

**S.D. STANDARD DRILLING PLC**

**FOURTH QUARTER REPORT 2014**



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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 twelve months ended 31 December 2014 confirm that, to the best of our knowledge:

- a) The interim condensed consolidated financial statements of the Company for the twelve months ended 31 December 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 February 2015

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Martin Nes  
Chairman

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Gunnar Hvammen  
Non-Executive Director

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George Crystallis  
Independent Director

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Espen Lundaas  
Chief Financial Officer

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Evangelia Panagide  
General Manager

## Fourth Quarter Management Report 2014

### Selected Financial Information

	Three Months Ended		Twelve Months Ended	
	2014 Q4 <i>Unaudited</i>	2013 Q4 <i>Unaudited</i>	2014 Q4 <i>Unaudited</i>	2013 Q4 <i>Unaudited</i>
<i>(Amounts in USD 000)</i>				
Operating Revenue	-	-	-	-
Operating profit/(loss) before depreciation	<b>(6 366)</b>	(632)	<b>(16 211)</b>	68 650
Operating margin, %	-	-	-	-
Operating profit/(loss)	<b>(6 367)</b>	(634)	<b>(16 219)</b>	68 638
Profit/(Loss) for the period before taxes	<b>(6 311)</b>	(560)	<b>(15 998)</b>	69 499
Profit/(Loss) for the period	<b>(6 311)</b>	(560)	<b>(16 069)</b>	69 513

### Subsequent Events

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

## RESULTS

### RESULTS FOR FOURTH QUARTER 2014

The operating loss for the three months ended on 31 December 2014 was USD 6 367 thousands. The operating loss includes mainly administration expenses and a loss on disposal of the shares held in Prospector Offshore Drilling S.A (PROS). Net financial income for the period was USD 56 thousands thus a net loss before tax for the period of approximately USD 6 311 thousands. Earnings per share was USD (0,02) for the quarter.

### LIQUIDITY AND CAPITAL STRUCTURE

The available cash position at 31 December 2014 was USD 55 million.

During the twelve months of 2014, net cash used in operating activities was USD 1 733 thousands and net cash used in investing activities was USD 14 226 thousands, mainly consisting of interest received of USD 227 thousands and a net outflow of USD 14 543 thousands from the purchase and subsequent disposal of shares in Prospector Offshore Drilling S.A (PROS). Net cash used in financing activities was USD Nil.

As of 31 December 2014, the Company had 355 shareholders. The share price as of 31 December 2014 was NOK 1,07 (USD 0,14).

### INVESTMENT IN PROSPECTOR OFFSHORE DRILLING S.A (PROS)

#### *Acquisition of shares*

On 10 September 2014 the Company purchased 24 million shares in PROS of a price of NOK 17.5 per share, corresponding to 25.37 % of the total outstanding share capital of PROS (the "Transaction"). The consideration under the Transaction was paid entirely in cash.

#### *Subsequent disposal of shares*

On 17 November 2014 S.D. Standard Drilling PLC disposed all the shares held in Prospector Offshore Drilling S.A (PROS) of a price of NOK 14,50 per share. As a consequence of the disposal, S.D. Standard Drilling PLC has realized a total loss of USD 14 543 thousands. Following the Transaction, the Company has available liquidity of approximately USD 55 million.

As a result of the disposal of the shares in Prospector the Company will have a substantial amount of funds to invest in other companies and industries within the Company's current investment strategy. The Board and the Company's management will continue to consider possible

investment opportunities.

### Strike-off of subsidiary company

On 28 November 2014 the Board of Directors of the Company resolved to proceed with the strike-off of the subsidiary Company S.D Standard Drilling (Singapore) Pte Ltd. The strike-off is expected to be completed during the year 2015.

### 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 February, 2015*

*Martin Nes  
Chairman  
(Sign.)*

*Espen Lundaas  
CFO  
(Sign.)*

INTERIM CONDENSED CONSOLIDATED STATEMENT  
OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 31 DECEMBER 2014

	Note	Three Months Ended		Twelve Months Ended	
		2014 Q4	2013 Q4	2014 Q4	2013 Q4
<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	(6 147)	(15)	(15 143)	74 744
Impairment charge on bank balances		-	(96)	-	(96)
Administration expenses		(219)	(521)	(1 068)	(5 998)
<b>Operating profit/(loss) before depreciation</b>		<b>(6 366)</b>	<b>(632)</b>	<b>(16 211)</b>	<b>68 650</b>
Depreciation and amortization		(1)	(2)	(8)	(12)
<b>Operating profit/(loss)</b>		<b>(6 367)</b>	<b>(634)</b>	<b>(16 219)</b>	<b>68 638</b>
Finance Income		57	75	227	876
Finance Costs		(1)	(1)	(6)	(15)
<b>Profit/(Loss) for the period before tax</b>		<b>(6 311)</b>	<b>(560)</b>	<b>(15 998)</b>	<b>69 499</b>
Income tax credit/(expense)		-	-	(71)	14
<b>Profit/(Loss) for the period</b>		<b>(6 311)</b>	<b>(560)</b>	<b>(16 069)</b>	<b>69 513</b>
<b>Other comprehensive income</b>		-	-	-	-
<b>Total comprehensive income for the period</b>		<b>(6 311)</b>	<b>(560)</b>	<b>(16 069)</b>	<b>69 513</b>
<b>Earnings/(loss) per share</b>					
Basic/diluted earnings/(loss) per share	4	(0,02)	(0,00)	(0,06)	0,27

**INTERIM CONDENSED CONSOLIDATED STATEMENT  
OF FINANCIAL POSITION  
AT 31 DECEMBER 2014**

<i>(Amounts in USD 000)</i>	Note	<b>31.12.2014</b>	<b>31.12.2013</b>
		<i>Unaudited</i>	<i>Audited</i>
<b>ASSETS</b>			
Intangible assets		2	8
Equipment and machinery		1	13
<b>Total non-current assets</b>		<b>3</b>	<b>21</b>
Trade and other receivables		104	100
Available-for-sale financial assets	5	26	32
Current tax asset		1	46
Restricted cash at bank	6	11	101
Cash and bank balances		54 782	70 741
Asset classified as held for sale	7	-	-
<b>Total current assets</b>		<b>54 924</b>	<b>71 020</b>
<b>Total Assets</b>		<b>54 927</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)		12 306	28 375
<b>Total equity</b>		<b>54 876</b>	<b>70 945</b>
Trade and other payables		51	96
<b>Total current liabilities</b>		<b>51</b>	<b>96</b>
<b>Total Equity and Liabilities</b>		<b>54 927</b>	<b>71 041</b>

*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 31 DECEMBER 2014**

<i>(Amounts in USD 000)</i>	<b>Share Capital</b>	<b>Share Premium</b>	<b>Accumulated Profits/(Losses)</b>	<b>Total</b>
<b>Balance at 01.01.2013</b>	2 620	359 950	26 982	389 552
<b>Comprehensive income</b>				
Profit/(Loss) for the period	-	-	69 513	69 513
<b>Transaction with owners</b>				
Share premium reduction	-	(320 000)	-	(320 000)
Interim dividend	-	-	(68 120)	(68 120)
<b>Balance at 31.12.2013 (audited)</b>	<b>2 620</b>	<b>39 950</b>	<b>28 375</b>	<b>70 945</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	-	-	(16 069)	(16 069)
<b>Balance at 31.12.2014 (unaudited)</b>	<b>2 620</b>	<b>39 950</b>	<b>12 306</b>	<b>54 876</b>



**INTERIM CONDENSED CONSOLIDATED STATEMENT  
OF CASH FLOWS  
FOR THE PERIOD ENDED 31 DECEMBER 2014**

	Note	Twelve Months Ended	
		2014 Q4	2013 Q4
<i>(Amounts in USD 000)</i>			
		<i>Unaudited</i>	<i>Audited</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit/(Loss) for the period before income tax		(15 998)	69 499
Other gains and losses		14 547	(74 786)
Depreciation and amortization		8	12
Loss from sale of equipment and machinery		10	19
Impairment charge on bank balances		-	96
Interest income		(227)	(876)
(Increase)/decrease in trade and other receivables		(4)	1 679
Decrease in trade and other payables		(43)	(4 326)
Income tax paid		(26)	(76)
<b>Net cash generated from/(used in) operating activities</b>		<b>(1 733)</b>	<b>(8 759)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net proceeds from the disposal of equipment and machinery		-	3
Additions to rigs under construction		-	(544)
Net proceeds from disposal of assets		51 601	182 821
Net cash outflow from acquisition of investment		(66 144)	-
Decrease in restricted cash		90	-
Interest received		227	876
<b>Net cash generated from/(used in) investing activities</b>		<b>(14 226)</b>	<b>183 156</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>(15 959)</b>	<b>(250 403)</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		54 782	70 741

## 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 twelve months ended 31 December 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 which have been prepared in accordance with IFRS as adopted in the (EU) and the requirements of the Cyprus Companies Law, Cap. 113.

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.

#### 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.

### NOTE 3 – OTHER GAINS AND LOSSES

<i>(Amounts in USD 000)</i>	<b>Three Months Ended</b>		<b>Twelve Months Ended</b>	
	<b>31.12.2014</b>	<b>31.12.2013</b>	<b>31.12.2014</b>	<b>31.12.2013</b>
Gain on disposal of rig under construction B337	-	-	-	25 800
Gain on disposal of rig under construction B338	-	-	-	18 944
Gain on disposal of investment in subsidiary	-	-	-	29 211
Gain on disposal of rig under construction B339	-	-	-	831
Loss on disposal of investment in Prospector Offshore Drilling SA (3.1)	(6 666)	-	(14 543)	-
Impairment of investment in Bank of Cyprus Public Company Ltd (note 5)	(6)	-	(6)	-
Net currency translation differences	525	(15)	(594)	(42)
	<b>(6 147)</b>	<b>(15)</b>	<b>(15 143)</b>	<b>74 744</b>

On 17 November 2014 S.D. Standard Drilling PLC disposed all the shares held in Prospector Offshore Drilling S.A (PROS) at a price of NOK 14,50 per share. As a consequence of the disposal, S.D. Standard Drilling PLC has realized a total loss of USD 14 543 thousands.

## NOTES TO THE FINANCIAL INFORMATION

### NOTE 3 – OTHER GAINS AND LOSSES (CONTINUED)

#### 3.1 Loss on disposal of investments in Prospector Offshore Drilling SA

<i>(Amounts in USD 000)</i>	<b>31.12.2014</b>	31.12.2013
Consideration received net	51 601	-
Cost of investment	(66 144)	-
<b>Loss on disposal of shares</b>	<b>(14 543)</b>	-

The loss of USD 14 543 can be further disaggregated to the following elements:

<i>(Amounts in USD 000)</i>	<b>31.12.2014</b>	31.12.2013
Changes in fair value	(11 330)	-
Exchange difference	(3 213)	-
<b>Loss on disposal of shares</b>	<b>(14 543)</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>	<b>Three Months Ended</b>		<b>Twelve Months Ended</b>	
	<b>31.12.2014</b>	31.12.2013	<b>31.12.2014</b>	31.12.2013
<b>Basic/diluted EPS</b>				
Profit/(Loss) attributable to equity holders of the Company	(6 311)	(560)	(16 069)	69 513
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>(0,02)</b>	<b>(0,00)</b>	<b>(0,06)</b>	<b>0,27</b>

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

<i>(Amounts in USD 000)</i>	<b>31.12.2014</b>	31.12.2013
Balance at the beginning of year	32	-
Additions at estimated fair value (note 6)	-	32
Impairment charge (note 3)	(6)	-
<b>Balance at the end of year</b>	<b>26</b>	<b>32</b>

On 29 March 2013 the Central Bank of Cyprus 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 16 December 2014, Bank of Cyprus shares have been listed and commenced trading on Cyprus Stock Exchange ("CES"). Based on the new development and on the basis of available information the management of the Company has recognized an additional impairment loss in the current year of USD 6 thousands.

## NOTES TO THE FINANCIAL INFORMATION

### NOTE 6 – RESTRICTED CASH AT BANK

Restricted cash at bank includes a time deposit for six months of USD 11 thousands. The deposit is interest bearing.

<i>(Amounts in USD 000)</i>	<b>31.12.2014</b>	31.12.2013
Balance at the beginning of year	101	-
Transfer to cash and bank balances	(90)	-
Additions	-	229
Impairment loss	-	(96)
Transfer to Available For Sale financial assets at estimated fair value (note 5)	-	(32)
<b>Balance at the end of year</b>	<b>11</b>	<b>101</b>

On 31 January 2014, the Board of Directors of Bank of Cyprus Public Company Limited (“Bank of Cyprus”) 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 – ASSETS CLASSIFIED AS HELD FOR SALE

<i>(Amounts in USD 000)</i>	<b>31.12.2014</b>	31.12.2013
Opening	-	-
Additions	66 144	-
Derecognised on disposal	(66 144)	-
<b>Balance at the end of year</b>	<b>-</b>	<b>-</b>

On 10 September 2014 the Company purchased 24 million shares in Prospector Offshore Drilling SA (PROS) at a price of NOK 17,5 per share.

On 17 November 2014 the Company disposed all its 24 million shares held in Prospector Offshore Drilling S.A (PROS) at a price of NOK 14,50 per share.

### NOTE 8 – 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 February 2015.

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

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

Q4 2014	27 February 2015
Q1 2015	15 May 2015
Q2 2015	28 August 2015
Q3 2015	27 November 2015

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

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