



2023
Archer Limited

FIRST QUARTER 2023 RESULTS

Archer

Table of Contents

Consolidated Statements of Operations (unaudited)	1
Consolidated Statements of Comprehensive Income/(Loss) and Accumulated Other Comprehensive Loss (unaudited)	2
Consolidated Balance Sheet (unaudited)	4
Consolidated Statements of Cash Flows (unaudited)	5
Consolidated Statement of Changes in Shareholders' Equity (unaudited)	6
Notes	7
Appendix to First Quarter 2023 Report	24

Consolidated Statements of Operations (unaudited)

(In USD millions)		Three Months Ended March 31	
	Note	2023	2022
Revenues			
Operating revenues		226.9	195.8
Reimbursable revenues		39.7	23.3
Total revenues		266.6	219.1
Expenses			
Operating expenses		188.8	169.0
Reimbursable expenses		39.1	22.9
Operating lease costs	10	2.1	1.4
Depreciation and amortization		10.8	13.2
Sale of assets		(0.4)	0.0
Impairment charges		2.0	5.0
General and administrative expenses		11.3	9.6
Total expenses		253.8	221.2
Operating income / (loss)		12.8	(2.0)
Gain on bargain purchase	13	(0.1)	9.2
Financial items			
Net interest expenses		(11.4)	(7.2)
Share of results in associated companies	7	(1.8)	(0.3)
Other financial items	3	(15.7)	17.6
Total financial items		(28.9)	10.1
(Loss)/gain from continuing operations before taxes		(16.1)	17.3
Income tax expense	4	(1.8)	(3.3)
(Loss)/gain from continuing operations		(17.9)	13.9
Net (loss)/profit		(17.9)	13.9
(Loss) gain per share - basic		(0.06)	0.09
(Loss) gain per share - diluted		(0.06)	0.09
Weighted average number of shares outstanding			
Basic	5	318.5	148.8
Diluted	5	318.5	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,	
	2023	2022
Net (Loss)/profit	(17.9)	13.9
Other comprehensive (loss) / income		
Currency translation differences	(1.8)	0.9
Total other comprehensive (loss) income	(1.8)	0.9
Total comprehensive (loss) income	(19.7)	14.8

Accumulated Other Comprehensive Loss (Unaudited)

(in USD millions)	Translation	Other	Total
	differences	comprehensive income	
Balance at December 31, 2022	(9.5)	0.6	(8.9)
Total other comprehensive income during 2023	(1.8)	—	(1.8)
Balance at March 31, 2023	(11.3)	0.6	(10.8)

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



Consolidated Balance Sheet (unaudited)

(In USD million)		March 31, 2023	December 31, 2022
	Note	(Unaudited)	(Audited)
ASSETS			
Cash and cash equivalents		196.9	82.1
Restricted cash		1.3	10.9
Accounts receivables	2	147.1	152.6
Inventories	6	62.1	55.2
Other current assets		41.3	39.0
Total current assets		448.7	339.8
Investment in associated	7	10.4	11.8
Marketable securities		9.6	15.9
Property plant and equipment, net		307.8	310.7
Right of use assets	10	25.2	26.4
Deferred income tax asset	4	19.6	21.6
Goodwill	8	149.1	149.4
Other intangible assets, net		2.8	2.2
Deferred charges and other assets		17.3	28.4
Total noncurrent assets		541.7	566.4
Total assets		990.5	906.2
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current portion of interest-bearing debt	9	4.0	562.9
Accounts payable		58.0	47.2
Operating Lease liabilities	10	5.0	5.6
Other current liabilities		159.0	162.3
Total current liabilities		226.1	778.1
Long-term interest-bearing debt	9, 17	564.2	8.7
Subordinated related party Loan	9	15.9	15.9
Operating Lease liabilities	10	20.2	20.8
Deferred tax	4	0.3	0.4
Other noncurrent liabilities		3.7	0.8
Total noncurrent liabilities		604.4	46.6
Shareholders' equity		160.0	81.5
Total liabilities and shareholders' equity		990.5	906.2

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,	
	2023	2022
Cash Flows from Operating Activities		
Net (loss)/profit from continuing operations	(17.9)	13.9
Adjustment to reconcile net loss to net cash provided by operating activities		
Depreciation and amortisation	10.8	13.2
Impairment of fixed assets	2.0	5.0
Share-based compensation expenses	0.3	—
Loss/(gain) on PP&E disposals	(0.4)	—
Share of losses of unconsolidated affiliates	1.8	0.3
Amortisation of loan fees	0.4	0.4
Mark to market of financial instruments	(0.9)	(13.3)
Mark to market of marketable securities	6.4	(1.9)
Change in deferred and accrued taxes	0.5	2.5
Gain on bargain purchase	—	(9.2)
Decrease/(increase) in accounts receivable and other current assets	16.2	0.2
Decrease/(increase) in inventories	(5.3)	(1.2)
(Decrease)/increase in accounts payable and other current liabilities	8.7	(11.9)
Change in other operating assets and liabilities net, including non-cash fx effects	7.6	(6.8)
Net cash provided by operating activities	30.2	(8.7)
Cash Flows from Investing Activities		
Capital expenditures	(9.5)	(2.5)
Proceeds from asset disposals	0.7	0.6
Loans to associated entities	(0.9)	—
Business acquisition	(1.5)	—
Investment in subsidiaries net of cash acquired	(6.5)	(5.9)
Net cash used by investing activities	(17.7)	(7.8)
Cash Flows from Financing Activities		
Borrowings under revolving facilities, other long-term debt and financial leases	1.9	86.5
Repayments under revolving facilities, other long-term debt and financial leases	(5.2)	(33.6)
Proceeds from issuance of equity, net	98.0	—
Net cash provided by financing activities	94.7	52.9
Effect of exchange rate changes on cash and cash equivalents	(2.0)	2.4
Net increase in cash and cash equivalents	105.2	38.8
Cash and cash equivalents, including restricted cash, at beginning of the period	93.0	65.5
Cash and cash equivalents, including restricted cash, at the end of the period	198.2	104.2
Interest paid	14.6	7.2
Taxes paid	1.3	0.8

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, 2022	1.5	928.0	(1,579.2)	(8.9)	740.1	81.5
Share based compensation	—	0.3	—	—	—	0.3
Net proceeds of Private placement	1.0	97.0	—	—	—	98.0
Translation differences	—	—	—	(1.8)	—	(1.8)
Net income	—	—	(17.9)	—	—	(17.9)
Balance at March 31, 2023	2.5	1,025.2	(1,597.1)	(10.8)	740.1	160.0

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

Notes

Note 1 Summary of Business and Significant Accounting Policies

Note 2 Revenue from contracts with customers

Note 3 Other Financial Items

Note 4 Income Taxes

Note 5 Earnings Per Share

Note 6 Inventories

Note 7 Investments in Associates

Note 8 Goodwill

Note 9 Long-term, Interest Bearing Debt

Note 10 Leases

Note 11 Segment Information

Note 12 Fair Value of Financial Instruments

Note 13 Acquisitions

Note 14 Related Parties

Note 16 Legal Proceedings

Note 18 Subsequent Events

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 4,702 skilled and experienced people at March 31, 2023.

Archer was incorporated in Bermuda on August 31, 2007.

Basis of presentation

The unaudited first quarter 2023 consolidated financial statements are presented in accordance with United States of America Generally Accepted Accounting Principles (US GAAP). The unaudited first quarter 2023 consolidated financial statements do not include all the disclosures required in complete annual financial statements. These unaudited first quarter 2023 financial statements should be read in conjunction with our financial statements as of December 31, 2022. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair statement have been included.

Going Concern

The financial statements have been prepared on a going concern basis. This assumption is based on the liquidity position of the Group, forecasted operating results, and the market outlook for the oil service sector as at March 31, 2023 as well as the refinancing as described in note 17 and note 18.

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 2023 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, 2022.

Recently issued accounting standards

There are currently no recently issued Accounting Standard updates that are expected to materially affect our consolidated financial statements and related disclosures in future periods.

First quarter 2023 report

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, 2023	December 31, 2022
Accounts receivable net	147.1	152.6

Provision for bad debts - On March 31, 2023, we have a provision for bad debt of \$0.4 million which relates primarily to debt owed from Russia. We have closed our operation in Russia. Prior to this provision we had no provisions for bad debts in our balance sheet since any anticipated unrecoverable revenues are taken into account under our revenue recognition policy and subsequent bad debts are written off as they are recognised.

We have recognised contract assets of \$20.1 million which relate to mobilisation fees for one of our modular rigs. These fees will be amortised over the contract period. \$8.0 million of these fees are included in other current assets and \$12.1 million in other non-current assets.

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,	
	2023	2022
Foreign exchange (losses)/gains	(9.1)	2.5
Mark-to-market of marketable securities (KLX Energy Services Holdings Inc.)	(6.4)	1.9
Mark-to-market of financial instruments (interest rate caps)	0.9	13.3
Other items	(1.1)	(0.1)
Total other financial items	(15.7)	17.6

Foreign exchange losses and gains includes foreign exchange losses and gains on an intercompany loan balance denominated in Norwegian Kroner. The internal NOK 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 USD/NOK exchange rate movements on the entity with Norwegian Kroner functional currency is classified as other comprehensive income. During first quarter of 2023 we have experienced movements in foreign exchange rates, with the NOK weakening against the USD by around 5%. This resulted in the large exchange losses recorded in the income statement in first quarter of 2023.

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,	
	2023	2022
North America	0.1	0.1
South America	1.4	2.3
Europe	0.3	0.9
Others	—	—
Total	1.8	3.3

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 2023 is \$1.8 million. The tax charge reported in the current period relates primarily to taxable profits from operations in South America and Europe.

The net tax expense in Europe amounted to \$0.3 million, which relates to our operation in Norway (\$1.6 million) and UK (\$0.5 million), offset by tax losses on currency fluctuation and interest costs in Norway(\$-1.7 million).

The net tax cost in South America amounted to \$1.4 million at the end of March 2023 are related to operation in Brazil (\$0.4 million) and tax accrual in Argentina due to uncertainty of paying internal short-term debt in 2023 (\$1.0 million). We have taken an allowance related to the taxable losses incurred in Argentina for the year.

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

As on 31 March 2023 we have total deferred tax assets of \$19.6 million which mainly consist of \$11.5 million of tax assets in Norway, \$7.1 million tax assets in Argentina and \$0.5 million tax assets in UK.

Deferred tax liabilities on 31 March 2023 totals \$0.3 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,	
	2023	2022
Denominator		
Weighted-average common shares outstanding	318,451	148,759
Effect of potentially dilutive common shares	—	696
Weighted-average common shares outstanding and assumed conversions	318,451	149,455

Note 6 Inventories

Inventories

(In USD millions)	March 31, 2023	December 31, 2022
Manufactured		
Raw materials	0.9	1.5
Finished goods	16.5	13.6
Work in progress	1.3	0.9
Total manufactured	18.7	16.1
Drilling supplies	13.5	21.8
Other items and spares	29.9	17.3
Total inventories	62.1	55.2

"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, 2023	December 31, 2022
Comtrac AS	50.0%	50.0%
Jarðboranir hf. ("Iceland Drilling")	50.0%	50.0%

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

(In USD millions)	March 31, 2023	December 31, 2022
Comtrac AS	2.5	2.5
Iceland Drilling	7.9	9.3

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

(In USD millions)	Comtrac AS	Iceland Drilling
Carrying value of investment at December 31, 2022	2.5	9.3
Additional capital investment	0.0	0.8
Share in results of associates	0.0	(1.8)
Translation adjustments	0.0	(0.5)
Carrying value of investment at March 31, 2023	2.5	7.9

During the fourth quarter 2022, we completed our acquisition of 50% of Iceland Drilling, an unrelated, international geothermal drilling and integrated Service company for a purchase price of \$8.25 million. In addition to our equity shareholding we have equal Board representation with the other single 50% shareholder, Kaldbakur ehf, which is also unrelated to Archer Ltd. We have determined that our interest in Iceland Drilling does not constitute a controlling interest. Due to the fact that we are able to exercise significant influence over the company's operations we are accounting for the investment using the equity method of consolidation. The initial investment of \$8.3 million includes the purchase consideration for the shares and direct costs relating to the purchase, comprising mainly legal and professional fees. Following due diligence work we have concluded that the fair value of the net assets acquired is not

materially different from the amount of our investment, totalling \$8.3 million. We shall not therefore be adjusting our share of the results of Iceland Drilling, recognised in our future income statements, to reflect any basis differences between the value recorded as our initial investment and the book value of the underlying equity acquired.

Following the acquisition we have made a loan equivalent to \$1.8 million to Iceland drilling.

Quoted market prices for Iceland Drilling and Comtrac and are not available because the shares are not publicly traded.

The carrying value of Comtrac 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 goodwill relates to our Platform Drilling and Well Services reporting segment – see also note 10.

Goodwill

(In USD millions)	
Net book balance at December 31, 2022	149.4
Translation adjustments	(5.4)
Goodwill acquired in relation to Romar Abrado	5.1
Net book balance at March 31, 2023	149.1

During the first quarter of 2023 we have recognised goodwill amounting to \$5.1 million relating to our acquisition of 100% of Romar Abrado which is described in Note 13 Acquisitions.

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 judgment 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.

All of our goodwill relates to our Platform Drilling, Wireline and Oiltools business divisions. All these divisions have seen improved results in the last couple of years, and they have a solid contract backlog for the next 3-5 years. Based on the combined improved results, order backlog and forecasts, we identified no impairment indicators at March 31, 2023.

Note 9 Long-term, Interest Bearing Debt

(In USD millions)	March 31, 2023			December 31, 2022		
	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	555.7	(0.5)	555.3	559.6	(0.8)	558.8
Related party subordinated loan	15.9	—	15.9	15.9	—	15.9
Other loans and capital lease liability	12.8	—	12.8	12.8	—	12.8
Total loans and capital lease liability	584.5	(0.5)	584.1	585.4	(0.8)	587.5
Less: current portion	(4.0)	—	(4.0)	(563.8)	(0.8)	(562.9)
Long-term portion of interest-bearing debt	580.5	(0.5)	580.0	24.6	—	24.6

First quarter 2023 report

Multicurrency term and revolving credit facility

The total amount available under the Multicurrency term and revolving credit facility (the “Facility”) is \$566.6 million, split between \$331.6 million under a term loan and \$234.9 million in revolving facilities. A total of \$555.7 million was drawn as at March 31, 2023 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. The quarterly instalments amount to \$4 million. 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 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. 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.

As of March 31, 2023, the Company is compliant with all covenants under this Facility.

Because the Facility has been refinanced in its entirety as per the date of this report, the debt is classified as long term. See note 17, Refinancing, and note 18, Subsequent events, for further details regarding the refinancing.

Related party subordinated loan

In Q2, 2017 we established a subordinated convertible loan 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 the Lender 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.

Because the related party subordinated loan was converted to equity in April 20, 2023, the debt is classified as long term. See note 17, Refinancing, and note 18, Subsequent events, for further details regarding the conversion of the related party subordinated loan.

Other loans and capital leases

On March 31, 2023 net borrowing under short-term facilities in Argentina was \$1.6 million.

We have finance arrangements relating to equipment in our Oiltools and Platform Drilling divisions. On March 31, 2023, the balance under these arrangements was \$11.3 million.

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 \$9.5 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 11 years at March 31, 2023. 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 2023.

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 recognise the right of use of assets and lease liability for short term leases.

Supplemental information pertaining to the Company's leasing activities for the year ended March 31, 2023 was as follows;

First quarter 2023 report

(In USD millions)	Three Months Ended March 31, 2023
Finance Lease costs	
Amortisation of right of use assets	0.7
Interest on lease liabilities	0.3
Operating lease costs	2.1
Short term lease costs	6.4
Total Lease costs	9.5
Other information	
Cash paid for amounts included in measurement lease liabilities	
Operating cash flows from finance leases	0.3
Operating cash flows from operating leases	8.5
Financing cash flows from finance leases	1.4
Right of use assets obtained in exchange for new finance lease liabilities	
Right of use assets obtained in exchange for new operating lease liabilities	
Weighted average remaining lease term in years – finance leases	4.0
Weighted average remaining lease term in years – operating leases	7.8
Weighted average discount rate – finance leases	6.7%
Weighted average discount rate – operating leases	6.4%

Note 11 Segment Information

We present our business under three reporting segments based on services supplied;

- Platform Operations
- Well Services
- Land Drilling

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,	
	2023	2022
Revenues from external customers		
Platform Operations	117.7	108.2
Well Services	68.7	52.9
Land Drilling	80.2	58.0
Total revenue	266.6	219.1
Depreciation and amortisation		
Platform Operations	3.0	3.4
Well Services	2.7	2.6
Land Drilling	5.2	7.2
Total depreciation and amortisation	10.8	13.2
Operating income/net income		
Platform Operations	9.6	6.3
Well Services	5.1	2.6
Land Drilling	0.2	(9.0)
Corporate Cost	(2.1)	(1.8)
Stock compensation cost	(0.0)	(0.0)
Total operating income / (loss)	12.8	(2.0)
Total financial items	(28.9)	10.1
Gain on bargain purchase	(0.1)	9.2
Income taxes	(1.8)	(3.3)
Net (loss)/profit	(17.9)	13.9

Capital Expenditures

(In USD millions)	Three Months Ended March 31,	
	2023	2022
Capital Expenditures		
Platform Operations	0.7	0.6
Well Services	4.2	0.6
Shared assets*	0.4	0.4
Total excluding Land Drilling	5.3	1.5
Land Drilling	4.2	1.0
Total	9.5	2.5

Goodwill

(in USD millions)	Platform Operations	Well Services	Total
Balance at December 31, 2022	77.0	72.4	149.4
Translation adjustments	(2.2)	(3.2)	(5.4)
Acquired goodwill in relation to the acquisition of Romar Abrado	—	5.1	5.1
Balance at March 31, 2023	74.8	74.3	149.1

All goodwill relates to our Platform Drilling, Oiltools and Wireline operations

First quarter 2023 report

Total assets

(In USD millions)	March 31, 2023	December 31, 2022
Platform Operations	182.1	216.6
Well Services	260.9	197.1
Shared assets*	212.6	173.8
New investment Iceland Drilling	7.9	9.5
Land Drilling	316.7	294.0
Corporate	10.3	15.2
Total	990.5	906.2

* Assets shared by Platform Drilling and Well Services segments include shared office and admin facilities, cash which is pooled, and tax assets and liabilities

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 the first quarter of 2023 we have recognized impairment charges of \$2 million in respect of idle land drilling rigs. As a result of our testing in 2022 we recognized in 2022 total impairment charges of \$6.0 million relating to our land rigs in Argentina. We also recognised impairment charges totalling \$1.3 million relating to assets located in the US acquired as part of the acquisition of Ziebel. The circumstances giving rise to the impairment of these assets arose after the acquisition.

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, 2023		December 31, 2022	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Non-derivatives				
Cash and cash equivalents	196.9	196.9	82.1	82.1
Restricted cash	1.3	1.3	10.9	10.9
Marketable securities	9.6	9.6	15.9	15.9
Accounts receivable	147.1	147.1	152.6	152.6
Accounts payable	(58.0)	(58.0)	(47.2)	(47.2)
Current portion of interest-bearing debt	(3.6)	(3.6)	(562.9)	(562.9)
Current portion of operating lease liability	(5.0)	(5.0)	(5.6)	(5.6)
Long-term interest-bearing debt	(564.7)	(564.7)	(8.7)	(8.7)
Operating lease liability	(20.2)	(20.2)	(20.8)	(20.8)
Subordinated related party loan	(15.9)	(15.9)	(15.9)	(15.9)
Derivatives				
Interest cap agreements	—	—	14.5	14.5

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

Financial assets and liabilities

In USD millions)	March 31, 2023	Fair Value Measurements at Reporting Date Using		
	Fair Value	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	196.9	196.9	—	—
Restricted cash	1.3	1.3	—	—
Marketable securities	9.6	9.6	—	—
Accounts receivable	147.1	—	147.1	—
Liabilities				
Accounts payable	(58.0)	—	(58.0)	—
Current portion of interest-bearing debt	(4.0)	—	(4.0)	—
Current portion of operating lease liability	(5.0)	—	(5.0)	—
Long-term, interest-bearing debt	(564.2)	—	(564.2)	—
Operating lease liability	(20.2)	—	(20.2)	—
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 caps 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 Acquisitions

Romar Abrado

On January 9, 2023 Archer signed a share purchase agreement for the purchase of 100% of the issued share capital of Romar-Abrado. The Romar-Abrado group, comprises a holding and operating company in the UK and an operating company in the US, offers advanced milling and SWARF handling services to the global Plug and Abandonment (“P&A”) market. Romar-Aabrado operations complement the services provided by Archer's Oiltools division and will be reported within the Well Services reporting Segment.

The total purchase consideration for the Romar-Abrado group is expected to total \$12.9 million and settled as follows:

First quarter 2023 report

Purchase consideration

	(In USD million equivalent)
Cash settlement	9.2
Earn-out element (fair value of expected amount)	3.7
Total	12.9

The fair value of the assets acquired at the acquisition date of January 9, 2023 were as follows:

Fair value of assets acquired (preliminary)

	(In USD millions equivalent)
Cash and restricted cash	1.6
Receivables	4.2
Inventory	2.3
Tangible fixed assets	1.9
Intangible assets	0.8
Liabilities	(3.0)
Total fair value of assets acquired	7.8

The \$5.1 million excess of the purchase consideration over the fair value of the assets is recognized as goodwill.

In the first quarter of 2023, since the acquisition, the Romar-Abrado entities have contributed a net loss of \$1.1 million reported in Archers consolidated income statement. The results arising from the acquired Romar-Abrado business are reported in the Well Services Reporting Segment.

Baker Hughes coil tubing business

During the first quarter Archer has entered an agreement to purchase the assets and business of a coil tubing business from Baker Hughes. The business includes four complete coil tubing and pumping packages with supporting equipment, specialized and optimized for the UK market. As part of the transaction, Archer takes over a professional team of 51 employees in the UK.

The purchase is due to complete in April 2023. The consideration for the acquisition comprises an initial installment of \$1.5 million, which was paid in Q1 2023 and final settlement of 5.5 million which is due in Q1 2024.

Ziebel

Zeibel entities were acquired in 2022. 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 existing wireline product offering. Archer expects 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 included 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 divisions,
- 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 resulted 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. An adjustment of \$0.1 million was made to our initial calculation and reported in Q1 2023.

The acquisition and future operational results of Ziebel are included in our Well Services reporting segment.

Note 14 Related Parties

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

Transactions with Comtrac AS:

Our 50% investment in Comtrac AS comprises equity investment and a loan equivalent to \$1.7 million and \$0.8 million respectively. We account for our investment using the equity method, as discussed above in note 7. During the 3 months ended March 31, 2023, we have invoiced Comtrac AS a total of NOK 0.9 million, or \$0.1 million for services provided to them.

Transactions with Iceland drilling:

Our 50% investment in Iceland Drilling comprises equity investment and a loan of \$1.8 million. We are accounting for this investment using the equity method of accounting. Due to the fact that we exercise significant influence over its operations, following the acquisition, Iceland is a related party. The acquisition and relevant transactions are discussed further in note 7.

Transactions with other related parties

The following are related parties, being companies in which Archer's second-largest shareholder Hemen Holding Ltd have significant direct and indirect interest:

- Front Ocean Management (Bermuda) Limited, ("Front")
- Seatankers Management Company Limited ("Seatankers")

First quarter 2023 report

Front and Seatankers provide management support and administrative services to us, and we have recorded fees of \$0.1 million for these services in first quarter of 2023. These expenses are included in General and administrative expenses in the Consolidated statement of operations.

Note 15 Share capital

(In USD millions)	March 31, 2023		December 31, 2022	
	Shares	\$ million	Shares	\$ million
Authorized share capital	2,000,000,000	20.0	1,000,000,000	10.0
Issued, outstanding and fully paid share capital	1,188,758,612	11.9	148,758,612	1.5

Archer shares are traded on the Oslo Stock exchange with the ticker "ARCH"

On March 28th, the shareholders in Archer Limited authorized the increase in authorized share capital from \$10 million to \$20 million in a special general meeting. The increase in authorized share capital was required in order to issue the shares agreed in the refinancing process. Please see note 17, Refinancing, and note 18 Subsequent event for further details about the overall refinancing of the group and the share issuances conducted after March 31, 2023.

Note 16 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, 2023, we are not aware of any such expected loss which would be material to our financial position and results of operations. Nor are we 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 17 Refinancing

In principle Refinancing Agreement

On 6 March 2023, the Company announced that it had reached an agreement in principle with its secured lenders and other stakeholders regarding a contemplated refinancing solution for the Group (the "Refinancing"). The Refinancing consists of the Private Placement, the First Lien Facility, the Second Lien Bonds and the conversion of the related party subordinated loan.

- **First Lien Facility**

As part of the Refinancing, the Company's indirectly and directly owned subsidiary Archer Norge AS and Archer Assets (UK) Ltd., have entered into a term sheet with lenders in relation to a USD 260 million multicurrency facility agreement (the "First Lien Facility") consisting of:

- a USD 150 million multicurrency term loan facility;
- a USD 100 million multicurrency revolving credit facility; and
- a USD 10 million multicurrency guarantee facility.

The term loan facility and revolving facility will be used to refinance the Multicurrency term and revolving credit facility and general corporate purposes of the Group and will have a tenor of 4 years with a margin of Secured Overnight Financing Rate, or "SOFR" + a margin of between 300 – 550 basis points, depending on the leverage ratio. The guarantee facility will be used towards issuance of letters of credit, including the refinancing of existing letters of credit.

- **Second Lien bond**

As part of the Refinancing, the Company's indirectly wholly owned subsidiary Archer Norge AS will issue USD 200 million second lien bonds with a tenor of 4.25 years. The second lien bonds will have an interest rate of either (i) 5.00%+ SOFR in cash interest + 5% payment-in-kind interest, or (ii) 12%+ SOFR in payment-in-kind interest, where the payment-in-kind interest is settled by issuing additional bonds to the bondholders. The net proceeds from the Second Lien Bond will be used for partial repayment of the Multicurrency term and revolving credit facility and general corporate purposes of the Group.

The Second Lien Bond Issue is fully back-stopped by back-stop participants who have agreed to subscribe for such Second Lien Bonds that are not subscribed for by other investors in the public marketing of the Second Lien Bonds. As consideration for the backstop commitment, the back stop providers will receive a fee of USD 20 million. This fee will be settled through the issuance of 208,000,000 shares (the "Compensation Shares") to the back stop participants, at the subscription price per share in the Private Placement.

- **Conversion of the related party subordinated loan**

As part of the Refinancing, the related party subordinated loan is expected to be converted to 208,000,000 shares in the Company implying a value of USD 20 million based on an issuance price per share of NOK 1.0 and a USDNOK rate of 10.4.

- **The Private Placement**

As part of the Refinancing, the Company will raise the NOK equivalent of USD 100 million in new equity through a private placement of new common shares (the "Private Placement"). The net proceeds from the Private Placement will be used for partial repayment of the Multicurrency term and revolving credit facility and general corporate purposes of the Group

The Company have carried out a subsequent offering of new shares (the "Subsequent Offering") directed towards existing shareholders in the Company at 6 March 2023.

- **Conditions and timeline of the Refinancing**

The Refinancing is inter-conditional, and subject to agreement on final form documents for the First Lien facility, the loan agreement relating to the Second Lien Bonds as well as an intercreditor agreement. The First Lien Facility and the 2nd Lien Bond are inter-conditional and subject to completion of the Private Placement and the conversion of the related party convertible loan. The conversion of the related party convertible Loan is conditional upon completion of the Private Placement and the conditions for satisfaction of the terms of the First Lien Facility and the Second Lien Bond being satisfied.

The Private Placement

On March 7, 2023 the Company announced that it has raised the NOK equivalent of USD 100 million in gross proceeds through the Private Placement of 1,040,000,000 new common shares at a subscription price of NOK 1 per share.

The Subsequent Offering

On March 27, 2023 the Company announced that it has raised the NOK equivalent of USD 1.7 million in gross proceeds through the Subsequent Offering of 17,506,357 new shares at a subscription price of NOK 1 per share.

Note 18 Subsequent Events

The Second Lien Bond issuance

On April 3, 2023 the Company announced that its subsidiary Archer Norge AS had issued the Second Lien Bond of USD 200 million with a 4.25 years' tenor.

Signing of the First Lien Facility

On April 13, 2023 the Company signed the First Lien Facility agreement with lenders in relation to the USD 260 million multicurrency facility.

First quarter 2023 report

Conversion of the related party subordinated loan

On April 20, 2023 the Company announced that the related party subordinated loan had been converted to 208 million shares in the Company.

Issuance of the Compensation Shares

On April 24, 2023 the Company announced that it had issued the 208 million Compensation Shares, as described above.

Completion of the Refinancing

On April 25, 2023 the Company announced that it had completed its overall Refinancing and repaid all amounts outstanding under its previous Multicurrency term and revolving credit facility.

Appendix to First Quarter 2023 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, 2023, December 31, 2022, September 30, 2022, June 30, 2022, March 31, 2022 and December 30, 2021. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, our reported results prepared in accordance with GAAP.

Condensed Consolidated Statements of Operations (Unaudited)

(In USD million)	Three Months Ended					
	Mar. 31, 2023	Dec. 31, 2022	Sep. 30, 2022	Jun. 30, 2022	Mar. 31, 2022	Dec. 31, 2021
Revenue	266.6	264.3	240.2	246.6	219.1	251.9
Cost and expenses						
Operational costs	(253.8)	(249.1)	(229.6)	(238.9)	(221.2)	(244.0)
Impairments	(2.0)	(2.3)	—	—	(5.0)	(13.5)
Net financial items	(28.9)	7.2	(7.2)	(25.5)	10.1	(5.7)
Gain on bargain purchase	(0.1)	—	—	—	9.2	(0.8)
Income / (loss) from continuing operations before income taxes	(16.1)	20.2	3.4	(17.8)	17.3	(12.0)
Income tax (expense)/benefit	(1.8)	(3.8)	(4.4)	(1.7)	(3.3)	(0.7)
Net income / (loss)	(17.9)	16.4	(1.1)	(19.5)	13.9	(12.7)

Reconciliation of GAAP to non-GAAP Measures (Unaudited)

(In USD million)	Three Months Ended					
	Mar. 31, 2023	Dec. 31, 2022	Sep. 30, 2022	Jun. 30, 2022	Mar. 31, 2022	Dec. 31, 2021
Net income / (loss)	(17.9)	16.4	(1.1)	(19.5)	13.9	(12.7)
Depreciation, amortization and impairments (net of gains/losses on sale of assets)	12.8	14.3	12.4	12.0	18.2	14.6
Net financial items	28.9	(7.2)	7.2	25.5	(10.1)	5.7
Taxes on income	1.8	3.8	4.4	1.7	3.3	0.7
Gain on sale of asset	(0.4)	0.1	(0.1)	(0.1)	—	(0.2)
Gain on bargain purchase	0.1	—	—	—	(9.2)	0.8
EBITDA	25.2	27.4	22.9	19.5	16.2	22.4
Exceptional charges	2.2	1.8	0.9	1.4	4.9	3.4
EBITDA before restructuring costs	27.4	29.2	23.7	20.9	21.1	25.8

First quarter 2023 report

EBITDA by reporting segments (Unaudited)

(In USD million)	Three Months Ended					
	Mar. 31, 2023	Dec. 31, 2022	Sep. 30, 2022	Jun. 30, 2022	Mar. 31, 2022	Dec. 31, 2021
Platform Operations	12.5	15.5	11.1	11.4	9.6	11.1
Well Services	7.7	7.1	11.1	6.7	5.2	9.1
Land Drilling	7.0	7.3	2.6	3.4	3.2	3.6
Corporate costs	(2.1)	(2.5)	(1.9)	(1.9)	(1.8)	(1.5)
EBITDA	25.2	27.4	22.9	19.5	16.2	22.4

EBITDA for Platform Operations and Well Services has been restated historically to reflect the allocation of Overhead which was previously reported separately.