

S.D. STANDARD DRILLING PLC

THIRD QUARTER REPORT 2013

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STATEMENT OF THE MEMBERS OF THE BOARD OF DIRECTORS AND OTHER RESPONSIBLE PERSONS OF THE COMPANY FOR THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In accordance with Article 10 sections (3)(c) and (7) of the Transparency Requirements (Securities for Trading on Regulated Markets) Law of 2007 ("Law") we, the members of the Board of Directors and other responsible persons for the drafting of the interim condensed consolidated financial statements of S.D. Standard Drilling Plc (the "Company") , for the nine months ended 30 September 2013 we confirm that, to the best of our knowledge:

- a) The interim condensed consolidated financial statements of the Company for the nine months ended 30 September 2013 which are presented on pages 5 to 12.
 - (i) were prepared in accordance with International Financial Reporting Standards IAS 34 "Interim Financial Reporting", as adopted by the European Union in accordance with provisions of Article 10, section (4) of the Law, and
 - (ii) give a true and fair view of the assets and liabilities, the financial position and the profit or losses of Company, and the business that are included in the consolidated financial statements as a total, and
- b) The Interim Management Report provides a fair overview of the information required as per section 6 of article 10 of Law 190(I)/2007.

Limassol, 11 November 2013

Martin Nes
Chairman

Gunnar Hvammen
Director

George Crystallis
Independent Director

Espen Lundaas
Chief Financial Officer

Evangelia Panagide
General Manager

Third Quarter Management Report 2013

Selected Financial Information

	Three Months Ended		Nine Months Ended	
	2013 Q3 <i>Unaudited</i>	2012 Q3 <i>Unaudited</i>	2013 Q3 <i>Unaudited</i>	2012 Q3 <i>Unaudited</i>
<i>(Amounts in USD 000)</i>				
Operating Revenue	-	-	-	-
Operating profit/(loss)before depreciation	(1 513)	14 439	69 282	10 774
Operating margin, %	-	-	-	-
Operating profit/(loss)	(1 517)	14 436	69 272	10 769
Profit/(Loss) for the period before taxes	(1 450)	14 602	70 059	11 103
Profit/(Loss) for the period	(1 450)	14 602	70 073	11 100

Highlights Third Quarter 2013

- On 26 July 2013, the Chief Financial Officer Mr. Geir Johansen and the VP – Engineering Mr Ron Cunningham have signed separation agreements with the Company effective from 1 August 2013.
- In an extraordinary general meeting of the Company held on 22 August 2013, it was resolved by ordinary resolutions that the Directors of the Company Mr. Robert Petty, Mr. Glen Ole Rodland, Mr. Stephen Marzo, Mr. Demetris Aletraris and Mr. Oystein Stray Spetalen, are removed from their office and that Mr. Martin Nes was appointed as a Director of the Company replacing Mr. Oystein Stray Spetalen. The board now consists of Mr. Martin Nes, Mr. Gunnar Hvammen and Mr George Crystallis.
- On 28 August 2013 Mr. Martin Nes elected in the office as the new chairman of the Board of Directors to replace Mr. Gunnar Hvammen. On the same date Mrs. Evangelia Panagide was appointed as a General Manager of the Company.
- On 1st September 2013 the company entered into new management agreement with Ferncliff TIH AS with respect to the appointment of Mr. Espen Lundaas in the position of the Company's Interim Chief Financial Officer replacing Mr. Geir Johansen.

Subsequent Events

There have been no material subsequent events that have an impact on these interim condensed consolidated financial statements.

RESULTS

RESULTS FOR THIRD QUARTER 2013

The operating loss for the three months ended on 30 September 2013 was USD 1.5 million. The operating loss includes mainly administration expenses. Net financial income for the period was USD 68 thousands thus a net loss for the period of USD 1.5 million. Earnings per share was USD (0,01) for the quarter.

LIQUIDITY AND CAPITAL STRUCTURE

The available cash position at 30 September 2013 was USD 69.4 million.

During the nine months of 2013, net cash used in operating activities was USD 9.9 million and net cash generated from investing activities was USD 182.9 million, mainly consisting of the disposal of assets and the subsidiary company Offshore Driller 4 Ltd. Net cash used in financing activities was USD 424.8 million, primarily related to share premium reduction and dividends paid to shareholders.

After closing of the sale transactions for the subsidiary company Offshore Driller 4 Ltd in Q2 2013, there was no any other capital commitment to Keppel FELS shipyard.

As of 30 September 2013, the Company had 549 shareholders. The share price as of 30 September 2013 was NOK 1,49 (USD 0,25).

RIGS UNDER CONSTRUCTION

After the disposal of the shares held in the subsidiary company Offshore Driller 4 Ltd which owned the rig B340, there are no other rigs owned by the Group under construction.

OUTLOOK

Having sold all initial rig building contracts, the strategy of the Company has changed, from building up, to become an operator of rigs, to being an investment company within the oil and gas service sector. Going forward and based on the robust financial position and cash availability, the Board believes the Company is in a good position to take advantage of any new investment opportunities that may appear.

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

November 11th 2013

*Martin Nes
Chairman
(Sign.)*

*Espen Lundaas
CFO
(Sign.)*

INTERIM CONDENSED CONSOLIDATED STATEMENT
OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2013

	Note	Three Months Ended		Nine Months Ended	
		2013	2012	2013	2012
		Q3	Q3	Q3	Q3
<i>(Amounts in USD 000)</i>		<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
Operating Revenue		-	-	-	-
Operating Expenses		-	-	-	-
Gross profit/loss		-	-	-	-
Other gains and losses	3	(2)	16 676	74 759	16 676
Administration expenses		(1 511)	(2 237)	(5 477)	(5 902)
Operating profit/(loss) before depreciation		(1 513)	14 439	69 282	10 774
Depreciation and amortization		(4)	(3)	(10)	(5)
Operating profit/(loss)		(1 517)	14 436	69 272	10 769
Finance Income		68	173	801	372
Finance Costs		(2)	(7)	(14)	(38)
Profit/(Loss) for the period before tax		(1 451)	14 602	70 059	11 103
Income tax credit/(expense)		1	-	14	(3)
Profit/(Loss) for the period		(1 450)	14 602	70 073	11 100
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		(1 450)	14 602	70 073	11 100
Earnings/(loss) per share					
Basic/diluted earnings/(loss) per share	4	(0,01)	0,06	0,27	0,04

INTERIM CONDENSED CONSOLIDATED STATEMENT

OF FINANCIAL POSITION AT 30 SEPTEMBER 2013

<i>(Amounts in USD 000)</i>	Note	30.09.2013	31.12.2012
		<i>Unaudited</i>	<i>Audited</i>
ASSETS			
Rigs-Under Construction	5	-	-
Intangible assets		9	12
Equipment and machinery		14	43
Available-for-sale financial assets	6	128	-
Total non-current assets		151	55
Trade and other receivables		1 973	1 779
Restricted cash at bank	7	101	-
Cash and bank balances		69 359	321 373
Assets classified as held for sale	8	-	118 831
Total current assets		71 433	441 983
Total Assets		71 584	442 038
EQUITY AND LIABILITIES			
Ordinary shares		2 620	2 620
Share premium	9	39 950	359 950
Accumulated profits/(losses)	10	28 935	26 982
Total equity		71 505	389 552
Trade and other payables		79	5 762
Prepayments received (sale of rig)		-	10 000
Dividend payable		-	36 680
Current tax liabilities		-	44
Total current liabilities		79	52 486
Total Equity and Liabilities		71 584	442 038

On Behalf of the Board of Directors of

S.D. Standard Drilling Plc.

*Martin Nes
Chairman
(Sign.)*

*Espen Lundaas
CFO
(Sign.)*

INTERIM CONDENSED CONSOLIDATED STATEMENT
OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2013

<i>(Amounts in USD 000)</i>	Share Capital	Share Premium	Share Option Reserve	Accumulated Profits/(Losses)	Total
Balance at 01.01.2012	2 620	359 950	282	30 463	393 315
Comprehensive income					
Profit/(Loss) for the period	-	-	-	11 100	11 100
Employee share option scheme					
Value of employee services	-	-	1 142	-	1 142
Balance at 30.09.2012 (unaudited)	2 620	359 950	1 424	41 563	405 557
Balance at 01.01.2013	2 620	359 950	-	26 982	389 552
Comprehensive income					
Profit/(loss) for the period	-	-	-	70 073	70 073
Transactions with owners					
Share premium reduction (note 9)	-	(320 000)	-	-	(320 000)
Interim dividend (note 10)	-	-	-	(68 120)	(68 120)
Balance at 30.09.2013 (unaudited)	2 620	39 950	-	28 935	71 505

**INTERIM CONDENSED CONSOLIDATED STATEMENT
OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2013**

	Note	Nine Months Ended	
		2013 Q3	2012 Q3
<i>(Amounts in USD 000)</i>			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) for the period before income tax		70 059	11 103
Other gains and losses		(74 786)	(16 676)
Expense recognized in respect of employee equity settled share options		-	1 142
Depreciation and amortisation		10	-
Loss from sale of equipment and machinery		19	-
Interest income		(801)	(372)
Decrease/(increase) in trade and other receivables		20	(249)
Decrease in trade and other payables		(4 343)	(573)
Income tax paid		(30)	(3)
Net cash generated from/(used in) operating activities		(9 852)	(5 628)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net proceeds from the disposal of equipment and machinery		3	-
Purchases of intangible assets		-	(49)
Purchases of equipment and machinery		-	(32)
Additions to rigs under construction		(544)	(3 266)
Net proceeds from disposal of assets		192 821	135 485
Advance received for sale of rig		(10 000)	-
Interest received		587	372
Net cash generated from/(used in) investing activities		182 867	132 510
CASH FLOWS FROM FINANCING ACTIVITIES			
Share premium reduction		(320 000)	-
Interim dividend paid		(104 800)	-
Net cash generated from/(used in) financing activities		(424 800)	-
Net (decrease)/increase in cash and cash equivalents		(251 785)	126 882
Cash and cash equivalents at beginning of period		321 373	122 401
Non-cash transactions (Notes 6,7)		(229)	-
Cash and cash equivalents at end of period		69 359	249 283

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, 3rd 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 30 September 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.

Financial instruments

Financial assets and financial liabilities are recognized on the Company’s statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs and are classified as follows:

- Available-for-sale financial assets

Available for sale financial assets are non-derivatives that are either designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Available for sale financial assets are those acquired and held for an unspecified period of time and may be sold to cover cash flow deficiencies, fluctuations in interest rates, exchange rates or other security prices. For available-for-sale investments, gains and losses arising from changes in fair value are recognised in other comprehensive income and then in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in profit or loss for the period.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity specific inputs. Equity investments for which fair values cannot be measured reliably are recognised at cost less impairment.

NOTES TO THE FINANCIAL INFORMATION

NOTE 3 – OTHER GAINS AND LOSSES

<i>(Amounts in USD 000)</i>	Three Months Ended		Nine Months Ended	
	30.09.2013	30.9.2012	30.09.2013	30.09.2012
Gain on disposal of rig under construction B337 (1)	-	-	25 800	-
Gain on disposal of rig under construction B338 (2)	-	-	18 944	-
Gain on disposal of investment in subsidiary (3)	-	-	29 211	-
Gain on disposal of rig under construction B339	-	-	831	-
Gain on disposal of investment in subsidiary company Offshore Driller B324 Ltd	-	8 429	-	8 429
Gain on disposal of rig under construction B325	-	8 247	-	8 247
Net currency translation differences	(2)	-	(27)	-
	(2)	16.676	74 759	16 676

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.
3. On 23 May 2013, the Group entered into an agreement to sell the shares held in the subsidiary company Offshore Driller 4 Ltd which owns rig B340, currently under construction at Keppel FELS shipyard in Singapore, to UMW Rig Asset (L) Ltd incorporated in Malaysia. Net proceeds from the sale amounted to USD 68.4 million. Financial and legal closing of the transaction took place in June 2013.

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>	Three Months Ended		Nine Months Ended	
	30.09.2013	30.09.2012	30.09.2013	30.09.2012
Basic/diluted EPS				
Profit/(Loss) attributable to equity holders of the Company	(1 450)	14 602	70 073	11 100
Weighted average number of ordinary shares in issue (thousands)	262 000	262 000	262 000	262 000
Basic/diluted earnings/(loss) per share	(0,01)	0,06	0,27	0,04

NOTES TO THE FINANCIAL INFORMATION

NOTE 5 – RIGS UNDER CONSTRUCTION

<i>(Amounts in USD 000)</i>	30.09.2013	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
Balance at the end of period/year	-	-

Capital Commitments

As of 30 September 2013 there were no capital expenditures contracted by the Group:

<i>(Amounts in USD 000)</i>	30.09.2013	31.12.2012
Installments to Keppel FELS Limited (80% payable at delivery)	-	460 800
Construction supervision and other construction costs	-	1 992
Total remaining capital commitments at the end of period/year	-	462 792

NOTE 6 – AVAILABLE-FOR-SALE FINANCIAL ASSETS

<i>(Amounts in USD 000)</i>	30.09.2013	31.12.2012
Balance at the beginning of year	-	-
Additions	128	-
Balance at the end of period/year	128	-

On 29 March 2013 the Central Bank of Cyprus has issued Decrees relating to Bank of Cyprus implementing measures for this bank under the Resolution of Credit and Other Institutions Law of 2013. One of the measures provides for a compulsory conversion of part of the deposits held into shares of Bank of Cyprus. The Company's cash held with Bank of Cyprus as at the relevant date for implementation of the decisions were USD 398 thousands.

On 30 July 2013 the Ministry Finance and the Central Bank of Cyprus announced that 47,5% of the uninsured deposits with Bank of Cyprus will automatically be converted into ordinary shares in Bank of Cyprus. The respective amount for the Company to be converted into shares is USD 128 thousands. Any impairment loss for the Company to be recognized based on the above, cannot be precisely determined at the date of issue of these interim condensed consolidated financial statement. Furthermore, the management of the Company considers that any impairment will be insignificant.

NOTES TO THE FINANCIAL INFORMATION

NOTE 7 – RESTRICTED CASH AT BANK

Restricted cash includes three separate time deposits of six, nine and twelve months of USD 34 thousands each, respectively. These deposits bear interest and can be renewed at Bank of Cyprus's discretion once for the same time duration.

NOTE 8 – ASSETS CLASSIFIED AS HELD FOR SALE

<i>(Amounts in USD 000)</i>	30.09.2013	31.12.2012
Jack up rig B337 held for sale (note 3.1)	-	40 118
Jack up rig B338 held for sale (note 3.2)	-	39 917
Jack up rig B340 held for sale (note 3.3)	-	38 796
Total assets held for sale	-	118 831

8.1. Movement of assets classified as held for sale

<i>(Amounts in USD 000)</i>	30.09.2013	31.12.2012
Balance at the beginning of year	118 831	-
Additions	544	-
Reclassified in the year	-	118 831
Jack up rigs B337 and B338 derecognized on disposal	(80 191)	-
Jack up rig B340 derecognized on disposal of subsidiary	(39 184)	-
Balance at the end of period/year	-	118 831

NOTE 9 – SHARE PREMIUM

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.

NOTE 10 – INTERIM DIVIDEND

On 21 May 2013, the Board of Directors of the Company declared an interim dividend of USD 0,26 per share, amounting to USD 68.1 million, out of the profits of the year 2013. The dividend was paid to the shareholders in June 2013.

NOTE 11 – 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 11 November 2013.

S.D. Standard Drilling

Financial Calendar (Release of Financial Reports)

Q4 2013

28 February 2014

S.D. Standard Drilling Plc

213 Arch.Makarios Avenue

Maximos Plaza

Tower 3, Office 401

CY 3030

Limassol, Cyprus

Tel: +357 25875474

S.D. Standard Drilling (Singapore) Pte Ltd

51 Goldhill Plaza,

#12- 08

Singapore 308900

Tel: + 65 6353 5230

www.standard-drilling.com