

EANS-News: Schoeller-Bleckmann Oilfield Equipment AG / Annual result 2016

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annual result/annual report

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- Harshest industry crisis in 30 years weighs on result
- Proactive countermeasures and stringent cost management to secure positive operating cashflow and fundamentally strong balance sheet structure
- Strategic expansion in the field of well completion continued successfully through largest acquisition in the company's history

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Ternitz/Vienna, 17 March 2017. The entire oilfield service industry was confronted with a persistent downturn in 2016. For the first time in three decades, oil companies curtailed their spending for exploration and production (E&P) in two consecutive years by a total of 42 %. Schoeller-Bleckmann Oilfield Equipment AG (SBO), listed on the ATX market of the Vienna Stock Exchange, felt the effects both in terms of sales and profit. Nevertheless, SBO generated a positive operating cashflow and preserved its fundamentally strong balance sheet structure by implementing proactive countermeasures. With the acquisition of Downhole Technology, SBO consistently continued its strategy to expand the attractive well completion business. This acquisition was the largest acquisition in the company's history, entirely financed from own funds.

"The sharpest downturn in 30 years had a firm grip on our industry in 2016. The overall situation in the market forced us to take stringent measures. We took all necessary steps to dampen the effects of the market situation on SBO. Nevertheless, the situation is clearly reflected in our results", says Gerald Grohmann, CEO of SBO. "We implemented strict cost management, while consistently adhering to our long-term growth strategy. Acquiring Downhole Technology was a major step to successfully develop our well completion business that was started back in 2014 when we took over Resource. Along with our projects in research and development, these are key investments for the future."

Downhole Technology is based in Houston, USA, and a technologically leading provider of composite frac plugs for completing oil and gas wells. With

Downhole Technology and Resource, the company's second subsidiary in this field, SBO has established itself as a leading independent product provider in the market.

Business result reflects market environment in 2016 Due to the persistent downturn, sales in 2016 contracted by 41.7 % to MEUR 183.0 (2015: MEUR 313.7). Operating earnings before interest, taxes, depreciation, and amortisation (EBITDA) were MEUR 0.4 (2015: MEUR 55.1). Considering one-off expenses for due diligence and expenses for restructuring of in total MEUR 2.9, the reported EBITDA amounted to MEUR minus 2.5 (2015: MEUR 53.1). Operating result (EBIT) before one-off effects was MEUR minus 50.4 (2015: MEUR 3.7). Considering the aforementioned one-off effects and one-off expenses for impairment of property, plant and equipment, and goodwill of MEUR 5.1, in total MEUR 8.0, the reported operating result (EBIT) came to MEUR minus 58.3 (2015: MEUR minus 22.1). The financial result arrived at MEUR 13.3 (2015: MEUR 2.1), including the income from the valuation of option commitments amounting to MEUR 17.2. Profit before tax was MEUR minus 45.1 (2015: MEUR minus 20.0), profit after tax was MEUR minus 28.0 (2015: MEUR minus 19.0). Earnings per share arrived at EUR minus 1.75 (2015: EUR minus 1.19).

The Executive Board will propose to the Annual General Meeting not to pay a dividend for the 2016 financial year.

Due to massively curtailed E&P spending (2016: down by 27 % globally) of oil companies, bookings received by SBO in the 2016 financial year dropped by 16.8 % to MEUR 169.3 (2015: MEUR 203.6). Although bookings in the second half of 2016 increased from the first two quarters of the year, the order backlog at year-end 2016 of MEUR 20.5 was down 40.4 % from last year's reading (31 December 2015: MEUR 34.3).

Investing only in the right places Spending for property, plant and equipment and intangible assets in the 2016 financial year amounted to MEUR 13.0 (2015: MEUR 23.1) and was restricted largely to maintenance requirements. "But our R&D budgets were excluded from any cost-cutting measures", comments Mr. Grohmann. "Because it is our innovative strength in production technologies and new products that will secure our strong market position when the next upswing sets in."

Fundamentally strong balance sheet to navigate safely through the cycle SBO acquired 68 % of the shares in Downhole Technology early in the second quarter of 2016 at a purchase price of MUSD 103. Even after this acquisition, SBO, as of 31 December 2016, had a sound equity ratio of 53.1 % (31 December 2015: 60.8 %). Liquid funds as of the balance sheet date - after the acquisition

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- remained at a high level of MEUR 193.5 (31 December 2015, before the acquisition of Downhole Technology: MEUR 196.3). SBO's net debt as of 31 December 2016 was MEUR 51.0 (31 December 2015: Net liquidity MEUR 26.2).
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Despite the extremely difficult market environment, the company generated a positive operating cashflow of MEUR 31.3 (2015: MEUR 103.4), achieved mainly through active working capital management.

Sound SBO share performance defies industry crisis Despite the harsh crisis in the industry, the SBO share performed above average in 2016, starting into the stock market year at a rate of EUR 50.41. On 30 December 2016, after an outright price rally from the middle of the second half of the year, the share price closed at EUR 76.53, up 51.8 % from the beginning of the year. By contrast, the Oil Service Sector Index (OSX), representing the stock performance of the world's largest oil service companies, rose by 15.1 % (from USD 159.65 to USD 183.79) over the same period. Vienna's ATX blue-chip index posted an increase of 9.2 % in 2016. Thus, the SBO share outperformed both the OSX and the ATX.

Market development in 2016 and expectations for 2017 The oil market remained oversupplied in 2016 by 0.4 million barrels per day (mb/

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d) over the full year. On 30 November 2016, OPEC members agreed on a production limit of 32.5 mb/d for a period of at least six months. This should contribute to an accelerated restoration of the supply and demand balance. Initially, the global rig count went down in 2016 by 26 % to 1,405 rigs in May. Starting in June, a marked recovery set in for the North American rig count. The global rig count in December 2016 was 1,772 rigs, down 10 % from last year's reading (December 2015: 1,969 rigs).
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After two years of continuous spending cuts in the industry, the downturn finally seems to have reached its bottom. Expectations for 2017 are that a noticeable market recovery should occur above all in North America. Internationally, such revival has not yet started to take place. According to leading analysts, spending for exploration and production (E&P) in 2017 should rise by 2 % globally, and by 21 % in North America. However, it will take some more time until inventories built by SBO's customers over the past two years have come down.

"Market development shows clearly positive tendencies. SBO traditionally is a company that responds late to industry cycles. Therefore, 2017 will be a year of transition for us", comments Gerald Grohmann, CEO of SBO. "In any event, our well completion business brings us closer to the cycle than our core business and will help us to fully benefit from the next upswing."

SBO is the global market leader in high-precision components made of high-alloy steel and a leading supplier of key components for the oilfield service industry. The business focus is on non-magnetic drillstring components and high-tech downhole tools for drilling and completing directional and horizontal wells. As of 31 December 2016, SBO employed a workforce of 1,200 worldwide (31 December 2015: 1,135), thereof 315 in Ternitz / Austria and 544 in North America (including Mexico).

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		2016	2015
Key figures:			
Sales	MEUR	183.0	313.7
Operating earnings before interest, taxes, depreciation and amortisation (EBITDA)	MEUR	0.4	55.1
EBITDA margin	%	0.2	17.6
Profit before tax	MEUR	-45.1	-20.0
Profit after tax	MEUR	-28.0	-19.0
Earnings per share	EUR	-1.75	-1.19
Cashflow from operating activities	MEUR	31.3	103.4
Liquid funds	MEUR	193.5	196.3
Equity ratio	%	53.1	60.8
Headcount		1,200	1,135

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SBO financial calendar 2017

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27 April 2017 Annual General Meeting

9 May 2017 Ex-dividend date
10 May 2017 Record date
11 May 2017 Dividend payment date
24 May 2017 Result Q1 / 2017
24 August 2017 Result H1 / 2017
23 November 2017 Result Q3 / 2017

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sector: Oil & Gas - Upstream activities

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ISIN: AT0000946652

indexes: WBI, ATX Prime, ATX

stockmarkets: official market: Wien

language: English

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Digital press kit: <http://www.ots.at/pressemappe/2917/aom>

***ORIGINAL APA-OTS TEXT - THE INFORMATION CONTAINED IN THIS PRESS

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OTE0004 2017-03-17/08:01

170801 Mär 17

Link zur Aussendung:

http://www.ots.at/presseaussendung/OTE_20170317_OTE0004