



**Borr
Drilling**

BORR DRILLING LIMITED

ANNUAL REPORT 2017

BOARD OF DIRECTORS REPORT

Borr Drilling Limited (the "Company" and, together with its subsidiaries, the "Group" or "Borr Drilling") is an international drilling contractor incorporated in Bermuda in 2016. The Company was listed on the Oslo Stock Exchange from August 30, 2017. Borr Drilling owns and operates jack-up drilling rigs of modern and high-specification design providing drilling services to the oil and gas industry worldwide in water depths up to approximately 400 feet. As of 31 December 2017, the Company's fleet consisted of 26 jack-up drilling rigs, whereof 13 will be delivered between 2018 and 2020.

Borr Drilling's strategy is to build a substantial fleet of jack-up drilling rigs and establish itself as the preferred provider of drilling services in hydrocarbon basins around the world by acquire and operate modern offshore drilling assets.

The consolidated financial statements of Borr Drilling have been prepared on a going-concern basis and in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP)

Fleet

With the current oversupply in the market, consolidation and divestment to non-drilling activities is needed and anticipated. The Board view the four older units that are stacked in Scotland to be non-core. During the first half of 2018, Borr Drilling is planning to divest at least one of these rigs to a counterparty on terms that it will be used for non-drilling activities.

The first rig from PPL, the "Galar", was delivered on November 15, 2017. Subsequent to December 31, 2017, the Company took delivery of the "Gerd", the second rig from PPL on January 4, 2018. On January 5, 2018, the first rig from Keppel, the "Saga", was delivered. On February 23, 2018 the third rig from PPL, the Gersemi was delivered.

As of the date of this report, the Company operates a fleet of 16 drilling rigs, whereof 12 are high specification premium rigs, and has a further 10 to be delivered from shipyards. This fleet positions Borr Drilling as the largest premium jack-up drilling company globally, with the youngest fleet.

Health, safety and environment

Borr Drilling is committed to protecting the health and safety of all our people and our contractors in all work activities. We will continuously pursue the goal of zero harm to people, assets and the environment. We will promote active risk management to mitigate foreseeable hazards and ensure QHSE is integral in everything we do. Borr Drilling will provide information, instruction and training that is relevant to employees' duties and responsibilities. We strive for continuous improvement by setting clear objectives, performance monitoring and the encouragement of constructive feedback.

In 2017, 3 accidents (first aid cases) were reported in accordance with reporting guidelines of Borr Drilling. To ensure our operations are conducted with proper regard for the environment we have established several measures to reduce environmental risk to levels

as low as reasonably practicable. No uncontrolled discharges to the environment were reported for the year ended 31 December 2017.

Human Resources and Diversity

Borr Drilling practice a workplace free from harassment and discrimination. Borr Drilling will not tolerate working conditions or treatment that conflicts with international laws and practices. Our employees are to respect the personal dignity, privacy and rights of everyone they interact with during work and those affected by our business operations. As of December 31, 2017, Borr Drilling had 90 full time employees, whereof 50 offshore employees and 40 onshore employees whereof 7 are female. Improving gender diversity is a continued priority to the Company. The absence due to sickness for onshore employees was 0.01% in 2017.

Going Concern

The financial statements have been prepared on a going concern basis. The Group is dependent upon loans and/or equity issues to finance the remaining obligations under the current newbuilding contracts for rigs. Given our existing debt facilities, debt capacity as a result of the fact that past acquisitions have been primarily financed by equity issues and our track record in terms of raising equity, we will be able to meet our anticipated liquidity requirements for our business for at least the next twelve months as of the date of these financial statements and that our working capital is sufficient for our present requirements.

Corporate development and Financing

On March 15, 2017, the Company entered into an agreement and a signed letter of intent to acquire fifteen high specification jack-up drilling units from Transocean Ltd. The transaction consisted of Transocean's entire jack-up fleet, comprising eight rig owning companies in Transocean's fleet and five newbuildings under construction at Keppel Fels Limited, Singapore

On March 21, 2017, the Company completed a private placement of 228,600,000 shares with a subscription price of US\$3.50 per share raising gross proceeds of US\$800.1 million to partly finance the acquisition of rigs from Transocean.

On August 30, 2017, the Company listed on Oslo Stock Exchange under the ticker BDRILL. The listing followed a commitment made in the two capital raises in December 2016 and March 2017, respectively, and improves Borr Drilling's access to the capital market as the Company continues to grow.

On October 6, 2017, Borr Drilling and Schlumberger signed an enhanced collaboration agreement to work on a number of fronts to challenge traditional business models in the industry. In January 2018, Patrick Schorn, Executive Vice President of New Ventures in Schlumberger Limited, joined the Board of Directors. He is bringing vast experience and industry insight to the Board and his appointment represents another milestone in the development of the relationship between Borr Drilling and Schlumberger.

Additionally, on October 6, 2017, the Company signed a master agreement with PPL to purchase a total of nine premium jack-up drilling rigs with deliveries from November 2017 through Q2 2019. All rigs are of the BMC Pacific Class 400 design. To finance the purchase, Borr Drilling completed an equity issue on October 8, 2017, raising proceeds of US\$650 million. Additionally, the Company secured financing for the remaining delivery payments for

each PPL rig. The loan maturities are five years from each delivery date, with no amortisation during the loan period. The first instalment of approximately US\$502 million for the nine rigs was paid at the end of October 2017.

In October 2017, the Company realized a gain of approximately US\$15 million on forward contracts to purchase shares in Atwood Oceanics. The Board is pleased with the return on this investment and may perform similar purchases going forward if the valuation is viewed as attractive and the underlying assets fits well with Borr Drilling's fleet profile.

Financial Performance & Operating Results

Statement of Operations

Operating revenues were US\$0.1 million for the year ended December 31, 2017. Total operating expenses were US\$109.8 million for the year ended December 31, 2017. Total rig operating and maintenance expenses were US\$36.2 million for the year ended December 31, 2017. Total depreciation, amortization and impairment of non-current assets were US\$47.9 million for the year ended December 31, 2017.

Total general and administrative expenses were US\$21.0 million for the year ended December 31, 2017. US\$3.5 million is non-cash expense related to employee benefit programs. The remaining US\$17.5 million is mainly due to salaries, consulting fees, professional fees and one-off costs relating to the start-up of the Company, the two jack-up rigs acquired from Hercules, the Transocean transaction, the PPL transaction and the Oslo Stock Exchange Listing. Other financial income was US\$21.7 million for the year ended December 31, 2017 and relates primarily to gain on realized forward contracts.

Balance Sheet

The Company had total assets of US\$1,672.3 million as of December 31, 2017 (December 31, 2016: US\$158.1 million). The increase in total assets of the Company is primarily driven by the acquisition of ten jack-up drilling rigs and five newbuildings under construction at Keppel FELS Limited ("Keppel") from Transocean Inc., the completed asset acquisition of the two Hercules jack-up drilling rigs and the acquisition of nine jack-up drilling rigs from PPL.

As of December 31, 2017, total equity was US\$1,492.9 million which corresponds to an equity ratio of 89.3 percent. As of December 31, 2016, total equity was US\$157.8 million which corresponds to an equity ratio of 99.8 percent.

Total liabilities as of December 31, 2017, were US\$179.4 million (December 31, 2016: US\$0.2 million). The increase is mainly attributable to US\$71.3 million in non-current liabilities related to the onerous contracts position of the three newbuilding contracts acquired from Transocean Inc. and the delivery financing for the "Galar" of US\$87.0 million.

Statement of Cash Flows

Net cash flow generated from operating activities was negative US\$32.6 million for the year ended December 31, 2017 and is explained by the net loss for the period.

Net cash flow used in investing activities was US\$1,447.8 million for the year ended December 31, 2017. The investments relates to the completion of the acquisition of the two jack-up rigs from Hercules of US\$117.7 million in Q1 2017, the payment of US\$324.5 million to Transocean for the acquisition of ten operational jack-up

rigs during the year, US\$275.0 million paid as the first instalment to Keppel for the five newbuilding contracts in Q2 2017, the first instalment on the PPL rigs of US\$502.2 million and the final instalments of US\$159.5 million for the delivery of the "Galar" and the "Saga" from PPL and Keppel, respectively, in Q4 2017 (payment for the "Saga" was made in December 2017, rig delivered January 5, 2018). The remaining cash used in investing activities relates to increase in restricted cash and purchases of marketable securities.

Net cash flow provided by financing activities was US\$1,506.3 million for the year ended December 31, 2017 and relate primarily to the March and October private placement raising net proceeds of approximately US\$1,415.0 million and the delivery financing of US\$87.0 million for the "Galar".

As of December 31, 2017, the Company's cash and cash equivalents amounted to US\$164.0 million (December 31, 2016: US\$138.1 million).

Outstanding shares

As of December 31, 2017, the total issued common shares in Borr Drilling was 478,292,500. In March, 2017 Magni Partners (Bermuda) Limited and Ubon Partners AS exercised 7,750,000 and 1,937,500 share warrants, respectively. Also in March, 2017 the Company issued 228,600,000 new shares in a private placement. In October 2017, the Company issued 162,500,000 new shares in a private placement. In addition to the outstanding shares the Board has approved up to 10,000,000 options to be used as a long-term incentive program for the Company's employees.

On October 6, 2017, the Company issued a further 4,736,887 warrants ("Warrants") to Schlumberger as a consequence of a final collaboration agreement between the Company and Schlumberger being signed. Immediately thereafter, the Company agreed to repurchase all of the 9,473,774 Warrants held by Schlumberger at a price of US\$0.50 per Warrant, US\$4.7 million in total. Consequently, all Warrants were then cancelled.

Operations

In December 2017, the "Frigg", a 2013 built KFELS Super A class high-specification jack-up rig purchased from Hercules in January 2017, commenced operation for Total in Nigeria. The contract duration is twelve months with options for extension thereafter up to a maximum of twelve months.

In January 2018, "Norve", a 2011 built BMC Pacific Class 400 jack-up rig purchased from Transocean in May 2017, commenced operation for BW Energy Dussafu B.V. ("BW Energy") in Gabon. The contract duration is for the drilling of two production wells of an anticipated duration of 140-160 days.

Market

Activity level in the jack-up market continued to improve with 326 contracted units at the end of 2017, the highest level seen since the inception of the Company in December 2016. During 2017, Independent Cantilever (IC) jack-ups less than 10 years old gained market share with contracted rig count for such rigs increasing 12% year on year while older rigs saw a decline of 3%.

Tendering activity is increasing and the materiality of discussions with customers is improving. In particular, several multi-year opportunities for incremental jack-up rigs are expected to be concluded in the Middle East in the short to medium term. Opportunities in West Africa and South-East Asia are also on the

rise. However, utilization levels remain close to historical lows and competition for available work is intense, resulting in day-rates hovering around operating cash breakeven level for the industry.

Attrition of jack-ups increased towards year-end with 6 jack-ups being retired in the fourth quarter, out of a total of 16 retirements for the full year. Since the start of the downturn 50 jack-ups have now been retired. The Company believes that the current global fleet count includes many rigs that will be uncompetitive in the medium term as significant investments will be required to reactivate stacked rigs and keep older working rigs in class. Hence, scrapping activity is expected to increase in the current dayrate environment. A total of 257 units, or 48 %, of the global jack up fleet are more than 30 years old today.

A significant number of these older units are unlikely ever to drill again. The high reactivation cost, combined with safety concerns, make these units unattractive to operate. Furthermore, the increase in demand for jack up rigs that can drill deeper and more complex wells is further strengthening the case for modern, premium equipment. This argument is also highlighted by the age restrictions introduced in several recent tender processes.

Outlook

The targeted, first step in the overall plan of developing Borr Drilling to be the leading premium jack-up company has to a large extent been completed in 2017 by the acquisition of 22 rigs all built after 2011. The second phase of this plan continues in 2018 with the commencement of the first two drilling contracts, delivery of new buildings and the expected acquisition of Paragon Offshore.

The day rate levels and utilisation in the jack-up rig market remains challenging entering 2018. Borr Drilling will be a rational market participant focusing on opportunities that generate positive cash returns after re-activation, mobilization and operating costs. The current day rates are still below such levels and does not support the reactivating of rigs from a return perspective. However, the cost savings realised in our client base's supply chains, and anticipated growth in capital expenditure budgets should lead to improvements in industry activity levels, and ultimately day rates going into 2019. In recent months we have seen a significant increase in tendering activity. Historically, a significant increase in day rates and utilisation has lagged an oil price recovery with 12 – 24 months. As a result, the Board is cautious about pursuing contract opportunities that are long dated at current day rate levels and therefore, the shareholders should expect significant uncontracted capacity for 2018.

The Borr Drilling fleet has, even if we include stacking cost for years after the acquisition, been acquired at very attractive prices compared to what a newbuild jack-up rig would cost today. Based on factors such as the development of the US\$, steel prices, yard capacity and the general shipping and offshore markets, we consider it likely that newbuilding prices have reached the bottom and will increase in the years to come.

The Paragon transaction, if completed, gives us an operational platform to continue to develop the Company as the leading jack-up drilling operator. The plan for the amalgamation of the two companies will lead to significant cost reduction and give Borr a strong operational platform in the market for high spec units in the North Sea. With the 5-year track record from Paragon, the Company is well positioned to win work with key jack-up clients, like Saudi Aramco, ADNOC and Pemex.

We have explored a lot of different opportunities but see today few additional assets to be acquired. Borr is now close to the finish line

building the leading jack-up drilling company both in terms of operations and assets. The Board is confident that Borr Drilling has a unique position both from a fleet perspective and the timing of our entry into the industry. The Company has in a short period of time become one of the largest owners of premium jack-up rigs during a cyclical low, has a strong balance sheet and secured financing for the current asset base, and continues to build an organisation of highly qualified employees. There are clear signs that we have passed the bottom of the offshore drilling cycle and the activity level is picking up. With the current contract commencements, we have also seen the first evidence of solid operational performance inducing favourable client feedback.

Corporate Governance and Corporate Social Responsibility Report

Borr Drilling has prepared a Corporate Governance and Corporate Social Responsibility Report which is included as separate sections of this annual report. Borr Drilling has based its corporate governance policies and practices on the Norwegian Code of Practice for Corporate Governance published on 30 October 2014. Most of the principles and recommendations in the Code are included in the Company's corporate governance policy. There are, however, some areas where the Company's governance principles differ from those of the Code, primarily due to differences between the Bermuda Companies Act and/or the Bye-Laws and the Norwegian Public Limited Companies Act.

Risk Factors

Borr Drilling is exposed to a variety of risks, including market, operational, liquidity and financial risks. The most significant risk to the Company, is the cyclical and volatility in the offshore contract drilling industry. The level of activity in the offshore drilling industry is impacted by oil and natural gas prices. Sustained periods of low oil and natural gas prices typically result in reduced demand for drilling services because the capital expenditure budgets of companies exploring for or producing oil and/or natural gas ("E&P Companies") are sensitive to changes in oil and natural gas prices. The Group's focus will be on operations in the shallow water segment where the drilling costs are generally lower than in the deeper water environments. Hence, such areas will normally be preferred for new exploration over areas in deeper water. Activity in this segment therefore tends to be maintained longer. A decline in the activity level of the oil and natural gas industry could therefore have a material adverse effect on the demand for the Group's services and on the business, financial condition and results of the Group's operations.

The Group's revenues are denominated in US dollars. In some countries where the Group operate, it incurs costs in other currencies than US dollars. Changes in foreign exchange rates, to the extent the Company has not hedged such changes, may have a negative effect on the Company's business, financial condition, results of operations or prospects.

The Group is exposed to variable interest rates on long term financing as the Group has not hedged such changes. Interest rates are influenced by many factors, including but not limited to governmental, monetary and tax policies, domestic and international economic and political conditions, and other factors beyond the Company's control. The interest rates of debt facilities may fluctuate significantly and could have an adverse effect on the Company's business, financial condition and results of operation.

The Group is dependent upon having access to long-term funding, including debt facilities or equity, to the extent its own cash flow from operations is insufficient to fund its operations and capital expenditures. In turn, the Group must secure and maintain sufficient equity capital to support any such borrowing facilities.

Largest shareholders

As at December 31, 2017 our 20 largest shareholders are:

| Rank | Holding | Perc. | Name |
|-------------|--------------------------|---------------|------------------------------------|
| 1 | 75,658,500 | 15.8% | Schlumberger Oilfield Holdings Ltd |
| 2 | 69,604,141 | 14.6% | Euroclear Bank S.A./N.V. |
| 3 | 36,786,801 | 7.7% | Folketrygdfondet |
| 4 | 23,319,900 | 4.9% | Drew Holdings Ltd |
| 5 | 21,250,000 | 4.4% | Skagen Kon-Tiki |
| 6 | 18,781,437 | 3.9% | Clearstream Banking S.A. |
| 7 | 17,071,440 | 3.6% | Rasmussengruppen AS |
| 8 | 15,662,000 | 3.3% | Fid Adv New Insights Fd-Sub B |
| 9 | 11,126,800 | 2.3% | Ubon Partners As |
| 10 | 9,096,082 | 1.9% | Goldman Sachs International |
| 11 | 8,750,000 | 1.8% | Bnp Paribas |
| 12 | 8,113,785 | 1.7% | Brown Brothers Harriman (Lux.) Sca |
| 13 | 7,840,658 | 1.6% | Magni Partners (Bermuda) Ltd |
| 14 | 7,496,000 | 1.6% | Fidelity Funds |
| 15 | 6,486,532 | 1.4% | RBC Investor Services Bank S.A. |
| 16 | 5,344,283 | 1.1% | Titan Opportunities Fund Ic Sicav |
| 17 | 5,107,200 | 1.1% | Dnb Luxembourg S.A. |
| 18 | 4,642,850 | 1.0% | Midelfart Capital AS |
| 19 | 4,290,700 | 0.9% | J.P. Morgan Bank Lux. S.A. |
| 20 | 4,273,958 | 0.9% | Klp Aksjenorge Indeks |
| | 360,703,067 | 75.5% | Total top 20 shareholders |
| | 2,670 117,589,433 | 24.5% | Other shareholders |
| | 2,690 478,292,500 | 100.0% | All shareholders |

Subsequent events

On January 4, 2018, the Company took delivery of “Gerd”, the second jack-up rig from PPL.

On January 5, 2018, the company took delivery of “Saga” the first newbuilding from Keppel.

In January 2018, the “Norve” commenced operations for BW Energy in Gabon.

In January 2018, Patrick Schorn, Executive Vice President of New Ventures in Schlumberger, joined the Board of Directors.

Borr Drilling announced a binding tender agreement on February 21, 2018 to offer to purchase all outstanding shares in Paragon Offshore Limited (“Paragon”). Total acquisition price for all outstanding shares is US\$241.3 million or US\$43.88 per share. On February 26, 2018 Borr announced the commencement of its tender offer to purchase all of the outstanding shares of Paragon. The transaction was subject to the satisfaction of the offer conditions. Customary closing conditions, including, among other customary conditions, that (a) at least 3,361,763 Shares, representing at least 67% of the outstanding Shares have been validly tendered and not withdrawn before the Expiration Date, (b) no material adverse change shall have occurred prior to closing, and (c) Paragon shall have completed all actions necessary to acquire ownership of certain Prospector drilling rigs and legal entities currently subject to chapter 11 proceedings in the United States Bankruptcy Court in the District of Delaware. The Offer was not subject to a financing condition. The offer conditions (a) and (c) were all satisfied as of the date of the Board of Directors Report. The transaction is expected to close on March 29, 2018.

On February 23, 2018, the Company took delivery of the “Gersemi”, the third jack-up rig from PPL.

On March 22, 2018, it was announced that Simon Johnson’s contract as Chief Executive Officer of the Company will be terminated. The Board has decided to promote Mr. Svend Anton Maier as interim CEO with immediate effect. Mr. Maier has been the Chief Operating Officer of the Company since its inception in December 2016 and has successfully been responsible for building the asset base in the Company and commencing operations for several of the rigs.

On March 23, 2018 the Company completed a private placement of 54,347,827 shares with a subscription price of US\$4.60 per share raising gross proceeds of US\$250 million to finance the purchase of shares in Paragon Offshore Limited and for general corporate purposes.

CORPORATE GOVERNANCE REPORT

Borr Drilling Limited ("Borr Drilling" or "the Company") is a company organized and existing under the laws of Bermuda. The corporate governance principles applicable to it are set out in the Bermuda Companies Act 1981, its bye-laws (the "Bye-Laws") and its memorandum of association.

As a consequence of the listing of Borr Drilling's shares on the Oslo Stock Exchange (the "OSE"), certain aspects of Norwegian law, notably the Norwegian Securities Trading Act and the Norwegian Stock Exchange Regulations are also relevant for its corporate governance policy.

Borr Drilling's Corporate Governance Policy

The overall corporate governance policy of Borr Drilling is the responsibility of its board of directors (the "**Board**").

In defining this policy, the Board will observe the requirements set out in applicable laws, cf. above, relevant recommendations and the specific requirements arising from Borr Drilling's business activities.

The most important recommendation of relevance to the Company's corporate governance is the Norwegian Code of Practice for Corporate Governance of 30 October 2014 (the "**Code**").

The Board recognizes that the Code represents an important standard for corporate governance for companies whose shares are listed on the OSE. Most of the principles and recommendations in the Code are included in the Company's corporate governance policy. There are, however, some areas where the Company's governance principles differ from those of the Code, primarily due to differences between the Bermuda Companies Act and/or the Bye-Laws and the Norwegian Public Limited Companies Act.

The Board has codified certain corporate governance principles in a "Code of Conduct," applicable to all employees in the Company and its subsidiaries (the "**Borr Group**").

The Code of Conduct can be found on the Company's website (www.borrdrilling.com).

The Board has formulated the Company's overall mission and the core values on which all of the activities of the Borr Group shall be based on. These can be found in the Company's website.

The Business

Borr Drilling's memorandum of association describes the Company's objects and purposes as unrestricted. This deviates from the recommendation in the Code but is in line with the requirements of the Bermuda Companies Act.

Borr Drilling has clear objectives and strategies for its business. These are described in the Company's annual report and on its website.

Equity and Dividends

The Board strives to identify and pursue clear business goals and strategies for the Company, to assess and manage the risks associated with these, and to maintain an equity capital and liquidity position which are sufficient to match the same.

Under the Bye-Laws, the Board may declare dividends and distributions without the approval of the shareholders in general meetings. This differs from the recommendation in the Code.

The Company's aim is to provide its shareholders with a competitive return on their investment through a positive development in the price of the Company's shares and, when the Company's profits so allows, dividends to its shareholders.

The Company's shareholders may, by way of a resolution in a general meeting of all shareholders (a "General Meeting") increase the Company's authorized share capital, reduce the authorized share capital (by reducing the number of unissued but authorized shares) and increase or reduce the issued share capital. The procedures and ratifications of this are set out in the Bye-Laws and the Bermuda Companies Act.

The Board has, under Bermuda law, wide powers to issue authorized but unissued shares in the Company. The Board is also authorized in the Bye-Laws to purchase the Company's shares and hold these in treasury. These powers are not restricted to any specific purposes nor to a specific period as the Code recommends.

Equitable treatment of shareholders and transactions with close associates

Borr Drilling has one class of shares only. Each share carries one vote. All shares have equal rights. All shares give a right to participate in General Meetings.

Under the Bermuda Companies Act, no shareholder has a pre-emptive right to subscribe for new shares in a limited company unless (and only to the extent that) the right is expressly granted to the shareholder under the bye-laws of such company or under any contract between the shareholder and such company. The Bye-Laws do not provide for pre-emptive rights.

The Board will only transact in the Company's shares at their market value (as reflected in the share price quoted on the OSE from time to time).

Members of the Board (each a "**Director**") and the Company's senior management shall notify the Board if they have any material interest, whether direct or indirect, in any transaction which the Borr Group intends to conclude.

Following these guidelines, any Directors and/or member of the Company's senior management who have an interest in any such transaction shall always refrain from participating in the discussions on whether to conclude such transaction or not in the relevant corporate bodies in the Borr Group.

Further, the Board shall always consider whether it is appropriate to obtain an independent third-party valuation of the object of any material transaction between the Company and any of its close associates.

Freely negotiable shares

The Company's share is, subject to the exception set out below, freely tradable.

The Bye-Laws requires the Board to decline to register a transfer of the Company's shares in a situation where the Board is of the opinion that such transfer might breach any applicable law or requirement of any authority or the OSE until it has received such evidence as it needs to satisfy itself that no such breach will occur.

General meetings

The Code requires that notice of General Meetings, (including any supporting documents for the resolutions to be considered therein) is made available on the Company's website no later than 21 days prior to the date of the General Meeting.

The Bye-Laws allows, in accordance with Bermuda law, for notice to be given no less than 7 days (excluding the day on which the notice is served and the day on which the General Meeting to which it relates is to be held) prior to a General Meeting. This differs from the recommendation of the Code.

The Board aspires to maintain good relations with its shareholders and possible investors in its shares, and to have an investor relation policy which complies with the OSE's Code of Practice for Investor Relations.

The Board shall ensure that as many shareholders as possible are able to participate in the General Meetings. To achieve a high rate of shareholder attendance therein the Company shall:

- provide, on its website, the date of and, if possible, further information on each General Meeting as early as possible, and at the latest 7 days in advance thereof;
- provide, together with or before the notice is given, sufficient supporting documentation for any resolution proposed to be made therein in order for the shareholders to prepare;
- ensure that any registration deadline is set as close to the General Meeting as possible; and
- ensure that the shareholders may vote for each and all of the candidates for the Board.

Nomination Committee

The Code recommends that the Company has a nomination committee.

The Company is not, under Bermuda law, obliged to establish a nomination committee. The Board is of the opinion that there are, for the time being, not sufficient reasons to establish a nomination committee.

The Board will consult with the Company's main shareholders prior to proposing candidates for Directors and will ensure that the Board consists of Directors with the expertise and competence as shall be required by the Company from time to time.

Corporate Assembly and Board of Directors, composition and independence

The Company does not have a corporate assembly.

According to the Bye-Laws the Board shall consist of not less than two Directors. Currently the Board consists of four Directors.

It is the view of the Board that at least two of its Directors are independent of the Company's main shareholders. Further, it is the view of the Board that a majority of the Directors are independent

of the Borr Group's senior managers and main business partners. No Director is employed by the Borr Group.

The Board will, in accordance with normal procedures for Bermuda companies, elect its chairman. This differs from the recommendation in the Code that the General Meeting shall elect their chairman of the Board.

The Directors shall, subject to applicable law and the Bye-Laws, hold office until the first General Meeting following such Director's election. The Directors may be re-elected.

A short description of the current Directors is available on Borr Drilling's website – www.borrdrilling.com.

The work of the Board

The Code recommends that the Board develops and approves written guidelines for its own work as well as the work of the Borr Group's senior managers with particular emphasis on establishing clear internal allocation of responsibilities and duties.

The Bermuda Companies Act does not require the Board to prepare such guidelines. The Board is of the opinion that there are no reasons to issue such guidelines at present.

The Code recommends that the Board establishes an audit committee and a remuneration committee.

The Bermuda Companies Act does not require the Company to establish such committees. The Board is of the opinion that there are no reasons to establish such committees at present.

Risk management and internal control

The Board is focused on ensuring that the Borr Group's business practices are sound and that adequate internal control routines are in place. The Board continuously assesses the possible consequences of and the risks related to the Borr Group's operations.

Borr Drilling is committed to protecting the health and safety of all of the Borr Group's employees and contractors in all their activities for the Borr Group and is committed to ensure generally accepted QHSE principles are integrated in everything the Borr Group does.

The Board supervises the Company's internal control systems. These cover both the Borr Group's operations and its guidelines for ethical conduct and social responsibility.

Remuneration of the Directors

The remuneration of the Directors is set by the General Meeting. The Company may, on occasion, pay Directors their fee in the Company's shares and/or grant Directors under the Company's share option scheme.

Section 11 of the Code requires that Directors should not take on specific assignments for the Company in addition to their appointment as Directors.

Borr Drilling will not refrain from engaging Directors for specific assignments for the Company if such engagement is considered beneficial to the Company. This differs from the recommendation in the Code. However, such assignments will be disclosed to the Board and the Board shall approve the assignment, as well as the remuneration.

Remuneration of leading employees

The remuneration of the Borr Group's senior managers is based on four components. The first component is each individual's fixed salary. This is set based on the individual's position and responsibility and the international salary level for comparable positions.

The second component is local compensation such as housing allowance, mandatory pension payments, etc.

The third component is a variable, discretionary bonus. Bonuses will be granted based on the performance of the Borr Group as a whole and each individual in relation to targets set annually.

The fourth component is a share option scheme established by the Company where share options can be issued to senior managers in the Borr Group.

The Code recommends that guidelines for the remuneration of executive personnel are prepared and approved by the General Meeting. Such guidelines should set forth an absolute limit to performance related remuneration. The Borr Group's remuneration policy does not require such a procedure, nor does it contain any such limit. This differs from the recommendation in the Code.

The Bye-Laws permits the Board to issue share options to the Company's employees, including members of the Borr Group's senior management team, without requiring that the General Meeting approves the number of options granted or the terms and conditions of such. In addition, the share option scheme is an incentive program rather than remuneration directly limited to the Company's results.

Information and communication

The Company is committed to provide information on its financial situation, ongoing projects and other circumstances relevant for the valuation of the Company's shares to the financial markets on a regular basis.

The Company is also committed to disclose all information necessary to assess the value of its share on its web site. Interested parties will find the Company's latest news releases, financial calendar, company presentations, share and shareholder information, information about analyst coverage and other relevant information here.

Such information may also be found on the website of the OSE – www.oslobors.no.

Information to Borr Drilling's shareholders shall be published on the Company's website at the same time as it is sent to the shareholders.

Takeover Offer

The Board has prepared guidelines applicable in the event a general offer is made for its shares.

The Board will seek to ensure that the Company's business activities, in such event, are not disrupted unnecessarily. The Board will, furthermore, strive to ensure that shareholders are given sufficient information and time to form a view of the terms of such offer.

The Board will not pass any resolutions with the intention of obstructing the completion of any take-over offer unless this is

approved by the General Meeting following the announcement of such offer.

If a take-over offer is made, the Board will issue a statement on its merits in accordance with statutory requirements and the recommendations in the Code.

The Board will consider obtaining a valuation of the Company's equity capital from an independent expert if a take-over offer is made in order to provide guidance to its shareholders as to whether to accept such offer or not.

Any transaction that is in effect a disposal of all of the Company's activities will be submitted to the General Meeting for its approval.

Auditor

The Board will, each year, agree a plan for the audit of the Borr Group's accounts with its auditor. The Board will furthermore interact regularly with the auditor within the scope of this plan.

CORPORATE SOCIAL RESPONSIBILITY

Borr Drilling is committed to conducting its operations ethically and in compliance to applicable laws and regulations.

All activities on board are risk assessed to identify hazard and potential risk to persons on board and the environment and adequate control measures taken to mitigate such risks.

Borr Drilling Vision, Mission and Values are as follows:

- **Vision** – To be the leading offshore drilling company
- **Mission** – To apply talent, entrepreneurial spirit and commitment to performance throughout our modern fleet creating value for customers and investors
- **Values** – Adaptability, Teamwork, integrity and commitment.

Our People

Our fleet is growing and so is our Company.

Borr Drilling Employees by Region as of 31 December 2017



In Borr Drilling we believe that our employees are our most important resource. We have a diverse work force and believe in working together and benefit from each other's strengths.

By increasing the competence base of our organization, we will produce confident, highly qualified staff working as an effective and efficient team to enable the organization to achieve its goals and objectives.

Personnel are provided training necessary to improve and maintain their competency at work.

Management maintains an open line of communication with personnel, providing them with key updates related to the company. Personnel are also encouraged to provide feedback on company management system and processes.

We provide safe and healthy working environment to personnel by implementing several health and safety measures as per the Company Management System.

Health, Safety and Environment

Borr Drilling is committed to protecting the health and safety of all our people and conservation of the environment.

Borr Drilling continuously pursues the goal of zero harm to people and the environment by taking proactive measures to prevent work related injuries and illnesses and uncontrolled discharges. Such measures include:

- Providing the necessary resources to ensure that operations can be conducted safely
- Promoting active risk management to mitigate foreseeable hazards.
- Ensuring plant, equipment and machinery are safe to operate.
- Providing information, instruction and training to ensure personnel are competent to carry out their duties and responsibilities.
- Continuous monitoring of activities to ensure that compliance to Company Management System and all applicable health, safety and environmental regulations.

Operations offshore are supported by HSE personnel on the installation and in the corporate office. During 2017, 3 personnel suffered minor injuries requiring first aid treatment. No uncontrolled discharges to the environment were reported for the year.

A daily review of all HSE Events and monthly review of HSE performance is carried out by the Corporate Management team. The key performance indicators for HSE include:

- Personnel Injury Incidents
- Dropped Object Incidents
- Near Miss incidents
- Spills to Environment
- Participation of personnel in the safety observation program

Every incident and near miss is investigated to identify root cause and corrective actions are implemented to prevent recurrence. Learnings from such incidents are also shared across the fleet through safety alerts.

These incidents and learnings from the same are discussed with crew during safety meetings and corrective actions implemented. These are verified through management visits and internal HSE audits.

Monthly performance reports are provided to Board, Senior management and company personnel. Performance reports is provided to clients for the relevant rigs on their contract.

All subcontractors working on Borr Drilling offshore installation are required to follow the Borr Company Management System requirements. They are made aware of the company safety requirements and monitored for compliance.

Emergency response procedures and systems are in place at rig and corporate level. Frequent drills are conducted offshore to ensure robustness of the arrangements and the readiness of the crew.

HSE Focus

In 2017, the focus was to:

- Build a company Management System including corporate procedures for safety, health and environment that is alignment with the industry standards.
- Ensure safe startup of operations in Nigeria and Gabon by providing crew with necessary guidance on the company procedures. Safety Leadership workshops were held in Nigeria and Gabon for all crew to familiarize them with the critical HSE procedures and safe systems of work.

In 2018, the focus is to:

- Continue to build on the Company Management System
- Effectively roll out of the requirement to the personnel and provide them guidance and training
- Monitor the HSE compliance
- Make continuous improvements to the HSE systems and process based on lessons learned
- Initiate certification process towards ISO 9001 (Quality Management) and ISO 14001 (Environmental Management) standards.

Health

Each offshore installation has a qualified medic and fully equipped clinic with necessary medicines and equipment to be able to provide first aid treatment to employees. In case of any serious injury or illness arrangements are in place to medevac to an onshore health care facility.

Borr Drilling has partnered with International SOS to provide assistance with topside support to medics, evacuation of personnel to healthcare facilities, vetting of clinics and consultation on health-related concerns in the area of operations.

Personnel are provided with information on Malaria before travelling to countries where such disease is prevalent and have to undergo an awareness training prior to travel.

Security

A security assessment is carried out prior to operating in high risk areas. Borr Drilling consults with Control Risk Group on matters of security as and when required.

Environment

To ensure our operations are conducted with proper regard for the environment we have established several measures to reduce environmental risk to levels as low as reasonably practicable.

Corporate environmental procedures have been developed for waste management and environmental impact assessment.

All waste disposal and recycling on board offshore installation shall be carried out in compliance with applicable international and coastal state requirements. The register is reviewed annually or whenever a new activity is introduced whichever is earlier.

A study of the environmental aspect and its potential impact on the environment is conducted on board the offshore installation. Appropriate control measures are established to reduce the risk to environment to acceptable levels.

Rigs maintain a Shipboard Oil Pollution Emergency Plan to respond to any emergency relating to oil spills to the environment.

The Corporate QHSE team has also been consulting Carbon Disclosure Project personnel to understand the reporting requirements.

Social Performance

In 2017, we had limited exposure to local communities as our operations commenced end of December. Borr Drilling invests in communities in operating countries by employing local people and buying goods and services from local sources. Thereby supporting the economic development of the community.

Local personnel employed on our offshore installations are also provided training as per the industry requirements. This helps in their skill development and enhancing their career growth potential.

Employment and Labour Practices

Borr Drilling does not tolerate the use of human trafficking or forced labor in its operations or in its supply chain.

Borr Drilling will comply with laws regarding human trafficking and forced labor wherever the Borr Drilling has operations, including the UK Modern Slavery Act 2015, the California Transparency in Supply Chains Act and/or the U.S. Government's Federal Acquisition Regulation on Ending Trafficking in Persons.

Anti-Corruption

Borr Drilling prohibits payments of bribes or kickbacks of any kind, whether in dealings with public officials or individuals in the private sector.

All Borr Drilling personnel and applicable business partners are provided training annually. Records of each training session is maintained by the Legal Function.

Borr Drilling conducts appropriate due diligence or "vetting" of Borr Business Partners which include third-party agents who perform marketing, shipping, freight forwarding, customs and visa services.

Each contract, agreement, engagement and/or any written commitment entered into between Borr Drilling and Borr Business Partners shall contain provisions enforcing and promoting strict compliance to this Policy and or relevant Anti Bribery Anti-Corruption Regulations. This is verified by the legal function.

Ethics and Integrity

Borr Drilling is committed to conducting its operations with integrity and respecting the laws, cultures, and rights of individuals, in all the countries in which we operate.

The company code of conduct policy prohibits its employees from:

- Offer or acceptance of bribe and facilitation payment of any variety to any person, whether private or public.
- Directly or indirectly through a third party (i) offering anything of value to influence the actions or decisions of any official, other person in public or legal duty, any person acting on behalf of customers or sub-contractors/suppliers, or any other third party, or (ii) to otherwise obtain any improper

advantage, in selling goods and services, conducting financial transactions or representing Borr Drilling's interests.

- Providing gifts and hospitality to (i) influence business decisions, or (ii) cause others to perceive an influence, to release Borr Drilling from any contractual obligation.
- Having interests outside the company (i) in any business that competes with or provides services to Borr Drilling, and/or (ii) that would affect the individual's objectivity in carrying out his/her company responsibilities.
- Violation of antitrust laws, competition laws and regulations. Borr Drilling is committed to fair and open competition
- Disclosure of information by an employee to prime contractors, subcontractors, and suppliers, as well as to the public, for personal benefit or for the benefit of anyone other than Borr Drilling.

Corporate Whistleblowing procedure requires board members, officers, employees and volunteers to report any breach of Code of Conduct Policy as well as violation of any applicable law in countries where Borr Drilling operates.

Borr Drilling has an open-door policy and suggests that employees share their questions, concerns, suggestions or complaints with their supervisor. If personnel are not comfortable speaking with their supervisor, they are required to speak with the Compliance Risks Officer who is the Head of Legal Function at Borr Drilling. Supervisors and managers are required to report complaints or concerns about suspected ethical and legal violations in writing to the Borr Drilling's designated Compliance Risks Officer, who has the responsibility to investigate all reported complaints. Any Borr Representative, including employees with concerns or complaints may also submit their concerns in writing directly to their supervisor or the Vice President HR or the Compliance Risks Officer.

All reports will be promptly investigated, and appropriate corrective action taken if warranted by the investigation.

Compliance Risk officer notifies:

- CEO of all such complaints and the status of their resolution.
- Board of Directors of any concerns or complaint regarding corporate accounting practices and internal controls.

**Borr Drilling Limited and subsidiaries
Consolidated Financial Statements**

**For the year ended December 31, 2017
(Comparatives August 8, 2016 (date of inception) to December 31, 2016)**

Borr Drilling Limited and subsidiaries
Consolidated Financial Statements

Consolidated Statement of Operations
For the year ended December 31, 2017
(Comparatives August 8, 2016 (date of inception) to December 31, 2016)
(In US\$ million, except per share data)

| | Notes | 2017 | August 8 (date of inception) to December 31, 2016 |
|--|-------|----------------|---|
| Operating revenues | | 0.1 | |
| Operating expenses | | | |
| Rig operating and maintenance expenses | | (36.2) | - |
| Depreciation, amortization and impairment of non-current assets | 6 | (47.9) | - |
| General and administrative expenses | | (21.0) | (0.8) |
| Cost for issuance of warrants | 17 | (4.7) | - |
| Total operating expenses | | (109.8) | (0.8) |
| Operating loss | | (109.7) | (0.8) |
| Other financial income (expense), net | 3 | 21.7 | - |
| Total financial items | | 21.7 | - |
| Loss before income taxes | | (88.0) | (0.8) |
| Income tax expense | 4 | - | - |
| Net loss for the period | | (88.0) | (0.8) |
| Net (loss) income attributable to non-controlling interests | | - | - |
| Net loss for the period attributable to shareholders of Borr Drilling Limited | | (88.0) | - |
| Basic loss per share | 5 | (0.34) | (0.075) |
| Diluted loss per share | 5 | (0.34) | (0.075) |

Consolidated Statements of Comprehensive Loss

| | | | |
|--|----|---------------|--------------|
| Loss after income taxes | | (88.0) | (0.8) |
| Other comprehensive loss | 11 | (6.2) | - |
| Total comprehensive loss for the period | | (94.2) | (0.8) |

Comprehensive loss for the period attributable to

| | | | |
|--|--|---------------|--------------|
| Shareholders of Borr Drilling Limited | | (94.2) | (0.8) |
| Non-controlling interests | | - | - |
| Total comprehensive loss for the period | | (94.2) | (0.8) |

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

Borr Drilling Limited and subsidiaries
Consolidated Financial Statements

Consolidated Balance Sheets
As of December 31, 2017 and 2016
(In US\$ millions)

| | Notes | December 31, 2017 | December 31, 2016 |
|--|----------|----------------------|----------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 19 | 164.0 | 138.1 |
| Restricted cash | 10, 19 | 39.1 | - |
| Other current assets | 12, 13 | 22.4 | - |
| Total current assets | | 225.5 | 138.1 |
| Non-current assets | | | |
| Property, Plant and Equipment | | 0.1 | - |
| Jack-up drilling rigs | 6 | 783.3 | - |
| Newbuildings | 7 | 642.7 | - |
| Marketable securities | 11 | 20.7 | - |
| Deposits and costs for business combinations and jack-up drilling rigs | 6 | - | 20.0 |
| Total non-current assets | | 1,446.8 | 20.0 |
| Total assets | | 1,672.3 | 158.1 |
| LIABILITIES AND EQUITY | | | |
| Current liabilities | | | |
| Trade payables | 16 | 9.6 | - |
| Accruals and other current liabilities | 16 | 11.5 | 0.2 |
| Total current liabilities | | 21.1 | 0.2 |
| Non-Current liabilities | | | |
| Long-term debt | 8, 14 | 87.0 | - |
| Onerous contracts | 14 | 71.3 | - |
| Total non-current liabilities | | 158.3 | - |
| Total liabilities | | 179.4 | 0.2 |
| Commitments and contingencies | 7, 8, 21 | | |
| EQUITY | | | |
| Common shares of par value US\$0.01 per share: 525,000,000 (2016: 200,000,000) shares authorized, 478,292,500 (2016: 77,505,000) issued and 476,322,500 outstanding at December 31, 2017 | | 4.8 | 0.8 |
| Additional paid in capital | | 1,587.8 | 157.8 |
| Treasury shares | | (6.7) | - |
| Other comprehensive loss | | (6.2) | - |
| Accumulated deficit | | (88.8) | (0.8) |
| Non-controlling interest | | 2.0 | - |
| Total equity | | 1,492.9 | 157.8 |
| Total liabilities and equity | | 1,672.3 | 158.1 |

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

Borr Drilling Limited and subsidiaries
Consolidated Financial Statements

Consolidated Statement of Cash Flows
For the year ended December 31, 2017
(Comparatives August 8, 2016 (date of inception) to December 31, 2016)
(In US\$ millions)

| | Notes | 2017 | August 8 (date of inception) to December 31, 2016 |
|---|-------|------------------|--|
| Cash Flows from Operating Activities | | | |
| Net (loss)/income | | (88.0) | (0.8) |
| <i>Adjustments to reconcile net (loss)/income to net cash provided by operating activities:</i> | | | |
| Non-cash compensation expense related to stock options and warrants | | 8.2 | 0.4 |
| Depreciation, amortization and impairment of long term assets | 6 | 47.9 | - |
| Unrealized gain (loss) on financial instruments | 12 | (4.4) | - |
| Change in other current assets | | (16.5) | - |
| Change in current liabilities | | 20.1 | 0.2 |
| Net cash (used in)/provided by operating activities | | (32.6) | (0.1) |
| Cash Flows from Investing Activities | | | |
| Decrease (Increase) in restricted cash | 10 | (39.1) | - |
| Purchase of plant and equipment | | (0.1) | - |
| Purchase Business Combination (Acquisition) | 9 | (324.5) | - |
| Purchase of marketable securities | 11 | (26.9) | - |
| Payment and costs in respect of newbuildings | 7 | (937.4) | - |
| Payments and costs in respect of jack-up drilling rigs | 6 | (119.8) | (14.0) |
| Net cash (used in)/provided by investing activities | | (1,447.8) | (14.0) |
| Cash Flows from Financing Activities | | | |
| Proceeds from share issuance, net of issuance costs and conversion of shareholders loans | | 1,415.0 | 139.2 |
| Proceeds from related party shareholder loan | 18 | 12.7 | 13.0 |
| Purchase of treasury shares | | (8.4) | - |
| Draw down of long term debt | 8 | 87.0 | - |
| Net cash (used in)/provided by financing activities | | 1,506.3 | 152.2 |
| Net increase in cash and cash equivalents | | 25.9 | 138.1 |
| Foreign exchange translation difference | | - | - |
| Cash and cash equivalents at beginning of the period | | 138.1 | - |
| Cash and cash equivalents at the end of period | | 164.0 | 138.1 |
| Supplementary disclosure of cash flow information | | | |
| Interest paid, net of capitalized interest | | - | - |
| Taxes paid | | - | - |

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

Borr Drilling Limited and subsidiaries
Consolidated Financial Statements

Consolidated Statements of Changes in Shareholders' Equity
For the year ended December 31, 2017
(Comparatives August 8, 2016 (date of inception) to December 31, 2016)
(In US\$ millions except per share data)

| | Number of shares | Common shares | Treasury shares | Additional paid in capital | Other Comprehensive Loss | Accumulated Deficit | Non- controlling interest | Total equity |
|--|---------------------|------------------|--------------------|----------------------------------|--------------------------------|------------------------|---------------------------------|-----------------|
| At incorporation, August 8, 2016¹ | 5 | - | - | - | - | - | - | - |
| Shares subdivided and capital contribution ⁱⁱ⁻ⁱⁱⁱ | 5,000 | - | - | - | - | - | - | - |
| Net share proceeds ^{iv} | 77,500,000 | 0.8 | - | 151.4 | - | - | - | 152.2 |
| Fair value of warrants issued (Note 17) | - | - | - | 10.7 | - | - | - | 10.7 |
| Equity issuance costs, warrants (Note 17) | - | - | - | (4.3) | - | - | - | (4.3) |
| Total comprehensive loss for the period | - | - | - | - | - | (0.8) | - | (0.8) |
| Consolidated balance at December 31, 2016 | 77,505,000 | 0.8 | - | 157.8 | - | (0.8) | - | 157.8 |
| Issue of common shares ^{vii} | 228,600,000 | 2.3 | - | 797.8 | - | - | - | 800.1 |
| Equity issuance costs | - | - | - | (9.0) | - | - | - | (9.0) |
| Issue of common shares ^x | 162,500,000 | 1.6 | - | 648.4 | - | - | - | 650.0 |
| Equity issuance cost | - | - | - | (8.8) | - | - | - | (8.8) |
| <i>Other transactions:</i> | | | | | | | | |
| Exercise of warrants (Note 17) ^v | 9,687,500 | 0.1 | - | - | - | - | - | 0.1 |
| Fair value of warrants issued (Note 17) | - | - | - | 7.7 | - | - | - | 7.7 |
| Equity issuance costs, warrants (Note 17) | - | - | - | (3.0) | - | - | - | (3.0) |
| Purchase of warrants (Note 17) | - | - | - | (4.7) | - | - | - | (4.7) |
| Employee benefit plans | - | - | 1.7 | 1.8 | - | - | - | 3.5 |
| Purchase of treasury shares ^{viii} | - | - | (8.4) | - | - | - | - | (8.4) |
| Total comprehensive loss for the period | - | - | - | - | (6.2) | (88.0) | - | (94.2) |
| Sale of shares to non-controlling interest | - | - | - | - | - | - | 2.0 | 2.0 |
| Other, net | - | - | - | (0.2) | - | - | - | (0.2) |
| Consolidated balance at December 31, 2017 | 478,292,500 | 4.8 | (6.7) | 1,587.8 | (6.2) | (88.8) | 2.0 | 1,492.9 |

The Company was incorporated on August 8, 2016 and has issued the following shares:

- i. 5 shares with a par value of US\$10.00 were issued on August 10, 2016;
- ii. On September 7, 2016, additional paid in capital of US\$9,950 was deposited to bring the total issue price of the above to US\$2,000 per share;
- iii. On December 12, 2016, the Company resolved to subdivide the above 5 shares into 5,000 shares of par value US\$0.01 and to increase the authorized share capital of the Company to 200,000,000 shares of US\$0.01 and equivalent to an issue price of US\$2.00 per share;
- iv. 77,500,000 shares with a par value of US\$0.01 were issued for US\$2.00 on December 14, 2016;
- v. 9,687,500 share warrants were exercised at US\$0.01 by Magni Partners and Ubon in March 2017 (see note 17)
- vi. On March 13, 2017, the authorized share capital was increased to US\$4.0 million represented by 400 million shares at par value of US\$0.01;
- vii. 228,600,000 shares were issued with a par value of US\$0.01 for US\$3.50 on March 21, 2017. These shares were initially allocated to 'Common shares and warrants issued subject to put option agreements' and were then transferred back to equity upon completion of the Transocean Transaction on May 31, 2017. US\$221.1 million was released from restricted cash on the closing of the Transocean Transaction as the written put option associated with the shares issued in the private placement in March 2017 lapsed.
- viii. In the third quarter the Company purchased 2,470,000 treasury shares at a cost of US\$8.4 million. At December 31, 2017 the Company own 1,970,000 treasury shares.
- ix. On August 25, 2017, the authorized share capital was increased to US\$5.25 million represented by 525 million shares at par value of US\$0.01.
- x. On October 8, 2017, 162,500,000 new shares were issued at a subscription price of US\$4.00.

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

Borr Drilling Limited and subsidiaries

Consolidated Financial Statements

Notes to the Consolidated Financial Statements **For the year ended December 31, 2017** **(Comparatives August 8, 2016 (date of inception) to December 31, 2016)**

Note 1 - General information

Borr Drilling Limited is incorporated in Bermuda. The company was listed on the Oslo Stock Exchange during 2017, under the ticker BDRILL. Borr Drilling Limited is an international offshore drilling contractor providing services to the oil and gas industry, with the ambition of acquiring and operating modern jack-up drilling rigs. As of December 31, 2017, the total fleet consisted of 26 jack-up rigs, whereof thirteen jack-up drilling rigs are to be delivered between 2018 and 2020.

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

Basis of presentation

The financial statements are presented in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP). The amounts are presented in millions of United States dollar (U.S. dollar), unless otherwise stated.

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

Subsequent events have been reviewed from the period end to the date of the financial statements.

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

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.

Going Concern

The financial statements have been prepared on a going concern basis. The Group is dependent upon loans and/or equity issues to finance the remaining obligations under the current newbuilding contracts for rigs. Given our existing debt facilities, debt capacity as a result of the fact that past acquisitions have been primarily financed by equity issues and our track record in terms of raising equity, we will be able to meet our anticipated liquidity requirements for our business for at least the next twelve months as of the date of these financial statements and that our working capital is sufficient for our present requirements.

Note 2 - Accounting policies

Jack-up drilling rigs and Jack-up drilling rigs under construction

Rigs are stated at cost, net of accumulated depreciation and accumulated impairment charges. Cost includes expenditures directly attributable to the acquisition of the relevant asset. Significant investments are capitalized and depreciated in accordance with the nature of the investment. Significant investments that are deemed to increase an asset's value for its remaining useful life are capitalized and depreciated over the remaining life of the asset. Depreciation is calculated on a straight-line basis over the useful life of the assets, and depreciation is commenced when the asset is available for its intended use. Estimated economic useful life of jack-up drilling rigs, when new, is 30 years.

Costs related to periodic overhauls of rigs are capitalized under jack-up drilling rigs and amortized over the anticipated period between overhauls which generally is five years. Related costs are primarily yard costs and the cost of employees directly involved in the work. Amortization costs for periodic overhauls are included in depreciation, amortization and impairment of non-current assets expense. Costs for other repair and maintenance activities

Borr Drilling Limited and subsidiaries

Consolidated Financial Statements

Notes to the Consolidated Financial Statements **For the year ended December 31, 2017** **(Comparatives August 8, 2016 (date of inception) to December 31, 2016)**

are expensed as incurred and are included in rig operating and maintenance expenses.

Jack-up drilling rigs under construction are capitalised, classified as newbuildings and presented as non-current assets. The capitalised costs are reclassified from newbuildings to jack-up drilling rigs when the asset is available for its intended use.

Rig operating and maintenance Expenses

Rig operating and maintenance expenses are costs associated with operating a drilling unit that is either in operation or stacked, and include the remuneration of offshore crews and related costs, supplies, insurance costs, expenses for repairs and maintenance as well as costs related to onshore personnel in various locations where we operate the drilling units and are expensed as incurred. Stacking costs for rigs are expensed as incurred.

Impairments

The carrying value of assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may no longer be appropriate. The Company first assesses recoverability of the carrying value of the asset by estimating the undiscounted future net cash flows expected to result from the asset, including eventual disposition. If the undiscounted future net cash flows are less than the carrying value of the asset, the Company then compares the carrying value of the asset with the estimated fair value. Estimated fair value can be arrived at through two methods; a. income approach in which the fair value was estimated based on a calculation of the rig's discounted future net cash flows over its remaining economic life and b. market approach, which requires an estimate of the value that would be received for the rig in an orderly transaction between willing buyer and seller.

Business combinations

The Company applies the acquisition method of accounting for business combinations in accordance with ASC 805. The acquisition method requires the total of the purchase price of acquired businesses and any non-controlling interest recognized to be allocated to the identifiable tangible and intangible assets and liabilities acquired at fair value, with any residual amount being recorded as goodwill as of the acquisition date. Costs associated with the acquisition are expensed as incurred. See Note 9 "Business acquisitions" for further discussion on business acquisitions. The Company allocates the purchase price of acquired businesses to the identifiable tangible and intangible assets and liabilities acquired, with any remaining amount being recorded as goodwill.

Onerous contracts

In a business combination there may exist favourable and unfavourable contracts which are recorded at fair value at the date of acquisition. A favourable or unfavourable contract is a contract that has a carrying value which differs from prevailing market rates at the time of acquisition. The net present value of such contracts is recorded as an asset or a liability at the purchase date. The Company's onerous contracts relates to contracts for newbuildings (refer to note 7)

Share-based compensation

Key employees of the Company receive remuneration in form of share-based payments whereby employees render services as consideration for stock options. The cost of equity settled transactions is measured by reference to the fair value at the date on which they are granted. The fair value of the share options issued under the Company's employee share option plans is determined at grant date taking into account the terms and conditions upon which the options are granted, and using a valuation technique that is consistent with generally accepted valuation methodologies for pricing financial instruments, and that incorporates all factors and assumptions that knowledgeable, willing market participants would consider in determining fair value. The fair value of the share options is recognized as general and administrative expenses with a corresponding increase in equity over the period during which the employees become unconditionally entitled to the options. Compensation cost is initially recognized based upon options expected to vest with appropriate adjustments to reflect actual forfeitures

Marketable securities

Marketable equity securities held by the Company which do not give the Company the ability to exercise significant influence are considered to be available-for-sale. These are re-measured at fair value each reporting period with resulting unrealized gains and losses recorded as a separate component of accumulated other comprehensive income in shareholders' equity. Gains and losses are not realized until the securities are sold or subject to another than temporary impairment. Gains and losses on forward contracts to purchase marketable equity securities that do not meet the definition of a derivative are accounted for as available-for-sale securities.

The Company analyses its available-for-sale securities for impairment at each reporting period to evaluate whether an event or change in circumstances has occurred in that period that may have a significant adverse effect on the value of the securities. The Company records an impairment charge for

Borr Drilling Limited and subsidiaries

Consolidated Financial Statements

Notes to the Consolidated Financial Statements **For the year ended December 31, 2017** **(Comparatives August 8, 2016 (date of inception) to December 31, 2016)**

other-than-temporary declines in value when the value is not anticipated to recover above the cost within a reasonable period after the measurement date, unless there are mitigating factors that indicate impairment may not be required. If an impairment charge is recorded, subsequent recoveries in value are not reflected in earnings until sale of the securities held as available for sale occurs.

Other-than temporary impairment of investments

Where there are indicators that fair value is below carrying value of our investments, we will evaluate these for other-than-temporary impairment. Consideration will be given to (1) the length of time and the extent to which fair value is below carrying value, (2) the financial condition and near-term prospects of the investee, and (3) our intent and ability to hold the investment until any anticipated recovery. Where determined other-than-temporary impairment, we will recognize an impairment loss in the period.

Foreign currencies

The Company and the majority of its subsidiaries use the U.S. dollar as their functional currency because the majority of their revenues and expenses are denominated in U.S. dollars. Accordingly, the Company's reporting currency is also U.S. dollars. For subsidiaries that maintain their accounts in currencies other than U.S. dollars, the Company uses the current method of translation whereby the statements of operations are translated using the average exchange rate for the period and the assets and liabilities are translated using the period end exchange rate. Foreign currency translation gains or losses on consolidation are recorded as a separate component of other comprehensive income in shareholders' equity.

Transactions in foreign currencies are translated into U.S. dollars at the rates of exchange in effect at the date of the transaction. Foreign currency assets and liabilities are translated using rates of exchange at the balance sheet date. Gains and losses on foreign currency transactions are included in the consolidated statement of operations.

Current and non-current classification

Assets and liabilities (excluding deferred taxes) are classified as current assets and liabilities respectively, if their maturity is within 1 year of the balance sheet date. Otherwise, they are classified as non-current assets and liabilities.

Other intangible assets and liabilities

Other intangible assets and liabilities are recorded at fair value on the date of acquisition less accumulated amortization. The amounts of these assets and liabilities less the estimated residual value, if any, is generally amortized on a straight-line basis over the estimated remaining economic useful life or contractual period. Other intangible assets include technology, customer relationships and favourable contracts. Other intangible liabilities include unfavourable contracts (see below).

Cash and cash equivalents

Cash and cash equivalents consist of cash, bank deposits and highly liquid financial instruments with original maturities of three months or less.

Restricted cash

Restricted cash consists of bank deposits which have been pledged as collateral for certain guarantees issued by a bank or minimum deposits which must be maintained in accordance with contractual arrangements. Restricted cash amounts with maturities longer than one year are classified as non-current assets.

Trade receivables

Trade receivables are presented net of allowances for doubtful balances. At each balance sheet date, all potentially uncollectible accounts are assessed individually for purposes of determining the appropriate provision for doubtful accounts.

Fair Value

The Company accounts for fair value in accordance with ASC 820, Fair Value Measurements and Disclosures ("ASC 820"). Fair value is defined under ASC 820 as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under ASC 820 must maximize the use of observable inputs and minimize the use of unobservable inputs. The Company uses a three-tier hierarchy, which prioritizes the inputs used in measuring fair value as follows:

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Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

The first two levels in the hierarchy are considered observable inputs and the last is considered unobservable. The Company's cash and cash equivalents and restricted cash, which were held in operating bank accounts, are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. The carrying value of accounts receivable and payables approximates fair value due to the short time to expected payment or receipt of cash.

Income taxes

Borr Drilling is a Bermuda company that has a number of subsidiaries in various jurisdictions. Currently, the Company is not required to pay taxes in Bermuda on ordinary income or capital gains as they qualify as exempt companies. The Company and its subsidiaries and affiliates have received written assurance from the Minister of Finance in Bermuda that it will be exempt from taxation until March 2035. Certain subsidiaries operate in other jurisdictions where taxes are imposed. Consequently, income taxes have been recorded in these jurisdictions when appropriate. Our income tax expense is based on our income and statutory tax rates in the various jurisdictions in which we operate. We provide for income taxes based on the tax laws and rates in effect in the countries in which operations are conducted and income is earned.

The determination and evaluation of our annual group income tax provision involves interpretation of tax laws in various jurisdictions in which we operate and requires significant judgment and use of estimates and assumptions regarding significant future events, such as amounts, timing and character of income, deductions and tax credits. There are certain transactions for which the ultimate tax determination is unclear due to uncertainty in the ordinary course of business. We recognise tax liabilities based on our assessment of whether our tax positions are more likely than not sustainable, based solely on the technical merits and considerations of the relevant taxing authorities widely understood administrative practices and precedence. Changes in tax laws, regulations, agreements, treaties, foreign currency exchange restrictions or our levels of operations or profitability in each jurisdiction may impact our tax liability in any given year. While our annual tax provision is based on the information available to us at the time, a number of years may elapse before the ultimate tax liabilities in certain tax jurisdictions are determined. Current income tax expense reflects an estimate of our income tax liability for the current period, withholding taxes, changes in prior year tax estimates as tax returns are filed, or from tax audit adjustments.

Income tax expense consists of taxes currently payable and changes in deferred tax assets and liabilities calculated according to local tax rules.

Deferred tax assets and liabilities are based on temporary differences that arise between carrying values used for financial reporting purposes and amounts used for taxation purposes of assets and liabilities and the future tax benefits of tax loss carry forwards.

Our deferred tax expense or benefit represents the change in the balance of deferred tax assets or liabilities as reflected on the balance sheet. Valuation allowances are determined to reduce deferred tax assets when it is more likely than not that some portion or all of the deferred tax assets will not be realized. To determine the amount of deferred tax assets and liabilities, as well as of the valuation allowances, we must make estimates and certain assumptions regarding future taxable income, including where our drilling units are expected to be deployed, as well as other assumptions related to our future tax position. A change in such estimates and assumptions, along with any changes in tax laws, could require us to adjust the deferred tax assets, liabilities, or valuation allowances. The amount of deferred tax provided is based upon the expected manner of settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date. The impact of tax law changes is recognized in periods when the change is enacted.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Related parties

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also related if they are subject to common control or common significant influence.

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Warrants (Equity-based payments to non-employees)

Warrants require all non-employee stock-based transactions, in which goods or services are the consideration received in exchange for equity instruments, to be accounted for based on the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable.

Performance is complete when the counterparty has delivered or, in the case of sales incentives, purchased the goods or services, despite the fact that at that date the quantity or all the terms of the equity instruments may yet depend on other events (this would occur, for example, if a target stock price requirement has not been met when the counterparty has delivered the goods or services).

The company recognizes the fair value of the equity instruments that are issued. An asset/liability, expense, debt and issuance cost or sales discount as applicable is generally recognized in the same period and in the same manner as if the company paid cash to a vendor in exchange for goods or services, or paid cash to a customer as a sales incentive or discount.

Earnings per share

Basic earnings per share ("EPS") is calculated based on the loss for the period available to common stockholders divided by the weighted average number of shares outstanding for basic EPS for the period. Diluted EPS includes the effect of the assumed conversion of potentially dilutive instruments which for the Company includes share options and warrants. The determination of dilutive earnings per share requires the Company to potentially make certain adjustments to net income and for the weighted average shares outstanding used to compute basic earnings per share unless anti-dilutive.

Interest-bearing debt

Interest-bearing debt is recognised initially at fair value less directly attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost. Transaction costs are amortized over the tenor of the loan.

Debt and Equity issuance costs

Issuance costs are allocated to the debt and equity components in proportion to the allocation of proceeds to those components. Allocated costs are accounted for as debt issuance costs (capitalized and amortized to interest expense using the interest method) and equity issuance costs (charged to equity) recorded as a reduction of the share balance/additional paid-in capital, respectively.

Segments

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

Treasury shares

Treasury shares are recognized as a separate component of equity at cost. Upon subsequent disposal of treasury shares, any consideration is recognized directly in equity.

Recently Issued Accounting Standards

Adoption of new accounting standards

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which made targeted improvements to the recognition and measurement of financial assets and financial liabilities. The update changes how entities measure equity investments that do not result in consolidation and are not accounted for under the equity method and how they present changes in the fair value of financial liabilities measured under the fair value option that are attributable to their own credit. The new guidance also changes certain disclosure requirements and other aspects of current US GAAP. The guidance will be effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years and early adoption is permitted in some cases. The adoption did not have a material impact on the Consolidated Financial Statements and related Disclosures.

In March 2016, the FASB issued ASU 2016-07, *Investments-Equity Method and Joint Ventures (Topic 323): Simplifying the Transition to the Equity Method of Accounting*. The update eliminates the requirement that an investor retrospectively apply equity method accounting when an investment that it had accounted for by another method initially qualifies for use of the equity method. The guidance will be effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years and early adoption is permitted. The adoption did not have a material

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impact on the Consolidated Financial Statements and related Disclosures.

In March 2016, the FASB issued ASU 2016-09, *Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. The update simplifies the accounting for share based payment transactions. The guidance will be effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years and early adoption is permitted. The adoption did not have a material impact on the Consolidated Financial Statements and related Disclosures.

In September 2015, the FASB issued ASU 2015-16, which amends Topic 805, "Business Combinations." This amendment eliminates the requirement to retrospectively account for adjustments made to provisional amounts recognized in a business combination at the acquisition date with a corresponding adjustment to goodwill and revise comparative information for prior periods presented in financial statements. Those adjustments are required when new information about circumstances that existed as of the acquisition date would have affected the measurement of the amount initially recognized. This update requires an entity to recognize these adjustments in the reporting period in which the adjustment amounts are determined. An acquirer must record the effect on earnings of changes in depreciation, amortization, or other income effects, calculated as if the accounting had been completed at the acquisition date. An entity must present separately on the face of the statement of operations or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment had been recognized as of the acquisition date. This guidance is effective for interim and annual reporting periods beginning after December 15, 2015. The adoption of this guidance did not have an impact on our financial condition, results of operations, cash flows or financial disclosures.

In August 2014, the FASB issued ASU No. 2014-15, which amends ASC Subtopic 205-40, "Disclosure of Uncertainties about an Entity's Ability to continue as a Going Concern." The amendments in this ASU provide guidance related to management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. The amendments are effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. The adoption of this guidance did not require any additional disclosures.

In November 2015, the FASB issued ASU No. 2015-17, which amends ASC Topic 740, "Income Taxes." This amendment aligns the presentation of deferred income tax assets and liabilities with International Financial Reporting Standards. International Accounting Standard 1, Presentation of Financial Statements, requires deferred tax assets and liabilities to be classified as noncurrent in a classified statement of financial position. The current requirement that deferred tax liabilities and assets be offset and presented as a single amount is not affected by the amendments in this update. The standard is effective for interim and annual reporting periods beginning after December 15, 2016. Early adoption is permitted for all entities as of the beginning of an interim or annual reporting period. The amendments in this update may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. We adopted ASU No. 2015-17 in 2016. The adoption of this guidance did not have a material impact on our financial condition, results of operations, cash flows or financial disclosures.

Revenue from Contracts with Customers," supersedes the revenue recognition requirements in Topic 605, "Revenue Recognition," including most industry-specific revenue recognition guidance throughout the Industry Topics of the Codification. In addition, ASU No. 2014-9 supersedes the cost guidance in Subtopic 605-35, "Revenue Recognition—Construction-Type and Production-Type Contracts," and creates new Subtopic 340-40, "Other Assets and Deferred Costs—Contracts with Customers." In summary, the core principle of Topic 606 is to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. Companies are allowed to select between two transition methods: (1) a full retrospective transition method with the application of the new guidance to each prior reporting period presented, or (2) a retrospective transition method that recognizes the cumulative effect on prior periods at the date of adoption together with additional footnote disclosures. The amendments in ASU No. 2014-9 are effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period, and early application is permitted for periods beginning after December 15, 2016. A number of amendments have been issued in connection with ASU No. 2014-9, all of which are effective upon adoption of Topic 606. In March 2016 and April 2016, the FASB issued clarification amendments ASU No. 2016-8 and ASU No. 2016-10 which clarify the implementation guidance on principle versus agent considerations and identify performance obligations and the licensing implementation guidance, respectively. In May 2016, the FASB issued ASU No. 2016-11 and ASU No. 2016-12 which rescind certain SEC Staff Observer comments that are codified in Topic 605, "Revenue Recognition," and Topic 932, "Extractive Activities—Oil and Gas" and provide improvements to narrow aspects of ASU No. 2014-9, respectively. In December 2016, the FASB issued ASU No. 2016-20, which issues technical corrections and improvements to Topic 606. We adopted the new standard effective January 1, 2017.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments based on a consensus of the Emerging Issues Task Force (EITF)*, to address the classification of certain cash receipts and cash payments on the statement of cash flows. The new guidance also clarifies how the predominance principle should be applied when cash receipts and cash payments have aspects of more than one class of cash flows. The standard will be effective for annual and interim periods beginning after December 15, 2017, with early adoption permitted. Entities are required to apply the guidance retrospectively. The adoption did not have a material impact on the Consolidated Financial Statements and related Disclosures.

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In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, to address classification of activity related to restricted cash and restricted cash equivalents in the cash flows. The standard eliminates the presentation of transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. When cash, cash equivalents and restricted cash equivalents are presented in more than one line item on the balance sheet, a reconciliation of the totals in the cash flows to the related captions in the balance sheet are required, either on the face of the cash flow or in the notes to the Consolidated Financial Statements. Additional disclosures are required for the nature of the restricted cash and restricted cash equivalents. The standard will be effective for fiscal years beginning after 15 December 2017, and interim periods within those years. Early adoption is permitted. The adoption did not have a material impact on the Consolidated Financial Statements and related Disclosures.

Accounting pronouncements that have been issued but not adopted

In January 2017, the FASB issued guidance to ASU 2017-01 "Business Combinations (Topic 805): Clarifying the Definition of a Business". The amendments provide guidance on evaluating whether transactions should be accounted for as an asset acquisition or a business combination (or disposal). The guidance requires that in order to be considered a business, a transaction must include, at a minimum, an input and a substantial process that together significantly contribute to the ability to create output. The guidance removes the evaluation of whether a market participant could replace the missing elements. The revised guidance is effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within those annual reporting periods.

On May 10, 2017, the FASB issued ASU 2017-09, Scope of Modification Accounting, which amends the scope of modification accounting for share-based payment arrangements, provides guidance on the types of changes to the terms or conditions of share-based payment awards to which an entity would be required to apply modification accounting under ASC 718. For all entities, the ASU is effective for annual reporting periods, including interim periods within those annual reporting periods, beginning after December 15, 2017. Early adoption is permitted, including adoption in any interim period.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The update requires an entity to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. It also offers specific accounting guidance for a lessee, a lessor and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The guidance will be effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years and early adoption is permitted. The Company is in the process of evaluating the impact of this standard update on its consolidated financial statements and related disclosures.

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Note 3 - Other financial income (expense), net

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

| <i>(In US\$ millions)</i> | 2017 | August 8 (date of inception) to December 31, 2016 |
|---|-------------|--|
| Interest income | 3.2 | - |
| Interest expense | (0.5) | - |
| Foreign exchange loss | (0.3) | - |
| Change in unrealised (loss)/gain on financial instruments | 4.4 | - |
| Realised (loss)/gain financial instruments | 14.9 | - |
| Total | 21.7 | - |

Note 4 - Taxation

Borr Drilling Limited is a Bermuda company that has a number of subsidiaries in various jurisdictions. Currently, the Company is not required to pay taxes in Bermuda on ordinary income or capital gains as they qualify as exempted companies. We provide for income taxes based on the tax laws and rates in effect in the countries in which operations are conducted and income is earned. Currently, the Company has rig operations in Nigeria and Gabon and management companies in Norway, UK and Dubai. As of December 31, 2017, no income tax or deferred tax are recognized.

Note 5 - 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 includes the effect of the assumed conversion of potentially dilutive instruments.

| | 2017 | August 8 (date of inception) to December 31, 2016 |
|--|-------------|--|
| Basic loss per share | (0.34) | (0.075) |
| Diluted loss per share | (0.34) | (0.075) |
| Issued ordinary shares at the end of the period | 478,292,500 | 77,505,000 |
| Weighted average numbers of shares in issue for the period | 258,631,442 | 10,096,146 |

On December 9, 2016, the Board of the Company issued a total of 9,687,500 share warrants. During the period ended December 31, 2016 and in accordance with ASC 260-10-50 the non-exercisable tranches of the warrants have not been included in the basic and diluted loss per share calculation as they were not exercisable and would be anti-dilutive. The number of warrants that would be considered dilutive under the if converted method in 2016 is 609,531 and the number of share options that would be considered dilutive under the if converted method in 2017 is 436,762.

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Note 6 - Jack-up drilling rigs

| | December 31, 2017 | December 31, 2016 |
|-------------------------------|-------------------|-------------------|
| <i>(In US\$ millions)</i> | | |
| Opening balance | - | - |
| Additions | 688.4 | - |
| Asset transfers (“Galar”) | 142.8 | - |
| Depreciation and amortization | (21.2) | - |
| Impairment | (26.7) | - |
| Total | 783.3 | - |

As of December 31, 2016, the Company had capitalized US\$20.0 million which of US\$13.0 million where deposit paid to seller and US\$7.0 million related to costs of warrants and other fees for acquiring the two jack-up drilling rigs from Hercules Offshore. When the acquisition completed in January 2017, this balance was transferred to jack-up drilling rigs and is included in the US\$783.3 million total balance as at December 31, 2017. The two jack-up drilling rigs are KFELS Super A Class design, built in 2013.

On May 31, 2017, the Company completed the transaction with Transocean Inc. and took ownership of ten jack-up drilling rigs with a fair value of US\$547.7 million through the acquisition of eight rig owning entities and five newbuildings currently under construction (Note 9).

Impairment assessment of jack-up drilling rigs

Jack-up drilling rigs are reviewed for impairment, whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Management identified indications of impairment for the year ended December 31, 2017 and tested recoverable amounts of jack-up drilling rigs.

Future cash flows expected to be generated from the use or eventual disposal of the assets are estimated to determine the amount of impairment, if any. Estimating future cash flows requires management to make judgments regarding long-term forecasts of future revenues and costs. Significant changes to these assumptions could materially alter our calculations and may lead to impairment.

In estimating future cash flows of the jack-up drilling rigs, management has assumed that revenue levels and utilization will be negatively impacted by a weak market in 2018 and thereafter start to increase, ultimately reaching revenue levels in the lower quartile observed the last 10 years which is considered conservative.

The Company has recognized an impairment of \$26.7 million relating to two of the cold stacked jack-up drilling rigs in Scotland since it is likely that the rigs will be divested. We estimated the fair value of the two impaired rigs using estimated scrap value less cost of disposal. A scenario with 10% decrease in day rates used when estimating undiscounted cash flows would result in no additional impairment.

Note 7 - Newbuildings

| | December 31, 2017 | December 31, 2016 |
|--|-------------------|-------------------|
| <i>(In US\$ millions)</i> | | |
| Opening balance | - | - |
| Additions | 937.7 | - |
| Asset transfer (“Galar”) | (142.8) | - |
| Reclassification against onerous contracts | (152.2) | - |
| Total | 642.7 | - |

In June 2017, the Company paid US\$275.0 million to Keppel Fels Limited as second instalment of the contract value for the construction of five new-build jack-up drilling rigs. The payment of US\$275.0 million made by the Company was allocated firstly against the relevant part of the onerous contract directly attributable to each hull (newbuild). An adjustment of US\$38.0 million and US\$39.2 million was made towards the onerous contract for Hull B364 (TBN “Saga”) and Hull B365 (TBN “Skald”), respectively. A further adjustment of US\$62.0 million and US\$60.8 million was capitalized as newbuildings milestone payments for Hull B364 (TBN “Saga”) and Hull B365 (TBN “Skald”), respectively. Of the remaining US\$75.0 million,

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US\$25.0 million was adjusted each towards the onerous contracts for Hull B366 (TBN "Tivar"), Hull B367 (TBN "Vale") and Hull B368 (TBN "Var"). The remaining contracted instalments, payable on delivery, for the Keppel newbuilds are approximately US\$515 million as of December 31, 2017.

In October 2017, the Company paid US\$502.2 million under the PPL agreement (see note 8). In addition, the Company paid US\$87.0 million and \$72.5 million as final instalments for the deliveries of the jack-up drilling rigs "Galar" and "Saga", which were delivered in November 2017 and January 2018, respectively.

Note 8 - Asset acquisitions

Acquisition of Hercules Triumph ("Ran") and Hercules Resilience ("Frigg")

On December 2, 2016, the Company entered into a Purchase and Sale Agreement with Hercules British Offshore Limited ("Hercules") to purchase the jack-up drilling rigs Hercules Triumph and Hercules Resilience (named Ran and Frigg, respectively) for a total consideration of US\$130.0 million. On the same date the Company paid US\$13.0 million which represented 10% of the agreed contractual price for the rigs. On January 23, 2017, the Company took delivery of the rigs, which was considered to be the acquisition date. The Company considered the guidance in ASC 805 "Business Combinations" and concluded that this transaction between the Company and Hercules did not constitute a business combination under ASC 805. The transaction was therefore accounted for as an asset acquisition.

Acquisition of PPL Rigs

On October 6, 2017, the Company signed a master agreement with PPL setting forth the terms pursuant to which PPL agreed to sell six premium jack-up drilling rigs and three premium jack-up drilling rigs under construction at its yard in Singapore (together, the "PPL Rigs") to designated subsidiaries of the Company for a total consideration of approximately US\$1.3 billion.

The agreed purchase price for each PPL Rig is US\$139.5 million. US\$55.8 million of this was paid per rig on October 31, 2017, while the remainder, US\$83.7 million, shall be paid on delivery. The Company has, furthermore, received an offer of financing of the delivery payment for each PPL Rig. Each loan is non-amortization and matures five years after the delivery date. The offered delivery financing will be secured by a first priority mortgage over the relevant PPL Rig and a guarantee from the Company.

In addition, the seller is entitled to a back-end fee, payable together with the delivery loan principal, of US\$3.25 million plus 25% of the increase in the market value of the relevant PPL Rig from October 31, 2017 until the repayment date, less the relevant Group Company's equity cost of ownership of each rig and any interest paid on the delivery financing. The back-end fee will be recognized as part of the cost price for each rig while the contingent part has not been recognized as of the date of the financial statements.

The PPL Rigs "Galar", "Gerd" and "Gersemi" were delivered from PPL in November 2017, January 2018 and February 2018, respectively, and the Company accepted the delivery financing for the rigs. The remaining PPL Rigs will be delivered successively in the second quarter 2018 (two), third quarter 2018 (two), fourth quarter 2018 (one) and first quarter 2019 (one).

The Company considered the guidance in ASC 805 "Business Combinations" and concluded that this transaction between the Company and PPL does not constitute a purchase of a business under ASC 805 and the purchase will therefore be accounted for as an asset acquisition.

Note 9 - Business acquisitions

Transocean transaction

On March 15, 2017, the Company entered into an agreement and a signed letter of intent to acquire fifteen high specification jack-up drilling rigs from Transocean Inc ("Transocean"). The transaction consisted of Transocean's entire jack-up fleet, comprising eight rig owning companies in Transocean's fleet and five newbuildings under construction at Keppel Fels Limited, Singapore. Total consideration for the transactions was approximately US\$1.35 billion and included remaining contract backlog and remaining yard instalments to be made to Keppel Fels Limited for the five newbuildings.

On March 15, 2017 a deposit of US\$32.0 million, in line with the agreement between the parties, was paid to Transocean. The Company secured financing for the transaction through a private placement of equity securities. The transaction was subject to the parties executing definitive agreements and satisfying formal closing conditions, including final approvals from the board of directors of both companies.

On May 31, 2017, the Company completed the transaction (acquisition date) with Transocean paying a further consideration of US\$288.7 million, in addition to the US\$32.0 million deposit already paid. As a result of the transaction, the Company took 100% ownership of the following established rig owning entities and branches, which have been accounted for as a business combination under ASC 805:

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| Name of acquired company | New name of acquired company |
|--|--|
| Constellation II Limited | Borr Jack-Up VIII Limited (name changed once Chevron contract completed) |
| GlobalSantaFe West Africa Drilling Limited | Borr Baug Limited |
| Transocean Andaman Limited | Borr Idun Limited |
| Transocean Ao Thai Limited | Borr Mist Limited |
| Transocean Britannia Limited | Borr Atla Limited |
| Transocean Drilling Resources Limited | Borr Brage Limited |
| Transocean Drilling Services Offshore Inc. | Borr Jack-Up XIV Inc. |
| Transocean Siam Driller Limited | Borr Odin Limited |

Three of the Transocean Rigs were on contract with an external customer at the time of closing. One rig ended the contract in July 2017. As part of the agreement, the Company will pay such an amount equal to the amounts received by the owners of the two rigs under the Transocean Bareboat Charter to Transocean. As a result of the agreement with Transocean, the bareboat operating revenue and costs for these rigs are presented net in the consolidated statement of operations.

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

| | May 31, 2017 |
|---|---------------------|
| <i>(In US\$ millions)</i> | |
| Jack-up drilling rigs | 547.7 |
| Current assets | 0.5 |
| Onerous contract (Note 7 and 14) | (223.7) |
| Total | 324.5 |
| <hr/> | |
| <i>Fair value of consideration satisfied by cash:</i> | |
| Deposit on March 15, 2017 | 32.0 |
| Payment upon completion (May 31, 2017) | 288.7 |
| Balancing payment | 3.8 |
| Total | 324.5 |
| <hr/> | |
| Total Fair value of purchase consideration | 324.5 |
| Fair value of net assets acquired | 324.5 |
| Goodwill | - |

The jack-up drilling rigs have been fair valued by an independent third party. The estimated fair value of the jack-up drilling rigs was derived by using a market and income based approach with market participant based assumptions. An onerous contract position arose with regards to the newbuilding contracts acquired as the carrying value (future commitments) differs from prevailing market rates and cashflows at the time of acquisition. The net present value of the newbuilding contracts has been recorded as a liability at the purchase date.

Acquisition related transaction costs consisted of various legal, accounting, commissions, valuations and other professional fees which amounted to US\$3.3 million, which were expensed as incurred and are presented in the statement of operations within general and administrative expenses.

No quantitative pro forma profit and loss information has been prepared as if the Transocean Transactions completed on January 1, 2017, or earlier as such financial information is not available to the Company and determined that the profit and loss information May 31, 2017, was of limited relevance for an understanding of the Group's financial position. The calculated depreciation in Q1 2017 would have amounted to approximately US\$6.6 million assuming that the Transocean Transaction closed on January 1, 2017. In addition, had the Transocean Transaction completed on January 1, 2017, Borr Drilling would have incurred slightly higher general and administrative expenses in connection with management of the Transocean Rigs. However, since three of the contracts were still managed by Transocean and that the remainder of the Transocean Rigs were stacked, such costs are expected to be limited. At the time of the transaction the estimated all-in stacking cost (excluding overhead) per Rig was approximately US\$3,500 per day on average.

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Note 10 - Restricted cash

| | December 31, 2017 | December 31, 2016 |
|--|--------------------------|--------------------------|
| Restricted cash is comprised of the following: | | |
| <i>(In US\$ millions)</i> | | |
| Margin accounts in relation to forward contracts | 20.0 | - |
| Deposits made for issued guarantees | 19.1 | - |
| Total restricted cash | 39.1 | - |

Note 11 - Marketable Securities

Marketable securities are marked to market, with changes in fair value recognized in “Other comprehensive income” (“OCI”).

In Q2, 2017, the Company purchased securities issued by a rig company for approximately US\$5.5 million. In Q3, 2017 the Company purchased additional securities issued by the same rig company for approximately US\$21.4 million. At December 31, 2017, an accumulated unrealised loss of US\$6.2 million has been recognised in other comprehensive income. The Company has determined the length and severity of the reduction in value of the traded securities, not to be representative of an other than temporary impairment.

Note 12 - Financial Instruments – Forward Contracts

In Q4 2017, the Company realised a gain of US\$13.7 million on forward contracts to purchase shares in a listed drilling company. As of December 31, 2017, the Company has forward contracts to purchase shares in a listed drilling company for an aggregate amount of approximately US\$56.2 million. The unrealized gain is US\$4.4 million as of December 31, 2017. See Note 16 for further information.

Note 13 - Other current assets

| | December 31, 2017 | December 31, 2016 |
|--|--------------------------|--------------------------|
| Other current assets are comprised of the following: | | |
| <i>(In US\$ millions)</i> | | |
| Prepayments | 2.6 | - |
| Deferred mobilisation costs | 10.3 | - |
| Financial instruments | 4.4 | - |
| Other receivables | 5.1 | - |
| Total other current assets | 22.4 | - |

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Note 14 - Non-current liabilities

| | December 31, 2017 | December 31, 2016 |
|---|-------------------|-------------------|
| Other non-current liabilities are comprised of the following: | | |
| <i>(In US\$ millions)</i> | | |
| Long-term debt (Note 8) | 87.0 | - |
| Onerous contracts (Note 7 and 9) | 71.3 | - |
| Total non-current liabilities | 158.3 | - |

Long-term loan financing of the PPL rigs are not subject to financial covenants. The rig “Galar” with a net book value of US\$142 million as of December 31, 2017, are pledged as security in case of loan default.

Onerous contracts relate to the element of the contract backlog and remaining yard instalments to be made to Keppel Fels Limited for the three newbuildings Hull B366 (TBN “Tivar”), Hull B367 (TBN “Vale”) and Hull B368 (TBN “Var”). When entering into the agreement with Transocean a total of US\$223.7 million were allocated to onerous contracts.

Note 15 - Share based compensation

In June, July and October 2017, the Board of the Company granted 4,480,000, 2,800,000 and 1,875,000 share options to employees of the Group, respectively. The Option Period is five years. The share options are equity settled and shall vest over a period of three years. Vesting is contingent upon employment on the vesting date. The strike price is US\$3.50 per share except for 1,800,000 share options of the October grant where the price is US\$4.0. The Options are non-transferable. The fair values of the share options were calculated at US\$2.9 million, US\$1.7 and US\$2.2 million, respectively, and will be charged to the statement of operations over the vesting period. The charge for 2017 was US\$1.8 million.

In Q3, 2017 the Company provided 500,000 of their treasury shares to Simon Johnson (CEO) as part of his remuneration package and US\$1.7 million was charged to the statement of operations in the third quarter.

| Number and weighted average exercise price stock options: | 2016 | | 2017 | |
|---|------|------|-----------|------|
| | No. | WAEP | No. | WAEP |
| Outstanding at 1 January | - | - | - | |
| Granted during the year | - | - | 9,155,000 | 3.60 |
| Exercised during the year | - | - | - | - |
| Forfeited during the year | - | - | - | - |
| Outstanding at 31 December | - | - | 9,155,000 | 3.60 |
| Exercisable at 31 December | - | - | - | - |

The fair value of equity settled options are measured at grant date using Black & Scholes.

Following input is used when calculating fair value for the 2017 grants

| | |
|---------------------------------------|-----------|
| Expected future volatility | 25% |
| Expected dividend rate | - |
| Risk-free rate | 1.5% - 2% |
| Expected annual turnover of employees | - |

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Note 16 - Fair values of financial instruments

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

(In US\$ millions)

| | Hierarchy | As at December 31, 2017 | | As at December 31, 2016 | |
|--|-----------|-------------------------|----------------|-------------------------|----------------|
| | | Fair value | Carrying value | Fair value | Carrying value |
| Assets | | | | | |
| Cash and cash equivalents | 1 | 164.0 | 164.0 | 138.1 | 138.1 |
| Restricted cash | 1 | 39.1 | 39.1 | - | - |
| Deposit for jack-up drilling rigs | | - | - | 13.0 | 13.0 |
| Marketable securities – non-current | 1 | 20.7 | 20.7 | - | - |
| Other current assets (excluding prepayments and financial instruments) | 1 | 15.4 | 15.4 | - | - |
| Forward contracts (note 12) | 2 | 60.6 | 60.6 | - | - |
| Liabilities | | | | | |
| Long term liabilities | 2 | 87.0 | 87.0 | - | - |
| Trade payables | 1 | 9.6 | 9.6 | - | - |
| Accruals and other current liabilities | 1 | 11.5 | 11.5 | 0.2 | 0.2 |
| Forward contracts (note 12) | 2 | 56.2 | 56.2 | - | - |

Financial instruments included in the table above are included within 'Level 1 and 2' of the fair value hierarchy because they are valued using quoted market prices, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. The forward contracts are presented net in the consolidated balance sheet as of December 31, 2017. The carrying value of any accounts receivable and payables approximates fair value due to the short time to expected payment or receipt of cash.

Note 17 - Warrants

Magni Partners (Bermuda) Limited and Ubon Partners AS

On December 9, 2016, the Board of the Company issued a total of 9,687,500 share warrants. 7,750,000 warrants were issued to Magni Partners (Bermuda) Limited ("Magni Partners") and 1,937,500 warrants were issued to Ubon Partners AS ("Ubon").

The terms of the warrants are as follows:

Each warrant shall entitle the holder to subscribe to ordinary shares in the Company, with each share having a par value of US\$0.01; the subscription price for the share each warrant can be exercised for shall be its par value, US\$0.01:

(i) the first one fifth of the warrants will be exercisable upon the date in which the aggregate value of shares having traded at a share price above US\$2.40 exceeds US\$1 million;

(ii) the next one fifth of the warrants will be exercisable upon the date in which the aggregate value of shares having traded at a share price above US\$2.80 exceeds US\$1 million;

(iii) the next one fifth of the warrants will be exercisable upon the date in which the aggregate value of shares having traded at a share price above US\$3.20 exceeds US\$1 million;

(iv) the next one fifth of the warrants will be exercisable upon the date in which the aggregate value of shares having traded at a share price above US\$3.60 exceeds US\$1 million;

(v) the last one fifth of the warrants will be exercisable upon the date in which the aggregate value of shares having traded at a share price above US\$4.00 exceeds US\$1 million.

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The share price means the volume weighted average closing price of the Company's ordinary share price as quoted initially on the Norwegian OTC list and, subsequently, on such stock exchange as the Company's board may decide to list such shares. All warrants not exercised by December 31, 2021 will lapse and the warrants are non-transferable.

The issue of the warrants to Magni Partners were done in recognition of their role in relation to the identification, negotiation and conclusion of the purchase agreement for the two Hercules jack up rigs, their commitment to subscribe in the Private Placement and the provision of general and administrative services to the Company. The Company estimated the fair value of the warrants using a Monte Carlo Simulation model and the necessary inputs are set out in the following table:

| | | |
|-------------------------|--------------------|------|
| Inception date | December 9, 2016 | |
| Strike price | 0.01 | US\$ |
| Spot price | 2.00 | US\$ |
| Interest rate | 0.41-1.9 | % |
| Volatility | 25 | % |
| Expected exercise dates | | |
| (i) | February 2, 2018 | |
| (ii) | September 27, 2018 | |
| (iii) | February 18, 2019 | |
| (iv) | May 1, 2019 | |
| (v) | July 5, 2019 | |
| Expected dividend | Nil | |

At the inception date, the warrants issued to Magni Partners were valued at US\$8.6 million and were deemed to have vested on the basis that Magni Partners had fulfilled all of their performance criteria. The amount recognized as Additional Paid in Capital with respect to the warrants issued to Magni Partners was US\$8.6 million, while US\$6.0 million has been capitalized within Drilling units, US\$2.1 million has been allocated against equity as issuance costs and US\$0.4 million has been allocated to General and Administrative expenses in the Statement of Operations for the period.

At the inception date, the warrants issued to Ubon were valued at US\$2.1 million and were deemed to have fully vested on the basis that Ubon had fulfilled all their performance criteria. The amount recognized as Additional Paid in Capital with respect to the warrants issued to Ubon was US\$2.1 million, while US\$2.1 million has been allocated against Additional Paid in Capital as issuance costs (a net effect on equity and reserves of US\$Nil).

The warrants issued to Magni Partners and Ubon were exercised in Q1 2017.

Schlumberger Oilfield Holdings Limited

On March 21, 2017, the Company issued 4,736,887 warrants to subscribe to new shares at a subscription price of US\$3.50 plus 4% p.a. per share to Schlumberger Oilfield Holdings Limited ("Schlumberger") for their role, support and participation in the Private Placement in March 2017. At the grant date, the warrants issued to Schlumberger were valued at US\$3.01 million and were deemed to have vested on the basis that Schlumberger had fulfilled all of their performance criteria. The amount recognized as Additional Paid in Capital with respect to the warrants issued to Schlumberger was US\$3.01 million in which the entire amount has been allocated against equity as issuance costs within the Statement of Changes in Shareholders' Equity for the period ended December 31, 2017. The average contractual term is 4 years.

In October 2017, the Company issued a further 4,736,887 warrants ("Warrants") to Schlumberger as a consequence of a final collaboration agreement between the Company and Schlumberger being signed. The warrants were valued at \$US4.7 million which was charged to the statement of operations in the fourth quarter. Immediately thereafter, the Company agreed to repurchase all of 9,473,774 Warrants held by Schlumberger at a price of US\$0.50 per Warrant, US\$ 4.7 million in total. Consequently, all Warrants were then cancelled.

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The warrants outstanding at December 31, 2017 were as follows:

| | Number Of Shares Outstanding Under Warrants | Weighted Average Exercise Price per Share | Average Contractual Term |
|--|---|---|--------------------------------|
| Warrants outstanding, December 31, 2016 | 9,687,500 | US\$ 0.01 | 5 |
| Granted | 9,473,774 | | |
| Cancelled | 9,473,774 | | |
| Exercised | 9,687,500 | 0.01 | |
| Warrants outstanding, December 31, 2017 | - | US\$ - | - |

Note 18 - Related party transactions

Transactions with those holding significant influence over the Company

Drew Holdings Limited ("Drew")

Drew is, following its merger with Taran Holdings Limited ("Taran"), a large shareholder in the Company. During the periods ending December 31, 2017 and December 31, 2016 the Company transacted with Taran on the following transactions:

A short-term loan of US\$13.0 million was provided to the Company on December 2, 2016 to finance the deposit payable for the Hercules rigs (Hercules Triumph and Hercules Resilience) acquisition, which completed in January 2017. The loan was repaid with no interest accruing by way of set-off against Taran's subscription of shares in the Company's first private placement in December 2016.

Taran also provided the Company with a revolving credit facility of US\$20.0 million on December 12, 2016. The facility was never utilised and expired at the completion of the Transocean transaction.

A short-term loan of US\$12.75 million was provided to the Company on March 15, 2017, to finance a deposit payable pursuant to the terms of the acquisition agreement for the Transocean jack-up fleet which completed in May 2017. The loan was repaid with no interest accrued by way of set-off against Taran's payment obligations for its subscription of shares in the Company's private placement in March 2017.

Advokatfirmaet Wiersholm AS ("Wiersholm")

Mr. Erling Lind was the Chairman of the board of the Company until August 30, 2017. He was furthermore a partner of Wiersholm until December 31, 2017. Wiersholm was engaged as the legal advisor to the Company during 2017. Wiersholm provided the Company with legal advisory services amounting to US\$2.1 million for the full year 2017 (December 31, 2016: US\$0.1 million), of which US\$0.2 million (December 31, 2016: US\$0.1 million) was outstanding at period end.

Ubon

Mr. Fredrik Halvorsen is a director on the board of the Company and owns 33.33% of the shares in Ubon.

On December 9, 2016, the Company issued 1,937,500 warrants to Ubon (see note 17).

Magni Partners

Mr. Tor Olav Trøim is the Chairman of the board of the Company and is the sole owner of Magni Partners.

Magni Partners is party to a Corporate Support Agreement with Borr Drilling Limited pursuant to which it is providing strategic advice and assistance in sourcing investment opportunities, financing etc. This agreement was formalised on March 15, 2017. During the periods ending December 31, 2017 and December 31, 2016 the Company transacted with Magni Partners on the following transactions:

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Magni Partners received cash compensation of US\$1.4 million for various commercial services provided in connection with the acquisition of the Hercules rigs (Hercules Triumph and Hercules Resilience) which completed in the first quarter of 2017. Of this amount US\$1.0 million has been capitalised within Drilling units, US\$0.3 million has been offset against Additional paid in capital as equity issuance cost and US\$0.07 million has been recognised within General and Administrative expenses in the Statement of Operations for the period ended December 31, 2016.

On December 9, 2016, the Company issued 7,750,000 warrants to Magni Partners (Note 17).

In the third quarter of 2017, an amount of US\$2.0 million was paid to Magni Partners for their assistance in the March Private Placement (US\$1.75 million) and Transocean Transaction (US\$0.25 million). The total cost for the March Private Placement (including the payment to the investment banks and Magni Partners) was US\$8.75 million, or 1.1% of the gross proceeds. In the fourth quarter of 2017, an amount of US\$1.5 million was paid to Magni Partners for their assistance in the October Private Placement (US\$1.25 million) and PPL transaction (US\$0.25 million). The total cost for the October Private Placement (including the payment to the investment banks and Magni Partners) was US\$8.75 million, or 1.3% of the gross proceeds.

Schlumberger

Schlumberger is a large shareholder of the Company. See note 17 for information on warrants.

A Put Option was granted to Schlumberger and other investors that have been allocated shares in the Company's offering of 228,600,000 new shares at subscription price of US\$ 3.50 per share on March 21. The Put option was exercisable if the Transocean transaction did not close. As disclosed in Note 9, the transaction with Transocean completed on May 31, 2017. Therefore, the put option was no longer exercisable and the 228,600,000 shares was transferred fully as common shares into the Statement of Changes in Shareholders' Equity in the second quarter of 2017.

Option agreements

On December 18, 2016 Rune Magnus Lundetræ (Deputy CEO and CFO) and Svend Anton Maier (COO) entered into option agreements to buy 960,000 shares each from Magni and Ubon ("Grantors") through their individual companies, Primato AS (Rune Magnus Lundetræ) and SAM International Offshore Consulting (Svend Anton Maier). The strike price per share is US\$2.0. The employees' companies shall pay an option premium to the Grantors an amount of US \$192,414 as consideration for the option to buy shares in the Company. This has been calculated by an independent third party and reflects market terms or the fair value of the instrument.

Meritus Trust Company Limited ("Meritus")

Ms. Michelle Wolf, a former director and member of the board for Borr Drilling Limited and a director on the board for Meritus. During 2016, Meritus provided corporate secretarial services to Borr Drilling Limited amounting to US\$0.02 million, all of which was outstanding for the year end 2016.

Note 19 - Risk management and financial instruments

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash deposits. Accounts at each institution are insured by Norges Bank (Bank of Norway) up to NOK 2.0 million. At December 31, 2017, the Company had US\$202.9 million (December 31, 2016: US\$137.9 million) in excess of the Norges Bank insured limit. Of the uninsured amount at December 31, 2017, US\$140.0 million (December 31, 2016: US\$Nil) was held on a short-term time deposit account.

Foreign exchange risk management

The majority of the Company's transactions, assets and liabilities are denominated in U.S. dollars, the functional currency of the Company. However, the Company has operations and assets in other countries and incurs expenditures in other currencies, causing its results from operations to be affected by fluctuations in currency exchange rates, primarily relative to the U.S. dollar. There is thus a risk that currency fluctuations will have a positive or negative effect on the value of the Company's cash flows. The Company has not entered into derivative agreements to mitigate the risk of fluctuations.

Market risk for forward contracts and marketable securities

The Group's listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities.

Supplier risk Keppel/PPL

A supplier risk exists in relation to our rigs undergoing construction at Keppel and PPL. Failure to complete the construction of any newbuilding on time may result in the delay, renegotiation or cancellation of employment contracts secured for the newbuildings. Further, significant delays in the

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delivery of the newbuildings could have a negative impact on the Group's reputation and customer relationships. All of which would adversely affect the Group's business, financial condition and results of operations. As of the date of this report, the Company has not entered into any employment contracts for any of the newbuildings.

Concentration of financing risk

There is a concentration of financing risk with respect to our long-term debt to the extent that our long-term debt is carried with PPL (see notes 8 and 14). We believe PPL to be a sound counterpart. Therefore, we believe this risk is low.

Insurance of jack-up drilling rigs and retained risk

On a fleet wide basis, the Company has purchased insurance which covers damage to the rigs and a total loss situation. In addition, the insurance covers claims during operation, rig moves and stacking. The Company has also entered into protection and indemnity insurance (P&I) that covers e.g. claims from third party liabilities, collision, pollution and wreck removal up to certain limits. The Company retains the risk for the deductible of up to US\$ 25,000 per occurrence relating to P&I. Also, the Company has purchased war risk insurance that covers war risk perils including confiscation, riots, sabotage and piracy. Lastly, the Company have purchased insurance that cover loss of hire for a limited period for the "Frigg" which operates in Nigeria.

Note 20 - Commitments and contingencies

There are no commitments or contingencies that require disclosure beyond what has already been disclosed elsewhere in these financial statements.

Note 21 - Compensation

During the year ended December 31, 2017, we paid our directors and executive officers aggregate compensation of US\$3.2 million. In addition, we have incurred compensation expense in the aggregate amount of US\$0.1 million for their pension and retirement benefits. In addition to cash compensation, during 2017 we also recognized an expense of US\$0.8 million relating to stock options granted to certain of our executives.

| Auditors fee: | 2017 |
|------------------------------|-------------|
| <i>(In US\$ millions)</i> | |
| Statutory audit fee | 0.27 |
| Other certification services | 0.10 |
| Tax advice | - |
| Other non-auditing services | - |
| Total fees | 0.37 |

Note 22 - Share capital and shareholders

Dividend

Under the Bermuda Companies Act, dividends cannot be paid if there are reasonable grounds for believing that

- (a) The company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) The realizable value of the company's assets would thereby be less its liabilities

For the year ended December 31, 2017 and 2016 we did not pay any dividend.

Oslo Stock Exchange

The Company went from Merkur market to full listing on Oslo Stock Exchange at 20 October, 2017.

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Notes to the Consolidated Financial Statements For the year ended December 31, 2017 (Comparatives August 8, 2016 (date of inception) to December 31, 2016)

Largest shareholders

As at December 31, 2017 our 20 largest shareholders are:

| Ranking | Holding | Percentage | Name | |
|---------|--------------------|--------------------|------------------------------------|-------------------------|
| 1 | 75,658,500 | 15.8% | Schlumberger Oilfield Holdings Ltd | |
| 2 | 69,604,141 | 14.6% | Euroclear Bank S.A./N.V. | |
| 3 | 36,786,801 | 7.7% | Folketrygdfondet | |
| 4 | 23,319,900 | 4.9% | Drew Holdings Ltd | |
| 5 | 21,250,000 | 4.4% | Skagen Kon-Tiki | |
| 6 | 18,781,437 | 3.9% | Clearstream Banking S.A. | |
| 7 | 17,071,440 | 3.6% | Rasmussengruppen AS | |
| 8 | 15,662,000 | 3.3% | Fid Adv New Insights Fd-Sub B | |
| 9 | 11,126,800 | 2.3% | Ubon Partners As | |
| 10 | 9,096,082 | 1.9% | Goldman Sachs International | |
| 11 | 8,750,000 | 1.8% | Bnp Paribas | |
| 12 | 8,113,785 | 1.7% | Brown Brothers Harriman (Lux.) Sca | |
| 13 | 7,840,658 | 1.6% | Magni Partners (Bermuda) Ltd | |
| 14 | 7,496,000 | 1.6% | Fidelity Funds | |
| 15 | 6,486,532 | 1.4% | RBC Investor Services Bank S.A. | |
| 16 | 5,344,283 | 1.1% | Titan Opportunities Fund Ic Sicav | |
| 17 | 5,107,200 | 1.1% | Dnb Luxembourg S.A. | |
| 18 | 4,642,850 | 1.0% | Midelfart Capital AS | |
| 19 | 4,290,700 | 0.9% | J.P. Morgan Bank Luxembourg S.A. | |
| 20 | 4,273,958 | 0.9% | Klp Aksjenorge Indeks | |
| | 360,703,067 | 75.5% | Total top 20 shareholders | |
| | 2,670 | 117,589,433 | 24.5% | Other shareholders |
| | 2,690 | 478,292,500 | 100.0% | All shareholders |

Note 23 - Subsequent events

Subsequent events have been reviewed from the period end to the date of the financial statements

Paragon Offshore Limited

Borr Drilling announced a binding tender agreement on February 21, 2018 to offer to purchase all outstanding shares in Paragon Offshore Limited ("Paragon"). Total acquisition price for all outstanding shares is US\$241.3 million or 43.88 per share. On February 26, 2018 Borr announced the commencement of its tender offer to purchase all of the outstanding shares of Paragon. The transaction was subject to the satisfaction of the offer conditions. Customary closing conditions, including, among other customary conditions, that (a) at least 3,361,763 Shares, representing at least 67% of the outstanding Shares have been validly tendered and not withdrawn before the Expiration Date, (b) no material adverse change shall have occurred prior to closing, and (c) Paragon shall have completed all actions necessary to acquire ownership of certain Prospector drilling rigs and legal entities currently subject to chapter 11 proceedings in the United States Bankruptcy Court in the District of Delaware. The Offer was not subject to a financing condition. The offer conditions (a) and (c) were all satisfied as of the date of the financial statements. The transaction is expected to close on March 29, 2018.

Paragon is an international driller with a fleet of 32 drilling units as per January 2018. This fleet includes two modern units of the leading JU-2000E design, the Prospector 1 and Prospector 5 built in 2013 and 2014 currently located in the North Sea. The portfolio also includes a semisubmersible MSS1 scheduled to go on a long-term contract for TAQA in the North Sea starting in March.

The Paragon transaction will be accounted for as a business combination under ASC 805 subject to closing. Based on preliminary Purchase Price Allocation (PPA), the Company expect to allocate the majority of the consideration to the rigs Prospector 1, Prospector 5 and the MSS1 rig as well as the order backlog and expects to record a bargain purchase gain related mainly to future costs that do not qualify for recognition in the PPA.

Acquisition related transaction costs consisted of various legal, accounting, commissions, valuations and other professional fees which are estimated at US\$5 million and will be expensed as incurred on the transaction date in the statement of operations within general and administrative expenses.

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Equity offering

On March 23, 2018 the Company completed a private placement of 54,347,827 shares with a subscription price of US\$4.60 per share raising gross proceeds of US\$250 million to finance the purchase of shares in Paragon Offshore Limited and for general corporate purposes.

Delivery of “Gerd”, “Saga” and “Gersemi”

The newbuildings “Gerd” and “Gersemi” were delivered in January and February, respectively, from PPL. “Saga” was delivered in January 2018 from Keppel.

Forward contracts

As of March 27, the Company has an unrealized loss of approximately US\$17.0 million on forward contracts to purchase shares in a listed drilling company, see note 12.

“Norve” rig contract commencement

In January 2018, the rig “Norve” commenced operation for BW Energy Dussafu B.V. (“BW Energy”) in Gabon. The contract duration is for the drilling of two production wells of an anticipated duration of 140-160 days

Responsibility Statement

On behalf of the Board of Directors and management, we confirm that, to the best of our knowledge the financial statements for 2017 have been prepared in accordance with the current applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss for the Group as a whole.

We also confirm that the Board of Director's Report includes a true and fair review of the development and performance of the business and the position of the Group, together with a description of the financial risks and uncertainties facing the Group.

March 28, 2018

Tor Olav Trøim
Chairman

Fredrik Halvorsen
Director

Jan Rask
Director

Patrick Schorn
Director



To the General Meeting of Borr Drilling Limited

Independent Auditor's Report

Opinion

We have audited the consolidated financial statements of Borr Drilling Limited which comprise the balance sheet as at 31 December 2017, statement of operations, statement of comprehensive loss, statement of changes in equity and statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements are prepared in accordance with law and regulations and present fairly, in all material respects, the financial position of the group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter

How our audit addressed the Key Audit Matter

Impairment Assessment for jack-up drilling rigs

Refer to note 2 (Accounting policies) and note 6 (Jack-up drilling rigs).

The Group owns 13 jack-up drilling rigs and 13 newbuildings. The jack-up drilling rigs have a combined carrying amount of USD 783.3 million and the newbuilding contracts have a carrying amount of USD 642.7 million, and constitute the majority of the values in the balance sheet.

Impairment indicators were considered present at December 31, 2017. Several of the rigs were currently stacked and rates for jack-up drilling rigs are at historically low levels. As a result an impairment test was performed by management. The Group recognized an impairment of USD 26.7 million on two of the cold stacked

We evaluated and challenged management's impairment assessment and the process by which this was performed. We assessed management's accounting policy against US GAAP and obtained explanations from management as to how the specific requirements of the standards, in particular ASC 360-10-35 – Impairment of long-lived assets, were met.

Management considers each jack-up drilling rig to be a separate cash generating unit ("CGU" or "rig") and in line with ASC 360, first calculated the undiscounted value in use on an income basis. Where carrying value was in excess of this undiscounted cash flow, management proceeded to step 2 and estimated fair value of the jack-up drilling rig.

In order to assess each of the assumptions in management's undiscounted value in use forecast for both jack-up drilling rigs and newbuildings, we interviewed management and challenged their



jack-up drilling rigs in 2017. No impairment was recognized on the newbuildings.

We focused on this area due to the significant carrying value of the jack-up drilling rigs and newbuildings and the judgement inherent in the impairment review. Management made judgements on the undiscounted future cash flow forecasts in the value in use model and certain key inputs including, future day rates, operating expenses, maintenance, overhaul costs and scrap value of the jack-up drilling rig at the end of its useful economic life.

Where step 2 was performed for the impairment assessment on the two cold stacked jack-up drilling rigs management estimated scrap value less cost of disposal.

We note that changes in any of the assumptions above would have a direct impact on the impairment assessment.

assessments. For certain key assumptions we specifically used;

- Management's authorized budgets and forecasting and where possible compared these to current and historical market data to corroborate the reasonableness of cash flows used by management. In addition, we verified the mathematical accuracy of the model. We found that the cash flows were reasonable.
- Comparisons to an implied required day rate estimation. The implied rate was calculated by estimating cash flows on a hypothetical newbuilding and extrapolating the implied day rate required for a rational actor to recover the cost of an investment in a newbuilding at prices prevailing at December 31, 2017 with a reasonable rate of return. We have compared the implied rate to newbuilding transactions during 2017. We considered that day rates used by management were within an appropriate range.
- External market reports and valuation reports to corroborate the value in use that management arrived at. We obtained several of these reports from management. In addition we obtained a market and valuation report direct from a reputable broker.
- Market information including industry practice to assess the scrapping proceeds and the costs of scrapping jack-up drilling rigs. We were able to satisfy ourselves that management used reasonable estimates.

Business Combinations

We refer to note 2 (Accounting policies) and note 9 (Business acquisition).

On May 31, 2017 the group completed the transaction with Transocean, taking 100% ownership of the eight rig owning entities described in note 9. The total purchase consideration was USD 324.5 million in cash.

The business combination led to a material increase in the value of both tangible assets and onerous contracts. Due to the size of the transaction and the significant judgement required by management in determining the purchase price allocation

We evaluated and challenged management's PPA assessment and the process by which this was performed. Management engaged a third party for assistance with the PPA. We have assessed the third party's competence, capacity and objectivity and we did this by among other, meeting with the third party and performing the procedures described below related to the PPA report issued to management.

We assessed management's accounting policy against the codification and obtained explanations from management as to how the specific requirements of the standards, in particular ASC 805 – Business Combinations, were met. In order to assess each of the assumptions in management's purchase price allocation, we discussed with management and challenged their



(PPA), this has been an area of focus. In particular, we focused on the assessments made regarding valuation of jack-up drilling rigs and newbuildings that were acquired.

assessments, especially related to their valuation assessment for jack-up drilling rigs and newbuildings.

For certain key assumptions in arriving at the fair value estimated on an income basis we specifically used the sources of data and performed among other the procedures outlined below;

- We reviewed management's authorized budgets and forecasting and where possible compared these to current and historical market data to corroborate the reasonableness of cash flows used by management. In addition, we verified the mathematical accuracy of the model. We found that the cash flows were reasonable.
- We used our internal valuation specialists and external market data to assess the assumptions used to build the discount rate. We considered that the assessment made by management was within a reasonable range. We checked the consistency of the use of the discount rate against all identifiable assets and ensured the mathematical accuracy of its application in the cash flow projections.
- Comparisons to an implied required day rate estimation. The implied rate was calculated by estimating cash flows on a hypothetical newbuilding and extrapolating the implied day rate required for a rational actor to recover the cost of an investment in a newbuilding at prices prevailing at the acquisition date, with a reasonable rate of return. We have compared the implied rate to newbuilding transactions during 2017, which serve to corroborate assessments made by management. We considered that day rates used by management were within an appropriate range.

We evaluated the appropriateness of the related disclosures in note 9 to the consolidated financial statements to the requirements of the applicable financial reporting framework, US GAAP in particular ASC 805 – Business Combinations. We satisfied ourselves that the disclosure appropriately explained the transactions.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, the statements on Corporate Governance and Corporate Social Responsibility, but does not include the consolidated financial statements and our auditor's report thereon.



Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated Financial Statements

The Board of Directors (management) is responsible for the preparation in accordance with law and regulations, including fair presentation of the consolidated financial statements in accordance with the accounting principles generally accepted in the United States of America, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a



going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Stavanger, 28 March 2018

PricewaterhouseCoopers AS

A handwritten signature in blue ink, appearing to read 'Gunnar Slettebø', is written over the printed name.

Gunnar Slettebø
State Authorised Public Accountant