Borr Drilling Limited

Unaudited Consolidated Financial Statements
For the period from January 1, 2018 to June 30, 2018
(Comparatives January 1, 2017 to June 30, 2017)

Borr Drilling Limited and subsidiaries
Unaudited Consolidated Financial Statements

Unaudited Consolidated Statement of Operations
(In US$ millions except per share data)

	Notes	3 months to June 30, 2018 (unaudited)	3 months to June 30, 2017 (unaudited)	6 months to June 30, 2018 (unaudited)	6 months to June 30, 2017 (unaudited)	12 months to December 31, 2017 (audited)
Operating revenues	3	51.1	-	61.7	-	0.1
Gain on disposals	7	17.5	-	17.5	-	-
Operating expenses						
Rig operating and maintenance expenses	3	(52.4)	(3.1)	(74.9)	(5.5)	(36.2)
Depreciation and impairment of non-current assets	7	(22.0)	(3.5)	(34.2)	(4.4)	(47.9)
Amortisation of contract backlog	9	(6.0)	-	(6.0)	-	-
General and administrative expenses		(8.0)	(6.3)	(18.2)	(7.9)	(21.0)
Restructuring costs	9	(5.0)	-	(22.9)	-	-
Cost for issuance of warrants		-	-	-	-	(4.7)
Total operating expenses		**(93.4)**	**(12.9)**	**(156.2)**	**(17.7)**	**(109.8)**
Operating loss		**(24.8)**	**(12.9)**	**(77.0)**	**(17.7)**	**(109.7)**
Financial income (expense), net	4, 12	17.4	1.1	(2.3)	1.1	21.7
Total financial items		**17.4**	**1.1**	**(2.3)**	**1.1**	**21.7**
Gain from bargain purchase	9	-	-	38.1	-	-
Loss before income taxes		**(7.4)**	**(11.8)**	**(41.2)**	**(16.6)**	**(88.0)**
Income tax expense	5	-	-	-	-	-
Net loss for the period		**(7.4)**	**(11.8)**	**(41.2)**	**(16.7)**	**(88.0)**
Nett (loss) income attributable to non-controlling interests		**(0.2)**	**-**	**(0.3)**	**-**	**-**
Net loss for the period attributable to shareholders of Borr Drilling Limited		**(7.2)**	**(11.8)**	**(40.9)**	**(16.7)**	**(88.0)**
Basic loss per share	6	**(0.014)**	**(0.071)**	**(0.081)**	**(0.13)**	**(0.34)**
Diluted loss per share	6	**(0.014)**	**(0.071)**	**(0.081)**	**(0.13)**	**(0.34)**
Consolidated Statement of Comprehensive Loss						
Loss after income taxes		**(7.4)**	**(11.8)**	**(41.2)**	**(16.7)**	**(88.0)**
Other comprehensive loss		**-**	**(0.2)**	**-**	**(0.2)**	(6.2)
Total comprehensive loss for the period		**(7.4)**	**(12.0)**	**(41.2)**	**(16.9)**	**(94.2)**
Comprehensive loss for the period attributable to						
Shareholders of Borr Drilling Limited		(7.2)	(12.0)	(40.9)	(16.9)	(94.2)
Non-controlling interests		(0.2)	-	(0.3)	-	-
Total Comprehensive loss for the period		**(7.4)**	**(12.0)**	**(41.2)**	**(16.9)**	**(94.2)**

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

Borr Drilling Limited and subsidiaries
Unaudited Consolidated Financial Statements

Unaudited Consolidated Statement of Cash Flows
(In US$ millions except per share data)

	Notes	June 30, 2018 (unaudited)	March 31, 2018 (unaudited)	December 31, 2017 (audited)	June 30, 2017 (unaudited)
ASSETS					
Current assets					
Cash and cash equivalents		54.0	51.5	164.0	193.8
Restricted cash	10	32.1	55.0	39.1	11.1
Trade receivables		29.3	25.4	-	-
Jack-up drilling rigs held for sale	7	-	15.0	-	-
Other current assets	13	97.6	87.6	22.4	8.7
Total current assets		**213.0**	**234.5**	**225.5**	**213.6**
Non-current assets					
Property, Plant and Equipment		12.7	16.1	0.1	0.3
Jack-up drilling rigs	7	1,845.5	1,442.0	783.3	681.8
Newbuildings	8	521.5	399.1	642.7	122.8
Marketable securities	11	20.7	20.7	20.7	5.4
Other long-term assets	14	38.8	24.9	-	-
Total non-current assets		**2,439.2**	**1,902.8**	**1,446.8**	**810.2**
Total assets		**2,652.2**	**2,137.3**	**1,672.3**	**1,023.9**
LIABILITIES AND EQUITY					
Current liabilities					
Trade payables		12.1	16.2	9.6	7.9
Accruals and other current liabilities	19	49.6	105.5	11.5	12.4
Total current liabilities		**61.7**	**121.7**	**21.1**	**20.3**
Non-Current liabilities					
Long-term debt	16	809.4	261.0	87.0	-
Other liabilities		7.9	8.8	-	-
Onerous contracts	15	74.9	75.7	71.3	71.3
Total non-current liabilities		**892.2**	**345.5**	**158.3**	**71.3**
Total liabilities		**953.9**	**467.2**	**179.4**	**91.6**
Commitments and contingencies	21	**-**	**-**	**-**	**-**
EQUITY					
Common shares of par value US$0.01 per share: 625,000,000 (2017: 525,000,000) shares authorized, 532,640,327 (2017: 478,292,500) issued and 530,170,327 outstanding at June 30, 2018		5.3	5.3	4.8	3.2
Additional paid in capital		1,834.9	1,799.3	1,587.8	946.7
Treasury shares		(9.0)	(9.0)	(6.7)	-
Other comprehensive income		(6.2)	(6.2)	(6.2)	(0.2)
Accumulated deficit		(129.7)	(122.5)	(88.8)	(17.4)
Non-controlling interest		3.0	3.2	2.0	-
Total equity		**1,698.3**	**1,670.1**	**1,492.9**	**932.3**
Total liabilities and equity		**2,652.2**	**2,137.3**	**1,672.3**	**1,023.9**

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

Borr Drilling Limited and subsidiaries
Unaudited Consolidated Financial Statements

Unaudited Consolidated Statement of Cash Flows
(In US$ millions except per share data)

	Notes	3 months to June 30, 2018	3 months to June 30, 2017	6 months to June 30, 2018	6 months to June 30, 2017	12 months to December 31, 2017
Cash Flows from Operating Activities						
Net (loss)/income		(7.4)	(11.8)	(41.2)	(16.7)	(88.0)
Adjustments to reconcile net (loss)/income to net cash provided by operating activities:						
Non-cash compensation expense related to stock options and warrants		0.5	0.1	0.9	0.1	8.2
Depreciation, and impairment of non-current assets	7	22.0	3.5	34.2	4.4	47.9
Amortisation of contract backlog	9	6.0	-	6.0		
Gain on sale of rigs		(17.5)		(17.5)		
Unrealized (gain) loss on financial instruments	4	(18.2)	1.0	1.8	1.0	(4.4)
Bargain purchase gain	9	-	-	(38.1)	-	-
Change in other current and non-current assets		(4.0)	(3.7)	(14.6)	(8.2)	(16.5)
Change in current and non-current liabilities		(21.3)	9.5	(14.1)	14.1	20.1
Net cash (used in)/provided by operating activities		**(39.9)**	**(1.4)**	**(82.6)**	**(5.2)**	**(32.6)**
Cash Flows from Investing Activities						
Decrease (Increase) in restricted cash	10	22.9	210.0	11.2	(11.0)	(39.1)
Purchase of plant and equipment		(2.3)	(0.3)	(2.3)	(0.3)	(0.1)
Proceeds from sale of fixed assets	7	38.1	-	38.1	-	-
Purchase Business Combination (Acquisition), net of cash acquired	9	-	(288.7)	(198.3)	(320.7)	(324.5)
Purchase of marketable securities	11	-	(5.6)	-	(5.6)	(26.9)
Payment and costs in respect of newbuildings	8	(361.7)	(275.0)	(362.3)	(275.0)	(937.4)
Payments and costs in respect of jack-up drilling rigs	7	(2.8)	-	(6.9)	(117.7)	(119.8)
Net cash (used in)/provided by investing activities		**(305.8)**	**(359.5)**	**(520.5)**	**(730.3)**	**(1,447.8)**
Cash Flows from Financing Activities						
Proceeds from share issuance, net of issuance costs and conversion of shareholders loans		7.4	-	218.9	778.4	1,415.0
Proceeds from related party shareholder loan	20	-	-	27.7	12.8	12.7
Purchase of treasury shares		-	-	(2.3)	-	(8.4)
Repayment of long-term debt	9	-	-	(89.3)	-	-
Purchase of financial instruments	16	(28.5)	-	(28.5)		
Proceeds, net of deferred loan costs, from issuance of long-term debt	8, 12	374.5	-	374.4	-	87.0
Paid interest	4	(5.1)	-	(7.8)	-	-
Net cash (used in)/provided by financing activities		**348.2**	**-**	**493.1**	**791.2**	**1,506.3**
Net increase in cash and cash equivalents		**2.5**	**(361.0)**	**(110.0)**	**55.7**	**25.9**
Foreign exchange translation difference		-	-	-	-	-
Cash and cash equivalents at beginning of the period		51.5	554.8	164.0	138.1	138.1
Cash and cash equivalents at the end of period		**54.0**	**193.8**	**54.0**	**193.8**	**164.0**
Supplementary disclosure of cash flow information						
Non-cash instalments on newbuildings (note 8)		(174.0)	-	(348.0)	-	-
Non-cash draw down of long-term debt (note 8,16)		174.0	-	348.0	-	-
Non-cash settlement of related party shareholder loan (note 20)		(27.7)	-	-	-	-
Non-cash share issuance (note 20)		27.2	-	-	-	-

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

Borr Drilling Limited and subsidiaries
Unaudited Consolidated Financial Statements

Unaudited Consolidated Statement of Changes in Shareholders' Equity
(In US$ millions except per share data)

	Number of shares	Common shares	Treasury shares	Additional paid in capital	Other Comprehensive 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	228,600,000	2.3	-	797.8	-	-	-	800.1
Equity issuance costs	-	-	-	(9.0)	-	-	-	(9.0)
Issue of common shares	162,500,000	1.6	-	648,4	-	-	-	650.0
Equity issuance cost	-	-	-	(8.8)	-	-	-	(8.8)
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)
Employee benefit plans	-	-	1.7	1.8	-	-	-	3.5
Purchase of treasury shares	-	-	(8.4)	-	-			(8.4)
Total comprehensive loss for the period	-	-	-	-	(6.2)	(88.0)	-	(94.2)
Sale of shares to non-controlling interest	-	-	-	-	-	-	2.0	2.0
Other, net	-	-	-	(0.2)	-	-	-	(0.2)
Consolidated balance at December 31, 2017	**478,292,500**	**4.8**	**(6.7)**	**1,587.8**	**(6.2)**	**(88.8)**	**2.0**	**1,492.9**
Issue of common shares i	46,707,500	0.4	-	214.3	-	-	-	214.7
Equity issuance costs	-	-	-	(3.2)				(3.2)
Issue of common shares iii	7,640,327	0.1	-	35.1	-	-	-	35.2
Other transactions:								
Employee benefit plans	-	-	-	0.9	-	-	-	0.9
Purchase of treasury shares ii	-	-	(2.3)	-	-	-	-	(2.3)
Total comprehensive loss for the period	-	-	-	-	-	(40.9)	(0.3)	(41.2)
Non-controlling interest	-	-	-	-	-	-	1.3	1.3
Consolidated balance at June 30, 2018	**532,640,327**	**5.3**	**(9.0)**	**1,834.9**	**(6.2)**	**(129.7)**	**3.0**	**1,698.3**

The following summarize movement in numbers of shares from December 31, 2017:

i. On March 23, 2018, 46,707,500 new shares were issued at a subscription price of US$4.60.
ii. In the first quarter the Company purchased 500,000 treasury shares at a cost of US$2.3 million. At June 30, 2018 the Company own 2,470,000 treasury shares
iii. On May 30, 2018, 7,640,327 new shares were issued at a subscription price of US$4.60. Following the issuance, the Company has a share capital of US$5,326,403.27 million divided into 532,640,327 shares.

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

Note 1 - General information

Borr Drilling Limited is incorporated in Bermuda. The company is listed on the Oslo Stock Exchange, under the ticker BDRILL. Borr Drilling Limited is an international offshore drilling contractor providing services to the oil and gas industry, with the ambition of acquiring and operating modern jack-up drilling rigs. As of June 30, 2018, the total fleet consisted of 36 jack-up drilling rigs and one semisubmersible, whereof 12 jack-up drilling rigs are to be delivered between 2018 and 2020.

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

Basis of presentation

The financial statements are presented in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP). The amounts are presented in millions of United States dollar (U.S. dollar), unless otherwise stated. The financial statements have been prepared on a going concern basis.

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

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

Basis of consolidation

The consolidated financial statements include the assets and liabilities of the Company. All intercompany balances, transactions and internal sales have been eliminated on consolidation. Unrealized gains and losses arising from transactions with associates are eliminated to the extent of the Company’s interest in the entity. The non-controlling interests of subsidiaries were included in the Consolidated Balance Sheets and Statements of Operations as "Non-controlling interests". Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Use of estimates

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

Note 2 - Accounting policies

The accounting policies adopted in the preparation of the condensed interim consolidated financial statements are consistent with those followed in the preparation of the Company’s consolidated financial statements for the year ended December 31, 2017. None of the new accounting standards or amendments that came into effect during the first half of 2018 had a significant effect on the condensed interim consolidated financial statements.

Recently Issued Accounting Standards

<u>Adoption of new accounting standards</u>

In January 2017, the FASB issued guidance to ASU 2017-01 "Business Combinations (Topic 805): Clarifying the Definition of a Business". The amendments provide guidance on evaluating whether transactions should be accounted for as an asset acquisition or a business combination (or disposal). The guidance requires that in order to be considered a business, a transaction must include, at a minimum, an input and a substantial process that together significantly contribute to the ability to create output. The guidance removes the evaluation of whether a market participant could replace the missing elements. The revised guidance is effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within those annual reporting periods. The adoption did not have a material impact on the Consolidated Financial Statements and related Disclosures.

On May 10, 2017, the FASB issued ASU 2017-09, Scope of Modification Accounting, which amends the scope of modification accounting for share-based payment arrangements, provides guidance on the types of changes to the terms or conditions of share-based payment awards to which an entity would be required to apply modification accounting under ASC 718. For all entities, the ASU is effective for annual reporting periods, including interim periods within those annual reporting periods, beginning after December 15, 2017. 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. The Company is in the process of evaluating the impact of this standard update on its consolidated financial statements and related disclosures.

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.

Note 3 - Revenues

The services we perform represent a single performance obligation under our drilling contracts with customers that is satisfied over time. We earn revenues primarily by performing the following activities: (i) providing our 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.

We recognize revenues earned under our 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 we perform 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 we perform the services. We recognize reimbursement revenues and the corresponding costs as we provide the customer-requested goods and services, when such reimbursable costs are incurred while performing drilling operations. Prior to performing drilling operations, we 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 we recognize on a straight-line basis over the estimated firm contract period. We recognize losses for loss contracts as such losses are incurred.

In the three months ended June 30, 2018, we recognized revenues of US$51.1 million, primarily relating to daywork revenue.

To obtain contracts with our customers, we incur costs to prepare a rig for contract and deliver or mobilise a rig to the drilling location. We defer pre-operating costs, such as contract preparation and mobilisation costs, and recognise such costs on a straight-line basis, consistent with the general pace of activity, in operating and maintenance costs over the estimated firm period of drilling. In the three months ended June 30, 2018 and 2017, we recognized US$4.4 million and US$ nil, respectively, of pre-operating expenses included in Rig operating and maintenance expenses in the statements of operations.

Note 4 - Financial income (expense), net

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

	3 months to June 30, 2018	**3 months to June 30, 2017**	**6 months to June 30, 2018**	**6 months to June 30, 2017**	**12 months to December 31,2017**
(In US$ millions)					
Interest income	0.4	1.4	0.9	1.4	3.2
Interest expense, gross	(6.7)	-	(9.4)	-	(0.5)
Interest capitalized to newbuildings (note 8)	6.7	-	9.4	-	-
Foreign exchange loss	(0.3)	-	(0.5)	-	(0.3)
Change in unrealised (loss)/gain on financial instruments	18.2	(1.0)	(1.8)	(1.0)	4.4
Other financial expenses	(0.9)	-	(0.9)	-	
Realised (loss)/gain financial instruments	-	0.8	-	0.8	14.9
Total	**17.4**	**1.1**	**(2.3)**	**1.1**	**21.7**

Note 5 - Taxation

Borr Drilling Limited is a Bermuda company not required to pay taxes in Bermuda on ordinary income or capital gains as it qualifies as exempted company. We operate through various subsidiaries in numerous countries throughout the world and are subject to tax laws, policies, treaties and regulations, as well as the interpretation or enforcement thereof, in jurisdictions in which we or any of our subsidiaries operate, were incorporated, or otherwise considered to have a tax presence. Our income tax expense is based upon our interpretation of the tax laws in effect in various countries at the time that the expense was incurred.

The change in the effective tax rate from period to period is primarily attributable to changes in the profitability or loss mix of our operations in various jurisdictions. As our operations continually change among numerous jurisdictions, and methods of taxation in these jurisdictions vary greatly, there is little direct correlation between the income tax provision or benefit and income or loss before taxes.

We used a discrete effective tax rate method to calculate income taxes for the six-month periods ended June 30, 2018. The income tax provision was US$ nil million for the three and six months ended June 30, 2018. The income tax provision was US$ nil million for the three and six months ended June 30, 2017.

Note 6 - Loss per share

The computation of basic loss per share (“EPS”) is based on the weighted average number of shares outstanding during the period. Diluted EPS includes the effect of the assumed conversion of potentially dilutive instruments.

	6 months to June 30, 2018	3 months to June 30, 2018	12 months to December 31, 2017
Basic loss per share	(0.081)	(0.014)	(0.34)
Diluted loss per share	(0.081)	(0.014)	(0.34)
Issued ordinary shares at the end of the period	532,640,327	532,640,327	478,292,500
Weighted average numbers of shares in issue for the period	505,297,459	527,602,749	258,631,442

Note 7 - Jack-up drilling rigs

	3 months to June 30, 2018	3 months to March 31, 2018	12 months to December 31, 2017	3 months to June 30, 2017
(In US$ millions)				
Opening balance	1,442.0	783.3	-	-
Additions	2.8	250.2	688.4	686.2
Asset transfers (note 8)	419.9	420.7	142.8	-
Depreciation and amortisation	(19.2)	(12.2)	(21.2)	(4.4)
Impairment	-	-	(26.7)	-
Total	**1,845.5**	**1,442.0**	**783.3**	**681.8**

On March 29, 2018 the company completed the acquisition of Paragon Offshore Limited and took ownership of 22 jack-up drilling rigs and one semi-submersible. Each rig was valued using a fair value approach by an external third party. Fair value for all acquired rigs was estimated to US$261.0 million (see note 9) of which US$246.0 million was allocated to jack-up drilling rigs and US$15.0 million was allocated to assets held for sale.

In the second quarter, the Company took delivery of the three newbuildings “Grid”, “Skald” and “Gunnlod” (see note 8).

The company sold 17 rigs jack-up drilling rigs during the second quarter for total proceeds of US$35.2 million resulting in a gain of US$17.5 million. Of the 17 jack-up drilling rigs, 15 jack-up drilling rigs where classified as held for sale as of March 31, 2018.

Note 8 - Newbuildings

(In US$ millions)	3 months to June 30, 2018	3 months to March 31, 2018	12 months to December 31, 2017	3 months to June 30, 2017
Opening balance	399.1	642.7	-	-
Additions	535.6	174.4	937.7	275.0
Capitalized interest	6.7	2.7	-	-
Asset transfers	(419.9)	(420.7)	(142.8)	-
Reclassification against onerous contracts	-	-	(152.2)	(152.2)
Total	**521.5**	**399.1**	**642.7**	**122.8**

The Company took delivery of the two newbuildings “Saga” and “Gerd” in January 2018 and “Gersemi” in February 2018. Final instalments were US$87.0 million each for “Gerd” and “Gersemi” and the Company accepted the delivery financing for both jack-up drilling rigs (see note 16). The final instalment of US$72.5 million for “Saga” was paid in December 2017.

The Company took delivery of the newbuildings “Grid” in April 2018 and “Gunnlod” and “Skald” in June 2018. Final instalments were US$87.0 million each for “Grid” and “Gunnlod” and the company accepted delivery financing for both jack-up drilling rigs (see note 16). The final instalment of US$72.4 million for “Skald” was paid in June 2018.

In Q2 the Company signed a master agreement to acquire five high spec newbuild jack-up drilling rigs from Keppel FELS. Total consideration for the transaction will be approximately US$742.5 million. The agreed purchase price for each rig is US$144.0 million plus a deferred payment of US$4.5 million. The Company paid in Q2 a pre-delivery instalment of US$288.0 million. The Company has, furthermore, secured financing of the delivery payment for each Keppel Rig. Each loan is non-amortisation and matures five years after the delivery date. The delivery financing will be secured by a first priority mortgage over the relevant Keppel Rig and a guarantee from the Company.

Borr Drilling will take delivery of the first rig in Q4 2019 with the remaining rigs being delivered quarterly thereafter until the last rig is delivered in Q4 2020. The Company considered the guidance in ASC 805 “Business Combinations” and concluded that this transaction between the Company and Keppel does not constitute a business under ASC 805 and the purchase will therefore be accounted for as an asset acquisition

Note 9 - Business acquisition

Paragon Offshore Limited

Borr Drilling announced a binding tender agreement on February 21, 2018 to offer to purchase all outstanding shares in Paragon Offshore Limited ("Paragon"). Total acquisition price for all outstanding shares was US$241.3 million or US$43.88 per share. The transaction was subject to the satisfaction of the offer conditions, customary closing conditions, including, among other customary conditions, that (a) at least 3,361,763 Shares, representing at least 67% of the outstanding Shares have been validly tendered and not withdrawn before the Expiration Date, (b) no material adverse change shall have occurred prior to closing, and (c) Paragon shall have completed all actions necessary to acquire ownership of certain Prospector drilling rigs and legal entities currently subject to chapter 11 proceedings in the United States Bankruptcy Court in the District of Delaware. The Offer was not subject to a financing condition. 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 $240.0 million.

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

(In US$ millions)	March 29, 2017
Cash and Cash equivalents	41.7
Restricted cash	4.2
Trade receivables	31.0
Other current assets (including contract backlog of US$31.6 million)	53.4
Jack-up drilling rigs	246.0
Assets held for sale	15.0
Property, Plant and Equipment	16.1
Other long-term assets (including contract backlog of US$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 (March 29, 2018)	240.0
Non-controlling interest	1.3
Total	**241.3**
Total Fair value of purchase consideration	241.3
Fair value of net assets acquired	279.4
Goodwill	**(38.1)**

Paragon is an international driller with a fleet of 23 drilling units. This fleet includes two modern units of the leading JU-2000E design, the Prospector 1 and Prospector 5 built in 2013 and 2014 currently located in the North Sea. The portfolio also includes a semisubmersible MSS1 with a long-term contract for TAQA in the North Sea which commenced in March 2018.

The Paragon transaction is accounted for as a business combination under ASC 805. The estimated fair value of Paragon is valued by an independent third party. The estimated fair value of the jack-up drilling rigs was derived by using a market and income-based approach with market participant based assumptions.

Identified negative goodwill (bargain purchase) of US$38.1 million is recognised as gain in the statement of operations at day one after closing of the transaction. Bargain purchase occurred as a result of several liabilities which do not meet the identification criteria according to US GAAP. This relates to certain restructuring liabilities related to severances and lease commitments. At the closing of the transaction the Company settled the long-term debt of US$89.3 million, including accrued interest and breakage fee and recorded US$17.9 million as restructuring cost in Q1. In Q2, additional restructuring costs of US$5.0 million were recognised.

Note 10 - Restricted cash

All restricted cash are classified as current assets and consist of margin accounts in relation to forward contracts and deposits made for issued guaranties.

Note 11 - Marketable Securities

Marketable securities are marked to market, with changes in fair value recognized in “Other comprehensive income” (“OCI”). In 2017, the Company purchased debt securities issued by a rig company for approximately US$26.9 million. At December 31, 2017, an accumulated unrealised loss of US$6.2 million was recognised in other comprehensive income. No additional unrealized gain or loss is recognised as of June 30, 2018.

Note 12 - Financial Instruments

Forward contracts

As of June 30, 2018, the Company has forward contracts to purchase shares in a listed drilling company for an aggregate amount of approximately US$79.8 million. The unrealized gain is US$9.7 million as of June 30, 2018. The forward contracts are presented net in the consolidated balance sheet as of June 30, 2018 and consist of forward assets of US$89.5 million and forward liability of US$79.8.

Call spread

On May 16, 2018 the Company successfully placed US$350.0 million in convertible bonds with maturity in 2023 (see note 16). The Company has purchased from Goldman Sachs International call options over 52,268,060 shares with a strike of US$6.6963 to mitigate the economic exposure from a potential exercise of the conversion rights embedded in the Bonds. In addition, the Company has sold to Goldman Sachs International call options over the same number of shares with a strike of US$8.5225. The transactions are referred to as the “Call Spread”. The purpose is to improve the effective conversion premium for the Company in relation to the convertible bonds to 75% over US$4.87. Fair value adjustment of the call spread resulted in a loss of US$7.1 million at June 30, 2018, primarily related to one-off cost for entering into the position. 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.

Note 13 - Other current assets

Other current assets are comprised of the following:	June 30, 2018	March 31, 2018	December 31, 2017	June 30, 2017
(In US$ millions)				
Prepayments	8.6	9.5	2.6	3.6
Deferred mobilisation costs	3.0	7.3	10.3	-
Unrealized gain on forward contracts	9.7	-	4.4	-
Accrued revenue	17.0	16.1	-	-
Contract backlog (note 9)	32.8	31.6	-	-
Other receivables	26.5	23.1	5.1	5.1
Total	**97.6**	**87.6**	**22.4**	**8.7**

Note 14 - Other long-term assets

Other long-term assets are comprised of the following:	June 30, 2018	March 31, 2018	December 31, 2017	June 30, 2017
(In US$ millions)				
Contract backlog (note 9)	5.6	12.8	-	-
Tax refund	4.2	4.2	-	-
Litigation trust	3.5	3.5	-	-
Call spread (note 12)	21.4	-	-	-
Deferred tax asset	2.9	3.1	-	-
Other receivables	1.2	1.3	-	-
Total	**38.8**	**24.9**	**-**	**-**

Note 15 - Onerous contracts

Onerous contracts of US$71.3 million relate to the element of the contract backlog and remaining yard instalments to be made to Keppel Fels Limited for the three newbuildings Hull B366 (TBN "Tivar"), Hull B367 (TBN "Vale") and Hull B368 (TBN "Var") and will be settled when the newbuildings are delivered and paid in 2020. Onerous contract of US$3.6 million relates to lease commitment.

Note 16 - Long-term debt

As of June 30, 2018				Maturities		
Long-term debt is comprised of the following:	Carrying value	Principal	Back end fee	Less than 6 months	6 months to 1 year	1-5 years
(In US$ millions)						
Bank facility, US$200 million	30.0	30.0	-	-	-	30.0
Convertible bond	344.4	350.0	-	-	-	344.4
Delivery financing PPL	435.0	418.5	16.5	-	-	435.0
Total	**809.4**	**798.5**	**16.5**	**-**	**-**	**809.4**

As of December 31, 2017				Maturities		
Long-term debt is comprised of the following:	Carrying value	Principal	Back end fee	Less than 6 months	6 months to 1 year	1-5 years
(In US$ millions)						
Delivery financing PPL	87.0	83.7	3.3	-	-	87.0
Total	**87.0**	**83.7**	**3.3**	**-**	**-**	**87.0**

Covenants

The bank facility agreement contains financial covenants including book equity of 40%, positive working capital and a minimum liquidity requirement of US$50 million. The convertible bond and the delivery financing for the PPL newbuildings are not subject to financial covenants.

Convertible bond

In May 2018 the Company successfully placed US$350.0 million in convertible bonds with maturity in 2023. The convertible bonds have a conversion premium of 37.5% over US$4.87. The initial conversion price will therefore be US$6.6963 for a total of 52,267,670 shares. The Bonds will have a coupon of 3.875% per annum payable semi-annually in arrear in equal instalments

PPL rigs delivery financing

Delivery financing debt relates to delivery financing for the PPL newbuildings, "Galar", "Gerd", "Gersemi", "Grid" and "Gunnlod" delivered in November 2017, January 2018, February 2018, April 2018 and June 2018, respectively. Each loan is non-amortisation and matures five years after the delivery date. The delivery financing is secured by a first priority mortgage over the relevant PPL Rig and a guarantee from the Company.

Note 17 - Share-based compensation

The share-based payment charge for the quarter ending June 30, 2018 was US$0.5 million.

Note 18 - Fair values of financial instruments

Financial instruments included in the consolidated accounts within 'Level 1 and 2' of the fair value hierarchy are valued using quoted market prices, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency.

Included in "Level 1" are cash and cash equivalents, restricted cash, trade receivables, marketable securities, other current assets (excluding prepayments and financial instruments, trade payables, accruals and other liabilities. The carrying value of any accounts receivable and payables approximates fair value due to the short time to expected payment or receipt of cash.

Included in "Level 2" are forward contracts and call spread (see note 12). No assets or liabilities are transferred from one level to another during the quarter.

Note 19 - Accruals and other current liabilities

Accruals and other current liabilities are comprised of the following:	**June 30, 2018**	**March 31, 2018**	**December 31, 2017**	**June 30, 2017**
(In US$ millions)				
Liabilities to owners (note 20)	-	27.7	-	-
Unrealized loss on forward contracts (note 12)	-	15.6	-	1.0
Accrued payroll and severance	20.5	26.3	-	-
Income tax payable	5.3	4.7	-	-
Accrued expenses	23.8	31.2	11.5	11.4
Total accruals and other current liabilities	**49.6**	**105.5**	**11.5**	**12.4**

Note 20 - Related party transactions

Transactions with those holding significant influence over the Company

Equity offering

At March 22, 2018, it was announced that the Company would raise up to US$250 million in an equity offering divided in two tranches. Tranche 2 of the Equity Offering was subject to approval by the extraordinary general meeting to be held on 5 April 2018 and subsequent share issue. In connection with the settlement of tranche 2, US$27.7 million was registered as liability to shareholders including US$20.0 million to Drew Holdings Ltd ("Drew") as of March 31, 2018. Drew is a trust established for the benefit of Tor Olav Trøim, the Chairman of the Company. At May 30, 2018, the 7,640,327 new shares allocated in Tranche 2 of the Equity Offering was validly issued and fully paid.

Note 21 - Commitments and contingencies

The Company have the following commitments:

Delivery instalments jack-up drilling rigs	Delivery instalment	Back-end fee
Total	**1,215.0**	**35.7**

Note 22 - Subsequent events

Delivery of Groa

The newbuilding “Groa” was delivered from PPL in July 2018.

Acquisition of shares in Paragon Offshore Limited

In July 2018 the Company purchased the remaining outstanding shares in Paragon Offshore Limited (see note 9).

Share option program

At July 9, 2018 the Board of Borr Drilling Limited decided to issue 7,470,000 options to the Company's employees. The award has been granted under the approved share option scheme for employees. The options have a strike price of US$4.87 per share. The strike price is equal to the reference price used when the US$350.0 million Convertible Bond was raised on May 16th. The options will expire after five years and have a four-year vesting period. The total estimated cost of the scheme will be approximately US$9.0 million which will be expensed over the vesting period.

Note 23 - Reconciliation of alternative performance measures

	3 months to June 30, 2018	**3 months to June 30, 2017**	**6 months to June 30, 2018**	**6 months to June 30, 2017**	**12 months to December 31, 2017**
(In US$ millions)					
Operating loss	(24.8)	(12.9)	(77.0)	(17.7)	(109.7)
Depreciation and impairment of non-current assets	22.0	3.5	34.2	4.4	47.9
Amortisation contract backlog	6.0	-	6.0	-	**-**
EBITDA	**3.2**	**(9.4)**	**(36.8)**	**(13.3)**	**(61.8)**

The Company uses certain financial information calculated on a basis other than in accordance with accounting principles generally accepted in the United States (US GAAP) including EBITDA. EBITDA as used herein represent operating loss less: depreciation and impairment of non-current assets and amortisation of contract backlog. EBITDA is included as a supplemental disclosure because the Company believes that the measure provides useful information regarding the Company’s operational performance.