BORR DRILLING LIMITED

ANNUAL REPORT 2018

BOARD OF DIRECTORS REPORT

Borr Drilling Limited (the "Company" or "Borr" and, together with its subsidiaries, the "Group", "we", or "Borr Drilling") is an international drilling contractor incorporated in Bermuda in August 2016, initially named Magni Drilling Limited. The Company has been listed on the Oslo Stock Exchange since August 30, 2017. The Group 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 2018, the Group's fleet consisted of 27 jack-up drilling rigs, with an additional 9 to be delivered during 2019 and 2020.

The Company's strategy is to establish itself as the preferred provider of drilling services in the jack-up drilling market.

The consolidated financial statements of the Company 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

From our initial acquisition of rigs in early 2017, we have expanded rapidly into one of the world's largest international offshore jack-up drilling contractors by number of jack-up rigs

	2018	2017
Total Fleet as of January 1……………………….……….	**13**	**0**
Jack-up Rigs Acquired [1]…………...……………………	23	12
Newbuild Jack-up Rigs Delivered from Shipyards………	9	1
Jack-up Rigs Disposed of………………………………..	18	0
Total Fleet as of December 31…………………………	**27**	**13**
Newbuilds not yet delivered as of December 31…………	9	13
Total Fleet as of December 31, including Newbuilds....	**36**	**26**

As of December 31, 2018, our drilling fleet consists of 27 rigs, of which six are standard jack-up rigs, 20 are premium jack-up rigs and one is a semi-submersible rig. In addition, we have agreed to purchase nine additional premium jack-up rigs to be delivered prior to the end of 2020. Premium jack-up rigs means rigs delivered from the yard in 2001 or later and which are suitable for operations in water depths up to 400 feet with an independent leg cantilever design. The majority of our rigs were built after 2013 and as of December 31, 2018 the average age of our premium fleet (excluding our six standard jack-up rigs and our semi-submersible rig) is 3.6 years. As of the date of the last expected delivery of the newbuild jack-up rigs we have agreed to purchase, which is in 2020, the average age of our premium fleet (excluding our six standard jack-up rigs and our semi-submersible rig) and of our entire fleet will be 4.1 years and 9.1 years, respectively, which is among the lowest average fleet age in the industry, both currently and as of the date of our last expected delivery.

Jack-up rigs are mobile, self-elevating drilling platforms equipped with legs that are lowered to the seabed. A jack-up rig is towed to the drill site with its hull riding in the water and its legs raised. At the drill site, the jack-up rig's legs are lowered until they penetrate the sea bed. Its hull is then elevated (jacked-up) until it is above the surface of the water. After the completion of drilling operations at a drill site, the hull is lowered until it floats on the water and the legs are raised. The rig can then be relocated to another drill site. Jack-up rigs typically operate in shallow water, generally in water depths of less than 400 feet and with crews of 90 to 150 people. We believe a modern fleet allows us to enjoy better utilization and higher daily rates for our jack-up rigs than competitors with older rigs.

As of December 31, 2018, we had 27 total jack-up rigs, of which 10 rigs were ''warm stacked,'' which means the non-contracted rigs, including our newbuild jack-up rigs which have been delivered but are kept ready for redeployment and retain a maintenance crew. Four rigs were ''cold stacked,'' which means the rigs are stored in a harbor, shipyard or a designated offshore area and the crew is reassigned to an active rig or dismissed. We believe that well-planned and well-managed stacking will significantly reduce reactivation cost and the cost of mobilization of a rig towards a contract. We are therefore focusing on securing cost efficiencies during stacking while limiting future risk from premature reactivation. This means concentrating stacked rigs in as few locations as possible to be able to share crew, running reduced but sufficient maintenance programs on equipment and preserving critical equipment.

We intend to prioritize the deployment of our currently contracted premium jack-up rigs. Reactivation of our premium jack-up rigs that are stacked will be undertaken for selected contract opportunities. However, a stacked rig will only be reactivated if the achievable dayrate supports the reactivation and subsequent operating costs in a sensible way. Our ability to keep our jack-up rigs operational when under contract, or Technical Utilization, for the year ended December 31, 2018 was 99.3% and the proportion of the potential full contractual dayrate that each contracted jack-up rig actually earns each day, or Economic Utilization, for the year ended December 31, 2018 was 97.6%.

The fleet is certified by ABS and DNV GL, enabling universal recognition of our equipment as qualified for international operations.

Health, safety and environment

The Company is committed to protecting the health and safety of all our people and our contractors in all work activities. We continuously pursue the goal of zero harm to people, assets and the environment. We promote active risk management to mitigate foreseeable hazards and ensure QHSE is integral in everything we do. The Company provides 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 2018, five accidents (including two Medical Treatment Cases) were reported in accordance with our internal reporting guidelines. 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. One uncontrolled discharge, of 445 liters of bunker fuel, was recorded in 2018.

Human Resources and Diversity

The Company promotes a workplace free from harassment and discrimination. The Company does not tolerate working conditions that conflict with international laws and practices. Our employees are required 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, 2018, the Company had 592 full time employees. Our onshore and offshore employees were 126 offshore employees and 466 onshore employees respectively.

[1] Includes acquisition of one semi-submersible rig in 2018

The gender proportion of our employees as of December 31, 2018 was 462 offshore males and 4 offshore females, and 95 onshore males and 31 onshore females. As of December 31, 2018, neither of our two Executives were female and none of our four members of the Board of Directors ("the Board") were female. In February 2019, we appointed two new Board members and expanded our Board from four members to six. Following these appointments, two of our six Board Members are female (33%). Improving gender diversity is a continued priority to the Company. The absence due to sickness for onshore employees was approximately 1% in 2018.

Going Concern

The 2018 Consolidated Financial Statements have been prepared on a going concern basis. We are dependent on loans and/or equity issuances to finance the remaining payment obligations under our current secured loans, newbuilding contracts and working capital requirements, which raises substantial doubt about our ability to continue as a going concern. Given the recent execution of our $120 million bridge facility, the approval by our Board of our current plans to increase our long-term debt, including the receipt of a non-binding term sheet for loan financing up to $550.0 million, and our track record in terms of raising equity financing and convertible debt financing, we believe that 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 our Consolidated Financial Statements. However, there is no assurance that we will be able to execute this financing.

Corporate development and Financing

In January 2018, Patrick Schorn, Executive Vice President – Wells in Schlumberger Limited, joined the Board of Directors.

On March 29, 2018, the Company completed the acquisition of Paragon Offshore Limited ("Paragon") and took ownership of 22 jack-up drilling rigs, of which six were under contract, and one semi-submersible working under contractual obligations in the North-Sea. Total consideration paid by the Company was approximately US$240 million. Additionally, at closing the Company paid down the outstanding term loan of Paragon in the amount of US$89.3 million, including accrued interest and breakage fee.

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

On May 16, 2018 the Company announced the acquisition of five rigs under construction from Keppel FELS Limited ("Keppel") for a total consideration of US$742.5 million. Of the total consideration, the Company paid US$288 million up-front and secured US$432 million in delivery financing from the yard for the five rigs at attractive terms. The loans are non-amortizing and payable five years after delivery of the rigs.

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

Financial Performance & Operating Results

Statements of Operations

Our operating revenues were $164.9 million for the year ended December 31, 2018, compared to $0.1 million for 2017. The increase of $164.8 million is primarily due to a significantly higher number of jack-up rigs in operation throughout 2018, as compared to 2017, when one jack-up rig was on contract for approximately one day late in the year. The increase in jack-up rigs in operation was primarily due to the Paragon Transaction, where we acquired six rigs operating under contract and contracted for a further two of the acquired rigs throughout 2018. In addition, in 2018 we recognized certain one off items, notably a gain from bargain purchase of $38.1 million relating to the Paragon purchase, and gains on disposals of $18.8 million. We sold 18 jack-up rigs during 2018, 16 of which we acquired in the Paragon Transaction, for total proceeds of $37.6 million. No jack-up rigs were sold in 2017.

Our rig operating and maintenance expenses, including stacking costs, were $180.1 million for the year ended December 31, 2018, compared to $36.2 million for 2017. The increase of $143.9 million was primarily driven the significantly higher number of jack-up rigs in operation throughout 2018. Our rig operating and maintenance expenses for the year ended December 31, 2018 also includes $12.0 million related to amortization of mobilization costs compared with $nil for 2017.

Depreciation, amortization and impairment was $79.5 million for the year ended December 31, 2018, compared to $47.9 million for 2017, and related mainly to our jack-up rigs. The increase of $31.6 million was a result of a larger fleet of jack-up rigs in 2018 and no impairment in 2018.

Amortization of contract backlog was $24.2 million for the year ended December 31, 2018, compared to $nil for 2017. The increase of $24.2 million was the result of our capitalization of contract backlog acquired in connection with the Paragon Transaction, which is amortized over the firm contract periods.

Our general and administrative expenses were $38.7 million for the year ended December 31, 2018, compared to $21.0 million for 2017. The increase was a result of a larger organization and additional offices due to both having more jack-up rigs in operation in 2018 and the Paragon Transaction where we acquired office leases in 2018 in Aberdeen, United Kingdom, Beverwijk, The Netherlands Houston and United States.

Our restructuring costs were $30.7 million for the year ended December 31, 2018, compared to $nil for 2017. This relates to costs incurred in connection with closure of certain offices following the Paragon Transaction, including termination payments to certain Paragon employees and lease agreement counterparties following the Paragon Transaction.

Our total other income (expenses), net was a loss of $57.0 million for the year ended December 31, 2018 compared to a gain of $21.7 million for 2017. The main reason for the negative movement of $78.7 million in 2018 are net losses on forward contracts relating to marketable securities of $14.2 million in 2018 compared with gains of $19.3 million in 2017, unrealized loss on the call spread transactions entered into in 2018 of $25.7 million and interest expense net of capitalized interest of $13.7 million in 2018 compared with $nil in 2017.

Our income tax expense for the year ended December 31, 2018 was $2.5 million, compared to $nil for 2017.

Balance Sheet

The Company had total assets of US$2,913.7 million as of December 31, 2018 (December 31, 2017: US$1,672.3 million). Total assets increased by US$1,241.4 million in the twelve months ended December 31, 2018, mainly due to the delivery of seven newbuilds from PPL Shipyard Pte. Ltd. ("PPL") of US$614.9 million, the deposit of US$288.0 million related to the transaction with Keppel in May 2018 and the additional assets purchased via the Paragon acquisition of US$241.3 million.

Total liabilities as of December 31, 2018, were US$1,380.2 million (December 31, 2017: US$179.4 million). The increase of US$1,200.8 million is driven by the yard financing incurred when taking delivery of PPL newbuilds of US$609.0 million, the convertible bond of US$350.0 million and drawdown on the revolving credit facility of US$130.0 million.

As of December 31, 2018, total equity was US$1,533.5 million compared to total equity of US$1,492.9 million at December 31, 2017.

Consolidated Statement of Cash Flows

Cash Flows Used in Operating Activities

Net cash used in operating activities was $135.2 million during the year ended December 31, 2018, compared to $184.8 million during the year ended December 31, 2017. The decrease of $49.6 million was primarily due to operating cash loss in the period, interest paid and change in working capital.

Cash Flows Used in Investing Activities

Net cash used in investing activities was $560.1 million for the year ended December 31, 2018, compared to $1,256.5 million for 2017. Our investment activities in the year ended December 31, 2018 relate to payments and costs in respect of newbuilds of $362.4 million, ($785.2 million in 2017), payments to acquire Paragon, net of cash acquired, of $195.1 million ($324.5 million in 2017 for the Transocean Transaction), purchase of marketable securities of $13.0 million ($26.9 million in 2017), payments and costs in respect of jack-up drilling rigs of $23.3 million ($119.8 million in 2017) and purchase of plant and equipment of $7.8 million ($0.1 million in 2017), offset by proceeds from the sale of rigs of $41.6 million in 2018 compared to $nil in 2017.

Cash Flows Provided by Financing Activities

Net cash provided by financing activities was $583.5 million for the year ended December 31, 2018, compared to $1,506.3 million for the year ended December 31, 2017. Our financing activities in the year ended December 31, 2018 relate to proceeds from long-term debt, net of deferred loan costs, of $474.4 million, proceeds from share issuance net of issuance costs of $218.9 million, proceeds from a shareholder loan of $27.7 million, offset by repayment of long-term debt of $89.3 million and purchase of financial instruments and purchase of treasury shares of $19.7 million. In the period ended December 31, 2017, we generated proceeds from share issuance, net of issuance costs and conversion of shareholders loans of $1,415 million, proceeds from issuance of long-term debt, net of deferred loan costs of $87.0 million and proceeds from a related party shareholder loan of $12.7 million, offset by purchase of treasury shares of $8.4 million.

Outstanding Shares

As of December 31, 2018, the Company had a share capital of US$5,326,403.27, divided into 532,640,327 shares of par value $0.01 each.

On August 28, 2018, the Company's Board of Directors approved a share repurchase program for the Company's shares, to be purchased in the open market by December 30, 2018 and limited to a total amount of US$20.0 million. During the year, the Company purchased 5,328,572 of its own shares at an average price of NOK 30.72 per share, or US$19.7 million in total. Following these purchases, the Company held 7,298,572 of its own shares in treasury at the end of the fourth quarter 2018 at an average price of NOK 31.72 per share, or US$26.2 million in total.

Operations

As of January 1, 2018, we had two contracted rigs whereof one was operating. In March we acquired Paragon with six operating rigs and one rig with a future contract. During the year we signed 13 new contracts and extensions, excluding exercised options, whereof five rigs will commence operation in 2019. The total number of rigs operating at some point during 2018 was 11.

Frigg

The "Frigg" continued its contract with Total in Nigeria throughout 2018. The contract duration was twelve months firm with options for extension thereafter up to a maximum of twelve months.

In December 2018 Borr and Total entered into an agreement to exercise the option extending the contract by ten months, including a seven months assignment to a subsidiary of Shell in Nigeria. This extension is expected to keep the rig on contract until October 2019.

Norve

The "Norve" commenced operation for BW Energy in Gabon in January 2018. The contract duration was for the drilling of three production wells and was completed in July 2018.

In May 2018, the Company secured a six-month firm contract with Perenco in West Africa for "Norve". This contract commenced in direct continuation of the BW Energy contract.

In November 2018, the Company signed an approximately ten to eleven months contract with BW Energy for the "Norve" commencing in June 2019.

Prospector 1

The "Prospector 1", which was contracted at the time of the Paragon acquisition, concluded its contract with Orange-Nassau Energy during August 2018.

In May 2018 we signed a contract with Tulip Oil for four firm wells plus one well option. This contract commenced in December 2018, with an estimated duration of five months.

Prospector 5

In June 2018, we entered into a contract with Nexen in the UK for one HPHT well program for approximately six months. Subsequently, the "Prospector 5" was reactivated and commenced operations in August 2018. This program was successfully completed in February 2019 and has proven the rig's and the Company's capabilities in delivering complex wells safely and efficiently on time.

MSS1

The MSS1was under contract with TAQA in the UK at the time of the Paragon acquisition and has remained on contract throughout 2018. Further, in the fourth quarter of 2018, Borr secured an approximately two-month contract extension with increased rates with the same costumer. With this extension, the "MSS1" is expected to remain on contract until November 2019.

Mist

In October 2018, Borr secured a four firm wells plus one well option for the "Mist". The rig commenced its short-term contract with Kris Energy in Thailand in the fourth quarter of 2018. This contract was successfully concluded in late February 2019 and the rig has been demobilized to Singapore where it remains warm stacked.

C20051

The "C20051", which was contracted at the time of the Paragon acquisition, commenced its contract with Perenco in the UK in late-April 2018. This contract was concluded in August 2018. Subsequently the "C20051" commenced operations with Total in the Netherlands in mid-September 2018 under a four workover wells program with an expected duration of approximately 60 days. Total exercised its options under the contract keeping the rig active until March 2019. The rig is now warm stacked pending a new contract.

Dhabi II

The "Dhabi II" which was contracted at the time of the Paragon acquisition continued its operation with ADNOC throughout 2018 with expected completion in July 2019.

B152

The "B152" which was contracted at the time of the Paragon acquisition continued its operation with ADNOC throughout 2018 with expected completion in November 2019.

B391

The "B391" which had a signed contract at the time of the Paragon acquisition commenced its contract with Spirit Energy in March 2018 with expected completion in December 2019.

L1112

The "L1112" (Ed Holt) concluded its contract in India in late September and was subsequently sold in October 2018.

Signed future contracts and activations

In 2018, Borr has entered into five contracts for certain premium jack-up rigs with commencement of operation estimated to start in first half of 2019. In connection with these contracts the Company has started activation and reactivation activities of these units as discussed below.

The premium jack-up rigs "Gerd" and "Groa" have secured two years firm plus two one-year options each with Exxon in Nigeria. The activation of these units commenced in late 2018 ahead of their contract, which is anticipated to commence in the second quarter of 2019.

The premium jack-up "Natt" has secured two years firm plus one year option with First E&P in Nigeria. The activation of this unit commenced in late 2018 ahead of its contract, which is anticipated to commence in the second quarter of 2019.

The premium jack-up rig "Odin" has secured a contract of approximately nine months in Mexico. The Company started the reactivation of the "Odin" in December 2018. In January 2019, the activation was successfully completed, and the rig commenced its mobilization to Mexico ahead of its contract start in April 2019. The Odin commenced operations in April 2019.

The premium jack-up rig "Ran" has secured a contract of approximately one year with Spirit Energy, which is anticipated to start in the second quarter of 2019. The rig currently continues to undergo reactivation activities ahead of its contract.

Market

Economic utilization of the global jack-up fleet has continued its recent upward trend, driven by increasing utilization of jack-up rigs built after 2000.

Based on the budgets reported by independent oil companies in the fourth quarter of 2018, offshore focused E&P companies are projecting an increase in capital expenditures for 2019 of more than 5%, according to a number of investment banks. In addition, we expect that the spending plans of national oil companies will continue to increase in 2019. We believe that offshore spending by E&P companies, including national oil companies, will increase in 2019 for the first time in recent years.

During the fourth quarter of 2018, tendering activities have remained strong across all regions. As reported by IHS, there are currently 73 outstanding jack-up tenders equating to a total of 104 rig years on offer. In addition, it is anticipated that PEMEX will award around 15 jack-up contracts in 2019 with durations of approximately two years each. In several of these tenders, such as ones in Qatar (eight units), Pemex (fifteen units), Petronas/Malaysia (up to nine rigs), a restrictive age ban has been introduced, which effectively blocks units built before 2010 from participating. Requirements of BOP capabilities, cantilever reach, crane capacity and water depth, further limits the availability of suitable units.

A noteworthy trend in the second half of 2018 was the incremental number of contracted rigs in China. The number of jack-up rigs operating in China has increased by six rigs since mid-2018, reflecting an effort by the Chinese government to boost Chinese production. We believe that the increased demand in China may help to alleviate newbuild supply pressure in other regions. The Chinese government has stated that it intends to create a new state-owned asset company, Beijing Guohai Offshore Ltd, for the purpose of owning distressed shipyard assets (including jack-up rigs) with the intention of deploying and operating these units locally in China. There are currently 27 uncontracted jack-ups built in 2010 or after, out of which Borr owns 5. Additionally, Borr has 9 premium rigs under construction, including flexibility to accelerate delivery of some of these units should market conditions be favorable to do so.

Several important tenders in South East Asia, Middle East and Mexico are expected to be concluded in the coming months, which could lead to a number of multi-year awards and an incremental jack-up demand that could exceed 40 rigs by year end 2019, according to Fearnleys.

During the fourth quarter of 2018, three jack-up rigs were retired from the worldwide jack-up rig fleet, according to IHS. In total, 35 jack-up rigs were retired in 2018, which was on par with the number of retirements in 2016 and 2017 combined, according to Rystad Energy. We believe that a significant number of the approximate 99 jack-up rigs that are more than thirty years old and uncontracted will remain uncompetitive and unlikely to return to the active fleet in the near future, if at all. According to Rystad Energy, the total number of jack-up rigs under contract as of March 1, 2019 was 289 (including 123 rigs built after 2010), up from 280 at the lowest point in January 2018, compared to a peak of 422 in 2014.

Outlook

The last months have shown a breakthrough for tenders for integrated drilling services. The contract structures in Mexico and Kuwait are tendered on an integrated basis. The Company's partnership with Schlumberger (as defined below) is developing positively, and we are bidding together on fully integrated work.

The tightening of the market has led to a lack of rig availability among incumbent drilling contractors. Some of these have approached Borr with offers on both bareboat structures and purchase options. Both bareboat and purchase options have been at attractive levels, and the Company is actively evaluating such opportunities. This creates an opportunity to sell assets at a significant premium to the current Borr share price valuation, and opportunistically use proceeds to redeem shares.

The Company has in the space of 26 months gone from having zero to 18 rigs contracted. The Company expects to be cash-flow positive in terms of cash from operations at the end of the second quarter of 2019 when all of these contracts have commenced. This may be a watershed moment in the history of Borr compared to the cash-burn experienced in 2018.

The Board is optimistic that Borr will have a major part of its open marketed capacity contracted out at attractive day rate levels before year-end 2019. Further upside potential in the Company will be linked to the contracting of seven newbuilds to be delivered in 2020. The Board sees clear evidence that the offshore cycle has turned and has started its path to a healthy recovery driven by oil companies' increased focus on offshore.

Corporate Governance and Corporate Social Responsibility Report

The Company has prepared a Corporate Governance Report and a Corporate Social Responsibility Report which is included as separate sections of this annual report. The Company has based its corporate governance policies and practices on the Norwegian Code of Practice for Corporate Governance published on 30 October 2014 (the "Code"). 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 Company's Bye-Laws and the Norwegian Public Limited Companies Act.

Risk Factors

The Company is exposed to a variety of risks, including market, operational, liquidity and financial risks. The most significant risk to the Company, is the cyclicality 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 is 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, and demand to recover more quickly. 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.

Other key risks are outlined below, which are not meant to be exhaustive:

The Company's operations are highly dependent upon our ability to train, attract and retain skilled personnel. Our employees and contractors generally require training certifications, which need to be current at all times. In addition, we need our offshore and onshore employees to be highly mobile, which depends on our ability to obtain visas and work permits for our crews and onshore staff, as well as our ability to work closely with our local partners.

Our operations are subject to hazards inherent in the drilling industry, such as blowouts, reservoir damage, loss of production, loss of well control, lost or stuck drill strings, equipment defects, punch-throughs, cratering's, fires, explosions and pollution. Contract drilling and well servicing require the use of heavy equipment and exposure to hazardous conditions, which may subject us to liability claims by employees, customers, subcontractors and third parties. These hazards can cause personal injury or loss of life, severe damage to or destruction of property and equipment, pollution or environmental damage, claims by jack-up rig personnel, third parties or customers and suspension of operations. Our fleet is also subject to hazards inherent in marine operations, either while on-site or during mobilization, such as capsizing, sinking, grounding, collision, damage from or due to severe weather,

including hurricanes, and marine life infestations

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.

Like most modern companies, we depend on digital technologies to conduct our offshore and onshore operations, to collect payments from customers and to pay vendors and employees. Our data protection measures and measures taken by our customers and vendors may not prevent unauthorized access of information technology systems. Threats to our information technology systems and the systems of our customers and vendors, associated with cybersecurity risks or attacks continue to grow. Threats to our systems and our customers' and vendors' systems may derive from human error, fraud or malice on the part of employees or may be the result of accidental technological failure. Our drilling operations or other business operations could also be targeted by individuals or groups seeking to sabotage or disrupt our information technology systems and networks, or to steal data. A successful cyberattack could materially disrupt our operations, including the safety of our operations, or lead to an unauthorized release of information or alteration of information on our systems. In addition, breaches to our systems and systems of our customers and vendors could go unnoticed for some period of time. Any such attack or other breach of our information technology systems, or failure to effectively comply with applicable laws and regulations concerning privacy, data protection and information security, could have a material adverse effect on our business, financial condition and results of operations

Largest shareholders

As at December 31, 2018 our 20 largest shareholders are:

Rank	Shareholder name	Shares	Ownership %
1	Schlumberger Oilfield Holdings Limited	75,658,500	14.2%
2	Euroclear Bank S.A./N.V.	53,980,494	10.1%
3	Folketrygdefondet	42,743,422	8.0%
4	Drew Holdings Ltd	35,569,900	6.7%
5	Goldman Sachs International	22,087,695	4.1%
6	JPMorgan Chase Bank, N.A., London	21,121,750	4.0%
7	FID ADV NEW INSIGHTS FD-SUB B	15,662,000	2.9%
8	Skagen Kon-Tiki	14,560,024	2.7%
9	Ubon Partners AS	11,271,100	2.1%
10	Clearstream banking	9,996,832	1.9%
11	JPMorgan Chase Bank, N.A., London	9,533,339	1.8%
12	Verdipapirfondet DNB Norge	8,949,737	1.7%
13	Magni Partners (Bermuda) Ltd	7,840,658	1.5%
14	BNP Paribas	7,674,084	1.4%
15	State Street Bank and Trust Comp	7,561,348	1.4%
16	Fidelity Funds	7,496,000	1.4%
17	The Bank of New York Mellon SA/NV	7,435,900	1.4%
18	Borr Drilling Limited	7,298,572	1.4%
19	Brown Brothers Harriman (Lux.) SCA	6,605,478	1.2%
20	Franklin Int Small Cap Grwt FD	6,309,275	1.2%
	Sum 20 largest	**379,356,108**	**71.2%**
	Other (4053 shareholders)	153,284,219	28.8%

Subsequent events

Delivery of Jack Up Rig, 'Njord'

In January 2019, the Company took delivery of the ''Njord''. The final delivery installment was $87.0 million, which was financed through shipyard financing for the same amount.

Secured $160 million financing

In March 2019, the Company executed a $160 million financing agreement consisting of a $100 million revolving credit facility and a $60 million guarantee credit line for issuance of guarantees.

Appointment of Directors

The Board of Directors appointed Alexandra Kate Blankenship as director of the Company and Georgina Sousa as director and company secretary on February 27, 2019.

Share option awards

In March 2019, the Company granted 2,300,000 options to certain employees and directors of the Company. The awards were granted under the existing approved share option scheme. The options have a strike price of $3.50 per share.

Novation of ''Thor''

In March 2019, we entered into an assignment agreement with BOTL Lease Co. Ltd for an assignment, and subsequently a novation and amendment agreement of the rights and obligations to purchase a KFELS Super B Bigfoot premium jack-up drilling rig with hull number B378 being built by Keppel for a purchase price of USD 122.1 million. We expect to take delivery of the rig from the yard prior to May 31, 2019 and the rig will be named ''Thor''.

To finance the rig purchase we entered into a $120 million senior secured term loan facilities agreement, consisting of two facilities (Facility A and Facility B) of $60 million each. The facilities mature on September 30, 2019. As of March 29, 2019, Facility A had been utilized in the amount of $60 million, and $60 million in Facility B remained undrawn. The availability period of Facility B expires June 30, 2019.

New contracts

On March 15, 2019, Borr announced that one of its subsidiaries, in partnership with OPEX Perforadora S.A. de C.V., has received an official award from Petroleos Mexicanos ("PEMEX") for the delivery of offshore wells in Mexico

Under this award, Borr has agreed to deliver a total of nine offshore development wells to our customer under an integrated services model. The scope of services will include the deployment of two of the Company's premium new build jack-ups, the "Grid" and "Gersemi", for period estimated to be around 18 months and expected commencement in mid-2019.

CORPORATE GOVERNANCE REPORT

Borr Drilling Limited 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 the Company's shares is listed 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.

The Company's Corporate Governance Policy

The overall corporate governance policy of the Company is the responsibility of its Board of Directors.

In defining this policy, the Board has observed the requirements set out in applicable laws, relevant recommendations and the specific requirements arising from the Company's business activities.

The most important recommendation of relevance to the Company's corporate governance is the Norwegian Code of Practise 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

The Company'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.

The Company 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 for 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

The Company 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 seven 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. We have established a nominating and corporate governance committee in February 2019 comprised of Mr. Rask and Mr. Halvorsen.

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 six 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 The Company'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 given the increasing size and complexity of the Company, an Audit Committee and a Remuneration Committee are appropriate from March 2019. Kate Blankenship (Chairperson) and Tor Olav Trøim are the members of the Audit Committee as of the date of this report, and Patrick Schorn (Chairperson) and Kate Blankenship comprise the Remuneration Committee as of the date of this report.

As of December 31, 2018, the Company did not have an Audit Committee, a Nomination Committee or a Remuneration Committee.

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.

The Company 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 covers both the Borr Group's operations and its guidelines for ethical conduct and social responsibility.

In addition, the Board supervises Management's processes and controls governing the Internal Control over Financial Reporting, to ensure the accuracy and timeliness of Management's reporting to shareholders and the Market on matters pertaining to the Company's primary financial statements (Statement of Operations, Balance Sheet and Statement of Cash Flows).

In connection with the audits of our consolidated financial statements as of and for the years ended December 31, 2017 and 2018, we and our independent registered public accounting firm identified a material weakness in our internal control over financial reporting. If we fail to develop and maintain an effective system of internal control over financial reporting, we may be unable to accurately report our financial results or prevent fraud.

The Company was established in 2016 and has since that time experienced significant expansion, especially during 2018 when the company acquired Paragon Offshore Limited and shortly thereafter proceeded with a rationalization program. This growth, combined with the loss of historically significant individuals and relationships in the

legacy Paragon business, resulted in too few accounting personnel to adequately follow and maintain our accounting processes, and constrained our ability to deploy resources with which to address compliance with internal controls over financial reporting. Subsequently, although we are not subject to certification or attestation requirements in the course of preparing and auditing our consolidated financial statements for the years ended December 31, 2017 and 2018, we and our independent registered public accounting firm respectively identified one material weakness in our internal control over financial reporting as of December 31, 2018. In accordance with reporting requirements, a "material weakness" is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our company's annual or interim consolidated financial statements will not be prevented or detected on a timely basis. The material weakness identified relates to lack of sufficient competent financial reporting and accounting personnel to prepare and review our consolidated financial statements and related disclosures in accordance with U.S. GAAP and financial reporting requirements. Neither we nor our independent registered public accounting firm undertook a comprehensive assessment of our internal control for purposes of identifying and reporting any material weakness in our internal control over financial reporting. Had we performed a formal assessment of our internal control over financial reporting or had our independent registered public accounting firm performed an audit of the effectiveness of our internal control over financial reporting, additional material weaknesses may have been identified.

To remedy our identified material weakness subsequent to December 31, 2018, we plan to undertake steps to strengthen our internal control over financial reporting, including hiring more qualified personnel to strengthen the financial reporting function and to improve the financial and systems control framework, and implementing regular and continuous U.S. GAAP accounting and financial reporting training programs for our accounting and financial reporting personnel.

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 options 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.

The Company 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 three 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 and local compensation such as housing allowance, mandatory pension payments, etc.

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

The current incumbent auditors are PriceWaterhouseCoopers AS, Dronning Eufemias, Gate 8, 0191 Oslo, Norway.

CORPORATE SOCIAL RESPONSIBILITY

The Company is committed to conducting its operations ethically and in compliance to applicable laws and regulations. The Company understands that an awareness of Sustainability and Corporate Social Responsibly (CSR) within operations is essential to meet our workforce and customer's expectations, and that of wider society.

Although Borr is a young company, it has already established a strong CSR foundation. For example, the 2018 Safety records, the Total Recordable Incident Frequency (TRIF) of 1.54 is below the industry average 1.81. In 2018, The Company participated in the Carbon Disclosure Project (CDP), publicly reporting its Greenhouse gas emissions. And in an independent review of our CSR policies, procedure and actions by EcoVadis (a specialist in CSR company evaluation) The Company obtained a Silver Rating.

With the acquisition of Paragon Offshore, the Company obtained an established management system, which was certified to ISO9001 Quality Management System, ISO14001 Environmental Management System and OHSAS18001 OH&S Management System.

This CSR statement is prepared in consideration of the Non-financial reporting requirements of Section 3.3c of Norwegian Accounting Act. To ensure the CSR reporting, which is representative of the business operations in 2018, the following materiality and boundaries are observed through the report.

We incorporate our Vision, Mission in everything we do

- **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.

Materiality and boundaries

The Company is committed to protecting the health and safety of all our employees and external stakeholder, and conservation of the environment. To this affect the materiality topics of sustainably/ CSR reporting focuses on our people, safe operation, environment and business ethics.

Reporting Boundaries

The boundaries set forth are operating and warm stacked rigs and support offices, as well as corporate headquarters. During 2018 our report covers:

- North Sea
  - Rigs - Paragon MSS1, Paragon B391, Paragon C20051, Prospector 1 and Prospector 5.
  - Support offices - Aberdeen (UK) and Beverwijk (NL)
- West Africa –
  - Rigs - Frigg and Norve.
  - Support Offices - Port Harcourt (Nigeria) and Port-Gentil (Gabon)
- Middle East Africa –
  - Rigs - Dhabi II, Paragon B152, Mist
  - Support office - Abu Dhabi (UAE)
- Singapore 'New Builds' –
  - Rigs - Gerd, Groa, Natt, Odin.

Other Support office are:

- Dubai (UAE) - Corporate HQ
- Oslo (Norway) - Finance
- Houston (USA) - legacy Paragon office

Notes on Boundaries

- Oslo, Port Harcourt and Port Gentil offices are sublet and therefore electricity usage not available and excluded from GHG emissions calculations
- All Paragon Offshore offices and rigs are included in The Company data as of 29th March 2018.
- The rigs Paragon C463, Paragon HZ1, Ed Holt were sold during 2018. Emissions data for these rigs included up to date of sale.

Performance Indicators

Throughout the CSR report, relevant performance indicators are presented. Historical data is limited, as Borr was established late in 2016, and with limited operation in 2017. Paragon data is included from 29th March 2018, the date which Paragon was acquired by the Company.

Stakeholder Engagement

The Company has a commitment to stakeholder engagement with internal workforce and external interested parties. Management maintains an open line of communication with personnel, providing them with key updates related to the company. Most of our rigs have a Safety Committee, with representatives from the crew and management. Meetings are held regularly to have open discussions and setting actions for ensuring safety onboard our rigs. Senior Management engage with the Board of Directors on a regular basis. Along with reporting on financial statements and press releases, the Board is also informed of significant safety and environmental events.

Client engagement is continuous to ensure operational excellence and safe operations. These include Drilling Well on Paper ("DWOP") exercise, bridging documents workshop and performance and HSE review meetings. Regulators are engaged to ensure compliance with applicable legislations. Planned inspections of rigs occur and the Company fully support inspectors during these processes.

The Company is a member of the International Association of Drilling Contractors ("IADC"), the representative body for drilling contractors.

Our People

Our fleet is growing and so is the Company. The number of employees has significantly increased, from 80 employees in 2017 to 592 employees at the end of 2018. The Company believes that our employees are our most important resource. Our culture is based around a diverse work force and a belief in working together and benefit from each other's strengths. We are an equal opportunity employer who respects diversity in the workplace and promote a work environment where discrimination is not permitted. These principles are lay out in the Code of Conduct, which all employees are bound to abide by.

Gender Diversity

The offshore drilling industry has traditionally been dominated by men, primarily driven by the physically demanding nature of the work and extended periods of work rotations. That is not to say that the Company does not promote gender diversity and is an equal opportunity employer. In 2018, approximately 24.6% of our shore-based workforce where females. No executive team members or member of the Board of Directors were female as of December 31, 2018. Following our expansion of the Board to six persons in February 2019, two of our Directors are female (33% of the Board). The percentage of females working offshore is approximately 0.8%.

Training and Competency of Workforce

By increasing the competence base of our organization, we will produce confident and highly qualified staff, which enable the organization to achieve its goals and objectives. Personnel are provided training necessary to improve and maintain their competency at work. Appropriately trained and competent workforce is vital to ensure operational excellence and safe operations. This is administered by our dedicated Learning and Development Team and utilized though the Atlas Competency Program (Advancement Through Leadership, Ability and Skill) for our offshore employees. This program allows for demonstration of competency of all our offshore crews and serves as a mechanism for career development and progression.

Healthy Workers

The health and well-being of our crews is very important for the Company. All our rigs have recreation rooms and communal areas to relax and unwind after a day or night of work. There are opportunities to stay fit in the onboard gym and our mess halls offer healthy options as well as a diverse range of local and international cuisines. Each offshore installation has a qualified health care professional and fully equipped clinic with necessary medicines and equipment to provide first aid treatment to employees. In case of any serious injury or illness, the Company has partnered with International SOS, whom aids with shore-based support to medics, evacuation of personnel to healthcare facilities, and consultation on health-related concerns in the area of operations. All personnel are provided with information on Malaria before travelling to countries where such disease is prevalent and must undergo an awareness training prior to travel. arrangements are in place to medevac to an onshore health care facility.

Security

A security assessment is carried out prior to operating in high risk areas. The Company consults with Control Risk Group on matters of security as and when required. Where necessary, our rigs are aligned to the International Ship and Port Facility Security (ISPS) Code. This ensures safety and security of our personnel.

Independent CSR Assessment by EcoVadis

EcoVadis is an independent provider of business sustainability assessment, with a focus on Human Rights, Labour Rights, Environment and Supplier Sustainability. EcoVadis conducted a CSR assessment of the Company in November 2018. Based on our CSR policies, procedures and actions, we were awarded a Silver rating, placing the Company among the top 87 percentile of companies evaluated by EcoVadis. This is an excellent recognition of strong policies and procedures we have in place for Human and Labour Rights.

Safe Operations

The Company continuously pursues the goal of zero harm to people by taking proactive measures to prevent work related injuries and illnesses. Such measures include:

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

All offshore operation is supported by HSE personnel on the installation, in the corporate office and in the regional offices. We perform a daily review of all HSE events and each month a review of HSE performance is carried out by the corporate management team. Monthly performance reports are provided to the Board, senior management and company personnel. Performance reports are also provided to clients for the relevant rigs on their contract.

The key performance indicators for HSE includes personnel injury incidents, dropped object incidents, near miss incidents, spills to environment and 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 reoccurrence. Experience from such incidents are shared across the fleet through safety alerts.

Safety Performance Indicators

The key safety statistics for 2018 are LTIF of 0.62 and TRIF of 1.54. This is compared to an IADC industry TRIF of 1.81. The Company includes all personnel on the rig in safety statistics, including third party person.

During 2018, there were five recordable incidents across the all operations, consisting of two MTC, one RWC and two LTI.

Notes: Definition of safety statistic terms

- *TRIF (Total Recordable Incident Frequency) = (MTC + RWC + LTI + FAT) x 1,000,000 / Total Manhours.*
- *Medical treatment case (MTC), Restricted work case (RWC), Lost Time incident (LTI) Fatalities (FAT).*
- *LTIF (Lost Time Incident Frequency) = (LTI) x 1,000,000 / Total Manhours*
- *Recordable Incident = MTC + RWC + LTI + FAT.*

Emergency Preparedness

Emergency response procedures and systems are in place at rig, region and corporate level. Frequent drills are conducted offshore to ensure robustness of the arrangements and the readiness of the crew. The Company has partnered with Restrata, a leading provider of emergency response coordination facilities. During 2018, Borr participated in two major simulation emergency exercises with clients and Rastrata in the North Sea, to test our emergency responses in a controlled environment.

Environment

Environmental management of operations is accomplished by utilizing the ISO14001 framework. The key environmental aspects from offshore operations are discharges to sea, emissions to air and waste generation, and the potential for spills to sea. The processes around these aspects have been mapped and stringent procedural controls have been put in place to reduce environmental risk to levels as low as reasonably practicable. As of December 31, 2018, all our rigs comply with the applicable rules set forth by the International Marine Organization ("IMO") and the environmental protective regulation in the International Convention for the Prevention of Pollution from Ships ("MARPOL"). Our rigs have International Oil Pollution Prevention Certificate, International Air Pollution Prevention Certificate and International Sewage Pollution Prevention Certificate. In addition they gave a Shipboard Oil Pollution Emergency Plan (SOPEP) and Garbage Management Plans

Spills to Sea

The Company's key environmental objective is to have zero spills to sea. We utilize mechanic and operational controls to achieve this objective. Regular spill response exercises are performed on rigs to ensure that if a spill did occur, all onboard and on the shore are prepared to react and act in a planned and suitable manner. During 2018, there was one spill to sea from a Borr Drilling rig, in which 445 liters of fuel oil was spilled during a bunkering incident.

Air emissions and Greenhouse Gases ("GHG")

GHG emission are calculated in accordance with the *GHG Protocol Corporate Accounting* and International Petroleum Industry Environmental Conservation Associations ("IPIECA") *Oil and Gas Industry Guidance on Voluntary Sustainability Reporting*

The *IPIECA* Guidance sets the boundary of Drilling Contractor's Scope 1 emissions as fuel burned on the rig and refrigeration gas emissions. Emissions from flaring are outside the Drilling Contractor's scope. The main source of air emissions arises from combustion of fuel in the rig's engines. Our fleet mainly comprises of new premium rigs, which have higher energy efficiency than older standard rigs. The second source Scope 1 emissions is from refrigeration gases, also known as F-gases. The Company has a progressive approach to managing F-gases, including preventative maintenance of F-gas containing units and reporting of all F-gas losses. Other GHG emissions arise from electricity usage (Scope 2) and emissions in supply chain (Scope 3)

In 2018, Scope 1 emissions of 92,119 MT CO_2 equivalent were emitted from all offshore operations; 91,407 MT CO_2 equivalent from engines and 713MT from F-gas releases. This compares to a gross Scope 1 emission of 10,362 MT CO_2 equivalent in 2017. The increase in 2018 was due to acquisition of Paragon Offshore operational assets and overall increase in operations.

Scope 2 GHG emissions from electricity usage is 1,233 MT CO_2 equivalent. In 2017 the Scope 2 emission was reported as 13 MT CO_2 equivalent (Borr's Dubai office only). The increase was based on acquisition of Paragon Offshore and its associated offices, expansion of operations and the use of shore-based electricity on certain warm stacked rigs in Singapore.

Emissions Intensity related to turnover was 1.776 in 2018, compared to 0.104 in 2017. The increase was due to increase in operations activity.

CDP Disclosure

The Carbon Disclosure Project ("CDP") is an international non-government organization that provides a global disclosure system for investors, companies, cities and states to manage their environmental impact. In 2018, the Company made a disclosure to the CDP following a request from institutional investors. The Company is only one of two offshore drilling company to make a disclosure and we are very proud that we contributing to this important forum. This demonstrates our management and Board commitment to sustainability. The 2018 submission was a 'minimum' disclosure, and therefore was not scored.

Business Ethics

The Company's management is committed to having a business that operates within the applicable rules and regulations and ensuring that the business is operated in an ethical way. This includes, for example, ensuring there is no discrimination and that our supply chain is free of modern slavery.

Anti-Corruption

A company's supply chain is recognized as being both an integral part of operations, but also an area where a company can influence sustainability and good CSR practices. In 2018 Borr initiated the process of communicating with suppliers its Sustainability and CSR expectations via our Supplier Procurement and Corporate Social Responsibility Policy. This policy address matters including anti-bribery and corruption, modern slavery, as well and environmental and safety management. It is expected that all vendors who do business with the Company will sign up to and adhere to this policy.

The Company prohibits payments of bribes or kickbacks of any kind, whether in dealings with public officials or individuals in the private sector. The Company conducts appropriate due diligence of Borr Business Partners which include third-party' agents who perform marketing, shipping, freight forwarding, customs and visa services. The Company has partnered with TRACE, a globally recognized anti-bribery business organization, as part of the risk assessment of new vendors, local partners and customers. Each contract, agreement, engagement and/or any written commitment entered into between the Company and its partners, suppliers or agents contain provisions enforcing and promoting strict compliance to this Policy and or relevant Anti Bribery Anti-Corruption Regulations. This is verified by the Marketing department and external legal counsel, where appropriate.

Ethics and Integrity

The Company 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 Code of Conduct constitutes the basis upon which all our policies and procedures are built. The objective of the Code of Conduct is to describe Borr Drilling´s commitment and requirements regarding business practice and personal conduct. It defines the behavior Borr Drilling expects of our employees and what they can expect of Borr Drilling. Everybody associated with Borr Drilling is responsible for following our Code of Conduct. A copy of our Code of Conduct can be found on the

Company's website, www.borrdrilling.com. The Company's 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, 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 to otherwise obtain any improper advantage, in selling goods and services, conducting financial transactions or representing The Company´s interests.
- Providing gifts and hospitality to influence business decisions, or cause others to perceive an influence, to release The Company form any contractual obligation.
- Having interests outside the company in any business that competes with or provides services to The Company, and/or that would affect the individual's objectivity in carrying out his/her company responsibilities.
- Violation of antitrust laws, competition laws and regulations. The Company 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 The Company.

Whistleblower Policy

The corporate Whistleblower policy requires board members, officers and employees to report any breach of Code of Conduct Policy as well as violation of any applicable law in countries where the Company operates. An anonymous reporting phoneline is available to employees to report any concerns regarding:

- Health and Safety;
- Environmental;
- Human Rights and Labor practices (Forced labor and human trafficking; Child labor; Harassment; Discrimination; Equal opportunities);
- Data and Information Breaches;
- Business Ethics and Compliance (Bribery; Corruption; Insider trading),

All reports are promptly investigated, and appropriate corrective action taken if warranted by the investigation. The Compliance Risk Officer notifies the CEO of all such complaints and the status of their resolution.

Human Rights and Labor Practices

The Company respects human rights of its work force and the communities it operates in. No children are employed by The Company. Personnel working offshore must be a minimum of 18 years old. The Company does not tolerate the use of human trafficking or forced labor in its operations or in its supply chain.

In 2018, with the expansion of the Company's operations into the UK, the company because subject to the UK Modern Slavery Act. A revision of the Company's 'Against Modern Slavery' policy and procedure were competed in 2018 to ensure compliance with the UK Modern Slavery Act.

In addition, Borr has policies and procedures in place to ensure compliance with the California Transparency in Supply Chains Act and/or the U.S. Government's Federal Acquisition Regulation on Ending Trafficking in Persons.

BORR DRILLING LIMITED
CONSOLIATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

BORR DRILLING LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS

for the Years ended December 31, 2018 and 2017
(In $ millions, except per share data)

	Notes	2018	2017
Operating revenues	3	**164.9**	**0.1**
Gain from bargain purchase	14	**38.1**	—
Gain on disposals	4	**18.8**	—
Operating expenses			
Rig operating and maintenance expenses		(180.1)	(36.2)
Depreciation of non-current assets	11	(79.5)	(21.2)
Impairment of non-current assets	11	—	(26.7)
Amortization of acquired contract backlog		(24.2)	—
General and administrative expenses	14, 23	(38.7)	(21.0)
Restructuring costs	14	(30.7)	—
Cost for issuance of warrants	25	—	(4.7)
Total operating expenses		**(353.2)**	**(109.8)**
Operating loss		**(131.4)**	**(109.7)**
Other income (expenses), net			
Interest income		1.2	3.2
Interest expenses, net of amounts capitalized		(13.7)	(0.5)
Other, net	5	(44.5)	19.0
Total other income (expenses), net		**(57.0)**	**21.7**
Loss before income taxes		**(188.4)**	**(88.0)**
Income tax expense	6	**(2.5)**	—
Net loss		**(190.9)**	**(88.0)**
Net (loss) attributable to non-controlling interests	22	**(0.4)**	—
Net (loss) attributable to shareholders of Borr Drilling Limited		**(190.5)**	**(88.0)**
Earnings (loss) per share			
Basic loss per share	7	(0.37)	(0.34)
Diluted loss per share	7	(0.37)	(0.34)
Weighted-average shares outstanding	7	514,387,507	258,631,442

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

BORR DRILLING LIMITED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

for the Years ended December 31, 2018 and 2017
(In $ millions)

	Notes	2018	2017
Loss after income taxes		**(190.9)**	**(88.0)**
Unrealized gain (loss) from marketable securities	15	0.6	(6.2)
Other comprehensive income (loss)		**0.6**	**(6.2)**
Total comprehensive loss		**(190.3)**	**(94.2)**
Comprehensive loss attributable to			
Shareholders of Borr Drilling Limited		(189.9)	(94.2)
Non-controlling interests		(0.4)	—
Total comprehensive loss		**(190.3)**	**(94.2)**

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

BORR DRILLING LIMITED
CONSOLIDATED BALANCE SHEET

as of December 31, 2018 and 2017
(In $ millions, except number of shares)

	Notes	2018	2017
ASSETS			
Current assets			
Cash and cash equivalents		27.9	164.0
Restricted cash	8	63.4	39.1
Trade accounts receivables	9	25.1	—
Marketable securities	15	4.2	—
Prepaid expenses		10.8	2.6
Acquired contract backlog	14	20.2	—
Deferred mobilization costs		6.0	10.3
Accrued revenue		18.9	—
Tax retentions receivable		11.6	—
Other current assets	10	20.5	9.5
Total current assets		**208.6**	**225.5**
Non-current assets			
Property, plant and equipment		9.5	0.1
Jack-up drilling rigs	11	2,278.1	783.3
Newbuildings	12	361.8	642.7
Marketable securities	15	31.0	20.7
Other long-term assets	17	24.7	—
Total non-current assets		**2,705.1**	**1,446.8**
Total assets		**2,913.7**	**1,672.3**
LIABILITIES AND EQUITY			
Current liabilities			
Trade accounts payables		9.6	9.6
Amounts due to related parties		0.4	—
Unrealized loss on forward contracts	16	35.1	—
Accrued expenses		63.7	11.5
Onerous contracts	20	3.2	—
Other current liabilities	18	7.3	—
Total current liabilities		**119.3**	**21.1**
Non-current liabilities			
Long-term debt	19	1,174.6	87.0
Other liabilities		8.0	—
Onerous contracts	20	78.3	71.3
Total non-current liabilities		**1,260.9**	**158.3**
Total liabilities		**1,380.2**	**179.4**
Commitments and contingencies	21		

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

BORR DRILLING LIMITED
CONSOLIDATED BALANCE SHEET

as of December 31, 2018 and 2017
(In $ millions, except number of shares)

	Notes	2018	2017
Stockholders' Equity			
Common shares of par value $0.01 per share: authorized 625,000,000 (2017: 525,000,000) shares, issued 532,640,327 (2017: 478,292,500) shares and outstanding 525,341,755 (2017: 476,322,500) shares at December 31, 2018		5.3	4.8
Treasury shares		(26.2)	(6.7)
Additional paid in capital		1,837.5	1,587.8
Other comprehensive loss		(5.6)	(6.2)
Accumulated deficit		(279.2)	(88.8)
Equity attributable to the Company		**1,531.8**	**1,490.9**
Non-controlling interest		1.7	2.0
Total equity		**1,533.5**	**1,492.9**
Total liabilities and equity		**2,913.7**	**1,672.3**

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

BORR DRILLING LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS

for the Years ended December 31, 2018 and 2017
(In $ millions)

	Notes	2018	2017
Cash Flows from Operating Activities			(Restated)
Net (loss)		(190.9)	(88.0)
Adjustments to reconcile net (loss to net cash used in operating activities:			
Non-cash compensation expense related to stock options and warrants	23	3.7	8.2
Depreciation of non-current assets	11	79.5	21.2
Impairment of non-current assets	11	—	26.7
Amortization of acquired contract backlog		24.2	—
Amortization of onerous contracts		—	(152.2)
Gain on sale of rigs	4	(18.8)	—
Unrealized (gain) loss on financial instruments	16	65.2	(4.4)
Bargain purchase gain	14	(38.1)	—
Deferred income tax	6	(0.5)	—
Change in other current and non-current assets		(24.8)	(16.5)
Change in current and non-current liabilities		(34.7)	20.1
Net cash used in operating activities		**(135.2)**	**(184.8)**
Cash Flows from Investing Activities			
Purchase of plant and equipment		(7.8)	(0.1)
Proceeds from sale of fixed assets	4	41.6	—
Purchase business combination (acquisition), net of cash acquired	14	(195.1)	(324.5)
Purchase of marketable securities	15	(13.0)	(26.9)
Additions to newbuildings	12	(362.4)	(785.2)
Additions to jack-up drilling rigs	11	(23.4)	(119.8)
Net cash used in investing activities		**(560.1)**	**(1,256.5)**
Cash Flows from Financing Activities			
Proceeds from share issuance, net of issuance costs and conversion of shareholders loans		218.9	1,415.0
Proceeds from related party shareholder loan	26	27.7	12.7
Purchase of treasury shares	28	(19.7)	(8.4)
Repayment of long-term debt	14	(89.3)	—
Purchase of financial instruments		(28.5)	—
Proceeds, net of deferred loan costs, from issuance of long-term debt	19, 12, 13	474.4	87.0
Net cash provided by financing activities		**583.5**	**1,506.3**
Net (decrease) increase in cash, restricted cash and cash equivalents		**(111.8)**	**65.0**
Foreign exchange translation difference		—	—
Cash and cash equivalents and restricted cash at beginning of the period		203.1	138.1
Cash and cash equivalents and restricted cash at the end of period		**91.3**	**203.1**

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

BORR DRILLING LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS

for the Years ended December 31, 2018 and 2017
(In $ millions)

	2018	2017
Supplementary disclosure of cash flow information		
Interest paid, net of capitalized interest	(8.6)	—
Income taxes paid	(3.2)	—
Issuance of long-term debt as non-cash settlement for newbuild delivery instalment	609.0	—
Non-cash settlement of shareholder loan with issuance of shares	27.7	—

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

BORR DRILLING LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

for the Years ended December 31, 2018 and 2017
(In $ millions, except share and per share data)

	Number of outstanding shares	Common shares	Treasury shares	Additional paid in capital	Other Comprehensive (Loss)/Income	Accumulated Deficit	Non-controlling interest	Total equity
Consolidated balance at December 31, 2016	**77,505,000**	**0.8**	**—**	**157.8**	**—**	**(0.8)**	**—**	**157.8**
Issue of common shares	391,100,000	3.9	—	1,446.2	—	—	—	1,450.1
Equity issuance costs	—	—	—	(17.8)	—	—	—	(17.8)
Other transactions:			—					
Exercise of warrants	9,687,500	0.1	—	—	—	—	—	0.1
Fair value of warrants issued	—	—	—	7.7	—	—	—	7.7
Equity issuance costs, warrants	—	—	—	(3.0)	—	—	—	(3.0)
Purchase of warrants	—	—	—	(4.7)	—	—	—	(4.7)
Stock based compensation	—	—	1.7	1.8	—	—	—	3.5
Purchase of treasury shares	(1,970,000)		(8.4)	—	—	—		(8.4)
Total comprehensive loss	—	—	—	—	(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	**476,322,500**	**4.8**	**(6.7)**	**1,587.8**	**(6.2)**	**(88.8)**	**2.0**	**1,492.9**
Issue of common shares (03.23.18)	46,707,500	0.4	—	214.3	—	—	—	214.7
Equity issuance costs	—	—	—	(3.2)	—	—	—	(3.2)
Issue of common shares (05.30.18)	7,640,327	0.1	—	35.1	—	—	—	35.2
Other transactions:			—					
Stock based compensation	—	—		3.7	—	—	—	3.7
Settlement of directors' fees	—	—	0.2	(0.2)				—
Purchase of treasury shares	(7,298,572)	—	(19.7)	—	—	—	—	(19.7)
Total comprehensive loss	—	—	—	—	0.6	(190.5)	(0.4)	(190.3)
Non-controlling interest	—	—	—	—	—	0.1	0.1	0.2
Other, net	—	—	—	—	—	—	—	—
Consolidated balance at December 31, 2018	**525,341,755**	**5.3**	**(26.2)**	**1,837.5**	**(5.6)**	**(279.2)**	**1.7**	**1,533.5**

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

Note 1 – General information

Borr Drilling Limited was incorporated in Bermuda on August 8, 2016. The company is listed on the Oslo Stock Exchange, under the ticker symbol "BDRILL." Borr Drilling Limited is an international offshore drilling contractor providing services to the oil and gas industry, with the objective of acquiring and operating modern jack-up drilling rigs. As of December 31, 2018, we had 27 total jack-up rigs, including 10 rigs "warm stacked" and 4 rigs "cold stacked," and had agreed to purchase 9 additional premium jack-up rigs under construction.

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", "organization", "we", "us", "our" and "its", or references to specific entities, is not intended to be a precise description of corporate relationships.

Basis of presentation

The consolidated 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 United States Dollars ("U.S. dollar or $") rounded to the nearest million, unless otherwise stated.

Operating results for the years ending December 31, 2018 and 2017 are not necessarily indicative of the results that may be expected for any future period.

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 at which the financial statements were made available for issue, which is April 30, 2019.

Restatement of Comparative Consolidated Statements of Cash Flows

We have restated our Consolidated Financial Statements to correct an error within our Consolidated Statements of Cash Flows. In the course of preparing our consolidated financial statements for 2018, we identified an error for the year ended December 31, 2017, of approximately $152.2 million between Net cash used in operating activities and Net cash used in investing activities sections of our statement of cash flows related to the extinguishment of the onerous contract related to the Keppel Rigs (as defined below). The following table presents the effect of the correction on the selected line items previously reported in the Consolidated Statements of Cash Flows for the year ended December 31, 2017:

(In $ millions)	**2017**	**Adjustments**	**2017**
			(Restated)
Cash Flows from Operating Activities			
Net (loss)	(88.0)	—	(88.0)
Adjustments to reconcile net (loss to net cash used in operating activities:			
Amortization of onerous contracts	—	(152.2)	(152.2)
Net cash used in operating activities	**(32.6)**	**(152.2)**	**(184.8)**
Cash Flows from Investing Activities			
Additions to newbuildings	(937.4)	152.2	(785.2)
Net cash used in investing activities	**(1,408.7)**	**152.2**	**(1,256.5)**

There were no impacts to net cash provided by financing activities within our consolidated statements of cash flows and there was no impact to the net increase (decrease) in cash and cash equivalents resulting from the restatement. In addition, there was no impact to our consolidated statement of operations or financial position.

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 sheet and Statements of Operations as "Non-controlling interests". Profit or loss and each component of other comprehensive income are attributed to the shareholders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Going concern

The consolidated financial statements have been prepared on a going concern basis. The Company is dependent on loans and/or equity issuances to finance the remaining obligations under its current secured loan repayments, newbuilding contracts and working capital requirements which raises substantial doubt about the Company's ability to continue as a going concern. Given the recent execution of our March 2019 bank facility, (see note 31), Board (as defined below) approved current plans to increase our long-term debt, including the receipt of an indicative term sheet for loan financing up to $550.0 million and our track record in terms of raising equity financing, we believe 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. There is no assurance that we will be able to execute this financing.

Use of estimates

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

Note 2 – Accounting policies

Revenue

The Company performs services that represent a single performance obligation under its drilling contracts. This performance obligation is satisfied over time. The Company earns revenues primarily by performing the following activities: (i) providing the drilling rig, work crews, related equipment and services necessary to operate the rig (ii) delivering the drilling rig by mobilizing to and demobilizing from the drill location, and (iii) performing certain pre-operating activities, including rig preparation activities or equipment modifications required for the contract.

The Company recognizes revenues earned under drilling contracts based on variable dayrates, which range from a full operating dayrate to lower rates or zero rates for periods when drilling operations are interrupted or restricted, based on the specific activities performed during the contract. Such dayrate consideration is attributed to the distinct time period to which it relates within the contract term, and therefore recognized as the Company performs the services. The Company recognizes reimbursement revenues and the corresponding costs as the Company provides the customer-requested goods and services, when such reimbursable costs are incurred while performing drilling operations. Prior to performing drilling operations, the Company may receive pre-operating revenues, on either a fixed lump-sum or variable dayrate basis, for mobilization, contract preparation, customer-requested goods and services or capital upgrades, which the Company recognizes over time in line with the satisfaction of the performance obligation.

The Company incurs costs to prepare a rig for contract and deliver or mobilize a rig to the drilling location. The Company defers pre-operating costs, such as contract preparation and mobilization costs, and recognizes such costs on a straight-line basis, consistent with the general level of activity, in operating and maintenance costs over the estimated firm period of drilling.

Jack-up rigs

The carrying amount of our jack-up rigs is subject to various estimates, assumptions, and judgments related to capitalized costs, useful lives and residual values and impairments. Jack-up rigs and related equipment are recorded at historical cost less accumulated depreciation. Jack-up rigs acquired as part of asset acquisitions are stated at fair

market value as of the date of the acquisition. The cost of these assets, less estimated residual value, is depreciated on a straight-line basis over their estimated remaining economic useful lives. The estimated economic useful life of our jack-up rigs and our semi-submersible drilling rig when new, is 30 years.

We determine the carrying values of our jack-up rigs and semi-submersible and related equipment based on policies that incorporate estimates, assumptions and judgments relative to the carrying values, remaining useful lives and residual values. These assumptions and judgments reflect both historical experience and expectations regarding future operations, utilization and performance. The use of different estimates, assumptions and judgments in establishing estimated useful lives and residual values could result in significantly different carrying values for our jack-up rigs and semi-submersible, which could materially affect our balance sheet and results of operations.

The useful lives of our jack-up rigs and semi-submersible and related equipment are difficult to estimate due to a variety of factors, including technological advances that impact the methods or cost of oil and gas exploration and development, changes in market or economic conditions and changes in laws or regulations affecting the drilling industry. We re-evaluate the remaining useful lives of our jack-up rigs and semi-submersible as of and when events occur that may directly impact our assessment of their remaining useful lives. This includes changes the operating condition or functional capability of our rigs as well as market and economic factors.

The carrying values of our jack-up rigs and semi-submersible and related equipment are reviewed for impairment when certain triggering events or changes in circumstances indicate that the carrying amount of an asset may no longer be recoverable. We assess recoverability of the carrying value of an 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, an impairment loss is recorded equal to the difference between the asset's carrying value and fair value. In general, impairment analyses are based on expected costs, utilization and dayrates for the estimated remaining useful lives of the asset or group of assets being assessed. An impairment loss is recorded in the period in which it is determined that the aggregate carrying amount is not recoverable. Asset impairment evaluations are, by nature, highly subjective. They involve expectations about future cash flows generated by our assets, and reflect management's assumptions and judgments regarding future industry conditions and their effect on future utilization levels, dayrates and costs. The use of different estimates and assumptions could result in significantly different carrying values of our assets and could materially affect our balance sheet and results of operations.

As of December 2018, management identified certain indicators, among others, that the carrying value of our jack-up rigs and semi-submersible and related equipment may not be recoverable and our market capitalization was lower than the book value of our equity. These market indicators include the reduction in new contract opportunities, decrease in market dayrates and contract terminations. We assessed recoverability of the carrying value of our jack-up rigs and semi-submersible by first evaluating the estimated undiscounted future net cash flows based on projected dayrates and utilizations of the rigs. The estimated undiscounted future net cash flows were found to be greater than the carrying value of our jack-up rigs and semi-submersible, with sufficient headroom. As a result, we did not need to proceed to assess the discounted cash flows of our rigs, and no impairment charges were recorded.

With regard to older jack-up rigs which have relatively short remaining estimated useful lives, the results of impairment tests are particularly sensitive to management's assumptions. These assumptions include the likelihood of the rig obtaining a contract upon the expiration of any current contract, and our intention for the rig should no contract be obtained, including warm/cold stacking or disposal. The use of different assumptions in the future could potentially result in an impairment of our jack-up rigs, which could materially affect our balance sheet and results of operations. If market supply and demand conditions in the jack-up drilling market do not improve, it is likely that we will be required to impair certain jack-up rigs.

Newbuildings

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

Interest cost capitalized

Interest costs are capitalized on all qualifying assets that require a period of time to get them ready for their intended use. Qualifying assets consist of newbuilding rigs under construction. The interest costs capitalized are calculated using the weighted average cost of borrowings, from commencement of the asset development until substantially all the activities necessary to prepare the assets for its intended use are complete. We do not capitalize amounts beyond the actual interest expense incurred in the period.

Rig operating and maintenance expenses

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

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. 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.

The estimated fair value of the jack-up rigs in a business combination is derived by using a market and income-based approach with market participant-based assumptions. When we acquire jack-up rigs there may exist unfavorable contracts which are recorded at fair value at the date of acquisition. An unfavorable contract is a contract that has a carrying value which is higher than prevailing market rates at the time of acquisition. The net present value of such contracts when lower than prevailing market rates, is recorded as an onerous contract at the purchase date.

In a business combination, contract backlog is recognized when it meets the contractual-legal criterion for identification as an intangible asset when an entity has a practice of establishing contracts with its customers. We record an intangible asset equal to its fair value on the date of acquisition. Fair value is determined by using Multi-Period Excess Earnings Method. The multi-period Excess Earnings Method is a specific application of the discounted cash flow method. The principle behind the method is that the value of an intangible asset is equal to the present value of the incremental after-tax cash flows attributable only to the subject intangible asset after deducting contributory asset charges. The asset is then amortized over its estimated remaining contract term.

Onerous contracts

Newbuildings: When we acquire rigs there may exist unfavorable contracts which are recorded at fair value at the date of acquisition. An unfavorable contract is a contract that has a carrying value which is higher than prevailing market rates at the time of acquisition. The net present value of such contracts when lower than prevailing market rates, is recorded as a liability at the purchase date.

Office leases: Onerous contracts are recognized for costs that will continue to be incurred under a contract for its remaining term without economic benefit to the Company. The net present value of such contracts is recorded as a liability at the cease-use date.

Share-based compensation

We have an employee share ownership plan under which our employees, directors and officers may be allocated options to subscribe for new shares in the Company as a form of remuneration. The cost of equity settled transactions is measured by reference to the fair value at the date on which the share options are granted. The fair value of the share options issued under the Company's employee share option plans are determined at the 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 a general and administrative expense 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, excluding forfeitures, with appropriate adjustments to reflect actual forfeitures.

Marketable securities

Marketable debt securities held by us which do not give us 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 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. We analyze our 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. We record an impairment charge for 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.

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

Marketable equity securities with readily determinable fair value are re-measured at fair value each reporting period with unrealized gains and losses recognized under total other income (expenses), net.

Legal proceedings

We may, from time to time, be involved in legal proceedings and claims that arise in the ordinary course of business. A provision will be recognized in the financial statements only where we believe that a liability will be probable and for which the amounts are reasonably estimable, based upon the facts known prior to the issuance of the financial statements.

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. 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.

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 margin accounts which have been pledged as collateral in relation to forward contracts and bank deposits which have been pledged as collateral for 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:

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 are 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 Limited is a Bermuda company that has a number of subsidiaries in various jurisdictions. Whilst the Company is resident in Bermuda, it is not subject to taxation under the laws of Bermuda, so currently, the Company is not required to pay taxes in Bermuda on ordinary income or capital gains. The Company and each of its subsidiaries and affiliates that are Bermuda companies have received written assurance from the Minister of Finance in Bermuda that that in the event that Bermuda enacts legislation imposing taxes on ordinary income or capital gains, any such tax shall not be applicable to the Company or such subsidiaries and affiliates until 31 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 recognize 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 authority's 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 assumptions regarding where our jack-up rigs 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 recognized 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.

Contingencies

We recognize contingencies in the consolidated balance sheet where we have 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, and only when the timing of related cash flows is fixed or reliably determinable, 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.

Warrants (Equity-based payments to non-employees)

All non-employee stock-based transactions, in which goods or services are the consideration received in exchange for equity instruments are required 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.

Earnings/(loss) per share

Basic earnings per share ("EPS") is calculated based on the loss for the period available to common shareholders 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 recognized initially at fair value less directly attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost. Transaction costs are amortized over the term of the loan.

Derivatives

We have a Call Spread (as defined below) derivative to mitigate the economic exposure from a potential exercise of conversion rights embedded in the convertible bonds. Call options bought and sold are cash settled European options exercisable only at maturity. The Call Spread derivative is fair value adjusted at each reporting period 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 adjustments are recognized under total other income (expenses), net with a corresponding increase or decrease in other long-term assets over the duration of the bonds.

Forward contracts that meet the definition of derivative instruments are recognized at fair value. Changes in the fair value of these derivatives are recorded in total other income (expenses), net in our Consolidated Statements of Operations. Cash outflows and inflows resulting from economic derivative contracts are presented as cash flows from operations in the consolidated statement of cash flows.

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 shareholders' equity) recorded as a reduction of the share balance/additional paid-in capital, respectively.

Treasury shares

Treasury shares are recognized at cost as a component of shareholders' equity.

Adoption of new accounting standards

In January 2017, the Financial Accounting Standards Board ("FASB") issued guidance to Accounting Standards Update ("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. The adoption did not have a material impact on the Consolidated Financial Statements and related disclosures.

In March 2017 the FASB issued ASU No. 2017-07, "Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost." The amendments in this update require that an employer disaggregate the service cost component from the other components of net benefit cost and provide guidance on how to present the service cost component and the other components of net benefit cost in the income statement. The guidance is effective for

public company financial statements issued for annual reporting periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. The amendment for the service cost component and the other components of net periodic pension cost and net periodic postretirement benefit cost should be applied retrospectively. The adoption did not have a material impact on the Consolidated Financial Statements and related disclosures.

In May 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. The adoption did not have a material impact on the Consolidated Financial Statements and related disclosures.

Issued not effective accounting standards

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. We expect to elect the new optional transition method of adoption. With respect to our drilling contracts, which could contain a lease component, we expect to apply the practical expedient. Our drilling contracts contain a lease component related to the underlying drilling equipment, in addition to the service component provided by our crews and our expertise to operate such drilling equipment. We have concluded that the non-lease service of operating our equipment and providing expertise in the drilling of the customer’s well is predominant in our drilling contracts. We expect to apply the practical expedient to account for the lease and associated non-lease operations as a single component. With the election of the practical expedient, we will continue to present a single performance obligation under the new revenue guidance in ASC 606 and recognize revenues based on the service component, which we have determined is the predominant component of our contracts. The Company believes that the adoption of this standard will not have a material effect on the Consolidated Financial Statement and related disclosure.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which revises guidance for the accounting for credit losses on financial instruments within its scope. The new standard introduces an approach, based on expected losses, to estimate credit losses on certain types of financial instruments and modifies the impairment model for available-for-sale debt securities. The guidance will be effective January 1, 2020, with early adoption permitted. Entities are required to apply the standard’s provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is adopted. The Company is in the process of evaluating the impact of this standard update on its Consolidated Financial Statements and related disclosures.

In August 2018, the FASB issued ASU No. 2018-13 – Fair Value Measurement (Topic 820): Disclosure Framework –Changes to the Disclosure Requirements for Fair Value Measurement. This ASU modifies the disclosure requirements in Topic 820 by identifying a narrower set of disclosures about that topic to be required on the basis of, amongst other considerations, an evaluation of whether the expected benefits of entities providing the information justify the expected costs. The amendments are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted. The Company does not intend to early adopt this standard. The Company believes that the adoption of this standard will not have a material effect on the Consolidated Financial Statements and related disclosures.

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

In August 2017, the FASB issued ASU No. 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities. This ASU refines and expands hedge accounting for both financial (e.g. interest rate) and commodity risks and creates more transparency around how economic results are

presented, both on the face of the financial statements and in the footnotes, for investors and analysts. The amendments are effective for annual periods beginning after December 15, 2018 for public entities, including interim periods within that period, with early adoption permitted. The Company believes that the adoption will not have a material effect on the Consolidated Financial Statements and related disclosures.

In August 2018, the FASB issued ASU No. 2018-14 – Compensation – Retirement Benefits – Defined Benefit Plans –General (Subtopic 715-20): Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans. This amendment modifies disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The main objective of this ASU is to remove disclosures that are no longer considered cost beneficial, clarify specific requirements of disclosures and to add disclosure requirements that are identified as relevant. The amendments are effective for fiscal years ending after December 15, 2020, with early adoption permitted. The Company does not intend to early adopt this standard. The Company believes that the adoption of this standard will not have a material effect on the Consolidated Financial Statements and related disclosures.

In November 2018, the FASB issued ASU 2018-18, Collaborative Arrangements (Topic 808), to provide clarity on when transactions between entities in a collaborative arrangement should be accounted for under the new revenue standard, ASC 606. In determining whether transactions in collaborative arrangements should be accounted under the revenue standard, the ASU specifies that entities shall apply unit of account guidance to identify distinct goods or services and whether such goods and services are separately identifiable from other promises in the contract. The accounting update also precludes entities from presenting transactions with a collaborative partner which are not in scope of the new revenue standard together with revenue from contracts with customers. The accounting update is effective January 1, 2020 and early adoption is permitted. We are currently evaluating the impact of the adoption of the accounting standard on our Consolidated Financial Statements and related disclosures.

In July 2017, the FASB issued ASU No. 2017-11, Earnings Per Share, Distinguishing Liabilities from Equity, and Derivatives and Hedging, which changes the classification of certain equity-linked financial instruments with down round features. As a result, a free standing equity-linked financial instrument or an embedded conversion option would not be accounted for as a derivative liability at fair value as a result of existence of a down round feature. For freestanding equity classified financial instruments, the amendment requires the entities to recognize the effect of the down round feature when triggered in its earnings per share calculations. The standard is effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2018. We are currently not expecting any material impact as a result of the adoption of this accounting standard on our Consolidated Financial Statements and related disclosures.

Note 3 – Segment information

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

Geographic data

Revenues are attributed to geographical location based on the country of operations for drilling activities, i.e. the country where the revenues are generated. The following presents our revenues by geographic area:

	For the Year Ended December 31,	
(in $ millions)	**2018**	**2017**
Middle East	41.1	—
North Sea	75.1	—
West Africa	44.4	0.1
South East Asia	4.3	
Total	**164.9**	**0.1**

Major customers

In the years ended December 31, 2018 and 2017, the following customers accounted for more than 10% of our contract revenues:

(In % of operating revenues)	For the Year Ended December 31, 2018	2017
National Drilling Company (ADOC)	21%	—%
TAQA Bratani Limited	17%	—%
BW Energy Energy Gabon S.A.	13%	—%
Totals S.A.	13%	100%
Centrica North Sea Limited (Spirit Energy)	10%	—%
Total	**73%**	**100%**

Fixed Assets — Jack-up rigs[(1)]

The following presents the net book value of our jack-up rigs by geographic area as of December 31, 2018 and 2017:

(In $ millions)	As of December 31, 2018	2017
Middle East	42.0	42.5
North Sea	320.0	122.9
West Africa	203.0	169.8
South East Asia	1,713.1	448.1
Total	**2,278.1**	**783.3**

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

Contract balances

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

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

(In $ millions)	As of December 31, 2018	2017
Current contract assets	45.1	10.4
Non-current contract assets	5.1	—
Total contract assets	**50.2**	**10.4**

Significant changes in the remaining performance obligation contract assets balances for the year ended December 31, 2018 are as follows:

(In $ millions)	Contract assets
Net balance at January 1, 2018	**10.4**
Additions to deferred costs, acquired contract backlog and accrued revenue	76.1
Amortization of deferred costs	(36.3)
Total contract assets	**50.2**

Contract Costs

Certain direct and incremental costs incurred for upfront preparation, initial rig mobilization and modifications are costs of fulfilling a

contract and are recoverable. These recoverable costs are deferred and amortized ratably to contract drilling expense as services are rendered over the initial term of the related drilling contract. Costs incurred for the demobilization of rigs at contract completion are recognized as incurred during the demobilization process.

Practical expedient - We have applied the disclosure practical expedient in ASC 606-10-50-14A(b) and have not included estimated variable consideration related to wholly unsatisfied performance obligations or to distinct future time increments within our contracts, including dayrate revenue. The duration of our performance obligations varies by contract.

Impact of Topic 606 on Financial Statement Line Items - Our revenue recognition pattern under ASC 606 is materially equivalent to revenue recognition under the previous guidance. For the year ended December 31, 2018, there were no material effects to our Consolidated Balance Sheets, Consolidated Statements of Operations, or Consolidated Statements of Cash Flows.

Note 4 – Gain on disposals

We have recognized the following gains on disposal of 18 rigs for the year ended December 31, 2018:

(In $ millions)	**Net proceeds / recoverable amount**	**Book value on disposals**	**Gain**
April 2018	4.2	2.1	2.1
May 2018	29.0	14.3	14.7
June 2018	2.0	1.3	0.7
October 2018	2.4	1.1	1.3
Total	**37.6**	**18.8**	**18.8**

Gain on disposals in 2017

We did not dispose of any jack-up rigs during 2017.

Note 5 – Total other income (expenses), net

Total other income (expenses), net is comprised of the following:

	For the Year Ended December 31,	
(In $ millions)	**2018**	**2017**
Foreign exchange loss	(1.1)	(0.3)
Other financial expenses	(3.5)	—
(Loss)/gain on forward contracts (note 16)	(14.2)	19.3
Change in unrealized (loss)/gain on Call Spread (note 16)	(25.7)	—
Total	**(44.5)**	**19.0**

(Loss)/gain on forward contracts is presented net. For the year ended December 31, 2018, the Company recorded an unrealized losses of $35.1 million and reversal of unrealized gains of $4.4 million and partly offset by realized gains of $25.3 million. For the year ended December 31, 2017 the Company recorded an unrealized gain of $4.4 million and realized accounting gain of $14.9 million.

Note 6 – Taxation

Borr Drilling Limited is a Bermuda company not required to pay taxes in Bermuda on ordinary income or capital gains under a tax exemption granted by the Minister of Finance in Bermuda until 31 March, 2035. We operate through various subsidiaries in numerous countries throughout the world and are subject to tax laws, policies, treaties and regulations, as well as the interpretation or enforcement thereof, in jurisdictions in which we or any of our subsidiaries operate, were incorporated, or otherwise considered to have a tax presence. Our income tax expense is based upon our interpretation of the tax laws in effect in various countries at the time that the expense was incurred. For the year ended December 31, 2018, our pre-tax loss in 2018 is all attributable to foreign jurisdictions except for $4 million loss associated with Bermuda.

Income tax expense is comprised of the following:

(In $ millions)	For the Year Ended December 31, 2018	2017
Current tax	2.0	—
Change in deferred tax	0.5	—
Total	**2.5**	**—**

Our annual effective tax rate for the year ended December 31, 2018 was approximately (1.3%), on a pre-tax loss of $188.4 million. Changes in our effective tax rate from period to period are primarily attributable to changes in the profitability or loss mix of our operations in various jurisdictions. As our operations continually change among numerous jurisdictions, and methods of taxation in these jurisdictions vary greatly, there is little direct correlation between the income tax provision/benefit and income/loss before taxes. A reconciliation of the Bermuda statutory tax rate to our effective rate is shown below:

Reconciliation of the Bermuda statutory tax rate to our effective rate:

	For the Year Ended December 31, 2018	2017
Bermuda statutory income tax rate	0%	0%
Tax rates which are different from the statutory rate	(1.95%)	—
Adjustment attributable to prior years	1.17%	—
Change in valuation allowance	(0.26%)	—
Adjustments to uncertain tax positions	(0.28%)	—
Total	**(1.32%)**	**0%**

The components of the net deferred taxes are as follows:

(In $ millions)	2018	2017
Deferred tax assets		
Net operating losses	12.6	—
Excess of tax basis over book basis of Property, Plant and Equipment	75.8	—
Other	2.0	—
Deferred tax assets	90.4	—
Less: Valuation allowance	(87.8)	—
Net deferred tax assets	**2.6**	**—**
Deferred tax liabilities		
Deferred tax liabilities	—	—
Net deferred tax asset (liabilities)	2.6	—

The deferred tax assets related to our net operating losses were generated in the United Kingdom and will not expire. We recognize a valuation allowance for deferred tax assets when it is more-likely-than-not that the benefit from the deferred tax asset will not be realized. The amount of deferred tax assets considered realizable could increase or decrease in the near-term if estimates of future taxable income change.

We conduct business globally and, as a result, we file income tax returns, or are subject to withholding taxes, in various jurisdictions. In the normal course of business we are generally subject to examination by taxing authorities throughout the world, including major jurisdictions we operate or used to operate, such as Denmark, Egypt, Gabon, India, Israel, the Netherlands, Nigeria, Norway, Oman, Saudi Arabia, the United Kingdom, the United States, and Tanzania. We are no longer subject to examinations of tax matters for Paragon Offshore Limited (“Paragon”) legacy companies prior to 1999.

The following is a reconciliation of the liabilities related to our unrecognized tax benefits:

(In $ millions)		2018	2017
Unrecognized tax benefits, excluding interest and penalties, at January 1,	$	—	—
Additions as a result of Paragon acquisition		4.8	—
Unrecognized tax benefits, excluding interest and penalties, at December 31,		4.8	—
Interest and penalties		3.4	—
Unrecognized tax benefits, including interest and penalties, at December 31,	$	8.1	—

We include, as a component of our income tax provision, potential interest and penalties related to liabilities for our unrecognized tax benefits within our global operations. Interest and penalties resulted in an income tax expense of $0.5 million, and $nil million for the years ended December 31, 2018 and 2017, respectively.

At December 31, 2018, the liabilities related to our unrecognized tax benefits, including estimated accrued interest and penalties, totaled $8.1 million, and if recognized, would reduce our income tax provision by $8.1 million. At December 31, 2017, the liabilities related to our unrecognized tax benefits totaled $0 million. It is reasonably possible that our existing liabilities related to our unrecognized tax benefits may increase or decrease in the next twelve months primarily due to the progression of open audits or the expiration of statutes of limitation. However, we cannot reasonably estimate a range of potential changes in our existing liabilities for unrecognized tax benefits due to various uncertainties, such as the unresolved nature of various audits.

Note 7 – Earnings/(loss) per share

The computation of basic EPS is based on the weighted average number of shares outstanding during the period. Diluted EPS exclude the effect of the assumed conversion of potentially dilutive instruments which are 13,075,000 of share options (2017: 8,555,000) outstanding issued to employees and directors and convertible bonds with a conversion price of $6.6963 for a total of 52,267,670 shares (2017: nil). Due to the current loss-making position these are deemed to have an anti-dilutive effect on the EPS of the Company.

	For the Year Ended December 31,	
	2018	2017
Basic loss per share	(0.37)	(0.34)
Diluted loss per share	(0.37)	(0.34)
Issued ordinary shares at the end of the year	532,640,327	478,292,500
Weighted average number of shares outstanding during the year	514,387,507	258,631,442

The number of share options that would be considered dilutive under the “if converted method” in 2018 is 767,286 (2017: 436,762).

Note 8 – Restricted cash

Restricted cash is comprised of the following:

	For the Year Ended December 31,	
(In $ millions)	2018	2017
Opening balance	39.1	—
Transfer to (from) restricted cash	24.3	39.1
Total restricted cash	**63.4**	**39.1**

All restricted cash is classified as current assets and consist of margin accounts which have been pledged as collateral in relation to forward contracts (see Note 16) and bank deposits which have been pledged as collateral for issued guarantees.

Note 9 – Trade accounts receivable

Trade accounts receivable are presented net of allowances for doubtful accounts. The allowance for doubtful accounts receivables at December 31, 2018 was $0.1 million (2017: $nil million).

Included within trade receivables as of December 31, 2018 are amounts due from Related Parties of $nil (2017: $nil), see Note 26 for details).

Note 10 – Other current assets

Other current assets are comprised of the following:

(In $ millions)	For the Year Ended December 31, 2018	2017
Financial instruments	—	4.4
Client rechargeable	5.1	—
Current taxes receivable	4.3	1.0
Deferred financing fee	3.2	—
Other receivables	7.9	4.1
Total other current assets	**20.5**	**9.5**

Note 11 – Jack-up rigs

Set forth below is the carrying value of our jack-up rigs

(In $ millions)	For the Year Ended December 31, 2018	2017
Opening balance	783.3	—
Additions	307.5	688.4
Transfers from newbuildings (note 12)	1,275.7	142.8
Depreciation and amortization	(69.6)	(21.2)
Disposals	(18.8)	—
Impairment	—	(26.7)
Total	**2,278.1**	**783.3**

In addition, the Company recorded a depreciation charge of $9.9 million for the full year 2018 related to property, plant and equipment ($ nil in 2017).

Impairment assessment of jack-up 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 years ended December 31, 2018 and 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 rigs, management has assumed that revenue levels and utilization will be at lower levels in 2019 and thereafter start to increase, ultimately reaching revenue levels and utilization in the lower quartile observed in the jack-up market in the last 10 years.

The Company recognized an impairment of $ nil and $26.7 million for the years ended December 31, 2018 and 2017, respectively, relating to “Brage” and “Fonn” which were disposed in 2018. We estimated the fair value of the two impaired rigs using estimated scrap values less cost of disposal.

A scenario with a 10% decrease in day rates used when estimating undiscounted cash flows would result in $5.7 million shortfall between the undiscounted cash flow and carrying value for the cold stacked rig “Eir” for the year ended December 31, 2018. No other rigs will have a shortfall with a 10% decrease in day rates.

Note 12 – Newbuildings

The table below set forth our carrying value of our newbuildings:

(In $ millions)	For the Year Ended December 31, 2018	2017
Opening balance	642.7	—
Additions	971.4	785.5
Capitalized interest	23.4	—
Transfers to jack-up rigs (note 11)	(1,275.7)	(142.8)
Total	**361.8**	**642.7**

The table below sets forth information regarding our rigs that were delivered during 2018, together with their final instalment and related financing where applicable

Rig	Delivery date	Final instalment ($ million)	Delivery financing ($ million	Shipyard
Saga*	January – 18	72.5	—	Keppel
Gerd	January – 18	87.0	87.0	PPL
Gersemi	February – 18	87.0	87.0	PPL
Grid	April – 18	87.0	87.0	PPL
Gunnlod	June – 18	87.0	87.0	PPL
Skald	June – 18	72.4	—	Keppel
Groa	July – 18	87.0	87.0	PPL
Gyme	September – 18	87.0	87.0	PPL
Natt	October – 18	87.0	87.0	PPL

The table above does not include first instalment and capitalized interest and will not cast to the transfers to Jack-up Rigs. *The final instalment of $72.5 million for "Saga" was paid in December 2017, before taking delivery of the rig in January 2018.

Note 13 – Asset acquisitions

Acquisition of Keppel Rigs

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

Acquisition of PPL Rigs

In October 2017, the Company signed a master agreement with PPL Shipyard Pte Ltd. ("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 $1,300 million, $55.8 million of this was paid per rig on October 31, 2017, and we agreed to accept delivery financing for a portion of the purchase price equal to $87.0 million per rig. The Company entered into loans for the financing of the delivery payment for each PPL Rig from PPL. Each loan is non-amortizing and matures five years after the delivery date. These loans are secured by a first priority

mortgage over the relevant PPL Rig and a guarantee from the Company. In addition, the seller is entitled to certain fees payable in connection with the increase in the market value of the relevant PPL Rig from October 31, 2017 until the repayment date, less the relevant rig owner's equity cost of ownership of each rig and any interest paid on the delivery financing. The back-end fee, which is included within portion of the purchase price for which we have agreed to accept delivery financing as described above, will be recognized as part of the cost price for each rig while the fees payable in connection with the increase in value of the relevant PPL Rig, as more fully described above, have not been recognized as of the date of the financial statements. The remaining contracted instalments, payable on delivery, for the PPL newbuilds are approximately $87 million as of December 31, 2018 ($696.0 million as of December 31, 2017).

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 $130.0 million. On the same date, the Company paid $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 none of the Keppel, PPL and Hercules transactions listed above constituted a business under ASC 805 and the purchases were therefore accounted for as asset acquisitions.

Note 14 – Business combinations

Paragon Transaction

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

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

(In $ millions)	**March 29,2018**
Cash and cash equivalents	41.7
Restricted cash	4.2
Trade receivables	31.0
Other current assets (including acquired contract backlog of $31.6 million)	53.4
Jack-up drilling rigs	246.0
Assets held for sale	15.0
Property, plant and equipment	16.1
Other long-term assets (including acquired contract backlog of $12.8 million)	24.8
Trade payables	(10.5)
Accruals and other current liabilities	(40.9)
Long term debt	(87.7)
Other non-current liabilities	(13.7)
Total	**279.4**
Fair value of consideration satisfied by cash:	
Payment upon completion by the Company (March 29, 2018)	240.0
Payment to non-controlling interest	1.3
Total	**241.3**
Total fair value of purchase consideration	241.3
Fair value of net assets acquired	279.4
Bargain gain	**(38.1)**

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

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

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

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

Restructuring

The table below sets forth the movements in restructuring provisions as a result of Paragon transaction:

(In $ millions)	**2018**	**2017**
Non-current		
Opening balance	—	—
Onerous office lease (ii)	7.0	—
Non-current restructuring provision (a)	**7.0**	**—**
Current		
Opening balance	—	—
Severance (i)	22.8	—
Severance payments (i)	(21.1)	—
Onerous office lease (ii)	5.2	—
Lease payments	(2.0)	—
Current restructuring provision (b)	**4.9**	**—**
Total (a+b)	**11.9**	**—**

(i) Severance payment

As part of the Tender Offer Agreement signed February 21, 2018, the Company initiated a workforce reduction program at closing of the transaction to align the size and composition of the Paragon workforce to Company's expected future operations and strategy. An agreement was reached with relevant employees of Paragon that specifies the amounts payable to those made redundant. The Company recognized $22.8 million in restructuring expense for the year ended December 31, 2018 related to those employees. As of December 31, 2018, $1.7 million is recognized within other current liabilities as final settlement for Paragon employees still employed by the Company. It is expected that the liability will be settled in 2019 when the employees are no longer employed by the Company.

(ii) Office lease

The Company recognized $7.8 million as restructuring cost for vacating excess Paragon offices as part of the workforce reduction program. The restructuring expense of $7.8 million relates to future lease obligations still present after the cease of use date. The Company's future lease obligation of $10.2 is recognized under onerous contracts, whereof $4.4 million where recognized by Paragon before the acquisition as part of Paragon's own restructuring plan. All future payments will be recognized against onerous contracts until February 2022 when the lease obligation is settled. The Company expects no additional cost to be recognized related to the Paragon restructuring after the year ended December 31, 2018.

Paragon pro forma information (unaudited)

Basis of preparation

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

(In $ millions)	Pro forma for the Year Ended December 31, 2018 (unaudited)	2017 (unaudited)
Revenue	192.1	185.5
Net income (loss)	(297.5)	738.0

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

For the period from March 29, 2018 until December 31, 2018, Paragon contributed $116.3 million in revenue resulting in loss before income taxes of $42.7 million, excluding bargain purchase gain of $38.1 million.

Transocean Transaction

On March 15, 2017, the Company entered into an agreement to acquire 15 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 (which together owned ten rigs) and five newbuildings under construction at Keppel FELS Limited's shipyard in Singapore. Total consideration for the transaction was $1,240.5 million and included jack-up rigs of $547.7 million, onerous contract of $223.7 million, current assets of $0.5 million and future newbuild contracts of $916.0 million.

On March 15, 2017 a deposit of $32.0 million was paid to Transocean. The Company financed the transaction through a private placement of 228,600,000 shares, issued at $3.50 per share.

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

Name of Acquired Entities	New Name of Acquired Entities
Constellation II Limited	-
GlobalSantaFe West Africa Drilling Limited	Borr Baug Limited
Transocean Andaman Limited	Borr Idun Limited
Transocean Ao Thai Limited	Borr Mist Limited
Constellation Rig Owner I 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. The rigs ended their contracts in July 2017, March 2018 and October 2018, respectively. While the Company took title and ownership to the rigs at the time of closing, Transocean retained the associated revenue, expenses and cash flow associated with the customer contracts including risks and rewards. The Company agreed that the existing bareboat charters to Transocean for these rigs would continue for the remaining contract periods (the "Transocean Bareboat Charters"). As part of the agreement, the Company agreed to pay Transocean an amount equal to the amounts received by the owners of the three rigs under the Transocean Bareboat Charters to Transocean. As a result of the agreement with Transocean, the bareboat proceeds and payments for these rigs are presented net in the consolidated statement of operations.

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

(In $ millions)	**May 31, 2017**
Jack-up drilling rigs	547.7
Current assets	0.5
Onerous contract (Note 20)	(223.7)
Total	**324.5**
Fair value of consideration satisfied by cash:	
Deposit on March 15, 2017	32.0
Payment upon completion (May 31, 2017)	288.7
Balancing payment	3.8
Total	**324.5**
Total fair value of purchase consideration	**324.5**
Fair value of net assets acquired	324.5
Goodwill	**—**

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 liability was recognized with regards to the newbuilding contracts acquired as the carrying value (future commitments) differed from prevailing market rates at the time of acquisition. The net present value of the newbuilding contracts has been recorded as a liability at the purchase date. No goodwill was recognized from the business combination.

Acquisition related transaction costs consisted of various legal, accounting, commissions, valuations and other professional fees which amounted to $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 for the Transocean transaction, as it is impractical. Post-acquisition, the acquired business contributed $4.2 million and $nil million in operating revenue in the Consolidated Financial Statements for the year ended December 31, 2018 and the period from May 31, 2017 through December 31, 2017, resulting in a loss before income taxes of $52.1 million and $51.8 million, respectively.

In June 2017, the Company paid $275.0 million to Keppel as a second instalment of the contract value for the construction of five new-build jack-up drilling rigs. The payment of $275.0 million made by the Company was allocated first against the relevant part of the onerous contract directly attributable to each hull (newbuild). An adjustment of $38.0 million and $39.2 million was made towards the onerous contract for Hull B364 (TBN "Saga") and Hull B365 (TBN "Skald"), respectively. A further adjustment of $62.0 million and $60.8 million was capitalized as newbuildings milestone payments for Hull B364 (TBN "Saga") and Hull B365 (TBN "Skald"), respectively. Of the remaining $75.0 million, $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 as of December 31, 2018, payable on delivery, for the Keppel newbuilds acquired in 2017 are approximately $448.2 million (approximately $515 million as of December 31, 2017).

Note 15 – Marketable securities

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

(In $ millions)	**2018**	**2017**
Opening balance	20.7	—
Purchase of marketable securities	13.9	26.9
Unrealized gain / (loss) on marketable securities	0.6	(6.2)
Total	**35.2**	**20.7**

In 2017, the Company purchased debt securities for approximately $26.9 million. In 2018, the Company purchased additional debt securities for approximately $9.7 million and shares for approximately $4.2 million. An accumulated unrealized gain of $0.6 million was recognized in other comprehensive income in the year ended December 31, 2018 (loss of $6.2 million in 2017).

Note 16 – Financial instruments

Forward contracts

As of December 31, 2018, the Company has forward contracts to purchase shares in listed drilling companies for an aggregate amount of approximately $85.4 million. The unrealized loss related to these forward contracts is $35.1 million as of December 31, 2018. The forward contracts are presented net in the consolidated balance sheet as of December 31, 2018 and consist of forward assets of $50.3 million and forward liabilities of $85.4 million. As of December 31, 2018, there is $37.9 million of restricted cash recorded in the balance sheet as collateral for these forward contracts (December 31, 2017: $20.0 million).

Call Spread

On May 16, 2018 the Company issued $350.0 million in convertible bonds due in 2023 (the “Convertible Bonds”) (see note 19). The Company has purchased, from Goldman Sachs International, call options over 52,268,060 shares with an exercise price of $6.6963 per share to mitigate the economic exposure from a potential exercise of the conversion rights embedded in the Convertible Bonds. In addition, the Company sold to Goldman Sachs International call options for the same number of shares with an exercise price of $8.5225 per share. The transactions are referred to as the “Call Spread”. The purpose of the Call Spread is to improve the effective conversion premium for the Company in relation to the Convertible Bonds to 75% over $4.87. The average maturity of the call options purchased and sold is May 14, 2023 with maturities starting on May 16, 2022 and ending on May 16, 2024. The call options bought and sold are European options exercisable only at maturity and are cash settled. Fair value adjustments in 2018 resulted in an unrealized loss of $25.7 million related to one-off costs for entering into the Call Spread and subsequent fair value adjustments recognized in the Consolidated Statements of Operations under total other income (expenses), net.

Note 17 – Other long-term assets

Other long-term assets are comprised of the following:

(In $ millions)	**2018**	**2017**
Other receivables	0.5	—
Deferred tax asset	2.6	—
Call Spread (Note 16)	2.8	—
Tax refunds	4.2	—
Deferred mobilisation costs — long term	5.1	—
Prepaid fees	9.5	—
Total	**24.7**	**—**

Note 18 – Accruals and other current liabilities

Accruals and other current liabilities are comprised of the following:

(In $ millions)	2018	2017
Accrued payroll and severance	3.1	—
Taxes payable	4.2	—
Total accruals and other current liabilities	**7.3**	**—**

Note 19 – Long-term debt

Long-term debt is comprised of the following:

					Maturities		
As of December 31, 2018	Carrying value	Fair value	Principal	Back end fee	Less than 6 months	6 months to 1 year	1-5 years
(In $ millions)							
$200 million senior secured revolving loan facility	130.0	130.0	130.0	—	—	—	130.0
Convertible bonds	346.5	287.9	350.0	—	—	—	350.0
Delivery financing from PPL	698.1	695.7	669.6	26.1	—	—	695.7
Total	**1,174.6**	**1,113.6**	**1,149.6**	**26.1**	**—**	**—**	**1,175.7**

					Maturities		
As of December 31, 2017	Carrying value	Fair value	Principal	Back end fee	Less than 6 months	6 months to 1 year	1-5 years
(In $ millions)							
Delivery financing from PPL	87.0	87.0	83.7	3.3	—	—	87.0
Total	**87.0**	**87.0**	**83.7**	**3.3**	**—**	**—**	**87.0**

$200 million senior secured revolving loan facility

In May 2018, we entered into a $200 million senior secured revolving loan facility agreement with DNB Bank ASA (the "DNB Revolving Credit Facility") secured by mortgages over five of our jack-up rigs, assignments of rig insurances, pledges over shares and related guarantees from certain of our rig-owning subsidiaries who provide this security as owners of the mortgaged rigs. As of December 31, 2018, $70 million remained undrawn under our DNB Revolving Credit Facility. Our DNB Revolving Credit Facility agreement contains various financial covenants, including requirements that we maintain a minimum book equity ratio of 40%, positive working capital and minimum liquidity equal to the greater of $50 million and 5% of net interest-bearing debt. Our DNB Revolving Credit Facility Agreement also contains a loan to value clause requiring that the fair market value of our rigs shall at all times cover at least 175% of the aggregate outstanding facility amount and any undrawn and uncancelled part of the facility. The facility also contains various covenants, including, among others, restrictions on incurring additional indebtedness and entering into joint ventures; restrictions on paying dividends; and restrictions on the repurchase of our Shares; restrictions on changing the general nature of our business; and restrictions on removing Tor Olav Trøim from our Board. Furthermore, Tor Olav Trøim is required to maintain ownership of at least 30 million Shares (subject to adjustment for certain transactions, including any reverse share split). Our DNB Revolving Credit Facility agreement also contains events of default which include non-payment, cross default, breach of covenants, insolvency and changes which have or are likely to have a material adverse effect on the relevant obligor's business, ability to perform its obligations under the DNB Revolving Credit Facility agreement or security documents or jeopardize the security provided thereunder. If there is an event of default, DNB Bank ASA may have the right to declare a default or may seek to negotiate changes to the covenants and/or require additional security as a condition of not doing so. DNB Bank ASA may also require replacement or additional security if the fair market value of the jack-up rigs over which security is provided is insufficient to meet our market value-to-loan covenant.

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

In January 2019, we executed an amendment to the DNB Revolving Credit Facility agreement which allows us to procure the issuance of guarantees as required in the ordinary course of business, typically for bid bonds, import bonds and performance bonds, up to an aggregate amount of $30 million. Our obligations to reimburse the bank for any payment made under such guarantees is secured

by the guarantees, security over the rigs, insurances and shares provided under the DNB Revolving Credit Facility agreement. This amendment replaced the cash collateral required by the common terms agreement with DNB Bank ASA, which we refer to as the Guarantee Facility, and resulted in the release of $25.0 million of cash that was categorized as restricted as of December 31, 2018.

As of December 31, 2018, we were in compliance with the covenants and our obligations under the DNB Revolving Credit Facility agreement. We expect to remain in compliance with the covenants and our obligations under the DNB Revolving Credit Facility agreement in 2019.

As of December 31, 2018, Frigg, Idun, Norve, Prospector 1 and Prospector 5 was pledged as collateral for the Senior Secure Revolving Loan Facility. Total book value of the encumbered rigs was $482.0 million as of December 31, 2018.

Convertible Bonds

In May 2018 we raised $350.0 million through the issuance of our Convertible Bonds, which mature in 2023. The initial conversion price (which is subject to adjustment) is $6.6963 per Share, for a total of 52,267,670 Shares. The Convertible Bonds have a coupon of 3.875% per annum payable semi-annually in arrears in equal installments. The terms and conditions governing our Convertible Bonds contain customary events of default, including failure to pay any amount due on the bonds when due, and certain restrictions, including, among others, restrictions on our ability and the ability of our subsidiaries to incur secured capital markets indebtedness. The Company has entered into Call Spreads to mitigate the effect of conversion – see Note 16 for details.

As of December 31, 2018, we were in compliance with the covenants and our obligations under our Convertible Bonds. We expect to remain in compliance with our obligations under our Convertible Bonds in 2019.

Our Delivery Financing Arrangements

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

PPL Newbuild Financing

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

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

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

As of December 31, 2018, Galar, Gerd, Gersemi, Grid, Gunnlod, Groa, Gyme and Natt was pledged as collateral for the PPL financing. Total book value for the encumbered rigs was $1,151.3 million as of December 31, 2018.

Keppel Newbuild Financing

In May 2018, we agreed to acquire five premium KFELS B class jack-up rigs, three completed and two under construction from Keppel (the "Keppel Rigs"). As of December 31, 2018, all five Keppel Rigs remain to be delivered. In connection with delivery of the Keppel Rigs, Keppel has agreed to extend delivery financing for a portion of the purchase price equal to $90.9 million per jack-up rig (the "Keppel Financing"). Separately from the Keppel Financing described below, we may exercise an option to accept delivery financing from Keppel with respect to two additional newbuild jack-up rigs, "Vale" and "Var," acquired in connection with the Transocean Transaction. We will, prior to delivery of each jack-up rig from Keppel, consider available alternatives to such financing.

The Keppel Financing for each Keppel Rig is an interest-bearing secured facility from the lender thereunder (an affiliate of Keppel), guaranteed by the Company which will be made available on delivery of each Keppel Rig and matures on the date falling 60 months from the delivery date of each respective Keppel Rig.

The Keppel Financing for each respective Keppel Rig will be secured by a mortgage on such Keppel Rig, assignments of earnings and insurances and a charge over the shares of the rig-owning subsidiary which holds each such Keppel Rig. The Keppel Financing agreements also contain a loan to value clause requiring that the fair market value of our rigs shall at all times be at least 130% of the loan and also contains various covenants, including, among others, restrictions on incurring additional indebtedness. Each Keppel Financing agreement also contains events of default which include non-payment, cross default, breach of covenants, insolvency and changes which have or are likely to have a material adverse effect on the relevant obligor's business, ability to perform its obligations under the Keppel Financing agreements or security documents, or jeopardize the security.

As of December 31, 2018, we had no Keppel Financing outstanding and were in compliance with our pre-drawdown covenants and obligations under the Keppel Financing agreements. We expect to remain in compliance with our Keppel Financing obligations in 2019. We expect to satisfy our obligations under the Keppel Financing for each respective Keppel Rig with cash flow from operations when due.

Interest

Average interest rate for all our interest-bearing debt was 5.84% for the year ended December 31, 2018.

Note 20 – Onerous contracts

Onerous contracts are comprised of the following:

(In $ millions)	**2018**	**2017**
Onerous lease commitments	10.2	—
Onerous rig construction contracts acquired	71.3	71.3
Total onerous contracts	**81.5**	**71.3**

Onerous contracts for Hull B366 (TBN "Tivar") of $16.8 million, Hull B367 (TBN "Vale") of $26.9 million and Hull B368 (TBN "Var") of $27.6 million, in total $71.3 million, relate to the estimated excess of remaining shipyard instalments to be made to Keppel FELS over the value in use estimate for the jack-up drillings rigs to be delivered. Remaining shipyard instalments and onerous contract are expected to be amortized when the newbuildings are delivered and paid in 2020.

Note 21 – Commitments and contingencies

The Company has the following commitments:

	As at December 31, 2018		**As at December 31, 2017**	
(In $ millions)	**Delivery instalment**	**Back-end fee**	**Delivery instalment**	**Back-end fee**
Delivery instalments for jack-up drilling rigs	963.9	25.8	1,190.2	26.0

In addition, under the PPL Financing, PPL is entitled to certain fees payable in connection with the increase in the market value of the relevant PPL Rig from October 31, 2017 until the repayment date, less the relevant rig owner's equity cost of ownership of each rig and any interest paid on the delivery financing. See note 13.

The following table sets for maturity of our commitments as of December 31, 2018

(In $ millions)	Less than 1 year	1–3 years	3–5 years	More than 5 years	Total
Delivery instalments for jack-up rigs	170.1	793.8	0.0	0.0	963.9

Operating leases

Future minimum lease payments for operating leases for years ending December 31, 2018 are as follows:

(In $ millions)	2019	2020	2021	2022	Thereafter	Total
Minimum lease payments	4.6	3.6	3.6	0.5	—	12.3

Our leases consist of office leases, warehouses, vehicles and office equipment. The majority of our lease commitments relate to office leases, of which $10.2 million is recognized as onerous lease liability, (see note 20). At the end of the various initial lease terms the Company can renew its leases, usually for a period of one year. As of December 31, 2018, all our leases were classified as operational leases.

Other commercial commitments

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

The principal amount of the outstanding surety bonds were $13.2 million and $12.9 million as of December 31, 2018 and 2017, respectively. In addition, we had outstanding bank guarantees and performance bonds amounting to $9.8 million (2017: $3.0 million).

As of December 31, 2018, these obligations stated in $ equivalent and their expiry dates are as follows:

(In $ millions)	2019	2020	2021	2022	Thereafter	Total
Surety bonds and other guarantees	22.6	—	—	—	0.5	23.1

Rigs pledged as collateral

As of December 31, 2018, Frigg, Idun, Norve, Prospector 1 and Prospector 5 was pledged as collateral for the Senior Secure Revolving Loan Facility. Total book value of the encumbered rigs was $482.0 million as of December 31, 2018.

As of December 31, 2018, Galar, Gerd, Gersemi, Grid, Gunnlod, Groa, Gyme and Natt was pledged as collateral for the PPL financing. Total book value for the encumbered rigs was $1,151.3 million as of December 31, 2018.

Note 22 – Non-controlling interest

Non-controlling interests consists of a 10% ownership interest in Borr Jack-Up XVI Inc. acquired in late 2017 by Valiant Offshore Contractors Limited.

Note 23 – Share based compensation

Share-based payment charges for the year ending

(In $ millions)	2018	2017
Share-based payment charge	3.7	1.8
Total	**3.7**	**1.8**

In January, April, July, September and October 2018 the Company issued 50,000, 150,000, 7,820,000, 100,000 and 200,000 share options, respectively, to employees of the Company. The options have an exercise price per share of $4.00, $4.20, $4.87, $4,59 and $4.55, respectively. Share price at grant date for the 2018 grants was $4.35, $4.57, $4.59, $4.56 and $4.57, respectively. The options will expire after five years and have a four-year vesting period. The total estimated cost of the share option granted in 2018 will be approximately $9.9 million which will be expensed over the requisite service period. The total aggregated number of share options authorized by the Board is 17,470,000. As of December 31, 2018, 13,075,000 share options are outstanding.

In June, July and October 2017, the Company issued 4,380,000, 2,800,000 and 1,875,000 share options, respectively, to employees of the Company. The options expire in five years and vest over a period of three years. Vesting is contingent upon employment on the vesting date. The exercise price is $3.50 per share for the options issued in June and July 2017 and $4.00 per share for the options issued in October 2017. The share price at the grant date for the options issued in October 2017 was $4.36. The Company was not listed when granting options in June and July 2017. The options are non-transferable. The fair values of the share options were calculated at $2.9 million, $1.7 and $2.2 million, respectively, and will be charged to the statement of operations as general and administrative expenses over the vesting period.

During 2017 the Company transferred 500,000 of its treasury shares to the then-CEO as part of his remuneration package and $1.7 million was charged to the statement of operations in 2017. As part of the CEO's termination, the Company repurchased 500,000 of its own shares at a price of $4.65 per share for a total consideration of $2.3 million. The Company transferred 71,428 treasury shares to a director as settlement of director's fees in the fourth quarter of 2018.

The table below sets forth the number of share options granted and weighted average exercise price during the years ended December 31, 2018 and 2017.

	2017		2018	
Number and weighted average exercise price stock options:	**Number**	**Weighted Average Exercise Price (in $)**	**Number**	**Weighted Average Exercise Price (in $)**
Outstanding at January 1	—	—	8,555,000	3.6
Granted during the year	8,555,000	3.6	8,320,000	4.8
Exercised during the year	—	—	—	—
Forfeited during the year	—	—	3,800,000	3.6
Outstanding at December 31	8,555,000	3.6	13,075,000	4.4
Exercisable at December 31	—	—	1,668,334	3.6

The fair value of equity settled options are measured at grant date using the Black Scholes option pricing model.

Following input is used when calculating fair value:	**2017**	**2018**
Expected future volatility	25%	30%
Expected dividend rate	—	—
Risk-free rate	1,5% - 2.0%	2.1% - 2.9%
Expected life after vesting	2 years	2 years

In 2017 the expected future volatility was based on peer group volatility due to the short lifetime of the Company. In 2018 volatility was derived by using an average of (i) Historic volatility of the Company's shares since listing on the Oslo Stock Exchange (ii) Deleveraged peer group volatility (iii) Oslo Energy sector index volatility.

Note 24 – Fair values of financial instruments

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

		As at December 31, 2018		As at December 31, 2017	
(In $ millions)	Hierarchy	Fair value	Carrying value	Fair value	Carrying value
Assets					
Cash and cash equivalents	1	27.9	27.9	164.0	164.0
Restricted cash	1	63.4	63.4	39.1	39.1
Marketable securities – non-current	1	31.0	31.0	20.7	20.7
Marketable securities – current	1	4.2	4.2	—	—
Other current assets (excluding prepayments and financial instruments)	1	20.5	20.5	9.5	9.5
Forward contracts (note 16)	2	50.3	50.3	60.6	60.6
Liabilities					
Long term liabilities	2	1,113.6	1,174.6	87.0	87.0
Other non-current liabilities		8.0	8.0	—	—
Trade payables	1	10.0	10.0	9.6	9.6
Accruals and other current liabilities	1	71.0	71.0	11.5	11.5
Forward contracts (note 16)	2	85.4	85.4	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, 2018 and 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 25 – Warrants

Schlumberger Oilfield Holdings Limited

On March 21, 2017, the Company issued 4,736,887 warrants to subscribe for ordinary shares at a subscription price of $3.50 plus 4% per annum. per share to Schlumberger Oilfield Holdings Limited ("Schlumberger") for its role, support and participation in the March 2017 Private Placement. At the grant date, the warrants issued to Schlumberger were valued at $3.01 million and were deemed to have vested on the basis that Schlumberger had fulfilled all of its performance criteria. The amount recognized as additional paid in capital with respect to the warrants issued to Schlumberger was $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 year ended December 31, 2017. The average contractual term of the warrants was 4 years.

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

The warrants outstanding as of December 31, 2018 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	$ 0.01	5 years
Granted	—	—	
Exercised	9,687,500	$ 0.01	
Warrants outstanding, December 31, 2017	—	—	—
Granted	—	—	—
Exercised	—	—	—
Warrants outstanding, December 31, 2018	—	—	—

Note 26 – Related party transactions

Agreements and other Arrangements with Drew Holdings Limited ("Drew")

Drew is a trust established for the benefit of Tor Olav Trøim, chairman of our Board. Drew is, following its merger with Taran Holdings Limited ("Taran") in 2017, a large shareholder in us.

Loans & Related Facilities

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

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

Taran provided us with a short-term loan of $12.75 million on March 15, 2017, to finance a deposit payable pursuant to the terms of the acquisition agreement for the Transocean Transaction. The loan was repaid with no interest accrued by way of set-off against Taran's payment obligations for its subscription of shares in our private placement in March 2017.

Other

On March 22, 2018, it was announced that we would raise up to $250 million in an equity offering divided in two tranches. Tranche 2 of the equity offering was subject to approval by the extraordinary general meeting to be held on April 5, 2018 and subsequent share issue. In connection with the settlement of tranche 2, $27.7 million was recorded as a liability to shareholders, including $20.0 million to Drew as of March 31, 2018. On May 30, 2018, the 7,640,327 new shares allocated in tranche 2 of the equity offering were validly issued and fully paid and the related liabilities settled.

Agreements and other Arrangements with Magni Partners Limited ("Magni")

Mr. Tor Olav Trøim is the chairman of our Board and is the sole owner of Magni.

Corporate Support Agreement

Magni is party to a Corporate Support Agreement with the Company pursuant to which it is providing strategic advice and assistance in sourcing investment opportunities, financing etc. This agreement was formalized on March 15, 2017.

Magni received cash compensation of $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 $1.0 million has been capitalized within drilling rigs, $0.3 million has been offset against additional paid in capital as equity issuance cost and $0.07 million has been recognized within opening retained earnings.

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

Agreements and other Arrangements with Schlumberger Limited ("Schlumberger")

Schlumberger is our largest shareholder, holding 14,2% at December 31, 2018 and Patrick Schorn, Executive Vice President of Wells at Schlumberger Limited, is a Director on our Board.

Collaboration Agreement

On October 6, 2017, we signed an enhanced collaboration agreement with Schlumberger with the intention of offering performance-based drilling contracts to our clients whereby the required drilling services along with the rig equipment were integrated under a single contract. We believe that this provide us with a competitive advantage while tendering for such work.

Warrants

On March 28, 2017 our Board issued warrants to Schlumberger – see Note 25.

Commercial Arrangements

We have obtained certain rig and other operating supplies from Schlumberger and may continue to obtain such supplies in the future. Purchases from Schlumberger were $8.5 million during 2018 and $0.1 million during 2017. $0.4 million and $ nil were outstanding at December 31, 2018 and 2017, respectively.

Note 27 – Risk management and financial instruments

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash deposits. Accounts held at Norwegian finance institutions are insured by Norges Bank (Bank of Norway) up to NOK 2.0 million. As of December 31, 2018, the Company had $91.1 million (December 31, 2017: $202.9 million) in excess of the Norges Bank insured limit. Of the uninsured amount at December 31, 2018, $nil (December 31, 2017: $140.0 million) 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 Company's listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities.

Supplier risk

A supplier risk exists in relation to our vessels undergoing construction with Keppel and PPL. However, we believe this risk is remote as Keppel and PPL are global leaders in the rig and shipbuilding sectors. 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 delivery of the newbuildings could have a negative impact on the Company's reputation and customer relationships. The Company could also be exposed to contractual penalties for failure to commence operations in a timely manner or experience a loss due to non-payment under refund guarantees issued by Keppel's and PPL's respective parent, all of which would adversely affect the Company's business, financial condition and results of operations.

Concentration of financing risk

There is a concentration of financing risk with respect to our long-term debt to the extent that a substantial amount of our long-term debt is carried or will be carried by Keppel and PPL in the form of shipyard financing. We believe the counterparties to be sound financial institutions. Therefore, we believe this risk is remote.

Note 28 – Common shares

	December 31, 2018		December 31, 2017	
All shares are common shares of $0.01 par value each	**Shares**	**$ million**	**Shares**	**$ million**
Authorized share capital	625,000,000	6.3	525,000,000	5.3
Issued and fully paid share capital	532,640,327	5.3	478,292,500	4.8
Treasury shares held by the company	(7,298,572)	(0.1)	(1,970,000)	—
Outstanding shares in issue	**525,341,755**	**5.3**	**476,322,500**	**4.8**

As at December 31, 2018, our shares were listed on the Oslo Stock Exchange.

On March 23, 2018, 46,707,500 new shares were issued at a subscription price of $4.60 per share. On May 30, 2018, 7,640,327 new shares were issued at a subscription price of $4.60 per share. As of December 31, 2018, the Company has a share capital of $5,326,403.27 divided into 532,640,327 shares.

On August 8, 2017, the Company's Board of Directors approved share repurchase program for the Company's shares to purchase 2,470,000 shares in the open market. In the third quarter of 2017, the Company purchased 2,470,000 shares for $8.4 million, and transferred 500,000 treasury shares to the former CEO of the Company (see note 23). On August 28, 2018, the Company's Board of Directors approved a share repurchase program for the Company's shares, to be purchased in the open market by December 30, 2018 and limited to a total amount of $20.0 million. In the first quarter of 2018, the Company purchased 500,000 treasury shares at a cost of $2.3 million. In the third quarter of 2018, the Company purchased 1,700,000 treasury shares at a cost of $7.4 million. In the fourth quarter of 2018 the Company purchased 3,200,000 shares at a cost of $10.0 million. No treasury shares are canceled as of December 31, 2018.

The Company transferred 71,428 treasury shares as settlement of director's fees in the fourth quarter of 2018. At December 31, 2018 the Company owned 7,298,572 treasury shares. All treasury shares were pledged as collateral for forward contracts at December 31, 2018.

Note 29 – Compensation

During the year ended December 31, 2018, we paid our directors and executive officers aggregate compensation of $8.3million (2017: $3.2 million), including compensation in the form of 71,428 Shares valued at $250,000 issued to Jan A. Rask and any in-kind benefits provided to such persons. We did not incur any costs related to the provision of pension, retirement or similar benefits to our directors and executive officers (2017: $0.1 million). In addition to cash compensation, during 2018 we also recognized an expense of $1.3 million (2017: $0.8 million) relating to stock options granted to certain of our executives.

Auditors fee:

(In $ millions)	**2018**	**2017**
Statutory audit fee	0.7	0.3
Other certification services	0.2	0.1
Tax advice	0.1	—
Other non-auditing services	—	—
Total fees	**1.0**	**0.4**

Note 30 – Dividend 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, 2018 and 2017 we did not pay any dividend.

As at December 31, 2018 our 20 largest shareholders are:

Rank	**Shareholder name**	**Shares**	**Ownership %**
1	Schlumberger Oilfield Holdings Limited	75,658,500	14.2%
2	Euroclear Bank S.A./N.V.	53,980,494	10.1%
3	Folketrygdefondet	42,743,422	8.0%
4	Drew Holdings Ltd	35,569,900	6.7%
5	Goldman Sachs International	22,087,695	4.1%
6	JPMorgan Chase Bank, N.A., London	21,121,750	4.0%
7	FID ADV NEW INSIGHTS FD-SUB B	15,662,000	2.9%
8	Skagen Kon-Tiki	14,560,024	2.7%
9	Ubon Partners AS	11,271,100	2.1%
10	Clearstream banking	9,996,832	1.9%
11	JPMorgan Chase Bank, N.A., London	9,533,339	1.8%
12	Verdipapirfondet DNB Norge	8,949,737	1.7%
13	Magni Partners (Bermuda) Ltd	7,840,658	1.5%
14	BNP Paribas	7,674,084	1.4%
15	State Street Bank and Trust Comp	7,561,348	1.4%
16	Fidelity Funds	7,496,000	1.4%
17	The Bank of New York Mellon SA/NV	7,435,900	1.4%
18	Borr Drilling Limited	7,298,572	1.4%
19	Brown Brothers Harriman (Lux.) SCA	6,605,478	1.2%
20	Franklin Int Small Cap Grwt FD	6,309,275	1.2%
	Sum 20 largest	**379,356,108**	**71.2%**
	Other (4053 shareholders)	153,284,219	28.8%

Note 31 – Pension

Defined Benefit Plans

As part of the Paragon acquisition on March 29, 2018, the Company acquired two defined benefit pension plans.

As of December 31, 2018, the Company sponsored two non-U.S. noncontributory defined benefit pension plans, the Paragon Offshore Enterprise Ltd and the Paragon Offshore Nederland B.V. pension plans, which cover certain Europe-based salaried employees. As of January 1, 2017, all active employees under the defined benefit pension plans were transferred to a defined contribution pension plan as related to their future service. The accrued benefits under the defined benefit plan were frozen on and all employees became deferred members. The transfer to a defined contribution pension plan was accounted for as a curtailment during the year ended December 31, 2016.

At December 31, 2018 our pension obligations represented an aggregate liability of $140.7 million and an aggregate asset of $141.0 million, representing the funded status of the plans. In the year ended December 31, 2018, aggregate periodic benefit costs showed interest cost of $1.6 million and expected return on plan assets of $1.6 million. Our defined benefit pension plans are recorded at fair value. See Note 2 - Accounting Policies – Adoption of new accounting standards.

A reconciliation of the changes in projected benefit obligations ("PBO") for our pension plans is as follows:

(In $ millions)	December 31, 2018
Benefit obligation at beginning of period	—
Benefit obligation acquired through business combination	147.2
Service cost	—
Interest cost	1.6
Actuarial loss (gain)	4.2
Benefits and expenses paid	(1.0)
Foreign exchange rate changes	(11.3)
Benefit obligation at end of period	**140.7**

A reconciliation of the changes in fair value of plan assets is as follows:

(In $ millions)	December 31, 2018
Fair value of plan assets at beginning of period	—
Plan assets acquired through business combination	146.5
Actual return on plan assets	5.8
Employer contribution	1.0
Benefits paid	(1.0)
Plan participants' contributions	0.1
Expenses paid	—
Foreign exchange rate changes	(11.2)
Fair value of plan assets at end of period	**141.0**

The funded status of the plans is as follows:

(In $ millions)	December 31, 2018
Funded status	**0.3**

Amounts recognized in the Consolidated Balance Sheets consist of:

(In $ millions)	December 31, 2018
Other assets - noncurrent	0.3
Other liabilities - noncurrent	—
Net pension asset (liability)	0.3
Accumulated other comprehensive loss recognized in financial statements	—
Net amount recognized	**0.3**

Amounts recognized in OCI consist of:

(In $ millions)	December 31, 2018
Net loss	—
Accumulated other comprehensive income (loss)	—

Pension cost includes the following components:

(In $ millions)	March 29, 2018 to December 31, 2018
Interest cost	1.6
Expected return on plan assets	(1.6)
Net pension expense	**—**

Defined Benefit Plans - Disaggregated Plan Information

Disaggregated information regarding our pension plans is summarized below:

(In $ millions)	December 31, 2017
Projected benefit obligation	140.7
Accumulated benefit obligation	140.7
Fair value of plan assets	141.0

Defined Benefit Plans - Key Assumptions

The key assumptions for the plans are summarized below:

Weighted Average Assumptions Used to Determine Benefit Obligations	**As of December 31, 2018**
Discount rate	1.16% to 1.50%
Rate of compensation increase	Not applicable

Weighted Average Assumptions Used to Determine Net Periodic Benefit Cost	March 29, 2018 to December 31, 2018
Discount rate	1.16% to 1.50%
Expected long-term return on plan assets	1.16% to 1.50%
Rate of compensation increase	Not applicable

The discount rates used to calculate the net present value of future benefit obligations are determined by using a yield curve of high-quality bond portfolios with an average maturity approximating that of the liabilities.

We use a portfolio return model to assess the initial reasonableness of the expected long-term rate of return on plan assets. To develop the expected long-term rate of return on assets, we considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets for the portfolio.

Defined Benefit Plans - Plan Assets

At December 31, 2018, assets of Paragon Offshore Enterprise Ltd and Paragon Offshore Nederland B.V. pension plans were invested in instruments that are similar in form to a guaranteed insurance contract. The plan assets are based on surrender values. Surrender values are calculated based on the Dutch Central Bank interest curve. This yield curve is based on inter-bank swap rates. There are no observable market values for the assets (Level 3); however, the amounts listed as plan assets were materially similar to the anticipated benefit obligations under the plans. The actual fair value of our pension plans as of December 31, 2018 is as follows:

		Estimated Fair Value Measurements		
(In $ millions)	Carrying Amount	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2018				
Fixed Income securities:				
Insurance contracts	140.7	—	—	140.7
Other	0.3	—	—	0.3
Total	141.0	—	—	141.0

The following table details the activity related to the guaranteed insurance contract during the years.

	Fair value
Balance as of January 1, 2018	-
Acquisition of plan assets	146.5
Balance as of March 29, 2018	146.5
Assets sold/benefits paid	0.1
Return on plan assets	5.8
Foreign exchange rate changes	(11.3)
Balance as of December 31, 2018	**141.0**

Defined Benefit Plans - Cash Flows

In 2018 we made $1.0 million in contributions to our pension plans.

The following table summarizes our benefit payments at December 31, 2018 estimated to be paid within the next ten years:

		Payments by Period					
	Total	**2019**	**2020**	**2021**	**2022**	**2023**	**Five Years Thereafter**
Estimated benefit payments	28.2	1.5	1.7	1.9	2.2	2.6	18.3

Note 31 – Subsequent events

Delivery of Njord

In January 2019, we took delivery of the “Njord”. The final delivery installment was $87.0 million, which was financed through shipyard financing for the same amount.

Secured $160 million financing

In March 2019, we executed a $160 million financing agreement consisting of a $100 million revolving credit facility and a $60 million guarantee credit line for issuance of guarantees.

Appointment of Directors

The Board of Directors appointed Alexandra Kate Blankenship as director of the Company and Georgina Sousa as director and company secretary on February 27, 2019.

Share option awards

In March 2019, we granted 2,300,000 options to certain employees and directors of the Company. The awards were granted under the existing approved share option scheme. The options have a strike price of $3.50 per share.

Novation of “Thor”

In March 2019, we entered into an assignment agreement with BOTL Lease Co. Ltd. (the “Original Owner”) for an assignment, and subsequently a novation and amendment agreement of the rights and obligations to purchase a KFELS Super B Bigfoot premium jack-up drilling rig with hull number B378 being built by Keppel FELS Limited for a purchase price of $122.1 million. We expect to take delivery of the rig from the yard prior to May 31, 2019 and the rig will be named “Thor”.

To finance the rig purchase we entered into a $120 million senior secured term loan facilities agreement, consisting of two facilities (Facility A and Facility B) of $60 million each. The facilities mature on September 30, 2019. As of March 29, 2019, Facility A had been utilized in the amount of $60 million, and $60 million in Facility B remained undrawn. The availability period of Facility B expires June 30, 2019.

Responsibility Statement

On behalf of the Board of Directors and management, we confirm that, to the best of our knowledge the financial statements for 2018 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.

April 30, 2019

_________________ _________________

Tor Olav Trøim
Chairman

Kate Blankenship
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 and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as at December 31, 2018, the consolidated statement of operations, the consolidated statement of comprehensive loss, the consolidated statement of changes in shareholders' equity and consolidated 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 2018, 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 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 in accordance with the ethical requirements that are relevant to our audit of the financial statements, 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.

Substantial Doubt Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company is dependent on loans and/or equity issuance to finance the remaining payment obligations under current secured loans and newbuilding contracts and to meet working capital requirements. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1 and the Board of Directors' report, raises substantial doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 the matters we 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.

The Group has during 2018 acquired Paragon Offshore Limited. We discuss our audit of the resulting business combination below. In addition to the business combination, rig valuations remain a key audit matter where the audit team has focused their attention.

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 11 (Jack-up rigs) where management explains their Impairment assessment.

The Group owns 26 jack-up drilling rigs, 1 semi-submersible and 9 newbuildings. The jack-up drilling rigs (including the semi-submersible) have a combined carrying amount of USD 2,278.1 million and the newbuilding contracts have a carrying amount of USD 361.8 million, and together constitute the majority of the values in the balance sheet.

Impairment indicators were considered present at December 31, 2018. Several of the rigs were currently stacked and market capitalization was less than book value of equity. As a result, an impairment test was performed by management. The Group concluded that no impairment was to be recognized on either the jack-up rigs or 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.

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

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.

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 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, 2018 with a reasonable rate of return. We have compared the implied rate to newbuilding transactions during 2018. 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.

We also evaluated the disclosures in the notes and found them to be appropriate.

Business Combinations

We refer to note 2 (Accounting policies) and note 14 (Business acquisition – Paragon Transaction) where management explain the effects of the business combination.

On March 29, 2018 the group completed the purchase of 99.41% of the shares in Paragon Offshore Limited. The total purchase consideration was USD 241.3 million in cash, including USD 1.3 to purchase the non-controlling shareholders during May 2018.

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

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 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 assessments, especially related to their valuation assessment for the identifiable assets acquired being rigs, cash and contract backlog and liabilities assumed.

For certain key assumptions in arriving at the estimated fair value, 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 obtained bank confirmations to verify cash and cash equivalents and restricted cash, acquired.
- 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.

In addition we discussed the bargain purchase gain with management and found their justification for the gain to be in line with the relevant guidance in the codification.

We evaluated the appropriateness of the related disclosures in note 14 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 information in the annual report, except the 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 and the Managing Director for the Consolidated Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation 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 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 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 audit 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, April 30, 2019
PricewaterhouseCoopers AS

Gunnar Slettebø
State Authorised Public Accountant