



**2023**  
**Archer Limited**

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**SECOND QUARTER RESULTS**

**Archer**

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### Archer results for the first six months of 2023

Archer's revenue increased by \$95.7 million, or 20.5%, to \$561.5 million in the first half of 2023 compared to the corresponding period last year, despite a significant negative effect of the NOK and GBP which was around 13% and 5% weaker respectively against the USD in 2023 compared to the corresponding period in 2022. The increase is in revenue reflects general higher activity in all our reporting segments compared to the corresponding period in 2022.

EBITDA before exceptional items ("Adjusted EBITDA") for the first half year in 2023 of \$59.2 million represents an increase of 41% compared to the corresponding period last year of \$42.1 million. Platform Operation reported an increase of \$0.4 million, explained by improvements in the engineering division. Our Well Service division increased the Adjusted EBITDA by 71%, or \$9.0 million, compared to previous year, primarily driven by high activity for Oiltools, but also contribution from our newly acquired business divisions; Romar-Abrado and coiled tubing in the UK. Land Drilling's Adjusted EBITDA improved by 83.8%, or \$8.6 million, following increased activity in Argentina during the first half of 2023. Total exceptional items for the first six months of 2023 was \$4.0 million compared to \$6.3 million in 2022 and relates primarily to costs associated with severance payments. The calculation of EBITDA before and after exceptional items is detailed in the Appendix to these financial statements.

For the first six months of 2023, net operating income was \$31.2 million, an improvement of \$25.5 million compared to the net operating income of \$5.7 million in the corresponding period in 2022. During the first half of 2023, Land Drilling reported an impairment of assets of \$2.0 million compared to \$5.0 million in 2022.

In January 2023, Archer completed the acquisition of Romar-Abrado, an unrelated company who offers advanced milling and SWARF handling services to the global P&A market. The acquisition is based on an enterprise value of \$8 million, plus earn-out pending trading performance over 2023 to 2025, which we recoded at an initial estimated amount of \$3.7 million. Romar-Abrado is included to our Well Services reporting segment.

In April 2023, Archer completed the acquisition of Baker Hughes coiled tubing business in the UK ("BHCT"), an unrelated company who offers coil tubing and pumping services to the UK market. The acquisition is based on an enterprise value of \$7 million. BHCT is reported under our Well Services reporting segment.

In 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 consisted of the Private Placement, the new First Lien Facility, the new Second Lien Bonds, the conversion of the related party subordinated loan and the full repayment of the multicurrency term and revolving credit facility.

#### a) The Private Placement

In March 2023, the Company raised the NOK equivalent of \$100 million in new equity through a Private Placement of new common shares. The Company carried out a subsequent offering of new shares directed towards existing shareholders in the Company as at 6 March 2023, raising an additional \$1.7 million.

#### b) First Lien Facility

In April 2023, the Company's indirectly and directly owned subsidiary Archer Norge AS and Archer Assets (UK) Ltd., entered into a new First Lien Loan Facility in relation to a \$260 million multicurrency facility agreement (the "First Lien Facility") consisting of:

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

The First Lien Facility have a tenor of 4 years with an interest rate consisting of the Secured Overnight Financing Rate, or "SOFR" + a margin of between 300 – 550 basis points, depending on the leverage ratio. The guarantee facility was used towards issuance of letters of credit, including the refinancing of existing letters of credit.

#### c) Second Lien Bond

In April 2023, the Company's indirectly wholly owned subsidiary Archer Norge AS issued \$200 million Second Lien Bonds with a tenor of 4.25 years. Archer can elect an interest rate on the bonds 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 Second Lien Bond Issue was 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 backstop providers receive a fee of \$20 million. This fee was settled through the issuance of 208 million shares to the underwriters.

d) Conversion of the related party subordinated loan

As part of the Refinancing, the related party subordinated loan was converted to 208 million shares in the Company.

e) The repayment of the Multicurrency term and revolving credit facility

The proceeds from the issuance of the First Lien Debt, the Second Lien Bonds, the Private Placement and the Subsequent Offering were applied to the full repayment of the Multicurrency term and revolving credit facility in April 2023, concluding the Refinancing.

Net financial items were a cost of \$61.5 million in the first six months of 2023, compared to a cost of \$15.4 million previous year. Net financial items was impacted by the general increase in interest rates in 2023, which resulted in interest costs of \$26.4 million for in the six months ended 30 June 2023, compared to \$15.0 million in 2022. Our share of losses of associated companies increased from \$0.3 million in 2022 to \$4.1 million in 2023 following the acquisition of Iceland Drilling. The value of our shares in KLX Energy fell significantly in 2023 resulting in a mark to market loss of \$6.7 million reported in 2023, compared to a gain of \$1.1 million for the same period in 2022. In 2022, we recorded a gain of \$20.3 million relating to interest caps. A gain of \$0.9 million was recorded in 2023, before the sale of the instruments during the first quarter. In 2023, we have recoded a loss of \$4.1 million on the conversion of the subordinated convertible debt. Net foreign exchange losses in 2023 were \$18.4 million (20.9 million in 2022). Other financial items amounted to \$2.7 million expense (\$0.6 million in 2022).

Net loss for the first six months of 2023 was \$34.0 million, or \$0.04 per share, compared with a net income of \$5.6 million, or \$0.04 per share, for the first six months of 2022. The major items responsible for this large variance are, a gain on the bargain purchase of Iceland Drilling of \$9.2 million, and mark to market gains on interest rate caps of \$20.3 million recorded in 2022, which are not repeated in 2023.

Capital expenditure for the first six months of 2023 totalled \$16.8 million compared with \$7.7 million for the first six months of 2022.

In the first half of 2023, operating cash flow contributed \$32.0 million to our cash balance, compared to \$8.1 million in the same period last year. Net cash used in investing activities was \$28.6 million, relating primarily to capital expenditure, the acquisition of Romar-Abrado and the acquisition of Baker Hughes coiled tubing and pumping business. Net cash provided by financing activities was \$20.1 million, provided mainly by the application of cash at hand towards the repayment of the old revolving facility under revolving credit facility.

Cash and cash equivalents, excluding restricted cash, amounted to \$67.5 million at June 30, 2023 compared to \$82.1 million at December 31, 2022. Total net interest-bearing debt at June 30, 2023 was \$394.6 million compared to \$506 million at the end of 2022.

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

## Outlook

There has been considerable changes in our markets in the recent year. The energy crisis and Ukraine war have shown us the importance of energy security and supply diversification. The recent year focus on energy transition, have also shown the importance of current energy as a source for the ongoing energy transition. We believe the current market conditions will support strong activity within our core markets with continued high oil prices in the next few years.

The first six months of 2023 already includes some significant milestones in Archer history, with the completed full refinancing in April 2023, key strategic acquisitions during the first half of 2023 and some major new contract wins. These milestones are an important foundation for the continued growth and expansion of our services.

## Second quarter and first half 2023 report

Archer's strategy to deliver "better wells" and to be the "supplier of choice" for drilling and well services, is well suited to participate in the ongoing energy transition and to continue growing our core services in-line with development of the global energy map and requirements, particularly within the plug and abandonment of wells. More than 90% of Archer revenue is within late life production/plug & abandonment/decommission (brownfield operations), which is less impacted by changes to the oil price.

### **Risks and uncertainties**

Archer is exposed to a number of risk factors relating to the Company's finances and the industry in which the Company operates. Archer has not identified any additional risk exposure beyond those described in Archer Limited's 2022 Annual report.

### **Cautionary Statement Regarding Forward-Looking Statements**

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

Forward-looking statements do not guarantee future performance and involve risks and uncertainties. Actual results may differ materially from projected results/pro forma results as a result of certain risks and uncertainties. Further information about these risks and uncertainties are set forth in our most recent annual report for the year ending December 31, 2020. These forward-looking statements are made only as of the date of this news release. We do not undertake any obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise.

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

**Responsibility Statement from the Board of Directors**

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period January 1, to June 30, 2023 has been prepared in accordance with United States Generally Accepted Accounting Principles, or “US GAAP” and gives a true and fair view of the Group’s assets, liabilities, financial position and profit or loss as a whole. We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements. We have disclosed all major related parties’ transactions. A detailed description of the principal risks and uncertainties facing the group is provided in our annual statement for the year ended December 31, 2022 as supplemented herein, remain materially unchanged for the remaining six months of the financial year 2023.

August 2023

**The board of Archer Limited****James O'Shaugnessy**

Director

**Arne Sigve Nylund**

Director

**Peter J. Sharpe**

Director

**Giovanni Dell'Orto**

Director

**Richard Stables**

Director

**Jan Erik Klepsland**

Director

## Consolidated Statements of Operations (unaudited)

(In USD millions, except per share data)	Three Months Ended June 30		Six Months Ended June 30		
	Note	2023	2022	2023	2022
<b>Revenues</b>					
Operating revenues		249.8	199.2	476.7	395.0
Reimbursable revenues		45.1	47.4	84.8	70.7
<b>Total revenues</b>		<b>294.9</b>	<b>246.6</b>	<b>561.5</b>	<b>465.8</b>
<b>Expenses</b>					
Operating expenses		208.0	168.5	396.8	337.5
Reimbursable expenses		43.8	47.8	82.9	70.7
Operating lease costs	11	2.0	1.4	4.1	2.8
Depreciation and amortization		11.9	12.0	22.7	25.2
Gain on sale of assets		(0.4)	(0.1)	(0.8)	(0.1)
Impairment charges		—	—	2.0	5.0
General and administrative expenses		11.2	9.4	22.5	19.0
<b>Total expenses</b>		<b>276.5</b>	<b>238.9</b>	<b>530.3</b>	<b>460.1</b>
<b>Operating income</b>		<b>18.4</b>	<b>7.7</b>	<b>31.2</b>	<b>5.7</b>
Gain on bargain purchase	7	0.1	—	—	9.2
<b>Financial items</b>					
Net interest expense		(15.0)	(7.8)	(26.4)	(15.0)
Share of results in associated companies	8	(2.3)	(0.1)	(4.1)	(0.3)
Other financial items	3	(15.3)	(17.6)	(31.0)	0.0
<b>Total financial items</b>		<b>(32.6)</b>	<b>(25.5)</b>	<b>(61.5)</b>	<b>(15.4)</b>
<b>Loss from continuing operations before income taxes</b>		<b>(14.1)</b>	<b>(17.8)</b>	<b>(30.3)</b>	<b>(0.5)</b>
Income tax expense	4	(2.0)	(1.7)	(3.8)	(5.1)
<b>Loss from continuing operations</b>		<b>(16.2)</b>	<b>(19.5)</b>	<b>(34.0)</b>	<b>(5.6)</b>
<b>Net loss</b>		<b>(16.2)</b>	<b>(19.5)</b>	<b>(34.0)</b>	<b>(5.6)</b>
Loss per share - basic		(0.01)	(0.13)	(0.04)	(0.04)
Loss per share - diluted		(0.01)	(0.13)	(0.04)	(0.04)
<b>Weighted average number of shares (million) outstanding</b>					
Basic	5	1,521	148.8	921	148.8
Diluted	5	1,521	148.8	921	148.8

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

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

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

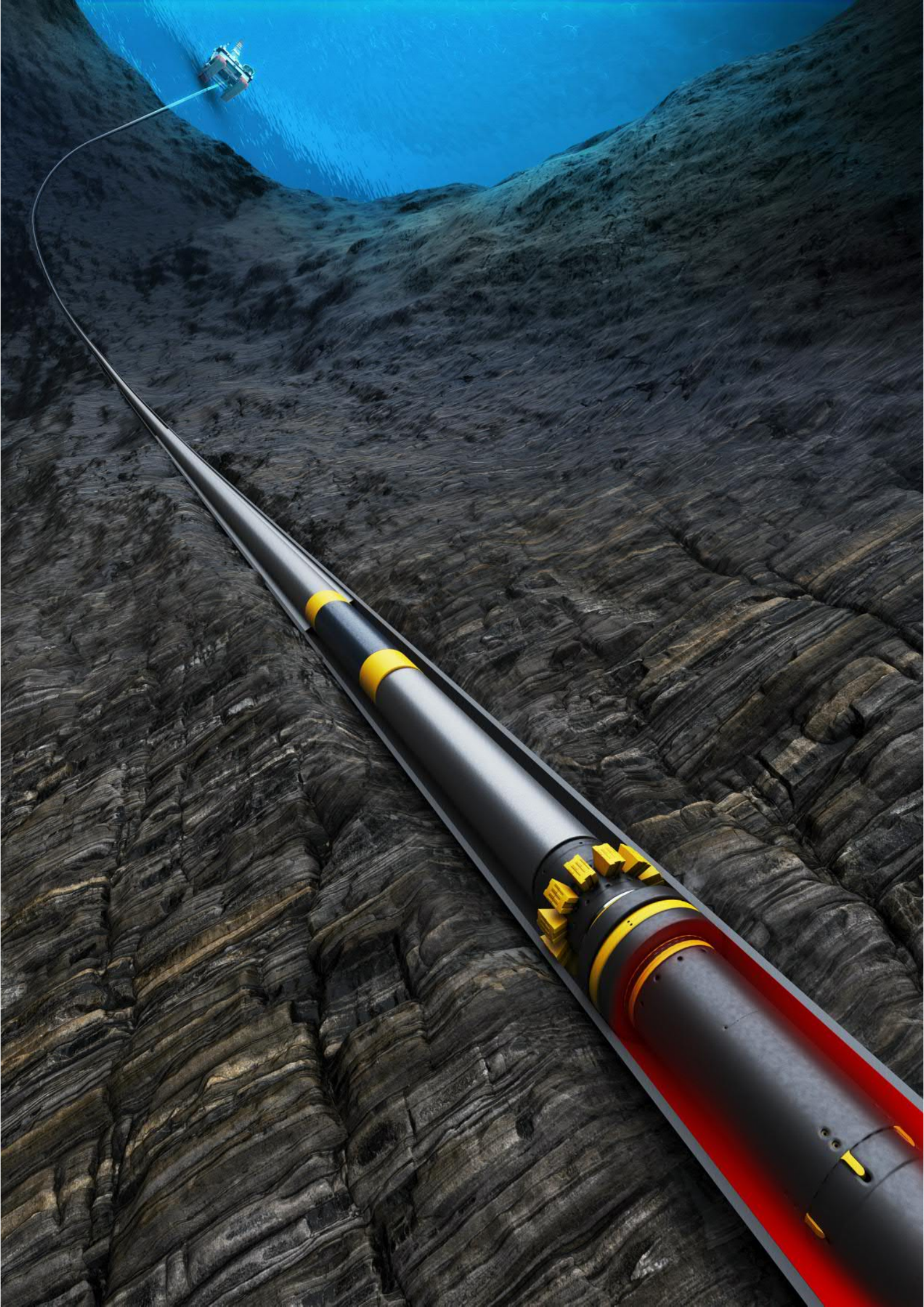
(in USD millions)	Six Months Ended June 30	
	2023	2022
<b>Net loss</b>	<b>(34.0)</b>	<b>(5.6)</b>
Other comprehensive (loss)/income		
Current translation differences	(3.1)	(16.7)
<b>Total other comprehensive loss</b>	<b>(3.1)</b>	<b>(16.7)</b>
<b>Total comprehensive loss</b>	<b>(37.1)</b>	<b>(22.3)</b>

### Accumulated Other Comprehensive Loss (Unaudited)

(in USD millions)	Translation differences	Other comprehensive income	Total
<b>Balance at December 31, 2022</b>	<b>(9.5)</b>	<b>0.6</b>	<b>(8.9)</b>
Total other comprehensive loss during 2023	(3.1)	—	(3.1)
<b>Balance at June 30, 2023</b>	<b>(12.7)</b>	<b>0.6</b>	<b>(12.0)</b>

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





## Consolidated Balance Sheet (unaudited)

(In USD million)		June 30, 2023	December 31, 2022
	Note	(Unaudited)	(Audited)
<b>ASSETS</b>			
Cash and cash equivalents		67.5	82.1
Restricted cash		5.5	10.9
Accounts receivables	2	161.2	152.6
Inventories	6	68.5	55.2
Other current assets		36.4	39.0
<b>Total current assets</b>		<b>339.1</b>	<b>339.8</b>
Investment in associates	8	11.6	11.8
Marketable securities		6.9	15.9
Property plant and equipment, net		304.3	310.7
Right of use assets	11	24.7	26.4
Deferred income tax asset	4	18.5	21.6
Goodwill	9	147.9	149.4
Other intangible assets, net		3.4	2.2
Deferred charges and other assets		17.1	28.4
<b>Total noncurrent assets</b>		<b>534.4</b>	<b>566.4</b>
<b>Total assets</b>		<b>873.4</b>	<b>906.2</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current portion of interest-bearing debt	10	3.5	562.9
Accounts payable		62.9	47.2
Operating Lease liabilities	11	5.6	5.6
Other current liabilities		163.1	162.3
<b>Total current liabilities</b>		<b>235.1</b>	<b>778.1</b>
Long-term interest-bearing debt	10	430.7	8.7
Subordinated related party Loan	10	—	15.9
Operating Lease liabilities		19.1	20.8
Deferred tax	4	0.3	0.4
Other noncurrent liabilities		4.6	0.8
<b>Total noncurrent liabilities</b>		<b>454.8</b>	<b>46.6</b>
<b>Shareholders' equity</b>		<b>183.6</b>	<b>81.5</b>
<b>Total liabilities and shareholders' equity</b>		<b>873.4</b>	<b>906.2</b>

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

## Consolidated Statements of Cash Flows (unaudited)

(In USD millions)	Six months ended June 30	
	2023	2022
<b>Cash Flows from Operating Activities</b>		
Net loss from continuing operations	(34.0)	(5.6)
Depreciation and amortisation	22.7	25.2
Impairment of fixed assets	2.0	5.0
Share-based compensation expenses	0.5	0.1
Gain on assets disposals	(0.8)	(0.1)
Share of losses of unconsolidated affiliates	4.1	0.3
Loss on settlement of subordinated loan, settled by issue of 208 million \$0.01 ordinary shares	4.1	—
Amortisation of loan fee	2.3	0.7
Mark to market of financial instruments	(0.9)	(3.8)
Mark to market of marketable securities	6.7	(1.1)
Change in deferred and accrued taxes	0.7	3.0
Gain on bargain purchase	—	(9.2)
Decrease/(increase) in accounts receivable and other current assets	6.3	(25.6)
(Increase)/decrease in inventories	(11.1)	0.3
Increase in accounts payable and other current liabilities	15.0	2.0
Change in other operating assets and liabilities net, including non-cash fx effects	14.3	16.8
<b>Net cash provided by operating activities</b>	<b>32.0</b>	<b>8.1</b>
<b>Cash Flows from Investing Activities</b>		
Capital expenditures	(16.8)	(7.7)
Proceeds from asset disposals	0.8	1.0
Loans to associated entities	(4.6)	—
Business acquisition and investment in subsidiaries net of cash acquired	(8.0)	(5.9)
<b>Net cash used by investing activities</b>	<b>(28.6)</b>	<b>(12.6)</b>
<b>Cash Flows from Financing Activities</b>		
Net borrowings under revolving facilities, bond issuance, other long-term debt and financial leases	446.2	86.4
Repayments under revolving facilities, other long-term debt and financial leases	(562.5)	(41.7)
Fees paid in relation to the restructuring and equity issuance	(4.4)	—
Net proceeds from equity issue	100.6	—
<b>Net cash provided by financing activities</b>	<b>(20.1)</b>	<b>44.7</b>
Effect of exchange rate changes on cash and cash equivalents	(3.2)	(6.5)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(19.9)</b>	<b>33.7</b>
Cash and cash equivalents, including restricted cash, at beginning of the period	93.0	65.5
<b>Cash and cash equivalents, including restricted cash, at the end of the period</b>	<b>73.1</b>	<b>99.2</b>
Interest paid	20.3	15.8
Taxes paid	3.1	2.1

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
<b>Balance at December 31, 2022</b>	<b>1.5</b>	<b>928.0</b>	<b>(1,579.2)</b>	<b>(8.9)</b>	<b>740.1</b>	<b>81.5</b>
Share based compensation	—	0.5	—	—	—	0.5
Private placement	10.4	88.6	—	—	—	99.0
Subsequent offering	0.2	1.5	—	—	—	1.6
Shares issued as settlement of subordinated debt	2.1	17.9	—	—	—	20.0
Shares issued in settlement of underwriting fees	2.1	17.9	—	—	—	20.0
Shares issued in settlement of refinancing fees	0.0	0.1	—	—	—	0.1
Costs incurred in respect of the equity issues	—	(2.1)	—	—	—	(2.1)
Translation differences	—	—	—	(3.1)	—	(3.1)
Net loss	—	—	(34.0)	—	—	(34.0)
<b>Balance at June 30, 2023</b>	<b>16.2</b>	<b>1,052.5</b>	<b>(1,613.2)</b>	<b>(12.0)</b>	<b>740.1</b>	<b>183.6</b>

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

The various share issues completed during the first half of 2023 are discussed in Note 12.

### 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 Business Acquisitions

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Note 15 Related Parties

Note 16 Legal Proceedings

Note 17 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. Archer was incorporated in Bermuda on August 31, 2007. The group employed approximately 4,425 people at June 30, 2023.

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.

### *Basis of presentation*

The unaudited second quarter and half year 2023 consolidated condensed financial statements are presented in accordance with United States of America Generally Accepted Accounting Principles (US GAAP). The unaudited second quarter and half year 2023 consolidated financial statements do not include all the disclosures required in complete annual financial statements. These unaudited second quarter 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.

### *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 second quarter and half year 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.

## Second quarter and first half 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:

#### Revenue from contracts with customers

(In USD millions)	June 30, 2023	December 31, 2022
Accounts receivable net	161.2	152.6

Provision for bad debts - On June 30, 2023, we have a provision for bad debt of \$0.3 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 \$20.4 million which relate to mobilisation fees for one of our modular rigs. These fees will be amortised over the contract period. \$8.2 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)	Six Months Ended June 30	
	2023	2022
Foreign exchange losses	(18.4)	(20.9)
Mark-to-market of marketable securities	(6.7)	1.1
Mark-to-market of financial investments	0.9	20.3
Other items	(6.9)	(0.6)
<b>Total other financial items</b>	<b>(31.0)</b>	<b>(0.1)</b>

Foreign exchange losses and gains include losses and gains on intercompany loan balances denominated in USD held in a NOK functional entity. The corresponding intercompany debt is held by subsidiaries with USD as functional currency. The financial impact of USD/NOK exchange rate movements in respect of these loan balances are classified as foreign exchange gains and losses in the income statement of the entity with Norwegian Kroner functional currency. These gains and losses are offset by translation adjustments recognised on consolidation, when the balance sheet of the NOK company is translated to USD. The translation adjustments are classified as other comprehensive income and recognised directly in equity.

During first half of 2023 we have experienced movements in foreign exchange rates, with the NOK weakening against the USD by around 8%. This resulted in the large exchange losses recorded in the income statement in first half of 2023.

In addition, following the re-finance of the Archer Group, which was completed in the second quarter, the new group finance comprised the drawdown of a \$250 million revolving credit facility and the issue of \$200 million senior secured second lien bonds by Archer Norge AS, which has NOK functional currency. Archer Norge has recorded large exchange losses on these significant USD balances.

Other items include a loss of \$4.1 million resulting from the settlement subordinated debt by the conversion of the bonds to shares. The issue of shares in consideration for settlement of the debt is discussed in Note 12

**Note 4 Income Taxes**

Tax expense can be split in the following geographical areas:

**Income Taxes**

(In USD millions)	Six Months Ended June 30	
	2023	2022
United States	0.2	0.5
South America	1.6	3.1
Europe	1.7	1.5
Others	0.2	0.0
<b>Total</b>	<b>3.8</b>	<b>5.1</b>

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 June 2023 is \$3.8 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 \$1.7 million, which relates to our operation in Norway and UK.

The net tax cost in South America amounted to \$1.6 million at the end of June 2023 are related to operation in Brazil (\$0.8) and tax accrual in Argentina due to uncertainty of paying internal short-term debt in 2023 (\$1.0). 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 30 June 2023 we have total deferred tax assets of \$18.5 million which mainly consist of \$9.5 million of tax assets in Norway, \$7.0 million tax assets in Argentina and \$1.5 million tax assets in UK.

Deferred tax liabilities on 30 June 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)	Six Months Ended June 30	
	2023	2022
<b>Denominator</b>		
Weighted-average common shares outstanding	921,488	148,759
Effect of potentially dilutive common shares	432	775
Weighted-average common shares outstanding and assumed conversions	921,920	149,533



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### Note 6 Inventories

#### Inventories

(In USD millions)	June 30, 2023	December 31, 2022
Manufactured		
Raw materials	1.5	1.5
Finished goods	20.3	13.6
Work in progress	1.2	0.9
<b>Total manufactured</b>	<b>23.0</b>	<b>16.1</b>
Drilling supplies	13.4	21.8
Other items and spares	32.0	17.3
<b>Total inventories</b>	<b>68.5</b>	<b>55.2</b>

"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 Business Acquisitions

#### Coiled Tubing Business

On April 1, 2023 Archer UK Ltd, a wholly owned subsidiary of Archer Limited, completed the purchase of the UK coiled tubing business operated by Baker Hughes. Baker Hughes was required to sell its UK coiled tubing business by the UK Competition and Markets Authority. Under the terms of the sale and purchase agreement (or "SPA") Archer UK Ltd acquired all the assets and inventory used in the business and employees involved in the business have transferred to Archer. All existing contracts as at the acquisition date continue as part of Baker Hughes business. All new contracts will be reported in Archer's operating results.

The purchase consideration comprises an initial installment of \$1.5 million which has been paid, and a second installment of \$5.52 million which is due in April 2024. The coiled tubing business compliments Archer's wireline services, and we anticipate synergies and new business opportunities to arise from the purchase.

Attached to the SPA is a transition service agreement (or "TSA") under which Baker Hughes has provided Archer with a three-month free rental period for the use of the Baker Hughes facilities occupied by the coiled tubing business prior to the sale, and the provision of various services to be provided by Baker Hughes involving training and knowledge transfer pertaining to several aspects of the coiled tubing business. The provision of these services are included within the purchase consideration.

The fair value of the assets acquired at the acquisition date of April 1, 2023 were as follows:

#### Fair value of assets acquired (preliminary)

	(In USD millions equivalent)
Inventory	1.4
Tangible fixed assets	1.3
Intangible assets - Licenses	1.1
Prepayment of rental and services to be provided by Baker Hughes under the TSA	0.1
<b>Total fair value of assets acquired</b>	<b>3.9</b>

The \$3.1 million excess of the purchase consideration over the fair value of the assets is recognized as goodwill, which represents customer relations, the assembled workforce and experience and know how acquired, and synergies within our Well Service segment.

In the second quarter of 2023, since the acquisition, the Coiled tubing business has contributed a net result before tax of \$0.8 million reported in Archers consolidated income statement. The results are reported in the Well Services Reporting Segment.

### 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-Abrado operations compliment 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:

#### Purchase consideration

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

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 million 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)
<b>Total fair value of assets acquired</b>	<b>7.8</b>

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

In the first half of 2023, since the acquisition, the Romar-Abrado entities have contributed a net loss of \$0.5 million reported in Archers consolidated income statement. The results arising from the acquired Romar-Abrado business are reported in the Well Services reporting segment.

### Ziebel

Ziebel 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)

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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 8 Investments in Associates

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

	June 30, 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)	June 30, 2023	December 31, 2022
Comtrac AS	2.2	2.5
Iceland Drilling	9.4	9.3

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

(In USD millions)	Comtrac AS	Iceland Drilling
<b>Carrying value of investment at December 31, 2022</b>	<b>2.5</b>	<b>9.3</b>
Additional capital investment	0.0	4.6
Share in results of associates	(0.1)	(4.0)
Translation adjustments	(0.2)	(0.5)
<b>Carrying value of investment at June 30, 2023</b>	<b>2.2</b>	<b>9.4</b>

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 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 \$5.4 million to Iceland drilling.

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

We provide services to Comtrac. Our trading balance with Comtrac is disclosed in related party note 15.

## Note 9 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)	
<b>Net book balance at December 31, 2022</b>	<b>149.4</b>
Translation adjustments	(9.7)
Goodwill acquired in relation to Romar-Abrado	5.1
Goodwill acquired in relation to the coiled tubing business from Baker Hughes	3.1
<b>Net book balance at June 30, 2023</b>	<b>147.9</b>

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 7 Business Acquisitions. During the second quarter we recognised \$3.1 million of goodwill in respect of our acquisition of Baker Hughes' UK coiled tubing business. The acquisition is described in more detail in Note 7, Business 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 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.

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All of our goodwill at December 31, 2022 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 June 30, 2023.

### Note 10 Long-term, Interest Bearing Debt

(In USD millions)	June 30, 2023			December 31, 2022		
	Loan balance	Unamortised debt issuance costs	Loan balance less unamortised debt issuance costs	Loan balance	Unamortised debt issuance costs	Loan balance less unamortised debt issuance costs
Previous Multicurrency term and revolving facility	—	—	—	559.6	(0.8)	558.8
First Lien Facility	250.0	(3.8)	246.2	—	—	—
Second Lien Bond	200.0	(24.1)	175.9	—	—	—
Related party subordinated loan	—	—	—	15.9	—	15.9
Other loans and capital lease liability	12.1	—	12.1	12.8	—	12.8
<b>Total loans and capital lease liability</b>	<b>462.1</b>	<b>(27.9)</b>	<b>434.2</b>	<b>585.4</b>	<b>(0.8)</b>	<b>587.5</b>
Less: current portion	(3.5)	—	(3.5)	(563.8)	(0.8)	(562.9)
<b>Long-term portion of interest-bearing debt</b>	<b>458.6</b>	<b>(27.9)</b>	<b>430.7</b>	<b>24.6</b>	<b>—</b>	<b>24.6</b>

During April 2023, we completed a refinancing of Archer, which involved extinguishment of existing debt and establishment of new financing (the "Refinancing"). As part of the Refinancing, the Company's subsidiaries Archer Norge AS and Archer Assets (UK) Ltd., entered into a \$260 million First Lien Facility and Archer Norge AS issued \$200 million Second Lien Bonds.

#### First Lien Facility

In April 2023, Archer's wholly owned subsidiaries, Archer Norge AS and Archer Assets (UK) Ltd., entered into a first lien multicurrency term and revolving credit facility and guaranty facility with a tenor of 4 years (the "First Lien Facility"). The total amount available under the First Lien Facility is \$260 million, split between \$150 million under a term loan, \$100 million in revolving facilities and \$10 million in a guarantee facility. A total of \$250 million was drawn under the term loan and the revolving facilities as at June 30, 2023. The First Lien Facility is secured by pledges over shares in material subsidiaries, assignment over intercompany debt and guarantees issued by the material subsidiaries.

The interest on the loan is Secured Overnight Financing Rate, or "SOFR" + a margin of between 300 – 550 basis points, depending on the leverage ratio.

The guarantee facility has been used towards issuance of letters of credit and tax guarantees.

The Term Loan Facility will be repaid by \$10 million in the first year, \$15 million in the second year, \$20 million in the third year (with an additional \$5 million becoming payable if the Group's free liquidity reaches a defined threshold), and \$25 million plus a balloon payment in the fourth year.

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 quarters ending up to September 30, 2024, shall not exceed 4.9x; from December 31, 2024 to September 30, 2025 shall not exceed 4.70x; from December 31, 2025, to September 30, 2026, shall not exceed 4.60x; and 3.7x 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 \$100 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 June 30, 2023, the Company is compliant with all covenants under this First Lien Facility.

## Second Lien Bond

In April 2023, Archer's indirectly wholly owned subsidiary, Archer Norge AS, issued \$200 million senior secured second lien bonds with a tenor of 4.25 years (the "Second Lien Bond"). Archer can elect an interest rate on the bonds of either (i) (5.00%+SOFR) in cash interest + 5% payment-in-kind interest, or (ii) 12%+ SOFR in payment-in-kind interest. The payment-in-kind interest is settled by issuing additional bonds to the bondholders. The additional issued bonds will have the same terms as the original issued bonds and be added to the total amount of bonds outstanding. The Company has an option to redeem the bonds at (i) the make-whole price for the first 2.25 years, (ii) at 106% of the nominal amount after 2.25 years until 3.25 years, and (iii) at 100% after 3.25 years.

The Second Lien Bonds shares the same security as the First Lien Facility, subject to the senior status of the First Lien Facility. The Second Lien Bonds contains certain financial covenants, including, among others:

- The Company shall ensure that the free liquidity of the Group is at all times the higher of USD 30 million and 6.00 percent of gross interest bearing debt.
- The Company shall ensure that the capital expenditure of the Group (on a consolidated basis) measured at the end of each financial year shall not exceed \$70 million.

As of June 30, 2023, the Company is compliant with all covenants under this Second Lien Bond

## Other loans and capital leases

On June 30, 2023 net borrowing under short-term facilities in Argentina was \$0.5 million. We have finance arrangements relating to equipment in our Oiltools and Platform Drilling divisions. On June 30, 2023, the balance under these arrangements was \$11.2 million.

## Note 11 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 \$9.6 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 10 years at June 30, 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 in 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

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- 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 asset and lease liability for short term leases.

Supplemental information pertaining to the Company's leasing activities for the six-month period ended June 30, 2023 was as follows;

<b>(In USD millions)</b>	<b>Six months ended June 30, 2023</b>
Finance Lease costs	
Amortisation of right of use assets	1.5
Interest on lease liabilities	0.4
Operating lease costs	4.1
Short term lease costs	14.0
Total Lease costs	20.0
Other information	
Cash paid for amounts included in measurement lease liabilities	
Operating cash flows from finance leases	0.4
Operating cash flows from operating leases	18.1
Financing cash flows from finance leases	2.5
Right of use assets obtained in exchange for new finance lease liabilities	0.9
Right of use assets obtained in exchange for new operating lease liabilities	0.7
Weighted average remaining lease term – finance leases	3.4 years
Weighted average remaining lease term – operating leases	7.7 years
Weighted average discount rate – finance leases	7.7%
Weighted average discount rate – operating leases	6.4%

### Note 12 Equity

We completed the refinancing of the Archer Group during the second quarter of 2023. The existing revolving credit and term loan facility was extinguished, and we established a new First Lien Facility and issued Second Lien bonds.

As part of the Refinancing, Archer issued 1,040 million ordinary shares at an issue price of 1.00 NOK per share, raising 1,040 million NOK in gross proceeds, in a Private Placement in the first quarter of 2023. In the Subsequent Offering an additional 17,506,357 shares were issued to existing shareholders, at an issue price of 1.00 NOK per share which provided gross proceeds of NOK 17.5 million.

As part of the Refinancing, 208 million shares were issued to the holder of the subordinated convertible loan as settlement. The shares were valued at 1.00 NOK per share, or \$20 million in total, in line with the terms of the private placement and subsequent offering. The settlement of the subordinated convertible loan resulted in a \$4.1 million loss being recorded within Other financial items in the second quarter of 2023.

208 million shares were issued to the underwriters of the Second Lien Bond issue, as underwriting fees. The value of these shares, \$20 million is recognised as capitalised debt fees and will be amortised over the 4.25 year tenor of the bonds and reported as interest costs.

2 million shares were issued to Archer's advisors in the overall Refinancing.

### Note 13 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 June 30		Six Months Ended June 30	
	2023	2022	2023	2022
<b>Revenues from external customers</b>				
Platform Operations	130.2	120.5	247.9	228.7
Well Services	76.5	59.0	145.1	111.9
Land Drilling	88.2	67.2	168.4	125.2
<b>Total revenue</b>	<b>294.9</b>	<b>246.6</b>	<b>561.5</b>	<b>465.8</b>
<b>Depreciation and amortisation</b>				
Platform Operations	3.3	3.2	6.3	6.6
Well Services	3.0	2.8	5.6	5.4
Land Drilling	5.6	6.0	10.8	13.2
<b>Total depreciation and amortisation</b>	<b>11.9</b>	<b>12.0</b>	<b>22.7</b>	<b>25.2</b>
<b>Operating income/net income</b>				
Platform Operations	6.2	8.1	15.7	14.5
Well Services	10.4	3.9	15.5	6.4
Land Drilling	3.8	(2.5)	4.0	(11.6)
Corporate Cost	(2.0)	(1.9)	(4.0)	(3.6)
Stock compensation cost	0.0	0.0	0.0	(0.1)
<b>Total operating income / (loss)</b>	<b>18.4</b>	<b>7.6</b>	<b>31.2</b>	<b>5.6</b>
Total financial items	(32.6)	(25.5)	(62.1)	(15.4)
Gain on bargain purchase	0.0	0.0	0.0	9.2
Income taxes	(2.0)	(1.7)	(3.8)	(5.0)
<b>Net income</b>	<b>(16.2)</b>	<b>(19.5)</b>	<b>(34.7)</b>	<b>(5.6)</b>
<b>Capital Expenditures</b>				
Platform Operations	1.5	0.0	2.2	0.6
Well Services	1.8	3.3	6.0	3.9
Shared assets*	1.7	0.1	2.1	0.5
Total Excluding Land Drilling	5.1	3.4	10.3	4.9
Land Drilling	2.2	1.8	6.4	2.8
<b>Total</b>	<b>7.3</b>	<b>5.2</b>	<b>16.8</b>	<b>7.7</b>



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### Goodwill

(In USD millions)	Platform Operations	Well Services	Total
<b>Balance at December 31, 2022</b>	<b>77.0</b>	<b>72.4</b>	<b>149.4</b>
Translation adjustments	(3.9)	(5.8)	(9.7)
Acquired goodwill in relation to the acquisition of Romar Abrado		3.1	3.1
Acquired goodwill in relation to the acquisition of coil tubing business from Baker Hughes		5.1	5.1
<b>Balance at June 30, 2023</b>	<b>73.1</b>	<b>74.8</b>	<b>147.9</b>

### Total assets

(In USD millions)	June 30, 2023	December 31, 2022
Platform Operations	180.0	216.6
Well Services	279.7	197.1
Shared assets*	79.6	173.8
Investment in Iceland Drilling	9.4	9.5
Land Drilling	316.7	294.0
Corporate	8.0	15.2
<b>Total</b>	<b>873.4</b>	<b>906.2</b>

\* Assets shared by Platform Operations and Well Services segments include shared office and admin facilities, cash and tax assets and liabilities

### Note 14 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)	June 30, 2023		December 31, 2022	
	Fair Value	Carrying Value	Fair Value	Carrying Value
<b>Nonderivatives</b>				
Cash and cash equivalents	67.5	67.5	82.1	82.1
Restricted cash	5.5	5.5	10.9	10.9
Marketable securities	6.9	6.9	15.9	15.9
Accounts receivable	161.2	161.2	152.6	152.6
Accounts payable	(62.7)	(62.7)	(47.2)	(47.2)
Current portion of interest-bearing debt	(3.5)	(3.5)	(562.9)	(562.9)
Current portion of operating lease liability	(5.6)	(5.6)	(5.6)	(5.6)
Long-term interest-bearing debt	(254.8)	(254.8)	(8.7)	(8.7)
Second Lien Bond	(175.9)	(175.9)	—	—
Operating lease liability	(19.1)	(19.1)	(20.8)	(20.8)
Subordinated related party loan	—	—	(15.9)	(15.9)
<b>Derivatives</b>				
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)	June 30, 2023	Fair Value Measurements at Reporting Date Using		
		Fair Value	Level 1	Level 2
<b>Assets</b>				
Cash and cash equivalents	67.5	67.5	—	—
Restricted cash	5.5	5.5	—	—
Marketable securities	6.9	6.9		
Accounts receivable	161.2	—	161.2	—
<b>Liabilities</b>				
Accounts payable	(62.7)	—	(62.7)	—
Current portion of interest-bearing debt	(3.5)	—	(3.5)	—
Current portion of operating lease liability	(5.6)	—	(5.6)	—
Long-term, interest-bearing debt	(254.8)	—	(254.8)	—
Second Lien Bond	(175.9)	—	(175.9)	—
Operating lease liability	(19.1)	—	(19.1)	—

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 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.

The Second Lien Bond is currently not listed.

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

**Note 15 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 \$1.4 million and \$0.8 million respectively. We account for our investment using the equity method, as discussed above in note 7. During the 6 months ended June 30, 2023 we have invoiced Comtrac AS a total of NOK 1.9 million, or \$0.2 million for services provided to them.

Transactions with Iceland drilling:

Our 50% investment in Iceland Drilling comprises equity investment and a loan of \$3.8 million and \$3.4 million respectively. 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. During the 6 months ended June 30, 2023, we have recorded interest income of \$0.2 million in respect of the loan. The acquisition and relevant transactions are discussed further in note 7.

## Second quarter and first half 2023 report

### Transactions with other related parties

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

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

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 half of 2023. These expenses are included in General and administrative expenses in the Consolidated statement of operations.

### **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 June 30, 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 Subsequent Events**

In August 2023, Archer was awarded a decommissioning contract by Repsol Sinopec Resources UK Limited. The scope of the contract includes the execution of the plug and abandonment of 30 wells in the Fulmar Field and two wells in the Halley Field on the UK continental shelf.

## Appendix to Second 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. The adjustments in 2022 relate mainly to covid related costs and costs of idle rigs in Argentina. 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 June 30, 2023, March 31, 2023, December 30, 2022, September 30, 2022, June 30, 2022 and March 31, 2022. 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					
	June 30, 2023	Mar. 31, 2023	Dec. 31, 2022	Sep. 30, 2022	Jun. 30, 2022	Mar. 31, 2022
<b>Revenue</b>	294.9	266.6	264.3	240.2	246.6	219.1
Cost and expenses						
Operational costs	(276.5)	(253.8)	(249.1)	(229.6)	(238.9)	(221.2)
Impairments	—	(2.0)	(2.3)	—	—	(5.0)
Net financial items	(32.6)	(28.9)	7.2	(7.2)	(25.5)	10.1
Gain on bargain purchase	—	(0.1)	—	—	—	9.2
Income / (loss) from continuing operations before income taxes	<b>(14.1)</b>	<b>(16.1)</b>	<b>20.2</b>	<b>3.4</b>	<b>(17.8)</b>	<b>17.3</b>
Income tax (expense)/benefit	(2.0)	(1.8)	(3.8)	(4.4)	(1.7)	(3.3)
Net income / (loss)	<b>(16.2)</b>	<b>(17.9)</b>	<b>16.4</b>	<b>(1.1)</b>	<b>(19.5)</b>	<b>13.9</b>

### Reconciliation of GAAP to non-GAAP Measures (Unaudited)

(In USD million)	Three Months Ended					
	June 30, 2023	Mar. 31, 2023	Dec. 31, 2022	Sep. 30, 2022	Jun. 30, 2022	Mar. 31, 2022
Net income / (loss)	(16.2)	(17.9)	16.4	(1.1)	(19.5)	13.9
Depreciation, amortization and impairments	11.9	12.8	14.3	12.4	12.0	18.2
Net financial items	32.6	28.9	(7.2)	7.2	25.5	(10.1)
Taxes on income	2.0	1.8	3.8	4.4	1.7	3.3
Gain on sale of asset	(0.4)	(0.4)	0.1	(0.1)	(0.1)	—
Gain on bargain purchase	—	0.1	—	—	—	(9.2)
EBITDA	<b>30.0</b>	<b>25.2</b>	<b>27.4</b>	<b>22.9</b>	<b>19.5</b>	<b>16.2</b>
Exceptional charges	1.9	2.2	1.8	0.9	1.4	4.9
EBITDA before restructuring costs	<b>31.9</b>	<b>27.4</b>	<b>29.2</b>	<b>23.7</b>	<b>20.9</b>	<b>21.1</b>

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### EBITDA by reporting segments (Unaudited)

(In USD million)	Three Months Ended					
	June 30, 2023	Mar. 31, 2023	Dec. 31, 2022	Sep. 30, 2022	Jun. 30, 2022	Mar. 31, 2022
Platform Operations	9.5	12.5	15.5	11.1	11.4	9.6
Well Services	13.3	7.7	7.1	11.1	6.7	5.2
Land Drilling	9.0	7.0	7.3	2.6	3.4	3.2
Corporate costs	(1.9)	(2.1)	(2.5)	(1.9)	(1.9)	(1.8)
<b>EBITDA</b>	<b>30.0</b>	<b>25.2</b>	<b>27.4</b>	<b>22.9</b>	<b>19.5</b>	<b>16.2</b>

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