ARCHER LIMITED

INDEX TO UNAUDITED FIRST QUARTER FINANCIAL STATEMENTS

ARCHER LIMITED

Consolidated Statement of Operations

(Unaudited)

(In millions, except per share data)	Note	Three Months Ended March 31 2019	2018
Revenues			
Operating revenues		$ 210.3	$ 201.6
Reimbursable revenues		15.4	16.7
Total revenues		**225.7**	**218.3**
Expenses			
Operating expenses		172.0	181.6
Reimbursable expenses		14.9	15.7
Operating lease costs	10	3.1	-
Depreciation and amortisation		13.1	15.0
Gain on sale of assets		-	(0.3)
General and administrative expenses		10.6	7.8
Total expenses		**213.7**	**219.8**
Operating income/(loss)		**11.9**	**(1.5)**
Financial items			
Interest income		0.5	1.1
Interest expenses		(10.7)	(10.0)
Share of results in associated company	6	(1.2)	(4.0)
Other financial items	2	(1.4)	16.9
Total financial items		**(12.8)**	**4.0**
Loss/(gain) from continuing operations before income taxes		**(0.9)**	**2.5**
Income tax benefit	3	**2.3**	**1.9**
Profit from continuing operations		**1.4**	**4.4**
Loss from discontinued operations, net of tax		**-**	**-**
Net income/(loss)		**$ 1.4**	**$ 4.4**
Earnings/(loss) per share-basic			
Earnings/(loss) from continuing operations		$ 0.01	$ 0.03
Loss from discontinued operations		-	-
Earnings/(loss) per share		$ 0.01	$ 0.03
Earnings/(loss) per share-diluted			
Earnings/(loss) from continuing operations		$ 0.01	$ 0.03
Loss from discontinued operations		-	-
Earnings/(loss) per share		$ 0.01	$ 0.03
Weighted average number of shares outstanding			
Basic		147.5	147.3
Diluted		147.7	147.5

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

ARCHER LIMITED

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

(In millions)	Three Months Ended March 31	
	2019	**2018**
Net gain	**$ 1.4**	**$ 4.4**
Other comprehensive income		
Translation differences	(0.7)	1.4
Other comprehensive income	(0.7)	1.4
Total comprehensive income/(loss)	**$ 0.7**	**$ 5.8**

Accumulated Other Comprehensive (Loss) / Income
(Unaudited)

(In millions)	Translation differences	**Total**
Balance at December 31, 2018	**(2.1)**	**$ (2.1)**
Foreign currency translation differences	**(0.7)**	**(0.7)**
Balance at March 31, 2019	**(2.8)**	**$ (2.8)**

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

ARCHER LIMITED
Consolidated Balance Sheet

(In millions)	Note	March 31 2019 (Unaudited)	December 31 2018 (Audited)
ASSETS			
Current assets			
Cash and cash equivalents		$ 23.7	$ 20.2
Restricted cash		8.5	11.3
Accounts receivables		142.8	137.0
Inventories	5	52.2	51.9
Right of use assets	10	12.3	-
Other current assets		24.6	23.5
Total current assets		**264.0**	**243.8**
Noncurrent assets			
Investments in associates	6	56.4	57.0
Loans to associates	6	9.6	9.5
Property plant and equipment, net		383.7	392.5
Right of use assets	10	30.1	-
Deferred tax		28.8	26.9
Goodwill	7	170.1	172.6
Other intangible assets, net	8	1.1	1.1
Other noncurrent assets		7.9	7.1
Total noncurrent assets		**687.6**	**666.7**
Total assets		**$951.6**	**$ 910.6**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Current portion of interest-bearing debt	9	$ 18.5	$ 4.7
Accounts payable		48.7	45.5
Operating Lease liabilities	10	12.3	-
Other current liabilities		104.4	108.1
Total current liabilities		**183.9**	**158.3**
Noncurrent liabilities			
Long-term interest-bearing debt	9	528.2	543.0
Subordinated related party Loan		58.3	58.3
Operating Lease liabilities	10	30.1	-
Deferred tax		2.2	2.8
Other noncurrent liabilities		0.8	1.0
Total noncurrent liabilities		**619.6**	**605.1**
Commitments and contingencies			
Shareholders' equity			
Common shares of par value $0.01 per share: 1.0 billion shares authorised: 147,462,012 outstanding shares at March 31, 2019 (December 31, 2018: 147,281,887)		1.5	1.5
Additional paid in capital		926.2	926.7
Accumulated deficit		(1,517.6)	(1,519.0)
Accumulated other comprehensive loss		(2.8)	(2.1)
Contributed surplus		740.1	740.1
Total shareholders' equity		**148.2**	**147.2**
Total liabilities and shareholders' equity		**$ 951.6**	**$ 910.6**

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

ARCHER LIMITED
Consolidated Statement of Cash Flows
(Unaudited)

(In millions)	Three months ended March 31	
	2019	**2018**
Cash Flows from Operating Activities		
Net profit from continuing operations	1.4	4.4
Adjustment to reconcile net loss to net cash provided by operating activities		
Depreciation and amortisation	13.1	15.0
Gain on QES IPO	-	(2.3)
Share-based compensation expenses	0.3	0.2
Gain on property, plant and equipment disposals	-	(0.3)
Share of losses of unconsolidated affiliates	1.2	4.1
Amortisation of loan fees and senior note premium	0.3	0.3
Deferred tax	(3.5)	4.3
Foreign currency loss / (gain)	1.5	(14.5)
Changes in operating assets and liabilities, net of acquisitions		
(Increase)/decrease in accounts receivable and other current assets	(8.4)	(12.6)
(Increase)/decrease in inventories	(0.5)	(0.3)
Decrease in accounts payable and other current liabilities	(1.4)	(0.9)
Other, net	-	-
Net cash provided by / (used in) operating activities	**4.0**	**(2.6)**
Cash Flows from Investing Activities		
Capital expenditures	(2.4)	(2.9)
Proceeds from disposal of property, plant and equipment	0.8	0.1
Investment in/loans to associates	(0.8)	(10.4)
Net cash used by investing activities	**(2.4)**	**(13.2)**
Cash Flows from Financing Activities		
Borrowings under revolving facilities	-	3.7
Repayments under revolving facilities	(1.7)	(2.9)
Borrowings under finance lease agreements	1.4	-
Payments made under finance agreements	(0.5)	-
Net cash provided by financing activities	**(0.8)**	**0.8**
Effect of exchange rate changes on cash and cash equivalents	(0.1)	(1.9)
Net increase / (decrease) in cash and cash equivalents	**0.7**	**(16.9)**
Cash and cash equivalents, including restricted cash, at beginning of the period	31.5	67.7
Cash and cash equivalents, including restricted cash, at the end of the period	**$32.2**	**$50.8**
Interest paid	$ 10.7	$ 10.3
Taxes paid	$ 0.2	$ 0.5

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

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

(In millions)	Share Capital	Additional Paid In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Contributed Surplus	Total Shareholders' Equity
Balance at December 31, 2018	**$ 1.5**	**$ 926.7**	**$ (1,519.0)**	**$ (2.1)**	**$ 740.1**	**$ 147.2**
Share based compensation	-	0.3	-	-	-	0.3
Translation differences	-	-	-	(0.7)	-	(0.7)
Net profit	-	-	1.4	-	-	1.4
Balance at March 31, 2019	**$ 1.5**	**$ 926.9**	**$ (1,517.6)**	**$ (2.8)**	**$ 740.1**	**$ 148.2**

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

Note 1 – Summary of Business and Significant Accounting Policies

Description of business

Archer Limited is an international oilfield service company providing a variety of oilfield products and services through its Area organization. Services include platform drilling, land drilling, 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 5,100 skilled and experienced people at March 31, 2019.

Archer was incorporated in Bermuda on August 31, 2007.

Basis of presentation

The unaudited first quarter 2019 consolidated financial statements are presented in accordance with United States of America Generally Accepted Accounting Principles (US GAAP). The unaudited first quarter consolidated financial statements do not include all of the disclosures required in complete annual financial statements. These unaudited first quarter financial statements should be read in conjunction with our financial statements as of December 31, 2018. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair statement have been included.

Use of estimates

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

Significant accounting policies

The accounting policies utilized in the preparation of the unaudited first quarter financial statements are consistent with those followed in the preparation of our annual consolidated financial statements and accompanying notes for the year ended December 31, 2018.

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 $ millions)	March 31, 2019	December 31, 2018
Accounts receivable net	142.8	137.0

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 dayrate revenue. The duration of our performance obligations varies by contract.

Note 3 – Other Financial Items

	Three Months Ended March 31	
(In millions)	2019	2018
Foreign exchange gains	$ (1.5)	$ 14.5
Other items	0.1	2.4
Total other financial items	**$ (1.4)**	**$ 16.9**

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

Note 4 – Income Taxes

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

	Three Months Ended March 31	
(In millions)	2019	2018
United States	$ (0.1)	$ -
South America	(2.0)	0.1
Europe	(0.7)	(2.7)
Others	0.5	0.7
Total	**$ (2.3)**	**$ (1.9)**

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

The Group's net tax position for the first quarter of 2019 is a tax benefit of $2.3 million, which primarily relates to deferred tax benefit of $2.0 million from Argentina North operations.

The net deferred tax benefit in Europe amounted to $0.7 million in first quarter which primarily consists of a deferred tax benefit of $0.6 million in UK related to net losses reported from operating UK entities during first quarter.

The net tax benefit in North America of $0.1 million in the first quarter relates to reversal of previous periods tax liabilities.

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

As at 31 March 2019 we have total deferred tax assets of $28.8 million which includes of $11.7 million of tax assets in Norway, $10.8 million tax assets in Argentina and $6.5 million tax assets in UK.

Deferred tax liabilities at 31 March 2019 were total $2.2 million.

Note 5 – Earnings Per Share

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

	Three Months Ended March 31	
(In thousands)	**2019**	**2018**
Denominator		
Weighted-average common shares outstanding	147,462	147,328
Effect of potentially dilutive common shares	254	199
Weighted-average common shares outstanding and assumed conversions	147,716	147,527

Note 6 – Inventories

	March 31	December 31
(In millions)	**2019**	**2018**
Manufactured		
Raw materials	$ 4.0	$ 3.4
Finished goods	5.7	4.9
Work in progress	1.0	0.6
Total manufactured	10.7	8.9
Drilling supplies	15.0	15.2
Chemicals	1.5	2.1
Other items and spares	25.0	25.7
Total inventories	**$ 52.2**	**$ 51.9**

Note 7 — Investments in Associates

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

	March 31, 2019	December 31, 2018
C6 Technologies AS	50.0%	50.0%
Rawabi Archer Company (Previously Rawabi Allis-Chalmers Company Ltd.)	50.0%	50.0%
Quintana Energy Services LP	28.1%	28.1%

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

(In millions)	March 31, 2019	December 31, 2018
C6 Technologies AS	—	—
Rawabi Archer Company	—	—
Quintana Energy Services LP	56.4	57.0

The components of investments in associates are as follows:

(Iin millions)

	QES	C6	Rawabi	TAQA
Carrying value of investment at December 31, 2017	74.3	-	-	8.3
Additional capital investment	10.0	-	-	-
Share in results of associates	(5.2)	0.8	-	-
Conversion of loan balance	10.7	-	-	-
Adjustment to carrying value following IPO	2.3	-	-	-
Allocation of investment to settle trading balances	-	-	-	(2.7)
Final cash distribution on liquidation	-	-	-	(5.4)
Impairment adjustments and other write-offs/adjustments	(35.1)	(0.8)	-	(0.2)
Carrying value of investment at December 31, 2018	57.0	-	-	-
Additional capital investment	-	0.6	-	-
Estimated share in results of associates	(0.6)	(0.6)	-	-
Carrying value of investment at March 31, 2019	56.4	-	-	-

Carrying value of Loan balance at March 31, 2019	-	9.6	-	-
Carrying value of Loan balance at December 31, 2018	-	9.5		

Quoted market prices for C6 Technologies AS and Rawabi Archer Company are not available because the shares are not publicly traded.

Investment in QES

As part of the IPO conducted by Quintana Energy Service Inc. (“QES”),in February 2018, we received 8,494,306 shares in QES in consideration for our existing holdings in QES which comprised, 42% of the common units in Quintana Energy Services LLP, the outstanding loan owed by the partnership including accrued interest, and all penny warrants held by Archer. We valued our investment after the IPO at the offer price of $10.00 per share. In addition to the shares issued to us in respect of our existing investment, we purchased an additional 1 million shares at $10.00 per share under the IPO, after which our total shareholding is close to 9.5 million shares, or 28.1%. We continue to account for our shareholding in QES using the equity method of accounting, recognising our share of results of our investment within financial items and adjusting the carrying value of the investment accordingly.

Investment in C6 Technologies AS
In addition to our capital investment in C6 Technologies AS, we have made an additional investment by way of a loan which, at December 31, 2018, had a carrying value of $9.6 million (2018 $9.5 million). The loan is repayable in 2021. Our equity share of the losses incurred by C6 in 2018 is greater than the remaining carrying value of our capital investment. We have applied the remaining share of the losses as a reduction of the carrying value of this loan due from the entity.

Investment in Rawabi Archer Company Ltd.
Rawabi Archer Company Ltd., or Rawabi, is a joint venture with an unrelated Saudi Arabian company, Rawabi Holding Company Ltd. The joint venture was formed, to provide oilfield services, including directional drilling, tubular services, underbalanced services, production services, and rental, drilling and completion services in Saudi Arabia. Currently, the joint venture is providing rental, fishing, milling and thru tubing services in Saudi Arabia.

Investment in TAQA
TAQA JV was dissolved in fourth quarter 2018.

Note 8 – Goodwill

Goodwill represents the excess of purchase price over the fair value of tangible and identifiable intangible assets acquired. All of our remaining goodwill relates to our Eastern Hemisphere reporting segment – see also note 10.

(In millions)	
Net book balance at December 31, 2018	**$ 172.6**
Translation adjustments	(2.5)
Net book balance at March 31, 2019	**$170.1**

We test goodwill for impairment on an annual basis during the fourth quarter and between annual tests if an event occurs, or circumstances change, that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The testing of the valuation of goodwill involves significant judgement and assumptions to be made in connection with the future performance of the various components of our business operations, including assumptions about future cash flows of each reporting unit, discount rates applied to these cash flows and current market estimates of value. Based on the uncertainty of future revenue growth rates, gross profit performance, and other assumptions used to estimate our reporting units' fair value, future reductions in our expected cash flows, should current market conditions worsen or persist for an extended period of time, could lead to future a material non-cash impairment charge of in relation to our remaining goodwill.

Note 9 – Long-term, Interest-Bearing Debt

(In millions)	March 31, 2019			December 31 2018		
	Loan balance	Unamortised debt issuance costs	Long-term debt less unamortised debt issuance costs	Loan balance	Unamortised debt issuance costs	Long-term debt less unamortised debt issuance costs
Multicurrency term and revolving facility	510.0	(1.3)	508.7	510.0	(1.6)	508.4
Related party subordinated loan	58.3	-	58.3	58.3	-	58.3
Hermes-covered term loans	24.0	(0.3)	23.7	24.5	(0.3)	24.2
Other loans and capital lease liability	14.3	-	14.3	15.1	-	15.1
Total loans and capital lease liability	**606.6**	**(1.6)**	**605.0**	**607.9**	**(1.9)**	**606.0**
Less: current portion	(19.6)	1.1	(18.5)	(5.8)	1.1	(4.7)
Long-term portion of interest bearing debt	**587.0**	**(0.5)**	**586.5**	**602.1**	**(0.8)**	**601.3**

Multicurrency term and revolving credit facilities

The total amount available under the Multicurrency term and revolving credit facilities (the “Facilities”) is $610.8 million, split between $372.9 million under a term loan and $238.0 million in a revolving facility. A total of $510.0 million was drawn at March 31, 2019 under the Facilities and $100.8 million remains available. The Facilities are secured by pledges over shares in material subsidiaries, assignment over intercompany debt and guarantees issued by the material subsidiaries.

The interest payable on the Facilities 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 March 2020 quarterly instalments of $10 million commence, and the final maturity date of the Facilities is September 30, 2020.

The Facilities contain certain financial covenants, including, among others:

- Archer will ensure that the 12 months rolling Nominal EBITDA (after certain adjustments) of the group is at least $65 million in 2019 and $85 million in 2020.
- Archer shall ensure that the 12 months rolling EBITDA (as reported) for the group is positive.
- Archer shall maintain $30 million in freely available cash (including undrawn committed credit lines).
- Archer shall ensure that the capital expenditures shall not exceed $40 million per year.

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

As of March 31, 2019, the Company is in compliance with all covenants as agreed with its lenders under the Facilities.

Related party subordinated loan

We established a subordinated convertible loan with face value of $45 million in Q2 2017 from Seadrill Ltd., or Seadrill. The loan matures on December 31, 2021, and bears PIK interest of 5.5% per year. The conversion rights attached to the loan are exercisable from January 1, 2021, and entitle Seadrill to convert the debt at a rate of 0.48 ordinary shares in Archer for each $1.00 of loan and accrued interest.

Under the USGAAP provisions, interest up to the maturity date has been accrued to the loan balance, increasing the book value of the loan form $45 million to $58.3 million.

Hermes-covered term loan

On December 6, 2013 Archer Topaz Limited, a wholly owned subsidiary of Archer, signed a €48.4 million Hermes covered term loan agreement for the financing of the modular rig, Archer Topaz. The agreement was amended and restated on October 6, 2017. The loan matures September 2020, and contains covenants aligned to those of the Facilities. The interest rate applied to this loan is 1.45% above EURIBOR. At March 31, 2019 the equivalent of $24.0 million was outstanding under this facility.

Other loans and capital leases

We have two $11.7 million overdraft facilities and at March 31, 2019, net borrowing under these facilities amounted to $4.4 million.

At March 31, 2019 we have borrowed $5.7 million under a long term facility in Argentina, and we have borrowed a further $1.2 million under local short term facilities in Latin America.

We have finance arrangements relating to various items of equipment. At March 31, 2019, the balance due under these arrangements was $3.0 million.

Note 10 Leases

Finance leases
We have entered into finance arrangements for the purchase of some items of equipment, mainly well plugs for use in our Oiltools division. The leases are entered into under a frame agreement with the bank, and lease term is typically 5 years. At end of the lease period the ownership of the assets transfers to Archer from the lending bank.

Assets leased under finance leases with a carrying value of $2.2 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 15 years at March 31, 2019. Some operating leases include options to extend the leases for up to 2 years. We have sub-let unused office space, for which we received rental income of $0.4 million in the first quarter of 2019.

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 asset and lease liability for short term leases.

Supplemental information pertaining to the Company's leasing activities for the three month period ended March 31, 2019 was as follows;

(In millions)	Three months ended March 31, 2019
Finance Lease costs	
Amortisation of right of use assets	$ 0.6
Interest on lease liabilities	-
Operating lease costs	3.1
Short term lease costs	4.0
Total Lease costs	7.7
<u>Other information</u>	
Cash paid for amounts included in measurement lease liabilities	
Operating cash flows from finance leases	-
Operating cash flows from operating leases	3.1
Financing cash flows from finance leases	2.2

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 – finance leases	1 year
Weighted average remaining lease term – operating leases	8 years
Weighted average discount rate – finance leases	4.5%
Weighted average discount rate – operating leases	21.3%

Note 11 – Segment Information

The split of our organisation and aggregation of our business into segments is based on differences in management structure and reporting, location of regional management and assets, economic characteristics, customer base, asset class and contract structure.

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

- Eastern Hemisphere
- Western Hemisphere

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

The accounting principles for the segments are the same as for our consolidated financial statements. Presented below and on the following page are the revenues, depreciation and amortisation, operating income, capital expenditures, goodwill and total assets by segment after treating our divested North America well service businesses, as discontinued operations and not as part of our continuing operations by segment.

(*In millions*)	**Three Months Ended March 31**	
	2019	**2018**
Revenues from external customers		
Eastern Hemisphere	$ 145.2	$ 120.8
Western Hemisphere	80.4	97.5
Total	**$ 225.7**	**$ 218.3**
Depreciation and amortisation		
Eastern Hemisphere	$ 5.1	$ 6.6
Western Hemisphere	8.0	8.4
Total	**$ 13.1**	**$ 15.0**

Operating income / (loss) – net loss		
Eastern Hemisphere	$ 10.2	$ 3.9
Western Hemisphere	3.9	(3.7)
Corporate Costs	(2.2)	(1.7)
Operating loss	**11.9**	**(1.5)**
Total financial items	(12.8)	4.0
Income taxes	2.3	1.9
Discontinued operations, net of taxes	-	-
Net income/(loss)	**$ 1.4**	**$ 4.4**

Capital expenditures		
Eastern Hemisphere	$ 1.4	$ 1.0
Western Hemisphere	1.0	1.9
Total	**$ 2.4**	**$ 2.9**

(In millions)	**Eastern Hemisphere**	**Western Hemisphere**	**Total**
Goodwill			
Balance at December 31, 2018	**$ 172.6**	**$ —**	**$ 172.6**
Translation adjustments	(2.5)	—	(2.5)
Balance at March 31, 2019	**$170.1**	**$ —**	**$170.1**

(In millions)	**March 31 2019**	**December 31 2018**
Total assets		
Eastern Hemisphere	$ 552.2	515.2
Western Hemisphere	398.3	394.7
Corporate	0.8	0.6
Total	**$ 951.3**	**910.6**

Note 12 – Fair Value of Financial Instruments

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

	March 31, 2019		December 31, 2018	
(In millions)	Fair Value	Carrying Value	Fair Value	Carrying Value
Nonderivatives				
Cash and cash equivalents	$ 23.7	$ 23.7	$ 20.2	$ 20.2
Restricted cash	8.5	8.5	11.3	11.3
Accounts receivable	142.8	142.8	137.0	137.0
Accounts payable	(48.7)	(48.7)	(45.5)	(45.5)
Current portion of interest bearing debt	(13.2)	(13.2)	(4.7)	(4.7)
Current portion of operating lease liability	(12.3)	(12.3)	-	-
Long term interest bearing debt	(8.9)	(8.9)	(543.0)	(543.0)
Operating lease liability	(30.1)	(30.1)	-	-
Subordinated related party loan	(58.3)	(58.3)	(58.3)	(58.3)
Derivatives				
Interest rate swap agreements	(0.1)	(0.1)	(0.3)	(0.3)

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

	March 31, 2019	Fair Value Measurements at Reporting Date Using		
(In millions)	Fair Value	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	$ 23.7	$ 23.7	—	—
Restricted cash	8.5	8.5	—	—
Accounts receivable	142.8	—	142.8	—
Liabilities				
Accounts payable	(48.7)	—	(48.7)	—
Current portion of interest-bearing debt	(13.2)	—	(13.2)	—
Current portion of operating lease liability	(12.3)	—	(12.3)	—
Long-term, interest-bearing debt	(8.9)	—	(8.9)	—
Operating lease liability	(30.1)	—	(30.1)	—
Subordinated related party loan	(58.3)	—	(58.3)	—
Interest rate swap agreements	(0.1)	—	(0.1)	—

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 as of March 31, 2019, and December

31, 2018. For certain instruments, including cash and cash equivalents, receivables and accounts payable, it is assumed 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. This debt is not freely tradable and cannot be purchased by us at prices other than the outstanding balance plus accrued interest.

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

The fair value of the subordinated related party debt is considered not to be materially different from its carrying value as the fixed interest rate payable on the loan is considered a fair market rate as at March 31, 2019.

We consider the effect of Archer's own credit risk when estimating the fair value of our financial instruments.

Note 13 – Related Parties

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

Transactions with Seadrill;

During the three months ended March 31, 2019, we have not supplied Seadrill Limited and affiliates with any services, expect for NADL as explained below.

A NOK 33 million (equivalent to $3.8 million) performance guarantee is provided to Conoco Phillips by Seadrill on behalf of Archer AS. We were charged guarantee fees of $26 thousand during the three months ended March 31, 2019.

Transactions with C6 Technologies AS:
We own 50% of C6 Technologies AS, an oilfield technology company offering new solutions for well intervention and conveyance utilizing composite materials. We do not control this entity and as a result we have consolidated its financial results using the equity method of accounting since its creation in 2010. In the three months ended March 31, 2019 we have advanced $0.6 million as additional loan to C6, and applied $0.2 million interest to the loan balance.

Transactions with other associated companies
Our relationship with TAQA and Rawabi is described in note 8 above. TAQA JV was liquidated in fourth quarter 2018. We have provided $0.2 million of parts and spare parts to Rawabi during the year. At March 31, 2019 we have a balance of $0.1 million owed to us by Rawabi.

At March 31, 2019, we have no outstanding balances against QES.

Transactions with other related parties

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

- Frontline Management (Bermuda) Limited, ("Frontline")
- Seatankers Management Company Limited ("Seatankers")
- North Atlantic Drilling Ltd, or ("NADL")
- Enermech Services Inc. ("Enermech")

Frontline and Seatankers provides management support and administrative services to us, and we have recorded fees of $0.1 and $0.1 million for these services from these companies respectively in the three months ended March 31, 2019. These amounts are included in General and administrative expenses in the Consolidated statement of operations.

During the three months ended March 31, 2019, we supplied NADL with services amounting to $0.3 million, including reimbursable material. This amount has been included in operating revenues. Also during the first quarter 2019, NADL provided warehouse space to our UK operations for which we were charged $0.1 million.

Note 14 – 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, 2019, we are not aware of any such expected loss which would be material to our financial position and results of operations. Nor are we are involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened) which may have, or have had in the recent past, significant effects on our financial position or profitability.

Note 15 – Subsequent Events

None.

ARCHER LIMITED

Appendix to first quarter financial statements 2019

We report our financial results in accordance with generally accepted accounting principles (US 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 amortisation (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, 2019, December 31, 2018, September 30, 2018, June 30, 2018, March 31, 2018, and December 31, 2017. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, our reported results prepared in accordance with GAAP.

ARCHER LIMITED
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended					
(In millions)	March 31 2019	December 31 2018	September 30 2018	June 30 2018	March 31 2018	December 31 2017
Revenue	225.7	233.2	213.7	224.4	218.3	223.7
Cost and expenses						
Operational costs	(185.7)	(221.4)	(205.1)	(226.7)	(219.8)	(224.0)
Impairments	—	(1.1)	—	—	—	(3.2)
Net financial items	12.8	(60.0)	(7.3)	(19.8)	4.0	(19.8)
Income/(loss) from continuing operations before income taxes	**(0.9)**	**(49.3)**	**1.3**	**(22.1)**	**2.5**	**(23.3)**
Income tax benefit/(expense)	2.3	(7.6)	5.6	14.7	1.9	0.6
Income/(loss) from continuing operations	1.4	**(56.9)**	**6.9**	**(7.4)**	4.4	**(22.7)**
(Loss)/ Income from discontinued operations, net of tax	-	-	-	-	-	-
Net (loss) / Income	**1.4**	**(56.9)**	**6.9**	**(7.4)**	**4.4**	**(22.7)**

ARCHER LIMITED

Appendix to first quarter financial statements 2019

Reconciliation of GAAP to non-GAAP Measures (Unaudited)

	Three Months Ended					
(In millions)	March 31 2019	December 31 2018	September 30 2018	June 30 2018	March 31 2018	December 31 2017
Net Income/(loss)	1.4	(56.9)	6.9	(7.4)	4.4	(22.7)
Depreciation, amortisation and impairments (net of gains/losses on sale of assets)	13.1	13.6	13.8	14.6	14.7	18.2
Net financial items	12.8	60.0	7.3	19.8	(4.0)	19.8
Taxes on income	(2.3)	7.6	(5.6)	(14.7)	(1.9)	(0.6)
Loss from discontinued operations, net of tax	-	-	-	-	-	-
EBITDA	**25.0**	**24.3**	**22.4**	**12.3**	**13.2**	**14.7**
Restructuring costs	-	2.5	3.3	5.6	4.9	1.8
EBITDA before restructuring costs	**25.0**	**26.9**	**25.7**	**18.0**	**18.1**	**16.5**

EBITDA by Geographic and Strategic Areas (Unaudited)

	Three Months Ended					
(In millions)	March 31 2019	December 31 2018	September 30 2018	June 30 2018	March 31 2018	December 31 2017
Eastern Hemisphere	15.2	15.3	12.0	13.0	10.2	10.3
Western Hemisphere	12.0	11.4	12.1	1.4	4.7	6.1
Corporate costs	(2.2)	(2.4)	(1.7)	(2.1)	(1.7)	(1.7)
EBITDA	**25.0**	**24.3**	**22.4**	**12.3**	**13.2**	**14.7**