Borr Drilling

(BDRILL) - Borr Drilling Limited Announces Second Quarter 2017 Results

Hamilton, Bermuda, August 31, 2017, Borr Drilling Limited ("Borr Drilling" or the "Company") today announces its second quarter unaudited results for the period ended June 30, 2017.

Highlights

- Completion of the acquisition of 10 high-specification jack-up rigs and 5 newbuilds from Transocean on May 31, 2017
- Amended the terms of the newbuilding contracts with Keppel Fels with respect to price and delivery dates

Subsequent events

- Letter of commitment received from Total E&P Nigeria Limited for work in Nigeria
- Simon Johnson appointed the new CEO
- On August 21, 2017, the Company acquired more than 5% of the outstanding shares in Atwood Oceanics Inc.taking its total holding to 9,7% of the company
- Completed the listing on Oslo Stock Exchange August 30, 2017
- Changes to the Board of Directors

Management Discussion and analysis

Consolidated Statement of Operations (Financial Performance & Operating Results)

Three months ended June 30, 2017
No operating revenues were reported for the three months ended June 30, 2017. The jack-up rigs acquired from the 'Hercules Transaction' and the 'Transocean Transaction' (see note 8 and 9 to the Consolidated Financial Statements) did not have drilling contracts assigned to them, therefore no drilling operations occurred during the quarter and the rigs are currently stacked, but are being actively marketed for operations.

Total operating expenses were US$12.9 million for the three months ended June 30, 2017. Total operating expenses consists of rig operating and maintenance expenses, depreciation and amortization and general and administrative expenses.

Total rig operating and maintenance expenses were US$3.1 million for the three months ended June 30, 2017. These costs relate to a full quarter of stacking costs for the Hercules Transaction jack-up rigs and one month of stacking costs for the jack-up rigs acquired in the Transocean Transaction.

Total depreciation and amortization was US$3.5 million for the three months ended June 30, 2017. This relates to depreciation charge for our entire jack-up fleet.

Total general and administrative expenses were US$6.3 million for the three months ended June 30, 2017. US$3.3 million is attributable to costs related to the Transocean Transaction. The remaining US$3.0 million is mainly due to salaries, consulting fees, professional fees and one-off costs related to the start-up of the Company.

Six months ended June 30, 2017

No operating revenues were reported for the six months ended June 30, 2017 (December 31, 2016: US$Nil). The jack-up rigs acquired during the period ended June 30, 2017 from the 'Hercules Transaction' and the 'Transocean Transactions' do not currently have drilling contracts and are stacked rigs.

Total operating expenses were US$17.7 million for the six months ended June 30, 2017 (December 31, 2016: US$0.8 million). Total operating expenses consists of rig operating and maintenance expenses, depreciation and amortization and general and administrative expenses.

Total rig operating and maintenance expenses were US$5.5 million for the six months ended June 30, 2017 (December 31, 2016: US$Nil). Two jack-up rigs were acquired during the first quarter 2017 and ten jack-up rigs acquired during the second quarter of 2017 and the increase is due to stacking costs related to these rigs.

Total depreciation and amortization were US$4.4 million for the six months ended June 30, 2017 (December 31, 2016: US$Nil). This relates to depreciation charges for the two jack-up rigs acquired during the first quarter 2017 and ten jack-up rigs acquired during the second quarter of 2017.

Total general and administrative expenses were US$7.9 million for the six months ended June 30, 2017 (December 31, 2016: US$0.8 million). The increase was mainly due to approximately US$4.2 million as one-off costs which is related to the start-up of the Company and fees related to the two-separate asset and business combination completed during the period.

Other general and administrative expenses were costs incurred related to the running and management support of the Company e.g. salaries, consulting and professional fees.

Consolidated Balance Sheet

In 2016, the Company completed a private placement of 77,500,000 ordinary shares at a subscription price of US$2.00 per share raising gross proceeds of US$155.0 million. During the period ended June 30, 2017 the Company completed a private placement of 228,600,000 ordinary shares with a subscription price of US$3.50 per share raising gross proceeds of US$800.1 million.

The Company has total assets of US$1,023.9 million as of June 30, 2017, (December 31, 2016: US$158.1 million). The increase in total assets of the Company is primarily driven by cash and cash equivalents from the proceeds from the private placement in March 2017 and the acquisition of the eight rig owning entities which own ten jack-up rigs from Transocean Inc., and the completed asset acquisition of the two Hercules jack-up rigs.

As of June 30, 2017, equity was US$932.3 million which corresponds to an equity ratio of 91.1 percent. As of December 31, 2016, equity was US$157.8 million which corresponds to an equity ratio of 99.8 percent.

Total liabilities as of June 30, 2017, were US$91.6 million (December 31, 2016: US$0.2 million). The increase is mainly attributable to trade payable and accruals due to the stacking of nine jack-up rigs and a US$71.4 million non-current liability related to the onerous contract position of the five newbuilding contracts acquired from Transocean Inc..

Consolidated Statement of Cash Flows

Net cash flow generated from operating activities was negative US$1.4 million for the three months ended June 30, 2017.

Net cash flow used in investing activities was US$359.5 million for the three months ended June 30, 2017. The investments activities that occurred during the quarter relate to US$288.7 million paid to Transocean Inc. on the completion of the business combination. US$275.0 million was paid in June 2017 to Keppel Fels Limited as an instalment for the five newbuilds acquired as part of the Transocean Transaction. US$221.1 million was released from restricted cash on the closing of the Transocean Transaction.

Net cash flow provided by financing activities was US$Nil during the three months ended June 30, 2017.

Net cash flow generated from operating activities was negative US$5.2 million for the six months ended June 30, 2017 (December 31, 2016: negative US$0.1 million).

Net cash flow used in investment activities was US$730.3 million for the six months ended June 30, 2017 (December 31, 2016: US$14.0 million). The investments are related to the completion of the acquisition of the two jack-up rigs from Hercules of US$117.7 million in January 2017. US$320.7 million was paid to Transocean, acquiring ten operational jack-up rigs and five newbuilding contracts. In June 2017, US$275.0 million was paid as an instalment to Keppel Fels Limited for the five newbuilding contracts.

Net cash flow provided by financing activities was US$791.2 million for the six months ended June 30, 2017 (December 31, 2016: US$152.2 million). The main driver for the net cash flow provided by financing activities are the two private placements issued by the Company on December 14, 2016, and March 21, 2017, raising gross proceeds of US$155.0 million and US$800.1 million, respectively.

As of June 30, 2017, the Company's cash and cash equivalents amounted to US$193.8 million (December 31, 2016: US$138.1 million).

Outstanding shares

As of June 30, 2017, issued common shares in Borr Drilling totaling 315,792,500 Shares, after the execution of all the warrants issued in December 2016. In addition to the outstanding shares the Board has approved up to 10 million options to be used as a long-term incentive program for the Company's management.

On March 21, 2017, the Company issued 4,736,887 warrants to subscribe to new Shares at a subscription price of US$3.50 plus 4% p.a. per Share to Schlumberger Oilfield Holdings Limited ("Schlumberger") for their role, support and participation in the Private Placement in March, 2017.
The Company will issue a further 4,736,887 share warrants to Schlumberger conditional upon the conclusion of a comprehensive collaboration agreement at a subscription price of US$3.50 plus 4% p.a. per share.

Acquisition of 15 jack-up rigs from Transocean

Borr Drilling completed the Transocean Transaction on May 31, 2017. The total consideration for the transaction is approximately USD1.35 billion and includes remaining contract backlog, net of operating costs, and remaining yard instalments to Keppel Fels for the five jack-up newbuildings.

Operations and corporate development

During the quarter, the Company completed the hiring of experienced individuals for most of the senior positions in Dubai and Oslo. We are very pleased with the organizational development and are confident we now have a team that are capable of taking on the marketing, operation and construction of the fleet of rigs.

On August 1, Simon Johnson was appointed as the new CEO of the Company. Mr Johnson most recently served as Senior Vice President - Marketing & Contracts at Noble Corporation. The Board is very pleased with the appointment and he will bring valuable industry knowledge, commercial insight and international customer relationships to the company at a critical juncture in the Company´s development from a start-up to a fully fledged drilling company.

The board will from time to time, on an opportunistic basis, consider both direct and indirect investments in the capital markets. The target of these investments is to give Borr exposure to assets within our core market at attractive prices. On August 21, the Company acquired more than 5% of the outstanding shares in Atwood Oceanics Inc. taking its total holding to 9,7% of the company. The Board view the investment as opportunistic and well supported by the value of its assets and solid operations. The investment further supports Borr's strategy to play an active role in the much needed consolidation in the rig market, with special focus on the jack-up segment.

On August 30, the Company listed on Oslo Stock Exchange with new ticker BDRILL. The listing follows a commitment made in the two capital raises in December 2016 and March 2017, respectively, and is expected to improve the liquidity in the shares, raise the awareness of the Company and secure Borr Drilling´s access to the capital market as the Company continues to grow.

Effective August 30, Mr Erling Lind resigned from the Board. The Board resolved to appoint Mr Jan Rask to fill the vacant seat. At the same time, Mr Tor Olav Trøim was appointed Chairman of the Board, after Mr Lind.

The company is engaged in discussions with its largest shareholder, Schlumberger, to develop a broader strategic relationship. An Executive has been hired to act as the focal point for the development of this partnership in order to manage the interface and opportunity set that arises out of our collaboration. Potential areas of interest include, but are not limited to, field development and decomissioning opportunities, integration of commercial models and technology development and deployment.

Contracts and Marketing

On July 11, 2017 Borr Drilling received a Letter of Commitment from Total E&P Nigeria Limited, for employment of the premium jack-up, Frigg. The project commencement is scheduled to begin in the third quarter of 2017. The commitment is for a firm one (1) year period with potential for extension. The project will be executed with Nigerian partner Valiant Energy Services West Africa Limited.

The marketing of the fleet is progressing well and we are engaged in several discussions with customers about employment of the available rigs.

Borr Drilling

Market

The jack-up market has continued to show improvement in recent months and our interaction with oil companies continue to indicate preference for modern and highly capable rigs. This is further supported by market trends: Since the start of the year, marketed utilization for Independent Cantilever (IC) jack-up rigs that are less than 10 years old has improved by 3 percentage points to 72% today. During the same period marketed utilization for IC jack-ups older than 10 years has decreased 4 percentage points to 66%. Contracting activity continues to improve and, year-to-date, the number of new contract awards is 18% higher than the same period last year. Tendering activity is increasing, in particular in West Africa, the Middle East and South East Asia regions.
With oil companies' preference for modern rigs, and as many as 78 jack-ups built prior to 2000 have been sitting idle for more than two years, the company expect scrapping activity to increase going forward.

Having a modern fleet of highly capable jack-up rigs, the Company remains optimistic about future contract opportunities.

Outlook

The current acquisition cost for newbuildings and modern jack-up rigs are lower or in line with where prices where when the last major rig cycle started in 2003. The current price levels are significantly lower than current yard construction costs, and more than 50% down from the peak prices in 2013. This, together with the fact that half of the global jack-up fleet is more than 30 years old, limits the downside risk for these investments and creates an attractive risk reward opportunity.

Borr Drilling belives that a consolidation of the modern jack up market is a key factor to take out cost inefficiencies and improve the flexibility and service quality that offshore drillers can offer their customers. Borr has the ambition to be at the centre of this development both in terms of consolidation of the sector and the development of services provided to clients.

As a result, the Company continues to monitor and evaluate opportunities for growing the fleet through M&A and standalone asset acquisitions. We remain confident of the long term potential of our fleet strategy of concentrating on high specification modern rigs and believe that emerging evidence indicates the jackup sector is the first responding segment of the offshore rig market.

It is Borr's target to use the current distressed rig market to build an industry leading jack-up operator over the next year. Such a company will be built based on four major building blocks:

- highly experienced personnel
- modern, high specification assets acquired at attractive prices
- a sound financial structure
- an entrepreneurial business model where we integrate our services and equipment closer with the major oil services companies with the target of increasing drilling efficiency and reducing cost of well delivery for our customers

The Board is pleased with the development of these four areas to date, and will work with Borr's Management to develop each area further in order to become the leading jack-up rig operator.

The third quarter results are not likely to generate any significant revenue for the Company. As anticipated, a rig will likely commence operations in the quarter with our foundation client Total but the contribution of this rig in the quarter will not be material. Operating costs, amortization and depreciation will increase as a function of fleet growth and our first unit anticipated to commence work and another will commence preparations for operation with mobilization expected to occur in the final quarter of 2017. The running G&A of the Company will increase slightly yet remain at sustainably low levels.

Marketing momentum is building and the Company's client base penetration continues to improve. Although a general contraction in offshore E&P expenditure is anticipated for 2018, jackup rig market activity continues to improve

and the Company notes a growing number of tender exercises for its units. Whilst competition remains strong, the Company anticipates receipt of additional commitments for units in the fleet before end 2017 provided the prevailing oil price remains stable at current levels or improves.

Forward looking statements

This announcement includes forward looking statements. Forward looking statements are, typically, statements that do not reflect historical facts and may be identified by words such as "anticipate", "believe", "continue", "estimate", "expect", "intends", "may", "should", "will" and similar expressions. The forward looking statements in this announcement are based upon various assumptions, many of which are based, in turn, upon further assumptions. Although Borr Drilling Limited believes that these assumptions are reasonable, they are, by their nature, uncertain and subject to significant known and unknown risks, contingencies and other factors which are difficult or impossible to predict and which are beyond our control. Such risks, uncertainties, contingencies and other factors could cause actual events to differ materially from the expectations expressed or implied by the forward looking statements included herein.

The information, opinions and forward looking statements contained in this announcement speak only as of the date hereof and are subject to change without notice."

Responsibility Statement

We confirm that, to the best of our knowledge, the interim consolidated financial statements for the first half year of 2017, which has been prepared in accordance with USGAAP gives a true and fair view of the Company's consolidated assets, liabilities, financial position and result of operations, and that the first half 2017 report includes a fair review of the information required under the Norwegian Securities Trading Act section 5-6 fourth paragraph.

About Borr Drilling
Borr Drilling Limited is an international drilling contractor to the offshore oil and gas industry. Incorporated in Bermuda in 2016, the company's services are focused on the shallow water segment. The company is the owner of a fleet of 12 jack-up drilling rigs, further, the company has five jack-up drilling rigs on order with deliveries scheduled from 2018 to 2020.

Visit our website at: www.borrdrilling.com

August 31, 2017
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