2022

Archer Limited

FIRST QUARTER 2022 REPORT

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Consolidated Statements of Operations (unaudited)

(In USD millions)		Three Months Ended March 31	
	Note	**2022**	**2021**
Revenues			
Operating revenues		195.8	194.1
Reimbursable revenues		23.3	19.3
Total revenues		**219.1**	**213.4**
Expenses			
Operating expenses		169.0	156.1
Reimbursable expenses		22.9	24.0
Operating lease costs	10	1.4	2.1
Depreciation and amortization		13.2	12.3
Impairment charges		5.0	3.0
General and administrative expenses		9.6	10.2
Total expenses		**221.2**	**207.5**
Operating (loss) / income		**(2.0)**	**5.9**
Gain on bargain purchase	13	**9.2**	—
Financial items			
Interest income		0.4	0.7
Interest expenses		(7.6)	(7.8)
Share of results in associated companies	7	(0.3)	(0.0)
Other financial items	3	17.6	10.1
Total financial items		**10.1**	**3.0**
Gain/(loss) from continuing operations before taxes		**17.3**	**8.8**
Income tax expense	4	(3.3)	(2.8)
Gain/(loss) from continuing operations		**13.9**	**6.1**
Net Profit/(loss)		**13.9**	**6.1**
Gain per share - basic		0.09	0.04
Gain per share - diluted		0.09	0.04
Weighted average number of shares outstanding			
Basic	5	148.8	148.1
Diluted	5	149.5	149.5

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

Consolidated Statements of Comprehensive Income/(Loss) and Accumulated Other Comprehensive Loss (unaudited)

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

(in USD millions)	**Three Months Ended March 31,**	
	2022	**2021**
Net profit/(loss)	**13.9**	**6.1**
Other comprehensive (loss) / income		
Currency translation differences	0.9	(1.0)
Total other comprehensive income (loss)	**0.9**	**(1.0)**
Total comprehensive income (loss)	**14.8**	**5.1**

Accumulated Other Comprehensive Loss (Unaudited)

(in USD millions)	**Translation differences**	**Other comprehensive income**	**Total**
Balance at December 31, 2021	**7.2**	**0.6**	**7.8**
Total other comprehensive income during 2022	0.9	-	0.9
Balance at March 31, 2022	**8.1**	**0.6**	**8.7**

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

Consolidated Balance Sheet (unaudited)

(In USD million)	Note	March 31, 2022	December 31, 2021
	Note	(Unaudited)	(Audited)
ASSETS			
Cash and cash equivalents		95.6	50.7
Restricted cash		8.7	14.8
Accounts receivables	2	124.7	125.6
Inventories	6	52.7	52.1
Other current assets		34.9	30.7
Total current assets		**316.6**	**273.9**
Investment in associated	7	3.2	3.4
Marketable securities		4.8	2.9
Property plant and equipment, net		331.7	343.6
Right of use assets	10	24.7	26.7
Deferred income tax asset	4	23.2	20.6
Goodwill	8	170.4	167.5
Other intangible assets, net		3.2	0.6
Deferred charges and other assets		25.2	11.4
Total noncurrent assets		**586.4**	**576.7**
Total assets		**903.0**	**850.7**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current portion of interest-bearing debt	9	23.0	25.3
Accounts payable		36.1	43.5
Operating Lease liabilities	10	4.7	5.2
Other current liabilities		134.4	140.2
Total current liabilities		**198.2**	**214.2**
Long-term interest-bearing debt	9	564.9	509.5
Subordinated related party Loan	9	15.9	15.9
Operating Lease liabilities	10	20.0	21.5
Deferred tax	4	0.7	1.0
Total noncurrent liabilities		**601.5**	**547.9**
Shareholders' equity		**103.3**	**88.5**
Total liabilities and shareholders' equity		**903.0**	**850.7**

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

Consolidated Statements of Cash Flows (unaudited)

(In USD millions)	Three Months Ended March 31,	
Cash Flows from Operating Activities	**2022**	**2021**
Net (loss)/profit from continuing operations	13.9	6.1
Adjustment to reconcile net loss to net cash provided by operating activities		
Depreciation and amortisation	13.2	12.3
Impairment of fixed assets	5.0	3.0
Share-based compensation expenses	—	0.1
Share of losses of unconsolidated affiliates	0.3	—
Amortisation of loan fees	0.4	0.3
Mark to market of financial instruments	(13.3)	(4.3)
Mark to market of marketable securities	(1.9)	(8.7)
Change in deferred and accrued taxes	2.5	(0.4)
Gain on bargain purchase	(9.2)	—
Decrease/(increase) in accounts receivable and other current assets	0.2	(0.1)
Decrease/(increase) in inventories	(1.2)	0.6
(Decrease)/increase in accounts payable and other current liabilities	(11.9)	11.2
Change in other operating assets and liabilities net, including non-cash fx effects	(6.8)	(1.6)
Net cash provided by operating activities	**(8.7)**	**(4.0)**
Cash Flows from Investing Activities		
Capital expenditures	(2.5)	(4.2)
Proceeds from asset disposals	0.6	1.0
Loans to associated entities	—	(0.1)
Investment in subsidiaries net of cash acquired	(5.9)	—
Net cash used by investing activities	**(7.8)**	**(3.3)**
Cash Flows from Financing Activities		
Borrowings under revolving facilities, other long-term debt and financial leases	86.5	8.4
Repayments under revolving facilities, other long-term debt and financial leases	(33.6)	(11.9)
Net cash provided by financing activities	**52.9**	**(3.5)**
Effect of exchange rate changes on cash and cash equivalents	2.4	(0.4)
Net increase in cash and cash equivalents	**38.8**	**(11.2)**
Cash and cash equivalents, including restricted cash, at beginning of the period	65.5	53.6
Cash and cash equivalents, including restricted cash, at the end of the period	**104.2**	**42.4**
Interest paid	7.2	7.5
Taxes paid	0.8	0.7

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

Consolidated Statement of Changes in Shareholders' Equity (unaudited)

(In USD millions)	Common shares	Additional Paid In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Contributed Surplus	Total Shareholders' Equity
Balance at December 31, 2021	**1.5**	**928.1**	**(1,589.0)**	**7.8**	**740.1**	**88.5**
Share based compensation	—	0.0	—	—	—	0.0
Translation differences	—	—	—	0.9	—	0.9
Net income	—	—	13.9	—	—	13.9
Balance at March 31, 2022	**1.5**	**928.1**	**(1,575.1)**	**8.7**	**740.1**	**103.3**

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

Notes

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, modular rigs, engineering services, equipment rentals, wireline services, 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 4,450 skilled and experienced people at March 31, 2022.

Archer was incorporated in Bermuda on August 31, 2007.

Basis of presentation

The unaudited first quarter 2022 consolidated financial statements are presented in accordance with United States of America Generally Accepted Accounting Principles (US GAAP). The unaudited first quarter 2022 consolidated financial statements do not include all the disclosures required in complete annual financial statements. The unaudited first quarter consolidated financial statements should be read in conjunction with our financial statements as of December 31, 2021. 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, 2021.

Recently issues accounting standards

Accounting standards that became effective since January 1, 2022, did not have a material impact on the consolidated financial statements and related disclosures.

In March 2020, the FASB issued ASU No. 2020-04, Facilitation of the Effects of Reference Rate Reform on Financial Reporting (Topic 848). The ASU provides optional expedients and exceptions for applying GAAP to transactions affected by reference rate (e.g., LIBOR) reform if certain criteria are met, for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. The ASU is effective as of March 12, 2020 through December 31, 2022. We continue to evaluate transactions or contract modifications occurring as a result of reference rate reform and determine whether to apply the optional guidance on an ongoing basis. The ASU has not and is currently not expected to have a material impact on our consolidated financial statements.

Note 2 Revenue from contracts with customers

The following table provides information about receivables, contract assets and contract liabilities from our contracts with customers:

(In USD millions)	March 31, 2022	December 31, 2021
Accounts receivable net	124.7	125.6

Provision for bad debts - We do not currently have provisions for bad debts in our balance sheet. Any anticipated unrecoverable revenues are taken into account under our revenue recognition policy and subsequent bad debts are written off as they are recognized.

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

Note 3 Other Financial Items

Other Financial Items

(In USD million)	Three Months Ended March 31,	
	2022	2021
Foreign exchange gains/(losses)	2.5	(1.7)
Mark-to-market of marketable securities	1.9	8.7
Mark-to-market of financial instruments	13.3	4.3
Other items	(0.1)	(1.2)
Total other financial items	**17.6**	**10.1**

Foreign exchange gains and losses include foreign exchange gains and losses on an intercompany loan balance denominated in Norwegian Kroner. The intercompany loan is held in a USD functional entity, while the corresponding intercompany debt is held in a Norwegian Kroner functional entity. The financial impact of the entity with Norwegian Kroner functional currency is classified as other comprehensive income.

Mark-to-market of marketable securities include the mark to market of our investment in KLX Energy Services Holdings Inc. while mark-to-market of financial instruments include the mark to market of our interest rate caps agreements.

Note 4 Income Taxes

Tax expense/(benefit) can be split in the following geographical areas:

Income Taxes

(In USD millions)	Three Months Ended March 31,	
	2022	**2021**
North America	0.1	0.1
South America	2.3	—
Europe	0.9	2.0
Others	—	0.8
Total	**3.3**	**2.8**

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

The Group's net tax expense end of March 2022 is $3.3 million. The tax charge reported in the current period relates primarily to taxable profit reported from operations in Norway and tax cost in Argentina.

The net tax expense in Europe amounted to $0.9 million for 2022, which primarily relates to our operation in Norway.

The net tax cost in South America amounted to $2.3 million at the end of March 2022 related to operation in Brazil (0.3) and reduction of deferred tax in Argentina (2.0). We have taken an allowance related to the taxable losses incurred in Argentina for the quarter.

We have not recognized any deferred tax assets in relation to operational losses from our North American operations.

As of 31 March 2022 we have total deferred tax assets of $23.2 million which mainly consist of $15.7 million of tax assets in Norway, $5.2 million tax assets in Argentina and $2.1 million tax assets in UK. $6.4 million of deferred tax asset in Norway relates to the acquisition of Ziebel AS in first quarter 2022.

Deferred tax liabilities on 31 March 2022 totals $0.7 million.

Note 5 Earnings Per Share

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

Weighted number of shares outstanding

(In thousands)	Three Months Ended March 31,	
	2022	**2021**
Denominator		
Weighted-average common shares outstanding	148,759	148,050
Effect of potentially dilutive common shares	696	1,443
Weighted-average common shares outstanding and assumed conversions	149,455	149,493

Note 6 Inventories

Inventories

(In USD millions)	March 31, 2022	December 31, 2021
Manufactured		
Raw materials	1.1	1.1
Finished goods	12.8	9.7
Work in progress	0.3	0.4
Total manufactured	**14.2**	**11.2**
Drilling supplies	14.1	14.5
Other items and spares	24.4	26.4
Total inventories	**52.7**	**52.1**

Other items - Other items and spares primarily relate to parts and spares for the land rigs used in our Latin America operation and spares and parts used in the Oiltools operations.

Note 7 Investments in Associates

We have the following participation in investments that are recorded using the equity method:

	March 31, 2022	December 31, 2021
Comtrac AS	50.0%	50.0%

The carrying amounts of our investments in our equity method investment are as follows:

(In USD millions)	March 31, 2022	December 31, 2021
Comtrac AS	3.2	3.4

The components of our investments in associated entities are as follows:

(In USD millions)	Comtrac AS
Carrying value of investment at December 31, 2021	3.4
Share in results of associates	(0.3)
Translation adjustments	0.1
Carrying value of investment at March 31, 2022	**3.2**

Quoted market prices for Comtrac AS ("Comtrac") are not available because the shares are not publicly traded.

The carrying value comprises original cost of investment adjusted by our share of Comtrac results. We provide services to Comtrac. Our trading balance with Comtrac is disclosed in related party note 14.

Note 8 Goodwill

Goodwill represents the excess of purchase price over the fair value of tangible and identifiable intangible assets acquired. All our remaining goodwill relates to our Eastern Hemisphere reporting segment – see also note 11.

Goodwill

(In USD millions)	
Net book balance at December 31, 2021	**167.5**
Translation adjustments	2.9
Net book balance at March 31, 2022	**170.4**

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, including assumptions about future cash flows of each reporting unit, discount rates applied to these cash flows and current market estimates of value.

In the event that market conditions deteriorate or there is a prolonged downturn, the Group may be required to record an impairment of goodwill, and such impairment could be material.

In reviewing our goodwill balances as at March 31, 2022 we have concluded that there are no indicators that the current carrying values are impaired. All of our goodwill relates to business in our Eastern Hemisphere segment, where we are seeing improvements in results as the effects of the Covid 19 pandemic subsides and the market strengthens. The latest calculations of the business enterprise values of the relevant reporting units, conducted in 2020, gave us sufficient headroom, when combined with improving results and outlook, to be confident in our conclusions that goodwill is not impaired at March 31, 2022.

Note 9 Long-term, Interest Bearing Debt

(In USD millions)	March 31, 2022			December 31, 2021		
	Loan balance	Unamortized debt issuance costs	Loan balance less unamortized debt issuance costs	Loan balance	Unamortized debt issuance costs	Loan balance less unamortized debt issuance costs
Multicurrency term and revolving facility	571.4	(1.7)	569.7	516.4	(2.1)	514.3
Related party subordinated loan	15.9	—	15.9	15.9	—	15.9
Hermes-covered term loans	3.3	—	3.3	4.4	—	4.4
Other loans and capital lease liability	14.4	—	14.4	16.1	—	16.1
Total loans and capital lease liability	605.0	(1.7)	603.3	552.8	(2.1)	550.7
Less: current portion	(23.4)	—	(23.4)	(25.3)	—	(25.3)
Long-term portion of interest-bearing debt	581.6	(1.7)	579.7	527.5	(2.1)	525.4

Multicurrency term and revolving credit facility

The total amount available under the Multicurrency term and revolving credit facility (the "Facility") is $571.4 million, split between $341.0 million under a term loan and $230.4 million in revolving facilities. In addition, a total of $11.2 million of the Facility is carved out into an overdraft facility of $ 11.2 million. A total of $571.4 million was drawn as at March 31, 2022 under the Facility. The Facility is secured by pledges over shares in material subsidiaries, assignment over intercompany debt and guarantees issued by the material subsidiaries.

The interest payable on the Facility is the aggregate of 1, 3 or 6-month NIBOR, LIBOR or EURIBOR, plus between 2.25% and 4.35% per annum, depending on the ratio of the net interest-bearing debt to EBITDA. In the event our total consolidated net interest bearing debt, after adjustments of the related party subordinated convertible loan amount, exceeds 6.0x the last twelve months Nominal EBITDA measured at December 31, 2022 and/or August 31, 2023, the loan will accrue an additional 1% PIK margin for 2022 and/or from January 1st to October 1st 2023. In June 2022 quarterly instalments of $4 million will commence. In addition to the scheduled instalments, there is a cash sweep mechanism in the Facility agreement whereby 90% of the available liquidity above $90 million, calculated each December and June after certain adjustments, is applied towards prepayment under the Facility. The final maturity date of the Facility is October 1, 2023.

The Facility contains certain financial covenants, including, among others:

- Archer will ensure that the ratio of net interest-bearing debt (after certain adjustments) to 12 months rolling Nominal EBITDA (after certain adjustments) at the financial quarter ending from March 31, 2022 to June 30, 2022 shall not exceed 7.5x, at September 30, 2022 shall not exceed 7.25x, at December 31, 2022 shall not exceed 6.75x, at March 31, 2023 shall not exceed 6.00x, at June 30, 2023 shall not exceed 5.5x and 5.0x thereafter.
- Archer shall maintain $30 million in freely available cash and undrawn committed credit lines.
- Archer shall ensure that the capital expenditures shall not exceed $40 million per year.

The 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, 2022, the Company is compliant with all covenants under this Facility. For further information on the Multicurrency term and revolving credit facility, please see the Board of Directors' Report included in Archer's 2021 Annual Report.

Related party subordinated loan

In Q2, 2017 we established a subordinated convertible loan from Seadrill Ltd. with face value of $45 million. In April 2020 we renegotiated the terms of the subordinated loan, with a new face value of $13.1 million. The loan matures on April 1, 2024 and bears PIK interest of 5.5% per year. The conversion rights attached to the loan are exercisable, enabling Seadrill to convert the debt at a rate of 2.5 ordinary shares in Archer for each $1.00 of loan and accrued interest. The interest up to the maturity date has been accrued to the loan balance, increasing the book value of the loan from $13.1 million to $15.9 million.

Hermes-covered term loan

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 financing of the modular rig, Archer Topaz. The loan matures December 31, 2022, and contains covenants aligned to those of the multi-currency term loan and revolving credit facility. The interest rate applied to this loan is 1.45% above EURIBOR. At March 31, 2022 the equivalent of $3.3 million was outstanding under this facility.

Other loans and capital leases

As described above, a total of $11.2 million of the Facility is carved out into an overdraft facility. Net borrowing under the overdraft facility was $0.0 million at March 31, 2022.

At March 31, 2022 net borrowing under short-term facilities in Argentina and in Bolivia was $3.1 million. In addition, net borrowing on the 600 million Argentinian pesos syndicated loan facility in Argentina was equivalent to $2.5 million dollars. The syndicated loan is repayable in monthly instalments which commenced April 2021 and continue until January 2023.

We have finance arrangements relating to equipment in our Oiltools and Platform Drilling divisions. At March 31, 2022, the balance under these arrangements was $8.7 million.

Interest rate cap agreement

We have entered into USD interest rate cap agreements, securing the interest rate against fluctuations above 1.65% on $198 million until February 2025 and $102 million until February 2023. Furthermore, we have entered into USD interest rate cap agreements, securing the interest rate against fluctuations above 0.85% on $200 million until December 2025. The fair value of the instruments as of March 31, 2022 was an asset of $20.3 million and is included within other non-current assets.

Note 10 Leases

Finance leases

We have entered into finance arrangements for the purchase of some items of equipment, predominantly well plugs for use in our Oiltools division. The leases are entered into under a frame agreement with the bank, and initial lease term is typically 5 years.

Assets leased under finance leases with a carrying value of $7.8 million are included in property plant and equipment.

Operating leases

The company has historically leased some operating assets, office and warehouse facilities and office equipment under operating leases. With effect from January 1, 2019, for material operating leases, we have recognised the relevant right of use assets and lease liabilities in our balance sheet. The leases have remaining lease terms of 1 to 12 years at March 31, 2022. Some operating leases include options to extend the leases for up to 3 years. We have sub-let unused office space, for which we received rental income of $0.2 million during 2022.

We have calculated an incremental borrowing rate, or IBR, for discounting each lease's cash-flows to arrive at an initial value for the lease liability and right of use asset. The IBR is calculated as a function of the following elements/ considerations;

- Base rate – generally the inter-bank lending rate in the relevant jurisdictions,
- Credit spread – we estimate the effect of the lessee credit worthiness
- Country risk premium
- Inflation differential
- Contract term
- Security or collateral provided in the lease contract.

Significant judgment is required in estimating some of these elements. We apply a consistent methodology in estimating IBR for each lease. We have elected not to recognize the right of use asset and lease liability for short term leases.

Supplemental information pertaining to the Company's leasing activities for the quarter ended March 31, 2022, was as follows;

(In USD millions)	**Three Months Ended March 31, 2022**
Finance Lease costs	
Amortisation of right of use assets	1.6
Interest on lease liabilities	0.1
Operating lease costs	1.4
Short term lease costs	5.9
Total Lease costs	9.0

Supplemental information	
Cash paid for amounts included in measurement lease liabilities	
Operating cash flows from finance leases	0.6
Operating cash flows from operating leases	1.4
Financing cash flows from finance leases	0.1
Right of use assets obtained in exchange for new finance lease liabilities	0.4
Right of use assets obtained in exchange for new operating lease liabilities	—
Weighted average remaining lease term – finance leases	3.4 years
Weighted average remaining lease term – operating leases	8.8 years
Weighted average discount rate – finance leases	4.6%
Weighted average discount rate – operating leases	5.8%

Note 11 Segment Information

The split of our organization and aggregation of our business into 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.

We present our business under two reporting segments based on geographical location;

- Eastern Hemisphere
- Western Hemisphere

In addition, we report corporate costs and assets as separate line items.

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.

Segment information

(In USD millions)	Three Months Ended March 31,	
	2022	**2021**
Revenues from external customers		
Eastern Hemisphere	161.1	166.0
Western Hemisphere	58.0	47.4
Total revenue	**219.1**	**213.4**
Depreciation and amortisation		
Eastern Hemisphere	6.0	4.6
Western Hemisphere	7.2	7.6
Total depreciation and amortisation	**13.2**	**12.2**
Operating income/net income		
Eastern Hemisphere	8.8	14.8
Western Hemisphere	(9.0)	(7.3)
Corporate Cost	(1.8)	(1.6)
Stock compensation cost	(0.0)	(0.1)
Total operating (loss)/income	**(2.0)**	**5.9**
Total financial items	10.1	3.0
Gain on bargain purchase	9.2	—
Income taxes	(3.3)	(2.8)
Net Income	**13.9**	**6.1**

Capital Expenditures

(In USD millions)	Three Months Ended March 31,	
	2022	**2021**
Capital Expenditures		
Eastern Hemisphere	1.5	2.2
Western Hemisphere	1.0	2.0
Total	**2.5**	**4.2**

Goodwill

(in USD millions)	Eastern Hemisphere	Western Hemisphere	Total
Balance at December 31, 2021	**167.5**	—	**167.5**
Translation adjustments	2.9	—	2.9
Balance at March 31, 2021	**170.4**	—	**167.5**

Total assets

(In USD millions)	March 31, 2022	December 31, 2021
Eastern Hemisphere	588.5	527.8
Western Hemisphere	293.8	313.2
Corporate	20.7	10.8
Total	**903.0**	**850.7**

We test our fixed assets 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 the carrying amount. The testing of the valuation of our assets involves significant judgement and assumptions to be made in connection with the future performance of those assets in our business operations, including assumptions about future cash flows generated from these assets, discount rates applied to these cash flows and current market estimates of value.

In 2021 we took the decision to record impairment charges against rigs that have been idle for more than 5 years. This resulted in additional impairment charges in 2021 of $15 million. In the first quarter of 2022 we have recognized additional impairment charges of $5 million in respect of idle rigs.

Note 12 Fair Value of Financial Instruments

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

Carrying value of financial instruments

(In USD millions)	**March 31, 2022**		**December 31, 2021**	
	Fair Value	**Carrying Value**	**Fair Value**	**Carrying Value**
Non-derivatives				
Cash and cash equivalents	95.6	95.6	50.7	50.7
Restricted cash	8.7	8.7	14.8	14.8
Marketable securities	4.8	4.8	2.9	2.9
Accounts receivable	124.7	124.7	125.6	125.6
Accounts payable	(36.1)	(36.1)	(43.5)	(43.5)
Current portion of interest-bearing debt	(23.0)	(23.0)	(25.3)	(25.3)
Current portion of operating lease liability	(4.7)	(4.7)	(5.2)	(5.2)
Long-term interest-bearing debt	(564.9)	(564.9)	(509.5)	(509.5)
Operating lease liability	(20.0)	(20.0)	(21.5)	(21.5)
Subordinated related party loan	(15.9)	(15.9)	(15.9)	(15.9)
Derivatives				
Interest cap agreements	20.3	20.3	7.0	7.0

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

Financial assets and liabilities

In USD millions)	March 31, 2022	Fair Value Measurements at Reporting Date Using		
	Fair Value	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	95.6	95.6	—	—
Restricted cash	8.7	8.7	—	—
Marketable securities	4.8	4.8	—	—
Accounts receivable	124.7	—	124.7	—
Interest cap agreements	20.3	—	20.3	—
Liabilities				
Accounts payable	(36.1)	—	(36.1)	—
Current portion of interest-bearing debt	(23.0)	—	(23.0)	—
Current portion of operating lease liability	(4.7)	—	(4.7)	—
Long-term, interest-bearing debt	(564.9)	—	(564.9)	—
Operating lease liability	(20.0)	—	(20.0)	—
Subordinated related party loan	(15.9)	—	(15.9)	—

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 LIBOR 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.

Restricted cash consists mainly of bank deposits arising from advance employee tax withholdings

Note 13 Gain on bargain purchase

The gain on bargain purchase of $9.2 million relates to the acquisition of all of the shares in Ziebel AS from a unrelated third party. Ziebel AS is the parent company of the Ziebel group ("Ziebel")

Ziebel provides well intervention services mainly in the US. Ziebel has developed cutting edge wireline technology much of which has been patented. Services offered by Ziebel complement our exisiting wireline product offering. Archer expect to benefit from the use of the Ziebel wireline splicing technology and also the retention of the Ziebel brand name in our US wireline operations.

Purchase consideration was given by way of an assignment agreement, under which Archer assumed debt, of principal amount NOK 29 million in exchange for a settlement of NOK 7 million paid to the lenders. All outstanding shares in Ziebel were transferred to Archer for zero consideration.

Purchase consideration

	(In NOK millions)	(In USD million equivalent)
Cash settlement with Ziebel lenders	(7.0)	(0.8)
Principal and interest owing at date of assignment	29.2	3.3
Gain on assignment of debt - included in gain on bargain purchase	**22.2**	**2.5**

In addition, the gain on bargain purchase includes the fair value of the following assets acquired for zero consideration at the acquisition date of February 3, 2022:

Fair value of assets acquired (preliminary)

	(In USD millions equivalent)
Cash and restricted cash	0.2
Other current assets	0.6
Tangible fixed assets	2.0
Intangible assets	2.8
Deferred tax asset	6.4
Liabilities	(5.3)
Total fair value of assets acquired	**6.7**

The excess of fair value of the assets acquired over the purchase consideration is reported as a separate line item, "Gain on bargain purchase", and comprises the gain on loan assignment plus the fair value of the assets acquired. The USD numbers quoted above are based on consolidated USD numbers provided by Ziebel. The gain arises primarily from;

- the acquisition of the debt at significant discount,
- the recognition of the technology developed by Ziebel which will be utilized in our wireline division.
- the recognition of a deferred tax asset relating to Ziebel's carried forward tax losses, which Archer can utilize going forward.

The gain on bargain purchase results from our preliminary calculations, based on all information available to date. The calculation may change if further information materializes within 12 months from the acquisition date of February 3, 2022, which would result in adjustment to the reported gain and relevant carrying values acquired.

The acquisition and future operation of Ziebel are included in our Eastern Hemisphere reporting segment. For the period from the acquisition until the end of March 2022, Archer recognized a total of $0.4 million in external revenue from Ziebel.

Note 14 Related Parties

In the normal course of business, we transact business with related parties conducted at arm's length.

Transactions Comtrac AS:

Our 50% investment in Comtrac AS comprises equity investment and a loan equivalent to $2.3 million and $0.96 million respectively. We account for our investment using the equity method, as discussed above in note 7. In the first quarter of 2022 we have invoiced Comtrac AS a total of NOK 1 million, or $0.1 million for services provided to them. The total balance of $0.1 million is outstanding at March 31, 2022 and is reported in Accounts receivable

Transactions with other related parties

The following are related parties, being companies in which Archer's largest shareholder, Seadrill and/or Hemen Holding Ltd have a significant interest:

- Seadrill Group

- Frontline Management (Bermuda) Limited, (“Frontline”)

- Seatankers Management Company Limited (“Seatankers”)

During the 3 months ended March 31, 2022, we supplied Seadrill Limited and affiliates ("Seadrill") with services amounting to $0.1 million, mainly relating to the provision of Platform drilling and engineering services. This amount has been included in operating revenue. At March 31, 2022 Seadrill owed us $0.1 million in respect of these services.

Frontline and Seatankers provide management support and administrative services to us, and we have recorded fees of $0.1 million for these services from Seatankers in 2022. These expenses are included in General and administrative expenses in the Consolidated statement of operations.

Note 15 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, 2022, we are not aware of any such expected loss which would be material to our financial position and results of operations. Nor are we are 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 16 Subsequent Events

In May 2022, Archer Oiltools was awarded a two-year contract extension from Equinor Energy AS in the North Sea. The contract covers plug and abandonment, fishing and downhole mechanical isolation equipment. The extension will commence in June, 2022 in direct continuation of the current contract.

Appendix to First Quarter 2022 Report

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, 2022, December 31, 2021, September 30, 2021, June 30, 2021, March 31, 2021, and December 31, 2020. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, our reported results prepared in accordance with GAAP.

Reconciliation of GAAP to non-GAAP Measures (Unaudited)

(In USD million)	**Three Months Ended**					
	Mar. 31, 2022	**Dec. 31, 2021**	**Sep. 30, 2021**	**Jun. 30, 2021**	**Mar. 31, 2021**	**Dec. 31, 2020**
Net income / (loss)	13.9	(12.7)	(9.7)	1.6	6.1	2.7
Depreciation, amortization and impairments (net of gains/losses on sale of assets)	18.2	14.6	13.2	13.7	15.2	11.5
Net financial items	(10.1)	5.7	15.0	16.2	(3.0)	(7.3)
Taxes on income	3.3	0.7	2.2	2.0	2.8	12.2
Gain on sale of asset	—	(0.2)	(0.2)	(0.1)	—	—
Gain on bargain purchase	(9.2)	0.8	—	(12.2)	—	—
EBITDA	**16.2**	**22.4**	**20.5**	**21.2**	**21.0**	**19.2**
Exceptional charges	4.9	3.4	3.0	1.1	0.5	4.2
EBITDA before restructuring costs	**21.1**	**25.8**	**23.5**	**22.3**	**21.5**	**23.4**

Condensed Consolidated Statements of Operations (Unaudited)

(In USD million)	**Three Months Ended**					
	Mar. 31, 2022	**Dec. 31, 2021**	**Sep. 30, 2021**	**Jun. 30, 2021**	**Mar. 31, 2021**	**Dec. 31, 2020**
Revenue	**219.1**	**251.9**	**242.8**	**228.0**	**213.4**	**210.6**
Cost and expenses						
Operational costs	(221.2)	(244.0)	(235.3)	(220.4)	(204.6)	(203.0)
Impairments	(5.0)	(13.5)	—	—	(3.0)	(0.2)
Net financial items	10.1	(5.7)	(15.0)	(16.2)	3.0	7.3
Gain on bargain purchase	9.2	(0.8)	—	12.2	—	—
Income/(loss) from continuing operations before income taxes	**17.3**	**(12.0)**	**(7.5)**	**3.6**	**8.8**	**15.0**
Income tax (expense)/benefit	(3.3)	(0.7)	(2.2)	(2.0)	(2.8)	(12.2)
Net income / (loss)	**13.9**	**(12.7)**	**(9.7)**	**1.6**	**6.1**	**2.7**

EBITDA by Geographic and Strategic Areas (Unaudited)

(In USD million)	Three Months Ended					
	Mar. 31, 2022	Dec. 31, 2021	Sep. 30, 2021	Jun. 30, 2021	Mar. 31, 2021	Dec. 31, 2020
Eastern Hemisphere	14.8	20.2	20.6	19.7	19.4	19.8
Western Hemisphere	3.1	3.6	1.6	3.2	3.2	1.1
Corporate costs	(1.8)	(1.5)	(1.7)	(1.7)	(1.6)	(1.7)
EBITDA	**16.2**	**22.4**	**20.5**	**21.2**	**21.0**	**19.2**