

Borr Drilling Limited Announces Preliminary Results for the Third Quarter of 2020

Hamilton, Bermuda, November 30, 2020: Borr Drilling Limited (“Borr”, “Borr Drilling” or the “Company”) announces unaudited results for the three and nine months ended September 30, 2020.

Highlights in the Third Quarter of 2020

- Total operating revenues of \$59.2 million, net loss of \$61.9 million and Adjusted EBITDA¹ of \$(10.1) million for the third quarter of 2020.
- The combined Adjusted EBITDA¹ of the four separate Mexican JVs that the Company has ownership in was \$45.2 million in the third quarter of 2020, compared to Adjusted EBITDA in the second quarter of 2020 of \$30.1 million, an increase of \$15.1 million, or 50%, quarter on quarter.
- In August 2020, Patrick Schorn was announced as the Company's new Chief Executive Officer with effect from September 8, 2020, taking over for Svend Anton Maier
- In September, the Company announced additional amendments to its loan agreements with its syndicate banks and Hayfin, that include extensions of debt maturities of \$595 million until January 2023.
- On September 30, 2020, the Company announced the pricing and allocation of an equity offering for 51,886,793 shares, each at a subscription price of \$0.53 per share, raising gross proceeds of \$27.5 million. The offering was settled October 5, 2020.

Subsequent events

- On October 10, 2020, the Company announced the appointment of Christoph Bausch as its new Chief Financial Officer, replacing Francis Millet with effect from November 1, 2020.
- The Company entered into agreements to sell its remaining cold stacked jack-up drilling rigs "Atla" and "Balder" to BW Energy for total sale proceeds of \$14.5 million. \$13 million was received at the time of issuing this report.
- The previously announced sale of the standard jack-up drilling rig "Eir" was completed in October for total cash proceeds of \$3 million.
- In November 2020, the Company collected proceeds of \$8.8 million from its Paragon litigation trust receivable.
- On November 25, 2020 the Company announced the completion and allocation of a rights offering related to the equity offering in September, in which 10 million shares were sold to holders of Borr Drilling shares at \$0.53 per share, raising gross proceeds of \$5.3 million.

CEO, Patrick Schorn commented:

"In the third quarter we operated the lowest number of active rigs since the start of the COVID pandemic, which was the result of contract cancellations and suspensions caused by operators pushing out their anticipated work scope. This resulted in a sequential decrease in operating revenues of 30% to \$59.2 million, and Adjusted EBITDA of \$(10.1) million. Additionally, our third quarter results were negatively impacted by incremental costs directly related to Covid-19, amounting to \$7.6 million and severance costs as a result of adjusting our headcount to the new market environment of \$2.2 million. From this low point of seven active rigs, we rebounded and at the date of this report, we have 11 active rigs after successful contract start-ups in the North Sea and in Malaysia. Tendering activity and price negotiations remained at an elevated level during the COVID pandemic, however day rates are under pressure as a function of the lower industry utilization. The total number of contracted jack-up rigs at the end of the third quarter 2020 was 346, down by four quarter on quarter. Out of these, 242 were modern units and 104 standard units, showing that modern units are continuing to gain market share.

Managing liquidity continues to be a priority and apart from optimizing working capital, Borr Drilling was able, as the only company in the drilling contractor space, to raise equity twice this year, with the share price trading above the issue price in both transactions, confirming the support from our shareholders and the potential of Borr Drilling's modern jack-up fleet.

The Mexico operating unit was the largest contributor to our quarterly results with five active rigs working for Pemex. We continue to be pleased with the operational performance and the incremental production we delivered to PEMEX, as the wells drilled by our JV in Mexico made up a significant portion of the annual production increase reported by Pemex. As highlighted previously, during the quarter we have had several interactions with Pemex regarding collections and the need for more timely payments. Our meeting in August with the full top management of Pemex resulted in strong assurances and commitments about future payments. The situation improved substantially, but we have recently experienced a slowdown in payments from Pemex causing operational challenges.

¹ For a definition of Adjusted EBITDA and why we use this measure, see page 4 of this report.



Our focus for the next months will be to continually increase our active rig fleet as we have done during the third quarter. Our unique assets combined with a first-class workforce will continue to provide differentiation in the market. The integrated service projects in Mexico have confirmed that Borr is fully capable of adding value and that significant improvement in drilling efficiency can be achieved for the operator by converting traditional contract drilling to integrated services.

As reported earlier, significant efforts have been made during the quarter to strengthen the financial position of the Company and extend the liquidity runway. Specific discussions are taking place with each of the creditor groups. The desired outcome, once completed, will include contributions from all creditors, by either a reduction or deferral of cash interest and other related costs, an extension of maturities and a more flexible security package. Part of these negotiations is to restructure our corporate structure, allowing a better ringfencing of entities with corresponding liens or different creditor groups. This would enable the lower leveraged components of the envisioned corporate structure to attract additional capital, thereby strengthen the group's overall liquidity and financial position. We are making good progress and we are hopeful to have this combined package of measures in place in the near future."

Introduction to our Management Discussion and Analysis

Borr Drilling Limited is an owner and operator of jack-up drilling rigs, which are contracted by our customers on fixed rates per day, also referred to as day rates.

In 2019, Borr entered a new business in Mexico, by participating in a series of joint ventures ("JV"), in which Borr has a 49% ownership. Two of the Joint Ventures provide Integrated Well Services ("IWS") and the other two Joint Ventures provide contract drilling services ("Drilling Business") to the IWS business on fixed day rates. We have determined that all four of these Mexican Joint Ventures should not be consolidated into our results, but are accounted for under the equity method investment accounting.

In order to provide our investors and stakeholders with more information on the performance of the Borr assets, we have included the full results and a discussion on the performance of, both the consolidated Borr business and the Mexican Joint Venture businesses. Due to the Mexican Joint Ventures operating under both a day rate and an IWS model, we present their results as Drilling business or IWS business, respectively.

Management Discussion and Analysis

Consolidated Statements of Operations (Financial Performance & Operating Results)

The Management Discussion and Analysis below focuses on our income statement by comparing the results of the third quarter of 2020 to the results in second quarter of 2020.

<i>In \$ million</i>	Q3 - 2020	Q2 - 2020
Total operating revenues	59.2	84.0
Gain on disposals	—	12.8
Rig operating and maintenance expenses	(63.4)	(82.7)
Depreciation of non-current assets	(28.9)	(27.5)
Impairment of non-current assets	(0.8)	(57.9)
General and administrative expenses	(10.7)	(19.9)
Total operating expenses	(103.8)	(188.0)
Operating loss	(44.6)	(91.2)
Income/(loss) from Equity method investments	8.1	11.3
Total financial expenses	(22.0)	(26.3)
Loss before income taxes	(58.5)	(106.2)
Income tax expense	(3.4)	(3.4)
Net loss	(61.9)	(109.6)

Three months ended September 30, 2020

Total operating revenues were \$59.2 million for the third quarter of 2020 compared to \$84.0 million for the second quarter of 2020. The decrease of \$24.8 million was mainly a result of fewer rigs operating, including the "Saga" and "Ran" ending their contracts in July 2020: the "Prospector 1", "MSS1", "Mist" and "Norve" being warmed stacked for most of the quarter compared to these rigs operating in the second quarter; and the realisation of suspension rates on the "Gerd" and "Groa" until September 21, 2020. This reduction in revenue was partially offset by the "Gunnlod", commencing its first ever contract with PTTEP in Malaysia in September.

In the third quarter we recorded no gain or loss related to disposals, in comparison to a \$12.8 million gain reported in the second quarter of 2020, related to the sale of the "Paragon B152" and "Dhabi II". As part of the sale agreement for these rigs, the Company continued to operate these rigs on behalf of the buyer and reported gross revenue, operating expenses and bareboat hire in the income statement during the third quarter of 2020. In the fourth quarter 2020, only one of these two rigs will be included in the income statement.

Rig operating and maintenance expenses, including reactivation and stacking costs, were \$63.4 million for the third quarter of 2020 compared to \$82.7 million for second quarter of 2020. This decrease of \$19.3 million was primarily driven by a lower cost structure with fewer operating rigs. Rig operating and maintenance expenses includes amortization of mobilization costs of \$9.6 million in the third quarter of 2020, which was flat compared to the second quarter of 2020. Other reimbursable expenses of \$2.1 million in the third quarter of 2020 decreased compared to \$3.2 million in the second quarter of 2020 as a result of less rigs operating. Third quarter operating expenses were negatively impacted by incremental costs directly related Covid-19 totalling \$7.6 million, compared to \$9.1 million in the second quarter and severance costs of \$2.2 million compared to \$3.3 million in the second quarter.

Depreciation of non-current assets was \$28.9 million for the third quarter 2020 compared to \$27.5 million for the second quarter 2020, reflecting an increase of \$1.4 million with a full quarter of depreciation of the rig "Hild", which was delivered in the second quarter of 2020.

Impairment of non-current assets was \$0.8 million for the third quarter 2020, \$57.1 million lower than the second quarter 2020. This impairment was related to the "Balder", which was classified as held for sale during the quarter. The impairment charge in the second quarter for the "Atla" and "Balder" was \$30.9 million and \$27.0 million, respectively, as a result of a fleet-wide impairment assessment. Both rigs, built in 2003, were cold-stacked at time of the impairment and subsequently sold.

General and administrative expenses were \$10.7 million for the third quarter 2020, a decrease of \$9.2 million compared to the second quarter, mainly as a result of non-repeated cost incurred in the prior quarter associated with the debt agreement amendments of approximately \$12 million. This was partly offset by higher professional fees in the third quarter of 2020.

Earnings from Equity Method Investments were \$8.1 million for the third quarter 2020 compared to \$11.3 million for the second quarter 2020. The decrease of \$3.2 million was mainly due to higher tax expenses recognized in our Joint Ventures in Mexico.

Total financial expenses (net) were \$22.0 million for the third quarter 2020 a decrease of \$4.3 million compared to last quarter. The principal items in the third quarter were:

- Interest expenses net of capitalized interest of \$22.8 million
- Other financial income of \$0.7 million relating to a legacy Paragon legal settlement of \$2.0 million partly offset by other financial expenses.

Income tax expense of \$3.4 million for the third quarter 2020 was flat with the prior quarter.

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

<i>(in US\$ millions)</i>	Q3 - 2020	Q2 2020	2020
Net loss	(61.9)	(109.6)	(258.5)
Depreciation of non-current assets	28.9	27.5	88.8
Impairment of non-current assets	0.8	57.9	77.1
(Income) / loss from equity method investment	(8.1)	(11.3)	(16.6)
Financial expense	22.0	26.3	99.5
Income tax expense	3.4	3.4	13.0
Amortised mobilisation cost	9.6	9.4	23.5
Amortised mobilisation revenue	(4.8)	(5.5)	(13.4)
Adjusted EBITDA²	(10.1)	(1.9)	13.4

Consolidated Balance Sheet

As of September 30, 2020

Total assets were \$3,213.7 million as of September 30, 2020 compared to \$3,280.0 million as of December 31, 2019. The decrease of \$66.3 million is due to settlement of our forward contracts which led to a decrease in restricted cash of \$69.4 million, a decrease in cash of \$46.6 million as a result of our liquidity usage to date. This was partly offset by an increase in jack-up rigs of \$50.9 million, net of transfers from newbuildings and changes in jack-up drilling rigs held for sale.

Total liabilities as of September 30, 2020 were \$2,149.3 million, an increase of \$163.4 million compared to December 31, 2019. This increase is mainly attributable to higher long-term debt of \$193.8 million, following delivery of the "Heimdal" and the "Hild" offset by a decrease in unrealized losses on the forward contracts of \$64.3 million.

² 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, (income)/loss from equity method investments, total financial (income) expense net, income tax expense and amortization of deferred mobilization costs and revenue. Adjusted EBITDA is included here by the Company because the Company believes that the measure provides useful information regarding the Company's operational performance.

Total equity as of September 30, 2020 was \$1,064.4 million compared to \$1,294.1 million as of December 31, 2019. This reduction of \$229.7 million is largely attributable to net loss of \$258.5 million, partly offset by increase in share capital and additional paid-in capital of approximately \$28.8 million following our private placement in May 2020.

Consolidated Statement of Cash Flows

<i>In \$ million</i>	Q3 - 2020	Q2 - 2020
Net cash used in operating activities	(5.8)	(5.2)
Net cash used in investing activities	(16.3)	(96.0)
Net cash provided by financing activities	—	28.8
Net decrease in cash and cash equivalents	(22.1)	(72.4)
Cash and cash equivalents and restricted cash at beginning of period	34.6	107.0
Cash and cash equivalents and restricted cash at end of period	12.5	34.6

Three months ended September 30, 2020

Net cash used in operating activities of \$5.8 million for the third quarter 2020, broadly similar to the second quarter, and reflects our Adjusted EBITDA and movements in working capital.

Net cash used in investing activities was \$16.3 million for the third quarter 2020 and predominantly reflects additions to jack-up rigs of \$11.2 million and funding to our Joint Ventures of \$7.5 million, offset by proceeds from sale of fixed assets.

Net cash provided by financing activities was \$nil million during the third quarter 2020.

As of September 30, 2020, the Company's cash and cash equivalents including restricted cash amounted to \$12.5 million compared to \$34.6 million at the end of second quarter 2020. Total available free liquidity, including cash and cash equivalents plus available amounts under credit facilities, at the end of the third quarter was \$42.5 million. This includes undrawn amounts under credit facilities amounting to \$30.0 million, subject to consent by our bank syndicate.

Mexican Joint Ventures Operational Results on a 100% basis³

<i>In \$ million</i>	Q3 - 2020		Q2 - 2020		9 months to September 30, 2020	
	Drilling	IWS	Drilling	IWS	Drilling	IWS
Mexico Joint Venture EBITDA						
Net income (loss)	1.7	14.8	5.8	17.3	7.0	26.8
Total financial (income) expenses	-1.0	6.0	-0.2	-0.7	-1.1	7.3
Income tax expense	3.8	11.5	1.8	—	5.8	11.5
Amortized mobilization cost	8.7	0.7	4.9	2.2	16.3	2.0
Amortized mobilization revenue	-1.0	—	-1.0	—	-2.7	—
Adjusted EBITDA	12.2	33.0	11.3	18.8	25.3	47.6

There are four joint ventures in Mexico in which we participate, holding a 49% interest, two of which (the Drilling Business as defined above) provide dayrate based drilling services to the two IWS JVs. IWS in turn provides integrated well services to PEMEX. The Borr drilling rigs used in these integrated well services are the "Grid", "Gersemi" and "Odin" in "Cluster 2", and the "Galar" and "Njord" in "Cluster 3". Revenue for the integrated well service model is recognized based on a percentage of completion method on a per well basis.

Our 49% interest in the income/(loss) of these four Joint Ventures is reported in our Income Statement under the caption 'income from equity method investments'.

During the third quarter of 2020, our IWS JVs worked on a total of 8 wells, out of which 3 wells have been completed and are producing hydrocarbons.

Our "Drilling" Joint Ventures performed broadly as expected, however third quarter results were negatively impacted by additional costs and downtime related to COVID19. Included within the financials in table above, showing third

³ For more details about the Company's Mexican JVs, please refer to the notes of the Consolidated Financial Statements



quarter of 2020 results for "Drilling", are \$11.3 million of costs related to charges received from fully consolidated Borr entities, representing bareboat charter fees, staffing and management expenses.

In August this year, the IWS Joint Ventures agreed to a payment plan with PEMEX, which helped to reduce the outstanding billings and improve the liquidity of the JVs and consequentially for Borr. During the third quarter of 2020, all of the IWS Joint Ventures overdue balances with PEMEX as of June 30, 2020 were paid, and the IWS Joint Ventures collected a total of \$109.3 million. As of September 30, 2020, the IWS Joint Ventures had an outstanding receivables balance with PEMEX of \$41.1 million, of which \$40.7 million was overdue and has not been paid as of the date of this report. In addition, the IWS Joint Ventures had unbilled receivables, representing work performed but not yet billed, of \$133.1 million. Excluding the distribution rights of 49% of the profits, Borr's receivables from the Mexico operations at the end of September are \$34.5 million, which will be settled as the project progresses and wells are completed and as Pemex resumes the normal payment schedule.

Outstanding shares

As of September 30, 2020, the Company had issued share capital of \$7,921,595.55, divided into 158,431,911 shares of par value \$0.05 each, and the Company's authorized share capital was \$11,182,692.30 divided into 223,653,846 common shares of \$0.05 par value each.

Subsequent to the end of the third quarter of 2020, the authorized share capital was increased, by shareholder approval, to \$11,932,692.30 divided into 238,653,846 common shares of \$0.05 par value. The Company held 1,459,714 of its own shares in treasury at the end of the third quarter of 2020.

At the end of the third quarter 2020, there are a total of 2,007,498 options outstanding, with strike prices between \$17.50 and \$24.35, and a weighted average strike price of \$21.27.

On October 5, 2020, the Company's issued share capital was increased by \$2,594,339.65 to \$10,515,935.20, divided into 210,318,704 common shares with a nominal value of \$0.05 per common share raising gross proceeds of \$27.5 million.

On November 27, 2020 the Company's issued share capital was increased by 500.000 to \$11,015,935.20 divided into 220,318,704 common shares with a nominal value of \$0.05 per common share raising gross proceeds of \$5.3 million.

Risks and uncertainties

Borr is exposed to a number of risk factors relating to the Company's finances, operations and the general industry in which the Company operates. The COVID-19 pandemic and associated effects during 2020 have made many of our natural risks more predominant.

Since March 2020, national and local travel restrictions and lockdowns in various regions following the pandemic outbreak caused disruptions to our operations and the pandemic imposed a risk to the health of our personnel. Our rigs and shore based operations were impacted by reduced personnel, border closures, and many employees were working from home or enforced to stay home by local regulations. Further escalations of the current pandemic outbreaks and other public health crisis or natural disasters could occur in the future and could impact Borr's operations, including our Joint Ventures in Mexico. In addition, we have previously reported contract loss and suspensions of others, as well as reduced marketing opportunities while our customers react to circumstances.

We have not identified any new material risks other than those included in our Form 20-F filed in June 2020. However, we will continue to monitor our operations and respond to circumstances as they arise.

Fleet development

At the end of the third quarter, the Company owned twenty five modern jack-up rigs, all built and delivered after 2001, and one standard jack-up rig (built before 2001). Subsequent to quarter end, the Company has entered into agreements to sell two 2003 built cold stacked rigs, "Atla" and "Balder", for gross proceeds of \$14.5 million. \$13 million cash proceeds was received in November 2020, while the remaining \$1.5 million will be received at completion of the sale of the "Balder". The sale of "Atla" was completed on November 5, 2020.

In October 2020 the Company completed the previously announced sale of the cold stacked standard jack-up rig "Eir" for gross proceeds of \$3.0 million.

Furthermore, the Company has contracts for delivery of five rigs from shipyards by the third quarter of 2022. After all newbuild rigs have been delivered the fleet will consist of twenty eight modern rigs built after 2010.

Operations and Contracts

In early September 2020, the "Gunnlod" commenced its contract with PTTEP in Malaysia for an estimated duration of 200 days.

In late September 2020, the "Saga" commenced its contract with PTTEP in Malaysia for an estimated duration of 365 days.

In October 2020, the "Mist" commenced its contract with Roc Oil in Malaysia for an estimated duration of 210 days.

In October 2020, the "Prospector 1" commenced its contract with ONE-Dyas in the North Sea for an estimated 100 days program.

In July 2020, the Company was awarded an LOI for the modern jack-up "Norve" for an estimated 60-90 days program with an undisclosed operator in West Africa, with an expected commencement in the first quarter 2021.

As of the date of this report, the Company has a marketed available fleet of ten available modern rigs, six of which are newbuilds. Additionally, there are five rigs under construction, scheduled for delivery from the yards during 2022.

	Total	Operating / Committed	Available	Cold Stack	Under Construction
Modern Jack-Ups	28	13	10	—	5
Standard Jack-Ups	—	—	—	0	—
Total Jack-Ups	28	13	10	—	5
Semi-Submersible	—	—	—	—	—
Total Fleet	28	13	10	—	5

As of the date of this report, the Company has ten rigs in operation: two in West Africa, three in South East Asia and five in Mexico.

The technical utilization for the fleet was 99.4% in third quarter of 2020 and 99.3% YTD 2020. The economical utilization in the third quarter was 91.7% and 93.1% for the full year 2020.

Corporate Development, Investments and Financing

In August 2020, Patrick Schorn was announced as the Company's new Chief Executive Officer with effect from September 8, 2020. Mr Schorn has been a Director of the Company since January 2018, and was the Executive Vice President of Wells for Schlumberger Limited. He began his career with Schlumberger in 1991, and has held various global management positions including President of Operations for Schlumberger Limited; President Production Group; President of Well Services; President of Completions; and GeoMarket Manager Russia.

In September, the Company announced additional amendments to its loan agreements with its syndicate banks and Hayfin to provide extensions of maturities of \$595 million of debt until January 2023, lowering the minimum liquidity covenant to \$5 million to maturity and the deferral of interest and minimum cash requirements in an amount equal to \$12 million by 12 months, to September and December 2021. These amendments are in addition to the already announced amendments in June 2020, and are subject to achieving an agreement with the shipyards on an extension of maturities as well as a deferral of interest and other costs and an extension of maturities before year end 2020.

In connection with the announced amendments to the loan facilities, on September 30, 2020 the Company successfully completed an equity offering at a subscription price of \$0.53 per Offer Share (equivalent to NOK 5.01 per Offer Share), raising gross proceeds of \$27.5 million with settlement October 5, 2020.

In October 2020, Christoph Bausch was announced as the Company's new Chief Financial Officer with effect from November 1, 2020. Mr. Bausch brings many years of financial and operational management experience. Most recently he served as Executive Vice President and Chief Financial Officer of Weatherford. Previous to his tenure at Weatherford, he served as Executive Vice President and Chief Financial officer of Archer Limited, an oilfield services

company publicly traded on the Oslo Stock Exchange and before that served as a Global Finance Director of Transocean, after having a 20-year international career with Schlumberger.

On November 13, 2020, the Company announced a subsequent offering of 10 million shares with a subscription price of \$0.53 per share, equal to the subscription price in the US\$27.5 million equity offering completed in September 2020. The offering was successfully completed on November 25, 2020 and settled on November 27, 2020, raising gross proceeds of \$5.3 million.

In November, the Company sold its receivable against the Paragon litigation trust for total proceeds of \$8.8 million. A loss of \$0.4 million will be recorded in the fourth quarter 2020. The commitment to fund the litigation was part of the Paragon acquisition and was fully drawn by the end of 2019. The receivable was recorded within current assets as at September 30, 2020.

As mentioned above, significant efforts have been made during the quarter, to strengthen the financial position of the company and extend the liquidity runway. The desired outcome, once completed, will include contributions from all creditors, by either a reduction or deferral of cash interest and other related costs, an extension of maturities and a more flexible security package. Part of these negotiations is to restructure our corporate structure, allowing to better ringfence entities with liens from different creditor groups. This would enable the lower leveraged components of the envisioned corporate structure to attract additional capital, thereby strengthen the group's overall liquidity position, allowing the Company to activate more of its modern fleet of rigs and increase its market position. We are making good progress and we plan to have this combined package of measures in place by the end of this year.

Market

Global competitive jack-up rig utilization stood at 82% at the end of September 2020, a decrease of one percentage point quarter-on-quarter. The utilization for the competitive modern jack-up fleet (rigs built after year 2000) has decreased by one percentage point from June 2020 to 84% at the end of the third quarter of 2020.

At the end of September 2020, there were a total of 346 contracted jack-up rigs, down by 4 from 350 rigs as of June 30, 2020. For modern rigs, contracted rig count stood at 242 versus 104 standard jack-ups.

The total number of retired rigs in 2020 to date is 14 rigs, while 16 rigs were retired in 2019. Since the start of the downturn in 2014, a total of 119 rigs have been retired. There are currently 154 jack-up rigs older than 30 years, out of which 50 rigs are uncontracted. The Company maintains its view that a significant number of these will become commercially and technically uncompetitive in the next years.

With oil demand recovering at a fast pace since April 2020 and stabilization of the oil price in sight, bolstered by news on vaccines and OPEC+ discipline, the recovery in demand for shallow water development and infill drilling is expected. We are already seeing early signs of this recovery, with tendering levels within the quarter returning to those experienced throughout 2019 and pre COVID. This increased tendering activity is focused in three different geographic areas (North Sea, Africa and South-East Asia). This confirms both the low breakeven for shallow water developments and a positive demand outlook for the jack-up segment.

Taking a closer look around the globe and starting in South-East Asia, while the near term remains challenging, a number of tenders with start dates in the second half of 2021 have emerged among the regions independent IOCs and NOCs. These programs are for multiple high-specification modern assets with multiyear commitments. Borr Drilling has the leading fleet of modern jack-ups and is well positioned to benefit.

Outlook

Activity in the fourth quarter and in the first half of 2021 will continue to be impacted by the capex reductions our customers have had to make as a result of the lower oil price. We anticipate increased activity levels as oil prices approach \$50/bbl. There are several factors contributing positively to the shallow water offshore jack-up business.

Firstly, oil demand is expected to increase significantly, to the extent that the forecasted 2021 demand growth will be the largest increase ever according to the International Energy Agency. While spare capacity is available in some parts of the world, there needs to be a realization that there has been multiple years of low investments in the sector,

affecting both production decline in existing fields as well as severely limiting the start-up of new projects, as is evidenced by the low number of FIDs taken in the last years.

Some of the key Middle Eastern countries stated a reduction or suspension of their onshore rig count by 35% and 65% year to date. This will naturally have an impact on the production capacity going forward and possibly impact spare capacity. Where in the past North American shale might have filled the demand-supply gap, it is unlikely that this will happen again, given the increased financial rigor imposed on shale investments today. With the long lead time required to start new projects there will be a preference to first look at reactivating less capex intensive shorter cycle time land rigs, and shallow offshore jack-up rigs. This will create additional demand for our premium jack-up rigs. When the oil market was in a similar state of oversupply after the Asian flu in 1998, with oil prices under \$10/bbl, it caused a systematic underinvestment in the development of oil assets. Production in the following years did not meet the demand growth and investments grew sharply in the period from 2003-2008. In the beginning of this cycle the jack-up rates bottomed at \$40k/day with 18 months later reaching \$130k/day.

Secondly, almost 80% of the shallow water offshore jack-up market is operated by National Oil Companies. They have the opportunity to regain market share in the oil market and have plenty of quick payback resources left to develop. This is exemplified by the increased spending plan from ADNOC announced last week. Borr Drilling is flexible in the business models it can develop to work with these clients, including Joint Ventures and even straight sales of assets combined with operational and technical support if so required. We extend this type of cooperation particularly to customers that face retirement of a significant portion of their fleet. Currently we have the largest fleet of new assets in a market which is likely to remain that way as the number of newbuilds available from yards are dwindling without any new orders being placed.

Borr Drilling has invested significantly in new assets with extended operational capabilities and lower maintenance costs. In addition, we have also introduced technology which allows us to contribute to a lower emission society. The Prospector 1 is the first rig in our fleet that has been fitted with a Selective Catalytic Reduction ("SCR") System, which is expected to reduce emissions of nitrogen oxide, carbon oxide and hydrocarbons by 90-95%. In addition, the system is fitted with filters that are expected to reduce particle matter emissions by over 85%. The Prospector 1 is currently one of the few rigs in the world offering this type of emission reducing technology and has since installation been awarded work in the North Sea.

The challenging business environment of the last years in combination with the COVID pandemic has been very difficult for the offshore drilling industry, causing several companies to file for bankruptcy protection and other forms of financial restructuring. All these actions will likely lead to significant consolidation in the future, creating stronger companies able to withstand the cyclicity of our business and able to serve the long term needs of our customers. Based on ambition, asset fleet, and operational capability, we strongly feel that there is a role for Borr Drilling to play during this consolidation process. The offshore drilling industry will likely change significantly during the next 12-18 months and we are determined to contribute positively in this process, creating value for our investors, customers and other stakeholders.

As a result of this difficult market environment, combined with payment delays in Mexico, a large amount of debt and significant newbuild obligations, the Company continues to face a very challenging financial situation in the fourth quarter and going into 2021. As mentioned above, the company is in specific dialogue with its creditors, with the intention to extend its liquidity runway. There is no certainty that these negotiations will succeed, but we believe that the combination of Borr's high quality assets, its first-class operations and customer satisfaction, its existing infrastructure, and its sole focus on jack-ups differentiates the company from most of its peers. A successful execution of the above-mentioned plan will materially strengthen the Company's financial flexibility which should benefit both creditors and equity holders in order to attract new capital and create a platform for consolidation. The increased security and reduced risk should position the Company to give a solid return to the shareholders as the market recovers.

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 and oil 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, strategy and plans with respect to investments in joint ventures, contract backlog, expected contracting and



operation of our jack-up rigs and contract terms including estimated duration of contracts, expectations with respect to contracting available rigs including warm stacked rigs, expected ability to generate cash from operations, or extend our liquidity runway, ability to attract additional capital, thereby strengthen the group's overall liquidity and financial position, expected results in the rest of 2020, strategy with respect to asset base, expected business environment including statements made under "Market" and "Outlook" above, expected payments from Pemex, 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, remediation of advances, expectations with respect to amendments to our finance facilities, expected industry trends including with respect to demand for and expected utilization of rigs, expectations as to the role of Borr Drilling in any industry consolidation, 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 Prospectuses and in filings with the Securities and Exchange Commission. We do not undertake to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise.

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

November 30, 2020
The Board of Directors
Borr Drilling Limited
Hamilton, Bermuda

Questions should be directed to:
Magnus Vaaler: VP Investor Relations and Treasury, +47 22483000



Borr Drilling Limited

**Unaudited Condensed Consolidated Financial Statements
As of and for the three and the nine months ended September 30, 2020**

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

	Notes	3 months to September 30, 2020	3 months to September 30, 2019	9 months to September 30, 2020	9 months to September 30, 2019
Operating revenues					
Dayrate revenues	4	47.9	100.6	212.9	239.1
Related Party Revenue	3,21	11.3	2.1	34.4	2.1
Total operating revenues	4	59.2	102.7	247.3	241.2
Gain on disposal		—	—	13.1	3.9
Operating expenses					
Rig operating and maintenance expenses		(63.4)	(87.9)	(216.5)	(226.4)
Depreciation of non-current assets	8	(28.9)	(25.8)	(88.8)	(74.3)
Impairment of non-current assets	8	(0.8)	—	(77.1)	(11.4)
Amortization of acquired contract backlog		—	(4.1)	—	(18.6)
General and administrative expenses		(10.7)	(10.9)	(40.6)	(35.0)
Total operating expenses		(103.8)	(128.7)	(423.0)	(365.7)
Operating loss		(44.6)	(26.0)	(162.6)	(120.6)
Income (loss) from equity method investments	3	8.1	(1.6)	16.6	(1.6)
Financial income (expenses), net					
Interest income		—	0.6	0.2	1.1
Interest expense, net of amounts capitalized		(22.8)	(13.7)	(65.0)	(46.8)
Other financial income (expenses), net	5	0.8	(34.7)	(34.7)	(64.4)
Total financial expenses, net		(22.0)	(47.8)	(99.5)	(110.1)
Loss before income taxes		(58.5)	(75.4)	(245.5)	(232.3)
Income tax expense	6	(3.4)	(3.8)	(13.0)	(6.5)
Net loss		(61.9)	(79.2)	(258.5)	(238.8)
Net loss attributable to non-controlling interests		—	—	—	(1.5)
Net loss attributable to shareholders of Borr Drilling Limited		(61.9)	(79.2)	(258.5)	(237.3)
Basic loss per share	7	(0.39)	(0.75)	(1.98)	(2.27)
Diluted loss per share	7	(0.39)	(0.75)	(1.98)	(2.27)
Weighted-averages shares outstanding		156,972,197	105,068,351	130,526,380	105,068,351
Condensed Consolidated Statements of Comprehensive Loss					
Net Loss		(61.9)	(79.2)	(258.5)	(238.8)
Unrealized gain (loss) from marketable securities		—	(2.3)	—	(6.4)
Unrealized loss from marketable securities reclassified to Statements of Operations	5	—	12.0	—	12.0
Other comprehensive gain		—	9.7	—	5.6
Total comprehensive loss		(61.9)	(69.5)	(258.5)	(233.2)
Comprehensive loss for the period attributable to					
Shareholders of Borr Drilling Limited		(61.9)	(69.5)	(258.5)	(231.7)
Non-controlling interests		—	—	—	(1.5)
Total comprehensive loss		(61.9)	(69.5)	(258.5)	(233.2)

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

Borr Drilling Limited
Unaudited Condensed Consolidated Balance Sheets
(In \$ millions)

	Notes	September 30, 2020	December 31, 2019
ASSETS			
Current Assets			
Cash and cash equivalents		12.5	59.1
Restricted cash	11	—	69.4
Trade receivables		22.8	40.2
Jack-up drilling rigs held for sale	8	12.2	3.0
Prepaid expenses		9.5	8.1
Deferred mobilization and contract preparation cost	4	10.8	19.3
Accrued revenue	4	10.0	31.7
Tax retentions receivable		10.5	11.6
Due from related parties	21	34.5	8.6
Other current assets	14	27.8	26.9
Total current assets		150.6	277.9
Non-current assets			
Property, plant and equipment		5.9	7.3
Jack-up rigs	8	2,850.2	2,683.3
Newbuildings	9	136.2	261.4
Deferred mobilization and contract preparation cost	4	—	3.5
Equity method investments	3	69.0	31.4
Other long-term assets	15	1.8	15.2
Total non-current assets		3,063.1	3,002.1
Total assets		3,213.7	3,280.0
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables		27.8	14.1
Amounts due to related parties	21	1.3	0.4
Unrealized Loss on Forward Contracts	13	—	64.3
Accrued expenses		60.0	62.1
Onerous contracts	16	—	71.3
Other current liabilities	20	33.2	37.5
Total current liabilities		122.3	249.7
Non-current liabilities			
Long-term debt	17	1,903.6	1,709.8
Other liabilities		20.9	22.7
Long-term accrued interest	17	31.2	—
Liabilities from equity method investments	3	—	3.7
Onerous contracts	16	71.3	—
Total non-current liabilities		2,027.0	1,736.2
Total liabilities		2,149.3	1,985.9
Commitments and contingencies	22		

Borr Drilling Limited
Unaudited Condensed Consolidated Balance Sheets
(In \$ millions)

Stockholders' Equity

Common shares of par value \$0.05 per share: authorized 223,653,846 (2019: 137,500,000) shares, issued 158,431,911 (2019: 112,278,065) shares and outstanding 156,972,197 (2019: 110,818,351) shares at September 30, 2020

	7.9	5.6
Additional paid in capital	1,918.7	1,891.2
Treasury shares	(26.2)	(26.2)
Accumulated deficit	(836.2)	(576.7)
Equity attributable to the Company	1,064.2	1,293.9
Non-controlling interest	0.2	0.2
Total equity	1,064.4	1,294.1
Total liabilities and equity	3,213.7	3,280.0

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

Borr Drilling Limited
Unaudited Condensed Consolidated Statements of Cash Flows
(In \$ millions)

	Notes	3 months to September 30, 2020	3 months to September 30, 2019	9 months to September 30, 2020	9 months to September 30, 2019
Cash Flows from Operating Activities					
Net loss		(61.9)	(79.2)	(258.5)	(238.8)
<i>Adjustments to reconcile net loss to net cash used in operating activities:</i>					
Non-cash compensation expenses related to stock options	18	0.2	0.6	1.0	3.6
Depreciation of non-current assets	8	28.9	25.8	88.8	74.3
Impairment of non-current assets	8	0.8	—	77.1	11.4
Amortization of acquired contract backlog		—	4.1	—	18.6
Gain on disposals	8	—	—	(13.1)	(3.9)
Change in financial instruments	5	—	29.5	27.4	51.1
(Income)/loss from equity method investments	3	(8.1)	1.6	(16.6)	1.6
Non-cash loan fees related to settled debt		—	—	—	5.6
Deferred income tax	6	0.7	0.8	1.2	0.3
Change in other current and non-current assets		8.7	5.3	34.2	(24.3)
Change in other current and non-current liabilities		24.9	0.9	42.2	21.1
Net cash used in operating activities		(5.8)	(10.6)	(16.3)	(79.4)
Cash Flows from Investing Activities					
Purchase of plant and equipment		—	(1.2)	—	(1.8)
Proceeds from sale of fixed assets		3.0	—	20.8	6.8
Purchase of marketable securities	13	—	—	(92.5)	(6.9)
Investments in equity method investments	3	(7.5)	(19.4)	(24.7)	(19.4)
Proceeds from sale of marketable securities	13	—	—	3.0	4.2
Additions to newbuildings	9	(0.6)	(3.7)	(4.9)	(137.3)
Additions to jack-up rigs	8	(11.2)	(14.4)	(35.2)	(108.1)
Net cash used in investing activities		(16.3)	(38.7)	(133.5)	(262.5)
Cash Flows from Financing Activities					
Proceeds from share issuance, net of issuance cost		—	49.1	28.8	49.1
Repayment of long-term debt		—	—	—	(390.0)
Proceeds, net of deferred loan cost, from issuance of long-term debt	17	—	10.0	5.0	649.6
Proceeds, net of deferred loan cost, from issuance of short-term debt	17	—	—	—	58.5
Net cash provided by financing activities		—	59.1	33.8	367.2
Net (decrease) increase in cash, cash equivalents and restricted cash		(22.1)	9.8	(116.0)	25.3
Cash, cash equivalents and restricted cash at the beginning of the period		34.6	106.8	128.5	91.3
Cash, cash equivalents and restricted cash at the end of period		12.5	116.6	12.5	116.6
Supplementary disclosure of cash flow information					
Interest paid, net of capitalized interest		(4.2)	(20.2)	(29.6)	(48.9)
Income taxes paid, net		(1.7)	2.9	(7.7)	0.9
Issuance of long-term debt as non-cash settlement for newbuild delivery instalment		—	—	181.8	87.0
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 Condensed Consolidated Statements of Changes in Shareholders' Equity
(In \$ millions except share data)

<i>In \$ millions</i>	Number of outstanding shares	Common shares	Treasury shares	Additional paid in capital	Other Comprehensive Gain / (Loss)	Accumulated Deficit	Non- controlling interest	Total equity
Consolidated balance at December 31, 2018	105,068,351	5.3	(26.2)	1,837.5	(5.6)	(279.2)	1.7	1,533.5
Share-based compensation	—	—	—	2.0	—	—	—	2.0
Total comprehensive loss	—	—	—	—	(7.3)	(54.9)	(1.5)	(63.7)
Consolidated balance at March 31, 2019	105,068,351	5.3	(26.2)	1,839.5	(12.9)	(334.1)	0.2	1,471.8
Share-based compensation	—	—	—	1.0	—	—	—	1.0
Total comprehensive loss	—	—	—	—	3.2	(103.2)	—	(100.0)
Other, net	—	—	—	—	0.1	—	—	0.1
Consolidated balance at June 30, 2019	105,068,351	5.3	(26.2)	1,840.5	(9.6)	(437.3)	0.2	1,372.9
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	—	—	—	0.6	—	—	—	0.6
Total comprehensive loss	—	—	—	—	9.6	(79.2)	—	(69.6)
Other, net	—	—	—	(2.2)	—	—	—	(2.2)
Consolidated balance at September 30, 2019	110,818,351	5.6	(26.2)	1,887.8	—	(516.5)	0.2	1,350.9
<i>In \$ millions</i>	Number of outstanding shares	Common shares	Treasury shares	Additional paid in capital	Other Comprehensive Gain / (Loss)	Accumulated Deficit	Non- controlling interest	Total equity
Consolidated balance at December 31, 2019	110,818,351	5.6	(26.2)	1,891.2	—	(576.7)	0.2	1,294.1
<i>ASU 2016-13 - Measurement of credit losses</i>	—	—	—	—	—	(2.9)	—	(2.9)
Adjusted balance at January 1, 2020	110,818,351	5.6	(26.2)	1,891.2	—	(579.6)	0.2	1,291.2
Share-based compensation	—	—	—	0.6	—	—	—	0.6
Total comprehensive loss	—	—	—	—	—	(87.0)	—	(87.0)
Other, net	—	—	—	—	—	1.5	—	1.5
Consolidated balance at March 31, 2020	110,818,351	5.6	(26.2)	1,891.8	—	(665.1)	0.2	1,206.3
Issue of common shares	46,153,846	2.3	—	27.7	—	—	—	30.0
Equity issuance costs	—	—	—	(1.2)	—	—	—	(1.2)
Share-based compensation	—	—	—	0.2	—	—	—	0.2
Total comprehensive loss	—	—	—	—	—	(109.6)	—	(109.6)
Other, net	—	—	—	—	—	(1.1)	—	(1.1)
Consolidated balance at June 30, 2020	156,972,197	7.9	(26.2)	1,918.5	—	(775.8)	0.2	1,124.6
Share-based compensation	—	—	—	0.2	—	—	—	0.2
Total comprehensive loss	—	—	—	—	—	(61.9)	—	(61.9)
Other, net	—	—	—	—	—	1.5	—	1.5
Consolidated balance at September 30, 2020	156,972,197	7.9	(26.2)	1,918.7	—	(836.2)	0.2	1,064.4

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

Borr Drilling Limited
Notes to the Unaudited Condensed Consolidated Financial Statements
for the period ended September 30, 2020

Note 1 — General information

Borr Drilling Limited was incorporated in Bermuda on August 8, 2016. We are 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, 2020, the total fleet consisted of 31 jack-up drilling rigs, of which 5 jack-up drilling rigs are scheduled for delivery in 2022 and 3 jack-up drilling rigs are held for sale.

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,” “organization,” “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. The accompanying condensed consolidated financial statements and notes thereto should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2019 in the Form 20-F filed with the SEC on June 16, 2020. 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.

The Condensed Consolidated Financial Statements present the financial position of Borr Drilling Limited and its subsidiaries. Investments in companies we control are consolidated in the financial statements. Investments in entities we do not control, but over which we are 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 Consolidated Statements of Operations, and the value of our investment including funding provided, cumulative gains and losses from inception and the implied values of any guarantees are included within non-current assets in our Consolidated Balance Sheets.

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 our interest in the entity. The non-controlling interests of subsidiaries are included in the Consolidated Balance Sheets and Statements of Operations as “Non-controlling interests”. Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Going concern

We are dependent on additional financing in order to meet our existing commitments and further execute on our planned capital expenditure program. In addition to this, we are experiencing the impact of current unprecedented market conditions as a result of the global market reaction to the COVID-19 pandemic, together with uncertainty around the extent and timing for an economic recovery. Our customers have reacted to this crisis by significantly reducing their spending, which resulted in a weakened demand combined with pricing pressure for our services. At this stage we cannot predict with reasonable accuracy the impact of these extreme market conditions on the Company. At the time of this report we have received an early termination for three ongoing contracts and one cancellation of an upcoming contract and we experienced incremental costs as a result of safely conduct our operations and to proactively manage our available liquidity in this situation. The negative cash effects as a result of current and any future contract terminations and the incremental costs further extend the need for additional financing. Therefore, we have concluded that there exists substantial doubt over our ability to continue as a Going Concern.

In order to begin addressing this substantial doubt, on June 5, 2020 we completed an equity offering raising an additional \$30 million and completed a financial restructuring and amendments to the facilities from our secured lenders and shipyards. The key amendments were (i) deferral of the delivery of five newbuild jack-ups rigs until mid-2022, (ii) deferral of certain interest payments until 2022, (iii) deferral of debt amortization in 2021 of \$65 million until maturity of the loans in the second quarter of 2022, (iv) amendment of certain of the financial covenants, including reduction of the minimum liquidity covenant from 3% of net interest bearing debt, to \$5 million with a gradual step-up to \$20 million at December 31, 2021. Thereafter the 3% level will be reinstated, (v) as part of the amendments, utilization of the remaining \$30 million under our revolving credit facilities require all banks' consent, (vi) amending the minimum book equity ratio from 33.3% to 25% up to and including 31 December 2021. Thereafter the required ratio will be 40%, and (vii) suspension of the Debt Service Coverage Ratio covenant of 1.25x until 31 December 2021.

Further to this, on September 30, 2020, we announced certain amendments to the Syndicated Facility and Hayfin Facility, subject to certain conditions including the shipyards agreeing the same. The key announced amendments were: (i) extend the maturity on the Syndicated Facility and the Hayfin Facility to January 2023, (ii) no bank debt amortization before maturity, (iii) keeping the minimum cash covenant at USD 5 million until expiry of the Syndicated Facility and the Hayfin Facility, (iv) extend the maturity of interest payments due September 30, 2020 and December 31, 2020 with the banks 12 months, and (v) defer requirement to replenish the minimum restricted liquidity account with Hayfin until September 30, 2021. On September 30, 2020, we announced pricing of an equity offering which closed on October 5, 2020, raising gross proceeds of \$27.5 million. On November 13, 2020, we announced launch of a subsequent offering which settled on November 27, 2020, raising

Borr Drilling Limited
Notes to the Unaudited Condensed Consolidated Financial Statements
for the period ended September 30, 2020

gross proceeds of \$5.3 million. The sale of "Atla", "Balder" and "Eir" closed in the fourth quarter of 2020, raising gross proceeds of \$17.5 million.

We will continue to explore additional financing opportunities and strategic sale of a limited number of modern jack-ups in order to further strengthen the liquidity of the Company. While we have confidence that these actions will enable us to better manage our liquidity position, and we have a track record of delivering additional financing, there is no guarantee that any additional financing measures will be concluded successfully.

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 our consolidated financial statements for the year ended December 31, 2019 except as described below. None of the new accounting standards or amendments that were adopted during 2020 had a significant effect on the condensed interim consolidated financial statements, except as described below.

Adoption of new accounting standards

ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments —Effective January 1, 2020, we adopted the accounting standards update that requires entities to estimate an expected lifetime credit loss on financial assets ranging from short-term trade accounts receivable to long-term financings. Our accounts receivable represent consideration earned for performing services in various countries for our customers, including integrated oil companies, government-owned or government-controlled oil companies and other independent oil companies, the majority of which currently have corporate family investment grade credit ratings. We established procedures to apply the requirements of the accounting standards update using the loss-rate method by reviewing our historical credit losses and evaluating future expectations, and we recorded the initial estimated allowance with a corresponding entry to retained earnings. Our adoption did not have a material effect on our consolidated statements of financial position, operations or cash flows or on the disclosures contained in our notes to the consolidated financial statements (note 12).

Issued not effective accounting standards

There have been no accounting pronouncements issued and not yet effective that are expected to have significance to our consolidated financial statements.

Note 3 — Equity method investments

During 2019 we entered into a joint venture with Proyectos Globales de Energia y Servicios CME, S.A. DE C.V. ("CME") to provide integrated well services to Petróleos Mexicanos ("Pemex"). This involved Borr Mexico Ventures Limited ("BMV") subscribing for 49% of the equity of Opex Perforadora S.A. de C.V. ("Opex") and Perforadora Profesional AKAL I, SA de CV ("Akal"). CME's wholly owned subsidiary, Operadora Productora y Exploradora Mexicana, S.A. de C.V. ("Operadora") owns 51% of each of Opex and Akal.

We provide five jack-up rigs on bareboat charters to two other joint venture companies, Perforaciones Estrategicas e Integrales Mexicana S.A. de C.V. ("Perfomex") and Perforaciones Estrategicas e Integrales Mexicana II, SA de CV ("Perfomex II"), which are owned in the same way as Opex and Akal. Perfomex and Perfomex II provide the jack-up rigs under traditional dayrate drilling and technical service agreements to Opex and Akal. Opex and Akal also contract technical support services from BMV, management services from Operadora and well services from specialist well service contractors (including an affiliate of one of our related parties, Schlumberger Limited) and logistics and administration services from Logística y Operaciones OTM, S.A. de C.V, an affiliate of CME. This structure enables Opex and Akal to provide bundled integrated well services to Pemex. The potential revenue earned is fixed under each of the Pemex contracts, while Opex and Akal manage the drilling services and related costs on a per well basis. We are also obligated, as a 49% shareholder, to fund any capital shortfall in Opex or Akal where the Board of Opex or Akal make a cash call to the shareholders under the provisions of the Shareholder Agreements.

Borr Drilling Limited
Notes to the Unaudited Condensed Consolidated Financial Statements
for the period ended September 30, 2020

The below tables sets forth the results from these entities for the 3 months to September 30, 2020 and 2019 and their financial position as at September 30, 2020 and 2019:

<i>In \$ millions</i>	3 months to September 30, 2020				3 months to September 30, 2019			
	Perfomex	OPEX	Akal	Perfomex II	Perfomex	OPEX	Akal	Perfomex II
Revenue	33.6	92.0	47.9	16.3	10.0	18.7	—	—
Operating expenses	(33.6)	(69.9)	(37.6)	(11.7)	(12.8)	(20.7)	—	—
Net income	(0.8)	8.5	6.3	2.5	(2.7)	(1.9)	—	—
Cash	4.6	2.2	0.5	4.5	4.9	1.6	—	—
Total assets	142.5	182.2	62.1	—	36.9	27.9	—	—
Equity	4.1	0.8	6.4	4.2	(2.6)	(1.9)	—	—

The below tables sets forth the results from these entities for the nine months ended September 30, 2020 and 2019 and their financial position as at September 30, 2020 and 2019:

<i>In \$ millions</i>	9 months to September 30, 2020				9 months to September 30, 2019			
	Perfomex	OPEX	Akal	Perfomex II	Perfomex	OPEX	Akal	Perfomex II
Revenue	99.1	192.8	82.9	28.7	10.0	18.7	—	—
Operating expenses	(93.7)	(157.6)	(72.4)	(22.5)	(12.8)	(20.7)	—	—
Net income	2.6	20.6	6.3	4.4	(2.7)	(1.9)	—	—
Cash	4.6	2.2	0.5	4.5	4.9	1.6	—	—
Total assets	142.5	182.2	62.1	—	36.9	27.9	—	—
Equity	4.1	0.8	6.4	4.2	(2.6)	(1.9)	—	—

Akal and Perfomex II were incorporated in the fourth quarter of 2019.

Revenue in OPEX and Akal is recognized on a percentage of completion basis under the cost input method. The services OPEX and Akal deliver are to a single customer, PEMEX, and involves delivering integrated well services with payment upon the completion of each well in the contract. As of September 30, 2020, \$40.7 million of the receivables from PEMEX were overdue and \$133.1 million of receivables were unbilled. Of the overdue balance as of June 30, 2020 of \$46.0 million, all was collected in the third quarter of 2020. Although management believe the amount currently outstanding is recoverable, the receipt of these funds are critical to the financial performance of the ventures.

Revenue in Perfomex and Perfomex II is recognized on a day rate basis on a contract with OPEX and Akal, consistent with Borr's historical revenue recognition policies, with day rate accruing each day as the service is performed. We provide rigs and services to Perfomex and Perfomex II for use in its contracts with OPEX.

The total assets of each of OPEX, Akal, Perfomex and Perfomex II includes in-substance capital contributions from their shareholders, Borr and CME. As at the balance sheet date, the boards of the joint venture entities intend to convert certain amounts of this funding into equity and which will increase the equity balance within each entity.

We have 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 a credit score, adjusting for country risk and default probability. We have subsequently recognized a liability for \$5.9 million within other long term liabilities and added the \$5.9 million to the investment in the OPEX joint venture.

Borr Drilling Limited
Notes to the Unaudited Condensed Consolidated Financial Statements
for the period ended September 30, 2020

The following presents our investments in equity method investments as at September 30, 2020:

In \$ millions	Perfomex	OPEX	Akal	Perfomex II	Borr Total
Equity invested	—	—	—	—	—
Funding provided	41.1	3.7	1.8	8.9	55.5
Accumulated net income 49% basis	2.0	0.4	3.1	2.1	7.6
Guarantee provided	—	5.9	—	—	5.9
Total	43.1	10.0	4.9	11.0	69.0

The following presents our investments in equity method investments as at December 31, 2019:

In \$ millions	Perfomex	OPEX	Akal	Perfomex II	Borr Total
Equity invested	—	—	—	—	—
Funding provided	30.7	0.1	—	—	30.8
Accumulated net income 49% basis	0.7	(9.7)	—	—	(9.0)
Guarantee provided	—	5.9	—	—	5.9
Total	31.4	(3.7)	—	—	27.7

A total of \$24.7 million has been provided in funding for the nine months ended September 30, 2020.

Note 4 — Segment information

On January 1, 2020, the Company identified Integrated Well Services (IWS) operations performed by our joint venture entities OPEX and Akal (see note 3) as a new reportable segment as the conditions in ASU 280 were achieved, namely that our Chief Operating Decision Maker (“CODM”), which is our board of directors (the “Board”), began receiving regular operating reports for the combined entities and the other requirements for identifying a reportable segment were met.

A change in reportable segments requires retroactive application; however, we believe that the impact of such an application to our third quarter of 2020 report or our annual report on Form 20-F for the year ended December 31, 2019 would not be material given that the results of the joint ventures were separately presented within the footnotes to the financial statements and the contribution of the entities to consolidated results was not significant.

We have two operating segments: operations performed under our dayrate model (which includes rig charters and ancillary services) and operations performed under the IWS model, that are reviewed by the CODM, as an aggregated sum of assets, liabilities and activities that exist to generate cash flows.

The following presents information for the 3 months to September 30, 2020:

<i>(In \$ millions)</i>	Dayrate	IWS	Reconciling items	Consolidated total
Revenue	47.9	139.9	(139.9)	47.9
Related Party Revenue	11.3	—	—	11.3
Intersegment revenue	49.9	—	(49.9)	—
Gain on disposal	—	—	—	—
Rig operating and maintenance expenses	(108.7)	(57.6)	102.9	(63.4)
Intersegment expenses	—	(49.9)	49.9	—
Depreciation of non-current assets	(28.5)	—	(0.4)	(28.9)
Impairment of non-current assets	(0.8)	—	—	(0.8)
General and administrative expenses	—	—	(10.7)	(10.7)
Income from equity method investments	—	—	8.1	8.1
Operating (loss)/income including equity method investment	(28.9)	32.4	(40.0)	(36.5)

Borr Drilling Limited
Notes to the Unaudited Condensed Consolidated Financial Statements
for the period ended September 30, 2020

The following present information for the 3 months to September 30, 2019:

<i>(in \$ millions)</i>	Dayrate	IWS	Reconciling items	Consolidated total
Revenue	100.6	18.7	(18.7)	100.6
Related Party Revenue	2.1	—	—	2.1
Intersegment revenue	10.0	—	(10.0)	—
Gain on disposal	—	—	—	—
Rig operating and maintenance expenses	(100.7)	(10.7)	23.5	(87.9)
Intersegment expenses	—	(10.0)	10.0	—
Depreciation of non-current assets	(25.4)	—	(0.4)	(25.8)
Impairment of non-current assets	—	—	—	—
Amortization of acquired contract backlog	(4.1)	—	—	(4.1)
General and administrative expenses	—	—	(10.9)	(10.9)
Income from equity method investments	—	—	(1.6)	(1.6)
Operating (loss)/income including equity method investment	(17.5)	(2.0)	(8.1)	(27.6)

Borr Drilling Limited
Notes to the Unaudited Condensed Consolidated Financial Statements
for the period ended September 30, 2020

The following presents information for the 9 months to September 30, 2020:

<i>(In \$ millions)</i>	Dayrate	IWS	Reconciling items	Consolidated total
Revenue	212.9	275.7	(275.7)	212.9
Related Party Revenue	34.4	—	—	34.4
Intersegment revenue	127.8	—	(127.8)	—
Gain on disposal	—	—	13.1	13.1
Rig operating and maintenance expenses	(332.7)	(102.2)	218.3	(216.5)
Intersegment expenses	—	(127.8)	127.8	—
Depreciation of non-current assets	(87.4)	—	(1.4)	(88.8)
Impairment of non-current assets	(77.1)	—	—	(77.1)
General and administrative expenses	—	—	(40.6)	(40.6)
Income from equity method investments	—	—	16.6	16.6
Operating (loss)/income including equity method investment	(122.0)	45.7	(69.7)	(146.0)

The following presents information for the 9 months to September 30, 2019:

<i>(in \$ millions)</i>	Dayrate	IWS	Reconciling items	Consolidated total
Revenue	239.1	18.7	(18.7)	239.1
Related Party Revenue	2.1	—	—	2.1
Intersegment revenue	10.0	—	(10.0)	—
Gain on disposal	—	—	3.9	3.9
Rig operating and maintenance expenses	(239.2)	(10.7)	23.5	(226.4)
Intersegment expenses	—	(10.0)	10.0	—
Depreciation of non-current assets	(73.0)	—	(1.3)	(74.3)
Impairment of non-current assets	(11.4)	—	—	(11.4)
Amortization of acquired contract backlog	(18.6)	—	—	(18.6)
General and administrative expenses	—	—	(35.0)	(35.0)
Income from equity method investments	—	—	(1.6)	(1.6)
Operating (loss)/income including equity method investment	(91.0)	(2.0)	(29.2)	(122.2)

General and administrative expense and depreciation expense incurred by our corporate office are not allocated to our operating segments for purposes of measuring segment operating income (loss) and are included in "Reconciling Items." The full operating results included above for our Equity Method Investments are not included within our consolidated results and thus deducted under "Reconciling Items" and replaced with our Income from Equity Method Investments. See "Note 3 - Equity Method Investments" for additional information on our Equity Method Investments.

Borr Drilling Limited
Notes to the Unaudited Condensed Consolidated Financial Statements
for the period ended September 30, 2020

Geographic data

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

The following presents our revenues by geographic area:

	3 months to September 30, 2020	3 months to September 30, 2019	9 months to September 30, 2020	9 months to September 30, 2019
<i>(In \$ millions)</i>				
Europe	2.2	34.0	42.1	89.7
West Africa	25.9	31.8	94.7	66.3
Middle East	9.1	10.5	29.6	32.7
South East Asia	10.5	7.0	45.8	12.8
Mexico	11.5	19.4	35.1	39.7
Total	59.2	102.7	247.3	241.2

Major customers

The following customers accounted for more than 10% of our dayrate revenues:

	3 months to September 30, 2020	3 months to September 30, 2019	9 months to September 30, 2020	9 months to September 30, 2019
<i>(In % of operating revenues)</i>				
National Drilling Company (ADOC)	17 %	14 %	12 %	14 %
ExxonMobil	27 %	15 %	21 %	12 %
Shell	11 %	— %	7 %	— %
Total	55 %	29 %	40 %	26 %

Fixed Assets — Jack-up rigs¹

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

	As of September 30, 2020	As of December 31, 2019
<i>(In \$ millions)</i>		
Middle East ²	—	40.7
Europe	267.6	297.3
West Africa	596.4	646.1
South East Asia	1,307.1	978.1
Mexico	679.1	721.1
Total	2,850.2	2,683.3

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 and contract preparation costs” and “Accrued revenue” and non-current contract assets are included in “Deferred mobilization and contract preparation costs” on our Consolidated Balance Sheets.

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.

² "Atla" is located in the Middle East but is classified as held for sale as at September 30, 2020.

Borr Drilling Limited
Notes to the Unaudited Condensed Consolidated Financial Statements
for the period ended September 30, 2020

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

	As of September 30, 2020	As of December 31, 2019
<i>(In \$ millions)</i>		
Current contract assets	20.8	51.0
Non-current contract assets	—	3.5
Total	20.8	54.5

Significant changes to contract assets balances for the period ended September 30, 2020 are as follows:

<i>(In \$ millions)</i>	Contract assets
Net balance at January 1, 2020	54.5
Additions to deferred costs and accrued revenue	72.0
Amortization of deferred costs	(105.7)
Total contract assets at September 30, 2020	20.8

Contract Costs

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

Note 5 — Other financial income/(expenses), net

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

	3 months to September 30, 2020	3 months to September 30, 2019	9 months to September 30, 2020	9 months to September 30, 2019
<i>(In \$ millions)</i>				
Foreign exchange gain/(loss), net	0.1	(0.2)	0.8	0.8
Other financial income/(expenses)	0.7	(5.0)	(8.1)	(14.1)
Change in unrealized loss on call spread	—	(0.8)	(2.3)	(2.4)
Change in unrealized (loss) on marketable securities	—	(12.0)	—	(12.0)
Realized gain on shares (note 13)	—	—	1.5	—
Loss on forward contracts	—	(16.7)	(26.6)	(36.7)
Total	0.8	(34.7)	(34.7)	(64.4)

As of September 30, 2020, the Company does not hold any forward contracts or marketable securities.

Note 6 — Taxation

Borr Drilling Limited is a Bermuda company and is not required to pay taxes in Bermuda on ordinary income or capital gains under a tax exemption granted by the Minister of Finance in Bermuda until March 31, 2035. 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.

Borr Drilling Limited
Notes to the Unaudited Condensed Consolidated Financial Statements
for the period ended September 30, 2020

Income tax expense is comprised of the following:

	3 months to September 30, 2020	3 months to September 30, 2019	9 months to September 30, 2020	9 months to September 30, 2019
<i>(In \$ millions)</i>				
Current tax	2.7	3.0	11.8	6.2
Change in deferred tax	0.7	0.8	1.2	0.3
Total	3.4	3.8	13.0	6.5

Note 7 — Loss per share

The computation of basic 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 2,007,998 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 our 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 our EPS.

	3 months to September 30, 2020	3 months to September 30, 2019	9 months to September 30, 2020	9 months to September 30, 2019
Basic loss per share	(0.39)	(0.75)	(1.98)	(2.27)
Diluted loss per share	(0.39)	(0.75)	(1.98)	(2.27)
Issued ordinary shares at the end of the period	158,431,911	106,528,065	158,431,911	106,528,065
Weighted average numbers of shares outstanding for the period	156,972,197	105,068,351	130,526,380	105,068,351

There are no share options that would be considered dilutive under the “if converted method” for the three and nine months ended September 30, 2019 and 2020.

Following our equity offering which closed on October 5, 2020 and in accordance with the loan agreement for the Company's \$350 million 3.875% Senior Unsecured Convertible Bonds, an adjustment to the conversion price from \$33.4815 to \$32.7743 per depository receipt listed on Oslo Stock Exchange was triggered.

Note 8 — Jack-up rigs

	September 30, 2020	December 31, 2019
<i>(In \$ millions)</i>		
Balance at January 1	2,683.3	2,278.1
Additions	35.2	100.5
Transfers from Newbuildings (note 9)	311.9	420.9
Depreciation and amortization	(87.4)	(99.7)
Disposals	(6.5)	(2.1)
Reclassification to asset held for sale	(9.2)	(3.0)
Impairment	(77.1)	(11.4)
Total	2,850.2	2,683.3

Transfers from Newbuildings

In the first and second quarter of 2020 we took delivery of “Heimdal” and “Hild” respectively from Keppel Shipyard Ltd. Each rig's delivery installment was \$90.9 million, and we accepted delivery financing for the same amount. The rigs have been transferred from newbuildings to jack-up rigs.

Borr Drilling Limited
Notes to the Unaudited Condensed Consolidated Financial Statements
for the period ended September 30, 2020

Disposals

During the first quarter of 2020 we sold "B391" for gross proceeds of \$0.8 million, resulting in a loss of \$0.4 million. In addition we sold \$0.7 million of spare parts from our warehouse acquired in the Paragon acquisition resulting in a gain of the same amount.

The sale of "B152" and "Dhabi II" was completed in April 2020 and the rigs, with associated backlog, were sold for total proceeds of \$15.8 million, resulting in a gain of \$12.8 million in the second quarter of 2020.

The "MSS1" was sold during the third quarter of 2020 for gross proceeds of \$2.2 million. The rig was previously impaired to its sale value and no further gains or losses were recorded during the third quarter 2020.

The jack-up drilling rigs "Atla" and "Balder" have subsequently been sold during the fourth quarter of 2020 for gross proceeds of \$14.5 million. The sale of the jack-up drilling rig "Eir" has also closed in the fourth quarter of 2020 and resulted in gross proceeds of \$3.0 million. See subsequent events in note 23.

All disposals are within our dayrate segment and part of our strategy to dispose of older assets.

Impairment

An impairment loss of \$18.4 million was recognized for the "MSS1" in the first quarter of 2020 as a result of entering into a sale agreement, which resulted in us reducing the book value to the expected sale value.

During the first half of 2020, the coronavirus global pandemic and the response thereto have negatively impacted the macro-economic environment and global economy. Global oil demand has fallen sharply at the same time global oil supply has increased as a result of certain oil producers competing for market share, leading to a supply glut. As a consequence, Brent fell from around \$68 per barrel at year-end 2019 to a low point of \$19.33 on April 21, 2020. In response to significantly reduced oil price expectations for the near term, oil and gas companies are reviewing and in most cases lowering significantly, their capital expenditure plans in light of revised pricing expectations. As a result, we concluded that a triggering event had occurred as at June 30, 2020 and we performed a fleet-wide impairment assessment. We determined that our estimated undiscounted cash flows were insufficient to recover the carrying value for two of our cold stacked rigs, "Atla" and "Balder" resulting in an impairment loss of \$57.9 million in the second quarter of 2020.

The impairment charge was included in impairment of non-current assets in our condensed consolidated statements of operations for the three months ended June 30, 2020. We measured the fair value of these assets to be \$10.0 million as of June 30, 2020 by applying a combination of an income approach, using projected discounted cash flows and estimated sale or scrap value. These valuations were based on unobservable inputs that require significant judgments for which there is limited information, including, in the case of an income approach, assumptions regarding future day rates, utilization, operating costs and capital requirements

An impairment loss of \$0.8 million was recognized for the "Balder" in the third quarter of 2020, when the rig was reclassified to held for sale. This impairment charge was a result of an estimated net sale price below carrying value at September 30, 2020. No other impairment indicators were identified during the quarter.

Reclassification to assets held for sale

As of September 30, 2020, we consider that the requirement for held for sale presentation continues to apply for the "Eir". In addition, the jack-up drilling rigs "Atla" and "Balder" have been classified as held for sale during the third quarter.

Depreciation of property, plant and equipment

In addition to the depreciation in the above table, we recorded a depreciation charge of \$0.4 million in the third quarter 2020, and \$1.4 million for the 9 months to September 30, 2020, related to property, plant and equipment. For the full year 2019 the Company recorded a depreciation charge of \$1.7 million related to property, plant and equipment.

Note 9 — Newbuildings

	September 30, 2020	December 31, 2019
<i>(In \$ millions)</i>		
Balance at January 1	261.4	361.8
Additions	181.8	302.0
Capitalized interest	4.9	18.5
Transfers to jack-up rigs	(311.9)	(420.9)
Total	136.2	261.4

We took delivery of the "Heimdal" in the first quarter of 2020 and the "Hild" in the second quarter of 2020. The delivery installments were funded by delivery financing from Offshore Partners Pte. Ltd of \$90.9 million each (note 10).

Borr Drilling Limited
Notes to the Unaudited Condensed Consolidated Financial Statements
for the period ended September 30, 2020

Note 10 — Asset acquisition

Acquisition of Keppel Rigs

In May 2018, we 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, we paid a pre-delivery installment of \$288.0 million. The pre-delivery installment is secured by a parent guarantee from Keppel Offshore & Marine Ltd. We have 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 Borr Drilling Limited. We have taken delivery of three of the five rigs as of September 30, 2020, with the remaining rigs scheduled to be delivered in the second and third quarter of 2022. The remaining contracted installments, payable on delivery, for the Keppel newbuilds acquired in 2018 are approximately \$172.8 million as of September 30, 2020.

Note 11 — Restricted cash

	September 30, 2020	December 31, 2019
<i>(In \$ millions)</i>		
Balance at January 1	69.4	63.4
Transfer to (from) restricted cash	(69.4)	6.0
Total	—	69.4

Note 12 — Expected credit losses

The table below sets forth the allowance for credit losses:

	3 months to September 30, 2020	9 months to September 30, 2020
<i>(In \$ millions)</i>		
<i>Adoption of ASU 2016-13 - Measurement of credit losses</i>	—	2.9
Expected credit losses at the start of the period	3.7	—
Current-period provision for expected credit losses	—	—
Recoveries collected	(1.8)	(1.0)
Total	1.9	1.9

Upon adoption of ASU 2016-30, Current Expected Credit Losses, we recorded \$2.9 million to retained earnings relating to an initial estimated allowance for contract losses, encompassing two customers. New provisions and recoveries of previous provisions are recorded in rig operating and maintenance expenses as and when they occur.

Note 13 — Financial instruments

Forward contracts

During the second of quarter 2020, we settled our forward contract position to purchase shares in a listed drilling company for an aggregate amount of \$92.5 million resulting in a realized loss from establishment of the position of \$91.0 million. Total cash required to take delivery of the forwards was \$92.5 million, of which \$91.2 million was held as restricted cash at the time of settlement. Subsequently all shares were sold for total proceeds of \$3.0 million, resulting in a gain of \$1.5 million.

Borr Drilling Limited
Notes to the Unaudited Condensed Consolidated Financial Statements
for the period ended September 30, 2020

Note 14 — Other current assets

Other current assets are comprised of the following:

	September 30, 2020	December 31, 2019
<i>(In \$ millions)</i>		
Client rechargeables	6.4	5.6
Other receivables	3.0	6.2
Prepaid fees	9.2	—
VAT and other tax receivable	7.2	12.2
Deferred financing fee	1.7	2.4
Right-of-use lease asset, current	0.3	0.5
Total	27.8	26.9

The prepaid fees in the table above refer to funding of the Paragon litigation trust. In November 2020, we sold the loan receivable to an unrelated third party for total proceeds of \$8.8 million. As a result of this transaction, we will record a \$0.4 million loss in the fourth quarter of 2020 (see note 23).

Note 15 — Other long-term assets

Other long-term assets are comprised of the following:

	September 30, 2020	December 31, 2019
<i>(In \$ millions)</i>		
Deferred tax asset	—	1.3
Call Spread	—	2.3
Tax refunds	0.4	0.2
Prepaid fees	—	9.2
Right-of-use lease asset, non-current	1.4	2.2
Total	1.8	15.2

Note 16 — Onerous contracts

	September 30, 2020	December 31, 2019
<i>(In \$ millions)</i>		
Onerous rig contract Hull B366 (TBN "Tivar")	16.8	16.8
Onerous rig contract Hull B367 (TBN "Vale")	26.9	26.9
Onerous rig contract Hull B368 (TBN "Var")	27.6	27.6
Total	71.3	71.3

As a result of amended agreements with Keppel FELS in June 2020, \$71.3 million of the onerous rig contract balances classified as short term as of December 31, 2019 are now reclassified to non-current (note 17). "Tivar" is expected to be delivered in Q2 2022 and "Vale" and "Var" in Q3 2022.

Borr Drilling Limited
Notes to the Unaudited Condensed Consolidated Financial Statements
for the period ended September 30, 2020

Note 17 — Long-term debt

Long-term debt is comprised of the following:

	Carrying amount		Principal amount		Back end fee	
	September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019
<i>(In \$ millions)</i>						
Hayfin Loan Facility	193.1	192.3	195.0	195.0	—	—
Syndicated Senior Secured Credit Facilities	266.0	264.2	270.0	270.0	—	—
New Bridge Revolving Credit Facility	30.0	25.0	30.0	25.0	—	—
\$350m Convertible bonds	347.2	346.4	350.0	350.0	—	—
PPL Delivery Financing	793.7	790.0	753.3	753.3	29.3	29.3
Keppel Delivery Financing	273.6	91.9	259.2	86.4	13.5	4.5
Total	1,903.6	1,709.8	1,857.5	1,679.7	42.8	33.8

Carrying amount in the table above includes, where applicable, deferred financing fees and certain interest adjustments to allow for variations in interest payments to be straight lined.

At September 30, 2020 the scheduled maturities of our debt were as follows:

	Maturities
<i>(In \$ millions)</i>	
2020	—
2021	—
2022	578.7
2023	935.9
2024	170.1
Thereafter	172.8
Total principal amount of debt	1,857.5
Total debt-related balances, net	46.1
Total carrying amount of debt	1,903.6

In June 2020, the Company obtained significant amendments to facilities from its secured lenders and shipyards. The following represent the key terms

Hayfin Loan Facility

In June 2020, Hayfin agreed to make certain amendments to the facility, including softening of some restrictions related to transfer of cash within the ring fenced structure, and allowing the Company to utilize minimum liquidity equal to three months interest (\$2.4 million at the time) in the Ring Fenced Entities to pay interest under the facility. The restricted cash needs to be replenished on January 1, 2021. Our Hayfin Facility matures in June 2022 and bears interest at a rate of LIBOR plus a specified margin. As of September 30, 2020, our Hayfin Facility was fully drawn.

Syndicated Senior Secured Credit Facilities

In June 2020, the lenders agreed to amend the terms of some of the covenants, and the dates of certain amortization payments which otherwise would have occurred in 2021 to occur on maturity in the second quarter of 2022. The agreements, include requirements that we maintain a minimum book equity ratio until and including December 31, 2021, equal to or higher than 25%; and thereafter equal to or higher than 40%, a positive working capital balance, a debt service cover ratio in excess of 1.25 of our interest and related expenses from the start of 2022. Furthermore, the Company must maintain minimum liquidity equal to the greater of \$5 million in cash until December 31, 2020; \$10 million in cash from and including January 1, 2021, to and including June 30, 2021; \$15 million in cash from and including July 1, 2021 to and including September 30, 2021; \$20 million in cash from and including October, 1 2021, to and including December 31, 2021; and free liquidity including cash and undrawn revolving credit facilities of the higher of (i) \$30 million and (ii) 3% of the aggregate of net interest bearing debt and certain funds in blocked accounts on or after January 1, 2022.

The Syndicated Facility includes a \$25 million revolving credit facility, of which \$10 million was undrawn as of September 30, 2020 and may be drawn at the discretion of the lenders.

Borr Drilling Limited
Notes to the Unaudited Condensed Consolidated Financial Statements
for the period ended September 30, 2020

New Bridge Revolving Credit Facility

In June, 2020, the lenders agreed to change the dates of certain facility reductions which otherwise would have occurred in 2021 to occur on maturity and to amend the minimum liquidity covenant levels to: \$5 million in cash until December 31, 2020; \$10 million in cash from and including January 1, 2021, to and including June 30, 2021; \$15 million in cash from and including July 1, 2021, to and including September 30, 2021; \$20 million in cash from and including October 1, 2021 to and including December 31, 2021; and free liquidity including cash and undrawn revolving credit facilities of the higher of (i) US\$30 million and (ii) 3% of the aggregate of net interest bearing debt and ring fenced liquidity on or after January 1, 2022.

As of September 30, 2020, \$20 million was undrawn under The New Bridge Facility, which may be drawn with the consent of all of the lenders.

PPL Newbuild Financing

In June 2020, a substantial amount of cash payments of interest was suspended in relation to these rigs for the period from the first quarter of 2020 to the fourth quarter of 2021, and accrued interest becomes payable in the first quarter of 2022, except for \$1 million payable per quarter starting in the first quarter of 2020. Accrued, unpaid interest will be guaranteed by Borr IHC Limited, a new intermediate holding company which was incorporated on June 29, 2020. Borr IHC Limited is a subsidiary of the Company and has acquired the shares in the Company's other subsidiaries with the exception of Borr Jack-Up XVI. The security for the PPL Financing also includes share security over the owners of the rigs which were delivered by PPL with finance under the PPL Financing agreements.

Keppel Newbuild Financing

In June 2020, we agreed to defer the delivery of two of the Keppel Rigs to the third quarter of 2022 and three of the newbuild jack-up rigs acquired in connection with the Transocean Transaction to 30 June 2022 ("Tivar") and the third quarter of 2022 ("Vale" and "Var"). We retain the option to accept delivery financing for four of these rigs upon delivery and have cancelled Newbuild Facility delivery finance from the banks in relation to the "Tivar" as well as the Keppel \$100 million delivery financing for this rig announced in February 2020. We have agreed to pay certain holding and other costs for each of the five rigs in respect of the period from the original delivery dates to the revised delivery dates. Payments of such costs fall due in quarterly installments from the first quarter of 2021 until delivery.

Impact of debt agreement amendments

In June 2020 we made certain amendments to our secured financing arrangements and yard delivery agreements. Management's assessment of these amendments is that it does not constitute a distressed debt renegotiation and we have consequently not accelerated any debt fee amortization as a result of these amendments. \$12.4 million of costs associated with the debt amendments were expensed during the second quarter of 2020.

On September 30, 2020, the Company announced certain modifications to the Syndicated Facility and Hayfin Facility, subject to certain conditions including shipyards agreeing the same. The key announced amendments were: (i) extend the maturity on the Syndicated Facility and the Hayfin Facility to January 2023, (ii) no bank debt amortization before maturity, (iii) keeping the minimum cash covenant at USD 5 million until expiry of the Syndicated Facility and the Hayfin Facility, (iv) extend the maturity of interest payments due September 30, 2020 and December 31, 2020 with the banks 12 months, and (v) defer requirement to replenish the minimum restricted liquidity account with Hayfin until September 30, 2021.

As of September 30, 2020, payment of \$31.2 million of interest expenses and cost cover are extended and will fall due after 12 months as a result of modifications made to our debt agreements.

Interest

Weighted average interest rate for all our interest-bearing debt, excluding Convertible Bonds, was 5.0% for the nine months ended September 30, 2020.

Covenants

As of September 30, 2020, we were in compliance with the covenants and our obligations under our debt agreements.

Note 18 — Compensation

Share-based payment charges for the period ending:

<i>(In \$ millions)</i>	3 months to September 30, 2020	3 months to September 30, 2019	9 months to September 30, 2020	9 months to September 30, 2019
Total	0.2	0.6	1.0	3.6

Total number of options authorized by the Board is 3,494,000 and 2,007,498 are outstanding as of September 30, 2020.

Borr Drilling Limited
Notes to the Unaudited Condensed Consolidated Financial Statements
for the period ended September 30, 2020

Note 19 — Fair values of financial instruments

The carrying value and estimated fair value of our cash and financial instruments were as follows:

<i>(In \$ millions)</i>	<u>Hierarchy</u>	<u>As at September 30, 2020</u>		<u>As at December 31, 2019</u>	
		<u>Fair value</u>	<u>Carrying value</u>	<u>Fair value</u>	<u>Carrying value</u>
Assets					
Cash and cash equivalents	1	12.5	12.5	59.1	59.1
Restricted cash	1	—	—	69.4	69.4
Trade receivables	1	22.8	22.8	40.2	40.2
Accrued revenue		10.0	10.0	31.7	31.7
Tax retentions receivable		10.5	10.5	11.6	11.6
Other current assets (excluding deferred costs)	1	26.1	26.1	22.7	22.7
Due from related parties		34.5	34.5	8.6	8.6
Forward contracts (note 13)	2	—	—	27.9	27.9
Liabilities					
Long-term debt	2	1,616.8	1,903.6	1,624.0	1,709.8
Trade payables	1	27.8	27.8	14.1	14.1
Accruals and other current liabilities	1	93.2	93.2	99.6	99.6
Forward contracts (note 13)	2	—	—	92.2	92.2
Guarantees issued to equity method investments (note 3)	3	5.9	5.9	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 long term debt. No assets or liabilities have been transferred from one level to another during the quarter.

Included in “Level 3” is guarantee 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 20 — Other current liabilities

Accruals and other current liabilities are comprised of the following:

<i>(In \$ millions)</i>	<u>September 30, 2020</u>	<u>December 31, 2019</u>
Accrued payroll and severance	3.7	6.2
VAT and current taxes payable	18.1	17.8
Operating lease liability, current	3.1	3.4
Deferred mobilization revenue	5.2	5.6
Other current liabilities	3.1	4.5
Total accruals and other current liabilities	33.2	37.5

Borr Drilling Limited
Notes to the Unaudited Condensed Consolidated Financial Statements
for the period ended September 30, 2020

Note 21 — Related party transactions

Transactions with those holding significant influence over us

Commercial Arrangements

We have obtained certain rig and other operating supplies from Schlumberger, who own approximately 7.2% of our shares, and may continue to obtain such supplies in the future. Purchases from Schlumberger were \$2.6 million in the third quarter of 2020 and \$4.6 million in the third quarter of 2019, and \$6.9 million during the first nine months of 2020 and \$15.6 million during the first nine months of 2019. \$1.3 million and \$0.4 million were outstanding at September 30, 2020 and December 31, 2019, respectively.

Pursuant to the corporate support agreement with Magni Partners Limited, which is wholly owned by one of our directors, and which provides for reimbursement of costs with Borr board approval, \$0.2 million was paid in the third quarter of 2020 and \$0.7 million was paid during the first nine months of 2020 under the agreement. \$nil was outstanding at September 30, 2020 and December 31, 2019.

We have entered into arrangements with companies which are related to our former Chief Financial Officer, Rune Magnus Lundetræ. Charges in the first nine months of 2020 were \$nil, compared with \$0.03 million in the first nine months of 2019. \$nil was outstanding at September 30, 2020 and December 31, 2019.

Transactions with entities over which we have significant influence

Mexico Joint Ventures

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 Consolidated Statements of Operations and we provided services worth \$0.2 in the third quarter of 2020 and \$1.0 million in the first nine months of 2020, respectively. We have provided a guarantee valued at \$5.9 million to support OPEX's operations under the contracts with Pemex. We have as at September 30, 2020 provided \$3.7 million of funding to OPEX (note 3).

Perfomex

As part of entering into the share purchase agreement for 49% of the shares in Perfomex, we also entered into other commercial arrangements with the same entity. We provide three rigs on a bareboat basis for Perfomex to service its contract with OPEX. The revenue from these contracts can be found within the related party revenue line in our Consolidated Statements of Operations and we recognized of revenue of \$11.4 million in the third quarter of 2020 and \$23.6 million in the first nine months of 2020, respectively. We also provide international and local personnel for the offshore operations of the rigs and administrative services on a cost-plus basis. In the first nine months of 2020, we recognized \$3.5 million in the third quarter of 2020 and \$9.2 million of related party revenue from the provision of these services, respectively. We have as of September 30, 2020 provided \$41.1 million of funding to Perfomex (note 3).

Akal

As part of entering into the share purchase agreement for 49% of the shares in Akal, Perfomex II entered into other commercial arrangements with this related party. Perfomex II, in which we own 49%, provides drilling services under drilling contracts with Akal on a dayrate basis. We have as of September 30, 2020, provided \$1.8 million of funding to Akal.

Perfomex II

As part of entering into the share purchase agreement for 49% of the shares in Perfomex II, we also entered into other commercial arrangements with the same entity. We provide two rigs on a bareboat basis for Perfomex II to service its contract with Akal. The revenue from these contracts can be found within the related party revenue line in our Consolidated Statements of Operations. We recognized \$0.9 million in the third quarter of 2020 and \$1.9 million of revenue from these contracts in the first nine months of 2020, respectively. We also provide international and local personnel for the offshore operations of the rigs and administrative services on a cost-plus basis. We recognized \$1.8 million in the third quarter of 2020 and \$5.4 million of related party revenue in the first nine months of 2020 from the provision of these services, respectively. As of September 30, 2020, we have provided \$8.9 million of funding to Perfomex II.

Note 22 — Commitments and contingencies

We have the following commitments as of September 30, 2020:

<i>(in \$ millions)</i>	Delivery installment	Back-end fee
Delivery installments for jack-up drilling rigs	621.0	9.0
Total	621.0	9.0

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, 2020.

Borr Drilling Limited
Notes to the Unaudited Condensed Consolidated Financial Statements
for the period ended September 30, 2020

The following table sets forth when our commitments fall due as of September 30, 2020

<i>(In \$ millions)</i>	Less than 1 year	1–3 years	3–5 years	More than 5 years	Total
Delivery installments for jack-up rigs	—	621.0	—	—	621.0

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 \$39.6 million and \$70.1 million as of September 30, 2020 and December 31, 2019, respectively. Up to \$70.0 million are covered by security under the guarantee facility under one of our loan agreements.

As of September 30, 2020, these obligations and their expiration dates are as follows:

<i>(In \$ millions)</i>	Less than 1 year	1-3 years	3-5 years	Thereafter	Total
Surety bonds and other guarantees	20.3	19.3	—	—	39.6
Performance guarantee to OPEX (note 3)	—	5.9	—	—	5.9
Total	20.3	25.2	—	—	45.5

Note 23 — Subsequent events

Equity offering

On October 5, 2020, the September equity offering was settled and the Company's issued share capital has been increased by \$2,594,339.65 to \$10,515,935.20, divided into 210,318,704 common shares with a nominal value of \$0.05 per common share raising gross proceeds of \$27.5 million.

New Chief Financial Officer

On October 10, 2020, the Company announced the appointment of Christoph Bausch as its new Chief Financial Officer, replacing Mr. Francis Millet with effect from November 1, 2020.

Sale of rigs

On October 28, 2020, the Company entered into an agreement to sell its cold stacked jack-up drilling rig "Atla" to an independent operator. The completion of the sale took place in the fourth quarter 2020. Together with the previously announced sale of the standard jack-up drilling rig "Eir", which has been completed in October for total cash proceeds of \$13 million.

On November 2, 2020, the Company entered into an agreement to sell its cold stacked jack-up rig "Balder" to BW Energy. The completion of the sale took place in the fourth quarter 2020, and the Company will receive \$4.5 million sale proceeds.

Shareholder approval to increase authorized share capital

In a Special General Meeting on November 11, 2020, shareholders approved the increase of the Company's authorized share capital from US\$11,182,692.30 divided into 223,653,846 common shares of US\$0.05 par value each to US\$11,932,692.30 divided into 238,653,846 common shares of US\$0.05 par value each by authorizing an additional 15,000,000 common shares of US\$0.05 par value each.

Sale of Paragon litigation trust receivable

On November 16, 2020, the Company sold the loan receivable for Paragon litigation trust to an unrelated third party for total proceeds of \$8.8 million. The transaction resulted in a loss of \$0.4 million which will be recorded in the fourth quarter of 2020.

Repair offering

On November 27, 2020 the Company's issued share capital was increased by \$500,000 to \$11,015,935.20 divided into 220,318,704 common shares with a nominal value of \$0.05 per common share raising gross proceeds of \$5.3 million.