

STANDARD SUPPLY AS
THIRD QUARTER REPORT 2023



STANDARD**SUPPLY**

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THIRD QUARTER MANAGEMENT REPORT

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Third Quarter Management Report 2023

Key Financials

	Three Months Ended		Nine Months Ended	
	2023 Q3	2022 Q3	2023 YTD Q3	2022 YTD Q3
(Amounts in USD 000)	Unaudited	Unaudited	Unaudited	Unaudited
Operating income, adjusted*	12 392	9 718	32 726	14 480
EBITDA	6 451	4 806	13 655	5 254
Net profit	7 839	2 977	11 201	2 589

*Excluding net gain on sale of Standard Duke 4m in Q3 2023

Highlights Third Quarter 2023

- The Group reported EBITDA of USD 6.5 million and net profit of USD 7.8 million.
- Time charter equivalent earnings of USD 16,700 per day and utilization of 96 % based on availability.
- Recognized net gain on sale of Standard Duke of USD 4.0 million.
- Cash at quarter end of USD 9.5 million.

Subsequent events

- Achieved time charter equivalent earnings of USD 15,400 per day in October with utilization of 96% based on availability.
- Entered into Memorandum of Agreement (“MOA”) for the sale of Standard Viking, Standard Supplier and Standard Defender in an en bloc transaction for gross USD 72.2 million. The transaction is expected to be completed by mid-January 2024, at the latest.
- Extended the USD 20 million Revolving Credit Facility with S.D. Standard ETC Plc until December 31st 2024.
- Standard Supplier experienced failure with one of its Azimuth thrusters which is currently undergoing repairment.
- Sold FS Balmoral for USD 9.5 million. Estimated net gain of USD 2.6 million to be booked in the fourth quarter of 2023.
- Declared cash distribution of NOK 50 cents, from operational result and the sale of FS Balmoral.

Commercial update

At the end of quarter the Group had eight (8x) PSVs in operation, all trading on the UK continental shelf.

Vessels	Built	Deck (m2)	Employment	Dayrate*	Firm end	Option end
Standard Viking	2007	1 060	TC	16 000	feb.24	
Standard Supplier	2007	1 060	TC	22,800	jun.24	nov.24
Standard Defender	2019	900	TC	22 500	apr.24	June.24
FS Balmoral	2008	710	TC	32 500	nov.23	
FS Kristiansand	2005	710	TC	17 800	nov.23	feb.24
FS Braemar	2007	710	TC	17 800	des.23	feb.24
FS Abergeldie	2008	702	TC	8 700	apr.24	apr.25
FS Crathes	2008	702	TC	16 900	des.23	mar.24

*Note contracts converted to USD utilizing current GBP/ EURO conversions.

Third Quarter Management Report 2023 (Continued)

Consolidated Income Statement

Three months ending September 30, 2023

Operating revenues were USD 16.4m for Q3, 2023 (USD 9.7m for Q3, 2022). USD 4m were related to net gain on sale of Standard Duke and USD 2.5m were related to Standard Duke and Standard Defender in 2023 which had no operating revenues in Q3 2022. Operating revenues from Standard Viking, Standard Supplier and Northern Supply has increased with USD 0.2m in Q3 2023 compared to Q3 2022.

Operating expenses were USD 5.6m for Q3, 2023 (USD 4.5m for Q3, 2022). Operating expenses for the three months period in 2023 include USD 1.2m in expenses from Standard Defender and Standard Duke which had only limited expenses (USD 0.2m) in Q3 2022 given that Standard Duke was undergoing reactivation and drydocking, and Standard Defender was not delivered.

General and administrative expenses were USD 0.3m for Q3, 2023 (USD 0.4m for Q3, 2022). The comparative figures include approximately USD 0.1m in costs associated with the Euronext Growth listing.

Depreciation were USD 2.2m for Q3, 2023 (USD 1.6m Q3, 2022). Increase in depreciation is explained by net increase in the fleet of vessels during 2022.

Net financial items were USD -0.5m for Q3, 2023 (USD -0.2m for Q3, 2022). USD -0.5m is mainly related to net currency loss in 2023.

Nine months ending September 30, 2023

Operating revenues were USD 36.8m for the nine months ending September 30, 2023 (USD 14.5m for the nine months ending September 30, 2022). USD 4m were related to net gain on sale of Standard Duke and USD 8.1m were related to Standard Duke and Standard Defender in 2023 which had no operating revenues YTD Q3 2022. Northern Supply were consolidated from June 21, 2022, and operating revenue in first half of 2023 were USD 10m compared to USD 0.6m for the first half of 2022. Operating revenues from Standard Viking, Standard Supplier and Northern Supply has increased with USD 0.8m YTD Q3 2023 compared to YTD Q3 2022.

Operating expenses were USD 17.9m for the nine months ending September 30, 2023 (USD 7.9m for the nine months ending September 30, 2022). Operating expenses for the nine months period in 2023 include USD 4.1m in expenses from Standard Duke and Standard Defender which had only limited expenses (USD 0.2m) for the nine months period in 2022 given that Standard Duke was undergoing reactivation and drydocking, and Standard Defender was not delivered. Northern Supply were consolidated from June 21, 2022, and operating expenses in first half of 2023 were USD 6.4m compared to USD 0.3m for the first half of 2022.

General and administrative expenses were USD 1.1m for the nine months ending September 30, 2023 (USD 1.3m for the nine months ending September 30, 2022). USD 0.4m were related to Northern Supply, Standard Duke and Standard Defender in 2023 and the comparative figures includes approximately 0.6m in one-off costs associated with the Euronext Growth listing.

Depreciation were USD 6.1m for the nine months ending September 30, 2023 (USD 2.9m for the nine months ending September 30, 2022). Increase in depreciation is explained by net increase in the fleet of vessels during 2022 and Northern Supply consolidated from June 21, 2022.

Net financial items were USD -0.2m for the nine months ending September 30, 2023 (USD -0.4m for the nine months ending September 30, 2022). The financial items in 2023 relates to a USD -0.2m net currency loss, interest income on bank deposits of USD 0.2m and interest cost on the RCF of USD -0.2m

Consolidated Cash Flow Statement

Nine months ending September 30, 2023

Net cash provided by operating activities were USD 12m for the nine months period ending September 30, 2023 (USD 1.4m for the nine months period ending September 30, 2022). Increase in net cash provided by operating activities are mainly as a result of the increased fleet and reduction of net working capital in 2023.

Net cash received from investing activities were USD 7.8m for the nine months period ending September 30, 2023 (USD -14.9m for the nine months period ending September 30, 2022). Net cash received from investing activities in 2023 relates to a net proceed of USD 10.5m from sale of Standard Duke and investments in ballast water treatment systems and dry-dock expenses on USD -2.7m.

Net cash used in financing activities were USD -18.4m for the nine months ending September 30, 2023 (USD 24m for the nine months ending September 30, 2022). For 2023 this is related to USD -0.1m in interest on the RCF and dividends and repayments of USD -16.2m to controlling interest and USD -2.1m to non-controlling interests.

Consolidated Balance Sheet

Total assets were USD 89.4m as of September 30, 2023, a reduction of USD 5.6m since December 31, 2022. The reduction is mainly driven by the sale of Standard Duke.

Total equity was USD 84.8m as of September 30, 2023, including minority interests of USD 20.4m

Total cash and cash equivalents were USD 9.5m as of September 30, 2023, including USD 4.3m in Northern Supply.

The RCF were un-drawn as of September 30, 2023.

UNAUDITED CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT

USD	Note	Q3 2023	Q3 2022	YTD Q3 2023	YTD Q3 2022
OPERATING INCOME					
Operating income	3	12 392 458	9 718 468	32 726 072	14 479 549
Net gain sale of fixed assets	4	4 044 571	-	4 044 571	-
Total operating income		16 437 028	9 718 468	36 770 643	14 479 549
OPERATING COSTS					
Ship operating expenses		5 604 664	4 528 269	17 922 381	7 878 803
Administration expenses		336 959	384 079	1 149 060	1 346 394
Depreciations	4	2 157 327	1 625 374	6 064 378	2 907 881
Total operating expenses		8 098 950	6 537 722	25 135 818	12 133 078
NET OPERATING RESULT		8 338 078	3 180 746	11 634 824	2 346 471
Share of income in associated company		-	-	-	759 306
FINANCIAL ITEMS					
Interest income		77 521	-	187 813	8 321
Net currency gain/(loss)		-478 012	-110 554	-247 133	-236 629
Interest costs	7	66 126	67 633	168 637	210 999
Net financial items		-466 617	-178 187	-227 957	-439 307
NET RESULT BEFORE TAX		7 871 461	3 002 560	11 406 867	2 666 470
Tax		32 948	25 750	205 717	77 249
RESULT OF THE PERIOD		7 838 513	2 976 810	11 201 150	2 589 221
Attributed to majority interest	5	6 767 986	1 475 008	9 007 065	921 441
Attributed to minority interest	5	1 070 526	1 501 802	2 194 085	1 667 781

UNAUDITED CONDENSED INTERIM CONSOLIDATED BALANCE SHEET

USD	Note	30 Sept 2023	31 Dec 2022
NON-CURRENT ASSETS			
Fixed assets			
Vessels	4	69 918 225	77 989 771
Total fixed assets		69 918 225	77 989 771
Total fixed assets		69 918 225	77 989 771
CURRENT ASSETS			
Inventory			
Inventory		223 708	1 119 293
Accounts receivables			
Receivable ship manager		1 507 561	771 443
Other receivables		233 278	190 282
Accrued income		143 326	879 867
Trade receivables		7 893 151	5 967 414
Total receivables		9 777 316	7 809 007
Cash and cash equivalents		9 527 819	8 126 943
Total current assets		19 528 843	17 055 242
TOTAL ASSETS		89 447 068	95 045 013
EQUITY			
Paid in capital			
Share capital	5	1 927 926	1 927 926
Premium of shares	5	69 087 892	83 504 766
Total paid in equity		71 015 818	85 432 692
Other equity			
Retained loss	5	-5 677 338	-12 917 419
Currency translation differences	5	-979 368	-979 369
Total other equity		-6 656 706	-13 896 788
Minority interests	5	20 411 878	20 309 088
Total equity		84 770 989	91 844 992
LIABILITIES			
Short term liabilities			
Debt to owners	7	-	-
Debt ship manager		4 029 034	2 429 508
Accounts payable		295 821	441 028
Tax payable		227 433	169 430
Other current liabilities		123 791	160 055
Total short-term liabilities		4 676 079	3 200 022
Total liabilities		4 676 079	3 200 022
TOTAL EQUITY AND LIABILITIES		89 447 068	95 045 013

UNAUDITED CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT

USD	Note	YTD Q3 2023	YTD Q3 2022
Cash-flow from operational activities			
Profit before tax		11 406 867	2 666 470
Share of income in associated company		-	-759 306
Depreciations	4	6 064 378	2 907 881
Income tax paid		-147 714	-33 129
Loss/(-gain) on sale fixed assets		-4 044 571	-
Change in inventories		895 585	69 523
Change in receivables and prepayments		-1 968 309	-2 513 692
Change in payables and accruals		-186 885	1 557 554
Change in other provisions		-36 262	-2 465 238
Net cash-flow from operational activities		11 983 088	1 430 064
Cash-flow from investment activities			
Cash used in business combination net of cash acquired		-	-814 492
Advance payment on vessel		-	-1 878 903
Proceeds from sale of vessel	4	10 523 753	-
Investment in fixed assets	4	-2 738 359	-12 240 141
Net-Cash-flow from investment activities		7 785 394	-14 933 535
Cash-flow from financing activities			
Equity issue		-	14 918 492
Equity issue non-controlling interests		-	2 044 688
Drawdown RCF	7	2 700 000	18 150 000
Repayment RCF	7	-2 700 000	-
Paid interest RCF	7	-92 453	-
Dividends and repayment to non-controlling interests	5	-2 094 034	-
Dividends and repayment to controlling interests	5	-16 181 120	-11 147 899
Net cash-flow from financing activities		-18 367 606	23 965 281
Net change in cash and cash-equivalents		1 400 876	10 461 810
Cash and cash-equivalents at beginning of period		8 126 943	14 636 171
Cash and cash-equivalents at end of period		9 527 819	25 097 981

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENT

NOTE 1 - THE PURPOSE OF THE GROUP AND THE BASIS FOR CONTINUED OPERATIONS:

The Standard Supply Group ("Group") was established 9 June 2022 when SD Standard ETC Plc. transferred all its shares in Wanax AS to Standard Supply AS as a contribution in kind. The transaction established the very same shareholder structure of Standard Supply AS as had been in Wanax AS immediately prior to the transaction. The transaction represents a capital reorganization, and not a business combination. The carrying values of assets and liabilities in Wanax AS are recognized in the combined group (with Standard Supply AS as the new parent company) with the same carrying values as in Wanax AS in line with predecessor accounting (i.e. to continuity) and with no fair value adjustments. The historical comparable financial information prior to the capital reorganization described above is therefore the historical financial information for Wanax AS and its subsidiaries.

On 21 June 2022 the BoD in Standard Supply approved the purchase of 290 878 shares in Northern Supply AS bringing the total ownership to 51% for the Group. Following the acquisition, the Group gained control over Northern Supply and Northern Supply will thus be consolidated from this point in time. The acquisition of shares in Northern Supply is accounted for as a business combination.

On 27 June 2022, the Group announced that it had agreed to acquire the 2012 built medium-size PSV Standard Duke for a cash consideration of USD 5 million. The vessel is held through the company Standard Duke AS, which is a wholly owned subsidiary of Wanax. The purchase of the vessel is accounted for as an asset acquisition. The Group took possession of the vessel on 1 July 2022 and the vessel was thereafter sent to UK to undergo reactivation and drydocking. Standard Duke was sold on 7 August 2023.

On 28 June 2022, the Group announced that it had agreed to acquire the 2019 built large-sized PSV Standard Defender for a cash consideration of NOK 204 million (USD 20.7m). The vessel is held through the company Standard Defender AS, which is a 90 % owned subsidiary of Wanax. The Group took possession of the vessel on 11 October 2022 and the purchase of the vessel is accounted for as an asset acquisition.

The purpose of the Group is to acquire and operate the offshore supply vessels (PSV) and all other business related therewith to the most profitable outcome for the owners. The Groups administration is in Oslo.

The Group operated as of 30 September 2023 three large size PSVs (one owned 90%) and had an 51 % ownership share in five medium size PSVs.

The Group is listed on Euronext Growth in Oslo and as of 30 September 2023 owned 53.4% by the Cyprus-based and Oslo-Stock exchange listed company SD Standard ETC Plc. SD Standard ETC Plc is an investment entity as set out in IFRS 10 and does not consolidate its subsidiaries. Investment in subsidiaries, including the Standard Supply group, are measured at fair value through profit and loss in accordance with IFRS 9.

Seven vessels are as of 30 September 2023 trading in the offshore market in the North Sea and one vessel are on route to West Africa with the risk factors involved. The imperative factor for the PSV market is the price of oil and gas. After several years with low prices, the recent rise is showing effects in form of increased rates and activity within the PSV market.

The condensed interim financial statements are presented under the going concern assumption.

NOTE 2 - ACCOUNTING PRINCIPLES:

General information

The financial statements have been prepared in accordance with the Norwegian Accounting Act and NRS 11 Interim Financial Statements on a condensed basis. The consolidated interim financial information should be read in conjunction with the consolidated audited annual financial statements for the year ended 31 December 2022 for Standard Supply AS.

The accounting principles applied in the preparation of the condensed interim financial statements are consistent with those presented in Annual Report of 2022.

Functional currency

The financial statements are presented in USD, which is also the functional currency of the holding company and all of its subsidiaries. Northern Supply AS and Standard Defender AS changed functional currency to USD from 1 January 2023. The group is operating in the oil-service segment, where USD is considered to be the prevailing currency.

Exchange rates

Liquid assets in foreign currencies are assessed in accordance with the current exchange rate principle. Long-term liabilities are posted at the current exchange rate.

The following exchange rate is used in the accounts:

GBP/USD per 30 September 2023: 1.2253 (30.09.2022: 1.1040) (31.12.2022: 1.2026)

NOK/USD per 30 September 2023: 0.0941 (30.09.2022: 0.0921) (31.12.2022: 0.1014)

NOTE 3 - INCOME:

The Group operated as of 30 September 2023 two large size PSVs which are 100% owned, one large size PSV which are 90% owned, and five medium size PSVs through its investment in Northern Supply AS at an 51 % ownership share.

The three large size PSVs had a weighted average of utilizations on 93 % YTD Q3 2023 (100 % in Q3 2023) based on availability.

The five medium size PSVs in Northern Supply and the one medium sized PSV owned 100% which have been sold during Q3, had a weighted average of utilization on 87 % YTD Q3 2023 (97 % in Q3 2023) based on availability.

Operating income related to the spot market YTD Q3 2023 was USD 3.8m (USD 1.0m for Q3 2023) and USD 28.9m (USD 11.4m for Q3 2023) related to the term market.

The Group operates in international waters, hence, there are no relevant geographical segmentation of income and costs.

NOTE 4 – FIXED ASSETS:

The Group has as per end of Q3 2023 eight vessels. The vessels are being depreciated linearly down to scrap value over an expected economic lifespan on 25 years. Activated dry-dock expenses are depreciated over the dry-dock cycle on 5 years.

Indicators of impairment have been assessed at Q3 2023 and no indicators for impairment were identified.

Vessels	2023	2022
Purchase cost 1 January	93 787 178	30 056 569
Vessels acquired through business combination	-	29 104 064
Purchase*	4 472 015	34 626 545
Sale	-7 177 439	
Purchase cost 30 September / 31 December	91 081 754	93 787 178
Acc. depreciation 1 January	15 968 064	11 239 556
Depreciation of the period	6 064 378	4 728 508
Acc. depreciation sold vessels	-698 257	
Acc. Depreciation 30 September / 31 December	21 334 185	15 968 064
Currency translation differences	170 656	170 656
Book value 30 September / 31 December	69 918 225	77 989 771

*USD 1.7m of the purchase in 2023 are accruals which was paid in October 2023.

At time of sale, the book value of Standard Duke was USD 6.5m. Net proceeds from the sale was USD 10.5m which resulted in a net gain on USD 4m.

NOTE 5 – EQUITY:

	Share capital	Premium of shares	Retained loss	Currency translations	Minority interests	Total
Equity 01 January 2023	1 927 926	83 504 766	-12 917 419	-979 369	20 309 088	91 844 992
Net profit for the period	-	-	9 007 065	-	2 194 085	11 201 150
Dividends to non-controlling interests	-	-	-2 739	1	-2 091 295	-2 094 033
Dividends to controlling interests	-	-14 416 874	-1 764 245	-	-	-16 181 120
Total equity 30 September 2023	1 927 926	69 087 892	-5 677 338	-979 368	20 411 878	84 770 989

NOTE 6 – SUBSIDIARIES:

Name of entity	Office	Ownership	Voting rights
Standard Supplier AS	Oslo	100 %	100 %
Standard Viking AS	Oslo	100 %	100 %
Standard Defender AS	Oslo	90 %	90 %
Standard Duke AS	Oslo	100 %	100 %
Northern Supply AS	Oslo	51 %	51 %
Wanax AS	Oslo	100 %	100 %

NOTE 7 – RELATED PARTY:

The Group has a revolving credit facility ("RCF") with its majority owner SD. Standard ETC Plc with a committed amount of USD 20m and a maturity 31 December 2023. Interest is calculated based on Term SOFR 3m and a margin of 5%. As of 30 September 2023, the RCF was un-drawn. Interest expense including amortization of arrangement fee amounts to 167 452 USD.

Other transactions with related parties for the nine months period ending 30 September 2023:

Tycoon Industrier AS: Fee for CFO services - USD 65 164

Ferncliff TIH AS: Fee management services - USD 326 029

Standard Invest AS: Fee for CEO services - USD 108 656.

NOTE 8 – SUBSEQUENT EVENTS:

On 20 September 2023, the Group announced that it had agreed to sell the medium-size PSV FS Balmoral for a gross consideration of USD 9.5 million. The transaction was completed on 5 October 2023. FS Balmoral was owned by Northern Supply AS, where Standard Supply has an ownership of 51%. Estimated net gain of USD 2.6 million.

On November 14th 2023, the Group Entered into Memorandum of Agreement ("MOA") for the sale of Standard Viking, Standard Supplier and Standard Defender in an en bloc transaction for gross USD 72.2 million. The transaction is expected to be completed by mid-January 2024, at the latest.

In November the USD 20 million Revolving Credit Facility with S.D. Standard ETC Plc was extended with one-year until December 31st 2024.

Standard Supply AS's Board of Directors has decided to distribute an additional distribution of NOK 0.5 per share. Further information will be given in due course.



Standard Supply AS

Financial Calendar (Release of Financial Reports)

Q3 2023

16 November 2023

<https://standard-supply.com/>

About Standard Supply:

Standard Supply owns a fleet of seven (7) Platform Supply Vessels (PSVs); three large-sized (one owned 90%) and four (4) medium-sized PSVs with 51% ownership interest. Standard Supply will actively seek further growth opportunities and has a clear ambition to return excess cash to its shareholders.