

S.D. Standard Drilling Plc.

3q 2021 Presentation

11 November 2021



Forward-looking Statements

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3Q21 Highlights

Financials

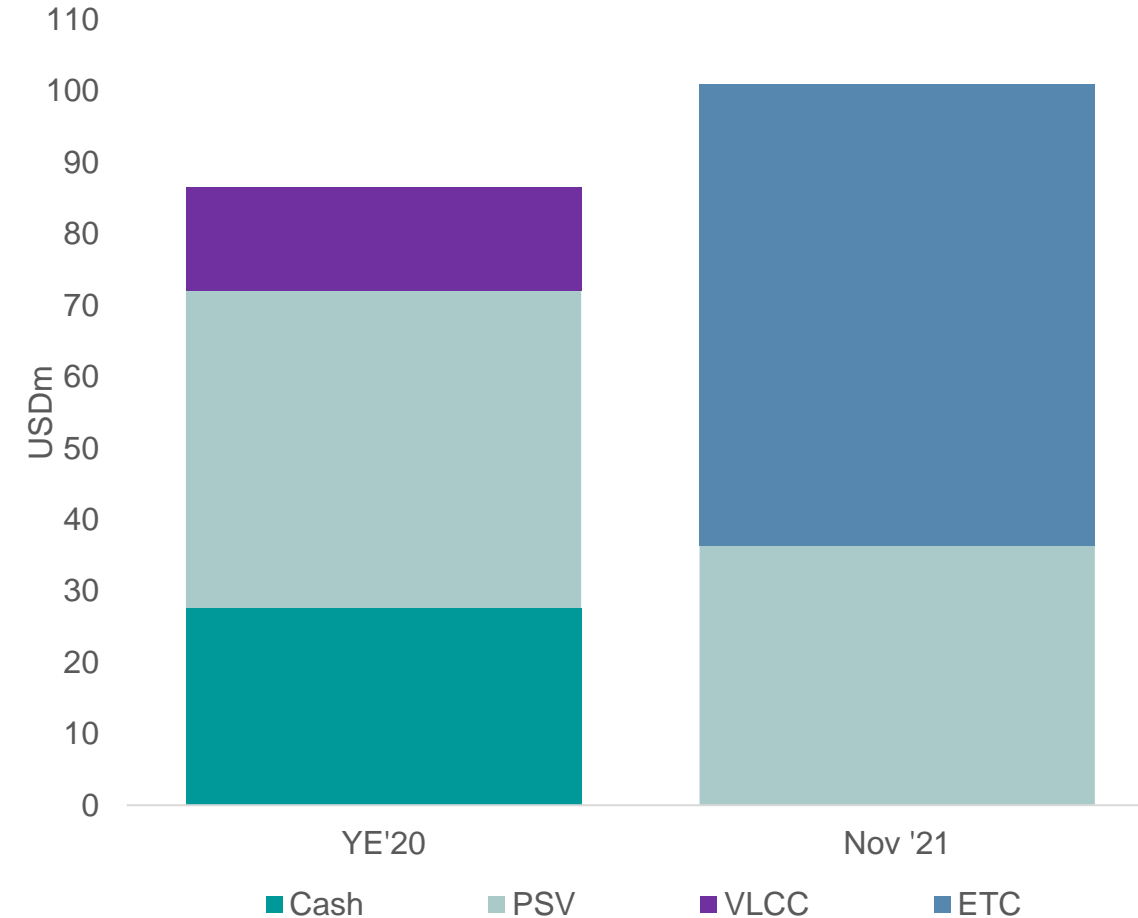
- Loss after tax of USD 2.7m (loss of USD 6.1m) incl. USD -0.8m from the sale of Gustavia S and USD -2.0m from unrealized loss on fair value accounting on PSV fleet
- Adj. EBITDA⁽¹⁾ from PSVs of USD 0.4m (USD -0.9m)
- Completed sale of Standard Olympus for USD 7.5m

Transforming to an ETC (Energy/ Transportation/ Commodities) investment company

Commercial/ Investment highlights

- Building investment company within energy, transportation and commodities (ETC)
- Value of ETC investment portfolio of c. USD 65m incl. year to date gains of USD 17m ⁽¹⁾
- Sold Gustavia S for USD 14.1m
- Further strengthen internal ETC competency
- Focus on liquid- and attractive risk return investments within ETC

Portfolio comparison – Des 2020 vs. Current ⁽²⁾



Investment universe

Liquid investments in energy and transportation

Energy and transportation
300+ companies / USD 3,000bn+ cap



Liquid investments in cyclical commodities

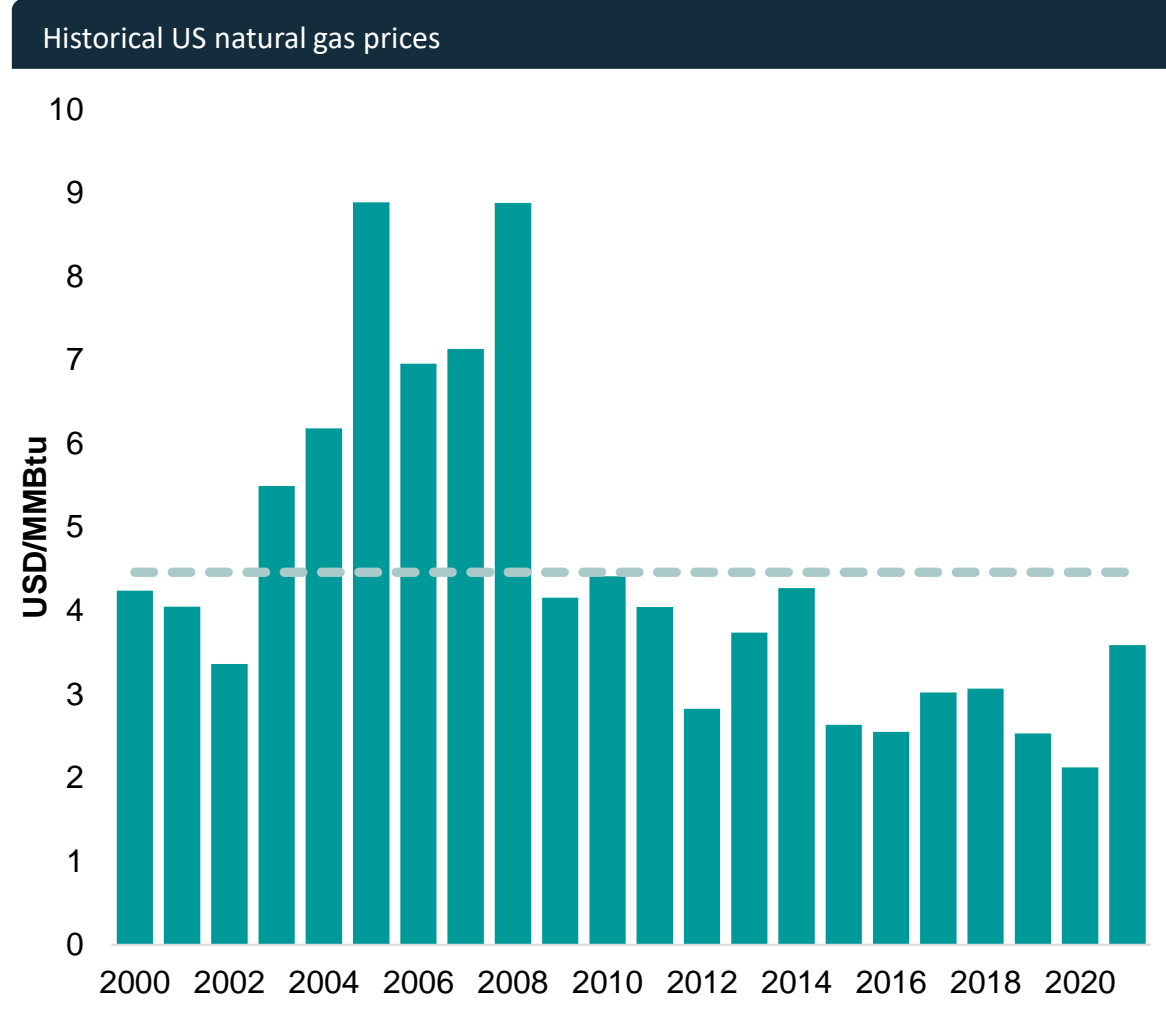
Commodities
USD 20,000bn+



Is the era of low US natural gas prices over?

- **Example of investment theme – US nat gas**

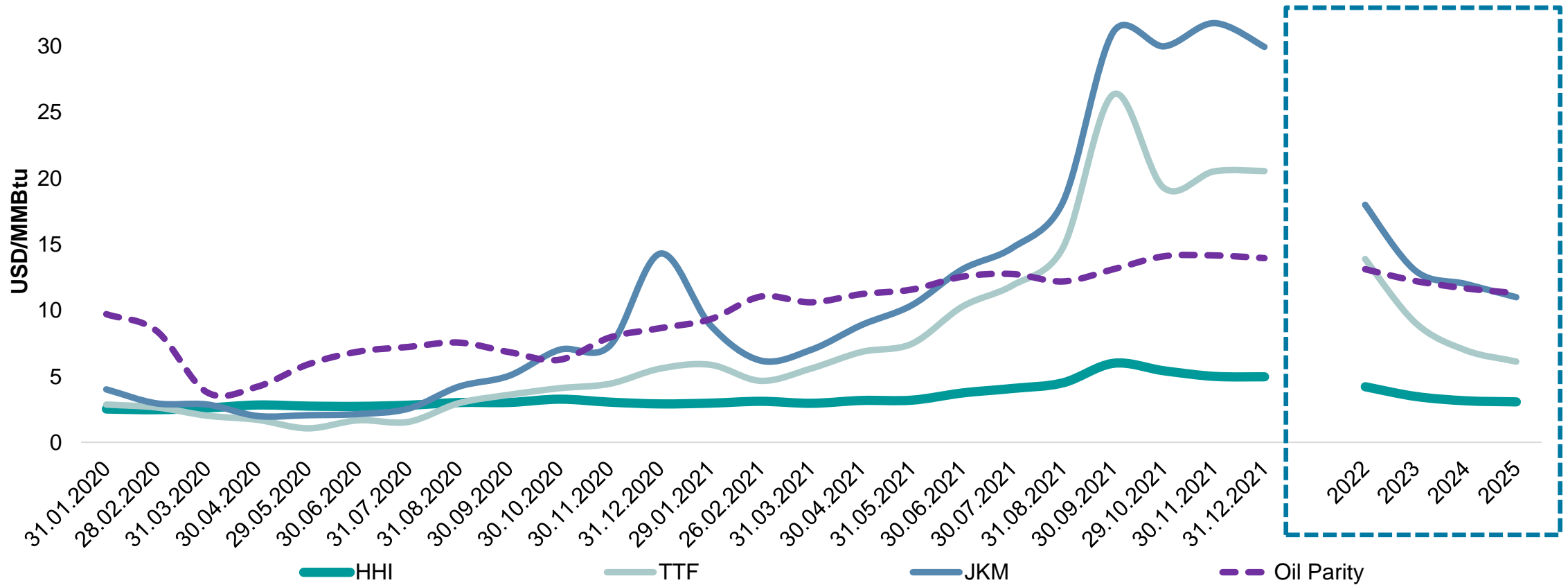
- Lowest emission- and cost priced hydrocarbons, representing 1/4th of global natural gas supply
- Priced 4-5x lower than European- and Asian prices, and c. USD 30/bbl in oil equivalent terms
- Low inventories, constrained production and limited demand elasticity leaves room for significant upside volatility



Source: EIA, IEA, Energy Aspects

Natural gas – Competitive landscape

US offers the lowest cost energy resource that is exportable

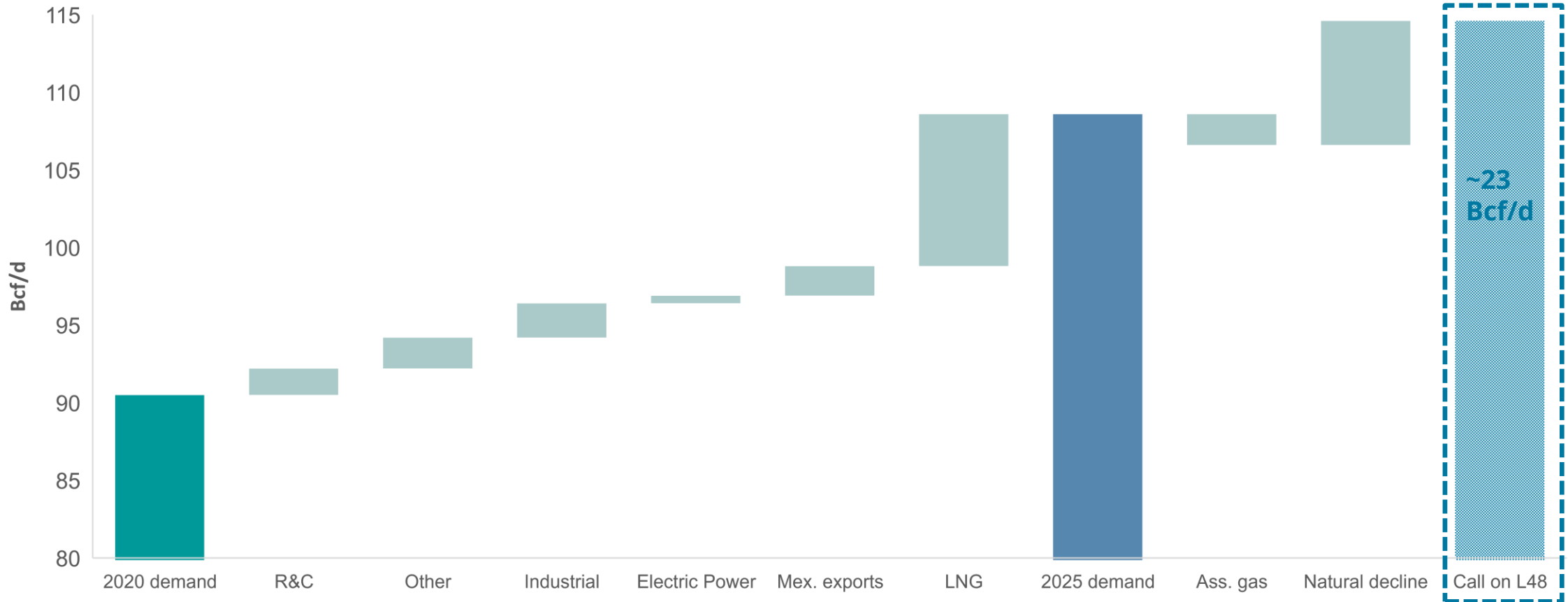


Source: EIA, IEA, Energy Aspects

Note: HHI is the US Henry Hub, TTF is the Dutch Title Transfer Facility, JKM is the Japan Korea Market benchmark and Oil parity is the energy equivalent price of the Brent oil price in MMBtu terms.

Higher prices required to meet US demand growth 2020-2025

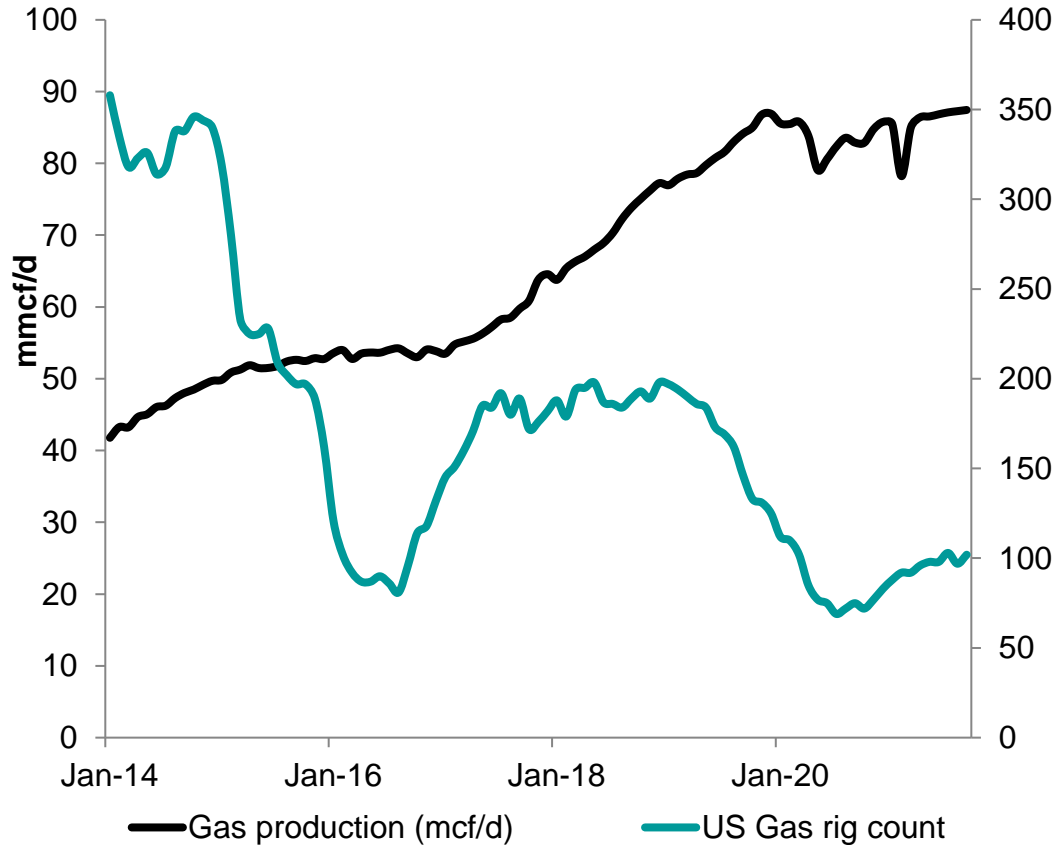
Nat gas prices through '25 supported by 20-25 Bcf/d of demand growth



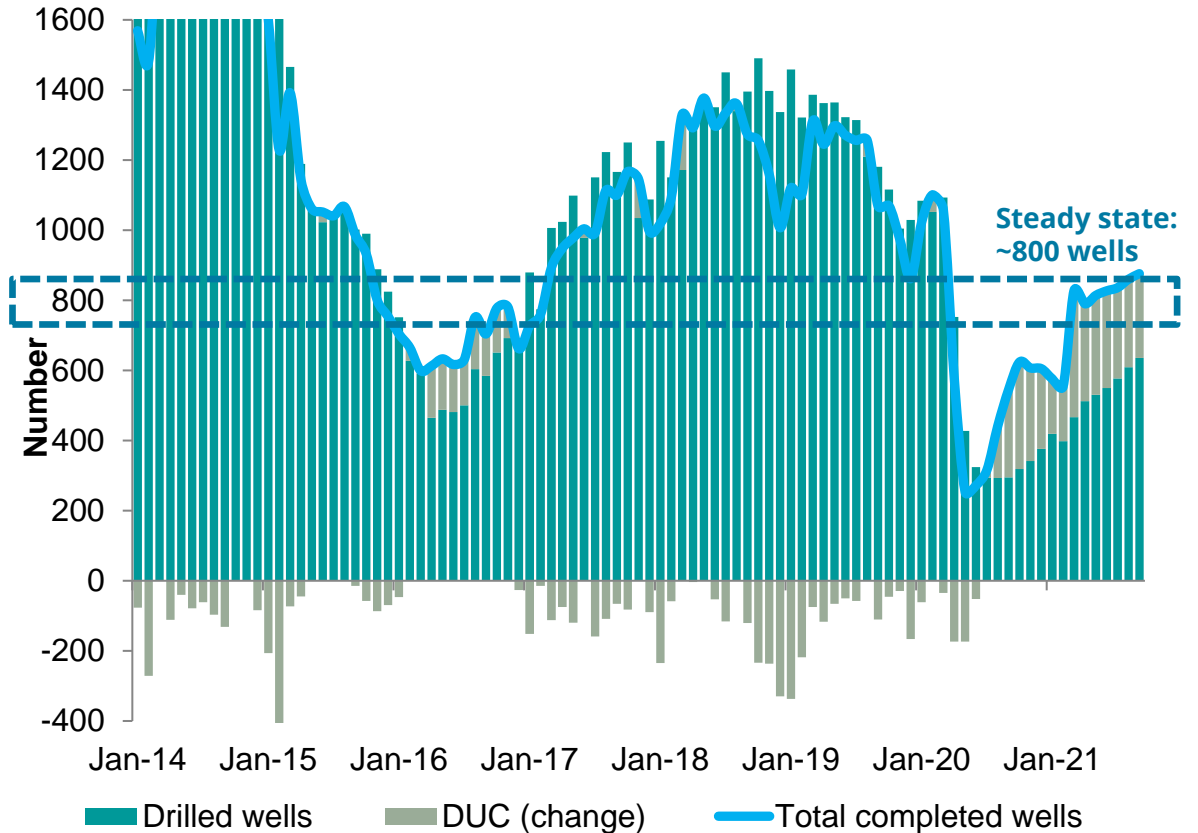
Source: EIA, IEA, Energy Aspects, Range Resources

Supply response limited due to pervasive capital discipline

Rig count yet to recover to pre-Covid levels



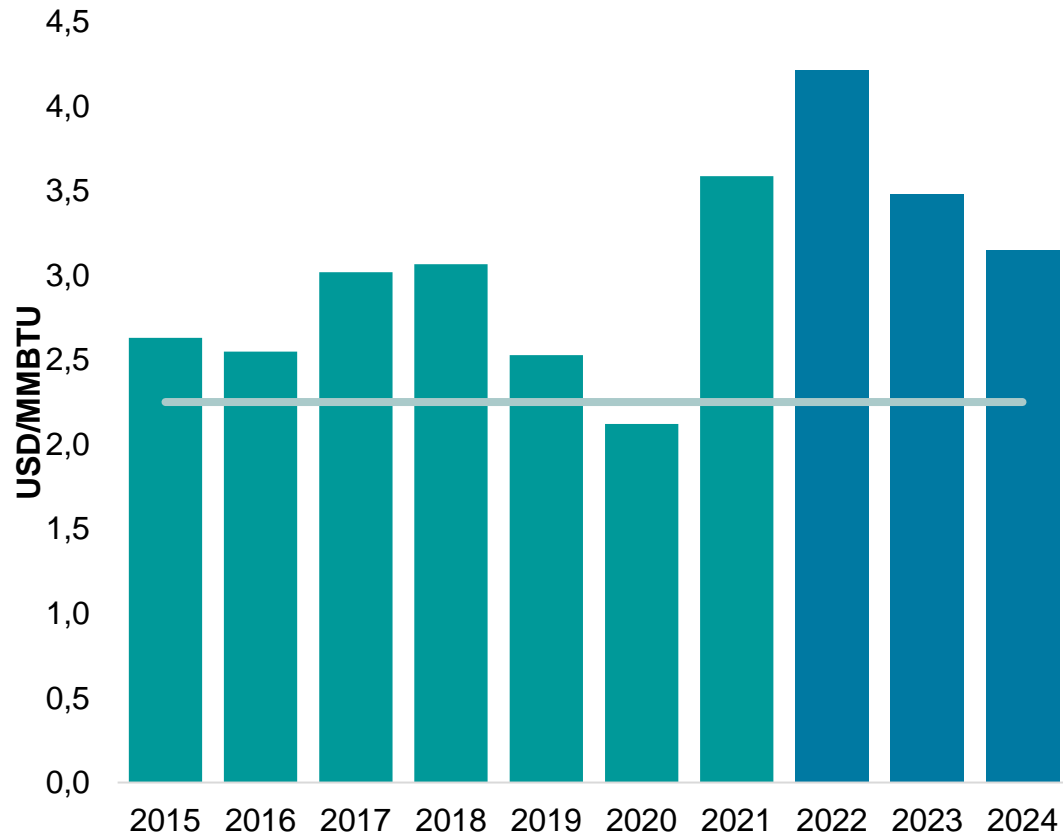
Activity held up by DUCs – for now



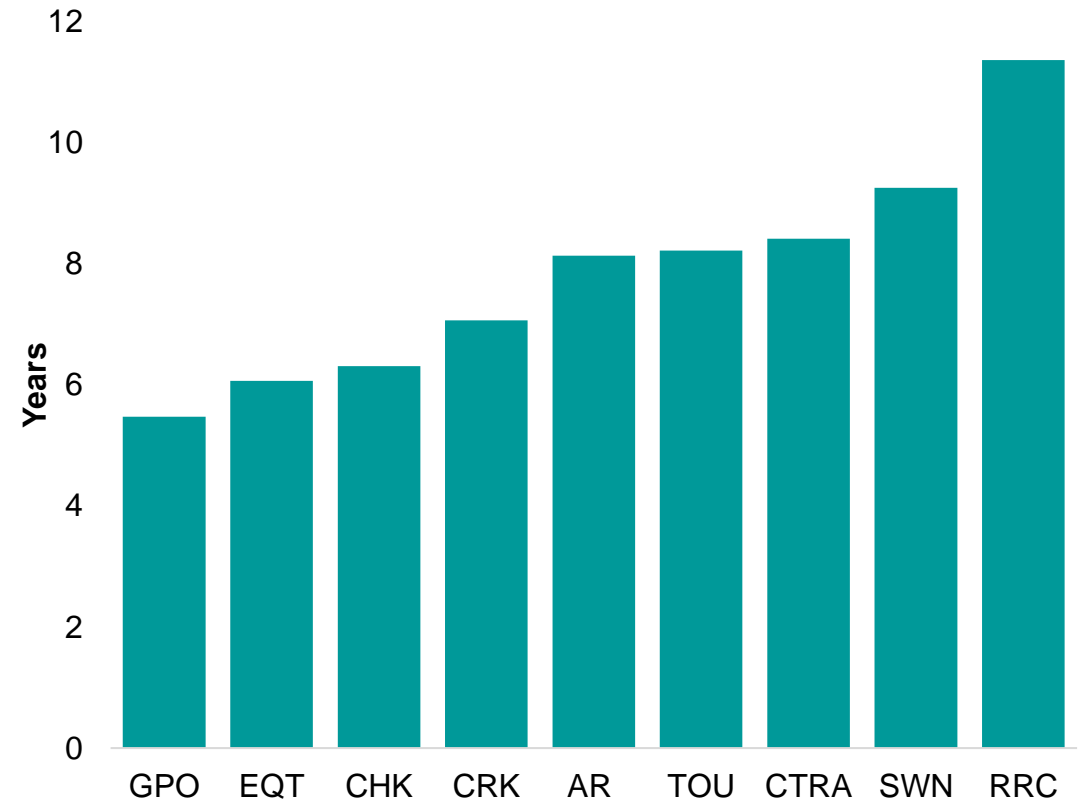
Source: Bloomberg, IEA, EIA, Energy Aspects

Companies can repurchase entire EV through FCF in 5-10 yrs

Forward strip of USD 4.2/ 3.5/MMBTU in '22-23 – providing c. 40% FCF yield



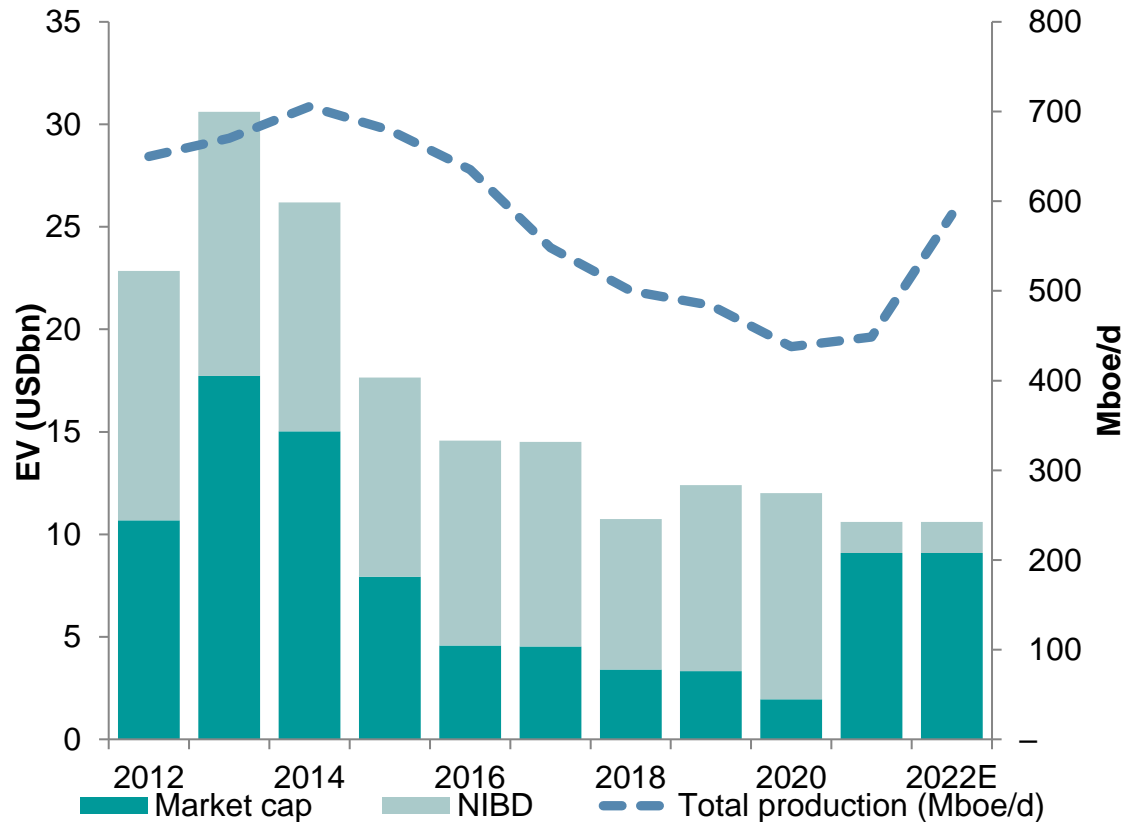
Years required for E&Ps to repurchase all debt and equity basis '23 strip



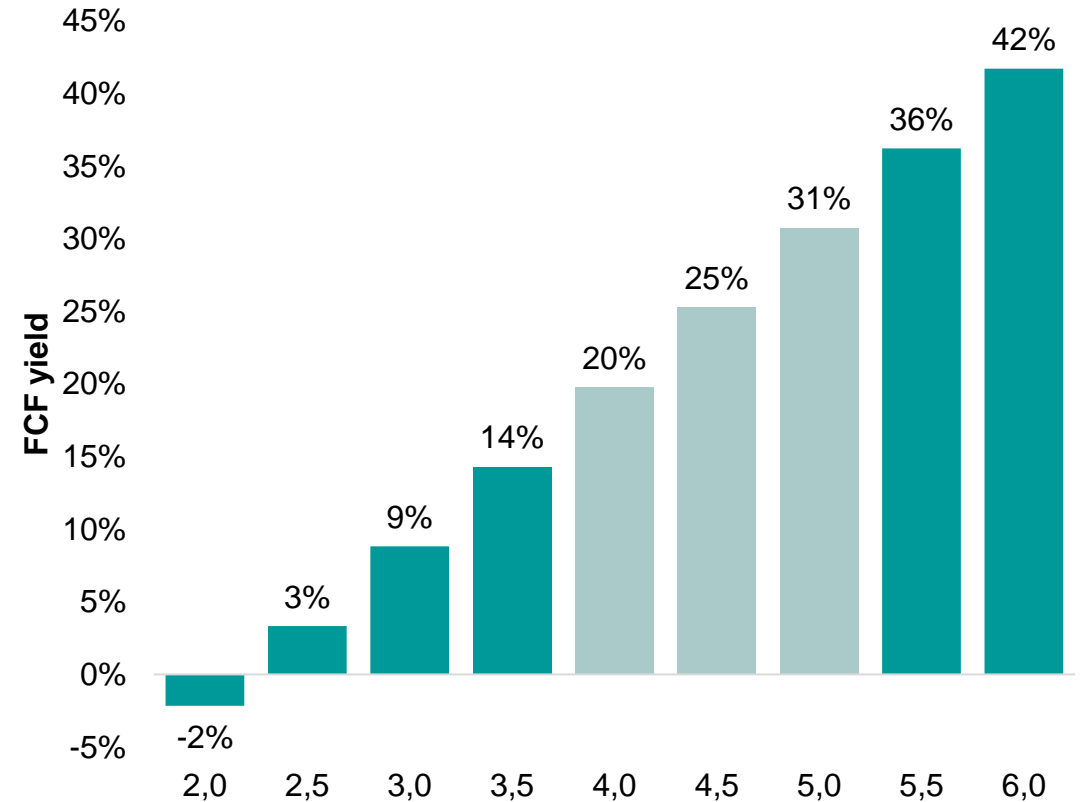
Source: Bloomberg, IEA, EIA, Energy Aspects

CHK US - Unchanged production capacity, revamped capital structure

Historical capital structure and production (mboe/d)



FCF yield of c. 20-30% on USD 4-5/MMBtu gas prices (basis 2023)



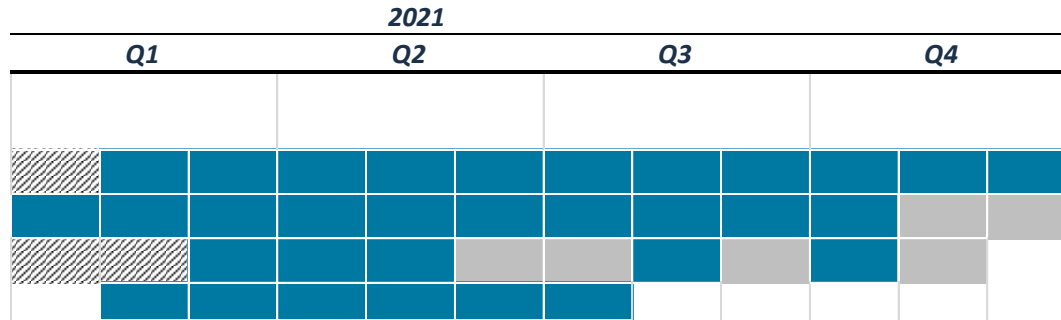
Source: Company data, Bloomberg, IEA, EIA, Energy Aspects

Appendix

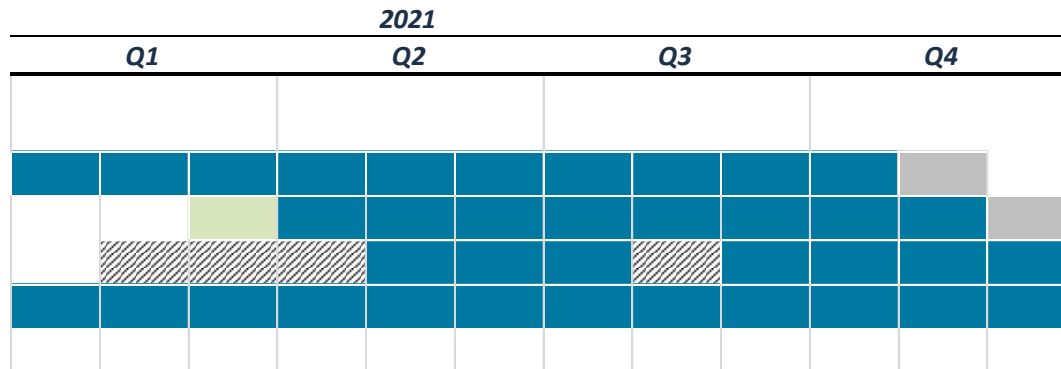


PSVs – Contract overview

<i>Vessel</i>	<i>Built</i>	<i>Client</i>	<i>Country</i>
Large-size Vessels			
Standard Viking	2007	Shell UK	UK
Standard Princess	2008	CNR	UK
Standard Supplier	2007	Enquest	UK
Standard Olympus	2014	SOLD	UK

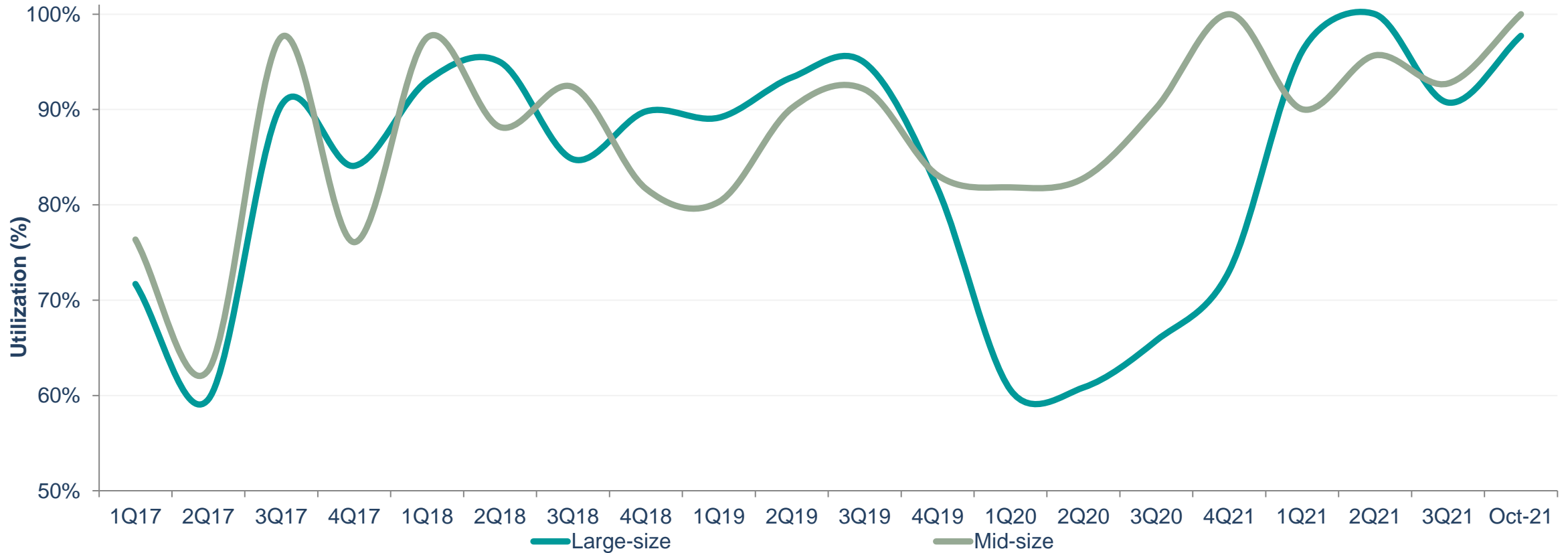


<i>Vessel</i>	<i>Built</i>	<i>Client</i>	<i>Country</i>
Mid-size Vessels			
FS Balmoral	2008	Saipem	UK
FS Kristiansand	2005	Perenco	UK
FS Braemar	2007	Saipem	UK
FS Abergeldie	2008	SeaRenergy	DE
FS Crathes	2008	Lay-up	UK



PSVs – Fleet utilization

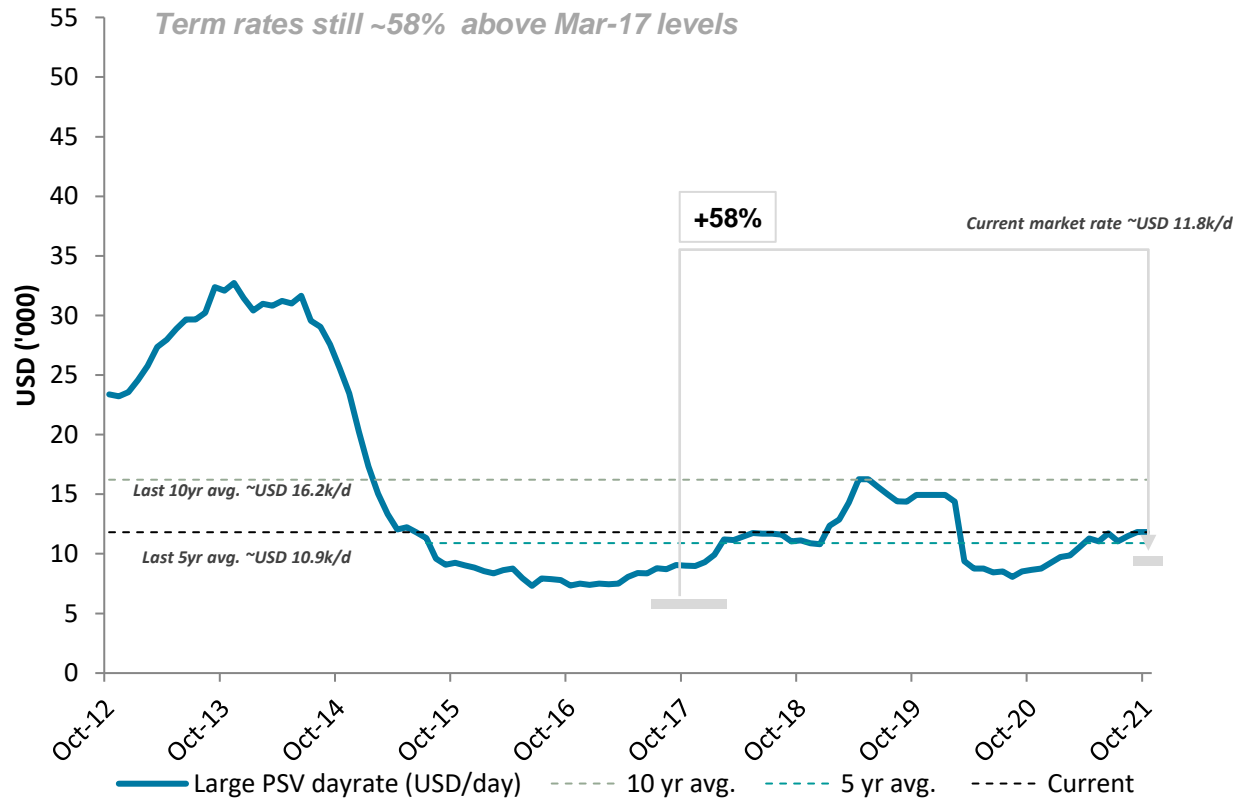
Combined fleet utilization 1Q17 to Oct-21



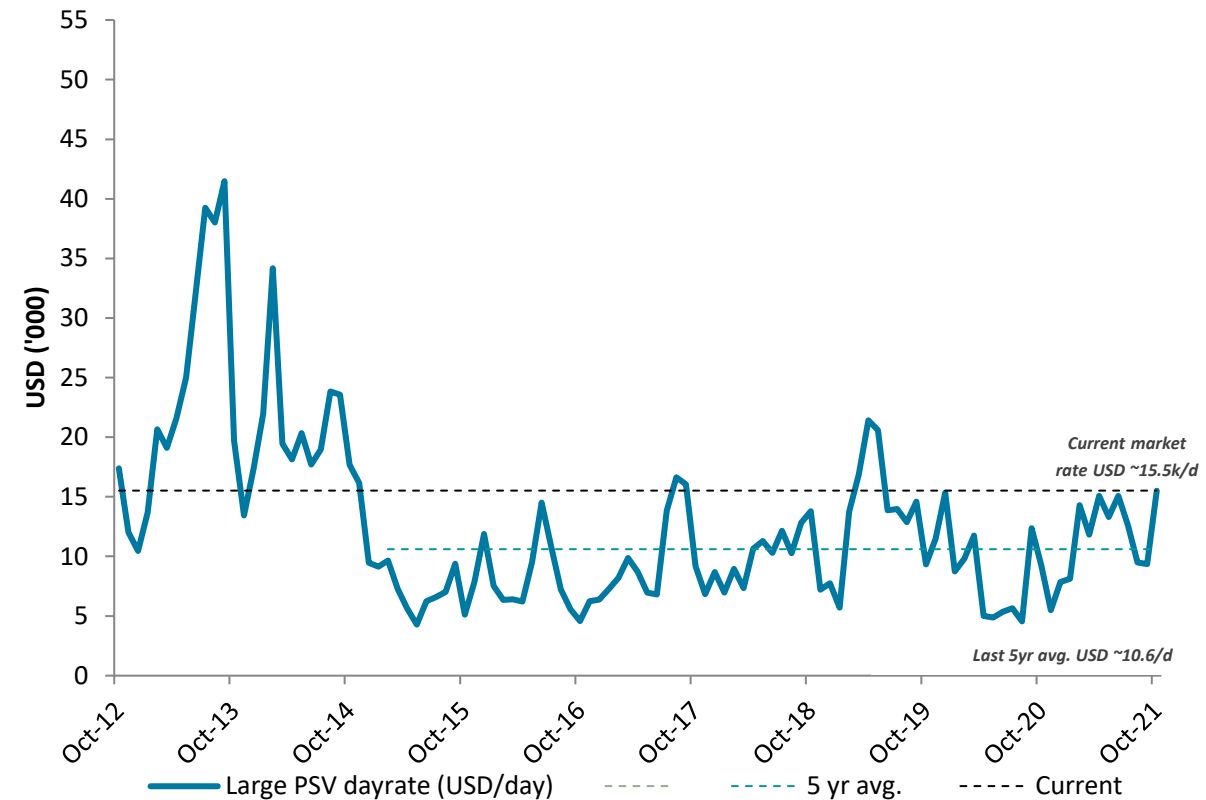
Note: - Vessels unavailable due to dry docking, maintenance, class renewal and other. Utilization does not include vessels in lay-up

Large-size PSVs – Commercial update

Large-size PSV term rates (900m²)

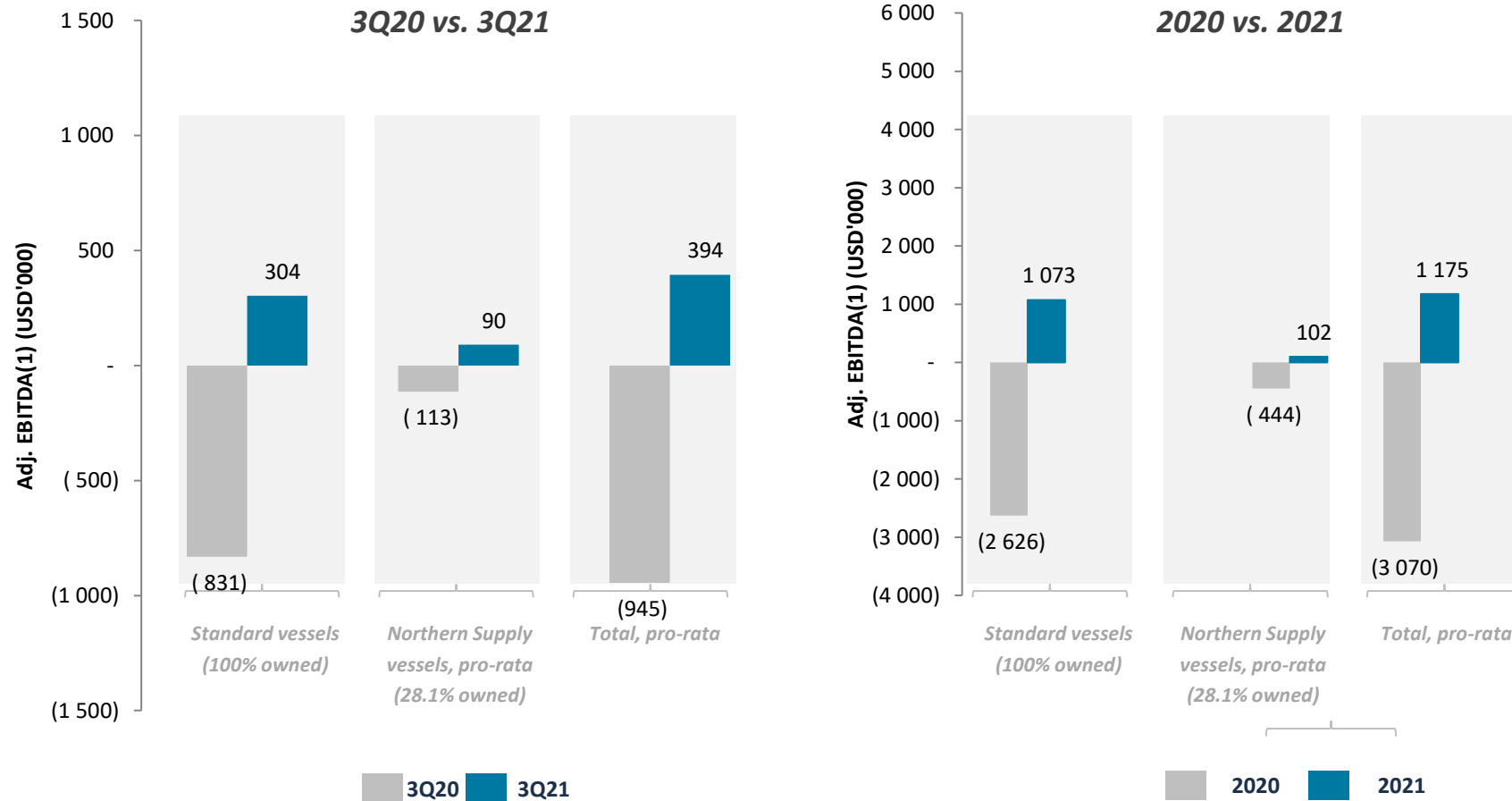


Large-size PSV spot rates (900m²)



Summary – Adj. EBITDA excluding dry docking and non-recurring costs (1)

Standard vessels (100% owned) and Northern Supply vessels (28.1% 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.

Income statement

S.D. Standard Drilling – Income statement for 3Q21

	Three Months Ended		Nine Months Ended	
	2021 Q3	2020 Q3	2021 Q3	2020 Q3
	Unaudited	Unaudited	Unaudited	Unaudited
<i>(Amounts in USD 000)</i>				
Income				
Changes in fair value on financial assets at fair value through profit or loss	(3 086)	(6 195)	(2 997)	(22 963)
Changes in fair value on financial assets at fair value through profit or loss – held for trading	468	-	6 883	9
Other income	-	-	-	3 437
Interest income from cash balance at amortised cost	6	14	27	52
Net foreign currency gains or (losses)	29	158	24	(469)
Total net income /(loss)	(2 583)	(6 023)	3 937	(19 934)
Expenses				
Administration fees	(139)	(121)	(424)	(377)
Total operating expenses	(139)	(121)	(424)	(377)
Operating profit/(loss)	(2 722)	(6 144)	3 513	(20 311)
Finance costs				
Sundry finance income/(expenses)	(5)	(1)	(7)	(3)
Profit/(loss) for the period before tax	(2 727)	(6 145)	3 506	(20 314)
Income tax expense	-	-	-	-
Profit/(loss) for the period after tax	(2 727)	(6 145)	3 506	(20 314)
Other comprehensive income for the period	-	-	-	-
Total comprehensive income/(loss) for the period	(2 727)	(6 145)	3 506	(20 314)
Earnings/(loss) per share				
Basic/diluted earnings/(loss) per share (USD)	(0,01)	(0,01)	0,01	(0,04)

Balance sheet

S.D. Standard Drilling – Balance sheet for 3Q21

(Amounts in USD 000)

	30.09.2021	31.12.2020
	Unaudited	Audited
ASSETS		
Equipment and machinery	1	1
Financial assets at fair value through profit or loss	56 651	58 862
Total non-current assets	56 651	58 863
Trade and other receivables	84	14
Current tax asset	1	1
Financial assets at fair value through profit or loss held for trading	22 208	-
Cash and bank balances	10 146	27 623
Total current assets	32 439	27 638
Total Assets	89 090	86 501
EQUITY AND LIABILITIES		
Ordinary shares	15 734	17 281
Share premium	-	96 861
Own shares	-	(4 453)
Accumulated profits/(losses)	73 339	(23 231)
Total equity	89 073	86 458
Trade and other payables	17	43
Total current liabilities	17	43
Total Equity and Liabilities	89 090	86 501

Cash flow statement

S.D. Standard Drilling – Cash flow statement for 3Q21

	2021	Nine Months Ended 2020
	Q3	Q3
	Unaudited	Unaudited
<i>(Amounts in USD 000)</i>		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) for the period before income tax	3 506	(20 314)
Unrealised exchange (gain)/loss	(24)	469
Payments to acquire financial assets at fair value through profit or loss	(786)	(36 742)
Receipts from financial assets at fair value through profit or loss	-	22 452
Other income	-	(3 437)
Interest income	(27)	(52)
Increase in trade and other receivables	(70)	(20)
Decrease in financial assets fair value through profit or loss	2 997	22 963
Increase in financial assets fair value through profit or loss – held for trading	(6 883)	(9)
Decrease in trade and other payables	(26)	(26)
Net cash (used in) / generated from operating activities	(1 313)	(14 716)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments to financial assets at fair value through profit or loss held for trading	(32 971)	(1 038)
Receipts from financial assets at fair value through profit or loss held for trading	17 646	1 047
Dividend received from subsidiary	-	3 437
Interest received	27	52
Net cash (used in) / generated from investing activities	(15 298)	3 498
CASH FLOWS FROM FINANCING ACTIVITIES		
Purchase of own shares	(891)	-
Proceeds from loan from subsidiary	-	2 500
Repayment of loan to subsidiary	-	(2 500)
Net cash (used in) / generated from financing activities	(891)	-
Net (decrease)/increase in cash and cash equivalents	(21 402)	(11 218)
Cash and cash equivalents at beginning of year	27 623	41 095
Effect of exchange rate changes on the balance of cash held in foreign currencies	25	(469)
Cash and cash equivalents at end of period	10 146	29 408

Explanation of the fair value accounting loss in 3Q21

- **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 of financial assets of ~USD 3.0 million.
- **Example of fair value calculation for Standard Viking (applicable to PSV Fleet):**

Figures in USDm	Independent Valuer A ⁽¹⁾				Independent Valuer B ⁽¹⁾				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 (3Q21)	13.5	11.5	9.5	7.5	12.0	10.0	8.4	6.5	11.8	8.0

Notes for valuation processes:

- (1) For PSV Vessels, 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 8.0m as opposed to an average value of USD 11.8m for scenarios of transactions between two willing parties.
- (2) For VLCC vessel Gustavis S, the fair value used in the q3 report corresponds to the sale price of ownership published 2 Nov 2021 of net USD 14.1m. The Company agreed to sell 1/3 ownership after the quarter end. The transaction values Gustavia S at USD 93m, before adjusting for working capital



STANDARD DRILLING