Archer

2024
Archer Limited

FIRST QUARTER 2024 RESULTS

Table of Contents

Consolidated Statements of Operations (unaudited)

l(In USD millions)		Three Months Ended March 31	
	Note	2024	2023
Revenues			
Operating revenues		260.2	226.9
Reimbursable revenues		48.1	39.7
Total revenues		**308.3**	**266.6**
Expenses			
Operating expenses		215.4	188.8
Reimbursable expenses		46.9	39.1
Operating lease costs	11	3.4	2.1
Depreciation and amortization		13.2	10.8
Sale of assets		(0.2)	(0.4)
Impairment charges		-	2.0
General and administrative expenses		11.7	11.3
Total expenses		**290.4**	**253.8**
Operating income / (loss)		**17.9**	**12.8**
Gain on bargain purchase	7	**-**	**(0.1)**
Financial items			
Net interest expenses		(14.1)	(11.4)
Share of results in associated companies	8	(0.1)	(1.8)
Other financial items	3	(12.4)	(15.7)
Total financial items		**(26.7)**	**(28.9)**
(Loss)/gain from continuing operations before taxes		**(8.7)**	**(16.1)**
Income tax expense	4	(2.0)	(1.8)
(Loss)/gain from continuing operations		**(10.8)**	**(17.9)**
Net (loss)/profit		**(10.8)**	**(17.9)**
(Loss) gain per share - basic		(0.01)	(0.06)
(Loss) gain per share - diluted		(0.01)	(0.06)
Weighted average number of shares outstanding			
Basic	5	1,627.2	318.5
Diluted	5	1,627.2	318.5

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

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

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

(In USD millions)	**Three Months Ended March 31,**	
	2024	**2023**
Net (Loss)/profit	**(10.8)**	**(17.9)**
Other comprehensive (loss) / income		
Currency translation differences	(9.7)	(1.8)
Total other comprehensive (loss) income	**(9.7)**	**(1.8)**
Total comprehensive (loss) income	**(20.5)**	**(19.7)**

Accumulated Other Comprehensive Loss (Unaudited)

(In USD millions)	**Translation differences**	**Other comprehensive income**	**Total**
Balance at December 31, 2023	**(5.6)**	**0.6**	**(5.1)**
Total other comprehensive income during 2024	(9.7)	—	(9.7)
Balance at March 31, 2024	**(15.3)**	**0.6**	**(14.8)**

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

Consolidated Balance Sheet (unaudited)

(In USD million)	Note	March 31, 2024	December 31, 2023
	Note	(Unaudited)	(Audited)
ASSETS			
Cash and cash equivalents		57.4	52.1
Restricted cash		0.4	3.5
Accounts receivables	2	182.5	183.8
Inventories	6	72.3	75.0
Other current assets		50.9	40.4
Total current assets		**363.4**	**354.8**
Investment in associated	7	11.6	12.3
Property plant and equipment, net		303.6	313.1
Right of use assets	11	31.7	34.4
Deferred income tax asset	4	20.4	20.8
Goodwill	9	148.9	156.0
Other intangible assets, net		2.4	2.8
Deferred charges and other assets		9.8	11.6
Total noncurrent assets		**528.4**	**550.9**
Total assets		**891.8**	**905.7**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current portion of interest-bearing debt	10	18.7	17.6
Accounts payable		80.5	75.5
Operating Lease liabilities	11	11.0	11.4
Other current liabilities		175.5	173.0
Total current liabilities		**285.8**	**277.5**
Long-term interest-bearing debt	10	401.5	402.5
Operating Lease liabilities	11	20.7	22.9
Deferred tax	4	0.1	0.3
Other noncurrent liabilities		8.1	6.3
Total noncurrent liabilities		**430.4**	**432.0**
Shareholders' equity		**175.6**	**196.2**
Total liabilities and shareholders' equity		**891.8**	**905.7**

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

Consolidated Statements of Cash Flows (unaudited)

(In USD millions)	Three Months Ended March 31,	
Cash Flows from Operating Activities	**2024**	**2023**
Net (loss)/profit from continuing operations	(10.8)	(17.9)
Adjustment to reconcile net loss to net cash provided by operating activities		
Depreciation and amortisation	13.2	10.8
Impairment of fixed assets	-	2.0
Share-based compensation expenses	0.1	0.3
Loss/(gain) on PP&E disposals	(0.2)	(0.4)
Share of losses of unconsolidated affiliates	0.1	1.8
Amortisation of loan fees	1.8	0.4
Mark to market of financial instruments	-	(0.9)
Mark to market of marketable securities	-	6.4
Change in deferred and accrued taxes	(0.3)	0.5
Decrease/(increase) in accounts receivable and other current assets	(13.4)	16.2
Decrease/(increase) in inventories	2.7	(5.3)
(Decrease)/increase in accounts payable and other current liabilities	16.8	8.7
Change in other operating assets and liabilities net, including non-cash fx effects	4.3	7.6
Net cash provided by operating activities	**14.3**	**30.2**
Cash Flows from Investing Activities		
Capital expenditures	(9.1)	(9.5)
Proceeds from asset disposals	0.5	0.7
Loans to associated entities	-	(0.9)
Business acquisition	-	(1.5)
Investment in subsidiaries net of cash acquired	-	(6.5)
Net cash used by investing activities	**(8.6)**	**(17.7)**
Cash Flows from Financing Activities		
Borrowings under revolving facilities, other long-term debt and financial leases	3.2	1.9
Repayments under revolving facilities, other long-term debt and financial leases	(3.8)	(5.2)
Proceeds from issuance of equity, net	-	98.0
Net cash provided by financing activities	**(0.6)**	**94.7**
Effect of exchange rate changes on cash and cash equivalents	(2.9)	(2.0)
Net increase in cash and cash equivalents	**2.2**	**105.2**
Cash and cash equivalents, including restricted cash, at beginning of the period	55.6	93.0
Cash and cash equivalents, including restricted cash, at the end of the period	**57.8**	**198.2**
Interest paid	10.0	14.6
Taxes paid	2.3	1.3

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

Consolidated Statement of Changes in Shareholders' Equity (unaudited)

(In USD millions)	Common shares	Additional Paid In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Contributed Surplus	Total Shareholders' Equity
Balance at December 31, 2023	**16.2**	**1,052.1**	**(1,607.3)**	**(5.0)**	**740.1**	**196.2**
Share based compensation	—	0.1	—	—	—	0.1
Translation differences	—	—	—	(9.7)	—	(9.7)
Net income	—	—	(10.8)	—	—	(10.8)
Balance at March 31, 2024	**16.2**	**1,052.1**	**(1,618.1)**	**(14.8)**	**740.1**	**175.6**

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

Notes

Note 1 Summary of Business and Significant Accounting Policies

Description of business

Archer Limited is an international oilfield service company providing a variety of oilfield products and services through its Area organization. Services include platform drilling, land drilling, modular rigs, engineering services, equipment rentals, wireline services, production monitoring, well imaging and integrity management tools.

As used herein, unless otherwise required by the context, the term "Archer" refers to Archer Limited and the terms "Company," "we," "Group," "our" and words of similar import refer to Archer and its consolidated subsidiaries. The use herein of such terms as “group”, “organization”, “we”, “us”, “our" and “its” or references to specific entities is not intended to be a precise description of corporate relationships.

We employed approximately 4,922 skilled and experienced people at March 31, 2024.

Archer was incorporated in Bermuda on August 31, 2007.

Basis of presentation

The unaudited first quarter 2024 consolidated financial statements are presented in accordance with United States of America Generally Accepted Accounting Principles (US GAAP). The unaudited first quarter 2023 consolidated financial statements do not include all the disclosures required in complete annual financial statements. These unaudited first quarter 2023 financial statements should be read in conjunction with our financial statements as of December 31, 2023. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair statement have been included.

Going Concern

The financial statements have been prepared on a going concern basis. 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 March 31, 2024.

Use of estimates

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

Significant accounting policies

The accounting policies utilised in the preparation of the unaudited first quarter 2024 financial statements are consistent with those followed in the preparation of our annual consolidated financial statements and accompanying notes for the year ended December 31, 2023.

Recently issued accounting standards

There are currently no recently issued Accounting Standard updates that are expected to materially affect our consolidated financial statements and related disclosures in future periods.

Note 2 Revenue from contracts with customers

The following table provides information about receivables, contract assets and contract liabilities from our contracts with customers:

(In USD millions)	March 31, 2024	December 31, 2023
Accounts receivable net	182.5	183.8

Provision for bad debts - On March 31, 2024, we have a provision for bad debt of $0.4 million which relates primarily to debt owed from Russia. We have closed our operation in Russia. Prior to this provision we had no provisions for bad debts in our balance sheet since any anticipated unrecoverable revenues are taken into account under our revenue recognition policy and subsequent bad debts are written off as they are recognised.

We have recognised contract assets and liabilities of $11.3 million and $7.0 million respectively, which relate to mobilisation fees for one of our modular rigs. These fees are being amortised over the contract period. $7.5 million of these fees are included in other current assets and $3.7 million in other non-current assets, $4.7 million is reported in other current liabilities and $2.3 million in other non-current liabilities.

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

Note 3 Other Financial Items

Other Financial Items

(In USD million)	**Three Months Ended March 31,**	
	2024	**2023**
Foreign exchange (losses)/gains	(11.8)	(9.1)
Mark-to-market of marketable securities (KLX Energy Services Holdings Inc.)	-	(6.4)
Mark-to-market of financial instruments (interest rate caps)	-	0.9
Other items	(0.6)	(1.1)
Total other financial items	**(12.4)**	**(15.7)**

Foreign exchange losses and gains include losses and gains on external and intercompany loan balances denominated in USD held in a NOK functional entity and impacts of the continued depreciation of ARS against USD.

The NOK to USD exchange rate continues to be volatile resulting in significant exchange gains and losses reported throughout 2023 and 2024.

The effects of the mark to market of financial instruments and securities have significantly reduced during 2023 following the sale of the relevant instruments. At December 31, 2023 we had disposed of all interest rate caps and marketable securities.

Note 4 Income Taxes

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

Income Taxes

(In USD millions)	Three Months Ended March 31,	
	2024	**2023**
North America	0.2	0.2
South America	1.4	1.4
Europe	0.4	0.3
Others	-	-
Total	**2.0**	**1.8**

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

The Group's net tax expense end of March 2024 is $2.0 million. The tax charge reported in the current period relates primarily to taxable profits from operations in South America and Europe.

The net tax expense in Europe amounted to $0.4 million, which relates to our operation in UK ($1.8 million), offset by tax losses on currency fluctuation and interest costs in Norway($-1.4 million).

The net tax cost in South America amounted to $1.4 million at the end of March 2024 are related to operation in Brazil ($0.4 million) and withholding taxes in Argentina ($0.9 million). We have taken an allowance related to the taxable losses incurred in Argentina for the year.

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

As on 31 March 2024 we have total deferred tax assets of $20.4 million which mainly consist of $11.2 million of tax assets in Norway and $8.8 million tax assets in Argentina.

Deferred tax liabilities on 31 March 2024 totals $0.1 million.

Note 5 Earnings Per Share

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

Weighted number of shares outstanding

(In thousands)	Three Months Ended March 31,	
	2024	**2023**
Denominator		
Weighted-average common shares outstanding	1,624,265	318,451
Effect of potentially dilutive common shares	—	-
Weighted-average common shares outstanding and assumed conversions	1,624,265	318,451

Note 6 Inventories

Inventories

(In USD millions)	March 31, 2024	December 31, 2023
Manufactured		
Raw materials	0.7	1.5
Finished goods	20.8	23.1
Work in progress	1.4	0.1
Total manufactured	**22.9**	**24.7**
Drilling supplies	14.0	14.2
Other items and spares	35.5	36.1
Total inventories	**72.3**	**75.0**

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

Note 7 Business acquisitions

Coiled Tubing Business

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

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

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

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

Fair value of assets acquired (preliminary)

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

The $3.1 million excess of the purchase consideration over the fair value of the assets is recognized as goodwill, which represents customer relations, the assembled workforce and experience and know how acquired, and synergies within our Well Service segment. The acquisition has been recorded in the accounting ledgers of Archer UK Ltd which has functional currency GBP. At December 31, 2023 the goodwill is reported as $3.4 million, the movement being due to translation differences.

Romar-Abrado

On January 9, 2023, Archer signed a share purchase agreement for the purchase of 100% of the issued share capital of Romar-Abrado. The Romar-Abrado group, comprises a holding and operating company in the UK and an operating company in the US, offers advanced milling and SWARF handling services to the global Plug and Abandonment market. Romar-Abrado operations compliment the services provided by Archer's Well Services division and will be reported within the Well Services reporting segment.

The total purchase consideration for the Romar-Abrado group is expected to total $12.9 million and settled as follows:

Purchase consideration

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

The fair value of the assets acquired at the acquisition date of January 9, 2023, were as follows:

Fair value of assets acquired (preliminary)

	(In USD million equivalent)
Cash and restricted cash	1.6
Receivables	4.2
Inventory	2.3
Tangible fixed assets	1.9
Intangible assets	0.8
Liabilities	(3.0)
Total fair value of assets acquired	**7.8**

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

During the fourth quarter 2023 we revised our estimation of the contingent consideration due, reducing the recorded liability by $2 million. This change in estimate is recognised in other financial income in the fourth quarter of 2023.

Note 8 Investments in Associates

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

	March 31, 2024	**December 31, 2023**
Comtrac AS	50.0%	50.0%
Jarðboranir hf. ("Iceland Drilling")	50.0%	50.0%

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

(In USD millions)	**March 31, 2024**	**December 31, 2023**
Comtrac AS	1.9	2.1
Iceland Drilling	9.6	10.2

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

(In USD millions)	Comtrac AS	Iceland Drilling
Carrying value of investment at December 31, 2023	**2.1**	**10.2**
Additional capital investment	(0.1)	0.0
Share in results of associates	0.0	0.0
Translation adjustments	(0.1)	(0.5)
Carrying value of investment at March 31, 2024	**1.9**	**9.6**

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

The carrying value of Comtrac comprises original cost of investment adjusted by our share of Comtrac results. We provide services to Comtrac. Our trading balance with Comtrac is disclosed in Note 14 Related Parties.

Note 9 Goodwill

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

Goodwill

(In USD millions)	
Net book balance at December 31, 2023	**156.0**
Translation adjustments	(7.0)
Net book balance at March 31, 2024	**148.9**

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

All of our goodwill relates to our Platform Drilling, Wireline and Oiltools business divisions. All these divisions have seen improved results in the last couple of years, and they have a solid contract backlog for the next 3-5 years. Based on the combined improved results, order backlog and forecasts, we identified no impairment indicators at March 31, 2024.

Note 10 Long-term, Interest Bearing Debt

(In USD millions)	March 31, 2024			December 31, 2023		
	Loan balance	Unamortized debt issuance costs	Loan balance less unamortized debt issuance costs	Loan balance	Unamortized debt issuance costs	Loan balance less unamortized debt issuance costs
First lien facility	217.5	(3.1)	214.4	220.0	(3.3)	216.7
Second lien bond	207.4	(19.6)	187.8	204.8	(21.1)	183.7
Other loans and capital lease liability	18.0	—	18.0	19.7	—	19.7
Total loans and capital lease liability	**442.9**	**(22.7)**	**420.2**	**444.5**	**(24.4)**	**420.1**
Less: current portion	(18.7)		(18.7)	(17.6)	**—**	(17.6)
Long-term portion of interest-bearing debt	**424.2**	**(22.7)**	**401.5**	**426.9**	**(24.4)**	**402.5**

First Lien Facility

In April 2023, Archer entered into a first lien multicurrency term and revolving credit facility and guaranty facility with a tenor of 4 years (the "First Lien Facility"). The total amount available under the First Lien Facility is $217.5 million, split between $120.0 million under a term loan and $100 million in revolving facilities, supplemented with $13 million in guarantee facility. In addition, a total of $25.0 million of the First Lien Facility is carved out into an overdraft facility of $25.0 million. A total of $217.5 million was drawn under the term loan and the revolving facilities as at March 31, 2024. The First Lien Facility is secured by pledges over shares in material subsidiaries, assignment over intercompany debt and guarantees issued by the material subsidiaries.

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

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

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

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

- Archer will ensure that the ratio of net interest-bearing debt (after certain adjustments) to 12 months rolling Nominal EBITDA (after certain adjustments) at the financial quarter end dates shall not exceed 4.9x; from December 31, 2024 to September 30, 2025 shall not exceed 4.70x; from December 31, 2025, to September 30, 2026, shall not exceed 4.60x; and 3.7x thereafter.
- Archer shall maintain $30 million in freely available cash and undrawn committed credit lines.
- Archer shall ensure that the capital expenditures shall not exceed $100 million per year.

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

As of March 31, 2024, the Company is compliant with all covenants under this First Lien Facility.

Second Lien Bond

In April 2023, Archer's indirectly wholly owned subsidiary, Archer Norge AS, issued $200 million senior secured second lien bonds with a tenor of 4.25 years (the "Second Lien Bond"). Archer can elect an interest rate on the bonds of either (i) (5.00%+SOFR) in cash interest + 5% payment-in-kind interest, or (ii) 12%+ SOFR in payment-in-kind (or PIK) interest. The payment-in-kind interest is settled by issuing additional bonds to the bondholders. The additional issued bonds will have the same terms as the original issued bonds and be added to the total amount of bonds outstanding. During the first quarter 2024, bonds with face value totalling $2.6 million were issued in settlement of PIK interest, and the total amount of bonds issued is hence $207.4 million as per March 31, 2024.

The Company has an option to redeem the bonds at (i) the make-whole price for the first 2.25 years, (ii) at 106% of the nominal amount after 2.25 years until 3.25 years, and (iii) at 100% after 3.25 years. The Second Lien Bonds shares the same security as the First Lien Facility, subject to the senior status of the First Lien Facility. The Second Lien Bonds contains certain financial covenants, including, among others:

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

As of March 31, 2024, the Company is compliant with all covenants under this Second Lien Bond.

Other loans and capital leases

As described above, a total of $25.0 million of the First Lien Facility is carved out into an overdraft facility. There was no borrowing under the overdraft facility at December 31, 2023.

We have finance arrangements relating to equipment in our Well Services and Platform Operation division. On December 31, 2023, the balance under these arrangements was $19.3 million.

Note 11 Leases

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

Assets leased under finance leases with a carrying value of $9.5 million are included in property plant and equipment.

Operating leases

The company has historically leased some operating assets, office and warehouse facilities and office equipment under operating leases. With effect from January 1, 2019, for material operating leases, we have recognised the relevant right of use assets and lease liabilities in our balance sheet. The leases have remaining lease terms of 1 to 10 years at March 31, 2024. Some operating leases include options to extend the leases for up to 3 years. We have sub-let unused office space, for which we received rental income of $26,040 during 2024.

We have calculated an incremental borrowing rate, or IBR, for discounting each lease's cash-flows to arrive at an initial value for the lease liability and right of use asset. The IBR is calculated as a function of the following elements/ considerations;

- Base rate – generally the inter-bank lending rate in the relevant jurisdictions,
- Credit spread – we estimate the effect of the lessee credit worthiness
- Country risk premium
- Inflation differential
- Contract term
- Security or collateral provided in the lease contract.

Significant judgment is required in estimating some of these elements. We apply a consistent methodology in estimating IBR for each lease.

We have elected not to recognise the right of use of assets and lease liability for short term leases.

Supplemental information pertaining to the Company's leasing activities for the year ended March 31, 2024 was as follows;

(In USD millions)	Three Months Ended March 31, 2023
Finance Lease costs	
Amortisation of right of use assets	1.2
Interest on lease liabilities	0.6
Operating lease costs	3.3
Short term lease costs	9.1
Total Lease costs	**14.6**
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	3.3
Financing cash flows from finance leases	0.6
Right of use assets obtained in exchange for new finance lease liabilities	-
Right of use assets obtained in exchange for new operating lease liabilities	
Weighted average remaining lease term in years – finance leases	3.7
Weighted average remaining lease term in years – operating leases	5.7
Weighted average discount rate – finance leases	8.0%
Weighted average discount rate – operating leases	9.7%

Note 12 Segment Information

We present our business under three reporting segments based on services supplied;

- Platform Operations
- Well Services
- Land Drilling

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

The accounting principles for the segments are the same as for our consolidated financial statements. Presented below and on the following page are the revenues, depreciation and amortization, operating income, capital expenditures, goodwill and total assets by segment.

Segment information

(In USD millions)	Three Months Ended March 31,	
	2024	**2023**
Revenues from external customers		
Platform Operations	143.1	117.7
Well Services	86.7	68.7
Land Drilling	78.5	80.2
Total revenue	**308.3**	**266.6**
Depreciation and amortisation		
Platform Operations	4.2	3.0
Well Services	3.6	2.7
Land Drilling	5.4	5.2
Total depreciation and amortisation	**13.2**	**10.8**

Operating income/net income		
Platform Operations	7.8	9.6
Well Services	11.1	5.1
Land Drilling	1.9	0.2
Corporate Cost	(2.9)	(2.1)
Stock compensation cost	(0.0)	(0.0)
Total operating income / (loss)	**17.9**	**12.8**
Total financial items	(26.7)	(28.9)
Gain on bargain purchase	-	(0.1)
Income taxes	(2.0)	(1.8)
Net (loss)/profit	**(10.8)**	**(17.9)**

Capital Expenditures

(In USD millions)	**Three Months Ended March 31,**	
	2024	**2023**
Capital Expenditures		
Platform Operations	2.1	0.7
Well Services	1.3	4.2
Shared assets*	1.1	0.4
Total excluding Land Drilling	4.4	5.3
Land Drilling	4.7	4.2
Total	**9.1**	**9.5**

Goodwill

(in USD millions)	**Platform Operations**	**Well Services**	**Total**
Balance at December 31, 2023	**76.4**	**79.6**	**156.0**
Translation adjustments	(3.2)	(3.8)	(7.0)
Balance at March 31, 2023	**73.1**	**75.8**	**148.9**

All goodwill relates to our Platform Drilling, Oiltools and Wireline operations

Total assets

(In USD millions)	**March 31, 2024**	**December 31, 2023**
Platform Operations	234.3	190.7
Well Services	237.2	301.8
Shared assets*	105.5	113.1
New investment Iceland Drilling	8.8	10.2
Land Drilling	304.4	285.5
Corporate	1.5	4.3
Total	**891.8**	**905.7**

* Assets shared by Platform Drilling and Well Services segments include shared office and admin facilities, cash which is pooled, and tax assets and liabilities

We test our fixed assets 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 the carrying amount. The testing of the valuation of our assets involves significant judgement and assumptions to be made in connection with the future performance of those assets in our business operations, including assumptions about future cash flows generated from these assets, discount rates applied to these cash flows and current market estimates of value.

In the first quarter of 2023 we have recognized impairment charges of $2 million in respect of idle land drilling rigs.

Note 13 Fair Value of Financial Instruments

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

Carrying value of financial instruments

(In USD millions)	**March 31, 2024**		**December 31, 2023**	
	Fair Value	**Carrying Value**	**Fair Value**	**Carrying Value**
Non-derivatives				
Cash and cash equivalents	57.4	57.4	52.1	52.1
Restricted cash	0.4	0.4	3.5	3.5
Accounts receivable	182.5	182.5	183.8	183.8
Accounts payable	(80.5)	(80.5)	(75.5)	(75.5)
Current portion of interest-bearing debt	(18.7)	(18.7)	(17.6)	(17.6)
Current portion of operating lease liability	(11.0)	(11.0)	(11.4)	(11.4)
Long-term interest-bearing debt	(216.7)	(213.7)	(222.1)	(222.1)
Second Lien Bond	(216.7)	(187.8)	(204.8)	(204.8)
Operating lease liability	(20.7)	(20.7)	(22.9)	(22.9)

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

Financial assets and liabilities

In USD millions)	March 31, 2024	Fair Value Measurements at Reporting Date Using		
	Fair Value	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	57.4	57.4	—	—
Restricted cash	0.4	0.4	—	—
Accounts receivable	182.5	—	182.5	—
Liabilities				
Accounts payable	(80.5)	—	(80.5)	—
Current portion of interest-bearing debt	(18.7)	—	(18.7)	—
Current portion of operating lease liability	(11.0)	—	(11.0)	—
Long-term, interest-bearing debt	(216.7)	—	(216.7)	—
Second Lien Bond	(216.7)	—	(216.7)	
Operating lease liability	(20.7)	—	(20.7)	—

Level 1: Quoted prices in active markets for identical assets

Level 2: Significant other observable inputs

Level 3: Significant unobservable inputs

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

The fair values of Second Lien Bond is based on the last observable trading price, prior to the close of the quarter.

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 adjusted for the prepaid debt fees (outstanding balance), since it bears variable interest rates, which are reset on a quarterly basis. This debt is not freely tradable, and we cannot purchase them at prices other than the outstanding balance plus accrued interest.

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

Note 14 Related Parties

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

Transactions with Comtrac AS:

Our 50% investment in Comtrac AS comprises equity investment and a loan equivalent to $1.0 million and $0.9 million respectively. We account for our investment using the equity method. During the three months ended March 31, 2024, we have invoiced Comtrac AS a total of NOK 0.9 million, or $0.1 million for services provided to them.

Transactions with Iceland drilling:

We have a 50% investment in Iceland Drilling. We account for this investment using the equity method of accounting. Due to the fact that we exercise significant influence over its operations, following the acquisition, Iceland is a related party. During the three months ended March 31, 2024, we have invoiced Iceland Drilling NOK 0.2 million, or $20 thousand for Board fee and administration costs..

Transactions with other related parties:

Seatankers Management Company Limited ("Seatankers") is a related party, being a company in which Archer's second-largest shareholder Hemen Holding Ltd has significant direct and indirect interests. Seatankers provides support and administrative services to us, and we have recorded fees of $0.1 million for these services during the three months ended March 31, 2024. These expenses are included in General and administrative expenses in the Consolidated statement of operations.

Note 15 Share capital

(In USD millions)	March 31, 2024		December 31, 2023	
	Shares	$ million	Shares	$ million
Authorized share capital	2,000,000,000	20.0	2,000,000,000	20.0
Issued, outstanding and fully paid share capital	1,624,264,969	16.2	1,624,264,969	16.2

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

See Note 17 Subsequent Events in regard to the share consolidation approved by the annual general meeting of Archer on April 30th.

Note 16 Legal Proceedings

From time to time, we are involved in litigation, disputes and other legal proceedings arising in the normal course of our business. We insure against the risks arising from these legal proceedings to the extent deemed prudent by our management and to the extent insurance is available, but no assurance can be given that the nature and amount of that insurance will be sufficient to fully indemnify us against liabilities arising out of pending and future legal proceedings. Many of these insurance policies contain deductibles or self-insured retentions in amounts we deem prudent and for which we are responsible for payment. If there is a claim, dispute or pending litigation in which we believe a negative outcome is probable and a loss by the Company can be reasonably estimated, we record a liability for the expected loss. As of March 31, 2024, we are not aware of any such expected loss which would be material to our financial position and results of operations. Nor are we involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened) which may have, or have had in the recent past, significant effects on our financial position or profitability.

Note 17 Subsequent Events

Capital Reorganisation

At the Company's Annual General Meeting on April 30, 2024, the shareholders approved the following reorganisation of the Company's capital:

- the consolidation of the authorised share capital and issued share capital of the Company so that 25 shares of par value US$0.01 each became 1 share of par value US$0.25 each
- the reduction of the issued and paid-up share capital of the Company by reducing the paid-up capital of the Company by US$0.24 on each of the issued shares of the Company such that the par value of each such issued share be reduced from US$0.25 to US$0.01

The capital re-organisation, becomes effective on May 7th, 2024, after which, the total number of issued and fully paid shares of par value of $0.01 outstanding were 64,970,598.

Acquisition of shares in Vertikal Service AS

On May 6th, 2024 we completed the acquisition of 65% of the shares in Vertikal Service AS, an unrelated company who offers inspection, installation, and maintenance services to energy customers using advanced industrial rope access techniques on complex structures such as offshore and onshore wind turbines, hydropower stations, and offshore oil and gas installations.

Appendix to First Quarter 2024 Report

13.We report our financial results in accordance with generally accepted accounting principles (GAAP). However, Archer's management believes that certain non-GAAP performance measures and ratios may provide users of this financial information additional meaningful comparison between current results and results in prior operating periods. One such non-GAAP financial measure we use is earnings before interest, taxes, depreciation and amortization (EBITDA), adjusted for special charges or amounts. This adjusted income amount is not a measure of financial performance under GAAP. Accordingly, it should not be considered as a substitute for operating income, net income or other income data prepared in accordance with GAAP. See the table that follows for supplemental financial data and corresponding reconciliations to GAAP financial measures for the Three Months Ended March 31, 2024, December 31, 2023, September 30, 2023, June 30, 2023, March 31, 2023 and December 30, 2022. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, our reported results prepared in accordance with GAAP.

Condensed Consolidated Statements of Operations (Unaudited)

(In USD million)	**Three Months Ended**					
	Mar. 31, 2024	**Dec. 31, 2023**	**Sep. 30, 2023**	**Jun. 30, 2023**	**Mar. 31, 2023**	**Dec. 31, 2022**
Revenue	308.3	305.1	302.7	294.9	266.6	264.3
Cost and expenses						
Operational costs	290.4	288.1	286.1	276.5	(253.8)	(249.1)
Impairments					(2.0)	(2.3)
Net financial items	(26.7)	(8.7)	(16.5)	(32.6)	(28.9)	7.2
Gain on bargain purchase	—	—	(0.3)	0.1	(0.1)	—
Income / (loss) from continuing operations before income taxes	**(8.7)**	**8.2**	**(0.1)**	**(14.1)**	**(16.1)**	**20.2**
Income tax (expense)/benefit	(2.0)	0.3	(2.4)	(2.0)	(1.8)	(3.8)
Net income / (loss)	**(10.8)**	**8.5**	**(2.5)**	**(16.2)**	**(17.9)**	**16.4**

Reconciliation of GAAP to non-GAAP Measures (Unaudited)

(In USD million)	**Three Months Ended**					
	Mar. 31, 2024	**Dec. 31, 2023**	**Sep. 30, 2023**	**Jun. 30, 2023**	**Mar. 31, 2023**	**Dec. 31, 2022**
Net income / (loss)	(10.8)	8.5	(2.5)	(16.2)	(17.9)	16.4
Depreciation, amortization and impairments (net of gains/losses on sale of assets)	13.2	14.4	13.5	11.9	12.8	14.3
Net financial items	26.7	8.7	16.5	32.6	28.9	(7.2)
Taxes on income	2.0	(0.3)	2.4	2.0	1.8	3.8
Gain on sale of asset	(0.2)	(0.5)	0.6	(0.4)	(0.4)	0.1
Gain on bargain purchase		—	0.3	—	0.1	—
EBITDA	**30.9**	**30.9**	**30.7**	**30.0**	**25.2**	**27.4**
Exceptional charges	2.0	2.4	1.7	1.9	2.2	1.8
EBITDA before restructuring costs	**32.9**	**33.4**	**32.3**	**31.9**	**27.4**	**29.2**

EBITDA by reporting segments (Unaudited)

(In USD million)	Three Months Ended					
	Mar. 31, 2024	**Dec. 31, 2023**	**Sep. 30, 2023**	**Jun. 30, 2023**	**Mar. 31, 2023**	**Dec. 31, 2022**
Platform Operations	12.0	14.9	13.6	9.5	12.5	15.5
Well Services	14.7	12.6	13.6	13.3	7.7	7.1
Land Drilling	7.2	5.5	6.1	9.0	7.0	7.3
Corporate costs	(3.0)	(2.2)	(2.7)	(1.9)	(2.1)	(2.5)
EBITDA	**30.9**	**30.9**	**30.6**	**30.0**	**25.2**	**27.4**

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