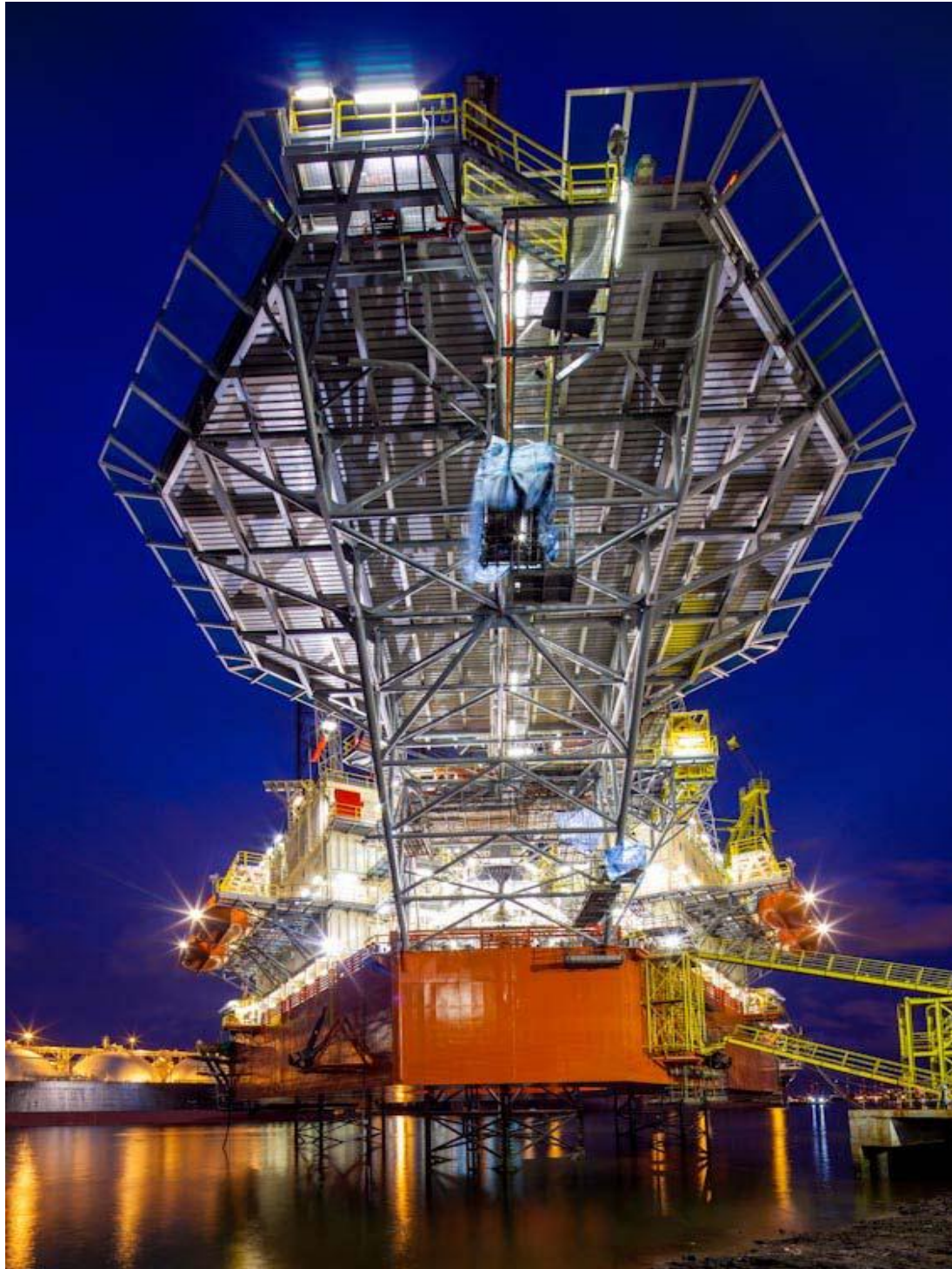


S.D. STANDARD DRILLING PLC  
FIRST QUARTER REPORT 2013



# First Quarter Report 2013

## Selected Financial Information

	Three Months Ended	
	2013 Q1	2012 Q1
<i>(Amounts in USD 000)</i>	<i>Unaudited</i>	<i>Unaudited</i>
Operating Revenue	-	-
Operating profit/(loss)before depreciation	<b>41 504</b>	(1 780)
Operating margin, %	-	-
Operating profit/(loss)	<b>41 500</b>	(1 780)
Profit/(Loss) for the period before taxes	<b>41 884</b>	(1 682)
Profit/(Loss) for the period	<b>41 897</b>	(1 685)

## Highlights First Quarter 2013

- In November 2012, the Company entered into a Sale and Purchase Agreement with CP Latina, a company incorporated in Mexico, for the sale of jack-up rig B337, owned by the subsidiary company Offshore Driller 1 Ltd. Net proceeds from the sale amounted to USD 65.7 million. Financial and legal closing of the transaction took place in January 2013.
- In January 2013, CP Latina exercised the option to purchase jack-up rig B338 owned by the subsidiary company Offshore Driller 2 Ltd, by novation of the construction agreement. Net proceeds from the sale amounted to USD 58.7 million. Financial and legal closing of the transaction took place in March 2013.
- In January 2013, an interim dividend of USD 0,14 per share, amounting to USD 36.7 million in total, was paid to shareholders.
- The Company's cash position at the end of first quarter was USD 394.1 million.
- In an extraordinary general meeting of the Company held on 5 March 2013, it was resolved by a special resolution that the share premium account of the company to be reduced from USD 369.4 million (gross of share issue costs amounting to USD 9.4 million) to USD 39.9 million. Of this reduction the amount of USD 320 million was returned to the registered shareholders of the Company.

## Subsequent Events

- Capital distribution of USD 320 million to shareholders was completed on 10 May 2013.
- The Company's cash held with Bank of Cyprus affected by measures introduced by the Central Bank of Cyprus during March 2013 were USD 398 thousand as at the relevant date of implementation. Out of these, an amount of up to USD 161 thousand might be converted into class A shares of Bank of Cyprus while an amount of USD 82 thousand is temporarily blocked.

## RESULTS

### RESULTS FOR FOURTH QUARTER 2013

The operating profit for the three months ended on 31 March 2013 was USD 41.5 million. The operating profit includes a gain on disposal of the rigs under construction (B337&B338) of USD 44.2 million. Net finance income was USD 384 thousand. Net profit for the period was USD 41.9 million. Earnings per share was USD 0,16 for the quarter.

### LIQUIDITY AND CAPITAL STRUCTURE

The cash position at 31 March 2013 was USD 394.1 million.

During the first three months of 2013, net cash used in operating activities was USD 4.8 million and net cash generated from investing activities was USD 114.2 million, mainly consisting of the disposal of assets which generated USD 114.4 million. Net cash used in financing activity was USD 36.7 million, primarily related to dividends paid.

After closing of the sale transactions for rigs B337 and B338 in Q1 2013, the remaining capital commitment to Keppel FELS shipyard was reduced from USD 460.8 million to USD 153.6 million.

There were no significant changes to the Company's shareholders during Q1 2013. As of 31 March 2013, the Company had 511 shareholders. The share price as of 31 March 2013 was NOK 9,4 (USD 1,61).

### RIGS UNDER CONSTRUCTION

Construction of the remaining rig B340 is progressing according to plan and the Company expects delivery to take place in May 2014.

### MARKET

In the last quarter we continued to see a strong market with increasing rig utilization and strong day rates.

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*On Behalf of the Board of Directors of  
S.D. Standard Drilling Plc.*

*May 21<sup>st</sup> 2012*

*Gunnar Hvammen*

*Martin Nes*

*Chairman*

*CEO*

**INTERIM CONDENSED CONSOLIDATED STATEMENT  
OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 31 MARCH 2013**

<i>(Amounts in USD 000)</i>	Note	<b>Three Months Ended</b>	
		<b>2013 Q1</b>	<b>2012 Q1</b>
		<i>Unaudited</i>	<i>Unaudited</i>
Operating Revenue		-	-
Operating Expenses		-	-
Gross profit/loss		-	-
Other gains and losses	3	43 821	-
Administration expenses		(2 317)	(1 780)
<b>Operating profit/(loss) before depreciation</b>		<b>41 504</b>	<b>(1 780)</b>
Depreciation and amortization		(4)	-
<b>Operating profit/(loss)</b>		<b>41 500</b>	<b>(1 780)</b>
Finance Income		392	98
Finance Costs		(8)	-
<b>Profit/(Loss) for the period before tax</b>		<b>41 884</b>	<b>(1 682)</b>
Income tax credit/(expense)		13	(3)
<b>Profit/(Loss) for the period</b>		<b>41 897</b>	<b>(1 685)</b>
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income for the period</b>		<b>41 897</b>	<b>(1 685)</b>
<b>Earnings/(loss) per share</b>			
Basic/diluted earnings/(loss) per share	4	0,16	(0,01)

**INTERIM CONDENSED CONSOLIDATED STATEMENT  
OF FINANCIAL POSITION  
AT 31 MARCH 2013**

<i>(Amounts in USD 000)</i>	Note	<b>31.03.2013</b>	31.12.2012
		<i>Unaudited</i>	<i>Audited</i>
<b>ASSETS</b>			
Rigs-Under Construction	5	-	-
Intangible assets		10	12
Equipment and machinery		41	43
<b>Total non-current assets</b>		<b>51</b>	<b>55</b>
Trade and other receivables		1 832	1 779
Cash and bank balances		394 111	321 373
Assets classified as held for sale	6	39 178	118 831
<b>Total current assets</b>		<b>435 121</b>	<b>441 983</b>
<b>Total Assets</b>		<b>435 172</b>	<b>442 038</b>
<b>EQUITY AND LIABILITIES</b>			
Ordinary shares		2 620	2 620
Share premium		359 950	359 950
Accumulated profits/(losses)		68 879	26 982
<b>Total equity</b>		<b>431 449</b>	<b>389 552</b>
Trade and other payables		3 723	5 762
Prepayments received (sale of rig)		-	10 000
Dividend payable		-	36 680
Current tax liabilities		-	44
<b>Total current liabilities</b>		<b>3 723</b>	<b>52 486</b>
<b>Total Equity and Liabilities</b>		<b>435 172</b>	<b>442 038</b>

**INTERIM CONDENSED CONSOLIDATED STATEMENT  
OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 MARCH 2013**

<i>(Amounts in USD 000)</i>	<b>Share Capital</b>	<b>Share Premium</b>	<b>Share Option Reserve</b>	<b>Accumulated Profits/(Losses)</b>	<b>Total</b>
<b>Balance at 01.01.2012</b>	2 620	359 950	282	30 463	393 315
<b>Comprehensive income</b>					
Profit/(Loss) for the period	-	-	-	(1 685)	(1 685)
<b>Employee share option scheme</b>					
Value of employee services	-	-	349	-	349
<b>Balance at 31.03.2012(unaudited)</b>	<b>2 620</b>	<b>359 950</b>	<b>631</b>	<b>28 778</b>	<b>391 979</b>
<b>Balance at 01.01.2013</b>	<b>2 620</b>	<b>359 950</b>	-	<b>26 982</b>	<b>389 552</b>
<b>Comprehensive income</b>					
Profit/(loss) for the period	-	-	-	<b>41 897</b>	<b>41 897</b>
<b>Balance at 31.03.2013(unaudited)</b>	<b>2 620</b>	<b>359 950</b>	-	<b>68 879</b>	<b>431 449</b>

**INTERIM CONDENSED CONSOLIDATED STATEMENT  
OF CASH FLOWS  
FOR THE PERIOD ENDED 31 MARCH 2013**

	Note	Three Months Ended	
		2013 Q1	2012 Q1
<i>(Amounts in USD 000)</i>			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit/(Loss) for the period before income tax		41 884	(1 682)
Other gains and losses		(44 237)	-
Expense recognized in respect of employee share options		-	349
Depreciation and amortisation		4	-
Interest income		(392)	(98)
Increase in trade and other receivables		(53)	(199)
(Decrease)/increase in trade and other payables		(1 994)	116
Income tax paid		(31)	-
<b>Net cash generated from/(used in) operating activities</b>		<b>(4 819)</b>	<b>(1 514)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of equipment and machinery		-	(9)
Additions to rigs under construction		(526)	(1 497)
Net proceeds from disposal of assets		124 425	-
Advance received for sale of rig B337		(10 000)	
Interest received		338	98
<b>Net cash generated from/(used in) investing activities</b>		<b>114 237</b>	<b>(1 408)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid		(36 680)	-
<b>Net cash generated from/(used in) financing activities</b>		<b>(36 680)</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>72 738</b>	<b>(2 922)</b>
Cash and cash equivalents at beginning of period		321 373	122 401
Cash and cash equivalents at end of period		394 111	119 479

## NOTES TO THE FINANCIAL INFORMATION

### NOTE 1 – INCORPORATION AND PRINCIPAL ACTIVITIES

#### Country of Incorporation

S.D. Standard Drilling Plc. (the “Company”) is a limited liability Company incorporated and domiciled in Cyprus on 2 December 2010 in accordance with the provisions of the Cyprus Companies Law, Cap. 113. The Company was converted into a public company on 23 December 2010. On 25 March 2011 the Company’s shares were listed on Oslo Axess. The address of the Company’s registered office is 213 Arch. Makarios Avenue, Maximos Plaza, Tower 1, 3<sup>rd</sup> floor, 3030 Limassol, Cyprus.

#### Principal Activities

The Company and the entities controlled by the Company, hereafter referred to as the “Group”, were established for the purpose of building a premium oilfield services company through superior assets, systems and people.

### NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Preparation

The interim condensed consolidated financial statements for the three months ended 31 March 2013, have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”. The interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2012. The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2012.

At the date of approval of these interim condensed consolidated financial statements, a number of accounting standards and interpretations were issued by the International Accounting Standards Board but were not yet effective. The effect of those standards is not expected to be material to the Group.

### NOTE 3 – OTHER GAINS AND LOSSES

<i>(Amounts in USD 000)</i>	<b>Three Months Ended</b>	
	<b>31.03.2013</b>	<b>31.03.2012</b>
Gain on disposal of rig under construction B337 (1)	18 669	-
Gain on disposal of rig under construction B338 (2)	25 568	-
Currency translation differences	(416)	-
	<b>43 821</b>	<b>-</b>

1. In November 2012, the Group entered into a Sale and Purchase Agreement with CP Latina, a company incorporated in Mexico, for the sale of jack-up rig B337, owned by the subsidiary company Offshore Driller 1 Ltd. Net proceeds from the sale amounted to USD 65.7 million. Financial and legal closing of the transaction took place in January 2013.
2. In January 2013, CP Latina exercised the option to purchase jack-up rig B338 owned by the subsidiary company Offshore Driller 2 Ltd, by novation of the construction agreement. Net proceeds from the sale amounted to USD 58.7 million. Financial and legal closing of the transaction took place in March 2013.



## NOTES TO THE FINANCIAL INFORMATION

### NOTE 4 – EARNINGS/ (LOSS) PER SHARE

Basic earnings per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

<i>(Amounts in USD 000)</i>	<b>Three Months Ended</b>	
	<b>31.03.2013</b>	31.03.2012
<b>Basic/diluted EPS</b>		
Profit/(Loss) attributable to equity holders of the Company	41 897	(1 685)
Weighted average number of ordinary shares in issue (thousands)	262 000	262 000
<b>Basic/diluted earnings/(loss) per share</b>	<b>0,16</b>	<b>(0,01)</b>

### NOTE 5 – RIGS UNDER CONSTRUCTION

<i>(Amounts in USD 000)</i>	<b>31.03.2013</b>	31.12.2012
Balance at the beginning of year	-	272 625
Jack-up rig B324, derecognized on disposal of subsidiary	-	(59 486)
Jack-up rig B325, derecognized on disposal of rig	-	(59 323)
Jack-up rig B337 classified as held for sale	-	(40 118)
Jack-up rig B338 classified as held for sale	-	(39 917)
Jack-up rig B339 derecognized on disposal of rig	-	(40 001)
Jack-up rig B340 classified as held for sale	-	(38 796)
Other capitalized expenses related to construction of the rigs	-	5 016
<b>Balance at the end of period/year</b>	<b>-</b>	<b>-</b>

#### **Capital Commitments**

Capital expenditures contracted for as of 31 March 2013 but not recognized in the Financial Statement:

<i>(Amounts in USD 000)</i>	<b>31.03.2013</b>	31.12.2012
Installments to Keppel FELS Limited (80% payable at delivery)	153 600	460 800
Construction supervision and other construction costs	1 314	1 992
<b>Total remaining capital commitments at the end of period/year</b>	<b>154 914</b>	<b>462 792</b>

\*USD 154,9 million relates to Assets classified as held for sale.

### NOTE 6 – ASSETS CLASSIFIED AS HELD FOR SALE

<i>(Amounts in USD 000)</i>	<b>31.03.2013</b>	31.12.2012
Jack up rig B340 held for sale (1)	39 178	38 796
Jack up rig B337 held for sale (note 3.1)	-	40 118
Jack up rig B338 held for sale (note 3.2)	-	39 917
<b>Total assets held for sale</b>	<b>39 178</b>	<b>118 831</b>

1. The Jack-up rig B340 owned by the subsidiary Company Offshore Driller 4 Ltd, was reclassified as held for sale as management is considering to sell rig B340 and an active program to locate potential buyers is in place.

## **NOTES TO THE FINANCIAL INFORMATION**

### **NOTE 7 – APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

These interim condensed consolidated financial statements have been approved by the Board of Directors of the Company on 21 May 2013.

# S.D. Standard Drilling

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## Financial Calendar (Release of Financial Reports)

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Q2 2013	15 August 2013
Q3 2013	12 November 2013

## S.D. Standard Drilling Plc

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