Archer

Third Quarter 2020 results

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6 November 2020

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, 2019. 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.

Q3 in brief

NIBD reduced by $107 million to $500 million YOY

- NIBD reduced by $20 million from previous quarter

EBITDA before exceptional items of 22.3 million

- Activity in Argentina continue to be negatively impacted by Covid-19

Backlog addition

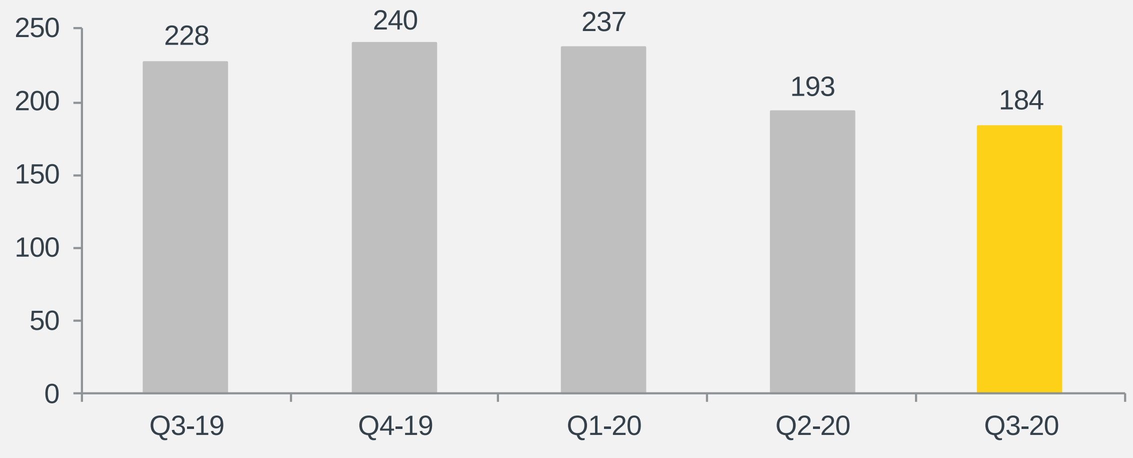
- Four-year PD contract extension for 7 installation with Apache
- Two-year PD contract extension for 7 installations in the UK

Strengthened financial position

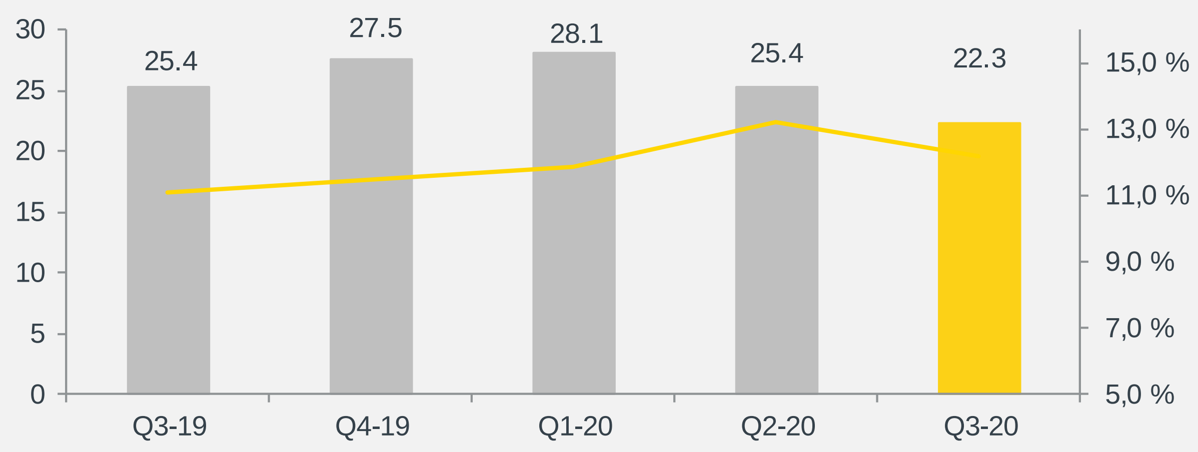
- Renegotiated covenants secures flexibility
- Available liquidity of $138 million
- Agreed to prepay $20 million

Third quarter 2020 key financials

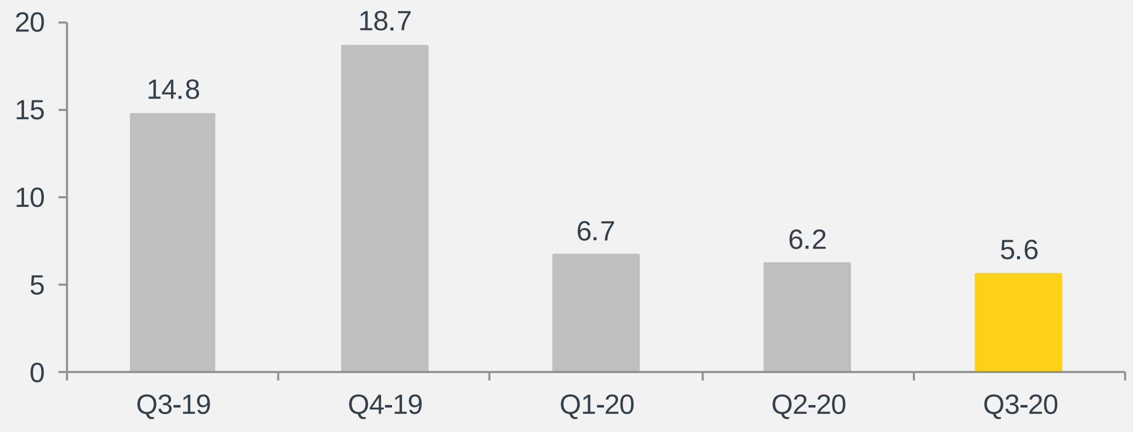
Revenue *[$m]*



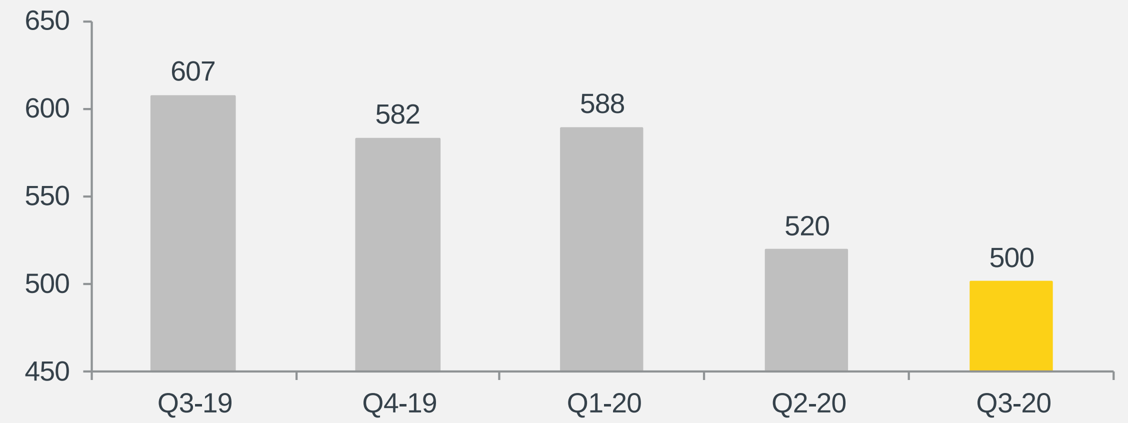
EBITDA before exceptional items* *[$m, %]*



Capex *[$m]*



Net Interest-Bearing Debt *[$m]*



*Exceptional items include costs of non-recurring nature, including restructuring charges and specific charges related to Covid-19

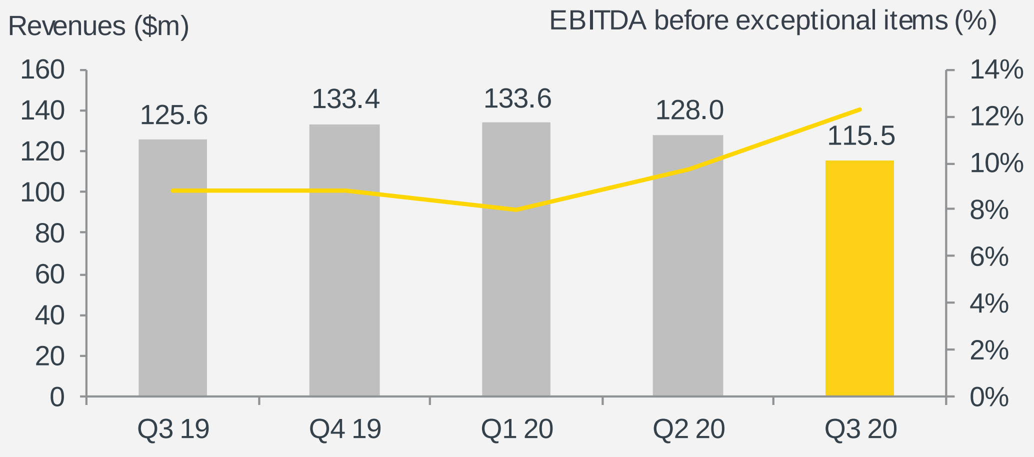
Platform Drilling, Modular Rigs & Engineering

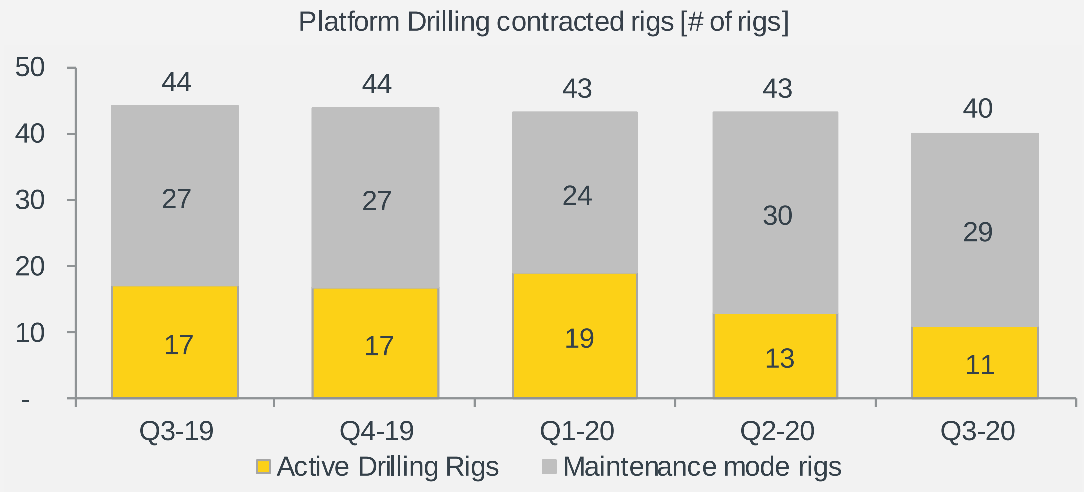
Financials

- Revenue down by 8% YOY
- Additional EBITDA contribution and margin expansion from increased Modular Rig activity
- EBITDA margin 12.3%
- Capex of $0.7 million

Operations

- Active drilling rigs in the portfolio reduced by 2 platforms from Q2
- Archer Emerald commenced operations September 30th
- Continued high activity for Engineering





Platform Drilling

Strong contract backlog and capability to retain contracts;

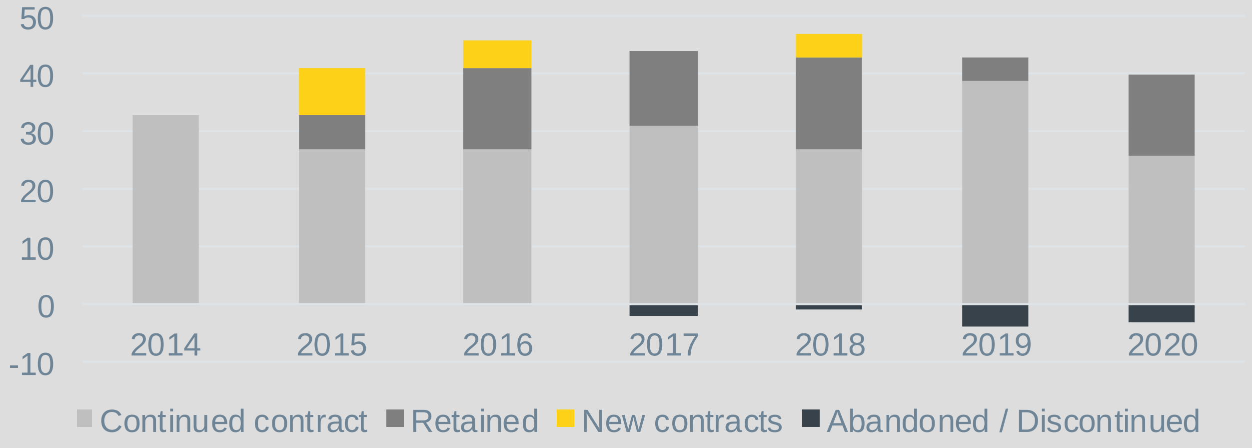
- Secured important contract extensions for UK clients securing continued work on 14 installations

Long term contracts positioning Archer for;

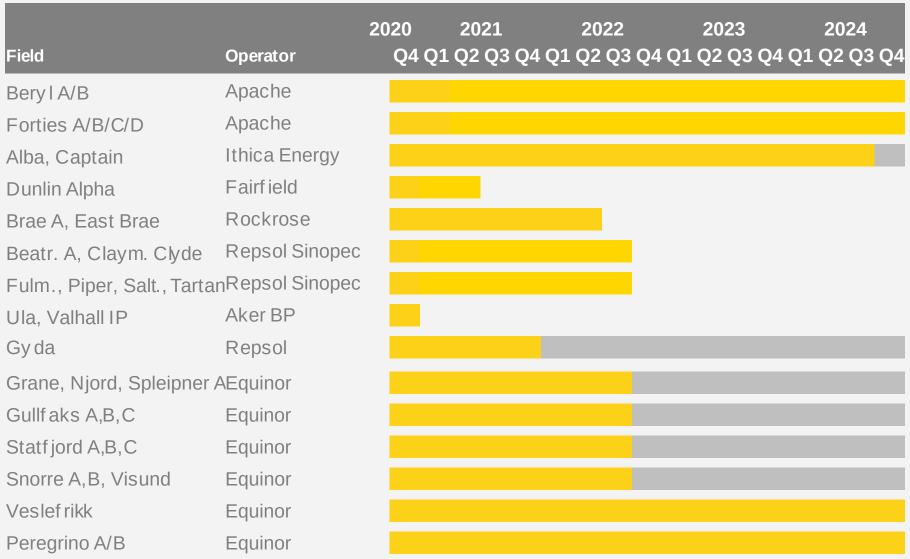
- Integrated services
- P&A and Slot Recovery
- Late life operations

O&G companies is likely to prioritize spending on;

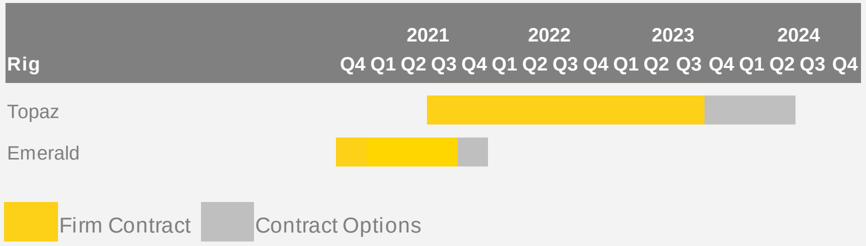
- Brownfield production and intervention
- Short lifecycle projects
- P&A and Slot recovery



Platform drilling contract backlog



Modular rigs contract backlog



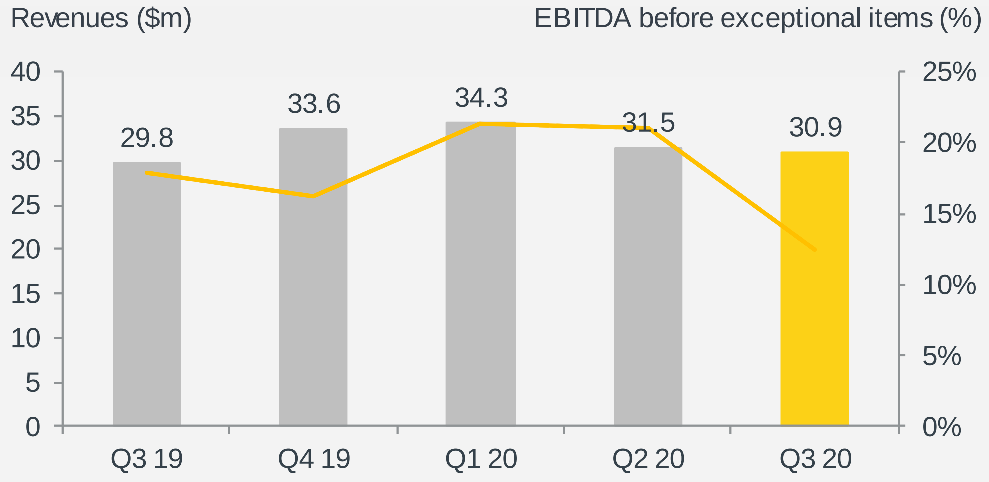
Well Services

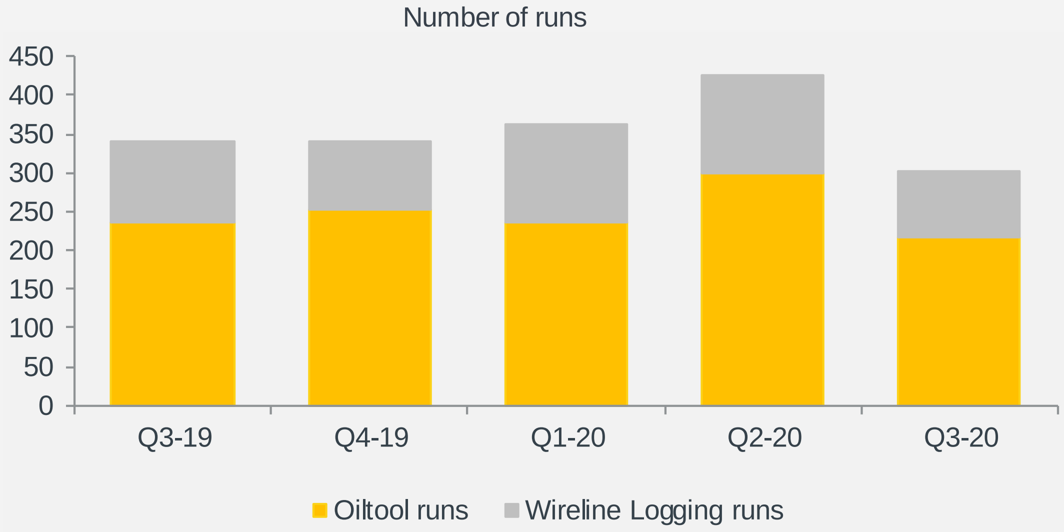
Financials

- Revenues increased 4% YOY
- EBITDA margin reduced compared to Q2 following less runs and unfavorable product mix compared to Q2
- Capex of $1.4 million

Operations

- Successful Comtrac campaign
- First MCAP® and DASP® runs with Equinor
- Continued low activity for Wireline
- Reduced activity in Asia and Africa for Oiltools





Energy transition

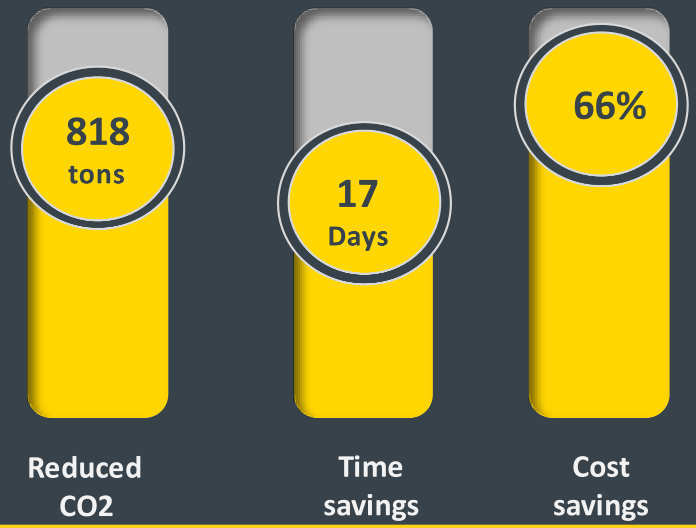
Archer committed to contribute to energy transition:

- [x] Develop technologies and services to reduce energy consumption and emission
- [x] Reduce environmental footprint through integrating service offering (One Archer)
- [ ] Explore green energy business opportunities

Case study #1 – Wireline ComTrac®

ComTrac® potential revealed

The use of ComTrac® reduced the number of runs from 31* to 9, with considerable cost-, time- and emissions savings



* By applying traditional wireline, the number of required runs was estimated to be 31

Case study #2 – Oiltools

Archer's **Stronghold® Defender®** system verified that natural barrier qualified to replace the cement barrier

- Creeping shale qualified as a **natural barrier for eternity**
- 48 hrs. rig time savings per well equal **95 tons CO_2 emission reduction***
- Total customer savings for 7 wells = **7.5 MUSD**

*Rig type: Platform with conventional technology

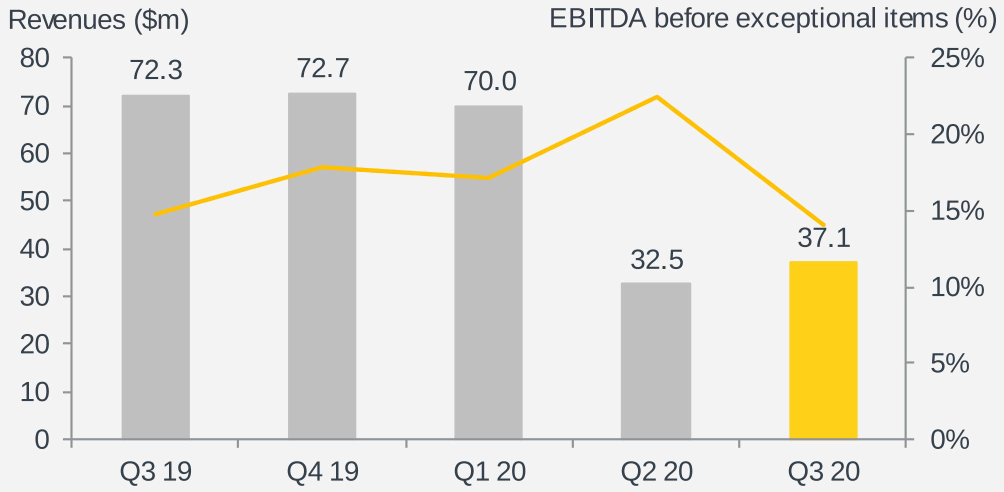
Land drilling

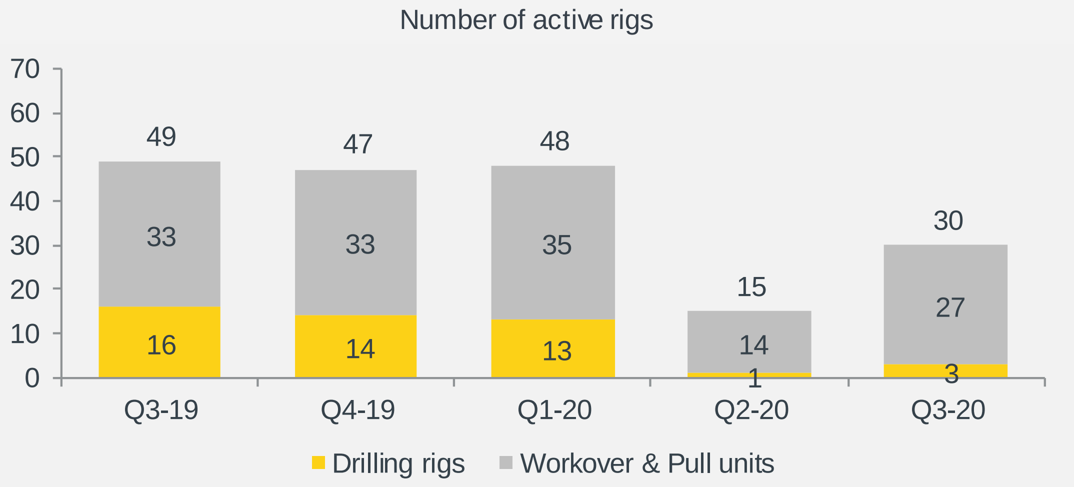
Financials

- Revenue increased 14% from Q2 but down 49% YOY
- EBITDA before exceptional items was $5.2 million
- Negative reported EBITDA of $1.2 million in the quarter
- Approximately 18% of employees suspended end of quarter

Operations

- Increase in active drilling rigs late Q3
- Number of active units up 100% from Q2
- Covid-19 cases increased in Argentina throughout Q3





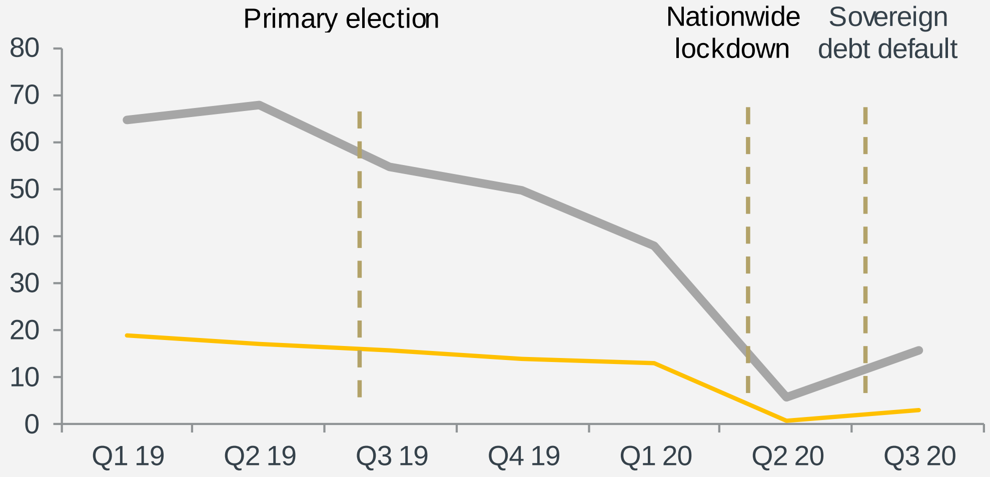
Argentina Gas Incentive Plan

Argentina Government unveils gas incentive plan to boost production in Vaca Muerta area

- ✓ The plan grants 85% price increase to energy producers (up to a max USD 3,7 per MMBtu) for the next 3 years with option for 1 additional year
- ✓ The objective is to fulfil domestic gas demand for winter season avoiding importation and try to export beyond winter in case of lower local gas demand
- ✓ The government expect to replace importation for approx. USD 5,6 billions

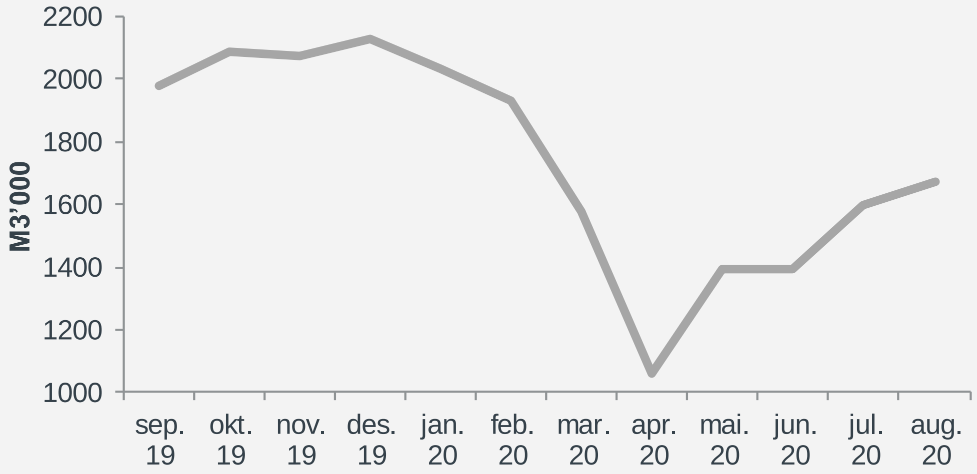
President, Alberto Fernandez visited Archer rig 167 in October 2020 and launched the Gas Plan:

Drilling Rig count in Argentina vs Archer Drilling Rigs



Source: Baker Hughes Rig Count

Diesel and Gasoline Sales Argentina



Source: Argentina National Secretary of Energy

Q3 2020

Condensed profit & loss

- Operational revenue of $160.2 million, is a decrease of $43.3 million or 21% YOY due to a significant drop in activity levels.
- Exceptional items of $6.7 million is an increase of $4 million compared to Q3 2019 linked to severance costs in Argentina
- EBITDA of $15.6 million, a decrease of $7.8 million compared to Q3 2019
- Interest expense of $7.4 million is reduced 28% compared to Q3 2019

Condensed profit & loss statement

$ million	Q3 19	Q3 20	YTD 2019	YTD 2020
Operating revenues	203.5	160.2	626.5	529.8
Reimbursable revenue	24.2	23.3	62.4	83.7
Total Revenues	**227.6**	**183.6**	**688.9**	**613.5**
EBITDA before exceptional items	**25.4**	**22.3**	**76.4**	**75.8**
EBITDA margin before exceptional items	*11.2%*	*12.2%*	*11.1%*	*12.4%*
Exceptional items	(2.0)	(6.7)	(4.6)	(19.4)
EBITDA	**23.4**	**15.6**	**71.8**	**56.4**
EBITDA margin	*10.3%*	*8.5%*	*10.4%*	*9.2%*
Impairments	-	-	-	(7.4)
Deprecation, amortization, other	(12.3)	(12.9)	(37.5)	(37.2)
EBIT	**11.1**	**2.8**	**34.3**	**11.8**
EBIT margin	*4.9%*	*1.5%*	*5.0%*	*1.9%*
Result from associated entities	(32.8)	(5.4)	(37.7)	(18.3)
Net interest expense	(10.3)	(7.4)	(29.9)	(22.7)
Other financial items	(23.4)	(3.8)	(18.9)	18.4
Net income before tax	**(55.4)**	**(13.9)**	**(52.3)**	**(10.9)**
Tax cost	(1.2)	1.5	0.5	0.6
Net income	**(56.6)**	**(12.3)**	**(51.6)**	**(10.3)**

Condensed balance sheet

- Accounts receivables are reduced by $20 million following improved DSO and lower activity
- Goodwill of $156.8 million, reflecting an increase of $4.9 million related to currency adjustments
- NIBD at $499.8 million, which is a reduction of roughly $20 million compared to Q2 and $107 million compared to Q3 2019.
- Available liquidity of $138 million

Condensed balance sheet

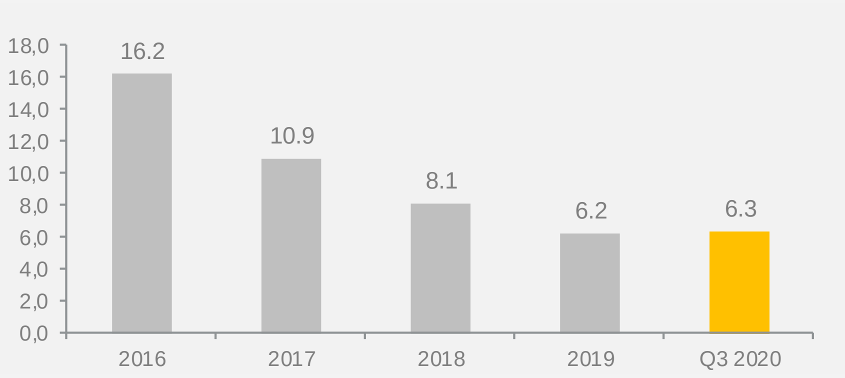
$ million	30.09.19	30.06.2020	30.09.2020
Cash and cash equivalents	10.2	41.2	47.4
Restricted cash	8.5	14.3	7.2
Accounts receivables	148.6	115.4	95.2
Inventories	52.2	51.0	53.2
Other current assets	29.7	31.7	34.1
Investments and loans to associates	30.7	18.4	7.8
Property, plant and equipment, net	372.1	355.1	350.0
Right of use assets	41.3	37.5	35.2
Goodwill	165.3	151.9	156.8
Other non-current assets	39.2	43.0	43.4
Total assets	**898.0**	**859.6**	**830.2**
Current portion of interest-bearing debt	553.0	16.0	18.2
Accounts payable	46.6	36.7	33.8
Lease liability current	12.2	11.2	10.9
Other current liabilities	92.5	120.5	116.8
Long-term interest-bearing debt	5.9	529.6	513.1
Subordinated related party loan	58.3	15.9	15.9
Deferred taxes	2.2	1.5	1.4
Lease liability	30.0	26.3	24.3
Other noncurrent liabilities	0.5	0.9	0.8
Shareholder's equity	96.7	101.0	95.0
Total liabilities and shareholders' equity	**898.0**	**859.6**	**830.2**

Financial position

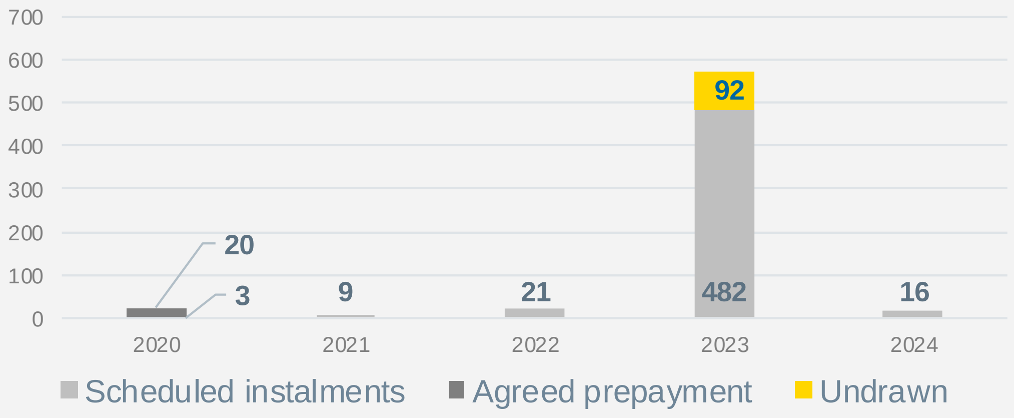
Sufficient liquidity

- Generating positive cash flows
- Net interest-bearing debt further reduced
- Available liquidity of $138 million
- Agreed amendments to covenants and $20 million prepayment of installments

NIBD / EBITDA development

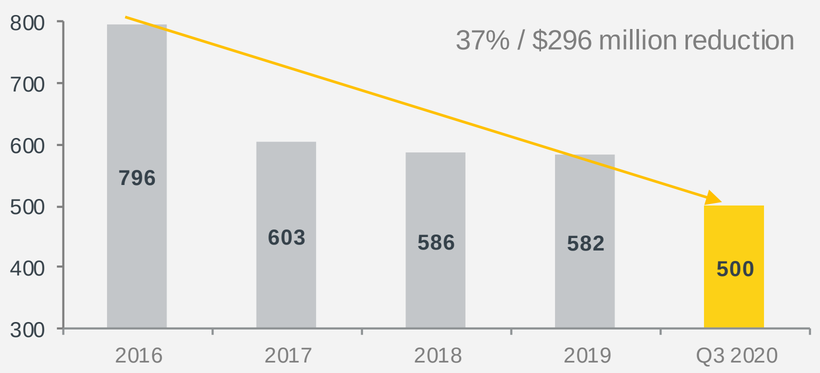


Debt maturity profile* *[$m]*



*Adjusted for the agreed amendments and $20 million loan prepayment

NIBD *[$m]*



Summary Q3 2020

- Secured additional PD backlog through contract extensions on a total of 14 installations
- Strong cash flow generation and substantial reduction of NIBD in the quarter
- Amendments to the loan facility to increase headroom and improve flexibility

Financial outlook 2020

- Activity to increase in Q4
- Revenues for 2020 expected 10-15% lower than 2019
- Capex between 3-4% of revenue
- NIBD expected at $500-515 million end of 2020

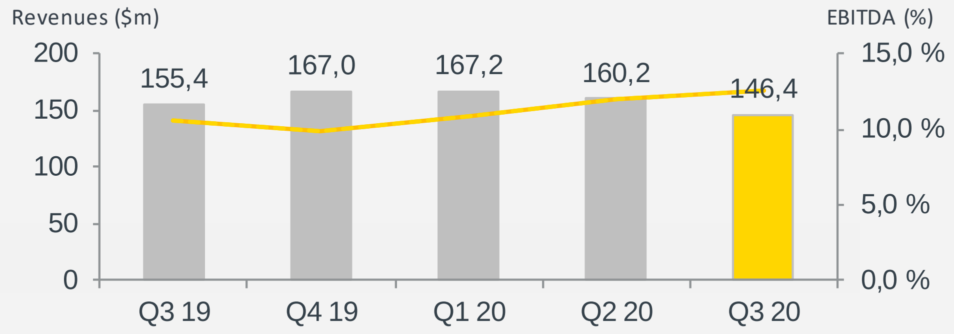
Q&A

Segment key financials

Eastern Hemisphere

Platform drilling & Engineering

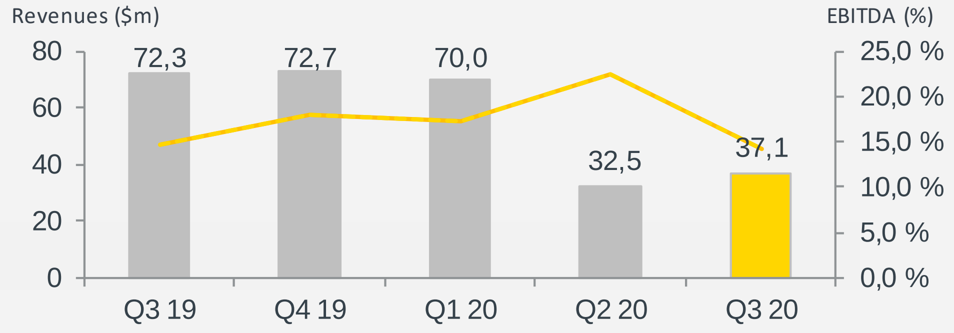
Well Services



$m	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20
Revenues	155.4	167.0	167.2	160.2	146.4
EBITDA before exceptional items	16.5	16.6	18.0	19.3	18.4
EBITDA	16.5	16.3	13.7	20.2	18.1
Capex	6.6	9.5	5.2	5.5	2.5

Western Hemisphere

Land drilling



$m	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20
Revenues	72.3	72.7	70.0	32.5	37.1
EBITDA before exceptional items	10.7	13.0	12.1	7.3	5.2
EBITDA	8.7	8.3	10.0	0.0	-1.2
Capex	8.1	9.1	1.5	0.7	3.1

Condensed profit and loss statement

(Figures in $ million)	Q3 19	Q4 19	Q1 20*	Q2 20*	Q3 20
Operating revenues	203.5	207.1	207.6	161.9	160.2
Reimbursable revenue	24.2	32.6	29.5	30.9	23.3
Total Revenues	**227.6**	**239.7**	**237.1**	**192.8**	**183.6**
EBITDA before exceptional items	**25.4**	**27.5**	**28.1**	**25.4**	**22.3**
Severance payments	(0.4)	(5.0)	(5.2)	(3.6)	(2.3)
Strikes	(0.6)				
Foreign exchange /devaluation	(1.1)				
Other	-		(1.2)	(2.7)	(4.5)
Total Exceptional items**	**(2.0)**	**(5.0)**	**(6.4)**	**(6.3)**	**(6.7)**
EBITDA after exceptional items	**23.4**	**22.5**	**21.7**	**19.0**	**15.6**
Deprecation, amortization, impairments, other	(12.3)	(14.3)	(12.0)	(19.7)	(12.9)
EBIT	**11.1**	**8.3**	**9.7**	**(0.7)**	**2.8**
Result from associated entities	(32.8)	0.7	(13.5)	0.6	(5.4)
Interest rate expensed	(10.3)	(9.8)	(9.3)	(8.7)	(7.4)
Other financial costs	(23.4)	1.6	(30.4)	55.3	(3.8)
Net financial items	**(66.5)**	(7.4)	**(53.2)**	**47.2**	**(16.7)**
Net result before tax	**(55.4)**	0.9	**(43.5)**	**46.6**	**(13.9)**
Tax benefit / (expense)	(1.2)	3.1	(0.1)	(0.9)	1.5
Net income/(loss)	**(56.6)**	**3.9**	**(43.6)**	**45.7**	**(12.3)**

*Archer did not prepare separate quarterly financials for Q1 2020. The split of the half-yearly results in H1 2020 to Q1 and Q2 2020 represent a management allocation of certain cost elements between the quarters, such as for instance the impairment charges.

**Exceptional items include costs of non-recurring nature, including restructuring charges and specific charges related to Covid-19

Condensed balance sheet

$ million	30.09.19	31.12.19	31.03.20*	30.06.20	30.09.20
Cash, cash equivalents & restricted cash	18.7	44.1	107.5	55.5	54.6
Accounts receivables	148.6	145.4	150.2	115.4	95.2
Inventories	52.2	53.0	52.0	51.0	53.2
Right of use assets current	1.0	0.7	-	-	-
Other current assets	28.7	23.6	35.6	31.7	34.1
Investments and loans in associates	30.7	31.3	16.5	18.4	7.8
Property, plant and equipment, net	372.1	373.9	363.0	355.1	350.0
Right of use assets	41.3	42.1	37.6	37.6	35.2
Goodwill	165.3	171.1	146.4	151.9	156.8
Other non current assets	39.2	44.6	41.6	43.0	43.4
Total assets	**898.0**	**930.0**	**950.4**	**859.6**	**830.2**
Current portion of interest-bearing debt	553.0	548.1	5.1	16.0	18.2
Accounts payable	46.6	45.2	58.9	36.7	33.8
Lease liability current	12.2	11.9	10.9	11.2	10.9
Other current liabilities	92.5	117.1	111.8	120.4	116.8
Long-term interest-bearing debt	5.9	7.3	624.9	529.6	513.1
Subordinated related party loan	58.3	58.3	58.3	15.9	15.9
Deferred taxes	2.2	2.3	2.0	1.5	1.4
Lease liability	30.0	31.0	26.7	26.3	24.3
Other noncurrent liabilities	0.5	0.4	0.4	0.9	0.8
Shareholder's equity	96.7	108.4	51.4	101.0	95.0
Total liabilities and shareholders' equity	**898.0**	**930.0**	**950.4**	**859.6**	**830.2**

*Archer did not prepare separate quarterly financials for Q1 2020. The balance sheet items at March 30, 2020 could be impacted by the allocation of charges in the P&L allocation of H1 2020 results into Q1 and Q2 2020 results.

Condensed cash flow statement – last 5 quarters

(Figures in $ million)	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20
Operating activities	(15.0)	47.0	1.6	41.3	10.9
Investing activities	(14.8)	(17.3)	(4.5)	(8.4)	(0.3)
Financing activities	2.4	(4.4)	75.8	(85.6)	(15.4)
FX effect	(5.0)	(0.2)	(9.4)	0.6	4.0
Total	**(32.4)**	**25.5**	**63.5**	**(52.1)**	**(0.8)**