Archer Trading Update First Quarter 2017

May 2017

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, 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 – First Quarter 2017

Archer

Highlights

- Successfully raised $100 million in new equity
- Principal agreement reached with 94% of the lenders on refinancing of Archer.
- US operations significant increased activity. Both AWC and QES with positive EBITDA in the quarter
- Seasonally reduced activity in Eastern Hemisphere
- Oiltools awarded framework agreement with Statoil

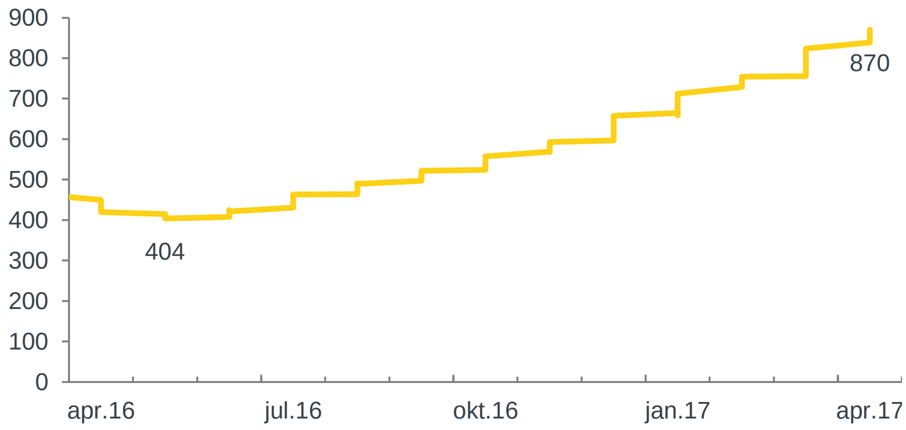
Subsequent events

- Subsequent equity offering raised $5.8 million of additional equity
- Agreement with Seadrill to convert $146 million of subordinated liabilities to a new $45 million convertible loan. Seadrill guarantee to Archer RCF banks released - Archer debt reduced by $25.3 million.
- Total refinancing, including the equity issuances, reduced the net interesting bearing debt by $211 million
- Successfully field tested Comtrac (C6)
- Marathon Oil confirmed a 5 year extension to the three UKCS Brae field platforms

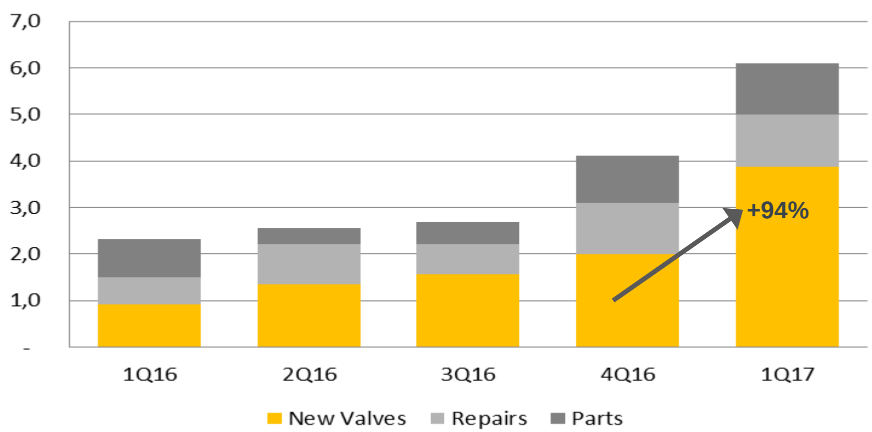
Key market development and trends US onshore

Archer

Oil rig count onshore US



AWC revenue by quarter $M

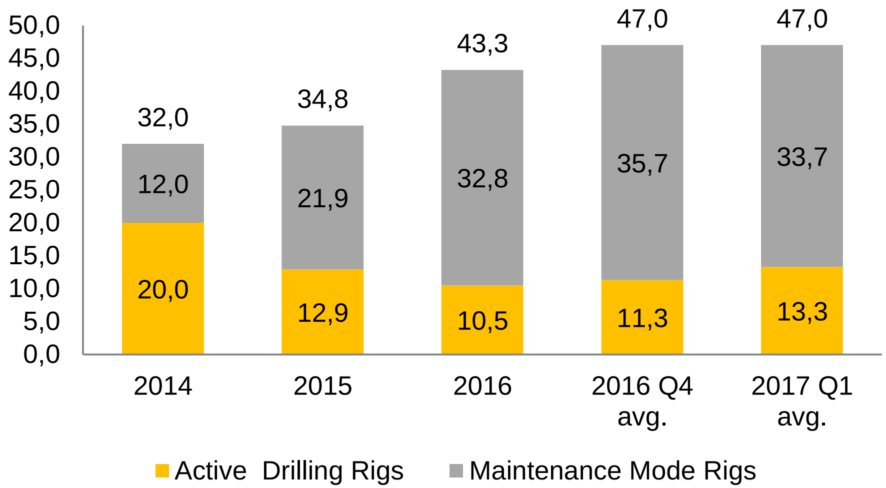


- Robust growth in drilling and completion activity from previous quarter.
- US onshore rig count increased to 870 end of April 2017
- New valves sale in AWC up 94% quarter over quarter, while overall revenue was up by 49%
- Q2 revenue expected to be 15-20% above Q1

Note: Source for rig count US onshore, Argentina and Bolivia are the Baker Hughes Rig Count

Key market development and trends Eastern Hemisphere

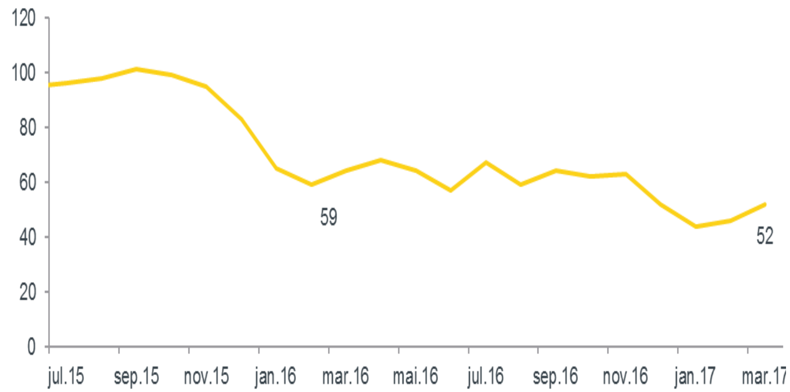
Platform Drilling Contracted rigs

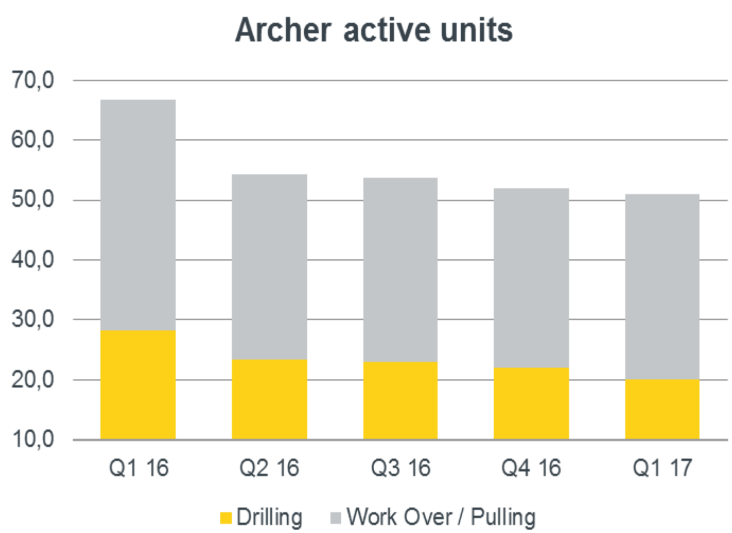


- Average active platforms increased from 11.3 to 13.3
- Archer secured five year extension for Marathon in UK (signed in April)
- Energean contract extended to April 18
- Low to moderate spending among operators in Eastern Hemisphere
- Oiltools with new Plug framework contract for Statoil
- ComTrac first successful field test job (C6)
- Activity forecasted to increase by approximately 10% from Q1 to Q2

Key market development and trends LAM

Rig count in Argentina and Bolivia





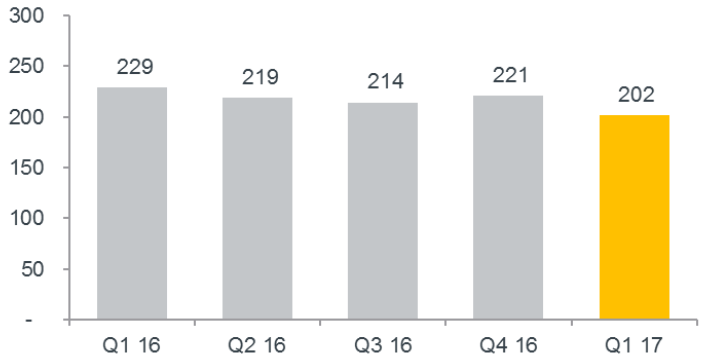
- Market rig count in Argentina and Bolivia lower than previous quarter.
- Archer utilization reduced from 67% last quarter to 65% this quarter.
- Several positive operator comments and increased tender activity in Vaca Muerta
- Ongoing negotiations in the South to renew contract with PAE
- Bolivia activity to reduce further but many tenders ongoing with start-up late 2017 and 2018
- Activity expected to drop about 10% from Q1 to Q2, but rebound in second half of year

Note: Source for rig count US onshore, Argentina and Bolivia are the Baker Hughes Rig Count

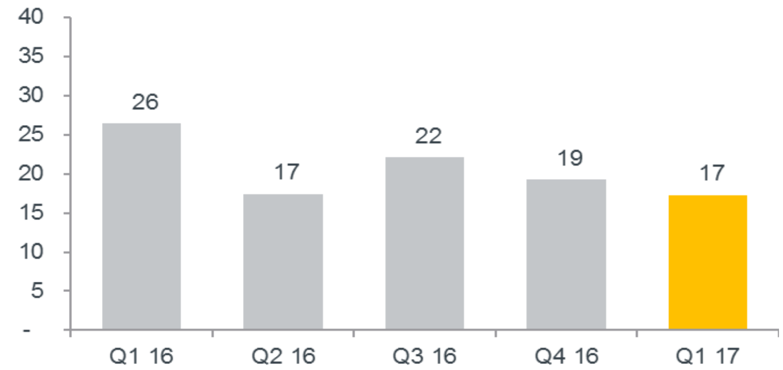
Archer Group - Financial highlights Q1 2017

Archer

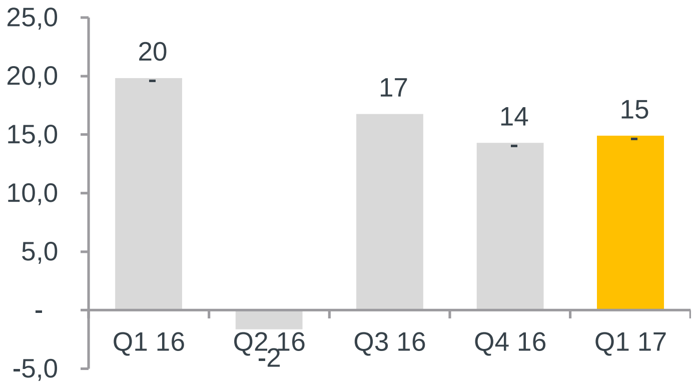
Revenue development



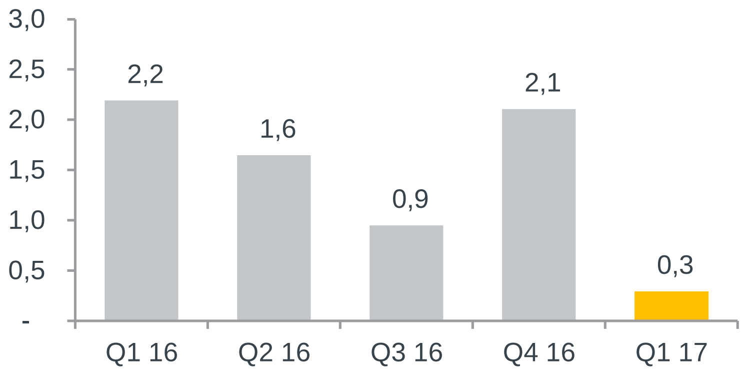
EBITDA pre restructuring



EBITDA reported



CAPEX



Condensed profit and loss statement Q1 2017

Archer

Condensed PL unaudited (figures in $ million)	Q1 17	Q4 16	2016
Operating revenues	191	209	818
Reimbursable revenue	10	13	66
Total Revenues	**202**	**221**	**884**
EBITDA before restructuring	**17**	**19**	**84**
Restructuring costs	-2	-5	-35
EBITDA after restructuring	**15**	**14**	**49**
Deprecation, amortization, impairments, other	-15	-16	-90
EBIT	**0**	**-2**	**-41**
Result from associated entities	-8	-20	-69
Interest rate expensed	-14	-17	-63
Other financial costs	2	-15	11
Net financial items	**-20**	**-51**	**-121**
Net result before tax	**-21**	**-53**	**-162**
Tax expense	*-2*	*5*	-1
Net result	**-22**	**-48**	**-163**
Net loss from discontinued operations	0	-2	-3

- Revenue for first quarter 2017 was $202 million compared to $221 million for the fourth quarter 2016, a decrease of $19 million or 8.6% , following :
  - Seasonal reduced activity for Eastern Hemisphere
  - Less active drilling rigs in Argentina / Bolivia
  - Less fluids revenue on fewer rigs in Argentina
- EBITDA before restructuring reduced by $2 million in first quarter 2017. The reduction in EBITDA follows reduced revenue, partly offset by favourable revenue mix and positive one-offs.
- Restructuring costs for the first quarter was $2.4 million, mainly related to Argentina.
- EBITDA after restructuring of $15 million was up $1 million or 7.1% mainly on account of reduced restructuring costs across regions.
- Net Loss of $22 million was an improvement of $26 million from fourth quarter.

Condensed and *pro forma* balance sheet Q1 2017

Archer

Condensed BS unaudited (figures in $ million)	**Proforma post refinancing Q1 17**	**31.03.2017**	**31.12.2016**
ASSETS			
Cash, cash equivalents & restricted cash	86,2	84,8	34,9
Accounts receivables	141,5	141,5	150,5
Inventories	57,4	57,4	61,8
Other current assets	47,2	47,2	39,9
Total current assets	**332,3**	**330,9**	**287,1**
Investments and loans in associates	103,8	103,8	105,9
Property, plant and equipment, net	462,1	462,1	476,4
Goodwill	174,9	174,9	172,6
Other non current assets	22,1	22,1	18,3
Total noncurrent assets	**762,9**	**762,9**	**773,2**
Total assets	**1 095,2**	**1 093,8**	**1 060,3**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current portion of interest-bearing debt	10,2	122,3	131,1
Accounts payable	43,6	43,6	52,0
Other current liabilities	113,5	126,5	130,0
Total current liabilities	**167,3**	**292,4**	**313,1**
Long-term interest-bearing debt	626,9	542,6	567,1
Subordinated related party loan	45,0	125,0	125,0
Other noncurrent liabilities	20,4	28,4	25,6
Total noncurrent liabilities	**692,3**	**696,0**	**717,7**
Shareholder's equity	**235,6**	**105,4**	**29,6**
Total liabilities and shareholders' equity	**1 095,2**	**1 093,8**	**1 060,3**

- **Assets**
  - Cash increased by $49.9 million following the private placement
  - Investments in associated companies comprises $88.2 million carried investment in Quintana Energy Services LLP and $12.2 million in TAQA Energy Services LLC
- **Liabilities**
  - Total reduction of debt amounted to $33.2 million
- **Equity**
  - Private placement in March 2017 raised net proceeds of $96.7 million

- Key effects of **refinancing and the *pro forma* balance sheet post Q1 2017***
  - Total increase in equity of $130 million, predominantly explained by:
    - Subsequent equity offering of $5.8 million
    - Agreement with Seadrill to convert $146 million of subordinated liabilities to a new $45 million convertible loan
    - Seadrill guarantee to Archer banks released - Archer debt reduced by $27.8 million

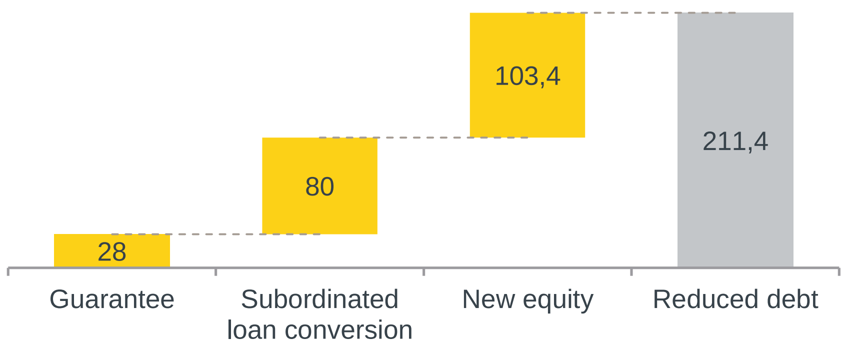
** All transactions related to the refinancing will be accounted for in April 2017 and reported in second quarter results*

Refinancing update - secures runway to 2020

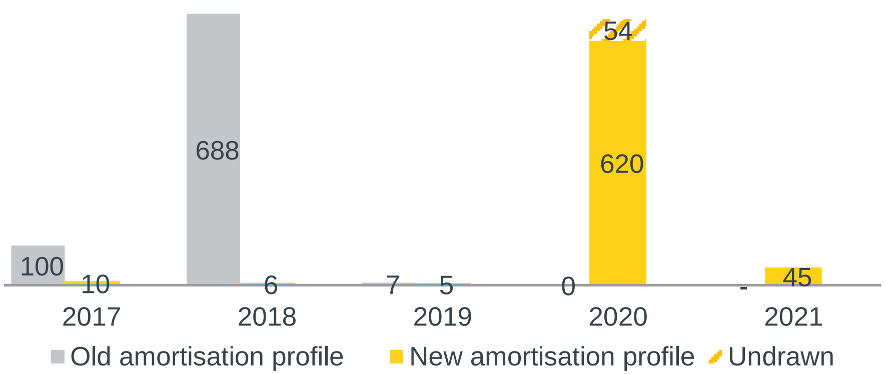
Archer

- Overdraft facilities to be cancelled and replaced by $655 million broken down as follows (pending successful Scheme of arrangement)
  - Term loan $385 million
  - RCF $270 million
  - Maturity extended to 30 September 2020
  - No fixed amortization before 2020 – cash sweep until Q1 2020 for excess liquidity above a solid liquidity buffer
  - Covenants reset with significant headroom to business plan
- $45 million of subordinated convertible debt maturing in 2021
- Release of Seadrill guarantees through $28 million down-payment on bank debt ($25.3 million by end April)
- $103.4 million in new equity through private placement and subsequent offering (net after fee and cost)

Net debt reduced by USD 211 million (after fees)



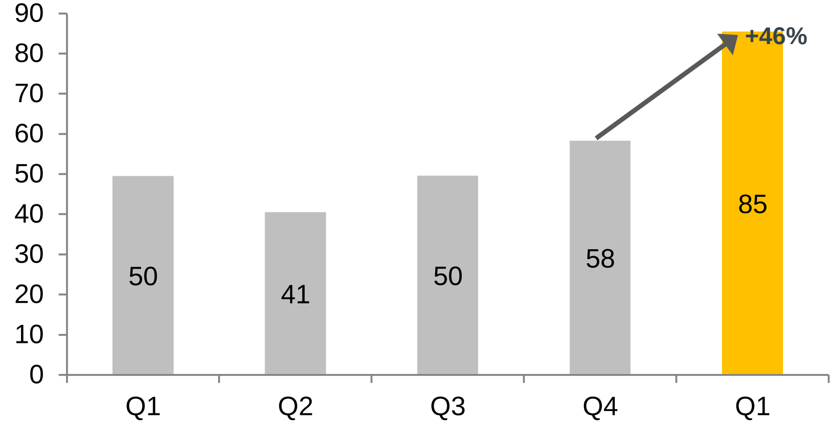
Debt amortization profile amended*



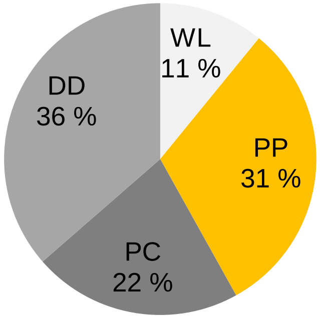
Update on investment in QES (unconsolidated)

- Estimated revenue for Q1 2017 of $85 million was up 46% from Q4.
- Estimated March 2017 revenue at $32 million
- Increased demand in Q1 2017 in line with high US drilling and completion activity
- Adjusted and unadjusted EBITDA estimates positive in Q1 2017
- Mobilized 2nd frac fleet in February.
- QES equipment utilization estimated between 25-40% in Q1 2017

Estimated revenue development



Estimated revenue split Q1



Summary Q1 2017 – concluding remarks

Archer

- Benefiting from substantial exposure to high growth US onshore market. Offshore drilling and exploration activity remains low. There are also segments and geographies in Archers portfolio outside of the US that show positive signs of recovery

- Q2 activity expected to be in line with Q1 activity. Increased activity in Eastern Hemisphere will offset reduction in active drilling units in Argentina and Bolivia

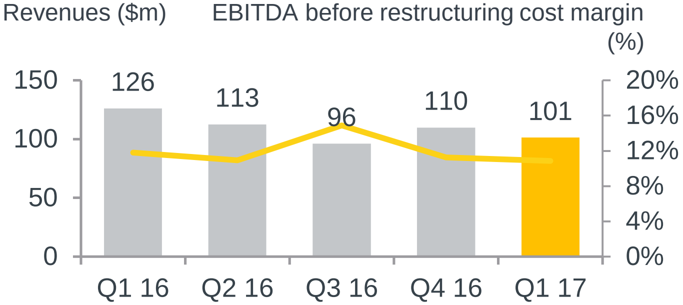
- Second half of 2017 set to improve over first half

- Refinancing largely concluded with Scheme of Arrangement filed in order to make bank agreements effective
  - Liquidity now at approximately $130 million
  - Cash sweep until 2020

Appendixes

Segment key financials

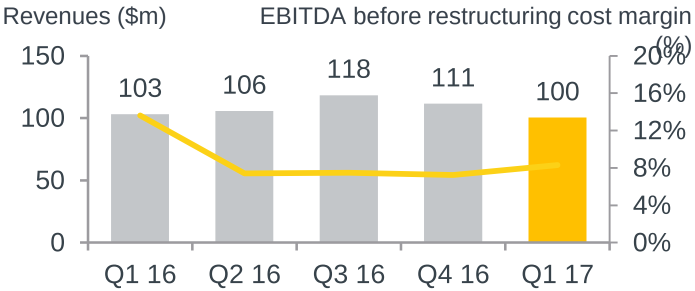
Eastern Hemisphere



Eastern Hemisphere	Q1 16	Q2 16	Q3 16	Q4 16	Q1 17
Revenues	126	113	96	110	101
EBITDA pre restructuring	15	12	14	12	11
Capex	1	1	0	0	0

- Comprises Platform Drilling, Engineering, Wireline, Oiltools and Modular Drilling
- Activity reduced seasonally in first quarter 2017 and expected to pick up in second quarter. Q4 revenue also positively impacted by Statoil mobilization fee.
- Platform Drilling increased activity in first quarter 2017 with an average 2 more active drilling strings
- Oiltools saw several jobs and projects get pushed to Q2
- Overall margins largely maintained through favorable revenue mix and cost rationalizations
- Capex spend reflecting current activity level and utilization of existing tools and assets

Western Hemisphere

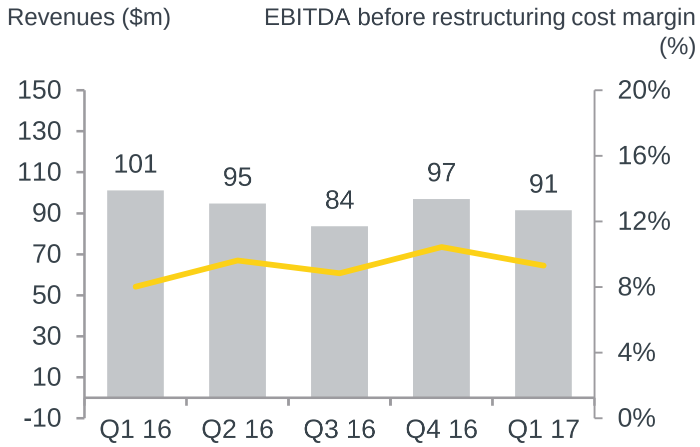


Western Hemisphere	Q1 16	Q2 16	Q3 16	Q4 16	Q1 17
Revenues	103	106	118	111	100
EBITDA pre restructuring	14	8	9	8	8
Capex	1	1	1	2	0

- Comprises AWC and Land Drilling North and South
- Land drilling activity in Argentina reduced during first quarter 2017 compared to previous quarter as utilization fell.
- Land Drilling reduced headcount by 163 in the quarter
- The reduced activity in Argentina was partly offset by significant activity increase for AWC. AWC reported a positive EBITDA of $0.5 million versus a loss of $ 0.4 million in Q4.
- Capex for first quarter 2017 reduced by $2 million compared to previous quarter. Capex expect to increase over next quarters to keep up rig maintenance and reflect new contract award requirements.

Division | Platform drilling, engineering & wireline

Platform drilling, engineering & wireline



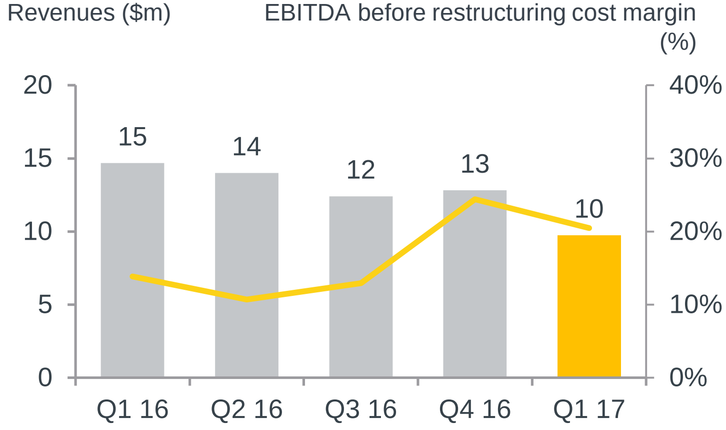
Platform drilling, engineering & wireline	Q1 16	Q2 16	Q3 16	Q4 16	Q1 17
Revenues	101	95	84	97	91
EBITDA pre restructuring	8	9	7	10	9
Capex	0	1	0	0	0

- Activity levels continue to be under pressure following operator cost and capex cuts in drilling and well intervention projects in the North Sea.
- Activity reduced seasonally in first quarter 2017 and expected to pick up in second quarter. Forth quarter revenue positively impacted by Statoil mobilization fee ($2.5 million).
- Platform Drilling increased activity in first quarter 2017 with an average of 2more active drilling strings.
- Solid mechanical Wireline activity but logging internationally behind expectations as selective projects was delayed from operators
- Engineering revenue was down $ 3.3 million, mainly on completion of offshore campaign on Brent Charlie in UK.
- Capex largely linked to maintenance and growth in tools and rental services

** Q4 16 adjusted one-off pension credit $5m related to closing benefit plan (positive effect excluded from above)*

Division | Oiltools & technology

Oiltools & Technology



Oiltools & Technology

	Q1 16	Q2 16	Q3 16	Q4 16	Q1 17
Revenues	15	14	12	13	10
EBITDA pre restructuring	2	2	2	3	2
Capex	0	0	0	0	0

- Oiltools saw several projects scheduled for first quarter being delayed to second quarter.
- Second quarter revenue expected to be in line with revenue levels from first and second quarter 2016.
- Oiltools awarded important mechanical plug framework agreement for Statoil
- Welbore Cleanup and X-It qualified for Saudi Aramco which should drive revenue in second half of 2017
- Expect moderate investments in new technology capex within Oiltools and Wireline.
- C6 JV successfully performed extensive field testing in the North Sea for major operator. Note that C6 is JV is recorded as investment in associated companies and not part of reported revenue and EBITDA of Archer

Division | US onshore (AWC)

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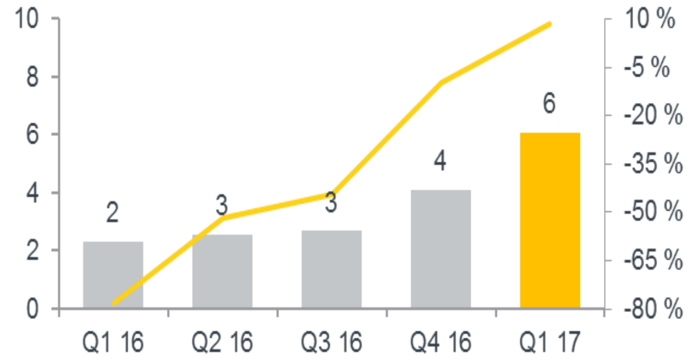
US onshore*

Revenues ($m)

EBITDA before restructuring cost margin (%)



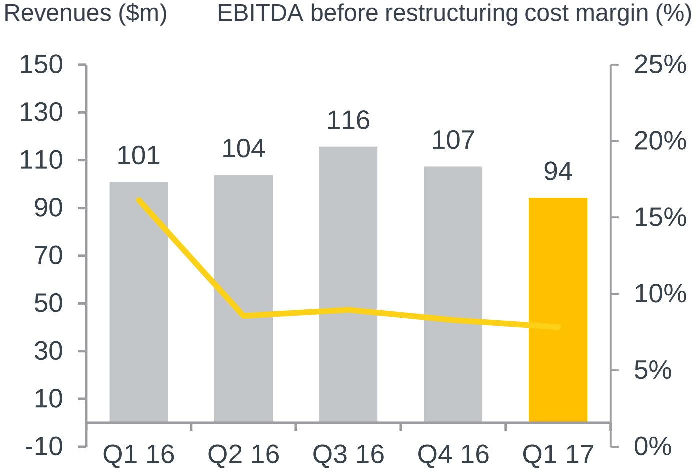
US onshore

	Q1 16	Q2 16	Q3 16	Q4 16	Q1 17
Revenues	2	3	3	4	6
EBITDA pre restructuring	-2	-1	-1	0	1
Capex	0	0	0	0	0

- US onshore activity rapidly increased over the last quarters and continues to increase.
- The Archer AWC divisions has historically been highly profitable, though revenues deteriorated in the downturn, currently we are experiencing a significant increase in both revenue and margins.
- AWC increase revenue increased about $ 2 million, or 49%, in the first quarter 2017 compared to previous quarter. New valve sales increased 94% quarter over quarter
- AWC reported an EBITDA of $ 0.5 million in the first quarter, up from a loss of USD 0.4 million in Q1.
- Archer's North American well services businesses were combined with Quintana Energy Services in late 2015

Division | Drilling assets

Drilling assets



Drilling assets	Q1 16	Q2 16	Q3 16	Q4 16	Q1 17
Revenues	101	104	116	107	94
EBITDA pre restructuring	16	9	10	9	7
Capex	1	1	1	2	0

- Latin America land drilling faced strong headwinds from reduced drilling activity in South Argentina and more than 30% devaluation of the Argentinian Peso versus the US Dollar during 2016
- Archer utilization reduced from 67% last quarter to 65% this quarter, mainly on one less operating rig both in Neugen and Bolivia.
- Revenue drop of $13 million from previous quarter, mainly on
    - Bolivia one less rig $2.5 million
    - Neugen one less rig $3.0 million
    - One time billing of inventory to a client in forth quarter of $2.6 million
    - Reduced activity for Drilling Fluids and Solids control totaling $3.9 million
- Capex going forwarded limited to maintenance and minor upgrades of existing rigs in line with contract requirements