



Archer Second Quarter 2019

Executive Chairman Kjell-Erik Østdahl and CFO Dag Skindlo

8 August 2019

Archer

Disclaimer – forward looking statements

Cautionary Statement Regarding Forward-Looking Statements

In addition to historical information, this press release contains statements relating to our future business and/or results. These statements include certain projections and business trends that are “forward-looking.” All statements, other than statements of historical fact, are statements that could be deemed forward-looking statements, including statements preceded by, followed by or that include the words “estimate,” pro forma numbers, “plan,” project,” “forecast,” “intend,” “expect,” “predict,” “anticipate,” “believe,” “think,” “view,” “seek,” “target,” “goal” or similar expressions; any projections of earnings, revenues, expenses, synergies, margins or other financial items; any statements of the plans, strategies and objectives of management for future operations, including integration and any potential restructuring plans; any statements concerning proposed new products, services, developments or industry rankings; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions underlying any of the foregoing.

Forward-looking statements do not guarantee future performance and involve risks and uncertainties. Actual results may differ materially from projected results/pro forma results as a result of certain risks and uncertainties. Further information about these risks and uncertainties are set forth in our most recent annual report for the Year ending December 31, 2018. These forward-looking statements are made only as of the date of this press release. We do not undertake any obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise.

The forward-looking statements in this report are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management’s examination of historical operating trends, data contained in our records and other data available from Fourth parties. Although we believe that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies, which are impossible to predict and are beyond our control, we cannot assure you that we will achieve or accomplish these expectations, beliefs or projections.

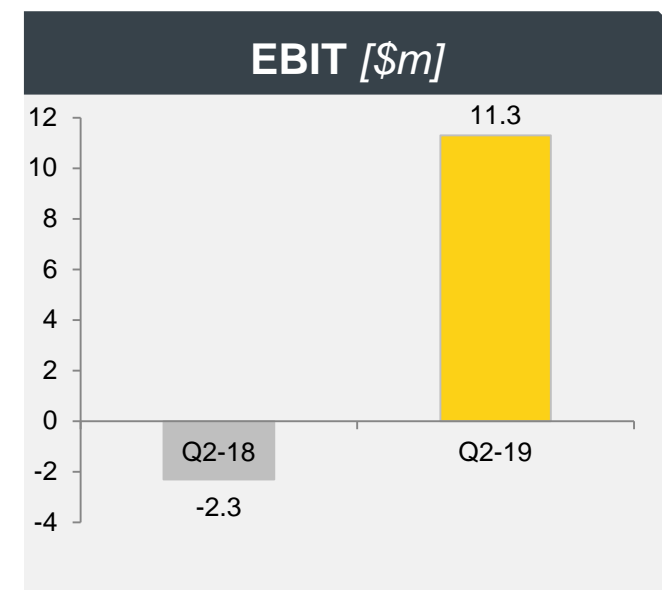
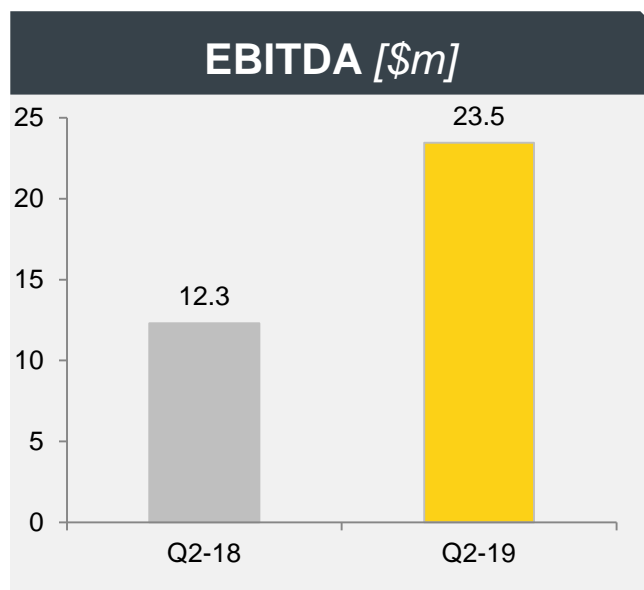
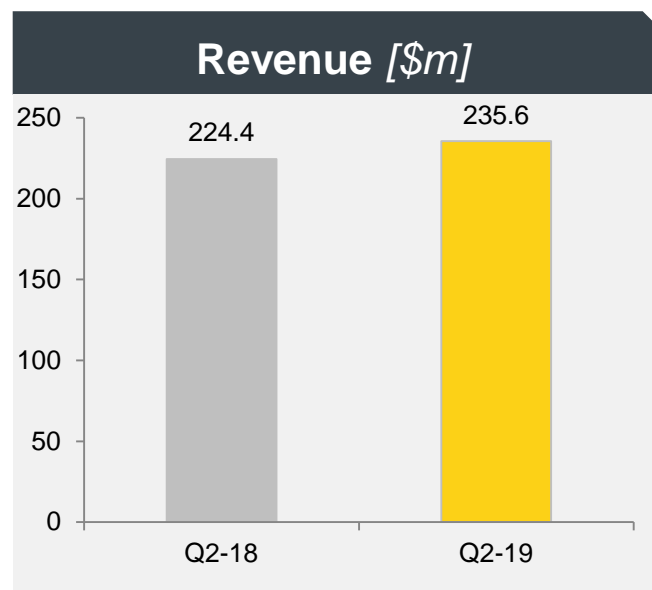
- Fourth quarter in a row with EBITDA margin above 10%
- Awarded contract for the Modular Rig “Archer Emerald”
- Renewed Platform Drilling contract for Chevron in UK
- New technology in Oiltools continue to gain traction



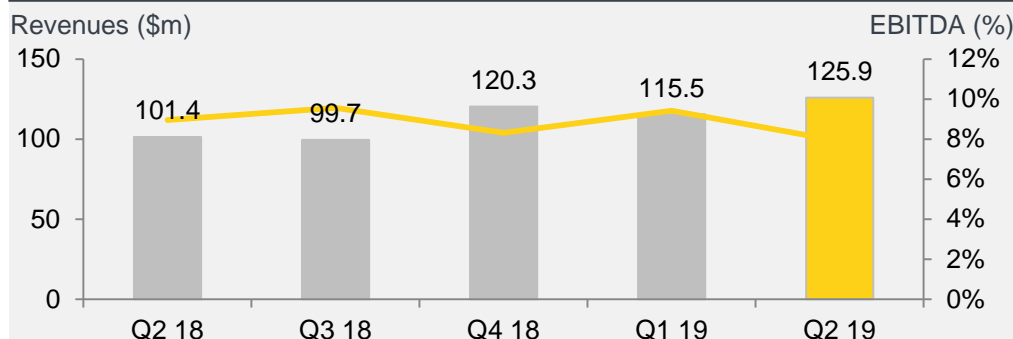
Archer – second quarter financial results



- Revenue of \$235.6 million
- EBITDA of \$23.5 million, or 10% of revenue
- EBIT of \$11.3 million or 5% of revenue versus a loss in same period last year
- Net Income of \$3.5 million
- Net Interest Bearing Debt further reduced to \$580 million



Revenue and EBITDA [\$m and %]



\$m	Q2 18	Q3 18	Q4 18	Q1 19	Q2 19
EBITDA	9.1	9.5	10.0	10.9	10.0
Capex	0.3	1.0	3.8	0.2	1.1

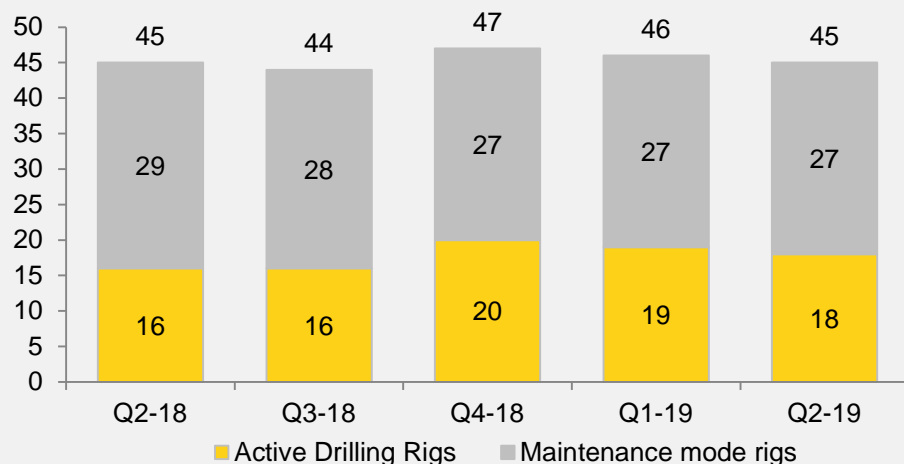
Financial highlights

- 24% increase in Revenue compared to Q2 2018
- 10% increase in EBITDA relative to Q2 2018
- Capex spend in the quarter of \$1.1m

Operational highlights

- Signed contract for Modular Rig Emerald to be deployed in New Zealand, with drilling expected to commence in March 2020
- Tender process ongoing for Modular Rig Topaz with potential for drilling starting Q2 2020
- Renewed contract with Chevron in the UK
- Contract with Energean in Greece expired at the end of May - one less contracted rig during the quarter
- Shell decided on a different technical solution for final P&A on Brent Charlie – Archer personnel on board will be minimal as of August 2019

Platform Drilling contracted rigs [nr of rigs]



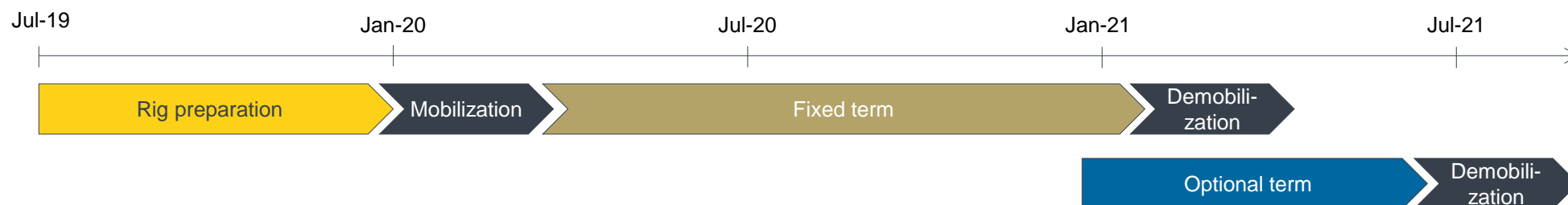
Awarded contract for the modular drilling rig Archer Emerald in New Zealand

Archer

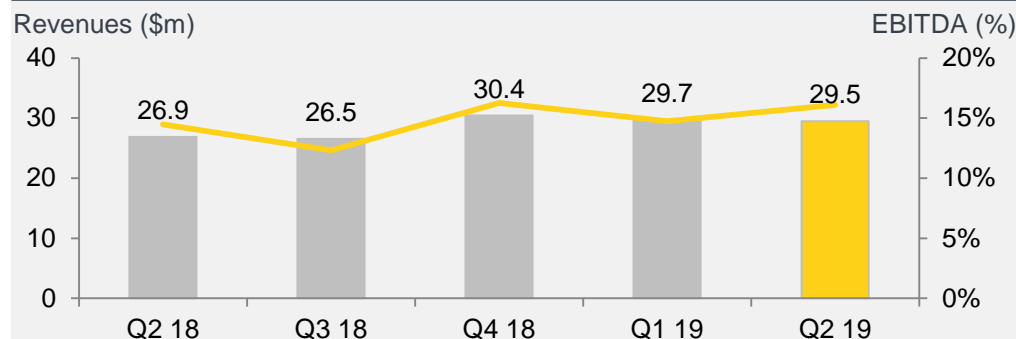
- Archer has been awarded a contract with OMV Taranaki Limited for the provision of drilling services using the modular drilling rig ("MDR") Archer Emerald, including associated services, materials, equipment and personnel
- The contract is for a firm five well contract with two one well options on OMV's Maui A platform located in the Tasman Sea in New Zealand
- The firm contract commitment is estimated at 11 months, with a further 5 months for the optional wells



Projected timeline:

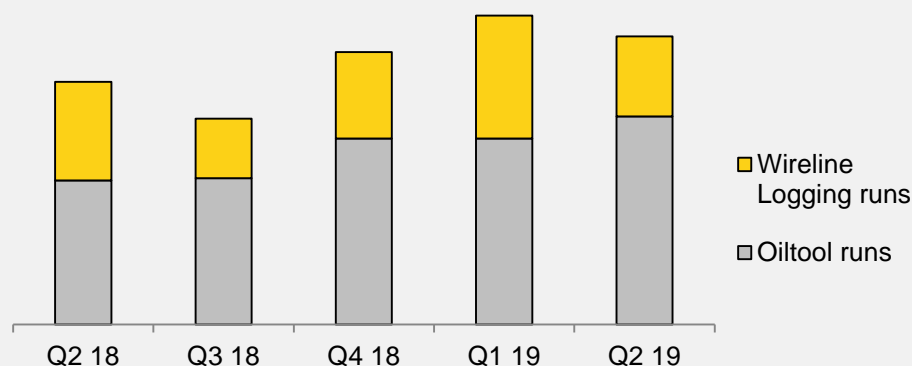


Revenue and EBITDA [\$m and %]



\$m	Q2 18	Q3 18	Q4 18	Q1 19	Q2 19
EBITDA	3.9	3.3	5.0	4.4	4.7
Capex	0.4	0.9	3.2	1.1	1.0

Number of runs



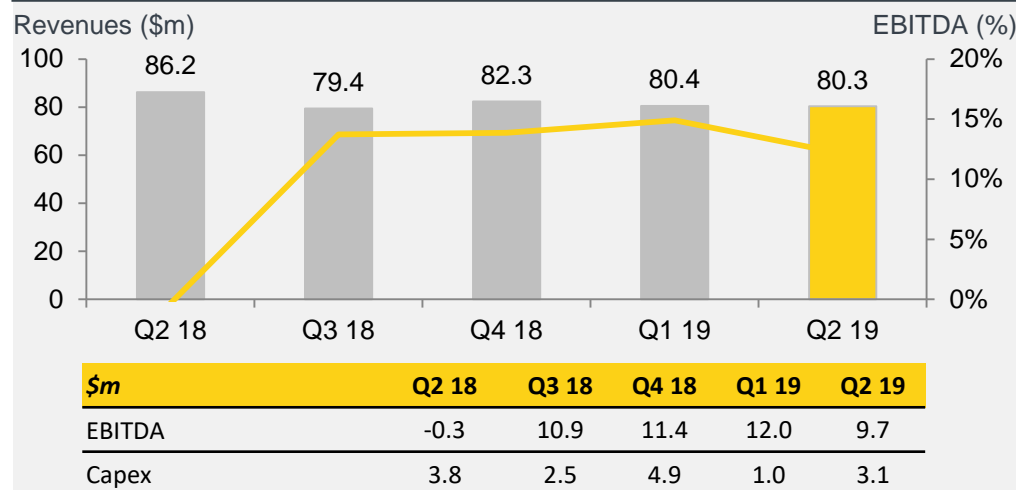
Financial highlights

- 10% increase in Revenue compared to Q2 2018
- 18% increase in EBITDA relative to Q2 2018
- New technology in Oiltools accounts for 21% of revenue in the quarter, up from previous quarter
- Strong cash flow generation

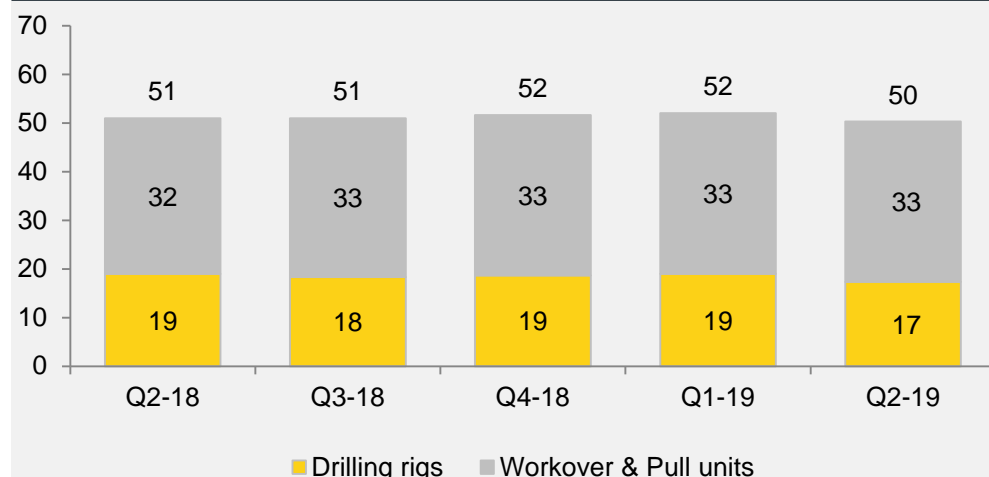
Operational highlights

- Stable good quarter with Oiltools, with good development across all product lines
- P&A and Slot Recovery solutions gaining interest internationally through several new first client trials in the Middle East and North Africa
- Wireline experienced a soft Q2 due to shutdown of client platforms for maintenance in Norway for the month of June. Start-up of normal operations in July, albeit with less active units deployed

Revenue and EBITDA [\$m and %]



Archer active rigs [nr of rigs]



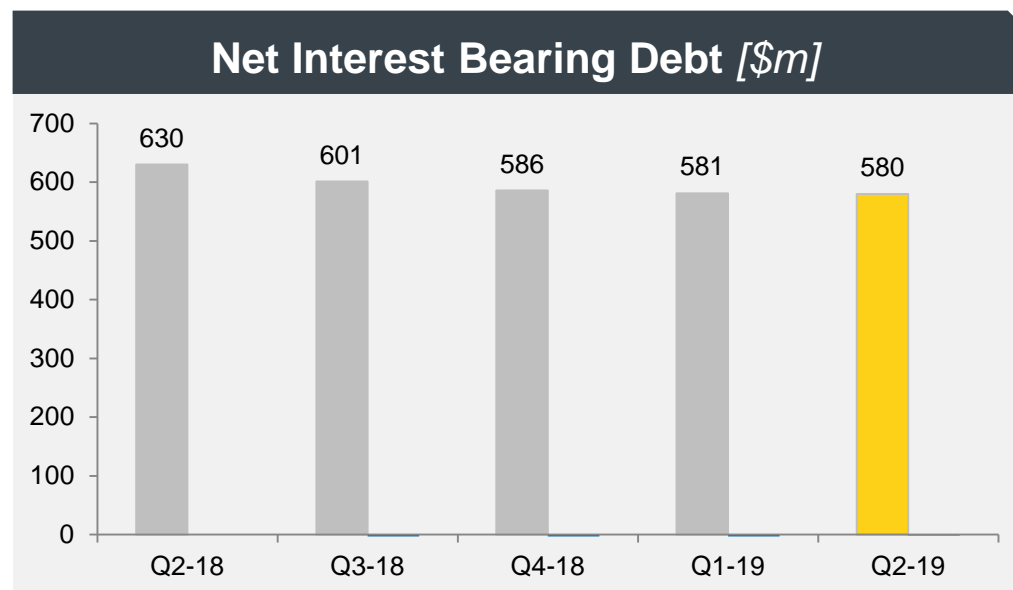
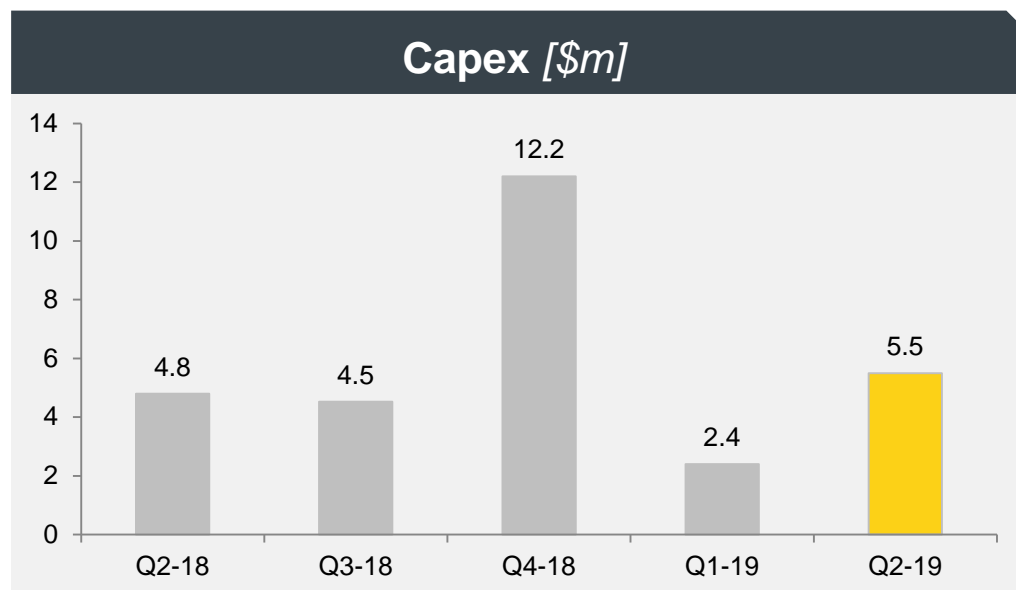
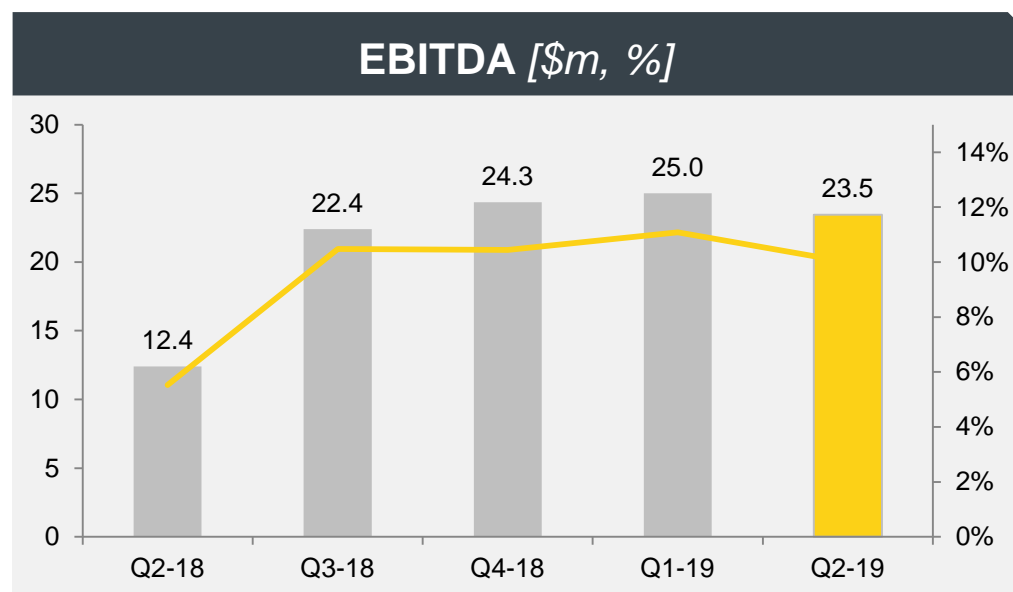
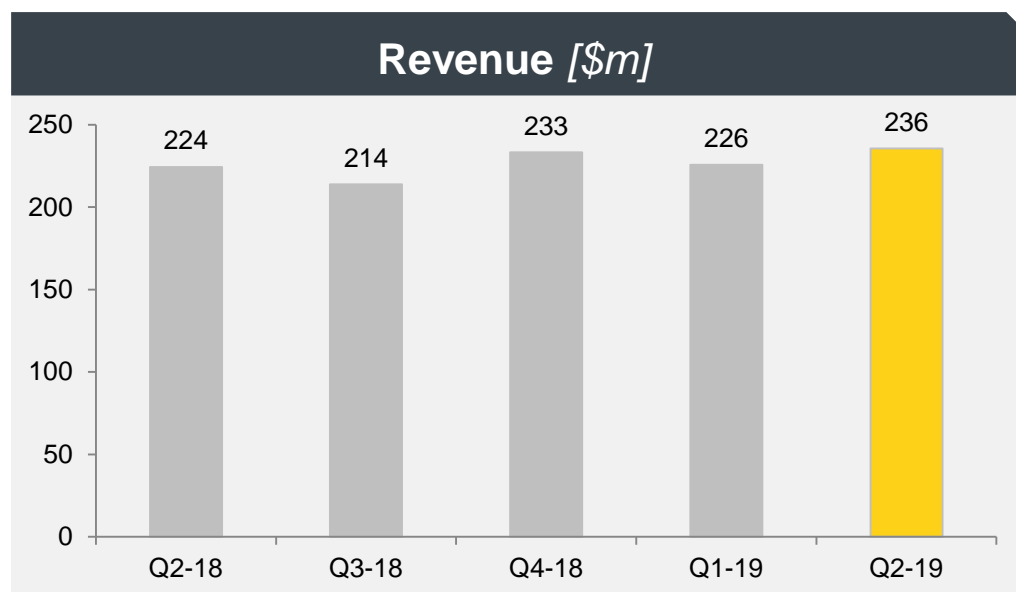
Financial highlights

- Revenue down ~7% relative to same quarter last year following a 32% depreciation of the Argentine Peso during the last 12 months
- \$10 million increase in EBITDA relative to Q2 2018, primarily due to strong drilling performance and lower cost base
- The quarter was negatively impacted by high R&M cost, excessive standby as rigs were waiting on location and unfavorable macroeconomics where inflation outpaces depreciation of the currency

Operational highlights

- Lower activity levels in Bolivia leading to 2 less active rigs in the quarter
- Number of active drilling rigs expected to be lower in Q3 and Q4 as clients are cutting back on some drilling programs in Argentina
- We expect that ongoing tendering activity, including a letter of intent, will result in some rigs being contracted long term following rig upgrades to meet the new well design in Vaca Muerta

Archer Group – financial highlights second quarter 2019



Condensed profit and loss statement

<i>(Figures in \$ million)</i>	Q2 18	Q2 19	YTD 2018	YTD 2019
Operating revenues	204.0	212.8	405.6	423.0
Reimbursable revenue	20.4	22.9	37.1	38.2
Total Revenues	224.4	235.6	442.7	461.3
EBITDA before exceptional items	18.0	23.5	36.1	48.4
Exceptional items	(5.6)	0.0	(10.5)	0.0
EBITDA after exceptional items	12.3	23.5	25.6	48.4
Depreciation, amortization, impairments, other	(14.6)	(12.2)	(29.4)	(25.3)
EBIT	(2.3)	11.3	(3.8)	23.2
Result from associated entities	0.3	(3.7)	(3.7)	(4.9)
Interest rate expensed	(10.0)	(9.3)	(18.9)	(19.5)
Other financial costs	(10.1)	5.9	6.8	4.6
Net financial items	(19.8)	(7.1)	(15.8)	(19.9)
Net result before tax	(22.1)	4.2	(19.6)	3.3
Tax expense/(benefit)	(14.7)	0.6	(16.6)	(1.7)
Net income/(loss)	(7.4)	3.5	(3.0)	4.9
Net loss from discontinued operations	-	-	-	-

- Second quarter revenue of \$235.6 million, an increase of 4.2% relative to first quarter 2019 largely due to higher activity for Platform drilling and Engineering
- EBITDA of \$23.5 million, or 10% of revenue. No restructuring costs reported in the quarter
- Positive EBIT of \$11.3 million, or 4.8% of revenue
- Net financial items of \$7.1 million in the second quarter, a significant improvement from previous quarter due to less foreign exchange impact
- Net positive result for the quarter of \$3.5 million

Condensed balance sheet



(Figures in \$ million)	31/03/19	30/06/19
ASSETS		
Cash, cash equivalents & restricted cash	32.2	51.1
Accounts receivables	142.8	148.1
Inventories	52.2	52.1
Right of use assets current	12.3	1.4
Other current assets	24.6	24.4
Total current assets	264.0	277.1
Investments and loans in associates	66.0	63.4
Property, plant and equipment, net	383.7	378.1
Right of use assets	30.1	41.7
Goodwill	170.1	175.6
Other non current assets	37.7	40.6
Total non current assets	687.6	699.4
Total assets	951.6	976.5
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current portion of interest-bearing debt	18.5	33.4
Accounts payable	48.7	55.1
Lease liability current	12.3	12.3
Other current liabilities	104.4	106.4
Total current liabilities	183.9	207.3
Long-term interest-bearing debt	528.2	524.0
Subordinated related party loan	58.3	58.3
Deferred taxes	2.2	2.3
Lease liability	30.1	30.8
Other noncurrent liabilities	0.8	0.6
Total noncurrent liabilities	619.6	616.0
Shareholder's equity	148.2	153.2
Total liabilities and shareholders' equity	951.6	976.5

Assets .

- Total current assets increased by \$13.1 million in the second quarter compared to first quarter, with an increased cash balance of \$18.9 million
- Accounts receivables increased by \$5.3 million as a consequence of higher revenues in the quarter
- Total non-current assets increased by \$11.8 million in the second quarter compared to first quarter due to changes in foreign exchange rates

Liabilities

- Total current liabilities increased by \$23.4 million in the quarter as a consequence of higher portion of interest bearing debt falling due within the next 12 months
- NIBD decreased by \$1.3 million in the quarter, ending at \$580.0 million
- Short term borrowing was \$33.4 million and long term interest bearing debt was \$582.3 million

- Archer expects stable strong operating and financial performance for the remainder of 2019, with the second half of 2019 to largely mirror the first half, despite slightly lower activity levels in Platform Drilling and Land Drilling
- Archer expects Capex of around 4% of revenue following the contract award for Archer Emerald and expected upgrade of select rigs in Argentina
- Robust liquidity and strong operational cash flow





Appendices

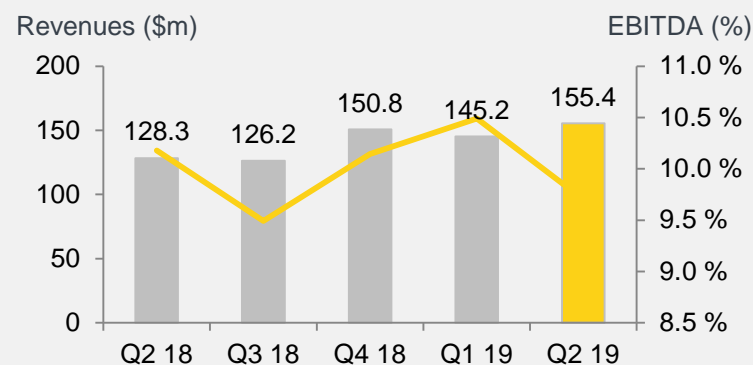
Archer
The well company

Segment key financials

Eastern Hemisphere

Platform drilling & Engineering

Well Services

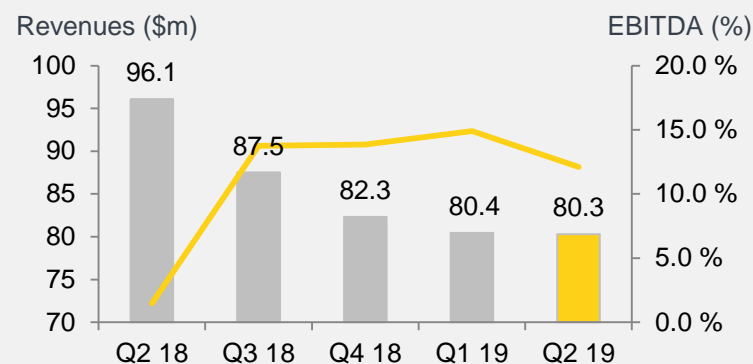


\$m	Q2 18	Q3 18	Q4 18	Q1 19	Q2 19
Revenues	128.3	126.2	150.8	145.2	155.4
EBITDA	13.1	12.0	15.3	15.2	15.1
Capex	1.0	2.0	7.3	1.4	2.4

Western Hemisphere

Land drilling

Note:
Financials pre Q4-18 include US Onshore



\$m	Q2 18	Q3 18	Q4 18	Q1 19	Q2 19
Revenues	96.1	87.5	82.3	80.4	80.3
EBITDA	1.4	12.0	11.4	12.0	9.7
Capex	3.8	2.5	4.9	1.0	3.1

Condensed profit and loss statement – last 5 quarters

(Figures in \$ million)	Q2 18	Q3 18	Q4 18 ¹⁾	Q1 19	Q2 19	2018 ¹⁾
Operating revenues	204.0	192.9	212.7	210.3	212.8	811.2
Reimbursable revenue	20.4	20.8	20.5	15.4	22.9	78.4
Total Revenues	224.4	213.7	233.2	225.7	235.6	889.6
EBITDA before exceptional items	18.0	25.7	26.9	25.0	23.5	88.7
Severance payments	(4.5)	(2.5)	(2.4)	-	-	(11.9)
Idle personnel costs	(1.1)	(0.8)	(0.1)	-	-	(4.1)
Office costs				-	-	(0.4)
Total Exceptional items	(5.6)	(3.3)	(2.5)	-	-	(16.4)
EBITDA after exceptional items	12.3	22.4	24.3	25.0	23.5	72.3
Depreciation, amortization, impairments, other	(14.6)	(13.8)	(13.6)	(13.1)	(12.2)	(56.8)
EBIT	(2.3)	8.6	10.7	11.9	11.3	15.5
Result from associated entities	0.3	0.2	(35.9)	(1.2)	(3.7)	(39.4)
Interest rate expensed	(10.0)	(9.3)	(10.0)	(10.2)	(9.3)	(38.2)
Other financial costs	(10.1)	1.8	(14.1)	(1.4)	5.9	(5.5)
Net financial items	(19.8)	(7.3)	(60.0)	(12.8)	(7.1)	(83.1)
Net result before tax	(22.1)	1.3	(49.3)	(0.9)	4.2	(67.6)
Tax benefit / (expense)	14.7	5.6	(7.6)	2.3	(0.6)	14.6
Net income/(loss)	(7.4)	6.9	(56.9)	1.4	3.5	(53.0)
Net loss from discontinued operations	-	-	-	-	-	-

1) Restated Q4 2018 and 2018 relative to Q4 18 reporting on 27th February 2019 due to reduced carrying value of our QES shares in the Annual Report for 2018

Condensed balance sheet – last 5 quarters

<i>(Figures in \$ million)</i>	30/06/18	30/09/18	31/12/18 ¹⁾	31/03/19	30/06/19
ASSETS					
Cash, cash equivalents & restricted cash	33.2	27.3	31.5	32.2	51.1
Accounts receivables	140.0	124.4	137.0	142.8	148.1
Inventories	57.7	51.8	51.9	52.2	52.1
Right of use assets current	-	-	-	12.3	1.4
Other current assets	31.2	32.1	23.5	24.6	24.4
Total current assets	262.1	235.6	243.9	264.0	277.1
Investments and loans in associates	110.0	110.1	66.5	66.0	63.4
Property, plant and equipment, net	411.6	397.6	392.5	383.7	378.1
Right of use assets	-	-	-	30.1	41.7
Goodwill	183.0	182.7	172.6	170.1	175.6
Other non current assets	35.3	36.9	35.1	37.7	40.6
Total noncurrent assets	739.9	727.3	666.7	687.6	699.4
Total assets	1002.0	962.9	910.6	951.6	976.5
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current portion of interest-bearing debt	8.9	8.0	4.7	18.5	33.4
Accounts payable	51.8	45.3	45.5	48.7	55.1
Lease liability current	-	-	-	12.3	12.3
Other current liabilities	100.8	89.4	108.1	104.4	106.4
Total current liabilities	161.5	142.7	158.3	183.9	207.3
Long-term interest-bearing debt	584.4	555.1	543.0	528.2	524.0
Subordinated related party loan	58.3	58.3	58.3	58.3	58.3
Deferred taxes	3.1	3.4	2.8	2.2	2.3
Lease liability	-	-	-	30.1	30.8
Other noncurrent liabilities	1.7	1.5	1.0	0.8	0.6
Total noncurrent liabilities	647.5	618.3	605.1	619.6	616.0
Shareholder's equity	193.0	201.9	147.2	148.2	153.2
Total liabilities and shareholders' equity	1002.0	962.9	910.6	951.6	976.5

1) Restated 31.12.2018 relative to Q4 18 reporting on 27th February 2019 due to reduced carrying value of our QES shares in the Annual Report for 2018.

Condensed cash flow statement – last 5 quarters

<i>(Figures in \$ million)</i>	Q2 18	Q3 18	Q4 18	Q1 19	Q2 19
Operating activities	4.9	(1.5)	36.1	4.0	18.1
Investing activities	(5.0)	25.1	(8.6)	(2.4)	(5.2)
Financing activities	(11.4)	(30.3)	(15.2)	(0.8)	10.0
FX effect	(6.1)	0.8	(8.1)	(0.1)	(4.1)
Total ¹⁾	(17.6)	(5.9)	4.2	0.7	18.8

1) Cash and cash equivalents including restricted cash