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 2021	2020
Revenues			
Operating revenues		$ 194.1	$ 207.6
Reimbursable revenues		19.3	29.5
Total revenues		**213.4**	**237.1**
Expenses			
Operating expenses		156.1	174.1
Reimbursable expenses		24.0	29.0
Operating lease costs	10	2.1	3.0
Depreciation and amortisation		12.3	12.0
Impairments of fixed assets		3.0	-
General and administrative expenses		10.2	9.3
Total expenses		**207.5**	**227.5**
Operating income		**5.9**	**9.7**
Financial items			
Interest income		0.7	0.4
Interest expenses		(7.8)	(9.3)
Share of results in associated company		-	(13.5)
Other financial items	3	10.1	(30.8)
Total financial items		**3.0**	**(53.2)**
Income /(loss) before income taxes		**8.8**	**(43.5)**
Income tax expense	4	(2.8)	(0.1)
Net Income/(loss)		**$ 6.1**	**$ (43.6)**
Earnings/(loss) per share			
Earnings/(loss) – basic		$ 0.04	$ (0.30)
Earnings/(loss) – diluted		$ 0.04	$ (0.30)
Weighted average number of shares outstanding			
Basic		148.1	147.5
Diluted		149.5	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	
	2021	**2020**
Net gain/(loss)	**$ 6.1**	**$ (43.6)**
Translation differences	(1.0)	(13.6)
Other comprehensive income	**(1.0)**	**(13.6)**
Total comprehensive income/(loss)	**$ 5.1**	**$ (57.2)**

Accumulated Other Comprehensive (Loss) / Income

(Unaudited)

(In millions)	**Translation differences**	**Total**
Balance at December 31, 2020	**$ 13.6**	**$ 13.6**
Foreign currency translation differences	(1.0)	(1.0)
Balance at March 31, 2021	**12.6**	**12.6**

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

ARCHER LIMITED
Consolidated Balance Sheet

(In millions)	Note	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
ASSETS			
Current assets			
Cash and cash equivalents		$ 35.2	$ 41.2
Restricted cash		10.4	12.4
Accounts receivables		113.8	109.2
Inventories	6	53.6	54.2
Other current assets		23.4	28.0
Total current assets		**236.3**	**245.0**
Noncurrent assets			
Loans to associates	7	4.8	4.7
Marketable securities		14.7	6.1
Property plant and equipment, net		342.9	355.2
Right of use assets	10	29.7	29.9
Deferred income tax asset		13.9	16.3
Goodwill	8	172.6	172.7
Other intangible assets, net		0.6	0.6
Deferred charges and other assets		19.3	15.0
Total noncurrent assets		**598.5**	**600.4**
Total assets		**$ 834.8**	**$ 845.4**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Current portion of interest-bearing debt	9	$ 14.6	$ 10.5
Accounts payable		34.7	34.4
Operating Lease liabilities	10	7.6	8.5
Other current liabilities		112.6	125.5
Total current liabilities		**169.5**	**178.9**
Noncurrent liabilities			
Long-term interest-bearing debt	9	511.5	519.1
Subordinated related party Loan		15.9	15.9
Operating Lease liabilities	10	22.1	21.4
Deferred tax		0.8	0.8
Other noncurrent liabilities		0.7	0.2
Total noncurrent liabilities		**551.1**	**557.4**
Shareholders' equity			
Total shareholders' equity		**114.3**	**109.1**
Total liabilities and shareholders' equity		**$ 834.8**	**$ 845.4**

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	
	2021	**2020**
Cash Flows from Operating Activities		
Net (loss)/profit from continuing operations	6.1	(43.6)
Adjustment to reconcile net loss to net cash provided by operating activities		
Depreciation and amortisation	12.3	12.0
Impairment of fixed assets	3.0	-
Loss/(gain) on property, plant and equipment disposals	-	-
Share-based compensation expenses	0.1	0.2
Share of losses of unconsolidated affiliates	-	13.5
Amortisation of loan fees	0.3	0.3
Mark to market of financial instruments	(4.3)	1.4
Mark to market od marketable securities	(8.7)	-
Change in deferred and accrued taxes	(0.4)	(0.6)
Changes in operating assets and liabilities, net of acquisitions		
Increase in accounts receivable and other current assets	(0.1)	(0.6)
Increase in inventories	0.6	1.3
(Increase)/decrease in accounts payable and other current liabilities	(11.2)	24.6
Change in other operating assets and liabilities net, including non-cash fx effects	(1.6)	(10.9)
Net cash used in operating activities	**(4.0)**	**(2.0)**
Cash Flows from Investing Activities		
Capital expenditures	(4.2)	(6.7)
Proceeds from disposal of property, plant and equipment	1.0	2.5
Investment in/loans to associates	(0.1)	(0.3)
Net cash used by investing activities	**(3.3)**	**(4.5)**
Cash Flows from Financing Activities		
Borrowings under revolving facilities	1.6	95.1
Repayments under revolving facilities	(11.2)	(22.4)
Proceeds from other long-term debt	6.7	-
Repayment of other long-term debt	(0.2)	-
Borrowings under finance lease agreements	0.1	1.6
Payments made under finance agreements	(0.5)	(0.3)
Net cash provided by financing activities	**(3.5)**	**75.8**
Effect of exchange rate changes on cash and cash equivalents	(0.4)	(5.9)
Net increase in cash and cash equivalents	**(11.2)**	**63.4**
Cash and cash equivalents, including restricted cash, at beginning of the period	53.6	44.1
Cash and cash equivalents, including restricted cash, at the end of the period	**$ 42.4**	**$107.5**
Interest paid	$ 7.5	$ 9.1
Taxes paid	$ 0.7	$ 0.6

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, 2020	**$ 1.5**	**$ 928.1**	**$ (1,574.2)**	**$ 13.6**	**$ 740.1**	**$ 109.1**
Share based compensation	-	0.1	-	-	-	0.1
Translation differences	-	-	-	(1.0)	-	(1.0)
Net loss	-	-	6.1	-	-	6.1
Balance at March 31, 2021	**$ 1.5**	**$ 928.2**	**$ (1,568.1)**	**$ 12.6**	**$ 740.1**	**$ 114.3**

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 4,500 skilled and experienced people at March 31, 2021.

Archer was incorporated in Bermuda on August 31, 2007.

Basis of presentation

The unaudited first quarter 2021 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 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, 2020. 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, 2020.

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, 2021	December 31, 2020
Accounts receivable net	113.8	109.2

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

	Three Months Ended March 31,	
(In millions)	2021	2020
Foreign exchange losses	$ (1.7)	$ (29.3)
Other items	11.8	(1.8)
Total other financial items	**$ 10.1**	**$ (30.8)**

Other financial items represent predominantly the mark to market of our investment in KLX Energy Services Holdings Inc, which is reported under marketable securities in our balance sheet. Foreign exchange losses includes 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 expense/(benefit) can be split in the following geographical areas:

	Three Months Ended March 31,	
(In millions)	2021	2020
United States	$ 0.1	$ (0.1)
South America	0.0	(1.7)
Europe	2.0	1.8
Others	0.7	0.1
Total	**$ 2.8**	**$ 0.1**

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 position for the first quarter of 2021 is a tax expense of $2.8 million. This relates primarily to tax expense from operations in Norway.

The net tax cost in South America amounted to $0.0 million at the end of March 2021 as we have taken an allowance related to the taxable losses incurred in Argentina for the quarter.

The net tax expense in Europe amounted to $2.0 million at the end of March 2021 which primarily relates to net tax expense in Norway due to net reported gain.

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

As at 31 March 2021 we have total deferred tax assets of $13.9 million which mainly consist of $3.1 million of tax assets in Norway, $9.4 million tax assets in Argentina and $1.3 million tax assets in UK.

Deferred tax liabilities at 31 March 2021 totalled $0.8 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)	**2021**	**2020**
Denominator		
Weighted-average common shares outstanding	148,050	147,462
Effect of potentially dilutive common shares	1,443	-
Weighted-average common shares outstanding and assumed conversions	149,493	147,462

Note 6 – Inventories

(In millions)	**March 31, 2021**	**December 31, 2020**
Manufactured		
Raw materials	$ 1.5	$ 1.8
Finished goods	9.2	9.8
Work in progress	0.3	0.4
Total manufactured	11.0	12.0
Drilling supplies	13.5	13.6
Chemicals	0.2	1.0
Other items and spares	28.9	27.6
Total inventories	**$ 53.6**	**$ 54.2**

Note 7 — Investments in Associates

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

	March 31, 2021	**December 31, 2020**
C6 Technologies AS	50.0%	50.0%

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

(In millions)	**March 31, 2021**	**December 31, 2020**
C6 Technologies AS	4.8	4.7

The components of our investments in associated entity C6 are as follows:

	C6
Carrying value of investment at December 31, 2020	**4.7**
Additional capital investment	0.3
Share in results of associates	(0.3)
Impairment of investment	-
Carrying value of investment at March 31, 2021	**4.8**

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

Our investment in C6 comprises equity investment and a loan. Our share of the losses incurred by C6 in 2020 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 the loan due from the entity. In 2020 we made additional impairment charges of $5.3 million against the carrying value of the loan. In December 2020, we entered into a sale and purchase agreement with IKM, the other 50% shareholder of C6. Under the agreement our investment in the Comtrac technology developed by C6 is transferred to a new joint venture in which we continue to hold a 50% interest. We anticipate the finalisation of the sale and purchase agreement in the second quarter of 2021. We do not expect the transaction to have a material effect on our income statement or balance sheet.

Note 8 – Goodwill

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

(In millions)	
Net book balance at December 31, 2020	**$ 172.7**
Translation adjustments	(0.1)
Net book balance at March 31, 2021	**$172.6**

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.

Note 9 – Long-term, Interest-Bearing Debt

(In millions)	March 31, 2021			December 31, 2020		
	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	500.3	(3.1)	497.2	510.3	(3.4)	506.5
Related party subordinated loan	15.9	-	15.9	15.9	-	15.9
Hermes-covered term loans	8.0	-	8.0	9.6	-	9.6
Other loans and capital lease liability	20.8	0.1	20.9	13.1	-	13.1
Total loans and capital lease liability	**545.0**	**(3.0)**	**542.0**	**548.9**	**(3.4)**	**545.5**
Less: current portion	(14.6)	-	(14.6)	(10.5)	-	(10.5)
Long-term portion of interest-bearing debt	**530.4**	**(3.0)**	**527.4**	**538.4**	**(3.4)**	**535.0**

Multicurrency term and revolving credit facility

The total amount available under the Multicurrency term and revolving credit facility (the "Facility") is $560.3 million, split between $341.0 million under a term loan and $219.2 million in a revolving facility. In addition, a total of $22.3 million of the Facility is carved out into two overdraft facilities, each of $ 11.2 million. A total of $500.3 million was drawn as at March 31, 2021 under the Facility. The Facility is secured by pledges over shares in material subsidiaries, assignment over intercompany debt and guarantees issued by the material subsidiaries.

The interest payable on the Facility is the aggregate of 1, 3 or 6-month NIBOR, LIBOR or EURIBOR, plus between 2.25% and 4.35% per annum, depending on the ratio of the net interest-bearing debt to EBITDA. In the event our total consolidated net interest bearing debt, after adjustments of the related party subordinated convertible loan amount, exceeds 6.0x the last twelve months Nominal EBITDA measured at December 31, 2020, 2021, 2022 and/or August 31, 2023, the loan will accrue an additional 1% PIK margin for 2020, 2021, 2022 and/or from January 1st to October 1st 2023. In June 2022 quarterly instalments of $4 million will commence. In addition to the scheduled instalments, there is a cash sweep mechanism in the Facility agreement whereby 90% of the available liquidity above $90 million, calculated each December and June after certain adjustments, is applied towards prepayment under the Facility. The final maturity date of the Facility is October 1, 2023.

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

- Archer will ensure that the ratio of net interest-bearing debt (after certain adjustments) to 12 months rolling Nominal EBITDA (after certain adjustments) at the financial quarters ending from March 31, 2021 to June 30, 2021 shall not exceed 7.0x, from September 30, 2021 to June 30, 2022 shall not exceed 7.5x, at September 30, 2022 shall not exceed 7.25x, at December 31, 2022 shall not exceed 6.75x, at March 31, 2023 shall not exceed 6.00x, at June 30, 2023 shall not exceed 5.5x and 5.0x thereafter.
- Archer shall maintain $30 million in freely available cash and undrawn committed credit lines.
- Archer shall ensure that the capital expenditures shall not exceed $40 million per year.

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

As of March 31, 2021, the Company is compliant with all covenants as agreed with its lenders under this Facility.

Related party subordinated loan

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

Hermes-covered term loan

On December 6, 2013 Archer Topaz Limited, a wholly owned subsidiary of Archer, signed a €48.4 million Hermes covered term loan agreement for the financing of the modular rig, Archer Topaz. The loan matures December 31, 2022, and contains covenants aligned to those of the multi-currency term loan and revolving credit facility. The interest rate applied to this loan is 1.45% above EURIBOR. At March 31, 2021 the equivalent of $8.0 million was outstanding under this facility.

Other loans and capital leases

As described above, a total of $22.3 million of the Facility is carved out into two overdraft facilities, each of $ 11.2 million. Net borrowing under the overdraft facilities was $1.6 million at March 31, 2021.

At March 31, 2021 net borrowing under short-term facilities in Argentina and in Bolivia was $4.2 million. In addition, net borrowing on the syndicated loan facility in Argentina was 600 million Argentinian pesos, or $6.7 million dollars, which is repayable in monthly instalments which commenced April 2021, and continue until January 2023.

We have finance arrangements relating to equipment in our Oiltools and Platform Drilling divisions. At March 31, 2021, the balance under these arrangements was $8.3 million.

Interest rate cap agreement

We have entered into USD interest rate cap agreements, securing the interest rate against fluctuations above 1.65% on $198 million until February 2025 and $102 million until February 2023. Furthermore, we have entered into USD interest rate cap agreements, securing the interest rate against fluctuations above 0.85% on $200 million until December 2025. The fair value of the instruments as of March 31, 2021 was an asset of $6.1 million and is included within other non-current assets.

Note 10 Leases

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

Assets leased under finance leases with a carrying value of $9.4 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 13 years at March 31, 2021. 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 $0.3 million in the first quarter of 2021.

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, 2021 was as follows;

(In millions)	Three months ended March 31, 2021
Finance Lease costs	
Amortisation of right of use assets	$ 0.6
Interest on lease liabilities	0.1
Operating lease costs	2.1
Short term lease costs	4.1
Total Lease costs	**6.9**
Other information	
Cash paid for amounts included in measurement lease liabilities	
Operating cash flows from finance leases	-
Operating cash flows from operating leases	2.1
Financing cash flows from finance leases	0.6
Right of use assets obtained in exchange for new finance lease liabilities	0.8
Right of use assets obtained in exchange for new operating lease liabilities	-
Weighted average remaining lease term – finance leases	3.7 years
Weighted average remaining lease term – operating leases	8.9 years
Weighted average discount rate – finance leases	3.6%
Weighted average discount rate – operating leases	6.1%

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 2021	Three Months Ended March 31 2020
Revenues from external customers		
Eastern Hemisphere	$ 166.0	$ 167.1
Western Hemisphere	47.4	70.0
Total	**$ 213.4**	**$ 237.1**
Depreciation and amortisation		
Eastern Hemisphere	$ 4.6	$ 4.1
Western Hemisphere	7.6	7.9
Total	**$ 12.2**	**$ 12.0**
Operating income / (loss) – net loss		
Eastern Hemisphere	$ 14.8	$ 9.6
Western Hemisphere	(7.3)	2.1
Corporate Costs	(1.6)	(2.0)
Operating Income	**5.9**	**9.7**
Total financial items	3.0	(53.2)
Income taxes	(2.8)	(0.1)
Discontinued operations, net of taxes	-	-
Net income/(loss)	**$ 6.1**	**$ (43.6)**
Capital expenditures		
Eastern Hemisphere	$ 2.2	$ 5.2
Western Hemisphere	2.0	1.5
Total	**$ 4.2**	**$ 6.7**

(In millions)	Eastern Hemisphere	Western Hemisphere	Total
Goodwill			
Balance at December 31, 2020	**$ 172.7**	**$ —**	**$ 172.7**
Translation adjustments	(0.1)	—	(0.1)
Balance at March 31, 2021	**$172.6**	**$ —**	**$172.6**

(In millions)	**March 31, 2021**	**December 31, 2020**
Total assets		
Eastern Hemisphere	$ 481.8	**$ 495.1**
Western Hemisphere	346.6	**347.8**
Corporate	6.5	**2.5**
Total	**$ 834.8**	**$ 845.4**

Note 12 – Fair Value of Financial Instruments

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

	March 31, 2021		December 31, 2020	
(In millions)	Fair Value	Carrying Value	Fair Value	Carrying Value
Nonderivatives				
Cash and cash equivalents	$ 35.2	$ 35.2	$ 41.2	$ 41.2
Restricted cash	10.4	10.4	12.4	12.4
Accounts receivable	113.8	113.8	109.2	109.2
Accounts payable	(34.7)	(34.7)	(34.4)	(34.4)
Current portion of interest-bearing debt	(14.6)	(14.6)	(10.5)	(10.5)
Current portion of operating lease liability	(7.6)	(7.6)	(8.5)	(8.5)
Long-term interest-bearing debt	(511.5)	(511.5)	(535.0)	(535.0)
Operating lease liability	(22.1)	(22.1)	(21.4)	(21.4)
Subordinated related party loan	(15.9)	(15.9)	(15.9)	(15.9)
Derivatives				
Interest cap agreements	$ 6.1	$ 6.1	$ 1.9	$ 1.9

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

	March 31, 2021	Fair Value Measurements at Reporting Date Using		
(In millions)	Fair Value	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	$ 35.2	$ 35.2	—	—
Restricted cash	10.4	10.4	—	—
Accounts receivable	113.8	—	113.8	—
Liabilities				
Accounts payable	(34.7)	—	(34.7)	—
Current portion of interest-bearing debt	(14.6)	—	(14.6)	—
Current portion of operating lease liability	(7.6)	—	(7.6)	—
Long-term, interest-bearing debt	(511.5)	—	(511.5)	—
Operating lease liability	(22.1)	—	(22.1)	—
Subordinated related party loan	(15.9)	—	(15.9)	—
Derivatives				
Interest rate caps	$ 6.1	-	6.1	-

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

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

Note 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 2021, we supplied Seadrill Limited and affiliates with services amounting to $1.3 million, mainly relating to the provision of offshore equipment and rental of warehouse space to Seadrill by our Aberdeen facility. This amount has been included in operating revenue.

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 reported its financial results using the equity method of accounting since its creation in 2010.

In the three, months ended March 31, 2021 we have advanced $0.1 million as additional loan to C6.

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

- Frontline Management (Bermuda) Limited, ("Frontline")
- Seatankers Management Company Limited ("Seatankers")

Frontline and Seatankers provide management support and administrative services to us, and we have recorded fees of $0.1 million for these services from Frontline in the first quarter of 2021. These expenses are included in General and administrative expenses in the Consolidated statement of operations.

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, 2021, 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

In December 2020, we entered into a sale and purchase agreement with IKM, the other 50% shareholder of C6. Under the agreement our investment in the Comtrac technology developed by C6 is transferred to a new joint venture in which we continue to hold a 50% interest. The agreement was signed in December 2020, and the transaction will be completed in Q2 2021. The net effect of the sale and purchase agreement is not expected to have any material impact on our balance sheet or 2021 income statement.

On May 9, Archer signed an agreement to acquire DeepWell, a leading Norwegian well intervention company focused on mechanical wireline and cased hole logging services based on an enterprise valuation of NOK 177 million.

In April 2021, ConocoPhillips awarded Archer AS a five-year contract for the provision of mechanical wireline services in the North Sea.

ARCHER LIMITED
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended					
(In millions)	**March 31, 2021**	**December 31, 2020**	**September 30, 2020**	**June 30, 2020**	**March 31, 2020**	**December 31, 2019**
Revenue	**213.4**	**210.6**	**183.6**	**192.8**	**237.1**	**239.7**
Cost and expenses						
Operational costs	(204.6)	(203.0)	(180.7)	(186.0)	(227.5)	(229.6)
Impairments	(3.0)	(0.2)	—	(7.4)	—	(1.8)
Net financial items	3.0	7.3	(16.7)	47.2	(53.2)	(7.4)
Income/(loss) from continuing operations before income taxes	**8.8**	**15.0**	**(13.9)**	**46.6**	**(43.5)**	**0.9**
Income tax (expense)/benefit	(2.8)	(12.2)	1.5	(0.9)	(0.1)	3.1
Net Income / (loss)	**6.1**	**2.7**	**(12.3)**	**45.8**	**(43.6)**	**3.9**

Reconciliation of GAAP to non-GAAP Measures (Unaudited)

	Three Months Ended					
(In millions)	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019
Net income/(loss)	6.1	2.7	(12.3)	45.7	(43.6)	3.9
Depreciation, amortisation and impairments (net of gains/losses on sale of assets)	15.2	11.5	12.9	19.6	12.0	14.3
Net financial items	(3.0)	(7.3)	16.7	(47.2)	53.2	7.4
Taxes on income	2.8	12.2	(1.5)	0.9	0.1	(3.1)
EBITDA	**21.0**	**19.2**	**15.6**	**19.0**	**21.7**	**22.5**
Restructuring costs	-	4.2	6.7	6.3	6.4	5.0
EBITDA before restructuring costs	**21.0**	**23.4**	**22.3**	**25.4**	**28.1**	**27.5**

EBITDA by Geographic and Strategic Areas (Unaudited)

	Three Months Ended					
(In millions)	March 31, 2021	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019
Eastern Hemisphere	19.4	19.8	18.1	20.2	13.7	16.3
Western Hemisphere	3.2	1.1	(1.2)	-	10.0	8.3
Corporate costs	(1.6)	(1.7)	(1.2)	(1.2)	(2.0)	(2.1)
EBITDA	**21.0**	**19.2**	**15.6**	**19.0**	**21.7**	**22.5**