

**S.D. STANDARD DRILLING PLC**

**SECOND QUARTER REPORT 2016**



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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

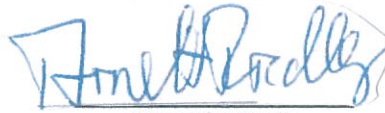
In accordance with Article 10 sections (3) (c) and (7) of the Transparency Requirements (Securities for Trading on Regulated Markets) Law of 2007 ("Law") we, the members of the Board of Directors and other responsible persons for the drafting of the interim condensed financial statements of S.D. Standard Drilling Plc (the "Company"), for the six months ended 30 June 2016 we confirm that, to the best of our knowledge:

- a) The interim condensed financial statements of the Company for the six months ended 30 June 2016 which are presented on pages 5 to 10:
  - (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, 29 August 2016



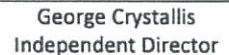
Martin Nes  
Chairman



Arne Helge Fredly  
Non-Executive Director



Espen Lundaas  
Chief Financial Officer



George Crystallis  
Independent Director



Evangelia Panagide  
General Manager

## Second Quarter Management Report 2016

### Selected Financial Information

	Three months Ended		Six Months Ended	
	2016 Q2 <i>Unaudited</i>	2015 Q2 <i>Unaudited</i>	2016 Q2 <i>Unaudited</i>	2015 Q2 <i>Unaudited</i>
<i>(Amounts in USD 000)</i>				
Operating Revenue	-	-	-	-
Operating profit/(loss)before depreciation	(93)	<b>(1 091)</b>	(248)	(1 331)
Operating margin, %	-	-	-	-
Operating profit/(loss)	(93)	<b>(1 092)</b>	(248)	(1 333)
Profit/(Loss) for the period before taxes	(83)	<b>(1 065)</b>	(229)	(1 265)
Profit/(Loss) for the period	(83)	<b>(1 065)</b>	(229)	(1 265)

### Presentation of Interim Condensed Financial Statements

These interim condensed financial statements for the second quarter of the year 2016 are prepared and presented on a standalone basis, since the Company does not have any subsidiaries.

### Subsequent Events

The Company has invested USD 2.4 million, representing 20% of the issued share capital of PSV Opportunity I DIS (hereinafter "PSV"), a Company incorporated in Norway. PSV owns three mid-size PSV vessels (VS 470 MKII) which were built at Kleven Shipyard in Norway in 2005 and 2006. The transaction was closed in early August 2016.

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

## RESULTS

a good position to take advantage of any new investment opportunities that may appear.

### RESULTS FOR SECOND QUARTER 2016

The operating loss for the three months ended on 30 June 2016 was USD 93 thousands. The operating loss includes mainly administration expenses. Net financial income for the period was USD 10 thousands thus a net loss before tax for the period of approximately USD 83 thousands. Earnings per share was USD 0,00 for the quarter.

### LIQUIDITY AND CAPITAL STRUCTURE

The available cash position as at 30 June 2016 was USD 9,2 million.

During the six months of 2016, net cash used in operating activities was USD 242 thousands and net cash generated from investing activities was USD 25 thousands respectively, mainly consisting of interest received.

As of 30 June 2016, the Company had 217 shareholders. The share price as of 30 June 2016 was NOK 0,77 (USD 0,09).

### BOARD OF DIRECTORS

At the Annual General Meeting of the Company that took place on 11 May 2016, Mr. Martin Nes and Mr. Arne Helge Fredly were re-elected as members of the board of directors.

Furthermore, Mr Martin Nes was reappointed in the position of the chairman of the board.

### COMMITTEES

#### *Nomination Committee*

At the Annual General Meeting of the Company that took place on 11 May 2016, Mr. Glen Ole Rodland retired from his position as the chairman of the Nomination Committee and Mr. Costas Pantelides who was appointed as a member of the Nomination Committee on 17 September 2015, was appointed in the position of the chairman and Mr. George Papanicolaou appointed as member of the Nomination Committee.

### OUTLOOK

Having subscribed in the share capital of PSV Opportunity I DIS, the Company is reinvesting in the offshore shipping industry.

Going forward and based on the financial position and cash availability, the Board believes that the Company is in

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

29 August, 2016



Martin Nes  
Chairman



Espen Lundaas  
CFO



**INTERIM CONDENSED STATEMENT  
OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 30 JUNE 2016**

<i>(Amounts in USD 000)</i>	Note	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
		<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
		<b>Q2</b>	<b>Q2</b>	<b>Q2</b>	<b>Q2</b>
		<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
Operating Revenue		-	-	-	-
Operating Expenses		-	-	-	-
Gross profit/(loss)		-	-	-	-
Other gains and (losses)	3	(2)	(957)	5	(1 005)
Administration expenses		(91)	(134)	(253)	(326)
<b>Operating profit/(loss) before depreciation</b>		<b>(93)</b>	<b>(1 091)</b>	<b>(248)</b>	<b>(1 331)</b>
Depreciation and amortization		-	(1)	-	(2)
<b>Operating profit/(loss)</b>		<b>(93)</b>	<b>(1 092)</b>	<b>(248)</b>	<b>(1 333)</b>
Finance Income		13	29	25	72
Finance Costs		(3)	(2)	(6)	(4)
<b>Profit/(Loss) for the period before tax</b>		<b>(83)</b>	<b>(1 065)</b>	<b>(229)</b>	<b>(1 265)</b>
Income tax credit/(expense)		-	-	-	-
<b>Profit/(Loss) for the period</b>		<b>(83)</b>	<b>(1 065)</b>	<b>(229)</b>	<b>(1 265)</b>
<b>Other comprehensive income</b>					
Available-for-sale investments – Fair value gains		1	-	1	-
<b>Total comprehensive income for the period</b>		<b>(82)</b>	<b>(1 065)</b>	<b>(228)</b>	<b>(1 265)</b>
<b>Earnings/(loss) per share</b>					
Basic/diluted earnings/(loss) per share	4	(0,00)	(0,00)	(0,00)	(0,00)

**INTERIM CONDENSED STATEMENT  
OF FINANCIAL POSITION  
AT 30 JUNE 2016**

<i>(Amounts in USD 000)</i>	Note	<b>30.6.2016</b>	<b>31.12.2015</b>
<b>ASSETS</b>		<i>Unaudited</i>	<i>Audited</i>
Equipment and machinery		1	1
<b>Total non-current assets</b>		<b>1</b>	<b>1</b>
Trade and other receivables		46	35
Available-for-sale financial assets	5	17	16
Current tax asset		1	1
Cash and bank balances		9 176	9 393
<b>Total current assets</b>		<b>9 240</b>	<b>9 445</b>
<b>Total Assets</b>		<b>9 241</b>	<b>9 446</b>
<b>EQUITY AND LIABILITIES</b>			
Ordinary shares		2 620	2 620
Share premium		6 938	6 938
Other reserve		1	-
Accumulated profits/(losses)		(405)	(177)
<b>Total equity</b>		<b>9 154</b>	<b>9 381</b>
Trade and other payables		87	65
<b>Total current liabilities</b>		<b>87</b>	<b>65</b>
<b>Total Equity and Liabilities</b>		<b>9 241</b>	<b>9 446</b>

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

  
Martin Nes  
Chairman

  
Espen Lundaas  
CFO

**INTERIM CONDENSED STATEMENT  
OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 JUNE 2016**

<i>(Amounts in USD 000)</i>	Share Capital	Share Premium	Fair value reserve - available for sale investments	Accumulated Profits/(Losses)	Total
<b>Balance at 01.01.2015</b>	2 620	39 950	-	12 306	54 876
<b>Comprehensive income</b>					
Profit/(Loss) for the period	-	-	-	(1 265)	(1 265)
<b>Balance at 30.06.2015 (unaudited)</b>	2 620	39 950	-	11 041	53 611
<b>Balance at 01.01.2016</b>	2 620	6 938	-	(177)	9 381
<b>Comprehensive income</b>					
Profit/(loss) for the period	-	-	-	(228)	(228)
Other comprehensive income	-	-	1	-	1
<b>Balance at 30.06.2016 (unaudited)</b>	2 620	6 938	1	(405)	9 154



**INTERIM CONDENSED STATEMENT  
OF CASH FLOWS  
FOR THE PERIOD ENDED 30 JUNE 2016**

	Note	Six Months Ended	
		2016 Q2	2015 Q2
<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		(228)	(1 265)
Other gains and losses	3	-	963
Depreciation and amortization		-	2
Interest income		(25)	(72)
Increase/(decrease) in trade and other receivables		(11)	68
Increase in trade and other payables		22	17
<b>Net cash generated from/(used in) operating activities</b>		<b>(242)</b>	<b>(287)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Decrease in restricted cash		-	11
Interest received		25	72
<b>Net cash generated from/(used in) investing activities</b>		<b>25</b>	<b>83</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(217)</b>	<b>(204)</b>
Cash and cash equivalents at beginning of year		9 393	54 777
Non-cash transaction		-	(959)
Cash and cash equivalents at end of period		9 176	53 614

## NOTES TO THE FINANCIAL INFORMATION

### NOTE 1 – INCORPORATION AND PRINCIPAL ACTIVITIES

#### Country of Incorporation

S.D. Standard Drilling Plc. (the “Company”) is a limited liability Company incorporated and domiciled in Cyprus on 2 December 2010 in accordance with the provisions of the Cyprus Companies Law, Cap. 113. The Company was converted into a public company on 23 December 2010. On 25 March 2011 the Company’s shares were listed on Oslo Axess. The address of the Company’s registered office is 213 Arch. Makarios Avenue, Maximos Plaza, Tower 1, 3<sup>rd</sup> floor, 3030 Limassol, Cyprus.

#### Principal Activities

The principal activity of the Company is that of the investment holding.

### NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Preparation

The interim condensed financial statements for the six months ended 30 June 2016, 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 2015. The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015 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 2016. The adoption of these Standards did not have a material effect on the financial statements.

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 of those standards is not expected to be material to the Company.

### NOTE 3 – OTHER GAINS AND LOSSES

<i>(Amounts in USD 000)</i>	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>30.06.2016</b>	<b>30.06.2015</b>	<b>30.06.2016</b>	<b>30.06.2015</b>
Impairment of investment in Bank of Cyprus Public Company Ltd	-	-	-	(4)
Waived amount due from subsidiary	-	-	-	(31)
Net currency translation differences	(2)	(957)	5	(970)
	<b>(2)</b>	<b>(957)</b>	<b>5</b>	<b>(1 005)</b>

## NOTES TO THE FINANCIAL INFORMATION

### NOTE 4 – EARNINGS/(LOSS) PER SHARE

Basic earnings per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

<i>(Amounts in USD 000)</i>	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>30.06.2016</b>	<b>30.06.2015</b>	<b>30.06.2016</b>	<b>30.06.2015</b>
<b>Basic/diluted EPS</b>				
Profit/(Loss) attributable to equity holders of the Company	(83)	(1 065)	(229)	(1 265)
Weighted average number of ordinary shares in issue (thousands)	262 000	262 000	262 000	262 000
<b>Basic/diluted earnings/(loss) per share</b>	<b>(0,00)</b>	<b>(0,00)</b>	<b>(0,00)</b>	<b>(0,00)</b>

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

<i>(Amounts in USD 000)</i>	<b>30.06.2016</b>	<b>31.12.2015</b>
Balance at the beginning of year	16	26
Impairment charge	-	(10)
Revaluation difference transferred to equity	1	-
<b>Balance at the end of year</b>	<b>17</b>	<b>16</b>

### NOTE 6 – APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed financial statements have been approved by the Board of Directors of the Company on 26 August 2016.

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

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

Q3 2016

28 November 2016

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

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