Borr Drilling

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

Hamilton, Bermuda, August 28, 2020: Borr Drilling Limited ("Borr", "Borr Drilling" or the "Company") announces unaudited results for the three and six months ended June 30, 2020.

Highlights in the Second Quarter of 2020

- Total operating revenues of $84.0 million, net loss of $109.6 million and Adjusted EBITDA* of $(1.9) million for the second quarter of 2020. The adjusted EBITDA includes approximately $12 million of non-recurring costs related to the agreements reached with the Company's creditors in June 2020
- The combined Adjusted EBITDA of the four separate Mexican JVs that the Company has 49% ownership in was $30.1 million in the second quarter 2020, compared to negative EBITDA in the first quarter of 2020 of ($2.3) million, an increase of $32.4 million quarter on quarter
- On April 30, 2020, the Company sold two standard jack-up drilling rigs, the "Dhabi II" and the "Paragon B152", for total cash proceeds of $15.8 million, leading to a gain on disposal of $12.8 million
- In May 2020, the Company exited its position in forward contracts for Valaris shares
- In June 2020, the Company completed an equity offering raising gross proceeds of $30 million
- In June 2020, the Company made several amendments to loan facilities with its creditors and to the delivery schedule of rigs with its shipyards, resulting in liquidity improvement mainly through deferral of payments of more than $315 million until the beginning of 2022

Subsequent events

- On August 10, 2020, the Company announced the appointment of Patrick Schorn as new Chief Executive Officer
- In August, Pemex communicated a regular monthly payment plan to OPEX, the JV providing Integrated Well Services, which should substantially improve the JV's liquidity position, which in turn will benefit Borr

The Chairman of the Board, Paal Kibsgaard, commented:

"In the second quarter, we saw the full impact of the anticipated activity reductions linked to COVID-19, resulting in a sequential decrease in operating revenues of 19% to $84.0 million, and Adjusted EBITDA of $(1.9) million. The adjusted EBITDA includes $12 million of non-recurring costs related to the agreements reached with the Company's creditors in June 2020.

In the current challenging operating environment, Borr Drilling has been focused on improving its liquidity runway and conserving cash. Through negotiations with creditors and shipyards in June, we improved the Company's liquidity by $315 million through the start of 2022, mainly through deferral of payments.

Operationally, the Mexican business has improved significantly quarter on quarter. The four JVs that the Company has ownership in delivered USD30m in Adjusted EBITDA in the quarter. Additionally, we estimate that COVID-19 impacted our Mexican JVs directly by $5.5 million in lost revenue and additional expenses combined. The wells delivered by Borr's integrated services have, based on Pemex's Q2 2020 report, increased Pemex production by 72k barrels/day. With the quick payback and low breakeven for the customer we expect the integrated well delivery business model to gain further traction going forward.

From a liquidity perspective, the operations of our Mexican JVs have suffered from irregular payments and difficulties with factoring of receivables, which in turn has put further strain on the Company's liquidity position. However, in late August 2020, Pemex confirmed their commitment to enter into a regular monthly payment plan to our JVs, which will reduce the working capital requirements and allow cash distributions from the JVs to Borr, and thereby improve Borr's liquidity position.

The improvement in oil prices during the spring of 2020 triggered demand for putting three of our warm stacked units back to work. This shows the resilience of the shallow water offshore drilling market and, as oil prices continue to improve, we expect to put further units back to work in the future.

The distress in the offshore drilling industry is likely to force both needed consolidation and fleet rationalisation going forward. Borr Drilling has a brand-new jack-up drilling rig fleet and is well positioned to participate in such consolidation if it benefits our shareholders."

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

Introduction to our Management Discussion and Analysis

Borr Drilling Limited is an owner and operator of jack up drilling rigs, and our base model is to own jack up rigs which we provide to customers on fixed rates per day, which we term day rates. All of the rigs that generate revenue for Borr are provided on this model.

In 2019, Borr entered a new business in Mexico, by participating in a series of joint ventures in Mexico in which Borr has 49% ownership, and 51% is owned by our local partner, CME. Two of the Joint Ventures operate on Integrated Well Service models ("IWS"). The IWS business provides integrated well services to PEMEX, the Mexican national oil company. This involves providing a bundled service to drill wells for PEMEX, where the IWS joint ventures take on drilling and completion risk, and earn revenue on a percentage of completion model, rather than day rates. This has some significant differences in risk and reward compared to the traditional Borr model and income from our equity method investments often reflect this.

The other two Joint Ventures in Mexico are also owned in the same 49%/51% structure, and these entities provide Borr rigs (the "Grid", "Gersemi", "Galar", "Njord" and "Odin") to the IWS business on fixed day rates. These have more of the traditional Borr model of day rate revenue and similar risks and rewards to the Borr Drilling contracting model.

We have determined that all four of these Mexican Joint Ventures are not consolidated into our results, but are accounted for under equity method investment accounting. This means that the revenue, operating expenses and margins of the four Mexico joint ventures are not included as specific line items in Borr Drilling Statements of Operations, rather Borr Drilling simply reflects a 49% share of the Net Income of the four joint ventures as Income from Equity method investments. Similarly, the assets and liabilities of the four joint ventures are not included in Borr Drilling's balance sheets, and Borr reflects only its investment, accumulated earnings and guarantee provided in the joint ventures as an asset.

Borr participates in the Mexico Joint Ventures as we believe this business to be able to provide a sound return on our initial investment. Borr's return is composed of related party revenue, which includes rental income from the two drilling JVs for the lease of the five rigs, reimbursement for use of certain of Borr's personnel, and a management fee. We are also entitled to 49% of the distributions from the Drilling business in Mexico, and similarly 49% of the distributions from the IWS business.

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

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Management Discussion and Analysis

Consolidated Statements of Operations (Financial Performance & Operating Results)

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

In $ million	**Q2 - 2020**	**Q1 - 2020**
Total operating revenues	**84.0**	**104.1**
Gain on disposals	12.8	0.3
Rig operating and maintenance expenses	(82.7)	(70.3)
Depreciation of non-current assets	(27.5)	(32.4)
Impairment of non-current assets	(57.9)	(18.4)
General and administrative expenses	(19.9)	(10.0)
Total operating expenses	**(188.0)**	**(131.2)**
Operating loss	**(91.2)**	**(26.8)**
Income/(loss) from Equity method investments	11.3	(2.8)
Total financial expenses	(26.3)	(51.2)
Loss before income taxes	**(106.2)**	**(80.8)**
Income tax expense	(3.4)	(6.2)
Net loss	**(109.6)**	**(87.0)**

Three months ended June 30, 2020

Total operating revenues were $84.0 million for the second quarter of 2020 ($104.1 million for the first quarter of 2020). The decrease of $20.1 million was mainly due to "Prospector 5", "Norve", "MSS1", "Prospector 1", "Mist" and "Idun" all ending their planned contracts in the second quarter representing a reduction of $30.1 million, partly offset by the contribution of a full quarter of operations for "Saga" of $5.8 million and higher reimbursable revenue on "Gerd" and "Groa" of $4.5 million.

Gain on disposal was $12.8 million for the second quarter of 2020 ($0.3 million for the first quarter of 2020). The increase of $12.5 million was due to the sale of the "Paragon B152" and "Dhabi II" rigs in the second quarter of 2020. The Company continues to operate the rigs on behalf of the buyer and reports gross revenue, operating expenses and bareboat hire in the income statement.

Rig operating and maintenance expenses, including reactivation and stacking costs, were $82.7 million for the second quarter of 2020 ($70.3 million for first quarter of 2020). The increase of $12.4 million from the first quarter of 2020 was primarily driven by higher reimbursable costs and mobilisation amortisation related to "Gerd" and "Groa" of $10.0 million, incremental operating cost for the bareboat hire related to "Paragon B152" and "Dhabi II" of $5.8 million and a full quarter of operations for "Saga", leading to an increase of $1.4 million in expenses for the rig. This was partly offset by lower operating expenses for "Prospector 5", "Norve", "MSS1", "Prospector 1", "Mist" and "Idun" of $4.9 million, as the respective contracts expired. Rig operating and maintenance expenses includes mobilisation costs amortised in the quarter of $9.4 million ($4.5 million in the first quarter of 2020) and other reimbursable expenses of $8.8 million ($3.2 million in the first quarter of 2020).

Depreciation of non-current assets was $27.5 million for the second quarter 2020 ($32.4 million for the first quarter 2020). The decrease of $4.9 million was mainly due to fewer depreciable rigs in the fleet.

Impairment of non-current assets was $57.9 million for the second quarter 2020 ($18.4 million for the first quarter 2020), The impairments in the second quarter were related to "Atla" and "Balder", both cold-stacked rigs built in 2003, of $30.9 million and $27.0 million, respectively.

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General and administrative expenses were $19.9 million for the second quarter 2020 ($10.0 million for the first quarter 2020). The increase of $9.9 million was mainly due to the cost associated with the debt agreement amendments in the second quarter of approximately $12 million, partly offset by cost reduction measures and lower travel costs.

Earnings from Equity Method Investments was $11.3 million for the second quarter 2020 ($(2.8) million for the first quarter 2020). The increase of $14.1 million, and planned achievement of profitability was mainly due to improved performance in our integrated well services offering to Pemex and significant startup costs in prior periods.

Total financial expenses (net) were $26.3 million for the second quarter 2020 ($51.2 million for the first quarter 2020) a decrease $24.9 million. The principal items in the second quarter were:

- Interest expenses net of capitalised interest of $20.6 million
- Other financial expenses of $6.4 million
- Gain on sale of Valaris shares of $1.5 million
- Mark to market movements on forwards of $0.2 million (negative $26.8 million in the first quarter 2020)

Income tax expense was $3.4 million for the second quarter 2020 ($6.2 million for the first quarter 2020). The decrease of $2.8 million related to higher activity in the first quarter 2020 relating to rigs in West Africa.

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

(in US$ millions)	**Q2 - 2020**	**Q1 2020**	**2020**
Net loss	**(109.6)**	**(87.0)**	**(196.6)**
Depreciation of non-current assets	27.5	32.4	59.9
Impairment of non-current assets	57.9	18.4	76.3
(Income) / loss from equity method investment	(11.3)	2.8	(8.5)
Financial expense	26.3	51.2	77.5
Income tax expense	3.4	6.2	9.6
Amortised mobilisation cost	9.4	4.5	13.9
Amortised mobilisation revenue	(5.5)	(3.1)	(8.6)
Adjusted EBITDA	**(1.9)**	**25.4**	**23.5**

The main contributor to negative Adjusted EBITDA in the second quarter 2020 compared to estimates were costs related to amendments to our loan facilities and contracts with shipyards.

Note - The Company uses certain financial information calculated on a basis other than in accordance with accounting principles generally accepted in the United States (US GAAP) including Adjusted EBITDA. Adjusted EBITDA as used above represents our periodic net loss adjusted for: depreciation and impairment of non-current assets, amortisation of contract backlog, loss from equity method investments, total financial (income) expense net, income tax expense and amortisation of deferred mobilisation costs and revenue. Adjusted EBITDA is included here by the Company because the Company believes that the measure provides useful information regarding the Company's operational performance.

Six months ended June 30, 2020:

(in US$ millions)	**2020**	**2019**
Total operating revenues	**188.1**	**138.5**
Gain on disposals	13.1	3.9
Rig operating and maintenance expenses	(153.1)	(138.5)
Depreciation of non-current assets	(59.9)	(48.5)
Impairment of non-current assets	(76.3)	(11.4)
Amortisation of contract backlog	0.0	(14.5)
General and administrative expenses	(29.9)	(24.1)
Total operating expenses	**(319.2)**	**(237.0)**
Operating loss	**(118.0)**	**(94.6)**
Income from equity method investments	8.5	0.0
Total financial expenses	(77.5)	(62.3)
Loss before income taxes	**(187.0)**	**(156.9)**
Income tax expense	(9.6)	(2.7)
Net loss	**(196.6)**	**(159.6)**

Total operating revenues were $188.1 million for the six months to June 30, 2020 ($138.5 million for the six months to June 30, 2019). The increase of $49.6 million was mainly due to a higher number of jack-up rigs in operation with an average of 14.4 rigs on contract in the first half of 2020 compared with 9.9 rigs in the first half of 2019. In addition, reimbursable revenue related to certain contracts which commenced in the second quarter of 2019 have contributed to the increase, offset by logistics revenue in Mexico in the comparative period which does not recur in 2020.

Gain on disposal was $13.1 million for the six months to June 30, 2020 ($3.9 million for the six months to June 30, 2019). The increase of $9.2 million was due to the sale of the "Paragon B152" and "Dhabi II" rigs in the second quarter of 2020, while the "Baug" and "Paragon C20051" rigs were sold in the comparative period in 2019.

Rig operating and maintenance expenses, including reactivation and stacking costs, were $153.1 million for the six months to June 30, 2020 ($138.5 million for the six months to June 30, 2019). The increase of $14.6 million was mainly driven by the higher number of rigs in operation, and by approximately $20 million in the comparative period in 2019 relating to logistics in Mexico for Odin and rig reactivation, which do not recur in 2020. In addition, there has been increased cost reduction measures in the second quarter of 2020.

Depreciation of non-current assets was $59.9 million for the six months to June 30, 2020 ($48.5 million for the six months to June 30, 2019). The increase of $11.4 million was mainly due to the delivery of "Hermod", "Heimdal" and "Hild" from Keppel FELS, offset by a reduction in the number of depreciable rigs in 2020.

Impairment of non-current assets was $76.3 million for the six months ended June 30, 2020 ($11.4 million for the six months ended June 30, 2019). The increase of $64.9 million was due to impairments on three higher value assets in 2020 being "Atla", "Balder" and "MSS1" compared with only one rig, "Eir", in the comparable period in 2019.

Amortisation of contract backlog was $nil million for the six months to June 30, 2020 ($14.5 million for the six months to June 30, 2019). The decrease of $14.5 million was due to the contract backlog relating to acquired contracts in the 2018 Paragon transaction being fully amortised in 2019.

General and administrative expenses were $29.9 million for the six months to June 30, 2020 ($24.1 million for the six months to June 30, 2019). The increase of $5.8 million was mainly due to fees associated with the debt agreement amendments carried out in the second quarter of 2020 of approximately $12 million, partly offset by lower travel expenses and personnel costs. Additionally, there were certain non-recurring costs in the second quarter of 2019 relating to the IPO in the third quarter of 2019.

Income from Equity Method Investments was $8.5 million for the six months to June 30, 2020 ($nil for the six months to June 30, 2019). There was no activity in the comparative period as the business was being established.

Total financial expenses (net) were $77.5 million for the six months to June 30, 2020 ($62.3 million for the six months to June 30, 2019). The increase of $15.2 million was mainly due to higher interest expense of $9.1 million due to the June 28, 2019 debt refinancing and take up of delivery finance for three additional rigs. In addition, the comparative period in 2019 included losses incurred on forward contracts of $6.6 million, which have been settled in 2020.

Income tax expense was $9.6 million for the six months to June 30, 2020 ($2.7 million for the six months to June 30, 2019), an increase of $6.9 million which reflects our increased profitable activity and significant growth in our deployed fleet.

Consolidated Balance Sheet

As of June 30, 2020

Total assets were $3,249.1 million as of June 30, 2020 ($3,280.0 million as of December 31, 2019). The decrease of $30.9 million is due to settlement of our forward contracts which led to a decrease in restricted cash of $69.4 million, decrease in cash of $24.5 million, partly offset by increase in jack-up rigs of $68 million (net of transfers from newbuildings).

Total liabilities as of June 30, 2020 were $2,124.5 million ($1,985.9 million as of December 31, 2019). The increase of $138.6 million is mainly attributable to an increase in long-term debt of $191.1 million following delivery of Heimdal and "Hild" offset by a decrease in unrealised loss on forward contracts of $64.3 million following the expiry of our forward contracts.

Total equity as of June 30, 2020 was $1,124.6 million ($1,294.1 million as of December 31, 2019). The decrease of $169.5 million is largely attributable to net loss of $196.6 million offset by increase in share capital and additional paid-in capital of approximately $28.8 million following our private placement in May 2020.

Consolidated Statement of Cash Flows

In $ million	**Q2 - 2020**	**Q1 - 2020**
Net loss	**(109.6)**	**(87.0)**
Net cash used in operating activities	(5.2)	(5.3)
Net cash used in investing activities	(96.0)	(21.2)
Net cash provided by financing activities	28.8	5.0
Net decrease in cash and cash equivalents	(72.4)	(21.5)
Cash and cash equivalents and restricted cash at beginning of period	107.0	128.5
Cash and cash equivalents and restricted cash at end of period	**34.6**	**107.0**

Three months ended June 30, 2020

Net cash used in operating activities was $5.2 million for the second quarter 2020 and is explained mainly by our net loss in the quarter, reduced by non-cash items and movements in working capital.

Net cash used in investing activities was $96.0 million for the second quarter 2020 and primarily relates to purchase of marketable securities (taking physical delivery of the Valaris PLC shares under the forward contracts) and additions to jack-up rigs, reduced by proceeds from sale of fixed assets.

Net cash provided by financing activities was $28.8 million during the second quarter 2020 and relates to issue of new equity in June 2020.

As of June 30, 2020, the Company's cash and cash equivalents including restricted cash amounted to $34.6 million (compared to $107.0 million at the end of first quarter 2020). Excluding restricted cash, the Company's cash and cash equivalents amounted to $34.6 million at the end of the second quarter, compared to $13.2 million at the end of first quarter 2020. Total available free liquidity (cash and cash equivalents excluding restricted cash, plus available amounts

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under credit facilities) at the end of the second quarter was $64.6 million, including undrawn amounts under credit facilities of $30.0 million, available subject to all financing banks' consent.

Mexican Operational Results on a 100% basis

In $ million	Q2 - 2020		Q1 - 2020		2020	
Mexico Joint Venture EBITDA	**Drilling**	**IWS**	**Drilling**	**IWS**	**Drilling**	**IWS**
Net income (loss)	5.8	17.3	(0.5)	(5.3)	5.3	12.0
Total financial income (expenses)	(0.2)	(0.7)	0.1	2.0	(0.1)	1.3
Income tax expense	1.8	0.0	0.2	0.0	2.0	0.0
Amortised mobilisation cost	4.9	2.2	2.7	(0.9)	7.6	1.3
Amortised mobilisation revenue	(1.0)	0.0	(0.7)	0.0	(1.7)	0.0
Adjusted EBITDA	**11.3**	**18.8**	**1.8**	**(4.2)**	**13.1**	**14.6**

There are four joint ventures in Mexico in which we participate, and hold a 49% interest, two of which provide dayrate based drilling services ("Drilling") to the two Integrated Well Service JVs ("IWS"), which provide operations for integrated well service contracts with PEMEX, using the "Grid", "Gersemi" and "Odin" in "Cluster 2", and "Galar" and "Njord" in "Cluster 3". Revenue for the integrated well service model is recognised based on a percentage of completion method on a per well basis.

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

During the second quarter of 2020, our Mexican Joint Ventures for Integrated Well Services, OPEX Perforadora S.A. de C.V ("OPEX"), and Perforadora Profesional AKAL I, SA de CV ("AKAL") profitably provided Integrated Well Services to PEMEX, across eight wells, seven of which have not yet been completed.

In addition, Perfomex and Perfomex II, our other 49% owned drilling service joint ventures in Mexico, performed largely as expected on operations while also continuing to experience substantial start up costs in the period, albeit less significant than in previous quarters. Included within "Rig operating and maintenance expenses" in the second quarter of 2020 in Drilling is $12.3 million of cost related to invoices received from Borr subsidiaries, which Borr recognises as related party revenue.

As of the date of this report, OPEX and AKAL have agreed a payment plan with PEMEX which will, if followed, substantially reduce the accrued outstanding billings and improve the liquidity of the JVs and for Borr for the remainder of 2020.

Outstanding shares

On May 21, 2020, the Company announced the completion of an equity offering issuing 46,153,846 new shares, raising gross proceeds of $30 million. The transaction closed on June 5, 2020.

As of June 30, 2020, the Company had issued share capital of $7,921,595.55, divided into 158,431,911 shares of par value $0.05 each, and the Company's authorised share capital was $9,182,692.30 divided into 183,653,846 common shares of $0.05 par value each. Subsequent to the end of the second quarter of 2020, the authorised share capital was increased, by shareholder approval, to $11,182,692.30 divided into 223,653,846 common shares of $0.05 par value. The Company held 1,459,714 of its own shares in treasury at the end of the second quarter of 2020.

There are a total of 2,074,998 options outstanding, with strike prices between $17.50 and $24.35, and a weighted average strike price of $21.22.

Risks and uncertainties

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

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

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

Fleet development

In April 2020, the Company took delivery of the sixth rig from Keppel FELS, the "Hild", fully financed by a five-year financing facility from the yard.

The Company is, as of the date of this report, the owner of 25 modern (delivered in or after 2001) jack-up rigs, one standard jack-up rigs (built before 2001). Furthermore, the Company has contracts for delivery of five rigs from yards by the third quarter of 2022. When all newbuild rigs have been delivered, and after the expected sale of the standard jack-up rig "Eir" is completed, the fleet will consist of 30 modern rigs (28 built after 2010).

Operations and Contracts

The modern jack-up rigs "Odin", "Galar" and "Njord" commenced work for Pemex in March, April and June 2020 respectively for an anticipated duration of 18 months each.

In April 2020, the Company was awarded two contracts in Malaysia for 365 days and 200 days respectively for the modern jack-up rigs “Saga” and “Gunnlod”. Both contracts are expected to commence in the third quarter 2020.

In May 2020, the Company received notices of early suspension of contracts from Exxon Mobil for the rigs “Gerd” and “Groa”, which were working in Nigeria under contracts originally committed until April 2021 and May 2021, respectively. The rigs will be suspended from the original contract with the possibility to return to operations. The rigs discontinued operations in May 2020, however they will receive dayrate payments for the period until mid September 2020. The suspension of the contracts has furthermore released approximately $33 million of customs bonds in the third quarter of 2020, which were covered by the Company's $70 million guarantee tranche under its bank financing.

In June 2020, the independent Australian oil company Roc Oil rescinded the previously announced notice of termination of its contract for work in Malaysia for the modern jack-up rig “Mist” and replaced it with a suspension notice. Operations are scheduled to start up in the third quarter 2020 for an estimated duration of 210 days.

In July 2020, the modern jack-up rig “Ran” received a Notice of Termination of its contract from Centrica Storage for work in the North Sea, which had an estimated start up in July 2020 for an estimated duration of 90 days.

In July 2020, the Company was awarded an LOI for the modern jack-up “Prospector 1” for an estimated 100 days program with an undisclosed operator in the North Sea, with expected commencement in the fourth quarter 2020.

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

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The Company currently has a marketed available fleet of nine unemployed modern rigs, six of which are newbuilds. Additionally, there are five rigs under construction, scheduled for delivery from the yards until 2022.

	Total	Operating / Committed	Available	Cold Stack	Under Construction
Modern Jack-Ups	30	14	9	2	5
Standard Jack-Ups	1	—	—	1[*]	—
Total Jack-Ups	**31**	**14**	**9**	**3**	**5**
Semi - Submersible	—	—	—	0	—
Total Fleet	**31**	**14**	**9**	**3**	**5**

[*] Incl. Eir, which is under sales agreement, expected to be concluded end of 2020, subject to conditions

The Company currently has eight rigs in operation: two in West Africa, one in South East Asia and five in Mexico.

The technical utilisation for the fleet was 99.6% in second quarter of 2020 and 99.6% YTD 2020. The economical utilisation in the second quarter was 90.2% and 93.8% for the full year 2020.

Corporate Development, Investments and Financing

On June 5, 2020, the Company announced the completion of a financial restructuring and meeting conditions for the equity offering. This included significant amendments to facilities from its secured lenders and shipyards that is expected to provide total liquidity improvement of more than $315 million in the period from announcement to the first quarter of 2022. These amendments included the following key terms:

- Deferral of the delivery of five newbuild jack-ups rigs until mid-2022, representing estimated liquidity improvement of approximately $190 million until the first quarter of 2022.
- Deferral of certain interest payments until 2022, representing an estimated liquidity improvement of approximately $60 million.
- Deferral of debt amortisation in 2021 of $65 million until maturity of the loans in the second quarter of 2022.
- Amendment of certain of the financial covenants, including:
    - Reduction of the minimum liquidity covenant from 3% of net interest bearing debt, to $5 million with a gradual step-up to $20 million at December 31, 2021, which gives a liquidity improvement of up to $40 million in the period. Thereafter the 3% level will be reinstated. As part of the amendments, utilisation of the remaining $30 million under our revolving credit facilities require all banks' consent.
    - Amending the minimum book equity ratio from 33.3% to 25% up to and including 31 December 2021. Thereafter the required ratio will be 40%.
    - Suspension of the Debt Service Coverage Ratio covenant of 1.25x until 31 December 2021.
    - Waivers of certain covenants in our ring-fenced financing structure including incremental liquidity from restricted cash.

The amendments also provide for payment of certain interest payments originally due at the end of the first quarter of 2020 which had been deferred with lender consent, as well as other amendments to the facilities.

In addition to the concluded June restructuring, the Company will actively look for ways to extend the run-way further for instance through extending debt maturities, yard instalments or opportunistically capitalising on mis-pricing in the capital structure. Borr Drilling will actively participate in processes which can lead to divestments of modern assets. However such transactions will only be pursued if it is accretive to the Company in terms of value and liquidity. Borr Drilling also owns certain non-core assets, such as the "Atla" and the "Balder". The Company is open to divesting these assets. None of the assets are currently leveraged, and any sales proceeds will improve the liquidity position of the Company and create liquidity to accelerate activation of remaining rigs. We have also noted that ADNOC has reinstated their tender for expansion of the modern jack-up fleet.

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The Company has exited all its forward contracts for shares in Valaris PLC with realised losses of $91.0 million since entering into the position. The total losses on these forward contracts were covered partly by restricted cash on the balance sheet. After taking delivery of the shares under the forward contracts in May 2020, the Company subsequently sold all of the 4.2 million shares at an average price of $0.82 per share in the, realising a gain on sale of marketable securities of $1.5 million in the second quarter 2020.

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

Market

During the second quarter of 2020, the global jack-up drilling rig fleet utilisation continued the downwards trend seen since March 2020. Global competitive jack-up rig utilisation stood at 83% at the end of June 2020, a decrease of four percentage points quarter-on-quarter. As a comparison, at the end of the second quarter 2019 the utilisation was 82%, which means an increase of one percentage point in one year.

The utilisation for the competitive modern jack-up fleet (rigs built after year 2000) has decreased by five percentage points from March 2020 to 85% at the end of the second quarter of 2020.

As of the date of this report, there are a total of 346 contracted jack-up rigs, down by 32 from 378 rigs per March 31, 2020. For modern rigs, contracted rig count stand at 244 representing an increase of 67 rigs or 50% since 2014. A reverse trend has been observed in the standard jack-up rig segment, where contracted rig count has more than halved since 2014 to current levels of 102.

The total number of retired rigs in 2020 to date is eight rigs, while 15 rigs were retired in 2019. Since the start of the downturn in 2014 110 rigs have been retired. There are currently 159 jack-up rigs older than 30 years, out of which 57 rigs are uncontracted. The Company maintains its view that a significant number of these will become commercially and technically un-competitive in the next years.

Based the current contracting situation, assuming 30% of existing contracts are rolled-over, there will be 140 rigs built before 2010 without contracts in the end of 2020. Based on the required stacking costs and the future reactivation costs of such units, we believe a significant amount of these rigs will leave the market. In addition, there will be another 58 rigs in this category at the end of 2021. Depending on when the recovery takes place, it is likely that the supply side will rationalise significantly from the current ~500 units (including new buildings) and potentially down towards 400 rigs in the above mentioned scenario. Putting that into context of demand in early 2020 at more than 380 units and the average demand the last 15 years of ~365 units, the supply/demand balance going forward looks a lot more healthy.

Outlook

The Company took a strategic decision to move to a turn key service provider from straight day rate basis when entering into Mexico with five rigs. Significant activation and mobilisation capex has been invested into the rigs which are currently working for Pemex. The startup of this venture suffered from delayed start of operation for several of the rigs, and has also suffered from increased working capital need as a function of late payment from our customer. Both factors have influenced the profitability and balance sheet from the Mexican operation.

By the end of the second quarter 2020, all five rigs working on integrated well services had commenced operation. Operationally, we are delivering a service which is better than anticipated when these contracts were entered into. This creates a positive margin from the JV on top of the budgeted day rates. The positive development in Mexico can be seen in the improvement in EBITDA from the Mexican operation from Q1 to Q2 2020.

Based on Pemex' Q2 2020 report, wells delivered by Borr’s IWS will increase Pemex' production with 72k barrels/day. Based on the turn-key prices paid and the short lead time between spudding and production, this business has quick pay-back of investments for the oil company. It has a very low cash break even and show solid profitability even in current oil price environment.

Borr Drilling

Borr is encouraged by the operational and financial performance shown since the rigs commenced operation. Our capability to deliver these services on a successful turn key basis has given us credibility and strategic advantages versus our competitors. We anticipate that this business area will show solid growth as the NOCs and Major oil companies seeks to reduce their cost basis in the current oil price environment.

The Company's main focus for 2020 and 2021 will be to improve cash flow and strengthen the balance sheet, supported by activity at critical mass, a stringent rig activation strategy and tight control of both operating costs and working capital. Given the commitment from Pemex to a regular payment plan, and when all 14 contracted rigs are in operation, the Company is confident in its ability to generate positive cash-flow from operations.

The massive financial restructuring which currently takes place in the rig industry where significant amount of debt gets converted to equity through Chapter 11 restructurings will have material impact of the industry going forward. The reorganisation is likely to lead to both consolidation and increased scrapping and thereby improve the fundamentals of our industry. The conversion of debt to equity will reduce financial cost and strengthen the companies' relative competitive position versus Borr. However the Company feels that the this advantage is well compensated for by the fact that Borr has a unique fleet of brand new jack-ups, that we have no exposure to the deepwater market, and we have a low borrowing cost. Our current loan cost including margins year to date, excluding the convertible bonds, was 5.4%, and total cash interest and amortization for 2021 is estimated to around 45 million. With this strong strategic position our company has, we are well positioned to take an active part in the industry restructuring which is currently taking place

Based on the expected reduced oil supply from US shale and a recovery in global oil demand, the Company is of the opinion that the international oil and gas activity will increase in the next years, driven by low cost onshore and shallow water developments. Borr Drilling has the leading fleet of modern jack-ups and is well positioned to benefit from this improvement.

We are already seeing early sign of this recovery, and the Company is bringing three warm stacked units back on contracts in three different geographic areas (North Sea, Africa and South-East Asia). This confirms both the low break-even for shallow water developments and a positive demand outlook for the jack-up segment. As oil prices continue to improve, and years of under investment needs to be caught up, the Company expects a solid demand for its units going forward.

Forward looking statements

This announcement includes forward looking statements. Forward looking statements are, typically, statements that do not reflect historical facts and may be identified by words such as "anticipate", "believe", "continue", "estimate", "expect", "intends", "may", "should", "will" and similar expressions and include expectations regarding industry trends including activity levels in the jack-up rig industry, expectations as to global jack-up rig count and expected tenders and demand levels, strategy with respect to deployment of rigs, expectations on trends and potential in day rates and potential to generate significant cash at current day rates, delivery of newbuilds including expected delivery timing, expected ability to sell or finance currently unencumbered rigs and expected valuation, strategy and plans with respect to investments in third party securities, contract backlog, expected contracting and operation of our jack-up rigs and contract terms included estimated duration of contracts, expectations with respect to contracting available rigs including warm stacked rigs, expected ability to generate cash from operations, expected completion of sales of rigs the Company has agreed to sell, expected results in the rest of 2020, including expected strong growth in Adjusted EBITDA in coming quarters and the expectation Adjusted EBITDA will cover operational and finance costs, strategy with respect to asset base, expected business environment including statements made under "Market" and "Outlook" above, expected payments from Pemex, expected funding needs and ability to meet obligations for newbuilds, expected increase in tenders for jack-up rigs, global jack-up rig count, increase in demand from IOCs and NOCs, increases in oil production by geography, expected returns for oil companies, ability to fix rig rates at current market prices, competitive advantages from joint ventures, generation of free cash flow, improvement of cash flow per rig in operation post activation, remediation of advances, expected activation costs of rigs, expectations about our ability to find contracts for and activate our rigs not currently in operation, expectations with respect to amendments to our loan facility, expected industry trends including with respect to demand for and expected utilisation of rigs, and other non-historical statements. The forward-looking statements in this announcement are based upon various assumptions, many of which are based, in turn, upon further assumptions, which are, by their nature, uncertain and subject to significant known and unknown risks, contingencies and other factors which are difficult or impossible to predict and which are beyond our control. Such risks, uncertainties, contingencies and other factors could cause actual events to differ materially from the expectations expressed or implied by the forward-looking statements included herein. In addition to the important factors and matters

discussed elsewhere in this report, important factors that, in our view could cause actual results to differ materially from those discussed in the forward looking statements are included in our most recent annual report and in the section entitled “Risk Factors” in our filings with the Securities and Exchange Commission.

Responsibility Statement

We confirm that, to the best of our knowledge, the interim consolidated financial statements for the first half year of 2020, which has been prepared in accordance with accounting principles generally accepted in the United States (US GAAP) gives a fair statement of the Company’s consolidated assets, liabilities, financial position and result of operations, and that the first half 2020 report includes a fair review of the information required under the Norwegian Securities Trading Act section 5-6 fourth paragraph.

About Borr Drilling Limited

Borr Drilling Limited is an international drilling contractor incorporated in Bermuda in 2016 and listed on the Oslo Stock Exchange from August 30, 2017 under the ticker BDRILL and New York Stock Exchange from July 31, 2019 under the ticker BORR. The Company owns and operates jack-up rigs of modern and high specification designs and provides services focused on the shallow water segment to the offshore oil and gas industry worldwide. Please visit our website at: www.borrdrilling.com

August 28, 2020
The Board of Directors
Borr Drilling Limited
Hamilton, Bermuda

Questions should be directed to:
Magnus Vaaler: VP Investor Relations and Treasury, +47 22 48 30 00

Borr Drilling Limited

Unaudited Condensed Consolidated Financial Statements
As of and for the three and the six months ended June 30, 2020

Borr Drilling Limited

Unaudited Condensed Consolidated Statements of Operations

(In $ millions except share and per share data)

	Notes	3 months to June 30, 2020	3 months to June 30, 2019	6 months to June 30, 2020	6 months to June 30, 2019
Operating revenues					
Dayrate revenues	4	71.7	86.6	165.0	138.5
Related Party Revenue	3,21	12.3	—	23.1	—
Total operating revenues	**4**	**84.0**	**86.6**	**188.1**	**138.5**
Gain on disposal		**12.8**	**3.9**	**13.1**	**3.9**
Operating expenses					
Rig operating and maintenance expenses		(82.7)	(81.4)	(153.1)	(138.5)
Depreciation of non-current assets	8	(27.5)	(24.6)	(59.9)	(48.5)
Impairment of non-current assets	8	(57.9)	—	(76.3)	(11.4)
Amortization of acquired contract backlog		—	(7.1)	—	(14.5)
General and administrative expenses		(19.9)	(14.0)	(29.9)	(24.1)
Total operating expenses		**(188.0)**	**(127.1)**	**(319.2)**	**(237.0)**
Operating loss		**(91.2)**	**(36.6)**	**(118.0)**	**(94.6)**
Income from equity method investments	**3**	**11.3**	**—**	**8.5**	**—**
Financial income (expenses), net					
Interest income		—	0.2	0.2	0.5
Interest expense, net of amounts capitalized		(20.6)	(20.1)	(42.2)	(33.1)
Other financial expenses, net	5	(5.7)	(44.2)	(35.5)	(29.7)
Total financial expenses, net		**(26.3)**	**(64.1)**	**(77.5)**	**(62.3)**
Loss before income taxes		**(106.2)**	**(100.7)**	**(187.0)**	**(156.9)**
Income tax expense	6	(3.4)	(2.5)	(9.6)	(2.7)
Net loss		**(109.6)**	**(103.2)**	**(196.6)**	**(159.6)**
Net loss attributable to non-controlling interests		**—**	**—**	**—**	**(1.5)**
Net loss attributable to shareholders of Borr Drilling Limited		**(109.6)**	**(103.2)**	**(196.6)**	**(158.1)**
Basic loss per share	**7**	**(0.83)**	**(0.98)**	**(1.62)**	**(1.52)**
Diluted loss per share	**7**	**(0.83)**	**(0.98)**	**(1.62)**	**(1.52)**
Weighted-averages shares outstanding		**131,612,941**	**105,068,351**	**121,215,646**	**105,068,351**
Condensed Consolidated Statement of Comprehensive Loss					
Net Loss		**(109.6)**	**(103.2)**	**(196.6)**	**(159.6)**
Unrealised gain (loss) from marketable securities		—	3.2	—	(4.1)
Other comprehensive gain (loss)		**—**	**3.2**	**—**	**(4.1)**
Total comprehensive loss		**(109.6)**	**(100.0)**	**(196.6)**	**(163.7)**
Comprehensive loss for the period attributable to					
Shareholders of Borr Drilling Limited		(109.6)	(100.0)	(196.6)	(162.2)
Non-controlling interests		—	—	—	(1.5)
Total comprehensive loss		**(109.6)**	**(100.0)**	**(196.6)**	**(163.7)**

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

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

	Notes	June 30, 2020	December 31, 2019
ASSETS			
Current Assets			
Cash and cash equivalents		34.6	59.1
Restricted cash	11	—	69.4
Trade receivables		29.9	40.2
Jack-up drilling rigs held for sale	8	5.2	3.0
Prepaid expenses		8.1	8.1
Deferred mobilization and contract preparation cost	4	16.0	19.3
Accrued revenue	4	17.7	31.7
Tax retentions receivable		10.5	11.6
Due from related parties	21	25.2	8.6
Other current assets	14	27.3	26.9
Total current assets		**174.5**	**277.9**
Non-current assets			
Property, plant and equipment		6.3	7.3
Jack-up rigs	8	2,876.8	2,683.3
Newbuildings	9	135.6	261.4
Deferred mobilization and contract preparation cost	4	—	3.5
Equity method investments	3	53.4	31.4
Other long-term assets	15	2.5	15.2
Total non-current assets		**3,074.6**	**3,002.1**
Total assets		**3,249.1**	**3,280.0**
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables		15.1	14.1
Amounts due to related parties	21	0.6	0.4
Unrealized Loss on Forward Contracts	13	—	64.3
Accrued expenses		73.3	62.1
Onerous contracts	16	—	71.3
Other current liabilities	20	42.1	37.5
Total current liabilities		**131.1**	**249.7**
Non-current liabilities			
Long-term debt	17	1,900.9	1,709.8
Other liabilities		21.2	22.7
Liabilities from equity method investments	3	—	3.7
Onerous contracts	16	71.3	—
Total non-current liabilities		**1,993.4**	**1,736.2**
Total liabilities		**2,124.5**	**1,985.9**
Commitments and contingencies	**22**		

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

Stockholders' Equity		
Common shares of par value $0.05 per share: authorized 183,653,846 (2019: 137,500,000) shares, issued 158,431,911 (2019: 112,278,065) shares and outstanding 156,972,197 (2019: 110,818,351) shares at June 30, 2020	7.9	5.6
Additional paid in capital	1,918.5	1,891.2
Treasury shares	(26.2)	(26.2)
Accumulated deficit	(775.8)	(576.7)
Equity attributable to the Company	**1,124.4**	**1,293.9**
Non-controlling interest	0.2	0.2
Total equity	**1,124.6**	**1,294.1**
Total liabilities and equity	**3,249.1**	**3,280.0**

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

Borr Drilling Limited

Unaudited Condensed Consolidated Statements of Cash Flows

(In $ millions)

	Notes	3 months to June 30, 2020	3 months to June 30, 2019	6 months to June 30, 2020	6 months to June 30, 2019
Cash Flows from Operating Activities					
Net loss		(109.6)	(103.2)	(196.6)	(159.6)
Adjustments to reconcile net loss to net cash used in operating activities:					
Non-cash compensation expenses related to stock options	18	0.2	1.0	0.8	3.0
Depreciation of non-current assets	8	27.5	24.6	59.9	48.5
Impairment of non-current assets	8	57.9	—	76.3	11.4
Amortization of acquired contract backlog		—	7.1	—	14.5
Gain on disposals	8	(12.8)	(3.9)	(13.1)	(3.9)
Change in financial instruments	5	(1.6)	36.7	27.4	21.6
Income from equity method investments	3	(11.3)	—	(8.5)	—
Non-cash loan fees related to settled debt		—	5.6	—	5.6
Deferred income tax	6	(0.5)	(0.2)	0.5	(0.5)
Change in other current and non-current assets		38.0	(27.6)	25.5	(29.6)
Change in other current and non-current liabilities		7.0	5.0	17.3	20.2
Net cash used in operating activities		**(5.2)**	**(54.9)**	**(10.5)**	**(68.8)**
Cash Flows from Investing Activities					
Purchase of plant and equipment		—	(0.6)	—	(0.6)
Proceeds from sale of fixed assets		15.8	6.2	17.8	6.8
Purchase of marketable securities		(92.5)	(2.9)	(92.5)	(6.9)
Investments in equity method investments	3	(8.5)	—	(17.2)	—
Proceeds from sale of marketable securities	13	3.0	—	3.0	4.2
Additions to newbuildings	9	(0.8)	(4.6)	(4.3)	(133.6)
Additions to jack-up rigs	8	(13.0)	(49.8)	(24.0)	(93.7)
Net cash used in investing activities		**(96.0)**	**(51.7)**	**(117.2)**	**(223.8)**
Cash Flows from Financing Activities					
Proceeds from share issuance, net of issuance cost		28.8	—	28.8	—
Repayment of long-term debt		—	(390.0)	—	(390.0)
Proceeds, net of deferred loan cost, from issuance of long-term debt	17	—	544.6	5.0	639.6
Proceeds, net of deferred loan cost, from issuance of short-term debt	17	—	—	—	58.5
Net cash provided by financing activities		**28.8**	**154.6**	**33.8**	**308.1**
Net increase (decrease) in cash and cash equivalents and restricted cash		**(72.4)**	**48.0**	**(93.9)**	**15.5**
Cash and cash equivalents and restricted cash at the beginning of the period		107.0	58.8	128.5	91.3
Cash, cash equivalents and restricted cash at the end of period		**34.6**	**106.8**	**34.6**	**106.8**
Supplementary disclosure of cash flow information					
Interest paid, net of capitalized interest		(21.7)	(20.0)	(25.4)	(28.7)
Income taxes paid, net		(2.5)	(0.3)	(6.0)	(2.0)
Issuance of long-term debt as non-cash settlement for newbuild delivery instalment		90.9	—	181.8	87.0
Non-cash payments and cost in respect of jack-up rigs		—	25.4	—	42.4

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

Borr Drilling Limited
Unaudited Condensed Consolidated Statements of Changes in Shareholders' Equity
(In $ millions except share data)

In $ millions	Number of outstanding shares	Common shares	Treasury shares	Additional paid in capital	Other Comprehensive Gain / (Loss)	Accumulated Deficit	Non-controlling interest	Total equity
Consolidated balance at December 31, 2018	**105,068,351**	**5.3**	**(26.2)**	**1,837.5**	**(5.6)**	**(279.2)**	**1.7**	**1,533.5**
Share-based compensation	—	—	—	2.0	—	—	—	2.0
Total comprehensive loss	—	—	—	—	(7.3)	(54.9)	(1.5)	(63.7)
Consolidated balance at March 31, 2019	**105,068,351**	**5.3**	**(26.2)**	**1,839.5**	**(12.9)**	**(334.1)**	**0.2**	**1,471.8**
Share-based compensation	—	—	—	1.0	—	—	—	1.0
Total comprehensive loss	—	—	—	—	3.2	(103.2)	—	(100.0)
Other, net	—	—	—	—	0.1	—	—	0.1
Consolidated balance at June 30, 2019	**105,068,351**	**5.3**	**(26.2)**	**1,840.5**	**(9.6)**	**(437.3)**	**0.2**	**1,372.9**

In $ millions	Number of outstanding shares	Common shares	Treasury shares	Additional paid in capital	Other Comprehensive Gain / (Loss)	Accumulated Deficit	Non-controlling interest	Total equity
Consolidated balance at December 31, 2019	**110,818,351**	**5.6**	**(26.2)**	**1,891.2**	**—**	**(576.7)**	**0.2**	**1,294.1**
ASU 2016-13 - Measurement of credit losses	—	—	—	—	—	(2.9)	—	(2.9)
Adjusted balance at January 1, 2020	**110,818,351**	**5.6**	**(26.2)**	**1,891.2**	**—**	**(579.6)**	**0.2**	**1,291.2**
Share-based compensation	—	—	—	0.6	—	—	—	0.6
Total comprehensive loss	—	—	—	—	—	(87.0)	—	(87.0)
Other, net	—	—	—	—	—	1.5	—	1.5
Consolidated balance at March 31, 2020	**110,818,351**	**5.6**	**(26.2)**	**1,891.8**	**—**	**(665.1)**	**0.2**	**1,206.3**
Issue of common shares	46,153,846	2.3	—	27.7	—	—	—	30.0
Equity issuance costs	—	—	—	(1.2)	—	—	—	(1.2)
Other transactions:								—
Share-based compensation	—	—	—	0.2	—	—	—	0.2
Total comprehensive loss	—	—	—	—	—	(109.6)	—	(109.6)
Other, net	—	—	—	—	—	(1.1)	—	(1.1)
Consolidated balance at June 30, 2020	**156,972,197**	**7.9**	**(26.2)**	**1,918.5**	**—**	**(775.8)**	**0.2**	**1,124.6**

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

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

Note 1 — General information

Borr Drilling Limited was incorporated in Bermuda on August 8, 2016. We are listed on the Oslo Stock Exchange, under the ticker BDRILL and since July 31, 2019, on the New York Stock Exchange under the ticker BORR. Borr Drilling Limited is an international offshore drilling contractor providing services to the oil and gas industry, with the ambition of acquiring and operating modern jack-up drilling rigs. As of June 30, 2020, the total fleet consisted of 31 jack-up drilling rigs, of which 5 jack-up drilling rigs are scheduled for delivery in 2022.

As used herein, and unless otherwise required by the context, the term "Borr Drilling" refers to Borr Drilling Limited and the terms "Company,", "Borr", "we," "Group," "our" and words of similar import refer to Borr Drilling and its consolidated companies. The use herein of such terms as "group", "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

We have prepared our accompanying unaudited condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States ("U.S.") for interim financial information. Pursuant to such rules and regulations, these financial statements do not include all disclosures required by accounting principles generally accepted in the U.S. for complete financial statements. The condensed consolidated financial statements reflect all adjustments, which are, in the opinion of management, necessary for a fair statement of financial position, results of operations and cash flows for the interim periods. Such adjustments are considered to be of a normal recurring nature unless otherwise noted. The accompanying condensed consolidated financial statements and notes thereto should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2019 in the Form 20-F filed with the SEC on June 16, 2020. The amounts are presented in millions of United States dollar (U.S. dollar), unless otherwise stated. The financial statements have been prepared on a going concern basis.

The Condensed Consolidated Financial Statements present the financial position of Borr Drilling Limited and its subsidiaries. Investments in companies we control are consolidated in the financial statements. Investments in entities we do not control, but over which we are considered to exert significant influence, generally by owning more than 20% but less than 50% of the voting shares, are accounted for under the equity method. Our period earnings as a proportion of the equity method investment's income statement are included in our Consolidated Statements of Operations, and the value of our investment including cumulative gains and losses from inception are included within non-current assets in our Consolidated Balance Sheets.

Basis of consolidation

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

Going concern

We are dependent on additional financing in order to meet our existing capital expenditure commitments and further execute on our planned capital expenditure program. In addition to this, the Company is experiencing the impact of current unprecedented market conditions and the global market reaction to the COVID-19 pandemic. At this stage the Company cannot predict with reasonable accuracy the impact on the Company. At the time of this report the Company has received early termination for three ongoing contracts and one cancellation of an upcoming contract. The negative cash effects as a result of current and any future contract terminations further extend the existing need for additional financing. Therefore, the Company has concluded that there exists substantial doubt over its ability to continue as a Going Concern.

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

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

Use of estimates

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

Note 2 — Accounting policies

The accounting policies used in the preparation of the condensed interim consolidated financial statements are consistent with those followed in the preparation of our consolidated financial statements for the year ended December 31, 2019 except as described below. None of the new accounting standards or amendments that were adopted during 2020 had a significant effect on the condensed interim consolidated financial statements, except as described below.

Adoption of new accounting standards

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

Issued not effective accounting standards

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

Note 3 — Equity method investments

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

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

The below table sets forth the results from these entities for the first half of 2020 and their financial position as at June 30, 2020.

In $ millions	**Perfomex**	**OPEX**	**Akal**	**Perfomex II**
Revenue	65.5	100.8	35.0	12.4
Operating expenses	(60.1)	(87.7)	(34.8)	(10.8)
Net income	3.4	12.1	—	1.9
Cash	0.1	9.6	3.1	0.1
Total assets	109.2	0.1	—	—
Equity	4.9	(7.8)	—	1.7

Revenue in OPEX and Akal is recognized on a percentage of completion basis under the cost to cost method. The services OPEX and Akal deliver are to a single customer, PEMEX, and involves delivering integrated well services with payment upon the completion of each well in the contract. As of June 30, 2020, $46.0 million of the receivables from PEMEX were overdue. Although management believe this amount is recoverable, the receipt of these funds are critical to the financial performance of the ventures, as is usual with customer risk concentration.

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

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

We have issued a performance guarantee to OPEX for the duration of its contract with PEMEX. Management have performed a valuation exercise to fair value the guarantee given, utilizing the inferred debt market method and subsequently mapping to an alpha category credit score,

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

The following present our investments in equity method investments as at June 30, 2020:

In $ millions	Perfomex	OPEX	Akal	Perfomex II	Borr Total
Equity invested	0.0	0.0	0.0	0.0	0.0
Funding provided	40.3	2.0	0.6	5.1	48.0
Accumulated net income/(loss) 49% basis	2.4	(3.8)	0.0	0.9	(0.5)
Guarantee provided	—	5.9	0.0	0.0	5.9
Total	**42.7**	**4.1**	**0.6**	**6.0**	**53.4**

A total of $17.2 million has been provided in funding for the six months ended June 30, 2020.

Note 4 — Segment information

In 2020, the Company has identified Integrated Well Services (IWS) operations performed by our joint venture entities OPEX and Akal (see note 3) as a new reportable segment as the conditions in ASU 280 were achieved, namely that our Chief Operating Decision Maker ("CODM"), which is our board of directors (the "Board"), began receiving regular operating reports for the combined entities and the other requirements for identifying a reportable segment were met. No comparative data exist for the comparable period, as the entity only began operating in Q3 2019.

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

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

The following presents information about our two segments for the 6 months to June 30, 2020:

(In $ millions)	Dayrate	IWS	Reconciling items	Consolidated total
Revenue	243.0	135.8	(213.8)	165.0
Related Party Revenue	23.1	—	—	23.1
Gain on disposal	—	—	13.1	13.1
Rig operating and maintenance expenses	(224.0)	(122.5)	193.4	(153.1)
Depreciation of non-current assets	(58.9)	—	(1.0)	(59.9)
Impairment of non-current assets	(76.3)	—	—	(76.3)
General and administrative expenses	—	—	(29.9)	(29.9)
Income from equity method investments	—	—	8.5	8.5
Operating (loss)/income including equity method	**(93.1)**	**13.3**	**(29.7)**	**(109.5)**

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

Geographic data

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

The following presents our revenues by geographic area:

	3 months to June 30, 2020	3 months to June 30, 2019	6 months to June 30, 2020	6 months to June 30, 2019
(In $ millions)				
Europe	11.3	30.4	39.9	55.7
West Africa	33.2	23.0	68.8	34.5
Middle East	10.3	11.7	20.5	22.2
South East Asia	16.9	2.2	35.8	5.7
Mexico	12.3	19.3	23.1	20.4
Total	**84.0**	**86.6**	**188.1**	**138.5**

Major customers

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

	3 months to June 30, 2020	3 months to June 30, 2019	6 months to June 30, 2020	6 months to June 30, 2019
(In % of operating revenues)				
National Drilling Company (ADOC)	12 %	14 %	11 %	16 %
ENI	12 %	— %	7 %	— %
ExxonMobil	26 %	15 %	20 %	9 %
Total	**50 %**	**29 %**	**38 %**	**25 %**

Fixed Assets — Jack-up rigs[(1)]

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

	As of June 30, 2020	As of December 31, 2019
(In $ millions)		
Middle East	5.0	40.7
Europe	269.4	297.3
West Africa	607.6	646.1
South East Asia	1,310.9	978.1
Mexico	683.9	721.1
Total	**2,876.8**	**2,683.3**

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

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

(In $ millions)	**As of June 30, 2020**	**As of December 31, 2019**
Current contract assets	33.7	51.0
Non-current contract assets	—	3.5
Total	**33.7**	**54.5**

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

(In $ millions)	**Contract assets**
Net balance at January 1, 2020	**54.5**
Additions to deferred costs and accrued revenue	57.5
Amortization of deferred costs	(78.3)
Total contract assets at June 30, 2020	**33.7**

Contract Costs

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

Note 5 — Other financial expenses, net

Other financial expenses, net is comprised of the following:

(In $ millions)	**3 months to June 30, 2020**	**3 months to June 30, 2019**	**6 months to June 30, 2020**	**6 months to June 30, 2019**
Foreign exchange (loss)/gain, net	(1.0)	0.8	0.6	1.0
Other financial expenses	(6.4)	(8.3)	(8.7)	(9.1)
Change in unrealized loss on call spread	—	(5.2)	(2.3)	(1.6)
Realized gain on shares (note 13)	1.5	—	1.5	—
Gain/(loss) on forward contracts	0.2	(31.5)	(26.6)	(20.0)
Total	**(5.7)**	**(44.2)**	**(35.5)**	**(29.7)**

During the second quarter of 2020 we settled in full our forward position and took delivery of 4.2 million shares in Valaris plc. Total realized loss on expiration of the contracts was $91.0m. Total cash required to take delivery of the forwards was $92.5 million, of which $91.2 million was held as restricted cash at the time of settlement. Subsequently all shares were sold for total proceeds of $3 million, resulting in a gain of $1.5 million.

Note 6 — Taxation

Borr Drilling Limited is a Bermuda company and is not required to pay taxes in Bermuda on ordinary income or capital gains as it qualifies as an 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 were 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.

Income tax expense is comprised of the following:	**3 months to June 30, 2020**	**3 months to June 30, 2019**	**6 months to June 30, 2020**	**6 months to June 30, 2019**
(In $ millions)				
Current tax	3.9	2.7	9.1	3.2
Change in deferred tax	(0.5)	(0.2)	0.5	(0.5)
Total	**3.4**	**2.5**	**9.6**	**2.7**

Note 7 — Loss per share

The computation of basic loss per share ("EPS") is based on the weighted average number of shares outstanding during the period. Diluted EPS does not include the effect of the assumed conversion of potentially dilutive instruments which are 2,074,998 share options outstanding issued to employees and directors and convertible bonds with a conversion price of $33.4815 for a total of 10,453,534 shares. Due to our current loss-making position and the share price being less than the conversion price of the convertible bonds these are deemed to have an anti-dilutive effect on our EPS.

All periods presented have been adjusted for our 5 for 1 reverse share split in June 2019.

	3 months to June 30, 2020	**3 months to June 30, 2019**	**6 months to June 30, 2020**	**6 months to June 30, 2019**
Basic loss per share	(0.83)	(0.98)	(1.62)	(1.52)
Diluted loss per share	(0.83)	(0.98)	(1.62)	(1.52)
Issued ordinary shares at the end of the period	158,431,911	106,528,065	158,431,911	106,528,065
Weighted average numbers of shares outstanding for the period	131,612,941	105,068,351	121,215,646	105,068,351

The number of share options that would be considered dilutive under the "if converted method" for the three months ended June 30, 2020 is 0 (three months ended June 30, 2019: 0).

Note 8 — Jack-up rigs

	June 30, 2020
(In $ millions)	
Balance at 1 January, 2020	2,683.3
Additions	24.0
Transfers from Newbuildings (note 9)	311.9
Depreciation and amortization	(58.9)
Disposals	(5.0)
Reclassification to asset held for sale	(2.2)
Impairment	(76.3)
Balance at June 30, 2020	**2,876.8**

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

During the first quarter of 2020 we sold the "B391" resulting in a loss of $0.4 million. In addition we sold $0.7 million of spare parts acquired in the Paragon acquisition resulting in a gain of the same amount.

The sale of "B152" and "Dhabi II" were completed in April 2020 and the rigs, with associated backlog, were sold for total proceeds of $15.8 million, resulting in a gain of $12.8 million in the second quarter of 2020. We entered into a sale agreement for the "MSS1" during the second quarter of 2020 and the rig was impaired down to estimated sales value and classified as held for sale.

In addition, we recorded a depreciation charge of $0.4 million in the second quarter 2020, and $1.0 million for the six months to June 30, 2020, related to property, plant and equipment.

Impairment assessment

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

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

An impairment loss of $18.4 million was recognized for the “MSS1” in the first quarter of 2020 as a result of entering into a sale agreement, which resulted in us reducing the book value to the expected sale value. As of June 30, 2020, we consider that the requirement for held for sale presentation continues to be achieved and the “Eir” and the "MSS1" are classified as jack-up drilling rigs held for sale.

Note 9 — Newbuildings

	June 30, 2020
(In $ millions)	
Balance at January 1	261.4
Additions	181.8
Capitalized interest	4.3
Transfers to jack-up rigs	(311.9)
Balance at June 30, 2020	**135.6**

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

Note 10 — Asset acquisition

Acquisition of Keppel’s Hull B378

In March 2019, we entered into an assignment agreement with the original owner for the assignment of the rights and obligations under a construction contract to take delivery of one KFELS Super B Bigfoot premium jack-up rig identified as Keppel’s Hull No. B378 from Keppel for a purchase price of $122.1 million. The construction contract was, at the same time, novated to our subsidiary, Borr Jack-Up XXXII Inc., and amended. Borr Jack-Up XXXII Inc. took delivery of the rig on May 9, 2019. The rig has been renamed ‘‘Thor.’’

Acquisition of Keppel Rigs

In May 2018, we signed a master agreement to acquire five premium newbuild jack-up drilling rigs from Keppel FELS Limited. Total consideration for the transaction will be approximately $742.5 million. In the second quarter of 2018, we paid a pre-delivery instalment of $288.0 million. The pre-delivery instalment is secured by a parent guarantee from Keppel Offshore & Marine Ltd. We have secured financing of the delivery payment for each Keppel Rig from Offshore Partners Pte. Ltd (formerly Caspian Rigbuilders Pte. Ltd). Each loan is non-amortizing and matures five years after the respective delivery dates. The delivery financing will be secured by a first priority mortgage, an assignment of earnings, an assignment of insurance and a charge over shares and parent guarantee from Borr Drilling Limited. We have taken delivery of three of the five rigs as of June 30, 2020, with the remaining rigs scheduled to be delivered in the second and third quarter of 2022. The remaining contracted instalments, payable on delivery, for the Keppel newbuilds acquired in 2018 are approximately $172.8 million as of June 30, 2020.

Note 11 — Restricted cash

	June 30, 2020	December 31, 2019
(In $ millions)		
Balance at January 1	69.4	63.4
Transfer to (from) restricted cash	(69.4)	6.0
Total	**—**	**69.4**

During the second quarter of 2020, all restricted cash was utilized to take delivery of our forward contracts (notes 5 and 13).

Note 12 — Expected credit losses

The table below sets forth the allowance for credit losses:

	3 months to June 30, 2020	6 months to June 30, 2020
(In $ millions)		
Adoption of ASU 2016-13 - Measurement of credit losses	—	2.9
Expected credit losses at the start of the period	2.9	—
Current-period provision for expected credit losses	1.8	1.8
Recoveries collected	(1.0)	(1.0)
Total	**3.7**	**3.7**

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

Note 13 — Financial instruments

Forward contracts

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

Note 14 — Other current assets

Other current assets are comprised of the following:

	June 30, 2020	December 31, 2019
(In $ millions)		
Client rechargeable	5.8	5.6
Other receivables	3.0	6.2
Prepaid fees	9.2	—
VAT and other tax receivable	7.1	12.2
Deferred financing fee	1.9	2.4
Right-of-use lease asset, current	0.3	0.5
Total	**27.3**	**26.9**

Note 15 — Other long-term assets

Other long-term assets are comprised of the following:

	June 30, 2020	December 31, 2019
(In $ millions)		
Deferred tax asset	0.7	1.3
Call Spread	—	2.3
Tax refunds	0.4	0.2
Prepaid fees	—	9.2
Right-of-use lease asset, non-current	1.4	2.2
Total	**2.5**	**15.2**

Note 16 — Onerous contracts

	June 30, 2020	December 31, 2019
(In $ millions)		
Onerous rig contract Hull B366 (TBN "Tivar")	16.8	16.8
Onerous rig contract Hull B367 (TBN "Vale")	26.9	26.9
Onerous rig contract Hull B368 (TBN "Var")	27.6	27.6
Total	**71.3**	**71.3**

As a result of amended agreements with Keppel FELS in June 2020, $71.3 million of the onerous rig contract balances classified as short term as of December 31, 2019 are now reclassified to non-current (note 17).

Note 17 — Long-term debt

Long-term debt is comprised of the following:

	Carrying amount		Principal amount		Back end fee	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
(In $ millions)						
Hayfin Loan Facility	192.9	192.3	195.0	195.0	—	—
Syndicated Senior Secured Credit Facilities	265.4	264.2	270.0	270.0	—	—
New Bridge Revolving Credit Facility	30.0	25.0	30.0	25.0	—	—
$350m Convertible bonds	347.0	346.4	350.0	350.0	—	—
PPL Delivery Financing	792.6	790.0	753.3	753.3	29.3	29.3
Keppel Delivery Financing	273.0	91.9	259.2	86.4	13.5	4.5
Total	**1,900.9**	**1,709.8**	**1,857.5**	**1,679.7**	**42.8**	**33.8**

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

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

	Maturities
(In $ millions)	
2020	—
2021	—
2022	578.7
2023	935.9
2024	170.1
Thereafter	172.8
Total principal amount of debt	**1,857.5**
Total debt-related balances, net	43.4
Total carrying amount of debt	**1,900.9**

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

Hayfin Loan Facility

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

Syndicated Senior Secured Credit Facilities

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

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

New Bridge Revolving Credit Facility

In June, 2020, the lenders agreed to change the dates of certain facility reductions which otherwise would have occurred in 2021 to occur on maturity and to amend the minimum liquidity covenant levels to: $5 million in cash until December 31, 2020; $10 million in cash from and including January 1, 2021, to and including June 30, 2021; $15 million in cash from and including July 1, 2021, to and including September 30, 2021; $20 million in cash from and including October 1, 2021 to and including December 31, 2021; and free liquidity including cash and undrawn revolving credit facilities of the higher of (i) US30 million and (ii) 3% of the aggregate of net interest bearing debt and ring fenced liquidity on or after January 1, 2022.

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

PPL Newbuild Financing

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

Keppel Newbuild Financing

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

Impact of debt agreement amendments

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

Interest

Weighted average interest rate for all our interest-bearing debt, excluding Convertible Bonds, was 5.4% for the six months ended June 30, 2020.

Note 18 — Compensation

Share-based payment charges for the period ending:

(In $ millions)	3 months to June 30, 2020	3 months to June 30, 2019	6 months to June 30, 2020	6 months to June 30, 2019
Total	**0.2**	**1.0**	**0.8**	**3.0**

Total number of options authorized by the Board is 3,494,000 and 2,074,998 are outstanding as of June 30, 2020.

Note 19 — Fair values of financial instruments

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

		As at June 30, 2020		As at December 31, 2019	
(In $ millions)	Hierarchy	Fair value	Carrying value	Fair value	Carrying value
Assets					
Cash and cash equivalents	1	34.6	34.6	59.1	59.1
Restricted cash	1	—	—	69.4	69.4
Trade receivables	1	29.9	29.9	40.2	40.2
Accrued revenue		17.7	17.7	31.7	31.7
Tax retentions receivable		10.5	10.5	11.6	11.6
Other current assets (excluding deferred costs)	1	25.4	25.4	22.7	22.7
Due from related parties		25.2	25.2	8.6	8.6
Forward contracts (note 13)	2	—	—	27.9	27.9
Liabilities					
Long-term debt	2	1,627.3	1,900.9	1,624.0	1,709.8
Trade payables	1	15.1	15.1	14.1	14.1
Accruals and other current liabilities	1	115.4	115.4	99.6	99.6
Forward contracts (note 13)	2	—	—	92.2	92.2
Guarantees issued to equity method investments (note 3)	3	5.9	5.9	5.9	5.9

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

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

Included in "Level 2" are forward contracts and long term debt. No assets or liabilities have been transferred from one level to another during the quarter.

Included in "Level 3" is guarantee issued to equity method investments. The guarantee has been valued utilizing the inferred debt market method and subsequently mapped to an alpha category credit score, adjusting for country risk and default probability (note 3).

Note 20 — Other current liabilities

Accruals and other current liabilities are comprised of the following:

	June 30, 2020	December 31, 2019
(In $ millions)		
Accrued payroll and severance	5.6	6.2
VAT and current taxes payable	13.5	17.8
Operating lease liability, current	3.1	3.4
Deferred mobilization revenue	15.3	5.6
Other current liabilities	4.6	4.5
Total accruals and other current liabilities	**42.1**	**37.5**

Note 21 — Related party transactions

Transactions with those holding significant influence over us

Commercial Arrangements

We have obtained certain rig and other operating supplies from Schlumberger and may continue to obtain such supplies in the future. Purchases from Schlumberger were $4.3 million during the first half of 2020 and $10.4 million during the first half of 2019. $0.6 million and $0.4 million were outstanding at June 30, 2020 and December 31, 2019, respectively.

Pursuant to the corporate support agreement with Magni Partners Limited, which provides for reimbursement of costs with Borr board approval, $0.5 million was paid during the first half of 2020 under the agreement. $nil was outstanding at June 30, 2020 and December 31, 2019.

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

Transactions with entities over which we have significant influence

Mexico Joint Ventures

OPEX

As part of entering into the share purchase agreement for 49% of the shares in OPEX, we also entered into other commercial arrangements with this related party. We provide management services through a management services agreement at a cost-plus basis. The revenue from these services can be found within the related party revenue line in our Consolidated Statements of Operations and we provided services worth $0.8 million in the first half of 2020. We have provided a guarantee valued at $5.9 million to support OPEX's operations under the contracts with Pemex. We have as at June 30, 2020 provided $2.0 million of funding to OPEX (note 3).

Perfomex

As part of entering into the share purchase agreement for 49% of the shares in Perfomex, we also entered into other commercial arrangements with the same entity. We provide three rigs on a bareboat basis for Perfomex to service its contract with OPEX. The revenue from these contracts can be found within the related party revenue line in our Consolidated Statements of Operations and we recognized of revenue of $12.0 million in the first half of 2020. We also provide international and local personnel for the offshore operations of the rigs and administrative services on a cost-plus basis. In the first half of 2020, we recognized $5.7 million of related party revenue from the provision of these services. We have as at June 30, 2020 provided $40.3 million of funding to Perfomex, some of which we expect to convert to equity in the near term (note 3).

Akal

As part of entering into the share purchase agreement for 49% of the shares in Opex, we also entered into other commercial arrangements with this related party. We provide management services through a management services agreement at a cost-plus basis. The revenue from these services can be found within the related party revenue line in our Consolidated Statements of Operations. Perfomex II, in which we own 49%, provides drilling services under drilling contracts with Akal on a dayrate basis. We have as at June 30, 2020, provided $0.6 million of funding to Akal.

Perfomex II

As part of entering into the share purchase agreement for 49% of the shares in Perfomex II, we also entered into other commercial arrangements with the same entity. We provide two rigs on a bareboat basis for Perfomex II to service its contract with Akal. The revenue from these contracts can be found within the related party revenue line in our Consolidated Statements of Operations. We recognized $1.0 million of revenue from these contracts in the first half of 2020. We also provide international and local personnel for the offshore operations of the rigs and administrative services on a cost-plus basis. We recognized $3.6 million of related party revenue in the first half of 2020 from the provision of these services. As at June 30, 2020, we have provided $5.1 million of funding to Perfomex II.

Note 22 — Commitments and contingencies

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

(in $ millions)	**Delivery installment**	**Back-end fee**
Delivery installments for jack-up drilling rigs	621.0	9.0
Total	**621.0**	**9.0**

In addition, under the PPL Financing, PPL Shipyard is entitled to certain fees payable in connection with the increase in market value of the relevant PPL Shipyard Rig from October 31, 2017 until the repayment date, less the relevant rig owner's equity cost of ownership of each jack-up rig and any interest paid on the delivery financing. No provision has been made for such fees as of June 30, 2020.

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

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

Other commercial commitments

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

The principal amounts of the outstanding surety bonds, customs bonds, bank guarantees, letters of credits and performance bonds were $67.9 million and $70.1 million as of June 30, 2020 and December 31, 2019, respectively. Up to $70.0 million are covered by security under the guarantee facility under one of our loan agreements.

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

(In $ millions)	**Less than 1 year**	**1-3 years**	**3-5 years**	**Thereafter**	**Total**
Surety bonds and other guarantees	67.9	—	—	—	67.9
Performance guarantee to OPEX (note 3)	—	5.9	—	—	5.9
Total	**67.9**	**5.9**	**—**	**—**	**73.8**

Note 23 — Subsequent events

Appointment of new CEO

On August 10, 2020, we announced the appointment of Patrick Schorn as new Chief Executive Officer of Borr Drilling starting September 8, 2020. Mr. Schorn will succeed Svend Anton Maier who will remain with the Company as Special Advisor to the Chief Executive Officer. Mr Schorn has been a Director of the Company since January 2018.

Annual general meeting held

The Company's annual general meeting was held on August 10, 2020. Jan A. Rask did not stand for re-election and the board now consists of six directors.