

# S.D. STANDARD DRILLING PLC

## FIRST QUARTER REPORT 2021



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## STATEMENT OF THE MEMBERS OF THE BOARD OF DIRECTORS AND OTHER RESPONSIBLE PERSONS OF THE COMPANY FOR THE INTERIM CONDENSED 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 and 2009 (“Law”) we, the members of the Board of Directors and other responsible persons for the drafting of the interim condensed financial statements of S.D. Standard Drilling Plc (the “Company”), for the three months ended 31 March 2021 we confirm that, to the best of our knowledge:

- a) The interim condensed financial statements of the Company for the three months ended 31 March 2021 which are presented on pages 8 to 20:
  - (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 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, 19 May 2021

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Martin Nes  
Chairman

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Konstantinos Pantelidis  
Independent Director

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George Crystallis  
Independent Director

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Christos Neocleous  
Chief Financial Officer

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Evangelia Panagide  
General Manager

# First Quarter Management Report 2021

## Selected Financial Information

<i>(Amounts in USD 000)</i>	Three Months Ended	
	2020 Q1 <i>Unaudited</i>	2019 Q1 <i>Unaudited</i>
Operating profit/(loss)	<b>(2 049)</b>	(10 582)
Profit/(loss) for the period before tax	<b>(2 050)</b>	(10 583)
Total comprehensive income/(loss) for the period	<b>(2 050)</b>	(10 583)

(\*) Analytical income statement is presented on page 8 of the first quarter report.

## Presentation of Interim Condensed Financial Statements

These interim condensed financial statements for the first quarter of the year 2021 are prepared and presented on a standalone basis, since the Company is an investment entity and shall not consolidate its subsidiary. The Company measures its investment in subsidiary and associates at fair value through profit or loss. Consequently, the Company's investment in Platform Supply Vessels (PSVs) and Tanker Vessel (VLCC) are valued based on estimates made by reputable independent valuers and prices generated by market transactions involving identical or comparable (similar) Vessels.

Revenue and EBITDA from chartering out the vessels are not consolidated into nor directly reflected in these Financial Statements. More information on the operation, calculation of EBITDA, TCE and utilization of the vessels is available in the Q1 2021 presentation, which is released together with this interim report.

## Highlights First Quarter

- In an Extraordinary General Meeting ("EGM") of the Company held on 11 January 2021, it was resolved by special resolutions to cancel the 43 318 143 fully paid shares that were purchased by the Company in November 2020, out of the share premium account. The Company received in January 2021 the Court approval for cancelling the 43 318 143 fully paid shares and the process was completed on 24 February 2021 by the registration of the Court Order and the minutes of the EGM with the Registrar of Companies, according to the local legislation. Following the above cancellation, the Company has issued 532 708 281 ordinary shares and the number of authorised but not issued shares is thus 332 291 719.
- In January and February 2021, the Company purchased an additional 7 326 676 own shares with the total number of own shares purchased up to that date being 51 543 523 shares. Following the cancellation of the 43 318 143 shares mentioned in (1) above, the company currently holds 8 225 380 shares representing 1,54 % of the issued share capital of the Company which will be proposed to be cancelled through a decision by an extraordinary general meeting of the Company's shareholders through a capital reduction to take place later in the year 2021.
- In mid-February 2021, Northern Supply AS, where the Company has an indirect ownership of 28.12%, sold two medium size Platform Supply Vessels ("PSV's") for USD 6,6 million on an enbloc basis.
- In March 2021, the Company purchased 500 000 shares, corresponding to 1% ownership, in Noble Corporation Plc for USD 9,2 million. After the completion of Noble Corporation Plc acquisition of Pacific Drilling, the Companies ownership in Noble has been reduced to 0.75% .
- In Q1 21, the Company recognized an unrealized loss of USD 2.1 million from the revaluation of its financial assets at fair value. The fair value of the investments as of 31 March 2021 was USD 56,8 million.
- EBITDA (adj.) at break even, excluding start-up cost, dry dock, special survey and maintenance (Q1 20 negative USD 538 thousands) from chartering out the four large –sized PSV's. Including the ownership in Northern Supply AS (28,12%) the group netted a negative EBITDA (adj.) excluding start-up cost, dry dock, special survey and maintenance of USD 0,1 million (Q1 20 negative USD 671 thousands).
- Utilisation of the Company's vessels of 96% (Q1 20 61%) for the four large PSV Standard vessels and 90% (Q1 20 82%) for the Northern Supply AS vessels (excluding those in lay-up).
- The TCE estimate of the vessel "Gustavia S" which is owned by ZETA Owners Inc., from the delivery date end of January 2020 to end of March 2021 is approximately USD 27,5 thousands.

# First Quarter Management Report 2021 (Continued)

## Selected Financial Information

### Alternative Performance Measures

Revenue and EBITDA from chartering out the vessels are not consolidated into nor directly reflected in Q1 2021 Interim Report since the Company is an investment entity and shall not consolidate its subsidiary.

In reporting financial information, the Company presents alternative performance measures, “APMs”, which are not defined or specified under the requirements of IFRS. The Company believes that these APMs, which are not considered to be a substitute for or superior to IFRS measures, provide stakeholders with additional helpful information on the performance of the subsidiary and associate companies.

More information on the APMs used in the Q1 2021 Report, their definition and calculation are provided below, as well as a reference to the respective pages of Q1 2021 and of the presentation which is released together with this interim report on the Company’s website:

APM	Definition and Calculation	Reference
Operating Profit / Loss	Income from operating activities subtracting administration expenses as presented in the income statement	Q1 2021 Report - Interim Condensed Statement of Comprehensive Income on page 8  Presentation Income Statement on page 32
Loss / Profit before tax	Operating profit less finance costs	
Loss / Profit after tax	Operating profit less finance costs and income tax	
EBITDA	Vessels net hire income before interest, taxes, depreciation and amortization	Presentation pages 22 and 23
EBITDA (adj.)	Vessels net hire income before interest, taxes, depreciation and amortization but excluding non-recurring costs, dry dock, special survey, maintenance and repairs	Presentation pages 22 and 23
Utilization of vessels	Total days working over total available days	Presentation pages 19 and 20
TCE (Time Charter Equivalent)	Voyage revenues subtracting voyage expenses (including bunkers) divided by the round-trip voyage duration in days	Presentation page 27

# First Quarter Management Report 2021 (Continued)

## Subsequent Events

The following events took place between the Balance Sheet date and the date of approval of these interim condensed financial statements:

### 1. Covid-19 pandemic

The rapid development of the COVID-19 pandemic over the past 14 months, has caused considerable global disruption in business activities and everyday life, and it continues to constitute a public health emergency of international concern. These events have caused global public health concerns and are affecting negatively the global economies and Industries worldwide, either directly or indirectly.

COVID-19 pandemic has caused increased uncertainty in the PSV and Tanker markets. Both markets have been affected by the pandemic with the PSV market being the one mostly affected and continuous to experience more difficulties.

The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty at this stage, due to the pace at which the outbreak continues to expand and the high level of uncertainties arising from the inability to reliably predict the outcome and duration. The extent will depend on the pace the virus will continue to expand globally and the measures being implemented by governmental authorities. However, since the vaccination process in various countries is progressing, it is expected that the global economies will slowly enter a recovery process which will increase oil consumption to pre-covid levels and winding down of inventories, and with oil producers increasing supply of oil in response, will positively impact the recovery of the PSV and Tanker markets.

Management has considered the unique circumstances that could have a material impact on the business operations and the risk exposures of the Company and has concluded that the main impact on the Company's profitability position may arise from the decrease in the fair value of the vessels in which the Company has indirect ownership, in connection with reporting of interim financial information for the second quarter of 2021 and onwards. However, a reasonable estimate of the financial effect cannot be made with certainty at the time of approval of these interim condensed financial statements.

As previously reported, the North Sea market in which we operate came to a standstill. This drove many Owners to remove their vessels from the market and into lay-up. We have been successful in securing term work for two of our large vessels in the North Sea. The Standard Princess secured a 9-month term contract with CNR and the Standard Viking secured a 1-year firm contract with Shell UK, which commenced early February. The 800m<sup>2</sup> Standard Olympus continues with Kinsale Energy and is firm until mid-June with options thereafter. We are currently witnessing an increase in tendering activity and an increase in day rates, with this renewed confidence, we have now returned vessels which we previously took 'in-house', to the market. The FS Kristiansand was recently dry docked and has now commenced a long-term charter with Perenco, in the Southern North Sea. We are of the opinion that there will be a shortage of large vessels as we move into Q3. However more vessels have returned from lay-up than we initially anticipated, but we remain cautiously optimistic for the Summer months ahead.

The Company has a sound financial position with no debt and the management will continue to monitor developments closely to assess its impact in our business and respond accordingly.

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

# FIRST QUARTER MANAGEMENT REPORT 2021 (CONTINUED)

## RESULTS FOR FIRST QUARTER 2021 AND FINANCIAL COMPARISON WITH THE FIRST QUARTER OF 2020

The operating loss for the three months ended on 31 March 2021 was USD 2 million compared to the three months ended 31 March 2020 loss of USD 10,6 million. The reduced operating loss in 2021 compared to 2020's loss is mainly due to an unrealized loss on revaluation of financial assets of USD 2,1 million (compared to a revaluation loss of USD 9,5 million in 2020), a net foreign currency loss of USD 3 thousands (compared to a net foreign currency loss of USD 1 million in 2020), administration expenses of USD 148 thousands, finance cost of USD 1 thousand and is after crediting a fair value gain of USD 165 thousand from investments held for trading and interest income of USD 14 thousands. Loss before tax for the period is approximately USD 2 million (2020: Loss before tax of USD 10,6 million). Loss per share was USD 0,00 for the Quarter.

The Company's results for the three months of the year 2021 are not satisfactory. However, the recognized unrealized loss on revaluation of financial assets of USD 2,1 million, clearly shows that the PSV market and VLCC market continue to be affected by the Covid-19 pandemic but to a lesser effect when compared to the first three months of the year 2020.

The operating loss / (profit) and loss / (profit) before tax for the three months are presented on the interim condensed statement of comprehensive income on page 8.

## LIQUIDITY AND CAPITAL STRUCTURE

The available cash position of the Company as at 31 March 2021 was USD 26,7 million.

During the three months of 2021 net cash used in operating activities was USD 163 thousands. The net cash generated from investing activities was mainly consisting of a net fair value gain on investments held for trading of USD 165 thousands and interest received of USD 14 thousands. The net cash used in financing activities of USD 891 thousands relates to the purchase of own shares.

As of 31 March 2021, the Company had 1 981 shareholders. The share price as of 31 March 2021 was NOK 1,18 (USD 0,138).

## PRINCIPLE RISK AND UNCERTAINTIES

The Company's activities are exposed to the overall economic environment as well as regulatory and market risks associated with the PSV and VLCC markets and other financial risks. The Company is also exposed to other financial risks as disclosed in Note 3 of annual financial statements for the year ended 31 December 2020.

### Uncertainty relating to Covid-19 pandemic

The Covid-19 pandemic in combination with the recent turmoil in the oil markets, has caused increasing uncertainty in the PSV and Tanker markets. As the

pandemic continues to evolve for more than a year now, it is difficult to predict the full extent and duration of resulting operational and economic impact on the markets the Company are invested in. The impact of Covid-19 on the Company's business has arisen through the decrease in the fair value of the vessels in which the Company has indirect ownership, but the final effect cannot be predicted with certainty at the time of approval of these interim financial statements.

The Company has in place systems and procedures to maintain its status in the market and to stay alert to changes in the marketplace in order to help mitigate market risk. Internal procedures have been and are continuously being developed to help monitoring developments and mitigate financial and operational risks.

## OUTLOOK

The principal activity of the Company is to operate as an investment entity within the oil and gas and shipping sectors, with exposure directly or indirectly into companies, securities and / or assets.

The objective of the Company is to generate significant medium to long-term capital growth. The main focus of the Company is currently the PSV market and also the VLCC tanker market, although the Company will pursue any attractive investment opportunities that may arise within the framework of industries it operates.

The PSV market has suffered from reduced activity offshore due to the Covid-19, however we are currently witnessing an increase in tendering activity and an increase in day rates.

The day rates in the tanker market will among other things be further affected by the demand for oil, use of storage, vessels temporarily out of market for scrubber fitting, scrapping and so on. The orderbook for new vessels is at a historically low level.

The Covid-19 development, measurements implemented, oil prices fluctuations and the economic activity will affect the market in general going forward. It is uncertainty related to consequences related to the events so far over the past 14 months. The management has established and implemented sufficient systems and procedures to monitor closely the current developments in the market, to stay alert to changes in the marketplace and to take appropriate measures. The Company's short-term focus is to secure coverage of the vessels and to preserve cash.

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## FIRST QUARTER MANAGEMENT REPORT 2021 (CONTINUED)

The Company has a sound financial position with no debt and the Board of Directors believe that the Company is well positioned to take advantage of opportunities that may appear in the PSV market in the North Sea Sector, the shipping industry and elsewhere. This includes, but is not limited to, asset play or investment directly in other companies. The main drivers are maximizing the return and minimizing the risk.

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

*19 May 2021*

*Martin Nes  
Chairman*

*Christos Neocleous  
CFO*



**INTERIM CONDENSED STATEMENT  
OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 31 MARCH 2021**

	Note	<b>Three Months Ended</b>	
		<b>2021</b>	2020
<i>(Amounts in USD 000)</i>		<b>Q1</b>	Q1
		<i>Unaudited</i>	<i>Unaudited</i>
<b>Income</b>			
Changes in fair value on financial assets at fair value through profit or loss	4.1	(2 077)	(9 461)
Changes in fair value on financial assets at fair value through profit or loss – held for trading	4.2	165	-
Interest income from cash balance at amortised cost		14	37
Net foreign currency gains or (losses)		(3)	(1 039)
<b>Total net income /(loss)</b>		<b>(1 901)</b>	<b>(10 463)</b>
<b>Expenses</b>			
Administration fees		(148)	(119)
<b>Total operating expenses</b>		<b>(148)</b>	<b>(119)</b>
<b>Operating profit/(loss)</b>		<b>(2 049)</b>	<b>(10 582)</b>
<b>Finance costs</b>			
Sundry finance income/(expenses)		(1)	(1)
<b>Profit/(loss) for the period before tax</b>		<b>(2 050)</b>	<b>(10 583)</b>
Income tax expense		-	-
<b>Profit/(loss) for the period after tax</b>		<b>(2 050)</b>	<b>(10 583)</b>
<b>Other comprehensive income for the period</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income/(loss) for the period</b>		<b>(2 050)</b>	<b>(10 583)</b>
<b>Earnings/(loss) per share</b>			
Basic/diluted earnings/(loss) per share (USD)	3	(0,00)	(0,00)

**INTERIM CONDENSED STATEMENT  
OF FINANCIAL POSITION  
AT 31 MARCH 2021**

<i>(Amounts in USD 000)</i>	Note	<b>31.03.2021</b>	<b>31.12.2020</b>
<b>ASSETS</b>		<i>Unaudited</i>	<i>Audited</i>
Equipment and machinery		1	1
Financial assets at fair value through profit or loss	4.1	56 785	58 862
<b>Total non-current assets</b>		<b>56 785</b>	<b>58 863</b>
Trade and other receivables		27	14
Current tax asset		1	1
Financial assets at fair value through profit or loss held for trading	4.2	9 245	-
Cash and bank balances		26 746	27 623
<b>Total current assets</b>		<b>36 019</b>	<b>27 638</b>
<b>Total Assets</b>		<b>92 804</b>	<b>86 501</b>
<b>EQUITY AND LIABILITIES</b>			
Ordinary shares	5	15 981	17 281
Share premium	5	-	96 861
Own shares	6	(1 011)	(4 453)
Accumulated profits/(losses)		68 547	(23 231)
<b>Total equity</b>		<b>83 517</b>	<b>86 458</b>
Trade and other payables	8	9 287	43
<b>Total current liabilities</b>		<b>9 287</b>	<b>43</b>
<b>Total Equity and Liabilities</b>		<b>92 804</b>	<b>86 501</b>

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

*Martin Nes  
Chairman*

*Christos Neocleous  
CFO*

**INTERIM CONDENSED STATEMENT  
OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 MARCH 2021**

<i>(Amounts in USD 000)</i>	Share Capital	Share Premium	Own shares	Accumulated Profits/(Losses)	Total
<b>Balance at 01.01.2020</b>	<b>17 281</b>	<b>96 861</b>	-	<b>3 678</b>	<b>117 820</b>
<b>Comprehensive income</b>					
Loss for the period	-	-	-	(10 583)	(10 583)
<b>Balance at 31.03.2020 (unaudited)</b>	<b>17 281</b>	<b>96 861</b>	-	<b>(6 905)</b>	<b>107 237</b>
<b>Balance at 01.01.2021</b>	<b>17 281</b>	<b>96 861</b>	<b>(4 453)</b>	<b>(23 231)</b>	<b>86 458</b>
<b>Comprehensive income</b>					
Loss for the period	-	-	-	(2 050)	(2 050)
<b>Transactions with owners</b>					
Cancellation of own shares (note 5)	(1 300)	(96 861)	4 333	93 828	-
Purchase of own shares (note 6)	-	-	(891)	-	(891)
<b>Balance at 31.03.2021 (unaudited)</b>	<b>15 981</b>	<b>-</b>	<b>(1 011)</b>	<b>68 547</b>	<b>83 517</b>

**INTERIM CONDENSED STATEMENT  
OF CASH FLOWS  
FOR THE PERIOD ENDED 31 MARCH 2021**

	Note	<b>Three Months Ended</b>	
		<b>2021</b>	<b>2020</b>
<i>(Amounts in USD 000)</i>		<b>Q1</b>	<b>Q1</b>
		<i>Unaudited</i>	<i>Unaudited</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss for the period before income tax		(2 050)	(10 583)
Unrealised exchange (gain)/loss		3	1 039
Payments to financial assets at fair value through profit or loss	4.1	-	(36 467)
Receipts from financial assets at fair value through profit or loss	4.1	-	2 500
Interest income		(14)	(37)
Increase in trade and other receivables		(13)	(17)
Decrease in financial asset fair value through profit or loss		2 077	9 461
Increase in financial assets fair value through profit or loss-held for trading		(165)	-
Decrease in trade and other payables		(1)	(4)
<b>Net cash used in operating activities</b>		<b>(163)</b>	<b>(34 108)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments to financial assets at fair value through profit or loss held for trading		(1 135)	-
Receipts from financial assets at fair value through profit or loss held for trading		1 300	-
Interest received		14	37
<b>Net cash generated from investing activities</b>		<b>179</b>	<b>37</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Purchase of own shares		(891)	-
<b>Net cash used in financing activities</b>		<b>(891)</b>	<b>-</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(875)</b>	<b>(34 071)</b>
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		(2)	(1 039)
Cash and cash equivalents at end of period		26 746	5 985

## 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 and on 31 May 2017 on Oslo Bors. The address of the Company’s registered office is Chrysanthou Mylona 1, Panayides Building, 2<sup>nd</sup> floor, Office 3, 3030, Limassol, Cyprus.

#### Principal Activities

The principal activity of the Company is to operate as an investment entity within oil and gas and shipping sector. The Company invests directly or indirectly into companies, securities and/or assets, with the aim to control a larger fleet of assets- acquired at low values. The objective of the Company is to generate significant medium to long term capital growth. The main focus of the Company has lately been in the Platform Supply Vessels (PSV) and Tanker Vessels (VLCC) market although the Company will pursue any attractive investment opportunities that may arise within the framework of industries it operates.

The Company’s strategy is to invest into high risk investments in distressed asset acquisition held by unquoted companies where the Company takes active role in helping to build and develop these companies with the aim to make its returns through medium to long term capital gains appreciation as opposed to invest for strategic purposes (i.e. for income return).

### NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Preparation

The interim condensed financial statements for the three months ended 31 March 2021, have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”. The interim condensed financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2020. The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2020 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 2021.

At the date of approval of these interim condensed financial statements, a number of accounting standards and interpretations were issued by the International Accounting Standards Board but were not yet effective. The effect and impact of those standards is not expected to be material to the Company.

#### Going Concern

These interim condensed financial statements for the three months ended 31 March 2021, have been prepared under the assumption that the Company is going concern. Due to the recent outbreak of COVID-19, the directors of the Company have reassessed the going concern assumption and confirm that the Company has adequate resources to continue in operational existence for the foreseeable future.

### NOTE 3 – 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>Twelve Months Ended</b>	
	<b>31.03.2021</b>	<b>31.03.2020</b>
<b>Basic/diluted EPS</b>		
(Loss)/Profit attributable to equity holders of the Company	(2 050)	(10 583)
Weighted average number of ordinary shares in issue (thousands)	527 828	576 026
<b>Basic/diluted earnings/(loss) per share (USD)</b>	<b>(0,00)</b>	<b>(0,00)</b>

## NOTES TO THE FINANCIAL INFORMATION

### NOTE 4 – FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

#### 4.1 Investments at fair value through profit or loss

<i>(Amounts in USD 000)</i>	<b>31.03.2021</b>	<b>31.12.2020</b>
Balance at 1 January	58 862	76 751
Additions	-	36 742
Sales/Reduction	-	(24 853)
Changes in fair value	(2 077)	(29 778)
<b>Balance at the end of the period/year (note 7.1)</b>	<b>56 785</b>	<b>58 862</b>

Investments designated at fair value through profit or loss are analysed as follows:

Name of Investment	Principal activity	Place of establishment and principal place of business	Proportion of ownership/ interest held	
			31.03.2021	31.03.2020
Wanax AS	Investment holding	Norway	100%	100%
New World Supply Ltd	Investment holding	Cayman Islands	-	34,4%
ZETA Owners Inc.	Ship owning	Marshall Islands	33,3%	33,3%

The above investments are measured at fair value.

<i>(Amounts in USD 000)</i>	<b>31.03.2021</b>	<b>31.03.2020</b>
<i>Other net changes in fair value on financial assets at fair value through profit or loss</i>		
Realised	-	223
Unrealised change	(2 077)	(9 684)
<b>Total net gains/(losses)</b>	<b>(2 077)</b>	<b>(9 461)</b>
Other net changes in fair values on assets designated at fair value through profit or loss	(2 077)	(9 461)
<b>Total net gains/(losses)</b>	<b>(2 077)</b>	<b>(9 461)</b>

#### 4.2 Investments held for trading

<i>(Amounts in USD 000)</i>	<b>31.03.2021</b>	<b>31.12.2020</b>
Balance at 1 January	-	-
Additions	10 380	1 038
Disposals	(1 300)	(1 047)
Changes in fair value	165	9
<b>Balance at the end of the period / year</b>	<b>9 245</b>	<b>-</b>

In March 2021, the Company purchased 500 000 shares, corresponding to 1% ownership, in Noble Corporation Plc for USD 9,2 million. Moreover, during Q1 21 the Company invested USD 1,2 million for the acquisition of shares listed on the Oslo Stock Exchange which were disposed realizing a gain of USD 165 thousands.

## NOTES TO THE FINANCIAL INFORMATION

### NOTE 5 – SHARE CAPITAL AND PREMIUM

Authorised	Number of shares (thousands)	Ordinary shares	Total	
<i>(Amounts in USD 000)</i>				
<b>2021</b>				
Balance at the beginning of the period	865 000	25 950	25 950	
Increase of share capital	-	-	-	
<b>Balance at the end of the period</b>	<b>865 000</b>	<b>25 950</b>	<b>25 950</b>	
<b>2020</b>				
Balance at the beginning of the year	865 000	25 950	25 950	
Increase of share capital	-	-	-	
<b>Balance at the end of the year</b>	<b>865 000</b>	<b>25 950</b>	<b>25 950</b>	
<b>Issued and fully paid</b>				
	Number of shares (thousands)	Ordinary shares	Share premium	Total
<i>(Amounts in USD 000)</i>				
<b>2021</b>				
Balance at the beginning of the period	576 026	17 281	96 861	114 142
Issue of shares	-	-	-	-
Share issue costs	-	-	-	-
Cancellation of shares	(43 318)	(1 300)	(96 861)	(98 161)
<b>Balance at the end of the period</b>	<b>532 708</b>	<b>15 981</b>	<b>-</b>	<b>15 981</b>
<b>2020</b>				
Balance at the beginning of the year	576 026	17 281	96 861	114 142
Issue of shares	-	-	-	-
Share issue costs	-	-	-	-
<b>Balance at the end of the year</b>	<b>576 026</b>	<b>17 281</b>	<b>96 861</b>	<b>114 142</b>

In an Extraordinary General Meeting (“EGM”) of the Company held on 11 January 2021, it has been resolved by special resolutions:

- (a) to cancel the 43 318 143 fully paid shares that were purchased by the Company in November 2020 out of the share premium account, and
- (b) to set off the remaining balance of the share premium account against the negative balance of the accumulated profit/losses reserve of the Company.

The Company has received in January 2021 the Court approval for cancelling the 43 318 143 fully paid shares and the process was completed on 24 February 2021 by the registration of the Court Order and the minutes of the EGM with the Registrar of Companies, according to the local legislation.

Following the above cancellation, the Company has issued 532 708 281 ordinary shares and the number of authorised but not issued shares is thus 332 291 719. All shares issued have the same rights and are of nominal value of USD 0,03 each.

### NOTE 6 – OWN SHARES

In January and February 2021, the Company has purchased an additional 7 326 676 own shares with the total number of own shares purchased up to that date being 51 543 523 shares. Following the cancellation of the 43 318 143 shares mentioned in note 5 above, the company currently holds 8 225 380 shares representing 1,54 % of the issued share capital of the Company which will be proposed to be cancelled through a decision by an extraordinary general meeting of the Company’s shareholders through a capital reduction to take place later in the year 2021.

## NOTES TO THE FINANCIAL INFORMATION

### NOTE 7 – FAIR VALUE MEASUREMENTS

7.1 The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following tables present the Company's fair value hierarchy of the financial assets that are measured at fair value:

<i>(Amounts in USD 000)</i>	Level 1	Level 2	Level 3	Total
<b>At 31 March 2021</b>				
<b>Assets</b>				
Financial Assets through profit or Loss				
- Financials asset at fair value through profit or loss (note 4)	-	3 712	53 073	56 785
<b>Total financial assets measured at fair value</b>	-	3 712	53 073	56 785
<b>At 31 December 2020</b>				
<b>Assets</b>				
Financial Assets through profit or Loss				
- Financials asset at fair value through profit or loss (note 4)	-	-	58 862	58 862
<b>Total financial assets measured at fair value</b>	-	-	58 862	58 862

7.2 Valuation processes

a) Investment in Wanax AS

(i) Valuation processes (Level 3)

The management of the Company obtained fair value estimates 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 distressed values. Valuer B has not provided a distressed value range, however, a distressed value range has been derived by the management 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 fair value for the assets in the Company's financial statements is then set to the average of these two distressed ranges as the Company decided to apply a more conservative approach due to current market conditions and the frequency of such transactions in the market. Should the Company have used the average fair values based on a willing buyer and willing seller market scenario of both Valuers, the total financial assets measured at fair value would have been USD 56 million rather than USD 39,5 million.

(ii) Valuation processes (Level 2)

The fair values of securities that are not quoted in an active market are determined by using valuation techniques and recent comparable transactions. The models used to determine fair values are validated and periodically reviewed by the management of the Company. The inputs in the valuation techniques used include observable data, such as vessel's sale prices and other relevant information generated by recent market transactions involving identical or comparable (similar) PSV Vessels.

b) Investment in ZETA Owners Inc.

Valuation processes (Level 3)

The management of the Company obtained fair value estimates from two independent Valuers. Both Valuers have provided a point estimate based on a willing buyer and willing seller market scenario. The applied fair value for the asset in the Company's financial statements is then set to the average of these two point estimates as the Company decided to apply a more conservative approach due to the conditions caused by the current market and financial crisis which has caused a tremendous volatility and instability of vessels' values. Moreover, the Company decided to apply a different approach in the valuation process of the investment in ZETA Owners Inc., as opposed to the investment in Wanax AS, since the distressed value scenario is not considered appropriate for this investment because it relates to a different type of asset that was acquired brand new and not at a distressed value, the conditions and the frequency of comparable transactions observed in the market is limited and not predominantly at distress values.



## NOTES TO THE FINANCIAL INFORMATION

### NOTE 7 – FAIR VALUE MEASUREMENTS (CONTINUED)

#### 7.3 Reconciliation of Level 3 fair value measurements

The following table presents the changes in Level 3 investments for the three months ended 31 March 2021:

(Amount in USD 000)

	Financial assets designated at fair value through profit or loss	Total
<b>31 March 2021</b>		
Opening balance	58 862	58 862
Total gains or losses:		
- In profit or loss	(2 077)	(2 077)
Purchases	-	-
Issues	-	-
Sales / Reduction	-	-
Transfers out of level 3	(3 712)	(3 712)
Closing balance	<u>53 073</u>	<u>53 073</u>

The following table presents the changes in Level 3 investments for the year ended 31 December 2020:

(Amount in USD 000)

	Financial assets designated at fair value through profit or loss	Total
<b>31 December 2020</b>		
Opening balance	76 751	76 751
Total gains or losses:		
- In profit or loss	(30 001)	(30 001)
Purchases	36 742	36 742
Issues	-	-
Sales / Reduction	(24 630)	(24 630)
Transfers out of level 3	-	-
Closing balance	<u>58 862</u>	<u>58 862</u>

Unrealised gains or (losses) recognized in profit and loss attributable to assets held at the end of the reporting period (included in gains/losses) disclosed above:

31 March 2021	<u>(2 077)</u>	<u>(2 077)</u>
31 December 2020	<u>(30 001)</u>	<u>(30 001)</u>

## NOTES TO THE FINANCIAL INFORMATION

### NOTE 7 – FAIR VALUE MEASUREMENTS (CONTINUED)

#### 7.4 Fair value of the Company's financial assets that are measured at fair value on a recurring basis:

Some of the Company's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at 31/03/2021	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
<p>Financial asset at fair value through profit or loss:</p> <p>(a) Investment in Wanax AS (100%) which holds:</p> <p>(i) 100% participatory interest in Standard Princess AS,</p> <p>(ii) 100% participatory interest in Standard Supplier AS,</p> <p>(iii) 100% participatory interest in Standard Viking AS,</p> <p>(iv) 100% participatory interest in Standard Olympus AS,</p> <p>(v) 28,12% participatory interest in Northern Supply AS.</p> <p>The principal activities of Standard Princess AS, Standard Supplier AS, Standard Viking AS, Standard Olympus AS and Northern Supply AS is that of the holdings of PSV vessels.</p>	USD 39 531 thousands	Level 3 (note 1)	<p>Market Approach</p> <p>The valuation technique uses prices and other relevant information generated by reputable independent valuers in the market in which the Company has invested in. The data used are based on observable inputs adjusted by an unobservable input (discount rate) calculated by the management for Valuer B (note 7.2.a.i).</p>	<p>Distressed value discount rate from willing buyer/seller to distressed valuation from Valuer A, has been applied to Valuer B to predict distressed values for Valuer B, since Valuer B only provided valuation based on willing buyer/seller basis. Distressed value discount rate is in the range of 20% to 25%, 29% to 40%, 33% to 43%, and 38% to 47% based on the size of the respective vessels (note 7.2.a.i).</p>	<p>Significant increases/(decreases) in the range of rates for discounting the vessels' fair values would result in a significantly lower/higher fair value measurement (note 1).</p>
<p>(b) Investment in ZETA Owners Inc. (33,3%) which owns a VLCC vessel.</p> <p>The principal activity of ZETA Owners Inc. is that of transportation of crude and refined petroleum cargoes through the operation of the vessel Gustavia S.</p>	USD 13 542 thousands	Level 3	<p>Market Approach</p> <p>The valuation technique uses prices and other relevant information generated by reputable independent valuers in the market in which the Company has invested in. The data used are based on unobservable inputs (note 7.2.b).</p>	<p>A point estimate is provided by two independent valuers based on willing buyer/seller basis and the applied fair value for the asset is then set to the average of these two-point estimates and further adjusted for working capital and debt changes (note 7.2.b).</p>	Not applicable
<p>(c) Investment in Northern Supply AS (28,12%) relating to PSV vessels FS Aberdour, FS Braemar, FS Balmoral and FS Crathes.</p> <p>The principal activities of Northern Supply AS, is that of the holding of PSV vessels.</p>	USD 3 712 thousands	Level 2	<p>Market Approach</p> <p>The valuation technique uses prices and other relevant information generated by market transactions involving identical or comparable (similar) PSV Vessels. The data used is based on observable input (note 7.2.a.ii).</p>	Not applicable	Not applicable

#### Note 1:

A 5% increase/decrease of the discount rate used while all other variables were held constant, would change the fair value of vessels for the investment in Wanax AS by USD 0,8 million/ (USD 0,8) million.

## NOTES TO THE FINANCIAL INFORMATION

### NOTE 7 – FAIR VALUE MEASUREMENTS (CONTINUED)

#### 7.4 Fair value of the Company's financial assets that are measured at fair value on a recurring basis:

Some of the Company's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at 31/12/2020	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value
<p>Financial asset at fair value through profit or loss:</p> <p>(d) Investment in Wanax AS (100%) which holds:</p> <ul style="list-style-type: none"> <li>(vi) 100% participatory interest in Standard Princess AS,</li> <li>(vii) 100% participatory interest in Standard Supplier AS,</li> <li>(viii) 100% participatory interest in Standard Viking AS,</li> <li>(ix) 100% participatory interest in Standard Olympus AS,</li> <li>(x) 28,12% participatory interest in Northern Supply AS.</li> </ul> <p>The principal activities of Standard Princess AS, Standard Supplier AS, Standard Viking AS, Standard Olympus AS and Northern Supply AS is that of the holdings of PSV vessels. Standard Provider AS and Standard Supporter AS have been liquidated on 29 September 2020.</p>	USD 44 400 thousands	Level 3 (note 1)	<p>Market Approach</p> <p>The valuation technique uses prices and other relevant information generated by reputable independent valuers in the market in which the Company has invested in. The data used are based on observable inputs adjusted by an unobservable input (discount rate) calculated by the management for Valuer B (note 7.2.a.i).</p>	<p>Distressed value discount rate from willing buyer/seller to distressed valuation from Valuer A, has been applied to Valuer B to predict distressed values for Valuer B, since Valuer B only provided valuation based on willing buyer/seller basis. Distressed value discount rate is in the range of 28% to 32%, 33% to 43%, 29% to 40%, and 38% to 47% based on the size of the respective vessels (note 7.2.a.i).</p>	<p>Significant increases/(decreases) in the range of rates for discounting the vessels' fair values would result in a significantly lower/higher fair value measurement (note 1).</p>
<p>(e) Investment in ZETA Owners Inc. (33,3%) which owns a VLCC vessel.</p>	USD 14 462 thousands	Level 3	<p>Market Approach</p> <p>The valuation technique uses prices and other relevant information generated by reputable independent valuers in the market in which the Company has invested in. The data used are based on unobservable inputs (note 7.2.b).</p>	<p>A point estimate is provided by two independent valuers based on willing buyer/seller basis and the applied fair value for the asset is then set to the average of these two-point estimates and further adjusted for working capital and debt changes (note 7.2.b).</p>	<p>Not applicable</p>

#### Note 1:

A 5% increase/decrease of the discount rate used to predict distressed values for Valuer B, while all other variables were held constant, would change the fair value of vessels for the investment in Wanax AS by USD 1,0 million/ (USD 1,0) million.

## NOTES TO THE FINANCIAL INFORMATION

### NOTE 8 – TRADE AND OTHER PAYABLES

<i>(Amounts in USD 000)</i>	<b>31.03.2021</b>	31.12.2020
Other payables for acquisition of shares	9 245	-
Accrued expenses	42	43
<b>Total trade and other payables at the end of the year at amortised cost</b>	<b>9 287</b>	<b>43</b>

Other payables amounting to USD 9 245 thousands relate to the purchase of shares in Noble Corporation Plc.

The fair value of trade and other payables which are due within one year approximates their carrying amount at the balance sheet date.

### NOTE 9 – APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the Board of Directors of the Company on 19 May 2021.

# S.D. Standard Drilling

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## Financial Calendar (Release of Financial Reports)

Q1 2021	20 May 2021
Q2 2021	26 August 2021
Q3 2021	11 November 2021

## S.D. Standard Drilling Plc

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