SCHOELLER
BLECKMANN
OILFIELD
EQUIPMENT

Quarterly Highlights - Half-year 2020

HALF-YEAR FINANCIAL REPORT

OPERATING CASHFLOW	MEUR	50.6	(HY 2019: 38.2)
SALES	MEUR	184.5	(HY 2019: 236.2)
EBIT BEFORE ONE-OFF EFFECTS	MEUR	12.4	(HY 2019: 38.9)
EBIT AFTER ONE-OFF EFFECTS	MEUR	-8.9	(HY 2019: 37.9)
PROFIT AFTER TAX	MEUR	-12.0	(HY 2019: 17.2)

"The global coronavirus crisis has plunged the world economy into a deep recession in the first half of 2020. Clearly, SBO was not immune to those effects. Unlike many other companies, however, we have developed expertise in managing a crisis because of the cyclical nature of our industry. We are most actively steering our Group through this environment and were able to mitigate the impact, helping us to achieve a positive half-year profit from operations before one-off effects. Our liquidity base is strong, and we have further reduced our net debt that had been low even before. Our continued focus on liquidity and cashflow gives us the security we need to navigate through this cyclical low."

GERALD GROHMANN
Chief Executive Officer

MANAGEMENT REPORT – HY 2020

HIGHLIGHTS

Vast experience in crisis management and a sound balance sheet with a strong liquidity base secure future prospects for SBO

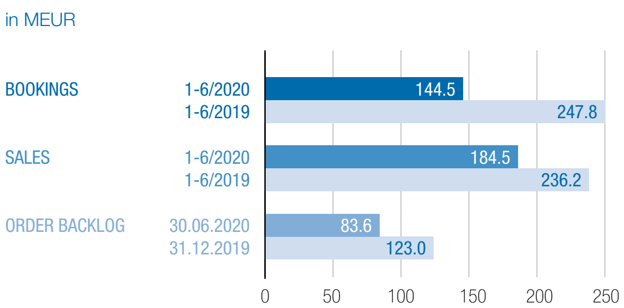
SCHOELLER-BLECKMANN OILFIELD EQUIPMENT Aktiengesellschaft (SBO) had a positive start into year 2020, but its business development was increasingly strained by the global COVID-19 crisis in the course of the second quarter. The global lockdown has brought business activities and transport to a standstill in many areas, causing a historic slump in demand for oil and gas. The North American market was hit particularly hard by the crisis, but the international oil markets also developed clearly negatively, as reflected in the sharp reduction of active drilling rigs. Owing to the exceptional global situation, SBO's sales and earnings declined in the first half of 2020, but profit from operations before one-off effects remained in positive territory. Sales went down 21.9 % to MEUR 184.5, profit from operations (EBIT) before one-off effects came to MEUR 12.4. SBO has an extremely sound balance sheet, liquid funds remained high at MEUR 244.4, net debt decreased further to MEUR 6.9, and cashflow from operating activities rose to MEUR 50.6.

Given the cyclical nature of the industry environment, SBO often demonstrated its ability to react promptly to heavily fluctuating market movements in the past. The company used its expertise once again in the first half of 2020 and implemented a set of actions to mitigate the effects of the global crisis at an early stage. Immediate preventive health-care measures were taken to protect employees and operating sites. The crisis-tested management team immediately applied strict working capital management, reduced spending to a minimum and implemented company-wide costsaving programs. In the process, the US headcount was downsized by around 40 %, while locations with a higher capacity utilization were less affected. As the global economic environment was strongly impacted by COVID-19, SBO recognized non-cash asset impairments amounting to MEUR 20.8 at subsidiaries in North America. In August 2020, SBO's already strong liquidity base was further extended by raising loans in the amount of MEUR 78.0 as a precautionary measure. These efficient measures are the basis for securing SBO's long-term business success.

BUSINESS DEVELOPMENT

SALES AND EARNINGS

Sales of SBO, listed on the ATX leading index of the Vienna Stock Exchange, amounted to MEUR 184.5 in the first half of 2020 (1-6/2019: MEUR 236.2, minus 21.9 %). Due to the global economic crisis, bookings contracted by 41.7 % year-on-year and came to MEUR 144.5 (1-6/2019: MEUR 247.8), while the order backlog was MEUR 83.6 at the end of June 2020 (31 December 2019: MEUR 123.0).



Earnings before interest, taxes, depreciation and amortization (EBITDA) went from MEUR 62.7 in the first half of 2019 to MEUR 28.5 in 2020, with the EBITDA margin standing at 15.4 %. While remaining positive at MEUR 12.4 (1-6/2019: MEUR 38.9) before one-off effects, profit from operations (EBIT) was impacted by impairment expenses of around MEUR 20.8, leaving EBIT after one-off effects at MEUR minus 8.9. As a result, profit before tax for the first half of 2020 was MEUR minus 10.0 (1-6/2019: MEUR 27.4), and profit after tax MEUR minus 12.0 (1-6/2019: MEUR 17.2). Earnings per share for the first half of 2020 were EUR minus 0.76 (1-6/2019: EUR 1.08).

"We got off to a good start this year. Thanks to our many years of experience, we were able to respond promptly to the surprising onset of the coronavirus crisis. Our sound balance sheet makes us resilient and well equipped to meet future challenges and opportunities."

CEO Gerald Grohmann

DEVELOPMENT OF THE BUSINESS SEGMENTS

SBO's business is divided into two segments, "Advanced Manufacturing & Services" (AMS) and "Oilfield Equipment" (OE):

- The "Advanced Manufacturing & Services" (AMS) segment comprises high-precision machining and repair of drill collars and complex MWD (Measurement While Drilling) / LWD (Logging While Drilling) components made of non-magnetic corrosion-resistant stainless steel, which form the housing for sensitive measuring instruments used for the precise measurement of inclination and azimuth of the drillstring as well as petrophysical parameters.
- The "Oilfield Equipment" segment includes a wide range of highly specialized solutions for the oil and gas industry: High-performance drilling motors and tools for directional drillstring drive in addition to downhole circulation tools as well as products for efficient and resource-conscious completion of unconventional wells in the two dominating technologies "sliding sleeve" and "plug-n-perf".

Sales of the late-cycle AMS segment went down from the reference period of last year, arriving at MEUR 101.1 in the first half of the year (1-6/2019: MEUR 116.3). The AMS profit from operations (EBIT) before one-off effects stood at MEUR 10.7 (1-6/2019: MEUR 16.6).

Sales of the OE segment dropped to MEUR 83.4 (1-6/2019: MEUR 120.0), mainly caused by the declining North American business. EBIT before one-off effects was MEUR 5.3 (1-6/2019: MEUR 22.8).

KEY BALANCE SHEET FIGURES AND CASHFLOW

After the first six months of 2020, SBO's equity arrived at MEUR 330.6 (31 December 2019: MEUR 370.1), while the equity ratio remained stable at 41.5 % (31 December 2019: 42.3 %). Despite dividend payments and a share buyback program, SBO significantly reduced its net debt compared to year-end 2019, to MEUR 6.9 as of 30 June 2020 (31 December 2019: MEUR 20.1). Gearing improved to 2.1 % (31 December 2019: 5.4 %). Liquid funds remained high at MEUR 244.4 (31 December 2019: MEUR 265.2). SBO further secured the company's strong liquidity base by raising loans in the amount of MEUR 78.0 as a precautionary measure in August 2020. Considering early repayments this event after the balance sheet date will increase liquid funds by MEUR 59.5. SBO's cashflow from operating activities rose to MEUR 50.6 during the first half of 2020 (1-6/2019: MEUR 38.2), while free cashflow went up to MEUR 42.2 (1-6/2019: MEUR 16.1). Capital expenditure for property, plant and equipment (CAPEX, excluding rights of use) amounted to MEUR 10.6 (1-6/2019: MEUR 15.9).

SBO'S KEY PERFORMANCE INDICATORS AT A GLANCE

	UNIT	1-6/2020	1-6/2019
Sales	MEUR	184.5	236.2
Earnings before interest, taxes, depreciation and amortization (EBITDA)	MEUR	28.5	62.7
EBITDA margin	%	15.4	26.5
Profit from operations (EBIT) before impairments and restructuring measures	MEUR	12.4	38.9
Profit from operations (EBIT) after impairments and restructuring measures	MEUR	-8.9	37.9
EBIT margin	%	-4.8	16.0
Profit before tax	MEUR	-10.0	27.4
Profit after tax	MEUR	-12.0	17.2
Earnings per share	EUR	-0.76	1.08
Cashflow from operating activities	MEUR	50.6	38.2
Liquid funds as of 30 June 2020 / 31 December 2019	MEUR	244.4	265.2
Net debt as of 30 June 2020 / 31 December 2019	MEUR	6.9	20.1
Headcount as of 30 June 2020 / 31 December 2019		1,236	1,535

MARKET ENVIRONMENT

The COVID-19 pandemic caused a severe global economic crisis in the first half of 2020, sparing no country and almost no industry. The oil market experienced a historic decline in demand as a result of lockdowns imposed in many countries, which brought economic activity and traffic to a virtual standstill. Oil prices came under heavy pressure and were further strained by a power struggle between Saudi Arabia and Russia. Spending in exploration and production (E&P) declined sharply both in North America and internationally. This negative market environment had a massive impact on the oilfield service industry in the first half of 2020.

The rig count, which states the number of drilling rigs and is a key indicator for the oil industry, collapsed in the first half of the year. This came as a blow not only to North America, but most obviously also triggered a massive international decline. The US rig count plunged from year-end 2019 (804 rigs) by 65.9 %, or 530 rigs, to 274 rigs in June 2020. The international rig count contracted by 29.3 %, or 323 rigs, to 781 rigs in June 2020 (December 2019: 1,104 rigs), almost halving the global rig count to 1,073 rigs in June 2020 compared to the end of 2019 (2,043 rigs).[1]

Global oil production in the second quarter of 2020 was 92.0 million barrels per day (mb/d), 8.8 mb/d higher than demand of 83.2 mb/d. Year-on-year, global oil demand in the second quarter declined by 16.1 mb/d. As a result of the production cuts decided in April, OPEC crude oil production fell to 30.9 mb/d in the second quarter of 2020 (25.7 mb/d excluding Natural Gas Liquids / NGLs), significantly lower than in 2019 (34.9 mb/d) and the second quarter of 2019 (35.1 mb/d). The output of non-OPEC countries decreased to 61.0 mb/d in the second quarter of 2020, following 65.6 mb/d in full-year 2019 and 65.2 mb/d in the second quarter of 2019.[2]

Marked by the COVID-19 crisis, the first half of 2020 was a period of extreme volatility with record lows in oil prices recorded in April. North Sea crude Brent started 2020 at USD 66.00, reached its low of USD 19.33 on 21 April and closed at USD 41.15 at the end of June. This represents a decline of 37.7 % in the first half of 2020. In the same period, the price of North American crude WTI fell from USD 61.06 to USD 39.27, down by 35.7 %. Its low of USD minus 37.63 was recorded on 20 April 2020, which was even in negative territory temporarily, caused by technical effects.[3]

[1] Baker Hughes Rig Count.
[2] International Energy Agency (IEA), Oil Market Report, August 2020.
[3] Bloomberg: CO1 Brent Crude (ICE) and CL1 WTI Crude (Nymex).

OUTLOOK

The International Monetary Fund (IMF) expects the global economy to contract by 4.9 % in 2020, and 8.0 % in the industrialized countries. The European Central Bank (ECB) forecasts a 8.7 % decline in GDP for the euro zone in 2020. In 2021, the IMF projects to see a global economic upturn of 5.4 %, while the ECB expects an increase in economic activity of 5.2 %.[4] However, these forecasts are based on the assumption that there will be no second wave of COVID-19 infections and that economic life will return to normal.[5] Given the surging number of infections worldwide, especially in the USA with a rising number of infected persons of approximately 5 million (cumulative figure)[6] lately, the crisis is not expected to end any time soon.

The way in which the economy will recover depends to a large extent on further developments in the number of COVID-19 infections and political measures taken. In the current situation, even renowned experts and institutes are unable to make reliable forecasts. The medium and long-term effects to the global economy and also with regard to the oil and gas market remain to be seen.

In its latest report, the International Energy Agency (IEA) predicts the largest decline in oil demand in history for 2020 at minus 8.1 mb/d. For 2021, a potential recovery of 5.2 mb/d should follow.[7] Exploration and production (E&P) spending is expected to drop by 27 % globally in 2020, with North America facing a dramatic decline of 42 %, and 22 % internationally.[8]

Overall, the market environment for the oilfield services industry will remain heavily impacted in 2020 and beyond. However, early indications are that the bottom may have been reached, as the decline in the US rig count has recently slowed down considerably and well completion activities are growing slightly, albeit at a very low level. Nevertheless, no short-term turnaround can be expected to occur.

SBO is bracing for a challenging year 2020. At the same time, the company, like the market, expects oil and gas demand to normalize in the medium term.

In the long run, we should see a need to catch up spendings in exploration and production (E&P). The low E&P spendings and the drastically reduced oil production worldwide could cause production not to be ramped up quickly enough with rising demand, which would again trigger marked increases in E&P spendings.

4 ECB economic outlook and financial stability during the pandemic crisis, June 2020.
5 IMF, World Economic Outlook, June 2020.
6 WHO Coronavirus Disease (COVID-19) Dashboard, August 2020.
7 International Energy Agency (IEA), Oil Market Report, August 2020.
8 Evercore ISI Research, The 2020 Evercore ISI Global E&P Mid-Year Spending Outlook, June 2020.

"The developments around coronavirus have created a high degree of uncertainty. The repercussions on the oil and gas market have been massive and not all effects are yet visible. But our position remains extremely sound even in this difficult environment. We took decisive action immediately, cut costs and have what is needed to survive a longer-lasting crisis in good shape."

CEO Gerald Grohmann

RISK REPORT

The business risks of SBO changed in the first half of 2020 compared to the risks presented in the 2019 annual financial statements, in particular due to the COVID-19 pandemic and its extensive repercussions. Demand for the company's products has dropped significantly, driving down bookings and sales as published. Overall visibility is low. The management teams are aware that a second COVID-19 wave could also have a negative effect on sales markets and therefore bring about a further decline in revenues.

As in previous cycles, SBO implemented counter-measures early to ward off the effects of the crisis: In addition to guidelines aimed to preserve employees' health and maintain business operations, the company's management teams introduced targeted action to cut costs and reduce working capital. The risk of default on customer receivables is mitigated by strict cash management. Government subsidies provided for the occasion were used selectively regarding employees. Planned capital spending is subject to more stringent requirement planning. As in previous crises, capital spendings are reduced to what is necessary, but always with a view to safeguarding the company's technological leadership in the medium and long term.

There are no liquidity risks under the current circumstances. Nevertheless, and in order to continue the company's sustainable growth course after the end of the crisis, the company took up new loans as early precautions in August 2020.

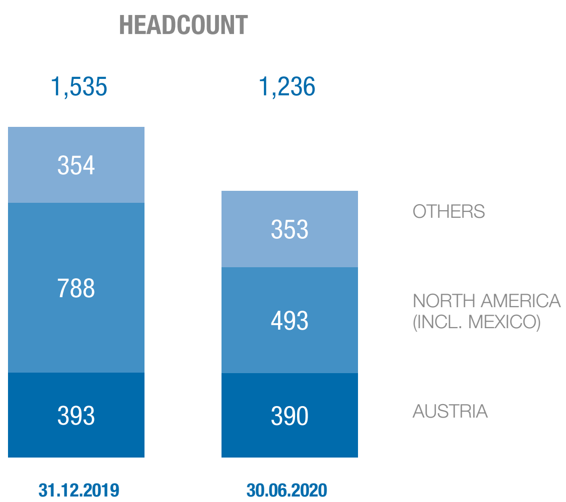
SBO also refers to the risks explained in the Annual Report 2019.

ABOUT SBO

SBO – A WORLD MARKET LEADER

SCHOELLER-BLECKMANN OILFIELD EQUIPMENT Aktiengesellschaft (SBO) is a globally leading supplier of products and solutions used by the oil and gas industry for directional drilling and well completion. SBO is the global market leader in the manufacture of high-precision components made of non-magnetic high-alloy stainless steel. The company manufactures components specifically according to the requirements of customers in the oilfield service industry. At the same time, SBO is a leading provider of high-efficiency drilling tools and equipment for the oil and gas industry, successfully establishing the company in technologically challenging, profitable niches. As of 30 June 2020, SBO had 1,236 employees worldwide (31 December 2019: 1,535), thereof 390 in Ternitz, Austria, and 493 in North America (including Mexico).

SBO pursues a sustainable growth strategy and has committed itself to its responsibility toward employees, customers, investors and future generations in the company's Code of Conduct. SBO's sustainability strategy is based on the "Quality First" principle and encompasses long-term growth through targeted investments and supreme quality in manufacturing processes and products. The company develops high-quality and efficient products that enable customers to meet their demand for oil and gas in the most resource-efficient way possible.



ENERGY CONSUMPTION OF THE SBO GROUP*

	UNIT	HY 2019	HY 2020	
Energy consumption	GJ	6,808.6	5,614.7	-17.5 %
CO_2 emissions	Tonnes	6,950.9	5,755.2	-17.2 %

* Energy consumption based on the calculation of the Umweltbundesamt (Federal Environmental Office) as of October 2017 (for more information see: http://www5.umweltbundesamt.at/emas/co2mon/co2mon.html)

THE SBO SHARE

The share of Schoeller-Bleckmann Oilfield Equipment AG is listed in the Prime Market of the Vienna Stock Exchange under ISIN AT0000946652 and the ticker symbol "SBO". In total, 16,000,000 par value shares with a par value of EUR 1.00 each have been issued.

The SBO share started into the year at EUR 50.30 on 2 January and closed at EUR 23.45 on 30 June 2020. It reached its high of EUR 53.50 on 7 January and its low of EUR 15.74 on 17 March. In the first half of 2020, characterized by massive global uncertainty, the share price fell by 53.4 % and developed in line with the Oil Service Sector Index (OSX), which plummeted by 57.4 %. The ATX, the leading Austrian index, also declined in the first half of the year, arriving at minus 29.5 %. In comparison, WTI crude oil dropped by 35.7 % and Brent crude oil declined by 37.7 %.

On 23 March 2020, the Company launched a share buyback program, under which 231,938 shares, representing 1.4496 % of the share capital, were repurchased. The share buybacks were carried out on the Vienna Stock Exchange.

Market capitalization as of 30 June 2020 was MEUR 375.2. Approximately 67 % of the shares were in free float at that date.

EUR 50.30	EUR 23.45	MEUR 375.20
2 January 2020	30 June 2020	MARKET CAPITALIZATION – 30 June 2020

FINANCIAL CALENDAR 2020

DATE	EVENT
26 November 2020	Q3 2020

CONTACT AND LEGAL NOTICE
Further information about SBO is available on www.sbo.at. If you have any questions regarding the company or would like to be included in SBO's Investor Relations Information Service (IRIS), please send an e-mail to investor_relations@sbo.co.at.

DISCLAIMER
Note on this half-year financial report:
This half-year financial report is also available in the German language. In the event of discrepancies, the German version shall prevail.

FORWARD-LOOKING STATEMENTS AND FORECASTS:
This corporate publication contains information with forward-looking statements. Parts of those statements contain forecasts regarding the future development of SBO, SBO group companies, relevant industries and the markets. All these statements as well as any other information contained in this corporate publication are for information only and do not substitute professional financial advice. As such, this information must not be understood as a recommendation or offer to buy or sell SBO shares, and SBO cannot be held liable therefrom.

CONSOLIDATED PROFIT AND LOSS STATEMENT

in TEUR	6 MONTHS PERIOD ENDED		3 MONTHS PERIOD ENDED	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
Sales	**184,502**	**236,231**	**75,583**	**115,090**
Cost of goods sold	-136,441	-161,513	-59,872	-77,796
Gross profit	**48,061**	**74,718**	**15,711**	**37,294**
Selling expenses	-13,179	-13,098	-5,551	-6,678
General and administrative expenses	-18,670	-19,965	-8,134	-9,104
Other operating expenses	-8,226	-6,115	-1,570	-2,354
Other operating income	4,398	3,396	-426	-770
Profit from operations before impairments and restructuring measures	**12,384**	**38,936**	**30**	**18,388**
Restructuring gains	0	97	0	97
Restructuring losses	-452	-1,137	-215	-772
Impairment on property, plant and equipment	-1,725	0	-1,725	0
Impairment on goodwill and other intangible assets	-13,394	0	-13,394	0
Impairment on current assets	-5,719	0	-5,719	0
Profit / loss from operations after impairments and restructuring measures	**-8,906**	**37,896**	**-21,023**	**17,713**
Interest income	1,134	1,841	444	691
Interest expenses	-2,205	-5,643	-1,026	-2,504
Other financial income	23	0	23	0
Other financial expenses	0	-10,765	0	-250
Gains / losses from remeasurement of option liabilities	0	4,090	0	-1,061
Financial result	**-1,048**	**-10,477**	**-559**	**-3,124**
Profit / loss before tax	**-9,954**	**27,419**	**-21,582**	**14,589**
Income taxes	-2,091	-10,174	926	-5,023
Profit / loss after tax	**-12,045**	**17,245**	**-20,656**	**9,566**
Average number of shares outstanding	15,828,370	15,952,519	15,718,058	15,955,403
EARNINGS PER SHARE IN EUR (BASIC = DILUTED)	**-0.76**	**1.08**	**-1.31**	**0.60**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in TEUR	6 MONTHS PERIOD ENDED		3 MONTHS PERIOD ENDED	
	30.06.2020	30.06.2019*	30.06.2020	30.06.2019*
Profit / loss after tax	**-12,045**	**17,245**	**-20,656**	**9,566**
Other comprehensive income to be reclassified to profit or loss in subsequent periods				
Foreign exchange adjustment - subsidiaries	-2,260	2,228	-8,154	-6,095
Foreign exchange adjustment - other items	186	215	-1,282	-454
Income tax effect	0	-54	270	113
Other comprehensive income, net of tax	**-2,074**	**2,389**	**-9,166**	**-6,436**
TOTAL COMPREHENSIVE INCOME, NET OF TAX	**-14,119**	**19,634**	**-29,822**	**3,130**

* Restated - see Note 12

CONSOLIDATED BALANCE SHEET

ASSETS

in TEUR	30.06.2020	31.12.2019
Current assets		
Cash and cash equivalents	244,371	265,211
Trade receivables	86,882	112,257
Other receivables and other assets	10,430	7,411
Assets held for sale	3,083	3,301
Inventories	133,563	141,956
Total current assets	**478,329**	**530,136**
Non-current assets		
Property, plant and equipment	138,660	146,647
Goodwill	128,396	140,435
Other intangible assets	19,748	26,271
Long-term receivables and assets	4,096	5,235
Deferred tax assets	26,724	25,885
Total non-current assets	**317,624**	**344,473**
TOTAL ASSETS	**795,953**	**874,609**

LIABILITIES AND EQUITY

in TEUR	30.06.2020	31.12.2019
Current liabilities		
Liabilities to banks	35,778	31,052
Current portion of long-term loans	47,167	47,596
Lease liabilities	2,366	2,595
Trade payables	19,375	24,736
Government grants	319	319
Income tax payable	10,074	7,392
Other liabilities	153,244	155,518
Other provisions	4,634	3,014
Total current liabilities	**272,957**	**272,222**
Non-current liabilities		
Long-term loans	168,314	206,683
Lease liabilities	6,566	5,899
Government grants	304	304
Provisions for employee benefits	7,012	6,862
Other liabilities	9,511	11,858
Deferred tax liabilities	700	695
Total non-current liabilities	**192,407**	**232,301**
Equity		
Share capital	15,723	15,955
Capital reserve	62,617	68,902
Legal reserve	785	785
Other reserves	19	19
Currency translation reserve	30,360	32,434
Retained earnings	221,085	251,991
Total equity	**330,589**	**370,086**
TOTAL LIABILITIES AND EQUITY	**795,953**	**874,609**

CONSOLIDATED CASHFLOW STATEMENT

in TEUR	6 MONTHS PERIOD ENDED	
	30.06.2020	30.06.2019
OPERATING ACTIVITIES		
Profit / loss after tax	-12,045	17,245
Adjustment for dividends relating to put/call-options	0	10,569
Depreciation, amortization and impairments	37,367	24,788
Other non-cash expenses and revenues	-1,740	-4,635
Cashflow from profit	**23,582**	**47,967**
Expenditures for the acquisition of non-controlling interests	0	-20,930
Change in working capital	27,063	11,147
Cashflow from operating activities	**50,645**	**38,184**
INVESTING ACTIVITIES		
Expenditures for property, plant and equipment and intangible assets	-10,610	-15,909
Expenditures for the acquisition of non-controlling interests	0	-8,866
Other activities	2,130	2,662
Cashflow from investing activities	**-8,480**	**-22,113**
FREE CASHFLOW	**42,165**	**16,071**
FINANCING ACTIVITIES		
Dividend payment	-18,861	-15,955
Dividends paid relating to put/call-options	0	-2,167
Acquisition of treasury shares	-6,680	0
Change in financial liabilities	-35,660	-13,714
Cashflow from financing activities	**-61,201**	**-31,836**
Change in cash and cash equivalents	**-19,036**	**-15,765**
Cash and cash equivalents at the beginning of the period	265,211	241,532
Effects of exchange rate changes on cash and cash equivalents	-1,804	1,191
Cash and cash equivalents at the end of the period	**244,371**	**226,958**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2020

in TEUR	SHARE CAPITAL	CAPITAL RESERVE	LEGAL RESERVE	OTHER RESERVES	CURRENCY TRANSLATION RESERVE	RETAINED EARNINGS	TOTAL
1 January 2020	**15,955**	**68,902**	**785**	**19**	**32,434**	**251,991**	**370,086**
Profit / loss after tax						**-12,045**	**-12,045**
Other comprehensive income, net of tax					-2,074		-2,074
Total comprehensive income, net of tax	**0**	**0**	**0**	**0**	**-2,074**	**-12,045**	**-14,119**
Dividend payment						-18,861	-18,861
Acquisition of treasury shares	-232	-6,448					-6,680
Share-based payment		163					163
30 June 2020	**15,723**	**62,617**	**785**	**19**	**30,360**	**221,085**	**330,589**

2019

in TEUR	SHARE CAPITAL	CAPITAL RESERVE	LEGAL RESERVE	OTHER RESERVES	CURRENCY TRANSLATION RESERVE	RETAINED EARNINGS	TOTAL
1 January 2019*	**15,949**	**68,303**	**785**	**19**	**23,540**	**236,218**	**344,814**
Profit after tax						**17,245**	**17,245**
Other comprehensive income, net of tax					2,389		2,389
Total comprehensive income, net of tax	**0**	**0**	**0**	**0**	**2,389**	**17,245**	**19,634**
Dividend payment						-15,955	-15,955
Share-based payment	6	299					305
30 June 2019*	**15,955**	**68,602**	**785**	**19**	**25,929**	**237,508**	**348,798**

* Restated - see Note 12

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1

BASIS OF PREPARATION

The interim report as at 30 June 2020 has been prepared in accordance with the principles of the International Financial Reporting Standards (IFRS), rules for interim financial reporting (IAS 34), to be applied in the European Union.

This report on the second quarter of 2020 of the SBO group has neither been audited nor reviewed by independent accountants.

NOTE 2

ACCOUNTING POLICIES

The accounting and valuation methods of 31 December 2019 have been applied basically unchanged. In this context, we refer to the consolidated financial statements for the year ended 31 December 2019.

NOTE 3

SCOPE OF CONSOLIDATION

During the reporting period no changes occurred in the scope of consolidation.

NOTE 4

SEASONALITY

Business development of SBO is not subject to significant seasonal influences.

NOTE 5

DIVIDEND PAID

	TOTAL AMOUNT TEUR	NUMBER OF SHARES (ORDINARY SHARES)	PER SHARE EUR
For the business year 2019 paid in 2020	18,861	15,717,365	1.20
For the business year 2018 paid in 2019	15,955	15,955,303	1.00

NOTE 6

SEGMENT INFORMATION

Based on product groups and services offered and existing customer groups, respectively, SBO's business operations are subdivided into two reportable segments "Advanced Manufacturing & Services" (AMS) and "Oilfield Equipment" (OE).

The "Advanced Manufacturing & Services" (AMS) segment comprises high-precision machining and repair of drill collars and complex MWD (Measurement While Drilling) / LWD (Logging While Drilling) components made of non-magnetic corrosion-resistant stainless steel, which form the housing for sensitive measuring instruments used for the precise measurement of inclination and azimuth of the drillstring as well as petrophysical parameters.

The "Oilfield Equipment" (OE) segment comprises a wide range of highly specialized solutions for the oil and gas industry: High-performance drilling motors and tools for directional drillstring drive in addition to downhole circulation tools as well as products for efficient and resource-conscious completion of unconventional reservoirs in the two dominating technologies "sliding sleeve" and "plug-n-perf".

Management of the group as well as the allocation of resources is based on the financial performance of these segments.

Results in the total column correspond to those in the profit and loss statement.

1-6/2020

in TEUR	ADVANCED MANUFACTURING & SERVICES	OILFIELD EQUIPMENT	SBO-HOLDING & CONSOLIDATION	GROUP
External sales	101,116	83,386	0	184,502
Intercompany sales	27,412	12,449	-39,861	0
Total sales	128,528	95,835	-39,861	184,502
Profit from operations before impairments and restructuring measures	10,731	5,340	-3,687	12,384
Profit / loss before tax	2,756	-7,590	-5,120	-9,954

1-6/2019

in TEUR	ADVANCED MANUFACTURING & SERVICES	OILFIELD EQUIPMENT	SBO-HOLDING & CONSOLIDATION	GROUP
External sales	116,261	119,970	0	236,231
Intercompany sales	54,799	10,055	-64,854	0
Total sales	171,060	130,025	-64,854	236,231
Profit from operations before impairments and restructuring measures	16,574	22,837	-475	38,936
Profit / loss before tax	15,991	13,537	-2,109	27,419

External sales were as follows:

in TEUR	ADVANCED MANUFACTURING & SERVICES		OILFIELD EQUIPMENT	
	1-6/2020	1-6/2019	1-6/2020	1-6/2019
Product sales	90,853	104,524	41,222	67,088
Services and repairs	8,073	9,469	4,211	6,437
Rental revenue	2,190	2,268	37,953	46,445
Total	**101,116**	**116,261**	**83,386**	**119,970**

NOTE 7

IMPAIRMENTS AND RESTRUCTURING MEASURES

The global spread of the COVID-19 pandemic caused a significant reduction in drilling activities in the second quarter of 2020 particularly, and consequently led to changed assumptions about short-term and medium-term oil price developments as well as drilling activities and corresponding expectations regarding E&P spendings in the oilfield service industry. Therefore, goodwill was tested for impairment as of 30 June 2020. The calculation of the value in use for each cash generating unit was based on updated cashflow plans for a detailed planning period of 5 years with cashflows being adjusted based on current estimations of management reflecting decreased short-term and medium-term profit expectations in the current market environment. In order to consider the increased forecast uncertainty caused by the current low visibility, three alternative scenario plans were used for each cash generating unit, in which different timing for the expected increase in E&P spendings was assumed. The cashflows of the individual scenarios were weighted according to their expected probability of occurrence. For the terminal value a fixed growth rate of 1 % was applied.

Impairment tests performed as of 30 June 2020 resulted in goodwill impairments of MEUR 12.5 and impairments of fixed assets of MEUR 1.7. Goodwill impairment expenses of MEUR 8.0 relate to the cash generating unit Knust-Godwin LLC in the "Advanced Manufacturing & Services" segment (WACC before tax: 10.8 %; 31 December 2019: 11.3 %). In the "Oilfield Equipment" segment, impairments of goodwill amounting to MEUR 4.4 and impairment of fixed assets amounting to MEUR 1.7 relate to the cash generating unit BICO Drilling Tools Inc. (WACC before tax: 10.7 %;

31 December 2019: 10.9 %). As a result, the carrying amount of goodwill was reduced to zero. In connection with the underutilization of individual product lines of motor fleet assets due to the low level of activity in North America, impairment charges for inventories amounting to MEUR 5.7 were recognized. These expenses are reported within the item "Impairment on current assets". Furthermore, due to lowered profit expectations in North America impairments on intangible assets amounting to MEUR 0.9 were recognized in the cash generating unit BICO Drilling Tools Inc. in the reporting period.

As of 30 June 2020, sensitivity analyses were carried out, in which separately an increase in the discount rate by one percentage point or a reduction of cashflows by 20 % (31 December 2019: 10 %), as deemed possible by management in the current market environment, were considered. This would lead to additional impairment charges for the cash generating unit Knust-Godwin LLC, but would not lead to impairment charges on existing goodwills allocated to other cash generating units.

Restructuring expenses of MEUR 0.5 incurred in the first half of 2020 relate to the closing of the locations Techman in England and SBMEX in Mexico, which was already largely completed in the previous year.

NOTE 8

TANGIBLE AND INTANGIBLE FIXED ASSETS

During the first six months of 2020 capital expenditures for tangible and intangible fixed assets (including right-of-use assets) amounted to MEUR 12.3 (1-6/2019: MEUR 16.9). Purchase commitments for expenditure in property, plant and equipment as of 30 June 2020 were MEUR 4.9 (31 December 2019: MEUR 2.8).

NOTE 9

TREASURY SHARES

During the 2020 reporting period, the company acquired 231,938 treasury shares based on the share buyback program authorized by the Annual General Meeting on 24 April 2018. In addition, as part of the share based payment program introduced in 2014 and prolonged in 2018 6,000 treasury shares were repurchased and 6,000 were transferred in the reporting period.

NOTE 10

RELATED PARTY TRANSACTIONS

With respect to business transactions with related parties there were no substantial changes compared to 31 December 2019. All transactions with related parties are carried out at generally acceptable market conditions. For further information on individual business relations please refer to the consolidated financial statements of SBO for the year ended 31 December 2019.

NOTE 11

FINANCIAL INSTRUMENTS

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have significant effects on the recorded fair value are observable, either directly or indirectly;

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at balance sheet date, the Group held the following classes of financial instruments measured at fair value:

2020

in TEUR	BALANCE SHEET ITEM	30.06.2020	LEVEL 2	LEVEL 3
Assets				
Derivatives (FVTPL)	Other receivables and other assets	296	296	0
Liabilities				
Derivatives (FVTPL)	Other liabilities	-117,300	-19	-117,281

2019

in TEUR	BALANCE SHEET ITEM	31.12.2019	LEVEL 2	LEVEL 3
Assets				
Derivatives (FVTPL)	Other receivables and other assets	144	144	0
Liabilities				
Derivatives (FVTPL)	Other liabilities	-116,916	-11	-116,905

During the reporting period 2020 there were no transfers between the levels of fair value measurements. In general, if required, transfers are carried out at the end of each reporting period.

Derivatives shown under level 3 exclusively consist of option commitments relating to cancelable non-controlling interests to purchase the offered shares from the minority shareholders. The development of liabilities for option commitments in the reporting period 2020 was as follows:

in TEUR	BUSINESS COMBINATION DOWNHOLE TECHNOLOGY
1 January 2020	-116,905
Currency adjustment	-376
30 June 2020	**-117,281**

The option committments from cancelable non-controlling interests were measured at fair value at the time of acquisition and remeasured in the following periods at fair value on each balance sheet date. The determination of the fair value was based on discounted cash flows, which were derived from the respective results planned for the company concerned. SBO has exercised its right to acquire purchase the minority interests of 32.3 % in Downhole Technology (now The WellBoss Company, LLC) with its share in the company reaching 100 % already as of 1 April 2019. There is a legal dispute with a former minority member regarding the termination of his employment contract in 2018, which may have an effect on the purchase price to be paid for the acquisition of the remaining 25.7 % of the interests. Any payment is delayed until the dispute is fully and finally resolved. In the consolidated financial statements as of 30 June 2020 as well as of 31 December 2019, provision was made for the purchase price on the basis of the contractually agreed mechanism to be applied under normal circumstances. Depending on the outcome of the proceedings, the purchase price to be paid could be determined subject to equity of the company, hence be significantly lower than the amount provided for. At present, the outcome of the proceedings cannot be predicted with any certainty. We refer to the consolidated financial statements 2019.

The foreign currency forward contracts are measured based on observable spot exchange rates.

For each category of financial instruments which are amortized at acquisition costs, both the carrying value and the deviating fair value are provided in the table below:

in TEUR		30.06.2020		31.12.2019	
	LEVEL	**CARRYING AMOUNT**	**FAIR VALUE**	**CARRYING AMOUNT**	**FAIR VALUE**
Liabilities					
Borrowings from banks, lease obligations and other loans	2	-260,191	-269,381	-293,825	-302,089

For assessing the fair value of long-term loans and lease obligations with a fixed interest rate, the expected cashflows have been discounted using market interest rates. Regarding lendings, bank and other long-term loans with variable interest, the interest rates charged are current market rates, resulting in the fact that the carrying amounts equal the fair values to a large extent. Cash and cash equivalents, trade receivables and payables and all other items have mostly short residual lives. Therefore, the carrying amounts equal the fair values at the balance sheet date.

NOTE 12

ADJUSTMENTS WITH RETROSPECTIVE EFFECT

Based on the review finding by the Austrian Financial Reporting Enforcement Panel (AFREP) relating to the impairment test performed as of 31 December 2018 for the cash generating unit Resource Well Completion Technologies Inc. within the „Oilfield Equipment“ segment the consolidated financial statements 2018 were adjusted with retrospective effects (see consolidated financial statements 2019 Note 4 – retrospective adjustment). The consequences as of 30 June 2019 are as follows:

	30.06.2019 REPORTED	IMPAIRMENT GOODWILL	30.06.2019 RESTATED
Goodwill	163,070	-24,508	138,562
Currency translation reserve	26,584	-655	25,929
Retained earnings	261,361	-23,853	237,508
Equity	373,306	-24,508	348,798

NOTE 13

EVENTS AFTER THE REPORTING DATE

After the reporting date there were no events of particular significance that would have changed the presentation of the Group's net assets, financial position, and results of operations in the consolidated financial statements as at 30 June 2020. In August 2020, the Company raised bonded loans and bullet loans in a total amount of MEUR 78.0 with a fixed interest rate of 1.9 % to 2.1 % and a term of 5 to 6 years. As part of this transaction, bonded loans in the amount of MEUR 18.5 were repaid at the Company's request prior to maturity without prepayment penalty or without additional costs. In addition to that, no further reportable events occurred.

STATEMENT OF ALL LEGAL REPRESENTATIVES

We confirm to the best of our knowledge that the condensed interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the group management report of the second quarter gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the interim financial statements, and of the principal risks and uncertainties for the remaining six months of the financial year and of the major related party transactions to be disclosed.

Ternitz, 26 August 2020

Gerald Grohmann **Klaus Mader**

Executive Board