

**S.D. STANDARD DRILLING PLC**

**SECOND QUARTER REPORT 2014**



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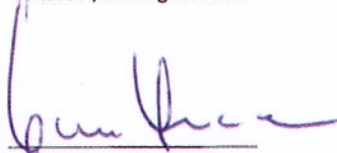
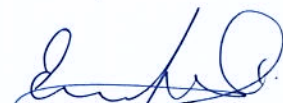
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## STATEMENT OF THE MEMBERS OF THE BOARD OF DIRECTORS AND OTHER RESPONSIBLE PERSONS OF THE COMPANY FOR THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 six months ended 30 June 2014 we confirm that, to the best of our knowledge:

- a) The interim condensed consolidated financial statements of the Company for the six months ended 30 June 2014 which are presented on pages 5 to 11:
  - (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 the 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, 27 August 2014

  
Martin Nes  
Chairman  
Gunnar Hvammen  
Non-Executive Director  
George Crystallis  
Independent Director  
Espen Lundaas  
Chief Financial Officer  
Evangelia Panagide  
General Manager

## Second Quarter Management Report 2014

### Selected Financial Information

	Three Months Ended		Six Months Ended	
	2014 Q2 <i>Unaudited</i>	2013 Q12 <i>Unaudited</i>	2014 Q2 <i>Unaudited</i>	2013 Q2 <i>Unaudited</i>
<i>(Amounts in USD 000)</i>				
Operating Revenue	-	-	-	-
Operating profit/(loss)before depreciation	<b>(289)</b>	29 291	<b>(598)</b>	70 795
Operating margin, %	-	-	-	-
Operating profit/(loss)	<b>(292)</b>	29 289	<b>(603)</b>	70 789
Profit/(Loss) for the period before taxes	<b>(235)</b>	29 626	<b>(486)</b>	71 510
Profit/(Loss) for the period	<b>(236)</b>	29 626	<b>(555)</b>	71 523

### Subsequent Events

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

## RESULTS

### RESULTS FOR SECOND QUARTER 2014

The operating loss for the three months ended on 30 June 2014 was USD 292 thousands. The operating loss includes mainly administration expenses. Net financial income for the period was USD 57 thousands thus a net loss before tax for the period of approximately USD 235 thousands. Earnings per share was USD (0,00) for the quarter.

### LIQUIDITY AND CAPITAL STRUCTURE

The available cash position at 30 June 2014 was USD 70.3 million.

During the first six months of 2014, net cash used in operating activities was USD 573 thousands and net cash generated from investing activities was USD 121 thousands, mainly consisting of interest received. Net cash used in financing activities was USD Nil.

As of 30 June 2014, the Company had 432 shareholders. The share price as of 30 June 2014 was NOK 1,41 (USD 0,23).

### OUTLOOK

Going forward and based on the robust financial position and cash availability, the Board believes that the Company is in a good position to take advantage of any new investment opportunities that may appear.

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

27 August, 2014



Martin Nes  
Chairman



Espen Lundaas  
CFO



**INTERIM CONDENSED CONSOLIDATED STATEMENT  
OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 30 JUNE 2014**

<i>(Amounts in USD 000)</i>	Note	Three Months Ended		Six Months Ended	
		2014	2013	2014	2013
		Q2	Q2	Q2	Q2
		<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
Operating Revenue		-	-	-	-
Operating Expenses		-	-	-	-
Gross profit/loss		-	-	-	-
Other gains and losses	3	(12)	30 940	(5)	74 761
Administration expenses		(277)	(1 649)	(593)	(3 966)
<b>Operating profit/(loss) before depreciation</b>		<b>(289)</b>	<b>29 291</b>	<b>(598)</b>	<b>70 795</b>
Depreciation and amortization		(3)	(2)	(5)	(6)
<b>Operating profit/(loss)</b>		<b>(292)</b>	<b>29 289</b>	<b>(603)</b>	<b>70 789</b>
Finance Income		60	341	121	733
Finance Costs		(3)	(4)	(4)	(12)
<b>Profit/(Loss) for the period before tax</b>		<b>(235)</b>	<b>29 626</b>	<b>(486)</b>	<b>71 510</b>
Income tax credit/(expense)		(1)	-	(69)	13
<b>Profit/(Loss) for the period</b>		<b>(236)</b>	<b>29 626</b>	<b>(555)</b>	<b>71 523</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period</b>		<b>(236)</b>	<b>29 626</b>	<b>(555)</b>	<b>71 523</b>
<b>Earnings/(loss) per share</b>					
Basic/diluted earnings/(loss) per share	4	(0,00)	0,11	(0,00)	0,27

**INTERIM CONDENSED CONSOLIDATED STATEMENT  
OF FINANCIAL POSITION  
AT 30 JUNE 2014**

<i>(Amounts in USD 000)</i>	Note	30.06.2014	31.12.2013
		<i>Unaudited</i>	<i>Audited</i>
<b>ASSETS</b>			
Intangible assets		5	8
Equipment and machinery		11	13
Available-for-sale financial assets	5	32	32
<b>Total non-current assets</b>		<b>48</b>	<b>53</b>
Trade and other receivables		98	100
Current tax asset		-	46
Restricted cash at bank	6	56	101
Cash and bank balances		70 289	70 741
<b>Total current assets</b>		<b>70 443</b>	<b>70 988</b>
<b>Total Assets</b>		<b>70 491</b>	<b>71 041</b>
<b>EQUITY AND LIABILITIES</b>			
Ordinary shares		2 620	2 620
Share premium		39 950	39 950
Accumulated profits/(losses)		27 820	28 375
<b>Total equity</b>		<b>70 390</b>	<b>70 945</b>
Trade and other payables		100	96
Current tax liabilities		1	-
<b>Total current liabilities</b>		<b>101</b>	<b>96</b>
<b>Total Equity and Liabilities</b>		<b>70 491</b>	<b>71 041</b>

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



Martin Nes  
Chairman



Espen Lundaas  
CFO

**INTERIM CONDENSED CONSOLIDATED STATEMENT  
OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 JUNE 2014**

<i>(Amounts in USD 000)</i>	Share Capital	Share Premium	Accumulated Profits/(Losses)	Total
<b>Balance at 01.01.2013</b>	2 620	359 950	26 982	389 552
<b>Comprehensive income</b>				
Profit/(Loss) for the period	-	-	71 523	71 523
<b>Transaction with owners</b>				
Share premium reduction	-	(320 000)	-	(320 000)
Interim dividend	-	-	(68 120)	(68 120)
<b>Balance at 30.06.2013 (audited)</b>	<b>2 620</b>	<b>39 950</b>	<b>30 385</b>	<b>72 955</b>
<b>Balance at 01.01.2014</b>	<b>2 620</b>	<b>39 950</b>	<b>28 375</b>	<b>70 945</b>
<b>Comprehensive income</b>				
Profit/(loss) for the period	-	-	(555)	(555)
<b>Balance at 30.06.2014 (unaudited)</b>	<b>2 620</b>	<b>39 950</b>	<b>27 820</b>	<b>70 390</b>



**INTERIM CONDENSED CONSOLIDATED STATEMENT  
OF CASH FLOWS  
FOR THE PERIOD ENDED 30 JUNE 2014**

	Note	Six Months Ended	
		2014 Q2	2013 Q2
<i>(Amounts in USD 000)</i>			
		<i>Unaudited</i>	<i>Unaudited</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit/(Loss) for the period before income tax		(486)	71 510
Other gains and losses		-	(74 786)
Depreciation and amortization		5	6
Loss from sale of equipment and machinery		-	24
Interest income		(121)	(733)
Decrease in restricted cash		45	-
Decrease in trade and other receivables		2	31
Increase/(decrease) in trade and other payables		4	(1 470)
Income tax paid		(22)	(31)
<b>Net cash generated from/(used in) operating activities</b>		<b>(573)</b>	<b>(5 449)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to rigs under construction		-	(544)
Net proceeds from disposal of assets		-	192 821
Advance received for sale of rig B337		-	(10 000)
Interest received		121	517
<b>Net cash generated from/(used in) investing activities</b>		<b>121</b>	<b>182 794</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Share premium reduction		-	(320 000)
Interim dividends paid		-	(104 800)
<b>Net cash generated from/(used in) financing activities</b>		<b>-</b>	<b>(424 800)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(452)</b>	<b>(247 455)</b>
Cash and cash equivalents at beginning of year		70 741	321 373
Non-cash transactions		-	(229)
Cash and cash equivalents at end of period		70 289	73 689

## 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. Having sold all initial rig contracts, the strategy of the Group has changed to being an investment Group within the oil and gas service sector.

### NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2014, 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 2013. The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013.

In the current period the Company has adopted all of the new and revised standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (the IFRIC) of the IASB that are relevant to its operations and effective for annual periods beginning on 1 January 2014. The adoption of these Standards did not have a material effect on the financial statements.

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>	Three Months Ended		Six Months Ended	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
Gain on disposal of rig under construction B337	-	232	-	25 800
Gain on disposal of rig under construction B338	-	275	-	18 944
Gain on disposal of investment in subsidiary	-	29 211	-	29 211
Gain on disposal of rig under construction B339	-	831	-	831
Net currency translation differences	(12)	391	(5)	(25)
	<b>(12)</b>	<b>30 940</b>	<b>(5)</b>	<b>74 761</b>

### 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		Six Months Ended	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
<b>Basic/diluted EPS</b>				
Profit/(Loss) attributable to equity holders of the Company	(236)	29 626	(319)	71 523
Weighted average number of ordinary shares in issue (thousands)	262 000	262 000	262 000	262 000
<b>Basic/diluted earnings/(loss) per share</b>	<b>(0,00)</b>	<b>0,11</b>	<b>(0,00)</b>	<b>0,27</b>



## NOTES TO THE FINANCIAL INFORMATION

### NOTE 5 – AVAILABLE-FOR-SALE FINANCIAL ASSETS

<i>(Amounts in USD 000)</i>	30.06.2014	31.12.2013
Balance at the beginning of year	32	-
Additions at estimated fair value (note 6)	-	32
<b>Balance at the end of period / year</b>	<b>32</b>	<b>32</b>

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 with Bank of Cyprus 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 that has been converted into shares is USD 128 thousands.

As of the date of the conversion the management of the Company on the basis of available information and by exercising their judgment has recognized an impairment loss of USD 96 thousands on the bank balances. Furthermore and as of the balance sheet date, the management of the Company on the basis of available information and by exercising their judgment has considered that the fair value of the shares remained at €0,25 while their nominal value is €1 per share.

### NOTE 6 – RESTRICTED CASH AT BANK

Restricted cash at bank includes three separate time deposits of three, six and twelve months of USD 56 thousands in total. These deposits are interest bearing. The twelve months deposit can be renewed at Bank of Cyprus's discretion once for the same time duration.

<i>(Amounts in USD 000)</i>	30.06.2014	31.12.2013
Balance at the beginning of year	101	-
Transfer to cash and bank balances	(45)	-
Additions	-	229
Impairment charge	-	(96)
Transfer to Available For Sale financial assets at estimated fair value (note 5)	-	(32)
<b>Balance at the end of period / year</b>	<b>56</b>	<b>101</b>

On 31 January 2014, the Board of Directors of Bank of Cyprus Public Company Limited ("Bank of Cyprus") has resolved to release the six month time deposit of USD 34 thousand that were blocked as per the decrees relating to the recapitalization of the bank in July 2013 which matured on that date.

On 30 April 2014, the Board of Directors of Bank of Cyprus resolved the partial release of the nine-month time deposit that were blocked as per the same decrees and mature on 30 April 2014, as follows:

- One third of nine-month time deposit is immediately released and become available;
- One third of nine-month time deposit is converted into a three-month time deposit maturity and automatically released at 31 July 2014;
- One third of nine-month time deposit is converted into a six-month time deposit maturity and automatically released at 31 October 2014.

On 31 July 2014, the Board of Directors of Bank of Cyprus resolved the partial release of the twelve-month time deposit that were blocked as per the same decrees and mature on 31 July 2014, as follows:

- One third of twelve-month time deposit is immediately released and become available;
- One third of twelve-month time deposit is converted into a three-month time deposit maturity and automatically released at 30 October 2014;
- One third of twelve-month time deposit is converted into a six-month time deposit maturity and automatically released on at 30 January 2015.

**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 27 August 2014.

## **S.D. Standard Drilling**

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### **Financial Calendar (Release of Financial Reports)**

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Q3 2013

28 November 2014

### **S.D. Standard Drilling Plc**

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