



# Archer Fourth Quarter 2017

John Lechner CEO  
Dag Skindlo CFO

27 February 2018

# Disclaimer – forward looking statements

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## Cautionary Statement Regarding Forward-Looking Statements

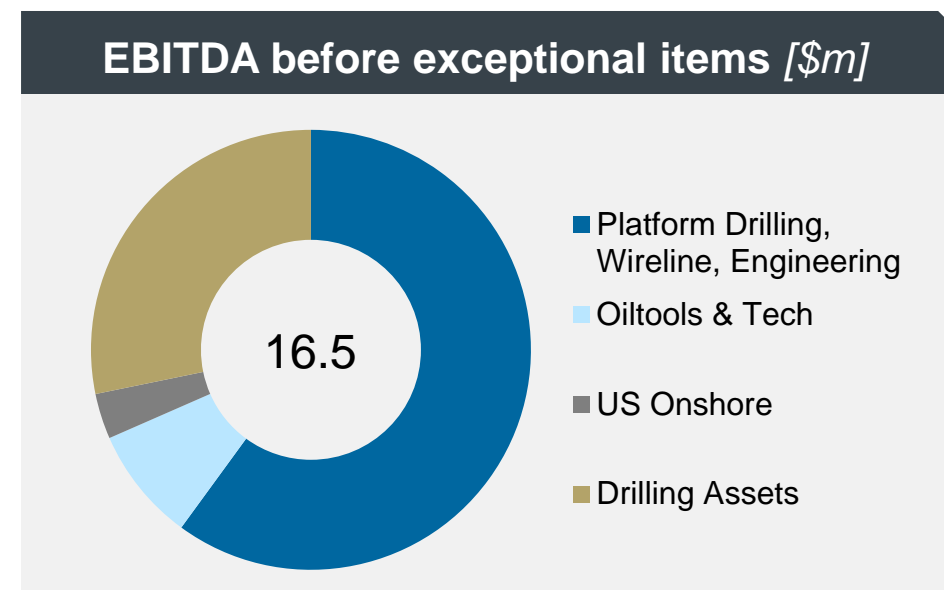
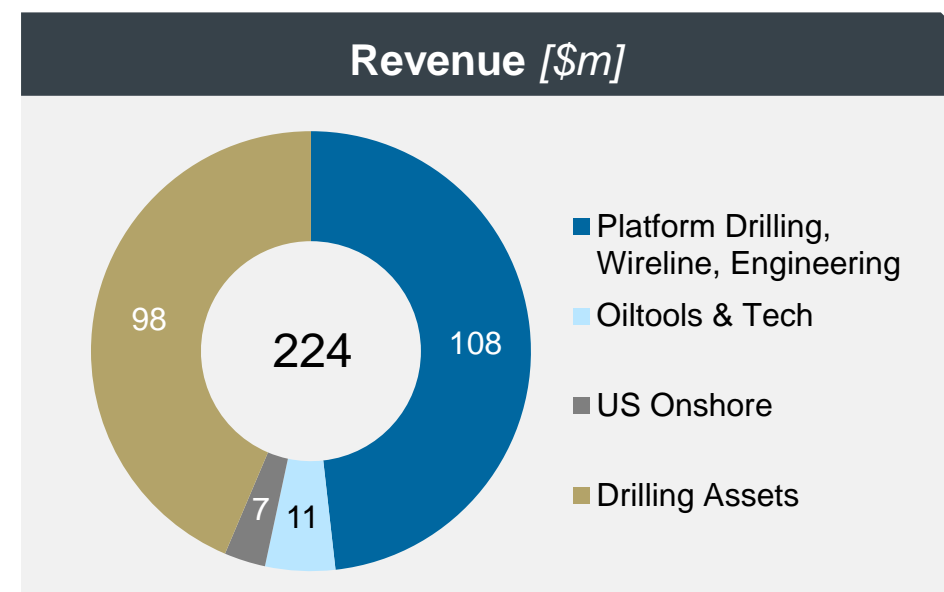
In addition to historical information, this press release contains statements relating to our future business and/or results. These statements include certain projections and business trends that are “forward-looking.” All statements, other than statements of historical fact, are statements that could 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, 2016. 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.

# Archer – fourth quarter highlights 2017

- Strong cash flow generation with a reduction in Net Interest Bearing Debt of \$21.3 million
- Revenue of \$223.7 million
- EBITDA of \$16.5 million before exceptional items <sup>1)</sup>
- Renewed contract for Platform Drilling in Brazil for Statoil
- Land Drilling in North of Argentina continues to deliver strong performance, but rig mobilization costs in South and Bolivia impacted EBITDA
- First signs of increased market activity outside of US onshore
- IPO of QES on NYSE – Archer's share valued at \$95 million at time of IPO. QES continued to grow and reported a Q4 EBITDA of \$19.2 million <sup>2)</sup>



1) Exceptional items include restructuring costs and other non recurring items

2) Q4 2017 Adjusted EBITDA based on mid-point in S-1 Prospectus

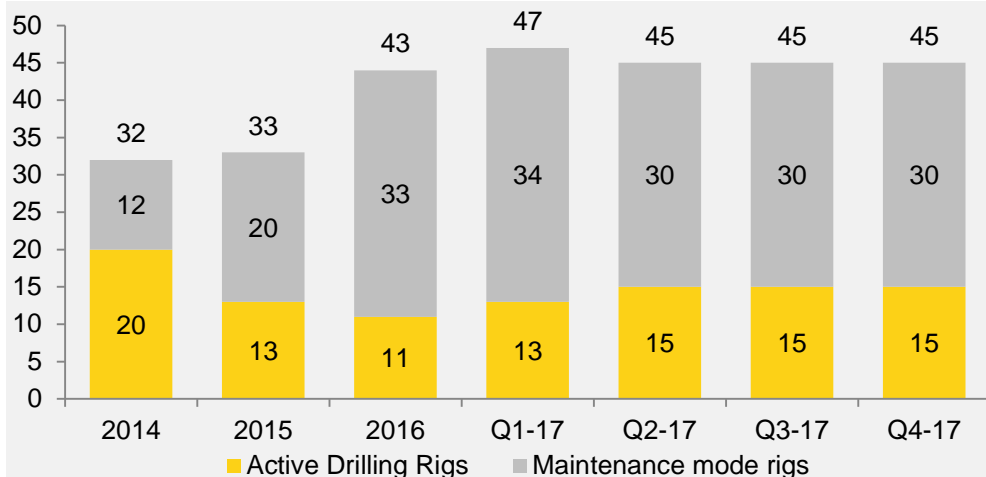


# Platform Drilling, Wireline, Engineering

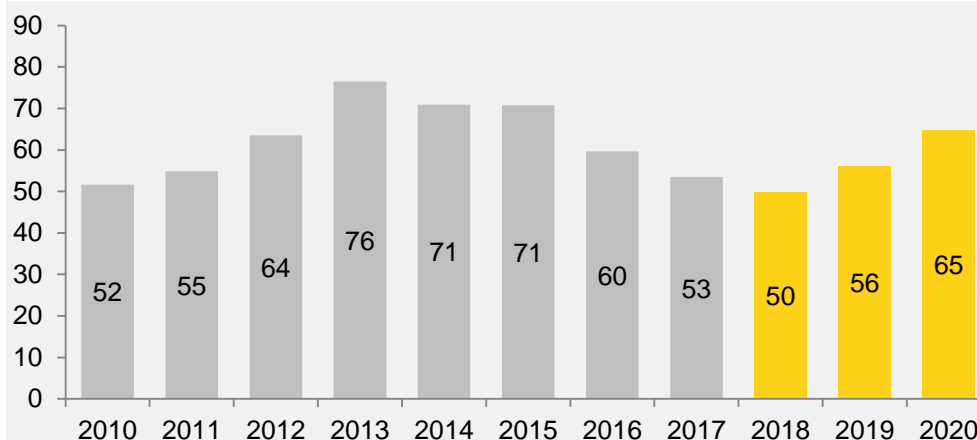
## Platform Drilling secures all major contracts in 2017

**Archer**

**Platform Drilling Contracted rigs [nr of rigs]**



**Development well spending - NCS [NOK billion] <sup>1)</sup>**



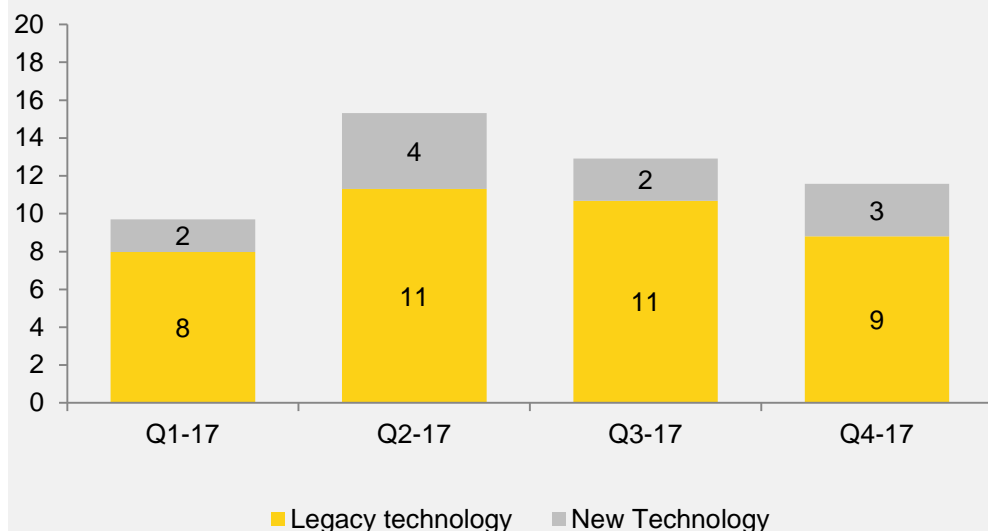
### Platform Drilling

- Archer successfully renewed Platform Drilling contract with Statoil in Brazil in Q4
- During 2017, Platform Drilling was able to renew all contracts up for renewal, representing an estimated \$260 million in backlog
- Increased number of tenders internationally
- Full year 2017 EBITDA margin above 11% for Platform Drilling

### Wireline and Engineering

- Highly successful results on two month P&A campaign for Repsol on the Varg platform
- In progress for dissolving TAQA joint venture – expect completion in first half of 2018
- Norway is slightly improving, but UK continues to be a difficult market
- Looking to grow through strategic partnerships where applicable

### New technology vs Legacy technology [\$m]

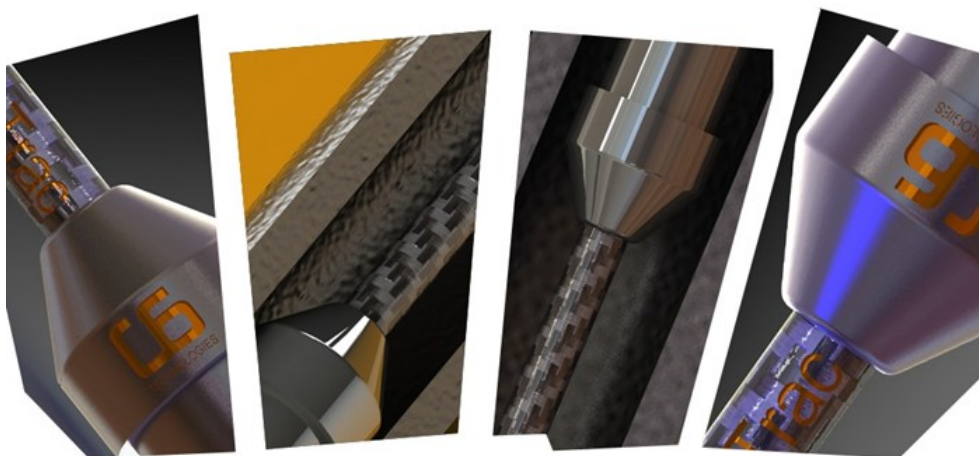


### Oiltools

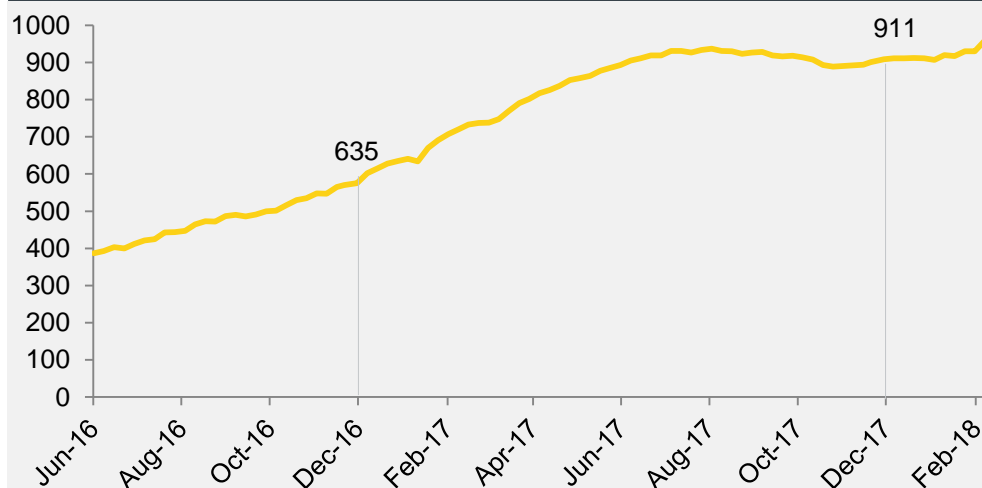
- High specification plugs segment impacted by low activity in key deep water regions such as the US, West Africa and Australia
- Stronger momentum in the North Sea - and the P&A market in general
- Won contract with Petronas for P&A services
- Archer's first wireline set plug has been developed
- Good development progress on new permanent packer for large Middle East market

### C6 technologies (50/50 JV)

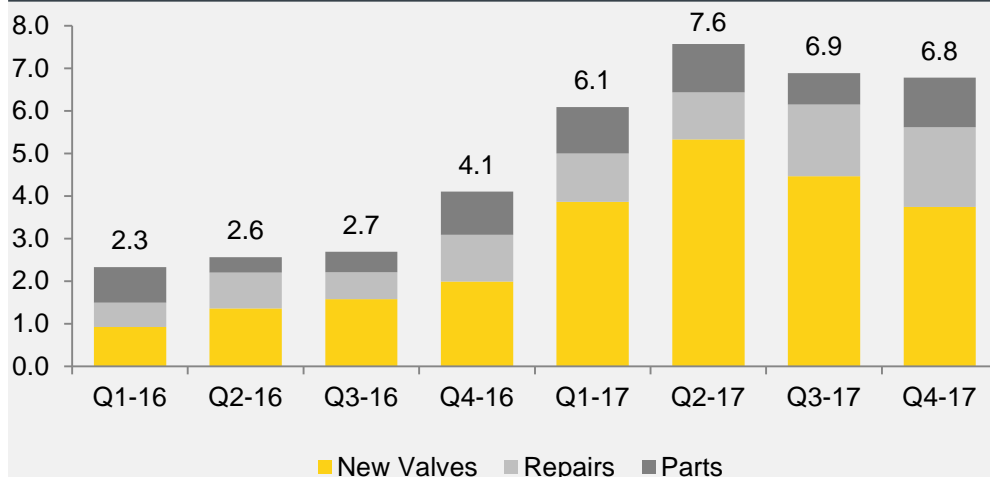
- Strong client interest and interaction
- ComTrac progress with three commercial jobs set for Q1 2018
- Wireline Tractor ready for field test
- First intervention tools expected to be field test ready in Q2 2018



### Rig count Onshore US [nr of rigs]



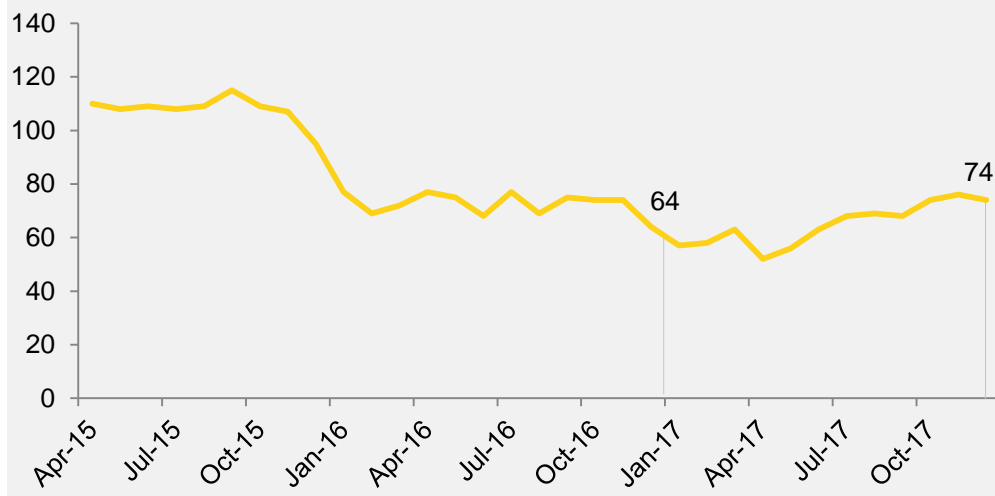
### AWC revenue by quarter [\$m]



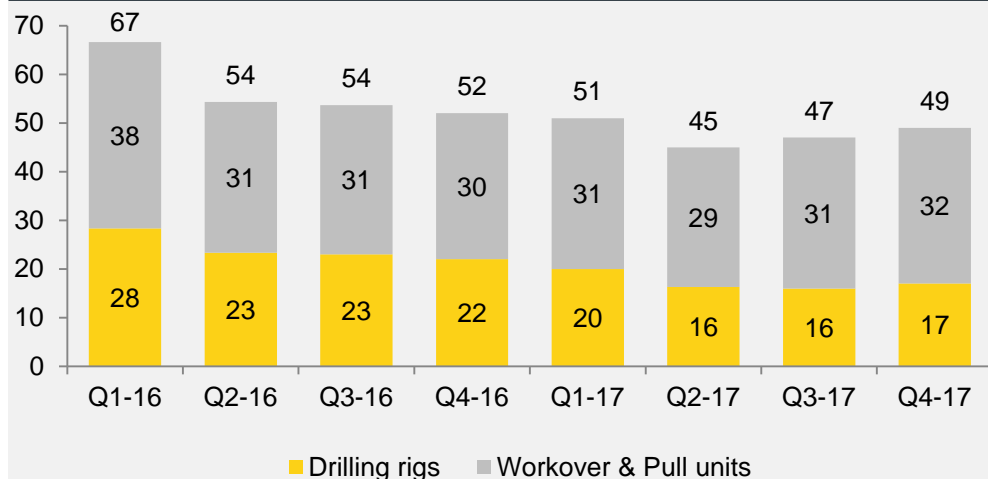
### Key market development and trends

- US onshore rig count at 911 active rigs at the end of Q4 2017, up 43% from corresponding quarter last year
- New valve sales in AWC were down quarter over quarter as main customers delayed purchase of new valve sales until 2018
- Strong repair revenue - up 11% quarter on quarter. Parts revenue increased 58% relative to Q3 2017
- Q4 2017 revenue of \$6.8m is up 39% from corresponding quarter last year
- First order for sourcing spare parts and augmented product offering from China

### Rig count in Argentina and Bolivia [nr of rigs]



### Archer active rigs [nr of rigs]



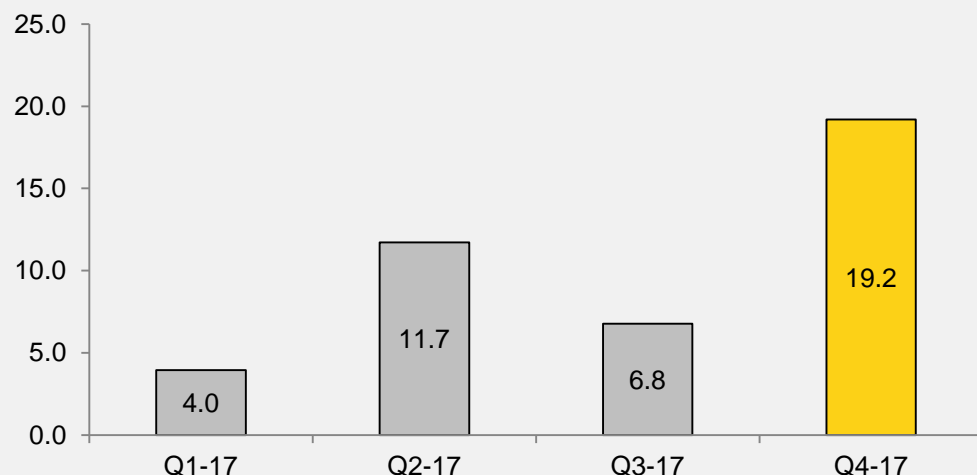
### Key market development and trends

- Rig activity picking up in the region, with an upward trending rig count since April 2017 – Archer with 51 active units as of end of February 2018
- Continued good performance in the North of Argentina, with increased tender activity
- Mobilized rig in Bolivia in Q4 2017 with start-up mid-January 2018. Expected start-up of a second rig within first quarter. All three rigs in Bolivia are contracted for work in 2018
- Operating environment in the South of Argentina continues to be challenging, and high mobilization costs for Flex rigs led to a negative contribution in Q4 2017

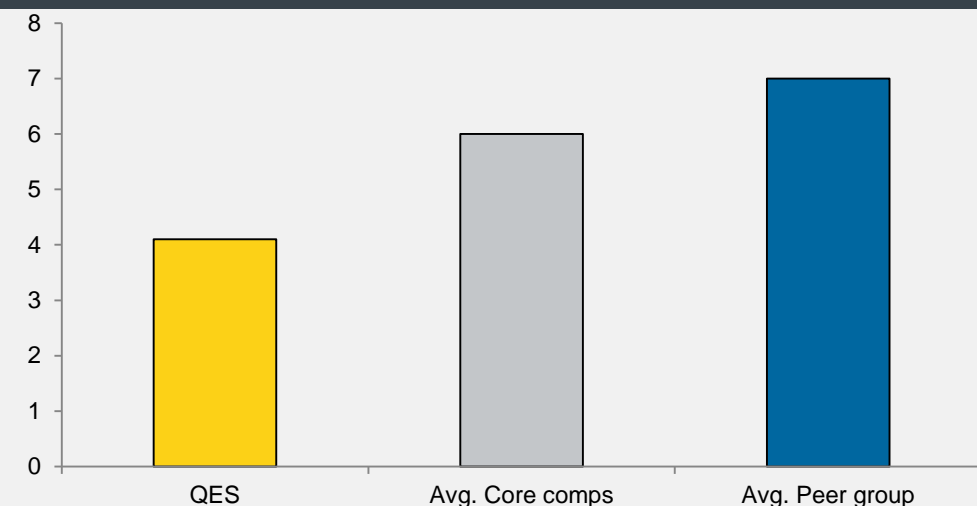
# Associated investments - QES

## IPO of QES on New York Stock Exchange

QES Adjusted Quarterly EBITDA <sup>1)</sup> [\$m]



Annualized Q4 2017 EV/EBITDA <sup>2)</sup>



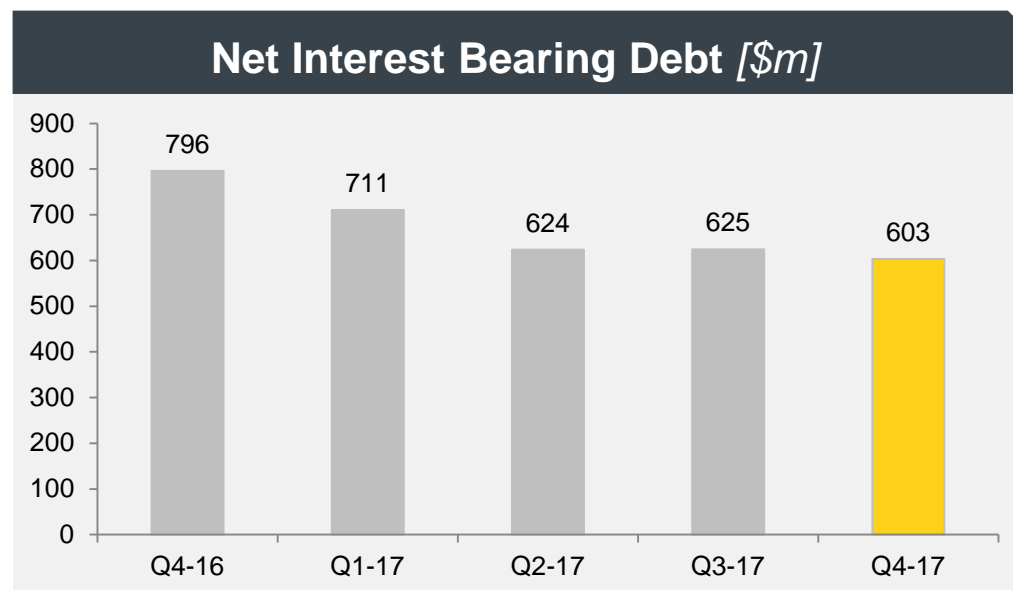
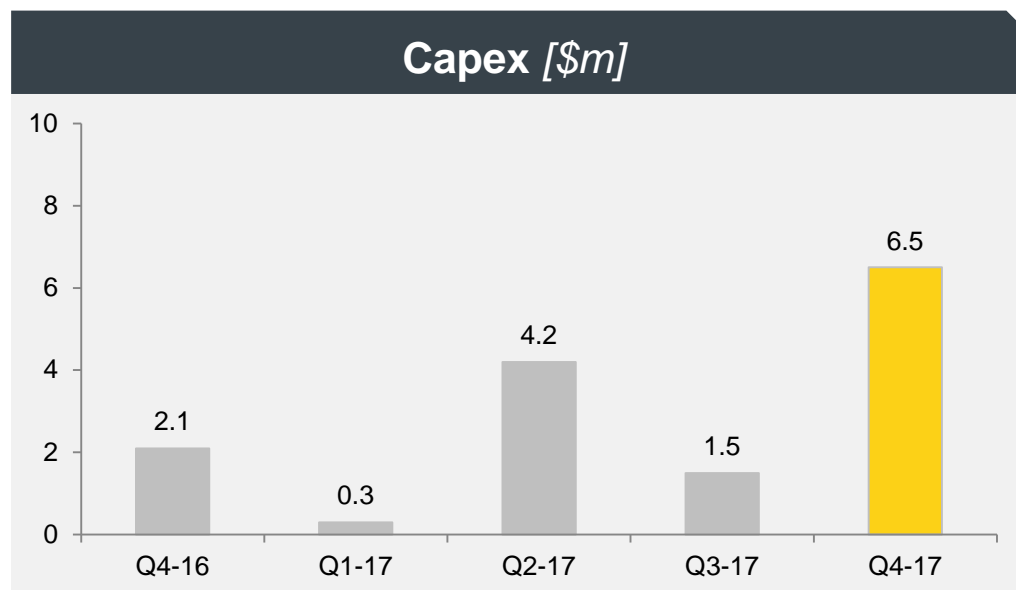
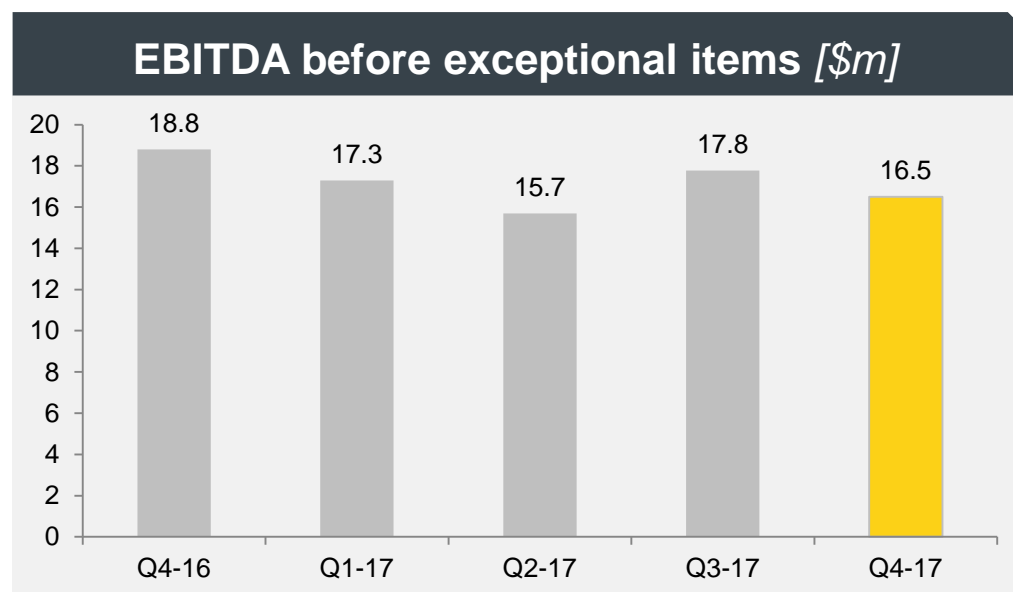
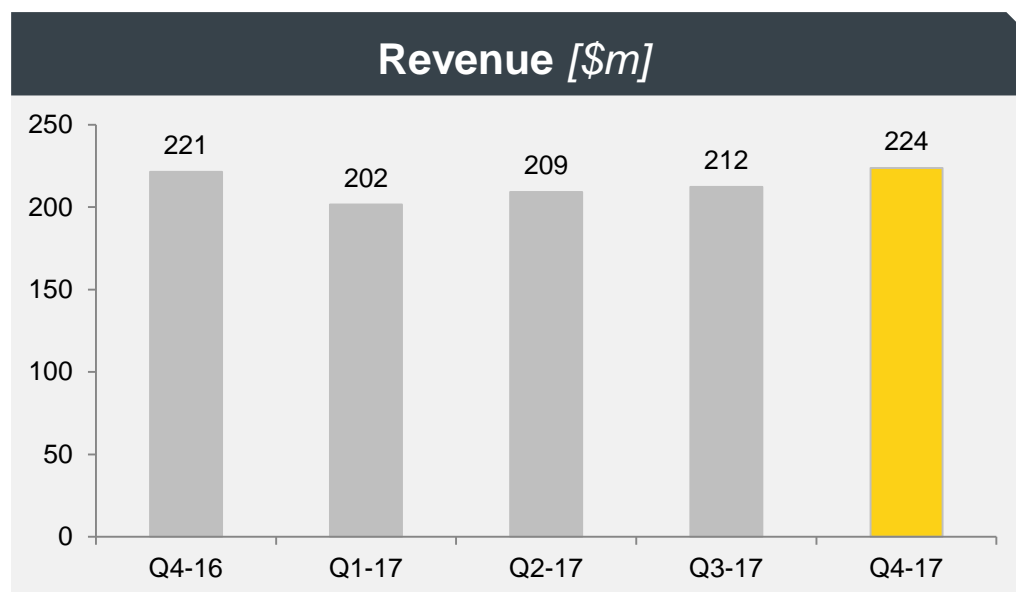
- Launched IPO on 29 January, with first day of trading on 9 February
- Priced at \$10 per share, giving net proceeds of \$82.7 million
- Market cap valued at ~\$330 million at IPO. Archer's share of QES 28.7%, or ~\$95 million
- Customary 180-day lock-up restrictions post-IPO for pre-IPO shares.
- QES capitalized for growth, with new \$100 million credit facility in place with a borrowing base of approximately \$70 million as of the effective date
- QES IPO with significant discount relative to peers

1) Unaudited estimate. Q4 2017 Adjusted EBITDA based on mid-point in S-1 Prospectus

2) Annualized Q4 2017 EV/EBITDA based on mid-point in S-1 Prospectus and market pricing as of 16/02/2018. Core comps consists of Keane, ProPetro, Basic Energy  
Peer group consists of Core Comps and RPC, FTS, Superior Energy, C&J Energy, Mammoth Energy, Nine Energy, Key Energy



# Archer Group – financial highlights fourth quarter 2017



# Condensed profit and loss statement



<i>(Figures in \$ million)</i>	<b>Q3 17</b>	<b>Q4 17</b>	<b>2016</b>	<b>2017</b>
Operating revenues	199.9	204.0	817.6	789.7
Reimbursable revenue	12.4	19.7	66.2	57.1
<b>Total Revenues</b>	<b>212.3</b>	<b>223.7</b>	<b>883.8</b>	<b>846.8</b>
<b>EBITDA before exceptional items</b>	<b>17.8</b>	<b>16.5</b>	<b>84.1</b>	<b>67.5</b>
Exceptional items	(5.0)	(1.8)	(35.0)	(12.0)
<b>EBITDA after exceptional items</b>	<b>12.8</b>	<b>14.7</b>	<b>49.1</b>	<b>55.5</b>
Deprecation, amortization, impairments, other	(15.7)	(18.2)	(90.1)	(66.2)
<b>EBIT</b>	<b>(2.9)</b>	<b>(3.5)</b>	<b>(41.0)</b>	<b>(10.7)</b>
Result from associated entities	(5.2)	0.2	(68.7)	(14.9)
Interest rate expensed	(10.1)	(8.9)	(61.1)	(43.0)
Other financial costs	9.2	(11.1)	9.2	121.7
<b>Net financial items</b>	<b>(6.1)</b>	<b>(19.8)</b>	<b>(120.6)</b>	<b>63.8</b>
<b>Net result before tax</b>	<b>(9.0)</b>	<b>(23.3)</b>	<b>(161.6)</b>	<b>53.1</b>
Tax expense/(benefit)	4.4	0.6	(0.9)	10.2
<b>Net result</b>	<b>(4.6)</b>	<b>(22.7)</b>	<b>(162.5)</b>	<b>63.3</b>
Net loss from discontinued operations	(2.2)	-	(3.4)	(2.2)

- Revenue for the fourth quarter 2017 was \$223.7 million compared to \$212.3 million for the third quarter 2017, an increase of \$11.4 million following:
  - Increased activity in all Eastern Hemisphere divisions except Oiltools
  - Increased activity in Western Hemisphere with mobilization of a rig in Bolivia and completing the mobilization of the last Flex rigs for DLS South in Argentina
- EBITDA before exceptional items reduced by \$1.3 million in the fourth quarter 2017. The reduction in EBITDA is mainly due to higher mobilization cost for rigs in Argentina and Bolivia.
- Exceptional items for the fourth quarter were \$1.8 million, which is significantly down from previous quarter.
- EBITDA reported ended at \$14.7 million in fourth quarter, up from \$1.9 million in the third quarter
- EBIT for the year ended at a loss of \$10.7 million
- Full year positive Net Result of \$63.3 million

# Condensed balance sheet

(Figures in \$ million)	31/12/16	30/09/17	31/12/17
<b>ASSETS</b>			
Cash, cash equivalents & restricted cash	34.9	50.9	67.7
Accounts receivables	150.5	153.9	140.4
Inventories	61.8	56.0	58.0
Other current assets	39.9	41.9	35.9
<b>Total current assets</b>	<b>287.1</b>	<b>302.7</b>	<b>302.0</b>
Investments and loans in associates	105.9	99.4	100.2
Property, plant and equipment, net	476.4	444.4	432.2
Goodwill	172.6	187.5	181.9
Other non-current assets	18.3	30.5	26.6
<b>Total non-current assets</b>	<b>773.2</b>	<b>761.8</b>	<b>740.9</b>
<b>Total assets</b>	<b>1060.3</b>	<b>1064.5</b>	<b>1042.9</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current portion of interest-bearing debt	131.1	29.9	7.2
Accounts payable	52.0	49.2	53.6
Other current liabilities	130.0	110.1	117.0
<b>Total current liabilities</b>	<b>313.1</b>	<b>189.2</b>	<b>177.8</b>
Long-term interest-bearing debt	567.1	581.1	596.7
Subordinated related party loan	125.0	58.3	58.3
Deferred taxes	9.7	10.7	7.3
Other non-current liabilities	15.9	3.1	2.4
<b>Total non-current liabilities</b>	<b>717.7</b>	<b>653.2</b>	<b>664.7</b>
<b>Shareholder's equity</b>	<b>29.6</b>	<b>222.1</b>	<b>200.4</b>
<b>Total liabilities and shareholders' equity</b>	<b>1060.3</b>	<b>1064.5</b>	<b>1042.9</b>

## Comments

### Assets

- Total assets for the fourth quarter reduced compared to the previous quarter, predominantly explained by the reduction in non-current assets. We also had a strong collection of outstanding receivables at the end of 2017, reducing the outstanding balance and improving working capital.

### Liabilities












- During the fourth quarter we signed an amended loan agreement for Archer Topaz Ltd effectively reclassifying \$22.7 million from current liabilities to non-current liabilities.
- Net Interest Bearing Debt at end of December 2017 of \$603.2 million is a significant decrease compared to end of September 2017, with an overall reduction of \$21.3 million. This reduction was the result of a strong improvement in working capital during the fourth quarter of 2017.

### Equity

- Total equity of \$200.4 million, down \$21.7 million compared to the previous quarter primarily due to the net loss incurred in the fourth quarter.

# Archer is positioned in segments with positive outlook in rebounding market

**Archer**

	Business units	Key drivers	Key region	Outlook*
Platform drilling, engineering & wireline	Platform Drilling	<ul style="list-style-type: none"> <li>• Lowest cost production drilling for platforms with drilling facilities</li> <li>• IOR projects and well intervention activity</li> </ul>	North Sea	
	Wireline		North Sea	
	Engineering		North Sea	
Oiltools & Technology	Oiltools	Plug & Abandonment (P&A)	Global offshore	
		Well intervention	Global offshore	
			Middle East onshore	
Associated investments	QES (29%)	<ul style="list-style-type: none"> <li>• US onshore rig count, completion of DUCs and frac intensity per well</li> </ul>	US onshore	
US onshore	AWC (frac valves)		US onshore	
Drilling assets	Land Drilling North	<ul style="list-style-type: none"> <li>• Land drilling market in Bolivia and Argentina</li> <li>• P&amp;A market in the North Sea for Modular rigs</li> </ul>	Bolivia and Neugen	
	Land Drilling South		Southern Argentina	
	Modular rigs		Global offshore	

\* Medium term growth outlook

- 2018 financial performance expected to improve over 2017 on higher E&P activity
- Q1 2018 performance to be impacted by mobilization of additional rigs, winter stops on rigs in Norway and cost rationalization
- Focus remains on improving margins through efficiency and rationalisation. Average EBITDA margin before restructuring expected to improve 1-2% points over 2017
- Continued focus on cash generation to de-leverage and strengthen balance sheet
  - Cash flow from operations to exceed interest expenses, capex and taxes
  - Capex below 3% of revenue
  - Strategic process ongoing for US onshore business (possibility to reduce NIBD by approximately 5-7% from current level)
- Land Drilling to pick-up as more rigs are contracted (Bolivia and Argentina)
- North Sea activity increase expected Q2 onwards



- 2017 a transitional year for Archer and the oil service industry
  - Refinanced and secured liquidity with runway to Q3 2020
  - Slower activity with higher restructuring cost than anticipated/planned
  - Generated positive cash flow from operations to pay for Interest Expenses, Capex and Taxes
- Q4 2017 with strong cash generation
  - Strong cash flow generation reducing NIBD by \$21.3 million
  - IPO of QES creates longer term liquidity of investment and is value enhancing for Archer
  - First signs of increased market activity outside of US onshore





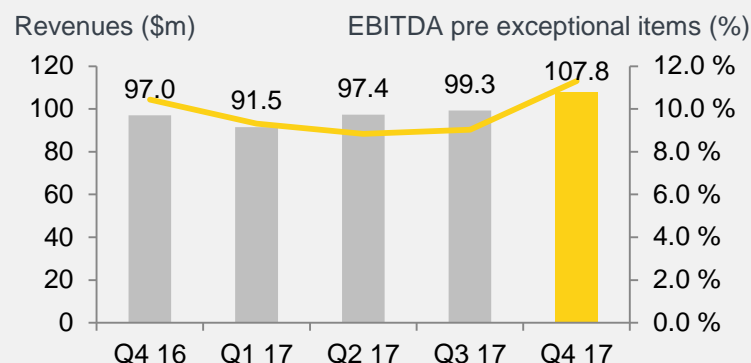
# Appendices

**Archer**  
The well company

# Segment key financials

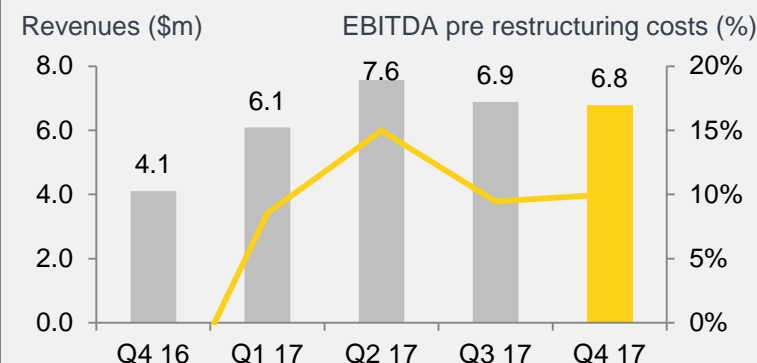
Archer

## Platform Drilling, Engineering & Wireline



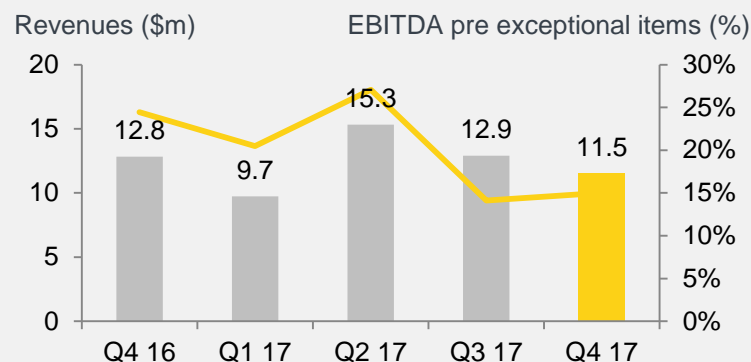
\$m	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17
Revenues	97.0	91.5	97.4	99.3	107.8
EBITDA pre except. items	10.1	8.5	8.6	9.0	12.2 <sup>1)</sup>
Capex	0.2	0.2	0.4	0.4	2.3

## US onshore



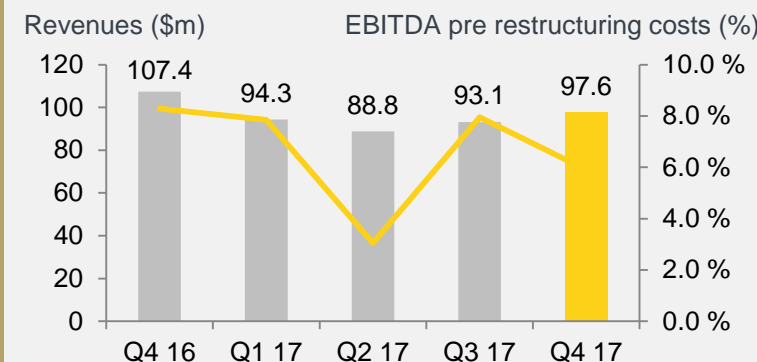
\$m	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17
Revenues	4.1	6.1	7.6	6.9	6.8
EBITDA pre except. items	(0.4)	0.5	1.1	0.7	0.7
Capex	0.0	0.0	0.0	0.0	0.8

## Oiltools & Technology



\$m	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17
Revenues	12.8	9.7	15.3	12.9	11.5
EBITDA pre except. items	3.1	2.0	4.1	1.8	1.7
Capex	0.0	0.3	0.1	0.3	0.1

## Drilling assets (Land Drilling and MDR)



\$m	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17
Revenues	107.4	94.3	88.8	93.1	97.6
EBITDA pre except. items	8.9	7.4	2.7	7.4	5.7
Capex	1.9	0.0	3.4	0.7	3.4

1) EBITDA Q4-17 positively affected by change in internal allocation of group costs of \$2.3m

# Condensed profit and loss statement – last 5 quarters

(Figures in \$ million)	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17	2016	2017
Operating revenues	207.6	190.5	195.3	199.9	204.0	817.6	789.7
Reimbursable revenue	13.8	11.1	13.9	12.4	19.7	66.2	57.1
<b>Total Revenues</b>	<b>221.4</b>	<b>201.6</b>	<b>209.2</b>	<b>212.3</b>	<b>223.7</b>	<b>883.8</b>	<b>846.8</b>
<b>EBITDA before exceptional items</b>	<b>18.8</b>	<b>17.3</b>	<b>15.7</b>	<b>17.8</b>	<b>16.5</b>	<b>84.1</b>	<b>67.5</b>
Exceptional items	(4.8)	(2.4)	(2.8)	(5.0)	(1.8)	35.0	(12.0)
<b>EBITDA after exceptional items</b>	<b>14.0</b>	<b>14.9</b>	<b>12.9</b>	<b>12.8</b>	<b>14.7</b>	<b>49.1</b>	<b>55.5</b>
Depreciation, amortization, impairments, other	(16.4)	(15.4)	(16.7)	(15.7)	(18.2)	(90.1)	(66.2)
<b>EBIT</b>	<b>(2.4)</b>	<b>(0.5)</b>	<b>(3.8)</b>	<b>(2.9)</b>	<b>(3.5)</b>	<b>(41.0)</b>	<b>(10.7)</b>
Result from associated entities	(20.1)	(7.9)	(2.0)	(5.2)	0.2	(68.7)	(14.9)
Interest rate expensed	(16.3)	(13.7)	(10.3)	(10.1)	(8.9)	(61.1)	(43.0)
Other financial costs	(14.8)	1.5	122.1	9.2	(11.1)	9.2	121.7
<b>Net financial items</b>	<b>(51.2)</b>	<b>(20.1)</b>	<b>109.8</b>	<b>(6.1)</b>	<b>(19.8)</b>	<b>(120.6)</b>	<b>63.8</b>
<b>Net result before tax</b>	<b>(53.6)</b>	<b>(20.6)</b>	<b>106.0</b>	<b>(9.0)</b>	<b>(23.3)</b>	<b>(161.6)</b>	<b>53.1</b>
Tax expense	5.1	(1.7)	6.9	4.4	0.6	(0.9)	10.2
<b>Net result</b>	<b>(48.5)</b>	<b>(22.3)</b>	<b>112.9</b>	<b>(4.6)</b>	<b>(22.7)</b>	<b>(162.5)</b>	<b>63.3</b>
Net loss from discontinued operations	(1.6)	-	-	(2.2)	-	(3.4)	(2.2)

# Condensed balance sheet – last 5 quarters

<i>(Figures in \$ million)</i>	31/12/16	31/03/17	30/06/17	30/09/17	31/12/17
<b>ASSETS</b>					
Cash, cash equivalents & restricted cash	34.9	84.8	80.9	50.9	67.7
Accounts receivables	150.5	141.5	146.6	153.9	140.4
Inventories	61.8	57.4	55.0	56.0	58.0
Other current assets	39.9	47.2	47.5	41.9	35.9
<b>Total current assets</b>	<b>287.1</b>	<b>330.9</b>	<b>330.0</b>	<b>302.7</b>	<b>302.0</b>
Investments and loans in associates	105.9	103.8	103.3	99.4	100.2
Property, plant and equipment, net	476.4	462.1	454.5	444.4	432.2
Goodwill	172.6	174.9	178.4	187.5	181.9
Other non current assets	18.3	22.1	26.7	30.5	26.6
<b>Total noncurrent assets</b>	<b>773.2</b>	<b>762.9</b>	<b>762.9</b>	<b>761.8</b>	<b>740.9</b>
<b>Total assets</b>	<b>1060.3</b>	<b>1093.8</b>	<b>1092.9</b>	<b>1064.5</b>	<b>1042.9</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>					
Current portion of interest-bearing debt	131.1	122.3	21.7	29.9	7.2
Accounts payable	52.0	43.6	46.8	49.2	53.6
Other current liabilities	130.0	126.5	111.4	110.1	117.0
<b>Total current liabilities</b>	<b>313.1</b>	<b>292.4</b>	<b>179.9</b>	<b>189.2</b>	<b>177.8</b>
Long-term interest-bearing debt	567.1	542.6	612.9	581.1	596.7
Subordinated related party loan	125.0	125.0	58.3	58.3	58.3
Deferred taxes	9.7	10.2	10.4	10.7	7.3
Other noncurrent liabilities	15.9	18.2	3.4	3.1	2.4
<b>Total noncurrent liabilities</b>	<b>717.7</b>	<b>696.0</b>	<b>685.0</b>	<b>653.2</b>	<b>664.7</b>
<b>Shareholder's equity</b>	<b>29.6</b>	<b>105.4</b>	<b>228.0</b>	<b>222.1</b>	<b>200.4</b>
<b>Total liabilities and shareholders' equity</b>	<b>1060.3</b>	<b>1093.8</b>	<b>1092.9</b>	<b>1064.5</b>	<b>1042.9</b>



# Condensed cash flow statement – last 5 quarters

<i>(Figures in \$ million)</i>	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17	2016	2017
Operating activities	17.8	(5.5)	2.4	(15.9)	32.4	34.1	13.4
Investing activities	(10.3)	(3.9)	(10.1)	3.1	(8.9)	(25.4)	(19.8)
Financing activities	(7.7)	61.6	(2.3)	(28.4)	(7.6)	10.7	23.3
FX effect	10.0	(0.4)	0.3	16.4	(1.5)	(12.6)	14.8
<b>Total</b>	<b>9.8</b>	<b>51.8</b>	<b>(9.7)</b>	<b>(24.8)</b>	<b>14.4</b>	<b>6.8</b>	<b>31.7</b>