2021 Archer Limited

ANNUAL REPORT

Contents

Board of Directors' Report
Business overview

Archer Limited (Archer or the company), along with its subsidiaries (the Group), is a global services provider with a heritage in drilling and well services that stretches back over 50 years. We employed approximately 4,500 people in our global drilling and well services operations as of December 31, 2021. We deliver high quality products and services, provided by our experienced workforce, with an outstanding record of performance and safety. We aim to deliver the best drilling and well services to the global energy industry.

Our comprehensive drilling and work-over services include platform drilling, land drilling, modular drilling rigs, engineering services, and equipment rentals as well as a select range of support services and products.

Our global well services capabilities include a wide range of products and services for, well imaging, well integrity, production logging, well interventions, wellbore and blowout preventer clean outs, casing cutting and sidetracks, temporary or permanent plugging and abandonments, and decommissioning, all of which are aimed at improving well performance and extending well life, while reducing overall service operating time. We support our customers in critical processes such as well construction, well completion, well intervention and well plugging and abandonment. Our differentiated technologies in well bore imaging, well construction and well integrity are an important and integral part of our strategy to support our customers in delivering better wells.

We operate primarily in Norway, the United Kingdom and Argentina, but we also have operations in Asia, Oceania, Eastern Europe, North America, South America, the Middle East and Africa.

Archer Limited was incorporated in Bermuda on August 31, 2007, with registration number 40612, as an exempted, limited company and is organized and exists under the laws of Bermuda.

Archer's registered office is at Par la Ville Place, 14 Par la Ville Road, Hamilton HM 08, Bermuda. Archer is listed on the Oslo Stock Exchange under the ticker symbol ARCHER.NO and our web site is www.archerwell.com.

Archer is committed to contributing to the ongoing energy transition, through continuous development of new low carbon technologies and services.

Principal markets

The company's principal operations are in the North Sea and Argentina. Globally, we have operations in 40 countries in in Asia, Oceania, Europe, North America, South America, the Middle East and Africa. We report our results under two reporting segments, Eastern and Western Hemisphere. Western Hemisphere includes our land drilling operations in Latin America. All our other divisions, which primarily operate in Norway and the UK, are reported under the Eastern Hemisphere segment.

We have facilities and offices in Argentina, Australia, Bermuda, Bolivia, Brazil, Canada, Dubai, Malaysia, New Zealand, Norway, Poland, the United Arab Emirates, the United Kingdom and the United States.

Strategy

Our strategy and focus is to deliver better wells and to be the "supplier of choice" for drilling services, well integrity, well interventions as well as plug and abandonments. We aim to achieve this by continuously improving our service and product quality and by utilizing people who demonstrate Archer's values and deliver excellence. This approach enables us to further broaden our reach, both geographically and technically, and it will be the foundation to secure longer term profitable growth. We will continue to pursue opportunities to benefit from economies of scale, to selectively strengthen our geographical footprint and to develop proprietary technologies.

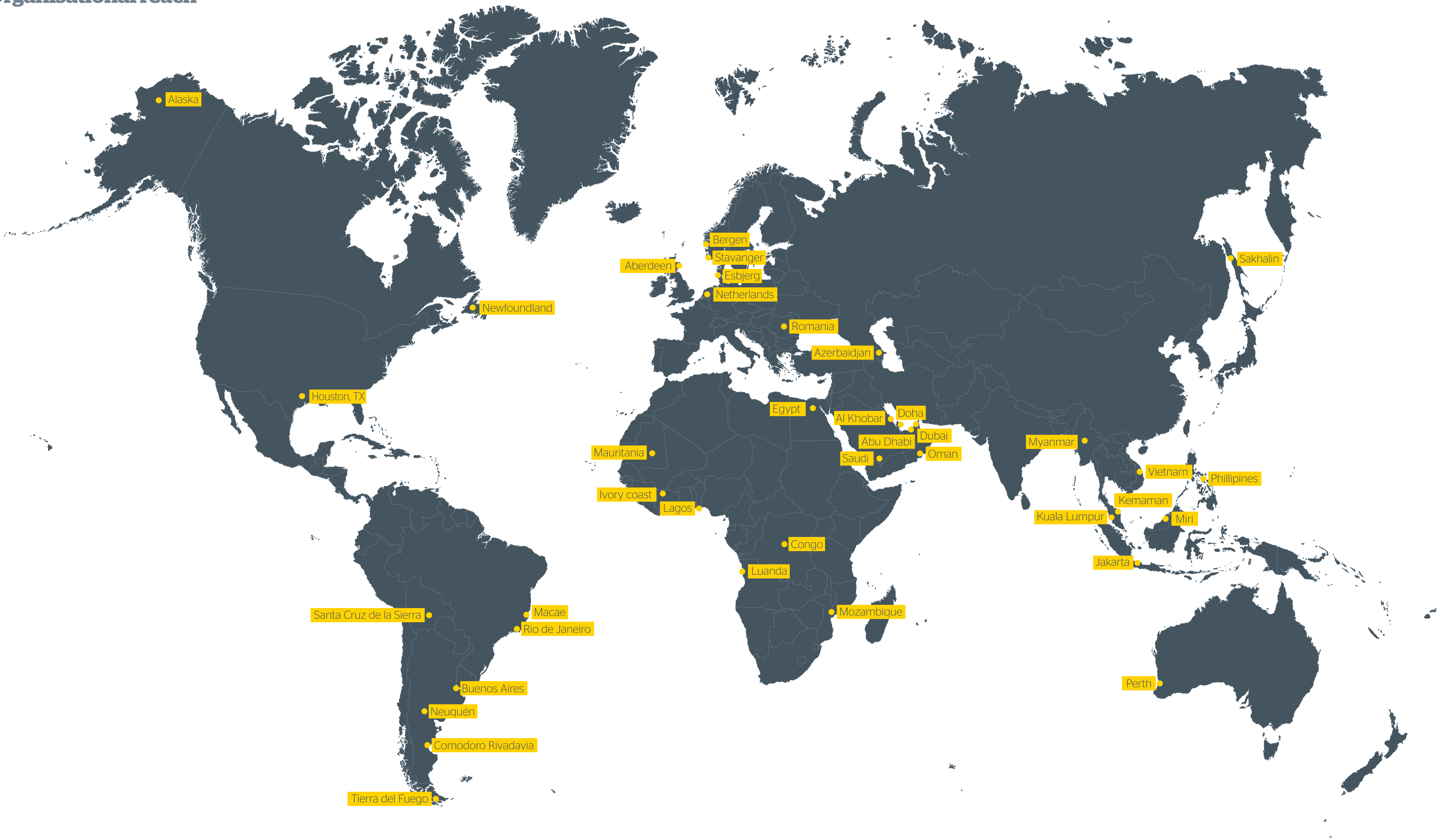
We have further established three overarching strategic directions for Archer. All our business units and cross divisional activities will be focused on supporting and developing; 1) Resilient oil and gas offering, 2) low carbon agenda, and 3) renewables and transition.

Archer is committed to contributing to the ongoing energy transition, through continuous development of new low carbon technologies and services. We have developed our roadmap to net zero in 2050. The majority of our business is focused on brownfield development. Brownfield operations are in mature fields that have been developed, where infrastructure is in place and when the fields are already producing. We are confident Archer`s market position in brownfield services is a solid foundation for decades to come. Archer will also explore business opportunities within the green and renewable energy space, with special focus on wells for geothermal and carbon storage.

2021 Operating results

Revenue for the year ended December 31, 2021 was $936.1 million or 13,6% higher than the revenue in 2020 with increased revenue from our Platform Drilling, Wireline, Oiltools and Land Drilling operations, partly offset by reduced revenue in our Engineering segments. The increase in revenue was exceptionally high in our Wireline division, which experienced an increase of 185% compared to 2020. Increased revenue for Wireline division relates to the award and start up of the Equinor intervention contract in May 2021. Despite a 13.3% increase in revenue from our Land Drilling division, our operations in Argentina continued to be negatively impacted by the effect of the Covid-19 pandemic during 2021.

Board of Directors' Report
Organisational reach



Board of Directors' Report
Financial review

EBITDA, (Earnings before Interest and Other financial items, Taxes, Depreciation and Amortization) for the year ended December 31, 2021 was $85.1 million, representing an increase of 12.6% compared to 2020. The increase in reported EBITDA is driven by the improvement in our Well Services segments which consists of our Oiltools and Wireline divisions. In particular, Wireline improved its contribution to Archer's consolidated EBITDA. Within our Platform Drilling division, the improved EBITDA contribution by our modular rigs was more than offset by theresults from our engineering which was impacted by poor results from two fixed price contracts as well as lower activity within platform drilling operations. Despite the continued negative impact of the Covid-19 pandemic in 2021, our Land Drilling division improved their contribution compared to 2020, but continues to be below satisfactory levels.

Eastern Hemisphere revenue was 13.7% higher than in 2020 with increased revenue in Platform Drilling, Modular Rigs, Wireline and Oiltools. In particular, the contribution from the Wireline contributed to the reported increase in revenue. The increased revenue from Wireline is partly explained by the Equinor contract, wherein Archer uses Schlumberger and Welltec as sub-contractors to perform a substantial portion of the overall contract scope. Year on year EBITDA, improved by 11.5% due to higher activity.

Western Hemisphere revenue increased by 13.3% compared with 2020, reflecting a modest improvement from the impact of the lockdown in Argentina. The depreciation affects our reported USD revenue in Argentina. Year on year EBITDA, improved by 15.2% due to higher activity.

Total expenses, including reimbursable expenses and depreciation for the year ended December 31, 2021 amounted to $920.7 million, an increase of 14.4% compared to the year ended December 31, 2020.

Our depreciation and amortization expenses for the year ended December 31, 2021 amounted to $53.8 million, an increase of 12.2% compared to $48.0 million for the year ended December 31, 2020. The increase primarily results from the additional assets acquired in the acquisition of the DeepWell business (see note 6).

We test our fixed assets for impairment as a matter of routine each year during the fourth quarter. In 2021 we have recorded impairment charges totalling $16.4 million relating to our land rigs deployed in Latin America. Our detailed review involves the use of estimated future cash flows per rig and independent valuations obtained from specialist appraisers. In 2021 we have recognized additional impairments of $16.4 million which reduce the carrying value of rigs which have been idle for 5 or more years to zero. This is a more conservative approach than in previous years which we believe is appropriate due to the ongoing challenges in the Oil and Gas Sector in Latin America resulting from the Covid Pandemic, local strikes and Government fiscal limitations.

We are confident that the carrying values of our remaining rigs are supported by current contracts, estimated future cash flow forecasts and valuation reports from independent appraisers.

In 2021 we sold part of the business operated by our equity investment, C6 Technologies AS ("C6") to IKM Gruppen AS ("IKM") who owned the other 50% of C6. We retained 50% ownership of the Comtrac technology developed by C6, which was transferred to a new entity Comtrac AS, in which we have a 50% stake. The partial sale of C6 resulted in a gain of $0.6 million which we have recognized in Other comprehensive income due to the related party nature of C6. This transaction is further discussed in note 24.

Our general and administrative expenses for the year ended December 31, 2021 amounted to $38.4 million, an increase of 13.3% compared to $33.9 million for the year ended December 31, 2020. The increase is partly driven by increasing activity in all divisions, in addition the cost increase relates to the implementation and update of new accounting software. A substantial portion of corporate cost is denominated in Norwegian kroner, which has strengthened against our reporting currency of US Dollar.

Interest expense for the year ended December 31, 2021 amounted to $29.0 million, a decrease of 13.4% compared to $33.5 million for the year ended December 31, 2020. The reduction in interest expense primarily reflects reduced drawing under our facilities, following an good cash flow generated over the year combined with lower interest rates in 2021 than in 2020. Net interest-bearing debt was $500.0 million at December 31, 2021, compared to $504.3 million on December 31, 2020.

In the second quarter of 2021 we recognized a non recurring gain on bargain purchase of $11.4 million following our acquisition of DeepWell, a Norwegian well intervention business which provides high-tech wireline services which complement Archer's service portfolio. The purchase, and assets acquired are discussed in more detail in Note 6.

Other financial items for the year ended December 31, 2021, amounted to a net cost of $6.8 million, compared to income totalling $33.1 million for the year ended December 31, 2020. Other financial items included foreign exchange gains and losses. We are exposed to the effect of currency exchange movements. In 2021, we recorded an exchange loss of $7.0 million (2020: $6.7 million) which is largely explained by movements in an internal loan denominated in NOK recorded in our holding company which has USD as the functional currency. The exchange loss related to internal loans have no cash effect.

The net gain in 2020 included a one-off gain of $42.2 million, related to our debt restructure, as further described in note 17.

Our total income tax charges for 2021 amounted to a tax expense of $7.7 million as compared to an expense of $11.6 million for 2020. The Group`s net tax expense primarily relates to tax expense from operations in Europe, driven by underlying improved profitability for the Norway operations.

Net loss from continuing operations for the year ended December 31, 2021 amounted to $14.8 million, compared to net loss of $7.5 million for the year ended December 31, 2020.

We have proposed no dividends for the year ended December 31, 2021.

Balance sheet

Our total current assets were $273.9 million at December 31, 2021, an increase of 11.8% compared to $245.0 million at December 31, 2020. Accounts receivable have increased by $16.4 million, or 15% reflecting an increase in business activity. Cash and restricted cash increased by $11.9 million or 22.2%.

Our total noncurrent assets were $576.7 million at December 31, 2021 and consisted primarily of fixed assets used in our operations, goodwill, and right of use assets under operating leases. The reduction of $23.7 million or 3.9% compared to a 2020 total of $600.4, is mainly due to the impairment of some of our land rigs and translation adjustments.

As of December 31, 2021, our total assets amounted to $850.7 million, an increase of $5.3 million, or 0.6%, as compared to December 31, 2020.

Our total current liabilities were $214.2 million at December 31, 2021 compared to $178.9 million at 31 December 2020, an increase of $35.3 million or 19.8%. The increase is driven by increased activity which resulted in higher working capital, as well as a higher portion of our revolving credit facility has been classified as short term due to scheduled repayments in 2022.

Our total non-current liabilities were $547.9 million at December 31, 2021 and consisted primarily of the revolving credit and term loan facility, subordinated related party loan and operating lease liabilities. Our net interest bearing debt was $500 million at December 31, 2021 compared to $504 million at the end of 2020.

Additions to our balance sheet which resulted from the acquisition of DeepWell are discussed in note 6 to our finance statements.

Board of Directors' Report
Financial review

Cash flows
The following table summarizes our cash flows from operating, investing and financing activities for the years ended December 31, 2021 and 2020.

In $ millions	**2021**	**2020**
Net cash provided by operating activities	52.7	70.0
Net cash used in investing activities	(42.6)	(31.5)
Net cash (used in) / Provided by financing activities	5.9	(29.1)
Effect of exchange rate changes on cash and cash equivalents	(4.1)	0.1
Cash and cash equivalents, including restricted cash at the beginning of the year	53.6	44.1
Cash and cash equivalents, including restricted cash, at the end of the year	**65.5**	**53.6**

Cash flow from operating activities decreased in 2021, compared to 2020 resulting in part from an increase in our net working capital and continuing higher extraordinary costs, defined below under key figures, following the pandemic outbreak.

In 2020 and 2021 we limited our investments in assets to essential overhauls/recertification of operational equipment, apart from our two modular rigs which have been recertified and made ready for service contracts secured in 2019.

In 2021 cash provided by financing activities amounted to $5.9 million, which was the result from additional net drawing on our revolving credit facility as well as the establisihmment of a new syndicated loan in Argentina of $6.9 million. In 2020 cash used in financing activities of $29.1 million consisted mainly of repayments under our long-term loan facility.

Going concern
Our Board of Directors confirms their assumption of the Group as a going concern for the foreseeable future, being a period of not less than 12 months from the date of this report. This assumption is based on the liquidity position of the Group, forecasted operating results, and the market outlook for the oil service sector as at December 31, 2021. The Board believes the annual report provides a fair presentation of the Group's assets and debt, financial position and financial performance.

Key figures

	2021	**2020**
Revenue In $ millions	936	824
EBITDA[1] In $ millions	85	76
EBITDA before exceptional items[2] In $ millions	93	99
Net (loss) / income from continuing operations In $ millions	(15)	(8)
Net interest bearing debt In $ millions	500	504
Employees at December 31	4,473	4,564

[1] EBITDA is defined as earnings before Interest and Other financial items, Taxes, Depreciation, Amortization and Impairments. This non-GAAP measurement is widely used by analysts and investors for assessing the company's underlying performance and comparisons with other companies within the industry.

[2] Exceptional items include severance payments, costs of idle personnel in Latin America and office closure costs which are non-recurring and are not directly related to our current business operations, as disclosed in Note 4 to the consolidated financial statements.

Board of Directors' Report
Health, Safety and Environmental

Archers HSE philosophy is to establish and maintain an incident-free workplace where accidents, injuries or losses do not occur.

Archer's HSE philosophy is to establish and maintain an incident-free workplace where accidents, injuries or losses do not occur.

Safety is one of our key values. The value is embedded in the way we work: in compliance with our procedures, with the authority to 'stop work' if safety is compromised, planning before we act, evaluating performance to ensure we improve, and maintaining a positive working environment.

Measuring performance is a key element in Archer's continuous improvement process, and results are monitored constantly and systematically. A selection of KPIs reflecting Archer's policies and objectives are reviewed down to installation level and reported to management on a monthly basis.

External and internal audits, verifications, inspections and management visits offshore are carried out to measure compliance towards requirements.

The close monitoring of the KPI results facilitates analysis of trends and causes, enabling the management to implement corrective actions if and when required. Together with the outcome of audits and inspections and the discussions in our management reviews, these results are used in the preparation of the annual HSE focus plans.

The main element in the Archer 2021 HSE plan has been the further follow-up of the Archer safety culture program; The big 5. Via different initiatives during the year, Archer reinforced the message in the program.

The Big 5 is an Archer initiated safety culture program, the focus for the program is the personal motivation each of us have to stay incident free. The main theme is to stay incident free so that we can go back home and do what we love the most. The Big 5, are each employee's most important reasons to stay safe at work. The question we ask is, how will a serious injury impact your life and your Big 5.

The Big 5 will continue to play a central role in the Archer HSE plan for 2022, ensuring a continued improvement in the Archer total recordable injury frequency ("TRIF") trend.

Archer continued its focus on the IOGP Life-saving rules. The rules describe key actions to prevent fatal injuries related to 9 different high-risk activities. Archer rolled out 4 information packages related to Life saving rules in 2021 using video material, presentation material and group work tasks. The adherence to the Lifesaving Rules were verified using internal inspections and management hands-on activities.

Compared with 2020, the 2021 TRIF trend had an impressive drop from 0.85 to 0.41 and the Lost Time Injury trend decreased from 0.14 to 0.13 during 2021. Archer injury trend is based on number of injuries during 200,000 worked hours. All the incidents Archer experienced during the year had minor personal impact.

Most incidents can easily be avoided, which is why we keep consistent and high QHSE focus. To ensure this is highlighted and to ensure we reach our success criteria the following actions will be put in place and monitored during the 2021:

- Management leadership inspections
- The Big 5 implementation
- Safety leadership
- Hazard hunt training
- Life-saving rules training packages

The following table provides a summary of our work injury statistics.

	2021		2020	
Area	**Loss Time Injuries**	**Medical Treatment Cases**	**Loss Time Injuries**	**Medical Treatment Cases**
Eastern Hemisphere	5	9	5	22
Western Hemisphere	1	4	1	8
Archer Total	**6**	**13**	**6**	**30**

The table above illustrates the total amount of recordable personnel injuries in both Eastern and Western Hemisphere. Archer will focus and continue to work to continue the positive trend we had in 2021 into 2022

Archer is actively working to minimize the risk of damage to the environment as a result of operations. This includes the systematic registration of emissions and discharges and pre-emptive action in selecting chemicals that cause minimum harm to the environment. However, there are still risks of environmental damage and negative consequences for the company. In 2021 Archer had 0 reportable spills (2020 2 spills).

The Archer Management system is certified according to the ISO 9001:2015 certificate. In addition, the UK and Brazil operations and Wireline Norwegian operations are accredited to the ISO 14001:2015 for Environmental Management Standards. Archer has described the social responsibility in its management system and made clear commitments throughout the year.

Sustainability

The company published its Environmental, Social, Governance report (ESG) for 2021 on March 31, 2022. The ESG report has been prepared in accordance with the framework established by the Sustainability Accounting Standards Board (SASB) for Oil and Gas Services. This report allows us to identify, manage and report on material Environmental, Social and Governance (ESG) factors specific to our Industry. The report is published to provide investors, banks and other stakeholders with easy access to extra-financial information. More information is available in the ESG 2021 report on our homepage, please visit https://www.archerwell.com/sustainability/

Employees and diversity

Our global workforce`s everyday dedication to demonstrating our values and delivering excellence to our clients, has been impressive throughout 2021. Their response to an ever-changing pandemic has been flexible to both how, when and where they conduct their work.

Increased use of digitalization has been essential to solve difficulties with reduced mobility and home office requirements to retain safe and efficient operations. We have experienced new technology to be used at all levels in the organization. The last two years with the pandemic have caused employees at all locations to have significantly more flexibility in working hours and workplace. Employee surveys from some locations, can indicate that experienced flexibility has contributed to the workforce being able to better handle their personal lives and cope with the pandemic.

In spite of another year with challenging travel restrictions and business protection within country borders, we managed to keep our client promises and delivered our operations in a safe manner according to adjusted plans. The variety in the global market activity required us to focus even more on the pandemic situation to keep our human resources safe, and to have enough manpower available to support our operations

Our diverse global workforce represents 42 nationalities. Most of our employees are working offshore at rig installations or in field locations at onshore drilling rigs. Female employees make up 21% of our onshore workforce, with 18% of those female employees holding leadership positions. The total female ratio is 4.9%, an increase of 0.6% from 2020.

The total headcount for Archer was stable during 2021, with 4,473 employees at year end. However, there was some variety within the divisions during the year. The service divisions, Oiltools and Wireline, had a significant increase in headcount of 194 additional employees representing a 49% increase, primarily due to the significant Wireline contract award from Equinor and acquisition of DeepWell AS during 2021. The headcount within Platform drilling & Engineering segment was reduced by 7,4%, or 155 employees, over the year due to a drop in activity within Platform drilling in the UK and Norway. The overall headcount for the Western Hemisphere had a small 1,5% decrease over the year.

The Archer Group is an equal opportunity employer and exercises fair treatment to all individuals regardless of race, colour, religion, gender, national origin, age, disability or any other status protected by law.

The Archer Group is an equal opportunity employer and exercises fair treatment to all individuals regardless of race, color, religion, gender, national origin, age, disability, or any other status protected by law. This commitment applies to all employment decisions and in all the countries in which Archer entities operate. Included within our Human Rights policy is our commitment to respect the principles in the UN Guiding Principles on Business and Human Rights, the International Bill of Human Rights, and the ILO Core Conventions on Labor Standards. Archer complies with established international labor standards and employment legislation where we operate and is committed to the prevention of child and forced labor, non-discrimination in the workplace, the right of freedom of association and assembly, and the right to collective bargaining.

Board of Directors' Report
Risk factors

Risks Relating to the Group and the Industry in which the Group Operates

The Group's business depends on the development and production in the North Sea and internationally, and the level of activity of oil and natural gas exploration.
The Group's business depends on the development and production in the North Sea and internationally, level of activity of oil and natural gas exploration, and in particular, development and production expenditures of the Group's customers. Demand for the Group's drilling and well services is adversely affected by declines in exploration, development and production activity associated with depressed oil and natural gas prices. Even the perceived risk of a decline in oil or natural gas prices often causes exploration and production companies to reduce their spending. A decline in oil and natural gas prices may cause a reduction in drilling, completion and other production activities of the Group's customers and related spending on the Group's products and services. These effects could have a material adverse effect on the Group's financial condition, results of operations and cash flows.

Legal requirements, conservation measures and technological advances could reduce demand for oil and natural gas, which may adversely affect the Group's business, financial condition, results of operations and cash flows.
Environmental and energy matters have been the focus of increased scientific and political scrutiny and are subject to various legal requirements. International agreements, national laws, state laws and various regulatory schemes limit or otherwise regulate energy-related activities, such as emissions of greenhouse gases, and additional restrictions are under consideration by governmental entities.

The Group's Argentina operations could be affected by government action.
Land drilling activity in Argentina remains at low levels. Argentina's default on its sovereign debt combined with capital restrictions have led to a challenging situation for the oil and gas sector in the country, including the oil service industry. How the government of Argentina invests in the energy sector, makes changes to employment and labor legislation, and formulates policy around taxation, currency control and exchange, national debt repayment, and commodity pricing could all have a significant effect on the Group's business in Argentina.

Global political, economic and market conditions influence, and could negatively impact, the Group's business.
The Group's operations are affected by global political, economic and market conditions. A worldwide economic downturn could reduce the availability of liquidity and credit to fund business operations worldwide. This could adversely affect the operations of the Group's customers, suppliers and lenders which in turn could affect demand for the Group's services. In addition, an economic downturn could reduce demand for oilfield services negatively and impact the Group's activity levels and pricing of its services and thus adversely affect the Group's financial condition and results of operations.

Employee and customer labor problems could adversely affect the Group.
Archer and its subsidiaries are parties to collective bargaining agreements material to the Group's operations in Argentina, Brazil, the United Kingdom and Norway. We have experienced strikes, work stoppages or other slowdowns in the past. A prolonged strike, work stoppage or other slowdown by our employees or by the employees of our customers could cause us to experience a disruption of our operations, which could adversely affect our business, financial condition and results of operations.

The Group is subject to numerous governmental laws and regulations, some of which may impose significant liability on the Group.
The Group is subject to various local and foreign laws and regulations, including those relating to the energy industry in general and the environment in particular, and may be required to make significant capital expenditures to comply with laws and the applicable regulations and standards of governmental authorities and organizations. Moreover, the cost of compliance could be higher than anticipated. The Group's operations are subject to compliance with international conventions and the laws, regulations and standards of other countries in which the Group operates, including anti-bribery regulations. It is also possible that existing and proposed governmental conventions, laws, regulations and standards, including those related to climate and emissions of "greenhouse gases," may in the future add significantly to the Group's operating costs or limit the Group's activities or the activities and levels of capital spending by the Group's customers.

The Group is primarily engaged in the oil and gas service industry, and the ongoing energy transition may limit the activity in these areas in the future
Our long-term success depends on our ability to effectively address the energy transition, which will require adapting our technology portfolio to potentially changing government requirements and customer preferences, as well as engaging with our customers to develop solutions to decarbonize oil and gas operations. If the energy transition landscape changes faster than anticipated or in a manner that we do not anticipate, demand for our products and services could be adversely affected. Furthermore, if we fail or are perceived to not effectively implement an energy transition strategy, or if investors or financial institutions shift funding away from companies in fossil fuel-related industries, our access to capital or the market for our securities could be negatively impacted.

The loss of the services of key executives could hurt the Group's operations.
The Group is dependent upon the efforts and skills of certain directors of the Group and executives employed by the company to manage the Group's business, identify and consummate additional acquisitions and obtain and retain customers.

Severe weather conditions could have a material adverse impact on the Group's business.
The Group's business could be materially and adversely affected by severe weather in the areas where it operates. Repercussions of severe weather conditions may include:

- curtailment of services;
- weather-related damage to facilities and equipment resulting in suspension of operations;
- inability to deliver materials to job sites in accordance with contract schedules; and
- loss of productivity.

A terrorist attack or armed conflict could harm the Group's business.
Terrorist activities, anti-terrorist efforts and other armed conflicts in, or involving any region of the Group's activities or other oil producing nation may adversely affect local and global economies and could prevent the Group from meeting their financial and other obligations.

The political environment in oil and natural gas producing regions, including uncertainty or instability resulting from civil disorder, terrorism or war, such as the recent conflict between Russia and Ukraine could adversely affect the Group's business.
On 24 February 2022, Russia launched a military invasion of Ukraine. Following the invasion, there has been ongoing battles on Ukrainian soil, creating significant uncertainties regarding global political and economic stability. Several countries have condemned the invasion by Russia, and severe sanctions have been imposed on banks, certain oligarchs, and the state itself. The war has caused significant business disruption, volatility in international debt and equity markets and disruption to the global economy in the short term. There is significant uncertainty around the breadth and duration of all disruptions related to the invasion, as well as its impact on the global economy. The extent to which the invasion impacts the company's results will depend on future developments, which are highly uncertain and difficult to predict, including new information which may emerge on an ongoing basis. The energy markets are heavily impacted by the invasion and the following sanctions, and oil and gas prices have spiked from an already high level since the announcement on 24 February 2022.

Russia is a key exporter of gas to Europe, and it is expected that volumes will decline both due to infrastructure breaches, sanctions making it cumbersome to trade, and potential unwillingness from Russia to export to the rest of the global community. There is significant uncertainty regarding how the invasion and the following sanctions will impact the access to energy, and the price of oil and gas and other commodities in the coming period, and the company's operations and results may be adversely impacted. The ongoing conflict in Ukraine could potentially lead to increased risk of cyber-attacks.

Board of Directors' Report
Risk factors

The Group has recorded substantial goodwill as the result of its acquisitions and goodwill is subject to periodic reviews of impairment.
The Group performs purchase price allocations to intangible assets when it makes acquisitions. The excess of the purchase price after allocation of fair values to tangible assets is allocated to identifiable intangibles and thereafter to goodwill. The Group conducts periodic reviews of goodwill for impairment in value. Any impairment would result in a non-cash charge against earnings in the period reviewed, which may or may not create a tax benefit, and would cause a corresponding decrease in shareholders' equity. 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.

The Group has operated at a loss in the past and recently, and there is no assurance of its profitability in the future.
Historically, the Group has experienced periods of low demand for its services and has incurred operating losses. In the future, it may not be able to reduce its costs, increase its revenues, or reduce its debt service obligations sufficient to achieve or maintain profitability and generate positive operating income. Under such circumstances, the Group may incur further operating losses and experience negative operating cash flow.

The Group may be subject to litigation if another party claims that the Group has infringed upon its intellectual property rights.
Third parties could assert that the tools, techniques, methodologies, programs and components the Group uses to provide its services infringe upon the intellectual property rights of others. Infringement claims generally result in significant legal and other costs and may distract management from running the Group's core business. Additionally, if any of these claims were to be successful, developing non-infringing technologies and/or making royalty payments under licenses from third parties, if available, would increase the Group's costs.

The Group could be adversely affected if it fails to keep pace with technological changes and changes in technology could have a negative result on the Group's market share.
The Group provides drilling and well services in increasingly challenging onshore and offshore environments. To meet its clients' needs, the Group must continually develop new, and update existing, technology for the services it provides. In addition, rapid and frequent technology and market demand changes can render existing technologies obsolete, requiring substantial new capital expenditures, and could have a negative impact on the Group's market share.

The Group may be subject to claims for personal injury and property damage, which could materially adversely affect the Group's financial condition and results of operations.
Substantially all of the Group's operations are subject to hazards that are customary for exploration and production activity, including blowouts, reservoir damage, loss of well control, cratering, oil and gas well fires and explosions, natural disasters, pollution and mechanical failure. Any of these risks could result in damage to or destruction of drilling equipment, personal injury and property damage, suspension of operations, or environmental damage. The Group may also be subject to property, environmental and other damage claims by oil and natural gas companies and other businesses operating offshore and in coastal areas. Litigation arising from an accident at a location where the Group's products or services are used or provided may cause the Group to be named as a defendant in lawsuits asserting potentially large claims. Generally, the Group's contracts provide for the division of responsibilities between the Group and its customer, and consistent with standard industry practice, the Group's clients generally assume, and indemnify the Group against, some of these risks. There can be no assurance, however, that these clients will necessarily be financially able to indemnify the Group against all risks. Also, the Group may be effectively prevented from enforcing these indemnities because of the nature of the Group's relationship with some of its larger clients. Additionally, from time to time the Group may not be able to obtain agreement from its customers to indemnify the Group for such damages and risks.

To the extent that the Group is unable to transfer such risks to customers by contract or indemnification agreements, the Group generally seeks protection through customary insurance to protect its business against these potential losses. However, the Group has a significant amount of self-insured retention or deductible for certain losses relating to general liability and property damage. There is no assurance that such insurance or indemnification agreements will adequately protect the Group against liability from all of the consequences of the hazards and risks described above. The occurrence of an event for which the Group is not fully insured or indemnified against, or the failure of a customer or insurer to meet its indemnification or insurance obligations, could result in substantial losses.

The Group's insurance coverage may become more expensive, may become unavailable in the future, and may be inadequate to cover the Group's losses.
The Group's insurance coverage is subject to certain significant deductibles and levels of self-insurance, does not cover all types of losses and, in some situations, may not provide full coverage for losses or liabilities resulting from the Group's operations.

Archer Limited is a holding company, and as a result is dependent on dividends from its subsidiaries to meet its obligations.
Archer Limited is a holding company and does not conduct any business operations of its own. Archer Limited's principal assets are the equity interests it owns in its operating subsidiaries, either directly or indirectly. As a result, the Archer Limited is dependent upon cash dividends, distributions or other transfers it receives from its subsidiaries to repay any debt it may incur, and to meet its other obligations. The ability of Archer's subsidiaries to pay dividends and make payments to Archer Limited will depend on their operating results and may be restricted by, among other things, applicable corporate, tax and other laws and regulations and agreements of those subsidiaries. For example, the corporate laws of some jurisdictions prohibit the payment of dividends by any subsidiary unless the subsidiary has a capital surplus or net profits in the current or immediately preceding fiscal year. Payments or distributions from Archer's subsidiaries also could be subject to restrictions on dividends or repatriation of earnings under applicable local law, and monetary transfer restrictions in the jurisdictions in which Archer's subsidiaries operate. Archer's subsidiaries are separate and distinct legal entities. Any right that Archer Limited has to receive any assets of or distributions from any subsidiary upon the bankruptcy, dissolution, liquidation or reorganization of such subsidiary, or to realize proceeds from the sale of the assets of any subsidiary, will be junior to the claims of that subsidiary's creditors, including trade creditors.

Regarding payment of dividends to Archer shareholders, under the Bermuda Companies Act, dividends cannot be paid if there are reasonable grounds for believing that (a) The company is, or would after the payment be, unable to pay its liabilities as they become due; or (b) The realizable value of the company's assets would thereby be less than its liabilities The Company has not declared a dividend since its inception, and there are restrictions in the financing arrangement effectively preventing the Company from distributing dividend to its shareholders before the loan has been repaid, refinanced or a dividend distribution is approved by our Lenders.

The Group's tax liabilities could increase as a result of tax audits, inquiries or settlements.
The Group's operations are, and may in the future become, subject to audit, inquiry and possible re-assessment by different tax authorities. In accordance with applicable accounting rules relating to contingencies, management provides for taxes in the amounts that it considers probable of being payable as a result of these audits and for which a reasonable estimate may be made. Management also separately considers if taxes payable in relation to filings not yet subject to audit may be higher than the amounts stated in the Group's filed tax return and makes additional provisions for probable risks if appropriate. As forecasting the ultimate outcome includes some uncertainty, the risk exists that adjustments will be recognized to the Group's tax provisions in later years as and when these and other matters are finalized with the appropriate tax authorities.

The Group's operations are subject to a significant number of tax regimes, and changes in legislation or regulations in any one of the countries in which the Group operates could negatively and adversely affect the Group's results of operations.
The Group's operations are carried out in several countries across the world, and the Group's tax filings are therefore subject to the jurisdiction of a significant number of tax authorities and tax regimes, as well as cross-border tax treaties between governments. Furthermore, the nature of the Group's operations means that the Group routinely has to deal with complex tax issues (such as transfer pricing, permanent establishment or similar issues) as well as competing and developing tax systems where tax treaties may not exist or where the legislative framework is unclear. In addition,

Board of Directors' Report
Risk factors

the Group's international operations are taxed on different bases that vary from country to country, including net profit, deemed net profit (generally based on turnover) and revenue based withholding taxes based on turnover.

Cyber-attacks could adversely affect the Group's business.
The Group's operations are subject to the risk of cyber-attacks. If the Group's systems for protecting against cybersecurity risks are circumvented or breached, this could result in the loss of the Group's intellectual property or other proprietary information, including customer data, and disruption of its business operations, which could adversely affect the Group's financial condition and results of operations.

Outbreaks of pandemic and pandemic diseases and governmental responses thereto could adversely affect our business.
Our operations are subject to risks related to outbreaks of infectious diseases. The COVID 19 pandemic, has already and may continue to negatively affect economic conditions, our operations and the operations of our customers, suppliers and other stakeholders. Governments in affected countries may impose travel bans, quarantines and other emergency public health measures in 2022. Those measures may continue and increase depending on developments in the virus' outbreak, mutation, and the vaccination program of affected countries. As a result of these measures our offshore staff may be restricted from embarking and disembarking in ports located in regions affected by Coronavirus and our land drilling staff may be restricted from mobilization to well sites. The possible effects of the pandemic are discussed more fully under Going Concern in Note 1 to our financial statements.

Risks relating to the company's financing

No assurance can be given that the company's current financing arrangements will be sufficient and that the Group will not require additional funding to fund operations and capital expenditure or for other purposes.
To the extent the company does not generate enough cash from operations the company and its subsidiaries may need to raise additional funds through public or private debt or equity financing or refinance its debt facilities. Adequate sources of funds may not be available or available at acceptable terms and conditions, when needed, and the company may not be able to refinance its debt facilities on acceptable terms and conditions or at all.

Banks and other financial institutions have due to historical lossess in the sector and due to concerms in relation to ESG, decided to restrict lending to the oil and gas related industry. As a consequence, the availale bank lending to the industry is meaningfully reduced, with a negative effect on the the funding cost for capital in the oil and gas service industry

The Group`s Revolving Credit Facility matures on October 1st, 2023.

The Group has a significant level of debt, and could incur additional debt in the future, which could have significant consequences for its business and future prospects.
As of December 31, 2021, the Group had total outstanding interest-bearing debt of $552 million. This debt represented 65% of the Group's total assets. See note 17 to the financial statements for further analysis of our debt. The Group's debt and the limitations imposed on the Group by its existing or future debt agreements could have significant consequences for the Group's business and future prospects, including the following:

- The Group may not be able to obtain necessary financing in the future for working capital, capital expenditures, acquisitions, debt service requirements or other purposes;
- The Group may not be able to repay the debt as it comes due, obtain extension of maturities or secure sufficient refinancing;
- The Group will be required to dedicate a substantial portion of its cash flow from operations to payments of principal and interest on its debt;
- The Group could be more vulnerable during downturns in its business and be less able to take advantage of significant business opportunities and to react to changes in the Group's business and in market or industry conditions; and
- The Group may have a competitive disadvantage relative to its competitors that have less debt.

Adjustments to the Group's capital structure could be required to retain sufficient flexibility and competitiveness for the company and Group going forward, and the capital structure will be considered more closely by the company going forward.

The Group's Revolving Credit Facility imposes financial covenants and restrictions on the Group that may limit the discretion of management in operating the Group's business and that, in turn, could impair the Group's ability to meet its obligations.
The Group's existing credit facility contains various restrictive covenants and undertakings that limit management's discretion in operating its business. In particular, at December 31, 2021, these covenants undertakings limit its ability to, among other things:

- make certain types of loans and investments;
- incur or guarantee additional indebtedness;
- pay dividends, redeem or repurchase stock, prepay, redeem or repurchase other debt or make other restricted payments;
- use proceeds from asset sales, new indebtedness or equity issuances for general corporate purposes or investment into its business;
- invest in joint ventures;
- create or incur liens;
- enter into transactions with affiliates;
- sell assets or consolidate or merge with or into other companies; and
- enter into new lines of business.

There is also a change of control clause in the loan agreement which would be triggered in the case of Hemen Holding Limited reduces its shareholding to below 7.5%.For further information about our financing arrangements please see Note 17 to the financial statements.

Liquidity risk
Liquidity risk is the risk that our group is unable to meet our financial obligations. Our approach to secure liquidity is to ensure, as far as possible, that we always have sufficient liquidity reserves to meet our liabilities when due. This requires us to maintain sufficient cash and available overdraft facilities supplemented by additional liquidity through committed credit lines as appropriate.

Should our access to debt markets become more difficult, or we are unable to refinance or repay debt when they come due, our availability of liquidity may be insufficient to service our financial obligations, and the impact on our liquidity could have a material adverse effect on our operations. Our financing costs could also be affected by interest rate fluctuations.

The Group's results of operations may be adversely affected by currency fluctuations.
Due to its international operations, the Group may experience currency exchange losses when revenues are received and expenses are paid in nonconvertible currencies, or when the Group does not hedge an exposure to a foreign currency. The Group may also incur losses as a result of an inability to collect revenues because of a shortage of convertible currency available to the country of operation, controls over currency exchange or controls over the repatriation of income or capital. The Group attempts to limit the risks of currency fluctuation and restrictions on currency repatriation where possible by obtaining contracts providing for payment of a percentage of the contract indexed to the U.S. dollar exchange rate. To the extent possible, the Group seeks to limit its exposure to local currencies by matching the acceptance of local currencies to the Group's local expense requirements in those currencies.

The Group's cost of funding is impacted by changes in the interest rate level.
The Group is generally financed using floating interest rates, and changes in the interest rate will impact the cost of financing. The Group has entered into interest rate cap agreements, securing interests on a portion of its debt against general increases in interest rates above certain levels. See note 17 for additional information.

The Group is exposed to credit risk and would be impacted by financial losses if one or more contractual partners do not meet their obligations.
To mitigate this risk the Group trades predominantly with recognized, creditworthy third parties. Receivable balances are monitored on an ongoing basis. The Group enters into derivative transactions only with counterparties with whom it has an established business relationship.

Board of Directors' Report
Share capital issues and Corporate Governance

Share Capital issues
At December 31, 2021, the number of shares issued was 148,758,612 corresponding to a share capital of $1,487,586.

At December 31, 2021, our authorised share capital was $10,000,000 consisting of 1,000,000,000 shares each with a par value of $0.01. All of our shares are of the same class.

At December 31, 2021, the number of shares issued was 148,758,612 corresponding to a share capital of $1.5 million.

The issued shares are fully paid, and all issued shares represent capital in the company. The shares are equal in all respects and each share carries one vote at our General Meeting of shareholders. None of our shareholders have different voting rights. The Board is not aware of any other shareholders agreements or any take-over bids during the year.

All of our issued shares are listed on the Oslo Stock Exchange and the split of the shareholders, as registered in the Norwegian Central Securities Depository (VPS), was as per the table below.

Shareholder overview as of December 31, 2021

SEADRILL JU NEWCO BERMUDA LIMITED	15.5%
HEMEN HOLDING LIMITED	12.2%
SKANDINAVISKA ENSKILDA BANKEN AB	3.2%
STAVANGER FORVALTNING AS	3.1%
Others	66.0%

Hemen Holding Ltd, or Hemen, a Cyprus holding company is indirectly controlled by trusts established by Mr. John Fredriksen, for the benefit of his immediate family.

Corporate governance
The Board has reviewed our compliance with various rules and regulations, such as the Norwegian Accounting Act, the Norwegian Code of Practice for Corporate Governance, as well as the respective Bermuda law. A detailed discussion of each item can be found in the compliance section of this annual report in Appendix A. The Board believes that we are in compliance with the rules and regulations except for certain sections where the reasons for this noncompliance are provided.

Board of Directors' Report
Board of Directors

Composition of the Board
Overall responsibility for the management of Archer Limited and its subsidiaries rests with the Board. Our bye-laws provide that the Board shall consist of a minimum of two directors and the shareholders have currently approved a maximum of nine directors. Archer maintains Directors & Officers liability insurance against liabilities incurred in their capacity as Director or officer. The policy has a limit of $15 million..

Archer Limited's business address at Par-la-Ville Place, 14 Par-la-Ville Road, Hamilton HM 08, Bermuda, serves as c/o addresses for the members of the Board in relation to their directorships of the company.

Kjell-Erik Østdahl
Chairman of the Board
Kjell-Erik Østdahl joined Archer Limited as Chairman of the Board in September 2019, prior to which he spent 21 years at Schlumberger in a number of senior positions within operations, business development, marketing and executive management in China, Norway, UK, France and US. He served as Executive Vice President, Operations, Schlumberger from 2011 to 2013 and was senior partner at HitecVision from 2014 to 2015. Mr. Østdahl is a professional investor in technology start-up companies and real estate. In addition, he is a senior advisor to Ferd and Sumitomo Corporation. Mr Østdahl serves as Chairman on the Boards of Sekal AS, Keystone AS, Earth Science Analytics AS, Interwell AS, Servi AS and is a board member of Windspider AS. Mr. Østdahl holds an MSc in Electrical Engineering from the Norwegian University of Science and Technology (NTNU). Mr. Østdahl is a Norwegian citizen and resides in Norway.

James O'Shaughnessy
Director
Mr. James O'Shaughnessy has served as Director and Chairman of the Audit Committee since September 2018. Prior to joining Archer Limited's board of directors, Mr O'Shaughnessy served as Executive Vice President, Chief Accounting Officer and Corporate Controller of Axis Capital Holdings Limited since March, 2012. Prior to that Mr. O'Shaughnessy has served as Chief Financial Officer of Flagstone Reinsurance Holdings and as Chief Accounting Officer and Senior Vice President of Scottish Re Group Ltd., and Chief Financial Officer of XL Re Ltd. at XL Group plc. Mr. O'Shaughnessy received a Bachelor of Commerce degree from University College, Cork, Ireland in 1985 and is both a Chartered Director, Fellow of the Institute of Chartered Accountants of Ireland and an Associate Member of the Chartered Insurance Institute of the UK. Mr. O'Shaughnessy earned a Master's Degree in Accounting from University College Dublin in 1986. Mr. O'Shaughnessy is an Irish, British and Bermudan citizen, residing in Bermuda.

Giovanni Dell' Orto
Director
Giovanni Dell' Orto was appointed as a Director in February 2011. Mr. Dell' Orto was president and chief executive officer of DLS Drilling, Logistics and Services from 1994 to August 2006. He is a member of the board of Energy Developments and Investments Corporation (EDIC). Mr. Dell' Orto also has served as chairman and Chief Executive Officer of Saipem and was a board member of Agip and Snam. Mr. Dell' Orto is an Argentinean citizen, resident in Switzerland.

Jan Erik Klepsland
Director
Jan Erik Klepsland has served as Director in Archer since October 2021. Mr. Klepsland is an Investment Director of Seatankers Management Norway AS. He holds a MSc in Finance from the Norwegian School of Economics (NHH). Prior to joining Seatankers, he held the position as Partner at ABG Sundal Collier. Prior to ABG he held a position as a Director in Nordea Investment Banking. Mr. Klepsland also serves as Chief Financial Officer of St Energy Transition Ltd. He has experience within equity/debt financing, M&A and restructuring. Mr. Klepsland is a Norwegian citizen and resides in Oslo, Norway.

Peter Sharpe
Director
Mr. Sharpe was appointed as a Director in November 2019. Mr. Sharpe retired from Shell in 2017 after holding a diverse range of Executive Management positions at various international locations over a period of 37 years. He Served as Executive Vice President of Shell for over 10 years, with responsibility for managing Shell upstream investments in well construction and maintenance globally. He served as chairman of Sirius Well Manufacturing Pte, an independent joint venture between Shell and China National Petroleum Corporation from 2012 to 2017 and as a non-executive director of Xtreme Drilling and Coil Services Corporation from 2008 to 2014.

Board independence
The Chairman of the company's five-member Board of Directors is elected by the Board of Directors and not by the shareholders as recommended in the Norwegian Code of Practice. This is in compliance with normal procedures under Bermuda law.

Board of Directors' Report
Executive management

Dag Skindlo
Chief Executive Officer
Mr. Skindlo joined Archer in April 2016 as Chief Financial Officer before becoming Chief Executive Officer in March, 2020.

Mr. Skindlo is a business-oriented executive with 30 years in the energy industry. He joined Schlumberger in 1992 where he held various financial and operational positions before he joined the Aker Group of companies in 2005. His experience from Aker Kvaerner, Aker Solutions and Kvaerner includes both global CFO roles and Managing Director roles for several large industrial business divisions. Prior to joining Archer Mr. Skindlo was the Chief Executive Officer of Aquamarine Subsea. Mr. Skindlo brings with him extensive international experience including working for more than twelve years in countries like the US, Indonesia, Scotland, and China. Mr. Skindlo currently serves as Director of the Nasdaq listed oilfield service company KLX Energy Services Holdings, Inc.

Mr. Skindlo is a Norwegian citizen with a Master of Science in Economics and Business Administration from the Norwegian School of Economy and Business Administration (NHH).

Espen Joranger
Chief Financial Officer
Mr. Joranger was appointed Chief Financial Officer for Archer in March 2020. Mr. Joranger has more than 10 years' experience in the Oil and Gas industry. Espen joined Archer in May 2013 as Finance Director North Sea Region and held the position as Group Controller prior to his appointment as Chief Financial Officer in Archer. Before joining Archer, he worked for Seadrill as Director of Financial Accounting for 3 years and 8 years for Ernst & Young.

Mr. Joranger is a State Authorized Public Accountant from the Norwegian School of Economics and Business Administration (NHH) and is a Norwegian citizen and resides in Stavanger, Norway.

Adam Todd
General Counsel
Mr. Todd was appointed General Counsel in September 2017.

Mr. Todd started his career with Canadian law firms focusing on commercial litigation before moving to Oslo in 2009 to join Aker Solutions. He spent 8 years with Aker Solutions in various roles based in Oslo and London including head of legal positions for Europe and Africa and Tendering and Partnering. Mr. Todd brings with him extensive international oil and gas services experience in corporate, contracting, M&A, litigation, and compliance matters.

Mr. Todd holds a juris doctorate from the University of Alberta, received in 2003. Mr. Todd is a Canadian citizen and resides in Oslo, Norway.

Board of Directors' Report
Responsibility Statement

We confirm that, to the best of our knowledge, the financial statements for 2021 have been prepared in accordance with the current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss for the Company and the Group.
We also confirm that the Board of Director's Report includes a true and fair review of the development and performance of the business and the position of the Company and the Group, together with a description of the financial risks and uncertainties facing the Company and the Group.

March 30, 2022
The Board of Archer Limited

Kjell-Erik Østdahl
(Chairman)

Giovanni Dell' Orto
(Director)

James O'Shaughnessy
(Director)

Jan Erik Klepsland
(Director)

Peter Sharpe
(Director)

Financial Statements 2021

To the General Meeting of Archer Limited

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Archer Limited and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2021, the consolidated statement of operations, consolidated statement of comprehensive income/(loss) consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements give a fair presentation of the financial position of the Group as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group as required by laws and regulations and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Group for 2 years from the election by the general meeting of the shareholders on 26 May 2021 for the accounting year 2020.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed

PricewaterhouseCoopers AS, Kanalsletta 8, Postboks 8017, NO-4068 Stavanger
T: 02316, org. no.: 987 009 713 MVA, www.pwc.no
Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The Group's business activities are largely unchanged compared to last year. We have not identified regulatory changes, transactions or other events that qualified as new key audit matters except for the acquisition of Deepwell AS & DW Quip AS. The impairment assessment for goodwill and rigs have the same characteristics and risks this year as the previous year and consequently have been an area of focus also for the 2021 audit.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of certain modular and land-based rigs	
The value of the group's land-based and modular rigs is material to the financial statements and constitute a major part of the carrying values of property plant and equipment of $ 343.6 million as at 31 December 2021. Due to the general downturn in the industry, management has assessed the carrying values for impairment. Managements assessed and compared the sum of the undiscounted cash flows that the asset is expected to generate, including any estimated disposal proceeds to the carrying values. Where the undiscounted cash flows for a rig was less than it's carrying value, management adjusted the carrying value, by recording an impairment, to its estimated recoverable value. An additional impairment assessment has been made for idle rigs. An impairment of $16.4 million has been recorded in 2021, and majority of the impairment charge for 2021 related to idle land-based rigs. We focused on this area due to the significant carrying value of the rigs and the judgement inherent in the impairment review. Management explains their impairment process and assumptions in notes 5 and 13 to the financial statements.	We evaluated and challenged management's assessment of indicators of impairment and the process by which this was performed. Our procedures included the following: We assessed management's accounting policy against US GAAP and obtained explanations from management as to how the specific requirements of the standards, in particular ASC 360, were met. We also assessed the consistency year on year, of the application of the accounting policy. Management considers each rig to be cash generating unit («CGU) or («rig») in their assessment of impairment indicators, consequently we assessed for impairment indicators on the same basis. We assessed the significant assumptions management used in their forecast. This included tracing input data to actual contracts and considering whether key assumptions, such as estimated utilisation rates and day rates, were consistent with historical performance, expected market rates and our knowledge of the industry. We also performed a sensitivity analysis on the assumptions made by management, using various scenarios. In order to assess management's estimate of the fair value of the land-based rigs, we considered the evidence obtained from an external valuation firms and also the objectivity and competence of the firms to provide reliable estimates. The valuation of land-based rigs and modular rigs are inherently uncertain due to the judgmental nature of the

(2)

	underlying estimates. This risk is still prevalent due to the current market conditions. From the evidence obtained we found the assumptions and methodology used to be appropriate. We read note 5 (Impairments) and note 13 (Property, plant and Equipment) and assessed this to be in line with the requirements. No matters of consequence arose from the procedures above.
Valuation of goodwill	
The value of the group's goodwill is material to the financial statements and constitute approximately 1/5 of the values in the balance sheet. The Group is required to, at least annually perform impairment assessments of goodwill. Management has conducted a qualitative assessment for 2021 and concluded that goodwill was not impaired as of 31 December 2021. We focused on this area due to the significant carrying value of goodwill and the judgement inherent in the impairment review. Management explains their impairment process and assumptions in note 14 to the financial statements.	We obtained and considered management's written assessment supporting the carrying value of goodwill at 31 December 2021. Our procedures included the following: We evaluated management's impairment assessment and the process by which this was performed. We found support for the carrying value of goodwill from the fact that it primarily relates to North Sea operations where the group has been able to secure material new contracts. We assessed management's accounting policy against US GAAP and obtained explanations from management as to how the specific requirements of the standards were met. We also calculated the market capitalization at 31 December 2021 based on the quoted share price and considered share price movements since year-end. We read note 14 (Goodwill) and assessed this to be in line with the requirements. No matters of consequence arose from the procedures above.
Acquisition of Deepwell AS & DW Quip AS	
On 9 May 2021, Archer acquired Deepwell AS and DW Quip AS. The agreed purchase price was $19.9 million. Management carried out a purchase price allocation in accordance with ASC 805. Based on the purchase price allocation, management recognized a bargain purchase gain of $11.4 million. We focused on this matter due to the transaction's significant impact on key	We have obtained and read the purchase agreement between Archer and Moreld AS and conducted meetings with the management to understand the details of the transaction. Management has assessed the fair value and allocated the purchase price to identified intangible assets and selected tangible assets in connection with the transaction. We obtained the purchase price allocation, evaluated the method used and checked mathematical accuracy.

Independent Auditor's Report - Archer Limited

items in the balance sheet and the judgement inherent in the purchase price allocation. Management explains the business acquisition in note 6 to the financial statements	We found that the acquisition analysis used recognized methods based on the requirements of US GAAP and that the estimated values were based on appropriate data and reasonable assumptions. Our testing also showed that the calculations in the acquisition analysis were carried out with mathematical accuracy. We read note 6 (Gain on bargain purchase) and assessed this to be in line with the requirements. No matters of consequence arose from the procedures above.

Other Information

The Board of Directors (Management) is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the consolidated financial statements and
- contains the information required by applicable legal requirements.

Our opinion on the Board of Director's report applies correspondingly to the statements on Corporate Governance and Corporate Social Responsibility.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a fair presentation in accordance the accounting principles generally accepted in the United States of America., and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

pwc

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other

Independent Auditor's Report - Archer Limited

pwc

matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Report on compliance with Regulation on European Single Electronic Format

Opinion

We have performed an assurance engagement to obtain reasonable assurance that the consolidated financial statements with file name archerlimited-2021-12-31-en have been prepared in accordance with Section 5-5 of the Norwegian Securities Trading Act (Verdipapirhandelloven) and the accompanying Regulation on European Single Electronic Format (ESEF).

In our opinion, the consolidated financial statements have been prepared, in all material respects, in accordance with the requirements of ESEF.

Management's Responsibilities

Management is responsible for preparing and publishing the consolidated financial statements in the single electronic reporting format required in ESEF. This responsibility comprises an adequate process and the internal control procedures which management determines is necessary for the preparation and publication of the consolidated financial statements.

Auditor's Responsibilities

Our responsibility is to express an opinion on whether the financial statements have been prepared in accordance with ESEF. We conducted our work in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance that the financial statements have been prepared in accordance with the European Single Electronic Format.

As part of our work, we performed procedures to obtain an understanding of the Group's processes for preparing its financial statements in the European Single Electronic Format. Our work comprised reconciliation of the financial statements under the European Single Electronic Format with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Stavanger, 30 March 2022
PricewaterhouseCoopers AS

Gunnar Slettebø
State Authorised Public Accountant

Consolidated Financial Statements 2021

Archer Limited and subsidiaries
Consolidated statement of operations

(In USD millions)		YEAR ENDED DECEMBER 31	
	NOTE	2021	2020
Revenues			
Operating revenues		813.1	715.1
Reimbursable revenues		123.0	108.9
Total revenues		**936.1**	**824.0**
Expenses			
Operating expenses		682.3	595.9
Reimbursable expenses		122.3	108.7
Operating lease costs	18	8.0	9.9
Depreciation and amortization	13	53.8	48.0
(Gain)/loss on sale of assets	13	(0.6)	0.5
Impairment charges	5	16.4	7.6
General and administrative expenses		38.4	33.9
Total expenses		**920.7**	**804.6**
Operating (loss) / income		**15.4**	**19.4**
Gain on bargain purchase	6	**11.4**	**–**
Financial items			
Interest income		2.4	3.8
Interest expenses	17	(29.0)	(33.5)
Share of results in associated companies	12	(0.5)	(18.7)
Other financial items	7	(6.8)	33.1
Total financial items		**(33.9)**	**(15.3)**
(Loss)/gain from continuing operations before taxes		**(7.1)**	**4.1**
Income tax expense	8	(7.7)	(11.6)
(Loss)/gain from continuing operations		**(14.8)**	**(7.5)**
Net (Loss) / gain		**(14.8)**	**(7.5)**
Loss per share - basic		(0.10)	(0.05)
Loss per share - diluted		(0.10)	(0.05)
Weighted average number of shares outstanding			
Basic	9	148.2	148.1
Diluted	9	148.2	148.1

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

Archer Limited and subsidiaries
Consolidated statement of comprehensive Income/(Loss)

Consolidated Statements of Comprehensive Income/(Loss)

(in USD millions)	YEAR ENDED DECEMBER 31	
	2021	2020
Net (loss) / gain	**(14.8)**	**(7.5)**
Other comprehensive (loss) / income		
Currency translation differences	(6.4)	7.7
Gain on sale of equity investment	0.6	–
Total other comprehensive income (loss)	**(5.8)**	**7.7**
Total comprehensive income (loss)	**(20.6)**	**0.2**

Accumulated Other Comprehensive Loss

(in USD millions)	Translation differences	Other comprehensive income	Total
Balance at December 31, 2019	**5.9**	**–**	**5.9**
Total other comprehensive income during 2020	7.7	–	7.7
Balance at December 31, 2020	**13.6**	**–**	**13.6**
Total other comprehensive income during 2021	(6.4)	0.6	(5.8)
Balance at December 31, 2021	**7.2**	**0.6**	**7.8**

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

Archer Limited and subsidiaries
Consolidated balance sheet

(In USD million)	Note	December 31, 2021	December 31, 2020
ASSETS			
Cash and cash equivalents		50.7	41.2
Restricted cash		14.8	12.4
Accounts receivables	3	125.6	109.2
Inventories	10	52.1	54.2
Other current assets		30.7	28.0
Total current assets		**273.9**	**245.0**
Investment in associated	12	3.4	4.7
Marketable securities		2.9	6.1
Property plant and equipment, net	13	343.6	355.2
Right of use assets	18	26.7	29.9
Deferred income tax asset	8	20.6	16.3
Goodwill	14	167.5	172.7
Other intangible assets, net		0.6	0.6
Deferred charges and other assets		11.4	15.0
Total noncurrent assets		**576.7**	**600.4**
Total assets		**850.7**	**845.4**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current portion of interest-bearing debt	26	25.3	10.5
Accounts payable		43.5	34.4
Operating Lease liabilities	18	5.2	8.5
Other current liabilities		140.2	125.5
Total current liabilities		**214.2**	**178.9**
Long-term interest-bearing debt	26	509.5	519.1
Subordinated related party Loan	26	15.9	15.9
Operating Lease liabilities	18	21.5	21.4
Deferred tax	8	1.0	0.8
Other noncurrent liabilities		0.0	0.2
Total noncurrent liabilities		**547.9**	**557.4**
Shareholders' equity		**88.5**	**109.1**
Total liabilities and shareholders' equity		**850.7**	**845.4**

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

Archer Limited and subsidiaries
Consolidated statement of cash flows

(In USD millions)	YEAR ENDED DECEMBER 31	
	2021	2020
Cash Flows from Operating Activities		
Net (loss)/profit from continuing operations	**(14.8)**	**(7.5)**
Adjustment to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization	53.8	48.0
Impairment of fixed assets	16.4	7.6
Gain on debt restructure	–	(42.2)
Share-based compensation expenses	0.4	0.8
(Gain)/loss on assets disposals	(0.6)	0.5
Share of losses of unconsolidated affiliates	0.5	18.7
Amortization of loan fees	1.3	1.4
Mark to market of financial instruments	(5.1)	1.8
Mark to market of marketable securities	3.2	3.4
Change in deferred and accrued taxes	4.5	8.5
Gain on bargain purchase	(11.4)	–
Decrease/(increase) in accounts receivable and other current assets	(17.3)	27.1
Decrease/(increase) in inventories	2.2	(0.7)
(Decrease)/increase in accounts payable and other current liabilities	13.8	(4.9)
Change in other operating assets and liabilities net, including non-cash fx effects	5.7	7.5
Net cash provided by operating activities	**52.7**	**70.0**
Cash Flows from Investing Activities		
Capital expendtures	(33.5)	(32.0)
Proceeds from asset disposals	3.2	1.9
Proceeds from partial sale of equity investment	1.9	-
Loans to associated entities	(0.9)	(1.4)
Investment in suibsidiaries net of cash acquired	(13.3)	–
Net cash used in investing activities	**(42.6)**	**(31.5)**
Cash Flows from Financing Activities		
Borrowings under revolving facilities, other long-term debt and financial leases	58.5	101.5
Repayments under revolving facilities, other long-term debt and financial leases	(52.3)	(125.9)
Fees paid on restructuring and cash settlement of RSUs	(0.3)	(4.7)
Net cash provided by financing activities	**5.9**	**(29.1)**
Effect of exchange rate changes on cash and cash equivalents	(4.1)	0.1
Net increase in cash and cash equivalents	**11.9**	**9.5**
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	**65.5**	**53.6**
Interest paid	27.6	32.1
Taxes paid	3.9	3.1

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

Archer Limited and subsidiaries
Consolidated statement of changes in shareholders' equity

(In USD millions)	COMMON SHARES	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	ACCUMULATED OTHER COMPREHENSIVE LOSS	CONTRIBUTED SURPLUS	TOTAL SHAREHOLDERS' EQUITY
Balance at December 31, 2019	**1.5**	**927.6**	**(1,566.7)**	**5.9**	**740.1**	**108.4**
Share based compensation	–	0.8	–	–	–	0.8
Translation differences	–	–	–	7.7	–	7.7
Cash Settlement of RSUs	–	(0.4)	–	–	–	(0.4)
Net income	–	–	(7.5)	–	–	(7.5)
Balance at December 31, 2020	**1.5**	**928.1**	**(1,574.2)**	**13.6**	**740.1**	**109.1**
Share based compensation	–	0.3	–	–	–	0.3
Translation differences	–	–	–	(6.4)	–	(6.4)
Cash Settlement of RSUs	–	(0.3)	–	–	–	(0.3)
Gain on sale of equity investment	–	–	–	0.6	–	0.6
Net income	–	–	(14.8)	–	–	(14.8)
BALANCE AT DECEMBER 31, 2021	**1.5**	**928.1**	**(1,589.0)**	**7.8**	**740.1**	**88.5**

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

Archer Limited and subsidiaries
Notes to the consolidated financial statements

Note 1 — General Information

Archer is an international oilfield service company providing a variety of oilfield products and services through its global organizations. Services include Platform Drilling, Land Drilling, Modular Rigs, Engineering services, 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.

Archer was incorporated on August 31, 2007, and conducted operations as Seawell Ltd., or Seawell, until May 16, 2011, when shareholders approved a resolution to change the name to Archer Limited.

Basis of presentation

The financial statements are presented in accordance with generally accepted accounting principles in the United States of America (US GAAP). The amounts are presented in United States Dollars, USD, or $ rounded to the nearest million, unless otherwise stated.

We present our financial statements on a continuing business basis and separately present discontinued operations.

The accounting policies set out below have been applied consistently to all periods in these consolidated financial statements.

Basis of consolidation

Investments in companies in which we directly or indirectly hold more than 50% of the voting control are generally consolidated in our financial statements.

Entities in which we do not have a controlling interest but over which we have significant influence are accounted for under the equity method of accounting. Our share of after-tax earnings of equity method investees are reported under Share of results of unconsolidated associates.

A list of all significant consolidated subsidiaries is attached – see Appendix B.

Intercompany transactions and internal sales have been eliminated through consolidation.

Reclassifications

Certain amounts in the prior years' consolidated financial statements may be reclassified when necessary to conform to the current year presentation.

Going concern

Our Board of Directors confirms their assumption of the Group as a going concern for the foreseeable future, being a period of not less than 12 months from the date of this report. This assumption is based on the liquidity position of the Group, forecasted operating results, and the market outlook for the oil service sector as at December 31, 2021. The Board believes the annual report provides a fair presentation of the Group's assets and debt, financial position and financial performance.

Archer Limited and subsidiaries
Notes to the consolidated financial statements

Note 2 — Accounting Policies

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the 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 predicted with certainty. Accordingly, our accounting estimates require the exercise of judgment. While management believes the estimates and assumptions used in the preparation of the consolidated financial statements are appropriate, actual results could differ materially 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 and 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.

Revenue from contracts with customers

The activities that primarily drive the revenue earned from our drilling contracts include:

- Providing specialist crew for the operation of, or repair, maintenance or modifications of Customer's platform rigs;
- Providing land drilling rigs and modular rigs, and the crew and supplies necessary to operate the rigs;
- Mobilizing and demobilizing land rigs between well sites;
- Wireline services; and
- Rental of equipment.

Consideration received for performing these activities consist primarily of contract day rates. We account for our integrated services as a single performance obligation that is (i) satisfied over time and (ii) consists of a series of distinct time increments. Occasionally we receive lump mobilization fees and fixed fees for engineering projects.

We recognize consideration for activities that correspond to a distinct time increment within the contract term in the period when the services are performed. We recognize consideration for activities that are (i) not distinct within the context of our contracts and (ii) do not correspond to a distinct time increment, rateably over the estimated contract term.

We determine the total transaction price for each individual contract by estimating both fixed and variable consideration expected to be earned over the term of the contract. The amount estimated for variable consideration may be constrained and is only included in the transaction price to the extent that it is probable that a significant reversal of previously recognized revenue will not occur throughout the term of the contract. When determining if variable consideration should be recognized, we consider whether there are factors outside of our control that could result in a significant reversal of revenue as well as the likelihood and magnitude of a potential reversal of revenue. We re-assess these estimates each reporting period as required. Refer to Note 3 - Revenue from Contracts with Customers.

Day rate Drilling Revenue - Our contracts generally provide for payment on a day rate basis, with higher rates for periods when the drilling unit is operating and lower rates or zero rates for periods when drilling operations are interrupted or restricted. The day rate invoices billed to the customer are typically determined based on the varying rates applicable to the specific activities performed on an hourly basis. Such dayrate consideration is allocated to the distinct hourly increment it relates to within the contract term, and therefore, recognized in line with the contractual rate billed for the services provided for any given hour.

Mobilization Revenue - We may receive fees (on either a fixed lump-sum or variable day rate basis) for the mobilization of our rigs. These activities are not considered to be distinct within the context of the contract and therefore, the associated revenue is allocated to the overall performance obligation and recognized rateably over the expected term of the related drilling contract. We record a contract liability for mobilization fees received, which is amortized rateably to contract drilling revenue as services are rendered over the initial term of the related drilling contract.

Demobilization Revenue - We may receive fees (on either a fixed lump-sum or variable day rate basis) for the demobilization of our rigs. Demobilization revenue expected to be received upon contract completion is estimated as part of the overall transaction price at contract inception and recognized over the term of the contract. In most of our contracts, there is uncertainty as to the likelihood and amount of expected demobilization revenue to be received. For example, the amount may vary dependent upon whether or not the rig has additional contracted work following the initial contract. Therefore, the estimate for such revenue may be constrained, as described above, depending on the facts and circumstances pertaining to the specific contract. We assess the likelihood of receiving such revenue based on past experience and knowledge of the market conditions.

Archer Limited and subsidiaries
Notes to the consolidated financial statements

Revenues Related to Reimbursable Expenses - We generally receive reimbursements from our customers for the purchase of supplies, equipment, personnel services and other services provided at their request in accordance with a drilling contract or other agreement. Such reimbursable revenue is variable and subject to uncertainty, as the amounts received and timing thereof is highly dependent on factors outside of our influence. Accordingly, reimbursable revenue not recorded and not included in the total transaction price until the uncertainty is resolved, which typically occurs when the related costs are incurred on behalf of a customer. We are generally considered a principal in such transactions and record the associated revenue at the gross amount billed to the customer, at a point in time, as “Reimbursable revenues” in our Consolidated Statements of Operations.

Foreign currencies
For subsidiaries that have functional currencies other than the USD, the statements of operations are translated using the average exchange rate for the month and the assets and liabilities are translated using the year-end exchange rate. Foreign currency translation gains or losses are recorded as a separate component of other comprehensive income in shareholders’ equity.

Transactions in foreign currencies during the year are translated into the functional currency of the respective entity at the rates of exchange in effect on the date of the transaction. Foreign currency assets and liabilities are translated using rates of exchange at the balance sheet date. Foreign currency transaction gains or losses are included in the consolidated statements of operations.

Current and noncurrent classification
Assets and liabilities are classified as current assets and liabilities respectively if their maturity is within one year of the balance sheet date. Assets and liabilities not maturing within one year are classified as long term, unless the facts or circumstances indicate that current classification is otherwise appropriate.

Cash and cash equivalents
Cash and cash equivalents consist of cash, demand deposits and highly liquid financial instruments purchased with an original maturity of three months or less and exclude restricted cash.

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

Receivables
Accounts receivable are recorded in the balance sheet at their full amount less allowance for doubtful receivables. We establish reserves for doubtful receivables on a case-by-case basis. In establishing these reserves, we consider changes in the financial position of the customer, as well as customer payment history. Uncollectible trade accounts receivables are written off when a settlement is reached for an amount that is less than the outstanding historical balance or when they are considered irrecoverable. If a previously written off debt is subsequently recovered it is recorded as a credit to bad debt expense.

Net bad debt expense for 2021 was $0.0 million (2020: $0.2 million).

Inventories
Inventories are valued at the lower of first-in, first-out cost or market value. On a regular basis we evaluate our inventory balances for excess quantities and obsolescence by analyzing demand, inventory on hand, sales levels and other information. Based on these evaluations, inventory balances are written down, if necessary.

Equity Method Investments
Investments in which we have the ability to exercise significant influence, but do not control, are accounted for under the equity method of accounting and are reported under Investments in unconsolidated associates in the Consolidated Balance Sheet. Significant influence is generally deemed to exist if the company has an ownership interest in the voting stock of the investee between 20% and 50%, although other factors such as representation on the investee’s Board of Directors and the nature of commercial arrangements are considered in determining whether the equity method of accounting is appropriate.

Under this method of accounting, our share of the net earnings or losses of the investee, together with other-than-temporary impairments in value and gain/loss on sale of investments, is reported under Share of gains/losses of unconsolidated associates in the Consolidated Statement of Operations.

We evaluate our equity method investments whenever events or changes in circumstance indicate that the carrying amounts of such investments may be impaired. If a decline in the value of an equity method investment is determined to be other than temporary, a loss is recorded in earnings in the current period.

Archer Limited and subsidiaries
Notes to the consolidated financial statements

Property, plant and equipment
Property, plant and equipment are recorded at historical cost less accumulated depreciation. The cost of these assets’ less estimated residual value is depreciated on a straight-line basis over their estimated remaining economic useful lives. The estimated economic useful lives of our fixed assets are in the following ranges:

• Buildings	3 – 40 years
• Drilling and well service equipment	2 – 30 years
• Office furniture and fixtures	3 – 10 years
• Motor vehicles	3 – 7 years

We evaluate the remaining useful life of our property, plant and equipment on a periodic basis to determine whether events and circumstances warrant a revision.

Expenditures for replacements or improvements are capitalized. Maintenance and repairs are charged to operating expenses as incurred.

Fully depreciated assets are retained in property, plant and equipment and accumulated depreciation until disposal. Upon sale or retirement, the cost of property and equipment, related accumulated depreciation and write-downs are removed from the balance sheet and the net amount, less any proceeds from disposal, is charged or credited to the consolidated statement of operations.

Assets under construction
The carrying value of assets under construction represents the accumulated costs at the balance sheet date and is included in property, plant and equipment on the face of the balance sheet. Cost components include payments for installments and variation orders, construction supervision, equipment, spare parts, capitalized interest, costs related to first-time mobilization and commissioning costs. No charge for depreciation is made until commissioning of the new builds has been completed and it is ready for its intended use.

Finance Leases
We lease office space and equipment at various locations. Our Oiltools division also leases operating equipment which in turn is leased out to Archer customers. Where we have substantially all the risks and rewards of ownership, the lease is classified as a finance lease. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased asset or the present value of the future minimum lease payments. Each lease payment is allocated between the corresponding finance lease liability and finance charges so as to achieve a constant rate on the liability outstanding. The interest element of the capital cost is charged to the Consolidated Statement of Operations over the lease period.

Depreciation of assets held under capital leases is reported within “Depreciation and amortization expense” in the Consolidated Statement of Operations. Capitalized leased assets are depreciated on a straight-line basis over the estimated useful economic lives of the assets or a straight-line basis over the lease term, whichever is shorter.

Operating leases
Our operating leases relate to office and warehouse space. We recognize on the balance sheet the right to use these assets and a corresponding liability in respect of all material lease contracts with duration, or lease term, of 12 months or above. We estimate discount rates used for calculating the cost of operating leases, which take into account the type of assets subject to the lease and the geographical region in which it is leased and used. The amortization of right of use assets is presented in operating costs on our statement of operations.

In relation to our operating leases, prior periods were not restated to reflect the recording of the right of use asset/liability related to these leases.

Intangible assets
Intangible assets are recorded at historical cost less accumulated amortization. The cost of intangible assets is generally amortized on a straight-line basis over their estimated remaining economic useful lives. The estimated economic useful lives of our intangible assets range from 2 to 20 years. We evaluate the remaining useful life of our intangible assets on a periodic basis to determine whether events and circumstances warrant a revision of the remaining amortization period. Once fully amortized, the intangible’s cost and accumulated amortization are eliminated.

Trade names under which we intend to trade for the foreseeable future are not amortized. In circumstances where management decides to phase out the use of a trade name, the relevant cost is amortized to zero over the remaining estimated useful life of the asset.

Acquired technology is not amortized until ready for marketing.

Archer Limited and subsidiaries
Notes to the consolidated financial statements

Goodwill
We allocate the cost of acquired businesses to the identifiable tangible and intangible assets and liabilities acquired, with any remaining amount being capitalized as goodwill. Goodwill is not amortized but is tested for impairment at least annually. We test goodwill by reporting unit for impairment on an annual basis 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 reporting units have been identified in accordance with Accounting Standards Codification 350-20 "Intangible Assets–Goodwill," as the business components one level below the reporting segments, each of which we identified as:

- constituting a business;
- for which discrete financial information is available; and
- whose operating results are reviewed regularly by segment management.

We aggregate certain components with similar economic characteristics.

The goodwill impairment test involves an initial qualitative review to determine whether it is more likely that not that goodwill is impaired. If the initial review indicates a possible impairment, we follow with a one-step process involving a comparison of each reporting unit's fair value to its carrying value. If a reporting unit's fair value is less than its carrying value, an impairment charge equal to the shortfall is made against the relevant goodwill, until the balance is zero.

We estimate the fair value of each reporting unit using the income approach. The income approach incorporates the use of a discounted cash flow method in which the estimated future cash flows and terminal values for each reporting unit are discounted to a present value. Cash flow projections are based on management's estimates of economic and market conditions that drive key assumptions of revenue growth rates, operating margins and capital expenditures. The discount rate is based on our specific risk characteristics, its weighted average cost of capital and its underlying forecasts. There are inherent risks and uncertainties involved in the estimation process, such as determining growth and discount rates.

Impairment of long-lived assets and intangible assets other than goodwill
The carrying values of long-lived assets, including intangible assets that are held and used by us are reviewed for impairment if factors are identified that suggest that the carrying value may be more than the assets fair value. As prescribed by US GAAP, for step one of the impairment test, we assess our major assets/asset groups for recoverability of the carrying value of the asset by estimating the undiscounted future net cash flows expected to result from the asset, including eventual disposal. If the future net cash flows are less than the carrying value of the asset, an impairment charge is required. We then use various methods to estimate the fair value of our assets, using all and best available relevant data, including estimated discounted cash-flow forecasts, relevant market data where available, and independent broker valuations for our land rigs. Once the fair value has been determined, the potential impairment is recorded equal to the difference between the asset's carrying value and fair value.

Research and development
All research and development ("R&D") expenditures are expensed as incurred. Under the provisions of ASC 805, 'Business Combinations' acquired in-process R&D that meets the definition of an intangible asset is capitalized and amortized.

Income taxes
Archer is a Bermuda company. Under current Bermuda law, Archer is not required to pay taxes in Bermuda on either income or capital gains. We have received written assurance from the Minister of Finance in Bermuda that, in the event of any such taxes being imposed, Archer will be exempted from taxation until 2035.

Certain of our subsidiaries operate in other jurisdictions where taxes are imposed, mainly Norway, the United States, Argentina, Brazil and the United Kingdom. For legal entities operating in taxable jurisdictions, we compute tax on income in accordance with the tax rules and regulations of the taxing authority where the income is earned. The income tax rates imposed by these authorities vary. Taxable income may differ from pre-tax income for accounting purposes. To the extent that differences are due to revenues or expense items reported in one period for tax purposes and in another period for financial accounting purposes, an appropriate provision for deferred taxes is made. A deferred tax asset is recognized only to the extent that it is more likely than not that future taxable profits will be available against which the asset can be utilized. When it is more likely than not that a portion or all of a deferred tax asset will not be realized in the future, we provide a valuation allowance against that deferred tax asset. The amount of deferred tax provided is based upon the expected manner of settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

The impact of changes to income tax rates or tax law is recognized in periods when the change is enacted.

Archer Limited and subsidiaries
Notes to the consolidated financial statements

Significant judgment is involved in determining the provision for income taxes. There are certain transactions for which the ultimate tax determination is unclear due to uncertainty in the ordinary course of business. Our tax filings are subject to regular audit by the tax authorities in most of the jurisdictions in which we conduct our business. These audits may result in assessments for additional taxes which are resolved with the authorities or, potentially, through the courts. We recognize the impact of a tax position in our financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. The level of judgment involved in estimating such potential liabilities and the uncertain and complex application of tax regulations, may result in liabilities on the resolution of such audits, which are materially different from our original estimates. In such an event, any additional tax expense or tax benefit will be recognized in the year in which the resolution occurs.

Earnings per share or EPS
Basic earnings per share are calculated based on the income/(loss) for the period available to common stockholders divided by the weighted average number of shares outstanding for basic EPS for the period, including vested restricted stock units. Diluted EPS includes the effect of the assumed conversion of potentially dilutive instruments, for which we include share options and unvested restricted stock units.

Deferred charges
Loan-related costs, including debt arrangement fees, incurred on the initial arrangement are capitalized and amortized over the term of the related loan using the straight-line method, which approximates the interest method. Amortization of loan-related costs is included in interest expense. Subsequent loan costs in respect of existing loans, such as commitment fees, are recognized in the Consolidated Statement of Operations within "Interest expense" in the period in which they are incurred. Unamortized loan costs are presented as a reduction of the carrying value of the related debt.

Share-based compensation
We have established a stock option plan under which employees, directors and officers of the Archer Group may be allocated options to subscribe for new shares in Archer.

The fair value of the share options issued under our employee share option plans is determined at grant date, taking into account the terms and conditions upon which the options are granted and using a valuation technique that is consistent with generally accepted valuation methodologies for pricing financial instruments, and that incorporates all factors and assumptions that knowledgeable, willing market participants would consider in determining fair value. The fair value of the share options is recognized as personnel expenses with a corresponding increase in equity over the period during which the employees become unconditionally entitled to the options.

The Board has from time to time granted restricted stock units, or RSU's, to members of Archer's management team. The RSUs vest typically with 1/4th on each date falling approximately one, two, three and four years after the grant date.

Compensation cost in respect of share options and RSUs is initially recognized based upon grants expected to vest with appropriate subsequent adjustments to reflect actual forfeitures. National insurance contributions will arise from such incentive programs in some tax jurisdictions. We accrue an estimated contribution over the vesting periods of the relevant instruments.

Financial instruments
From time to time, we enter into interest rate swaps or caps in order to manage floating interest rates on debt. Interest rate swap/cap agreements are recorded at fair value in the balance sheet when applicable. A hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognised asset or liability may be designated as a cash flow hedge.

When the interest swap qualifies for hedge accounting we formally designate the swap instrument as a hedge of cash flows to be paid on the underlying loan, and in so far as the hedge is effective, the change in the fair value of the swap in each period is recognized in the "Accumulated other comprehensive loss" line of the Consolidated Balance Sheet. Changes in fair value of any ineffective portion of the hedges are charged to the Consolidated Statement of Operations in "Other financial items." Changes in the fair value of interest rate swaps are otherwise recorded as a gain or loss under "Other financial items" in the Consolidated Statement of Operations where those hedges are not designated as cash flow hedges.

Discontinued operations
The disposal of a component of an entity or a group of components of an entity is reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results.

Segment reporting
A segment is a distinguishable component of the company that is engaged in business activities from which it earns revenues and incurs expenses, whose operating results are regularly reviewed by the chief operating decision maker and which is subject to risks and rewards that are different from those of other segments.

Archer Limited and subsidiaries
Notes to the consolidated financial statements

We are presenting our business under two reporting segments:

- Eastern Hemisphere
- Western Hemisphere

Western Hemisphere comprises our land drilling and related operations in Latin America, plus our Frac Valve producing facility in North America (which was sold during 2019) and our 8.8% interest in KLX Energy Services Holdings Inc. The Eastern Hemisphere segment contains Platform Drilling operations in the North Sea, plus our global Oiltools and Wireline Service divisions In addition we report corporate costs, and assets as separate line items.

Segmental information is presented in Note 25.

The accounting principles for the segments are the same as for our consolidated financial statements.

Related party transactions
Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties also are related if they are subject to common control or common significant influence.

Recently issued accounting pronouncements
Accounting standards that became effective January 1, 2021, did not have a material impact on the consolidated financial statements and related disclosures.

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

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which revised guidance for the accounting for credit losses on financial instruments within its scope. The new standard introduces an approach, based on expected losses, to estimate credit losses on certain types of financial instruments and modifies the impairment model for available-for-sale debt securities. The guidance became effective January 1, 2020, with early adoption permitted. Entities are required to apply the standard's provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is adopted. The adoption, effective January 1, 2020, did not have a material impact on the consolidated financial statements and related disclosures.

ASU 2017-04 (ASC 350 Intangibles - Goodwill)
The Company has adopted this update effective January 1, 2020, which simplifies the test for goodwill impairment. The accounting update eliminates Step 2 from the goodwill impairment test. In computing the implied fair value of goodwill under Step 2, an entity had to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities (including unrecognized assets and liabilities) following the procedure that would be required in determining the fair value of the assets acquired and liabilities assumed in a business combination. Instead, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, however the loss recognized should not exceed the total amount of goodwill allocated to the reporting unit. The Company will apply the one step approach in our quantitative impairment assessments henceforth which may result in the recognition of impairment losses sooner as compared to the two-step impairment test. There has been no impact of this accounting standard on the Company's Consolidated Financial Statements on adoption or as of December 31, 2020 and December 31, 2021 and the years then ended.

ASU 2018-13 (ASC 820 Fair Value Measurement)
The Company has adopted this update effective January 1, 2020, which removes, modifies and adds specific disclosure requirements in relation to fair value measurement with the aim of improving the effectiveness of disclosures to the financial statements. The standard update did not materially impact the Consolidated Financial Statements on adoption or as of December 31, 2020 and December 31, 2021 and the years then ended.

Accounting standard updates issued by the FASB
The FASB has issued several further updates not included above. We do not currently expect any of these updates to materially affect our consolidated financial statements and related disclosures either on transition or in future periods.

Archer Limited and subsidiaries
Notes to the consolidated financial statements

Note 3 — 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)	December 31, 2021	December 31, 2020
Accounts receivable net	125.6	109.2

Our accounts receivable balance includes $39.0 million unbilled and accrued revenue (2020 : $34.8 million)

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

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

Note 4 —Compensation, and severance expenses

The following table shows a summarized analysis of our total employee compensation costs.

	YEARS ENDED DECEMBER 31	
($ in millions)	2021	2020
Salary costs	351.8	306.3
Pension costs	25.5	23.3
Employers tax	51.2	49.0
Other compensation costs	21.4	14.7
Total compensation costs	**449.9**	**393.3**

During 2021 and 2020 we have continued our focus on cost reductions. We continued to downsize our operations in Argentina according to current reduced levels of activity, rationalize our corporate function and consolidate office facilities. The Covid 19 pandemic has resulted in increased severance costs due to the reduction in activity caused by the pandemic. In total we expensed $8.0 million in connection with our restructuring actions in 2021 and $23.6 million in 2020 the amounts being included in operating expenses.

An analysis of these costs is tabulated below:

($ in millions)	Year ended December 31, 2021		Year ended December 31, 2020	
	Severance costs	Other costs	Severance costs	Other costs
Eastern Hemisphere	1.3	0.6	3.3	0.2
Western Hemisphere	2.5	3.6	20.1	-
Total	**3.8**	**4.2**	**23.4**	**0.2**

Archer Limited and subsidiaries
Notes to the consolidated financial statements

Note 5 — Impairments
Our long-lived assets predominantly consist of land drilling rigs and equipment utilized by our Land drilling division in South America, and our two modular rigs. The carrying values of these assets are reviewed for potential impairment whenever events or changes in circumstances indicate that the carrying amount of a particular asset, or group of assets, may not be fully recoverable, and at least once each year as part of our annual reporting routine.

During 2021 we recognized total impairment losses of $16.4 million (2020: $3.6 million) relating to rigs and land drilling equipment in our South American business. The impairments were recognized as part of our annual detailed review of fixed assets and assessment of carrying values. In response to the on-going difficulties in Latin America resulting from the covid Pandemic, strike actions and government fiscal restrictions, we have expanded our recognized indicators for asset impairment which are historically the comparison of carrying values with estimated future cash flows and independent broker valuations, to include rigs which have remained idle for a period of five or more years. We have impaired rigs which have been idle for this length of time to a zero carrying value. This additional test added to our 2021 procedure resulted in additional impairment charges of $15 million.

All of the 2021 impairment charges relate to land drilling rigs and equipment utilized in our Land drilling division in Latin America.

As stated in our accounting policy, we use various methods to estimate the fair value of our assets, each of which involves significant judgment. We use the most relevant data available at the balance sheet date, including specific independent valuations for our land rigs. The key inputs and assumptions used in the various valuations included future market growth rates, EBITDA margins, discount factors and asset lifetimes. Reasonable variations in these assumptions could give rise to additional impairment, particularly in relation to the modular rigs and the Latin America drilling rigs.

Whilst acknowledging the uncertainty and the level of judgment involved in our estimates of value, we believe our determination of impairment charges to be reasonable and prudent as at 31, December 2021.

Please refer to Note 14 for further details on the calculation of goodwill impairments.

Note 6 — Gain on bargain purchase
The gain on bargain purchase of $11.4 million relates to the acquisition of all of the shares in DeepWell AS and DW Quip AS (collectively referred to as DeepWell), from Moreld AS, an unrelated third party. DeepWell AS was merged into Archer AS in the fourth quarter of 2021.

DeepWell provides well intervention and cased hole services from its base in Norway. Archer's interest in acquiring DeepWell was driven by the fact that DeepWell's business complements Archer's wireline division. The utilization of DeepWell's equipment and personnel and its advanced technology will enable Archer to improve and expand its wireline business. Prior to the acquisition, Archer was already renting some equipment from DeepWell.

Purchase consideration for the DeepWell totalled NOK 170.4 million (or $19.9 million) and settled as follows:

Purchase consideration

	(In NOK millions)	(In USD million equivalent)
Cash settlement	2.0	0.2
Repayment of DeepWell's external loan	121.4	14.2
Seller's credit, due in January 2022	47.0	5.5
Total consideration	**170.4**	**19.9**

Archer Limited and subsidiaries
Notes to the consolidated financial statements

The fair value of the assets acquired at the acquisition date of June 3, 2021 were as follows:

Fair value of assets acquired (preliminary)

	(In NOK millions)	(In USD million equivalent)
Cash and restricted cash	9.7	1.1
Other current assets	57.5	6.7
Tangible fixed assets	194.4	22.7
Intangible assets	2.4	0.3
Deferred tax asset	84.3	9.8
Liabilities	(77.4)	(9.3)
Total fair value of assets acquired	**270.8**	**31.3**

The excess of fair value of the assets acquired over the purchase consideration is reported as a separate line item, "Gain on bargain purchase" the gain arises primarily from the recognition of a deferred tax asset upon the acquisition relating to DeepWell's carried forward tax losses, which Archer can utilize going forward.

The gain on the bargain purchase results from our preliminary calculations, based on all information available to date. The calculation may change if further information materializes within 12 months from the acquisition date of June 3, 2021, which would result in adjustment to the reported gain and relevant carrying values acquired.

The acquisition and future operation of DeepWell are included in our Eastern Hemisphere reporting segment. For the period from the acquisition until the end of June 2021, Archer recognized a total of $1.1 million in external revenue from.

Note 7 — Other Financial Items

		YEARS ENDED DECEMBER 31
(In USD million)	2021	2020
Foreign exchange gains/(losses)	(7.0)	(6.7)
Mark-to-market of financial investments and marketable securities	1.9	(5.2)
Gain on debt restructuring	–	42.2
Other items	(1.8)	2.8
Total other financial items	**(6.8)**	**33.1**

Foreign exchange losses include foreign exchange gains and losses on an intercompany loan balance denominated in Norwegian Kroner. The intercompany loan is held in a USD functional entity, while the corresponding intercompany debt is held in a Norwegian Kroner functional entity. The financial impact of the entity with Norwegian Kroner functional currency is classified as other comprehensive income. Mark to market of financial investments and marketable securities, include the mark to market of our investment in KLX Energy Services Holdings Inc. and our interest rate caps agreements.

In second quarter 2020 we recorded a non-routine gain of $42.2 million which resulted from our debt restructure, which is discussed in note 17.

Archer Limited and subsidiaries
Notes to the consolidated financial statements

Note 8 — Income Taxes
Our income tax consists of the following:

	YEARS ENDED DECEMBER 31	
($ in millions)	2021	2020
Current tax expense	4.5	3.8
Deferred tax expense / (benefit)	3.2	7.8
Total income tax expense / (benefit), net	**7.7**	**11.6**

Tax expense is impacted by the de-recognition of deferred tax assets which we do not expect to be able to utilize within the foreseeable future. We have booked valuation allowances against deferred tax relating to net operating losses and foreign tax credits in Argentina, Brazil, Canada and North America, and other timing differences in Norway and the UK.

The company, including its subsidiaries, is taxable in several jurisdictions based on its operations. A loss in one jurisdiction may not be offset against taxable income in another jurisdiction. Thus, the company may pay tax within some jurisdictions even though it might have losses in others.

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

	YEARS ENDED DECEMBER 31	
($ in millions)	2021	2020
North America	0.5	0.3
South America	0.8	(0.7)
Europe	4.5	11.1
Others	1.8	0.9
Total	**7.7**	**11.6**

The income taxes for the years ended December 31, 2021 and 2020 differed from the amount computed by applying the statutory income tax rate in Bermuda, of 0% as follows:

	YEARS ENDED DECEMBER 31	
($ in millions)	2021	2020
Income taxes at statutory rate	-	-
Taxable losses at local tax rate from continuing operations*	(8.2)	(22.1)
Effect of impairment charges	6.1	0.9
Effect of other non-deductible expenses	(2.2)	(0.7)
Effect of share of losses of unconsolidated associates	0.4	1.2
Effect of non-deductible interest	3.4	3.8
Effect of tax exempted income and credits	8.9	16.5
Effect of tax and exchange rate on temporary movements	9.6	1.8
Effect of valuation allowances	12.9	3.2
Effect of adjustments from prior years	1.5	5.9
Effect of state and withholding taxes	1.1	1.1
Actual tax expense/ (benefit) recognized	**7.7**	**11.6**

**Figures exclude non-taxable income in Bermuda (net gain of $12.1 million, 2020: $11.2 million)*

Archer Limited and subsidiaries
Notes to the consolidated financial statements

Deferred Income Taxes
Deferred income taxes reflect the impact of temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. The net deferred tax assets consist of the following:

		DECEMBER 31
($ in millions)	2021	2020
Pension	0.2	0.2
Tax losses carry forward	816.1	798.7
Impairments of tangible and intangible assets	1.8	1.8
Property differences	83.6	87.4
Provisions	13.6	11.1
Other	294.8	290.0
Gross deferred tax asset	**1,210.1**	**1,189.2**
Net deferred tax asset basis before valuation allowance	**1,210.1**	**1,189.2**
Valuation allowance	(1,133.9)	(1,132.6)
Net deferred tax asset basis	**76.2**	**56.6**
Net deferred tax asset	**19.6**	**15.5**

Tax losses carry forward of $816.1 million shown in the table above, principally relates to carried forward tax losses of $727 million originating in the United States, and which expire over a period of 20 years, and tax losses of $46.9 million originating in Brazil. The Brazilian tax losses can be carried forward indefinitely.

Overall, deferred tax assets increased in 2021 due to the acquisition of DeepWell ($9.6 million). This is offset by net profit in Norway ($ 4.1 million) For tax losses incurred in 2021 for Argentina, Canada and in the United States, the increase in deferred tax assets are offset by an increase in the valuation allowance, resulting in no net effect in the 2021 financial statements.

In total, the valuation allowance is a provision against deferred tax assets relating to tax operating losses, foreign tax credits and excess tax values on drilling equipment, for which we do not, at the balance sheet date, have a sufficiently documented tax strategy for realization against future tax liabilities.

Deferred taxes are classified as follows:

		DECEMBER 31
($ in millions)	2021	2020
Deferred tax asset	20.6	16.3
Deferred tax liability	(1.0)	(0.8)
Net deferred tax asset	**19.6**	**15.5**

No provision has been made in respect of deferred tax on unremitted earnings from subsidiaries (2020: $Nil). No tax would be expected to be payable if unremitted earnings were repatriated to the ultimate parent.

The Group operates in a number of jurisdictions and its tax filings are subject to regular audit by the tax authorities. The Group's principal operations are located in Argentina, Australia, Brazil, Malaysia, Norway and the UK with the earliest periods under audit or open and subject to examination by the tax authorities, within these jurisdictions, being 2016, 2017, 2018 ,2019, 2020 and 2021.

As in previous years, all benefits and expenses in relation to uncertain tax positions have been analyzed in terms of quantification and risk, and we have provided for uncertain benefits and expenses where we believe it is more likely than not that they will crystalize.

The Group's accounting policy is to include interest and penalties in relation to uncertain tax positions within tax expense. Withholding taxes are expensed as and when withheld and are credited to the income statement if and when recovered.

Archer Limited and subsidiaries
Notes to the consolidated financial statements

Note 9 — Earnings Per Share, or EPS
The components for the calculation of basic EPS and diluted EPS and the resulting values are as follows:

	NET LOSS ($ in millions)	WEIGHTED AVERAGE SHARES OUTSTANDING	LOSS PER SHARE (IN $)
2020			
Basic loss per share from continuing operations	(7.5)	148,050,298	(0.05)
Effect of dilutive options *	—	—	—
Diluted loss per share	(7.5)	148,050,298	(0.05)

	NET LOSS ($ in millions)	WEIGHTED AVERAGE SHARES OUTSTANDING	LOSS PER SHARE (IN $)
2021			
Basic loss per share from continuing operations	(14.8)	148,217,188	(0.10)
Effect of dilutive options *	—	—	—
Diluted loss per share	(14.8)	148,217,188	(0.10)

** Share-based compensation of 1,716,422 shares were excluded from the computation of diluted earnings per share for the year ended December 31, 2021, and of 1,442,233 shares were excluded from the computation for year ended December 31, 2020, as the effect would have been antidilutive due to the net loss for the period.*

Note 10 — Inventories
Our inventories include the following:

(In USD millions)	DECEMBER 31, 2021	DECEMBER 31, 2020
Manufactured:		
Raw materials	1.1	1.8
Finished goods	9.7	9.8
Work in progress	0.4	0.4
Total manufactured	**11.2**	**12.0**
Drilling supplies	14.5	13.6
Chemicals	-	1.0
Other items and spares	26.4	27.6
Total inventories	**52.1**	**54.2**

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

Provisions for obsolescence amounting to $3.6 million (2020: $3.3 million) are included under Other items and spares.

Note 11 — Other Current Assets
Our other current assets include:

		DECEMBER 31
($ in millions)	2021	2020
Prepaid expenses	11.3	13.3
VAT and other taxes receivable	9.7	7.0
Other short-term receivables	9.6	7.7
Total other current assets	**30.7**	**28.0**

Archer Limited and subsidiaries
Notes to the consolidated financial statements

Note 12 — Investments in Unconsolidated Associates
We have the following participation in investments that are recorded using the equity method:

	2021	2020
C6 Technologies AS	—	50.0%
Comtrac As	50.0%	—

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

		DECEMBER 31
($ in millions)	2021	2020
C6 Technologies AS	—	4.7
Comtrac As	3.4	—
Total investments in unconsolidated associates	**3.4**	**4.7**

The components of investments in unconsolidated associates are as follows:

($ in millions)		2021	
	Comtrac AS	C6*	Total
Net book value at beginning of year	-	4.7	4.7
Transfer of loan advances	3.4	(3.4)	-
Sale of remaining balances	-	1.3	1.3
Additional capital investment	0.9	-	0.9
Share in results of associates	(0.5)	-	(0.5)
Translation adjustment	(0.4)	-	(0.4)
Carrying value of investment at end of year	**3.4**	**—**	**3.4**

** Equity and loan investments combined*

($ in millions)		2020	
	QES	C6*	Total
Net book value at beginning of year	21.3	10.0	31.3
Additional capital investment	—	1.4	1.4
Share in results of associates	(1.8)	(1.3)	(13.1)
Impairment of investment and loan	(10.0)	(5.3)	(5.3)
Conversion to KLX shares	(9.5)	—	(9.5)
Translation adjustment	—	(0.1)	(0.1)
Carrying value of investment at end of year	**—**	**—**	**—**
Carrying value of loan to associate at end of year	**—**	**4.7**	**4.7**

** Equity and loan investments combined*

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

Archer Limited and subsidiaries
Notes to the consolidated financial statements

Investment in QES
On July 28, 2020 Quintana Energy Services Inc. and KLX Energy Services Holdings Inc. ("KLXE") completed a merger whereby they combined their services. Archer received a total of 919,998 shares in KLXE in exchange for its interest in QES. KLXE will continue to be listed on Nasdaq. Our KLXE shares are reported as Marketable securities in our balance sheet, and are adjusted to market value, based on share price, each reporting period. The change in fair value of this investment is reported in Other financial items. We do not equity account for this investment in the way that we did for the QES shares since we do not have the ability to significant influence the operations of KLX. Our percentage interest in the KLXE is 8.8%.

Investment in C6 Technologies AS
Our investment in C6 comprised equity investment and a loan. Our share of the losses incurred by C6 in 2020 exceeds the carrying value of our capital investment. We have applied the excess share of the losses as a reduction of the carrying value of the loan due from the entity. 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.

Comtrac AS is financed by the transfer of loans advanced to C6 by the original shareholders. The carrying value of our investment in the new entity has been adjusted to reflect historical adjustments made to the original investment in C6 which related to the Comtrac technology.

We received the sales consideration of $1.9 million from IKM for our shares in C6, after the carve-out of the Comtrac business. The resultant gain of $0.6 million has been recognized in other comprehensive income.

Archer Limited and subsidiaries
Notes to the consolidated financial statements

Note 13 — Property Plant and Equipment

($ in millions)	OPERATIONAL EQUIPMENT	OTHER FIXED ASSETS	ASSETS UNDER CONSTRUCTION	TOTAL
Cost				
As of December 31, 2019	868.1	31.9	10.7	910.7
Net Additions	31.3	2.8	(2.1)	32.0
Translation adjustments	1.5	0.4	-	1.9
As of December 31, 2020	**900.9**	**35.1**	**8.6**	**944.6**
Net purchased additions	24.9	2.3	6.3	33.5
Assets recognized on DeepWell acquisition	64.7	-	-	64.7
Translation adjustments	(12.1)	(1.1)	(0.1)	(13.3)
As of December 31, 2021	**978.4**	**36.3**	**14.8**	**1,029.5**
Accumulated depreciation and impairments				
As of December 31, 2019	**(510.9)**	**(25.9)**	**-**	**(536.8)**
Depreciation	(46.7)	(1.3)	-	(48.0)
Impairments	(3.6)	-	-	(3.6)
Translation adjustments	(0.5)	(0.5)		(1.0)
As of December 31, 2020	**(561.7)**	**(27.7)**	**-**	**(589.4)**
Depreciation	(51.8)	(1.6)	-	(53.4)
Impairments	(16.4)	-	-	(16.4)
Accumulated depreciation recognized on DeepWell acquisition	(42.1)	-	-	(42.1)
Translation adjustments	14.5	0.9		15.4
As of December 31, 2021	**(657.5)**	**(28.4)**	**-**	**(685.9)**
Net book value December 31, 2021	**320.9**	**7.9**	**14.8**	**343.6**
Net book value December 31, 2020	**339.2**	**7.4**	**8.6**	**355.2**

Operational equipment includes drilling and well services equipment. Included in the cost of operational equipment is $30.9 million in respect of assets held under capital leases (2020: $30.8 million). Other fixed assets include land and buildings, office furniture and fixtures, and motor vehicles. At December 31, 2021, $7.7 million of fixed assets have been pledged in respect of finance agreements for their acquisition (2020 $8.0 million).

During 2021 we recognized total impairment losses of $16.4 million (2020: $3.6 million) relating to rigs and land drilling equipment in our South American business. The impairments were recognized as part of our annual detailed review of fixed assets and assessment of carrying values. Our testing of our two modular rigs, which uses expected undiscounted cash flows, indicated that the rigs are not impaired. We reached a similar conclusion in our testing for 2020.

The testing for impairment of our modular and land rigs, and other long lived assets, involves significant judgment and assumptions to be made in connection with the future performance of the various components of our business operations, including assumptions about future cash flows, discount rates applied to these cash flows and current market estimates of value. Based on the uncertainty of future revenue growth rates and other assumptions used to estimate our assets' fair value and future reductions in our expected cash flows, current market conditions worsening or persisting for an extended period of time could lead to future material non-cash impairment charges in relation to our major assets.

In reviewing our land rigs for impairment, we also rely on valuations provided by independent appraisers. The experts we use have extensive experience in the market in which our rigs are deployed and is also familiar with our assets, one of the experts has performed several valuations for us. For rigs where we have no short term future cash flows to evaluate, or where our first review of estimated future cash flows indicates a possible impairment, we use the appraiser valuations based on an orderly liquidation valuation scenario as our benchmark for fair value. In response to the on-going difficulties in Latin America resulting from the covid Pandemic, strike actions and government fiscal restrictions, we have expanded our recognized indicators for asset impairment which are historically the comparison of carrying values with estimated future cash flows and independent broker valuations, to include rigs which have remained idle for a period of five or more years. Please see Note 5 for further discussion on our impairment review process and the impairment charges recognized in 2021.

Archer Limited and subsidiaries
Notes to the consolidated financial statements

Note 14 — Goodwill

Goodwill represents the excess of purchase price over the fair value of tangible and identifiable intangible assets acquired, which relates primarily to intangible assets pertaining to the acquired workforce and expected future synergies. All of our remaining goodwill relates to our Eastern Hemisphere reporting segment.

($ in millions)	2021			2020		
	Asset value	Impairment	Net Value	Asset value	Impairment	Net Value
Value at beginning of year	861.2	(688.5)	172.7	855.6	(684.5)	171.1
Impairments during the year	-	-	-	-	(4.0)	(4.0)
Currency adjustments	(5.2)	-	(5.2)	5.6	-	5.6
Net book balance at end of year	**856.0**	**(688.5)**	**167.5**	**861.2**	**(688.5)**	**172.7**

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 can involve significant judgment and assumptions to be made in connection with the future performance of the various components of our business operations, including assumptions about future cash flows of each reporting unit, discount rates applied to these cash flows and current market estimates of value. 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 a future material non-cash impairment charge in relation to our remaining goodwill.

During 2020, mindful of the fact that the carrying value of our assets may be adversely affected by the volatility of oil price and effect of the Coronavirus pandemic which have occurred during 2020 we conducted a detailed quantitative review of the carrying value of our remaining goodwill. Specifically, there were indicators that goodwill relating to our wireline division might be impaired as this division's results were reported below expectations. The conclusion of our testing was that the carrying value as at December 31, 2020 was not impaired.

Our qualitative review of our goodwill carrying value at December 31, 2021 has concluded that our goodwill is not impaired. The main observations leading us to this conclusion were:

- The amount of headroom indicated by our 2020 quantitative testing, coupled with
- Secured key long term contracts in Norway for Equinor and COPNO within our Well Services division
- The improvement in results in 2021 compares to 2020 in the divisions to which the goodwill is allocated.

Archer Limited and subsidiaries
Notes to the consolidated financial statements

Note 15 — Other Noncurrent Assets

Our other noncurrent assets are composed of the following:

($ in millions)	DECEMBER 31	
	2021	2020
Deferred mobilization costs	1.3	8.9
Financial instruments	7.0	1.9
Other	3.1	4.2
Total other noncurrent assets	**11.4**	**15.0**

Note 16 — Other Current Liabilities

Our other current liabilities are comprised of the following:

($ in millions)	DECEMBER 31	
	2021	2020
Accrued restructuring costs	0.6	3.3
Accrued expenses and prepaid revenues	106.0	90.9
Taxes payable	(0.4)	(0.7)
VAT, employee and other taxes	28.7	32.0
Other current liabilities	5.4	-
Total other current liabilities	**140.2**	**125.5**

Archer Limited and subsidiaries
Notes to the consolidated financial statements

Note 17 — Debt

(In USD millions)	December 31, 2021 Loan balance	Unamortized debt issuance costs	Loan balance less unamortized debt issuance costs	December 31, 2020 Loan balance	Unamortized debt issuance costs	Loan balance less unamortized debt issuance costs
Multicurrency term and revolving facility	516.4	(2.1)	514.3	510.3	(3.4)	506.9
Related party subordinated loan	15.9	–	15.9	15.9	–	15.9
Hermes-covered term loans	4.4	–	4.4	9.6	–	9.6
Other loans and capital lease liability	16.1	–	16.1	13.1	–	13.1
Total loans and capital lease liability	**552.8**	**(2.1)**	**550.7**	**548.9**	**(3.4)**	**545.5**
Less: current portion	(25.3)	–	(25.3)	(10.4)	–	(10.4)
Long-term portion of interest-bearing debt	**527.5**	**(2.1)**	**525.4**	**538.5**	**(3.4)**	**535.1**

Multicurrency term and revolving credit facility
The total amount available under the Multicurrency term and revolving credit facility (the "Facility") is $571.4 million, split between $341.0 million under a term loan and $230.4 million in revolving facilities. In addition, a total of $11.2 million of the Facility is carved out into an overdraft facility of $ 11.2 million. A total of $516.4 million was drawn as at December 31, 2021 under the Facility of which the equivalent of $31.2 million was drawn in Norwegian Kroner. 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, 2021, 2022 and/or August 31, 2023, the loan will accrue an additional 1% PIK margin for 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 installments, there is a cash sweep mechanism in the Facility agreement whereby 90% of the available liquidity above $90 million, calculated each December and June after certain adjustments, is applied towards prepayment under the Facility. The final maturity date of the Facility is October 1, 2023.

The Facility contains certain financial covenants, including, among others:
- Archer will ensure that the ratio of net interest-bearing debt (after certain adjustments) to 12 months rolling Nominal EBITDA (after certain adjustments) at the financial quarter ending from December 31, 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 December 31, 2021, the Company is compliant with all covenants as agreed with its lenders under this Facility.

Archer Limited and subsidiaries
Notes to the consolidated financial statements

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 December 31, 2021 the equivalent of $4.4 million was outstanding under this facility.

Other loans and capital leases
As described above, a total of $11.2 million of the Facility is carved out into an overdraft facility. Net borrowing under the overdraft facility was $0.0 million at December 31, 2021.
At December 31, 2021 net borrowing under short-term facilities in Argentina and in Bolivia was $3.4 million. In addition, net borrowing on the 600 million Argentinian pesos syndicated loan facility in Argentina was equivalent to $3.5 million dollars. The syndicated loan is repayable in monthly instalments which commenced April 2021 and continue until January 2023.

We have finance arrangements relating to equipment in our Oiltools and Platform Drilling divisions. At December 31, 2021, the balance under these arrangements was $9.1 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 December 31, 2021 was an asset of $7.0 million and is included within other non-current assets. We have not designated the interest rate caps as hedging instruments and the movement in the fair value of theseinstruments is reported within other financial items.

Our outstanding interest bearing debt as of December 31, 2021, is repayable as follows:

($ in millions)	CAPITAL LEASE	OTHER DEBT	TOTAL
Year ending December 31			
2022	2.6	22.3	24.9
2023	2.7	505.5	508.1
2024	2.3	15.9	18.2
2025 and thereafter	1.6	-	1.6
Total debt	**9.1**	**543,7**	**552.8**

Archer Limited and subsidiaries
Notes to the consolidated financial statements

Note 18—Lease Obligations

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 and some rental equipment in our Platform Drilling division. The leases are entered into under a frame agreement with the bank, and the lease term is typically 5 years.

Assets leased under finance leases with a carrying value of $7.7 million are included in property, plant and equipment and the liability is included in the interest-bearing debt.

Operating Leases
The company has historically leased some operating assets, office and warehouse facilities and office equipment under operating leases. With effect from January 1, 2019, for material operating leases, we have recognised the relevant right of use assets and lease liabilities in our balance sheet. The leases have remaining lease terms of 1 to 12 years at December 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 $1.3 million during 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.

Archer Limited and subsidiaries
Notes to the consolidated financial statements

Supplemental information pertaining to the Company's leasing activities for the year ended December 31, 2021 was as follows;

(In USD millions)	Year Ended December 31, 2021
Finance Lease costs	
Amortization of right of use assets	2.3
Interest on lease liabilities	0.4
Operating lease costs	8.0
Short term lease costs	22.9
Total Lease costs	**33.6**
Other information	
Cash paid for amounts included in measurement lease liabilities	
Operating cash flows from finance leases	2.2
Operating cash flows from operating leases	8.0
Financing cash flows from finance leases	0.4
Right of use assets obtained in exchange for new finance lease liabilities	2.8
Right of use assets obtained in exchange for new operating lease liabilities	–
Weighted average remaining lease term – finance leases	3.6 years
Weighted average remaining lease term – operating leases	8.7 years
Weighted average discount rate – finance leases	4.1%
Weighted average discount rate – operating leases	5.8%

Estimated future minimum rental payments are as follows:

($ in millions)	OPERATING LEASE OBLIGATIONS
YEAR	
2022	5.3
2023	4.2
2024	4.3
2025	4.3
Thereafter	16.3
Total	**34.4**

Archer Limited and subsidiaries
Notes to the consolidated financial statements

Note 19 — Commitments and Contingencies

Purchase commitments
As of December 31, 2021, we have committed to purchase obligations including capital expenditures amounting to $10.9 million, (2020: $15.1 million).

We have no material contingent liabilities.

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 December 31, 2021, we are not aware of any such expected loss which would be material to our financial position and results of operations. In addition, we have certain claims, disputes and pending litigation in which we do not believe a negative outcome is probable or for which the loss cannot be reasonably estimated.

Other than the above, we are not 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.

Archer Limited and subsidiaries
Notes to the consolidated financial statements

Note 20 — Share Capital

($ in millions)				DECEMBER 31
	2021		2020	
	All shares are common shares of $0.01 par value each		All shares are common shares of $0.01 par value each	
	SHARES	$ MILLION	SHARES	$ MILLION
Authorized share capital	1,000,000,000	10.0	1,000,000,000	10.0
Issued, outstanding and fully paid share capital	148,758,612	1.5	148,050,298	1.5

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

The Board has indicated that no dividend will be distributed in respect of the results for the financial year 2021.

The Board has indicated that no dividend will be distributed in respect of the results for the financial year 2021.
Under the Bermuda Companies Act, dividends cannot be paid if there are reasonable grounds for believing that (a) The company is, or would after the payment be, unable to pay its liabilities as they become due; or (b) The realizable value of the company's assets would thereby be less its liabilities The Company has not declared dividend since its inception, and there are restrictions in the financing arrangement effectively preventing the Company from distributing dividend to its shareholders before the loan has been repaid, refinanced or a dividend distribution is approved by our Lenders. Some of the jurisdictions in which we operate impose restrictions on dividend payments from subsidiaries to holding companies.

Shareholder overview as of December 31, 2021	
SEADRILL JU NEWCO BERMUDA LIMITED	15.5%
HEMEN HOLDING LIMITED	12.2%
SKANDINAVISKA ENSKILDA BANKEN AB	3.2%
STAVANGER FORVALTNING AS	3.1%
Others	66.0%

Hemen Holding Ltd, or Hemen, a Cyprus holding company is indirectly controlled by trusts established by Mr. John Fredriksen, for the benefit of his immediate family.

Note 21 — Audit fees

Total auditors' remuneration to PricewaterhouseCoopers was an audit fee of $0.5 million for the year ended December 31, 2021 and $0.6 million for the year ended December 31, 2020. Archer Ltd ($0.2 million) received the main amount of cost, in addition to Archer (UK) Ltd ($0.1 million) and Archer Norge AS ($0.1 million). The compensation to the auditor is paid in GPB, NOK and USD. The USD figure is not totally comparable year on year.

($ in millions)	DECEMBER 31	
	2021	2020
Legally required audit	0.5	0.6
Attestation services	0.0	0.0
Other services	-	-
Total audit fee	**0.5**	**0.6**

Archer Limited and subsidiaries
Notes to the consolidated financial statements

Note 22 — Directors and executive compensation and share option plan

Directors and executive compensation
During the year ended December 31, 2021, we paid aggregate cash compensation of approximately $1.8 million and an aggregate amount of approximately $31 thousand for pension and retirement benefits to our executive officers and directors. In addition, we recognized stock compensation expense of approximately $0.1 million in respect to options and restricted stock units granted to our directors and executive officers.

($ in millions)	DECEMBER 31	
	2021	2020
Salary including bonus	1.8	1.6
Other remuneration	0.1	0.2
Pension contribution	0.0	0.0
Total compensation	**1.9**	**1.8**

Share Option Plans
We have granted share options to our senior management that provide the management with the right to subscribe for new shares. The options are not transferable and may be withdrawn upon termination of employment under certain conditions. Options granted under the scheme will vest at a date determined by the Board of Directors. The options granted under the plan vest over a period of one to five years.

As of December 31, 2021, Archer has one active option program.

The following summarizes share option transactions related to the Archer programs in 2021 and 2020:

	2021		2020	
	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE - NOK	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE - NOK
Outstanding at beginning of year	600,000	10.00	650,001	14.45
Forfeited/expired	-	-	(50,001)	67.88
Outstanding at end of year	**600,000**	**10.00**	**600,000**	**10.00**
Exercisable at end of year	600,000	10.00	600,000	10.00

No income was received in 2021 as a result of share options being exercised (2020: $ nil).

Outstanding options may be exercised up to March 1, 2022. The exercise price is NOK 10.00 per share. On December 31, 2021, 600,000 options were outstanding, and all of the options were exercisable. The weighted average remaining contractual life of outstanding options is 14 months (2020: 26 months).

We pay the employers' national insurance contributions related to the options, while the option holders will be charged for the individual income taxes.

When stock options are exercised we have traditionally settled the obligation by issuing new shares.

Valuation:
We use the Black-Scholes pricing model to value stock options granted. The fair value of options granted is determined based on the expected term, risk-free interest rate, dividend yield and expected volatility. The expected term is based on historical information of past employee behaviour regarding exercises and forfeiture of options. The risk-free interest rate assumption is based upon the published Norwegian treasury yield curve in effect at the time of grant for instruments with a similar life. The dividend yield assumption is based on history and expectation of dividend pay-outs.

Archer Limited and subsidiaries
Notes to the consolidated financial statements

We use a blended volatility for the volatility assumption, to reflect the expectation of how the share price will react to the future cyclicality of our industry. The blended volatility is calculated using two components. The first component is derived from volatility computed from historical data for a period of time approximately equal to the expected term of the stock option, starting from the date of grant. The second component is the implied volatility derived from our "at-the-money" long-term call options. The two components are equally weighted to create a blended volatility.

Archer did not grant any new options in 2021 or 2020.

Restricted Stock units
The Board has from time to time granted restricted stock units, or RSU's, to members of Archer's management team. The RSUs typically vest over three to four years after the grant date. As of December 31, 2021 a total of 1,062,365 RSUs was outstanding.

RSU awards do not receive dividends or carry voting rights during the performance period. The fair value of the restricted stock award is the quoted market price of Archer's stock on the date of grant.

The following table summarizes information about all restricted stock transactions:

	2021		2020	
	RSU's	Weighted average grant date fair value NOK	RSU's	Weighted average grant date fair value NOK
Unvested at beginning of year	**2,583,353**	4.67	**4,157,364**	4.97
Granted	-		110,000	2.20
Vested/released	(1,341,104)		(1,445,126)	
Forfeited	(179,884)		(238,835)	
Unvested at end of year	**1,062,365**	**3.78**	**2,583,353**	**4.67**

Accounting for share-based compensation
The fair value of the share options and RSUs granted is recognized as personnel expenses. During 2021, NOK 3.2 million ($0.4 million) has been expensed in our Statement of Operations ($0.8 million in 2020).

As of December 31, 2021, total unrecognized compensation costs related to all unvested share-based awards totalled NOK 1.7 million ($0.2 million), which is expected to be recognized as expenses in 2022 and 2023 of USD 1.2 million and NOK 0.5 million respectively.

Note 23 — Pension Benefits

Defined Contributions Plans
We contribute to a private defined contribution pension plan for our UK onshore workforce. Eligible employees may contribute a minimum of 4% of their salary to the scheme, and we contribute between 5% and 7.5% to participants' plans. In 2021 we contributed $3.9 million (2020: $3.6 million) to the plan.

In Norway we also have a defined contribution pension plan both for our Norwegian onshore workforce in addition to our employees working offshore on the Norwegian continental shelf from 2019. For onshore employees we contribute 5% of salary between 1 and 6 G and 8% of salary between 6 and 12 G. For offshore employees we contribute 3% of salary up to 7.1 G and 15% of salary between 7.1 and 12 G. (G represents the minimum base salary used in the Norwegian National Insurance scheme, and for 2021 is equivalent to approximately $12,380). In 2021 we contributed $9.8 million (2020 $8.5 million) to the plan in Norway.

Archer Limited and subsidiaries
Notes to the consolidated financial statements

Note 24 — Related Party Transactions
In the normal course of business we transact business with related parties conducted at arm's length.

Transactions with C6 Technologies AS and Comtrac AS:
At December 31, 2020, we owned 50% of C6 Technologies AS ("C6"), an oilfield technology company offering new solutions for well intervention and conveyance utilizing composite materials. Because we did not control this entity we have reported its financial results using the equity method of accounting since its creation in 2010. As described in note 12 above, during the second quarter of 2021 we concluded a sale and purchase agreement to sell our share of C6 to the other 50% shareholder. The sale was contingent upon the carve out of the Comtrac technology developed by C6 into a new entity, Comtrac AS, under the same shared ownership as C6.

The sale of the remainder of our investment in C6 resulted in a gain of $0.6 million which is reported in Other comprehensive income. We transferred a loan investment with a carrying value of $3.4 million from C6 to Comtrac AS, in addition to which we have made further advances to Comtrac AS during 2021 totaling $0.9 million.

Transactions with other related parties
The following are related parties, being companies in which Archer's largest shareholder, Seadrill and/or Hemen Holding Ltd have a significant interest:
- Seadrill Group
- Frontline Management (Bermuda) Limited, ("Frontline")
- Seatankers Management Company Limited ("Seatankers")

During the 12 months ended December 31, 2021, we supplied Seadrill Limited and affiliates ("Seadrill") with services amounting to $3.4 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. At December 31, 2021 Seadrill owed us $0.1 million in respect of these services.

Frontline and Seatankers provide management support and administrative services to us, and we have recorded fees of $0.1 million for these services from Frontline in 2021. In the second quarter we received a credit note from Seatankers resulting in the reporting of total net negative costs of $0.1 million in 2021.These expenses are included in General and administrative expenses in the Consolidated statement of operations.

Archer Limited and subsidiaries
Notes to the consolidated financial statements

Note 25 — Reporting and Geographical Segment Information

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

We present our business under two reporting segments based on geographical location;
- Eastern Hemisphere
- Western Hemisphere

The Eastern Hemisphere segment contains Platform Drilling, Modular rigs, Engineering, Wireline and Oiltools service divisions.

Western Hemisphere comprises our land drilling operations in Latin America.

We report our corporate costs and assets separately and do not allocate them to the segments. Corporate costs include costs for the corporate management team, director's fees, corporate audit fees, stock-based compensation costs and other related costs which are centrally managed.

We report our corporate costs and assets separately and do not allocate them to the segments. Corporate costs include costs for the corporate management team, director's fees, corporate audit fees, stock-based compensation costs and other related costs which are centrally managed.

(In USD millions)	YEAR ENDED DECEMBER 31	
	2021	2020
Revenues from external customers		
Eastern Hemisphere	725.5	638.1
Western Hemisphere	210.6	185.9
Total revenue	**936.1**	**824.0**
Depreciation and amortization		
Eastern Hemisphere	22.7	17.2
Western Hemisphere	31.1	38.8
Total depreciation and amortization	**53.8**	**48.0**
Operating income/net income		
Eastern Hemisphere	56.9	51.6
Western Hemisphere	(31.2)	(26.0)
Corporate Cost	(10.2)	(5.4)
Stock compensation cost	(0.3)	(0.8)
Total operating (loss)/income	**15.4**	**19.4**
Total financial items	(33.9)	(15.3)
Gain on bargain purchase	11.4	–
Income taxes	(7.7)	(11.6)
Net (loss)/income	**(14.8)**	**(7.5)**
Capital Expenditures		
Eastern Hemisphere	22.5	21.0
Western Hemisphere	11.0	11.0
Total	**33.5**	**32.0**

Archer Limited and subsidiaries
Notes to the consolidated financial statements

Total assets

(In USD millions)	December 31, 2021	December 31, 2020
Eastern Hemisphere	527.8	495.1
Western Hemisphere	313.2	347.8
Corporate	10.8	2.5
Total	**850.7**	**845.4**

Goodwill

($ in millions)	EASTERN HEMISPHERE	WESTERN HEMISPHERE	TOTAL
Balance at December 31, 2019	**171.1**	**—**	**171.1**
Exchange rate fluctuations on goodwill measured in foreign currency	1.6	—	1.6
Balance at December 31, 2020	**172.7**	**—**	**172.7**
Exchange rate fluctuations on goodwill measured in foreign currency	(5.2)	—	(5.2)
Balance at December 31, 2021	**167.5**	**—**	**167.5**

Geographic information by country

	FOR THE YEARS ENDED DECEMBER 31	
($ in millions)	2021	2020
Revenue		
Norway	534.5	475.4
Argentina	207.9	171.0
United Kingdom	79.7	85.2
Other	114.0	92.4
Total	**936.1**	**824.0**

Property plant and equipment

($ in millions)		AS OF DECEMBER 31
	2021	2020
United States	1.7	1.7
Latin America	206.8	243.6
New Zealand	31.2	29.9
Norway	100.7	76.1
United Kingdom	1.9	2.5
Other	1.3	1.3
Total	**343.6**	**355.2**

Archer Limited and subsidiaries
Notes to the consolidated financial statements

Note 26 — Risk Management and Financial Instruments

Our functional and reporting currency is US Dollars. We have operations and assets in a number of countries worldwide, and receive revenues and incur expenditures in other currencies, causing our results from operations to be affected by fluctuations in currency exchange rates, primarily related to Argentine Pesos, Norwegian kroner and British pounds. We are also exposed to changes in interest rates on variable interest rate debt, and to the impact of changes in currency exchange rates on debt denominated in currencies other than US Dollar. There is thus a currency risk and interest rate risk, which could have a negative effect on our cash flows as well as our reported financials.

Interest rate risk management

Our exposure to interest rate risk relates mainly to our variable interest rate debt and balances of surplus funds placed with financial institutions. Currently, the interest rate risk is managed by the application of interest rate caps for a portion of our US Dollar denominated debt.

The extent to which we utilize interest rate swaps and other derivatives to manage our interest rate risk is determined by reference to our net debt exposure and our views regarding future interest rates. At December 31, 2021, we had 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 and 0.85% on $200million until December 2025. We have not applied hedge accounting principles to these instruments. The fair value of the instruments as of December 31, 2021 was an asset of $7.0 million and is included within other non-current assets.

Foreign currency risk management

We are exposed to foreign currency exchange movements in both transactions that are denominated in currency other than USD, and in translating consolidated subsidiaries who do not have a functional currency of USD. Transaction losses are recognized in "Other financial items" on our Consolidated Statement of Operations in the period to which they relate. Translation differences are recognized as a component of equity. The total transaction loss relating to foreign exchange recognized in the Consolidated Statement of Operations in 2021 amounted to $7.0 million (2020: $6.7 million).

Credit risk management

We have financial assets, including cash and cash equivalents, trade receivables and other receivables. These assets expose us to credit risk arising from possible default by the counterparty. We consider the counterparties to be creditworthy financial institutions and do not expect any significant loss to result from non-performance by such counterparties. In the normal course of business, we do not demand collateral.

Archer Limited and subsidiaries
Notes to the consolidated financial statements

Fair values

Carrying value of financial instruments

(In USD millions)		December 31, 2021		December 31, 2020
Assets / (Liabilities)	FAIR VALUE	CARRYING VALUE	FAIR VALUE	CARRYING VALUE
Nonderivatives				
Cash and cash equivalents	50.7	50.7	41.2	41.2
Restricted cash	14.8	14.8	12.4	12.4
Marketable securities	2.9	2.9	6.1	6.1
Accounts receivable	125.6	125.6	109.2	109.2
Accounts payable	(43.5)	(43.5)	(34.4)	(34.4)
Current portion of interest-bearing debt	(25.3)	(25.3)	(10.5)	(10.5)
Current portion of operating lease liability	(5.2)	(5.2)	(8.5)	(8.5)
Long-term interest-bearing debt	(509.5)	(509.5)	(519.1)	(519.1)
Operating lease liability	(21.5)	(21.5)	(21.4)	(21.4)
Subordinated related party loan	(15.9)	(15.9)	(15.9)	(15.9)
Derivatives				
Interest cap agreements	7.0	7.0	1.9	1.9

The above financial assets and liabilities are disclosed at fair value as follows:

In USD millions)	DECEMBER 31 2021	FAIR VALUE MEASUREMENTS AT REPORTING DATE USING		
	Fair Value	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	50.7	50.7	–	–
Restricted cash	14.8	14.8	–	–
Marketable securities	2.9	2.9	–	–
Accounts receivable	125.6	–	125.6	–
Interest cap agreements	7.0	–	7.0	–
Liabilities:				
Accounts payable	(43.5)	–	(43.5)	–
Current portion of interest-bearing debt	(25.3)	–	(25.3)	–
Current portion of operating lease liability	(5.2)	–	(5.2)	–
Long-term, interest bearing debt	(509.5)	–	(509.5)	–
Operating lease liability	(21.5)	–	(21.5)	–
Subordinated related party loan	(15.9)	–	(15.9)	–

Level 1: Quoted prices in active markets for identical assets
Level 2: Significant other observable inputs
Level 3: Significant unobservable inputs

Archer Limited and subsidiaries
Notes to the consolidated financial statements

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 December 31, 2021, and 2020. For certain instruments, including cash and cash equivalents, receivables and accounts payable, it is assumed the carrying amount approximates to 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 caps is 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 December 31, 2021.

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

Retained risk
We retain the risk, through self-insurance, for deductibles relating to physical damage insurance on our capital equipment. In the opinion of management, adequate provisions have been made in relation to such exposures, based on known and estimated losses.

Concentration of risk
The following table summarizes revenues from our major customers as a percentage of total revenues from continuing operations (revenues in excess of 10 percent for the period):

CUSTOMER	2021	2020
Equinor	45%	44%
Pan American Energy	13%	15%
ConocoPhillips	7%	6%
YPF SA	5%	4%
Customer <10%	30%	31%
Total	**100%**	**100%**

Note 27 — Subsequent Events
In February 2022, Archer was awarded a two-year contract extension from PanAmerican for drilling services covering 4 drilling units, 13 workover units and 13 pulling units in Argentina. The extension will commence in Q2, 2023, in direct continuation of the current contract.

In February 2022, Archer was awarded a two-year contract extension from Equinor for platform drilling services on Statfjord A, B and C, Gullfaks A, B and C, Grane, Njord, Sleipner A, Snorre A and B, and Visund. The extension will commence on October 1, 2022 in direct continuation of the current contract.

The recent Russian invasion of Ukraine has disrupted supply chains and caused instability in the global economy, while the United States and the European Union, among other countries, announced sanctions against Russia. The ongoing conflict could result in the imposition of further economic sanctions against Russia. Currently, Archers operations in Russia have been suspended and have denied requests for any further work in Russia. Archer currently owns a subsidiary in the country which we are evaluating the ongoing need for as well as the process to wind up. For the Archer group there are approximately $0.7 million outstanding from customers in Russia where recoverability may be at risk. Archer will continue to comply with all applicable sanctions.

Archer Limited and subsidiaries
Appendix A – Corporate Governance

As used herein, unless otherwise required by the context, the terms "Archer", "Company", "we", "our" and "us" refer to Archer Limited and its consolidated subsidiaries. The Norwegian Code of Practice for Corporate Governance, as updated October 14, 2021 (the "Code") applies to us to the extent that the provisions of this Code do not conflict with the legislation of our national jurisdiction. The Code is a "comply or explain" guideline and we generally aim at complying with the recommendations of the Code. However, we will, to some extent, deviate from certain recommendations of the Code, partly due to different practice and principles under which Bermuda companies operate. The status of noncompliance and the explanations therefore is set out below.

The Code is available in its entirety at the Oslo Stock Exchange website (www.euronext.com/nb/markets/oslo) and the website of The Norwegian Corporate Governance Board (www.nues.no).

Section 1 Implementation and reporting on corporate governance
Archer Limited is a limited liability company registered in Bermuda and listed on the Oslo Stock Exchange (Oslo Børs). The foundation for Archer's governance structure is Bermuda law as well as regulations for foreign companies listed on the Oslo Stock Exchange. In line with the directions given by the Board of Directors of Archer Limited, (the "Board"), Archer conducts its business on the basis of three fundamental values:

Safety: We are committed individually and as a team, to protect the health and safety of its employees, customers and communities.
Integrity: We are committed to maintaining an environment of trust, built upon honesty, ethical behaviour, respect and candour.
Performance: We are committed to efficiently and effectively perform to all Archer standards and those of our customers.

The Board reviews the actual performance for all the values mentioned above and where applicable compares the key performance indicators against the plan regularly. With regard to integrity, Archer has implemented a Code of Conduct, which is available on our website (www.archerwell.com). It is Archer's policy that an employee who becomes aware of a possible violation of the Company's policies regarding legal or ethical business conduct must report the violation. This includes possible violations of policies set forth in the Code of Conduct, or other policies, manuals, or guides distributed by the Company in addition to all applicable laws. On a quarterly basis the Audit Committee reviews reported potential violations of the Company's Code of Conduct and discusses required actions, if any.

The Board has defined clear objectives, strategies, and risk profiles for our business activities and integrates considerations related to our stakeholders to create value and deliver results. The Board evaluates these objectives, strategies and risk profiles at regular intervals. The Board has reviewed the overall performance of the Company compared to its values and its corporate governance for the financial year 2021 in line with the Code and confirms it is in compliance with the Code, except for deviations which are highlighted in the detailed description of the main provisions of the Code below:

Section 2 Business
In accordance with normal practice for Bermuda companies, our by-laws do not include a specific description of our business. According to the memorandum of association, no restrictions apply as to the purpose of the Company and the reasons for its incorporation. As a Bermuda incorporated company, we have chosen to establish the constitutional framework in compliance with the normal practice of Bermuda and accordingly deviate from section 2 of the Code.

The Company provides an annual ESG Report, published on our website (https://www.archerwell.com/sustainability/esg-reporting/) which outlines our activities, performance, and strategy in relation to the environment, social issues, working environment, equality and non-discrimination, human rights, and anti-corruption.

Section 3 Equity and dividends
In accordance with Bermuda law, the Board is authorized to repurchase treasury shares, and to issue any unissued shares within the limits of the authorized share capital. These authorities are neither limited to specific purposes nor to a specific period as recommended in section 3 of the Code. While we aim at providing competitive long-term return on the investments of our shareholders, we do not currently have a formal dividend policy.

The Board ensures that the Company has a capital structure that is appropriate to the Company's objective, strategy and risk profile.

Archer Limited and subsidiaries
Appendix A – Corporate Governance

Section 4 Equal treatment of shareholders
In accordance with the company laws of Bermuda, the shareholders can resolve an amount of authorized capital within which the Board may decide to increase the issued capital at its discretion without further shareholder approval. There is no legal framework providing for specific time-limited or purpose-limited authorizations to increase the share capital. The Board will propose to the shareholders that they consider and, if necessary, resolve to increase the authorized capital of the Company that will allow the Board some flexibility to increase the number of issued shares without further shareholder approval. As such, we may deviate from the Code's recommendation in section 4. Any increase of the authorized capital is, however, subject to approval by the shareholders by 2/3 majority of the votes cast. Neither our by-laws nor Bermuda company laws include regulation of pre-emptive rights for shareholders in connection with share capital increases. Our by-laws provide for the Board in its sole discretion to direct a share issue to existing shareholders at par value or at a premium price. We are subject to the general principle of equal treatment of shareholders under the Norwegian Securities Trading Act section 5-14. The Board will, in connection with any future share issues, on a case-by-case basis, evaluate whether deviation from the principle of equal treatment is justified.

Section 5 Shares and negotiability
We do not limit any party's ability to own, trade or vote for shares in the Company. As such, we are in compliance with Section 5 of the Code.

Section 6 General meetings
As a Bermuda registered company, the general meetings of the Company can be conducted through proxy voting. The VPS registered shareholders are holders of interests in the shares and thus represented by the VPS Registrar in the general meetings and not through their own physical presence. This is in line with the general practice of other non-Norwegian companies listed on Oslo Børs. We believe we comply in all other respects with the recommendations for general meetings as set out in the Code.

Section 7 Nomination committee
We have not established a nomination committee as recommended by the Code section 7 and our bye-laws do not include the requirement for one. In lieu of a nomination committee comprised of independent directors, the Board is responsible for identifying and recommending potential candidates to become Board members and recommending directors for appointment to board committees.

Section 8 Board of directors: composition and independence
The Chairman of our five-member Board has been elected by the Board and not by the shareholders as recommended in the Code. We are not in compliance with the requirement to have both genders on our Board.

Section 9 The work of the board of directors
The Board sets an annual plan for the upcoming year in December which includes a review of strategy, objectives and their implementation, the review and approval of the annual budget and review and monitoring of our current year financial performance. The Board meets at least four times a year, with further meetings held as required to react to operational or strategic changes in the market and Company circumstances. The Board receives frequent and relevant information to carry out its duties. It has delegated authority to the Company's executive management by the means of a delegation of authority guideline.

The Board has established an Audit Committee, which has a formal charter and terms of reference approved by the Board. The Audit Committee is comprised of directors Peter Sharpe and James O'Shaughnessy. The committee is responsible for ensuring Archer has an independent and effective external audit system. In addition we have an internal audit program. The Audit Committee supports the Board in the administration and exercise of its responsibility for supervisory oversight of financial reporting and internal control matters and to maintain appropriate relationships with our auditors. Appointment of the auditor for audit services is approved at our annual general meeting and the Board is given authority to approve the fees to be paid to the auditor. Our auditor meets with the Audit Committee annually regarding the preparation of the annual financial statements and also to present their report on the internal control procedures. The Audit Committee holds separate discussions with our external auditor on a quarterly basis without executive management being present. The scope, resources, and the level of fees proposed by the external auditor in relation to our audit are approved by the Audit Committee.

The Board ensures through an internal check that members of the Board and executive personnel advise the Company of any material interests that they may have in items to be considered by the Board.

Archer Limited and subsidiaries
Appendix A – Corporate Governance

The Board and executive management will consider and determine on a case-by-case basis whether independent third-party evaluations are required if entering into agreements with related parties in accordance with the Code section 9. The Board may decide, however, due to the specific agreement or transaction, to deviate from this recommendation if the interests of the shareholders in general are believed to be maintained in a satisfactory manner through other measures.

Other than related party transactions disclosed in note 24, the Company did not enter into any transactions with its shareholders or closely associated entities.

Section 10 Risk management and internal control
The Board ensures that Archer follows guidelines to minimize the overall risk to the Company and its shareholders and implements and complies with an adequate internal control framework. Archer's system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

We have implemented clear lines of responsibility and limits of delegated authority. Comprehensive procedures provide for the appraisal, approval, control and review of expenditures. The senior management team meets with its geographic and divisional leadership on a regular basis to discuss particular issues affecting each region and business unit, including their key risks, health and safety statistics and legal and financial matters. We have also implemented a process to assess the company's projected financing needs and compliance with covenants under its financing arrangements. The results are presented to and discussed with the Board on a regular basis so adequate corrective measures can be taken if and when necessary.

Integrity is part of our core values and high ethical standards are paramount to achieve our business objectives. Our Code of Conduct describes Archer's commitment related to ethics for both personal and business matters. We comply with applicable laws and regulations and act in an ethical and socially responsible manner. Our Code of Conduct applies to everyone working for Archer, including the members of the Board. The Code of Conduct is available at www.archerwell.com. Archer has implemented a dedicated ethics helpline that can be used by employees who wish to express concerns or seek advice regarding the legal and ethical conduct of our business.

We comply with the Code related to this section.

Section 11 Remuneration of the board of directors
There is no obligation to present the guidelines for remuneration of the Board of Directors to the shareholders of a Bermuda incorporated company. We will provide information to our shareholders regarding remuneration of the Board in compliance with United States generally accepted accounting principles ("US GAAP") but will not implement procedures that are not generally applied under Bermuda law. We therefore deviate from this part of section 11 of the Code. There are no service contracts between the Company and any of our directors providing for benefits upon termination of their service.

Section 12 Salary and other remuneration for executive personnel
There is no obligation to present the guidelines for remuneration of the executive management to the shareholders of a Bermuda incorporated company. We provide information to our shareholders regarding remuneration of the executive management in compliance with US GAAP, but will not implement procedures that are not generally applied under Bermuda law. In the view of the Company there is sufficient transparency and simplicity in the remuneration structure and information provided through the annual report and financial statements are sufficient to keep shareholders adequately informed. We therefore deviate from this part of section 12 of the Code.

Section 13 Information and communications
The Board has established guidelines requiring interim financial reporting on a quarterly basis according to a financial calendar that is publicly available. We hold a quarterly financial results conference call, which is accessible to all participants in the securities market. Timing and venue for such events are announced through public press releases. For specific events the Board requests that the Company hold investor meetings allowing for more detailed information. The information shared in such meetings is published on our website.

Section 14 Take-overs
The Board of Directors has adopted all recommendations in the Code related to takeovers, which requires that all shareholders are given sufficient information and time to form an independent view of a potential takeover offer.

We comply with the Code related to this section.

Archer Limited and subsidiaries
Appendix A – Corporate Governance

Section 15 Auditor
The Board's Audit Committee is responsible for ensuring that the Group is subject to an independent and effective audit. Our independent registered public accounting firm (independent auditor) is independent in relation to Archer and is appointed by the general meeting of shareholders. The independent auditor's fee must be approved by the general meeting of shareholders.

The Audit Committee is approved by the Board and is responsible for ensuring that the Company is subject to an independent and effective external audit. On an annual basis the independent auditor presents a plan to the Audit Committee for the execution of the independent auditor's work.

The independent auditor participates in all meetings of the Audit Committee which concern financial statement filings, and participates in reviewing the Company's internal control procedures, including identified weaknesses and proposals for improvement.

When evaluating the independent auditor, emphasis is placed on the firm's competence, capacity, local and international availability, and the size of its fee. The Audit Committee evaluates and makes a recommendation to the Board, the corporate assembly and the general meeting of shareholders regarding the choice of independent auditor, and it is responsible for ensuring that the independent auditor meets the requirements in Norway.

The Audit Committee considers all reports from the independent auditor before they are considered by the Board. The Audit Committee holds regular meetings with the independent auditor without the Company's management being present.
We comply with the Code related to this section.

During 2020, the Company was notified that the UK Financial Reporting Council's Audit Quality and Review Team (the "AQRT") would carry out a review of the Company's previous Auditor PricewaterhouseCoopers LLP's working papers in relation to their audit of the Company's consolidated financial statements for the year ended 31 December 2019. The Company has received a copy of the AQRT's report following this review and their findings which related to the audit process. The actions required were discussed with the Company's former Auditor, PricewaterhouseCoopers LLP, and the Company's new Auditor, PricewaterhouseCoopers AS, in March 2021.

Norwegian Accounting Act Section 3-3 b
In addition to the Norwegian Code of Practice for Corporate Governance, the Norwegian Accounting Act has set out additional requirements for corporate governance. We have established a set of guidelines related to internal control and corporate governance.

Risk Oversight
It is management's responsibility to manage risk and bring our most material risks to the attention of the Board. The Board has delegated to the Audit Committee the responsibility to discuss with management our major financial risk exposures and the steps management has taken to monitor and control those exposures, including our risk assessment and risk management. The Audit Committee reports as appropriate to the full Board. Each operational division head is responsible to report risks related to each segment to the Chief Executive Officer, who in turn reports to the Board.

Internal control
Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our financial statements for external purposes in accordance with US GAAP. Our control environment is the foundation for our system of internal control over financial reporting and is an integral part of our Code of Conduct and Business Ethics for the Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer, which sets the tone of our Company. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of our financial statements in accordance with US GAAP, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Archer Limited and subsidiaries
Appendix A – Corporate Governance

Audit committee
The Audit Committee currently consists of James O'Shaughnessy and Peter Sharpe. The Audit Committee assists our Board in fulfilling its oversight responsibility by overseeing and evaluating (i) the conduct of our accounting and financial reporting process and the integrity of our financial statements; (ii) the functioning of our systems of internal accounting and financial controls; (iii) the performance of our internal audit function and (iv) the engagement, compensation, performance, qualifications and independence of our independent auditors.

Compensation committee
The role of a Compensation Committee is currently performed by all members of the Board. The Board formulates and oversees the execution of our compensation strategies, including making recommendations with respect to compensation arrangements for senior management, directors and other key employees. The Board also administers our stock compensation plans.

Communications with the Board
Shareholders and other interested parties wishing to communicate with the Board or any individual director, including the Chairman, should send any communication to the Corporate Secretary, Archer Limited, Par-la-Ville Place 14 Par-la-Ville Road, Hamilton HM 08, Bermuda. Any such communication must state the number of shares beneficially owned by the shareholder making the communication. The Corporate Secretary will forward such communication to the director or directors to whom the communication is directed, unless the Corporate Secretary determines that the communication does not relate to the business or affairs of the Company or the functioning or constitution of the Board or any of its committees, or it relates to routine or insignificant matters that do not warrant the attention of the Board, or is an advertisement or other commercial solicitation or communication, or is frivolous or offensive, or is otherwise not appropriate for delivery to directors.

Communication from the company
Information of relevance to our share price is communicated through our website, and includes information relating to results and economic development. Our policy is to comply with all applicable standards aimed at securing a good information flow.

We publish annual and quarterly reports on our website. We acknowledge the importance of providing shareholders, and the equity market in general, with correct and relevant information about us and our activities.

Other than the items mentioned above, we have not established any further guidelines regulating the work of the Board and its committees.

Archer Limited and subsidiaries
Appendix B – List of significant subsidiaries

Name	Country of Incorporation	Holding	Field of Activity
Archer (UK) Limited Abu Dhabi (Branch)	ABU DHABI	100%	Drilling and well service operations
DLS-Archer Ltd. S.A.	ARGENTINA	100%	Land drilling operations
DLS Argentina Ltd. Argentina (Branch)	ARGENTINA	100%	Land drilling operations
DLA Argentina Fluidos S.A.	ARGENTINA	100%	Provides fluids services
Archer Well Company (Australia) Pty Ltd	AUSTRALIA	100%	Well service operations
Archer Well Company International Azerbaijan (Branch)	AZERBAIJAN	100%	Oiltools services
Archer (UK) Ltd (Branch)	AZERBAIJAN	100%	Oiltools services
Archer Emerald (Bermuda) Limited	BERMUDA	100%	Owns modular rig
Archer Topaz Limited	BERMUDA	100%	Owns modular rig
Archer DLS Corporation Bolivia (Branch)	BOLIVIA	100%	Land drilling operations
Archer do Brasil Serviços de Petróleo Ltda	BRASIL	100%	Guarantor company
BCH Energy do Brasil Serviços de Petróleo Ltda	BRASIL	100%	Drilling service operations
Archer DLS Corporation	BVI	100%	Holding company
DLS Argentina Limited	BVI	100%	Land drilling operations
DLS Argentina Holding Ltd	BVI	100%	Holding company
Archer BCH (Canada) Ltd	CANADA	100%	Oiltools services and land rigs owner
Archer BCH (Canada) Branch	GUYANA	100%	Oiltools services
Archer Oil Tools AS Congo (Branch)	CONGO	100%	Oiltools services
Archer Offshore Denmark AS	DENMARK	100%	Well service operations
Archer (UK) Limited France (Branch)	FRANCE	100%	Oiltools services
Archer Services Limited	HONG KONG	100%	Provides international personnel services
PT Archer	INDONESIA	95%	Well service operations
Archer Well Company (M) SDN BHD	MALAYSIA	100%	Well service operations
Archer Well Solutions Sdn Bhd	MALAYSIA	49%	Well service operations
Archer Wellcompany International Ltd.	MOZAMBIQUE	100%	Oiltools services
Archer AS	NORWAY	100%	Drilling and well service operations
Archer Consulting AS	NORWAY	100%	Provides engineering and crew services
Archer Norge AS	NORWAY	100%	Drilling and well service management
Archer Oil Tools AS	NORWAY	100%	Oiltools services
Bergen Technology Center AS	NORWAY	100%	Research and development
Archer Integrated Services AS	NORWAY	100%	Well service operations
DW Quip AS	NORWAY	100%	Well service operations
Comtrac AS*	NORWAY	50%	Research and development
Archer Well Services Nigeria Limited	NIGERIA	100%	Oiltools services
Archer Well Technologies LLC	RUSSIA	100%	Oiltools services
Rawabi Archer Company	SAUDI ARABIA	10%	Oiltools services
Archer Well Company (Singapore) Pte Ltd	SINGAPORE	100%	Well service operations
Archer (UK) Limited Jebel Ali Free Zone (Branch)	UAE	100%	Well service operations
Archer (UK) Limited	UK	100%	Drilling and well service operations
Archer Assets UK Limited	UK	100%	Holding company
Archer Consulting Resources Limited	UK	100%	Drilling service operations
Archer Well Company International Ltd	UK	100%	Well service operations
Limay Drilling Rigs Ltd	UK	100%	Land rig owning company
Archer Well Services (Saudi Arabia) Ltd	UK	100%	Oiltools services
Archer Holdco LLC	USA	100%	Holding company
Archer Oiltools LLC	USA	100%	Oiltools services
Archer Well Company Inc.	USA	100%	Holding and management company
KLX Energy Services Holdings Inc **	USA	8.8%	Drilling and well service operations

** see note 12 for details regarding Comtrac AS.*
*** see note 12 for explanation of KLX Energy Services Holdings Inc.*

Global Offices

Main Office
Sandnesveien 358
4312 Sandnes
Norway
Tel: +47 5130 8000

Argentina
Carlos Pellegrini 1023 Piso 7º
C1009ABU - Ciudad Autónoma de Buenos Aires
Argentina

Australia
17 Truganina Road
Malaga
Western Australia 6090

Brazil
Av. Presidente Wilson n 231 – Sala 1601M
Rio de Janeiro – RJ
CEP: 20030-905
Brazil

Bolivia
Centro Empresarial
Gardenia II – El Cubo – Piso 6 "B"
Av. Beni esq. calle 3
Santa Cruz – Bolivia

Malaysia
Level 11, Tower 1, Etiqa Twins
No.11, Jalan Pinang
50450 Kuala Lumpur
Malaysia

Norway
Kokstadflaten 5
5257 Bergen
Norway

Midtunhaugen 13
5224 Nesttun
Norway

Sandnesvegen 358
4312 Sandnes
Norway

Bryggegata 3
0250 Oslo
Norway

UK
Archer House
Main Road
Blackburn
Aberdeen AB21 0BP
United Kingdom

USA
5510 Clara Road
Houston, TX 77041
United States of America