

STANDARD SUPPLY AS
FIRST QUARTER REPORT 2023



STANDARD**SUPPLY**

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Key Financials

<i>(Amounts in USD 000)</i>	Three Months Ended	
	2023 Q1 <i>Unaudited</i>	2022 Q1 <i>Unaudited</i>
Operating income	7 820	2 198
EBITDA	1 337	476
Net profit	-647	-623

Highlights First Quarter

- EBITDA of USD 1.3 million and net profit of USD -0.6 million for the first quarter of 2023.
- Time charter equivalent earnings of USD 9,600 per day and utilization of 74 % based on availability.
- Cash distribution of NOK 12 cents per share for the first quarter of 2023.
- Cash at quarter end of USD 8.1 million.

Subsequent events

- Achieved time charter equivalent earnings of USD 14,900 per day in April with utilization of 95% based on availability.
- Signed two contracts for a total of six months for Standard Defender at USD 23,000 per day commencing April 26th.

Commercial update

During the first quarter the Group had nine (9x) PSVs in operation, whereof eight (8x) trading on the UK continental shelf and one (1x) in West Africa. The current chartering status is displayed below.

Vessels	Built	Deck (m2)	Employment	Dayrate*	Firm end	Option end
Standard Viking	2007	1 060	TC	16 200	feb.24	
Standard Supplier	2007	1 060	Spot			
Standard Defender	2019	900	TC	23 000	oct.23	
Standard Duke	2012	716	TC	15 600	jul.23	
FS Balmoral	2008	710	Spot			
FS Kristiansand	2005	710	TC	16 200	oct.23	jan.24
FS Braemar	2007	710	TC	18 100	sep.23	mar.24
FS Abergeldie	2008	680	TC	10 100	oct.23	apr.25
FS Crathes	2008	680	TC	16 800	aug.23	feb.24

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

First Quarter Management Report 2023 (Continued)

Consolidated Income Statement

Three months ending March 31, 2023

Operating revenues were USD 7.8m for Q1, 2023 (USD 2.2m for Q1, 2022). USD 6.1m were related to Northern Supply, Standard Duke and Standard Defender in 2023 which were not consolidated in Q1 2022.

Operating expenses were USD 6.1m for Q1, 2023 (USD 1.5m for Q1, 2022). Operating expenses for the three months period in 2023 include USD 4.7m in expenses from Northern Supply, Standard Duke and Standard Defender which were not consolidated in Q1 2022.

General and administrative expenses were USD 0.4m for Q1, 2023 (USD 0.2m for Q1, 2022).

Depreciation were USD 1.9m for Q1, 2023 (USD 0.6m Q1, 2022). Increase in depreciation is explained by net increase in the fleet of vessels during 2022.

Net financial items were USD 0.1m for Q1, 2023 (USD -0.1m for Q1, 2022).

Consolidated Cash Flow Statement

Three months ending March 31, 2023

Net cash provided by operating activities were USD 0.8m for Q1, 2023 (USD 0.7m for Q1, 2022). Increase in net cash provided by operating activities are mainly driven by an increase in EBITDA.

Net cash used in investing activities were USD -0.6m for Q1, 2023 (USD 0m for Q1, 2022). Cash used for investing activities in 2023 relates to investments in ballast water treatment systems and dry-dock expenses of USD 0.6m

Net cash used in financing activities were USD -0.3m for Q1, 2023 (USD 0m for Q1, 2022). For 2023 this is related to USD 1.5m in drawdown on the RCF and a dividend of USD -1.8m to controlling interest.

Consolidated Balance Sheet

Total assets were USD 93.7m as of March 31, 2023.

Total equity was USD 89.5m as of March 31, 2023, including minority interests of USD 20.3m

Total cash and cash equivalents were USD 8.1m as of March 31, 2023, including USD 4m in Northern Supply.

Total draw-down on RCF were USD 1.5m by March 31, 2023.

UNAUDITED CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT

USD	Note	Q1 2023	Q1 2022
OPERATING INCOME			
Operating income	3	7 819 699	2 198 228
Total operating income		7 819 699	2 198 228
OPERATING COSTS			
Ship operating expenses		6 073 511	1 531 429
Administration expenses		409 616	191 256
Depreciations	4	1 944 953	617 582
Total operating expenses		8 428 080	2 340 268
NET OPERATING RESULT		-608 381	-142 039
Share of income in associated company		-	-352 790
FINANCIAL ITEMS			
Interest income		28 821	722
Net currency gain/(loss)		60 808	-122 863
Interest costs	7	36 434	-
Other finance costs		-	-3 714
Net financial items		53 195	-118 427
NET RESULT BEFORE TAX		-555 186	-613 256
Tax		91 516	9 408
RESULT OF THE PERIOD		-646 702	-622 664
Attributed to majority interest	5	-589 359	-622 664
Attributed to minority interest	5	-57 344	-

UNAUDITED CONDENSED INTERIM CONSOLIDATED BALANCE SHEET

USD	Note	31 March 2022	31 Dec 2022
NON-CURRENT ASSETS			
Fixed assets			
Vessels	4	76 621 041	77 989 771
Total fixed assets		76 621 041	77 989 771
Total fixed assets		76 621 041	77 989 771
CURRENT ASSETS			
Inventory			
Inventory		339 339	1 119 293
Accounts receivables			
Receivable ship manager		1 228 875	771 443
Other receivables		312 213	190 282
Accrued income		814 940	879 867
Trade receivables		6 214 341	5 967 414
Total receivables		8 570 369	7 809 007
Cash and cash equivalents		8 126 006	8 126 943
Total current assets		17 035 714	17 055 242
TOTAL ASSETS		93 656 754	95 045 013
EQUITY			
Paid in capital			
Share capital	5	1 927 926	1 927 926
Premium of shares	5	83 504 766	83 504 766
Total paid in equity		85 432 692	85 432 692
Other equity			
Retained loss	5	-15 273 762	-12 917 419
Currency translation differences	5	-979 368	-979 369
Total other equity		-16 253 130	-13 896 788
Minority interests	5	20 251 440	20 309 088
Total equity		89 431 002	91 844 992
LIABILITIES			
Short term liabilities			
Debt to owners	7	1 511 398	-
Debt ship manager		2 228 356	2 429 508
Accounts payable		222 524	441 028
Tax payable		213 179	169 430
Other current liabilities		50 295	160 055
Total short-term liabilities		4 225 752	3 200 022
Total liabilities		4 225 752	3 200 022
TOTAL EQUITY AND LIABILITIES		93 656 754	95 045 013

UNAUDITED CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT

USD	Note	Q1 2023	Q1 2022
Cash-flow from operational activities			
Profit before tax		-555 186	-613 256
Share of income in associated company		-	352 790
Depreciations	4	1 944 953	617 582
Income tax paid		-47 767	-24 670
Change in inventories		779 954	-148 102
Change in receivables and prepayments		-761 362	-115 996
Change in payables and accruals		-408 259	-475 371
Change in other provisions		-109 758	-53 281
Net cash-flow from operational activities		842 576	-460 305
Cash-flow from investment activities			
Investment in fixed assets	4	-576 224	-
Net-Cash-flow from investment activities		-576 224	-
Cash-flow from financing activities			
Drawdown RCF	7	1 500 000	-
Dividends and repayment to non-controlling interests	5	-3 043	-
Dividends and repayment to controlling interests	5	-1 764 245	-
Net cash-flow from financing activities		-267 288	-
Net change in cash and cash-equivalents		-937	-460 305
Cash and cash-equivalents at beginning of period		8 126 943	14 636 171
Cash and cash-equivalents at end of period		8 126 006	14 175 866

*The comparative figures have been revised. See note 8

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.

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 31 March 2023 three large size PSVs (one owned 90%) and one medium size PSV and had an 51 % ownership share in five medium size PSVs.

The Group is listed on Euronext Growth in Oslo and as of 31 March 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.

Eight of the vessels are as of 31 March 2023 trading in the offshore market in the North Sea and one in 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 audited annual financial statements for the year ended 31 December 2021 for Wanax AS Group and the fourth quarter report 2022 for Standard Supply AS Group.

The accounting principles are described below.

Change of accounting principles

In 2022 the Group changed its accounting principles related to dry-dock expenses on the Vessels, which are now capitalized as part of the vessels.

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.

Basis of consolidation

The consolidated financial statements comprise of the financial statements of Standard Supply AS, and its subsidiaries and associated entities (the "Group").

Subsidiaries

Subsidiaries are fully consolidated from the date of acquisition, which is defined as the date on which the Group obtains control. Control is obtained when the Group has the power to govern the financial and operating policies. This is usually achieved when the Group owns, either directly or indirectly, more than 50 per cent of the share capital, has corresponding voting rights, or otherwise has an actually controlling interest. Subsidiaries are de-consolidated from the date on which control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All inter-company transactions and balances are eliminated in the consolidated financial statements

Business combinations

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, any liabilities incurred to the former owners of the acquiree and any equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognizes noncontrolling interest in the acquiree at fair value. In addition, previously owned equity method interest owned related to the acquired entity is derecognized and gain is recognized directly in equity.

Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20 % and 50 % of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to 'share of profit/ (loss) of associates in the income statement.

Dilution gains and losses arising in investments in associates are recognized in the income statement.

The general rule when assessing and classifying assets and liabilities

Assets determined for permanent ownership or use are classified as fixed assets. Other assets are classified as current assets.

Fixed assets are recognized at cost but are written down to the higher of fair value and value in use. Fixed assets with finite economic lives are systematically depreciated.

Receivables to be repaid within one year are classified as current assets.

Corresponding criteria form the basis when classifying short-term and long-term liabilities.

Current assets are assessed at the lower of acquisition cost and fair value. Short-term liabilities are recognized at the nominal amount received on the date of establishment. Certain items are assessed according to other rules as explained below.

Revenue and expense recognition

The Group's activity is to employ PSVs. Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of rebates, commissions and discounts and after elimination of sales within the Group.

Time charter revenue (term and spot) is accounted for as an operating lease and is recognized on a straight-line basis over the term of the time charter arrangement.

Certain contracts include mobilization fees payable at the start of the contract. Mobilization fees are recognized on a straight line basis over the term of the arrangement.

Ship operating expenses and administrative expenses are recognized as an expense when incurred.

Tax

The companies owning vessels and owning shares in vessel owning companies, are subject to taxation under the Norwegian tonnage tax regime. Under the tonnage tax regime, profit from operations is exempt from taxes. Taxable profit is calculated on the basis of financial income after deduction of a portion of financial expenses. The portion is calculated as financial assets in percent of total assets. Tonnage tax is payable based on the net tonnage of vessels. Tonnage tax is classified as an operating expense.

Tax expense comprise tax payable and deferred tax expense. Tax payable is measured at the amount expected to be paid to authorities while deferred tax assets/liabilities are calculated based on temporary differences at the reporting date. Deferred tax assets are recognized to the extent that it is probable that they can be utilized in the future. Deferred tax is calculated with 22 % of the basis of temporary differences existing between accounting wise and taxwise values.

Tangible fixed assets

Tangible fixed asset are vessels, and they are entered in the financial position statement at cost less accumulated depreciation. Depreciation is linear and based on an assessment of the asset's remaining useful lifespan.

The tangible fixed asset will be written down to the higher of fair value and value in use.

Costs related to repair and maintenance of the vessels are expensed, as this is deemed as costs necessary in order to keep the vessels in good seaworthy condition.

Receivables

Trade debtors and other receivables are posted at nominal after provisions for losses have been deducted. Provisions for losses are made on the basis of an individual assessment of each receivable.

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 31 March 2023: 1.2369 (31.03.2022: 1.3122)

NOK/USD per 31 March 2023: 0.0954 (31.03.2022: 0.1143)

NOTE 3 - INCOME:

The Group operated as of 31 March 2023 two large size PSVs and one medium size PSV 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 88 % for Q1 2023 based on availability.

The five medium size PSVs in Northern Supply and the one medium sized PSV owned 100% had a weighted average of utilization on 66 % for Q1 2023 based on availability.

Total operating income related to the spot marked in Q1 2023 was USD 0.9m and USD 6.9m related to the term marked.

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 Q1 2023 nine 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 has been assessed at Q1 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	576 224	34 626 545
Purchase cost 31 March / 31 December	94 363 402	93 787 178
Acc. depreciation 1 January	15 968 064	11 239 556
Depreciation of the period	1 944 953	4 728 508
Acc. Depreciation 31 March / 31 December	17 913 017	15 968 064
Currency translation differences	170 656	170 656
Book value 31 March / 31 December	76 621 041	77 989 771

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	-	-	-589 359	-	-57 344	-646 702
Dividends to non-controlling interests	-	-	-2 739	1	-304	-3 042
Dividends to controlling interests	-	-	-1 764 245	-	-	-1 764 245
Total equity 31 December 2022	1 927 926	83 504 766	-15 273 762	-979 368	20 251 440	89 431 002

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 on 5%. As of 31 March 2023, USD 1.5m was drawn on the RCF. Accrued interest under the RCF were as of 31 March 2023 USD 11 398 and USD 25 000 related to the arrangement fee has been amortized in 2023.

Other transactions with related parties in 2023:

Tycoon Industrier AS: Fee for CFO services - USD 22 784
 Ferncliff TIH AS: Fee management services - USD 113 981
 Standard Invest AS: Fee for CEO services - USD 37 973

NOTE 8 – SUBSEQUENT EVENTS:

Standard Supply AS's Board of Directors has decided to propose to distribute an additional distribution of NOK 0.12 per share. The distribution must be approved by the general meeting of the Company, and further information will be given in due course.

Standard Supply AS

Financial Calendar (Release of Financial Reports)

Q1 2023	16 May 2023
Annual Report 2022	23 May 2023
Annual General Meeting	13 June 2023
Q2 2023	24 August 2023
Q3 2023	16 November 2023

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

About Standard Supply:

Standard Supply owns a fleet of nine (9) Platform Supply Vessels (PSVs); three large-sized (one owned 90%), one medium-sized and five (5) medium-sized PSVs with 51% ownership interest. Standard Supply will actively seek further growth opportunities and is well positioned to capture improvements in the market with most of the fleet trading in the spot market. The company has a clear ambition to return excess cash to its shareholders.