

14 February 2020

Refinancing update, Q4 2019 and 2020 Guidance

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Disclaimer – forward looking statements

Cautionary Statement Regarding Forward-Looking Statements

In addition to historical information, this presentation 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.



Refinancing during Q1

- We are in the closing stages to conclude an amend and extend solution with our senior lenders
- We expect to announce a solution in Q1

Strong Q4 performance

- \$27.5 million EBITDA pre except. items
- \$25 million reduction in NIBD despite high investment level
- Strong order intake





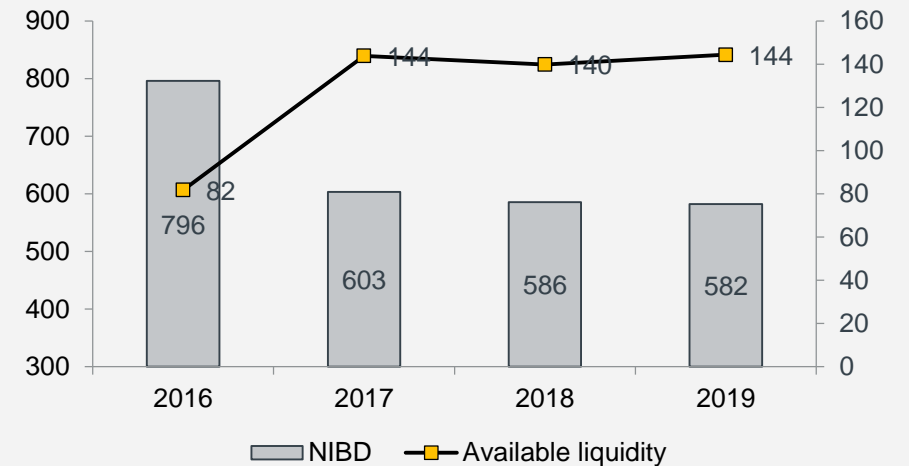
Refinancing Update



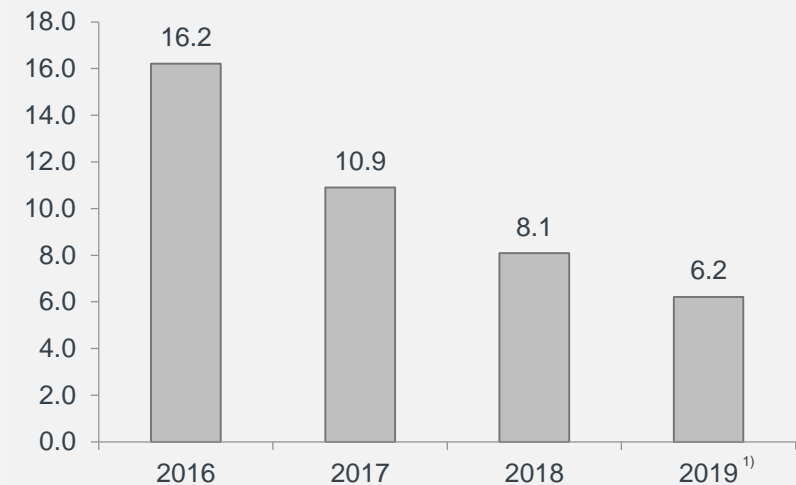
We expect to announce final refinancing solution during Q1

- A strong NIBD/EBITDA development and \$144 million of available liquidity has been the background for refinancing discussions
- We are in the closing stages to conclude an amend and extend solution with our senior lenders
- Details of the amendment and extension will be shared once all agreements have been concluded

Historic NIBD and Liquidity [\$m]



Net Interest Bearing Debt / EBITDA



1) Definition in loan agreement gives NIBD / EBITDA = 5.15

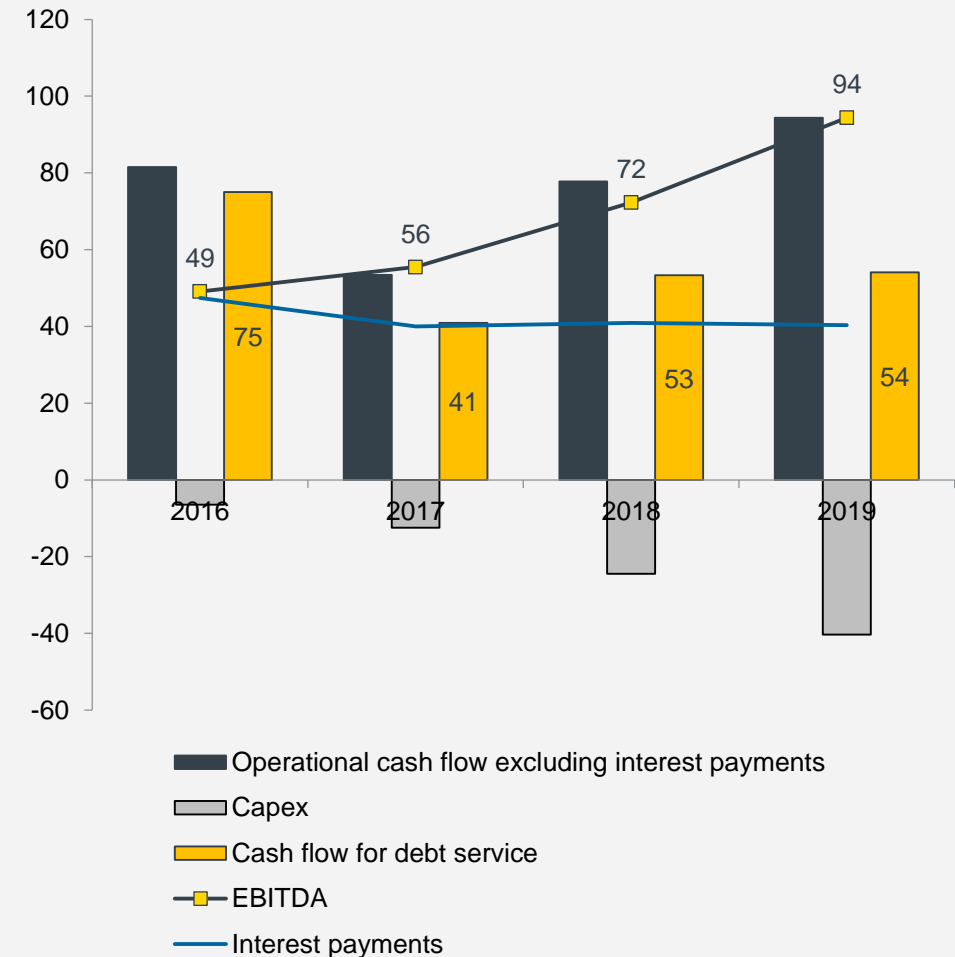


Archer with robust cash flow generation

- During the downturn Archer was able to deliver strong operational cash flow by cutting costs, releasing working capital and reducing capex
- As the market has improved, we have increased the growth capex and increased working capital to invest for future earnings

NIBD reduction during market downturn and market recovery

Reported EBITDA and Cash flow for debt service ¹⁾[\$m]



1) Cash flow for debt service is Operational cash flow after capex and before interest payments



Quarterly results

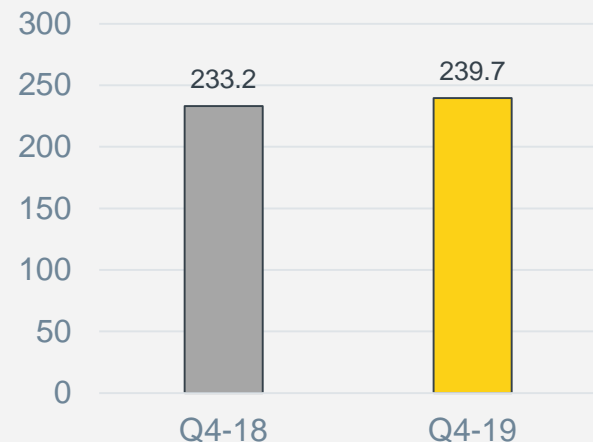
Q4 2019



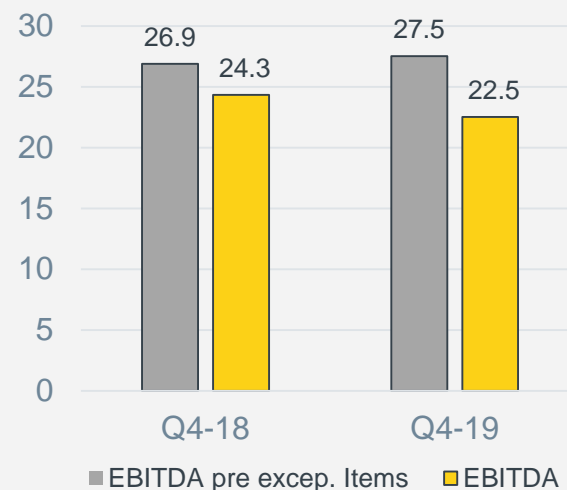
Q4 2019

Key financial highlights Q4 2019

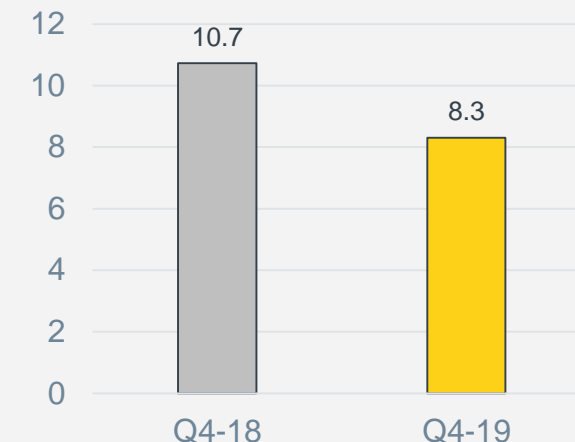
Revenue [\$m]



EBITDA [\$m]



EBIT [\$m]

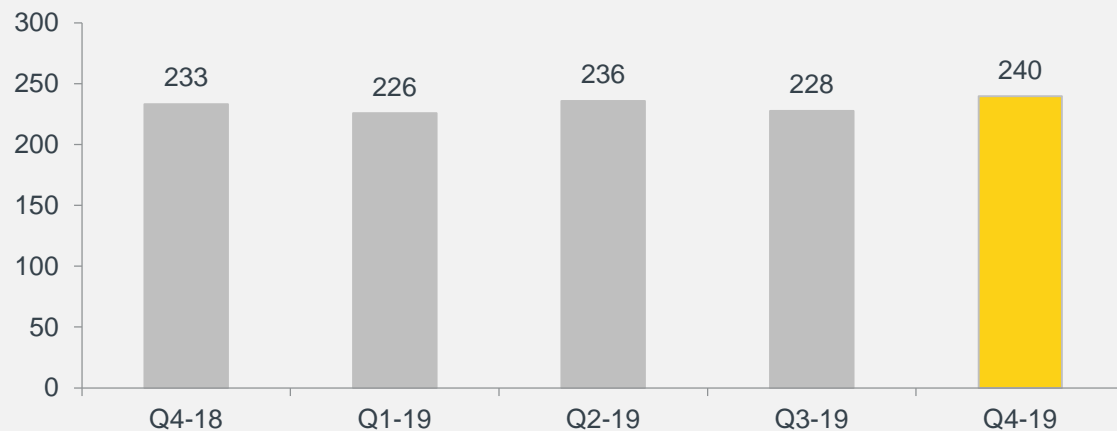


- Revenue of \$239.7 million
- EBITDA pre except. items of \$27.5 million
- EBIT of \$8.3 million
- Net interest bearing debt reduced by \$25 million to \$582 million
- Significant backlog to support activity growth in 2020

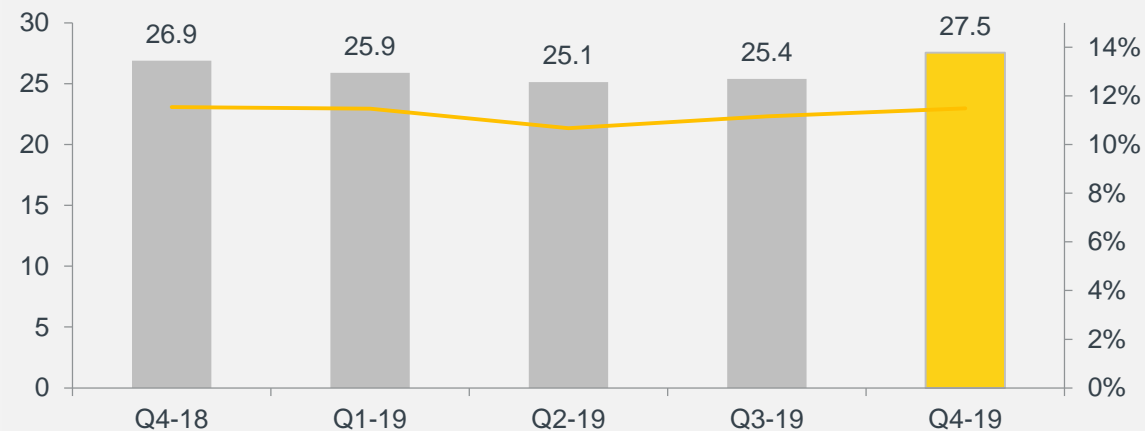


Archer Group – financial highlights fourth quarter 2019

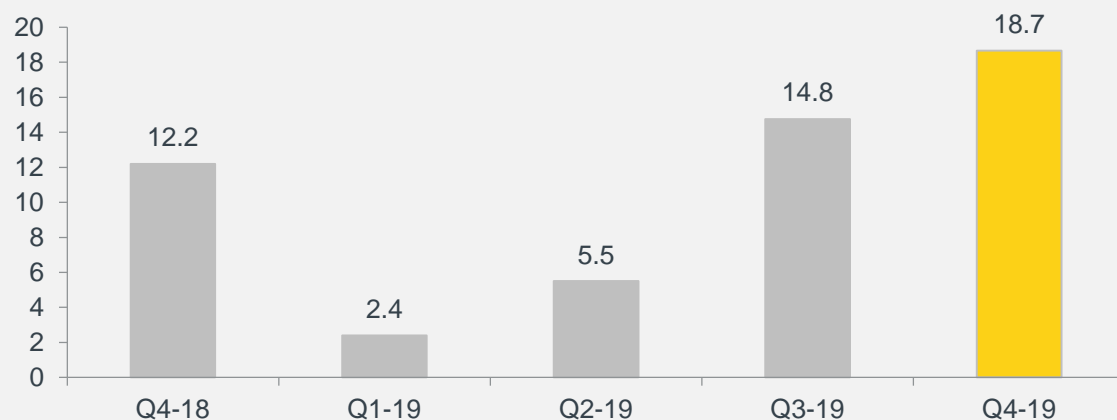
Revenue [\$m]



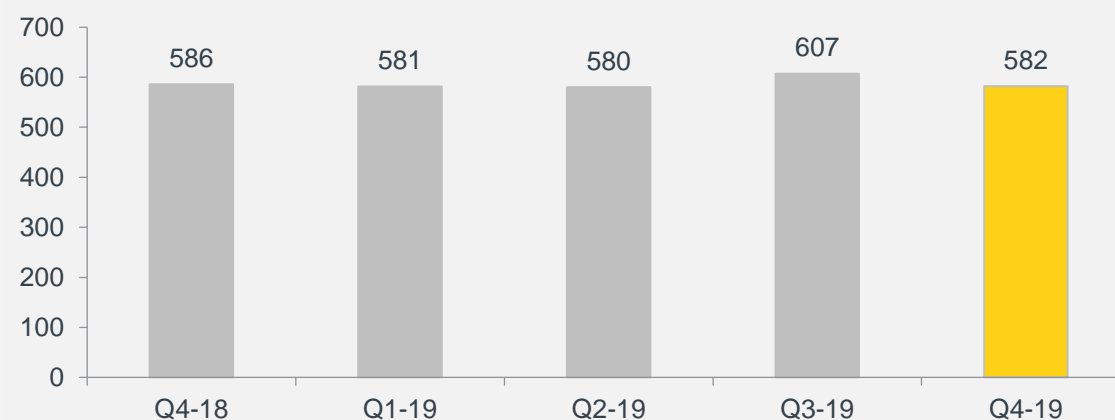
EBITDA pre-exceptional items [\$m, %]



Capex [\$m]



Net Interest Bearing Debt [\$m]



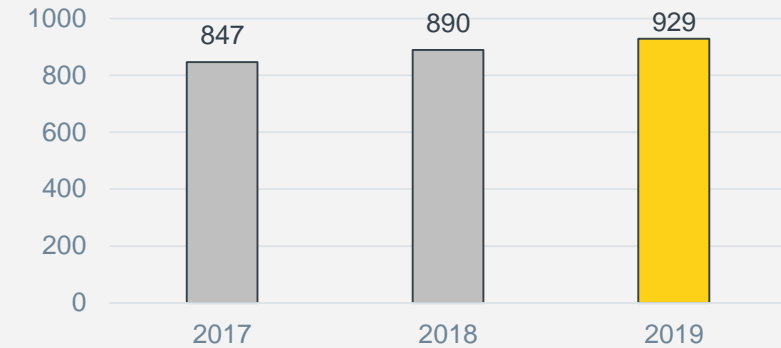


Q4 2019

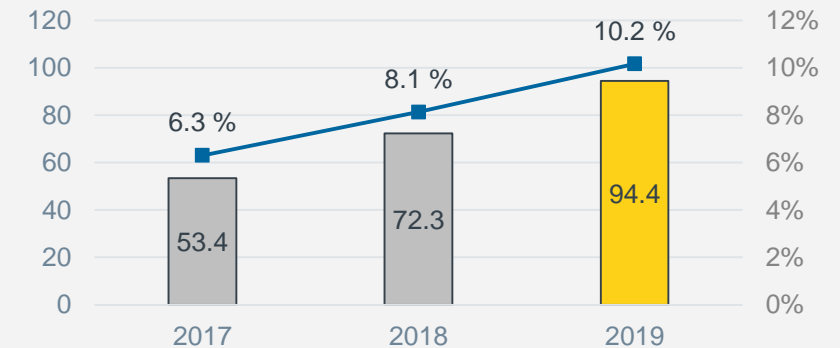
Archer continued the financial improvement in 2019

- 4 % growth in revenue over 2018
 - 18% increase in Eastern Hemisphere
- 30% growth in EBITDA over 2018
 - From 8.1% to 10.2%
- 170% growth in EBIT over 2018
 - From 1.7% to 4.6%

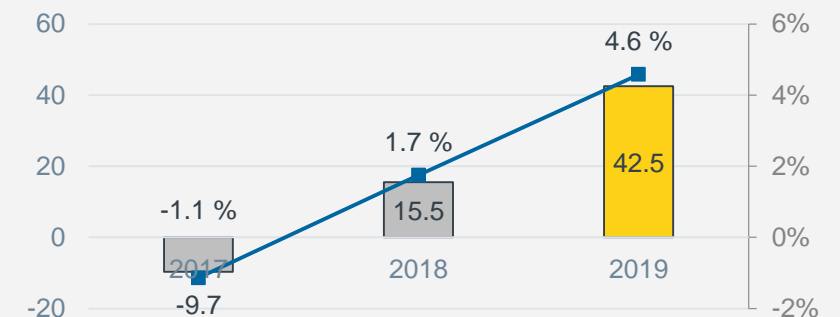
Revenue [\$m]



EBITDA [\$m,%]

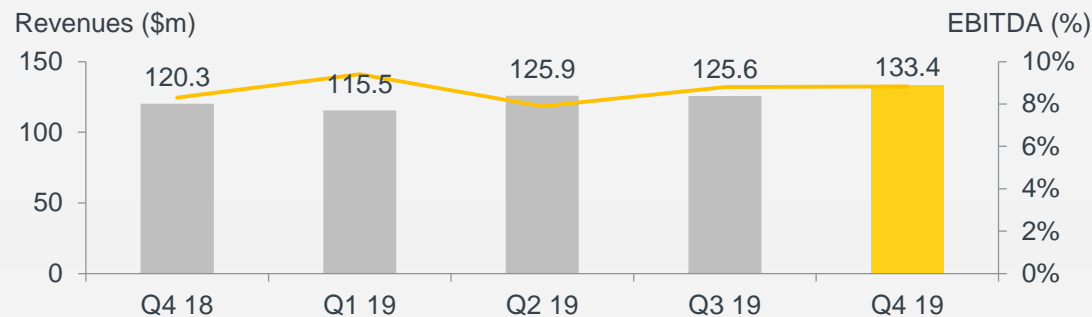


EBIT [\$m,%]



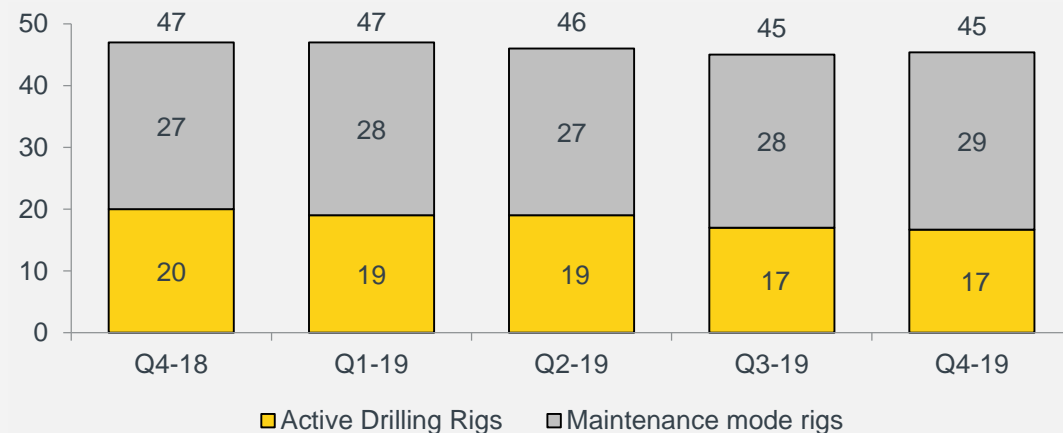
Platform Drilling & Engineering

Revenue and EBITDA [\$m and %]



\$m	Q4 18	Q1 19	Q2 19	Q3 19	Q4 19
EBITDA	10.0	10.9	10.0	11.0	11.8
Capex	3.8	0.2	1.1	3.7	6.8

Platform Drilling contracted rigs [nr of rigs]



Financial highlights

- Strong development relative to Q4 2018:
 - 11% increase in Revenue
 - 18% increase in EBITDA
- Capex spend in the quarter of \$6.8m mainly related to Emerald reactivation

Operational highlights

- Archer received LOI for multiyear operation of modular rig Archer Topaz. A successful award of this contract will secure the rig working until 2023/2024
- Archer awarded a 4 year contract extension from Equinor for the Peregrino Field offshore
- Backlog (in USD) increased by 6% from end 2018 (including options) as MDRs are again contracted
- Steady growth for Engineering quarter on quarter throughout 2019

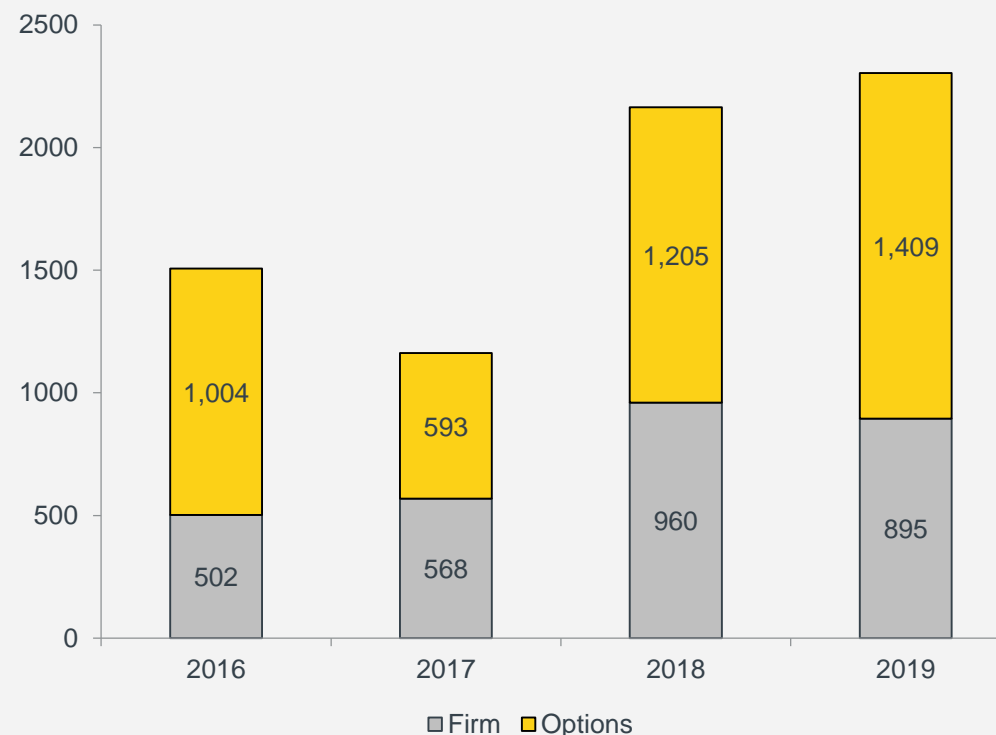
Platform Drilling - increased backlog

Platform Drilling Backlog by platform

Country	Operator	Nr. of platforms	2020				2021				2022				2023			
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
United Kingdom	Apache	6																
	Ithaca	2																
	Fairfield	1																
	Rockrose	2																
	Shell	1																
	Repsol Sinopec	7																
Norway	Aker BP	3																
	ConocoPhillips	3																
	Repsol	1																
	Equinor	12																
	Equinor	1																
Brazil	Equinor	2																
MDR	OMV	1																
	Equinor	1																

Firm Contract
 Contract Options

Platform Drilling Backlog * – Firm and Options [\$m]



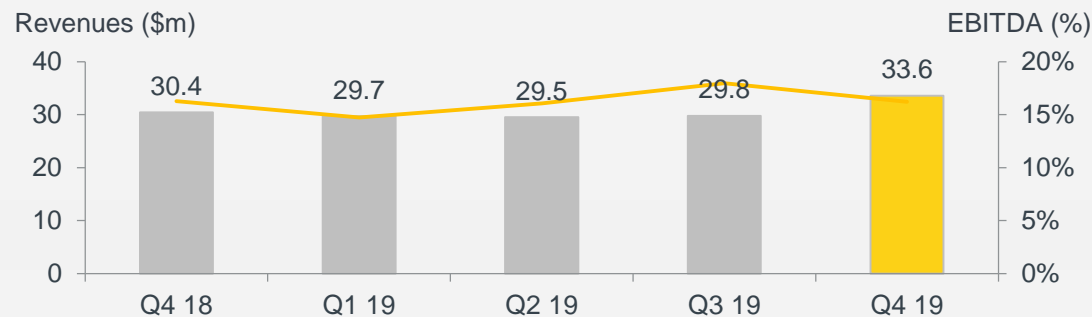
Long-term contracts and strong cash flow generating business with limited capex

\$ 895 million in firm backlog

* Backlog excludes rental

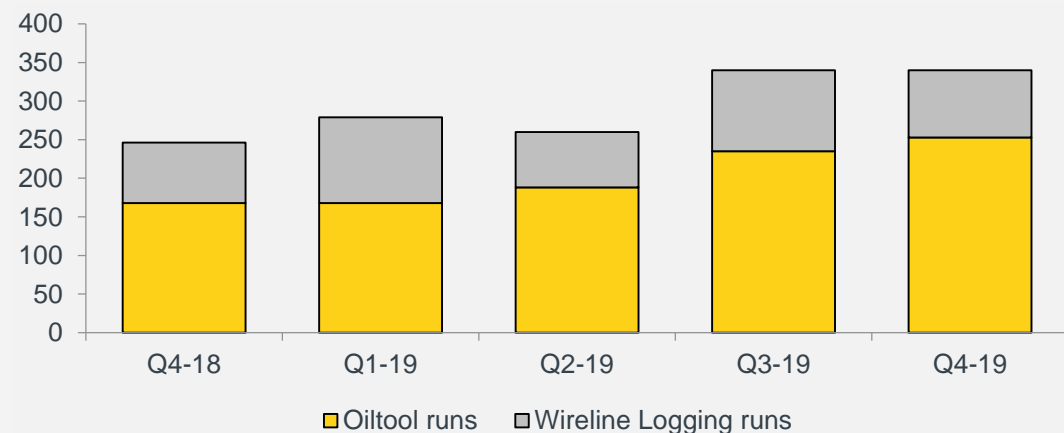
Well Services

Revenue and EBITDA [\$m and %]



\$m	Q4 18	Q1 19	Q2 19	Q3 19	Q4 19
EBITDA	5.0	4.4	4.7	5.3	5.4
Capex	3.2	1.1	1.0	2.6	2.0

Number of runs



Financial highlights

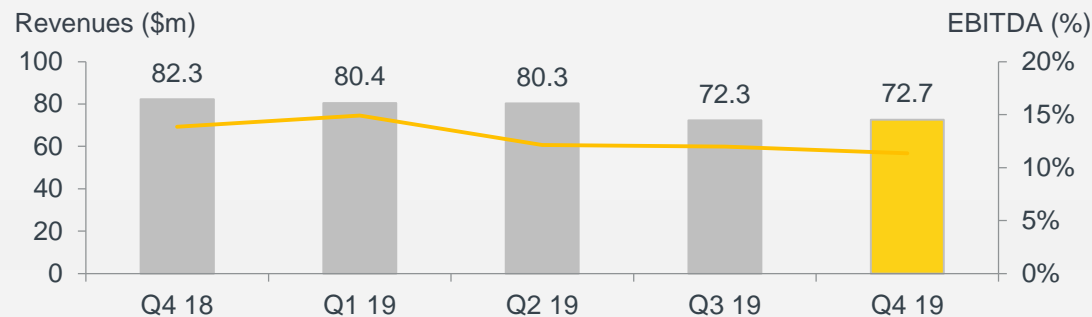
- Strong development relative to Q4 2018:
 - 10% increase in Revenue
 - 10% increase in EBITDA
- Capex spend in the quarter of \$2.0m to support growth in Oiltools

Operational highlights

- Strong operational quarter for Oiltools, with new record in number of runs during a quarter
- Signed agreement with partner in Saudi Arabia – expect increased volume in Middle East
- Mechanical Wireline reduced headcount by 15 FTE to align to lower mechanical wireline activity – benefits of reduced cost in 2020

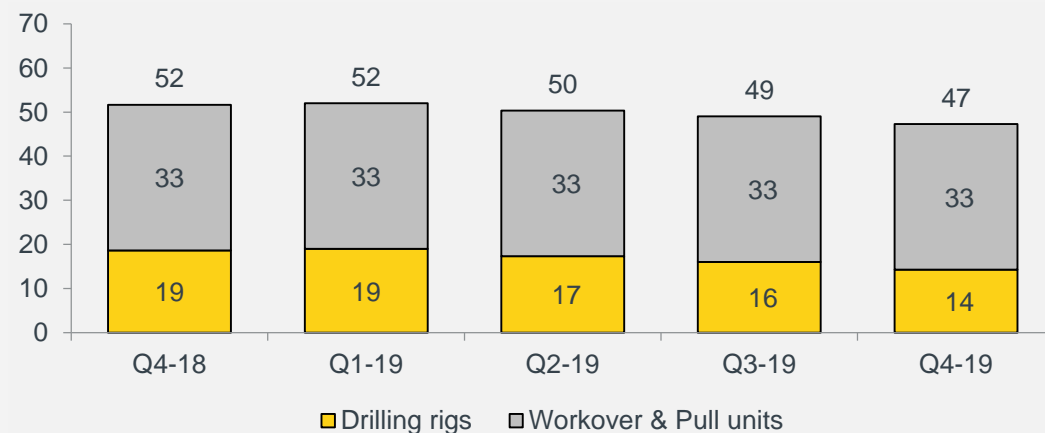
Land Drilling

Revenue and EBITDA [\$m and %]



\$m	Q4 18	Q1 19	Q2 19	Q3 19	Q4 19
EBITDA	11.4	12.0	9.7	8.7	8.3
Capex	4.9	1.0	3.1	8.1	9.1

Number of active rigs



Financial highlights

- Revenue down ~12% relative to same quarter last year due to lower activity levels and depreciation of the Argentine Peso
- EBITDA pre exceptional items of \$13 million or 17.9%
- Reduced headcount by ~110 FTE in Argentina in Q4 at a cost of \$4.8 million
- Total headcount reduction in 2019 of ~ 210 FTEs (including Bolivia)

Operational highlights

- Archer awarded a USD 200 million land drilling contract in Argentina
- DLS Argentina (“DLS”) and Pan-American Energy (“PAE”) agreed on extending the operation and maintenance of the Rig PAE 001 for 3 years.
- Active drilling rigs reduced by five units during 2019, of which two stopped working in Vaca Muerta during Q4
- Workover and pulling rigs have remained stable during 2019 to support producing assets

Condensed profit and loss statement

<i>(Figures in \$ million)</i>	Q4 18	Q4 19	2018	2019
Operating revenues	212.7	207.1	811.2	833.6
Reimbursable revenue	20.5	32.6	78.4	95.0
Total Revenues	233.2	239.7	889.6	928.6
EBITDA before exceptional items	26.9	27.5	88.7	103.9
Exceptional items	(2.5)	(5.0)	(16.4)	(9.6)
EBITDA after exceptional items	24.3	22.5	72.3	94.4
Deprecation, amortization, impairments, other	(13.6)	(14.3)	(56.8)	(51.8)
EBIT	10.7	8.3	15.5	42.5
Result from associated entities	(35.9)	0.7	(39.4)	(37.0)
Interest rate expensed	(10.0)	(9.8)	(38.2)	(39.6)
Other financial costs	(14.1)	1.6	(5.5)	(17.3)
Net financial items	(60.0)	(7.4)	(83.1)	(93.8)
Net result before tax	(49.3)	0.9	(67.6)	(51.3)
Tax expense/(benefit)	(7.6)	3.1	14.6	3.6
Net income/(loss)	(56.9)	3.9	(53.0)	(47.7)

- Fourth quarter revenue of \$239.7 million, an increase of 2.8% relative to corresponding quarter last year due to higher reimbursable revenue, offset by reduced operating revenue in Western Hemisphere.
- EBITDA before exceptional items of \$27.5 million (margin of 11.5%).
- Exceptional items of \$5.0 million in fourth quarter due to severance costs in Argentina related to down manning of ~110 employees.
- EBITDA of \$22.5 million, or 9.4% of revenue.
- EBIT of \$8.3 million, or 3.5% of revenue, impacted by high severance costs and impairment of land rigs of \$1.8 million.
- Net financial items of \$7.4 million
 - \$9.8 million interest rate expensed is offset by other financials items of \$1.6 million, primarily due to favorable non cash currency gains.
- Net income for the quarter of \$3.9 million

Condensed balance sheet

(Figures in \$ million)	31/12/18	30/09/19	31/12/19
ASSETS			
Cash, cash equivalents & restricted cash	31.5	18.7	44.1
Accounts receivables	137.0	148.6	145.4
Inventories	51.9	52.2	53.0
Right of use assets current	-	1.0	0.7
Other current assets	23.5	28.7	23.6
Total current assets	243.9	249.3	266.8
Investments and loans in associates	66.5	30.7	31.3
Property, plant and equipment, net	392.5	372.1	373.9
Right of use assets	-	41.3	42.1
Goodwill	172.6	165.3	171.1
Other non current assets	35.1	39.2	44.7
Total non current assets	666.7	648.7	663.1
Total assets	910.6	898.0	930.0
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current portion of interest-bearing debt	4.7	553.0	548.1
Accounts payable	45.5	46.6	45.2
Lease liability current	-	12.2	11.9
Other current liabilities	108.1	92.5	117.1
Total current liabilities	158.3	704.3	722.3
Long-term interest-bearing debt	543.0	5.9	7.3
Subordinated related party loan	58.3	58.3	58.3
Deferred taxes	2.8	2.2	2.3
Lease liability	-	30.0	31.0
Other noncurrent liabilities	1.0	0.5	0.4
Total noncurrent liabilities	605.1	97.0	99.4
Shareholder's equity	147.2	96.7	108.3
Total liabilities and shareholders' equity	910.6	898.0	930.0

Assets

- Total current assets increased by \$17.5 million in the fourth quarter compared to third quarter, with an increased cash balance of \$25.4 million.
- Accounts receivables decreased by \$3.2 million as a result of strong collections in fourth quarter.
- Total non-current assets increased by \$14.4 million in the fourth quarter compared to third quarter, mainly as a result of :
 - Quarterly currency adjustments of goodwill of \$5.8m
 - Deferred tax asset in Argentina increased by \$2.2m
 - Increase in capitalized mobilization costs for the Modular rigs

Liabilities

- Our main loan facility is as of Q4 classified as a current liability as we have not yet concluded new agreements.
- NIBD reduced significantly in fourth quarter as a result of good collections, with NIBD ending at \$582.3 million. The total reduction in NIBD of \$24.7 million is primarily a result of a DSO reduction of 7 days compared to previous quarter.



Outlook 2020

Archer expects improved 2020 financials

- Revenue in 2020 at the same level as in 2019
- EBITDA to improve on change in product mix and less restructuring cost (margin of 10-12%)
- Capex 3-4% of revenue
- Reduced interest expenses
- Reduced NIBD and improved NIBD/EBITDA ratio

Archer with strong market position

- Uniquely positioned to capture integrated late life projects and P&A



Summary

- 2019 was a strong year with EBIT improvement of 170%
- Improved financial performance forecasted for 2020
- Expect to close refinancing in Q1 with extension of maturities





Appendix

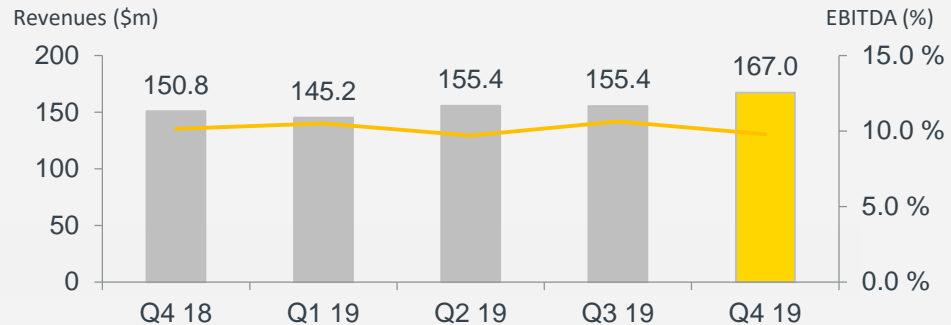


Segment key financials

Eastern Hemisphere

Platform drilling & Engineering

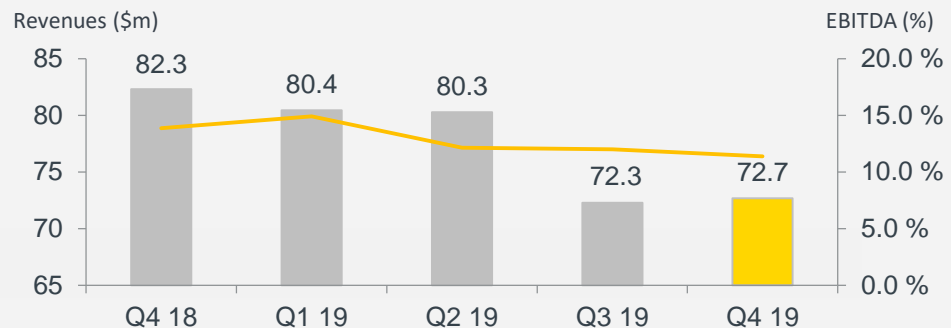
Well Services



\$m	Q4 18	Q1 19	Q2 19	Q3 19	Q4 19
Revenues	150.8	145.2	155.4	155.4	167.0
EBITDA	15.3	15.2	15.1	16.5	16.3
Capex	7.3	1.4	2.6	6.6	9.5

Western Hemisphere

Land drilling



\$m	Q4 18	Q1 19	Q2 19	Q3 19	Q4 19
Revenues	82.3	80.4	80.3	72.3	72.7
EBITDA	11.4	12.0	9.7	8.7	8.3
Capex	4.9	1.0	3.1	8.1	9.1



Condensed profit and loss statement – last 5 quarters

(Figures in \$ million)	Q4 18 ¹⁾	Q1 19 ²⁾	Q2 19 ²⁾	Q3 19	Q4 19
Operating revenues	212.7	210.3	212.8	203.5	207.1
Reimbursable revenue	20.5	15.4	22.9	24.2	32.6
Total Revenues	233.2	225.7	235.6	227.6	239.7
EBITDA before exceptional items	26.9	25.9	25.2	25.4	27.5
Severance payments	(2.4)	(0.6)	(0.3)	(0.4)	(5.0)
Idle personnel costs	(0.1)	-	-	-	-
Strikes	-	-	(0.2)	(0.6)	-
Foreign exchange /devaluation	-	(0.3)	(1.2)	(1.1)	-
Office costs	-	-	-	-	-
Total Exceptional items ²⁾	(2.5)	(0.9)	(1.7)	(2.0)	(5.0)
EBITDA after exceptional items	24.3	25.0	23.5	23.4	22.5
Deprecation, amortization, impairments, other	(13.6)	(13.1)	(12.2)	(12.3)	(14.3)
EBIT	10.7	11.9	11.3	11.1	8.3
Result from associated entities	(35.9)	(1.2)	(3.7)	(32.8)	0.7
Interest rate expensed	(10.0)	(10.2)	(9.3)	(10.3)	(9.8)
Other financial costs	(14.1)	(1.4)	5.9	(23.4)	1.6
Net financial items	(60.0)	(12.8)	(7.1)	(66.5)	(7.4)
Net result before tax	(49.3)	(0.9)	4.2	(55.4)	0.9
Tax benefit / (expense)	(7.6)	2.3	(0.6)	(1.2)	3.1
Net income/(loss)	(56.9)	1.4	3.5	(56.6)	3.9
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

2) EBITDA before exceptional items is presented as an alternative measure to improve comparability of the underlying business performance between the periods. Exceptional items have been amended for the previous quarters in 2019 in the table above due to materiality for the full year 2019 and to increase comparability throughout the year.



Condensed balance sheet – last 5 quarters

(Figures in \$ million)	31/12/18 ¹⁾	31/03/19	30/06/19	30/09/19	31/12/19
ASSETS					
Cash, cash equivalents & restricted cash	31.5	32.2	51.1	18.7	44.1
Accounts receivables	137.0	142.8	148.1	148.6	145.4
Inventories	51.9	52.2	52.1	52.2	53.0
Right of use assets current	-	12.3	1.4	1.0	0.7
Other current assets	23.5	24.6	24.4	28.7	23.6
Total current assets	243.9	264.0	277.1	249.3	266.8
Investments and loans in associates	66.5	66.0	63.4	30.7	31.3
Property, plant and equipment, net	392.5	383.7	378.1	372.1	373.9
Right of use assets	-	30.1	41.7	41.3	42.1
Goodwill	172.6	170.1	175.6	165.3	171.1
Other non current assets	35.1	37.7	40.6	39.2	44.7
Total noncurrent assets	666.7	687.6	699.4	648.7	663.1
Total assets	910.6	951.6	976.5	898.0	930.0
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current portion of interest-bearing debt	4.7	18.5	33.4	553.0	548.1
Accounts payable	45.5	48.7	55.1	46.6	45.2
Lease liability current	-	12.3	12.3	12.2	11.9
Other current liabilities	108.1	104.4	106.4	92.5	117.1
Total current liabilities	158.3	183.9	207.3	704.3	722.3
Long-term interest-bearing debt	543.0	528.2	524.0	5.9	7.3
Subordinated related party loan	58.3	58.3	58.3	58.3	58.3
Deferred taxes	2.8	2.2	2.3	2.2	2.3
Lease liability	-	30.1	30.8	30.0	31.0
Other noncurrent liabilities	1.0	0.8	0.6	0.5	0.4
Total noncurrent liabilities	605.1	619.6	616.0	97.0	99.4
Shareholder's equity	147.2	148.2	153.2	96.7	108.3
Total liabilities and shareholders' equity	910.6	951.6	976.5	898.0	930.0

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 cash flow statement – last 5 quarters

<i>(Figures in \$ million)</i>	Q4 18	Q1 19	Q2 19	Q3 19	Q4 19
Operating activities	36.1	4.0	18.1	(15.0)	47.0
Investing activities	(8.6)	(2.4)	(5.2)	(14.8)	(17.3)
Financing activities	(15.2)	(0.8)	10.0	2.4	(4.4)
FX effect	(8.1)	(0.1)	(4.1)	(5.0)	(0.5)
Total ¹⁾	4.2	0.7	18.8	(32.4)	24.8

1) Cash and cash equivalents including restricted cash