Archer

Archer Limited (ARCHER)
First Quarter
2015 Results

First Quarter 2015 highlights

- First quarter revenue of $501.6 million
- First quarter EBITDA at $58.1 million including $3.3 million restructuring costs
- Net loss for the quarter of $14.9 million
- First quarter operational cash flow of $ 19.4 million
- Net interest-bearing debt of $795.8 million at March 31, 2015

Financial Statements

Comparison of the Three Months Ended March 31, 2015 to the Three Months Ended December 31, 2014

Revenue for the first quarter 2015 was $501.6 million compared to $603.7 million for the fourth quarter 2014, a reduction of $102.1 million or 16.9% and included $35.6 million for the cancelation of the Archer Emerald contract. Excluding revenue from this cancelation first quarter 2015 revenue decreased by 22.8% compared to the previous quarter. Earnings before Interest, Taxes, Depreciation and Amortization, or EBITDA, were at $58.1 million, 16.2% lower compared to fourth quarter 2014 EBITDA. Excluding the cancelation of Archer Emerald, first quarter 2015 EBITDA was at $22.5 million, a reduction of $46.8 million or 67.5%. In connection with the plan to reduce our cost structure to adapt to the extreme market environment as announced in the Fourth Quarter 2014 we recorded restructuring and other one-time costs of $3.3 million in the first quarter 2015. The Company's headcount as of March 31, 2015 was approximately 7,600 compared to 8,800 at the end of the fourth quarter 2014.

Net Financial Items were a net expense of $36.1 million in the first quarter 2015 compared to an expense of $56.9 million in the fourth quarter 2014. Interest expenses amounted to $12.5 million compared to $10.4 million in the fourth quarter 2014. Other financial items amounted to $23.0 million expense compared to $41.0 million expense in the fourth quarter 2014. Other financial items represent predominantly unrealized foreign exchange losses.

Comparison of the Three Months Ended March 31, 2015 to the Three Months Ended March 31, 2014

Revenue for the three months ended March 31, 2015 was $501.6 million compared to $504.8 million for the first quarter 2014, down $3.2 million. EBITDA of $58.1 million for the three months ended March 31, 2015 increased 47.1% compared to $39.5 million EBITDA for the first quarter 2014. Excluding the above mentioned cancelation fee, first quarter 2015 EBITDA decreased by $ 17.0 million or 43% compared to the first quarter 2014.

Attached to this quarterly report is an appendix with the reconciliation between GAAP results and non-GAAP measures, as well as the EBITDA by segment for the last six quarters.

Cash Flow

Cash and cash equivalents, excluding restricted cash, amounted to $28.4 million at March 31, 2015 compared to $28.9 million at December 31, 2014.

Cash flow from operations for the three months ended March 31, 2015 was $19.4 million, which is comprised primarily of the net loss of $14.9 million, add back for depreciation and amortization of $37.6 million and deduct gain on sale of assets of $4.1 million, add back expenses for share based compensation of $0.7 million, add back a foreign currency loss of $21.4 million, reduced by a reduction in accounts payable and other current liabilities, partly offset by a decrease in accounts receivable for a net amount of $21.3 million.

Capital expenditures for continuing operations during the quarter amounted to $66.6 million, representing predominantly the final milestone payments for the purchase of new land rigs for Argentina, additional auxiliary equipment related to these rigs, equipment upgrades in our Pressure Control Division as well as capital expenditures for maintenance and replacement.

Total net interest-bearing debt at March 31, 2015 was $795.8 million compared to $782.5 million as of December 31, 2014.

Share Capital

The total number of issued and fully paid shares of par value $1.00 outstanding at March 31, 2015 was 579,159,787, including 91,250 treasury shares. A total of 20,196,858 options and a total of 4,345,000 restricted stock units, issued under various share incentive programs for the Company's management, were outstanding as of March 31, 2015, of which 10,005,524 options have vested and are exercisable.

First Quarter 2015 Operating Results by Area

We are organized in four Areas and our operational comments for the first quarter this year and the second quarter 2015 outlook are presented by Area below.

(In millions)	Revenues			EBITDA		
	Q1 2015	Q4 2014	Variance	Q1 2015	Q4 2014	Variance
North America	$ 115.8	$ 205.7	$ (89.9)	$ (8.0)	$ 19.3	$ (27.3)
Latin America	164.8	170.3	(5.5)	11.8	22.4	(10.6)
North Sea	178.5	175.2	3.3	48.3	16.0	32.3
Emerging Markets	42.5	52.5	(10.0)	6.0	11.6	(5.6)
	$ 501.6	$ 603.7	$ (102.1)	$ 58.1	$ 69.3	$(11.2)

North America

Revenue in the first quarter 2015 amounted to $115.8 million, a reduction of $89.9 million, or 43.7% with weak demand for all our services as a consequence of the rapid deterioration in market conditions for oil field services in the US land market. EBITDA for first quarter 2015 was a loss of $8.0 million, a deterioration of $27.3 million as a result of the dramatic reduction in activity combined with severe pricing pressure. Operating costs include $2.9 million of one-time charges related to the downsizing of the business to align with lower levels of activity partially offset by cost savings achieved through the implementation of various cost reduction initiatives.

The average United States land-based rig count of 1,353 for the first quarter 2015 contracted by 503 rigs or 27% compared to the fourth quarter 2014 and by 371 or 22% compared to the first quarter 2014. The rig count at the end of the first quarter was just above 1,000 rigs, a reduction of 768 rigs or 43% compared to the end of December 2014. The average rig count directed towards natural gas for the first quarter 2015 decreased by 47 rigs or 14% sequentially and reduced by 49 rigs, or 15% year on year.

In Pressure Pumping we fracked a total of 1,710 stages in the first quarter 2015 compared to 2,548 during fourth quarter 2014. Fleet utilization for first quarter 2015 was 58.1% compared to 91.9% in the fourth quarter 2014 with three operating fleets compared to five in the fourth quarter. Revenue per stage decreased by 36.7% while the average daily revenue per fleet declined by 33% compared to the fourth quarter 2014 due to pricing pressure and a change in service mix. As a result, first quarter 2015 revenue in Pressure Pumping decreased by $43.7 million or 57.4% compared to the fourth quarter 2014. EBITDA for the same period decreased by $13.8 million or 205.4% reflecting the sharp decline in revenue, partly offset by cost reductions taking effect towards the end of the quarter, as well as a $1 million one-time charge related to the shutdown of the district in the Permian basin to align with the reduced level of activity. Compared to the first quarter 2014, Pressure Pumping revenue decreased by $17.3 million or 34.8% with lower utilization, reducing from 79.3% in the same period last year to 58.1% during this quarter and a reduction in the number of operating fleets from four to three. Lower pricing affected the revenue per stage, which declined by 45.7%, but was partly offset by a higher number of stages fracked, which increased from 1,441 in the same period last year to 1,710 in the first quarter 2015. Compared to first quarter 2014 EBITDA decreased by $7.2 million mainly as a result of the lower utilization combined with the reduced pricing as well as the one-time charges incurred in the first quarter 2015.

Pressure Control revenue for first quarter 2015 decreased by $8.6 million or 19.8%, with a combination of lower utilization and reduced pricing mainly for Coiled Tubing services. EBITDA for the same period decreased by $3.3 million or 53.7% as a result of the reduced revenue and a $1.4 million one-time charge, moderately offset by a reduction of costs. Compared to first quarter 2014 revenue decreased by $8.8 million or 20.1% due to the same reasons mentioned above. EBITDA for the same period decreased by $1.9 million or 40% following the reduced revenue combined with the $1.4 million one-time charge, partially offset by a lower cost base.

First Quarter 2015 revenue in Directional Drilling decreased by $14.4 million or 47.4%, with a decline in demand for our services in correlation with the reduced rig count resulting in a 42.6% reduction in jobs per day combined with strong pricing pressure. As a result EBITDA decreased by $3.9 million or 162.7% sequentially with a combination of the reduced contribution from a lower revenue base and one-time charges partly offset by cost reductions materializing towards the end of the quarter. Compared to first quarter 2014 revenue decreased by $4.4 million or 21.5% reflecting the lower activity levels as the number of jobs per day reduced by 27.4% combined with lower pricing. As a result EBITDA for the same period decreased by $2.2 million or 321.5%.

Compared to the fourth quarter 2014, first quarter 2015 revenue in our Frac Valve division decreased by $12.4 million or 55.6%, with a 71% reduction in number of valves sold and seasonally lower repair activity, which in addition was negatively impacted by a move into a new facility in the Northeast. EBITDA for the same period decreased by $2.1 million or 101.7% mainly as a consequence of the sharp reduction in new valve sales, combined with increased costs for bad debt and one-time charges in relation to the adjustment of the cost base. Compared to the same period last year revenue increased by $3.3 million or 50.7% with a higher number of valves sold, as well as higher revenue from after sales services with an expanded footprint of service centres. EBITDA for the same period decreased by $0.8 million as a result of a combination of an increased cost base and charges related to bad debt and restructuring.

First quarter 2015 revenue in our US Wireline Division decreased by $10.7 million or 32.2% reflecting significant price and activity reductions in line with overall decline in activity for oil field services in the US land market. EBITDA for the same period decreased $4.2 million or 161.7 % as a result of the reduced revenue, the absence of a one-time credit received in the fourth quarter 2014 and charges booked to align the business with the lower level of activity, partially offset by costs savings realised mainly towards the end of the quarter. Compared to first quarter 2014 revenue decreased by $6.1 million or 21.4% due to the reduction of our geographic footprint and the reduction of operating crews, following the rapid decline of demand for our services in the US. Despite lower revenue EBITDA for the same period improved by

$2.7 million or 62.3% with lower one-time charges combined with costs savings realised compared to the same period last year.

With the North American land rig count at the end of March 2015 at just above 1,000 rigs and continuing its decline, albeit at a slightly slower pace compared to the beginning of the year, we expect that the overall activity reduction will continue into the second quarter 2015. Price reductions negotiated during the first quarter will take the full effect in the second quarter, but are not expected to reduce any further as they are already below acceptable levels. In addition we expect that the significant cost saving measures we have taken will have a significant positive contribution offsetting the effect from the decline in revenue. In summary we expect second quarter 2015 revenue to be approximately 15% to 20% below the first quarter but we expect EBITDA levels to improve compared to the first quarter.

Latin America

Revenue in the first quarter 2015 amounted to $164.8 million, a decrease of $5.5 million or 3.2% compared to the last quarter. This decrease is due to a lower number of operating days in first quarter and a reduction of activity in Argentina, impacted by downtime related to routine inspections and operational issues on two rigs, as well as in Bolivia, where two of our rigs were being moved and one rig became idle as the customer decided to reduce drilling activity. Overall rig utilization was 81% in the first quarter 2015 compared to 87% in the fourth quarter 2014. In addition revenue was negatively impacted by lower pricing, as operators have asked for a reduction in price as a result of the global downturn in the Oil & Gas industry. This was partially offset by the start-up of our first new rig in the Neuquén area. EBITDA for the same period decreased by $10.6 million or 47.3% as a result of the reduced activity and the lower pricing, increased start-up costs for the new rigs, as well as increased operating costs related to operational issues during the quarter. At the end of the quarter we have signed an agreement to sell a drilling rig in Brazil. The transaction will close during the second quarter and will conclude our restructuring of the Brazil land drilling operation, after which Archer will no longer provide land drilling services in Brazil.

Compared to the first quarter 2014 revenue increased by $42.4 million or 34.6% reflecting higher rig activity in Argentina and increased reimbursable revenue, partially offset by a reduction in pricing and increased downtime related to operational issues and routine inspection for two of our drilling rigs. EBITDA for the same period was flat, as incremental margins were offset by higher costs related to the new rigs, costs incurred related to the operational issues and inspections as well as lower margins as a result of lower pricing.

We expect second quarter 2015 revenue for Latin America to be between 5% to10% below the first quarter 2015 reflecting further pricing erosion in view of the current market situation and lower activity as several customers have indicated a reduction in activity combined with the reduction of activity in Brazil following the sale of our drilling rig. This will be partly offset by the start-up of two additional new rigs in the Neuquen area. Consequentially we expect EBITDA for the second quarter 2015 to be below the first quarter. In addition we expect to incur one-time charges related to adjusting our cost base of approximately $2.0 million.

North Sea

First quarter 2015 revenue was $178.5 million, an increase of $3.3 million or 1.8% including an amount of $35.6 million from the cancelation of the Archer Emerald contract. Excluding this termination, revenue decreased by $32.3 million or 18.4%, with $ 11.4 million or 6.5% attributable to an unfavourable evolution of exchange rates and reduced activity. Excluding the above mentioned cancelation, EBITDA for the same period decreased by $3.3 million or 20.6% with approximately $1.0 million attributable to adverse exchange rate effects and the remainder resulting from lower revenue partially offset by cost savings harnessed during the quarter.

Revenue for our Platform Drilling services reduced by $17.3 million or 12.6% reflecting lower drilling activity combined with lower reimbursable revenue as well as an adverse exchange rate impact. EBITDA for the same period decreased by $3.7 million or 26.3% reflecting the impact of lower revenue partially offset by absence of $0.7 million provision made for restructuring initiatives during fourth quarter 2014. Compared to first quarter last year Platform Drilling revenue decreased by $28 million or 18.9% primarily driven by adverse currency movement and lower reimbursable revenue. Year on year EBITDA was lower by $4.6 million or 30.7% as a result of the unfavourable evolution of exchange rates combined with reduced margins stemming from a change in activity mix and overall lower activity.

Revenue for our Engineering services decreased by $8.6 million or 41.1% sequentially, reflecting the completion of the Heimdal project in 2014, the cancellation of the White Rose project as well as generally lower utilization, adverse exchange rate effects and lower reimbursable revenue. EBITDA for the same period decreased $0.2 million or 216.5% reflecting the sharp reduction in revenue, lower personnel utilization, partly offset by $1.4 million lower restructuring costs. Compared to first quarter 2014 revenue deteriorated by $13.9 million or 53 % for the same reasons mentioned above and as a result EBITDA for first quarter 2015 decreased by $1.8 million or 117.8%.

Excluding the cancelation of Archer Emerald contract, first quarter revenue for our Modular Rigs decreased by $6.5 million or 38.2% with the absence of demobilization and other incentive revenue recorded by Archer Emerald in the fourth quarter. EBITDA for the same period and excluding the effect of the cancelation increased by $0.8 million due to the absence of demobilization costs in excess of the demobilization revenue on Archer Emerald in the fourth quarter 2014. Compared to the first quarter 2014 and excluding the cancelation, revenue increased by $3.2 or 44.5% with a full quarter activity for Archer Topaz. EBITDA for the same period increased by $2.4 million as a result of the higher revenue and the absence of additional costs incurred on Archer Emerald in the first quarter 2014.

We expect further reduction in drilling activity in the second quarter as previously announced reductions of drilling activity in both Norway and in the UK will come into full effect during the second quarter. Therefore and in absence of the Archer Emerald cancelation we expect our second quarter 2015 revenue to be 15% to 20% below the first quarter 2015. As a result of the cost reduction measures we expect to see a meaningful reduction of our cost base and excluding the cancelation, we expect EBITDA to deteriorate only marginally compared to the first quarter.

Emerging Markets & Technologies

Revenue in the first quarter 2015 was $42.5 million, $10 million or 19% lower compared to the previous quarter with generally lower activity levels in all divisions as well as adverse currency effects of approximately $3.1 million or 6%. EBITDA for the same period decreased by $5.6 million or 48.3% as a result of the reduced activity levels, the absence of the $2.1 million one-time credit related to offshore personnel pension in Norway included in fourth quarter 2014 results as well as negative effects of approximately $1.5 million as a result of the unfavourable exchange rate movements. This was partially offset by costs savings realised following costs reductions initiated in the fourth quarter 2014.

Revenue for our International Wireline division decreased by $5.2 million or 23.9 % sequentially primarily reflecting lower logging and mechanical services activity in Norway combined with unfavourable exchange rate effects totalling approximately $1.5 million. EBITDA for the same period decreased by $3 million or 73.9% with the absence of a $2.1 million one-time credit included in fourth quarter 2014 results as mentioned above, adverse exchange rate effects of $ 0.8 million and lower margins as a result of the reduced activity partially offset by costs savings achieved during the quarter. Year on year revenue decreased by $6.9 million or 29.4% largely due to the same reasons with $3.0 million or 12.8% related to adverse exchange rate movements. EBITDA for the same period decreased by $2.1 million or 66.3% mainly due unfavourable exchange rate effects of $1.5 million as well as reduced activity levels partly offset by cost savings.

Compared to the fourth quarter 2014, Oil Tools revenue decreased by $3.4 million or 13.5 % mainly as a result of lower LOCK activity in Norway and in the US, a change in product mix and lower pricing and adverse currency movements totalling $1.3 million. This was partially offset by higher activity in Africa and in Australia. EBITDA for the same period decreased by $3.4 million or 39.8% as a result of the lower revenue, a change in product mix towards lower margin products, a negative exchange rate effect of $0.7 million and additional costs incurred for repair and maintenance. Compared to first quarter 2014 revenue decreased by $2 million or 8.5% primarily as a result of adverse currency movements amounting to $1.4 million as well as lower activity in Norway following costs reduction initiatives implemented by our customers. This was partially offset by higher activity internationally, mainly in Africa, Australia and the UK. EBITDA for same period decreased by $2.9 million or 36.4% due to adverse currency effects of $1.4 million, lower margins from reduced activity and lower pricing mainly in Norway as well as increased operating costs to support the continued geographical expansion.

Survey & Inspection revenue for first quarter 2015 was $1.4 million or 25.2% below the fourth quarter 2014 mainly due to lower survey activity, a reduction in pricing and reduced reimbursable billing. EBITDA for same period decreased by $0.3 million or 54.6% as a result of the lower revenue. Compared to the first quarter 2014 revenue decreased slightly, while EBITDA remained flat as lower margins were offset by a reduced cost structure.

We expect second quarter 2015 revenue to be broadly flat as price reductions will be largely offset by increased activity levels. As a result we expect EBITDA to be below the first quarter, as cost saving initiatives will only marginally offset price reductions and cost increases as a result of continued investments in international business growth.

Summary Outlook

The sharp reduction in activity has led to a significant overcapacity for oilfield services in particular in North America. This overcapacity as well as the commercial necessities, given the significant reduction of the price of oil, has led to significant pricing pressure among all service lines in which we operate. We believe that in the United States there will be no room for further price reductions going forward as the business is operating at uneconomical returns. In international markets we are working closely with our customers to jointly identify opportunities, which will help to improve efficiencies for both parties in a sustainable manner.

Activity reductions outside the United States land market were most prevalent in the North Sea, as many customers have or are in the process of reducing drilling activities. We have also started to see a reduction of drilling activity in Argentina and Bolivia, which will have a bigger effect in the second quarter although not to the extent seen in North America.

In line with the reduction in activity, the Company has reduced its headcount by approximately 1,200 positions or 13.6% of its total workforce during the first quarter 2015. In addition we made adjustments to compensation, bonus and benefits plans in order to bring them in line with the current economic climate. We have worked with many of our suppliers and subcontractors in order to reduce our cost base. With additional activity reductions in Latin America and a larger than anticipated drop in activity in the United States, we have decided to make a further reduction in our workforce of 300 to 400 employees, leading to a total reduction of about 17% compared to the headcount at the end of December 2014.

In light of the difficult market environment we adjusted our planned capital expenditures for 2015 to a total of approximately $150 million, out of which $70 million relates to the new land rigs in Argentina, which have been largely completed during the first quarter, and the remaining CAPEX represents predominantly maintenance CAPEX.

Cautionary Statement Regarding Forward-Looking Statements

In addition to historical information, this press release contains statements relating to our future business and/or results. These statements include certain projections and business trends that are "forward-looking." All statements, other than statements of historical fact, are statements that could be deemed forward-looking statements, including statements preceded by, followed by or that include the words "estimate," "plan," project," "forecast," "intend," "expect," "predict," "anticipate," "believe," "think," "view," "seek," "target," "goal" or similar expressions; any projections of earnings, revenues, expenses, synergies, margins or other financial items; any statements of the plans, strategies and objectives of management for future operations, including integration and any potential restructuring plans; any statements concerning proposed new products, services, developments or industry rankings; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions underlying any of the foregoing.

Forward-looking statements do not guarantee future performance and involve risks and uncertainties. Actual results may differ materially from projected results as a result of certain risks and uncertainties. Further information about these risks and uncertainties are set forth in our most recent annual report for the year ending December 31, 2014. These forward-looking statements are made only as of the date of this press release. We do not undertake any obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise.

The forward-looking statements in this report are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management's examination of historical operating trends, data contained in our records and other data available from third parties. Although we believe that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies, which are impossible to predict and are beyond our control, we cannot assure you that we will achieve or accomplish these expectations, beliefs or projections.

ARCHER LIMITED

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ARCHER LIMITED

Consolidated Statement of Operations

(Unaudited)

(In millions, except per share data)	Note	Three Months Ended March 31 2015	2014
Revenues			
Operating revenues		$ 480.3	$ 477.4
Reimbursable revenues		21.3	27.4
Total revenues		**501.6**	**504.8**
Expenses			
Operating expenses		404.8	418.8
Reimbursable expenses		20.9	26.2
Depreciation and amortization		37.6	36.9
(Gain) / loss on sale of assets		(4.1)	0.1
General and administrative expenses		17.8	20.3
Total expenses		**477.0**	**502.3**
Operating profit		**24.6**	**2.5**
Financial items			
Interest income		0.6	0.3
Interest expenses		(12.5)	(11.9)
Share of results in associated company		(1.2)	(0.3)
Other financial items	2	(23.0)	4.6
Total financial items		**(36.1)**	**(7.3)**
Loss from continuing operations before income taxes		**(11.5)**	**(4.8)**
Income tax expense	3	**(3.4)**	(3.3)
Loss from continuing operations		**(14.9)**	**(8.1)**
Loss from discontinued operations, net of tax		-	(0.4)
Net loss		**$ (14.9)**	**$ (8.5)**
Loss per share-basic			
Loss from continuing operations		$ (0.03)	$ (0.01)
Loss from discontinued operations		-	-
Loss per share		$ (0.03)	$ (0.01)
Loss per share-diluted			
Loss from continuing operations		$ (0.03)	$ (0.01)
Loss from discontinued operations		-	-
Loss per share		$ (0.03)	$ (0.01)
Weighted average number of shares outstanding			
Basic		579.2	579.2
Diluted		579.2	579.2

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

ARCHER LIMITED

Consolidated Statement of Comprehensive (Loss)/Income
(Unaudited)

(In millions)	Three Months Ended March 31	
	2015	**2014**
Net loss	**$ (14.9)**	**$ (8.5)**
Other comprehensive income/(loss)		
Translation differences	(0.1)	0.8
Actuarial gain/ (loss) relating to pension	-	-
Other comprehensive (loss) / Income	(0.1)	0.8
Total comprehensive loss	**$ (15.0)**	**$ (7.7)**

Accumulated Other Comprehensive (Loss) / Income

(Unaudited)

(In millions)	**Pension – Unrecognized Losses**	**Currency Exchange Differences**	**Total**
Balance at December 31, 2014	**$ (25.9)**	**$ 8.8**	**$ (17.1)**
Currency exchange differences	-	(0.1)	**(0.1)**
Actuarial loss relating to pension	-	-	**-**
Balance at March 31, 2015	**$ (25.9)**	**$ 8.7**	**$ (17.2)**

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

ARCHER LIMITED
Consolidated Balance Sheet

(In millions)	Note	March 31 2015 (Unaudited)	December 31 2014 (Audited)
ASSETS			
Current assets			
Cash and cash equivalents		$ 28.4	$ 28.9
Restricted cash		12.5	15.8
Accounts receivables		369.2	386.2
Inventories	5	101.3	97.5
Deferred income taxes		10.5	9.2
Other current assets		74.4	97.0
Total current assets		**596.3**	**634.5**
Noncurrent assets			
Investments in associates		-	0.2
Loans to associates		5.9	6.1
Property plant and equipment, net		883.8	870.3
Deferred income tax asset		13.0	12.6
Goodwill	6	193.1	207.8
Other intangible assets, net	7	50.8	53.9
Deferred charges		11.8	15.1
Total noncurrent assets		**1,158.4**	**1,166.0**
Total assets		**$ 1,754.7**	**$ 1,800.6**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Current portion of interest-bearing debt	8	$ 88.3	$ 64.2
Accounts payable		110.5	137.5
Other current liabilities		243.1	243.6
Total current liabilities		**441.9**	**445.3**
Noncurrent liabilities			
Long-term interest-bearing debt	8	685.9	697.2
Subordinated related party Loan		50.0	50.0
Deferred taxes		2.4	11.4
Other noncurrent liabilities		46.6	53.9
Total noncurrent liabilities		**784.9**	**812.5**
Commitments and contingencies			
Shareholders' equity			
Common shares of par value $1.00 per share: 1.2 billion shares authorized: 579,159,787 outstanding shares at March 31, 2015 (December 31, 2014: 579,159,787)		579.2	579.2
Additional paid in capital		821.2	821.1
Accumulated deficit		(1,016.8)	(1,001.9)
Accumulated other comprehensive loss		(17.2)	(17.1)
Contributed surplus		161.5	161.5
Total shareholders' equity		**527.9**	**542.8**
Total liabilities and shareholders' equity		**$ 1,754.7**	**$ 1,800.6**

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

ARCHER LIMITED
Consolidated Statement of Cash Flow
(Unaudited)

(In millions)	Three months ended March 31	
	2015	**2014**
Cash Flows from Operating Activities		
Net loss	$ (14.9)	$ (8.5)
Adjustment to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization	37.6	37.0
Share-based compensation expenses	0.7	1.5
(Gain) / loss on property, plant and equipment disposals	(4.1)	0.1
Interest capitalised	(0.2)	-
Equity in loss of unconsolidated affiliates	1.2	0.3
Amortization of loan fees and senior note premium	0.8	1.8
Deferred income taxes	(0.5)	0.7
Foreign currency loss/(gain)	21.4	(4.4)
Changes in operating assets and liabilities, net of acquisitions		
Decrease/(Increase) in accounts receivable and other current assets	29.1	6.8
Increase in inventories	(5.7)	(4.9)
Decrease in accounts payable and other current liabilities	(36.0)	(2.2)
Other, net	(10.0)	3.3
Net cash provided by operating activities	**19.4**	**31.5**
Cash Flows from Investing Activities		
Capital expenditures	(66.6)	(59.3)
Capital expenditures for discontinued operations	-	-
Proceeds from disposal of property, plant and equipment	9.0	0.2
Loans to associates	(1.3)	(1.6)
Net change in restricted cash	2.6	3.2
Net cash used by investing activities	**(56.3)**	**(57.5)**
Cash Flows from Financing Activities		
Net borrowings/ (repayments) under revolving facilities	24.7	(0.1)
Proceeds from long-term debt	10.0	26.4
Repayment of long-term debt	(3.6)	(4.8)
Debt issuance costs	-	(2.0)
Net cash provided by financing activities	**31.1**	**19.5**
Effect of exchange rate changes on cash and cash equivalents	5.3	(0.2)
Net decrease in cash and cash equivalents	**(0.5)**	**(6.7)**
Cash and cash equivalents at beginning of the period	28.9	49.5
Cash and cash equivalents at the end of the period	**$28.4**	**$42.8**
Interest paid	$ 10.5	$ 10.3
Taxes paid	$ 2.2	$ 3.4

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

ARCHER LIMITED
Consolidated Statement of Changes in Shareholders' Equity
(Unaudited)

(In millions)	Share Capital	Additional Paid In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Contributed Surplus	Total Shareholders' Equity
Balance at December 31, 2014	**$ 579.2**	**$ 821.1**	**$(1,001.9)**	**$ (17.1)**	**$ 161.5**	**$ 542.8**
Translation differences	—	—	—	(0.1)	—	(0.1)
Net loss	—	—	(14.9)	—	—	(14.9)
Cost of shares purchased for RSUs	—	(0.5)	—	—	—	(0.5)
Share based compensation	—	0.6	—	—	—	0.6
Balance at March 31, 2015	**$ 579.2**	**$ 821.2**	**$(1,016.8)**	**$ (17.2)**	**$ 161.5**	**$ 527.9**

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

ARCHER LIMITED
Notes to Unaudited Consolidated Financial Statements

Note 1 – Summary of Business and Significant Accounting Policies

Description of business

Archer Limited is an international oilfield service company providing a variety of oilfield products and services through its Area organization. Services include platform drilling, land drilling, directional drilling, modular rigs, engineering services, equipment rentals, wireline services, pressure control, pressure pumping, production monitoring, well imaging and integrity management tools.

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

We employed approximately 7,600 skilled and experienced people at March 31, 2015.

Archer was incorporated in Bermuda on August 31, 2007 and conducted operations as Seawell Ltd. until May 16, 2011 when shareholders approved a resolution to change the name to Archer Limited.

Basis of presentation

The unaudited first quarter 2015 consolidated financial statements are presented in accordance with United States of America Generally Accepted Accounting Principles (US GAAP). The unaudited first quarter consolidated financial statements do not include all of the disclosures required in complete annual financial statements. These first quarter financial statements should be read in conjunction with our financial statements as of December 31, 2014. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair statement have been included.

Use of estimates

In accordance with accounting principles generally accepted in the United States of America, the preparation of financial statements requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Future events and their effects cannot be perceived with certainty. Accordingly, our accounting estimates require the exercise of judgment. While management believes that the estimates and assumptions used in the preparation of the consolidated financial statements are appropriate, actual results could differ from those estimates. Estimates are used for, but are not limited to, determining the following: allowance for doubtful accounts, recoverability of long-lived assets, goodwill and intangibles, useful lives used in depreciation and amortization, income taxes, valuation allowances and purchase price allocations. The accounting estimates used in the preparation of the consolidated financial statements may change as new events occur, as more experience is acquired, as additional information is obtained and as our operating environment changes.

Significant accounting policies

The accounting policies utilized in the preparation of the unaudited first quarter financial statements are consistent with those followed in the preparation of our annual consolidated financial statements and accompanying notes for the year ended December 31, 2014. For ease of reference we have stated some specific policies, which have a significant impact on this quarters result.

Goodwill

We allocate the cost of acquired businesses to the identifiable tangible and intangible assets and liabilities acquired, with any remaining amount being capitalized as goodwill. Goodwill is not amortized but is tested for impairment at least annually. We test goodwill, by reporting unit, for impairment on an annual basis, and between annual tests if an event occurs, or circumstances change, that would more likely than not, reduce the fair value of a reporting unit below its carrying amount. The reporting units have been identified in accordance with Accounting Standards codification 350-20 "Intangible Assets – Goodwill" as the business components one level below the reporting segments each of which we identified as

- constituting a business,
- for which discrete financial information is available, and
- whose operating results are reviewed regularly by segment management

We aggregated components with similar economic characteristics.

The goodwill impairment test involves a two-step process. The first step is a comparison of each reporting unit's fair value to its carrying value. If the reporting unit's fair value exceeds its carrying value, no further procedures are required. However, if a reporting unit's fair value is less than its carrying value, an impairment of goodwill may exist, requiring a second step to measure the amount of impairment loss.

We estimate the fair value of each reporting unit using the income approach. The income approach incorporates the use of a discounted cash flow method in which the estimated future cash flows and terminal values for each reporting unit are discounted to a present value. Cash flow projections are based on management's estimates of economic and market conditions that drive key assumptions of revenue growth rates, operating margins, capital expenditures and working capital requirements. The discount rate is based on our specific risk characteristics, our weighted average cost of capital and our underlying forecasts. Once a base case has been established following the above principles, the cash flow model is then altered based on different macroeconomic and operational assumptions and, a fair value of the business is calculated based on management's estimate of the most likely outcome. There are inherent risks and uncertainties involved in the estimation process, such as determining growth and discount rates.

Impairment of long-lived assets and intangible asset

The carrying values of long-lived assets, including intangible assets that are held and used by us are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may no longer be appropriate. We assess recoverability of the carrying value of the asset by estimating the undiscounted future net cash flows expected to result from the asset, including eventual disposal. If the future net cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and fair value.

Reclassifications

We have made certain reclassifications to prior period amounts to conform with the current period's presentation, including certain reclassifications to present discontinued operations. Other reclassifications did not have a material effect on our consolidated financial statements.

Recently issued accounting pronouncements

Since December 31, 2014, the Financial Accounting Standards Board (FASB) has issued the following Accounting Standards Updates (ASU) which may be relevant to Archer's financial statements:

ASU 2015-01 Income Statement – Extraordinary and Unusual Items (Subtopic 225-20) Issued January 2015 simplifies Income Statement presentation by eliminating the concept of Extraordinary Items. Significant unusual and infrequently occurring items continue to be reported as a separate component of income from continuing operations or, alternatively, disclosed in the notes to the financial statements. Guidance is given in 225-20 as to the definition of unusual and infrequent. ASU 2015-01 is effective for accounting periods beginning after December 15, 2015 and early adoption is permitted. We do not expect the provisions of ASU 2015 to have a material effect on our consolidated financial statements.

ASU 2015-02 Consolidation (Topic 810), issued February 2015, alters existing codification contained in Topic 810- Consolidation and is intended to improve targeted areas of consolidation. ASU 2015-02:

- Eliminates the presumption that a general partner should consolidated a limited partner,
- Clarifies when fees paid to a decision maker (such as an asset manager) should be a factor in assessment of variable interest entities (VIEs), and puts greater emphasis on the risk of loss,
- Amends guidance for assessing how relationships (such as affiliates) affect the consolidation analysis of VIEs.
- Reduces the number of VIE consolidation models from two to one by eliminating the indefinite deferral for certain investment funds
- Scopes our certain money funds out of the consolidation guidance.

ASU 2015-02 is effective for accounting periods beginning after December 15, 2015 and early adoption is permitted. We do not expect the provisions of ASU 2015-02 to have a material effect on our consolidated financial statements, as the entities which we consolidate which may be affected by the new guidance do not represent a material part of our business, and we do not expect our consolidation analysis and conclusion to be changed by the new guidance.

ASU 2015-03 Interest – Imputation of Interest (Subtopic 835-30), issued in April 2015, changes existing guidance that Debt issuance costs are reported in the balance sheet under assets, and requires that debt issuance costs related to a recognised debt liability be presented as a direct deduction from the carrying amount of that debt, consistent with debt discounts. The update for accounting periods beginning after December 15, 2015 and early adoption is permitted. The guidance is to be applied on a retrospective basis and upon transition we shall comply with the applicable disclosures for a change in accounting policy. We intend to adopt the new accounting treatment in our financial statements for the year ended December 31, 2015.

ASU 2015-05 – Goodwill and Other – Internal use Software (Subtopic 350-40), issued in April 2015, provides guidance about whether a cloud computing arrangement includes any software licences. If a cloud computing arrangement contains a software licence element, that element it will be accounted for consistently with other software licences, otherwise fees paid under a cloud computing arrangement will be accounted for as a service contract. ASU 2015-4 is effective for accounting periods beginning after December 15, 2015 and early adoption is permitted. We do not have any material cloud computing arrangements and we shall adopt ASU 2015-05 on a prospective basis.

Note 2 – Other Financial Items

	Three Months Ended March 31	
(In millions)	**2015**	**2014**
Foreign exchange (losses) / gains	$ (21.4)	$ 4.4
Other items	(1.6)	0.2
Total other financial items	**$ (23.0)**	**$ 4.6**

Other financial items represent predominantly foreign exchange losses on an intercompany loan balance denominated in Norwegian Kroner following the continuing weakening of the Norwegian Kroner against USD in the first quarter of 2015. The intercompany loan receivables are held in a USD functional entity, while the corresponding intercompany debt is held in a Norwegian Kroner functional entity. The financial impact of retranslating the entity with Norwegian Kroner functional currency is classified as other comprehensive income.

Note 3 – Income Taxes

Tax expense can be split in the following geographical areas:

	Three Months Ended March 31	
(In millions)	**2015**	**2014**
United States	$ -	$ 0.4
South America	(0.5)	(2.0)
Europe	2.9	4.9
Others	1.0	-
Total	**$ 3.4**	**$ 3.3**

Archer is operating in many jurisdictions and our income tax expense is generated by earnings, which are taxed at the respective country's corporate income tax rate.

We have incurred tax expenses of $3.4 million for the three month period ending March 31, 2015, primarily in Europe, with $2.9 million relating to corporate income taxes in Norway and the UK. The $1.0 million, reported under Others consists mainly of corporate income taxes in Australia, which amounted to $0.7 million.

There are significant tax assets in the United States totalling $334 million, out of which $156 million relate to federal net operating losses carry forward and $115 million related to timing differences in the recognition of tax deductible items. We are precluded from recognising the benefits of these tax assets in United States, as we do not anticipate utilizing them within the foreseeable future. The tax expenses reported in the United States relates to withholding taxes and State income taxes, and are classified as current income tax.

Note 4 – Earnings Per Share

The computation of basic EPS is based on the weighted average number of shares outstanding during the period. Diluted EPS includes the effect of the assumed conversion of potentially dilutive instruments. The denominator used for the computation of basic and diluted earnings was computed as follows:

	Three Months Ended March 31	
(In thousands)	**2015**	**2014**
Denominator		
Weighted-average common shares outstanding	579,160	579,160
Effect of potentially dilutive common shares	—	—
Share-based compensation shares	—	—
Weighted-average common shares outstanding and assumed conversions	579,160	579,160

Share-based compensation of approximately 1,374,958 and 970,455 shares were excluded from the computation of diluted earnings per share for the three ended March, 31 2015 and 2014 respectively, as the effect would have been antidilutive due to the net loss for the period.

Note 5 – Inventories

(In millions)	March 31 2015	December 31 2014
Manufactured		
Finished goods	$ 29.4	$ 12.3
Work in progress	2.7	4.6
Raw materials	2.3	10.7
Total manufactured	34.4	27.6
Drilling supplies	26.6	28.6
Chemicals	16.6	13.8
Other items and spares	23.7	27.5
Total inventories	**$ 101.3**	**$ 97.5**

Note 6 – Goodwill

Goodwill represents the excess of purchase price over the fair value of tangible and identifiable intangible assets acquired.

(In millions)	
Net book balance at December 31, 2014	**$ 207.8**
Goodwill disposed during the period	-
Impairment	-
Currency adjustments	(14.7)
Net book balance at March 31, 2015	**$ 193.1**

We test goodwill for impairment on an annual basis during the fourth quarter and between annual tests if an event occurs, or circumstances change, that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The testing of the valuation of goodwill involves significant judgement and assumptions to be made in connection with the future performance of the various components of our business operations.

Note 7 – Other Intangible Assets

(In millions)	Cost	Accumulated Amortization	Net
Balance at December 31, 2014	**$ 111.4**	**$ (57.5)**	**$ 53.9**
Amortization	-	(2.5)	(2.5)
Currency adjustments	(1.9)	1.3	(0.6)
Balance at March 31, 2015	**$ 109.5**	**$ (58.7)**	**$ 50.8**

The net book value at March 31, 2015, consisted of customer relationships of $44.7 million, identified technology of $2.5 million, trademarks of $1.4 million, and patents of $2.2 million.

Note 8 – Long-term, Interest-Bearing Debt

(In millions)	March 31 2015	December 31 2014
Multicurrency term and revolving facility	$ 629.2	$ 629.6
Related party subordinated loan	50.0	50.0
Hermes-covered term loan	58.8	69.9
Other loans and capital lease liability	86.2	61.9
Total loans and capital lease liability	**824.2**	**811.4**
Less: current portion	(88.3)	(64.2)
Long-term portion of interest bearing debt	**$ 735.9**	**$ 747.2**

Multicurrency term and revolving facility

On November 12, 2014, we signed a fourth amendment and re-statement multicurrency revolving facility agreement, and extended the term of the facility, which now matures in May 2018. The total amount available under the multicurrency revolving facility is $750 million. No instalments are due until May 2017, when quarterly instalments of $25 million commence. The interest payable on the facility is the aggregate of 1, 3 or 6 month NIBOR, LIBOR or EURIBOR, plus between 2.25% and 3.95% per annum, depending on the ratio of the net interest bearing debt to EBITDA.

As of March 31, 2015, a total of $629.6 million was drawn under the revolving facility. The facility is secured by pledges over shares in material subsidiaries, assignment over intercompany debt and guarantees issued by the material subsidiaries. In addition, Seadrill Limited, a related party, has granted on-demand guarantees of $250 million in favour of the lenders under the revolving facility and the lenders of the overdraft facilities, securing our obligations under these facilities. Our entities that fall under the laws of the United States of America and are party to the revolving facility have executed general security agreements in respect of their assets as further security. The revolving facility contains certain financial covenants, including, among others:

- Our total consolidated net interest bearing debt shall not exceed 5.0x of the last twelve months EBITDA as of March 31, 2015. This leverage ratio has subsequent quarterly reductions of 0.25x until it reaches 3.0x.
- Our minimum ratio of equity including subordinated debt to total assets of at least 30.0%.
- We are to maintain the higher of $30 million and 5% of interest bearing debt in freely available cash (including undrawn committed credit lines).
- We shall ensure that the capital expenditures, on a consolidated basis, measured at the end of each financial year shall not exceed $200 million, plus any capital expenditure under specific carved out arrangements.

The revolving facility contains events of default which include payment defaults, breach of financial covenants, breach of other obligations, breach of representations and warranties, insolvency, illegality, unenforceability, curtailment of business, claims against an obligor's assets, appropriation of an obligor's assets, failure to maintain exchange listing, material adverse effect, repudiation and material litigation. In addition there are cross default clauses in the event of the obligor defaulting on other issued debt.

As of March 31, 2015, we are in compliance with all covenants under our debt facilities.

Subsequent to March 31, 2015 we have renegotiated certain terms of our multicurrency revolving credit facility as described in note 13 Subsequent Events.

Related party subordinated loan

On October 24, 2014, we signed a subordinated loan agreement with Metrogas Holdings Inc, a related party, for a loan of up to $50.0 million. The loan was drawn in full as at December 31, 2014 and is repayable in full at the maturity date. Interest is 7.5% per year, and is accumulated on the loan balance and payable on the maturity date. The loan matures on June 30, 2018.

On March 6, 2015 Metrogas Holdings Inc. transferred the $50 million facility to Seadrill Limited. All terms and conditions under the facility remain unchanged.

Hermes-covered term loans

On December 6, 2013 Archer Topaz Limited, a wholly owned subsidiary of Archer, signed a €48.4 million Hermes covered term loan agreement for the modular rig, Archer Topaz. The facility is repayable in 10 semi-annual instalments. The interest rate is 1.45% above EURIBOR. At March 31, the equivalent of $46.1 million was outstanding under this facility. Seadrill Limited, a related party, has granted an on-demand guarantee for the outstanding amount in favour of the lender securing our obligations under this facility.

On January 18, 2012 Archer Emerald (Bermuda) Limited, a wholly owned subsidiary of Archer, signed a €29.5 million Hermes covered term loan agreement for the modular rig, Archer Emerald. The facility is repayable in semi-annual instalments in March and September through March 2017. The interest rate is 1.30% above EURIBOR. At March 31, 2015, the equivalent of $12.7 million was outstanding under this facility.

Other loans and capital leases

We have two $50.0 million cash overdraft facilities and at March 31, 2015, net borrowings under these facilities were $44.2 million. In addition we have borrowed $23.5 million under short term facilities in Argentina as of March 31, 2015. We also have capital leases covering both real property and equipment. At March 31, 2015, the net balance due under these arrangements was $18.5 million.

Interest rate swap agreement

We have two NOK interest rate swap agreements, securing the interest rate on NOK 300 million until October 2015 and NOK 500 million until May 2019. We also have two USD interest rate swap agreements securing the interest rate on $150 million until October 2015 and $150 million until October 2017. The fair value of the swaps as of March 31, 2015 was a liability of $4.1 million and is included within other liabilities. We are not currently applying hedge accounting to any of our financial instruments.

Capitalized Interest

During the three months ended March 31, 2015, we capitalized approximately $0.2 million of interest costs related to the construction of the new-build land rigs being constructed for deployment in Argentina. For the three months ended March 31, 2014 we capitalised interest of $0.3 million in respect of our second modular, which was completed by September 30, 2014.

Note 9 – Segment Information

We have determined that our operational performance aligned with the following four segments:

- North America (NAM)
- Latin America (LAM)
- North Sea (NRS)
- Emerging Markets & Technologies (EMT)

The split of our organization and aggregation of our business into four segments is based on differences in management structure and reporting, location of regional management and assets, economic characteristics, customer base, asset class and contract structure. The accounting principles for the segments are the same as for our consolidated financial statements. Presented below and on the following page are the revenues, depreciation and amortization, operating income, capital expenditures, goodwill and total assets by segment after treating our North America Rental business, our North America Underbalanced business and our Rental and Tubular business in Latin America as discontinued operations and not as part of our continuing operations by segment.

(In millions)	**Three Months Ended March 31**	
	2015	**2014**
Revenues from external customers		
North America	$ 115.8	$ 148.9
Latin America	164.8	122.4
North Sea	178.5	181.7
Emerging Markets & Technologies	42.5	51.8
Total	**$ 501.6**	**$ 504.8**
Depreciation and amortization		
North America	$ 19.0	$ 20.7
Latin America	9.2	7.6
North Sea	4.7	4.1
Emerging Markets & Technologies	4.7	4.6
Total	**$ 37.6**	**$ 37.0**
Operating (loss)/income – net loss		
North America	$ (26.5)	$ (19.7)
Latin America	6.5	4.6
North Sea	43.8	13.1
Emerging Markets & Technologies	1.5	6.0
Stock compensation costs	(0.7)	(1.5)
Operating (loss)/income	**24.6**	**2.5**
Total financial items	(36.1)	(7.3)
Income taxes	(3.4)	(3.3)
Discontinued operations, net of taxes	-	(0.4)
Net loss	**$ (14.9)**	**$ (8.5)**

Capital expenditures		
North America	$ 5.3	$ 6.1
Latin America	58.3	19.4
North Sea	1.9	30.1
Emerging Markets & Technologies	1.0	3.7
Total	**$ 66.5**	**$ 59.3**

(In millions)	**North America**	**Latin America**	**North Sea**	**Emerging Markets & Technologies**	**Total**
Goodwill					
Balance at December 31, 2014	**$ 5.5**	**$ —**	**$ 111.8**	**$ 90.5**	**$ 207.8**
Currency adjustments	—	—	(7.2)	(7.5)	(14.7)
Balance at March 31, 2015	**$ 5.5**	**$ —**	**$ 104.6**	**$ 83.0**	**$ 193.1**

(In millions)	**March 31 2015**	**December 31 2014**
Total assets		
North America	$ 409.5	$ 487.6
Latin America	650.7	594.3
North Sea	444.5	449.3
Emerging Markets & Technologies	250.0	269.4
Total	**$ 1,754.7**	**$ 1,800.6**

Note 10 – Fair Value of Financial Instruments

The estimated fair value and the carrying value of our financial instruments are as follows:

	March 31, 2015		**December 31, 2014**	
(In millions)	**Fair Value**	**Carrying Value**	**Fair Value**	**Carrying Value**
Nonderivatives				
Cash and cash equivalents	$ 28.4	$ 28.4	$ 28.9	$ 28.9
Restricted cash	12.5	12.5	15.8	15.8
Current portion of long-term debt	88.3	88.3	64.2	64.2
Long-term, interest-bearing debt	735.9	735.9	747.2	747.2
Derivatives				
Interest rate swap agreements	(4.1)	(4.1)	(4.0)	(4.0)

The aforementioned financial assets are measured at fair value on a recurring basis as follows:

	March 31, 2015	Fair Value Measurements at Reporting Date Using		
(In millions)	Fair Value	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	$ 28.4	$ 28.4	—	—
Restricted cash	12.5	12.5	—	—
Interest rate swap agreements	(4.1)	—	(4.1)	—
Liabilities				
Multicurrency term and revolving facility, excluding current portion	629.2	—	629.2	—
Other loans and capital leases, excluding current portion	106.7	—	106.7	—

Level 1: Quoted prices in active markets for identical assets
Level 2: Significant other observable inputs
Level 3: Significant unobservable inputs

We used a variety of methods and assumptions, which are based on market conditions and risks existing at the time, to estimate the fair value of our financial instruments. For certain instruments, including cash and cash equivalents, it is assumed that the carrying amount approximated fair value due to the short-term maturity of those instruments.

The fair values of interest rate swaps are calculated using well-established independent market valuation techniques applied to contracted cash flows and NIBOR interest rates.

The fair value of the current portion of long-term debt is estimated to be equal to the carrying value, since it is repayable within twelve months. The fair value of the long-term portion of floating rate debt is estimated to be equal to the carrying value since it bears variable interest rates, which are reset on a quarterly basis. This debt is not freely tradable and we cannot purchase them at prices other than the outstanding balance plus accrued interest.

Note 11 – Legal Proceedings

From time to time, we are involved in litigation, disputes and other legal proceedings arising in the normal course of our business. We insure against the risks arising from these legal proceedings to the extent deemed prudent by our management and to the extent insurance is available, but no assurance can be given that the nature and amount of that insurance will be sufficient to fully indemnify us against liabilities arising out of pending and future legal proceedings. Many of these insurance policies contain deductibles or self-insured retentions in amounts we deem prudent and for which we are responsible for payment. If there is a claim, dispute or pending litigation in which we believe a negative outcome is probable and a loss by the Company can be reasonably estimated, we record a liability for the expected loss. As of March 31, 2015, we are not aware of any such expected loss which would be material to our financial position and results of operations. In addition we have certain claims, disputes and pending litigation in which we do not believe a negative outcome is probable or for which the loss cannot be reasonably estimated.

Three separate class actions have been filed alleging violations of the U.S. FLSA relating to non-payment of overtime pay with respect to three of our subsidiaries: Great White Pressure Control LLC, Archer Pressure Pumping LLC and Archer Directional Drilling Services LLC. The case against Great White Pressure Control LLC settled at mediation during the quarter within the reserve amount recorded by the Company. The remaining two cases are in different stages of the discovery process, and, although litigation is inherently uncertain, management believes these cases are highly defensible.

Two of our subsidiaries are the plaintiffs in the case of Archer Drilling LLC and Rig Inspection Services (US) LLC vs. Buccaneer Energy Limited et al., wherein we claim $8.0 million from the defendants for the defendants' failure to pay for services provided. In response, the defendants raised counterclaims alleging that they are owed more than the amount we claimed in damages. On May 31, 2014, all but one of the defendants filed for Chapter 11 bankruptcy and in August 2014, the Archer parties removed the case to U.S. Bankruptcy Court where the claims are currently stayed pending further action by the court. Litigation is inherently uncertain and while we cannot determine the amount of our ultimate recovery or loss, we believe in the merits of the claim and that the alleged counterclaims are highly defensible.

Other than the above, we are not involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened) which may have, or have had in the recent past, significant effects on our financial position or profitability.

Note 12 – Related Parties
In the normal course of business we transact business with related parties conducted at arm's length.

Transactions with Seadrill;
We were established at the end of the third quarter of 2007, as a spin-off of Seadrill Limited's Well Service division. We acquired the shares in the Seadrill Well Service division entities on October 1, 2007 for $449.1 million. The acquisition has been accounted for as a common control transaction with the assets and liabilities acquired recorded by us at the historical carrying value of Seadrill Limited, or Seadrill. The excess consideration over the net assets and liabilities acquired has been recorded as adjustment to equity of $205.1 million. Seadrill currently owns 39.9% of our stock.

During the three months ended March 31, 2015, we supplied Seadrill Limited and affiliates with services amounting to $2.1 million, including reimbursable material. This amount has been included in operating revenues. At March 31, 2015, Seadrill owed us $1.5 million in respect of these services.

On October 24,2014, we signed a subordinated loan agreement with Metrogas Holdings Inc, a related party, for a loan of up to $50 million. In March 2015 the loan, and any accrued interest/fees, was sold to Seadrill Limited. The loan was drawn in full as at March 31, 2015. Accrued interest of 7.5% is payable on the loan, and will be accumulated and paid on the maturity date. The loan matures on June 30, 2018.

Seadrill has provided a guarantee of €48.6 million to the lenders of our Hermes covered term loan agreement for the modular rig, Archer Topaz (see Note 8. Annual guarantee fees are charged at 1.25% of the guaranteed amount.

Seadrill also provided a guarantee of $250.0 million to the lenders of our revolving facility (see Note 8). Annual guarantee fees are charged at 1.25% of the guaranteed amount.

Seadrill has also provided a guarantee totalling $11.2 million to various insurance companies on behalf of our 100% owned subsidiary, Archer Well Company Inc.

As of March 31, 2015, we have accrued total guarantee fees of $4.9 million which are due to be apaid to Seadrill at the end of the guarantee period. The guarantee fees are being accrued over the guarantee period, and the cost of the fees are reported within Other Financial Items.

Transactions with C6 Technologies AS:
We own 50% of C6 Technologies AS, an Oilfield Technology Company offering new solutions for well intervention and conveyance utilizing composite materials. This entity is included in pour consolidated financial statements using the equity method of accounting. During 2014 we sold our fully owned subsidiary Wellbore Solutions AS for an amount of 25 million Norwegian Kroner. The settlement of the purchase price was through a loan agreement amounting to 10 million Norwegian Kroner and the balance will be settled in the form of royalties contingent on the successful commercialisation of the of tools being developed by C6 Technologies AS.

Our total investment in C6 as at march 31, 2015 is $5.9 million in the form of an interest bearing loan to the venture.

Transactions with Rawabi Allis-Chalmers Company Limited:
We own 50% of Rawabi Allis-Chalmers Company Limited “Rawabi”, a Saudi Arabia based joint venture that provides rental of oilfield products. During the three months ended March 31, 2015, we supplied Rawabi with services amounting to $0.5 million.

As at March 31, 2015 we have a total outstanding loan balance equivalent to $6.8 million.

Transactions with other related parties
The following are related parties, being companies in which Archer’s principal shareholders, Seadrill, Lime Rock Partners LLP and or Hemen Holding Ltd have a significant interest:

- Frontline Management (Bermuda) Limited, or Frontline
- North Atlantic Drilling Ltd, or NADL
- Sevan Marine Servicos de Perfuracao Ltda “Sevan”
- Geodynamics

Frontline provides management support and administrative services to us, and we have recorded fees of $0.1 million for these services in the three months ended March 31, 2015. These amounts are included in General and administrative expenses in the Consolidated statement of operations. At March 31, 2015, Archer owed Frontline $0.1 million related to these services.

During the three months ended March 31, 2015, we supplied NADL with services amounting to $0.6 million, including reimbursable material. This amount has been included in operating revenues. At March 31, 2015, NADL owed us $0.3 million related to these services.

During the three months ended March 31, 2015, we supplied Sevan with services amounting to $0.2 million, including reimbursable material. This amount has been included in operating revenues. At March 31, 2015, Sevan owed Archer $0.1 million related to these services

Geodynamics provided products and services to the company totalling $0.2m for the three months ended March 31, 2015. At March 31, 2015, Archer owed Geodynamics $0.1 million related to these services These amounts were included in operating expenses.

Note 13 – Subsequent Events
Subsequent events have been incorporated into related notes where appropriate. Other subsequent events are disclosed in this Note.

On April 20, 2015, the Company announced that it has received consent from its lenders under the multicurrency revolving facility to amend certain covenants, including an increase in the net interest bearing debt to 12 months rolling EBITDA covenant up to a maximum of 5.5X in the first quarter 2016 as well as adjustments to the calculation of the equity ratio covenant allowing us to exclude certain revaluation effects related to exchange rate movements.

Appendix to Archer First Quarter Report 2014

We report our financial results in accordance with generally accepted accounting principles (GAAP). However, Archer's management believes that certain non-GAAP performance measures and ratios may provide users of this financial information additional meaningful comparison between current results and results in prior operating periods. One such non-GAAP financial measure we use is earnings before interest, taxes, depreciation and amortization (EBITDA), adjusted for special charges or amounts. This adjusted income amount is not a measure of financial performance under GAAP. Accordingly, it should not be considered as a substitute for operating income, net income or other income data prepared in accordance with GAAP. See the table that follows for supplemental financial data and corresponding reconciliations to GAAP financial measures for the three months ended March 31, 2015, December 31, 2014, September 30, 2014, June 30, 2014, March 31, 2014, and December 31, 2013. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, our reported results prepared in accordance with GAAP.

ARCHER LIMITED
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended					
(In millions)	March 31 2015	December 31 2014	September 30 2014	June 30 2014	March 31 2014	December 31 2013
Revenue	501.6	603.7	593.1	552.0	504.8	524.1
Cost and expenses						
Operational costs	(477.0)	(572.2)	(556.9)	(535.9)	(502.3)	(520.9)
Impairments	—	(58.9)	—	(1.5)	—	(423.7)
Net financial items	(36.1)	(56.9)	(20.9)	(20.4)	(7.3)	(17.7)
(Loss)/ Income from continuing operations before income taxes	**(11.5)**	**(84.3)**	**15.3**	**(5.8)**	**(4.8)**	**(438.2)**
Income tax (expense) benefit	(3.4)	(7.6)	(1.6)	(5.0)	(3.3)	9.0
(Loss) / Income from continuing operations	(14.9)	**(91.9)**	**13.7**	**(10.8)**	**(8.1)**	**(429.2)**
(Loss)/ Income from discontinued operations, net of tax	-	(1.6)	(0.4)	(0.2)	(0.4)	(2.5)
Net (loss) / Income	**(14.9)**	**(93.5)**	**13.3**	**(11.0)**	**(8.5)**	**(431.7)**

ARCHER LIMITED
Reconciliation of GAAP to non-GAAP Measures
(Unaudited)

	Three Months Ended					
(In millions)	March 31 2015	December 31 2014	September 30 2014	June 30 2014	March 31 2014	December 31 2013
Net (loss) / Income	(14.9)	(93.5)	13.3	(11.0)	(8.5)	(431.7)
Depreciation, amortization and impairments (net of gains/losses on sale of assets)	33.5	96.7	33.9	38.7	37.0	462.4
Net financial items	36.1	56.9	20.9	20.4	7.3	17.7
Taxes on income	3.4	7.6	1.6	5.0	3.3	(9.0)
Loss from discontinued operations, net of tax	-	1.6	0.4	0.2	0.4	2.5
EBITDA	**58.1**	**69.3**	**70.1**	**53.3**	**39.5**	**41.9**

ARCHER LIMITED
EBITDA by Geographic and Strategic Areas
(Unaudited)

	Three Months Ended					
(In millions)	March 31 2015	December 31 2014	September 30 2014	June 30 2014	March 31 2014	December 31 2013
North America (NAM)	(8.0)	19.3	26.7	13.7	0.4	2.8
Latin America (LAM)	11.8	22.4	10.8	11.2	11.9	13.5
North Sea (NRS)	48.3	16.0	24.2	17.7	16.9	17.7
Emerging Markets & Technologies (EMT)	6.0	11.6	8.4	10.7	10.3	7.9
EBITDA	**58.1**	**69.3**	**70.1**	**53.3**	**39.5**	**41.9**