

# S.D. Standard Drilling Plc.

## 3Q 2017 Presentation

24 November 2017



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# Agenda

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

# Highlights for the quarter

- **Large-size - all 3x Standard Vessels (100% owned) worked during the quarter**
  - Positive EBITDA of USD 0.54m for the quarter (2Q17 –USD 2.68m)
  - Utilization of ~90% for the quarter (2Q17 ~49%)
- **Mid-size - 5x of the 7x PSV Opportunity III Vessels (25.5% owned) worked during the quarter**
  - EBITDA of USD (0.08)m for the quarter (2Q17 –USD 0.42m)<sup>(1)</sup>
  - Utilization of ~95% for the quarter (2Q17 ~61%)<sup>(2)</sup>
- **New World Supply Ltd. (26.2% owned) held as a financial investment**
- **Total EBITDA of USD 0.46m for the quarter (2Q17 –USD 3.10m)<sup>(1)</sup>**
- **Total cash balance of USD 15.20m end 3Q17<sup>(3)</sup>**
- **Total Book value of Equity of USD 73.18m and USD 0.21m per share (NOK 1.64 per share)**



(1) EBITDA for the Standard Vessels (100% owned) and PSV Opportunity III (25.5% owned) only, pro-rata

(2) Utilization does not include vessels in lay-up

(3) Including pro-rata ownership of cash in subsidiaries and investments, of which USD 14m is cash in SDD and subsidiaries

# Subsequent events

- **Acquired 2x large-size 1000m<sup>2</sup> Norwegian-built ('09/'10) PSV vessels for an en-bloc consideration of USD 22.2m**
- **Raised NOK 200m through an equity offering**
  - Directed towards all registered shareholders of the company
  - Proceeds used to finance the 2x vessel acquisition and increase company cash position with USD 1.6m
- **Cash balance in SDSA and subsidiaries as per mid Nov-17 estimated to be ~USD 16m**
- **3x Standard Vessels (100% owned) on term contracts through the winter season**
  - 2x Standard Vessels (100% owned) currently traded in the spot market
- **Total Book value of Equity estimated mid Nov-17 of USD ~97m and USD 0.19m per share (NOK 1.56 per share)**
- **The company considers the fleet to be well positioned for a potential market upturn in the spring of 2018**
  - Balanced mix of contract and spot exposure



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# Large-size PSV vessels – 100% owned

## Standard Vessels (5x)



### **Standard Viking (2008)**

#### Highlights

- **Avg. 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:** ~9 years

### **Standard Supplier (2007)**

#### Highlights

- **Avg. 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 Princess (2008)**

#### Highlights

- **Avg. 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:** ~9 years

### **Standard Supporter (2009)**

#### Highlights

- **Avg. 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

Formerly E.R. Athina

### **Standard Provider (2010)**

#### Highlights

- **Avg. 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:** ~7 years

Formerly E.R. Georgina

# Mid-size PSV vessels – partly owned

## PSV Opportunity III Vessels (7x)

25.5% owned



## New World Supply Vessels (6x)

26.2% owned



### 3x vessels

#### Highlights

- **Avg. 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:** ~11 years
- FS Kristiansand (2005)
- FS Bergen (2006)
- FS Arendal (2006)

### 2x vessels

#### Highlights

- **Avg. 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:** ~8 years
- FS Abergeldie (2008)
- FS Aberdour (2009)

### 2x vessels

#### Highlights

- **Avg. 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:** ~9 years
- FS Braemar (2007)
- FS Balmoral (2008)

### 6x vessels

#### Highlights

- **Avg. 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:** ~4 years
- World Diamond (2013)
- World Peridot (2013)
- World Pearl (2013)
- World Emerald (2013)
- World Opal (2013)
- World Sapphire (2013)



# Large-size PSV vessels – contract overview

## Standard Vessels (100% owned)

Vessel	Built	Client	Country	2017		2018				
				3Q	4Q	1Q	2Q	3Q	4Q	
<b>Large-size Vessels</b>										
Standard Viking	2007	Peterson	UK	Contract	Contract	Contract	Contract	Contract	Options	Options
Standard Princess	2008	Premier Oil	UK	Contract	Contract	Options	Options	Dry-dock		
Standard Supplier	2007	Ithaca/Centrica/Premier/Maersk Oil	UK	Contract	Contract					
Standard Provider	2010	Maersk Oil	UK		Contract	Contract	Contract			
Standard Supporter	2009	Enquest	UK		Contract	Options				

- Solid contract coverage through the winter season
- Well positioned for a potential market upturn in the spring of 2018



# Mid-size PSV vessels – contract overview

## PSV Opportunity III (25.5% owned)

Vessel	Built	Client	Country	2017		2018				
				3Q	4Q	1Q	2Q	3Q	4Q	
<b>Mid-size Vessels</b>										
FS Arendal	2006	Repsol	UK	Contract	Contract	Contract	Contract	Contract	Contract	Contract
FS Aberdour <sup>(1)</sup>	2009	Centrica	UK	Contract	Contract	Contract	Contract			
FS Balmoral	2008	Ineos	UK	Contract	Contract	Options	Options	Dry-dock	Options	Options
FS Kristiansand	2005	Perenco	UK	Contract	Contract	Options				
FS Braemar	2007	Total/Lay-up	UK		Contract			Dry-dock		
FS Bergen	2006	Lay-up	UK							
FS Abergeldie	2008	Lay-up	Trinidad							



- Solid contract coverage through the winter season
- Well positioned for a potential market upturn in the spring of 2018

# Utilization overview

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

### Standard Vessels (100% owned)

Period (2017):	1Q17	2Q17	3Q17	Oct-17
S. Princess	72 %	96 %	84 %	69 %
S.Viking	0 %	39 %	94 %	99 %
S. Supplier	n.a.	12 %	93 %	89 %
S. Provider	n.a.	n.a.	n.a.	n.a.
S. Supporter	n.a.	n.a.	n.a.	n.a.
<b>Simple average</b>	<b>36 %</b>	<b>49 %</b>	<b>90 %</b>	<b>86 %</b>

Total days, Available	Total days, Worked	YTD Oct-17 Total, %
260	220	84 %
214	152	71 %
153	117	77 %
n.a.	n.a.	n.a.
n.a.	n.a.	n.a.
		<b>77 %</b>

### PSV Opportunity III Vessels (25.5% owned)

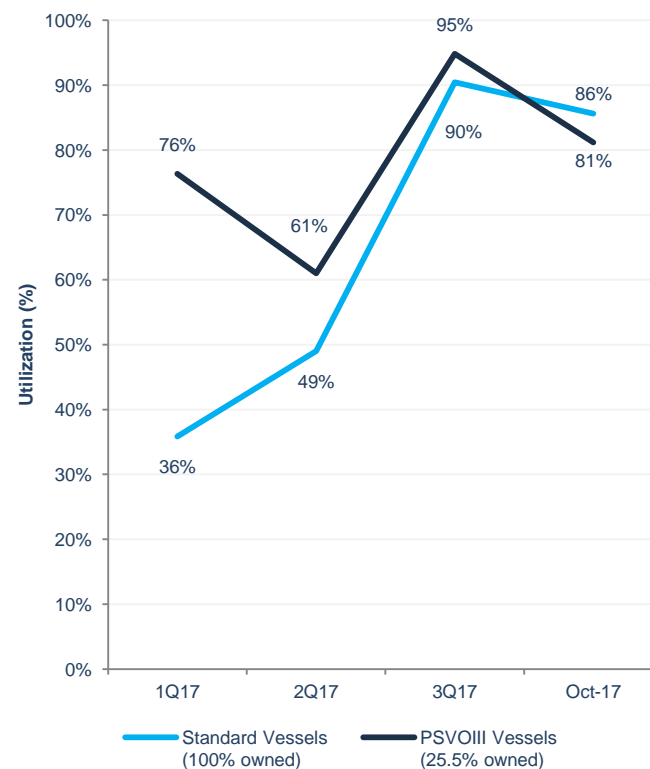
Period (2017):	1Q17	2Q17	3Q17	Oct-17
FS Kristiansand	100 %	100 %	100 %	100 %
FS Arendal	100 %	48 %	100 %	100 %
FS Aberdour	29 %	54 %	100 %	100 %
FS Balmoral	n.a.	43 %	95 %	100 %
FS Braemar	n.a.	n.a.	79 %	6 %
<b>Simple average</b>	<b>76 %</b>	<b>61 %</b>	<b>95 %</b>	<b>81 %</b>

Total days, Available	Total days, Worked	YTD Oct-17 Total, %
304	304	100 %
304	257	84 %
304	198	65 %
184	144	78 %
54	20	37 %
		<b>73 %</b>

**Note:**

- Standard Princess 1Q17 utilization from 13th February
- Standard Supplier 2Q17 utilization from June-17
- Standard Provider 4Q17 utilization from mid-Nov-17
- Standard Supporter 4Q17 utilization from mid-Nov-17
- FS Balmoral 2Q17 utilization from May-17
- FS Braemar 3Q17 utilization from Sept-17

## Utilization overview (simple average)



# Large-size PSV vessels – EBITDA overview

## 3x Standard Vessels (100% owned) <sup>(1)</sup>

Standard Vessels (USD)	3Q17	2Q17	YTD 3Q17
<b>Net hire (net of commission)</b>	<b>2 617 337</b>	<b>1 054 622</b>	<b>3 905 896</b>
Admin expenses	(21 050)	(28 660)	(74 979)
Start up / Liquidation expenses	(8 402)	(293 149)	(438 594)
OPEX/Lay-up costs	(1 832 516)	(2 151 104)	(4 720 872)
Dry docking expenses / Surveys / Repairs	(188 861)	(1 263 347)	(1 652 237)
Bunkers on delivery / redelivery / repositioning	(22 985)	0	(373 458)
<b>Total operation expenses</b>	<b>(2 073 815)</b>	<b>(3 736 259)</b>	<b>(7 260 139)</b>
<b>EBITDA</b>	<b>543 522</b>	<b>(2 681 636)</b>	<b>(3 354 243)</b>
<b>EBITDA %</b>	<b>21 %</b>	<b>n.a.</b>	<b>n.a.</b>

<sup>(1)</sup> Note that the above unaudited EBITDA breakdown is not found in the company's third quarter report

# Mid-size PSV vessels – EBITDA overview

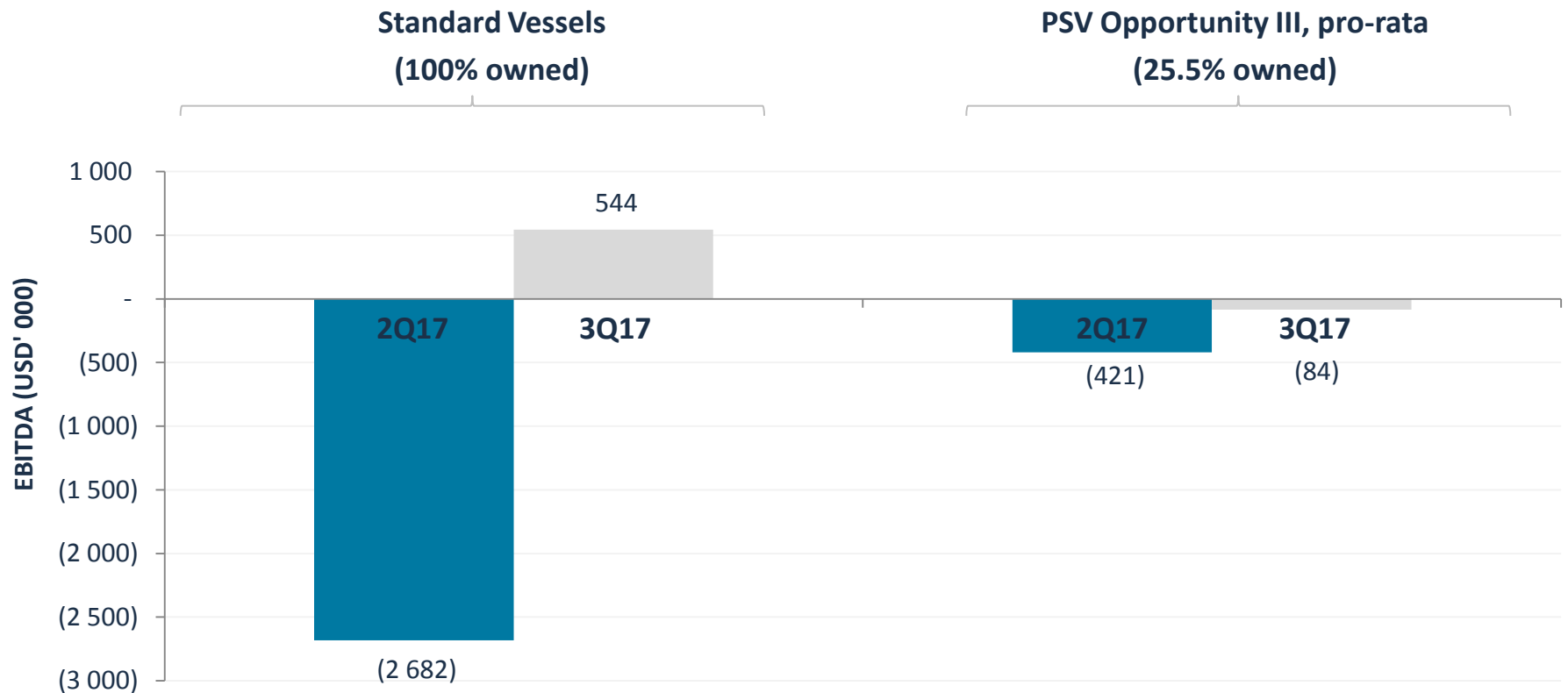
## 7x PSV Opportunity III Vessels (25.5% owned )<sup>(1)</sup>, pro-rata overview

PSV Opportunity III Vessels (USD), pro-rata overview	3Q17	2Q17	YTD 3Q17
<b>Net hire (net of commission)</b>	<b>603 330</b>	<b>315 282</b>	<b>1 200 518</b>
Admin expenses	(20 016)	(25 658)	(61 938)
Start up / Liquidation expenses	-	4 192	(10 254)
OPEX/Lay-up costs	(676 104)	(597 541)	(1 784 595)
Dry docking expenses / Surveys / Repairs	-	(76 770)	(76 770)
Bunkers on delivery / redelivery / repositioning	8 401	(40 033)	(20 467)
<b>Total operation expenses</b>	<b>(687 719)</b>	<b>(735 810)</b>	<b>(1 954 024)</b>
<b>EBITDA</b>	<b>(84 389)</b>	<b>(420 528)</b>	<b>(753 507)</b>
<b>EBITDA %</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>

(1) Note that the EBITDA breakdown is not found in the third quarter report

# Summary – EBITDA overview

Standard Vessels (100% owned) and PSV Opportunity III Vessels (25.5% owned), pro-rata



# Explanation of the fair value accounting loss in 3Q17

- **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 6.5m for the quarter
  
- **Example of fair value calculation for Standard Viking for quarter:**

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 (3Q17)	18.0	15.0	13.0	10.0	25.0	23.0	18.1	15.3	20.3	14.1

**(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 14.1m as opposed to an average value of USD 20.3m for scenarios of transactions between two willing parties.

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# Income statement

## S.D. Standard Drilling – Income statement for 3Q17

	Three Months Ended		Nine Months Ended	
	2017 Q3	2016 Q3	2017 Q3	2016 Q3
<i>(Amounts in USD 000)</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
<b>Income</b>				
Changes in fair value on financial assets and financial liabilities at fair value through profit or loss	(6 502)	-	(6 584)	-
Other gains and (losses)	(56)	-	364	-
Interest income	64	11	73	36
Net foreign currency gains or (losses)	831	4	1 851	9
<b>Total net income /(loss)</b>	<b>(5 663)</b>	<b>15</b>	<b>(4 296)</b>	<b>45</b>
<b>Expenses</b>				
Administration fees	(130)	(96)	(477)	(349)
<b>Total operating expenses</b>	<b>(130)</b>	<b>(96)</b>	<b>(477)</b>	<b>(349)</b>
<b>Operating profit/(loss)</b>	<b>(5 793)</b>	<b>(81)</b>	<b>(4 773)</b>	<b>(304)</b>
<b>Finance costs</b>				
Sundry finance income/(expenses)	35	(1)	(2)	(7)
<b>Profit/(loss) for the period before tax</b>	<b>(5 758)</b>	<b>(82)</b>	<b>(4 775)</b>	<b>(311)</b>
Income tax expense	-	-	-	-
<b>Profit/(loss) for the period after tax</b>	<b>(5 758)</b>	<b>(82)</b>	<b>(4 775)</b>	<b>(311)</b>
<b>Other comprehensive income</b>				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Available-for-sale investments – Fair value gain	(4)	-	(1)	1
<b>Other comprehensive income for the period</b>	<b>(4)</b>	<b>-</b>	<b>(1)</b>	<b>1</b>
<b>Total comprehensive income for the period</b>	<b>(5 762)</b>	<b>(82)</b>	<b>(4 776)</b>	<b>(310)</b>
<b>Earnings/(loss) per share</b>				
Basic/diluted earnings/(loss) per share	(0,02)	(0,00)	(0,01)	(0,00)

# Balance sheet

## S.D. Standard Drilling – Balance sheet for 3Q17

<i>(Amounts in USD 000)</i>	<b>30.09.2017</b>	<b>31.12.2016</b>
<b>ASSETS</b>	<i>Unaudited</i>	<i>Audited</i>
Intangible assets	2	-
Equipment and machinery	1	1
Financial asset at fair value through profit or loss	59 528	5 300
<b>Total non-current assets</b>	<b>59 531</b>	<b>5 301</b>
Trade and other receivables	56	144
Senior secured callable bonds	148	2 018
Loan receivable	742	-
Available-for-sale financial assets	14	15
Current tax asset	1	1
Cash and bank balances	12 766	1 798
<b>Total current assets</b>	<b>13 727</b>	<b>3 976</b>
<b>Total Assets</b>	<b>73 258</b>	<b>9 277</b>
<b>EQUITY AND LIABILITIES</b>		
Ordinary shares	10 701	2 620
Share premium	67 713	6 938
Other reserves	(2)	(1)
Accumulated profits/(losses)	(5 229)	(454)
<b>Total equity</b>	<b>73 183</b>	<b>9 103</b>
Trade and other payables	75	174
<b>Total current liabilities</b>	<b>75</b>	<b>174</b>
<b>Total Equity and Liabilities</b>	<b>73 258</b>	<b>9 277</b>

# Cash flow statement

## S.D. Standard Drilling – Cash flow statement for 3Q17

	Nine Months Ended	
	2017	2016
	Q3	Q3
<i>(Amounts in USD 000)</i>		
	<i>Unaudited</i>	<i>Unaudited</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/(Loss) for the period before income tax	(4 775)	(311)
Unrealised exchange gain	(418)	-
Other gains and losses	(364)	-
Payments to acquire financial assets at fair value through profit or loss	(56 611)	-
Interest income	(73)	(36)
Loans granted	(742)	-
Decrease/(increase) in trade and other receivables	88	(14)
Decrease in financial asset fair value through profit or loss	6 584	-
Decrease in trade and other payables	(99)	(16)
<b>Net cash generated from/(used in) operating activities</b>	<b>(56 410)</b>	<b>(377)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payment to acquire investment in associate	-	(2 400)
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	73	36
<b>Net cash generated from/(used in) investing activities</b>	<b>2 305</b>	<b>(2 364)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of ordinary shares	67 633	-
Share issue costs	(2 978)	-
<b>Net cash generated from/(used in) financing activities</b>	<b>64 655</b>	<b>-</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>10 550</b>	<b>(2 741)</b>
Cash and cash equivalents at beginning of year	1 798	9 393
Effect of exchange rate changes on the balance of cash held in foreign currencies	418	-
Cash and cash equivalents at end of period	12 766	6 652



STANDARD DRILLING