

## Second Quarter 2020 results

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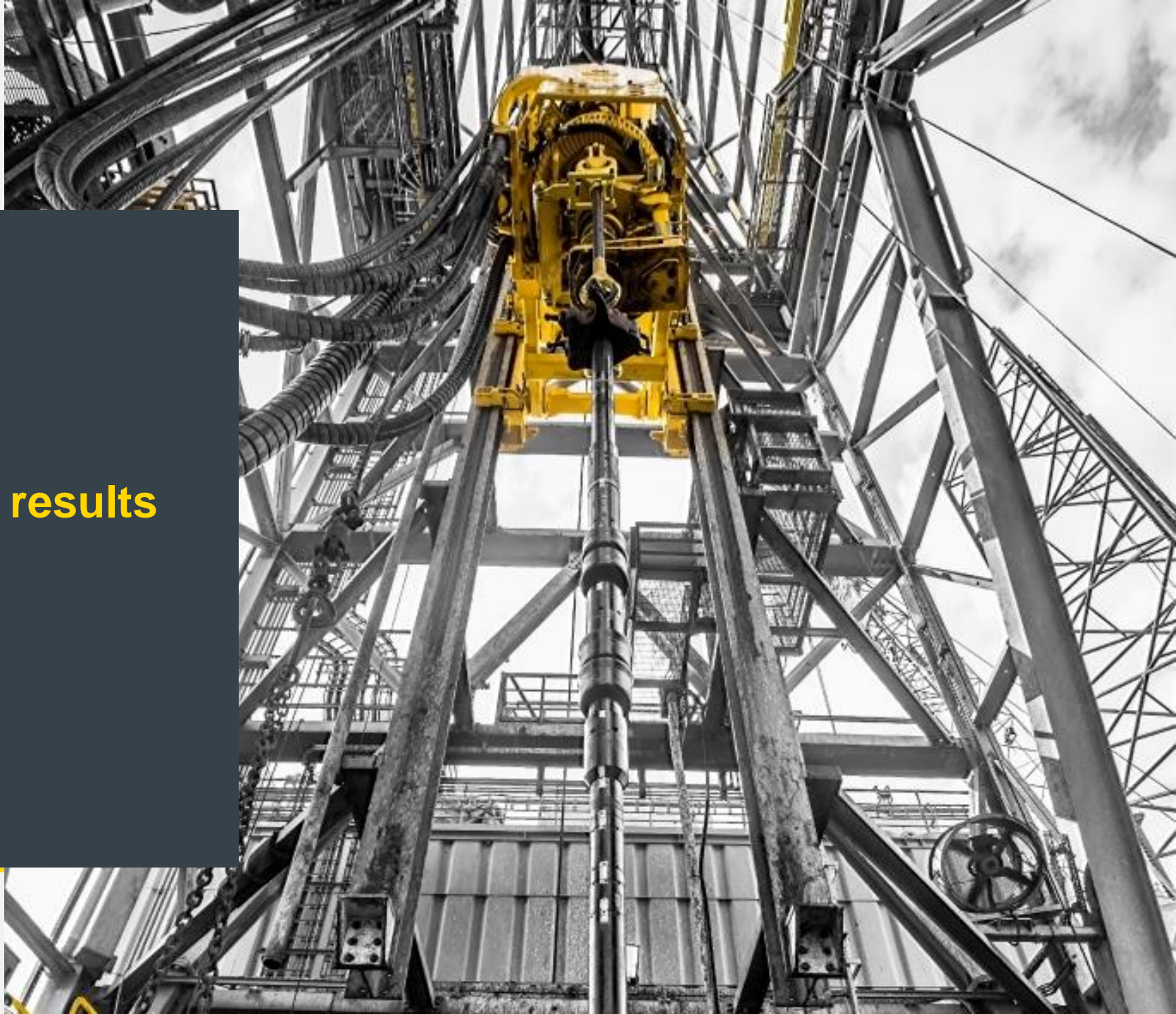
**Dag Skindlo**

Chief Executive Officer

**Espen Joranger**

Chief Financial Officer

14 August 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.



Q2 2020

## Q2 in brief

### EBITDA before exceptional items of 25.4 million

- Reduced activity from Covid-19
- 2020 outlook improved

### Strengthened financial position

- Refinancing completed in April
- Available liquidity of \$118 million

### NIBD reduced by \$68 million to \$520 million

- Positive free cash flow
- Debt forgiveness of \$45 million

### Backlog addition

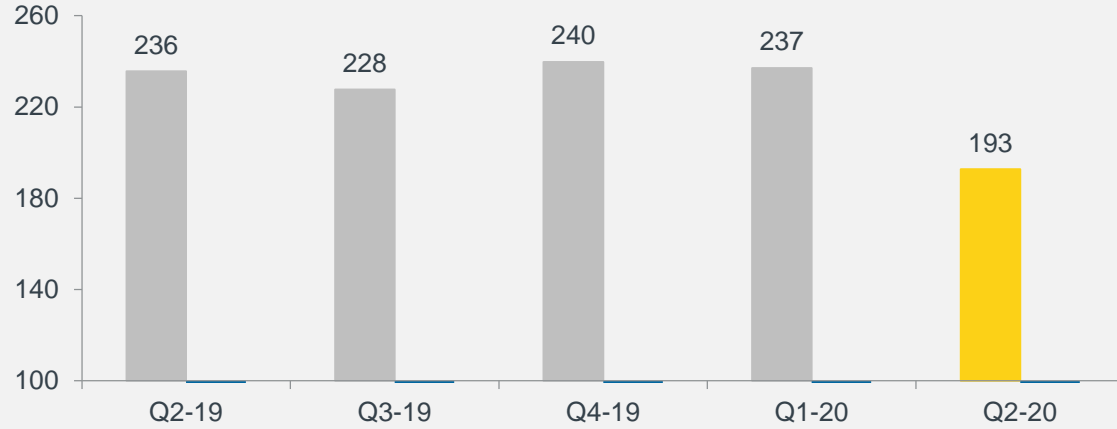
- Awarded 27 months contract for Topaz



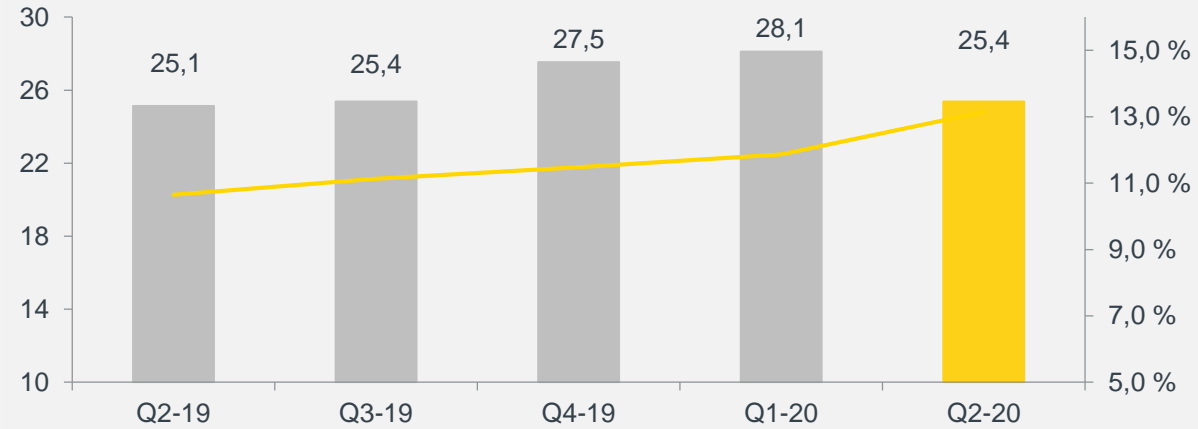


# Second quarter 2020 key financials

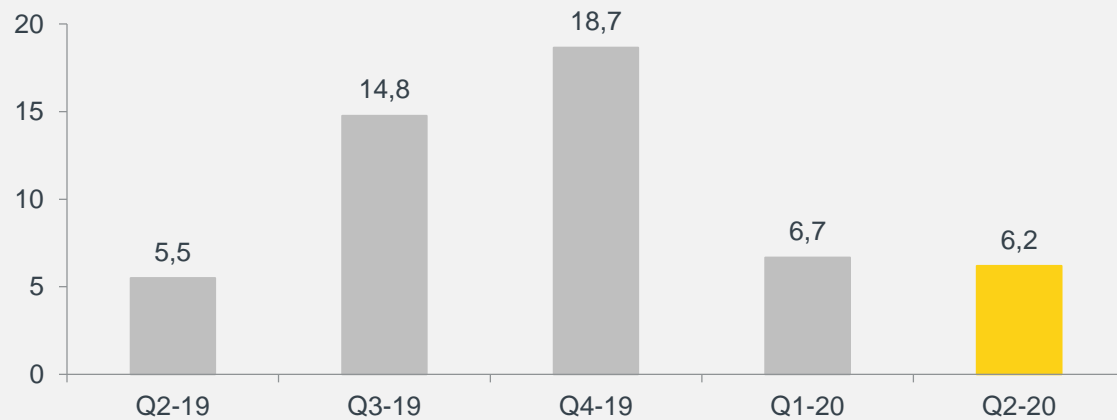
**Revenue [\$m]**



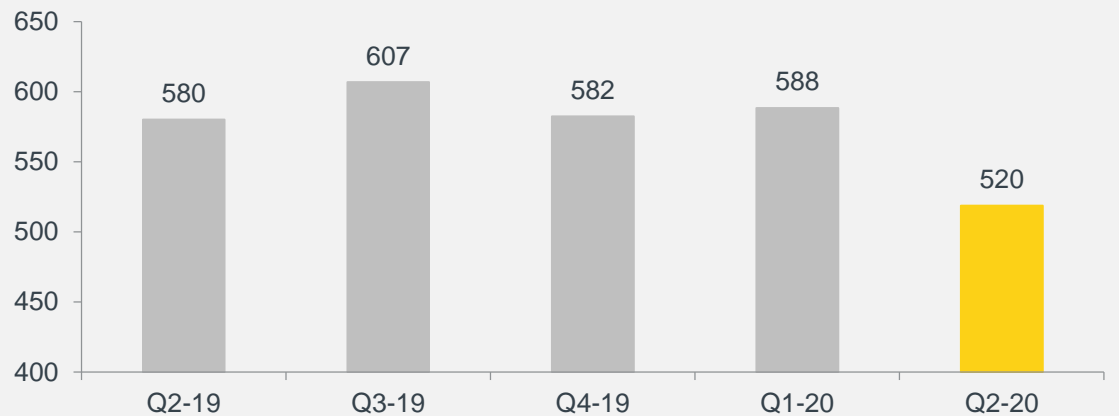
**EBITDA before exceptional items\* [\$m, %]**



**Capex [\$m]**



**Net Interest Bearing Debt [\$m]**

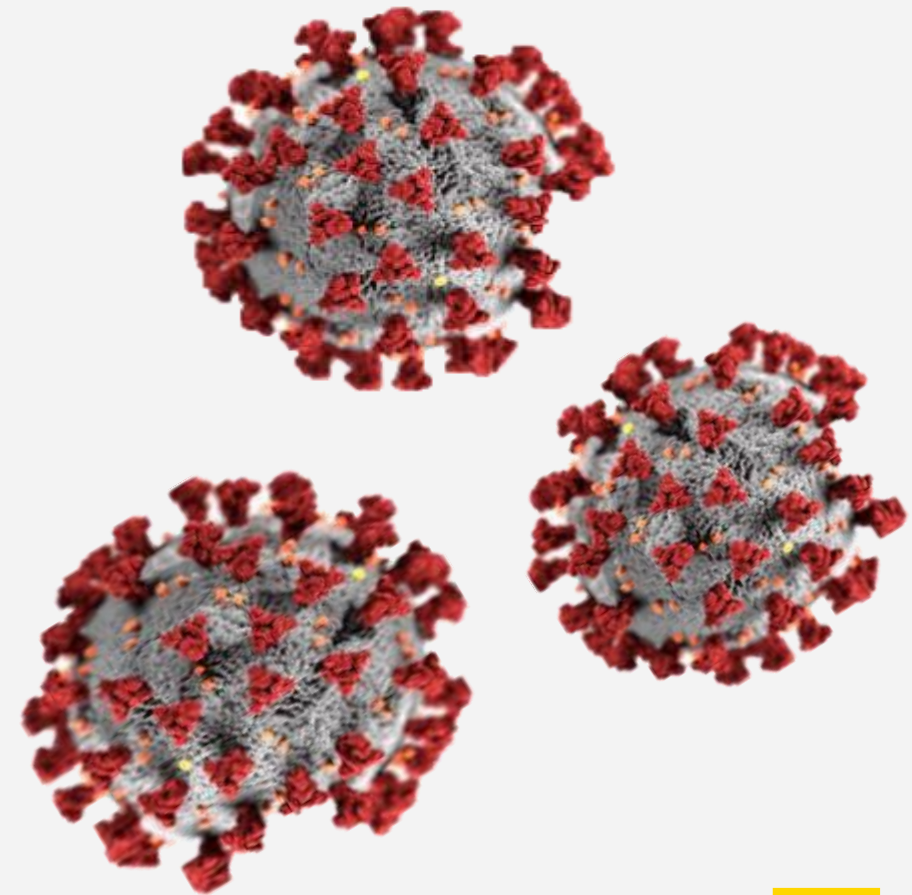


\*Exceptional items include costs of non-recurring nature, including restructuring charges and specific charges related to Covid-19



## Covid-19 with focus on safety

- All drilling rigs in Argentina stopped during lockdown and 1300 employees in suspension during Q2 – modest increase in activity from July
- Platform Drilling received notification on six operating platforms to reduce operation to maintenance mode – activity expected to increase late 2020
- Emerald mobilization in New Zealand delayed by three months – restarted activity during July

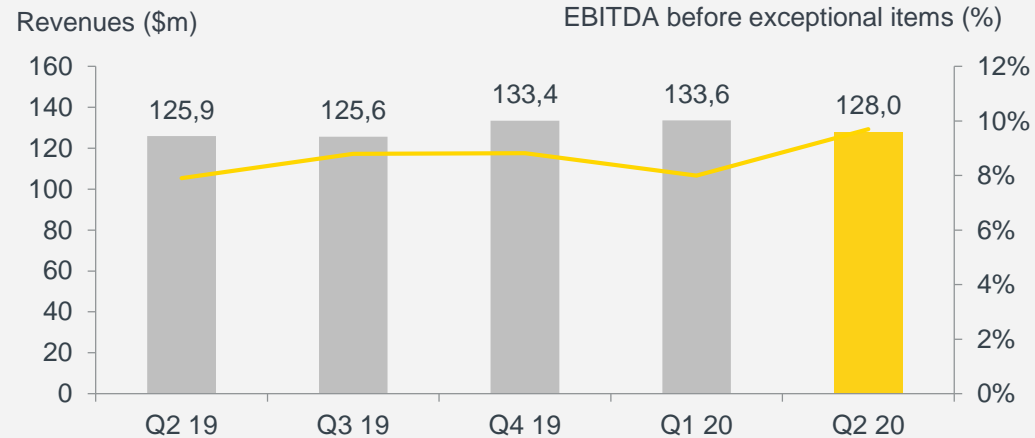




# Platform Drilling, Modular Rigs & Engineering

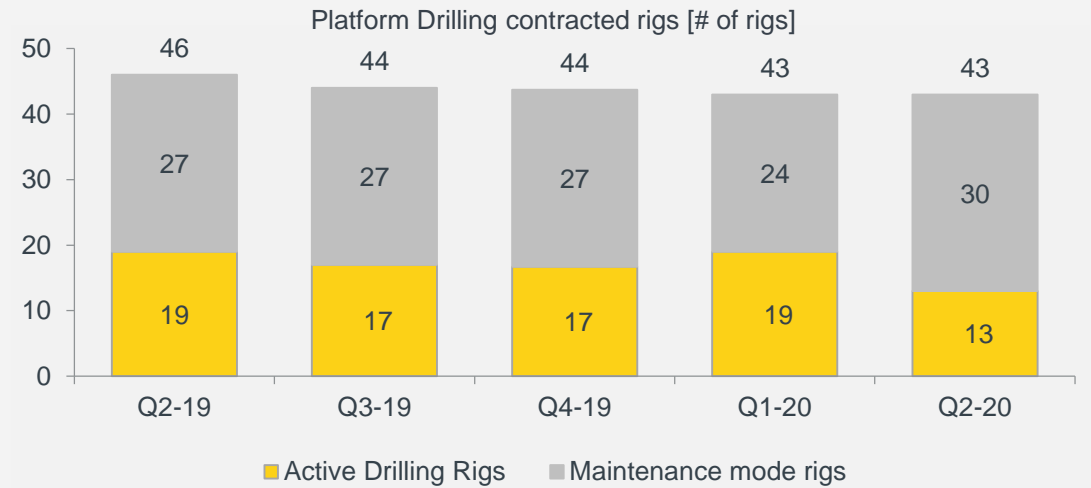
## Financials

- EBITDA contribution from Modular Rigs more than offsets reduction in Platform Drilling
- EBITDA margin of 9.7% in the quarter
- Capex of \$2.3 million mainly related to recertification of equipment for Platform Drilling and MDR
- Reduced headcount by 240, and 500 employees on temporary layoff or reduced rotation/compensation



## Operations

- Archer Topaz started operations
- Archer Emerald mobilization delayed by 3 months
- Platform Drilling activity reduced on 6 platforms
- Engineering have increased backlog in Norway and UK

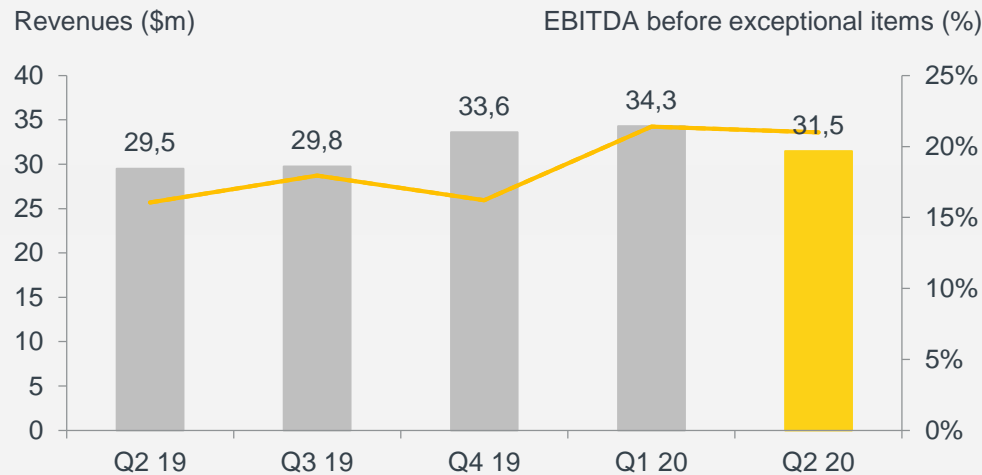




# Well Services

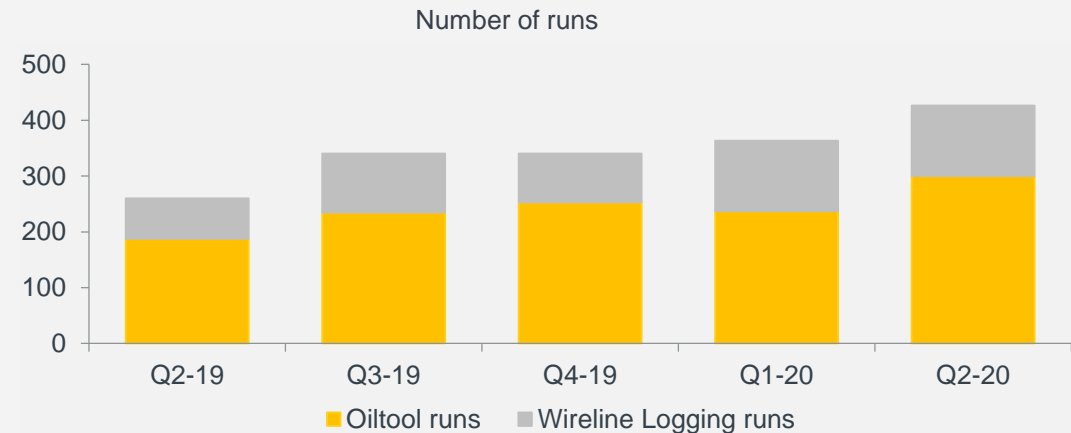
## Financials

- Revenues increased by 7% from last year
- EBITDA up by 37% from last year
- Capex of \$2.2 million



## Operations

- Record quarter for operational runs in Oiltools
- Oiltools growth supported by increased P&A activity in Norway, but certain international regions are postponing activity due to Covid-19
- Low activity in Wireline and right-sizing of operation
- Wireline Equinor tender integrated with Schlumberger and Welltec



C6 WIRELINE TRACTOR SUCCESSFULLY FIELD TESTED IN GERMANY



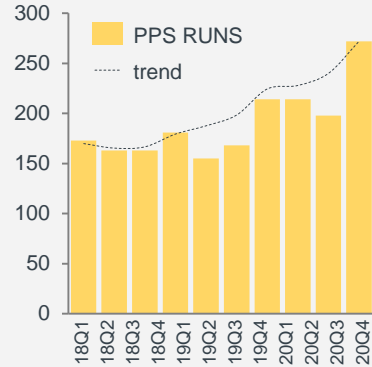


# Well Services – Oiltools



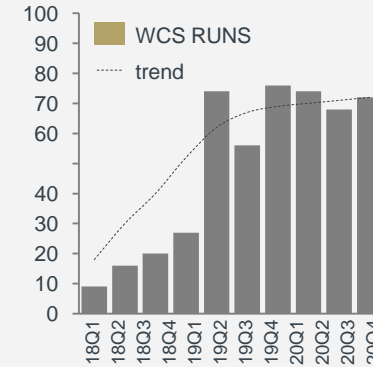
## Plugs & Plug Solutions

- SPARTAN® series plugs for well suspension
- LOCK® series premium gas tight plugs
- VAULT® unique dual barrier plug solution
- SPEARHEAD® extensive load and pull capacity plug solution



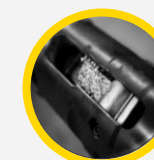
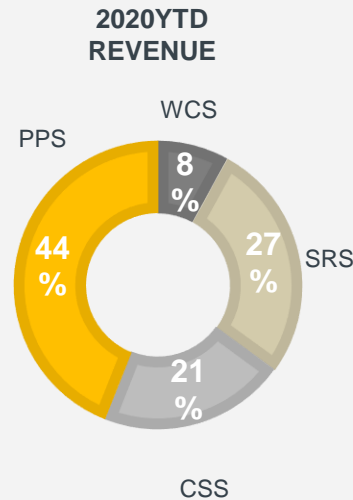
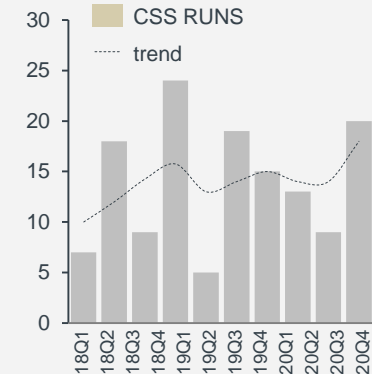
## Well Cleaning Solutions

- Tornar® BOP Cleaning with advanced vortex technology
- Tornar® Wellbore Cleaning designed for high combinability and flow efficiency enabling solutions in multiple downhole activities



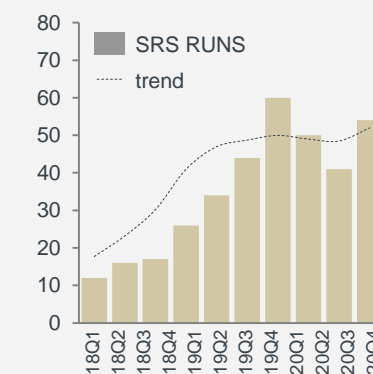
## Cementing Sales & Solutions

- Cflex® technology is qualified gas tight enabling high-performance multistage cementing
- MCAP™ mechanical set gas tight technology for superior annular isolation for the life of the well



## P&A and Slot Recovery Solutions

- Stronghold® solutions provide an efficient alternative to traditional P&A as well as solutions for annular remediation.
- Samurai® multi-function solution for cutting different casing sizes
- X-it® system provides high-performance casing exit services



Archer Oiltools regional teams deliver solutions to our customers that reduce their carbon impact, increase their efficiency and this drives our activity.

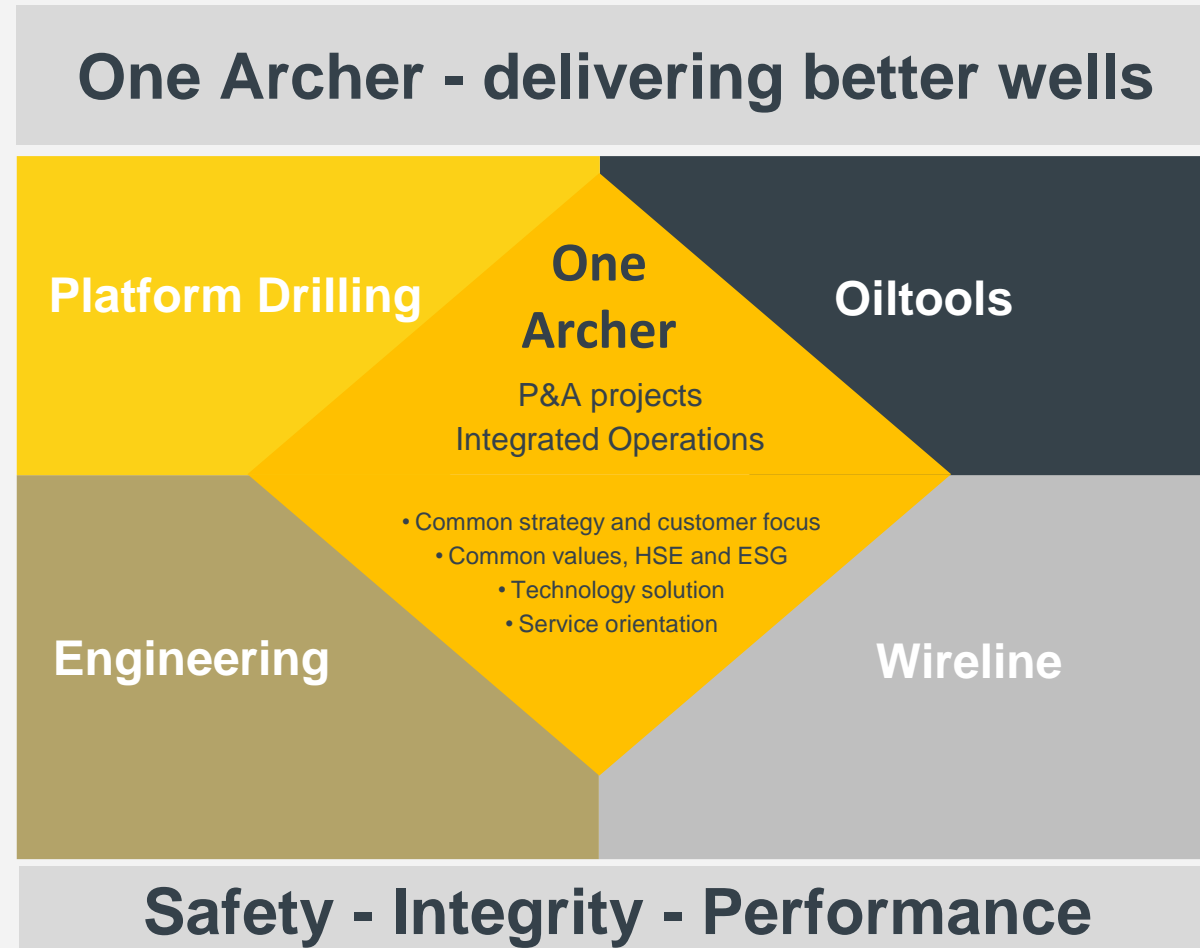
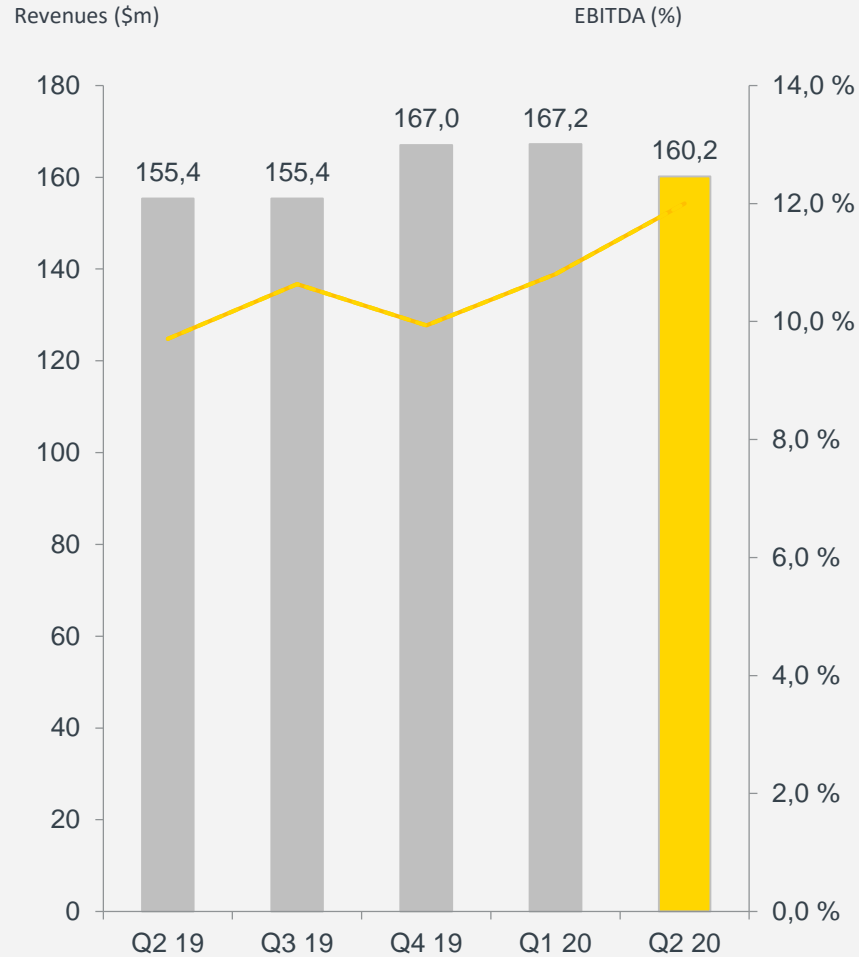


\*Archer Oiltools solution combo





# Eastern Hemisphere integrated services gaining momentum

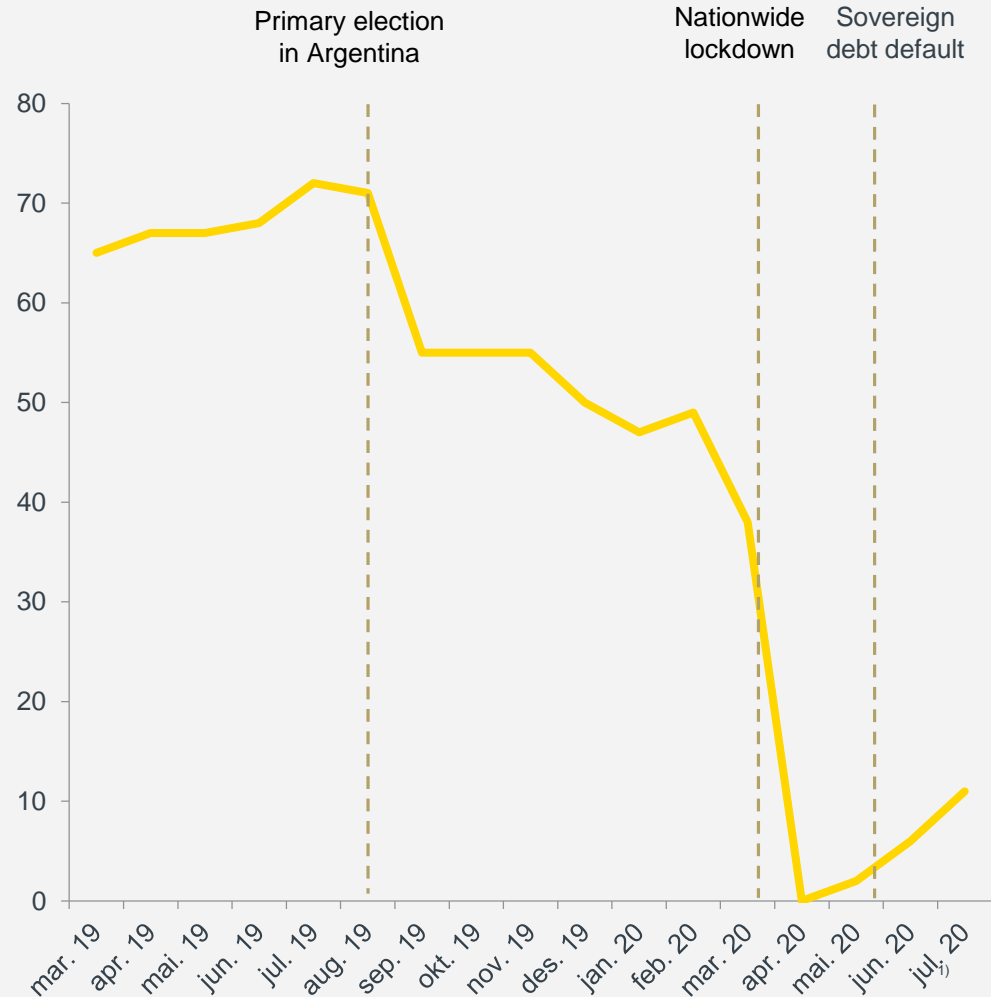




# Challenging situation in Argentina

- Covid-19 lockdown lead to 50% reduction in demand for crude oil in Argentina
- Argentina's Government defaulted on \$65 billion of its debt in May 2020
- Exchange rate fairly stable, but further restrictions on foreign exchange payments imposed
- Inflation is contained, but expected to accelerate
- Government impose double severance payment for terminations in 2020
- First signs of drilling activity recommencing
- Government plans incentives for gas production

## Drilling Rig count in Argentina



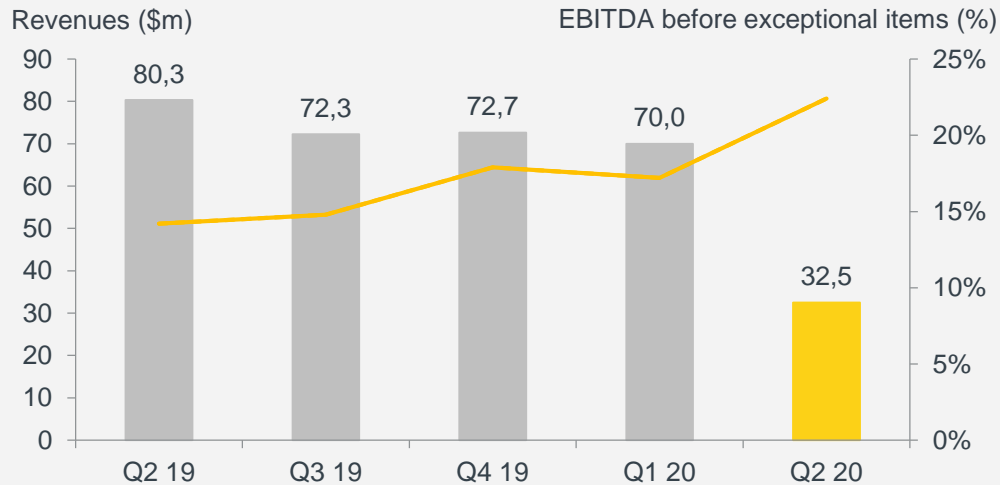
Source: Baker Hughes Rig Count



# Land drilling

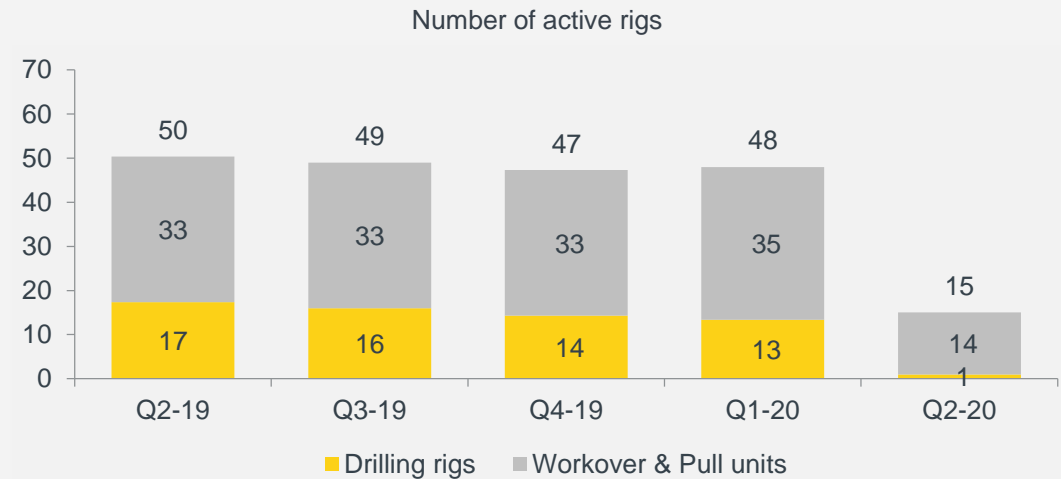
## Financials

- Revenue down 53.6%
- Break even EBITDA in the quarter
- EBITDA before exceptional items was \$7.3 million
- About 70% of employees suspended
- Received compensation from customers to cover salaries



## Operations

- Only Pulling Units continued working in Argentina
- Headcount reduced by 80 employees
- Restarting activity in Q3;
  - 13 Workover rigs (done)
  - Several drilling rigs in different stages
- Fluids business closed down





# QES merger with KLXE

## QES merged with KLXE on July 28th

- KLXE and QES combined their services, establishing an industry-leading provider of asset-light oilfield solutions
- Archer holds a total of 919,998 shares in KLXE (approximately 11.1%)
- KLXE will remain on Nasdaq with the ticker “KLXE”.
- Archer’s CEO Dag Skindlo will serve as Director on the KLXE Board.

## Strategic rationale

### Increased scale

- Benefit of spreading fixed costs across greater operating scale
- Increased relevance for public market investors

### Cost synergies

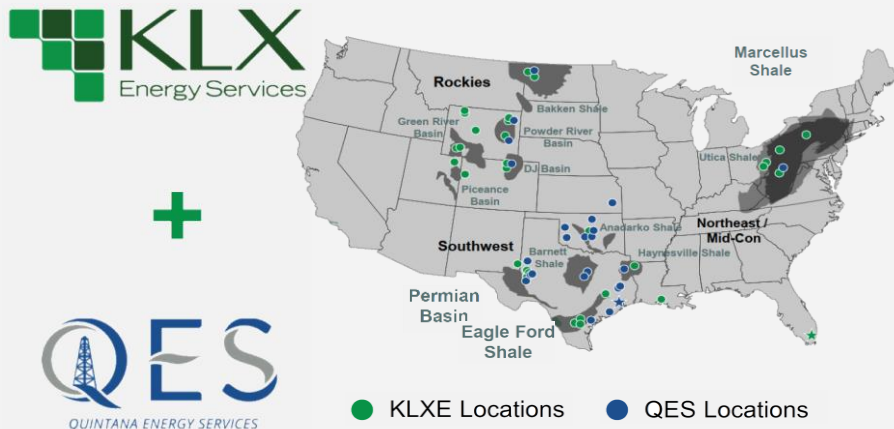
- Redundant corporate and district level costs
- Facility rationalization

### Diversification

- Greater ability to service customer needs throughout the life cycle of the well

### Liquidity

- Improve liquidity for both companies through realization of synergies





Q2 2020

## Condensed profit & loss statement for first half 2020

- Operational revenue of \$369.5 million
- Exceptional items of \$12.7 million
- Impairments of \$7.4 million
  - Goodwill (\$4 million) and rigs in Argentina (\$3.4 million)
- Results from associated entities of \$12.9 million
  - Primarily related to QES
- Other financial items of \$22.1 million
  - Net recorded gain on debt forgiveness \$42.1 million after accrual of interest
  - Non-cash loss on foreign exchange \$20.7 million

## Condensed profit & loss statement

<i>\$ million</i>	YTD June 2019	YTD June 2020
Operating revenues	423.0	369.5
Reimbursable revenue	38.2	60.3
<b>Total Revenues</b>	<b>461.3</b>	<b>429.9</b>
<b>EBITDA before exceptional items</b>	<b>51.1</b>	<b>53.5</b>
<i>EBITDA margin before exceptional items</i>	10.5%	12.4%
Exceptional items	(2.6)	(12.7)
<b>EBITDA</b>	<b>48.5</b>	<b>40.8</b>
<i>EBITDA margin</i>	10.5%	9.5%
Impairments	-	(7.4)
Depreciation, amortization, other	(25.3)	(24.2)
<b>EBIT</b>	<b>23.2</b>	<b>9.2</b>
<i>EBIT margin</i>	5.0%	2.1%
Result from associated entities	(4.9)	(12.9)
Net interest expense	(19.5)	(16.4)
Other financial items	4.6	23.1
<b>Net income before tax</b>	<b>3.3</b>	<b>3.0</b>
Tax cost	1.7	(0.9)
<b>Net income</b>	<b>4.9</b>	<b>2.1</b>



## Condensed balance sheet

- Cash and cash equivalents of \$41.2 million
- Accounts receivables are reduced by \$30 million following reduced DSO and lower activity
- Goodwill is reported at \$151.9 million, reflecting an impairment of \$4 million and currency adjustments
- NIBD at \$520.3 million

## Condensed balance sheet end of 2019 and June 2020

<i>\$ million</i>	31.12.2019	30.06.2020
Cash and cash equivalents	31.4	41.2
Restricted cash	12.7	14.3
Accounts receivables	145.4	115.4
Inventories	53.0	51.0
Other current assets	23.6	31.7
Investments and loans to associates	31.3	18.4
Property, plant and equipment, net	373.9	355.1
Right of use assets	42.8	37.5
Goodwill	171.1	151.9
Other non-current assets	44.7	43.0
<b>Total assets</b>	<b>930.0</b>	<b>859.6</b>
Current portion of interest-bearing debt	548.1	16.0
Accounts payable	45.2	36.7
Lease liability current	11.9	11.2
Other current liabilities	117.1	120.5
Long-term interest-bearing debt	7.3	529.6
Subordinated related party loan	58.3	15.9
Deferred taxes	2.3	1.5
Lease liability	31.0	26.3
Other noncurrent liabilities	0.4	0.9
Shareholder's equity	108.4	101.0
<b>Total liabilities and shareholders' equity</b>	<b>930.0</b>	<b>859.6</b>

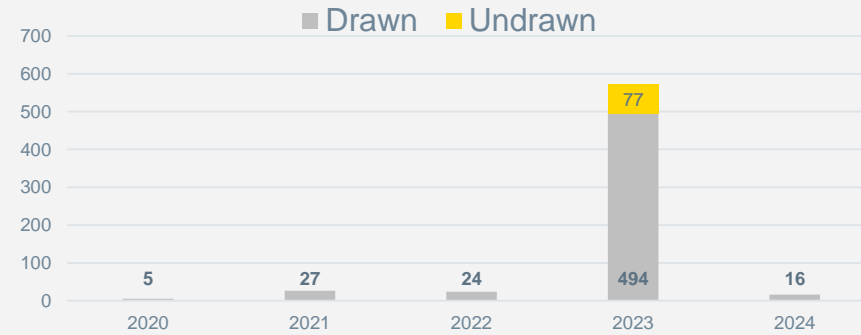


# Financial position

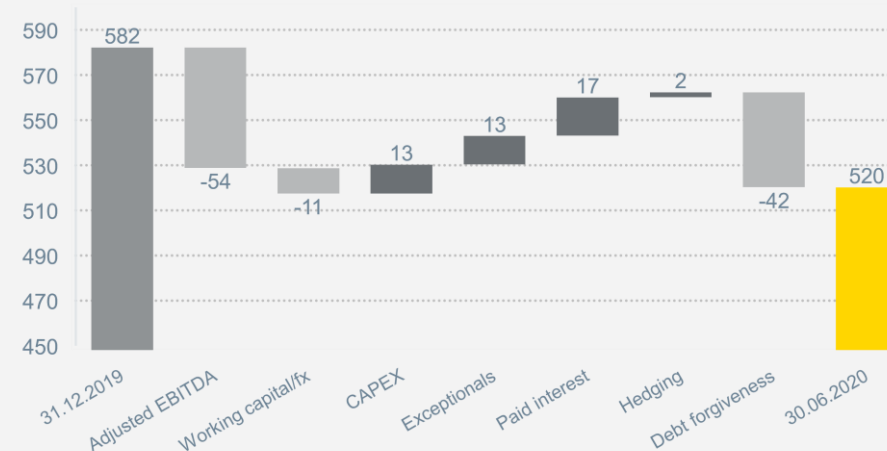
## Sufficient liquidity secured

- Generating positive cash flows
- Net interest-bearing debt reduced
- Available liquidity of \$118 million
- Refinanced April with limited instalments until maturity in 2023
- Reduced interest cost in Q2 following reduced debt and lower Libor rates

## Debt maturity profile [\$m]



## NIBD bridge [\$m]





Q2 2020

## Summary Q2 2020

- Solid operational results
- Covid-19 with negative impact on activity
- Secured additional backlog for the Modular Rigs
- Strong cash flow generation and substantial reduction in NIBD
- Completed refinancing with sufficient liquidity

## Financial outlook 2020

Improved outlook compared to Q1 Trading Update;

- Revenues expected 15-18% lower than in 2019
- Capex expected at about 3% of revenue
- NIBD estimated at \$515-520 million end 2020







# Q&A



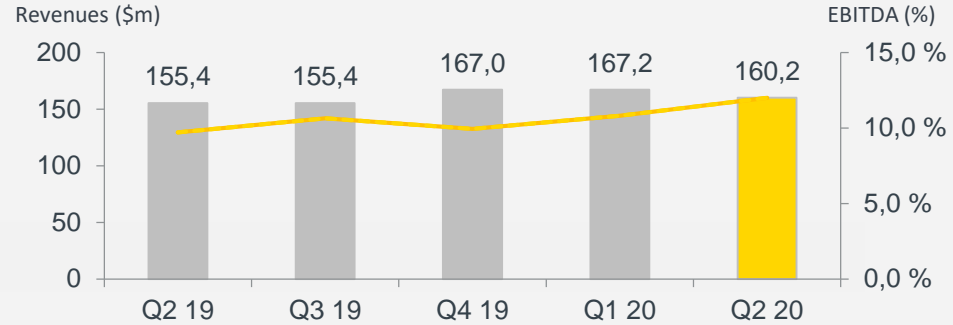


# Segment key financials

## Eastern Hemisphere

Platform drilling & Engineering

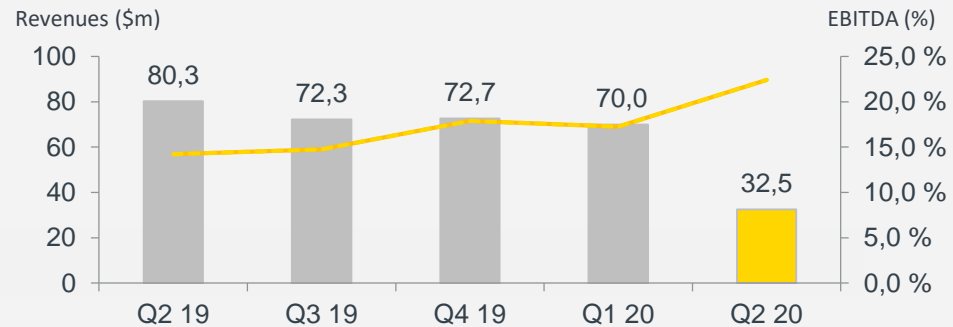
Well Services



\$m	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20
Revenues	155.4	155.4	167.0	167.2	160.2
EBITDA before exceptional items	15.1	16.5	16.6	18.0	19.3
EBITDA	15.1	16.5	16.3	13.7	20.2
Capex	2.6	6.6	9.5	5.2	5.5

## Western Hemisphere

Land drilling



\$m	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20
Revenues	80.3	72.3	72.7	70.0	32.5
EBITDA before exceptional items	11.4	10.7	13.0	12.1	7.3
EBITDA	9.7	8.7	8.3	10.0	0.0
Capex	3.1	8.1	9.1	1.5	0.7



## Condensed profit and loss statement

(Figures in \$ million)	Q2 19	Q3 19	Q4 19	Q1 20*	Q2 20*
Operating revenues	212.8	203.5	207.1	207.6	161.9
Reimbursable revenue	22.9	24.2	32.6	29.5	30.9
<b>Total Revenues</b>	<b>235.6</b>	<b>227.6</b>	<b>239.7</b>	<b>237.1</b>	<b>192.8</b>
<b>EBITDA before exceptional items</b>	<b>25.2</b>	<b>25.4</b>	<b>27.5</b>	<b>28.1</b>	<b>25.4</b>
Severance payments	(0.3)	(0.4)	(5.0)	(5.2)	(3.6)
Strikes	(0.2)	(0.6)			
Foreign exchange /devaluation	(1.2)	(1.1)			
Other	-	-		(1.2)	(2.7)
<b>Total Exceptional items**</b>	<b>(1.7)</b>	<b>(2.0)</b>	<b>(5.0)</b>	<b>(6.4)</b>	<b>(6.3)</b>
<b>EBITDA after exceptional items</b>	<b>23.5</b>	<b>23.4</b>	<b>22.5</b>	<b>21.7</b>	<b>19.0</b>
Depreciation, amortization, impairments, other	(12.2)	(12.3)	(14.3)	(12.0)	(19.7)
<b>EBIT</b>	<b>11.3</b>	<b>11.1</b>	<b>8.3</b>	<b>9.7</b>	<b>(0.7)</b>
Result from associated entities	(3.7)	(32.8)	0.7	(13.5)	0.6
Interest rate expensed	(9.3)	(10.3)	(9.8)	(9.3)	(8.7)
Other financial costs	5.9	(23.4)	1.6	(30.4)	55.3
<b>Net financial items</b>	<b>(7.1)</b>	<b>(66.5)</b>	<b>(7.4)</b>	<b>(53.2)</b>	<b>47.2</b>
<b>Net result before tax</b>	<b>4.2</b>	<b>(55.4)</b>	<b>0.9</b>	<b>(43.5)</b>	<b>46.6</b>
Tax benefit / (expense)	(0.6)	(1.2)	3.1	(0.1)	(0.9)
<b>Net income/(loss)</b>	<b>3.5</b>	<b>(56.6)</b>	<b>3.9</b>	<b>(43.6)</b>	<b>45.7</b>

\*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

<i>\$ million</i>	30.06.19	30.09.19	31.12.19	31.03.20*	30.06.20
Cash, cash equivalents & restricted cash	51.1	18.7	44.1	107.5	55.5
Accounts receivables	148.1	148.6	145.4	150.2	115.4
Inventories	52.1	52.2	53.0	52.0	51.0
Right of use assets current	1.4	1.0	0.7	-	-
Other current assets	24.4	28.7	23.6	35.6	31.7
Investments and loans in associates	63.4	30.7	31.3	16.5	18.4
Property, plant and equipment, net	378.1	372.1	373.9	363.0	355.1
Right of use assets	41.7	41.3	42.1	37.6	37.6
Goodwill	175.6	165.3	171.1	146.4	151.9
Other non current assets	40.6	39.2	44.6	41.6	43.0
<b>Total assets</b>	<b>976.5</b>	<b>898.0</b>	<b>930.0</b>	<b>950.4</b>	<b>859.6</b>
Current portion of interest-bearing debt	33.4	553.0	548.1	5.1	16.0
Accounts payable	55.1	46.6	45.2	58.9	36.7
Lease liability current	12.3	12.2	11.9	10.9	11.2
Other current liabilities	106.4	92.5	117.1	111.8	120.4
Long-term interest-bearing debt	524.0	5.9	7.3	624.9	529.6
Subordinated related party loan	58.3	58.3	58.3	58.3	15.9
Deferred taxes	2.3	2.2	2.3	2.0	1.5
Lease liability	30.8	30.0	31.0	26.7	26.3
Other noncurrent liabilities	0.6	0.5	0.4	0.4	0.9
Shareholder's equity	153.2	96.7	108.4	51.4	101.0
<b>Total liabilities and shareholders' equity</b>	<b>976.5</b>	<b>898.0</b>	<b>930.0</b>	<b>950.4</b>	<b>859.6</b>

\*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

<i>(Figures in \$ million)</i>	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20
Operating activities	18.1	(15.0)	47.0	1.6	41.3
Investing activities	(5.2)	(14.8)	(17.3)	(4.5)	(8.4)
Financing activities	10.0	2.4	(4.4)	75.8	(85.6)
FX effect	(4.1)	(5.0)	(0.2)	(9.4)	0.6
<b>Total</b>	<b>18.8</b>	<b>(32.4)</b>	<b>25.5</b>	<b>63.5</b>	<b>(52.1)</b>