

# S.D. Standard Drilling Plc.

## 3Q 2018 Presentation

8 November 2018



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# Agenda

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- I. Highlights**
- II. Fleet update**
- III. Financial information**

# Highlights Q3 2018

- Profit after tax of USD (0.2)m (3Q 17 USD (5.8)m)
- Total cash balance of USD 23.3m (3Q17 USD 15.2m)<sup>(1)</sup>
- Total Book Value of Equity of USD 110m (NOK 1.56 per share)<sup>(2)</sup>
- Total EBITDA (adj) of USD 0.2m (3Q17 USD 0.7m)<sup>(3)</sup>
- Large-size – 5x Standard vessels (100% owned)
  - EBITDA (adj) of USD 0.3 (3Q17 USD 0.8m)<sup>(3)</sup>
  - Utilization of ~85% (3Q17 ~90%)<sup>(3)</sup>
- Mid-size – 9x Northern Supply vessels (25.5% owned)<sup>(4)</sup>
  - EBITDA (adj) of USD (0.1)m (3Q17 USD (0.1)m)<sup>(3)</sup>
  - Utilization of ~92% (3Q17 ~95%)<sup>(3)</sup>
  - PSV Opportunity AS and Northern PSV AS completed a merger and changed name to Northern Supply AS



(1) Including pro-rata ownership of cash in subsidiaries and investments, of which USD 21.5m is cash in SDSA and subsidiaries

(2) USD/NOK 8.178 end of Sept 18

(3) EBITDA for vessels only (pro-rata), adjusted for start up cost, non-recurring cost and dry dock, special survey, maintenance and repairs

(4) Utilization, based on weighted average, does not include vessels in lay-up. 9x vessels includes FS Arendal on bareboat charter

# Highlights Q3 2018 cont.

- **Standard Supplier and Standard Princess**
  - Both awarded a firm contract to 15 Feb-19 + 4 week options with Allseas. Commencement 30 Sep-18 and 1 Oct-18
- **Negative fair value adjustment of financial assets of USD 0.1m**
- **Northern Supply AS (SDSD has 25.53% ownership)**
  - Completed a sale-lease back contract for FS Arendal. Vessel sold for USD 2.8m
    - 1 year bare-boat contract (1+1 year option) at a rate USD 0 per day
    - Profit split 50/50 on a net hire between GBP 5,100-10,000 per day
- **New World Supply Ltd. (26.2% owned) held as a financial investment**



# Subsequent events

- **New World Supply Ltd sold 2x of its 6x medium size PSV's ("World Emerald" and "World Sapphire")**
  - Sold at a level that reflects significantly higher vessel value compared to SDSD's book value
- **Solid utilization for 5x large Standard vessels (100% owned)**
  - Average utilization of 98 % for the Company's large PSV's in Oct-18
- **Solid utilization for the medium size vessels in Northern Supply (25.5% owned)**
  - Average utilization of 90 % for the vessels in Oct-18<sup>(1)</sup>
- **Total fleet of 17 vessels + 1 vessel on bare-boat contract**
  - 5 large sized PSV's 100% owned
  - 8 medium size PSV's 25.5% owned
  - 4 medium size PSV's 26.2% held as a financial investment



# Competitive advantage in the current market

1

No debt

*No interest cost*



*No amortization*



*Low break-even*

2

Low overhead costs

*Low-cost and flexible structure*



*Outsourced operational management*



*Outsourced technical management*

3

Modern fleet of large vessels

*Modern fleet and attractive tech. spec*



*High vessel utilization*

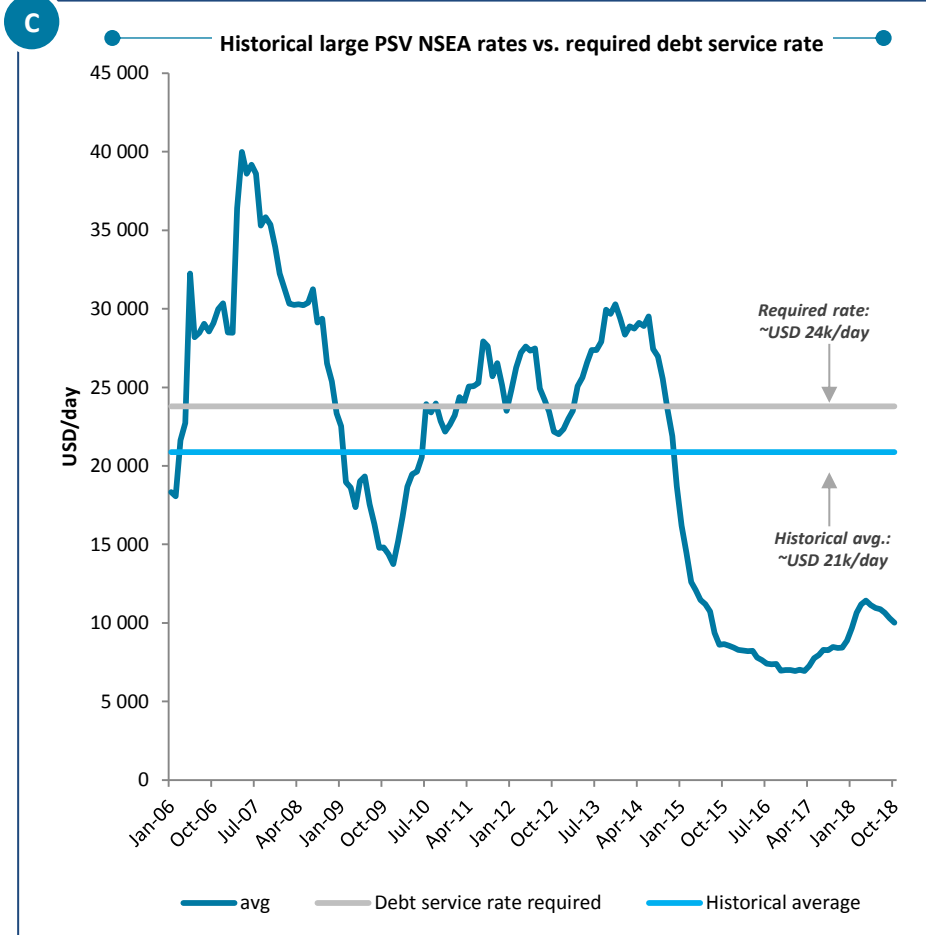
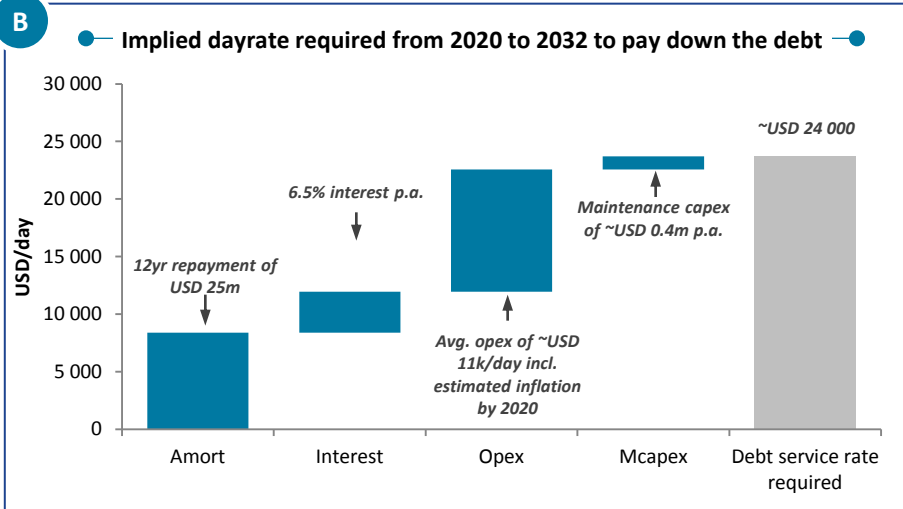
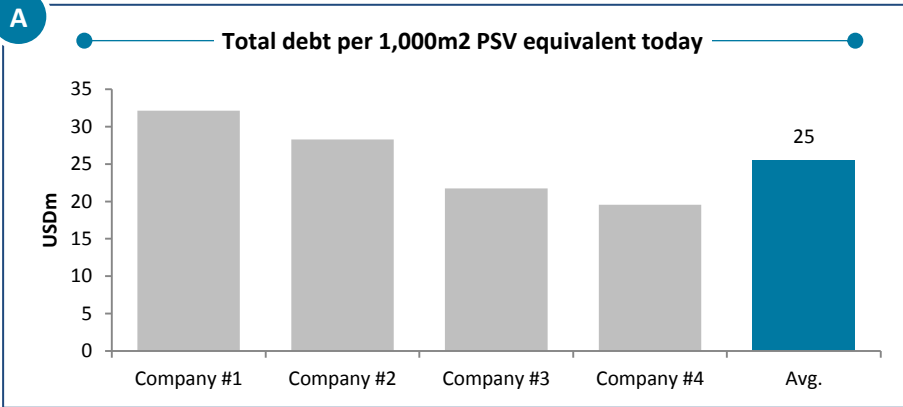


*No reactivation costs*

# SDSD has no debt

1

## SDSD has a competitive advantage compared to industry peers

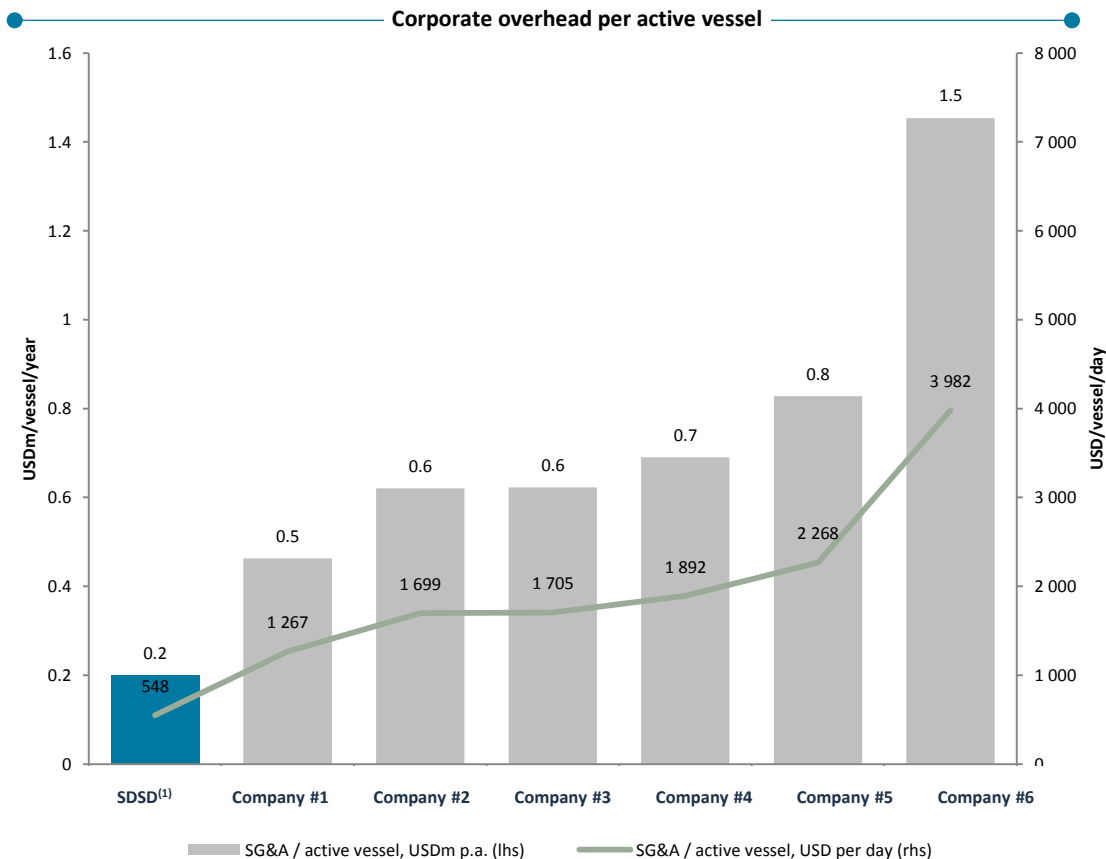




# Low overhead costs and low breakeven rates

2

SDSD has a competitive advantage compared to industry peers

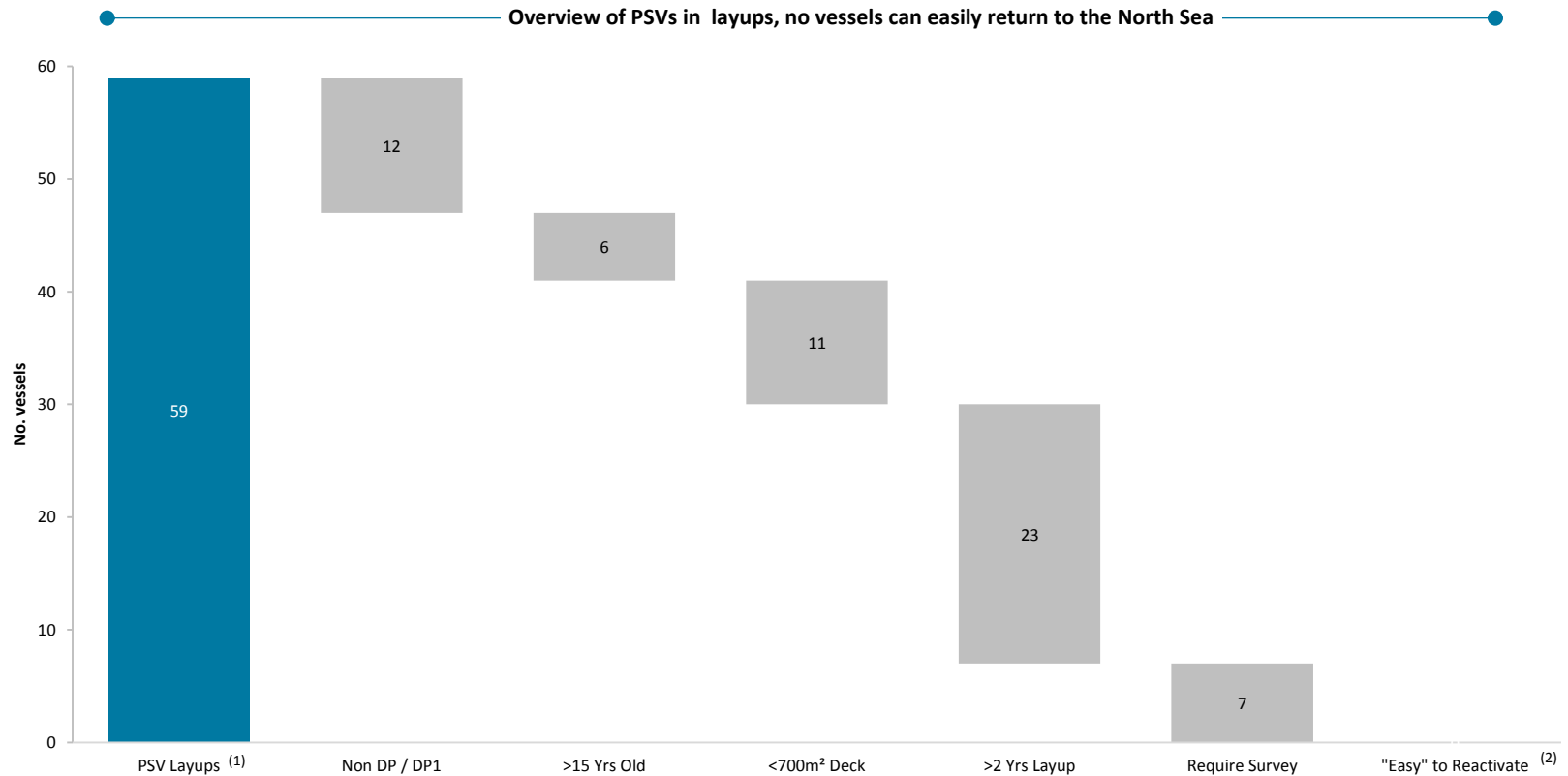


- Average cash Break-even for SDSD**
  - Average cash break-even for SDSD, all-in costs (USD / Day) for PSV vessels
    - Large-size: USD 7,000 per day
    - Mid-size: USD 6,700 per day
  - Overhead cost of ~USD 550 per vessel per day
  - Competitive cost position and all equity balance sheet securing low all-in cost

# SDSD has a modern fleet of large PSV's- all working

3

SDSD has a competitive advantage compared to industry peers



(1) ~25 vessels have been reactivated or sold to work in other regions since 2017YE

(2) No vessels are «easy» to reactivate, based on the specified factors above

Source: Clarksons Platou Offshore

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# Large-size PSV vessels – 100% owned

## Standard vessels (5x)



**Standard Viking  
(2008)**

**Purchase price:**

~USD 13.3m<sup>(1)</sup>

**Ownership:** 100%

**Deck-space:** 1,060m<sup>2</sup>

**Design:** ST-216 L CD

**Yard:** Aker Brattvaag

**Age:** ~10 years



**Standard Supplier  
(2007)**

**Purchase price:**

~USD 13.3m<sup>(1)</sup>

**Ownership:** 100%

**Deck-space:** 1,060m<sup>2</sup>

**Design:** ST-216 L CD

**Yard:** Aker Brattvaag

**Age:** ~11 years



**Standard Princess  
(2008)**

**Purchase price:**

~USD 13.3m<sup>(1)</sup>

**Ownership:** 100%

**Deck-space:** 1,060m<sup>2</sup>

**Design:** ST-216 L CD

**Yard:** Aker Brattvaag

**Age:** ~10 years



**Standard Supporter  
(2009)**

**Purchase price:**

~USD 11.1m<sup>(1)</sup>

**Ownership:** 100%

**Deck-space:** 1,000m<sup>2</sup>

**Design:** UT 776 CD

**Yard:** STX Brevik

**Age:** ~9 years



**Standard Provider  
(2010)**

**Purchase price:**

~USD 11.1m<sup>(1)</sup>

**Ownership:** 100%

**Deck-space:** 1,000m<sup>2</sup>

**Design:** UT 776 CD

**Yard:** STX Brevik

**Age:** ~8 years

**Average purchase price: USD 12.44m<sup>(1)</sup>**

**Average age 9.6 years**

**Average newbuild price: ~USD 48.5**

# Mid-size PSV vessels – partly owned

## Northern Supply vessels (9x) – 25.5% owned

## New World Supply (4x) – 26.2% owned



### 2x vessels

**Purchase price:**

~USD 2.5m<sup>(1)</sup>

**Ownership:** 25.5%

**Deck-space:** 680m<sup>2</sup>

**Design:** UT 755 LN

**Yard:** Aker Aukra

**Avg. age:** ~9 years

**FS Carrick (2008)**

**FS Crathes (2009)**

### 2x vessels

**Purchase price:**

~USD 5.4m<sup>(1)</sup>

**Ownership:** 25.5%

**Deck-space:** 680m<sup>2</sup>

**Design:** UT 755 LN

**Yard:** Aukra

**Avg. age:** ~9 years

**FS Abergeldie (2008)**

**FS Aberdour (2009)**

### 2x vessels

**Purchase price:**

~USD 5.9m<sup>(1)</sup>

**Ownership:** 25.5%

**Deck-space:** 710m<sup>2</sup>

**Design:** UT 755 LN

**Yard:** Aker Brevik

**Avg. age:** ~10 years

**FS Braemar (2007)**

**FS Balmoral (2008)**

### 3x vessels

**Purchase price:**

~USD 2.5m<sup>(1)</sup>

**Ownership:** 25.5%

**Deck-space:** 700m<sup>2</sup>

**Design:** VS 470 MK II

**Yard:** Kleven

**Avg. age:** ~12 years

**FS Kristiansand (2005)**

**FS Bergen (2006)**

**(FS Arendal (2006))<sup>(3)</sup>**

### 4x vessels

**Purchase price:**

~USD 5.1m<sup>(1)</sup>

**Ownership:** 26.2%

**Deck-space:** 728m<sup>2</sup>

**Design:** 3300 CD

**Yard:** Damen SG (Galati)

**Avg. age:** ~5 years

**World Diamond (2013)**

**World Peridot (2013)**

**World Pearl (2013)**

**World Emerald (2013)<sup>(2)</sup>**

**World Opal (2013)**

**World Sapphire (2013)<sup>(2)</sup>**

(1) Excluding working capital and start-up costs

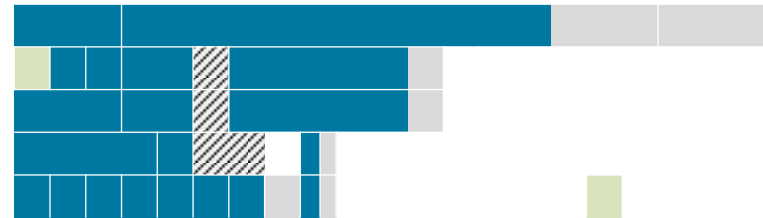
(2) Sold in Oct-18

(3) Completed a sale-lease back contract in Sep-18

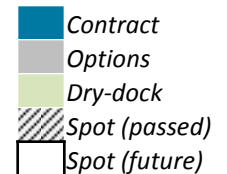
# Large-size PSV vessels – contract overview

## Standard vessels (100% owned)

| Vessel                    | Built | Client       | Country | 2018 |    |    | 2019 |    |    |    |  |  |
|---------------------------|-------|--------------|---------|------|----|----|------|----|----|----|--|--|
|                           |       |              |         | 2Q   | 3Q | 4Q | 1Q   | 2Q | 3Q | 4Q |  |  |
| <b>Large-size Vessels</b> |       |              |         |      |    |    |      |    |    |    |  |  |
| Standard Viking           | 2007  | Peterson     | UK      |      |    |    |      |    |    |    |  |  |
| Standard Princess         | 2008  | Allseas      | UK      |      |    |    |      |    |    |    |  |  |
| Standard Supplier         | 2007  | Allseas      | UK      |      |    |    |      |    |    |    |  |  |
| Standard Provider         | 2010  | Shell / Spot | UK      |      |    |    |      |    |    |    |  |  |
| Standard Supporter        | 2009  | SHL / Spot   | UK      |      |    |    |      |    |    |    |  |  |



- Continue to focus on securing work to achieve winter coverage

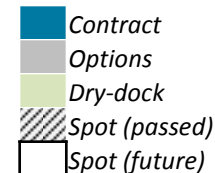


# Mid-size PSV vessels – contract overview

## Northern Supply vessels (25.5% owned)

| Vessel                  | Built | Client               | Country  | 2018          |          |               | 2019     |    |    |          |
|-------------------------|-------|----------------------|----------|---------------|----------|---------------|----------|----|----|----------|
|                         |       |                      |          | 2Q            | 3Q       | 4Q            | 1Q       | 2Q | 3Q | 4Q       |
| <b>Mid-size Vessels</b> |       |                      |          |               |          |               |          |    |    |          |
| FS Arendal              | 2006  | Repsol               | UK       | Contract      | Contract | Contract      | Options  |    |    | Dry-dock |
| FS Aberdour             | 2009  | Saipem               | UK       | Contract      | Contract | Spot (passed) |          |    |    | Dry-dock |
| FS Balmoral             | 2008  | Spot                 | UK       | Dry-dock      | Contract | Spot (passed) |          |    |    |          |
| FS Braemar              | 2007  | Enquest/Spot         | UK       | Contract      | Contract | Spot (passed) |          |    |    |          |
| FS Carrick              | 2009  | Petrofac / Saipem    | UK       | Spot (passed) | Contract | Contract      | Options  |    |    | Dry-dock |
| FS Crathes              | 2008  | Spot Market / Saipem | UK       | Spot (passed) | Contract | Contract      |          |    |    | Dry-dock |
| FS Kristiansand         | 2005  | TBN                  | UK       | Contract      | Contract | Contract      | Contract |    |    |          |
| FS Bergen               | 2006  | Lay-up               | UK       |               |          |               |          |    |    |          |
| FS Abergeldie           | 2008  | Lay-up               | Trinidad |               |          |               |          |    |    | Dry-dock |

- Continue to focus on securing work to achieve a high utilization for the fleet going forward
- Buyer of FS Arendal are responsible to carry out and pay for dry dock and upgrading DP2
- Relocation of FS Abergeldie -will arrive Leith end of November 18



# Large-size PSV vessels – Utilization overview

## Historical utilization of operating vessels (%)

### Standard vessels (100% owned)

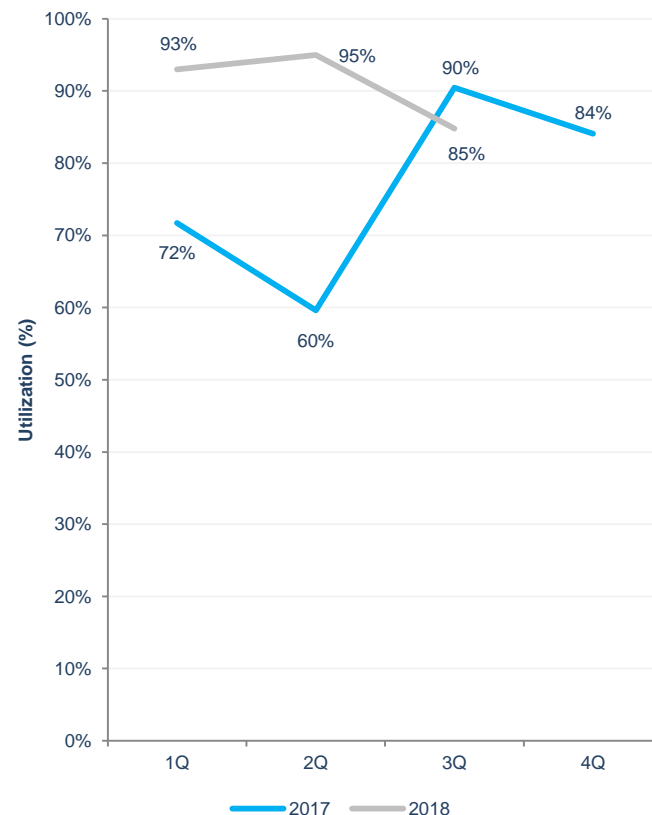
| Utilization                    | S.Viking     | S. Princess | S. Supplier | S.Provider  | S. Supporter | Weighted average |
|--------------------------------|--------------|-------------|-------------|-------------|--------------|------------------|
| 1Q17                           | n.a.         | 72 %        | n.a.        | n.a.        | n.a.         | 72 %             |
| 2Q17                           | 39 %         | 96 %        | 12 %        | n.a.        | n.a.         | 60 %             |
| 3Q17                           | 94 %         | 84 %        | 93 %        | n.a.        | n.a.         | 90 %             |
| 4Q17                           | 100 %        | 89 %        | 71 %        | 85 %        | 68 %         | 84 %             |
| <b>2017, weighted average</b>  | <b>77 %</b>  | <b>87 %</b> | <b>73 %</b> | <b>85 %</b> | <b>68 %</b>  | <b>80 %</b>      |
| 1Q18                           | 100 %        | 100 %       | 65 %        | 100 %       | 100 %        | 93 %             |
| 2Q18                           | 100 %        | 73 %        | 98 %        | 100 %       | 99 %         | 95 %             |
| 3Q18                           | 100 %        | 81 %        | 61 %        | 88 %        | 92 %         | 85 %             |
| Oct-18                         | 100 %        | 100 %       | 99 %        | 93 %        | 100 %        | 98 %             |
| <b>2018 YTD, weighted avg.</b> | <b>100 %</b> | <b>87 %</b> | <b>77 %</b> | <b>96 %</b> | <b>97 %</b>  | <b>92 %</b>      |

| Total days                      | S.Viking     | S. Princess | S. Supplier | S.Provider  | S. Supporter | Weighted average |
|---------------------------------|--------------|-------------|-------------|-------------|--------------|------------------|
| Total available days, 2017      | 275          | 321         | 214         | 48          | 48           | 906              |
| Total days worked, 2017         | 213          | 280         | 155         | 41          | 33           | 722              |
| <b>Total utilization, 2017</b>  | <b>77 %</b>  | <b>87 %</b> | <b>73 %</b> | <b>85 %</b> | <b>68 %</b>  | <b>80 %</b>      |
| Total available days, YTD18     | 302          | 271         | 298         | 296         | 303          | 1 470            |
| Total days worked, YTD18        | 302          | 237         | 231         | 284         | 294          | 1349             |
| <b>Total utilization, YTD18</b> | <b>100 %</b> | <b>87 %</b> | <b>77 %</b> | <b>96 %</b> | <b>97 %</b>  | <b>92 %</b>      |

**Note:**

- Vessels unavailable due to dry docking, maintenance, class renewal and other
- YTD18 includes 1Q18, 2Q18, 3Q18 and Oct-18

## Utilization overview (weighted average)





# Mid-size PSV vessels – Utilization overview

## Historical utilization of operating vessels (%)<sup>(1)</sup>

### Northern Supply vessels (25.5% owned)

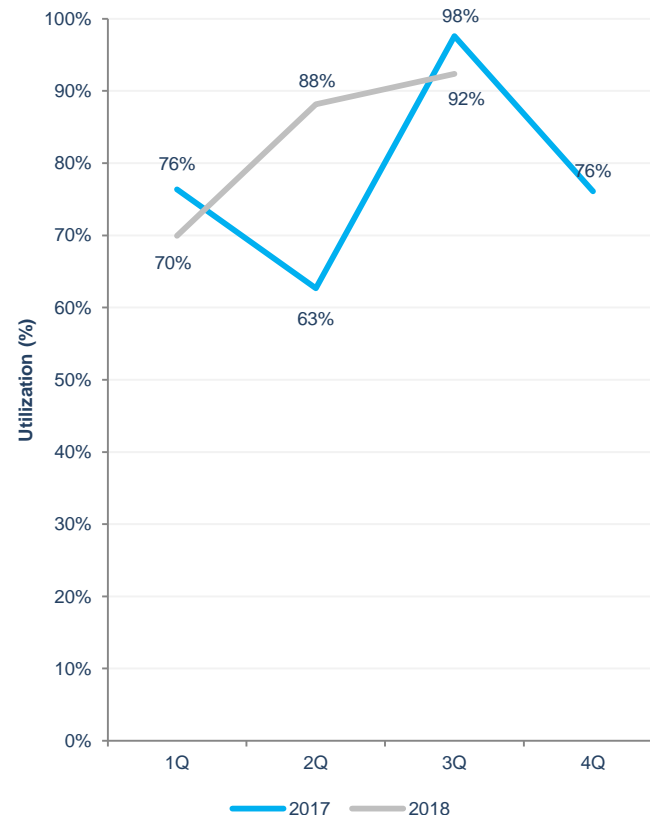
| Utilization                    | FS          |              |             |             |             |             |             | Weighted average |
|--------------------------------|-------------|--------------|-------------|-------------|-------------|-------------|-------------|------------------|
|                                | Aberdour    | Arendal      | Balmoral    | Kr. Sand    | Braemar     | Carrick     | Crathes     |                  |
| 1Q17                           | 29 %        | 100 %        | n.a         | 100 %       | n.a.        | n.a.        | n.a.        | 76 %             |
| 2Q17                           | 54 %        | 48 %         | 43 %        | 100 %       | n.a.        | n.a.        | n.a.        | 63 %             |
| 3Q17                           | 100 %       | 100 %        | 95 %        | 100 %       | 79 %        | n.a.        | n.a.        | 98 %             |
| 4Q17                           | 100 %       | 100 %        | 96 %        | 82 %        | 2 %         | n.a.        | n.a.        | 76 %             |
| <b>2017, weighted average</b>  | <b>71 %</b> | <b>87 %</b>  | <b>82 %</b> | <b>96 %</b> | <b>17 %</b> | <b>n.a.</b> | <b>n.a.</b> | <b>79 %</b>      |
| 1Q18                           | 99 %        | 99 %         | 100 %       | 34 %        | 17 %        | n.a.        | n.a.        | 70 %             |
| 2Q18                           | 100 %       | 100 %        | 63 %        | 100 %       | 100 %       | 62 %        | 74 %        | 88 %             |
| 3Q18                           | 100 %       | 100 %        | 75 %        | 100 %       | 75 %        | 100 %       | 100 %       | 92 %             |
| Oct-18                         | 100 %       | 100 %        | 60 %        | 100 %       | 76 %        | 100 %       | 100 %       | 90 %             |
| <b>2018 YTD, weighted avg.</b> | <b>99 %</b> | <b>100 %</b> | <b>78 %</b> | <b>81 %</b> | <b>66 %</b> | <b>87 %</b> | <b>92 %</b> | <b>85 %</b>      |

| Total days                      | FS          |              |             |             |             |             |             | Weighted average |
|---------------------------------|-------------|--------------|-------------|-------------|-------------|-------------|-------------|------------------|
|                                 | Aberdour    | Arendal      | Balmoral    | Kr. Sand    | Braemar     | Carrick     | Crathes     |                  |
| Total avail. days, 2017         | 365         | 365          | 245         | 365         | 115         | n.a.        | n.a.        | 1455             |
| Total days work., 2017          | 259         | 318          | 202         | 349         | 20          | n.a.        | n.a.        | 1147             |
| <b>Total utilization, 2017</b>  | <b>71 %</b> | <b>87 %</b>  | <b>82 %</b> | <b>96 %</b> | <b>17 %</b> | <b>n.a.</b> | <b>n.a.</b> | <b>79 %</b>      |
| Tot. avail. days, YTD18         | 244         | 304          | 288         | 304         | 304         | 188         | 164         | 1796             |
| Tot. days work., YTD18          | 243         | 303          | 225         | 245         | 199         | 163         | 151         | 1530             |
| <b>Total utilization, QTD18</b> | <b>99 %</b> | <b>100 %</b> | <b>78 %</b> | <b>81 %</b> | <b>66 %</b> | <b>87 %</b> | <b>92 %</b> | <b>85 %</b>      |

**Note:**

- Vessels unavailable due to dry docking, maintenance, class renewal and other
- YTD18 includes 1Q18, 2Q18, 3Q18 and Oct-18

## Utilization overview (weighted average)



# Large-size PSV vessels – EBITDA overview

## 5x Standard vessels (100% owned) <sup>(1)</sup>

| Standard vessels (USD)  | Three months ended, 3Q18 | Three months ended, 3Q17 | Year to date, 3Q18  | Year to date, 3Q17 |
|---|--------------------------|--------------------------|---------------------|--------------------|
| <b>Net hire (net of commission)</b>   | <b>3 685 991</b>         | <b>2 617 337</b>         | <b>10 964 889</b>   | <b>3 905 896</b>   |
| Admin expenses  | (46 150)                 | (21 052)                 | (168 425)           | (74 980)           |
| Technical and Commercial Management Fee   | (296 332)                | (178 868)                | (910 062)           | (394 573)          |
| OPEX/Lay-up costs <sup>(2)</sup>  | (2 876 874)              | (1 653 649)              | (8 538 304)         | (3 557 286)        |
| Start up / Liquidation expenses <sup>(2)</sup>                                  | -                        | (8 402)                  | (25 691)            | (626 533)          |
| Dry docking expenses / Surveys / Repairs <sup>(2)</sup>                         | (33 654)                 | (188 862)                | (2 150 285)         | (2 233 311)        |
| Bunkers on delivery / redelivery / repositioning                                | (168 866)                | (22 985)                 | (220 665)           | (373 458)          |
| <b>Total operation expenses</b>   | <b>(3 421 876)</b>       | <b>(2 073 818)</b>       | <b>(12 013 432)</b> | <b>(7 260 141)</b> |
| <b>EBITDA</b>   | <b>264 115</b>           | <b>543 519</b>           | <b>(1 048 543)</b>  | <b>(3 354 245)</b> |
| <b>Adj. EBITDA excluding non-recurring costs <sup>(3)</sup></b>                 | <b>264 115</b>           | <b>551 921</b>           | <b>(1 022 852)</b>  | <b>(2 727 712)</b> |
| <b>Adj. EBITDA excluding dry docking and non-recurring costs <sup>(4)</sup></b> | <b>297 769</b>           | <b>740 783</b>           | <b>1 127 433</b>    | <b>(494 401)</b>   |
| <b>Adj. EBITDA excluding dry docking and non-recurring costs margin (%)</b>     | <b>8 %</b>               | <b>28 %</b>              | <b>10 %</b>         | <b>n.a.</b>        |

**Note:**

(1) Note that the above unaudited EBITDA breakdown is not found in the company report

(2) 2017 reclassifications has been made whereas 581 074 has been reclassified from OPEX to Dry Docking, and 187 940 from OPEX to Start-up. This relates to the first three quarters in 2017.

(3) Non-recurring costs are costs directly related to preparing newly acquired vessels for the market.

(4) Illustrates the day-to-day operations of the vessel, excluding (a) non-recurring costs and (b) dry dock, special survey, maintenance and repairs.

# Mid-size PSV vessels – EBITDA overview

## 9x Northern Supply vessels (25.5% owned) <sup>(1)</sup>, pro-rata overview

| Northern Supply vessels (USD)  | Three months ended, 3Q18 | Three months ended, 3Q17 | Year to date, 3Q18 | Year to date, 3Q17 |
|--|--------------------------|--------------------------|--------------------|--------------------|
| <b>Net hire (net of commission)</b>                                      | <b>1 052 077</b>         | <b>606 521</b>           | <b>2 510 966</b>   | <b>1 206 867</b>   |
| Admin expenses   | (31 839)                 | (20 122)                 | (88 526)           | (62 266)           |
| Technical and Commercial Management Fee                                  | (106 332)                | (63 715)                 | (282 460)          | (162 972)          |
| OPEX/Lay-up costs <sup>(2)</sup>   | (936 691)                | (615 965)                | (2 518 779)        | (1 631 060)        |
| Start up / Liquidation expenses <sup>(2)</sup>                           | 3 609                    | -                        | (218 880)          | (10 308)           |
| Dry docking expenses / Surveys / Repairs <sup>(2)</sup>                  | -                        | -                        | (288 281)          | (77 176)           |
| Bunkers on delivery / redelivery / repositioning                         | (45 272)                 | 8 446                    | (114 449)          | (20 575)           |
| <b>Total operation expenses</b>  | <b>(1 116 524)</b>       | <b>(691 356)</b>         | <b>(3 511 375)</b> | <b>(1 964 358)</b> |
|  | -                        | -                        | -                  | -                  |
| <b>EBITDA</b>  | <b>(64 447)</b>          | <b>(84 835)</b>          | <b>(1 000 409)</b> | <b>(757 492)</b>   |
|  | -                        | -                        | -                  | -                  |
| Adj. EBITDA excluding non-recurring costs <sup>(3)</sup>                 | <b>(68 057)</b>          | <b>(84 835)</b>          | <b>(781 529)</b>   | <b>(747 184)</b>   |
| Adj. EBITDA excluding dry docking and non-recurring costs <sup>(4)</sup> | <b>(68 057)</b>          | <b>(84 835)</b>          | <b>(493 247)</b>   | <b>(670 008)</b>   |
| Adj. EBITDA excluding dry docking and non-recurring costs margin (%)     | n.a.                     | n.a.                     | n.a.               | n.a.               |

**Note:**

(1) Note that the above unaudited EBITDA breakdown is not found in the company report

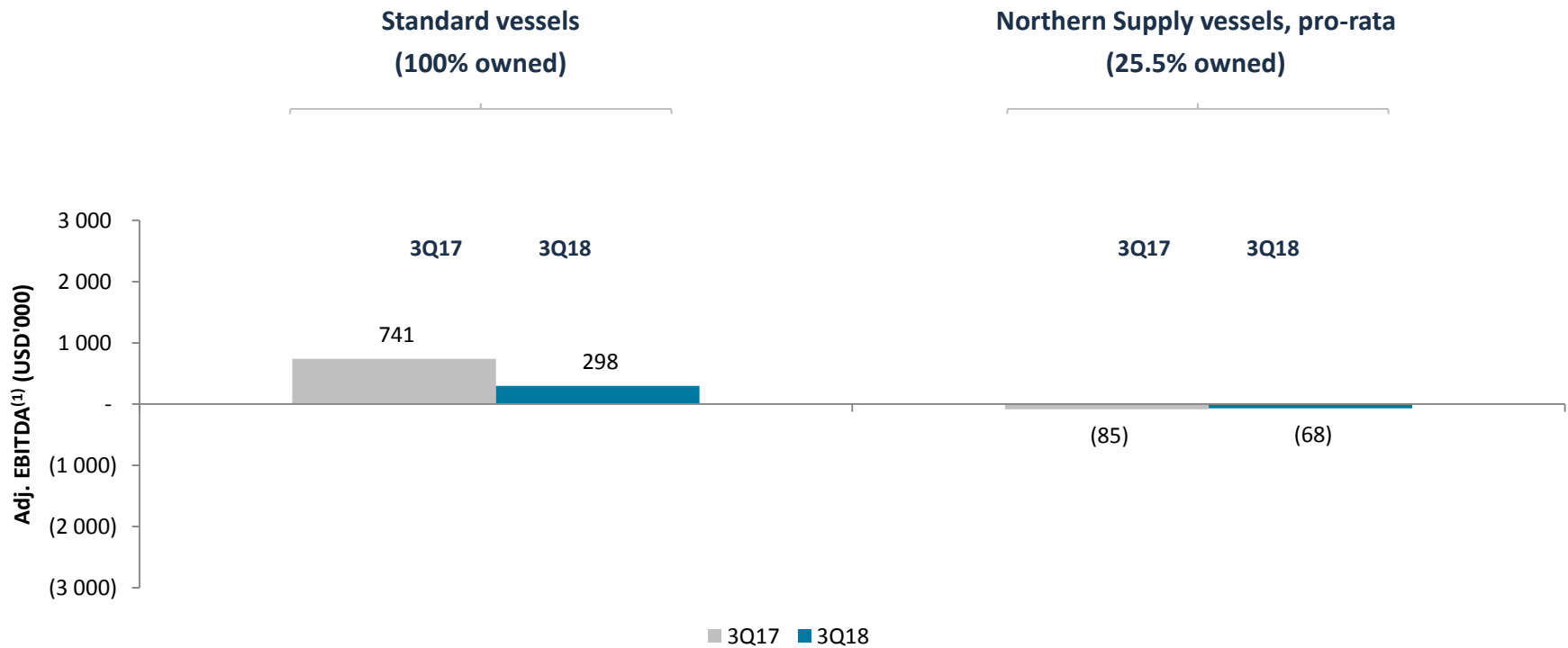
(2) USD calculated from native NOK by application of average exchange rate for 2018 @ 8,263. Former quarters has been recalculated with the final average of the year

(3) Non-recurring costs are costs directly related to preparing newly acquired vessels for the market.

(4) Illustrates the day-to-day operations of the vessel, excluding (a) non-recurring costs and (b) dry dock, special survey, maintenance and repairs.

# Summary – Adj. EBITDA excluding dry docking and non-recurring costs <sup>(1)</sup>

Standard vessels (100% owned) and Northern Supply vessels (25.5% owned), pro-rata



(1) Illustrates the day-to-day operations of the vessel, excluding (a) non-recurring costs and (b) dry dock, special survey, maintenance and repairs.

# Explanation of the fair value accounting gain in 3Q18

- **SDSD is classified as an investment entity in accordance with IFRS 10**
  - Investments, including subsidiaries, are not consolidated but measured at fair value through profit and loss every quarter based on estimates made by reputable independent valuers
  - The underlying operational activities are not directly reflected in the interim financial statements of the company
  - Consequently, SDSD reported an unrealized loss on revaluation of financial assets of ~USD 0.1m
- **Example of fair value calculation for Standard Viking:**

| Figures in USDm        | Independent Valuer A <sup>(1)</sup> |       |            |       | Independent Valuer B <sup>(1)</sup> |       |            |       | Alternative value    | Applied value |
|------------------------|-------------------------------------|-------|------------|-------|-------------------------------------|-------|------------|-------|----------------------|---------------|
|                        | Willing buyer/seller                |       | Distressed |       | Willing buyer/seller                |       | Distressed |       | Willing buyer/seller | Distressed    |
|                        | Upper                               | Lower | Upper      | Lower | Upper                               | Lower | Upper      | Lower | Average              | Average       |
| Standard Viking (3Q18) | 17.0                                | 14.0  | 13.0       | 10.0  | 23.0                                | 21.0  | 17.6       | 15.0  | 18.8                 | 13.9          |

**(1) Note:**

Fair value estimates have been obtained from two independent Valuers ("Valuer A" and "Valuer B"). Both Valuers have provided a value range based on a willing buyer and willing seller market scenario. Valuer A has also provided a value range based on a distressed value market scenario. Valuer B has not provided a distressed value range, however, a distressed value range has been derived by applying the same discount rate to Valuer B's willing buyer and willing seller range as the implied discount rate between Valuer A's willing buyer and willing seller value range and Valuer A's distressed value range. The applied value for the vessel in the S.D. Standard Drilling accounts is then set to the average of these two distressed ranges as the Company decided to apply a more conservative approach due to the current market condition. The value is set to USD 13.9m as opposed to an average value of USD 18.8m for scenarios of transactions between two willing parties.

# Agenda

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- I. Highlights
- II. Fleet update
- III. Financial information

# Income statement

## S.D. Standard Drilling – Income statement for 3Q18

|   | <u>Three Months Ended</u> |                | <u>Nine Months Ended</u> |                |
|---|---------------------------|----------------|--------------------------|----------------|
|   | <u>2018</u>               | <u>2017</u>    | <u>2018</u>              | <u>2017</u>    |
| <i>(Amounts in USD 000)</i>   | <u>Q3</u>                 | <u>Q3</u>      | <u>Q3</u>                | <u>Q3</u>      |
|   |                           |                | <i>Unaudited</i>         | <i>Audited</i> |
| <b>Income</b>   |                           |                |                          |                |
| Changes in fair value on financial assets at fair value through profit or loss                  | (135)                     | (6 502)        | (2 997)                  | (6 584)        |
| Changes in fair value on financial assets at fair value through profit or loss-held for trading | -                         | -              | 1                        | -              |
| Other gains and (losses)  | -                         | (56)           | -                        | 364            |
| Interest income   | 50                        | 64             | 111                      | 73             |
| Net foreign currency gains or (losses)  | (13)                      | 831            | 504                      | 1 851          |
| <b>Total net income /(loss)</b>   | <b>(98)</b>               | <b>(5 663)</b> | <b>(2 381)</b>           | <b>(4 296)</b> |
| <b>Expenses</b>   |                           |                |                          |                |
| Administration fees   | (129)                     | (130)          | (399)                    | (477)          |
| <b>Total operating expenses</b>   | <b>(129)</b>              | <b>(130)</b>   | <b>(399)</b>             | <b>(477)</b>   |
| <b>Operating profit/(loss)</b>  | <b>(227)</b>              | <b>(5 793)</b> | <b>(2 780)</b>           | <b>(4 773)</b> |
| <b>Finance costs</b>  |                           |                |                          |                |
| Sundry finance income/(expenses)  | (6)                       | 35             | (11)                     | (2)            |
| <b>Profit/(loss) for the period before tax</b>  | <b>(233)</b>              | <b>(5 758)</b> | <b>(2 791)</b>           | <b>(4 775)</b> |
| Income tax expense  | -                         | -              | -                        | -              |
| <b>Profit/(loss) for the period after tax</b>   | <b>(233)</b>              | <b>(5 758)</b> | <b>(2 791)</b>           | <b>(4 775)</b> |
| <b>Other comprehensive income</b>   |                           |                |                          |                |
| <i>Items that may be reclassified subsequently to profit</i>                                    |                           |                |                          |                |
| <i>or loss</i>  |                           |                |                          |                |
| Available-for-sale investments – Fair value gains/(loss)  | -                         | (4)            | -                        | (1)            |
| <b>Other comprehensive income for the period</b>  | <b>-</b>                  | <b>(4)</b>     | <b>-</b>                 | <b>(1)</b>     |
| <b>Total comprehensive income for the period</b>  | <b>(233)</b>              | <b>(5 762)</b> | <b>(2 791)</b>           | <b>(4 776)</b> |
| <b>Earnings/(loss) per share</b>  |                           |                |                          |                |
| Basic/diluted earnings/(loss) per share (USD cents)   | (0,00)                    | (0,02)         | (0,01)                   | (0,01)         |

# Balance sheet

## S.D. Standard Drilling – Balance sheet for 3Q18

| <i>(Amounts in USD 000)</i>                           | <b>30.09.2018</b> | <b>31.12.2017</b> |
|---|-------------------|-------------------|
| <b>ASSETS</b>   | <i>Unaudited</i>  | <i>Audited</i>    |
| Equipment and machinery                               | 1                 | 1                 |
| Financial assets at fair value through profit or loss | 90 687            | 88 379            |
| <b>Total non-current assets</b>                       | <b>90 688</b>     | <b>88 380</b>     |
| Trade and other receivables                           | 54                | 42                |
| Senior secured callable bonds                         | 65                | 65                |
| Available-for-sale financial assets                   | -                 | 12                |
| Current tax asset                                     | 1                 | 1                 |
| Cash and bank balances                                | 18 982            | 12 148            |
| <b>Total current assets</b>                           | <b>19 102</b>     | <b>12 268</b>     |
| <b>Total Assets</b>                                   | <b>109 790</b>    | <b>100 648</b>    |
| <b>EQUITY AND LIABILITIES</b>                         |                   |                   |
| Ordinary shares                                       | 17 281            | 15 281            |
| Share premium   | 96 861            | 86 840            |
| Other reserves  | -                 | (4)               |
| Accumulated profits/(losses)                          | (4 420)           | (1 625)           |
| <b>Total equity</b>                                   | <b>109 722</b>    | <b>100 492</b>    |
| Trade and other payables                              | 68                | 156               |
| <b>Total current liabilities</b>                      | <b>68</b>         | <b>156</b>        |
| <b>Total Equity and Liabilities</b>                   | <b>109 790</b>    | <b>100 648</b>    |



# Cash flow statement

## S.D. Standard Drilling – Cash flow statement for 3Q18

| <i>(Amounts in USD 000)</i>   | Nine Months Ended |                 |
|---|-------------------|-----------------|
|   | 2018              | 2017            |
|   | Q3                | Q3              |
|   | Unaudited         | Unaudited       |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                       |                   |                 |
| Profit/(Loss) for the period before income tax                                    | (2 791)           | (4 775)         |
| Unrealised exchange loss/(gain)   | 72                | (418)           |
| Other gains/(losses)  | -                 | (364)           |
| Payments to financial assets at fair value through profit or loss                 | (5 305)           | (56 611)        |
| Receipts from sale of financial assets of fair value through profit or loss       | 13                | -               |
| Interest income   | (50)              | (73)            |
| Loans granted   | -                 | (742)           |
| (Increase)/decrease in trade and other receivables                                | (12)              | 88              |
| Decrease in financial assets fair value through profit or loss                    | 2 996             | 6 584           |
| Decrease in trade and other payables  | (88)              | (99)            |
| <b>Net cash generated from/(used in) operating activities</b>                     | <b>(5 165)</b>    | <b>(56 410)</b> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                       |                   |                 |
| Payments for purchase of intangible assets  | -                 | (2)             |
| Redemption of senior secure callable bonds  | -                 | 3 626           |
| Payment for the purchase of senior secure callable bonds                          | -                 | (1 392)         |
| Interest received   | 50                | 73              |
| <b>Net cash generated from/(used in) investing activities</b>                     | <b>50</b>         | <b>2 305</b>    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                       |                   |                 |
| Proceeds from issue of ordinary shares  | 12 600            | 67 633          |
| Share issue costs   | (579)             | (2 978)         |
| <b>Net cash generated from/(used in) financing activities</b>                     | <b>12 021</b>     | <b>64 655</b>   |
| <b>Net increase/ (decrease) in cash and cash equivalents</b>                      | <b>6 906</b>      | <b>10 550</b>   |
| Cash and cash equivalents at beginning of year                                    | 12 148            | 1 798           |
| Effect of exchange rate changes on the balance of cash held in foreign currencies | (72)              | 418             |
| Cash and cash equivalents at end of period  | 18 982            | 12 766          |



STANDARD DRILLING