

S.D. STANDARD DRILLING PLC

FOURTH QUARTER REPORT 2015



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STATEMENT OF THE MEMBERS OF THE BOARD OF DIRECTORS AND OTHER RESPONSIBLE PERSONS OF THE COMPANY FOR THE INTERIM CONDENSED CONSOLIDATED 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 consolidated financial statements of S.D. Standard Drilling Plc (the "Company") , for the twelve months ended 31 December 2015 we confirm that, to the best of our knowledge:

- a) The interim condensed consolidated financial statements of the Company for the twelve months ended 31 December 2015 which are presented on pages 5 to 11:
 - (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 consolidated 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, 25 February 2016

Martin Nes
Chairman

Arne Fredly
Non-Executive Director

George Crystallis
Independent Director

Espen Lundaas
Chief Financial Officer

Evangelia Panagide
General Manager

Fourth Quarter Management Report 2015

Selected Financial Information

	Three Months Ended		Twelve Months Ended	
	2015 Q4 <i>Unaudited</i>	2014 Q4 <i>Unaudited</i>	2015 Q4 <i>Unaudited</i>	2014 Q4 <i>Unaudited</i>
<i>(Amounts in USD 000)</i>				
Operating Revenue	-	-	-	-
Operating profit/(loss) before depreciation	(132)	(6 366)	(3 538)	(16 211)
Operating margin, %	-	-	-	-
Operating profit/(loss)	(132)	(6 367)	(3 540)	(16 219)
Profit/(Loss) for the period before taxes	8	(6 311)	(3 314)	(15 998)
Profit/(Loss) for the period	8	(6 311)	(3 314)	(16 069)

Subsequent Events

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

RESULTS

RESULTS FOR FOURTH QUARTER 2015

The operating loss for the three months ended on 31 December 2015 was USD 132 thousands. The operating loss includes mainly administration expenses. Net financial income for the period was USD 140 thousands thus a net profit before tax for the period of approximately USD 8 thousands. Earnings per share was USD 0,00 for the quarter.

LIQUIDITY AND CAPITAL STRUCTURE

The available cash position at 31 December 2015 was USD 9.4 million.

During the twelve months of 2015, net cash used in operating activities was USD 3 459 thousands and net cash generated from investing activities was USD 252 thousands respectively, mainly consisting of interest received. Net cash used in financing activities was USD 42 182 thousands.

As of 31 December 2015, the Company had 226 shareholders. The share price as of 31 December 2015 was NOK 0,62 (USD 0,07).

DIVIDENDS

On 25 August 2015, the Board of Directors declared an interim dividend of USD 0,035 per share, amounting to USD 9 170 thousands, out of the profits of the year 2013. The dividend was paid to the shareholders in September 2015.

SHARE CAPITAL AND PREMIUM

In an Extraordinary General Meeting of the Company held on 17 September 2015, it was resolved by a special resolution that the share premium account of the Company to be reduced from USD 39 950 thousand to USD 6 938 thousands. Of this reduction the amount of USD 33 012 thousands has been distributed to the registered shareholders of the Company. The reduction of the share premium became effective late October 2015 following the issue by the Cyprus Registrar of Companies of the certificate of registration of the Court Order and the minutes of the EGM for the reduction of Company's share premium account. The distribution to the shareholders was completed in early November 2015.

INVESTMENT

Strike off of subsidiary Company

On 10 December, S.D. Standard Drilling (Singapore) Pte Ltd a subsidiary incorporated in Singapore, was struck off the Register of Companies. The Company does not have any other subsidiaries, associates or joint ventures.

BOARD OF DIRECTORS

On 25 August 2015 Mr. Martin Nes was re-elected as the Chairman of the Board of Directors of the Company. On 30 December 2015 Mr. Arne Fredly was appointed as a Director of the Company replacing Mr. Gunnar Hvammen who resigned on 18 December.

OUTLOOK

Going forward and based on the financial position and cash availability, the Board believes that the Company is in a good position to take advantage of any new investment opportunities that may appear.

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

25 February, 2016

*Martin Nes
Chairman*

(Sign.)

*Espen Lundaas
CFO*

(Sign.)

INTERIM CONDENSED CONSOLIDATED STATEMENT
OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2015

	Note	Three Months Ended		Twelve Months Ended	
		2015	2014	2015	2014
		Q4	Q4	Q4	Q4
<i>(Amounts in USD 000)</i>					
		<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
Operating Revenue		-	-	-	-
Operating Expenses		-	-	-	-
Gross profit/(loss)		-	-	-	-
Other gains and (losses)	3	19	(6 147)	(2 861)	(15 143)
Administration expenses		(151)	(219)	(677)	(1 068)
Operating profit/(loss) before depreciation		(132)	(6 366)	(3 538)	(16 211)
Depreciation and amortization		-	(1)	(2)	(8)
Operating profit/(loss)		(132)	(6 367)	(3 540)	(16 219)
Finance Income		151	57	241	227
Finance Costs		(11)	(1)	(15)	(6)
Profit/(Loss) for the period before tax		8	(6 311)	(3 314)	(15 998)
Income tax credit/(expense)		-	-	-	(71)
Profit/(Loss) for the period		8	(6 311)	(3 314)	(16 069)
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		8	(6 311)	(3 314)	(16 069)
Earnings/(loss) per share					
Basic/diluted earnings/(loss) per share	4	0,00	(0,02)	(0,01)	(0,06)

**INTERIM CONDENSED CONSOLIDATED STATEMENT
OF FINANCIAL POSITION
AT 31 DECEMBER 2015**

<i>(Amounts in USD 000)</i>	Note	31.12.2015	31.12.2014
		<i>Unaudited</i>	<i>Audited</i>
ASSETS			
Intangible assets		-	2
Equipment and machinery		1	1
Total non-current assets		1	3
Trade and other receivables		35	104
Available-for-sale financial assets	5	16	26
Current tax asset		1	1
Restricted cash at bank	6	-	11
Cash and bank balances		9 393	54 782
Asset classified as held for sale	7	-	-
Total current assets		9 445	54.924
Total Assets		9 446	54.927
EQUITY AND LIABILITIES			
Ordinary shares		2 620	2 620
Share premium	8	6 938	39 950
Accumulated profits/(losses)		(178)	12 306
Total equity		9 380	54 876
Trade and other payables		66	51
Total current liabilities		66	51
Total Equity and Liabilities		9 446	54 927

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

*Martin Nes
Chairman
(Sign.)*

*Espen Lundaas
CFO
(Sign.)*

**INTERIM CONDENSED CONSOLIDATED STATEMENT
OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2015**

<i>(Amounts in USD 000)</i>	Share Capital	Share Premium	Accumulated Profits/(Losses)	Total
Balance at 01.01.2014	2 620	39 950	28 375	70 945
Comprehensive income				
Profit/(Loss) for the period	-	-	(16 069)	(16 069)
Balance at 31.12.2014 (audited)	2 620	39 950	12 306	54 876
Balance at 01.01.2015	2 620	39 950	12 306	54 876
Comprehensive income				
Profit/(loss) for the period	-	-	(3 314)	(3 314)
Dividend paid (note 9)	-	-	(9 170)	(9 170)
Share premium reduction (note 8)	-	(33 012)	-	(33 012)
Balance at 31.12.2015 (unaudited)	2 620	6 938	(178)	9 380

**INTERIM CONDENSED CONSOLIDATED STATEMENT
OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2015**

	Note	Twelve Months Ended	
		2015 Q4	2014 Q4
<i>(Amounts in USD 000)</i>			
		<i>Unaudited</i>	<i>Unaudited</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) for the period before income tax		(3 314)	(15 998)
Other gains and losses	3	10	14 547
Depreciation and amortization		2	8
Loss from sale of equipment and machinery		-	10
Interest income		(241)	(227)
Decrease/(increase) in trade and other receivables		70	(4)
Increase/(decrease) in trade and other payables		14	(43)
Income tax paid		-	(26)
Net cash generated from/(used in) operating activities		(3 459)	(1 733)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net proceeds from disposal of assets		-	51 601
Net cash outflow from acquisition of investment		-	(66 144)
Decrease in restricted cash	6	11	90
Interest received		241	227
Net cash generated from/(used in) investing activities		252	(14 226)
CASH FLOWS FROM FINANCING ACTIVITIES			
Share premium redemption	8	(33 012)	-
Interim dividend paid	9	(9 170)	-
Net cash generated from/(used in) financing activities		(42 182)	-
Net decrease in cash and cash equivalents		(45 389)	(15 959)
Cash and cash equivalents at beginning of year		54 782	70 741
Non-cash transaction		-	-
Cash and cash equivalents at end of period		9 393	54 782

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, 3rd floor, 3030 Limassol, Cyprus.

Principal Activities

The Company and the entities controlled by the Company, hereafter referred to as the “Group”, were established for the purpose of building a premium oilfield services company through superior assets, systems and people. Having sold all initial rig contracts, the strategy of the Group has changed to being an investment Group within the oil and gas service sector.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The interim condensed consolidated financial statements for the twelve months ended 31 December 2015, have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”. The interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2014. The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2014 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 2015. The adoption of these Standards did not have a material effect on the financial statements.

At the date of approval of these interim condensed consolidated 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 Group.

NOTE 3 – OTHER GAINS AND LOSSES

<i>(Amounts in USD 000)</i>	Three Months Ended		Twelve Months Ended	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Impairment of investment in Bank of Cyprus Public Company Ltd (note 5)	(5)	(6)	(10)	(6)
Net currency translation differences	24	525	(2 851)	(594)
Loss on disposal of investment in Prospector Offshore Drilling SA (3.1)	-	(6 666)	-	(14 543)
	19	(6 147)	(2 861)	(15 143)

3.1 Loss on disposal of investments in Prospector Offshore Drilling SA

<i>(Amounts in USD 000)</i>	31.12.2015	31.12.2014
Consideration received net	-	51 601
Cost of investment	-	(66 144)
Loss on disposal of shares	-	(14 543)

The loss of USD 14 543 can be further disaggregated to the following elements:

<i>(Amounts in USD 000)</i>	31.12.2015	31.12.2014
Changes in fair value	-	(11 330)
Exchange difference	-	(3 213)
Loss on disposal of shares	-	(14 543)

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>	Three Months Ended		Twelve Months Ended	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Basic/diluted EPS				
Profit/(Loss) attributable to equity holders of the Company	8	(6 311)	(3 314)	(16 069)
Weighted average number of ordinary shares in issue (thousands) *	262 000	262 000	262 000	262 000
Basic/diluted earnings/(loss) per share	0,00	(0,02)	(0,01)	(0,06)

*(See note 8)

NOTE 5 – AVAILABLE-FOR-SALE FINANCIAL ASSETS

<i>(Amounts in USD 000)</i>	31.12.2015	31.12.2014
Balance at the beginning of year	26	32
Impairment charge (note 3)	(10)	(6)
Balance at the end of year	16	26

NOTE 6 – RESTRICTED CASH AT BANK

<i>(Amounts in USD 000)</i>	31.12.2015	31.12.2014
Balance at the beginning of year	11	101
Transfer to cash and bank balances	(11)	(90)
Balance at the end of year	-	11

NOTE 7 – ASSETS CLASSIFIED AS HELD FOR SALE

<i>(Amounts in USD 000)</i>	31.12.2015	31.12.2014
Opening	-	-
Additions	-	66 144
Derecognised on disposal	-	(66 144)
Balance at the end of year	-	-

NOTE 8 – SHARE PREMIUM

In an Extraordinary General Meeting of the Company held on 17 September 2015, it was resolved by a special resolution that the share premium account of the Company to be reduced from USD 39 950 thousand to USD 6 938 thousands. Of this reduction the amount of USD 33 012 thousands has been distributed to the registered shareholders of the Company. The reduction of the share premium became effective late October 2015 following the issue by the Cyprus Registrar of Companies of the certificate of registration of the Court Order and the minutes of the EGM for the reduction of Company's share premium account. The distribution to the shareholders was completed in early November 2015.

NOTE 9 – DIVIDENDS

On 25 August 2015, the Board of Directors declared an interim dividend of USD 0,035 per share, amounting to USD 9 170 thousands, out of the profits of the year 2013. The dividend was paid to the shareholders in September 2015.

NOTES TO THE FINANCIAL INFORMATION

NOTE 10 – ACQUISITION, INCORPORATION AND DISSOLUTION OF SUBSIDIARIES

On 10 December 2015, S.D. Standard Drilling (Singapore) Pte Ltd a subsidiary incorporated in Singapore, was struck off the Register of Companies. The Company does not have any other subsidiaries, associates or joint ventures.

NOTE 11 – APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements have been approved by the Board of Directors of the Company on 25 February 2016.

S.D. Standard Drilling

Financial Calendar (Release of Financial Reports)

Q4 2015	26 February 2016
Q1 2016	26 May 2016
Q2 2016	29 August 2016
Q3 2016	28 November 2016

S.D. Standard Drilling Plc

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