-market losses of \$16.7 million on forward contracts for shares in Valaris PLC
- Net interest expense of \$13.1 million (additionally, interest of \$4.5 million was capitalised in the quarter)
- Change in unrealised loss on marketable securities of \$12.0 million related to Oro Negro reclassified from Condensed Consolidated Statement of Comprehensive Income (Loss)
- Other financial expenses of \$5.0 million, mainly consisting of the amortisation of capitalised debt fees, and accounting entries to adjust loan fees to a straight-line basis;
- Mark-to-market loss of \$0.8 million on the Call Spread derivative related to the Company's convertible bonds

Income tax expense for the three months ending September 30, 2019 was \$3.8 million, an increase of \$1.3 million relating to our growing operations.

Set forth below is a reconciliation of Net Loss to Earnings Before Interest, Tax and Depreciation ("Adjusted EBITDA")

<i>In \$ million</i>	<b>Q3 - 2019</b>	<b>Q2 - 2019</b>
<b>Net loss</b>	<b>(79.2)</b>	<b>(103.2)</b>
Depreciation of non-current assets	25.8	24.6
Amortisation of contract backlog	4.1	7.1
Loss from equity method investments	1.6	0.0
Total financial expenses, net	47.8	64.1
Income tax expense	3.8	2.5
Amortised mobilisation cost	9.9	6.4
<b>Adjusted EBITDA</b>	<b>13.8</b>	<b>1.5</b>

*Note - 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 Adjusted EBITDA. Adjusted EBITDA as used above represents our periodic net loss adjusted for: depreciation and impairment of non-current assets, amortization of contract backlog, loss from equity method investments, total financial income (expenses) net, income tax expense and amortisation of deferred mobilisation costs. Adjusted EBITDA is included here by the Company because the Company believes that the measure provides useful information regarding the Company's operational performance.*

#### *Consolidated Balance Sheet*

*As of September 30, 2019*

The Company had total assets of \$3,199.5 million as of September 30, 2019 (December 31, 2018: \$2,913.7 million). The increase of \$285.8 million in the first nine months 2019 is primarily a result of the acquisition of the "Thor" at end of March 2019 for a total amount of \$122.1 million and delivery of the newbuild "Njord" in January 2019 (\$87.0 million) and an increase in current assets of \$103.2 million. The increase in current assets is largely driven by an increase in receivables and accrued revenue, due to higher activity levels across the operational fleet. The overall increase was partly offset by ordinary depreciation and an impairment of the "Eir" of \$11.4 million.

Total liabilities as of September 30, 2019 were \$1,848.6 million (December 31, 2018: \$1,380.2 million). The increase of \$468.4 million is mainly attributable to a \$410.9 million increase in long-term debt and an increase in forward contract liabilities.



As of September 30, 2019, total equity was \$1,350.9 million (December 31, 2018 \$1,533.5 million). The decrease of \$182.6 million is largely attributable to the net loss in 2019 of \$238.8 million offset by the equity offering proceeds received in August 2019.

*Consolidated Statement of Cash Flows*

<i>In \$ million</i>	<b>Q3 - 2019</b>	<b>Q2 - 2019</b>
<b>Net loss</b>	<b>(79.2)</b>	<b>(103.2)</b>
Net cash (used in)/ provided by operating activities	(10.6)	(54.9)
Net cash (used in)/ provided by investing activities	(38.7)	(51.7)
Net cash (used in)/ provided by financing activities	59.1	154.6
Net increase (decrease) in cash and cash equivalents	9.8	48.0
Cash and cash equivalents and restricted cash at beginning of period	106.8	58.8
<b>Cash and cash equivalents and restricted cash at end of period</b>	<b>116.6</b>	<b>106.8</b>

*Three months ending September 30, 2019*

Net cash used in operating activities was \$10.6 million for the three months ending September 30, 2019 and is explained mainly by our net loss in the quarter, reduced by non-cash items and movements in working capital.

Net cash used in investing activities was \$38.7 million for the three months ending September 30, 2019 and primarily relates to payments in respect of jack-up drilling rigs of \$14.4 million (mainly relating to activation costs of newbuilds), and funding in respect of our Equity Method Investments in Mexico of \$19.4m.

Net cash provided by financing activities was \$59.1 million during the three months ending September 30, 2019 and relates to net IPO proceeds from our US listing plus \$10.0 million drawdown of debt.

As of September 30, 2019, the Company's cash and cash equivalents and restricted cash amounted to \$116.8 million (\$106.8 million at June 30, 2019).

*Outstanding shares*

On July 31, 2019, the Company announced the completion of the initial public offering in the United States on the New York Stock Exchange ("NYSE"). A total number of 5,750,000 shares were sold in the offering.

As of September 30, 2019, the Company had issued share capital of \$5,613,903.25, divided into 112,278,065 shares of par value \$0.05 each. The Company's authorised share capital is US\$6,875,000 divided into 137,500,000 common shares of US\$0.05 par value each. The Company held 1,459,714 of its own shares in treasury at the end of the third quarter of 2019.

***Fleet development***

On October 15, the Company took delivery of a newbuild jack-up rig, "Hermod", from Keppel FELS Shipyard in Singapore. The rig is built to Keppel's proprietary KFELS B Class design, and "Hermod" is the fourth of eleven jack-up rigs built by Keppel for delivery to Borr Drilling. The rig was fully financed by a five-year financing facility provided by Keppel.

The Company is, as of the date of this report, the owner of 23 premium (delivered in or after 2001) jack-up rigs, four standard jack-up rigs (built before 2001) and one semi-submersible. Furthermore, the Company has contracts for delivery of seven rigs from yards by the end of the fourth quarter of 2020. When all newbuild rigs have been delivered, and the expected sale of the standard jack-up rig "Eir" is completed, the fleet will consist of 34 rigs, whereof 30 are premium (28 built after 2010), and one is a semi-submersible.

### **Operations and Contracts**

In July 2019, the standard jack-up rig “Dhabi II” was awarded a three-year contract extension with ADNOC (ADOC) in Abu Dhabi and will operate until July 2022.

The premium jack-up rig “Norve” commenced its contract with BW Energy Dussafu in Gabon for six firm wells plus two option wells in early August 2019. The estimated duration of the firm programme is twelve months.

The premium jack-up rigs “Grid” and “Gersemi” commenced their contracts at the end of August 2019, for nine offshore development wells under an integrated services model with Pemex in Mexico in August 2019 for a period of approximately 18 months. Further, under this project, the Company will leverage on our strategic collaboration with our partner and principal shareholder, Schlumberger, to provide comprehensive oilfield services and deliver an end-to-end well solution to our customer.

The premium jack-up rig “Prospector 1” started its one well option in August 2019 with Tulip Oil for an estimated duration of 45 days. The “Prospector 1” also secured a contract Total in the Netherlands for an estimated period of four to five months. The contract commenced in November 2019.

In August, the Company received a letter of award for the premium jack-up rig “Prospector 5” in the North Sea, for a contract expected to commence in the third quarter 2020, for an estimated duration of 12 months.

In August, the Company secured work for the premium jack-up rig “Odin” for Pemex, with expected commencement in the fourth quarter of 2019 and an anticipated duration to be around 18 months. This is the third rig for the Company with Pemex, and will be based on the same economics and structure as the first two rigs with “Grid” and “Gersemi”. The premium jack-up rigs “Galar” and “Njord” are expected to commence work for Pemex in the first quarter of 2020 for an anticipated duration of 18 months each. The terms will be based on the same integrated services structure as the three other rigs contracted for work with Pemex. The addition of the “Galar” and “Njord” will bring the total number of contracted rigs with Pemex to five.

The integrated business model used with Pemex in Mexico is progressing well. Together with our partners Schlumberger and CME, we have reached the geological target on the first well for one of the rigs. If we can execute on the targeted schedule, the profitability in these contracts will exceed the contracted time-charter rate. With help from our partners, the capabilities we are building in this business segment will provide a big competitive advantage and enable Borr Drilling to get a leading position in a fast growing market for integrated services, which is expected to increase the efficiencies for the oil companies and extract superior profitability for the rigs owner, compared to traditional drilling contracts.

The contract for the standard jack-up rig “B391” was early terminated in July 2019. The rig had been employed since March 2018 by Spirit Energy and completed P&A operations in 27 out of 29 wells it was contracted for. The Company is entitled to an early termination fee under the contract with Spirit Energy, which was recorded in the third quarter of 2019.

In October, the jack-up rig “Mist” was awarded an extension with its current client Vestigo in Malaysia until April 2020.

The premium jack-up rig “Frigg” secured a contract with a supermajor in Nigeria with an estimated duration of 12 months commencing in December 2019. The dayrate for the continued work for “Frigg” in West-Africa was increased significantly and illustrates the positive development in the market and the increased potential of roll-over of existing contracts.

The “Idun” was awarded a contract with the independent Asian oil company Hoang Long JOC in Vietnam for approximately 115 days. The contract commenced in November 2019. Further, the “Idun” has been awarded a 110 days contract with JVPC in Vietnam in direct continuation of the Hoang Long JOC contract.

The premium jack-up newbuild “Saga”, which is currently warm stacked in Singapore, has entered into an LOI including cost compensation, with a large E&P company for a HPHT drilling campaign of approximately 100 days plus one well option in Vietnam commencing in late January 2020. With good visibility on additional work following this contract, the Company has decided to activate the rig, which will position “Saga” ideally for the significant increase in activity we currently see in South East Asia and Middle East in 2020.



With the activations of three additional newbuild units and one reactivation, Borr has now increased the number of contracted and committed rigs to 19 with further contracting of its newbuilds in advanced discussions.

The Company currently has a marketed available fleet of five unemployed premium rigs, all of which are newbuilds. Additionally, there are seven rigs under construction, all of which are currently scheduled for delivery from the yards in 2020.

	<b>Total</b>	<b>Operating / Committed</b>	<b>Available</b>	<b>Cold Stack</b>	<b>Under Construction</b>
Premium Jack-Ups	30	16	5	2	7
Standard Jack-Ups	4	2	1	1 <sup>†</sup>	
<b>Total Jack-Ups</b>	<b>34</b>				
Semi - Submersible	1	1			
<b>Total Fleet</b>	<b>35</b>	<b>19</b>	<b>6</b>	<b>3</b>	<b>7</b>

The Company currently has 16 rigs in operation: four in the North Sea, two in the Middle East, five in West Africa, two in South East Asia and three in Mexico.

The technical utilisation for the fleet was 99.1% in the third quarter of 2019 and 99.0% for the first nine months of 2019. The economical utilisation in the period has been 95.2% in the third quarter and 95.3% in the first nine months. The major reason for the difference is related to waiting on weather in connection with rig moves.

### ***Corporate Development, Investments and Financing***

Remaining capex commitments for newbuilds is \$886.2 million at the time of this report. The only material unfunded capex for the Company is the rig "Tivar", which is scheduled for delivery in July 2020. Borr Drilling has initiated negotiations with the yard for options to extend delivery of three of its remaining newbuilds. Borr expects to enter into discussions on terms and compensation shortly. Any negotiated option, if exercised, is expected to significantly improve the Company's liquidity situation and provide the opportunity and flexibility to introduce the remaining newbuilds to the market over a period of 18-24 months, supported by the cash-flow from the current operations.

Borr Drilling completed its refinancing in June 2019. The financing structure which was completed with the support of our \$450 million syndicated facility from the banks, gives the Company a stable financing structure with no debt maturities before 2022. All of the eight delivered rigs which are secured under the bank financing have now been contracted out, with an expected net debt to EBITDA coverage of around 3x and a loan to value ratio of 39%.

The Company is currently in a constructive dialogue with the banks to make certain amendments to its covenants, including reducing the required book equity ratio and reduction to the minimum free liquidity requirement. This will give the Company further balance sheet flexibility to manage delivery of the newbuilding programme in 2020 and improve the liquidity available to activate and contract further rigs. We expect the ongoing negotiations to be concluded before year end 2019.

Based on current dayrates the payback on activation cost is less than 1 year, and as such any new rig being contracted and activated will improve the cash-flow of the Company with ~\$20 million per year once the rig is in operation.

Borr Drilling currently owns certain non-core assets, such as "Atla", "Balder", "MSS1" and "B391". As stated in its second quarter 2019 report, the Company is open to divesting some or all of these assets. Total estimated value of these assets is estimated to be up to \$150 million, and the Company has received conditional bids on several

<sup>†</sup> Incl. Eir, which is under sales agreement, expected to be concluded early 2020, subject to conditions

of these assets. None of the assets are currently leveraged, and any sales proceeds will improve the liquidity position of the Company and create liquidity to accelerate activation of remaining rigs.

On July 31, 2019, the Company announced the completion of the initial public offering in the United States on the New York Stock Exchange (“NYSE”). A total number of 5,750,000 shares were sold in the offering, including 750,000 over-allotment, at a price of \$9.30 per share.

The Company holds forward contracts for shares in Valaris PLC (former Ensco Rowan PLC) with unrealised losses of \$71.8 million at September 30, 2019, recorded in the balance sheet under unrealised loss on forward contracts. The total losses on these forward contracts are covered by restricted cash on the balance sheet. Total remaining exposure under the forward contracts were \$20.5 million as of September 30, 2019.

The Company also held investments in Oro Negro debt securities at the end of third quarter, classified in the balance sheet as marketable securities with a value of \$30.5 million. Subsequent to quarter end, the Company has sold bonds giving a positive liquidity effect of \$20.2 million in November 2019. The total realised loss is estimated to be \$16.4 million, whereof \$3.8 million is expected to be recorded in the fourth quarter of 2019. The Company holds approximately \$6.8 million worth of bonds as of the date of this report.

Borr has, since its inception, made certain investments in offshore industry securities, linked to specific merger and restructuring situations in equities and debt, where Borr could have an industrial role. The net results from realised positions since the Company’s inception is an initial estimated profit of \$23.2 million and a current unrealised loss of \$72.8 million, leading to estimated net loss from these activities of approximately \$49.6 million. The Board has now concluded that such investments are not a core part of the Company’s strategy, and the Company has therefore no plans to make further investments in third party marketable securities.

### ***Market***

During the third quarter of 2019, the global jack-up drilling rig fleet utilisation continued its upward trend. Global competitive jack-up rig utilisation stood at 85% at the end of September 2019, an increase of three percentage points quarter-on-quarter. The increase has continued after quarter end, with utilisation of 87% at the date of this report. As a comparison, at the end of the first quarter 2019 the utilisation was 79%.

While the utilisation for the competitive global standard jack-up fleet has dropped by one percentage point during the third quarter, the utilisation for the competitive premium jack-up fleet has increased by three percentage points from June 2019 to 90% at the date of this report. In addition to the markets in the North Sea, Middle East and West Africa, where utilisation is above 90%, there has been a strong increase in activity in Mexico and South-East Asia.

Two rigs were retired from the international jack up drilling rig fleet during the quarter, bringing the total number of retired rigs so far in 2019 to 13 rigs. Since the start of the downturn more than 100 rigs have been retired. There are currently 61 jack-up rigs that are older than 30 years and uncontracted, and the Company maintains its view that a significant number of these will remain uncompetitive and unlikely to return to the active fleet at all. For premium rigs, contracted rig count stand at 254 representing an increase of approximately 77 rigs since 2014. A reverse trend has been observed in the standard jack-up rig segment, where contracted rig count has halved since 2014 to current levels of 115.

As of the date of this report, there are a total of 372 contracted jack-up rigs, up from 357 rigs per June 30, 2019. The contracted fleet for premium rigs has increased by 33 rigs from the end of the first quarter 2019 to the date of this report. Leaving only 27 uncontracted premium jack-ups. For rigs built in 2010 or after, availability is even tighter with a total of 18 rigs available. The Company estimates that only 14 premium units are warm stacked and are being actively marketed. Borr Drilling owns 5 of these units.

This is supported by strong tendering activity, where we currently see a demand for more than 50 modern jack-up rigs in various tenders across the world. This includes 19 incremental rigs going into the Middle East, with UAE being a big driver. Mexico also is expected to require another 12 rigs on top of what has already been contracted. South-East Asia, driven by Thailand, Malaysia and Vietnam we expect to consume nine incremental rigs. We see opportunities for eight incremental rigs in West-Africa, where Borr should be particularly well position given that we already have five rigs in operation in the area. On top of this comes incremental demand in India,



China and other jurisdictions. As a result of this, we expect the global jack-up rig count to surpass 400 units in the next twelve months.

### **Outlook**

Borr Drilling is encouraged by the continuous improvements seen in the global jack-up market. When the Company was formed in 2016, our view was that shallow water resources represent attractive investment opportunities for our customers, with highly competitive break-even prices. In addition, shallow water developments are generally short cycle in nature, given the accelerated time between spud and first production in brownfield projects. With the deceleration currently seen in US shale investments and activity, and the anticipated slowing of US shale production growth, we expect shallow water drilling to become even more important to global oil supply going forward.

Borr Drilling is very well positioned to support our customers, from a capacity and fleet profile standpoint, as the activity upturn in the shallow water market unfolds in the coming years. Based on the newly signed contracts, tighter utilization, and the improved outlook for activity and dayrates, the Company expects strong growth in EBITDA in 2020.

### **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 and include expectations regarding industry trends including activity levels in the jack-up rig industry, expectations as to global jack-up rig count and expected tenders and demand levels, strategy with respect to deployment of rigs, expectations on trends and potential in day rates and potential to generate significant cash at current day rates, delivery of newbuilds including expected delivery timing, expected ability to sell or finance currently unencumbered rigs and expected valuation, strategy and plans with respect to investments in third party securities, contract backlog, expected contracting and operation of our jack-up rigs and contract terms included estimated duration of contracts, expectations with respect to contracting available rigs including warm stocked rigs, expected ability to generate cash from operations, expected completion of sales of rigs the Company has agreed to sell, expected results in the rest of 2019, including expected strong growth in Adjusted EBITDA in coming quarters and expectation Adjusted EBITDA will cover operational and finance costs, strategy with respect to asset base, expected business environment including statements made under "Market" and "Outlook" above, expected funding needs and ability to meet obligations for newbuilds, expected increase in tenders for jack-up rigs, global jack-up rig count, increase in demand from IOCs and NOCs, increases in oil production by geography, expected returns for oil companies, ability to fix rig rates at current market prices, competitive advantages from joint ventures, generation of free cash flow, improvement of cash flow per rig in operation post activation, remediation of advances, expected activation costs of rigs, expectations about our ability to find contracts for and activate our rigs not currently in operation, expectations with respect to amendments to our loan facility, expected industry trends including with respect to demand for and expected utilization of rigs, and other non-historical statements. The forward-looking statements in this announcement are based upon various assumptions, many of which are based, in turn, upon further assumptions, which 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. In addition to the important factors and matters discussed elsewhere in this report, important factors that, in our view could cause actual results to differ materially from those discussed in the forward looking statements are included in our most recent annual report and in the section entitled "Risk Factors" in our filings with the Securities and Exchange Commission.

### **About Borr Drilling Limited**

Borr Drilling Limited is an international drilling contractor incorporated in Bermuda in 2016 and listed on the Oslo Stock Exchange from August 30, 2017 under the ticker BDRILL and New York Stock Exchange from July 31, 2019 under the ticker BORR. The Company owns and operates jack-up 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](http://www.borrdrilling.com)





November 26, 2019  
The Board of Directors  
Borr Drilling Limited  
Hamilton, Bermuda

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## **Borr Drilling Limited**

**Unaudited Condensed Consolidated Financial Statements  
For the third quarter of 2019 and the nine months ended September 30, 2019  
(Comparatives for the third quarter of 2018 and the nine months ended September 30,  
2018)**

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

	Notes	3 months to September 30, 2019	3 months to September 30, 2018	9 months to September 30, 2019	9 months to September 30, 2018
<b>Operating revenues</b>					
Dayrate revenues	4	100.6	49.7	239.1	111.4
Related party revenues	4	2.1	-	2.1	-
Gain from bargain purchase	12	-	-	-	38.1
Gain on disposals		-	-	3.9	17.5
<b>Total operating revenues</b>		<b>102.7</b>	<b>49.7</b>	<b>245.1</b>	<b>167.0</b>
<b>Operating expenses</b>					
Rig operating and maintenance expenses		(87.9)	(45.7)	(226.4)	(120.6)
Depreciation of non-current assets	8	(25.8)	(21.5)	(74.3)	(55.7)
Impairment of non-current assets	8	-	-	(11.4)	-
Amortisation of acquired contract backlog	12	(4.1)	(9.7)	(18.6)	(15.7)
General and administrative expenses		(10.9)	(9.7)	(35.0)	(23.5)
Restructuring costs		-	(4.6)	-	(31.9)
<b>Total operating expenses</b>		<b>(128.7)</b>	<b>(91.2)</b>	<b>(365.7)</b>	<b>(247.4)</b>
<b>Operating loss</b>		<b>(26.0)</b>	<b>(41.5)</b>	<b>(120.6)</b>	<b>(80.4)</b>
<b>Loss from equity method investments</b>	<b>3</b>	<b>(1.6)</b>	<b>-</b>	<b>(1.6)</b>	<b>-</b>
<b>Financial income (expenses), net</b>					
Interest income		0.6	0.1	1.1	1.0
Interest expense	19	(13.7)	(5.2)	(46.8)	(5.2)
Other financial income (expenses), net	5,15	(34.7)	9.6	(64.4)	6.4
<b>Total financial income (expenses), net</b>		<b>(47.8)</b>	<b>4.5</b>	<b>(110.1)</b>	<b>2.2</b>
<b>Loss before income taxes</b>		<b>(75.4)</b>	<b>(37.0)</b>	<b>(232.3)</b>	<b>(78.2)</b>
Income tax expense	6	(3.8)	(2.0)	(6.5)	(2.0)
<b>Net loss</b>		<b>(79.2)</b>	<b>(39.0)</b>	<b>(238.8)</b>	<b>(80.2)</b>
<b>Net (loss) income attributable to non-controlling interests</b>		<b>-</b>	<b>(0.1)</b>	<b>(1.5)</b>	<b>(0.2)</b>
<b>Net loss attributable to shareholders of Borr Drilling Limited</b>		<b>(79.2)</b>	<b>(39.1)</b>	<b>(237.3)</b>	<b>(80.0)</b>
<b>Basic loss per share</b>	<b>7</b>	<b>(0.72)</b>	<b>(0.37)</b>	<b>(2.21)</b>	<b>(0.78)</b>
<b>Diluted loss per share</b>	<b>7</b>	<b>(0.72)</b>	<b>(0.37)</b>	<b>(2.21)</b>	<b>(0.78)</b>
<b>Weighted-average shares outstanding</b>		<b>110,340,565</b>	<b>106,528,065</b>	<b>107,812,864</b>	<b>102,909,156</b>
<b>Condensed Consolidated Statement of Comprehensive Income (Loss)</b>					
<b>Loss after income taxes</b>		<b>(79.2)</b>	<b>(39.0)</b>	<b>(238.8)</b>	<b>(80.2)</b>
Unrealised gain (loss) from marketable securities	14	(2.3)	-	(6.4)	-
Unrealized loss from marketable securities reclassified to Statement of Operations	5	12.0	-	12.0	-
<b>Other comprehensive gain (loss)</b>		<b>9.7</b>	<b>-</b>	<b>5.6</b>	<b>-</b>
<b>Total comprehensive loss</b>		<b>(69.5)</b>	<b>(39.0)</b>	<b>(233.2)</b>	<b>(80.2)</b>
<b>Comprehensive loss for the period attributable to</b>					
Shareholders of Borr Drilling Limited		(69.5)	(39.1)	(231.7)	(80.0)
Non-controlling interests		-	0.1	(1.5)	(0.2)
<b>Total comprehensive loss</b>		<b>(69.5)</b>	<b>(39.0)</b>	<b>(233.2)</b>	<b>(80.2)</b>

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)

	Notes	September 30, 2019	December 31, 2018
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		39.5	27.9
Restricted cash	13	77.1	63.4
Trade receivables		49.0	25.1
Jack-up drilling rigs held for sale	8	3.0	-
Marketable securities	14	30.5	4.2
Prepaid expenses		8.2	10.8
Acquired contract backlog	4	1.6	20.2
Deferred mobilization and contract preparation cost	4	16.1	6.0
Accrued revenue	4	32.9	18.9
Tax retentions receivable		11.6	11.6
Due from related parties	23	3.0	-
Other current assets	16	31.0	20.5
<b>Total current assets</b>		<b>303.5</b>	<b>208.6</b>
<b>Non-current assets</b>			
Property, Plant and Equipment		7.5	9.5
Jack-up rigs	8	2,524.7	2,278.1
Newbuildings	9	318.8	361.8
Deferred mobilization and contract preparation cost	4	6.1	5.1
Marketable securities	14	-	31.0
Equity method investments	3	23.8	-
Other long-term assets	17	15.1	19.6
<b>Total non-current assets</b>		<b>2,896.0</b>	<b>2,705.1</b>
<b>Total assets</b>		<b>3,199.5</b>	<b>2,913.7</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Trade accounts payables		5.6	9.6
Amounts due to related parties	23	0.4	0.4
Unrealized loss on forward contracts	15	71.8	35.1
Accrued expenses		55.7	63.7
Onerous contracts	18	-	3.2
Other current liabilities	22	34.5	7.3
<b>Total current liabilities</b>		<b>168.0</b>	<b>119.3</b>
<b>Non-Current liabilities</b>			
Long-term debt	19	1,585.5	1,174.6
Other liabilities		23.8	8.0
Onerous contracts	18	71.3	78.3
<b>Total non-current liabilities</b>		<b>1,680.6</b>	<b>1,260.9</b>
<b>Total liabilities</b>		<b>1,848.6</b>	<b>1,380.2</b>
<b>Commitments and contingencies</b>	24		

*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)

**Stockholders' Equity**

Common shares of par value \$0.05 per share: authorized 137,500,000 (2018: 125,000,000) shares, issued 112,278,065 (2018: 106,528,065) shares and outstanding 110,818,351 (2018: 105,068,351) shares at September 30, 2019

	5.6	5.3
Additional paid in capital	1,887.8	1,837.5
Treasury shares	(26.2)	(26.2)
Other comprehensive loss	-	(5.6)
Accumulated deficit	(516.5)	(279.2)
<b>Equity attributable to the Company</b>	<b>1,350.7</b>	<b>1,531.8</b>
Non-controlling interest	0.2	1.7
<b>Total equity</b>	<b>1,350.9</b>	<b>1,533.5</b>
<b>Total liabilities and equity</b>	<b>3,199.5</b>	<b>2,913.7</b>

*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 September 30, 2019	3 months to September 30, 2018	9 months to September 30, 2019	9 months to September 30, 2018
<b>Cash Flows from Operating Activities</b>					
Net (loss)/income		(79.2)	(39.0)	(238.8)	(80.2)
<i>Adjustments to reconcile net (loss) to net cash used in operating activities:</i>					
Non-cash compensation expense related to stock options and warrants	20	0.6	1.4	3.6	2.3
Depreciation of non-current assets	8	25.8	21.5	74.3	55.7
Impairment of non-current assets	8	-	-	11.4	-
Amortisation of acquired contract backlog	12	4.1	9.7	18.6	15.7
Gain on sale of rigs	8	-	-	(3.9)	(17.5)
Change in financial instruments	5	29.5	(1.8)	51.1	-
Non-cash net (income) loss from equity investments	3	1.6	-	1.6	-
Non-cash loan fees related to settled debt	5	-	-	5.6	-
Bargain purchase gain	12	-	-	-	(38.1)
Deferred income tax	6	0.8	0.6	0.3	0.9
Change in other current and non-current assets		5.3	2.1	(24.3)	(12.8)
Change in other current and non-current liabilities		0.9	2.0	21.1	(19.9)
<b>Net cash (used in)/provided by operating activities</b>		<b>(10.6)</b>	<b>(3.5)</b>	<b>(79.4)</b>	<b>(93.9)</b>
<b>Cash Flows from Investing Activities</b>					
Purchase of plant and equipment		(1.2)	(2.5)	(1.8)	(4.8)
Proceeds from sale of fixed assets		-	0.5	6.8	38.6
Purchase business combination (acquisition), net of cash acquired	12	-	(1.0)	-	(195.1)
Purchase of marketable securities	14	-	(9.7)	(6.9)	(9.7)
Investments in equity method investments	3	(19.4)	-	(19.4)	-
Proceeds from sale of marketable securities	14	-	-	4.2	-
Payment and costs in respect of newbuildings	9	(3.7)	(0.1)	(137.3)	(362.4)
Payments and costs in respect of jack-up rigs	8	(14.4)	(0.6)	(108.1)	(7.5)
<b>Net cash (used in)/provided by investing activities</b>		<b>(38.7)</b>	<b>(13.4)</b>	<b>(262.5)</b>	<b>(540.9)</b>
<b>Cash Flows from Financing Activities</b>					
Proceeds from share issuance, net of issuance costs and conversion of shareholders loans		49.1	-	49.2	218.9
Proceeds from related party shareholder loan	23	-	-	-	27.7
Purchase of treasury shares		-	(7.4)	-	(9.7)
Repayment of long-term debt		-	-	(390.0)	(89.3)
Purchase of financial instruments	14	-	-	-	(28.5)
Proceeds, net of deferred loan costs, from issuance of long-term debt		10.0	-	649.6	374.4
Proceeds, net of deferred loan costs, from issuance of short-term debt	19	-	-	58.5	-
<b>Net cash (used in)/provided by financing activities</b>		<b>59.1</b>	<b>(7.4)</b>	<b>367.3</b>	<b>493.5</b>
<b>Net increase (decrease) in cash and cash equivalents and restricted cash</b>		<b>9.8</b>	<b>(24.3)</b>	<b>25.4</b>	<b>(141.3)</b>
Foreign exchange translation difference		-	-	-	-
Cash and cash equivalents and restricted cash at beginning of the period		106.8	86.1	91.3	203.1
<b>Cash, cash equivalents and restricted cash at the end of period</b>		<b>116.6</b>	<b>61.8</b>	<b>116.6</b>	<b>61.8</b>
<b>Supplementary disclosure of cash flow information</b>					
Interest paid, net of capitalized interest		(23.9)	(7.9)	(52.6)	(15.7)
Income taxes refund (paid), net		2.9	(0.8)	0.9	(1.4)
Issuance of long-term debt as non-cash settlement for newbuild delivery instalment		-	174.0	87.0	522.0
Non-cash settlement of related party shareholder loan		-	-	-	27.7
Non-cash payments and cost in respect of jack-up rigs		-	-	42.4	-

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 outstanding shares	Common shares	Treasury shares	Additional paid in capital	Other Comprehensive Gain / (Loss)	Accumula ted Deficit	Non- controlling interest	Total equity
<b>Consolidated balance at December 31, 2017</b>	<b>95,264,500</b>	<b>4.8</b>	<b>(6.7)</b>	<b>1,587.8</b>	<b>(6.2)</b>	<b>(88.8)</b>	<b>2.0</b>	<b>1,492.9</b>
Issue of common shares	9,341,500	0.4	-	214.3	-	-	-	214.7
Equity issuance costs	-	-	-	(3.2)	-	-	-	(3.2)
Issue of common shares	1,528,065	0.1	-	35.1	-	-	-	35.2
Equity issuance costs	-	-	-	-	-	-	-	-
<i>Other transactions:</i>								
Share-based compensation	-	-	-	2.3	-	-	-	2.3
Purchase of treasury shares	(440,000)	-	(9.7)	-	-	-	-	(9.7)
Total comprehensive loss	-	-	-	-	-	(80.0)	(0.2)	(80.2)
Non-controlling interest	-	-	-	-	-	0.1	(0.1)	-
<b>Consolidated balance at September 30, 2018</b>	<b>105,694,065</b>	<b>5.3</b>	<b>(16.4)</b>	<b>1,836.3</b>	<b>(6.2)</b>	<b>(168.7)</b>	<b>1.7</b>	<b>1,652.0</b>
Share-based compensation	-	-	-	1.4	-	-	-	1.4
Settlement of directors' fees	14,286	-	0.2	(0.2)	-	-	-	-
Purchase of treasury shares	(640,000)	-	(10.0)	-	-	-	-	(10.0)
Total comprehensive loss	-	-	-	-	0.6	(110.5)	-	(109.9)
Non-controlling interest	-	-	-	-	-	-	-	-
<b>Consolidated balance at December 31, 2018</b>	<b>105,068,351</b>	<b>5.3</b>	<b>(26.2)</b>	<b>1,837.5</b>	<b>(5.6)</b>	<b>(279.2)</b>	<b>1.7</b>	<b>1,533.5</b>
Issue of common shares	5,750,000	0.3	-	53.2	-	-	-	53.5
Equity issuance costs	-	-	-	(4.3)	-	-	-	(4.3)
<i>Other transactions:</i>								
Share-based compensation	-	-	-	3.6	-	-	-	3.6
Total comprehensive loss	-	-	-	-	5.6	(237.3)	(1.5)	(233.2)
Other, net	-	-	-	(2.2)	-	-	-	(2.2)
<b>Consolidated balance at September 30, 2019</b>	<b>110,818,351</b>	<b>5.6</b>	<b>(26.2)</b>	<b>1,887.8</b>	<b>-</b>	<b>(516.5)</b>	<b>0.2</b>	<b>1,350.9</b>

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

# Borr Drilling Limited

## Unaudited Consolidated Financial Statements

Notes to the Unaudited Condensed Consolidated Financial Statements  
for the period ended September 30, 2019

### 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 and since July 31, 2019, on the New York Stock Exchange under the ticker BORR. 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 September 30, 2019, the total fleet consisted of 34 jack-up drilling rigs and one semi-submersible drilling rig, of which 8 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 and nine months ended September 30, 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 annual report and F-1 can be found on our website, [www.borrdrilling.com](http://www.borrdrilling.com). 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 we control, or directly or indirectly hold more than 50% of the voting control of, are consolidated in the financial statements. Investments in entities which the we do not control, but is considered to exert significant influence, generally by owning more than 20% but less than 50% of the voting shares, are accounted for under the equity method. Our period earnings as a proportion of the equity method investment's income statement are included in our Statement of Operations, and the value of our investment including cumulative gains and losses from inception are included within non-current assets in our balance sheet.

Subsequent events have been reviewed from the period end to the issuance of the Condensed Consolidated Financial Statements on November 26, 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.

A variable interest entity ("VIE") is defined by US GAAP as a legal entity where either (a) the voting rights of some investors are not proportional to their rights to receive the expected residual returns of the entity, their obligations to absorb the expected losses of the entity, or both, and substantially all of the entity's activities either involve or are conducted on behalf of an investor that has disproportionately few voting rights, or (b) the equity holders have not provided sufficient equity investment to permit the entity to finance its activities without additional subordinated financial support, or (c) equity interest holders as a group lack the characteristics of a controlling financial interest, including decision making ability and an interest in the entity's residual risks and rewards. The guidance requires a VIE to be consolidated if any of its interest holders are entitled to a majority of the entity's residual returns or are exposed to a majority of its expected losses.

#### *Going concern*

The Company is dependent on either amendments to its financing covenants, additional financing, delaying its planned rig deliveries, or a combination of these measures in order to finance its planned and future activation and reactivations of rigs. This raises substantial doubt about the Company's ability to continue as a going concern. The Company is in dialogue with its current lenders to amend its covenants on liquidity and equity ratios. Furthermore, the Company has initiated discussions with its yard around delaying its 2020 rig deliveries. While the Company has confidence that these measures will enable it to activate new rigs and manage its liquidity appropriately, and it has a track record of delivering additional financing, there is no guarantee that these measures will be concluded successfully.

# Borr Drilling Limited

## Unaudited Consolidated Financial Statements

Notes to the Unaudited Condensed Consolidated Financial Statements  
for the period ended September 30, 2019

### *Reverse share split*

We have effected a conversion of each of our Shares into 0.20 Shares, resulting in a reverse share split at a ratio of 5-for-1. Our post-Reverse Share Split Shares began to trade on the Oslo Børs on June 26, 2019. All share and per share data in these financial statements have been adjusted to give effect to our Reverse Share Split and is approximate due to fractional shares.

### *Sarbanes-Oxley*

The Company has determined that certain advance payments to executives in 2019 constituted a breach of Section 13(k) of the US Exchange Act 1934. This inadvertent breach has now been remedied.

### *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, except as described below. None of the new accounting standards or amendments that were adopted as of the first nine months of 2019 had a significant effect on the condensed interim consolidated financial statements, except as described below.

#### *Equity method investments*

The Company accounts for its ownership interests in certain Mexican companies, Perforaciones Estratégicas e Integrales Mexicana, S.A. de C.V. ("Performex") and OPEX Perforadora S.A. de C.V. ("OPEX"), as equity method investments in accordance with ASC 323, Investments — Equity Method and Joint Ventures and records the investment in equity method investments in the consolidated balance sheet. The equity method of accounting is applied when the investor has an ownership interest of less than 50% and/or has significant influence over the operating or financial decisions of the investee. Under the equity method, investments are stated at initial cost, additionally guarantees issued to the equity method investments and in-substance capital contributions and capital contributions are allocated to the investment. The Company's proportionate share of net income (loss) is reflected as a single-line item in the consolidated statements of operations and as increases or decreases, as applicable, in the carrying value of the Company's investment in the consolidated balance sheets. In addition, the proportionate share of net income (loss) is reflected as a non-cash activity in operating activities in the Consolidated Statements of Cash Flows. Contributions increase the carrying value of the investment and are reflected as an investing activity in the Consolidated Statements of Cash Flows.

Investments in equity method investments are assessed for other-than-temporary impairment whenever changes in the facts and circumstances indicate an other-than-temporary loss in carrying value has occurred.

#### *Related party revenue*

We provide corporate support services, secondment of personnel and management services to our Equity Method Investments under management and service agreements. The services are based on costs incurred in the period with appropriate margins and have been recognized under related party revenues in our Statement of Operations, with associate costs included within Operating Expenses.

#### *Related party bareboat revenue*

We lease rigs on bareboat charters to our Equity Method Investment, Performex. The Company expects lease revenue earned under the bareboat charters to be variable over the lease term, as a result of the contractual arrangement which assigns the bareboat a value over the lease term equivalent to residual cash after payments of operating expenses and other fees. The Company, as a lessor, does not recognise a lease asset or liability on its balance sheet at the time of the formation of the entities nor as a result of the lease. Revenue is recognised when management are able to reasonably predict the expected underlying bareboat rate over the contract term. No revenue was recognized under these bareboat contracts in the third quarter of 2019 due to commencement and mobilisation costs prior to start-up of operations in September impacting the residual bareboat value.

#### *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

# Borr Drilling Limited

## Unaudited Consolidated Financial Statements

Notes to the Unaudited Condensed Consolidated Financial Statements  
for the period ended September 30, 2019

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 - Equity method investments**

On June 28, 2019, we entered into a binding agreement to acquire 49% of the shares in Perforaciones Estratégicas e Integrales Mexicana, S.A. de C.V. ("Performex") and OPEX Perforadora S.A. de C.V. ("OPEX"), entities incorporated in 2019 by Proyectos Globales de Energía y Servicios CME, S.A. DE C.V. ("CME"), a Mexican oil and gas services company, for the purposes of performing integrated drilling services under contracts with Petroleo Mexicanos ("Pemex").

The below table sets forth the results from these entities year to date and for the third quarter 2019 and their financial position as at 30 September 2019.

<i>In \$ millions</i>	<b>Performex</b>	<b>OPEX</b>
Revenue	10.0	18.7
Operating expenses	12.8	20.7
Net income	(1.9)	(1.4)
Cash	4.9	1.6
Total assets	37.7	28.5
Equity	(1.9)	(1.4)

Revenue in OPEX is recognized on a percentage of completion basis. The service OPEX delivers is to a single customer, PEMEX, and involves delivering integrated well services with payment upon the completion of each well in the contract. Revenue in Performex is recognized on a day rate basis on a contract with OPEX, consistent with Borr's historical revenue recognition policies, with day rate accruing each day as the service



## Borr Drilling Limited

### Unaudited Consolidated Financial Statements

Notes to the Unaudited Condensed Consolidated Financial Statements  
for the period ended September 30, 2019

is performed. The Company provides rigs and services to Performex for use in its contracts with OPEX.

The total assets of both OPEX and Performex includes in-substance capital contributions from their shareholders, Borr and CME. As at the balance sheet date, the Board of OPEX and Performex intend to convert certain amounts of this funding into equity, which is expected to take place in the fourth quarter of 2019, and which will increase the equity balance within each entity and improve the current negative equity balances.

The Company has issued a performance guarantee to OPEX for the duration of its contract with PEMEX. Management have performed a valuation exercise to fair value the guarantee given, utilizing the inferred debt market method and subsequently mapping to an alpha category credit score, adjusting for country risk and default probability. The Company has subsequently recognized a liability for \$5.9 million within other long term liabilities, and added the \$5.9 million to the investment in the joint venture in the third quarter of 2019

The following present our investments in equity method investments as at September 30, 2019:

<i>In \$ millions</i>	<b>Performex</b>	<b>OPEX</b>	<b>Borr Total</b>
Equity invested	0.0	0.0	0.0
Funding provided	17.0	2.5	19.5
Accumulated net loss 100% basis	(1.9)	(1.4)	(3.3)
Accumulated net loss 49% basis	(0.9)	(0.7)	(1.6)
Guarantee provided	-	5.9	5.9
<b>Total</b>	<b>16.1</b>	<b>7.7</b>	<b>23.8</b>

#### Note 4 - Operating revenues

In the three months ended September 30, 2019 and September 30, 2018 and the nine months ended September 30, 2019 and September 30, 2018, the Company recognised dayrate and related party revenues of \$102.7 million, \$49.7 million, \$241.2 million and \$111.4 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 September 30, 2019, September 30, 2018 and nine months ended September 30, 2019 and September 30, 2018, the Company recognised \$9.9 million, \$1.6 million, \$16.8 million and \$10.1 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 (“CODM”), which is the Company’s board of directors (the “Board”), as an aggregated sum of assets, liabilities and activities that exist 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:	<b>3 months to September 30, 2019</b>	<b>3 months to September 30, 2018</b>	<b>9 months to September 30, 2019</b>	<b>9 months to September 30, 2018</b>
<i>(In \$ millions)</i>				
North Sea	34.0	23.7	89.7	49.0
West Africa	31.8	11.2	66.3	32.6
Middle East	10.5	14.8	32.7	23.0
South East Asia	7.0	-	12.8	6.8
Mexico	19.4	-	39.7	-
<b>Total</b>	<b>102.7</b>	<b>49.7</b>	<b>241.2</b>	<b>111.4</b>

#### Major customers

Following customers accounted for more than 10% of our contract revenues:	<b>3 months to September 30, 2019</b>	<b>3 months to September 30, 2018</b>	<b>9 months to September 30, 2019</b>	<b>9 months to September 30, 2018</b>
<i>(In % of operating revenues)</i>				
National Drilling Company (ADOC)	10%	23%	14%	21%
Pan American Energy	18%	-	15%	-
ExxonMobil	16%	-	12%	-
Centrica North Sea Limited (Spirit Energy)	11%	10%	11%	10%
<b>Total</b>	<b>55%</b>	<b>33%</b>	<b>52%</b>	<b>31%</b>

**Borr Drilling Limited**  
**Unaudited Consolidated Financial Statements**

Notes to the Unaudited Condensed Consolidated Financial Statements  
for the period ended September 30, 2019

*Fixed Assets — Jack-up rigs<sup>(1)</sup>*

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

<i>(In \$ millions)</i>	<b>As of September 30, 2019</b>	<b>As of December 31, 2018</b>
Middle East	41.1	42.0
North Sea	298.6	320.0
West Africa	655.0	203.0
South East Asia	1,137.4	1,713.1
Mexico	392.6	-
<b>Total</b>	<b>2,524.7</b>	<b>2,278.1</b>

(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.

Management continue to develop the information receivable by the CODM to include information pertaining to our newly operating Mexican affiliates. We expect that, in the fourth quarter of 2019, the Company will disclose the metrics of these Equity Method Investments within this note as they will be included in reporting to the CODM.

*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:

<i>(In \$ millions)</i>	<b>As of September 30, 2019</b>	<b>As of December 31, 2018</b>
Current contract assets	50.6	45.1
Non-current contract assets	6.2	5.1
<b>Total contract assets at September 30, 2019</b>	<b>56.8</b>	<b>50.2</b>

Significant changes contract assets balances for the period ended September 30, 2019 are as follows:

<i>(In \$ millions)</i>	<b>Contract assets</b>
<b>Net balance at January 1, 2019</b>	<b>50.2</b>
Additions to deferred costs and accrued revenue	96.7
Amortization of deferred costs	(90.1)
<b>Total contract assets at September 30, 2019</b>	<b>56.8</b>

*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.

*Contract liabilities*

Contract liabilities consists of deferred mobilization revenue which is earned prior to commencement of the contract and amortized rateably over the initial term of the related drilling contract. The liability is recognized when the right to consideration becomes unconditional, which is normally on commencement of the drilling contract.

**Borr Drilling Limited**  
**Unaudited Consolidated Financial Statements**

Notes to the Unaudited Condensed Consolidated Financial Statements  
for the period ended September 30, 2019

Significant changes to contract liability balances for the period ended September 30, 2019 are as follows:

<i>(In \$ millions)</i>	<b>Contract assets</b>
<b>Net balance at January 1, 2019</b>	<b>(0.8)</b>
Additions to deferred revenue	(10.0)
Amortization of deferred revenue	5.0
<b>Total contract liabilities at September 30, 2019</b>	<b>(5.8)</b>

**Note 5 - Other financial income (expenses), net**

Other financial income (expense), net is comprised of the following:

	<b>3 months to September 30, 2019</b>	<b>3 months to September 30, 2018</b>	<b>9 months to September 30, 2019</b>	<b>9 months to September 30, 2018</b>
<i>(In \$ millions)</i>				
Foreign exchange (loss)/gain, net	(0.2)	-	0.8	(0.5)
Other financial expenses	(5.0)	(1.4)	(14.1)	(2.3)
Change in unrealised (loss)/gain on call spread (note 15)	(0.8)	(1.7)	(2.4)	(8.8)
Change in unrealised (loss)/gain on marketable securities	(12.0)	-	(12.0)	-
(Loss)/gain on forward contracts (note 15)	(16.7)	12.7	(36.7)	18.0
<b>Total</b>	<b>(34.7)</b>	<b>9.6</b>	<b>(64.4)</b>	<b>6.4</b>

During the third quarter of 2019 we have re-assessed our debt securities and concluded that these are likely to be sold within the short term. As a result, we recognized and recycled \$12.0 million of losses through the income statement previously recognized under OCI, whereof \$2.3 million related to the fair value adjustment for the three months ended September 30, 2019.

(Loss)/gain on forward contracts is presented net for the three and nine months ended September 30, 2019 and 2018. We did not realize any gains or losses in the third quarter of 2019.

**Note 6 - 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.

	<b>3 months to September 30, 2019</b>	<b>3 months to September 30, 2018</b>	<b>9 months to September 30, 2019</b>	<b>9 months to September 30, 2018</b>
Income tax expense is comprised of the following:				
<i>(In \$ millions)</i>				
Current tax	3.0	1.4	6.2	1.1
Change in deferred tax	0.8	0.6	0.3	0.9
<b>Total</b>	<b>3.8</b>	<b>2.0</b>	<b>6.5</b>	<b>2.0</b>

**Note 7 - 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 2,675,000 share options outstanding issued to employees and directors and convertible bonds with a conversion price of \$33.4815 for a total of 10,453,534 shares. Due to the Company's current loss-making position and the share price being less than the conversion price of the convertible bonds these are deemed to have an anti-dilutive effect on the EPS of the Company.

All periods presented have been adjusted for our 5 for 1 reverse share split in June 2019.

**Borr Drilling Limited**  
**Unaudited Consolidated Financial Statements**

Notes to the Unaudited Condensed Consolidated Financial Statements  
for the period ended September 30, 2019

	3 months to September 30, 2019	3 months to September 30, 2018	9 months to September 30, 2019	9 months to September 30, 2018
Basic loss per share	(0.71)	(0.37)	(2.15)	(0.78)
Diluted loss per share	(0.71)	(0.37)	(2.15)	(0.78)
Issued ordinary shares at the end of the period	112,278,065	106,528,065	112,278,065	106,528,065
Weighted average numbers of shares outstanding for the period	110,340,565	106,528,065	107,812,864	102,909,156

The number of share options that would be considered dilutive under the “if converted method” for the three months ended September 30, 2019 is 0 (three months ended September 30, 2018: 201,522).

**Note 8 - Jack-up rigs**

<i>(In \$ millions)</i>	Cost	Accumulated depreciation	Net carrying value
Balance at December 31, 2018	2,366.6	(88.5)	2,278.1
Additions	68.1	-	68.1
Asset transfers (note 9)	268.0	-	268.0
Depreciation and amortisation	-	(73.0)	(73.0)
Disposals	(2.1)	-	(2.1)
Reclassification to asset held for sale	(3.0)	-	(3.0)
Impairment	(14.8)	3.4	(11.4)
<b>Balance at September 30, 2019</b>	<b>2,682.8</b>	<b>(158.1)</b>	<b>2,524.7</b>

The Company took delivery of the “Njord” in the first quarter of 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” in May 2019. The sale of “Baug” and “C20051” closed in May 2019 and we recorded a gain of \$3.9 million in connection with the transaction.

In addition, the Company recorded a depreciation charge of \$0.4 million in the third quarter of 2019, \$4.0 million in the third quarter of 2018, \$1.3 million in the first nine months of 2019 and \$6.8 million for the first nine months of 2018 related to property, plant and equipment.

*Impairment assessment*

During the third quarter of 2019, the Company evaluated the carrying value of our drilling rigs due to continuing impairment indicators. Based on our assumptions and analysis at that time, we determined that the undiscounted probability-weighted cash flows for each rig were in excess of their respective carrying values. As a result, we concluded that no impairment of these rigs had occurred at September 30, 2019.

An impairment loss of \$11.4 million was recognized for the “Eir” in the first quarter of 2019 as a result of entering into a sale agreement, which resulted in the Company reducing the book value to the expected sale value. As of September 30, 2019, the Company consider that the consideration for held for sale presentation continues to be achieved and the “Eir” is classified within jack-up drilling rigs held for sale.

**Note 9 - Newbuildings**

<i>(In \$ millions)</i>	September 30, 2019	December 31, 2018
Balance at January 1st	361.8	642.7
Additions	210.7	971.4
Capitalized interest	14.3	23.4
Asset transfers	(268.0)	(1,275.7)
<b>Total</b>	<b>318.8</b>	<b>361.8</b>

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 11) 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, which was repaid in June 2019. The rig was subsequently renamed “Thor” and was delivered on May 9, 2019.

**Borr Drilling Limited**  
**Unaudited Consolidated Financial Statements**

Notes to the Unaudited Condensed Consolidated Financial Statements  
for the period ended September 30, 2019

**Note 10 - 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.

Supplemental balance sheet information related to leases was as follows:

	<b>September 30, 2019</b>
<i>(In \$ millions)</i>	
<b>Operating leases</b>	
Operating leases right-of-use assets	2.7
Current operating lease liabilities	3.7
Long-term operating lease liabilities	6.8

The current portion of the ROU asset is recognized within other current assets (see note 16) and the non-current portion is recognized within other long-term assets (see note 17). The current lease liabilities are recognized within other current liabilities (see note 22) and the non-current lease liabilities are recognized within other liabilities.

	<b>3 months ended September 30, 2019</b>	<b>9 months ended September 30, 2019</b>
Components of lease cost is comprised of the following:		
<i>(In \$ millions)</i>		
Operating lease cost	0.5	1.6
Short-term lease cost	5.0	18.6
Variable lease cost	-	-
<b>Total lease cost</b>	<b>5.5</b>	<b>20.2</b>
<b>Sublease income</b>	<b>0.2</b>	<b>0.4</b>

Supplemental cash flow information related to leases was as follows:

	<b>September 30, 2019</b>
<i>(In \$ millions)</i>	
Cash payments for onerous lease contracts	0.9
Operating cash flows from operating leases	0.3
<b>Total lease payments</b>	<b>1.2</b>
Weighted average remaining lease term for operating leases (years)	7.91
Weighted average discount rate for operating leases	6.38%

Maturities of lease liabilities were as follows:

	<b>September 30, 2019</b>
<i>(In \$ millions)</i>	
2019	4.4
2020	4.2
2021	1.9
2022	0.3
2023	0.3
Thereafter	1.4
<b>Total lease payments</b>	<b>12.5</b>
Less interest	1.9
<b>Present value of lease liability</b>	<b>10.6</b>



**Borr Drilling Limited**  
**Unaudited Consolidated Financial Statements**

Notes to the Unaudited Condensed Consolidated Financial Statements  
for the period ended September 30, 2019

Maturities of lease liabilities were as follows:

**December 31, 2018**

*(In \$ millions)*

2019	4.6
2020	3.6
2021	3.6
2022	0.5
2023	-
Thereafter	-
<b>Total lease payments</b>	<b>12.3</b>

**Note 11 - 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. The rig has been renamed "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 has taken 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 September 30, 2019.

**Note 12 - 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.

**Borr Drilling Limited**  
**Unaudited Consolidated Financial Statements**  
Notes to the Unaudited Condensed Consolidated Financial Statements  
for the period ended September 30, 2019

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

	<b>March 29, 2018</b>
<i>(In \$ millions)</i>	
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)
<b>Total</b>	<b>279.4</b>
 <i>Fair value of consideration satisfied by cash:</i>	
Payment upon completion by the Company (March 29, 2018)	240.0
Payment to non-controlling interest	1.3
<b>Total</b>	<b>241.3</b>
 Total fair value of purchase consideration	 241.3
Fair value of net assets acquired	279.4
<b>Bargain Gain</b>	<b>(38.1)</b>

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 and one in 2019.

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 nine months ended September 30, 2018 give effect to the Paragon acquisition as if it had occurred on January 1, 2017.

**Pro forma for the nine months ended  
September 30, 2018**

<i>(In \$ millions)</i>	<b>(unaudited)</b>
Revenue	147.2
Net income (loss)	(191.6)

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

**Borr Drilling Limited**  
**Unaudited Consolidated Financial Statements**

Notes to the Unaudited Condensed Consolidated Financial Statements  
for the period ended September 30, 2019

**Note 13 - Restricted cash**

<i>(In \$ millions)</i>	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Opening balance	63.4	39.1
Transfer to (from) restricted cash	13.7	24.3
<b>Total</b>	<b>77.1</b>	<b>63.4</b>

All restricted cash is recorded within current assets and consist of deposits in margin accounts, restricted cash of \$4.0 million under our \$195 Hayfin Loan Facility and bank deposits in relation to forward contracts and deposits made for issued guarantees and letters of credit.

**Note 14 - 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") unless any reduction in fair value is considered to be other than temporary. Equity securities are re-measured at fair value with unrealized gains and losses recognized under other financial income (expenses), net. The Company acquired debt securities for a consideration of \$2.9 million in the second quarter of 2019. In the first quarter of 2019, the Company purchased debt securities for \$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 third quarter of 2019, we recorded an unrealised loss of \$2.3 million through OCI, increasing the accumulated unrealised loss position to \$12.0 million as of the third quarter of 2019. The accumulated loss of \$12.0 million was recognized and recycled during the quarter, see note 5.

*The following table sets forth Marketable securities, non-current*

<i>(In \$ millions)</i>	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Opening balance January 1st	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)	-
<b>Total marketable securities, non-current</b>	<b>-</b>	<b>31.0</b>

*The following table sets forth Marketable securities, current*

<i>(In \$ millions)</i>	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Opening balance January 1st	4.2	-
Purchase of marketable securities	2.9	4.2
Sale of marketable securities	(4.2)	-
Unrealized gain/(loss) on marketable securities	0.8	-
Reclassification from marketable securities, non-current	26.8	-
<b>Total marketable securities, current</b>	<b>30.5</b>	<b>4.2</b>

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

**Note 15 - Financial Instruments**

*Forward contracts*

As of September 30, 2019, the Company has forward contracts to purchase shares in a listed drilling company for an aggregate amount of approximately \$92.3 million. The forward contracts consist of forward assets of \$20.5 million and forward liabilities of \$92.3 million and are presented as a net unrealized loss of \$71.8 million in the Consolidated Balance Sheets as of September 30, 2019. During the first quarter of 2019, the Company sold shares resulting in net cash proceeds of \$4.2 million (see note 14) and simultaneously purchased forward contracts with exposure to the same amount.

*Call Spread*

Fair value adjustments during the third quarter of 2019 resulted in an unrealised loss recognised in the Condensed Consolidated Statements of Operations in other financial income (expense), net, of \$0.8 million. As of September 30, 2019, aggregated fair value adjustments were unrealised loss of \$28.1 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 17).

**Borr Drilling Limited**  
**Unaudited Consolidated Financial Statements**

Notes to the Unaudited Condensed Consolidated Financial Statements  
for the period ended September 30, 2019

**Note 16 - Other current assets**

	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Other current assets are comprised of the following:		
<i>(In \$ millions)</i>		
Client rechargeable	6.1	5.1
Other receivables	6.0	7.9
VAT and other tax receivable	15.7	4.3
Deferred financing fee	2.7	3.2
Right-of-use lease asset, current	0.5	-
<b>Total</b>	<b>31.0</b>	<b>20.5</b>

**Note 17 - Other long-term assets**

	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Other long-term assets are comprised of the following:		
<i>(In \$ millions)</i>		
Other receivables	-	0.5
Deferred tax asset	2.4	2.6
Call Spread (note 15)	0.4	2.8
Tax refunds	0.1	4.2
Prepaid fees	10.0	9.5
Right-of-use lease asset, non-current	2.2	-
<b>Total</b>	<b>15.1</b>	<b>19.6</b>

**Note 18 - Onerous contracts**

	<b>September 30, 2019</b>	<b>December 31, 2018</b>
<i>(In \$ millions)</i>		
Onerous lease commitments	-	10.2
Onerous rig contracts	71.3	71.3
<b>Total</b>	<b>71.3</b>	<b>81.5</b>

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 drilling 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 10 and 22).

**Note 19 - Long-term debt**

Long-term debt is comprised of the following:

	<b>Carrying amount</b>		<b>Principal amount</b>		<b>Back end fee</b>	
	<u>September</u>	<u>December</u>	<u>September</u>	<u>December</u>	<u>September</u>	<u>December</u>
	30, 2019	31, 2018	30, 2019	31, 2018	30, 2019	31, 2018
<i>(In \$ millions)</i>						
\$200m DNB Revolving Credit Facility	-	130.0	-	130.0	-	-
\$195m Hayfin Loan Facility	192.0	-	195.0	-	-	-
\$450m Syndicated Senior Secured Credit Facilities	253.6	-	260.0	-	-	-
\$100m New Bridge Revolving Credit Facility	5.0	-	5.0	-	-	-
\$350m Convertible bonds	346.3	346.5	350.0	350.0	-	-
PPL Delivery Financing	788.6	698.1	753.3	669.6	29.6	26.1
<b>Total</b>	<b>1,585.5</b>	<b>1,174.6</b>	<b>1,563.3</b>	<b>1,149.6</b>	<b>29.6</b>	<b>26.1</b>

**Borr Drilling Limited**  
**Unaudited Consolidated Financial Statements**  
Notes to the Unaudited Condensed Consolidated Financial Statements  
for the period ended September 30, 2019

At September 30, 2019 the scheduled maturities of our debt were as follows:

	<b>Maturities</b>
<i>(In \$ millions)</i>	
2019	-
2020	-
2021	55.6
2022	488.1
2023	935.9
2024	83.7
Thereafter	-
<b>Total principal amount of debt</b>	<b>1,563.3</b>
Total debt-related balances, net	22.2
<b>Total carrying amount of debt</b>	<b>1,585.5</b>

*Syndicated Senior Secured Credit Facilities*

On June 25, 2019, we entered into a \$450 million senior secured credit facilities agreement with DNB Bank ASA, Danske Bank, Citibank N.A., Jersey Branch and Goldman Sachs Bank USA, as lenders, among others, consisting of a \$230 million credit facility, \$50 million newbuild facility, \$70 million for the issuance of guarantees and other trade finance instruments as required in the ordinary course of business and, assuming certain conditions are met, a \$100 million incremental facility. The terms were that the \$50 million newbuild facility would be available to draw upon delivery of the newbuild rig "Tivar", and the \$100 million incremental facility would be available to draw upon repayment of the New Bridge Revolving Credit Facility. In the third quarter 2019, \$50 million of the \$100 million New Bridge Revolving Credit Facility was repaid and transferred into the \$100 million incremental facility, out of which \$30 million was utilised.

*New Bridge Revolving Credit Facility*

On June 25, 2019, we entered into a \$100 million senior secured revolving loan facility agreement with DNB Bank ASA and Danske Bank, as lenders. In the third quarter \$50 million was repaid and transferred from the \$100 million New Bridge Revolving Credit Facility into the \$100 million incremental facility. \$50 million remains available under the New Bridge Revolving Credit Facility, whereof \$5 million was drawn down at September 30, 2019.

**Interest**

Average interest rate for all our interest-bearing debt, excluding Convertible Bonds, was 6.34% for the period ended September 30, 2019.

**Note 20 - Compensation**

Share-based payment charges for the period ending:

	<b>3 months to September 30, 2019</b>	<b>3 months to September 30, 2018</b>	<b>9 months to September 30, 2019</b>	<b>9 months to September 30, 2018</b>
<i>(In \$ millions)</i>				
<b>Total</b>	<b>0.6</b>	<b>1.4</b>	<b>3.6</b>	<b>2.3</b>

At March 11, 2019, the Company issued 460,000 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 \$17.50 per share, which compares to the Company's share's closing price of \$14.2 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 3,494,000 and 2,675,000 are outstanding as of September 30, 2019.

**Borr Drilling Limited**  
**Unaudited Consolidated Financial Statements**

Notes to the Unaudited Condensed Consolidated Financial Statements  
for the period ended September 30, 2019

**Note 21 - Fair values of financial instruments**

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

<i>(In \$ millions)</i>	<u>Hierarchy</u>	<b>As at September 30, 2019</b>		<b>As at December 31, 2018</b>	
		<u>Fair value</u>	<u>Carrying value</u>	<u>Fair value</u>	<u>Carrying value</u>
<b>Assets</b>					
Cash and cash equivalents		39.5	39.5	27.9	27.9
Restricted cash		77.1	77.1	63.4	63.4
Marketable securities – non-current	1	-	-	31.0	31.0
Marketable securities – current	1	30.5	30.5	4.2	4.2
Trade receivables		49.0	49.0	25.1	25.1
Accrued revenue		32.9	32.9	18.9	18.9
Tax retentions receivable		11.6	11.6	11.6	11.6
Other current assets (excluding deferred costs)		31.0	31.0	17.3	17.3
Due from related parties		3.0	3.0	-	-
Forward contracts (note 15)	2	20.5	20.5	50.3	50.3
<b>Liabilities</b>					
Long-term liabilities	2	1,494.5	1,585.5	1,113.6	1,174.6
Trade payables		5.6	5.6	9.6	9.6
Accruals and other current liabilities		90.2	90.2	71.0	71.0
Forward contracts (note 15)	2	92.3	92.3	85.4	85.4
Guarantees issued to equity method investments (note 3)	3	5.9	5.9	-	-

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 15). No assets or liabilities have been transferred from one level to another during the quarter.

Included in "Level 3" is guarantees issued to equity method investments. The guarantee has been valued utilizing the inferred debt market method and subsequently mapped to an alpha category credit score, adjusting for country risk and default probability (note 3).

**Note 22 - Other current liabilities**

Accruals and other current liabilities are comprised of the following:

<i>(In \$ millions)</i>	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Accrued payroll and severance	7.0	3.1
VAT and current taxes payable	15.1	4.2
Operating lease liability, current	3.7	-
Deferred mobilisation revenue	4.1	-
Other current liabilities	4.6	-
<b>Total accruals and other current liabilities</b>	<b>34.5</b>	<b>7.3</b>

**Note 23 - Related party transactions**

**Transactions with those holding significant influence over the Company**

**2018 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")

# Borr Drilling Limited

## Unaudited Consolidated Financial Statements

Notes to the Unaudited Condensed Consolidated Financial Statements  
for the period ended September 30, 2019

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.

### *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 \$4.6 million during the third quarter of 2019, \$2.4 million during the third quarter of 2018, \$15.6 million during the first nine months of 2019 and \$3.2 million during the first nine months of 2018. \$0.4 million and \$0.4 million were outstanding at September 30, 2019 and December 31, 2018, respectively.

Pursuant to the corporate support agreement with Magni Partners Limited, which provides for reimbursement of costs with Borr board approval, \$1.0 million was paid during the second quarter 2019 under the agreement. \$nil was outstanding at September 30, 2019 and September 30, 2018.

### *Transactions with entities over which the Company has significant influence*

#### *Mexico Joint Ventures*

On June 28, 2019, we entered into a binding agreement to acquire 49% of the shares in Perforaciones Estratégicas e Integrales Mexicana, S.A. de C.V. and OPEX Perforadora S.A. de C.V., entities incorporated in 2019 by Proyectos Globales de Energía y Servicios CME, S.A. DE C.V. ("CME"), a Mexican oil and gas services company, for the purposes of performing integrated drilling services under contracts with Petroleo Mexicanos ("Pemex").

#### *OPEX*

As part of entering into the share purchase agreement for 49% of the shares in OPEX, we also entered into other commercial arrangements with this related party. We provide management services through a management services agreement at a cost-plus basis. The revenue from these services can be found within the Related party revenue line in our Statement of Operations and in the third quarter of 2019 we provided services worth \$0.3 million. We have provided a guarantee valued at \$5.9 million to support OPEX's operations under the contracts with Pemex. Performex, in which we own 49%, provides drilling services under drilling contracts with OPEX on a dayrate basis. We have as at 30 September 2019 provided \$2.5 million of funding to OPEX.

#### *Performex*

As part of entering into the share purchase agreement for 49% of the shares in Performex, we also entered into other commercial arrangements with the same entity. We provide two rigs on a bareboat basis for Performex to service its contract with OPEX. No revenue was recognized under these bareboat contracts in the third quarter of 2019 due to commencement and mobilisation costs prior to start-up of operations in September, but we expect to recognize Related party bareboat revenue as a separate line item in our Statement of Operations in future reporting periods. We also provide international and local personnel for the offshore operations of the rigs and administrative services on a cost-plus basis. In the third quarter of 2019, we recognized \$1.8 million of Related party revenue from the provision of these services. We have as at 30 September 2019 provided \$17.0 million of funding to Performex, some of which we expect to convert to equity in the near term. See also note 3.

## **Note 24 - Commitments and contingencies**

The Company has the following commitments as of September 30, 2019:

*(in \$ millions)*

<i>Delivery instalments for jack-up drilling rigs</i>	<i>Delivery instalment</i>	<i>Back-end fee</i>
<b>Total</b>	<b>886.2</b>	<b>22.5</b>

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 September 30, 2019.

The following table sets forth when our commitments fall due as of September 30, 2019

*(In \$ millions)*

	<b>Less than 1 year</b>	<b>1–3 years</b>	<b>3–5 years</b>	<b>More than 5 years</b>	<b>Total</b>
Delivery instalments for jack-up rigs	505.0	381.2	0.0	0.0	886.2

### *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, customs bonds, bank guarantees, letters of credits and performance bonds were \$70.4 million and \$23.0 million as of September 30, 2019 and December 31, 2018, respectively. \$70.0 million are covered by security under the guarantee facility under one of our loan agreements.

**Borr Drilling Limited**  
**Unaudited Consolidated Financial Statements**  
Notes to the Unaudited Condensed Consolidated Financial Statements  
for the period ended September 30, 2019

As of September 30, 2019, these obligations and their expiration dates are as follows:

<i>(In \$ millions)</i>	<u>1 year</u>	<u>1-3 years</u>	<u>3-5 years</u>	<u>Thereafter</u>	<u>Total</u>
Surety bonds and other guarantees	70.4	—	—	—	70.4
Performance guarantee to OPEX (note 3)	—	5.6	—	—	5.6
<b>Total</b>	<b>70.4</b>	<b>5.6</b>	—	—	<b>76.0</b>

**Note 25 - Subsequent events**

*Appointment of Chairman of the Board*

On October 8, 2019, Pål Kibsgaard was appointed as the new Chairman of the Board, replacing Tor Olav Trøim as Chairman. Mr. Trøim will continue to serve as a Director of the Company and has been appointed Deputy Chairman.

*Delivery of Hermod*

On October 15, 2019, the Company took delivery of “Hermod” from Keppel Shipyard Ltd. The final delivery instalment was \$86.4 million, and the Company accepted delivery financing for the same amount.

*Resignation of Chief Financial Officer*

On November 6, 2019, Rune Magnus Lundetræ resigned as Chief Financial Officer of the Company. He will remain in his position until a replacement has been found.

*Sale of marketable securities*

On November 21, 2019, we partially realized our investment in Oro Negro bonds. Total proceeds received was approximately \$20.2 million resulting in loss of \$3.8 million that will be recognized in the fourth quarter of 2019.