Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	991 478 450
Organisasjonsform:	Aksjeselskap
Foretaksnavn:	ARCHER NORGE AS
Forretningsadresse:	Sandnesveien 358 4312 SANDNES

Regnskapsår

Årsregnskapets periode:	01.01.2020 - 31.12.2020

Konsern

Morselskap i konsern:	Ja
Konsernregnskap lagt ved:	Ja

Regnskapsregler

Regler for små foretak benyttet:	Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet:	Regnskapslovens alminnelige regler
Benyttet ved utarbeidelsen av årsregnskapet til konsernet:	-

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Else Hauge
Dato for fastsettelse av årsregnskapet:	11.06.2021

Grunnlag for avgivelse

År 2020: Årsregnskapet er elektronisk innlevert
År 2019: Tall er hentet fra elektronisk innlevert årsregnskap fra 2020

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 12.07.2022

Resultatregnskap

Beløp i: NOK	Note	2020	2019
RESULTATREGNSKAP			
Inntekter			
Driftsinntekter	12	486 649 225	485 820 197
Sum inntekter		**486 649 225**	**485 820 197**
Kostnader			
Lønnskostnad	7, 8, 10, 13	304 161 020	296 089 950
Avskrivninger på driftsmidler og imm. eiend.	3	9 129 196	4 179 465
Annen driftskostnad	10, 12	158 208 544	167 898 301
Sum kostnader		**471 498 759**	**468 167 716**
Driftsresultat		**15 150 466**	**17 652 481**
Finansinntekter og finanskostnader			
Inntekt på investering i datterselskap	2	57 807 891	5 920 143
Renteinntekt fra foretak i samme konsern	4, 12	292 002 857	194 357 599
Annen renteinntekt		7 596 170	2 833 528
Annen finansinntekt	14	2 524 605	126 973 231
Sum finansinntekter		**359 931 523**	**330 084 502**
Reversering av nedskrivning	2		
Nedskrivning av andre finansielle anleggsmidler	2, 4	46 559 363	-97 443 139
Rentekostnad til foretak i samme konsern	4, 12	409 366 825	349 134 445
Annen rentekostnad		2 810 884	121 086 403
Annen finanskostnad	2, 14	2 096 217	217 941 711
Sum finanskostnader		**460 833 289**	**590 719 420**
Netto finans		**-100 901 766**	**-260 634 918**
Ordinært resultat før skattekostnad		**-85 751 301**	**-242 982 437**
Skattekostnad på ordinært resultat	9	8 493 222	3 873 167
Ordinært resultat etter skattekostnad		**-94 244 523**	**-246 855 604**
Årsresultat		**-94 244 523**	**-246 855 604**

Resultatregnskap

Beløp i: NOK	Note	2020	2019
Årsresultat etter minoritetsinteresser		**-94 244 523**	**-246 855 604**
Totalresultat		**-94 244 523**	**-246 855 604**
Overføringer og disponeringer			
Overført fra annen egenkapital		-94 244 523	-246 855 604
Sum overføringer og disponeringer		**-94 244 523**	**-246 855 604**

Balanse

Beløp i: NOK	Note	2020	2019
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	9	23 142 178	33 923 717
Sum immaterielle eiendeler		**23 142 178**	**33 923 717**
Varige driftsmidler			
Driftsløsøre, inventar o.a. utstyr	3	37 452 878	23 196 563
Sum varige driftsmidler		**37 452 878**	**23 196 563**
Finansielle anleggsmidler			
Investering i datterselskap	2, 15	3 117 376 329	3 059 513 326
Lån til foretak i samme konsern	4	1 288 722 335	5 823 214 920
Investeringer i tilknyttet selskap	2	1 000 000	
Andre langsiktige fordringer	4	72 906 138	140 934 688
Sum finansielle anleggsmidler		**4 480 004 802**	**9 023 662 933**
Sum anleggsmidler		**4 540 599 858**	**9 080 783 213**
Omløpsmidler			
Varer			
Fordringer			
Kundefordringer		301 747	57 982
Fordring på selskap i samme konsern	4	460 975 288	374 846 394
Andre kortsiktige fordringer	5	8 211 131	15 512 925
Sum fordringer		**469 488 166**	**390 417 301**
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter o.l.	11	162 770 717	146 211 207
Sum bankinnskudd, kontanter og lignende		**162 770 717**	**146 211 207**
Sum omløpsmidler		**632 258 882**	**536 628 508**
SUM EIENDELER		**5 172 858 741**	**9 617 411 721**

Balanse

Beløp i: NOK	Note	2020	2019
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Aksjekapital	6	1 068 850 000	1 068 850 000
Overkurs		847 978 534	847 978 535
Annen innskutt egenkapital		13 008 104	8 516 290
Sum innskutt egenkapital		**1 929 836 638**	**1 925 344 824**
Opptjent egenkapital			
Annen egenkapital	6	-94 244 523	
Udisponert resultat			
Sum opptjent egenkapital		**-94 244 523**	
Sum egenkapital		**1 835 592 115**	**1 925 344 824**
Gjeld			
Langsiktig gjeld			
Pensjonsforpliktelser	7		
Utsatt skatt	9		
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	15	702 318	1 124 306
Øvrig langsiktig gjeld	4	2 835 529 178	7 351 433 945
Sum annen langsiktig gjeld		**2 836 231 496**	**7 352 558 251**
Sum langsiktig gjeld		**2 836 231 496**	**7 352 558 251**
Kortsiktig gjeld			
Gjeld til kredittinstitusjoner	11, 15		11 251
Leverandørgjeld		30 728 427	24 238 747
Betalbar skatt	9		2 288 317
Skattetrekk, avgifter, feriepenger o.l.		46 301 279	46 473 108
Gjeld til konsernselskap	4	407 885 153	245 713 262
Annen kortsiktig gjeld		16 120 271	20 783 962
Sum kortsiktig gjeld		**501 035 129**	**339 508 645**
Sum gjeld		**3 337 266 625**	**7 692 066 897**

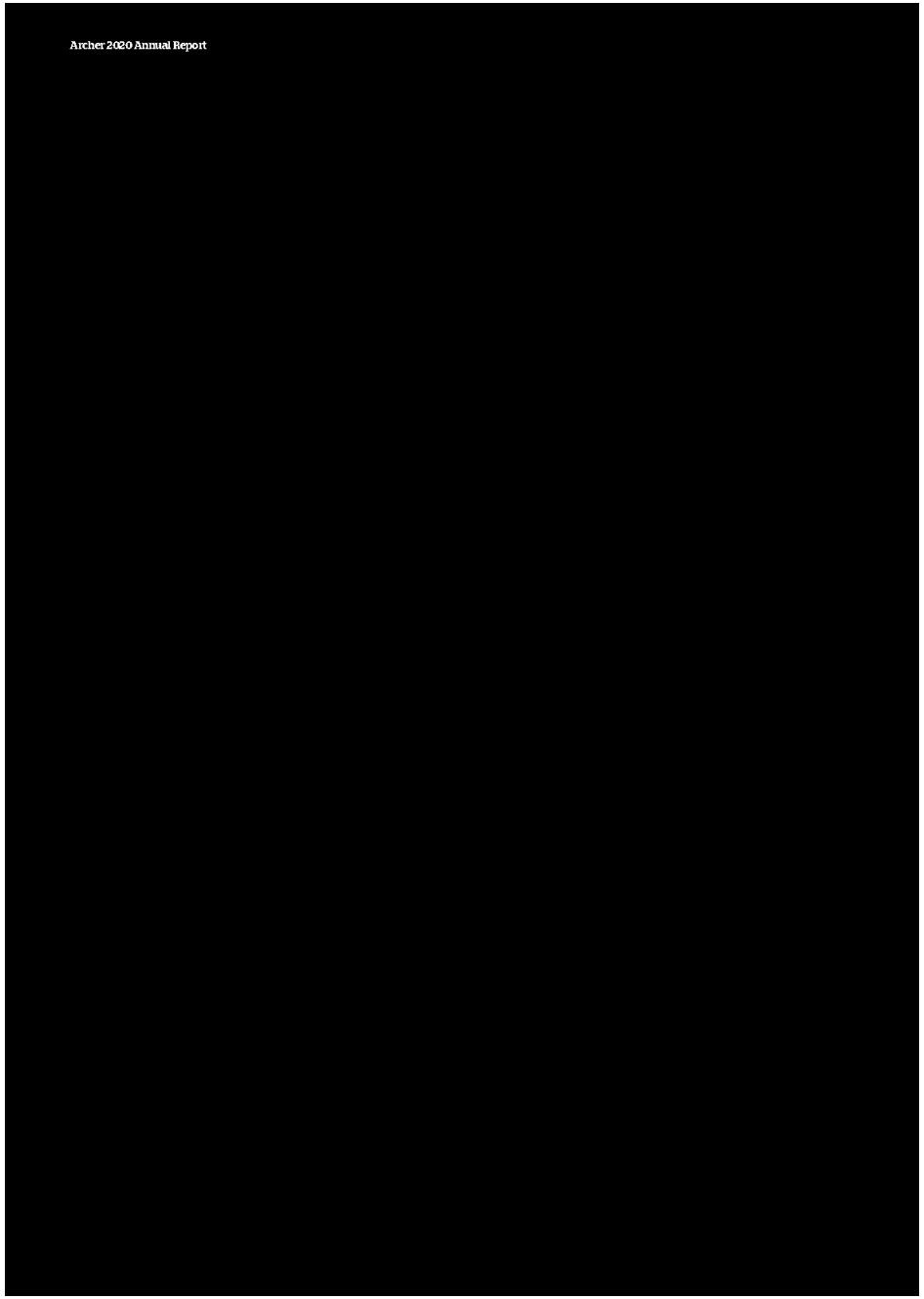
Balanse

Beløp i: NOK	Note	2020	2019
SUM EGENKAPITAL OG GJELD		**5 172 858 741**	**9 617 411 721**

2020
Archer Limited

ANNUAL REPORT

12.07.2022 kl 22:31
Brønnøysundregistrene
Side 7 av 62



Contents

Board of Director's Report	**4**
Responsibility Statement	**25**
Independent auditors' report to the members of Archer Board	**28**
Consolidated Statement of Operations for the years ended December 31, 2020 and 2019	**34**
Consolidated Statement of Comprehensive loss for the years ended December 31, 2020 and 2019	**35**
Consolidated statement of accumulated other comprehensive Income/(loss) for the years ended December 31, 2020 and 2019	**35**
Consolidated Balance Sheet as of December 31, 2020 and 2019	**36**
Consolidated Statement of Cash Flows for the years ended December 31, 2020 and 2019	**37**
Consolidated Statement of Changes in Shareholders' Equity for the years ended December 31, 2020 and 2019	**38**
Notes to the Consolidated Financial Statements	**39**
Appendix A – Corporate Governance	**70**
Appendix B – List of Significant Subsidiaries	**75**

Brønnøysundregistrene Årsregnskap regnskapsåret 2020 for 991478450

12.07.2022 kl 22:31

Brønnøysundregistrene

Side 8 av 62

Board of Directors' Report
Business overview

Archer Limited (Archer or the company), along with its subsidiaries (the Group), is a global oil services provider with a heritage in drilling and well services that stretches back over 40 years. We employed approximately 4,500 people in our global drilling and well services operations as of December 31, 2020. We deliver high quality products and services, provided by our experienced workforce, with an outstanding record of performance and safety. 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 includes 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, and temporary or permanent plugging and abandonments, 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 production 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 the Asia Pacific region, North America, South America, the Middle East and West Africa.

Archer Limited was incorporated in Bermuda on August 31, 2007, with registration number 40612, as an exempted, limited company and is organised 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 a business in Angola, Argentina, Australia, Bolivia, Brazil, Canada, Congo, Indonesia, Malaysia, Nigeria, Norway, Saudi Arabia, the United Arab Emirates, the United Kingdom and the United States. 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, Bolivia, Brazil, Canada, Indonesia, Malaysia, Norway, 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) low carbon agenda, 2) Resilient oil and gas offering and 3) Green Energy.

Archer is committed to contributing to the ongoing energy transition, through continuous development of new low carbon technologies and services. The majority part 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 and will be more economically sustainable than our peers with greater exposure to the greenfield market. Archer will also explore business opportunities within the green and renewable energy space. We will continually identify synergies with our current operations, assess competitive advantages and competence, and assess new markets.

2020 Operating results
Revenue for the year ended December 31, 2020 was $824.0 million or 11.3% lower than the revenue in 2019 with reduced revenue from our Platform Drilling, Wireline and Land Drilling operations, partly offset by higher revenue in Oiltools, Modular Rigs and Engineering segments. Revenue from our operations in Argentina was particularly negatively impacted by the impact of the Covid-19 pandemic and the lockdown in the country for the majority of the year. The year on year reduction in the revenue in Argentina was additionally impacted by the continued strong depreciation of the Argentine Peso against USD during 2020.

EBITDA, (Earnings before Interest and Other financial items, Taxes, Depreciation and Amortization) for the year ended December 31, 2020 was $75.5 million, a reduction of 200% compared to 2019. The reduction in reported EBITDA is driven by the negative impact of the Covid-19 pandemic in 2020, with reduced contribution from our Land Drilling division combined with considerable exceptional charges (defined below under key figures), incurred in the year. The negative contribution compared to 2019, was partly offset by increased EBITDA from our Modular Rigs, our Oil tools division as well as from our Engineering activities.

Eastern Hemisphere revenue was 2.4% higher than in 2019 with increased revenue in Oiltools, Modular rigs and Engineering. In particular, the contribution from the Modular rigs and considerable increase in our Oiltools division contributed to the reported increase in revenue, while the reduction in Platform Drilling was driven by lower number of platforms being in active drilling mode as a consequence of the Covid-19 pandemic. Reported EBITDA in Eastern Hemisphere increased by 18.5% compared to 2019 following the increased revenue, with a substantial additional contribution from the Modular rigs.

Brønnøysundregistrene Årsregnskap regnskapsåret 2020 for 991478450

Board of Directors' Report
Organisational reach

Brønnøysundregistrene Årsregnskap regnskapsåret 2020 for 991478450

12.07.2022 kl 22:31

Brønnøysundregistrene

12.07.2022 kl 22:31

Brønnøysundregistrene

Side 10 av 62

Board of Directors' Report
Financial review

Western Hemisphere revenue decreased by 39.2% compared with 2019, reflecting primarily the impact of the lockdown in Argentina combined with the continued depreciation of the Argentine Peso against USD over the year. The depreciation affects our reported USD revenue in Argentina. Year on year EBITDA, deteriorated by 371% due to lower activity.

Total expenses, including reimbursable expenses and depreciation for the year ended December 31, 2020 amounted to $804.6 million, a reduction of 9.2% compared to the year ended December 31, 2019.

Our depreciation and amortization expenses for the year ended December 31, 2020 amounted to $48.0 million, a decrease of 4.8% compared to $50.4 million for the year ended December 31, 2019. This is primarily driven by limited investments in new fixed assets in previous years.

Eastern Hemisphere reported an impairment of $4.0 million related to goodwill as we wrote off the carrying value of goodwill allocated to our Survey and Inspection business unit in Singapore and Australia during the first half of 2020. This followed the closure of our Singapore office. During the fourth quarter of 2020, in response to the Covid-19 pandemic, we conducted an impairment test of the total goodwill balance remaining as of December 31, 2020 following identified impairment indicators. The results of our testing in the fourth quarter concluded that the remaining carrying value of our goodwill is not impaired as at 31, December 2020.

During the first half of 2020, we conducted a detailed review of the carrying value of our land rigs in Latin America, where the Covid-19 pandemic was more keenly affecting Archer's business. As a result of this interim review, Western Hemisphere reported an impairment of assets total $3.4 million in the second quarter of 2020. We test our fixed assets for impairment as a matter of routine each year during the fourth quarter. In 2020 the test was required due to indicators or possible impairments resulting from the Coved pandemic and the decrease in oil and gas prices. Our fourth quarter review included detailed reviews of our land drilling rigs and modular rigs, which represent approximately 93% of the total value of our fixed assets. Following our second review, further impairment charges of $0.2 million relating to land drilling assets were booked in the fourth quarter 2020.

During 2020 we have recognised an impairment charge of $10.0 million related to our investment in Quintana Energy Services Inc. ("QES"), which is recognised in share of results of associates. 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, representing an 11% stake holding in exchange for our interest in QES. KLXE will continue to be listed on Nasdaq. Subsequent to the merger, our KLXE shares are reported as Marketable securities in our balance sheet, and are adjusted to market value, based on quoted share price, each reporting period.

Our investment in C6 comprises an 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 2020 we recognised additional impairment charges of $5.3 million against the carrying value of the loan. In December 2020, we entered into a sale and purchase agreement with IKM, the other 50% shareholder of C6, related to the tractor technology in C6. Under the agreement, our investment in the Comtrac technology will continue in a new joint venture in which we continue to hold a 50% interest. The transaction will be completed in the first quarter of 2021 and is not expected to have any material impact on our balance sheet or 2021 income statement. C6 is further discussed in notes 23 and 26 to our financial statements.

Our general and administrative expense for the year ended December 31, 2020 amounted to $33.9 million, a reduction of 13.5% compared to $39.2 million for the year ended December 31, 2019. The reduction is a consequence of reduced corporate staff combined with a substantial portion of corporate cost denominated in Norwegian kroner, which was due to strengthening of the support and management structures.

Interest expense for the year ended December 31, 2020 amounted to $33.5 million, a decrease of 19.3% compared to $41.5 million for the year ended December 31, 2020. The reduction in interest expense primarily reflects reduced drawing under our facilities, following a good cash flow generated over the year combined with lower LIBOR interest rates. Net interest-bearing debt was $504.3 million at December 31, 2020, compared to $582.3 million on December 31, 2019.

Other financial items, net for the year ended December 31, 2020, amounted to a gain of $33.1 million, compared to a loss of $17.2 million for the year ended December 31, 2019. The gain in 2020 relates primarily to the one-off gain of $42.2 million, related to our debt restructure, as further described in note 16. We are also exposed to the effect of currency exchange movements. In 2020, we recorded an exchange loss of $6.7 million largely explained by movements in an internal loan denominated in NOK recorded in our holding company which has USD as the functional currency.

Our total income tax charges for 2020 amounted to a tax expense of $11.6 million as compared to a benefit of $3.6 million for 2019. 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 losses from continuing operations for the year ended December 31, 2020 amounted to $7.5 million, compared to net loss of $47.7 million for the year ended December 31, 2019.

We have proposed no dividends for the year ended December 31, 2020.

Balance sheet

Our total current assets were $245.0 million at December 31, 2020, a decrease of 8.2% compared to $266.1 million at December 31, 2019. Accounts receivable have decreased by $36.2 million, or 25%. The reduction resulted from continued efforts to increase efficiency in debt collection and decreased business activity because of the Coronavirus pandemic. Cash increased by $9.8 million or 31%.

Our total noncurrent assets were $600.4 million at December 31, 2020 and consisted primarily of fixed assets used in our operations, goodwill, and right of use assets under operating leases. Right of use assets amounts to $29.9 million at 31, December 2020, compared to $42.8 million at 31, December 2019. The large reduction results from the termination of the leases of five land drilling rigs in Argentina.

As of December 31, 2020, our total assets amounted to $845.4 million, a decrease of $84.6 million, or 9.1%, as compared to December 31, 2019. The decrease is primarily due to depreciation and impairment charges, and also a reduction in deferred tax assets which resulted from the tax impact of debt to equity conversion and the write down of receivables owed by our Argentinian subsidiary to our Canadian rig owning subsidiary, and the utilisation of tax losses in Norway.

Our total current liabilities were $178.9 million at December 31, 2020 compared to $772.3 million at 31 December 2019. The 2019 balance included $538.9 million in respect of our revolving credit and term loan facility, which was due to mature, and was reclassified as short term in the third quarter of 2019. As of December 31, 2020, following the successful refinancing of the business in the first quarter 2020, $10.5 million of our debt is classified as short term. Current liabilities at December 31, 2020 also include $8.5 million short term operating lease liabilities. The remaining balance consists of accounts payable and accrued expenses.

Our total non-current liabilities were $557.4 million at December 31, 2020 and consisted primarily of the revolving credit and term loan facility, subordinated related party loan and operating lease liabilities.

Brønnøysundregistrene Årsregnskap regnskapsåret 2020 for 991478450

Board of Directors' Report
Financial review

Cash flows

The following table summarises our cash flows from operating, investing and financing activities for the years ended December 31, 2020 and 2019.

In $ millions	2020	2019
Net cash provided by operating activities	70.0	42.1
Net cash used in investing activities	(31.5)	(39.7)
Net cash (used in) / Provided by financing activities	(29.1)	7.2
Effect of exchange rate changes on cash and cash equivalents	0.1	3.0
Cash and cash equivalents, including restricted cash at the beginning of the year	44.1	31.5
Cash and cash equivalents, including restricted cash, at the end of the year	**53.6**	**44.1**

In the 2019 figures above, $1.2 million has been reclassified from Effect of exchange rate changes on cash and cash equivalents, to changes in perating assets and liabilities to be consistent with our 2020 presentation. The adjustment more correctly classifies movments in assets and liabilities which result from translation adjustments, which had previoussly been combined with translation adjustments to cash balances.

Cash flow from operating activities increased in 2020, compared to 2019 because of improvement in our working capital following a combination of reduced days sales outstanding and lower activity levels combined with lower net interest cost. This was partly offset by higher extraordinary costs, defined below under key figures, following the pandemic outbreak.

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

In 2020 cash used in financing activities consists mainly of repayments of our long-term loan facility. In 2019 we slightly increased our drawings on our loan facilities and increased finance lease borrowings.

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, 2020. The Board believes the annual report provides a fair presentation of the Group's assets and debt, financial position and financial performance.

Key figures

	2020	2019
Revenue In $ millions	82.4	92.9
EBITDA 1 In $ millions	7.6	9.4
EBITDA before exceptional items2 In $ millions	9.9	10.4
Net (loss) / Income from continuing operations In $ millions	(8)	(48)
Net interest bearing debt In $ millions	50.4	58.2
Employees at December 31	4,564	4,964

[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.

12.07.2022 kl 22:31

Brønnøysundregistrene

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.

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 annual HSE focus plans include project specific goals but will also reflect common Archer goals and global initiatives.

Two of the main elements in the Archer 2020 HSE plan was the implementation of IOGP's Life-Saving Rules and Archer's safety culture program named The Big 5.

The Lifesaving Rules is developed by IOGP based upon analyses of serious incidents across our industry. The rules describe key actions to prevent fatal injuries during 9 higher risk activities. Archer started the roll-out in Q1 2020 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.

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 initiative was rolled-out in Q4 2020, kicked off by a video from Archer's CEO.

Compared with 2019, the 2020 total reportable incident frequency trend had a slight increase, but decreasing towards the end of the year.

The LTI trend decreased from 0.4 to 0.14 during 2020. 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

Archer continues to analyse the reason why incidents occurs to ensure that we learn from and do not repeat our mistakes. This will be a continued focus in 2020 to ensure we improve our HSE trend and continue our goal to an incident free workplace.

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

	2020		2019	
Area	**Loss Time Injuries**	**Medical Treatment Cases**	**Loss Time Injuries**	**Medical Treatment Cases**
Eastern Hemisphere	5	22	12	15
Western Hemisphere	1	8	5	5
Archer Total	**6**	**30**	**17**	**20**

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 improve these results.

Archer is actively working to minimise 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 environment. However, there are still risks of environmental damage and negative consequences for the company. In 2020 Archer had 2 reportable spills (2019: zero).

The Archer Management system is certified according to 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 through the year.

Sustainability

The company published its Environmental, Social, Governance report (ESG) for 2020 today. 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 2020 report on our homepage, please visit www.archerwell.com/investor-relations.

Employees and diversity

2020 was a challenging year for Archer due to the COVID-19 situation. From Q2 we experienced a rapid shift within the global Oil & Gas industry. The COVID-19 situation and the climate within international politics caused a significant drop in oil price, followed by a reduction in investments made by global Oil & Gas Companies. Several operational scopes were cancelled or delayed. The international operational activity for Platform Drilling dropped significantly, followed by personnel redundancies and furlough schemes. Western Hemisphere operations experienced a social shut down of the areas we operate in, resulting in very minimum operational activity.

In spite of the challenging travel restrictions and increased business protection within countries, 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 locations to still focus on managing headcount, while other locations spent more focus to utilizing available resources for operational purposes.

The total headcount reduction for Archer during 2020 was 9.1% to 4,564 employees at year end. Female ratio is 4.3%.

The headcount decrease for Eastern Hemisphere was mainly due to drop in activity within the Platform drilling segment in the UK and Norway. Wireline had a drop in activity for the mechanical services and experienced a 12% drop in headcount. Both our Oiltools and Engineering divisions had high activity levels in spite of the pandemic situation.

In the Western Hemisphere overall headcount decreased by 8.5%, due to activity reduction following stop in activity due to the social shut down in Argentina and Bolivia.

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.

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 Labour Standards. Archer complies with established international labour standards and employment legislation where we operate and is committed to the prevention of child and forced labour, non-discrimination in the workplace, the right of freedom of association and assembly, and the right to collective bargaining.

Brønnøysundregistrene Årsregnskap regnskapsåret 2020 for 991478450

Side 12 av 62

12.07.2022 kl 22:31

Brønnøysundregistrene

Side 13 av 62

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 level of activity of oil and natural gas exploration, development and production in the North Sea and internationally.
The Group's business depends on the level of activity of oil and natural gas exploration, development and production in the North Sea and internationally, and in particular, the level of exploration, 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. In early to mid 2020 we experienced significant instability in the price of oil and gas compared to previous years. We experienced more stability in oil and gas pricing in the latter part of 2020 and into 2021 which could lead to increase in activity as the major operators increase their spending.

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 fell in 2020 due to the government imposed COVID 19 measures. 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 for environmental and natural resource damages.
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 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 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.

Brønnøysundregistrene Årsregnskap regnskapsåret 2020 for 991478450

12.07.2022 kl 22:31

Brønnøysundregistrene

Side 14 av 62

Board of Directors' Report
Risk factors

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 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. 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, 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 operation.

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 are still imposing travel bans, quarantines and other emergency public health measures in 2021. 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.

Brønnøysundregistrene Årsregnskap regnskapsåret 2020 for 991478450

12.07.2022 kl 22:31

Brønnøysundregistrene

Side 15 av 62

Board of Directors' Report
Risk factors

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.

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, 2020, the Group had total outstanding interest-bearing debt of $549 million. This debt represented 64.9% of the Group's total assets. See note 16 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 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.

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 that limit management's discretion in operating its business. In particular, at December 31, 2020, these covenants 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.

For further information about our financing arrangements please see Note 16 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 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.

Brønnøysundregistrene Årsregnskap regnskapsåret 2020 for 991478450

12.07.2022 kl 22:31

Brønnøysundregistrene

Side 16 av 62

Board of Directors' Report
Share capital issues and Corporate Governance

Share Capital issues

At December 31, 2020, 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, 2020, the number of shares issued was 148,050,298 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, 2020

Seadrill JU Newco Bermuda Limited	15.6%
Hemen Holding Limited	13.6%
Nordnet Livsforsikring	4.5%
Lime Rock Partners VLP	4.5%
Others	61.8%

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. Hemen Holding Ltd is the largest shareholder of Seadrill, which in turn is Archer's largest shareholder.

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.

Brønnøysundregistrene Årsregnskap regnskapsåret 2020 for 991478450

12.07.2022 kl 22:31

Brønnøysundregistrene

Side 17 av 62

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 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 at Blackstone Investment Firm. Mr Østdahl serves as Chairman on the Boards of Sekal AS, Inflow Control AS, Earth Science Analytics AS, Keystone 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 the 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 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). He also is a non-executive member of the board of directors of Gas Plus S.p.a., an Italian company listed on the Milan Stock Exchange. 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.

Kristian Melhuus
Director
Mr. Melhuus was appointed as a Director in May 2019. Mr. Melhuus is a Director of Seatankers Management Norway AS. He holds an MSc in industrial economics and Technology Management from the Norwegian University of Science and Technology and the University of Karlsruhe. He also serves on the Boards of Mowi ASA and NorAm Drilling Co. AS. Prior to his current engagements, Mr. Melhuus held the position of Investment Director at HitecVision, and Research Analyst at ABG Sundal Collier Partners LLP. Mr Melhuus is a Norwegian citizen residing in 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.

Brønnøysundregistrene Årsregnskap regnskapsåret 2020 for 991478450

12.07.2022 kl 22:31
Brønnøysundregistrene
Side 18 av 62

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 on March 10, 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 holds a Juris Doctor Law degree from the University of Alberta Canada and has since gained broad legal and commercial experience through Canadian law firms Bishop & McKenzie LLP and McLennan Ross LLP prior to joining Aker Solutions in 2009. 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 2020 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 26, 2021
The Board of Archer Limited

Kjell-Erik Østdahl
(Chairman)

Giovanni Dell' Orto
(Director)

James O'Shaughnessy
(Director)

Kristian Melhuus
(Director)

Peter Sharpe
(Director)

Brønnøysundregistrene Årsregnskap regnskapsåret 2020 for 991478450

Archer

Financial Statements
2020

12.07.2022 kl 22:31

Brønnøysundregistrene

Side 20 av 62

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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 2020, the consolidated statement of operations, consolidated statement of comprehensive loss, consolidated statement of accumulated other 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 true and fair view of the financial position of the Group as at 31 December 2020, 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.

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 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of certain modular and landbased rigs The value of the group's land based and modular rigs is material to the financial statements and constitute the major part of the carrying values of property plant and equipment of $355.2 million as at 31 December 2020. 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 each rig is expected to generate, including any estimated disposal proceeds to the carrying values. Where the undiscounted cash flows for a rig was less than its carrying value, management adjusted the carrying value, by recording an impairment, to its estimated recoverable value. An impairment of $3.6 million has been recorded in 2020 to reduce the carrying value of certain land rigs to their estimated recoverable values. For the remaining rigs, management concluded that the recoverable amount was higher than the carrying value. We focused on this area due to the significant carrying value of the rigs and the judgement inherent in the impairment review. Management explain their impairment process and assumptions in notes 5 and 12 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 rigs, we considered the evidence obtained from an external valuation firm and also the objectivity and competence of that firm to provide reliable estimates. • The valuation of land based rigs and modular rigs are inherently uncertain due to the judgmental nature of the underlying estimates. This risk has increased 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 12 (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 asset carrying values in the balance sheet. Due to the general downturn in the industry, management has assessed the carrying values for impairment. Management	We obtained and considered management's written assessment supporting the carrying value of goodwill at 31 December 2020. Our procedures included the following: • We evaluated management's impairment

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Brønnøysundregistrene Årsregnskap regnskapsåret 2020 for 991478450

12.07.2022 kl 22:31

assessed and compared the discounted cash flows that the reporting units is expected to generate to the carrying values. Where the discounted cash flows for a reporting unit was less then its carrying value, management adjusted the carrying value, by recording an impairment, to its estimated recoverable value.

An impairment of $4 million has been recorded in 2020 related to one of the reporting units. For the remaining reporting units, management concluded that the recoverable amount was higher than the carrying value.

We focused on this area due to the significant carrying value of goodwill and the judgement inherent in the impairment review. Changes in the requirements further justifies our focus on this area.

Management explain their impairment process and assumptions in note 13 to the financial statements.

assessment and the process by which this was performed. This included whether management had included the changes in ASC 350 in their impairment test.

- 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 assessed the significant assumptions management used in their forecast. This included challenging management assumptions and considering if they were consistent with historical performance and our knowledge of the industry. We also performed a sensitivity analysis on the assumptions made by management using various scenarios. From the evidence obtained we found the assumptions and methodology used to be appropriate.
- We also calculated the market capitalization at 31 December 2020 based on the quoted share price and considered share price movements since year-end.
- Our testing of the discount rate applied by management included benchmarking of inflation and discount rates applied against external market data.
- The valuation of goodwill for the respective reporting units are inherently uncertain due to the judgmental nature of the underlying estimates. This risk has increased due to the current market conditions.

We read note 13 (Goodwill) and assessed this to be in line with the requirements. No matters of consequence arose from the procedures above.

Other information

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.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the consolidated financial statements in accordance with 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 consolidated 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. The consolidated financial statements of the Group use 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.

Auditors Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Brønnøysundregistrene

Side 21 av 62

Brønnøysundregistrene Årsregnskap regnskapsåret 2020 for 991478450

12.07.2022 kl 22:31

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- 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 Company and 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 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 Company and the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

- 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 Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other 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 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.

Stavanger, 26 March 2021
PricewaterhouseCoopers AS

Gunnar Slettebø
State Authorised Public Accountant

Consolidated Financial Statements 2020

Consolidated Statement of Operations for the years ended December 31, 2020 and 2019	**34**
Consolidated Statement of Comprehensive loss for the years ended December 31, 2020 and 2019	**35**
Consolidated statement of accumulated other comprehensive Income/(loss) for the years ended December 31, 2020 and 2019	**35**
Consolidated Balance Sheets as of December 31, 2020 and 2019	**36**
Consolidated Statement of Cash flows for the years ended December 31, 2020 and 2019	**37**
Consolidated Statement of Changes in Shareholders' Equity for the years ended December 31, 2020 and 2019	**38**
Notes to the Consolidated Financial Statements 30	**39**

Brønnøysundregistrene
Årsregnskap regnskapsåret 2020 for 991478450
Side 22 av 62

12.07.2022 kl 22:31

Brønnøysundregistrene

Side 23 av 62

Archer Limited and subsidiaries
Consolidated statement of operations

($ in millions, except share and per share data)	YEAR ENDED DECEMBER 31	
	2020	**2019**
Revenues		
Contract revenues	715.1	833.6
Reimbursable revenues	108.9	95.0
Total revenues	**824.0**	**928.6**
Expenses		
Operating expenses	595.9	689.3
Reimbursable expenses	108.7	93.1
Operating lease costs	9.9	12.7
Depreciation and amortization	48.0	50.4
Net gain / (loss) on sale of assets	0.5	(0.4)
Impairment of goodwill and other assets	7.6	1.8
General and administrative expenses	33.9	39.2
Total expenses	**804.6**	**886.1**
Operating income	**19.4**	**42.5**
Financial items		
Interest income	3.8	1.9
Interest expense	(33.5)	(41.5)
Share of net losses, and impairment of unconsolidated associates	(18.7)	(37.0)
Other financial items, net	(3.1)	(17.3)
Total financial items	**(15.3)**	**(93.8)**
Gain (loss) from continuing operations before income taxes	**4.1**	**(51.3)**
Income tax (expense)/benefit	(11.6)	3.6
Loss from continuing operations	**(7.5)**	**(47.7)**
Net Loss	**(7.5)**	**(47.7)**
Basic loss per share ($) - from continuing operations	**(0.05)**	**(0.32)**
Diluted loss per share ($) - from continuing operations	**(0.05)**	**(0.32)**
Weighted average number of shares outstanding *(In thousands)*		
Reimbursable expenses	148,050,298	147,607,069
Diluted	148,050,298	147,607,069

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

Archer Limited and subsidiaries
Consolidated statement of comprehensive loss

($ in millions)	YEAR ENDED DECEMBER 31	
	2020	**2019**
Net loss	**(7.5)**	**(47.7)**
Other comprehensive (loss) / income, net of tax		
Foreign currency translation differences	7.7	8.0
Other comprehensive income/(loss), net	**0.2**	**8.0**
Total comprehensive loss, net of tax	**(0.2)**	**(39.7)**

Archer Limited and subsidiaries
Consolidated statement of accumulated other comprehensive income/(loss)

	CHANGE IN UNREALISED FOREIGN EXCHANGE DIFFERENCES
Balance at December 31, 2018	**(2.1)**
Foreign currency translation differences	8.0
Balance at December 31, 2019	**5.9**
Foreign currency translation differences	7.7
Balance at December 31, 2020	**13.6**

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

Brønnøysundregistrene Årsregnskap regnskapsåret 2020 for 991478450

12.07.2022 kl 22:31
Brønnøysundregistrene
Side 24 av 62

Archer Limited and subsidiaries
Consolidated balance sheet

($ in millions)	DECEMBER 31	
	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	41.2	31.4
Restricted cash	12.4	12.7
Accounts receivables, net of allowance for doubtful accounts of $0 million and $1.0 million respectively	109.2	145.4
Inventories	54.2	53.0
Other current assets	28.0	23.6
Total current assets	**245.0**	**266.1**
Noncurrent assets		
Investments in unconsolidated associates	-	21.3
Loans to associates	4.7	10.0
Marketable securities	6.1	-
Property plant and equipment, net	355.2	373.9
Right of use assets	29.9	42.8
Deferred tax, net of valuation allowance	16.3	30.5
Goodwill	172.7	171.1
Other intangible assets	0.6	1.1
Other noncurrent assets	15.0	13.2
Total noncurrent assets	**600.4**	**663.9**
Total assets	**845.4**	**930.0**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Current portion of interest-bearing debt	10.5	548.1
Operating lease liabilities	8.5	11.9
Other current liabilities	159.9	162.3
Total current liabilities	**178.9**	**722.3**
Noncurrent liabilities		
Long-term interest-bearing debt	519.1	7.3
Subordinated related party loan	15.9	58.3
Operating lease liabilities	21.4	31.0
Deferred tax	0.8	2.3
Other noncurrent liabilities	0.2	0.4
Total noncurrent liabilities	**557.4**	**99.3**
Shareholders' equity		
Common shares of par value $0.01 per share; 1.0 billion shares authorised, 148,050,298 outstanding shares at December 31, 2019 (December 31, 2018: 147,462,012 shares of $0.01 par value)	1.5	1.5
Additional paid-in capital	928.1	927.6
Accumulated deficit	(1,574.2)	(1,566.7)
Accumulated other comprehensive Income/(loss)	13.6	5.9
Contributed surplus	740.1	740.1
Total shareholders' equity	**109.1**	**108.4**
Total liabilities and shareholders' equity	**845.4**	**930.0**

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

Archer Limited and subsidiaries
Consolidated statement of cash flows

($ in millions)	YEAR ENDED DECEMBER 31	
	2020	2019
Cash Flows from Operating Activities		
Net loss from continuing operations	**(7.5)**	**(47.7)**
Adjustment to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	48.0	50.4
Share-based compensation expenses	0.8	0.9
Net (gain)/loss on sale of assets	0.5	(0.4)
Impairment of goodwill and other assets	7.6	1.8
Share of losses of unconsolidated affiliates	18.7	37.0
Subordinated debt restructure	(42.2)	-
Amortization of loan fees and senior note premium	1.4	1.2
Mark to market of financial instruments	1.8	-
Mark to market of marketable securities	3.4	-
Change in deferred and accrued taxes	8.5	(9.2)
Changes in operating assets and liabilities		
(Increase) / decrease in trade accounts receivable and other short-term receivables	27.1	(7.2)
Decrease / (increase) in inventories	(0.7)	4.0
Increase / (decrease) in trade accounts payable and other short-term liabilities	(4.9)	8.8
Change in other operating assets and liabilities net, including non-cash fx effects	7.5	2.5
Net cash provided by operating activities	**70.0**	**42.1**
Cash Flows from Investing Activities		
Additions to property, plant and equipment	(32.0)	(41.5)
Proceeds from sale of property, plant and equipment	1.9	3.7
Investment in / loans to associates	(1.4)	(1.9)
Net cash used in investing activities	**(31.5)**	**(39.7)**
Cash Flows from Financing Activities		
Borrowings under revolving facilities	97.3	36.7
Repayments under revolving facilities	(124.6)	(32.9)
Debt issuance costs	(4.3)	-
Proceeds from debt	4.2	5.1
Repayment of debt	(1.3)	(1.7)
Cash settlement of RSU	(0.4)	-
Net cash provided by / (used in) financing activities	**(29.1)**	**7.2**
Effect of exchange rate changes on cash and cash equivalents	0.1	3.0
Net increase / (decrease) in cash and cash equivalents, including restricted cash	**9.5**	**12.6**
Cash and cash equivalents, including restricted cash, at beginning of the year	44.1	31.5
Cash and cash equivalents, including restricted cash, at the end of the year	**53.6**	**44.1**
Interest paid	(32.1)	(40.3)
Taxes paid	(3.1)	(5.1)

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

Brønnøysundregistrene Årsregnskap regnskapsåret 2020 for 991478450

12.07.2022 kl 22:31

Brønnøysundregistrene

Side 25 av 62

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

($ in millions)	SHARE CAPITAL	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	ACCUMULATED OTHER COMPREHENSIVE INCOME/(LOSS)	CONTRIBUTED SURPLUS	TOTAL SHAREHOLDERS' EQUITY
Balance at December 31, 2018	**1.5**	**926.7**	**(1,519.0)**	**(2.1)**	**740.1**	**147.2**
Foreign currency translation differences	-	-	-	8.0	-	8.0
Share-based compensation	-	0.9	-	-	-	0.9
Net loss	-	-	(477)	-	-	(53.0)
BALANCE AT DECEMBER 31, 2019	**1.5**	**927.6**	**(1,566.7)**	**5.9**	**740.1**	**108.4**
Cash settlement of RUSs	-	(0.4)	-	-	-	(0.4)
Share-based compensation	-	0.8	-	-	-	0.8
Foreign currency translation differences	-	-	-	7.7	-	7.7
Net loss	-	-	(7.5)	-	-	(7.5)
BALANCE AT DECEMBER 31, 2020	**1.5**	**928.1**	**(1,574.2)**	**13.6**	**740.1**	**109.1**

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 organisations. 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, organisation, 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 on consolidation.

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

In the 2019 cash flow report, $12 million has been reclassified from Effect of exchange rate changes on cash and cash equivalents, to Changes in operating assets to be consistent with our 2020 presentation. We amended our presentation to more correctly classify movements in non-cash balances which result from translation adjustments. These movements were previously combined with translation adjustments to cash balances.

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, 2020. The Board believes the annual report provides a fair presentation of the Group's assets and debt, financial position and financial performance.

Brønnøysundregistrene Årsregnskap regnskapsåret 2020 for 991478450

12.07.2022 kl 22:31

Brønnøysundregistrene

Side 26 av 62

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) is comprised of a series of distinct time increments. Occasionally we receive lump mobilisation 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 ratably over the expected term of the related drilling contract. We record a contract liability for mobilization fees received, which is amortized ratably 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 2020 was $0.2 million (2019: 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 analysing 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.

Brønnøysundregistrene Årsregnskap regnskapsåret 2020 for 991478450

12.07.2022 kl 22:31

Brønnøysundregistrene

Side 27 av 62

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 capitalised. 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 instalments and variation orders, construction supervision, equipment, spare parts, capitalised 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 capitalised 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. Capitalised 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 recognise 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 amortisation 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 amortised 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 amortised, the intangible's cost and accumulated amortization are eliminated.

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

Acquired technology is not amortised 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 capitalised as goodwill. Goodwill is not amortised 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 capitalised and amortised.

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 year 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 recognised only to the extent that it is more likely than not that future taxable profits will be available against which the asset can be utilised. When it is more likely than not that a portion or all of a deferred tax asset will not be realised 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 recognised in periods when the change is enacted.

Brønnøysundregistrene Årsregnskap regnskapsåret 2020 for 991478450

12.07.2022 kl 22:31

Brønnøysundregistrene

Side 28 av 62

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 recognise 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 recognised 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 capitalised and amortised 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 recognised in the Consolidated Statement of Operations within "Interest expense" in the period in which they are incurred. Unamortised 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 recognised 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 RSUs, 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 grant date.

Compensation cost in respect of share options and RSUs is initially recognised 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 for 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.

Archer Limited and subsidiaries
Notes to the consolidated financial statements

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.

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 11% 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 22.

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
In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which revises 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 is 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 condensed consolidated financial statements and related disclosures.

ASU 2020-04 Reference Rate Reform (Topic 848) - Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The amendments provide temporary optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The applicable expedients for us are in relation to modifications of contracts within the scope of Topics 310, Receivables, 470, Debt, and Topic 842, Leases. This optional guidance has been adopted prospectively from April 1, 2020.

ASU 2018-13 Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement Removes some disclosure requirements relating to transfers between Level 1 and Level 2 of the FV hierarchy. Introduces new disclosure requirements for Level 3 measurements. Date of adoption was January 1, 2020 and it did not have a material impact on the condensed 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 condensed consolidated financial statements on adoption or as of December 31, 2020.

Accounting standard updates issued by the FASB
The FASB have 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.

Brønnøysundregistrene Årsregnskap regnskapsåret 2020 for 991478450

12.07.2022 kl 22:31

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:

($ in millions)	December 31, 2020	December 31, 2019
Accounts receivable net	109.2	145.4

Our accounts receivable balance includes $34.8 million unbilled and accrued revenue (2019 : $49.4 million)

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

Note 4 –Compensation, and severence expenses

The following table shows a summarised analysis of our total employee compensation costs:

	YEARS ENDED DECEMBER 31	
($ in millions)	2020	2019
Salary costs	306.3	368.9
Pension costs	23.3	25.1
Employers tax	49.0	58.2
Other compensation costs	14.7	17.4
Total compensation costs	**393.3**	**469.6**

During 2019 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, rationalise 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, especially in Argentina and the UK. In total we expensed $23.6 million in connection with our restructuring actions in 2020 and $9.6 million in 2019 the amounts being included in operating expenses.

An analysis of these costs is tabulated below:

($ in millions)	Year ended December 31, 2020		Year ended December 31, 2019	
	Severance costs	Other costs	Severance costs	Other costs
Eastern Hemisphere	3.3	0.2	-	0.3
Western Hemisphere	20.1	-	9.3	-
Total	**23.4**	**0.2**	**9.3**	**0.3**

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 utilised 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.

In 2020, in response to the Covid-19 pandemic and its effect on global markets, we conducted an interim detailed review of the carrying value of our major fixed assets in April, which resulted in the recognition of $3.4 million impairment charges. We repeated the process, and reviewed all of our fixed asset carrying values, as part of our routine annual procedures during the fourth quarter which resulted in further impairment charges of $0.2 million being recognised.

All of the 2020 impairment charges relate to land drilling rigs and equipment utilised 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 judgement. 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 lives. 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 2020.

Please refer to Note 13 for further details on the calculation of goodwill impairments.

Note 6 – Other Financial Items

	YEARS ENDED DECEMBER 31	
($ in millions)	2020	2019
Foreign exchange loss	(6.7)	(15.6)
Gain on subordinated debt restructure	42.2	-
Other items, net	(2.4)	(1.7)
Total other financial items, net	**33.1**	**(17.3)**

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

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 16.

Following the merger of our equity investment in Quintana Energy Services Inc ("QES") with KLX Energy Services holdings Inc. ("KLXE"), our investment in the merged KLXE is accounted for as a marketable security. With effect from the third quarter 2020 therefore, we report the change in market value of our KLXE shares in Other Financial Items.

Brønnøysundregistrene
Side 29 av 62
Brønnøysundregistrene Årsregnskap regnskapsåret 2020 for 991478450

12.07.2022 kl 22:31
Brønnøysundregistrene
Side 30 av 62

Archer Limited and subsidiaries
Notes to the consolidated financial statements

Note 7 – Income Taxes

Our income tax consists of the following:

	YEARS ENDED DECEMBER 31	
($ in millions)	**2020**	**2019**
Current tax expense	3.8	6.8
Deferred tax expense / (benefit)	7.8	(10.4)
Total income tax expense / (benefit), net	**11.6**	**(3.6)**

Tax expense is impacted by the de-recognition of deferred tax assets which we do not expect to be able to utilise 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)	**2020**	**2019**
North America	0.3	0.7
South America	(0.7)	(5.6)
Europe	11.1	1.5
Others	0.9	0.2
Total	**11.6**	**(3.6)**

The income taxes for the years ended December 31, 2020 and 2019 differed from the amount computed by applying the statutory income tax rate in Bermuda, of 0% as follows:

	YEARS ENDED DECEMBER 31	
($ in millions)	**2020**	**2019**
Income taxes at statutory rate	-	-
Taxable losses at local tax rate from continuing operations*	(22.1)	(19.0)
Effect of impairment charges	0.9	9.5
Effect of other non-deductible expenses	(0.7)	2.0
Effect of share of losses of unconsolidated associates	1.2	0.2
Effect of non-deductible interest	3.8	7.8
Effect of tax exempted income and credits	16.5	(3.2)
Effect of tax and exchange rate on temporary movements	1.8	(2.7)
Effect of valuation allowances	3.2	(4.2)
Effect of adjustments from prior years	5.9	1.9
Effect of state and withholding taxes	1.1	4.1
Actual tax expense/ (benefit) recognized	**11.6**	**(3.6)**

Figures exclude non-taxable income in Bermuda (net gain of $111.2 million, 2019: $25 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 recognised for financial reporting purposes and such amounts recognised for tax purposes. The net deferred tax assets consist of the following:

	DECEMBER 31	
($ in millions)	**2020**	**2019**
Pension	0.2	0.1
Tax losses carry forward	798.7	901.2
Impairments of tangible and intangible assets	1.8	1.8
Property differences	87.4	112.2
Provisions	11.1	19.4
Other	290.0	108.2
Gross deferred tax asset	**1,189.2**	**1,142.9**
Net deferred tax asset basis before valuation allowance	**1,189.2**	**1,142.9**
Valuation allowance	(1,132.6)	(1,007.2)
Net deferred tax asset basis	**56.6**	**135.8**
Net deferred tax asset	**15.5**	**28.2**

Tax losses carry forward of $798.7 million shown in the table above, principally relates to carried forward tax losses of $737 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 decreased in 2020 due to net profit in Norway, change in tax UK and exchange loss in Argentina. For tax losses incurred in 2020 for the South of Argentina, Canada and in the United States increase in deferred tax assets are offset by an increase in the valuation allowance, resulting in no net effect in the 2020 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 realisation against future tax liabilities.

Deferred taxes are classified as follows:

	DECEMBER 31	
($ in millions)	**2020**	**2019**
Deferred tax asset	16.3	30.5
Deferred tax liability	(0.8)	(2.3)
Net deferred tax asset	**15.5**	**28.2**

No provision has been made in respect of deferred tax on unremitted earnings from subsidiaries (2019: $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, 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 2015, 2016, 2017, 2018 ,2019 and 2020.

As in previous years, all benefits and expenses in relation to uncertain tax positions have been analysed in terms of quantification and risk, and we have provided for uncertain benefits and expense where we believe 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.

Brønnøysundregistrene Årsregnskap regnskapsåret 2020 for 991478450

12.07.2022 kl 22:31
Brønnøysundregistrene
Side 31 av 62

Archer Limited and subsidiaries
Notes to the consolidated financial statements

Note 8 – Earnings Per Share, or EPS
Our income tax consists of the following:

($ in millions)	NET LOSS ($ in millions)	WEIGHTED AVERAGE SHARES OUTSTANDING	LOSS PER SHARE (IN $)
2019			
Basic loss per share from continuing operations	(47.7)	147,607,069	(0.32)
Effect of dilutive options *	–	–	–
Diluted loss per share	(47.7)	147, 607,069	(0.32)

($ in millions)	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)

Share-based compensation of 1,442,233 shares were excluded from the computation of diluted earnings per share for the year ended December 31, 2020, and 939,941 shares were excluded from the computation for year ended December 31, 2019, as the effect would have been antidilutive due to the net loss for the period.

Note 9– Inventories
Our inventories include the following:

	DECEMBER 31	
($ in millions)	2020	2019
Manufactured:		
Raw materials	1.8	3.3
Finished goods	9.8	8.0
Work in progress	0.4	0.2
Total manufactured	**12.0**	**11.5**
Drilling supplies	13.6	16.4
Chemicals	1.0	0.4
Other items and spares	27.6	24.7
Total inventories	**54.2**	**53.0**

Provisions for obsolescence amounting to $3.3 million (2019: $2.3 million) is included under Other items and spares.

Note 10 – Other Current Assets
Our other current assets include:

	DECEMBER 31	
($ in millions)	2020	2019
Prepaid expenses	13.3	6.1
VAT and other taxes receivable	7.0	7.6
Other short term receivables	7.7	9.9
Total other current assets	**28.0**	**23.6**

Archer Limited and subsidiaries
Notes to the consolidated financial statements

Note 11 – Investments in Unconsolidated Associates
We have the following participation in investments that are recorded using the equity method:

	2020	2019
C6 Technologies AS	50.0%	50.0%
Rawabi Archer Company	1.0%	50.0%
Quintana Energy Services Inc.	-	28.1%

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

	DECEMBER 31	
($ in millions)	2020	2019
C6 Technologies AS	–	–
Rawabi Archer Company	–	–
Quintana Energy Services Inc.	–	21.3
Total investments in unconsolidated associates	**–**	**21.3**

The components of investments in unconsolidated associates are as follows:

($ in millions)	2020			
	QES	C6*	Rawabi	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)	–	(3.1)
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 loans to affiliate at end of year	**–**	**4.7**	**–**	**4.7**

** Equity and loan investments combined*

($ in millions)	2019			
	QES	C6*	Rawabi	Total
Net book balance at beginning of year	57.0	10.0	–	67.0
Additional capital investment	–	1.3	–	1.3
Share of results of associates	(7.8)	(1.3)	–	(9.1)
Impairment of investment in affiliate	(27.9)	–	–	(27.9)
Carrying value of investment at end of year	**21.3**	**–**	**–**	**21.3**
Carrying value of loan to associate at end of year	**–**	**10.0**	**–**	**10.0**

** Equity and loan investments combined*

Brønnøysundregistrene Årsregnskap regnskapsåret 2020 for 991478450

12.07.2022 kl 22:31

Archer Limited and subsidiaries
Notes to the consolidated financial statements

Investment in QES
Following an IPO in February 2018, QES's shares were quoted on the New York Stock exchange. Shares were valued at $10 per share at the time of the IPO. The fall in the share price following the IPO led us to regularly consider whether the carrying value of our investment is impaired. This exercise resulted in impairment charges totalling $26.6 million in 2019 relating to the reduction which we believed was other than temporary. During 2020 we have recognised a further impairment charge of $10.0 million, which is recognised in share of results of associates. The carrying value of our investment at June 30, 2020 was $9.6 million equivalent to approximately $1.01 per share.

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 merged entity is 11%.

Investment in C6 Technologies AS
Our investment in C6 comprises 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 2020 we have made additional impairment charges of $5.3 million against the carrying value of the loan. In December 2020, we entered into a sale and purchase agreement with IKM, the other 50% shareholder of C6. Under the agreement our investment in the Comtrac technology developed by C6 is transferred to a new joint venture in which we continue to hold a 50% interest.

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

In 2020, we sold 40% of our interest in Rawabi to Rawabi Oil and Gas Co. Ltd. for consideration of $1.9 million. The proceeds have been recognised as a gain in other financial items. Following the sale, we have a 10% ownership in this joint venture.

Archer Limited and subsidiaries
Notes to the consolidated financial statements

Note 12 – Property Plant and Equipment

($ in millions)	OPERATIONAL EQUIPMENT	OTHER FIXED ASSETS	ASSETS UNDER CONSTRUCTION	TOTAL
Cost				
As of December 31, 2018	851.0	31.0	3.0	885.0
Net addtions	32.0	1.8	7.7	41.5
Translation adjustments	(14.9)	(0.9)	-	(15.8)
As of December 31, 2019	**868.1**	**31.9**	**10.7**	**910.7**
Net Addtions	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**
Accumulate depreication and impairments				
As of December 31, 2018	**(466.5)**	**(26.0)**	**-**	**(492.5)**
Depreication	(49.5)	(0.9)	-	(50.4)
Impairments	(1.8)	-	-	(1.8)
Translation adjustments	6.9	1.0	-	7.9
As of December 31, 2019	**(510.9)**	**(25.9)**	**-**	**(536.8)**
Depreication	(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)**
Net book value December 31, 2020	**339.2**	**7.4**	**8.6**	**355.2**
Net book value December 31, 2019	**357.2**	**5.0**	**10.7**	**373.9**

Operational equipment includes drilling and well services equipment. Included in the cost of operational equipment is $30.8 million in respect of assets held under capital leases (2019: $25.3 million). Other fixed assets include land and buildings, office furniture and fixtures, and motor vehicles. At December 31, 2020, $8.0 million of fixed assets have been pledged in respect of finance agreements for their acquisition (2019 $5.3 million).

During 2020 we recognised total impairment losses of $3.6 million relating to rigs and land drilling equipment in our South American business (2019: $1.8 million). 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 2019.

The testing for impairment of our modular 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 an independent appraiser. The expert we use has extensive experience in the market in which our rigs are deployed and is also familiar with our assets, having 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 valuation based on an orderly liquidation valuation scenario as our benchmark for fair value.

Brønnøysundregistrene
Side 32 av 62
Brønnøysundregistrene Årsregnskap regnskapsåret 2020 for 991478450

12.07.2022 kl 22:31

Archer Limited and subsidiaries
Notes to the consolidated financial statements

Note 13 – 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 acquiread workforce and expected future synergies. All of our remaining goodwill relates to our Eastern Hemisphere reporting segment.

($ in millions)	2020			2019		
	Asset value	Impairment	Net Value	Asset value	Impairment	Net Value
Value at beginning of year	855.6	(684.5)	171.1	857.1	(684.5)	172.6
Impairments during the year	-	(4.0)	(4.0)	-	-	-
Currency adjustments	5.6	-	(5.6)	(1.5)	-	(1.5)
Net book balance at end of year	**861.2**	**(688.5)**	**172.7**	**855.6**	**(684.5)**	**171.1**

We test goodwill for impairment on an annual basis during the fourth quarter and between annual tests if an event occurs, or circumstances change, that would more likely than not reduce the fair value of a reporting unit below its carrying amount.

The testing of the valuation of goodwill 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.

In 2019, our initial qualitative analysis of possible indicators of impairment of our goodwill did not lead to a conclusion that it was more likely than not that the carrying value of our goodwill relating to our platform drilling and oiltools reporting units was impaired. The main factors which lead us to this conclusion were:

- The upturn in the Oilfield service sector, during 2019, with a steadily increasing oil price, and our solid contract backlog within the North Sea, driven by the Platform Drilling division where we secured significant key contract renewals and expansion during 2019, and
- The significant headroom indicated by our prior year testing in respect of our remaining goodwill;

As of December 31, 2019, the remaining $44.5 million of our goodwill is allocated to our wireline reporting unit, which reported lower than forecast results for 2019 and a reduction in its 2020 forecast. As a result of these indicators we performed a step one quantitative test on the carrying value of this element of our goodwill balance which involved an estimation of the fair value of this reporting unit using discounted cash flows. The results of the quantitative test supported our carrying values and no impairment charge was recognised in 2019.

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 have conducted a detailed quantitative review of the carrying value of our remaining goodwill. Specifically, there were indicators that goodwill relating to our wireline division may be incurred as this division's results were reported below expectations. The conclusion of our testing was that the carrying value as at December 31, 2020 is not impaired.

Archer Limited and subsidiaries
Notes to the consolidated financial statements

Note 14 – Other Noncurrent Assets

Our other noncurrent assets are composed of the following:

($ in millions)	DECEMBER 31	
	2020	2019
Deferred mobilisation costs	8.9	6.8
Financial instruments	1.9	
Other	4.2	6.4
Total other noncurrent assets	**15.0**	**13.2**

The deferred mobilisation costs relate to the recommissioning of our modular rigs which were recommissioned in 2020. Some of the costs will be attributed to costs of enhancement of the rig and amortised over the remaining useful life of the rig. The balance will be amortised over the contract period.

Note 15 – Other Current Liabilities

Our other current liabilities are comprised of the following:

($ in millions)	DECEMBER 31	
	2020	2019
Accounts payable	34.4	45.2
Accrued restructuring costs	3.3	2.8
Accrued expenses and prepaid revenues	90.9	85.5
Taxes payable	(0.7)	(1.8)
VAT, employee and other taxes	32.0	28.4
Other current liabilities	-	2.2
Total other current liabilities	**159.9**	**162.3**

Brønnøysundregistrene
Side 33 av 62
Brønnøysundregistrene Årsregnskap regnskapsåret 2020 for 991478450

12.07.2022 kl 22:31

Brønnøysundregistrene

Side 34 av 62

Archer Limited and subsidiaries
Notes to the consolidated financial statements

Note 16 – Debt

	December 31, 2020			December 31, 2019		
($ in millions)	Loan balance	Unamortized debt issuance costs	Long-term debt less unamortized debt issuance costs	Loan balance	Unamortized debt issuance costs	Long-term debt less unamortized debt issuance costs
Multicurrency term and revolving facilities	510.3	(3.4)	506.9	515.0	(0.6)	514.4
Related party subordinated convertible loan	15.9	-	15.9	58.3	-	58.3
Hermes-covered term loan	9.6	-	9.6	23.9	(0.1)	23.8
Other loans and capital lease liability	13.1	-	13.1	17.2	-	17.2
Total loans and capital lease liability	**548.9**	**(3.4)**	**545.5**	**614.4**	**(0.7)**	**613.7**
Less: current portion	(10.4)	-	(10.4)	(548.8)	0.7	(548.1)
Long-term portion of interest bearing debt	**538.5**	**(3.4)**	**535.1**	**65.6**	**-**	**65.6**

Multicurrency term and revolving credit facility

The total amount available under the Multicurrency term and revolving credit facility (the "Facility") is $560.3 million, split between $341.0 million under a term loan and $219.2 million in a revolving facility. In addition, a total of $22.3 million of the Facility is carved out to two overdraft facilities, each of $ 11.2 million. A total of $510.3 million was drawn as at December 31, 2020 under the Facility. The Facility is secured by pledges over shares in material subsidiaries, assignment over intercompany debt and guarantees issued by the material subsidiaries.

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

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

- Archer will ensure that the ratio of net interest-bearing debt (after certain adjustments) to 12 months rolling Nominal EBITDA (after certain adjustments) at the financial quarters ending from December 31, 2020 to June 30, 2021 shall not exceed 7.0x, from September 30, 2021 to June 30, 2022 shall not exceed 7.5x, at September 30, 2022 shall not exceed 7.25x, at December 31, 2022 shall not exceed 6.75x, at March 31, 2023 shall not exceed 6.00x, at June 30, 2023 shall not exceed 5.5x and 5.0x thereafter.
- Archer shall maintain $30 million in freely available cash and undrawn committed credit lines.
- Archer shall ensure that the capital expenditures shall not exceed $40 million per year.

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

During 2020 we made certain amendments to the Facility, including an extension of the final maturity of the facility, an adjustment to the repayment schedule, a reduction in the total commitment under the Facility and an increase in the applicable leverage ratio covenant."

As of December 31, 2020, 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 is 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 nature of the concession granted by way of reduction of the face value of the loan defined the changes to the subordinated debt as a troubled debt restructure, and hence 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. A gain of $42.2 million was recognised in other financial items as result of this restructure, being the difference between the previous carrying value of 58.3 million and the new carrying value of $15.9 million, net of $0.2 million restructuring fees.

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. As of December 31, 2020 the equivalent of $9.6 million was outstanding under this facility.

Other loans and capital leases

As described above, interconnected to the Facility, we have two $11.2 million overdraft facilities and as of December 31, 2020, we have zero net borrowing under these facilities.

As of December 31, 2020 we have borrowed $4.4 million under short-term facilities in Argentina and in Bolivia.

We have finance arrangements relating to equipment in our Oiltools and Platform Drilling divisions. As of December 31, 2020, the balance under these arrangements was $8.8 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. In October 2020, we entered into additional 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, 2020 was an asset of $1.8 million and is included within other non-current assets.

Our outstanding interest bearing debt as of December 31, 2020, is repayable as follows:

($ in millions)	CAPITAL LEASE	OTHER DEBT	TOTAL
Year ending December 31			
2021	1.7	8.8	10.5
2022	2.2	17.3	19.5
2023	2.2	498.3	500.4
2024 and thereafter	2.7	15.9	18.5
Total debt	**8.7**	**540.2**	**548.9**

Brønnøysundregistrene Årsregnskap regnskapsåret 2020 for 991478450

12.07.2022 kl 22:31
Brønnøysundregistrene
Side 35 av 62

Archer Limited and subsidiaries
Notes to the consolidated financial statements

Note 17—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 lease term is typically 5 years.

Assets leased under finance leases with a carrying value of $8.0 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, 2020 for material operating leases, we have recognised the relevant right of use assets and lease liabilities in our balance sheet. The leases have remaining lease terms of 1 to 13 years as of December 31, 2020. Some operating leases include options to extend the leases annually after the lease termination date, and one lease contains an option to extend for a further three years. We have sub-let unused office space, for which we received rental income of $2.4 million in the year ended December 31, 2020.

We calculate 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, 2020 was as follows:

($ in millions)	Twelve months ended December 31, 2020
Finance Lease costs	
Amortisation of right of use assets	1.0
Interest on lease liabilities	0.3
Operating lease costs, interest on lease liability and amortisation of right of use assets	9.9
Short term lease costs	8.0
Total Lease costs	**19.2**
Other information	
Cash paid for amounts included in measurement lease liabilities	
Operating cash flows from finance leases	1.3
Operating cash flows from operating leases	9.8
Financing cash flows from finance leases	0.3
Right of use assets obtained in exchange for new finance lease liabilities	4.0
Right of use assets obtained in exchange for new operating lease liabilities	3.1
Weighted average remaining lease term – finance leases	3.8 years
Weighted average remaining lease term – operating leases	9.3 years
Weighted average discount rate – finance leases	3.7%
Weighted average discount rate – operating leases	6.1%

Estimated future minimum rental payments are as follows:

($ in millions)	OPERATING LEASE OBLIGATIONS
YEAR	
2021	5.1
2022	4.1
2023	4.3
2024	3.9
Thereafter	15.3
Total	**41.4**

Brønnøysundregistrene Årsregnskap regnskapsåret 2020 for 991478450

12.07.2022 kl 22:31

Archer Limited and subsidiaries
Notes to the consolidated financial statements

Note 18 – Commitments and Contingencies

Purchase commitments
As of December 31, 2020, we have committed to purchase obligations including capital expenditures amounting to $151 million, (2019: $14.3 million). With the upturn in our industry sector experiences in 2019 we increased our spending in line with increased business opportunities, especially with regard to our two modular rigs which have been re-commissioned in 2020 after a prolonged period of standing idle. The effects of the Codiv-19 pandemic in 2020 have resulted in some scaling back of activities by our customers which in turn has led to limitations on our expenditure.

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, 2020, 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 19 – Share Capital

($ in millions)	DECEMBER 31			
	2020		2019	
	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	148,050,298	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 2020.
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 subsidiary to holding companies.

Shareholder overview as of December 31, 2020	
Seadrill JU Newco Bermuda Limited	15.6%
Hemen Holding Limited	13.6%
Nordnet Livsforsikring	4.5%
Lime Rock Partners VI,P	4.5%
Others	61.8%

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. Hemen Holding Ltd is the largest shareholder of Seadrill, which in turn is Archer's largest shareholder.

Note 20 – Audit fees
Total auditors' remuneration to PricewaterhouseCoopers was an audit fee of $0.6 million for the year ended December 31, 2020 and $0.8 million for the year ended December 31, 2019. The compensation to the auditor is paid in GPB, NOK and USD. The USD figure is not totally comparable year on year.

Brønnøysundregistrene
Side 36 av 62
Brønnøysundregistrene Årsregnskap regnskapsåret 2020 for 991478450

12.07.2022 kl 22:31

Brønnøysundregistrene

Side 37 av 62

Archer Limited and subsidiaries
Notes to the consolidated financial statements

Note 21 – Directors and executive compensation and share option plan

Directors and executive compensation
During the year ended December 31, 2020, we paid aggregate cash compensation of approximately $1.6 million and an aggregate amount of approximately $23 thousand for pension and retirement benefits to our executive officers. In addition, we recognized stock compensation expense of approximately $0.2 million in respect to options and restricted stock units granted to our directors and executive officers.

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, 2020, Archer has one active option program.

The following summarises share option transactions related to the Archer program in 2020 and 2019:

	2020		2019	
	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE - NOK	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE - NOK
Outstanding at beginning of year	650,001	14.45	1,469,433	30.00
Forfeited/expired	(50,001)	67.88	(819,432)	42.32
Outstanding at end of year	**600,000**	**10.00**	**650,001**	**14.45**
Exercisable at end of year	600,000	10.00	450,001	16.43

No income was received in 2020 as a result of share options being exercised (2019: $ nil).

Outstanding options may be exercised up to March 1, 2022. The exercise price is NOK 10.00 per share. On December 31, 2020, 600,000 options were outstanding, and all of the options were exercisable. The weighted average remaining contractual life of outstanding options is 26 months (2019: 24 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.

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.

We did not grant any new options in 2020 or 2019.

Archer Limited and subsidiaries
Notes to the consolidated financial statements

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, 2020 a total of 2,583,353 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:

	2020		2019	
	RSU's	Weighted average grant date fair value NOK	RSU's	Weighted average grant date fair value NOK
Unvested at beginning of year	**4,157,364**	4.97	**2,266,400**	7.21
Granted	110,000	2.20	2,980,750	3.91
Vested/released	(1,445,126)		(724,952)	
Forfeited	(238,835)		(364,834)	
Unvested at end of year	**2,583,353**	**4.67**	**4,157,364**	**4.97**

Accounting for share-based compensation
The fair value of the share options and RSUs granted is recognised as personnel expenses. During 2020, NOK 8.1 million ($0.8 million) has been expensed in our Statement of Operations ($0.9 million in 2019).

As of December 31, 2020, total unrecognised compensation costs related to all unvested share-based awards totalled NOK 9.5 million ($1.1 million), which is expected to be recognised as expenses in 2021, 2022 2023 and 2024 of, NOK 5.3 million ($0.6 million) NOK 2.5 million ($0.3 million), NOK 1.2 million ($0.1 million) and NOK 0.5 million ($0.1 million), respectively.

Note 22 – 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 2020 we contributed $3.6 million (2019: $4.7 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 2020 is equivalent to approximately $111,000). In 2020 we contributed $8.5 million (2019 $8.2 million) to the plan in Norway.

Brønnøysundregistrene Årsregnskap regnskapsåret 2020 for 991478450

12.07.2022 kl 22:31

Brønnøysundregistrene

Archer Limited and subsidiaries
Notes to the consolidated financial statements

Note 23 – Related Party Transactions
In the normal course of business we transact business with related parties conducted at arm's length.

Transactions with Seadrill;
During the year ended December 31, 2020, we have rented offshore equipment and warehouse space to Seadrill Limited in respect of which we have recorded revenue of $0.7 million. We also have an engineering service contract with Seadrill, in respect of which we have recorded service revenues of $3.8 million during 2020. As of December 31, 2020 Seadrill owes a total of $0.2 million in respect of supplies we have made.

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 March 31, 2024 and carries PIK interest of 5.5% per year. The conversion rights attached to the loan is 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 nature of the concession granted by way of reduction of the face value of the loan defined the changes to the subordinated debt as a troubled debt restructure, and hence 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.

As a result of the debt restructure, we recorded a non-cash gain of $42.1 million in other financial items.

Transactions with C6 Technologies AS:
On December 31, 2020, we owned 50% of C6 Technologies AS, an oilfield technology company offering new solutions for well intervention and conveyance utilizing composite materials. We do not control this entity and as a result we have consolidated its financial results using the equity method of accounting since its creation in 2010. In the year ended December 31, 2020 we have advanced $0.8 million as additional loan to C6 and applied $0.6 million interest to the loan balance.

During January 2021, we have sold our interest in C6 to its other shareholder IKM. The transaction is described in Note 26 Subsequent events, below.

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

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

Frontline and Seatankers provides management support and administrative services to us, and we have recorded fees of $0.4 million and $0.2 million respectively for these services from these entities in the year ended December 31, 2020. These amounts are included in General and administrative expenses in the Consolidated statement of operations.

Archer Limited and subsidiaries
Notes to the consolidated financial statements

Note 24 – Reporting and Geographical Segment Information

We manage and present our business under two reporting segments:
- 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.

($ in millions)	YEAR ENDED DECEMBER 31	
	2020	2019
Revenues from external customers		
Eastern Hemisphere	638.1	623.0
Western Hemisphere	185.9	305.6
Total	**824.0**	**928.6**
Depreciation and amortization		
Eastern Hemisphere	17.2	18.7
Western Hemisphere	38.8	31.7
Total	**48.0**	**50.4**
Net Operating (loss)/income		
Eastern Hemisphere	51.6	44.6
Western Hemisphere	(26.0)	5.4
Corporate costs	(5.4)	(6.6)
Stock compensation costs	(0.8)	(0.9)
Operating income	**19.4**	**42.5**
Total financial items	(15.3)	(93.8)
Income taxes	(11.6)	3.6
Net loss	**(7.5)**	**(47.7)**
Capital expenditures – fixed assets		
Eastern Hemisphere	21.0	20.2
Western Hemisphere	11.0	21.3
Total	**32.0**	**41.5**

($ in millions)	AS OF DECEMBER 31	
	2020	2019
Total assets		
Eastern Hemisphere	495.1	578.4
Western Hemisphere	347.8	350.7
Corporate	2.5	0.9
Total	**845.4**	**930.0**

Brønnøysundregistrene Årsregnskap regnskapsåret 2020 for 991478450

12.07.2022 kl 22:31

Archer Limited and subsidiaries
Notes to the consolidated financial statements

Goodwill

($ in millions)	EASTERN HEMISPHERE	WESTERN HEMISPHERE	TOTAL
Balance at December 31, 2018	**172.6**	**–**	**172.6**
Exchange rate fluctuations on goodwill measured in foreign currency	(1.5)	–	(1.5)
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**

Geographic information by country

($ in millions)	FOR THE YEARS ENDED DECEMBER 31	
	2020	2019
Revenue		
Norway	475.4	427.2
Argentina	171.0	287.3
United Kingdom	85.2	124.8
Other	92.4	89.3
Total	**824.0**	**928.6**

Property plant and equipment

($ in millions)	AS OF DECEMBER 31	
	2020	2019
United States	1.7	1.1
Argentina	243.6	268.9
Norway	76.1	99.7
United Kingdom	2.5	3.0
Other	1.3	1.2
Total	**355.2**	**373.9**

Archer Limited and subsidiaries
Notes to the consolidated financial statements

Note 25 – 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 utilise 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, 2020, 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. The fair value of the instruments as of December 31, 2020 was an asset of $1.8 million and is included within other non-current assets.

On December 31, 2019 we did not have any derivative financial agreements in place.

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 recognised in "Other financial items" on our Consolidated Statement of Operations in the period to which they relate. Translation differences are recognised as a component of equity. The total transaction loss relating to foreign exchange recognised in the Consolidated Statement of Operations in 2020 amounted to $6.7 million (2019: $15.6 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.

Brønnøysundregistrene
Side 39 av 62
Brønnøysundregistrene Årsregnskap regnskapsåret 2020 for 991478450

Archer Limited and subsidiaries
Notes to the consolidated financial statements

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

($ in millions)				DECEMBER 31
		2020		2019
Assets / (Liabilities)	FAIR VALUE	CARRYING VALUE	FAIR VALUE	CARRYING VALUE
Non-derivatives				
Cash and cash equivalents	41.2	41.2	31.4	31.4
Restricted cash	12.4	12.4	12.7	12.7
Accounts receivable	109.2	109.2	145.4	145.4
Accounts payable	(34.4)	(34.4)	(45.2)	(45.2)
Current portion of interest bearing debt	(10.5)	(10.5)	(548.1)	(548.1)
Long term interest bearing debt	(519.1)	(519.1)	(7.3)	(7.3)
Subordinated related party loan	(15.9)	(15.9)	(58.3)	(58.3)
Derivatives				
Interest rate cap agreements	1.9	1.9	-	-

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

($ in millions)		FAIR VALUE MEASUREMENTS AT REPORTING DATE USING		
		2020		2019
	DECEMBER 31 2020	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Assets:				
Cash and cash equivalents	41.2	41.2	–	–
Restricted cash	12.4	12.4	–	–
Accounts receivable	109.2	–	109.2	–
Interest rate cap agreements	1.9	–	1.9	–
Liabilities:				
Accounts payable	(34.4)	–	(34.4)	–
Current portion of interest bearing debt	(10.5)	–	(10.5)	–
Long term interest bearing debt	(535.0)	–	(535.0)	–
Subordinated related party loan	(15.9)	–	(15.9)	–

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

We used a variety of methods and assumptions, which are based on market conditions and risks existing at the time, to estimate the fair value of our financial instruments as of December 31, 2020, and 2019. For certain instruments, including cash and cash equivalents, receivables and accounts payable, it is assumed the carrying amount approximated fair value due to the short-term maturity of those instruments.

The fair value of the current portion of long-term debt is estimated to be equal to the carrying value, since it is repayable within twelve months.

The fair value of the long-term portion of floating rate debt is estimated to be equal to the carrying value since it bears variable interest rates. This debt is not freely tradable and cannot be purchased by us at prices other than the outstanding balance plus accrued interest.

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

The fair value of the subordinated related party debt is considered not to be materially different from its carrying value as the fixed interest rate payable on the loan is considered a fair market rate as at December 31, 2020.

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 summarises revenues from our major customers as a percentage of total revenues from continuing operations (revenues in excess of 10 percent for the period):

CUSTOMER	2020	2019
Equinor	44%	30%
Pan American Energy	15%	20%
ConocoPhillips	6%	7%
YPF SA	4%	9%
Customer <10%	31%	41%
Total	**100%**	**100%**

Note 26 – Subsequent Events
In December 2020, we entered into a sale and purchase agreement with IKM, the other 50% shareholder of C6, for the developed tractor technology. Under the agreement our investment in the Comtrac technology is transferred to a new joint venture in which we continue to hold a 50% interest. The remaining technology developed by C6 will remain with IKM. The agreement provides for Archer to receive some purchase consideration for the technology not transferred to the new entity, comprising some cash, and an earnout provision. The agreement was signed in December 2020, and the transaction will be completed in Q1 2021. The net effect of the sale and purchase agreement is not expected to have any material impact on our balance sheet or 2021 income statement.

In January 2021, Equinor awarded Archer Integrated Services AS a five-year contract for the provision of integrated wireline services in the North Sea. The contract was awarded in alliance with Welltec Oilfield Services (Norway) AS and Schlumberger Norge AS. The services that will be provided under the contract include cased hole mechanical wireline services, tractor and powered mechanical services as well as electric-line logging services.

12.07.2022 kl 22:31
Brønnøysundregistrene
Side 40 av 62
Brønnøysundregistrene Årsregnskap regnskapsåret 2020 for 991478450

12.07.2022 kl 22:31

Brønnøysundregistrene

Side 41 av 62

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 (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 and a compliance and business ethics manual, which is available on its 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 and business ethics manual, 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 conducts 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 2020 in line with the Norwegian Code of Practice for Corporate Governance 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.

Section 3 Equity and dividends
In accordance with Bermuda law, the Board is authorised to repurchase treasury shares, and to issue any unissued shares within the limits of the authorised 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 to shareholders and transactions with close associates
In accordance with the company laws of Bermuda, the shareholders can resolve an amount of authorised 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 authorisations to increase the share capital. The Board will propose to the shareholders that they consider and, if necessary, resolve to increase the authorised 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 to limit such authorisation to a fraction of the issued share capital. Any increase of the authorised 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.

The Board will consider and determine on a case-by-case basis whether independent third-party evaluations are required if entering into agreements with close associates in accordance with the Code section 4. 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 21, the company did not enter into any transactions with its shareholders or closely associated entities.

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. 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 fully in compliance with the Code with respect to independence of board members.

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 OShaughnessy. 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.

Brønnøysundregistrene Årsregnskap regnskapsåret 2020 for 991478450

12.07.2022 kl 22:31

Archer Limited and subsidiaries
Appendix A – Corporate Governance

Section 10 Risk management and internal control
The Board ensures that Archer follows guidelines to minimise 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 Remuneration of 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 us to 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 for 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.

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.

We comply with the Code related to this section.

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 authorisations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Brønnøysundregistrene
Side 42 av 62
Brønnøysundregistrene Årsregnskap regnskapsåret 2020 for 991478450

12.07.2022 kl 22:31

Brønnøysundregistrene

Side 43 av 62

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.

The independent auditors have unrestricted access and report directly to the Audit Committee. The Audit Committee meets privately with, and has unrestricted access to, the independent auditors and all of our personnel.

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
Stockholders 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 stockholder 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 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 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
C6 Technologies 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	11%	Drilling and well service operations

* *see note 11 for details regarding C6 Technologies.*
** *see note 11 for explanation of KLX Energy Services Holdings Inc.*

Brønnøysundregistrene Årsregnskap regnskapsåret 2020 for 991478450

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

archerwell.com

Archer Norge AS

Org. Nr: 991 478 450

Årsregnskap 2020

Archer Norge AS

Årsberetning for 2020

Virksomhetsbeskrivelse
Selskapet ble opprettet i 2007 og er lokalisert i Sandnes. Selskapets virksomhet består i forvaltning av investeringer i andre selskaper hvis virksomhet består i tjenesteyting til olje- og gassindustrien, samt oppkjøp og salg av selskaper herunder deltakelse i andre virksomheter ved egenkapitalinnskudd og tilby ulike former for finansiering.

Arbeidsmiljø
Selskapets målsetting er å ha en godt sammensatt arbeidsstyrke med hensyn til alder, kjønn og nasjonalitet samt å representere en arbeidsplass hvor de ansatte har anledning til å videreutvikle sine ferdigheter i samsvar med selskapets grunnleggende verdier.

Selskapet hadde ved årsskiftet 254 årsverk. Det var ingen rapporteringspliktige skader i 2020. Gjennomsnittlig sykefravær i 2020 var 2,5 prosent. Selskapet arbeider kontinuerlig for å redusere sykefraværet.

Etter styrets vurdering har selskapet et godt arbeidsmiljø. Dette understøttes av liten utskiftning i arbeidstokken i løpet av året.

Likestilling
Olje og gass-industrien offshore har tradisjonelt sett vært mannsdominert. Av selskapets 254 ansatte per 31.12.2020 er 25,2 prosent kvinner og 74,8 prosent menn. Selskapet har et mål om å øke kvinneandelen blant de ansatte. Både styret og selskapets ledelse er bevisst på de samfunnsmessige forventningene om tiltak for å fremme likestilling i virksomheten og styret. Selskapet benytter seg av ulike ordninger for å beholde og forfremme ansatte av begge kjønn. Slike ordninger er fleksibel arbeidstid, mulighet for deltidsarbeid, omplassering og mindre fysisk arbeid under graviditet, liberale fødselspermisjoner. Likestilling er en viktig del av ansettelsesprosessen.

Diskrimineringslovens formål er å fremme likestilling, sikre like muligheter og rettigheter og å hindre diskriminering på grunn av kjønn, graviditet, permisjon ved fødsel eller adopsjon, omsorgsoppgaver, etnisitet, religion, livssyn, funksjonsnedsettelse, seksuell orientering, kjønnsidentitet og kjønnsuttrykk og kombinasjoner av disse grunnlagene. Selskapet arbeider aktivt, målrettet og planmessig for å fremme lovens formål innenfor virksomheten. Selskapets målsetting og tiltak er nærmere behandlet i konsernets ESG rapport. ESG rapporten finnes på selskapets hjemmesider.

Ytre miljø
Selskapets virksomhet har ingen påvirkninger på det ytre miljø.

Finansiell risiko
Selskapet er utsatt for kredittrisiko, renterisiko og valutarisiko i dens ordinære forretningsvirksomhet, og styrer mot å ha en akseptabel risiko innenfor disse områdene. Selskapets inntekter er i vesentlig del i norske kroner. Selskapet har i all hovedsak rentebærende gjeld med flytende rentesats og er derfor eksponert for renteendringer. Styret legger til grunn at selskapet ved behov vil kunne få tilført likviditet fra konsernselskapene. Selskapet er garantist for Archers syndikerte lån hvor Danske Bank er agent. Aksjene i Archer Norge AS er pantsatt, samt alle aksjer i datterselskapene Archer Oiltools AS og Archer AS til fordel for banken.

Operasjonell risiko og markedsrisiko
Selskapets operasjonelle risiko og markedsrisiko er i hovedsak knyttet til datterselskapene. Datterselskapenes resultater er hovedsakelig avhengig av forhold gjeldende for olje- og gassindustrien og herunder oljeselskapenes etterspørsel etter bore- og brønntjenester for leting og produksjon. Datterselskapene er eksponert for operasjonell risiko knyttet til boring av olje- og gassbrønner.

Operasjoner kan dessuten bli forsinket som følge av unormale boreforhold, reparasjon av utstyr eller svikt i leveranser av varer eller tjenester fra underleverandører. Utover våren 2020, førte Covid-19 pandemien og etterfølgende nedstenging, til lav etterspørsel etter olje globalt. Kombinert med høyt oljetilbud, førte ubalansen i oljemarkedet til historisk lav oljepris. Utfallet av pandemien og utviklingen i oljeprisen, er blitt enda vanskeligere å spå, noe som medfører en betydelig usikkerhet rundt utsiktene i markedene selskapet opererer i. Selskapet er tilfredsstillende i stand til å tilpasse kostnadsnivået til aktivitetsnivået.

Redegjørelse for årsregnskapet

Selskapet hadde kr 486,7 millioner i driftsinntekter i 2020. Dette er en økning på kr 0,9 millioner fra 2019. Økningen i driftsinntekter skyldes økt salg av administrasjon- og støttefunksjoner til konsernselskaper som en følge av høyere aktivitet i konsernet. Driftskostnadene utgjorde kr 471,5 millioner. Driftskostnadene er økt med kr 3,3 millioner hovedsakelig som følge av økning i antall ansatte, samt høyere avskrivinger. Driftsresultatet ble på kr 15,2 millioner, noe som er en reduksjon på kr 2,5 millioner sammenlignet med 2019.

Netto finansposter var minus kr 100,9 millioner, mot minus kr 260,6 millioner i 2019. Bedringen skyldes i hovedsak høyere renteinntekter og lavere avskrivninger av finansielle anleggsmidler.

Årsunderskuddet var kr 94 244 523.

Selskapets totale eiendeler utgjør kr 5 173 millioner ved utgangen av 2020, noe som er en reduksjon på kr 4 445 millioner fra 2019. reduksjonen skyldes i hovedsak reduksjon av gjeld. totale anleggsmidler er redusert med kr 4 540 millioner. Investeringer i datterselskap har økt med 57,9 millioner. Andre langsiktige fordringer er redusert med 68 millioner fra 2019.

Selskapets likviditet anses å være tilfredsstillende.

Styret foreslår følgende disponering av årets underskudd:

Overført fra annen egenkapital	kr	94 244 523
Sum disponert i 2020	kr	94 244 523

Redegjørelse for forutsetningen om fortsatt drift

Årsregnskapet er utarbeidet under forutsetning om fortsatt drift. Selskapets datterselskaper har en tilfredsstillende kontraktsportefølje som sikrer selskapene tilfredsstillende beskjeftigelse de nærmeste årene. Videre tror vi at etterspørselen etter oljeservice tjenester generelt, og selskapets tjenester spesielt, vil tilta i tiden fremover. Det er usikkerhet som preger markedet på kort sikt og en tro på at aktivitetsnivået vil måtte ta seg opp på litt lenger sikt.

Styret mener at årsregnskapet er avgitt i samsvar med lov og forskrifter og gir et rettvisende bilde av selskapets økonomiske stilling per 31. desember 2020 og at resultatet, kontantstrømmene og endringene i egenkapitalen i regnskapsåret er i overensstemmelse med god regnskapsskikk i Norge.

Sandnes, 11. juni 2021
I styret for Archer Norge AS

Espen Joranger	Joachim Houeland	Einar Åge Vae
Adm. Dir/Styremedlem	Styrets leder	Styremedlem

Til generalforsamlingen i Archer Norge AS

Uavhengig revisors beretning

Uttalelse om revisjonen av årsregnskapet

Konklusjon

Vi har revidert Archer Norge AS' årsregnskap som består av balanse per 31. desember 2020, resultatregnskap og kontantstrømoppstilling for regnskapsåret avsluttet per denne datoen og noter til årsregnskapet, herunder et sammendrag av viktige regnskapsprinsipper.

Etter vår mening er det medfølgende årsregnskapet avgitt i samsvar med lov og forskrifter og gir et rettvisende bilde av selskapets finansielle stilling per 31. desember 2020, og av dets resultater og kontantstrømmer for regnskapsåret avsluttet per denne datoen i samsvar med regnskapslovens regler og god regnskapsskikk i Norge.

Grunnlag for konklusjonen

Vi har gjennomført revisjonen i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder de internasjonale revisjonsstandardene International Standards on Auditing (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet i Revisors oppgaver og plikter ved revisjon av årsregnskapet. Vi er uavhengige av selskapet slik det kreves i lov og forskrift, og har overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Etter vår oppfatning er innhentet revisjonsbevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

Øvrig informasjon

Ledelsen er ansvarlig for øvrig informasjon. Øvrig informasjon omfatter informasjon i årsrapporten bortsett fra årsregnskapet og den tilhørende revisjonsberetningen.

Vår uttalelse om revisjonen av årsregnskapet dekker ikke øvrig informasjon, og vi attesterer ikke den øvrige informasjonen.

I forbindelse med revisjonen av årsregnskapet er det vår oppgave å lese øvrig informasjon med det formål å vurdere hvorvidt det foreligger vesentlig inkonsistens mellom øvrig informasjon og årsregnskapet, kunnskap vi har opparbeidet oss under revisjonen, eller hvorvidt den tilsynelatende inneholder vesentlig feilinformasjon.

Dersom vi konkluderer med at den øvrige informasjonen inneholder vesentlig feilinformasjon er vi pålagt å rapportere det. Vi har ingenting å rapportere i så henseende.

Styrets og daglig leders ansvar for årsregnskapet

Styret og daglig leder (ledelsen) er ansvarlig for å utarbeide årsregnskapet i samsvar med lov og forskrifter, herunder for at det gir et rettvisende bilde i samsvar med regnskapslovens regler og god regnskapsskikk i Norge. Ledelsen er også ansvarlig for slik internkontroll som den finner nødvendig for å kunne utarbeide et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil.

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

Ved utarbeidelsen av årsregnskapet må ledelsen ta standpunkt til selskapets evne til fortsatt drift og opplyse om forhold av betydning for fortsatt drift. Forutsetningen om fortsatt drift skal legges til grunn for årsregnskapet så lenge det ikke er sannsynlig at virksomheten vil bli avviklet.

Revisors oppgaver og plikter ved revisjonen av årsregnskapet

Vårt mål med revisjonen er å oppnå betryggende sikkerhet for at årsregnskapet som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil, og å avgi en revisjonsberetning som inneholder vår konklusjon. Betryggende sikkerhet er en høy grad av sikkerhet, men ingen garanti for at en revisjon utført i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, alltid vil avdekke vesentlig feilinformasjon som eksisterer. Feilinformasjon kan oppstå som følge av misligheter eller utilsiktede feil. Feilinformasjon blir vurdert som vesentlig dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke økonomiske beslutninger som brukerne foretar basert på årsregnskapet.

For videre beskrivelse av revisors oppgaver og plikter vises det til:
https://revisorforeningen.no/revisjonsberetninger

Uttalelse om andre lovmessige krav

Konklusjon om årsberetningen

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, mener vi at opplysningene i årsberetningen om årsregnskapet, forutsetningen om fortsatt drift og forslaget til resultatdisponering er konsistente med årsregnskapet og i samsvar med lov og forskrifter.

Konklusjon om registrering og dokumentasjon

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, og kontrollhandlinger vi har funnet nødvendig i henhold til internasjonal standard for attestasjonsoppdrag (ISAE) 3000 «Attestasjonsoppdrag som ikke er revisjon eller forenklet revisorkontroll av historisk finansiell informasjon», mener vi at ledelsen har oppfylt sin plikt til å sørge for ordentlig og oversiktlig registrering og dokumentasjon av selskapets regnskapsopplysninger i samsvar med lov og god bokføringsskikk i Norge.

Stavanger, 11. juni 2021
PricewaterhouseCoopers AS

Gunnar Slettebø
Statsautorisert revisor
(elektronisk signert)

Securely signed with Brevio

Revisjonsberetning

Signers:

Name	*Method*	*Date*
Slettebø, Gunnar	BANKID	2021-06-15 14:44

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Resultatregnskap

Archer Norge AS

Driftsinntekter og driftskostnader	Note	2020	2019
Driftsinntekter	12	486 649 225	485 820 197
Sum driftsinntekter		**486 649 225**	**485 820 197**
Lønnskostnad	7, 8, 10, 13	304 161 020	296 089 950
Avskrivninger på driftsmidler og imm. eiend.	3	9 129 196	4 179 465
Annen driftskostnad	10, 12	158 208 544	167 898 301
Sum driftskostnader		**471 498 759**	**468 167 716**
Driftsresultat		**15 150 466**	**17 652 481**
Finansinntekter og finanskostnader			
Inntekt på investering i datterselskap	2	57 807 891	5 920 143
Renteinntekt fra foretak i samme konsern	4, 12	292 002 857	194 357 599
Annen renteinntekt		7 596 170	2 833 528
Annen finansinntekt	14	2 524 605	126 973 231
Nedskrivning av andre finansielle anleggsmidler	2, 4	46 559 363	-97 443 139
Rentekostnad til foretak i samme konsern	4, 12	409 366 825	349 134 445
Annen rentekostnad		2 810 884	121 086 403
Annen finanskostnad	2, 14	2 096 217	217 941 711
Resultat av finansposter		**-100 901 766**	**-260 634 918**
Ordinært resultat før skattekostnad		**-85 751 301**	**-242 982 437**
Skattekostnad på ordinært resultat	9	**8 493 222**	**3 873 167**
Årsresultat		**-94 244 523**	**-246 855 604**
Overføringer			
Overført fra annen egenkapital		94 244 523	246 855 604
Sum overføringer		**-94 244 523**	**-246 855 604**

Archer Norge AS

Balanse

Archer Norge AS

Eiendeler	Note	2020	2019
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	**9**	23 142 178	33 923 717
Sum immaterielle eiendeler		**23 142 178**	**33 923 717**
Varige driftsmidler			
Driftsløsøre, inventar o.a. utstyr	**3**	37 452 878	23 196 563
Sum varige driftsmidler		**37 452 878**	**23 196 563**
Finansielle anleggsmidler			
Investeringer i datterselskap	**2, 15**	3 117 376 329	3 059 513 326
Lån til foretak i samme konsern	**4**	1 288 722 335	5 823 214 920
Investering i felles kontrollert virksomhet	**2**	1 000 000	0
Andre langsiktige fordringer	**4**	72 906 138	140 934 688
Sum finansielle anleggsmidler		**4 480 004 802**	**9 023 662 933**
Sum anleggsmidler		**4 540 599 858**	**9 080 783 213**
Omløpsmidler			
Fordringer			
Kundefordringer		301 747	57 982
Fordring på selskap i samme konsern	**4**	460 975 288	374 846 394
Andre kortsiktige fordringer	**5**	8 211 131	15 512 925
Sum fordringer		**469 488 166**	**390 417 301**
Bankinnskudd, kontanter o.l.	**11**	162 770 717	146 211 207
Sum omløpsmidler		**632 258 882**	**536 628 508**
Sum eiendeler		**5 172 858 741**	**9 617 411 721**

Balanse

Archer Norge AS

Egenkapital og gjeld	Note	2020	2019
Innskutt egenkapital			
Aksjekapital	6	1 068 850 000	1 068 850 000
Overkurs		847 978 534	847 978 535
Annen innskutt egenkapital		13 008 104	8 516 290
Sum innskutt egenkapital		**1 929 836 638**	**1 925 344 824**
Opptjent egenkapital			
Annen egenkapital	6	-94 244 523	0
Sum opptjent egenkapital		**-94 244 523**	**0**
Sum egenkapital		**1 835 592 115**	**1 925 344 824**
Gjeld			
Annen langsiktig gjeld			
Gjeld til kredittinstitusjoner	15	702 318	1 124 306
Øvrig langsiktig gjeld	4	2 835 529 178	7 351 433 945
Sum annen langsiktig gjeld		**2 836 231 496**	**7 352 558 251**
Kortsiktig gjeld			
Gjeld til kredittinstitusjoner	11, 15	0	11 251
Leverandørgjeld		30 728 427	24 238 747
Betalbar skatt	9	0	2 288 317
Skattetrekk, avgifter, feriepenger o.l.		46 301 279	46 473 108
Gjeld til konsernselskap	4	407 885 153	245 713 262
Annen kortsiktig gjeld		16 120 271	20 783 962
Sum kortsiktig gjeld		**501 035 129**	**339 508 645**
Sum gjeld		**3 337 266 625**	**7 692 066 897**
Sum egenkapital og gjeld		**5 172 858 741**	**9 617 411 721**

Sandnes , 11.06.2021
Styret i Archer Norge AS

Espen Joranger	Joachim Houeland	Einar Åge Vae
Daglig leder/Styremedlem	Styrets leder	styremedlem

Kontantstrømoppstilling

Archer Norge AS

	2020	2019
Kontantstrømmer fra operasjonelle aktiviteter		
Resultat før skattekostnad	-85 751 301	-242 982 437
-Periodens betalte skatt	-	-
+Ordinære avskrivninger	9 129 196	4 179 465
+Inntektsført konsernbidrag/ utbytte fra datterselskaper	57 807 891	5 920 143
+/-Nedskrivning datterselskap/andre nærstående parter	100 232 321	-15 513 149
+/-Endring i kundefordringer	-243 765	191 436
+/-Endring andre tidsavgrensningsposter	221 357 555	109 265 661
+/-Endring i leverandørgjeld	6 489 865	-12 088 993
+/-Endring andre gjeldsposter	404 221 841	263 580 983
+/-Endring virkelig verdi fin. Poster	-1 428 462	-114 494 495
+/-Resultatandel felles kontrollert virksomhet	-	8 964 314
+/-Opsjonskostnader	4 491 814	
= Netto kontantstrøm fra operasjonelle aktiviteter	716 306 955	7 022 928
Kontantstrømmer fra investeringsaktiviteter		
-Utbetalinger ved kjøp av varige driftsmidler	-23 385 511	-13 753 771
+ Utbetalinger ved kjøp av datterselskaper	-30 000	
+/- innbetalinger/ utbetalinger til konsernkontoordning	-	2 316 847
+/- Innbetalinger/Utbetalinger funding konsernselskaper	1 174 793 798	-1 119 394 418
= Netto kontantstrøm fra investeringsaktiviteter	1 151 378 287	-1 130 831 342
Kontantstrømmer fra finansieringsaktiviteter		
+/- Innbetalinger/utbetalinger ekstern gjeld	-421 988	-1 518 680 360
+/- Innbetalinger/utbetalinger gjeld konsernselskap	-1 850 703 747	2 659 586 932
= Netto kontantstrøm fra finansieringsaktiviteter	-1 851 125 735	1 140 906 572
= Netto endring i kontanter og kontantekvivalenter	16 559 507	17 098 158
+Beh. av kont. og kontantekvivalenter ved per. begynnelse	146 211 207	129 113 046
= Beh. av kontanter og kontantekvivalenter ved per. slutt	162 770 717	146 211 207

Archer Norge AS

Archer Norge AS

Noter til årsregnskapet - 2020

Note 1 Regnskapsprinsipp

Hovedvirksomhet

Selskapets virksomhet består i forvaltning av investeringer i andre selskaper hvis virksomhet består i tjenesteyting til olje- og gassindustrien, handel med verdipapirer samt oppkjøp og salg av selskaper herunder deltakelse i andre virksomheter ved egenkapitalinnskudd, tilby ulike former for finansiering som lån og garantistillelse og administrative tjenester til konsernet

Regnskapet er utarbeidet i samsvar med regnskapsloven og god regnskapsskikk.

Klassifisering og vurdering av balanseposter
Omløpsmidler og kortsiktig gjeld omfatter poster som forfaller til betaling innen ett år. Øvrige poster er klassifisert som anleggsmiddel/langsiktig gjeld. Omløpsmidler vurderes til laveste av anskaffelseskost og virkelig verdi. Kortsiktig gjeld balanseføres til nominelt beløp på etableringstidspunktet. Anleggsmidler vurderes til anskaffelseskost, men nedskrives til virkelig verdi dersom verdifallet ikke forventes å være forbigående. Langsiktig gjeld balanseføres til nominelt beløp på etableringstidspunktet.

Regnskapsføring av inntekt
Størstedelen av selskapets inntekter stammer fra salg av administrative tjenester til andre Archerselskaper. Inntektsføring skjer i den perioden tjenesten er utført.

Varige driftsmidler
Driftsmidlene blir avskrevet lineært over driftsmidlenes økonomiske levetid.

Kundefordringer og andre fordringer
Kundefordringer og andre fordringer er vurdert til netto verdi etter fradrag for påregnelige tap.

Investeringer i datterselskaper
Investeringer i datterselskaper vurderes etter kostmetoden i selskapsregnskapet.
Investeringene er verdsatt til anskaffelseskost for aksjene med mindre nedskrivning har vært nødvendig. Det er foretatt nedskrivning til virkelig verdi når verdifall skyldes årsaker som ikke kan antas å være forbigående og det må anses nødvendig etter god regnskapsskikk. Nedskrivninger er reversert når grunnlaget for nedskrivning ikke lenger er tilstede.
Det blir ikke utarbeidet konsernregnskap da Archer Norge AS er en del av Archer Ltd (Bermuda) og er en del av Archer Ltd. sitt konsernregnskap.

Investering i felles kontrollert virksomhet
Felles kontrollert virksomhet defineres som selskaper hvor konsernet har felles kontroll sammen med en annen part. Felles kontrollert virksomhet foreligger ved 50/50 eierandel eller dersom det på annen måte er regulert at partene har felles kontroll. Investeringer i felles kontrollert virksomhet regnskapsføres etter egenkapitalmetoden.

Utenlandsk valuta
Selskapet har deler av sine inntekter og kostnader i andre valutaer enn NOK.
Inntekter og kostnader i utenlandsk valuta bokføres til transaksjonsdagens valutakurs.
Balanseposter i utenlandsk valuta omregnes til balansedagens kurs.

Pensjoner
Selskapet har en innskuddsbasert pensjonsordning som kostnadsføres løpende.

Skattekostnad
Skattekostnaden består av betalbar skatt og endring i utsatt skatt på selskapets eiendeler og gjeld.
Utsatt skattefordel og utsatt skatt er basert på midlertidige forskjeller som oppstår mellom regnskapsmessig verdi, skattemessig verdi og underskudd til fremføring.
Utsatt skattefordel hensyntas hvis det er sannsynlig at fordelen vil bli benyttet.

Kontantstrømoppstilling
Kontantstrømoppstillingen er utarbeidet etter den indirekte metode.

Archer Norge AS

Noter til årsregnskapet - 2020

Note 2 Investering i datterselskaper og felles kontrollert virksomhet

Archer Norge AS har følgende investeringer i datterselskaper:

Selskap	Forretnings-kontor	Eier-andel	Stemme-andel	Egen-kapital	Års-resultat	Bokført verdi
Archer AS	Sandnes	100 %	100 %	283 111 028	188 981 874	2 412 148 407
Archer Consulting AS	Sandnes	100 %	100 %	42 983	9 512 258	9 030 000
Archer OilTools AS	Sandnes	99,8 %	99 %	63 968 874	32 345 259	413 761 552
Archer Integrated Services	Sandnes	100,0 %	100 %	30 000	0	30 000
DLS Argentina Fluidos S.A.	Buenos Aires	90,0 %	90 %	54 764 727	(11 310 317)	0
DLS Archer LTD SA	Buenos Aires	90,0 %	90 %	175 706 253	(309 143 337)	282 406 369
Sum langsiktige aksjer						3 117 376 329

Archer Norge AS har gjennomført en verdivurdering av aksjene i datterselskaper pr 31.12.20 for å vurdere behov for eventuelle nedskrivninger. Verdivurdering er gjennomført med utgangspunkt i endringene i markedsutsikter som var kjent på balansedagen.

Modellen for verdivurdering av aksjer i datterselskaper bygger på en rekke forutsetninger, deriblant en forventning om vekst i både omsetning og resultat. Verdivurderingen er foretatt ved å beregne nåverdien av forventede fremtidige kontantstrømmer.

Aksjeverdien i DLS Argentina Fluidos S.A. var nedskrevet til null pr 01.01.2020.
I løpet av 2020 fikk selskapet tilført 19 378 176 i egenkapital. Dette ble skrevet ned til null på bakgrunn av usikkerhet om fremtidig inntjening.

Ved beregning av nåverdien har Archer benyttet en diskonteringsrente (WACC) på 6.5% (2019; 6,5%)
Verdivurderingen er basert på den kontraktsporteføljen Archer har per i dag og det forventes at aktivitetsøkning i de neste årene.

Det er stor usikkerhet knyttet til verdivurderingene da disse bygger terminalvekstverdi i EBITDA for de ulike forretningsområdene på mellom 1-2% på estimater om fremtidige markeder og vekst innenfor Archer sine forretningsområder. EBITDA marginer er forventet moderat forbedring over de neste årene. Skulle disse ikke disse forbedringene eller forventet vekst inntreffe kan ytterliggere nedskrivning av aksjeverdiene forekomme.

Archer Norge AS har følgende investeringer i felles kontrollert virksomhet:

Selskap	Forretnings-kontor	Eier-andel	Stemme-andel	Egenkapital	Resultat-andel 2020	Bokført verdi
C6 Technologies AS	Stavanger	50 %	50 %	12 439 998	-	1 000 000
Sum investering i felles kontrollert virksomhet						1 000 000

I desember 2020 inngikk Archer en avtale med IKM å selge aksjene i C6 til IKM gruppen. Avtalen forutsetter et utkjøp av ComTrack-teknologien som C6 Technologies AS eier til et selskap under stiftelse, eid 50/50 av kjøper og selger, og avtalen er derfor ikke gjennomført per 31.12.20.
Det nystiftede selskapet skal kjøpe ComTrack-teknologien og tilhørende eiendeler og forpliktelser fra C6. Kjøper og eier er enige om at kjøpesummen settes lik bokført verdi av ComTrac i C6 (MNOK 107,8). Aksjene i C6 overdras til IKM når vilkårene er oppfylt og ComTrack-transaksjonen bokføres deretter. Kjøpesum for aksjene i C6 er 1 MNOK. I tillegg kjøper IKM fordringer på C6 til 15MNOK (pålydende 96,2)
Transaksjonen er endelig utført 31.05.2021

Note 3 Varige driftsmidler

	Inventar	Kjøretøy	IT-utstyr/prosjekt	Total
Anskaffelseskost 01.01	15 692 965	1 412 775	168 374 657	185 480 397
Tilgang	6 012 342		17 373 169	23 385 511
Avgang				-
Anskaffelseskost 31.12	21 705 307	1 412 775	185 747 826	208 865 908
Avskrivinger 01.01	15 552 965	1 412 775	145 318 095	162 283 834
Årets avskriving	127 328		9 001 869	9 129 196
Akkumulerte avskrivinger 31.12	15 680 293	1 412 775	154 319 964	171 413 030
Bokført verdi pr 31.12	6 025 014	-	31 427 859	37 452 878
Levetid	3-10 år	5 år	3-5 år	

Tilgangen IT utstyr/prosjekt er i all hovedak relatert til oppgradering av ERP-systemet i 2020.

Archer Norge AS

Noter til årsregnskapet - 2020

Note 4 Mellomværende konsernselskap og andre nærstående parter

Selskapet har pr. årslutt følgende fordringer og gjeld mot konsernselskaper:

Kortsiktige fordringer på selskap i samme konsern	**2020**	**2019**
Archer AS	121 898 752	151 956 491
Archer Assets UK Ltd	144 797 338	90 900 057
Archer Emerald Bermuda Ltd	6 980 371	39 794 887
Archer Topaz Ltd (BM)	40 612 060	39 794 887
Archer OilTools AS	52 656 744	39 794 887
Archer DLS Corporation (BVI Company)	35 261 582	30 918 587
Archer UK Ltd.	13 655 028	21 100 391
Archer Consulting AS	15 875 933	8 802 430
Archer BCH (Canada) Ltd	2 186 086	4 030 699
Archer Well Company (Malaysia) Sdn.Bhd	4 236 708	3 241 666
Bergen Technology Center AS	8 148 966	10 086 678
Archer Offshore Danmark AS	3 878 578	3 463 680
Andre konsernselskaper	10 787 144	10 550 828
Totalt	460 975 288	374 846 394

Kortsiktige fordringer forfaller innen ett år.

Langsiktige fordringer på selskap i samme konsern	**2020**	**2019**
Archer Well Company Inc	159 645 609	1 383 276 356
Archer Assets UK Ltd	759 709 516	3 866 637 124
Archer Oiltools AS	168 306 534	216 732 826
Archer AS	-	48 401 217
Limay Drilling Services LTD	36 210 942	35 461 518
DLS Archer Ltd SA	164 849 734	272 705 880
Totalt	1 288 722 335	5 823 214 920

Grunnet endrede fremtidsutsikter for DLS Argentina Fluidos S.A. ble det gjennomført en nedskriving av langsiktige fordringer med 24 188 000 i 2018 og 73 152 000 i 2019. I 2020 har DLS Argentina Fluidos S.A. betalt 53 772 728 av de tidligere nedskrevne fordringene. Tidligere års nedskriving har blitt reversert tilsvarende.

Langsiktige fordringer på nærstående parter	**2020**	**2019**
C6	72 906 138	140 992 670

Archer har solgt C6 og store deler av fordringene til IKM. Som følge av dette er det bokført et tap på 81 MNOK i 2020
Se note 2 for ytterligere informasjon om salg av C6 og fordringer mot C6 pr 31.12.2020

Kortsiktig gjeld til konsernselskap	**2020**	**2019**
Archer UK Ltd.	63 410 599	35 159 277
Archer AS	258 834 353	110 546 813
Archer Oiltools AS	32 939 703	44 267 690
Archer Consulting Resources Ltd	10 338 498	4 449 872
Archer Consulting AS	17 871 987	2 822 929
Archer Ltd (BM)	9 740 223	46 139 874
Andre konsernselskaper	14 749 790	2 326 807
Totalt	407 885 153	245 713 262

Kortsiktig gjeld forfaller innen ett år.

Langsiktig gjeld til konsernselskap	**2020**	**2019**
Archer Ltd (BM)	2 830 357 968	7 346 286 913
Archer Well Comp PTE. LTD.	5 171 210	5 147 033
Totalt	2 835 529 178	7 351 433 945

Archer Norge AS

Noter til årsregnskapet - 2020

Note 5 Andre kortsiktige fordringer

	2020	2019
Forskuddsbetalte kostnader	4 225 744	10 319 878
Tilgode merverdiavgift	3 949 752	5 107 152
Øvrige kortsiktige fordringer	35 635	85 895
Totalt	8 211 131	15 512 925

Note 6 Egenkapital

Aksjekapital
Selskapets aksjekapital er kr 1 068 850 000 fordelt på 10 688 500 aksjer pålydende kr 100. Selskapet har en aksjeklasse og alle aksjer gir lik stemmerett. Samtlige aksjer eies av Archer Assets UK Ltd.

Årets endring i egenkapitalen:

	Aksjekapital	Overkurs	Annen innskutt egenkapital	Annen egenkapital	Sum
Egenkapital 01.01.2020	1 068 850 000	847 978 534	8 516 290	-	1 925 344 824
Skattekostnad 2019				(324 463)	(324 463)
Årsresultat				(93 920 060)	(93 920 060)
Opsjoner ført mot EK	-		4 491 814		4 491 814
Egenkapital 31.12.2020	1 068 850 000	847 978 534	13 008 104	(94 244 523)	1 835 592 115

Note 7 Pensjonsforpliktelser

Selskapet har innskuddsbaserte pensjonsordninger for alle sine ansatte.
Pensjonsordningene tilfredstiller kravene i lov om obligatorisk tjenestepensjon.

Note 8 Lønn

	2020	2019
Lønn	246 802 613	235 182 098
Arbeidsgiveravgift	34 766 819	36 194 329
Pensjonskostnader	16 413 764	14 584 876
Andre ytelser	6 177 823	10 128 647
Total	304 161 020	296 089 950

Antall årsverk

Antall årsverk ved utgangen av året	253	260

Note 9 Skatter

Nedenfor er gitt en spesifikasjon over forskjellen mellom det regnskapsmessige resultat før skattekostnad og årets skattegrunnlag:

	2020	2019
Resultat før skattekostnad	(85 751 301)	(242 982 437)
+ Permanente forskjeller	122 885 198	(3 282 365)
+ Endring i midlertidige forskjeller	(7 899 250)	(7 203 862)
- Fremførbart underskudd	(29 234 647)	(0)
+ Rentebegrensning	-	263 870 104
Årets skattegrunnlag	-	10 401 440

Archer Norge AS

Noter til årsregnskapet - 2020

Note 9 Skatter fortsettelse	31.12.2020	31.12.2019	Endring
Midlertidige forskjeller:			
Anleggsmidler	2 601 730	(2 997 520)	(5 599 250)
Avsetning til restrukturering	-	(2 300 000)	(2 300 000)
Sum midlertidige forskjeller	2 601 730	(5 297 520)	(7 899 250)
Justering grunnlag utsatt skatt etter avleggelse av årsregnskap forrige år	11 873 096	-	
Fremførbart skattemessig underskudd	(107 793 447)	(148 901 191)	
Grunnlag for utsatt skatt/skattefordel	(105 191 717)	(154 198 711)	49 006 994
Akkumulert rentebegrensning, ikke balanseført	(277 529 090)	(544 178 723)	266 649 633
Anvendt skattesats	22 %	22 %	
Anvendt skattesats utsatt skatt	22 %	22 %	
Utsatt skattefordel/utsatt skatt	23 142 178	33 923 717	(10 781 539)

Årets skattekostnad fremkommer slik:

Betalbar skatt 22% av årets resultat	-	2 288 317
Betalbar skatt tidligere år	(2 288 317)	-
Sum betalbar skatt	(2 288 317)	2 288 317
Endring uts sk. Tidligere år		
Endring uts sk. fordel midlertidige forskj.	10 781 539	1 584 849
Sum	8 493 222	3 873 166

Forklaring på hvorfor skattekostnad ikke er 22 % av resultat før skatt:

Skatt av resultat før skatt	(18 865 286)	(53 456 136)
Skattekostnad	8 493 222	3 873 166
Avvik	(27 358 509)	(57 329 302)
Skatt på permanent forskjell	27 034 744	(722 120)
Ikke balanseført utsatt skatt rentefradrag	-	58 051 423
Avvik tidligere år	323 765	-
Avvik	0	0

Note 10 Godtgjørelse til daglig leder, styret og revisor

Det er i 2020 utbetalt kr. 2 553 000 i lønn og andre godtgjørelser til daglig leder.

Det er ikke kostnadsført styrehonorar i 2020.

Kostnadsført godtgjørelse til revisor utgjør kr 425 000 eksl. mva. Hele beløpet gjelder revisjonstjenester

Note 11 Bankinnskudd

Kr 12 532 548,14 av selskapets bankinnskudd er bundne skattetrekksmidler.

Archer Norge AS er eier av en cash-pool løsning der flere av Archer konsernets selskaper inngår.

Archer Norge AS

Noter til årsregnskapet - 2020

Note 12 Vesentlige transaksjoner med nærstående parter

Nærstående part	Eierforhold	2020	2019
Driftsinntekter			
Archer AS	Del av konsern	394 742 998	383 085 616
Archer Ltd (UK)	Del av konsern	13 743 008	21 327 455
Archer Oiltools AS	Del av konsern	40 192 890	41 003 011
Archer Assets UK Ltd	Del av konsern	12 014 699	14 501 482
Archer DLS Corporation (BVI Company)	Del av konsern	4 508 132	10 385 849
Archer Consulting AS	Del av konsern	2 952 071	3 033 507
Archer Well Company (Malaysia) Sdn.Bhd	Del av konsern	3 569 705	3 303 624
BCH Energy Do Brasil Servicos De Petroleo Ltda	Del av konsern	1 157 310	1 480 264
Archer BCH (Canada) Ltd	Del av konsern	2 263 470	4 199 192
Øvrige konserninterne driftsinntekter	Del av konsern	11 504 944	3 500 197
Sum driftsinntekter		486 649 225	485 820 197
Driftskostnader			
Archer AS	Del av konsern	9 451 306	10 738 629
Archer Well Company Inc.	Del av konsern	-	945 328
Archer Consulting AS	Del av konsern	1 001 863	2 069 871
Archer Oiltools AS	Del av konsern	2 416 390	1 522 892
Bergen Technology Center as	Del av konsern	360 000	370 500
Archer Ltd (UK)	Del av konsern	2 107 236	2 085 034
Øvrige konserninterne driftskostnader	Del av konsern	-264	380 402
Sum konserninterne driftskostnader		15 336 530	18 112 655
Renteinntekt fra foretak i samme konsern			
Archer Well Company Inc.	Del av konsern	-	-
Archer Ltd (BM)	Del av konsern	4 290 250	2 582 896
Archer Assets UK Ltd	Del av konsern	221 773 790	114 273 771
Archer AS	Del av konsern	4 136 968	6 360 206
Limay Drilling Services LTD	Del av konsern	2 097 015	6 272 821
Archer OilTools AS	Del av konsern	10 110 144	12 857 358
Tanus Argentina S.A.	Del av konsern	-28 703 730	12 627 859
DLS Archer Ltd SA	Del av konsern	-8 064 921	34 469 070
Øvrige konserninterne renteinntekter	Del av konsern	86 363 341	4 913 618
Sum renteinntekt fra foretak i samme konsern		292 002 857	194 357 600
Rentekostnad til foretak i samme konsern			
Archer Ltd (BM)	Del av konsern	404 682 841	342 011 331
Archer AS	Del av konsern	1 643 348	1 205 022
Øvrige konserninterne rentekostnader	Del av konsern	3 040 636	5 918 092
Sum rentekostnad til foretak i samme konsern		409 366 825	349 134 445

Se og note 4, mellomværende konsernselskap

Note 13 Aksjebasert betaling

Ledende ansatte har blitt tildelt opsjoner i morselskapet Archer Limited i 2017.
Opsjonene gir de ansatte rett til å kjøpe Archer Limited aksjer. Opsjonene er ikke omsettelige og kan trekkes tilbake dersom arbeidsforholdet opphører. Innløsningskursen på alle opsjonsprogrammene er fast i hele perioden. Innløsningskursen på tildelingstidspunktet ble satt til et gjennomsnitt av aksjekursen uken forut for tildelingen av opsjonene.
Ved utgangen av året var en person i selskapet omfattet av ordningene med totalt 600 000 opsjoner ved årsslutt

Det er benyttet Black & Scholes beregningsmodell ved verdsettelse av opsjonene.

Archer Norge AS

Noter til årsregnskapet - 2020

Note 13 Aksjebasert betaling fortsetter
Vektet gjennomsnittlige parametere benyttet i beregningen er som følger:

	2020	2019
Risikofri rente	0,75 %	0,75 %
Forventet levetid	1 år	2 år
Volatilitet	70 %	70 %
Vektet gjennomsnittlig verdi per opsjon på tildelingstidspunktet	kr 11,50	kr 11,50

I 2017, 2018 og 2019 har ledende ansatte blitt tildelt begrensede aksjeenheter (RSU) i morsselskapet Archer Limited.
25% av RSU'ene kan innløses 1. Mars året etter tildeling.
Ved utgangen av året var 21 personer i selskapet omfattet av RSU ordningen.
Ledende ansatte har totalt 1 232 241 RSU'er ved årsslutt.

	2020	2019
Vektet gjennomsnittlig verdi per RSU på tildelingstidspunktet	4,60	5,00

Note 14 Finansposter

Annen finansinntekt	**2020**	**2019**
Realisert valutagevinst	1 096 143	1 214 533
Urealisert valutagevinst	1 428 462	124 455 296
Annen finansinntekt	-	1 303 402
Total	**2 524 605**	**126 973 231**

Annen finanskostnad	**2020**	**2019**
Realisert valutatap	1 524 242	126 374 423
Tap på investering i felleskontrollert selskap		8 964 314
Annen finanskostnad	571 975	82 602 974
Total	**2 096 217**	**217 941 711**

Note 15 Garantier, pantstillelse etc.

Aksjer i datterselskaper er pantsatt som sikkerhet for kreditorer.

Archer Norge AS har utstedt driftsgarantier til datterselskaper i forbindelse inngåelse av kontrakter.

Archer Norge AS er garantist for Archer Ltd sitt syndikerte lån i Danske bank. Egne aksjer, samt aksjer i datterselskap er pantsatt som sikkerhet for kreditorene. Det syndikerte lånet har finansielle covenantskrav som måles på Archer Ltd konsernet.

Note 16 Konsernregnskap

Archer Norge AS er et heleid datterselskap av Archer Assets UK Ltd. og inngår i konsernregnskapet til Archer Ltd. Archer Ltd har kontoradresse på Bermuda og er notert på Oslo børs med ticker ARCHER
Konsernregnskapet finnes på selskapet hjemmeside *www.archerwell.com*