



SCHOELLER
BLECKMANN
OILFIELD
EQUIPMENT

PUSHING BOUNDARIES

ANNUAL FINANCIAL REPORT 2016

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MANAGEMENT REPORT



MANAGEMENT REPORT

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"GLOBAL SPENDING FOR EXPLORATION AND PRODUCTION WAS CURTAILED ONCE AGAIN IN 2016 AND THUS FOR TWO YEARS IN A ROW FOR THE FIRST TIME"

MARKET ENVIRONMENT

Global economic development was stable in 2016. According to current estimates of the International Monetary Fund (IMF), global economic growth arrived at 3.1 %, similar to the level seen in the year before. The average growth rate of the industrialised countries in 2016 was 1.6 %, following 2.1 % in 2015. Economic growth in the emerging markets in 2016 came to 4.1 %, the same as in the year before. In particular China and India delivered a robust performance. The low oil price put oil-exporting emerging markets under pressure. The Russian economy showed signs of stabilisation. The vote on the UK's exit from the European Union (Brexit) caused uncertainty in the Western world.⁶

Average global oil demand in 2016, according to the International Energy Agency (IEA), rose by 1.6 million barrels per day (mb/d), or 1.7 %, to 96.6 mb/d (2015: 95.0 mb/d). Higher demand came mainly from non-OECD countries and Asia. Demand in non-OECD countries went up by 1.2 mb/d, or 2.5 %, to 49.8 mb/d (2015: 48.6 mb/d). Demand in OECD countries grew by 0.3 mb/d, or 0.6 %, to 46.7 mb/d (2015: 46.4 mb/d).

The oil market remained oversupplied in 2016. While worldwide crude supply overhang in the first quarter of 2016 came to 1.3 mb/d, it totalled only 0.1 mb/d in the second and turned, for a short while, into a small demand overhang of 0.2 mb/d in the third quarter. Starting from the middle of the second quarter, OPEC countries led by Saudi Arabia, Iraq and Libya increased their output from an average 38.7 mb/d in May 2016 to 39.8 mb/d in December 2016 (33.1 mb/d excluding natural gas liquids / NGLs), although discussions on the introduction of a production limit had already commenced. In the non-OPEC countries, supply decreased by 0.8 mb/d to 57.7 mb/d, led by the USA and China. OPEC production (including natural gas liquids / NGLs) reached its maximum of 40.2 mb/d in November 2016. In the fourth quarter, rising demand could not compensate the rising production of the OPEC countries anymore. Over the year 2016, the oil market remained oversupplied by 0.4 mb/d. The OPEC spare capacity at the end of the fourth quarter reached only 2.5 mb/d in December 2016 (2.9 mb/d in January 2016).

On 30 November 2016, the OPEC countries agreed to introduce a production limit of 32.5 mb/d (crude oil excluding natural gas liquids / NGLs) for a period of at least six months. Based on the supply figures of the IEA, effective reduction even was 1 mb/d over the turn of the years 2016 / 2017, which should accelerate restoration of the balance between supply and demand.

A decisive role in this restoration will be played by the change in OECD inventories. Crude oil inventories went down from 1,177 million barrels (mb) at the beginning of 2016 to 1,170 mb in December 2016, and exceeded the five-year average by 115 mb. At the same time, OECD member states increased their crude oil imports from 20.1 mb/d in the previous year to 21.1 mb/d in 2016. In May 2016, crude oil inventories reached their peak of 1.215 mb.⁷

Initially, the global rig count shrank by 29 %, to 1,405 rigs in May 2016. Since the end of the second quarter, a marked recovery had set in mainly in the North American rig count, bringing the December 2016 rig count to 1,772, down 6 % from the reading for the beginning of the year (January 2016: 1,891 rigs), or down 10 % year-on-year (December 2015: 1,969 rigs). The North American rig count picked up from its low of 450 rigs in May 2016 back to 843 rigs at the end of the year, therefore returning close to the level reported in January 2016. In the remaining regions of the world, the number of drilling rigs was falling by 11 % to 929 since January 2016.⁸ The number of drilled but uncompleted wells (DUCs) in North America initially contracted by 10 % from its peak of 5,596 units at the beginning of the year to 5,039 units, but - in the wake of rising drilling activity - recently started to climb again by 5 % to 5,289 units at the end of the year.⁹

Worldwide spending for exploration and production (E&P spending) was curbed even further in 2016. Having contracted by as much as 21 % in 2015, spending was cut once again by 27 % in 2016, according to analyst estimates. The sharpest drop in 2016 was reported in North America, where figures went down by 41 %, following a decline of 33 % in 2015. Since the downturn started in 2014, global E&P spending fell by 42 % and North American spending by 62 %.¹⁰

Prices of both crudes were heavily influenced by the expectations of the financial market regarding supply and demand. Early in the year, the price per barrel of US brand WTI hit its low of USD 26.21 in January, while European crude Brent fell to a low of USD 27.88 in February. This oil prices plunge came as a complete surprise to the market, triggering yet another cutback on E&P budgets. Over the year, the oil price fluctuated in a range of USD 40 to 52, but was exposed to severe volatility. The decision passed by OPEC's members on 30 November 2016 to introduce a production limit received an immediate positive response from the market and restored the necessary confidence in a sustained higher oil price. Until the end of the year, the price of one barrel of US crude WTI rose from USD 36.76 on 4 January 2016 to USD 53.72 on 30 December 2016, and the price of European crude Brent from USD 37.22 to USD 56.82.¹¹

⁷ International Energy Agency (IEA), Oil Market Report, February 2017.

⁸ Baker Hughes Rig Count.

⁹ U.S. Energy Information Administration (EIA), Drilling Productivity Report, February 2017.

¹⁰ Evercore ISI, The 2017 Evercore ISI Global E&P Spending Outlook, December 2016.

¹¹ Bloomberg: CO1 Brent Crude (ICE) and CL1 WTI Crude (Nymex).

MANAGEMENT REPORT

"BASED ON ITS SOUND BALANCE SHEET STRUCTURE SBO WAS ABLE TO COMPLETE THE LARGEST ACQUISITION IN THE COMPANY'S HISTORY AT THE BEGINNING OF THE SECOND QUARTER OF 2016"

BUSINESS DEVELOPMENT

Key developments in 2016

For the second year in a row, the oilfield service industry was confronted with the sharpest decline in the past 30 years in 2016. Customers' restraint in placing orders added to persistent pressure on prices. This collapse naturally is reflected in the sales and earnings results of SBO. SBO's management had responded early, already in 2014, by launching a set of countermeasures to navigate the company safely through the downturn. This course was consistently followed throughout 2016 as well.

Despite this highly challenging environment, SBO generated a positive operating cashflow and has a fundamentally sound balance sheet structure. Thanks to its high liquidity base, the company is strong enough to make targeted investments in future fields of growth even in the current cycle. Management decided to focus on two strategic directions in this challenging market environment: One the one hand, sustainable and one-off cost optimisation measures (see "Measures to combat the downturn"), and, on the other hand, investments in building the new well completion business as well as research and development (see "Strategic investments" and "Research and development"). The acquisition of Downhole Technology on 1 April 2016 was the largest acquisition in SBO's corporate history.

The 2016 financial year

Due to subdued demand, SBO's sales in 2016 contracted by 41.7 % to MEUR 183.0 (2015: MEUR 313.7). Year-on-year bookings dropped by 16.8 % to MEUR 169.3 (2015: MEUR 203.6). In the second half of 2016, an increase was recorded in bookings compared to the first two quarters. In 2015, SBO had still profited from the record bookings level in year 2014. The order backlog at the end of 2016 stood at MEUR 20.5 following MEUR 34.3 as at 31 December 2015.

MANAGEMENT REPORT

Operating earnings before interest, taxes, depreciation, and amortisation (EBITDA) were MEUR 0.4 (2015: MEUR 55.1). Considering one-off expenses for due diligence of MEUR 2.4 and for restructuring amounting to MEUR 0.5, therefore totaling MEUR 2.9, reported EBITDA came to MEUR minus 2.5 (2015: MEUR 53.1). Operating earnings before interest and taxes (EBIT) before one-off effects came to MEUR minus 50.4 (2015: MEUR 3.7). Considering the aforementioned one-off expenses and expenses for impairment on property and goodwill amounting to MEUR 5.1, therefore totaling MEUR 8.0, reported EBIT came to MEUR minus 58.3 (2015: MEUR minus 22.1). Financial result arrived at MEUR 13.3 (2015: MEUR 2.1), including the result from the valuation of option commitments of MEUR 17.2. Profit before tax came to 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 margins reflected the market collapse: Operating EBITDA margin was 0.2 % (2015: 17.6 %), operating EBIT margin was minus 27.5 % (2015: 1.2 %). The pre-tax margin stood at minus 24.6 % (2015: minus 6.4 %).

Regardless of the persisting downturn, SBO generated a positive operating cashflow of MEUR 31.3 in the 2016 financial year (2015: MEUR 103.4). This was achieved primarily through active working capital management.

The balance sheet structure of SBO remains fundamentally strong. Liquid funds as at year end 2016 amounted to MEUR 193.5 (31 December 2015 - prior to the acquisition of Downhole Technology: MEUR 196.3). Net debt stood at MEUR 51.0 (31 December 2015: Net cash position of MEUR 26.2), the gearing ratio only was 12.0 %. Spending for property, plant and equipment and intangible assets (CAPEX) was scaled back from 2015 by 43.4 % to MEUR 13.0 (2015: MEUR 23.1).

Its sound balance sheet structure allowed SBO to acquire, at the beginning of the second quarter of 2016, a 68 % share in Downhole Technology at a purchase price of MUSD 103 (or, based on the exchange rate of the relevant date, MEUR 90.4). The purchase price was financed from existing liquid funds. Since its acquisition, Downhole Technology has delivered positive contributions to the business result of SBO in line with expectations. Even after this acquisition, SBO's equity ratio as at 31 December 2016 stood at a sound 53.1 % (31 December 2015: 60.8 %).

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Development of the segments

SBO subdivides its business activities into two segments: "High Precision Components" (HPC) (machining of complex MWD (Measurement While Drilling) and LWD (Logging While Drilling) components) and "Oilfield Equipment" (OE) (high-performance drilling motors and downhole circulation tools, the distribution of non-magnetic drill collars, service and repair work as well as products for completing wells). Both segments were notably affected by the market contraction in 2016.

The "High Precision Components" segment developed according to the considerably curtailed capital expenditures of the customers in 2016. Segment sales dropped by 61.5 % to MEUR 55.3 (2015: MEUR 143.5). Operating result (EBIT) before expenses for impairment on property and goodwill as well as restructuring in the segment arrived at MEUR minus 29.3 (2015: MEUR minus 5.9).

In the "Oilfield Equipment" segment, the sharp drop in global drilling activity had a dampening effect on the business. Although customers preferred to use high-quality products even in the downturn, declining demand put downward pressure on prices. As a result, sales generated in the segment fell by 25.0 % to MEUR 127.7 (2015: MEUR 170.2). Operating result (EBIT) before expenses for impairment on property and goodwill as well as restructuring in the segment arrived at MEUR minus 18.0 (2015: MEUR 13.3).

Measures to combat the downturn

SBO has gained vast experience in managing the cycles in the oilfield service industry. As before, management responded promptly also to the downturn of the last two years by launching initial countermeasures at an early stage in the third quarter of 2014 in order to combat deteriorating market conditions. SBO systematically continued to pursue that course throughout 2016:

- › Both restructurings (mergers) in the United States and the United Kingdom have been completed. The merger of SBO's two subsidiaries in Singapore, which was decided in mid-2016, is also complete. A joint management has been installed for operating the two sites of "Knust-SBO Far East Pte. Ltd." and "SB DARRON Pte. Ltd." under the name of "Knust-SBD Pte. Ltd." Restructuring will create structural and sustainable cost benefits.

- › Capital expenditure was further reduced by 43.4 % from MEUR 23.1 in year 2015 to MEUR 13.0 in year 2016, with the exception of spending for research and development (R&D).
- › Personnel capacities were adjusted to declining demand in 2016, as required at the individual sites: Short-time work was extended until 31 July 2017 at the plant in Ternitz, Austria. The headcount as at 31 December 2016 was 1,200 or, without Downhole Technology, 1,034 (1,135 as at 31 December 2015). This represents a reduction of 40 % since the downturn started in 2014 (31 December 2014: 1,720 employees).

Strategic investments

Back in November 2014, SBO acquired Canadian "Resource Well Completion Technologies Inc." (Resource) so as to prepare the ground for establishing itself in the well completion market. Previously, SBO had primarily manufactured products for directional drilling.

Well completion is the next process step in the life cycle of a well after drilling where the well is prepared for the production of oil and gas. Like in directional drilling, state-of-the art technology and expertise are becoming more and more important in well completion. Efficiency improvements seen in recent years are also due to growing technologisation in this sector. By entering the well completion business, SBO has taken a new strategic positioning to participate in this attractive market.

SBO acquired 68 % of the shares in „Downhole Technology LLC“ (Downhole Technology) on 1 April 2016, representing the largest acquisition in the company's history. Downhole Technology is based in Houston, United States, and is a technologically leading provider of composite frac plugs for completing oil and gas wells. The design, manufacturing know-how and the high quality standards of the products ensure that wells can be completed more rapidly, efficiently and safely compared to similar products. Offering both high quality and innovative design, Downhole Technology has achieved strong acceptance in the market.

Downhole Technology and Resource enable SBO to offer a wide range of tight formation completion tools. While Resource provides high-tech sliding sleeve solutions for completing the well, Downhole Technology delivers plug-n-perf equipment for such application. SBO has already become a leading independent product provider in the market.

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Furthermore, in year 2016, SBO continued to push ahead the internationalisation of the successful drilling motor business of its subsidiary BICO that had been started in 2014: Drilling motors are increasingly marketed in Russia and the Far East and from the existing subsidiary established in Dubai. Those regions are the ones least affected worldwide by the decline in demand. Moreover, the newly established distribution companies in Saudi Arabia and Mexico offer additional market opportunities, mainly for SBO's subsidiary DSI and its downhole circulation technology.

Research and development

The growth strategy of SBO is based on a long-term approach focusing, apart from organic growth, on acquisitions and research and development (R&D). With its targeted spending for R&D even during the downturn, SBO ensures its full participation in the next upswing.

As the R&D budgets of SBO were not subject to cost-cutting in year 2016, several innovative successes were achieved:

With its Direct Metal Laser Sintering (DMLS) unit, SBO has now also commercially entered the field of high-precision 3D metal printing. This novel fibre laser-based additive manufacturing technology expands the broad range of manufacturing technologies applied by SBO. It is used to produce tailor-made, highly complex metal parts within a relatively short period of time, without compromising on quality and mechanical properties.

In addition thereto, electronic beam welding (EBW) was commercialised. Systems that were previously available in the market turned out to be unreliable or did not meet quality requirements. This technology can be applied flexibly to customer requirements which cannot be fulfilled by using conventional machining methods.

As regards traditional manufacturing, a technology called "GooseNeck Drilling" has become ready for marketability. It is used to produce directed bores with diametres starting from 1 ½" (38 mm) inside the drill collar and provides customers with completely new ways in the design of complex MWD (Measurement While Drilling) and LWD (Logging While Drilling) measuring equipment. Through an off-centre shift of the centre bore in the drill collar, more room for installing electronics is made available without reducing the strength of the drill collar as it would be the case in a stub welding process.

The "MASTER Motor Concept" is a product line of high-performance motors developed by SBO featuring improved design and output. More robust connections and higher maintenance standards ensure that these motors can manage higher flow velocities and temperatures considerably better than conventional drilling motors. The new product line, combined with other high-performance components of SBO, is designed to generate high torques specifically in environments characterised by extreme harshness or impaired by circulation losses. Operators benefit above all from higher rates of penetration, increased time efficiency during drilling and faster drill-out of isolation equipment in well completion. The new technology will be used commercially from this year on.

In the field of well completion, besides the "open only" sleeve system, also a "closable" sleeve system was developed, allowing to close again sleeves that have been opened for production. Pressures within the production string are kept stable, as zones penetrated by dirt and less productive zones can be isolated, optimising production for operators. The system is compact and comes with a hydraulic closing mechanism. The technology can be used for refracking procedures at a later point in time as well.

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"BY ESTABLISHING THE WELL COMPLETION BUSINESS AND PURSUING RESEARCH AND DEVELOPMENT ACTIVITIES, SBO HAS PREPARED THOROUGHLY FOR THE NEXT UPSWING"

OUTLOOK

For 2017, the International Monetary Fund (IMF) forecasts an increase in global economic growth of 3.4 %, for 2018 of 3.6 % (following 3.1 % in 2016 and 3.2 % in 2015). In the industrialised nations, economic growth in 2017 should come to 1.9 %, 2.0 % in 2018 (following 1.6 % in 2016 and 2.1 % in 2015), thereby pointing at a continuation of the moderate economic recovery in the industrialised nations. Regarding emerging markets and developing countries, the IMF assumes that growth will arrive at 4.5 % in 2017, and 4.8 % in 2018 (following each 4.1 % in 2016 and 2015).

According to the IMF, global economic recovery in 2017 and 2018 will be based above all on accelerated growth in the emerging markets. The slowdown in China is projected to be overcompensated by stronger growth in the emerging markets and developing countries which went through a recession in 2016, including Brazil, Nigeria and Russia. Moreover, the IMF expects that accompanying fiscal policy measures in the industrialised nations and easing geopolitical tensions will contribute to stronger growth in the countries concerned. Brexit, the IMF believes, should not have significant effects on the global economy, if no major economic barriers are created and negotiations between the United Kingdom and the European Union are running smoothly.¹²

The International Energy Agency (IEA) estimates that oil demand will go up further in 2017: Oil consumption is set to rise by 1.4 mb/d to 98.0 mb/d in 2017. In OECD countries, average demand for oil coming to around 46.8 mb/d should increase a little from 2016. In non-OECD countries, average demand should rise by 1.4 mb/d to a total of 51.2 mb/d.

After two years of continuous spending cuts in the industry, the downturn finally seems to have come to an end. The IEA expects production in non-OPEC countries to rise by 0.3 mb/d, from 57.7 mb/d in 2016 to 58.0 mb/d in 2017. On 30 November 2016, OPEC members agreed on a production ceiling of 32.5 mb/d for a duration of at least six months. As a result, restoration of the supply and demand balance should be accelerated.¹³

There is growing evidence that North America is adapting rather flexibly to the new situation. Leading analysts expect to see a rise in E&P spending in North America of 21 % in 2017, and of 2 % globally.¹⁴ This is the first rise since 2014. In view of the sharp capital expenditure curbs in 2015 and 2016, the need for spending is fundamentally strong. E&P spending in recent years was used to a large extent only for maintaining the existing production levels. Without such spending, the post-peak decline rate is projected to come to an annual 5-7 %.¹⁵ Taking account of this factor and the constantly rising demand for oil, it cannot be excluded that the oil market might be undersupplied over the medium term.

Assumptions for 2017 are that in particular in North America, a noticeable market recovery should be seen. However, internationally, such revival has not yet started to take place and it will take some more time until the inventories of the customers, which have been built up over the last two years, will have come down. All in all, 2017 is expected to be a year of transition. By establishing its well completion business and pursuing research and development activities, SBO has prepared itself systematically for the next upswing. The strong cash balance, low net debt and high equity ratio provide SBO with the flexibility to respond rapidly to the challenges ahead. As technology and market leader, SBO is well positioned to benefit fully from the next upswing.

¹³ International Energy Agency (IEA), Oil Market Report, February 2017.

¹⁴ Evercore ISI, The 2017 Evercore ISI Global E&P Spending Outlook, December 2016; somewhat more optimistic: Barclays, 2017 E&P Spending Outlook, January 2017.

¹⁵ HSBC Global Research, February 2017.

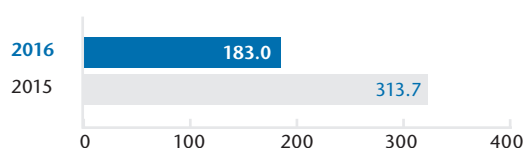
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ANALYSIS AND RESULTS

The consolidated financial statements of the company have been prepared in accordance with the International Financial Reporting Standards (IFRS).

In the past financial year, the well completion business was extended by the acquisition of US-based Downhole Technology. The company was first included in the scope of consolidation as of 1 April 2016.

Sales in MEUR



Due to low demand, sales decreased by 41.7 % from MEUR 313.7 in 2015 to MEUR 183.0 in 2016.

As in the previous years, the US dollar continued to be the most important currency by far for the SBO Group. In 2016, 84 % (following 85 % in 2015) of sales and income were generated in US dollars, and around 60 % (following 50 % in 2015) of expenses were incurred in US dollars. Whereas the average exchange rate in 2016 of 1 Euro = 1.1066 USD remained almost unchanged from 2015, when it had been 1 Euro = 1.1096 USD, the US dollar increased significantly over the Euro towards the end of the year. The closing price as of 31 December 2016 was 1 Euro = 1.0541 USD, compared to 1 Euro = 1.0887 USD on 31 December 2015.

Exchange rate in EUR/USD

	High	Low	Average	Closing
2016	1.1569	1.0364	1.1066	1.0541
2015	1.2043	1.0552	1.1096	1.0887

The average rates for the years ending 31 December 2015 and 31 December 2016 were used by the company in the preparation of the consolidated profit and loss statements, whereas the closing rates for the years 2015 and 2016 were used in the preparation of the consolidated balance sheets.

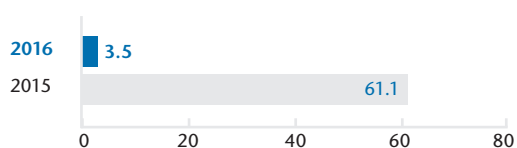
Sale by business segments in MEUR

	High Precision Components	Oilfield Equipment	Total sales
2016	55.3	127.7	183.0
2015	143.5	170.2	313.7

In the "High Precision Components" segment, sales in 2016 fell by 61.5 %, from MEUR 143.5 in 2015 to MEUR 55.3 in 2016, as customers again curtailed their CAPEX spending considerably.

In the "Oilfield Equipment" segment, the significant decline in global drilling activity resulted in a drop of sales by 25.0 %, from MEUR 170.2 to MEUR 127.7, which could be set off only in part by the acquisition of Downhole Technology.

Gross profit in MEUR



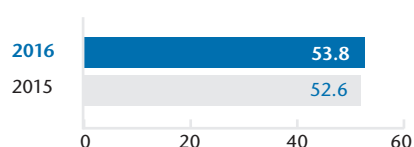
In 2016, gross profit dropped by 94.2 %, from MEUR 61.1 to MEUR 3.5, and the gross margin fell from 19.5 % to 1.9 %.

Despite the cost-cutting measures that had been launched, the gross margin continued to go down. Lower production output, on the one hand, resulted in further underutilisation of capacities, while, on the other hand, declining demand put growing pressure on prices, especially in the "Oilfield Equipment" segment.

The major elements of production costs are expenses for materials and energy, costs of personnel and depreciation of fixed assets.

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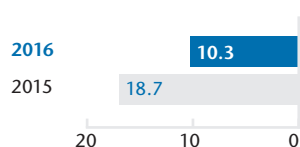
Selling, general and administrative expenses in MEUR



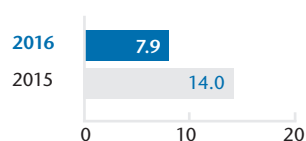
Selling, general and administrative expenses (SG&A) rose from MEUR 52.6 in 2015 to MEUR 53.8 in 2016. While the rise in selling expenses from MEUR 19.8 in 2015 to MEUR 20.1 in 2016 was due to the business extension in the "Oilfield Equipment" segment, the increase in administrative expenses from MEUR 32.8 to MEUR 33.7 was caused, apart from due diligence expenses incurred in the wake of acquiring Downhole Technology, mainly by the business extension in the "Oilfield Equipment" segment. Without consideration of these expenses, selling, general and administrative expenses were MEUR 42.0 in 2016.

Selling, general and administrative expenses consist mainly of salary and salary-related expenses, professional fees for operational activities, travel and entertainment costs, communication and insurance expenses.

Other operating income and expenses in MEUR

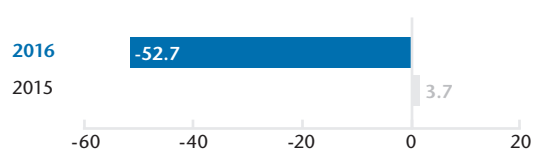


Other operating expenses amounted to MEUR 10.3 in 2016 (2015: MEUR 18.7). This item contains primarily research and development costs amounting to MEUR 7.6 (2015: MEUR 8.2), incurred mainly for the "Oilfield Equipment" segment, as well as exchange losses of MEUR 2.6 (2015: MEUR 10.5), while exchange gains in other operating income totalled MEUR 6.5 (2015: MEUR 12.4).



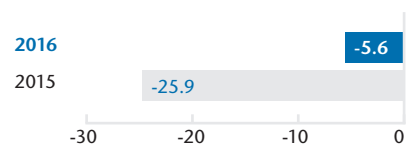
Total other operating income in 2016 was MEUR 7.9 (2015: MEUR 14.0) and, apart from exchange gains, consisted of rental income, service charges and income from the sale of fixed assets.

Income from operations before non-recurring items in MEUR



Income from operations before non-recurring items arrived at MEUR minus 52.7 (minus 28.8 % of sales) compared to MEUR 3.7 (1.2 % of sales) in the previous year. This development is largely due to the decline in sales and the reduced gross margin.

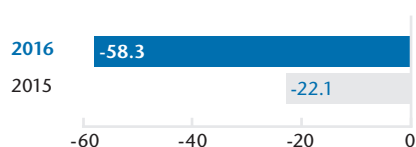
Non-recurring items in MEUR



In fiscal 2016, expenses for non-recurring items totalled MEUR 8.1, with MEUR 3.0 spent for costs associated with restructuring of production sites in the United States, and MEUR 5.1 for impairment of property, plant and equipment and goodwill. These expenses are opposed by income from the disposal of property, plant and equipment associated with the aforementioned restructuring amounting to MEUR 1.7, and income from the sale of land in the United Kingdom amounting to MEUR 0.8, in total MEUR 2.5.

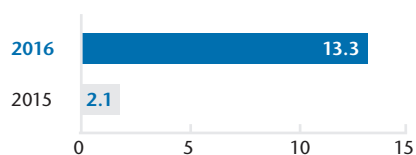
MANAGEMENT REPORT

Income from operations in MEUR



Income from operations after non-recurring items dropped from MEUR minus 22.1 in 2015 to MEUR minus 58.3 in 2016.

Financial result in MEUR

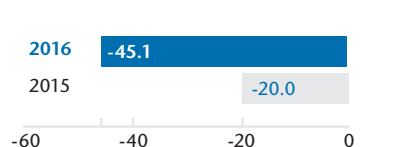


In 2016, the financial result arrived at MEUR 13.3, following MEUR 2.1 in 2015.

Other financial income generated from earn-out and option revaluations increased from MEUR 8.7 in 2015 to MEUR 17.3 in 2016.

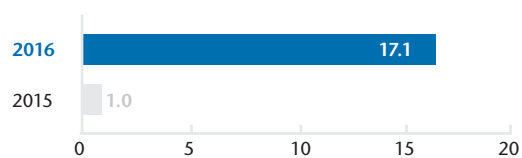
In the past fiscal year, net interest result was MEUR minus 4.0 (2015: MEUR minus 6.6). Net interest result also includes the proportionate result of shares held by the respective managements and participation rights, coming to MEUR 1.8 in 2016 (2015: MEUR minus 1.3).

Income before tax in MEUR



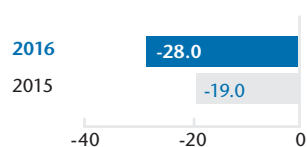
Income before tax for 2016 was MEUR minus 45.1, following MEUR minus 20.0 in 2015.

Income taxes in MEUR



Income taxes arrived at MEUR 17.1 in 2016 (2015: MEUR 1.0), resulting mainly from loss carrybacks for profits in prior years of MEUR 8.3 and changes in deferred taxes of MEUR 8.8.

Net income/dividend in MEUR



Income after tax for 2016 was MEUR minus 28.0, following MEUR minus 19.0 in the year before.

Earnings per share arrived at EUR minus 1.75 in 2016, following EUR minus 1.19 in 2015.

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

MANAGEMENT REPORT

Assets and financial position

Shareholders' equity as of 31 December 2016 was MEUR 425.7, following MEUR 450.4 as of 31 December 2015. The equity ratio arrived at 53.1 %, compared to 60.8 % in the year before. This development is due, on the one hand, to the increased balance sheet total resulting from the acquisition of Downhole Technology, and, on the other hand, to the reduction of cumulative earnings caused by negative income after tax and dividend payment in 2016. In part, this development was compensated by the higher USD exchange rate leading to a positive development of the currency translation reserve.

Net debt as of 31 December 2016 was MEUR 51.0, up MEUR 77.2 from the net cash position as of 31 December 2015 (MEUR 26.2), mainly resulting from the acquisition of Downhole Technology, which was funded from existing liquid funds. The gearing ratio (net debt in percent of shareholders' equity) as of 31 December 2016 arrived at 12.0 %, following -5.8 % the year before.

Due to negative income after tax, cashflow from operating activities fell from MEUR 46.3 in 2015 to MEUR 13.7 in 2016.

Net working capital dropped from MEUR 150.4 as of 31 December 2015 to MEUR 131.3 as of 31 December 2016. This decline is mainly due to the substantial reduction of inventories, bringing cashflow from operating activities to MEUR 31.3, following MEUR 103.4 in 2015.

Net cash outflow from investing activities totalled MEUR 100.4 (2015: MEUR 18.3), of which MEUR 90.4 were spent for the acquisition of Downhole Technology, and MEUR 13.0 (2015: MEUR 23.1) for additions to fixed assets and intangible assets. Thereof, MEUR 12.1 were used for the "Oilfield Equipment" segment, primarily to expand the drilling motor rental fleet, and MEUR 0.9 for the "High Precision Components" segment.

REPORT ON THE MAIN FEATURES OF THE INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT SYSTEM IN RELATION TO THE FINANCIAL REPORTING PROCESS

The Executive Board has overall responsibility for the risk management of the SBO Group, whereas direct responsibility lies with the managing directors of the operational entities.

Consequently, the system of internal continuous reporting to corporate headquarters plays a particularly important role in identifying risks at an early stage and implementing countermeasures. Operational subsidiaries provide the necessary information by timely monthly reporting to the Executive Board.

MANAGEMENT REPORT

The Group has defined uniform standards for all global subsidiaries regarding implementation and documentation of the complete internal control system and, in particular, the financial reporting process. The underlying objective is to avoid risks leading to incomplete or erroneous financial reporting.

Furthermore, internal reports prepared by subsidiaries are checked for plausibility at corporate headquarters and compared with budgets in order to take appropriate action whenever deviations occur. For this purpose, subsidiaries are required to prepare annual budgets and mid-term planning to be approved by the Executive Board.

In addition, liquidity planning of the subsidiaries is continuously monitored and aligned with the requirements defined by the holding company.

Group controlling monitors subsidiaries' compliance with accounting regulations. Moreover, the annual financial statements of all operational subsidiaries and holding companies are audited by international auditors.

At the Executive Board's regular meetings with local managing directors, the current business development and foreseeable risks and opportunities are discussed.

In addition to the International Financial Reporting Standards, internal Group guidelines are in place for the preparation of the consolidated financial statements to ensure uniform presentation by the companies reporting (accounting and valuation issues). A certified consolidation programme equipped with the necessary auditing and consolidation routines is used for automated preparation of the consolidated financial statements.

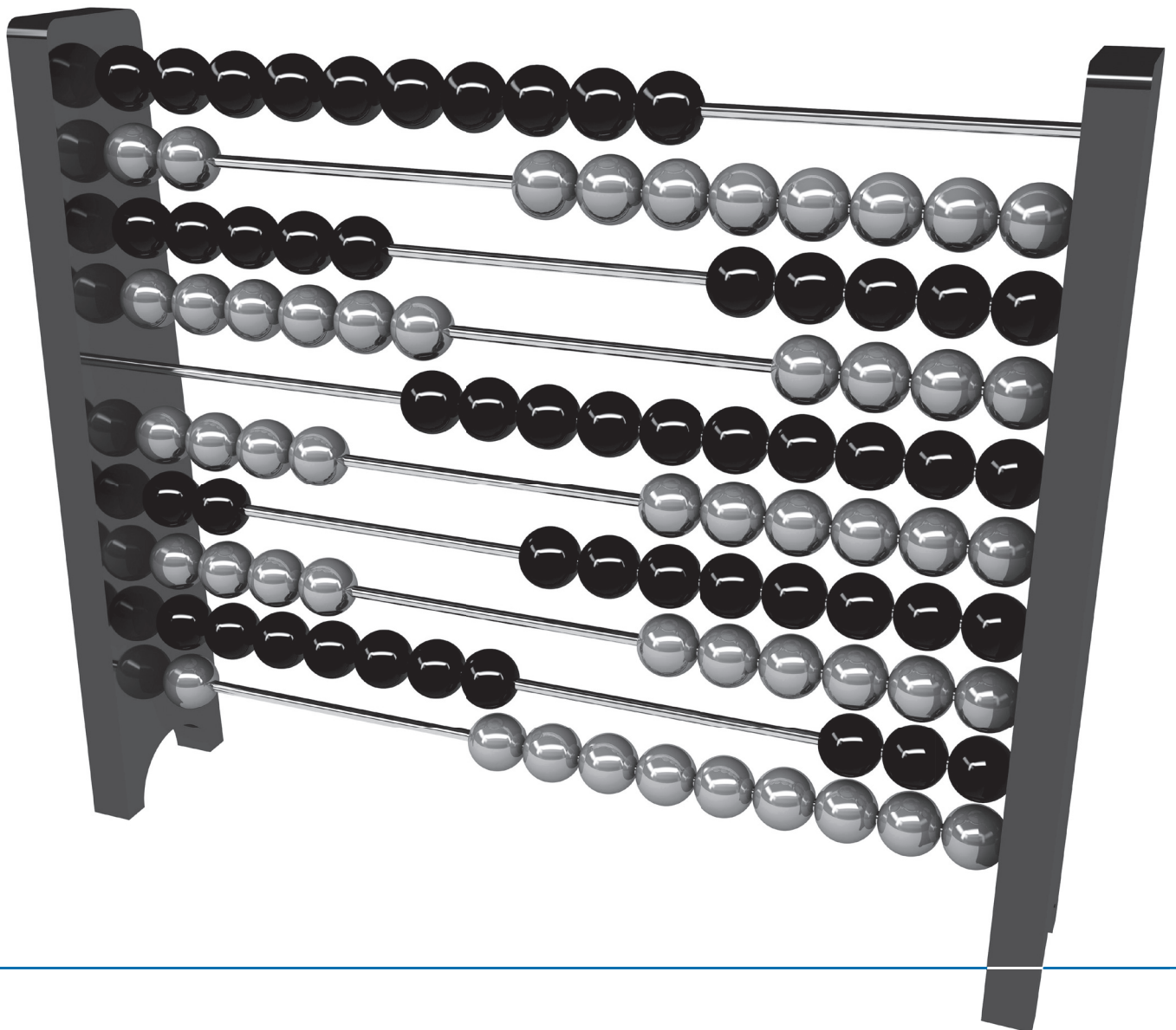
EVENTS AFTER THE BALANCE SHEET DATE

Please refer to Note 42, Financial Information.

ADDITIONAL INFORMATION ACC. TO SECTION 243a AUSTRIAN COMMERCIAL CODE

Please refer to Note 21, Financial Information.

FINANCIAL INFORMATION



FINANCIAL INFORMATION

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FINANCIAL INFORMATION

CONSOLIDATED BALANCE SHEET

ASSETS in TEUR		31.12.2016	31.12.2015
Current assets			
Cash and cash equivalents		193,453	196,278
Trade accounts receivable	Note 5	49,526	49,199
Income tax receivable		11,406	5,205
Other accounts receivable and other assets	Note 6	2,864	4,320
Assets held for sale	Note 12	5,068	2,230
Inventories	Note 7	105,653	133,748
TOTAL CURRENT ASSETS		367,970	390,980
Non-current assets			
Property, plant & equipment	Note 8	165,344	193,024
Goodwill	Note 9	174,716	81,718
Other intangible assets	Note 9	69,904	50,749
Long-term receivables and assets	Note 10	12,483	12,864
Deferred tax assets	Note 11	11,639	11,168
TOTAL NON-CURRENT ASSETS		434,086	349,523
TOTAL ASSETS		802,056	740,503

FINANCIAL INFORMATION

CONSOLIDATED BALANCE SHEET

LIABILITIES AND SHAREHOLDERS' EQUITY in TEUR		31.12.2016	31.12.2015
Current liabilities			
Bank loans and overdrafts	Note 13	32,499	32,174
Current portion of long-term loans	Note 17	37,233	12,783
Finance lease obligations		28	63
Trade accounts payable		11,929	11,150
Government grants	Note 14	97	205
Income taxes payable		2,010	1,502
Other payables	Note 15, 20	19,979	24,696
Other provisions	Note 16	4,206	4,708
TOTAL CURRENT LIABILITIES		107,981	87,281
Non-current liabilities			
Long-term loans	Note 17	174,691	125,049
Finance lease obligations		0	27
Government grants	Note 14	57	153
Employee benefit obligations	Note 18	5,296	5,821
Other payables	Note 19, 20	78,260	52,459
Deferred tax liabilities	Note 11	10,038	19,353
TOTAL NON-CURRENT LIABILITIES		268,342	202,862
Shareholders' equity			
Share capital	Note 21	15,947	15,982
Contributed capital		66,812	68,357
Legal reserve	Note 22	785	785
Other reserves		19	19
Currency translation reserve		61,109	50,166
Retained earnings		281,061	315,051
TOTAL SHAREHOLDERS' EQUITY		425,733	450,360
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		802,056	740,503

FINANCIAL INFORMATION

CONSOLIDATED PROFIT AND LOSS STATEMENT

in TEUR		2016	2015
Sales	Note 23	182,990	313,734
Cost of goods sold	Note 24	-179,453	-252,610
Gross profit		3,537	61,124
Selling expenses	Note 24	-20,070	-19,757
General and administrative expenses	Note 24	-33,750	-32,879
Other operating expenses	Note 25	-10,331	-18,738
Other operating income	Note 25	7,890	13,995
Profit from operations before impairments and restructuring measures		-52,724	3,745
Restructuring income	Note 26	2,525	1,181
Restructuring expenses	Note 26	-3,013	-3,146
Impairment on tangible assets	Note 12	-1,789	-2,010
Impairment on goodwill	Note 9	-3,316	-21,880
Profit from operations after impairments and restructuring measures		-58,317	-22,110
Interest income	Note 27	3,101	1,308
Interest expenses	Note 27	-7,091	-7,940
Other financial income	Note 28	52	3,180
Other financial expenses		-30	-45
Income/expense from revaluation of option commitments	Note 29	17,232	5,575
Financial result		13,264	2,078
Profit/loss before tax		-45,053	-20,032
Income taxes	Note 30	17,052	1,050
Profit/loss after tax		-28,001	-18,982
Average number of shares outstanding		15,967,789	15,980,422
Earnings per share in EUR (basic = diluted)		-1.75	-1.19

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in TEUR	2016	2015
Profit/loss after tax	-28,001	-18,982
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Foreign exchange adjustment - subsidiaries	9,867	34,560
Foreign exchange adjustment - other items (1)	1,435	2,362
Income tax effect Note 30	-359	-590
	10,943	36,332
Other comprehensive income not to be reclassified to profit or loss in subsequent periods		
Remeasurement gains (losses) on defined benefit plans Note 18	23	673
Income tax effect Note 30	-6	-168
	17	505
Other comprehensive income, net of tax	10,960	36,837
Total comprehensive income, net of tax	-17,041	17,855

⁽¹⁾ Mainly the result from translation differences from net investments in foreign entities such as long-term receivables

FINANCIAL INFORMATION

CONSOLIDATED CASHFLOW STATEMENT

in TEUR		2016	2015
Profit/loss after tax		-28,001	-18,982
Depreciation, amortization and impairments		56,060	75,255
Write-ups of fixed assets		-229	0
Change in employee benefit obligations		-525	-1,010
Gain (loss) from sale of property, plant & equipment		-146	-1,529
Income from release of government grants		-194	-123
Other non-cash expenses and revenues		-4,495	-715
Change in deferred taxes		-8,753	-6,615
Cashflow from profit		13,717	46,281
Change in trade accounts receivable		7,884	65,624
Change in other accounts receivable and other assets		-2,329	-3,896
Change in inventories		35,869	43,301
Change in trade accounts payable		-2,726	-14,211
Change in payables for option commitments		-17,232	-5,575
Change in other payables and provisions		-3,921	-28,087
Cashflow from operating activities	Note 39	31,262	103,437
Expenditures for property, plant & equipment		-12,656	-22,875
Expenditures for other intangible assets		-384	-176
Change in accounts payable for capital expenditure		111	-68
Expenditures for the acquisition of subsidiaries less cash acquired	Note 40	-90,028	0
Proceeds from sale of property, plant & equipment		2,595	4,811
Cashflow from investing activities	Note 39	-100,362	-18,308
Free Cashflow		-69,100	85,129
Acquisition of own shares	Note 21	-2,167	0
Dividend payment		-7,994	-23,973
Repayment finance lease	Note 34	-66	-86
Change in bank loans and overdrafts		1,443	-4,176
Proceeds from long-term loans	Note 17	86,875	41,200
Repayments of long-term loans	Note 17	-12,783	-13,238
Repayments of bonds		0	-20,000
Repayments of other long-term payables		-2,224	-5,189
Cashflow from financing activities	Note 39	63,084	-25,462
Change in cash and cash equivalents		-6,016	59,667
Cash and cash equivalents at the beginning of the year		196,278	130,220
Effects of exchange rate changes on cash and cash equivalents		3,191	6,391
Cash and cash equivalents at the end of the year	Note 39	193,453	196,278
Supplementary information on operating cashflow			
Interest received		933	700
Interest paid		-3,107	-5,187
Income tax paid		1,971	-18,467

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Year 2016 in TEUR	Share capital	Contributed capital	Legal reserve	Other reserves	Currency translation reserve	Retained earnings	Total
Note	21		22				
1 January 2016	15,982	68,357	785	19	50,166	315,051	450,360
Profit/loss after tax						-28,001	-28,001
Other comprehensive income, net of tax					10,943	17	10,960
Total comprehensive income, net of tax	0	0	0	0	10,943	-27,984	-17,041
Dividends ⁽¹⁾						-7,994	-7,994
Acquisition of own shares	-41	-2,126					-2,167
Share-based payment	6	581					587
Option commitment relating to cancelable non-controlling interests						1,988	1,988
31 December 2016	15,947	66,812	785	19	61,109	281,061	425,733

⁽¹⁾ The dividend payment in the year 2016 of TEUR 7.994 was distributed to a share capital eligible for dividends of TEUR 15.988. Accordingly, the dividend per share amounted to EUR 0.50.

Year 2015 in TEUR	Share capital	Contributed capital	Legal reserve	Other reserves	Currency translation reserve	Retained earnings	Total
Note	21		22				
1 January 2015	15,976	67,560	785	22	13,834	357,498	455,675
Profit/loss after tax						-18,982	-18,982
Other comprehensive income, net of tax					36,332	505	36,837
Total comprehensive income, net of tax	0	0	0	0	36,332	-18,477	17,855
Dividends ⁽¹⁾						-23,973	-23,973
Share-based payment	6	797					803
Change in reserves				-3		3	0
31 December 2015	15,982	68,357	785	19	50,166	315,051	450,360

⁽¹⁾ The dividend payment in the year 2015 of TEUR 23,973 was distributed to a share capital eligible for dividends of TEUR 15,982. Accordingly, the dividend per share amounted to EUR 1.50.

FINANCIAL INFORMATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1

INFORMATION ABOUT THE COMPANY

SCHOELLER-BLECKMANN OILFIELD EQUIPMENT Aktiengesellschaft (the Company, SBO), located in 2630 Ternitz at Hauptstrasse 2, was established on 26 May 1994 in Ternitz, Austria and is registered with the company register of the Commercial Court in Wiener Neustadt, Austria under FN 102999w.

The Company is engaged in the industrial manufacturing of components and parts for the oil and gas industry, mostly in directional drilling, and provides services in these areas.

The shares of the Company have been listed at the Wiener Börse (Vienna Stock Exchange) since 27 March 2003.

NOTE 2

ACCOUNTING STANDARDS

The Company's consolidated financial statements as of 31 December 2016 were prepared in accordance with International Financial Reporting Standards (IFRS) as well as with the Interpretations of the International Financial Reporting Interpretation Committee (IFRIC), as adopted by the EU. In addition, the supplemental requirements of Sec. 245a (1) UGB (Austrian Commercial Code) were adhered to.

The consolidated financial statements for SCHOELLER-BLECKMANN OILFIELD EQUIPMENT Aktiengesellschaft and its subsidiaries for the business year 2016 (as of 31 December 2016) were released by the Executive Board on 3 March 2017.

The financial statements are denominated in Euros. Unless otherwise provided, all figures have been rounded to thousands of Euros (TEUR). As a result of automated computation, the rounded amounts and percentage figures may display rounding differences.

FINANCIAL INFORMATION

NOTE 3

SCOPE OF CONSOLIDATION

The consolidated financial statements as of 31 December 2016 comprise the accounts of SCHOELLER-BLECKMANN OILFIELD EQUIPMENT Aktiengesellschaft as the Group parent company, and 39 subsidiaries (2015: 36 subsidiaries).

Company	Location	Interest held in % 31.12.2016	Interest held in % 31.12.2015
SCHOELLER-BLECKMANN Oilfield Technology GmbH	Ternitz, AT	100.00	100.00
Schoeller-Bleckmann America Inc.	Wilmington, US	100.00	100.00
Knust-Godwin LLC (*)	Houston, US	100.00	100.00
Schoeller-Bleckmann Energy Services L.L.C. (*)	Lafayette, US	97.00	93.25
Schoeller-Bleckmann Sales Co. L.L.C.	Houston, US	100.00	100.00
Downhole Technology LLC (**)	Houston, US	67.73	0.00
BICO Drilling Tools Inc. (*)	Houston, US	89.71	89.55
BICO Faster Drilling Tools Inc. (*)	Nisku, CA	79.84	77.91
Schoeller-Bleckmann Canada Ltd.	Calgary, CA	100.00	100.00
Resource Completion Systems Holdings Inc. (**)	Calgary, CA	67.00	67.00
Resource Well Completion Technologies Inc. (**)	Calgary, CA	67.00	67.00
Resource Completion Systems Inc. (**)	Calgary, CA	67.00	67.00
Resource Well Completion Technologies Corp. (**)	Dallas, US	67.00	67.00
Schoeller-Bleckmann Oilfield Equipment (UK) Limited	Rotherham, GB	100.00	100.00
Darron Tool & Engineering Limited	Rotherham, GB	100.00	100.00
Darron Oil Tools Limited	Rotherham, GB	100.00	100.00
Schoeller-Bleckmann Darron Limited (*)	Aberdeen, GB	93.00	91.00
Schoeller-Bleckmann Darron (Aberdeen) Limited (*)	Aberdeen, GB	94.00	94.00
Techman Engineering Limited (*)	Chesterfield, GB	90.65	90.65
Schoeller-Bleckmann (UK) Limited	Chesterfield, GB	100.00	100.00
OOO "Schoeller-Bleckmann"	Noyabrsk, RU	99.00	0.00
DSI FZE	Dubai, AE	100.00	100.00
Drilling Systems International Limited	Cayman Islands, CY	100.00	100.00
DSI Saudi LLC	Al-Khobar, KSA	100.00	100.00
DSI PBL de Mexico S. A. de C. V.	Villahermosa, MX	100.00	100.00
ADRIANA HOLDING COMPANY LIMITED (*)	Dubai, AE	99.00	0.00
Schoeller Bleckmann do Brasil, Ltda.	Macaé, BR	100.00	100.00
Schoeller-Bleckmann de Mexico S. A. de C. V. (*)	Monterrey, MX	98.00	97.00
Knust-SBD Pte. Ltd.	Singapore, SG	100.00	0.00
Schoeller-Bleckmann Oilfield Equipment Middle East FZE	Dubai, AE	100.00	100.00
Schoeller-Bleckmann Oilfield Equipment Vietnam Co., Ltd.	Binh Duong, VN	100.00	100.00

(*) With respect to the disclosure of the shares held by the Management of these Companies please see Note 19.

(**) With respect to the disclosure of shares relating to existing option agreements please see Note 20.

FINANCIAL INFORMATION

The shares disclosed for each company represent the respective voting rights. Therefore the control of the entity directly relates to the shares held.

In 2016, the following changes were made within the consolidation scope:

- › Acquisition of 67.73 % shares in Downhole Technology LLC, Houston, US, as of 1 April 2016 (see Note 40).
- › Establishment of ADRIANA HOLDING COMPANY LIMITED, based in Dubai, in June 2016.
- › Establishment of Knust-SBD Pte. Ltd. in September 2016 and merger with Knust-SBO Far East Pte. Ltd. as well as SB Darron Pte. Ltd. at 31 October 2016.
- › Acquisition of OOO "Schoeller-Bleckmann" in December 2016.

NOTE 4

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the previous year generally remain unchanged, with the exception of the following:

1. Changes in accounting policies

The following new or amended standards and interpretations were applied for the first time in the business year 2016. The adoption of these standards and interpretations affected the consolidated statements as of 31 December 2016 only if the word "yes" is displayed in the table below:

FINANCIAL INFORMATION

Regulation		Effective Date ¹	Material effects on the financial statements of the SBO Group
IAS 1	Disclosure Initiative (Amendments to IAS 1)	1 January 2016	no
IAS 16 IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization	1 January 2016	no
IAS 16 IAS 41	Bearer Plants	1 January 2016	no
IAS 19	Defined Benefit Plans: Employee Contributions	1 February 2015	no
IAS 27	Equity Method in Separate Financial Statements	1 January 2016	no
IFRS 10 IFRS 12 IAS 28	Investment Entities – Applying the Consolidation Exception	1 January 2016	no
IFRS 11	Accounting for Acquisition of Interests in Joint Operations	1 January 2016	no
various	Annual improvements to IFRS 2010-2012 Cycle	1 February 2015	no
various	Annual improvements to IFRS 2012-2014 Cycle	1 January 2016	no

¹ To be applied in the EU on business years starting on or after the indicated date.

Not applied in business year 2016 were the following new or revised standards and interpretations which have been published but not adopted by the EU, or which are not mandatory so far. They will be applied in the future as required for the respective reporting period.

Regulation		Effective Date ¹	Material effects on the financial statements of the SBO Group
IAS 7	Disclosure Initiative	1 January 2017 ²	no
IAS 12	Recognition of Deferred Tax Assets for Unrealized Losses	1 January 2017 ²	no
IAS 40	Transfers of Investment Property	1 January 2018 ²	no
IFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018 ²	no
IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018 ²	no
IFRS 9	Financial Instruments	1 January 2018 ¹	see below
IFRS 10 IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely	no
IFRS 15	Revenue from Contracts with Customers	1 January 2018 ¹	see below
IFRS 16	Leases	1 January 2019 ²	see below
various	Annual improvements to IFRS 2014-2016 Cycle	1 January 2018 ²	no
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018 ²	no

¹ To be applied in the EU on business years starting on or after the indicated date.

² This standard is not yet mandatory in the EU; therefore it was not applied early in 2016. The date indicated is the effective date as determined by the IASB.

FINANCIAL INFORMATION

IFRS 9 Financial Instruments

IFRS 9 introduces a single approach for the classification and measurement of financial assets. The standard refers to their cashflow characteristics and the business model they are managed in, and provides a new impairment model based on expected credit losses. IFRS 9 also includes new regulations regarding the application of hedge accounting to better reflect an entity's risk management activities especially with regard to managing non-financial risks. Based on a preliminary assessment the Company does not expect a material impact on the recognition of trade accounts receivable, loans and other financial assets in the consolidated statements. No changes in the evaluation of accounts receivable are expected due to the new impairment model. Furthermore, no changes are expected for the current foreign exchange hedging activities due to the initial application of the new standard. The Group intends the initial application as of 1 January 2018, no early adoption is planned.

IFRS 15 Revenue from Contracts with Customers

According to the new standard, the recognition of revenue is to reflect the amount for the transfer of promised goods or services to a customer that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Revenue is recognized when the entity fulfills the delivery of goods or services. IFRS 15 also requires a set of quantitative and qualitative disclosures to enable users of the Company's Consolidated Financial Statements to understand the nature, amount, timing, and uncertainty of revenue and cashflows arising from contracts with customers.

The Group is currently evaluating the impact of the new standard on the consolidated financial results. The analysis carried out to date has shown that no impact on the consolidated figures is expected in the case of contracts with customers when the performance obligation is limited to the sale of goods. Revenue is recognized at the date on which the power of disposition for the delivered asset passes to the customer. This is principally the case when the respective goods are delivered. In the event of repair or maintenance services, revenue is recognized at the time of delivery of the repaired or maintained goods, which is identical with the passing of the disposition power to the customer. In the event of contracts with customers where the obligation is the lease of drilling tools, revenue recognition depends on the use, i.e. over the period during which the customer benefits from the use of the drilling tools. Also in this case no impact on the consolidated figures is expected. Multiple-element arrangements do currently not exist. The evaluation process will be continued and an early adoption of the standard is not considered at this point. SBO intends to apply the new standard for the first time as of 1 January 2018 by using the modified retrospective approach with adjusting retained earnings for the cumulative effect of the first-time application in the opening balance.

FINANCIAL INFORMATION

IFRS 16 Leasing

The new standard covers the recognition and measurement of lease agreements, as well as the obligation to disclose data therein. It requires one single accounting model for the lessee which results in the lessee's obligation to recognize all assets and liabilities from lease agreements in the balance sheet. Exempted are lease agreements with a term of 12 months or less, or agreements regarding low-value assets (each at the Company's option).

The lessor will continue to distinguish between financing and operating lease, with the IFRS 16 model being almost identical with the IAS 17 standard. The company is currently evaluating the impact of applying IFRS 16 on the consolidated financial statements. The analysis carried out to date has shown that the application of the new standard shall not result in any material impact on the consolidated financial statements of SBO (see disclosures to operating lease commitments in Note 8). For leases with SBO as lessor also no significant impact on the consolidated financial results is expected (see Note 23). An early application of this standard is currently not intended. SBO intends the initial application of the new standard IFRS 16 as of 1 January 2019 by using the modified retrospective approach with adjusting the retained earnings for the cumulative effect in the opening balance, but without adjusting the comparative amounts of the previous year.

2. Balance sheet date

The balance sheet date of all companies included in the Company's accounts is 31 December.

3. Recognition of non-controlling interests in the consolidated statements

Non controlling interests are recognized at the fair value of the proportionate share in identifiable net assets as at the acquisition date. Subsequently, an appropriate share of profit after taxes and other comprehensive income is attributed to non-controlling interests. Thus, a loss in the respective subsidiary could lead to a negative balance. Changes in ownership without loss of control are recorded as equity transactions.

For the existing option commitments reference is made to Note 20.

FINANCIAL INFORMATION

4. Foreign currency translation

The consolidated financial statements are denominated in Euros, the functional and reporting currency of the parent company. Each Group member determines its own functional currency. All line items in the financial statements of each individual company are measured by using this functional currency.

Foreign currency transactions were translated at the exchange rate in effect at the transaction date. Monetary items denominated in foreign currencies were converted at the rate in effect at the balance sheet date. Currency differences were recognized in profit or loss in the period they occurred.

For the Group financial statements, the financial statements of foreign subsidiaries which are prepared using their functional currency are translated into Euros using the modified closing rate method:

- › Assets and liabilities, both monetary and non-monetary, are translated at the exchange rate at balance sheet date.
- › All income and expense items of foreign subsidiaries are translated at an average exchange rate for the year.

The development of the currency rates was as follows:

1 EUR =	Balance sheet date		Average annual rate	
	31.12.2016	31.12.2015	2016	2015
USD	1.0541	1.0887	1.1066	1.1096
GBP	0.8562	0.7340	0.8189	0.7260
CAD	1.4188	1.5116	1.4664	1.4176
MXN	21.7719	18.9145	20.6550	17.5995
BRL	3.4305	4.3117	3.8616	3.6916
VND	23,942.2	24,575.2	24,664.9	24,223.1

Exchange differences resulting from translating the financial statements of the subsidiaries are recognized in the item Currency translation reserve within equity in the consolidated financial statements, the movement in the current year is recorded under Other comprehensive income.

5. Split in current and non-current assets and liabilities

Assets and liabilities with a residual term to maturity of less than one year are reported as current, those with a residual term to maturity of more than one year as non-current. Residual time to maturity is determined on the basis of the balance sheet date.

Operating assets and liabilities, such as trade accounts receivable and trade accounts payable, are always considered as current, even if their maturity is beyond 12 months as of the balance sheet date, as this refers to the usual business cycle.

6. Financial instruments

Transactions of financial instruments are recognized at the settlement date, according to IAS 39.

The consolidated balance sheet includes the following financial instruments (categorized according to IAS 39):

Cash and cash equivalents

All cash, bank deposits and short-term financial investments available for sale are recorded under line item Cash and cash equivalents, because they can be converted into cash at any time. They are measured at their current value at the balance sheet date and are not subject to significant changes in their value.

Short-term financial investments are marketable financial instruments with a maturity of three months or less; they are non-derivative financial assets not held for trading.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or definable payments, which are not listed at an active market. They particularly include Trade receivables, Loans, and Other receivables. Interest at market rates is charged on those trade receivables which are granted for credit periods which exceed those normally granted in business.

Receivables are recognized at the settlement date at acquisition costs, thereafter they are measured at amortized costs using the effective interest method, less any allowance for impairment. In view of the amortization process, gains and losses are booked using the effective interest method; when the loans and receivables are derecognized or impaired they are accounted for in the income statement.

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The Company grants credits to its customers under customary business terms, but generally does not require any collateral or security to support the amounts due, with the exception of occasional customers and customers located in high risk countries from whom the Company obtains confirmed letters of credit.

The Company performs regular credit evaluations of its customers and records allowances for doubtful accounts if required. These allowances are sufficient to cover the expected risk of default whereas actual defaults result in writing off the respective receivable. The decision of whether to account for the default risk by means of allowances or to recognize impairment losses depends on the reliability of the risk evaluation.

Management evaluates the adequacy of the allowances for doubtful debts using structural analyses of due dates and balances in accounts receivable, the history of payment defaults, customer credit ratings and changes in payment behavior.

Liabilities

Financial liabilities particularly include Trade payables, Payables due to banks, Payables under finance leasing and Derivative financial liabilities.

Liabilities are initially recognized at their fair value less directly attributable transaction costs; subsequently they are measured at amortized costs, using the effective interest method. Income and expenses resulting from the use of the effective interest method are recorded in profit and loss.

In addition, financial liabilities include purchase prices for shares in subsidiaries held by Management. The Management is obliged by contract to sell these shares to the Company under specific circumstances, and the Company is obliged to buy these shares. The selling price is based on the value of the respective equity portion at the date of the transaction. Pursuant to IAS 32.23, such contracts constitute a financial liability, valued at the present value of the re-acquisition amount. As no exact measurement of the future value is possible, the regular measurement refers to the respective portion of the equity at the balance sheet date, which includes the portion of the income from the current year. The income portion of the current year is recognized in the consolidated profit and loss statement under Interest expenses and Interest income, respectively, and is considered to be representative of the effective interest result.

Furthermore, participation rights in subsidiaries which were granted to the Management are recorded under financial liabilities. A transfer of such rights to third parties needs the approval of the Company. The Company has the option to purchase participation rights under specific circumstances, with the purchase price being based on the respective equity portion at the date of the transaction. Current year's income portion is considered to be representative of the effective interest result which changes the liability accordingly.

FINANCIAL INFORMATION

Derivative financial instruments and hedging relationships

The Group uses financial instruments, such as currency futures to cover its currency risks. These derivative financial instruments are recognized at fair value at the contract dates and are measured at the respective fair values in the following periods. Derivative financial instruments are recognized as assets if their fair values are positive and as liabilities if fair values are negative.

The Company uses the following instruments:

Other derivatives

In order to cover the foreign currency risk relating to monetary assets and liabilities in the balance sheet, the Company applies hedging measures, which, although not in compliance with the strict requirements set out in IAS 39 for hedge accounting, effectively contribute to hedge the financial risk from the risk management perspective.

Income and expenses resulting from foreign currency hedging transactions which were made to hedge the exchange risk related to intra-Group trading in foreign currencies and which do not fulfil the accounting criteria regarding hedging relationships under IAS 39, are not displayed separately but reported together with the foreign exchange income and expenses from the hedged items in the operating result.

In addition, the Company records liabilities for contingent purchase price payments from business combinations and option commitments relating to cancelable non-controlling interests (see Notes 15 and 20).

Hedging relationships

In the course of a business combination in 2010 the foreign currency hedge transaction of the purchase price between signing and closing dates of the business combination was recognized as fair value hedge of a fixed underlying transaction not recognized in the balance sheet. The loss attributable to the secured risk was recognized as basis adjustment for the acquired assets and is now expensed in the profit and loss statement according to the profit and loss effectiveness of the assets (according to the depreciation based on the estimated useful lives).

FINANCIAL INFORMATION

7. Inventories

Inventories consist of materials and purchased parts in various stages of assembly and are stated at the lower of cost or net realizable value at the balance sheet date. Costs are determined by the first-in, first-out, weighted average or specific identification methods. The costs of finished goods comprise raw material expenses, other direct costs and related production overheads, but exclude interest expense. The Company reviews inventories for slow moving or obsolete items on an ongoing basis and establishes appropriate adjustment provisions if necessary.

8. Tangible and intangible fixed assets

The Company's non-current assets are recorded at cost less depreciation/amortization. Depreciation is computed by means of the straight-line method over the expected useful life of the asset. The estimated useful lives are as follows:

	Useful life in years
Intangible assets:	
Software	4
Technology	5 - 10
Customer base	5 - 10
Non-compete agreements	5 - 10
Trademarks	10
Property, plant & equipment:	
Buildings and improvements	5 - 50
Plant and machinery	3 - 17
Fixtures, furniture and equipment	2 - 10

The Company assesses at each reporting date whether there is an indication that a tangible or intangible asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. Impairment losses of continuing operations are recognized in the profit and loss account under Impairment on tangible assets.

FINANCIAL INFORMATION

For assets excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the profit and loss account.

Borrowing costs are also expensed as incurred, unless they are related to a qualifying asset.

Where tangible assets are financed by leasing agreements which give rights approximating to ownership (finance leases), they are treated as if they were purchased outright at the lower of the fair value or the fair value of the minimum lease payments. The corresponding leasing liabilities are shown in the balance sheet as finance lease obligations.

Interest expenditures on capitalized lease objects are based on interest rates of 4 %. This rate is in turn determined using the Company's incremental borrowing rate at the inception of each lease or the lessor's implicit rate of return.

The determination whether an arrangement contains a lease is based on its economic substance and requires judgement as to whether the fulfilment of the contractual arrangement depends on the use of a specific asset or assets and whether the arrangement conveys a right to use the asset.

9. Goodwill

Goodwill is recognized at acquisition cost and is not amortized but tested for impairment annually as of 31 December. For this purpose, the goodwill is assigned to cash generating units. The impairment test for cash generating units is performed by calculating the value in use on the basis of expected future cashflows.

A write down of goodwill cannot be reversed in future periods.

FINANCIAL INFORMATION

10. Current and deferred income taxes

The actual tax refund receivables and tax payables for the current and previous periods are measured in the amount of the expected refund by, or payment to the tax authority. The respective amounts are based on the current tax rates and tax laws applicable at the balance sheet date.

The Company uses the “balance sheet liability method” according to IAS 12 under which deferred taxes are determined. Deferred taxes are measured at the tax rates that are expected to apply to the year, when the asset is realized or the liability is settled.

In case that the entity has suffered a loss in either the current or preceding period deferred tax assets arising from unused tax losses are recognized only to the extent that there is convincing evidence based on existing mid-term plans that sufficient taxable profits will be available against which the unused tax losses can be utilized by the entity. For tax loss carryforwards which do not expire, a justification period of 5 years is considered.

Current and deferred taxes which relate to items recognized under Other comprehensive income or Equity are recorded within Other comprehensive income or Equity but not through profit and loss.

11. Government grants

Subsidies are recognized only when there is reasonable assurance that the Company will comply with any conditions attached to the grants and that the grants will in fact be received. Grants are recognized systematically as income over the period necessary to match them with the related costs, for which they are intended to compensate.

Grants relating to assets are recognized as a liability upon fulfilment of all requirements for the receipt of such grants. They are released over the useful life of the respective assets. The release is displayed in the consolidated profit and loss statement (line item Other operating income).

12. Provisions

In accordance with IAS 37, provisions are recognized when the Company has current legal or constructive obligations which are based on past events and which will probably lead to a payment. The provisions are measured at Management’s best estimate at the balance sheet date. If a reliable estimate is not possible, no provision is made.

13. Provisions for employee benefits

Defined benefit plans

Defined benefit plans exclusively refer to severance payment obligations of Austrian companies. Employers are obliged to pay a lump sum upon normal retirement or termination of an employment agreement, if the employee has been with the Company for at least three years, and provided that the employment commenced before 1 January 2003. Severance payments range from four to twelve months of salary at the time of termination based on the length of service. Payments are made on normal retirement or any other termination, with the exception of voluntary terminations by employees. The obligations accrued for at each balance sheet date are determined on the basis of actuarial reports applying the Projected Unit Credit Method using a service period of 25 years and correspond to the present value of the benefits accruing to the employees at the end of the reporting period. Pension entry ages are considered in compliance with current legal provisions. Expected future salary increases and fluctuation rates are considered based on medium-term past experiences. All remeasurements relating to defined benefit plans (actuarial gains and losses) are recognized under Other comprehensive income according to IAS 19. For further details on provisions for severance payments please refer to Note 18.

Defined contribution plans

According to the legal requirements for employment agreements commenced after 1 January 2003 under Austrian labor law, the Company has to contribute 1.53 % of current remunerations to an external providence fund.

Further contribution-based pension schemes are in place in several Group entities. These are based either on legal obligations or bargaining agreements or subject to individual contractual agreements. The obligation of the Group is limited at paying the contribution to each pension fund when it is due. There is no legal or constructive obligation for future benefits. All contributions to defined contribution plans are recognized as expense at the time when employees have fulfilled their services obliging the Company to make this contribution.

Employees' jubilee payments for long service

According to the collective work agreement, employees in Austria are entitled to jubilee payments, depending on their length of service with their company (defined benefit plan). The amounts accrued for these provisions were also calculated by applying the Projected Unit Credit Method. The actuarial assumptions used for the severance payments are also applied for the calculation of the jubilee payment provision. Remeasurements (actuarial gains or losses) are recognized in the profit and loss statement as incurred.

FINANCIAL INFORMATION

14. Revenue recognition

Sales revenue from the sale of manufactured items and goods is recognized when risks are transferred, generally upon delivery to the customer. Revenues from service and repair are recognized at the time of performance of the related services.

Several entities within SBO Group operate as lessors. Lease agreements refer to operating lease only. Revenue on operating leases is recognized based on actual usage of the tools under the lease agreement by the customer. In principle, no minimum leasing obligations and minimum revenues, respectively, are defined in the agreements.

Income on interest is recognized on a pro-rated basis over the period, by taking the effective interest into account.

15. Research and development

Pursuant to IAS 38, research costs are booked as incurred. Development costs are only expensed, if the requirements of IAS 38 for a capitalization of development expenses are not fully met. In the Group accounts development cost were not capitalized since the requirements of IAS 38 are not met and amounts have not been significant, respectively.

16. Share based payment

In 2014 an agreement on share based payments was entered into with the Chief Executive Officer for the period 2014-2018 under the condition that a valid employment status prevails. In addition, an agreement for granting a voluntary severance benefit in the form of SBO shares at the end of the employment agreement was concluded. As the plans are and will be settled with equity instruments, the related expenses for the transactions of these agreements are recognized in personnel expense and within equity (also see Note 33).

17. Estimates, discretionary decisions and assumptions

The [preparation of consolidated annual financial statements](#) in conformity with International Financial Reporting Standards (IFRS) requires estimates and assumptions as well as discretionary decisions to be made by Management that affect the amounts reported in the balance sheet, in the notes and in the profit and loss statement. Actual future results may differ from such estimates; however, as seen from today's perspective, the Board does not expect any major negative implications on the financial results in the near future. Significant estimates and discretionary decisions underlying the Group's consolidated annual financial statements are explained below.

Assumptions and discretionary decisions need to be taken for the recognition and valuation of [intangible assets](#) acquired in the course of business combinations (see Note 9).

In [property, plant and equipment](#) and [intangible assets](#) it is necessary to include estimates for the period during which these assets are expected to be used (see Notes 8 and 9). Should there be any indication of impairment of property, plant and equipment or intangible assets, estimates of the achievable amount are required.

For the yearly [impairment test of goodwill](#) and [intangible assets not yet in use](#), an estimate of the value in use is necessary. Management has to make assumptions on the expected future cashflows of the cash-generating units and has to choose an adequate discount rate (see Note 9).

Deferred tax assets are accounted for tax losses not used, to the extent it is expectable that taxable income will in fact be available so that losses carried forward can actually be used. When accounting [deferred tax assets](#), a significant amount of discretion on the part of Management is required to determine at which time and to what extent taxable income will be available so that the temporary differences or losses carried forward can actually be used (see Note 11).

In order to measure [inventories](#), management expectations of price and market developments are required (see Note 7).

It is necessary to make assumptions regarding the default probability of [receivables](#) (see Note 5).

FINANCIAL INFORMATION

For the recognition of [provisions](#) the probability of occurrence needs to be evaluated at balance sheet date by Management. Provisions are carried at those values which correspond to the best estimate by Management at the balance sheet date (see Note 16).

[Expenses for defined benefit plans](#) are based on actuarial computations. For such calculations it is necessary to make assumptions on the discount rate, future salary increases, mortality rates and fluctuation rates (see Note 18).

[Liabilities for option commitments relating to cancelable non-controlling interests](#) are recorded at the time of acquisition at their fair value and are revalued in the following periods at their fair value on each reporting date. The fair values are determined on the basis of the discounted cashflows, which are derived from the most recent profit planning of the companies involved. Discretionary decisions are necessary to anticipate future cashflows and the choice of a reasonable discount rate as well (see Note 20).

[Liabilities from contingent purchase price payments](#) due to business combinations are measured as part of the business combination at the fair value on the acquisition date. If the contingent purchase price payment fulfils the criteria of a financial liability it will be revalued in the following periods to reflect the fair value at the reporting date. The fair values are determined on the basis of the discounted cashflows, each of which is derived from the most recent sales and earnings forecast. The basic assumptions take into consideration the discount factor and the probability that the result targets will actually be achieved (see Note 15).

The valuation of [liabilities for Management interest in subsidiaries](#) and similar participation rights is based on assumptions about the service life of the respective managers with the company and the expected profitability of the subsidiaries as well. The Company considers the proportion of the yearly profit as representative for the effective interest expense in the period payable to the managers (see Note 19).

NOTE 5

TRADE ACCOUNTS RECEIVABLE

An analysis of trade accounts receivable as of 31 December shows the following situation:

in TEUR	Carrying amount	Not past-due and not impaired	Past-due, not impaired				
			≤ 30 days	31-60 days	61-90 days	91-120 days	> 120 days
2016	49,526	26,109	9,843	5,996	3,824	1,761	1,979
2015	49,199	26,016	10,389	5,740	4,045	1,702	1,167

Trade accounts receivable with a duration of more than 12 months amount to TEUR 508 (2015: TEUR 0).

The carrying amount of impaired balances amounted to TEUR 14 (2015: TEUR 139). Provisions for bad debts are recorded when there is evidence for an impending payment default, usually when payments are overdue by more than 180 days.

The allowance account reflects the following:

in TEUR	2016	2015
As of 1 January	5,885	2,176
Exchange differences	241	154
Business combinations	1,414	0
Consumption	-1,777	-28
Reversal	-969	-1,227
Allocation	1,585	4,810
As of 31 December	6,379	5,885

The receivables listed are not secured.

FINANCIAL INFORMATION

NOTE 6

OTHER ACCOUNTS RECEIVABLE AND ASSETS

This line item mainly consists of balances due from tax authorities and deferred charges.

The receivables are not secured, and no allowances were recorded.

NOTE 7

INVENTORIES

Inventories are detailed by major classification as follows:

in TEUR	31.12.2016	31.12.2015
Raw materials	7,434	7,021
Work in progress	39,832	56,049
Finished goods	58,359	70,644
Prepayments	28	34
Total	105,653	133,748

Allowance expenses recorded in 2016 were TEUR 3,939 (2015: TEUR 5,643).

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NOTE 8

PROPERTY, PLANT & EQUIPMENT

The following is a summary of the gross carrying amounts and the accumulated depreciation of property, plant and equipment held:

Year 2016 in TEUR	Land & buildings	Plant & machinery	Fixtures, furniture & equipment	Prepayments & assets under construction	Total
At cost					
1 January 2016	101,623	372,239	13,740	1,073	488,675
Exchange differences	-3	2,348	70	22	2,437
Business combinations	634	4,186	153	399	5,372
Additions	553	11,128	599	376	12,656
Transfers	430	735	198	-1,568	-205
Classification as "held for sale"	-9,635	0	0	0	-9,635
Disposals	-328	-12,168	-1,184	-16	-13,696
31 December 2016	93,274	378,468	13,576	286	485,604
Accumulated depreciation & impairment					
1 January 2016	26,989	257,915	10,747	0	295,651
Exchange differences	13	2,177	47	0	2,237
Depreciation	3,307	32,479	1,285	0	37,071
Impairment	1,789	0	0	0	1,789
Reversal of impairment losses	0	-229	0	0	-229
Transfers	0	-57	57	0	0
Classification as "held for sale"	-4,974	0	0	0	-4,974
Disposals	-284	-9,993	-1,008	0	-11,285
31 December 2016	26,840	282,292	11,128	0	320,260
Carrying amount					
31 December 2016	66,434	96,176	2,448	286	165,344
31 December 2015	74,634	114,324	2,993	1,073	193,024

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Year 2015 in TEUR	Land & buildings	Plant & machinery	Fixtures, furniture & equipment	Prepayments & assets under construction	Total
At cost					
1 January 2015	96,941	354,406	14,561	5,810	471,718
Exchange differences	6,084	21,948	715	162	28,909
Additions	2,164	18,930	598	1,183	22,875
Transfers	24	6,030	14	-6,073	-5
Classification as "held for sale"	-3,250	-12,608	-372	0	-16,230
Disposals	-340	-16,467	-1,776	-9	-18,592
31 December 2015	101,623	372,239	13,740	1,073	488,675
Accumulated depreciation & impairment					
1 January 2015	24,300	233,087	10,643	0	268,030
Exchange differences	1,488	13,376	556	0	15,420
Depreciation	3,409	34,479	1,613	0	39,501
Impairment	0	2,010	0	0	2,010
Classification as "held for sale"	-1,871	-11,780	-349	0	-14,000
Disposals	-337	-13,257	-1,716	0	-15,310
31 December 2015	26,989	257,915	10,747	0	295,651
Carrying amount					
31 December 2015	74,634	114,324	2,993	1,073	193,024
31 December 2014	72,641	121,319	3,918	5,810	203,688

The Company has manufacturing facilities in the following countries: Austria, USA, UK, Mexico, Vietnam and Singapore.

Service and maintenance as well as marketing outlets are maintained in the USA, Canada, UK, Singapore, the United Arab Emirates, Saudi Arabia, Russia, Mexico and Brazil.

Further details on the classification as "held for sale" and impairment expenses from the fiscal years 2016 and 2015 are disclosed in Note 12.

In 2016 reversals of prior impairment losses in the amount of TEUR 229 were recorded in the segment "High Precision

FINANCIAL INFORMATION

Components". Because of the disposal of redundant capacity the remaining machinery can be utilized properly again in future. No write-ups were made in 2015.

As of 31 December 2016 commitments for capital expenditure amounted to TEUR 89 (2015: TEUR 3,062).

FINANCE LEASE

The carrying amount of leased assets shown under plant & machinery amounted to TEUR 27 as at 31 December 2016 (2015: TEUR 38), the present value of the future minimum lease payments amounted to TEUR 28 (2015: TEUR 90).

OPERATING LEASE

Commitments arising from lease and rental contracts (for items not shown in the balance sheet) amounted to:

in TEUR	31.12.2016	31.12.2015
For the following year	2,244	1,361
Between one and five years	3,060	2,128
More than five years	2,059	2,010

Payments for operating leases which were expensed in 2016 amounted to TEUR 2,570 (2015: TEUR 2,079).

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NOTE 9

INTANGIBLE ASSETS

The list below summarizes the gross carrying amounts and the accumulated amortization of intangible assets:

Year 2016 in TEUR	Goodwill	Technology	Non-compete agreements	Customer base	Miscellaneous intangible assets	Total
At cost						
1 January 2016	166,305	51,820	10,722	38,350	11,600	278,797
Exchange differences	11,323	-529	50	-67	227	11,004
Business combinations	86,846	22,552	5,765	0	1,905	117,068
Additions	0	0	0	0	384	384
Transfers	0	0	0	0	205	205
Disposals	0	0	0	0	-149	-149
31 December 2016	264,474	73,843	16,537	38,283	14,172	407,309
Accumulated amortization and impairments						
1 January 2016	84,587	28,497	5,915	20,617	6,714	146,330
Exchange differences	1,855	-1,775	-428	-354	-29	-731
Amortization	0	6,150	2,370	4,226	1,138	13,884
Impairment	3,316	0	0	0	0	3,316
Disposals	0	0	0	0	-110	-110
31 December 2016	89,758	32,872	7,857	24,489	7,713	162,689
Carrying amount						
31 December 2016	174,716	40,971	8,680	13,794	6,459	244,620
31 December 2015	81,718	23,323	4,807	17,733	4,886	132,467

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Year 2015 in TEUR	Goodwill	Technology	Non-competit agreements	Customer base	Miscellaneous intangible assets	Total
At cost						
1 January 2015	162,204	48,360	10,715	35,948	10,734	267,961
Exchange differences	4,101	3,460	7	2,402	690	10,660
Additions	0	0	0	0	176	176
Transfers	0	0	0	0	5	5
Disposals	0	0	0	0	-5	-5
31 December 2015	166,305	51,820	10,722	38,350	11,600	278,797
Accumulated amortization and impairments						
1 January 2015	61,787	21,886	3,740	14,962	5,434	107,809
Exchange differences	920	2,012	235	1,312	303	4,782
Amortization	0	4,599	1,940	4,343	982	11,864
Impairment	21,880	0	0	0	0	21,880
Disposals	0	0	0	0	-5	-5
31 December 2015	84,587	28,497	5,915	20,617	6,714	146,330
Carrying amount						
31 December 2015	81,718	23,323	4,807	17,733	4,886	132,467
31 December 2014	100,417	26,474	6,975	20,986	5,300	160,152

As of 31 December 2016, commitments for acquisitions of intangible assets amounted to TEUR 0 (2015: TEUR 0).

1. Goodwill

Goodwill amounts according to the balance sheet refer to the following cash generating units and segments:

in TEUR	31.12.2016	31.12.2015
Segment High Precision Components		
Knust-Godwin LLC	21,154	20,482
SCHOELLER-BLECKMANN Oilfield Technology GmbH	4,655	4,655
Segment Oilfield Equipment		
Downhole Technology LLC	93,800	-
Resource Well Completion Technologies Inc.	26,074	27,690
DSI FZE	23,676	22,938
BICO Drilling Tools Inc.	4,427	5,031
Schoeller-Bleckmann Darron (Aberdeen) Limited	798	798
BICO Faster Drilling Tools Inc.	132	124
Total	174,716	81,718

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The goodwill for the cash generating unit Downhole Technology LLC was recognized in connection with the business combination executed as at 1 April 2016 (see Note 40).

Impairment testing for each cash generating unit was computed by using their value in use, which is based on the estimated future cashflows and a capital cost rate after taxes (WACC = Weighted Average Costs of Capital). The WACC was determined based on the current figures for similar companies in the same industry segment and adjusted for specific inflation rates in different countries. A detailed planning period of 5 years (2015: 5 years) is used, which is based on the budgeting by the Management. For the terminal period, a fixed growth rate of 1 % (2015: 1 %) was used for all cash generating units.

Due to the diverging development of risk-free interest rates of individual markets relevant for the cash generating units of the SBO Group, notably during the fourth quarter of 2016, SBO changed their estimation underlying the applicable market risk premium in accordance with IAS 8 in the fourth quarter of 2016 on a prospective basis. In order to respond to the diverging developments of interest rate levels in different countries, the policy of using one single market risk premium applicable to all cash generating units was abandoned and replaced by the derivation of a market risk premium taking into account country-specific factors and corresponding to the respective specific interest rate level.

The following discount rates were used as of 31 December 2016 and 2015, respectively:

WACC (before tax) in %	31.12.2016	31.12.2015
Segment High Precision Components		
Knust-Godwin LLC	14.2	12.7
SCHOELLER-BLECKMANN Oilfield Technology GmbH	12.8	10.7
Techman Engineering Limited	-	11.1
Segment Oilfield Equipment		
Downhole Technology LLC	14.8	-
Resource Well Completion Technologies Inc.	14.7	10.8
DSI FZE	12.0	10.1
BICO Drilling Tools Inc.	13.4	12.1
Schoeller-Bleckmann Darron (Aberdeen) Limited	13.0	11.2

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Cashflows are determined based on revenue expectations and planned capital expenditures. The value in use of the cash generating unit is largely determined by sales revenues. Sales and cashflow plans consider the cyclicity of the industry derived from historical experiences as well as long-term developments of the business market. Sales plans of cash generating units are based on the expected business development in the oilfield service industry. This is derived from expected drilling activities, geographic regions and company specific developments. In addition, margin plans are derived from the estimated product mix and estimated cost developments based on expected material price developments and planned capital expenditures. Furthermore, estimated personnel development (based on planned headcount, required qualification of employees and expected personnel cost based on current economic climate) is considered.

Due to the current earnings situation in the first two quarters of 2016 and the reduced earnings expectations for the full year 2016 in connection with further reductions of expenditures for exploration and production in the oilfield service industry, the Company performed impairment tests at the end of each quarter during 2016. As of 30 June 2016 these tests resulted in an impairment of goodwill of the cash generating unit Resource Well Completion Technologies Inc. (specializing in the production of high-end products to stimulate oil and gas production). Due to rising discount factors caused by external developments, the carrying amount (including goodwill) of the cash generating unit exceeded its value in use. This impairment in the amount of TEUR 3,316 was recorded in the profit and loss statement under the item Impairment on goodwill.

The required annual impairment tests as of 31 December 2016 were based on updated parameters. Modifications of the applicable business plans and WACCs resulted in changed values in use as of 31 December 2016 and did not indicate a requirement for impairment of goodwill. Impairment amounts recorded during the year were not reversed. The calculated value in use as of 31 December 2016 of the cash generating unit Resource Well Completion Technologies Inc. amounts to TEUR 44,483 (31 December 2015: TEUR 54,471).

Changes of the carrying amounts of goodwill of the cash generating units Knust-Godwin LLC, DSI FZE, BICO Drilling Tools Inc. as well as BICO Faster Drilling Tools Inc. resulted from foreign currency translation.

Sensitivity analyses were carried out for all cash generating units. As the value in use is particularly reactive to changed assumptions regarding cashflows and discounting factors, an isolated increase of the discounting factor by one percentage point as well as a reduction of cashflows by 10 % as deemed possible by Management was taken into account. This resulted in additional impairment losses for the cash generating unit Resource Well Completion Technologies Inc.

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In the following, the parameters were modified in such a way that the estimated recoverable amount as of 31 December 2016 is equal to the carrying amount. The results of this analysis for the cash generating units with significant amounts of goodwill and for which the sensitivity analysis either resulted in an impairment or in only a small headroom are listed in the following table:

	Recoverable amount exceeds carrying amount by TEUR	Change of parameters	
		Cashflows	WACC before tax
Knust-Godwin LLC	8,508	-13.10 %	+1.29 percentage points
Resource Well Completion Technologies Inc.	3,258	-7.32 %	+0.74 percentage points

Impairment 2015

Reduced oil prices during the year 2015 resulted particularly in North America in a decline of drilling activities of oilfield service companies. Therefore goodwill of the cash generating unit Resource Well Completion Technologies Inc. was impaired by TEUR 14,461 in 2015.

The unfavorable development of drilling activities on the North American market and reduced price levels led to an adjustment in the evaluation of the development of the cash generating unit BICO Drilling Tools Inc., which is mainly operating in the drilling motor business. As a result, an impairment charge of TEUR 5,587 was recognized in 2015.

As a result of reduced profit expectations due to unfavorable development of CAPEX plans of customers in UK, goodwill of the cash generating unit Techman Engineering Limited was fully impaired in 2015. The impairment charge amounted to TEUR 1,832.

2. Other intangible assets

Other intangible assets mainly comprise acquired technology, customer base, trademarks and rights from non-compete agreements relating to circulation tools from a business combination in the year 2010 (carrying amount 31 December 2016: TEUR 19,418; 31 December 2015: TEUR 25,254). These assets are amortized over a useful life of 10 years.

In addition, as part of the initial accounting of Resource Well Completion Technologies Inc. acquired technology (carrying amount 31 December 2016: TEUR 3,313; 31 December 2015: TEUR 3,753) and acquired customer base (carrying amount 31 December 2016: TEUR 3,926; 31 December 2015: TEUR 4,986) were capitalized in the business year 2014. The acquired technology will be amortized over a period of 7 years starting from acquisition date, the customer base will be amortized over a useful life of 5 years. Furthermore, non-compete agreements with a minimum duration of 5 years were capitalized (carrying amount 31 December 2016: TEUR 2,016; 31 December 2015: TEUR 2,560).

FINANCIAL INFORMATION

As part of the initial accounting of Downhole Technology LLC in 2016, acquired technologies (carrying amount 31 December 2016: TEUR 22,531) as well as trademarks (carrying amount 31 December 2016: TEUR 1,878) were capitalized with a useful life of 10 years. In addition, rights from non-compete agreements (carrying amount 31 December 2016: TEUR 5.448) were recorded which will be amortized over a period of 6 years. For further details on the business combination Downhole please see Note 40.

Further Other intangible assets relate to technology and non-compete agreements which were acquired in the course of a business combination in 2012.

In addition, Other intangible assets include right-of-use for IT software.

NOTE 10

LONG-TERM RECEIVABLES AND ASSETS

This line item mainly refers to interest-bearing loans which have been granted to the Management of subsidiaries of the Company for the acquisition of stock or participation rights in their respective companies (also see Note 19). As the stock has to be returned in the event of non-compliance with the loan agreements, there is no material credit risk for the Group.

in TEUR	31.12.2016	31.12.2015
Loans	11,347	12,259
Other receivables and assets	1,136	605
Total	12,483	12,864

As there were no past-due receivables, no write-downs were required either as of 31 December 2016 or 31 December 2015.

Other receivables and assets are not secured.

FINANCIAL INFORMATION

NOTE 11

DEFERRED TAXES

The Company's deferred tax assets and deferred tax payables result from the following items:

in TEUR	31.12.2016 assets	31.12.2016 liabilities	31.12.2015 assets	31.12.2015 liabilities
Property, plant & equipment	1,334	-7,546	925	-10,624
Other intangible assets (differences in useful lives)	598	-410	0	-458
Goodwill and other intangible assets (differences in valuation)	12	-11,720	14	-11,231
Inventories (differences in valuation)	9,355	0	8,798	0
Valuation of shares in subsidiaries	3,461	0	1,775	0
Other items (differences in valuation)	1,767	-793	2,049	-402
Accruals and provisions	2,755	0	1,840	0
Exchange differences intercompany debt elimination	0	-1,485	0	-3,420
Tax loss carryforwards	4,273	0	2,549	0
Subtotal	23,555	-21,954	17,950	-26,135
Netting related to identical taxation authorities	-11,916	11,916	-6,782	6,782
Total	11,639	-10,038	11,168	-19,353

Deferred tax assets related to tax loss carry forwards in the amount of TEUR 4,662 (2015: TEUR 3,061) were not recognized, because the utilization of these losses could not be substantiated for the foreseeable future based on the current mid-term plan (thereof an amount of TEUR 0 can only be utilized until 2017; 2015: TEUR 0 can only be utilized until 2016).

Gross deferred tax balances include tax assets of companies in two tax jurisdictions that have incurred losses during the business year, with deferred tax assets exceeding deferred tax liabilities by TEUR 10,271 (TEUR 5,069 and TEUR 5,202 respectively). The recognition of these deferred tax assets is substantiated by adequate positive taxable results in future years on the basis of tax planning derived from the business planning in place.

Deferred tax assets include tax benefits in the amount of TEUR 1,413, resulting from impairments of investments in subsidiaries in the amount of TEUR 5,650, which are tax deductible according to the Austrian tax law.

Relating to consolidated subsidiaries included in the consolidated financial statements differences exist between the tax base of equity interests and the proportional share of equity (outside basis differences) which in particular result from retained earnings and uncovered losses. Such timing differences as at 31 December 2016 amount to TEUR 87,761 (2015: TEUR 113,178) due to the fact that dividend payments or the sale of certain subsidiaries would be taxable. However, as the Group does not plan dividends from or disposals of these subsidiaries in the foreseeable future no deferred taxes were recognized according to IAS 12.39. In default of any expected dividend payments no deferred tax liabilities for withholding taxes were recognized at 31 December 2016 (2015: TEUR 0).

NOTE 12

ASSETS HELD FOR SALE

In relation to the combination of the two production sites of Knust-Godwin LLC which was started in 2015, it was decided in the fiscal year 2016 to sell property no longer needed for manufacturing purposes and to demolish the building on it. For this reason, an impairment loss was recognized for the building in the amount of TEUR 1,789 (fair value TEUR 0) and recorded in the consolidated profit and loss statement under the item Impairment on tangible assets. Prior to the transfer to Assets held for sale an impairment of the land was not necessary (carrying amount TEUR 4,661).

Management expects that this transaction will be closed within the next 12 months.

Impairment expenses of TEUR 680 for two machines which had already been held for sale as of 31 December 2015 in the segment "High Precision Components" were recognized under Restructuring expenses during the business year 2016. This impairment resulted from their valuation at fair value less cost to sell. The recoverable amount was determined by means of a level 3 valuation by an external appraisal report and amounts to TEUR 170.

For details on other assets held for sale as of 31 December 2015 please see Note 26.

FINANCIAL INFORMATION

NOTE 13

BANK LOANS AND OVERDRAFTS

As of 31 December 2016, the short-term loan arrangements were as follows:

Currency	Amount in TEUR	Interest rate in %
GBP loans	7,008	1.41 % variable
CAD loans	1,491	4.20 % variable
Subtotal	8,499	
Export promotion loans (EUR)	24,000	0.18-0.45 % variable
	32,499	

As of 31 December 2015, the short-term loan arrangements were as follows:

Currency	Amount in TEUR	Interest rate in %
GBP loans	8,174	1.33 % variable
Subtotal	8,174	
Export promotion loans (EUR)	24,000	0.28 % variable
Total	32,174	

The [export promotion loans](#) represent revolving short-term credit facilities; according to those arrangements the Company may use these funds permanently as long as it complies with the terms of agreement. In accordance with export promotion guidelines, the Company has agreed to assign receivables in the amount of TEUR 28,800 (2015: TEUR 28,800) to securitize these loans.

The [CAD borrowings](#) due to banks in the amount of TEUR 1,491 (2015: TEUR 0) are collateralized by the entire assets of the borrowing company ("floating charge").

NOTE 14

GOVERNMENT GRANTS

The subsidies include a grant by the Federal Investment and Technology Fund, as well as other investment subsidies received for the acquisition of fixed assets, and research and development expenses. For some investment grants specific covenants have to be met (e.g. number of workers employed), as was the case at the balance sheet dates 2016 and 2015. The subsidies received amounted to TEUR 154 as of 31 December 2016 (2015: TEUR 358).

NOTE 15

OTHER PAYABLES

Other short-term payables were as follows:

in TEUR	31.12.2016	31.12.2015
Vacation not yet used	1,485	1,457
Other personnel expenses	4,641	4,608
Legal and other counseling fees	921	1,049
Taxes	1,382	1,945
Social expenses	1,951	3,721
Option commitments relating to cancelable non-controlling interests	4,917	5,048
Contingent purchase price payments	5	2,237
Sundry payables	4,677	4,631
Total	19,979	24,696

For option commitments relating to cancelable non-controlling interests we refer to Note 20.

Contingent purchase price payments amount to a total of TEUR 17 (2015: TEUR 2,290), of which TEUR 12 (2015: TEUR 53) are long-term. The contingent purchase prices are payable in the amount of a certain percentage of the achieved revenue (in part only when exceeding an agreed ceiling) per year. In 2016, one contingent purchase price commitment was fulfilled by payment of the last installment on the basis of 2015 sales revenue. The remaining amount has a residual term of further 3 years.

FINANCIAL INFORMATION

Liabilities for contingent purchase price payments are measured with the discounted amount to be paid as expected at the reporting date on the basis of the underlying agreement and current business planning with a risk-adequate interest rate for the duration of the commitment. Revaluation gains and losses due to changes of the expected discounted payments regarding earn-outs are recognized under Other financial income or Other financial expenses. In 2016 liabilities in the amount of TEUR 52 (2015: TEUR 3,151) were adjusted within Other financial income. Revaluation gains represent unrealized profits. The addition of accrued interest for contingent purchase price payments amounting to TEUR 2 (2015: TEUR 391) is recognized within Interest expenses.

During the fiscal year, the development of payables resulting from contingent purchase price payments was as follows:

in TEUR	2016	2015
As of 1 January	2,290	8,975
Addition of accrued interest	2	391
Revaluation gains	-53	-3,151
Revaluation losses	1	0
Disposals from settlements of contingent purchase price payments	-2,187	-4,813
Currency adjustment	-36	888
As of 31 December	17	2,290

In the course of the settlement of contingent purchase price payments, the amount paid was TEUR 1 higher than the accrued amount in the previous balance sheet (2015: TEUR 5 paid less than accrued). The difference was recognized under Other financial income.

The revaluation gains and losses shown in the table refer entirely to financial instruments existing at the reporting date.

The sensitivity analysis performed for significant non-observable input parameters only resulted in immaterial changes of the liabilities for contingent purchase price payments both when considering reasonable possible changes in sales revenues and interest rates.

NOTE 16

OTHER PROVISIONS

The other provisions developed as follows:

2016					
in TEUR	31.12.2015	Usage	Reversal	Additions	31.12.2016
Warranty/Product liability	4,645	0	-1,623	0	3,022
Other	63	0	0	1,121	1,184
Total	4,708	0	-1,623	1,121	4,206

2015					
in TEUR	31.12.2014	Usage	Reversal	Additions	31.12.2015
Warranty/Product liability	6,513	-383	-1,528	43	4,645
Other	500	-16	-421	0	63
Total	7,013	-399	-1,949	43	4,708

The reduction of the warranty provision in 2016 is the result of the reduced sales volume generated in the relevant business field.

A warranty provision amounting to TEUR 1,528 as of 31 December 2014 relating to nonconformance of parts delivered within a comprehensive single order could be released during fiscal year 2015 due to reaching mutual consent with the customer.

It is expected that costs accounted for in short-term provisions will be incurred in the following business year.

At the end of fiscal year 2015, a competitor claimed patent infringements by a subsidiary of SBO. Management evaluated this claim to be entirely unfounded and vigorously rejects any allegations. As of 31 December 2016, a provision in the amount of TEUR 1,100 was recorded in the consolidated balance sheet for related legal fees.

A subsidiary of SBO filed an action for non-payment of goods against another competitor. In response of this claim, the defendant filed a counterclaim which in turn resulted in another counterclaim of the SBO Company. In 2016 the parties agreed that the competitor is obliged to pay the originally claimed debt to the SBO company and that the parties will waive all other claims and counterclaims.

FINANCIAL INFORMATION

NOTE 17

LONG-TERM LOANS INCLUDING CURRENT PORTION (AMORTIZATION IN FOLLOWING YEAR)

As of 31 December 2016, long-term borrowings consist of the following:

Currency	Amount in TEUR	Interest rate in %	Term	Repayment
EUR	1,918	0.00 % fixed	2008 – 2024	quarterly from 2011
EUR	47,375	0.69 % fixed	2016 – 2023	semi-annually from 2018
EUR	10,000	2.06 % fixed	2016 – 2023	bullet loan
EUR	2,500	0.96 % variable	2016 – 2023	semi-annually from 2018
EUR	2,500	1.84 % fixed	2016 – 2023	bullet loan
EUR	1,200	0.00 % fixed	2015 – 2022	quarterly from 2017
EUR	10,000	1.59 % fixed	2016 – 2021	bullet loan
EUR	5,000	1.43 % fixed	2016 – 2021	bullet loan
EUR	5,000	1.44 % fixed	2016 – 2021	bullet loan
EUR	2,500	1.44 % fixed	2016 – 2021	bullet loan
EUR	1,000	1.62 % fixed	2016 – 2021	bullet loan
EUR	1,000	1.62 % fixed	2016 – 2021	bullet loan
EUR	20,000	3.11 % fixed	2013 – 2020	bullet loan
EUR	10,000	3.11 % fixed	2013 – 2020	bullet loan
EUR	3,570	1.50 % fixed	2013 – 2019	semi-annually from 2015
EUR	8,000	3.10 % fixed	2010 – 2018	bullet loan
EUR	10,000	3.30 % fixed	2010 – 2018	semi-annually from 2012
EUR	20,000	0.75 % fixed	2015 – 2018	bullet loan
EUR	20,000	0.75 % fixed	2015 – 2018	bullet loan
EUR	361	0.00 % fixed	2011 – 2017	quarterly from 2012
EUR	5,000	2.40 % fixed	2012 – 2017	bullet loan
EUR	10,000	2.31 % fixed	2012 – 2017	bullet loan
EUR	15,000	2.40 % fixed	2012 – 2017	bullet loan
	211,924			

The following borrowings were collateralized:

EUR-loans:

- › TEUR 7,049 – mortgage on land and building and machinery pledged with a carrying amount of TEUR 14,520

FINANCIAL INFORMATION

As of 31 December 2015, long-term borrowings consist of the following:

Currency	Amount in TEUR	Interest rate in %	Term	Repayment
EUR	2,183	0.00 % fixed	2008 – 2024	quarterly from 2011
EUR	1,200	0.00 % fixed	2015 – 2022	quarterly from 2017
EUR	20,000	3.11 % fixed	2013 – 2020	bullet loan
EUR	10,000	3.11 % fixed	2013 – 2020	bullet loan
EUR	4,998	0.50 % fixed	2013 – 2019	semi-annually from 2015
EUR	8,000	3.10 % fixed	2010 – 2018	bullet loan
EUR	15,000	3.05 % fixed	2010 – 2018	semi-annually from 2012
EUR	20,000	0.75 % fixed	2015 – 2018	bullet loan
EUR	20,000	0.75 % fixed	2015 – 2018	bullet loan
EUR	842	0.00 % fixed	2011 – 2017	quarterly from 2012
EUR	5,000	2.40 % fixed	2012 – 2017	bullet loan
EUR	10,000	2.31 % fixed	2012 – 2017	bullet loan
EUR	15,000	2.40 % fixed	2012 – 2017	bullet loan
EUR	416	4.73 % fixed	2009 – 2016	semi-annually from 2010
EUR	5,000	5.25 % fixed	2009 – 2016	bullet loan
EUR	193	0.00 % fixed	2008 – 2016	quarterly from 2011
	137,832			

The following borrowings were collateralized:

EUR-loans:

- › TEUR 8,214 – Mortgage on land and building and machinery pledged with a carrying amount of TEUR 15,923

Referring to disclosures on the fair value of the loans see Note 35, regarding interest rate risk and hedging see Note 36.

FINANCIAL INFORMATION

NOTE 18

EMPLOYEE BENEFIT OBLIGATIONS

As of the balance sheet date, the employee benefit obligations consisted of the following:

in TEUR	31.12.2016	31.12.2015
Severance payments	3,761	4,444
Jubilee payments for long service	1,535	1,377
Total	5,296	5,821

The actuarial assumptions for the provisions of severance payments and jubilee payments were as follows:

	2016	2015
Interest rate	1.50 %	2.20 %
Salary increases	3.50 %	3.50 %
Fluctuation rate (mark-down)	0.0 – 15.0 %	0.0 – 15.0 %

Provisions were determined based on mortality tables AVÖ 2008-P (2015: AVÖ 2008-P) of Pagler & Pagler. Remeasurements of provisions for severance payments (actuarial gains or losses) are recognized under Other comprehensive income according to IAS 19.

No contributions were made to separately maintained funds for these obligations.

FINANCIAL INFORMATION

Provisions for severance payments

The status of the accrual for severance payments has developed as follows:

in TEUR	2016	2015
Defined benefit obligation as of 1 January	4,444	5,184
Current service cost	174	245
Interest cost	82	103
Total expenses for severance payments	256	348
Remeasurements during the year	-23	-673
Current severance payments	-916	-415
Defined benefit obligation as of 31 December	3,761	4,444

The expenses shown in the table are recognized within profit and loss under personnel expenses of each functional cost group (see Note 24).

Remeasurements recognized in other comprehensive income according to IAS 19 are as follows:

in TEUR	2016	2015
Remeasurement of obligations		
from changes to demographic assumptions	0	0
from changes to financial assumptions	283	-279
adjustments based on past experience	-306	-394
Total	-23	-673

The average duration of the defined benefit plan obligation as of 31 December 2016 is 11.7 years (2015: 11.0 years).

FINANCIAL INFORMATION

Sensitivity analysis

The effects on the obligations resulting from changes in significant actuarial assumptions were presented in the following sensitivity analysis. One significant factor of influence was changed in each case, while the remaining factors were held constant. In reality, however, these factors of influence are more likely to be correlated. The changed obligation was determined in accordance with IAS 19 in the same way as the actual obligation, using the Projected Unit Credit Method.

Severance payments		Present value of obligation (DBO) 31.12.2016	
in TEUR	Change in assumption	Increase in assumption	Decrease in assumption
Interest rate	+/- 0.5 percentage points	-206	+226
Increase in salaries	+/- 0.5 percentage points	+212	-195

Jubilee payments for long service

The status of the accrual for jubilee payments has developed as follows:

in TEUR	2016	2015
Defined benefit obligation as of 1 January	1,377	1,647
Current service cost	124	162
Interest cost	30	32
Total expenses for jubilee payments	154	194
Remeasurement during the year	41	-379
Current jubilee payments	-37	-85
Defined benefit obligation as of 31 December	1,535	1,377

Defined contribution plans

Payments made under defined contribution plans (pensions and other providence funds) were expensed and amounted to TEUR 360 in 2016 (2015: TEUR 799). For the following year contributions are expected at approximately TEUR 400.

NOTE 19

OTHER PAYABLES

Other long-term payables were as follows:

in TEUR	31.12.2016	31.12.2015
Option commitments	53,615	23,007
Management interest	14,726	17,180
Contingent purchase price payments	12	53
Participation rights	5,566	6,339
Non-compete agreements	1,395	1,712
Other obligations	2,946	4,168
Total	78,260	52,459

For option commitments please refer to Note 20.

The management of the following (fully consolidated) subsidiaries held the following interest in their respective companies:

Company	31.12.2016	31.12.2015
BICO Drilling Tools Inc.	10.29 %	10.45 %
BICO Faster Drilling Tools Inc.	11.00 %	13.00 %
Schoeller-Bleckmann Energy Services L. L. C.	3.00 %	6.75 %
Schoeller-Bleckmann Darron Limited	7.00 %	9.00 %
Techman Engineering Limited	9.35 %	9.35 %
Schoeller-Bleckmann Darron (Aberdeen) Limited	6.00 %	6.00 %
Schoeller-Bleckmann de Mexico S. A. de C. V.	2.00 %	3.00 %
ADRIANA HOLDING COMPANY LIMITED	1.00 %	-

Accordingly, the Management holds pro-rated shares in these companies.

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The Management of the following (fully consolidated) subsidiaries held the following participation rights in their respective companies:

Company	31.12.2016	31.12.2015
DSI FZE	5.50 %	6.10 %
SCHOELLER-BLECKMANN Oilfield Technology GmbH	0.80 %	0.90 %
Resource Well Completion Technologies Inc.	5.00 %	5.00 %

In 2016 the effective interest expense recorded for Management interest and participation rights amounts to TEUR 385, effective interest income amounts to TEUR 2,220 (2015: expense TEUR 1,887, income TEUR 607). Income and expense is recorded under Interest expenses and Interest income, respectively.

In business year 2015, the Company received grants in the amount of TEUR 2,638 which are contingent upon compliance with certain regulations in the years 2018-2020. Due to the uncertainty of future compliance with these conditions, the amounts received are reported under Other liabilities as of 31 December 2016 and 31 December 2015.

NOTE 20

OPTION COMMITMENTS

In the course of business combinations the Company concluded option agreements with non-controlling shareholders for the purpose of acquisition of such non-controlling interests at a later time. The purchase price of options from cancelable non-controlling interests depends on the results achieved by the Companies concerned.

Such option commitments from cancelable non-controlling interests are determined based on planning figures available as of acquisition date and are recognized in Other payables as granting of these options created unconditional payment obligations for the Group. From a Group's perspective, 100 % of the shares in these Companies are consequently consolidated. The results of the respective subsidiaries are attributed 100 % to the owners of the parent company.

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Option commitments are consequently measured with the expected discounted payment amount on the basis of the current business planning. The liabilities are discounted using a risk-adequate interest rate for the duration of the commitment. Current interest expenses are recognized under the item Interest expenses. Gains and losses due to changes of the expected discounted payment amount are recognized under the item Expenses/income from the revaluation of option commitments.

In the course of two business combinations the Company assigned the right to the non-controlling interests to offer their shares to the Company, and at the same time, the Company committed to purchase the offered shares. In addition, the Company acquired the right to purchase the shares of the non-controlling interests, who have committed themselves to transfer their shares to the Company in such case (Put and Call Option). As put and call options comprise all shares which are not yet in the possession of the Group and the conditions for transfer in the respective put and call case are identical, the Group has effectively acquired 100 % of the shares at the time of acquisition. The option from the business combination in 2014 can be exercised by both parties at any time on or after 31 March 2018; the option from the business combination in 2016 can be exercised at any time from 1 April 2019. The resulting liabilities are recognized within Other long-term payables.

In the first half of 2016 the option agreement from the business combination in 2014 was amended replacing the EBITDA multiple of SBO at the exercise date by a fixed multiple. The resulting valuation adjustments are reported in the table on the development of option commitments (see below) as addition / disposal due to contractual amendments. The valuation adjustments are recognized in the profit and loss statement together with revaluation gains and losses under the item Expenses/income from the revaluation of option commitments.

In the course of an earlier business combination in 2012 the Company assigned the right to the non-controlling interests to offer their shares to the Company. At the same time, the Company committed to purchase the offered shares (put option). As this option can be exercised at any time by the non-controlling interests it is recognized under short-term other payables. The financial liability was recognized at the date of acquisition by reclassifying the non-controlling interests created by the acquisition at the fair value of the proportionate share in identifiable net assets. Revaluation changes are subsequently booked under the item Expenses/income from the revaluation of option commitments. In 2016 a unilateral capital increase by SBO resulted in a partial disposal of this option commitment of TEUR 1,988 which was recognized within equity in retained earnings without affecting profit and loss.

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The development of option commitments in 2016 is shown below :

in TEUR	2016	2015
As of 1 January	28,055	33,836
Additions from business combinations	42,915	0
Addition of accrued interest	3,078	1,556
Revaluation gains	-11,011	-5,575
Revaluation losses	13,218	0
Disposal due to unilateral capital increase	-1,988	0
Disposal from contract amendments	-32,637	0
Addition from contract amendments	13,198	0
Currency adjustments	3,704	-1,762
As of 31 December	58,532	28,055

For further information on the business combination in the year 2016 please see Note 40.

A portion of the revaluation loss shown in the table in the amount of TEUR 8,796 refers to the disposal of the liability before amendment of the contract. The remaining revaluation gains and / or losses refer to financial instruments existent at the reporting date.

The sensitivity analysis for significant non-observable input factors regarding the option commitments is shown below:

in TEUR	Assumption	Change in assumption	If assumptions increase, liabilities change in total by	If assumptions decrease, liabilities change in total by
Result		+/- 10 %	+5,593	-5,591
	Interest rate 20.0 %, 4.61 % and 4.82 %	+/- 5, +/- 1, +/- 1 percentage points	-1,721	+1,865

NOTE 21

SHARE CAPITAL

The share capital of the Company as of 31 December 2016 as well as of 31 December 2015 was EUR 16 million, divided into 16 million common shares with a par value of EUR 1.00 each.

The Ordinary Shareholders' Meeting on 27 April 2016 authorized the Management Board for a period of 30 months to buy back own shares of the Company up to a maximum of 10 % of the share capital. In 2016 the Company bought 40,597 own shares at a purchase price of TEUR 2,167. Although authorized by the Ordinary Shareholders' Meeting on 23 April 2014, this right was not exercised in 2015.

As of 31 December 2016, the Company holds 52,597 own shares (2015: 18,000 shares) at acquisition costs of TEUR 2,884 (2015: TEUR 1,074), equaling a 0.33 % share in its capital stock (2015: 0.11 %). There are 15,947,403 shares in circulation (2015: 15,982,000 shares).

In the course of a business combination in 2010, 50,000 shares of the Company would become due as contingent consideration, if future sales levels are achieved as agreed. Since the sales target was not met in 2016, no dilution in the number of shares in circulation was effected at 31 December 2016.

As of 31 December 2016, approximately 33.4 % of the share capital is held by Berndorf Industrieholding AG, Vienna (2015: approximately 33.4 %).

NOTE 22

LEGAL RESERVE

Austrian law requires the establishment of a legal reserve in the amount of one tenth of the nominal value of the Company's share capital. As long as the legal reserve and other restricted capital reserves have not reached such an amount, the Company is required to allocate five percent of its annual net profit (net of amounts allocated to make up losses carried forward from prior years, after changes in untaxed reserves have been taken into consideration) to such reserves. For the formation of such reserves, only the annual financial statements of the parent company are relevant, which are prepared in accordance with Austrian Accounting Principles. No further allocation is required because of the contributions already made.

FINANCIAL INFORMATION

NOTE 23

ADDITIONAL BREAKDOWN OF REVENUES

Net sales consist of:

in TEUR	2016	2015
Sale of goods	110,516	215,645
Sale of services and repair	14,494	17,869
Operating lease revenue	57,980	80,220
Total net sales	182,990	313,734

The Company leases drilling machinery under operating leases with terms of less than a year. As the respective leasing fees are charged to customers according to the duration of use there is no entitlement for obtaining minimum future lease payments.

NOTE 24

ADDITIONAL BREAKDOWN OF EXPENSES

As the Company classifies its expenses by function, the following additional information is given as required by IAS 1 (disclosure according to Total Cost Accounting Method):

in TEUR	2016	2015
Material expenses	56,810	113,424
Personnel expenses	72,375	91,511
Depreciation of property, plant & equipment incl. impairment	38,860	41,511
Amortization of other intangible assets incl. impairment	13,884	11,864
Impairment on Goodwill	3,316	21,880
Impairment on assets held for sale	680	0

NOTE 25

OTHER OPERATING EXPENSES AND INCOME

The main items within other operating expenses are:

in TEUR	2016	2015
Exchange losses	2,589	10,486
Research and development expenses	7,631	8,238

Up to present development costs were not capitalized due to the uncertainties of the future economic benefits attributable to them.

The main items within other operating income are:

in TEUR	2016	2015
Exchange gains	6,514	12,417

NOTE 26

RESTRUCTURING EXPENSES AND INCOME

Restructuring expenses amounted to TEUR 3,013 in 2016, of which an amount of TEUR 2.333 resulted from the combination of production sites in the USA in the segment "High Precision Components" which was started in 2015 and completed in 2016. In this context, an impairment loss of TEUR 680 was recorded in 2016 for machines which had already been recognized as "held for sale" in the consolidated financial statements of 2015. The remaining machinery recognized as "held for sale" in the consolidated financial statements of 2015 was sold in 2016. These transactions resulted in income in the amount of TEUR 1.755, which is included in restructuring income in the reporting period. Restructuring income further includes an amount of TEUR 770 from the sale of property in the UK which had also been recognized as "held for sale" in the consolidated financial statements of 2015.

In relation to the combination of production sites in the USA and UK, restructuring expenses in the amount of TEUR 3,146 were recorded in the fiscal year 2015. In the same year, income from the sale of property, plant and equipment amounted to TEUR 1,181.

FINANCIAL INFORMATION

NOTE 27

INTEREST INCOME AND EXPENSES

Interest income is as follows:

in TEUR	2016	2015
Bank deposits and other lendings	881	701
Management participation and participation rights	2,220	607
Interest income	3,101	1,308

Interest expenses are as follows:

in TEUR	2016	2015
Loans and bonds	3,626	4,106
Accrued interest for liabilities for option commitments and liabilities for contingent purchase price payments	3,080	1,947
Management participation and participation rights	385	1,887
Interest expenses	7,091	7,940

With regard to accrued interests for liabilities for option commitments and liabilities from contingent purchase price payments see Notes 15 and 20.

NOTE 28

OTHER FINANCIAL INCOME

The line item Other financial income mainly includes revaluation gains relating to liabilities for contingent purchase price payments in the amount of TEUR 52 (2015: TEUR 3,151) (see Note 15).

NOTE 29

INCOME/EXPENSE FROM REVALUATION OF OPTION COMMITMENTS

This line item shows gains or losses in connection with liabilities for option commitments (see Note 20).

in TEUR	2016	2015
Revaluation gains	11,011	5,575
Revaluation losses	-13,218	0
Disposal / addition from contract amendments	19,439	0
	17,232	5,575

FINANCIAL INFORMATION

NOTE 30

INCOME TAXES

A reconciliation of income taxes, applying the Austrian statutory tax rate to income taxes stated for the Group, is as follows:

in TEUR	2016	2015
Income tax benefit (+) / expense (-) at tax rate of 25 %	11,264	5,008
Foreign tax rate differentials	4,208	3,808
Change in foreign tax rates	-389	171
Impairment on goodwill	-895	-5,383
Non deductible expenses	-1,287	-1,063
Non-taxable changes of option commitments and contingent purchase prices	5,071	1,005
Income exempt from tax and tax incentives	271	50
Valuation of shares in subsidiaries	0	1,137
Withholding and foreign taxes	-555	-691
Prior year adjustments	220	628
Tax loss carryforwards not recognized	-2,834	-2,348
Impairment of tax loss carryforwards recognized in prior years	-156	-708
Consumption of tax loss carryforwards not capitalized in prior years	2	2
Profit allocation to management participations	375	-118
Profit allocation to non-controlling interests	959	0
Other differences	798	-448
Consolidated income tax benefit	17,052	1,050
Profit/loss before tax	-45,053	-20,032
Profit allocation to management participations	-1,656	470
	-46,709	-19,562
Consolidated income tax benefit	17,052	1,050
Consolidated tax rate	36.5 %	5.4 %

FINANCIAL INFORMATION

The components of income taxes were as follows:

in TEUR	2016	2015
Current taxes	8,299	-5,566
Deferred taxes	8,753	6,616
Total	17,052	1,050

Deferred taxes mainly result from the formation and reversal of temporary differences and the capitalization of tax effects relating to current tax losses.

The following income taxes were recognized under Other comprehensive income:

in TEUR	2016	2015
Current taxes		
Exchange rate differences	-1,249	0
Remeasurements IAS 19	-6	-168
Deferred taxes		
Exchange rate differences	890	-590
Total	-365	-758

The negative balance of deferred taxes was reduced by TEUR 143 during 2016 (2015: increase by TEUR 1,556) due to exchange rate differences.

The payment of dividends to the shareholders will not result in any implications on income taxes for the Company for the business year 2016 and the comparative period of 2015.

FINANCIAL INFORMATION

NOTE 31

SEGMENT REPORTING

The Company worldwide mainly operates in one industry segment, the design and manufacturing of drilling equipment for the oil and gas industry.

The following segment report is prepared in accordance with IFRS 8 using the “management approach” of the Management Board of SCHOELLER-BLECKMANN OILFIELD EQUIPMENT Aktiengesellschaft in its capacity as the chief operating decision maker who monitors the performance of the business units and decides on the allocation of resources to the business segments.

Internal management of the Group as well as the allocation of resources is based on the financial performance of these segments. Management monitors sales, operating profit and profit before tax of these business units separately for the purpose of making decisions on the allocation of resources.

The business units are combined to the segments “High Precision Components” and “Oilfield Equipment” in accordance with product groups and services offered and existing customer groups, respectively.

The segment “High Precision Components” includes complex machining of high-precision components with utmost high dimensional accuracy which are ordered by the engineering divisions of our customers. For applications in the MWD/LWD technology sector, collars and internals made of highly alloyed steel and other non-magnetic metals are required. These collars and internals are used to mount antennas, sensors, batteries, generators and other kind of electronic parts, for making measurements and analyses during the drill operation.

The segment “Oilfield Equipment” covers products directly ordered by the operating oilfield organizations of our customers, such as

- › Non-Magnetic Drill Collars (NMDC), steel bars which are used to prevent magnetic interference during MWD operations;
- › Drilling motors, which drive the bit for directional drilling operations;
- › Circulation tools steer the flow direction of drilling muds in the drill string;
- › Various other tools for the oilfield such as stabilizers, reamers, hole openers, drilling jars and shock tools;
- › Completion tools which allow for an improved oil and gas production at increased well integrity.

In addition to the manufacture of the above mentioned products, service and repair work is carried out. These activities focus on drillstring components which need to be inspected, checked for magnetic inclusions, rethreaded, butt-welded, resurfaced with hard metal, reground, shot peened, etc. as quickly as possible and with the highest standard in workmanship.

The decision on the aggregation to the two segments “High Precision Components” and “Oilfield Equipment” is based on the comparability of major economic characteristics (particularly types of product groups and services, customer groups, sales methods and currency risks).

As the figures stated represent a summary of the single balance sheets and income statements of the consolidated companies, holding adjustments and consolidation entries (elimination of intercompany profits and other Group transactions) have to be taken into account in order to arrive at the reported Group numbers.

FINANCIAL INFORMATION

Results in the total column correspond to those in the income statement.

Intersegment sales are carried out in accordance with the "at arm's length" principle.

Year 2016 in TEUR	High Precision Components	Oilfield Equipment	SBO-Holding & Consolidation	Group
External sales	55,261	127,729	0	182,990
Intercompany sales	16,504	16,355	-32,859	0
Total sales	71,765	144,084	-32,859	182,990
Profit from operations before impairments and restructuring measures	-29,282	-17,966	-5,476	-52,724
Profit/loss before tax	-31,228	-6,965	-6,860	-45,053
Attributable assets	276,578	530,528	-5,050	802,056
Attributable liabilities	63,863	175,197	137,263	376,323
Capital expenditure	883	12,144	13	13,040
Depreciation & amortization	16,334	38,664	1,062	56,060
thereof impairment	1,789	3,316	0	5,105
Reversal of impairments	229	0	0	229
Head count (average)	610	529	24	1,163

Year 2015 in TEUR	High Precision Components	Oilfield Equipment	SBO-Holding & Consolidation	Group
External sales	143,484	170,250	0	313,734
Intercompany sales	40,359	53,016	-93,375	0
Total sales	183,843	223,266	-93,375	313,734
Profit from operations before impairments and restructuring measures	-5,906	13,326	-3,675	3,745
Profit/loss before tax	-11,349	-1,037	-7,646	-20,032
Attributable assets	338,277	417,897	-15,671	740,503
Attributable liabilities	112,067	109,682	68,394	290,143
Capital expenditure	4,348	18,199	504	23,051
Depreciation & amortization	24,005	50,114	1,136	75,255
thereof impairment	3,842	20,048	0	23,890
Reversal of impairments	0	0	0	0
Head count (average)	841	472	26	1,339

FINANCIAL INFORMATION

GEOGRAPHIC INFORMATION

Sales to external customers were as follows:

in TEUR	2016	2015
Austria	651	2,411
Great Britain	12,283	30,285
USA	93,779	158,878
Other countries	76,277	122,160
Total sales	182,990	313,734

The classification is based on the location of the customer. There are no other countries with sales exceeding 10 % of total sales of SBO Group.

For information regarding the most important customers see Note 36.

Long-term assets are located as follows:

in TEUR	2016	2015
Austria	51,847	58,453
Great Britain	31,433	40,656
USA	224,391	112,049
Canada	36,853	41,078
Dubai	49,170	55,500
Other countries	16,270	17,754
Total long-term assets	409,964	325,490

Assets are classified according to the location of the entity.

NOTE 32

REMUNERATION FOR THE EXECUTIVE AND SUPERVISORY BOARD

The remuneration paid to the Executive Board was as follows:

2016 in TEUR	fixed	variable	total
Gerald Grohmann	573	180	753
Klaus Mader	288	50	338
Total	861	230	1,091

2015 in TEUR	fixed	variable	total
Gerald Grohmann	565	717	1,282
Franz Gritsch (until 30 September 2015)	262	205	467
Klaus Mader (from 1 October 2015)	81	0	81
Total	908	922	1,830

Expenses for pensions and severance payments relating to the Executive Board amounted to TEUR -107 (2015: TEUR 426). Thereof, TEUR 103 (2015: TEUR 324) referred to defined contribution pension plans. Expenses for share-based payments in business years 2016 and 2015 are not included in the remuneration amounts mentioned above. For information on the voluntary severance and share-based payments see Note 33.

Remuneration for the Supervisory Board amounted to TEUR 39 in the business year 2016 (2015: TEUR 115), which is a combination of a flat rate and a variable rate depending on the Group's results.

In 2016 and 2015 no loans were granted to the members of the Executive Board or to the Supervisory Board, respectively.

FINANCIAL INFORMATION

NOTE 33

SHARE-BASED PAYMENTS

In business year 2016 expenses for share-based payments totaled TEUR 587 (2015: TEUR 803). In business year 2014 the Chairman of the Board, Gerald Grohmann, was granted an annual transfer of 6,000 SBO shares, contingent upon a valid employment agreement. The first shares were transferred in 2014. For a period of two years following the transfer, however not exceeding the termination of the employment agreement, the shares are subject to a restriction on alienation or encumbrance on Mr. Grohmann's part. The transfer of shares is limited to a total market value of TEUR 1,300 with the market value being assessed at the end of each retention period. The market value of 6,000 shares at the time of transfer in 2016 was TEUR 321 (2015: TEUR 384). The market value of 12,000 shares transferred (but still under the restriction mentioned above) totaled TEUR 918 as of 31 December 2016 (2015: 12,000 shares equaling a market value of TEUR 605).

In addition, during 2014 the Company granted to the Chief Executive Officer a voluntary severance payment of 30,000 SBO shares at the end of the employment contract in December 2018. At the commitment date the value per share was determined at EUR 70.00, based on the average price for the previous 36 months.

NOTE 34

TRANSACTIONS WITH RELATED PARTIES

The following transactions with related but non-consolidated companies and persons were carried out at generally acceptable market conditions:

The law firm Schleinzer & Partner is the legal consultant to the Company. One of the law firm's partners, Karl Schleinzer, is a member of the Supervisory Board. Total charges for 2016 amounted to TEUR 36 (2015: TEUR 36), thereof outstanding as of 31 December 2016 TEUR 0 (31 December 2015: TEUR 9).

NOTE 35

FINANCIAL INSTRUMENTS

Derivative Financial Instruments

1. Forward exchange contracts

The Austrian company hedges its net receivables denominated in US dollars and CAN dollars on an ongoing basis by entering into forward exchange contracts. All transactions have short-term durations (3 – 8 months).

Forward exchange transactions as of 31.12.2016	Hedged receivables in TEUR	Receivables at effective date rates in TEUR	Fair value in TEUR
USD	2,715	2,838	-123
CAD	69	70	-1

Forward exchange transactions as of 31.12.2015	Hedged receivables in TEUR	Receivables at effective date rates in TEUR	Fair value in TEUR
USD	8,607	8,694	-87
CAD	0	0	0

The forward exchange transactions are measured at fair value and recognized in the profit and loss statement, since the requirements under IAS 39 for hedge accounting are not fully met.

2. Other derivative financial instruments

The Group has recognized liabilities for contingent purchase price payments from business combinations and option commitments relating to cancelable non-controlling interests (see Notes 15 and 20).

FINANCIAL INFORMATION

Overview financial instruments

The following table shows the financial instruments, classified in accordance with IAS 39 and IFRS 7:

Financial Instruments	Category acc. to IAS 39	Classification acc. to IFRS 7: Valuation method									
		Fair value			Amortized costs						
31.12.2016 in TEUR	Loans and receivables	Other financial liabilities	Derivatives	Derivatives	Cash and cash equivalents	Trade accounts receivable	Lendings	Financing liabilities	Trade accounts payable	Other	
Current assets											
Cash and cash equivalents	193,453	193,453			193,453						
Trade accounts receivable	49,526	49,526				49,526					
Income tax receivable	11,406										
Other accounts receivable and other assets	2,864										
Assets held for sale	5,068										
Inventories	105,653										
Total current assets	367,970										
Non-current assets											
Property, plant & equipment	165,344										
Goodwill	174,716										
Other intangible assets	69,904										
Long-term receivables	12,483	11,347					11,347				
Deferred tax assets	11,639										
Total non-current assets	434,086										
TOTAL ASSETS	802,056	254,326	0	0	0	193,453	49,526	11,347	0	0	
Current liabilities											
Bank loans and overdrafts	32,499	32,499						32,499			
Current portion of long-term loans	37,233	37,233						37,233			
Finance lease obligations	28	28						28			
Trade accounts payable	11,929	11,929							11,929		
Government grants	97										
Income taxes payable	2,010										
Other payables	19,979	4,553	5,046	5,046						4,553	
Other provisions	4,206										
Total current liabilities	107,981										
Non-current liabilities											
Long-term loans	174,691	174,691						174,691			
Finance lease obligations	0										
Government grants	57										
Employee benefit obligations	5,296										
Other payables	78,260	24,633	53,627	53,627				20,293		4,340	
Deferred tax payables	10,038										
Total non-current liabilities	268,342										
Shareholders' equity											
Share capital	15,947										
Contributed capital	66,812										
Legal reserve	785										
Other reserves	19										
Translation reserve	61,109										
Retained earnings	281,061										
Total shareholders' equity	425,733										
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	802,056	0	285,566	58,673	58,673	0	0	0	264,744	11,929	8,893

FINANCIAL INFORMATION

Financial Instruments

	Classification acc. to IFRS 7: Valuation method										
	Category acc. to IAS 39				Fair value	Amortized costs					
	Loans and receivables	Other financial liabilities	Derivatives	Derivatives	Cash and cash equivalents	Trade accounts receivable	Lendings	Financing liabilities	Trade accounts payable	Other	
31.12.2015											
in TEUR											
Current assets											
Cash and cash equivalents	196,278	196,278				196,278					
Trade accounts receivable	49,199	49,199					49,199				
Income tax receivable	5,205										
Other accounts receivable and other assets	4,320										
Assets held for sale	2,230										
Inventories	133,748										
Total current assets	390,980										
Non-current assets											
Property, plant & equipment	193,024										
Goodwill	81,718										
Other intangible assets	50,749										
Long-term receivables	12,864	12,259						12,259			
Deferred tax assets	11,168										
Total non-current assets	349,523										
TOTAL ASSETS	740,503	257,736	0	0	0	196,278	49,199	12,259	0	0	0
Current liabilities											
Bank loans and overdrafts	32,174	32,174							32,174		
Current portion of long-term loans	12,783	12,783							12,783		
Finance lease obligations	63	63							63		
Trade accounts payable	11,150	11,150								11,150	
Government grants	205										
Income taxes payable	1,502										
Other payables	24,696	4,544	7,372	7,372							4,544
Other provisions	4,708										
Total current liabilities	87,281										
Non-current liabilities											
Long-term loans	125,049	125,049							125,049		
Finance lease obligations	27	27							27		
Government grants	153										
Employee benefit obligations	5,821										
Other payables	52,459	29,399	23,060	23,060					23,519		5,880
Deferred tax payables	19,353										
Total non-current liabilities	202,862										
Shareholders' equity											
Share capital	15,982										
Contributed capital	68,357										
Legal reserve	785										
Other reserves	19										
Translation reserve	50,166										
Retained earnings	315,051										
Total shareholders' equity	450,360										
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	740,503	0	215,189	30,432	30,432	0	0	0	193,615	11,150	10,424

FINANCIAL INFORMATION

Fair value of 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.

The financial instruments recognized at fair value in the consolidated financial statements are allocated as shown below:

2016 in TEUR	Balance sheet item	Total	Level 2	Level 3
Liabilities				
Derivatives	Other payables	-58,673	-124	-58,549

2015 in TEUR	Balance sheet item	Total	Level 2	Level 3
Liabilities				
Derivatives	Other payables	-30,432	-87	-30,345

During the reporting years 2016 and 2015, no transfers between the individual levels for the fair value measurements were carried out. In general, if required, transfers are carried out at the end of each reporting period.

Derivatives shown under level 3 only consist of contingent liabilities for purchase price payments (see Note 15) and the option commitments relating to cancelable non-controlling interests (see Note 20).

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

For assessing the fair value of lendings, borrowings and leasing obligations, the expected cashflows have been discounted using market interest rates.

FINANCIAL INFORMATION

Regarding bank and other long-term loans with variable interest, the interest rates charged are current market rates, resulting in the fact that the carrying amount equal the fair values to a large extent.

Cash and cash equivalents, trade receivables and trade payables and all other items have mostly short residual lives. Therefore, the carrying amounts equal the fair values at the balance sheet date.

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

in TEUR	Level	2016		2015	
		Carrying amount	Fair value	Carrying amount	Fair value
Liabilities					
Borrowings from banks, finance lease obligations and other loans	2	-244,451	-249,329	-170,096	-171,377

Net result from financial instruments

The following table shows the net result by classification, according to IAS 39:

Year 2016 in TEUR	Allowance	Revaluation		Derecognition/Disposal		Fair value
		Profit and loss	Other comprehensive income	Profit and loss	Other comprehensive income	
Loans and receivables	-885	-	-	-	-	-885
Derivatives	-	-5,272	-	19,439	-	14,167

Year 2015 in TEUR	Allowance	Revaluation		Derecognition/Disposal		Fair value
		Profit and loss	Other comprehensive income	Profit and loss	Other comprehensive income	
Loans and receivables	-3,764	-	-	-	-	-3,764
Derivatives	-	-7,746	-	-	-	-7,746

The total amount of interest expenses determined by using the effective interest rate method for financial liabilities not valued at fair value through profit or loss is TEUR 4,011 (2015: TEUR 5,993).

FINANCIAL INFORMATION

NOTE 36

RISK MANAGEMENT

The operations of the SBO Group are exposed to a great number of risks that are inextricably linked to its worldwide business activities. Efficient steering and control systems are being used to detect, analyze, and cope with these risks, with the help of which the Management of each company monitors the operating risks and reports them to the Group Management Board.

From a current point of view, no risks are discernible that may pose a threat to the survival of the Company.

General economic risks

The business situation of the Company highly depends on economic cycles, in particular on the cyclical development of oil and gas drilling activities performed by the international oil companies. As a result of reduced oil prices in 2015 and 2016 again at low level SBO Group is currently confronted with a reduction of capital expenditures of oilfield service companies. In connection with the current downturn and stockbuilding in the supply chain of customers there is a risk that a buffer effect can occur in the expected upturn due to decreasing existing stock levels. In order to minimize the risks of pertinent order fluctuations, the manufacturing companies of the Group have been designed to ensure maximum flexibility.

Sales and procurement risks

The market for products and services of the Company is to a great extent determined by continuous development and the application of new technologies. Therefore, securing and maintaining the Company's customer stock depends on the ability to offer new products and services tailored to the customers' needs.

In the year 2016, the three largest customers (which are the worldwide dominant service companies in the directional drilling market) accounted for a share of 39.9 % of all sales worldwide (2015: 52.5 %). SBO addresses the risk of potential sales declines following the loss of a customer by means of continuous innovation, quality assurance measures and close customer relationship management.

On the procurement side, raw materials and in particular alloy surcharges for non-magnetic steel are subject to significant price fluctuations. These alloy surcharges are partly passed on to the customers as part of our agreements.

FINANCIAL INFORMATION

The Company procures high-alloy special steel, its most essential raw material, to a great extent from one supplier and therefore faces the risk of delayed deliveries, capacity shortages or business interruptions. From today's perspective, the Company foresees no difficulty in obtaining quality steel from this supplier in the future. In the event this supplier falls short of deliveries, there is only limited potential of substitution in the short-term.

Substitution risks

SBO is subject to the risk of substitution of its products and technologies, which may result in the emergence of new competitors. SBO counteracts that risk through continuous market observation, intensive customer relationship management and proprietary innovations.

Financial risks

As a direct result of its business operations, the Company on the one hand holds various financial assets, such as trade receivables as well as cash and cash equivalents. On the other hand, it also uses financial instruments to ensure the continuity of its operations, such as payables due to banks and trade payables.

In addition, the Company also uses derivative financial instruments to hedge interest rate and foreign exchange risks arising from its financing and business operations. However, derivatives are not used for trading or speculative purposes.

The financial instruments principally entail interest-related cashflow risks, as well as liquidity, currency and credit risks.

Foreign currency risks

Foreign currency risks arise from fluctuations in the value of financial instruments or cashflows caused by foreign exchange fluctuations.

Foreign currency risks arise in the Company where balance sheet items as well as income and expenses are generated or incurred in a currency other than the local one. Forward exchange contracts (mainly in US dollars) are concluded in order to secure receivables and liabilities in foreign currencies.

FINANCIAL INFORMATION

From a long-term perspective, SBO invoices approximately 80 % of its sales volume in US dollars. This is due to its customer structure. All dominating service companies on the directional drilling market are located in the US, handling their worldwide activities in US dollars. Also from a long-term perspective, approximately 50 % - 60 % of the costs are incurred in US dollars, with important production facilities being located both in the US and Europe. For reasons of costs and expedience, SBO does not hedge its entire net dollar exposure. In any case, the profit generated by SBO is contingent on the Dollar-Euro exchange rates.

The Company also faces currency translation risks when sales revenues, operating results and balance sheets of foreign subsidiaries are converted into the Group currency. The respective values depend on the exchange rate in force at the respective date. The US is not only the main market for the Group but also the base of important production facilities with significant investments. Therefore, changes in the US dollar rate have a strong impact on the Group balance sheet, which SBO addresses by taking out US dollar loans.

The table below shows the implications of a potential change in the US dollar exchange rate on the consolidated financial statements only in respect of the value of the derivative instruments in place at balance sheet date, as no material accounts receivable or accounts payable exist which are not denominated in the functional currency of each Group currency :

in TEUR Changes in EURO – US Dollar rate	2016		2015	
	+10 cents	-10 cents	+10 cents	-10 cents
Change in profit before tax	+268	-268	+698	-698

Interest rate risks

Interest rate risks result from fluctuations in interest rates on the market; these fluctuations may lead to changes in value of financial instruments and interest-related cashflows.

Almost all long-term borrowings as of 31 December 2016 have fixed interest rates; therefore they are without any interest rate risk. However, the fair value of these credit facilities is subject to fluctuations. The interest rates for all loans are disclosed in Note 17. With the exception of loans and finance-lease obligations, no other liabilities are interest bearing and therefore not subject to any interest rate risk.

FINANCIAL INFORMATION

The interest rate risk is further reduced by short-term interest-bearing investments which the Company holds on a permanent basis. Depending on whether there is a credit or debit balance, the interest risk may result from increasing or decreasing interest rates.

The table below shows the reasonably foreseeable implications of a potential change in interest rates on profit before tax (there are no implications on Group equity). These implications could affect the amount of interest payable to banks or interest earned on bank deposits, both only in the case of variable rates.

in TEUR Change in basis points	2016		2015	
	+10	+20	+10	+20
Change in profit before tax	+134	+268	+157	+314

Credit risks

Credit risk arises from the non-compliance with contractual obligations by business partners and the resulting losses. The maximum default risk equals the carrying amount of the respective receivables.

The credit risk with our customers can be considered as low as there have been long-standing, stable business relations with all major customers. Furthermore, we regularly check the credit rating of new and existing customers and monitor the amounts due. Adequate allowances for default risks are made.

With regard to loans granted to the Management of subsidiaries, the default risk is limited as the loans are securitized by the acquired shares (see Note 10).

As for other financial assets (liquid funds, marketable securities), the maximum credit risk equals the respective carrying amounts, in the event the counterpart defaults. The pertinent credit risk may, however, be considered as low since we choose highly rated banks only.

FINANCIAL INFORMATION

Liquidity risks

Liquidity risk bears the uncertainty whether or not the Company has the liquid funds required to settle its obligations at all times and in a timely manner.

Due to the high self-financing capability of the Company, the liquidity risk is relatively low. The Company earns liquid funds through its operating business and uses external financing when needed. The worldwide spread of financing opportunities prevents any significant concentration of risk.

As the most important risk spreading measure, the Group Management constantly monitors the liquidity and financial planning of the Company's operative units. Also the financing requirements are centrally managed and based on the consolidated financial reporting of the Group members.

The table below shows all obligations for repayments and interest on financial obligations accounted for and agreed by contract as of 31 December. For other obligations, the non-discounted cashflows for the following business years are stated.

31.12.2016 in TEUR	Due at call	2017	2018	2019	2020 cont'd
Payables due to banks	32,717	-	-	-	-
Long-term loans	-	40,757	62,104	12,187	108,335
Lease obligations	-	29	-	-	-
Management interest and participation rights	-	-	-	-	20,293
Trade payables	-	11,929	-	-	-
Derivatives	4,917	5	2,802	57,378	0
Other	-	15,580	1,825	839	3,180

31.12.2015 in TEUR	Due at call	2016	2017	2018	2019 cont'd
Payables due to banks	32,350	-	-	-	-
Long-term loans	-	15,789	39,784	56,598	34,760
Lease obligations	-	65	27	-	-
Management interest and participation rights	-	-	-	-	23,519
Trade payables	-	11,150	-	-	-
Derivatives	5,048	2,238	24	23,684	19
Other	-	17,783	1,617	659	3,384

FINANCIAL INFORMATION

Other financial market risks

The risk variables are in particular the share prices and stock indexes.

Capital management

It is a paramount goal of the Group to ensure that we maintain a high credit rating and equity ratio in order to support our operations and to maximize the shareholder value.

It is particularly the gearing ratio (net indebtedness as a percentage of equity) that is used to monitor and manage capital. The indebtedness includes long-term loans, payables due to banks and leasing rates, less cash and cash equivalents.

Gearing was 12.0 % as of 31 December 2016 and -5.8 % as of 31 December 2015.

in TEUR	31.12.2016	31.12. 2015
Bank loans	32,499	32,174
Long-term loans	211,924	137,832
Finance lease obligations	28	90
Less: cash and cash equivalents	-193,453	-196,278
Net debt	50,998	-26,182
Total equity	425,733	450,360
Gearing	12.0 %	-5.8 %

An average dividend ratio of 30 - 60 % (of the consolidated profit after tax) payable to the shareholders is deemed to be appropriate.

NOTE 37

CONTINGENCIES

No contingencies existed as of the balance sheet dates 31 December 2016 and 31 December 2015.

FINANCIAL INFORMATION

NOTE 38

OTHER COMMITMENTS

The Company has operating lease commitments and commitments for capital expenditure (see Note 8). Apart from that no other commitments exist.

NOTE 39

CASHFLOW STATEMENT

The consolidated cashflow statement displays the change of cash and cash equivalents in the reporting year as a result of inflows and outflows of resources.

The liquid fund corresponds to cash and cash equivalents in the consolidated balance sheet and only includes cash on hand and bank balances as well as short-term investments.

In the cashflow statement, cashflows are classified as cashflow from operating activities, cashflow from investing activities and cashflow from financing activities.

The cashflows from foreign operations have been allowed for by applying average foreign exchange rates.

The cashflow from operating activities is determined using the indirect method, based on income after taxation and adjusting it for non-cash expenses and revenues. The result plus changes in net working capital (excluding liquid funds) as shown in the balance sheet is the cashflow from operating activities.

Inflows/outflows of resources from current operations include inflows and outflows from interest payments and income taxes.

Dividend payments are shown under cashflow from financing activities.

For the changes of shares in subsidiaries and participation rights held by managers in 2016 and 2015, the Company granted loans or reduced loans to the participants in the same amounts (TEUR -525; 2015: TEUR -6,701). Hence, no cashflows were effected.

FINANCIAL INFORMATION

NOTE 40

BUSINESS COMBINATIONS

Year 2016

As of 1 April 2016, SBO acquired 67.73 % of the shares in Downhole Technology LLC, Houston, USA. Therefore, assets and liabilities related to this acquisition were consolidated by the Group starting from 1 April 2016.

The company is a technologically leading provider of “composite frac plugs” for completion of oil and gas wells and owner of numerous patents. Well completion relates to the preparation of the well for the production of oil and gas. Downhole Technology offers composite frac plugs for the so called plug-and-perforation completions process. The design, the manufacturing know-how and the high quality standard of its products enable completion of the well to be done faster, more efficiently and more securely. As a consequence, Downhole Technology has reached an outstanding acceptance on the market. With Downhole Technology, SBO is now in a position to offer a wider range of tight formation completion tools.

The purchase price allocation at the time of acquisition based on fair values is as follows:

in TEUR	2016
Purchase price paid in cash	90,421
Option commitment relating to cancelable non-controlling interests	42,915
Total consideration	133,336
Net assets	-46,490
Goodwill	86,846

Net assets acquired at the time of acquisition based on fair values are as follows:

in TEUR	Fair value
Intangible assets	30,222
Property, plant and equipment	5,372
Inventories	6,178
Trade accounts receivable	7,088
Other receivables and assets	589
Cash and cash equivalents	393
	49,842
Trade accounts payable	-2,004
Other liabilities	-1,348
Net assets	46,490

For information on the acquired intangible assets please refer to Note 9.

FINANCIAL INFORMATION

The gross amount of acquired trade accounts receivable amounted to TEUR 8,502. Provisions for expected bad debts were TEUR 1,414. Other receivables and assets correspond to their fair values and were not impaired.

Net cashflows from the acquisition were as follows:

in TEUR	2016
Purchase price paid in cash	90,421
Cash and cash equivalents acquired	-393
	90,028

In the course of this business combination, the Company and the non-controlling shareholders agreed on a put / call option for the acquisition of the remaining 32.27 % of the shares which can be exercised at any time from 1 April 2019. For further information please refer to Note 20.

The goodwill allocated to the segment "Oilfield Equipment" determined in the course of the first-time reporting is based on the expected development as well as on the know-how of the employees and the consideration of synergies resulting from the acquisition of the company. The recognized goodwill will be deductible for tax purposes over a period of 15 years.

In business year 2016, reported sales of the Group were increased due to the acquisition by TEUR 28,666, reported profit from operations by TEUR 5,446, thereby considering amortization of intangible assets. Had the business been acquired at the beginning of the year 2016, the Group's sales would have increased by further TEUR 11,010; profit from operations considering amortization of intangible assets would have increased by further TEUR 1,402.

In 2016 transaction costs of TEUR 2,558 were paid, of which TEUR 2,350 are recorded in administrative expenses in business year 2016.

Year 2015

No business combinations were executed in 2015.

NOTE 41

PERSONNEL

The total number of employees was as follows:

	Annual average		Year-end	
	2016	2015	31.12.2016	31.12.2015
Blue collar	766	959	778	781
White collar	397	380	422	354
	1,163	1,339	1,200	1,135

NOTE 42

EVENTS AFTER THE BALANCE SHEET DATE

After the balance-sheet date no events of particular significance have occurred that would have changed the presentation of the Group's financial position and financial performance of the Group financial statements as of 31 December 2016.

NOTE 43

PROPOSED DIVIDEND

The Executive Board proposes to the shareholders that no dividend should be paid (2015: EUR 0.50 per share, which was a total distribution of MEUR 8.0 for the preceding year).

FINANCIAL INFORMATION

NOTE 44

EXPENSES INCURRED FOR THE GROUP AUDITORS

The following expenses were incurred from [Ernst & Young Wirtschaftsprüfungsgesellschaft m. b. H.](#) :

in TEUR	2016	2015
Audit of the consolidated annual financial statements	80	114
Other services	325	45

Other services in 2016 include expenses in the amount of TEUR 282 relating to the acquisition of Downhole Technology LLC on 1 April 2016.

MANAGEMENT INFORMATION

EXECUTIVE BOARD

Ing. Gerald Grohmann (President and CEO)

Mag. Klaus Mader (Vice President and CFO)

The contracts with the members of the Executive Board will expire on 31 December 2018 (Gerald Grohmann) and 30 September 2018 (Klaus Mader), respectively.

COMMITTEES OF THE SUPERVISORY BOARD

Nomination and Remuneration Committee:

Mag. Norbert Zimmermann

Dr. Peter Pichler

Dr. Karl Schleinzer

Audit Committee:

Mag. Norbert Zimmermann

Dr. Peter Pichler

Dr. Wolfram Littich (prior: Karl Samstag)

SUPERVISORY BOARD

Mag. Norbert Zimmermann (Chairman)

First nomination: 1995

End of current appointment: 2017

Dr. Peter Pichler (Deputy Chairman)

First nomination: 1995

End of current appointment: 2018

Mag. Brigitte Ederer

First nomination: 2014

End of current appointment: 2019

Mag. Dipl. Ing. Helmut Langanger

First nomination: 2003

End of current appointment: 2019

Dr. Wolfram Littich

First nomination: 2016 (from 27 April 2016)

End of current appointment: 2021

Karl Samstag

First nomination: 2005 (until 27 April 2016)

Dr. Karl Schleinzer

First nomination: 1995

End of current appointment: 2020

AUDITOR'S REPORT *) (TRANSLATION)

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Audit Opinion

We have audited the consolidated financial statements of [SCHOELLER-BLECKMANN OILFIELD EQUIPMENT Aktiengesellschaft, Ternitz](#), and of its subsidiaries (the Group) comprising the consolidated statement of financial position as of December 31, 2016, the consolidated profit and loss statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the fiscal year then ended and the notes to the consolidated financial statements.

Based on our audit, the accompanying consolidated financial statements were prepared in accordance with the legal regulations and present fairly, in all material respects, the assets and the financial position of the Group as of December 31, 2016 and its financial performance for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, and the additional requirements under Section 245a Austrian Company Code (UGB).

Basis for Opinion

We conducted our audit in accordance with Austrian Standards on Auditing. Those standards require that we comply with International Standards on Auditing (ISA). Our responsibilities under those regulations and standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the Austrian General Accepted Accounting Principles and professional requirements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and ap-proprate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the fiscal year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We considered the following matters as key audit matters for our audit:

1. **Valuation of property, plant and equipment and intangible assets, including goodwill**
2. **Acquisition of Downhole Technology LLC, including accounting of option over non-controlling interest**
3. **Valuation of deferred tax assets**

1. **Valuation of property, plant and equipment and intangible assets, including goodwill**

Description

In its consolidated financial statements, SCHOELLER-BLECKMANN OILFIELD EQUIPMENT Aktiengesellschaft shows Goodwill of mEUR 174.7, Property, plant & equipment of mEUR 165.3 and Other intangible assets of mEUR 69.9.

AUDITOR'S REPORT*) (TRANSLATION)

Under IFRS, as adopted by the EU, an entity is required to annually test the amount of goodwill for impairment. In addition, for intangible assets with a definite life as well as property, plant & equipment it is required to assess on each balance sheet date whether impairment indicators exist.

The currently low business volume in the Oilfield service industry, which had a key impact on the financial year 2016, serves as triggering event for the execution of impairment tests.

Recoverability of non-current assets depends on both external factors as future crude oil price, development of input factors for discount rates and internal assessment of e.g. the future development of rig counts, drilling activities as well as customer behavior and requires discretionary decisions of management. The significant risk lies in the estimation of future cash flows and discount rates respectively deviations therefrom, which could lead to further impairments not recognized in an appropriate extent.

We refer to the disclosure in the notes to the consolidated financial statements in sections "Note 4, item 8 and 9", "Note 9" and "Note 12".

How our audit addressed the matter

To address this risk, we have performed, among others, the following audit procedures:

We assessed the design of the entity's procedures for conducting impairment tests.

The composition of cash generating units (CGUs) as well as the allocation of assets, liabilities and cashflows thereto has been audited.

Forecasted sales, results and investments were reconciled to approved budgets and material planning assumptions (sales, expenditures, investments, changes in Working Capital) have been assessed in order to verify the appropriateness of budget information. Assumptions related to discount factors as well as growth rates were audited as well.

We involved EY valuation specialists in our audit procedures related to the assessment of the appropriateness of valuation models, cash flow assumptions as well as input factors.

We also evaluated whether disclosures regarding impairment testing in the notes to the consolidated financial statements were made in line with IAS 36.

2. Acquisition of Downhole Technology LLC, including accounting of option over non-controlling interest

Description

With contractual agreement dated April 1, 2016, SBO-group acquired 67.73% of Downhole Technology LLC. Main reasons for the acquisition were access to numerous patents as well as gaining know-how in preparation of drillings for the oil and gas production (completion). Net purchase price was mEUR 90.4. In the course of this business combination, a put-/call option was entered into, which entitles SBO group to purchase the remaining 32.27% on or after April 1, 2019.

AUDITOR'S REPORT *) (TRANSLATION)

In the course of a business combination, a purchase price allocation in line with IFRS 3 is performed which includes material assumptions about the existence and valuation of acquired assets and assumed liabilities. The significant risk lies in the determination of fair values and in the valuation of assets, the completeness of identifiable intangible assets as well as the estimation of future cash flows and discount rates applied. Like-wise requires the valuation of the put-/call-option input parameters which are based on estimates.

We refer to the disclosures in the Notes to the consolidated financial statements in "Note 40" and "Note 20".

How our audit addressed the matter

We evaluated and scrutinized management's procedures in relation to the purchase price allocation performed as well as the accounting treatment and conducted valuation calculations for the aforementioned put-/call-option. Our audit procedures included, but were not limited to, the following:

We performed inspection procedures on contractual agreements and other relevant documents related to the business combination and performed audit procedures related to the identification of assets and liabilities.

The appropriateness of valuation methods, used input factors, discount rates as well as estimation processes conducted to assess market values of identifiable assets, derive goodwill plus the put-/call-option on non-controlling interests was audited. In the course of these audit procedures, EY valuation specialists were involved.

We evaluated the appropriateness of disclosures in the Notes to the consolidated financial statements related to the business combination and the put-/call-option.

3. Valuation of deferred tax assets

Description

SCHOELLER-BLECKMANN OILFIELD EQUIPMENT Aktiengesellschaft shows deferred tax assets of in total mEUR 23.6, of which after balancing with deferred tax liabilities to same tax authorities mEUR 11.6 are shown in the consolidated balance sheet. This balance includes deferred tax assets out of unused tax losses in an amount of mEUR 4.3.

According to regulations of IFRS, the utilization of deferred tax assets is to be substantiated by tax planning procedures, which are to be conducted separately for each entity or tax group.

Due to uncertainties in the business environment the audit of the recoverability of deferred tax assets was of particular importance to us.

We refer to the disclosures in the Notes of the consolidated financial statements in "Note 11" and "Note 30".

AUDITOR'S REPORT*) (TRANSLATION)

How our audit addressed the matter

Our audit procedures included, among others, the following:

We gained an understanding of the conceptual design of management's activities in accounting of deferred taxes.

We audited the appropriateness and correctness of considered temporary differences on assets, liabilities and unused tax losses per entity or tax group. This included the audit of the consistency of planning assumptions with approved budgets as well as therefrom derived tax planning calculations. We additionally assessed if deferred tax assets on tax losses can be utilized before they expire.

We involved EY tax specialists both on Group level as well as for significant subsidiaries in our audit to verify tax planning assumptions.

We evaluated the conformity of disclosures in the Notes to the consolidated financial statements on deferred taxes to associated assumptions.

Responsibilities of Management and of the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements in accordance with IFRS as adopted by the EU, and the additional requirements under Section 245a Austrian Company Code UGB for them to present a true and fair view of the assets, the financial position and the financial performance of the Group and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Austrian Standards on Auditing, which require the application of ISA, always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Austrian Standards on Auditing, which require the application of ISA, we exercise professional judgment and maintain professional scepticism throughout the audit.

AUDITOR'S REPORT ^{*)} (TRANSLATION)

We also:

- › identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- › obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- › evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- › conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- › evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- › obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

AUDITOR'S REPORT^{*)} (TRANSLATION)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Comments on the Management Report for the Group

Pursuant to Austrian Generally Accepted Accounting Principles, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the management report for the Group was prepared in accordance with the applicable legal regulations.

Management is responsible for the preparation of the management report for the Group in accordance with Austrian Generally Accepted Accounting Principles.

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the management report for the Group.

Opinion

In our opinion, the management report for the Group was prepared in accordance with the valid legal requirements, comprising the details in accordance with Section 243a Austrian Company Code UGB, and is consistent with the consolidated financial statements.

Statement

Based on the findings during the audit of the consolidated financial statements and due to the thus obtained understanding concerning the Group and its circumstances, no material misstatements in the management report for the Group came to our attention.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the management report for the Group and the auditor's report thereon. The annual report is estimated to be provided to us after the date of the auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, as soon as it is available, and, in doing so, to consider whether - based on our knowledge obtained in the audit - the other information is materially inconsistent with the consolidated financial statements or otherwise appears to be materially misstated.

Responsible Austrian Certified Public Accountant

The partner in charge of the audit resulting in this independent auditor's report is Mr. Karl Fuchs, Certified Public Accountant.

Vienna, March 3, 2017

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Karl Fuchs eh
Certified Public Accountant

ppa Dipl.-Ing. (FH) Mag. Manfred Siebert eh
Certified Public Accountant

^{*)} This report is a translation of the original report in German, which is solely valid. Publication or sharing with third parties of the consolidated financial statements together with our auditor's opinion is only allowed if the consolidated financial statements and the management report for the Group are identical with the German audited version. This audit opinion is only applicable to the German and complete consolidated financial statements with the management report for the Group. Section 281 paragraph 2 UGB (Austrian Company Code) applies to alternated versions.

REPORT OF THE SUPERVISORY BOARD ON THE 2016 FINANCIAL YEAR

In the 2016 financial year, the Supervisory Board performed its duties assigned to it by law and the Company's articles of association. It held four meetings and received regular oral and written reports about the business development and situation of the Company and its Group companies from the Executive Board, including information about relevant business occurrences. The discussions between the Supervisory Board and Executive Board focused on the strategic orientation and development of the Group as well as on key business transactions and measures.

At the 2016 Annual General Meeting, a personnel change took place in the Supervisory Board. Karl Samstag resigned from his position. The Supervisory Board thanks him for his many years of service at the Supervisory Board. Wolfram Littich was elected to succeed Mr. Samstag as member of the Supervisory Board. Apart from this change, the Supervisory Board and the Executive Board remained unchanged in the 2016 financial year.

The Supervisory Board has two committees: The Audit Committee and the Remuneration Committee.

In the 2016 financial year, the Remuneration Committee convened twice to prepare the above change in the Supervisory Board and to deal with matters regarding compensation of the members of the Executive Board.

The Audit Committee held two meetings in the 2016 financial year to discuss the financial reports of the Company (consolidated and annual financial statements) and performed the duties assigned to it according to section 92 (4a) Austrian Stock Corporation Act (AktG). Representatives of Deloitte Schwarz & Schmid Wirtschaftsprüfungsgesellschaft m.b.H. as auditor of the annual financial statements of the Company and of Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. as auditor of the consolidated financial statements of the Company attended the meeting of the Audit Committee which dealt with the preparation of the adoption of the annual and consolidated financial statements and their audits and reported about the auditing process. Additionally, the Audit Committee held a meeting for in-depth discussion about the planning of the audit of the consolidated financial statements with representatives of Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. The Supervisory Board was informed regularly about the results of the meetings of the Audit Committee.

The annual financial statements as of 31 December 2016 and the management report were audited by Deloitte Schwarz & Schmid Wirtschaftsprüfungsgesellschaft m.b.H. The audit revealed that the annual financial statements comply with legal requirements, give a true and fair view of the Company's assets and financial position as of 31 December 2016 and of the earnings situation of the Company for the financial year from 1 January 2016 to 31 December 2016, and that the management report has been prepared in accordance with applicable legal requirements, contains accurate information pursuant to section 243a Austrian Commercial Code (UGB) and is consistent with the annual financial statements.

The consolidated financial statements as of 31 December, which have been prepared in accordance with the International Financial Reporting Standards (IFRS) to be applied in the EU, and the consolidated management report were audited by Ernst &

Young Wirtschaftsprüfungsgesellschaft m.b.H. The audit revealed that the consolidated financial statements comply with legal requirements, give a true and fair view of the Group's assets and financial position as of 31 December 2016 and of the earnings situation and the cashflows of the Group for the 2016 financial year, and that the consolidated management report has been prepared in accordance with applicable legal requirements, contains accurate information pursuant to section 243a Austrian Commercial Code (UGB) and is consistent with the consolidated financial statements.

As the audits did not give rise to any objections, the auditors issued unqualified audit opinions both for the annual financial statements 2016 and the consolidated financial statements 2016.

The Company's corporate governance report, which had been drawn up in accordance with the rules of the Austrian Corporate Governance Code (ACGC), was reviewed by DORDA BRUGGER JORDIS Rechtsanwälte GmbH regarding compliance with C-Rule 62 of the ACGC. This external evaluation found no facts indicating that the C-Rules of the ACGC had not been complied with.

At its meeting on 16 March 2017, and after discussion and review by the Audit Committee, the Supervisory Board reviewed the submitted annual financial statements as of 31 December 2016 and the management report as well as the consolidated financial statements as of 31 December 2016 and the consolidated management report and the corporate governance report. The final results of these reviews did not give rise to any objections. At its meeting on 16 March 2017, the Supervisory Board approved the annual financial statements as of 31 December 2016, which are therefore deemed adopted pursuant to section 96 (4) Austrian Stock Corporation Act (AktG).

The Supervisory Board extends its thanks and appreciation to the members of the Executive Board and all employees of the SBO Group for their strong commitment and performance in the 2016 financial year and thanks the shareholders and customers of the SBO Group for their trust.

Ternitz, 16 March 2017

The Supervisory Board

Norbert Zimmermann
(Chairman)

A handwritten signature in black ink, consisting of a stylized 'N' followed by a long horizontal line and a period.

CORPORATE INFORMATION

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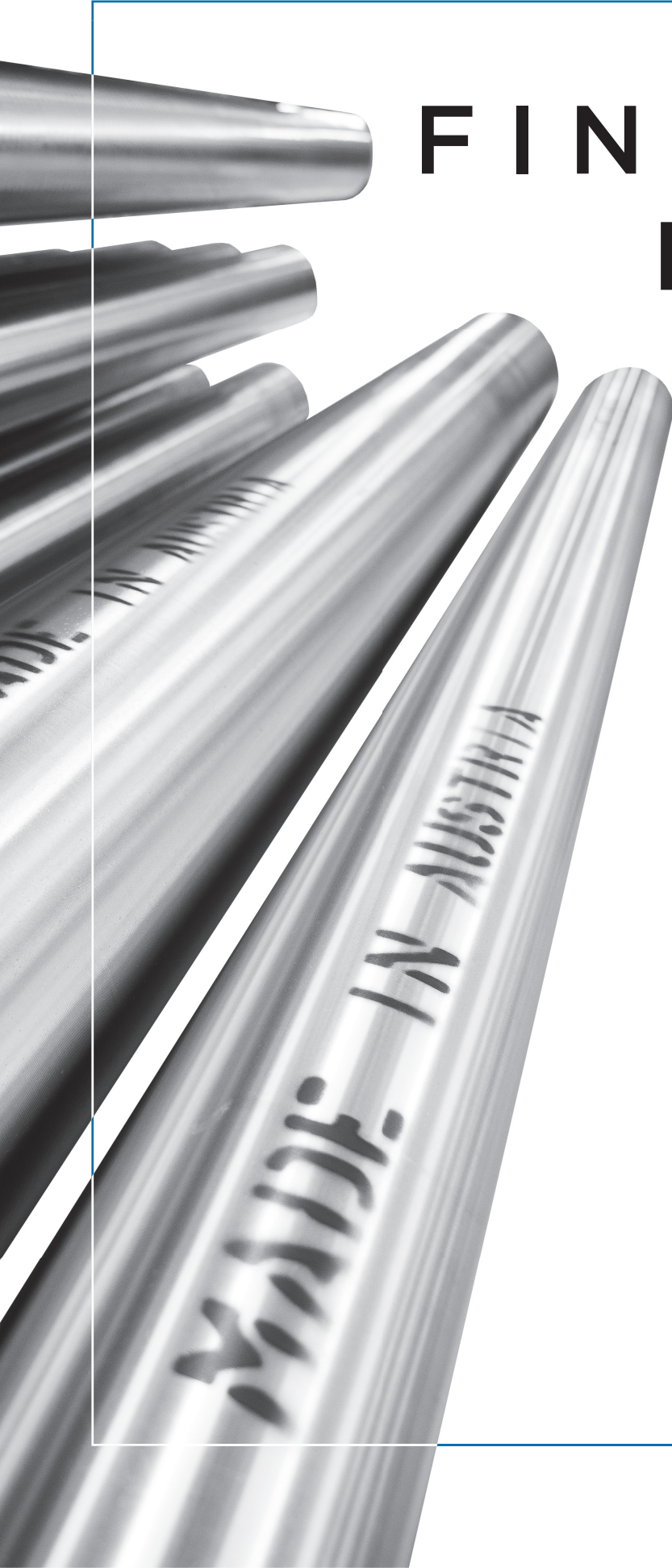
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FINANCIAL REPORT

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FINANCIAL REPORT

SCHÖLLER-BLECKMANN OILFIELD EQUIPMENT Aktiengesellschaft

A. K. T. I. V. A

B. I. L. A. N. Z. z. u. M. 31.12.2016

P. A. S. S. I. V. A
31.12.2016 31.12.2015
EUR EUR

	31.12.2016 EUR	31.12.2015 TEUR		31.12.2016 EUR	31.12.2015 TEUR
A. Anlagevermögen			A. Eigenkapital		
I. Immaterielle Vermögensgegenstände			I. einbezogenes und einbezogenes Grundkapital	16.000.000,00	16.000
1. Konzessionen, Patente, Marken und ähnliche Rechte und Vorteile sowie andere abgrenzbare Leistungen			eigene Anteile	15.947.403,00	15.982
II. Sachanlagen, einschließlich Rechte und Bauteile, einschließlich der	12.170.402,98	12.304	II. Kapitalrücklagen	70.150.064,03	69.994
1. Bauten auf fremdem Grund	131.754,40	218	1. davon für eigene Aktien EUR 52.597,00 (Vorjahr TEUR 18)		
2. andere Anlagen, Betriebs- und Geschäftsausstattung	12.038.648,58	12.082	III. Optionsrücklage		
3. geleistete Anzahlungen und Anlagen in Bau	0,00	0,00	IV. Gewinnrücklagen	785.314,64	785
III. Finanzanlagen	224.914.300,95	180.936	1. Gewinnrücklagen	14.797.145,67	15.869
1. Ausleihungen an verbundene Unternehmen	44.750.336,40	16.915	2. andere Rücklagen (freie Rücklagen)	14.011.831,03	16.653
2. Ausleihungen an verbundene Unternehmen	143.957,00	137,59	V. Bilanzgewinn	3.510.853,46	8.119
3. Wertpapiere (Wertrechte) des Anlagevermögens	269.809.005,35	210.956	davon Gewinnvortrag EUR 125.152,31 (Vorjahr TEUR 2.404)	106.456.466,16	112.645
B. Umlaufvermögen			B. Rückstellungen		
I. Forderungen und sonstige Vermögensgegenstände	0,00	15	1. Rückstellungen für Abfertigungen	596.189,00	1.518
1. Forderungen aus Lieferungen und Leistungen	14.172.420,29	19.327	2. Sozialrücklagen	4.092.041,81	981
2. Forderungen aus Lieferungen und Leistungen	9.048.595,37	10.098	3. sonstige Rückstellungen	990.603,00	3.452
3. sonstige Forderungen und Vermögensgegenstände			C. Verbindlichkeiten		
II. Verbindlichkeiten aus Lieferungen und Leistungen	23.221.005,66	25.440	davon mit einer Restlaufzeit von bis zu einem Jahr EUR 17.557.728,20 (Vorjahr TEUR 86.920)		
1. Verbindlichkeiten aus Lieferungen und Leistungen	91.858.705,78	83.039	davon mit einer Restlaufzeit von mehr als einem Jahr EUR 171.653.862,00 (Vorjahr TEUR 129.219)		
2. Verbindlichkeiten gegenüber verbundenen Unternehmen	115.079.711,44	112.479	1. Verbindlichkeiten gegenüber Kreditinstituten	205.000.000,00	128.417
3. sonstige Verbindlichkeiten			davon mit einer Restlaufzeit von bis zu einem Jahr EUR 35.000.000,00 (Vorjahr TEUR 30.417)		
C. Aktive latente Steuern			davon mit einer Restlaufzeit von mehr als einem Jahr EUR 170.000.000,00 (Vorjahr TEUR 118.000)	145.734,65	512
II. Kassenbestand, Guthaben bei Kreditinstituten	4.152.840,00	0	2. Verbindlichkeiten gegenüber Lieferanten und Leistungserbringern	80.390.075,31	74.591
			davon mit einer Restlaufzeit von bis zu einem Jahr EUR 80.390.075,31 (Vorjahr TEUR 74.591)		
			3. Verbindlichkeiten gegenüber verbundenen Unternehmen	3.675.760,24	3.319
			davon mit einer Restlaufzeit von bis zu einem Jahr EUR 2.021.918,24 (Vorjahr TEUR 1.400)		
			davon mit einer Restlaufzeit von mehr als einem Jahr EUR 1.653.842,00 (Vorjahr TEUR 1.919)		
			4. sonstige Verbindlichkeiten		
			davon mit einer Restlaufzeit von bis zu einem Jahr EUR 125,22 (Vorjahr TEUR 8)		
			davon mit einer Restlaufzeit von mehr als einem Jahr EUR 36.584,12 (Vorjahr TEUR 46)		
				289.211.570,20	206.859
				<u>401.346.970,17</u>	<u>323.436</u>

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SCHOELLER-BLECKMANN OILFIELD EQUIPMENT Aktiengesellschaft

GEWINN- UND VERLUSTRECHNUNG für das Geschäftsjahr vom 1. Jänner bis 31. Dezember 2016

	2016 EUR	2015 TEUR
1. Umsatzerlöse	4.503.531,80	6.993
2. sonstige betriebliche Erträge		
a) Erträge aus dem Abgang vom Anlagevermögen mit Ausnahme der Finanzanlagen	128,40	2
b) Erträge aus der Auflösung von Rückstellungen	0,00	3
c) übrige	<u>2.057.631,82</u>	<u>1.945</u>
	2.057.760,22	1.950
3. Personalaufwand		
a) Löhne	-198.266,17	-186
b) Gehälter	-2.342.739,72	-2.793
c) soziale Aufwendungen		
aa) Aufwendungen für Altersversorgung	-114.005,84	-336
bb) Aufwendungen für Abfertigungen und Leistungen an betriebliche Mitarbeiterversorgungskassen	-287.186,15	-558
cc) Aufwendungen für gesetzlich vorgeschriebene Sozialabgaben sowie vom Entgelt abhängige Abgaben und Pflichtbeiträge	-364.017,00	-317
dd) übrige	<u>-630,87</u>	<u>-1</u>
	-765.839,86	-1.213
	-3.306.845,75	-4.191
4. Abschreibungen		
auf Immaterielle Gegenstände des Anlagevermögens und Sachanlagen	<u>-570.758,84</u>	<u>-4.184</u>
	-570.758,84	-4.184
5. sonstige betriebliche Aufwendungen		
a) Steuern, soweit sie nicht unter Z 15 fallen	-191.538,61	-181
b) übrige	<u>-4.432.548,23</u>	<u>-7.203</u>
	-4.624.086,84	-7.383
6. Zwischensumme aus Z 1 bis 5 (Betriebserfolg)	-1.940.399,41	-6.815
7. Erträge aus Beteiligungen	0,00	22.551
davon aus verbundenen Unternehmen EUR 0,00 (Vorjahr TEUR 22.551)		
8. Erträge aus anderen Wertpapieren und Ausleihungen des Finanzanlagevermögens	2.614.276,09	1.976
davon aus verbundenen Unternehmen EUR 2.612.501,59 (Vorjahr TEUR 1.974)		
9. sonstige Zinsen und ähnliche Erträge	811.868,44	978
davon aus verbundenen Unternehmen EUR 479.534,82 (Vorjahr TEUR 558)		
10. Erträge aus der Zuschreibung zu Finanzanlagen	4.993.935,03	0
11. Aufwendungen aus Finanzanlagen	0,00	-10.295
a) davon Abschreibungen EUR 0,00 (Vorjahr TEUR 10.295)		
b) davon Aufwendungen aus verbundenen Unternehmen EUR 0,00 (Vorjahr TEUR 10.268)		
12. Zinsen und ähnliche Aufwendungen	-4.097.309,42	-4.625
davon betreffend verbundene Unternehmen EUR 826.964,18 (Vorjahr TEUR 965)		
13. Zwischensumme aus Z 7 bis 12 (Finanzerfolg)	4.322.770,14	10.586
14. Ergebnis vor Steuern (Zwischensumme aus Z 6 und Z 13)	2.382.370,73	3.770
15. Steuern vom Einkommen und vom Ertrag	1.003.330,42	1.913
16. Jahresüberschuss	3.385.701,15	5.684
17. Auflösung von Gewinnrücklagen	0,00	31
18. Gewinnvortrag aus dem Vorjahr	125.152,31	2.404
19. Bilanzgewinn	3.510.853,46	8.119

FINANCIAL REPORT

ANHANG ZUM JAHRESABSCHLUSS 2016

I. Allgemeine Angaben

Der Jahresabschluss der SCHOELLER-BLECKMANN OILFIELD EQUIPMENT Aktiengesellschaft (SBO), mit Sitz in Ternitz, wurde nach den Vorschriften des Unternehmensgesetzbuches (§§ 189ff UGB) in der geltenden Fassung erstellt.

Die Änderungen, welche sich durch das RÄG 2014 und APRÄG 2016 ergeben haben, wurden zur Gänze umgesetzt. Aktive latente Steuern wurden erstmalig bilanziert. Auf Grund der Umsetzung des RÄG 2014 und des APRÄG 2016 wurde die Form der Darstellung des Jahresabschlusses im Vergleich zum Vorjahr in mehreren Punkten angepasst. Dies betrifft die Umgliederung der un versteuerten Rücklagen in das Eigenkapital, die Saldierung eigener Anteile mit dem Eigenkapital sowie die geänderte Darstellung des Anlagenspiegels.

Der Jahresabschluss wurde unter Beachtung der Grundsätze ordnungsmäßiger Buchführung sowie unter Beachtung der Generalnorm, ein möglichst getreues Bild der Vermögens-, Finanz- und Ertragslage des Unternehmens zu vermitteln, aufgestellt.

Bei der Erstellung des Jahresabschlusses wurde der Grundsatz der Vollständigkeit eingehalten.

Bei der Bewertung der einzelnen Vermögensgegenstände und Schulden wurden der Grundsatz der Einzelbewertung und eine Fortführung des Unternehmens unterstellt. Dem Vorsichtsprinzip wurde dadurch Rechnung getragen, dass nur die am Abschlussstichtag verwirklichten Gewinne ausgewiesen wurden.

Für erkennbare Risiken und drohende Verluste, die aus dem vergangenen und früheren Geschäftsjahren resultieren und in der Zukunft schlagend werden könnten, wurden entsprechende Vorsorgen in die Bilanz eingestellt.

Die Gewinn- und Verlustrechnung wurde nach dem Gesamtkostenverfahren erstellt.

Die SBO erstellt einen Konzernabschluss gemäß § 245a UGB nach international anerkannten Rechnungslegungsgrundsätzen. Der Konzernabschluss wird beim Firmenbuch des Handelsgerichtes Wiener Neustadt hinterlegt.

Die Gesellschaft ist Gruppenträger einer Unternehmensgruppe gemäß § 9 KStG seit 2005.

Bei der Summierung von gerundeten Beträgen und Prozentangaben können durch Verwendung automatischer Rechenhilfen rundungsbedingte Rechendifferenzen auftreten.

II. Bilanzierungs- und Bewertungsmethoden

Durch das RÄG 2014 und das APRÄG 2016 wurden die Bilanzierungs- und Bewertungsmethoden und Ausweise teilweise geändert. Darauf wird bei den davon betroffenen Positionen gesondert hingewiesen.

Bei der Bewertung des **Anlagevermögens** wurde das Niederstwertprinzip eingehalten. Die vorgenommenen Abschreibungen tragen den verbrauchsbedingten und sonstigen Wertminderungen voll Rechnung. Die planmäßige Abschreibung wird linear vorgenommen.

Die **Forderungen und sonstigen Vermögensgegenstände** wurden nach dem strengen Niederstwertprinzip bilanziert. Fremdwährungsforderungen wurden mit dem Devisen-Geldkurs zum Bilanzstichtag oder zu niedrigeren Anschaffungskursen bewertet. Allen erkennbaren Einzelrisiken wurde durch Wertberichtigungen Rechnung getragen. Pauschalwertberichtigungen wurden nicht vorgenommen.

Auf Fremdwährung lautende **Guthaben bei Kreditinstituten** wurden mit dem Devisen-Geldkurs zum Bilanzstichtag bilanziert.

Die Bewertung der **Verbindlichkeiten** erfolgte unter Bedachtnahme auf den Grundsatz der Vorsicht mit ihrem Erfüllungsbetrag. Fremdwährungsverbindlichkeiten wurden mit ihrem Entstehungskurs oder mit dem höheren Devisen-Briefkurs zum Bilanzstichtag bewertet.

Die Berechnung der **Abfertigungsrückstellungen** erfolgte mittels versicherungsmathematischem Verfahren gemäß IAS 19 (Methode der laufenden Einmalprämien). Hierzu wurden die folgenden Berechnungsannahmen verwendet: Zinssatz 1,5 % (Vorjahr: 2,2 %), Gehaltssteigerung 3,5 % (Vorjahr: 3,5 %) p. a., Pensionseintrittsalter gemäß den aktuellen gesetzlichen Regelungen. Im Rahmen der Ermittlung der Abfertigungsrückstellung erfolgt die Verteilung des Dienstzeitaufwandes für die Leistungsart Pensionierung über den Zeitraum vom Eintritt in das Unternehmen bis zum Zeitpunkt des geplanten Pensionsantrittes des jeweiligen Dienstnehmers.

Die **Jubiläumsgeldrückstellungen** wurden ebenfalls gemäß IAS 19 berechnet.

III. Erläuterungen zu den Posten der Bilanz und der Gewinn- und Verlustrechnung

1. ERLÄUTERUNGEN ZUR BILANZ

ANLAGEVERMÖGEN

Die Entwicklung des Anlagevermögens ist im beiliegenden Anlagenspiegel dargestellt.

Das **abnutzbare Anlagevermögen** wird über folgende Nutzungsdauern planmäßig linear abgeschrieben:

- | | |
|--|-----------------|
| - EDV-Software | 4 Jahre |
| - Rechte | 15 Jahre |
| - Gebäude und Grundstückseinrichtungen | 10 bis 50 Jahre |
| - Betriebs- und Geschäftsausstattung | 4 bis 8 Jahre |

FINANCIAL REPORT

Bei den **Anteilen an verbundenen Unternehmen** gab es folgende Bewegungen:

- Schoeller-Bleckmann America Inc. Zugang	TEUR	34.438,9
- Foxano AG Zugang	TEUR	9.536,7

Zum Bilanzstichtag 31.12.2016 wurden Werthaltigkeitstest für die enthaltenen Anteile an verbundenen Unternehmen durchgeführt. Die Bewertung erfolgte auf Basis der vorliegenden Planungen durch Diskontierung der prognostizierten Cashflows unter Heranziehung eines Kapitalkostensatzes nach Steuern, welcher aufgrund aktueller Marktdaten für vergleichbare Unternehmen im selben Industriezweig unter Berücksichtigung der länderspezifischen Inflationserwartungen ermittelt wurde.

Die Cashflows wurden auf Basis der prognostizierten Umsätze und der geplanten Investitionen ermittelt. Die Bewertung wird am stärksten von den Umsatzerlösen beeinflusst. Die Planung der Umsatzerlöse und Cashflows berücksichtigt einerseits die aus Vergangenheitswerten abgeleitete Zyklizität der Industrie und andererseits langfristige Entwicklungen des Absatzmarktes. Die Umsatzplanungen basieren auf den Nachfrageplänen der wichtigsten Kunden sowie den bereits vorhandenen Auftragsständen und der erwarteten Geschäftsentwicklung unter Berücksichtigung erwarteter künftiger CAPEX Spendings in der Oilfield Service Industrie. Die Margenplanung wird darüber hinaus aus dem erwarteten Produktmix (abgeleitet aus bereits vorhandenen Kundenaufträgen sowie Rückmeldungen des Vertriebs) sowie den erwarteten Kostenentwicklungen aufgrund erwarteter Materialpreisentwicklungen (basierend auf Preisindikationen bestehender Lieferanten sowie Materialpreisentwicklungen auf Rohstoffmärkten und daraus ableitbare Trends) und geplanten Investitionen abgeleitet. Weiters wird die geschätzte Personalentwicklung (basierend auf geplantem Headcount, erforderlicher Qualifikation der benötigten Mitarbeiter sowie aufgrund der aktuellen Wirtschaftslage erwarteten Personalkosten) berücksichtigt.

Die **Ausleihungen** betrafen ausschließlich Konzerngesellschaften. Deren Fristigkeit stellt sich wie folgt dar:

in TEUR	<1 Jahr	1-5 Jahre	> 5 Jahre	Bilanzwert
31.12.2016	0,0	22.375,3	22.375,3	44.750,7
31.12.2015	2.029,7	14.885,0	0,0	16.914,7

Im Jahr 2016 erfolgten Zuschreibungen in Höhe von TEUR 4.993,9.
Die daraus resultierende steuerliche Belastung betrug TEUR 1.248,5.

UMLAUFVERMÖGEN

Forderungen und sonstige Vermögensgegenstände

Die **Forderungen gegenüber verbundenen Unternehmen** resultieren ausschließlich aus Konzernfinanzierungen.

Die größten Positionen in den **sonstigen Forderungen** waren Darlehen an Mitarbeiter von Konzerngesellschaften (TEUR 7.890,5; Vorjahr: TEUR 8.410,3).

Erträge, welche nach dem Abschlussstichtag zahlungswirksam werden, betrafen Zinsabgrenzungen (TEUR 12,3; Vorjahr: TEUR 12,8).

Aktive latente Steuern

Die aktiven latenten Steuern wurden zum Bilanzstichtag für folgende Posten gebildet: Beteiligungen, Sachanlagen, Personalrückstellungen und für steuerliche Verlustvorträge, welche in den Folgejahren verwertet werden können. Aufgrund der mittelfristigen steuerlichen Planungsrechnung werden zukünftig Gewinne erwartet, wodurch der Ansatz der aus dem Verlustvortrag stammenden latenten Steuern gerechtfertigt wird.

Die Bewertung der latenten Steuern erfolgte mit einem Steuersatz von 25%.
Im Jahr 2015 betragen die nicht aktivierten latenten Steuern TEUR 1.956,9.

EIGENKAPITAL

Das eingeforderte und eingezahlte **Grundkapital** von TEUR 16.000,0 besteht aus 16.000.000 auf Inhaber lautende Aktien zu je EUR 1,00.

In der Hauptversammlung vom 27. April 2016 wurde der Vorstand für die Dauer von 30 Monaten ermächtigt, eigene Aktien der Gesellschaft bis zu maximal 10 % des Grundkapitals zu erwerben. Im Geschäftsjahr 2016 hat die Gesellschaft 40.597 Stück eigene Aktien mit einem Kaufpreis von TEUR 2.167 erworben. 2015 wurde von der Ermächtigung laut Hauptversammlungsbeschluss vom 23. April 2014 kein Gebrauch gemacht.

Zum Bilanzstichtag 2016 hält die Gesellschaft 52.597 Stück eigene Aktien (Vorjahr: 18.000 Stück). Dies entspricht einem Anteil von 0,33 % (Vorjahr: 0,11 %) am Grundkapital mit einem Anschaffungswert von TEUR 2.884 (Vorjahr TEUR 1.074). Die Anzahl der im Umlauf befindlichen Aktien beträgt somit 15.947.403 Stück (Vorjahr: 15.982.000 Stück).

Die **gebundene Kapitalrücklage** betrug zum Bilanzstichtag TEUR 70.150,1 (Vorjahr: TEUR 69.994,1 und resultiert im Wesentlichen aus dem Agio bei der Ausgabe junger Aktien in 1997 und in 2005. Die Veränderung in 2016 resultiert aus dem Abgang von und der Saldierung mit eigenen Anteilen.

Die **gesetzliche Rücklage** betrug zum Bilanzstichtag unverändert TEUR 785,3.

Die **freie Rücklage** betrug zum Bilanzstichtag TEUR 14.011,8 (Vorjahr: TEUR 15.867,7). Die Veränderung in 2016 resultiert aus dem Erwerb und der Übertragung eigener Anteile.

Die **Optionsrücklage** in Zusammenhang mit einem im Jahr 2014 vereinbarten Vorstandsvergütungsprogramm für die künftige Abgabe von eigenen Aktien beträgt zum Bilanzstichtag TEUR 2.051,0 (VJ: TEUR 1.897,0).

Gemäß dem Hauptversammlungsbeschluss vom 27. April 2016 wurden vom **Bilanzgewinn 2015** TEUR 7.994,0 an die Aktionäre ausgeschüttet und die verbleibenden TEUR 125,1 auf neue Rechnung vorgetragen.

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RÜCKSTELLUNGEN

In den **übrigen Rückstellungen** sind enthalten:

in TEUR	31.12.2016	31.12.2015
Jubiläumsgeldrückstellungen	53,0	43,9
Rückstellungen für nicht konsumierte Urlaube	303,8	406,2
sonstige Personalrückstellungen	357,0	279,8
Rechts-, Prüfungs- und Beratungskosten	116,8	562,1
Bilanzveröffentlichung	160,0	160,0
Summe	990,6	1.452,0

VERBINDLICHKEITEN

Die **Verbindlichkeiten gegenüber verbundenen Unternehmen** resultieren ausschließlich aus Konzernfinanzierungen.

In den **sonstigen Verbindlichkeiten** betrafen TEUR 1.632,9 (Vorjahr: TEUR 1.135,7) Aufwendungen, die nach dem Abschlussstichtag zahlungswirksam werden.

In den Verbindlichkeiten gegenüber Kreditinstituten ist ein Betrag von TEUR 30.681,8 mit einer Restlaufzeit von mehr als fünf Jahren enthalten (Vorjahr: TEUR 0,0).

In den sonstigen Verbindlichkeiten ist ein Betrag von TEUR 595,4 mit einer Restlaufzeit von mehr als fünf Jahren enthalten (Vorjahr: TEUR 860,0).

HAFTUNGSVERHÄLTNISSE

Haftungsverhältnisse bestanden in folgendem Ausmaß:

in TEUR	31.12.2016		31.12.2015	
	Gesamtbetrag	davon für verbundene Unternehmen	Gesamtbetrag	davon für verbundene Unternehmen
Haftungen für Kredite und Kurssicherungen	31.090,8	31.090,8	32.652,6	32.652,6

Darüber hinaus wurden für ein Bankdarlehen eines verbundenen Unternehmens Pfandrechte an Liegenschaften der Gesellschaft bis zu einem Höchstbetrag von TEUR 12.300,0 eingeräumt (Vorjahr: TEUR 12.300,0).

Weiters hat die Gesellschaft gegenüber einem verbundenen Unternehmen eine Patronats-erklärung mit Befristung bis Juli 2017 abgegeben, die eine unwiderrufliche Zusicherung enthält, das Unternehmen derart zu unterstützen, dass dieses jederzeit ihren finanziellen Verpflichtungen nachkommen kann.

FINANZIELLE VERPFLICHTUNGEN

Im Zuge eines Unternehmenszusammenschlusses im Jahr 2016 hat die Gesellschaft den anderen Gesellschaftern das ab 1. April 2019 jederzeit ausübbares Recht eingeräumt, ihre Anteile der Gesellschaft anzubieten und hat sich diesfalls verpflichtet, die angebotenen Anteile zu erwerben. Zudem hat die Gesellschaft das Recht erworben, ab 1. April 2019 jederzeit die Anteile der anderen Gesellschafter zu erwerben, welche sich dazu verpflichtet haben, die

Anteile diesfalls an die Gesellschaft zu übertragen (Put- und Call-Option). Der Kaufpreis ist jeweils von den erzielten Ergebnissen des erworbenen Unternehmens abhängig.

Im Zuge eines Unternehmenszusammenschlusses im Jahr 2014 hat die Gesellschaft den anderen Gesellschaftern das ab 31. März 2018 jederzeit ausübbares Recht eingeräumt, ihre Anteile der Gesellschaft anzubieten und hat sich diesfalls verpflichtet, die angebotenen Anteile zu erwerben. Zudem hat die Gesellschaft das Recht erworben, ab 31. März 2018 jederzeit die Anteile der anderen Gesellschafter zu erwerben, welche sich dazu verpflichtet haben, die Anteile diesfalls an die Gesellschaft zu übertragen (Put- und Call-Option). Der Kaufpreis ist jeweils von den erzielten Ergebnissen des erworbenen Unternehmens abhängig.

Im Zuge eines Unternehmenszusammenschlusses im Jahr 2012 hat die Gesellschaft den anderen Gesellschaftern das Recht eingeräumt, ihre Anteile der Gesellschaft anzubieten und hat sich diesfalls die Gesellschaft verpflichtet, die angebotenen Anteile zu erwerben. Der Kaufpreis ist von den erzielten Ergebnissen des erworbenen Unternehmens abhängig. Die Gesellschaft hat sich verpflichtet, für eine Wettbewerbsvereinbarung jährlich USD 500.000 zu zahlen, sofern sich der Vertragspartner während der Laufzeit bis 2020 an die Vertragsbedingungen hält.

Aus der Nutzung von nicht in der Bilanz ausgewiesenen Sachanlagen auf Grund von Miet- oder Leasingverträgen bestehen keine wesentlichen Verpflichtungen.

2. ERLÄUTERUNGEN ZUR GEWINN- UND VERLUSTRECHNUNG

UMSATZERLÖSE

Die größten Posten sind:

in TEUR	2016	2015
Verrechnete Holdingleistungen	2.675,9	4.564,8
Mieterträge	1.827,6	1.735,4
Lizenzeinnahmen	0	692,8

SONSTIGE BETRIEBLICHE ERTRÄGE

Die größten Posten sind:

in TEUR	2016	2015
Kursgewinne	1.571,9	1.944,9

PERSONALAUFWAND

Im Posten **Aufwendungen für Abfertigungen und Leistungen an betriebliche Mitarbeiter-Vorsorgekassen** sind Leistungen an betriebliche Mitarbeiter-Vorsorgekassen in der Höhe von TEUR 18,3 (Vorjahr: TEUR 14,9) enthalten.

Von den Aufwendungen für Abfertigungen und Pensionen entfallen TEUR 335,4 (Vorjahr: TEUR 868,1) auf die Mitglieder des Vorstands.

FINANCIAL REPORT

SONSTIGE BETRIEBLICHE AUFWENDUNGEN

Die größten Posten in den **übrigen sonstigen betrieblichen Aufwendungen** sind:

In TEUR	2016	2015
Forschungs- und Entwicklungsaufwendungen	700,0	1.256,9
Rechts-, Prüfungs- und Beratungskosten	666,3	1.762,4
Versicherungen	225,5	333,1
Kursverluste	225,0	909,6

Darüber hinaus sind Spesen des Geldverkehrs, EDV-Aufwand sowie sonstige Verwaltungs- und Vertriebsaufwendungen unter dieser Position verbucht.

BETEILIGUNGSERGEBNIS

Die **Erträge aus Beteiligungen** betreffen nachfolgende Gesellschaften:

in TEUR	2016	2015
SCHOELLER-BLECKMANN Oilfield Technology	0,0	14.000,0
DSI FZE	0,0	7.361,1
BICO Drilling Tools Inc.	0,0	1.190,1

STEUERN VOM EINKOMMEN UND VOM ERTRAG

Die Schoeller-Bleckmann Oilfield Equipment AG hat die Möglichkeit der Bildung einer steuerlichen Unternehmensgruppe gemäß § 9 KStG unter Anwendung der Belastungsmethode genutzt. Gruppenmitglieder sind:

Inland:

- SCHOELLER-BLECKMANN Oilfield Technology GmbH., Ternitz.....(ab 2008),

Ausland:

- Schoeller-Bleckmann de Mexico S. A. de C. V., Monterrey.....(ab 2005),
- Schoeller-Bleckmann Oilfield Equipment Vietnam LLC, Binh Duong.....(ab 2009),

Im Geschäftsjahr 2016 weist die Gesellschaft nach Verrechnung der Steuerumlagen an inländische Gruppenmitglieder in Höhe von TEUR 0,0 (Vorjahr: TEUR 7.437,5) einen Steuerertrag in Höhe von TEUR 1.003,3 (Vorjahr: TEUR 1.913,3) aus. Darin sind Aufwendungen für Quellensteuern in Höhe von TEUR 33,4 (Vorjahr: TEUR 110,1) sowie auf Vorjahre entfallende Steuern von TEUR 0,0 (Vorjahr: Ertrag von TEUR 32,7) enthalten.

BILANZGEWINN

Das Geschäftsjahr 2016 schließt mit einem Jahresüberschuss von TEUR 3.385,7. Zuzüglich des Gewinnvortrags aus 2015 ergibt sich ein Bilanzgewinn von TEUR 3.510,9.

Der Vorstand schlägt vor, an die dividendenberechtigten Aktien keine Dividende (Vorjahr EUR 0,50) auszuschütten und den ausgewiesenen Bilanzgewinn auf neue Rechnung vorzutragen.

IV. Sonstige Angaben

GESCHÄFTSFÄLLE MIT NAHESTEHENDEN UNTERNEHMEN UND PERSONEN

Für das Geschäftsjahr 2016 liegen keine berichtspflichtigen Geschäftsfälle gemäß § 238 (1) Z. 12 UGB vor.

AUFWENDUNGEN FÜR DEN ABSCHLUSSPRÜFER

Im Jahr 2016 sind für den Abschlussprüfer, die **Deloitte Schwarz & Schmid Wirtschaftsprüfungs GmbH**, und mit diesem verbundene Unternehmen folgende Aufwendungen angefallen:

- Prüfung des Jahresabschlusses	TEUR 22,5	(Vorjahr: TEUR 21,7)
- Steuerberatungsleistungen	TEUR 15,5	(Vorjahr: TEUR 25,8)
- Sonstige Leistungen	TEUR 57,5	(Vorjahr: TEUR 40,2)

EREIGNISSE VON BESONDERER BEDEUTUNG NACH DEM BILANZSTICHTAG

Nach dem Bilanzstichtag sind keine Ereignisse von besonderer Bedeutung eingetreten, die zu einer anderen Darstellung der Vermögens-, Finanz- und Ertragslage geführt hätten.

V. Angaben über Beteiligungen und Beziehungen zu verbundenen Unternehmen

Verbundene Unternehmen im Sinne des § 189a Z 8 UGB sind alle Unternehmen, die dem Konzern der **SCHOELLER-BLECKMANN OILFIELD EQUIPMENT AG**, Ternitz, angehören. Geschäfte mit diesen Gesellschaften werden wie mit unabhängigen Dritten abgewickelt.

Die **SCHOELLER-BLECKMANN OILFIELD EQUIPMENT AG** war zum 31. Dezember 2016 an folgenden Unternehmen beteiligt:

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	Anteil in Prozent		Ergebnis in TEUR		Eigenkapital in TEUR	
			Jahr 2016	31.12.2016	Jahr 2016	31.12.2016
SCHOELLER-BLECKMANN Oilfield Technology GmbH, Ternitz	100,00	100,00	- 6.841,9	100.266,7	- 6.841,9	100.266,7
DSI FZE, Dubai, AE	100,00	100,00	570,1	66.104,6	570,1	66.104,6
DSI PBL de Mexico S.A. de C.V., Villahermosa, MX	99,00	99,00	65,1	70,9	65,1	70,9
Schoeller-Bleckmann America Inc., Wilmington, US	100,00	100,00	31.996,2	134.432,2	31.996,2	134.432,2
BICO Drilling Tools Inc., Houston, US	89,71	89,71	- 10.007,3	85.840,7	- 10.007,3	85.840,7
Schoeller-Bleckmann de Mexico S. A. de C. V., Monterrey, MX	98,00	98,00	- 1.956,9	- 1.292,0	- 1.956,9	- 1.292,0
Schoeller-Bleckmann Oilfield Equipment (UK) Limited, Rotherham, GB	100,00	100,00	7,9	40.267,6	7,9	40.267,6
Knust-SBD Pte Ltd., Singapur, SG (*)	51,50	51,50	- 2.683,5	10.166,7	- 2.683,5	10.166,7
Schoeller-Bleckmann Oilfield Equipment Middle East FZE, Dubai, AE	100,00	100,00	- 145,5	6.555,9	- 145,5	6.555,9
Schoeller-Bleckmann Oilfield Equipment Vietnam LLC, Binh Duong, VN	100,00	100,00	- 618,0	19.215,3	- 618,0	19.215,3
Schoeller-Bleckmann Canada Ltd., Calgary, CA	100,00	100,00	159,2	35.028,9	159,2	35.028,9
ADRIANA HOLDING COMPANY LIMITED, Dubai, AE	99,00	99,00	0,0	0,0	0,0	0,0

(*) Ergebnis inklusive verschmolzene Gesellschaften SB Darron Pte. Ltd. und Knust-SBO Far East Pte. Ltd.

Für die Angaben zu weiteren Beteiligungen wird von der Bestimmung gem. § 242 Abs. 2 Zi. 2 UGB Gebrauch gemacht.

VI. Angaben über Organe und Arbeitnehmer

Der durchschnittliche Personalstand gliedert sich wie folgt:

	2016	2015
Gehaltsempfänger	15	15
Lohnempfänger	8	8
Summe Mitarbeiter	23	23

Zum 31.12.2016 betrug der Personalstand 23 Mitarbeiter: 15 Gehaltsempfänger und 8 Lohnempfänger (Vorjahr: 24 Mitarbeiter, 16 Gehaltsempfänger und 8 Lohnempfänger).

Die Bezüge für die Mitglieder des Vorstands betragen im Jahr 2016 TEUR 1.091 (davon fixer Anteil TEUR 861, davon variabler Anteil TEUR 230 (Vorjahr: TEUR 1.830 (davon fixer Anteil TEUR 908, davon variabler Anteil TEUR 922).

Im Geschäftsjahr 2014 wurde dem Vorstandsvorsitzenden Ing. Gerald Grohmann für Vorstandstätigkeiten unter der Voraussetzung eines jeweils aktiven Dienstverhältnisses eine jährliche Übertragung von jeweils 6.000 Stück SBO Aktien zugesagt, wobei die erste Übertragung 2014 erfolgte. Diese Aktien unterliegen auf die Dauer von 2 Jahren ab der jeweiligen Übertragung, längstens aber bis zur Beendigung des Dienstvertrages, einer Verfügungs- und Belastungsbeschränkung seitens Herrn Grohmann. Die Gewährung der Aktien ist mit einem Gesamtkurswert von TEUR 1.300,0 beschränkt, wobei die Wertermittlung am Ende der jeweiligen Sperrfrist erfolgt. Der Kurswert zum Zeitpunkt der Übertragung in 2016 für 6.000 Aktien betrug TEUR 321 (Vorjahr: TEUR 384). Zum 31.12.2016 beträgt der Kurswert der 18.000 Stück bereits übertragenen Aktien TEUR 1.378 (Vorjahr: 12.000 Stück mit Kurswert TEUR 605).

Weiters wurde im Geschäftsjahr 2014 dem Vorstandsvorsitzenden eine freiwillige Abfertigung in Höhe von 30.000 Stück SBO Aktien bei Vertragsende zugesagt. Der Aufwand betreffend aktienbasierter Vergütungen ist aufgrund der bestehenden Verfügungsbeschränkung bzw. der erst bei Ende des Dienstverhältnisses gewährten Abfertigung in den oben dargestellten Bezügen nicht enthalten.

Im Geschäftsjahr 2016 erhielten die Aufsichtsratsmitglieder in Summe eine Vergütung von TEUR 39,0 (Vorjahr: TEUR 115,1).

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Aufsichtsrat:

Mag. NORBERT ZIMMERMANN
Vorsitzender seit 10.04.1995

Dr. PETER PICHLER
Mitglied seit 10.04.1995, stellvertretender Vorsitzender seit 29.04.2003

Mag. Brigitte EDERER
Mitglied seit 23.04.2014

Mag. DI HELMUT LANGANGER
Mitglied seit 29.04.2003

Mag. Dr. WOLFRAM LITTICH
Mitglied seit 27.04.2016

KARL SAMSTAG
Mitglied bis 27.04.2016

Dr. KARL SCHLEINZER
Mitglied seit 24.05.1995

Vorstand:

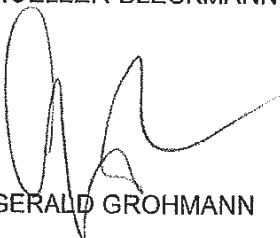
Ing. GERALD GROHMANN
Vorsitzender seit 03.10.2001

Mag. KLAUS MADER
seit 01.10.2015

Ternitz, am 28. Februar 2017

SCHOELLER-BLECKMANN OILFIELD EQUIPMENT Aktiengesellschaft

Der Vorstand


Ing. GERALD GROHMANN


Mag. KLAUS MADER

SCHOELLER-BLECKMANN OILFIELD EQUIPMENT Aktiengesellschaft

Anlagenpiegel gemäß § 226 (1) UGB per 31.12.2016

Beträge in EURO	Vortrag		Anschaffungs- bzw. Herstellungskosten		Vortrag		kumulierte Abschreibungen		Stand		Buchwert	
	01.01.2016	31.12.2016	Zugänge	Abgänge	Umbuchungen	31.12.2016	Zugänge	Abgänge	Zuschreibungen	31.12.2016	31.12.2016	31.12.2016
I. Immaterielle Vermögensgegenstände												
1. Konzessionen, gewerbliche Schutzrechte und ähnliche Rechte und Vorteile sowie daraus abgeleitete Lizenzen	6.360.530,22	63.738,60	0,00	6.316.791,62	0,00	63.738,60	6.310,00	6.316.791,62	0,00	60.583,60	3.155,00	9.465,00
Summe immaterielle Vermögensgegenstände	6.360.530,22	63.738,60	0,00	6.316.791,62	0,00	63.738,60	6.310,00	6.316.791,62	0,00	60.583,60	3.155,00	9.465,00
II. Sachanlagevermögen												
1. Grundstücke, grundstücksgleiche Rechte und Bauten, davon Grundwert EUR 3.560.835,26 (2015: TEUR 3.162,5)	19.741.812,63	20.140.201,77	6.615,00	38.640,86	430.415,00	20.140.201,77	7.437.842,33	0,00	0,00	7.969.786,79	12.170.402,88	12.308.870,30
2. andere Anlagen, Betriebs- und Geschäftsausstattung	763.099,46	661.785,17	6.310,24	87.624,53	0,00	661.785,17	545.420,20	27.508,91	0,00	550.090,77	131.754,40	217.679,26
3. geleaste Anzählungen auf Sachanlagen	430.415,00	0,00	0,00	0,00	-430.415,00	0,00	0,00	0,00	0,00	0,00	0,00	430.415,00
4. geringwertige Vermögensgegenstände	0,00	0,00	472,80	472,80	0,00	0,00	0,00	472,80	0,00	0,00	0,00	0,00
Summe Sachanlagen	20.935.327,09	20.821.986,94	13.398,14	126.738,29	0,00	20.821.986,94	7.983.262,53	27.981,81	0,00	8.519.877,56	12.302.157,38	12.951.884,56
III. Finanzanlagen												
Anteile an verbundenen Unternehmen	198.804.258,98	242.782.206,17	43.977,947,19	0,00	0,00	242.782.206,17	17.867.905,22	0,00	0,00	17.867.905,22	224.914.300,95	180.936.363,76
Ausleihungen an verbundene Unternehmen	22.788.216,29	44.750.738,40	44.750.738,40	22.788.216,29	0,00	44.750.738,40	5.853.466,72	859.531,69	4.993.935,03	0,00	44.750.738,40	16.914.749,57
Wertrechte	143.967,00	143.967,00	0,00	0,00	0,00	143.967,00	0,00	0,00	0,00	0,00	143.967,00	143.967,00
Summe Finanzanlagen	221.716.442,27	287.676.911,57	88.728.685,59	22.788.216,29	0,00	287.676.911,57	23.721.371,94	859.531,69	4.993.935,03	17.867.905,22	269.809.006,35	197.995.070,33
SUMME ANLAGEVERMÖGEN	248.032.299,56	308.562.637,11	88.742.083,73	29.211.746,20	0,00	308.562.637,11	38.075.739,69	7.204.205,12	4.993.935,03	26.448.118,38	292.114.318,73	210.936.409,89

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SCHOELLER-BLECKMANN OILFIELD EQUIPMENT Aktiengesellschaft

LAGEBERICHT

für das Geschäftsjahr 2016

1) Bericht über den Geschäftsverlauf und die wirtschaftliche Lage

Die SCHOELLER-BLECKMANN OILFIELD EQUIPMENT Aktiengesellschaft (SBO) fungiert als konzernleitende Holdinggesellschaft zur Steuerung und Beratung der Tochter- und Beteiligungsgesellschaften.

Finanzielle und nichtfinanzielle Leistungsindikatoren

Wegen ihrer Holdingfunktion haben die finanziellen Kennzahlen der SBO keine Aussagekraft für die wirtschaftliche Entwicklung des Konzerns. Die Beurteilung der Vermögens- und Ertragslage des SBO-Konzerns ist deshalb nur anhand des Konzernabschlusses möglich.

Die **Umsatzerlöse** der SBO betragen 2016 MEUR 4,5 (Vorjahr: MEUR 7,0). Bei den von SBO ausgewiesenen Umsatzerlösen handelt es sich um konzerninterne Leistungen, Lizenzeinnahmen sowie um Erlöse aus der Vermietung von Grund- und Gebäudeflächen in Ternitz.

Das **Ergebnis vor Steuern** betrug 2016 MEUR 2,4 (Vorjahr: MEUR 3,8).

Die **Zugänge zu Sachanlagen und immateriellen Vermögensgegenständen** betragen 2016 MEUR 0,0 (Vorjahr: MEUR 0,5).

Die **Zugänge zu Finanzanlagen** betragen MEUR 88,7 (Vorjahr: MEUR 0,8) und betrafen mit MEUR 44,0 *Anteile an verbundenen Unternehmen und Wertrechte* (Vorjahr: MEUR 0,8) und mit MEUR 44,8 *Ausleihungen an verbundenen Unternehmen* (Vorjahr: MEUR 0,0).

Die **Bilanzsumme** 2016 ist mit MEUR 401,3 gegenüber dem Vorjahr (MEUR 323,4) hauptsächlich durch die Zugänge bei den Finanzanlagen gestiegen.

Die **Eigenkapitalquote** ist auf Grund der gestiegenen Bilanzsumme auf 26,5 % gesunken (Vorjahr: 34,8 %).

Dementsprechend ist das **langfristig gebundene Vermögen** (überwiegend Finanzanlagen) auf 70,3 % der Bilanzsumme gestiegen (Vorjahr: 65,2 %).

Der **Personalstand** der SBO zum 31. Dezember 2016 betrug 23 Mitarbeiter (15 Gehaltsempfänger und 8 Lohnempfänger), verglichen mit einem Personalstand zum 31. Dezember 2015 von 24 Mitarbeitern (16 Gehaltsempfänger und 8 Lohnempfänger).

Es bestehen keine Zweigniederlassungen der SBO.

Marktumfeld des SBO-Konzerns

Die Weltwirtschaft entwickelte sich im Jahr 2016 stabil. Den aktuellen Schätzungen des Internationalen Währungsfonds (IWF) zufolge lag das globale Wirtschaftswachstum bei 3,1 %, ähnlich wie im Jahr davor. Die durchschnittliche Wachstumsrate der Industrienationen betrug im Jahr 2016 1,6 %, nach 2,1 % in 2015. Das Wirtschaftswachstum der Schwellenländer lag 2016 bei 4,1 %, wie bereits im Jahr davor. Insbesondere China und Indien erwiesen sich als robust. Die erdölexportierenden Schwellenländer waren durch den niedrigen Ölpreis unter Druck. In Russland zeigte die Wirtschaft Anzeichen einer Stabilisierung. Das Votum über den Ausstieg Großbritanniens aus der Europäischen Union (Brexit) sorgte für Unsicherheiten in der westlichen Welt¹

Die durchschnittliche globale Ölnachfrage stieg im Jahr 2016 laut Internationaler Energie Agentur (IEA) um 1,6 Millionen Barrel pro Tag (mb/d) oder 1,7 % auf 96,6 mb/d (2015: 95,0 mb/d). Treibend waren vor allem die Nicht-OECD Staaten und Asien. Die Nachfrage in den Nicht-OECD Staaten stieg um 1,2 mb/d oder 2,5 % auf 49,8 mb/d (2015: 48,6 mb/d). In den OECD Staaten stieg die Nachfrage um 0,3 mb/d oder 0,6 % auf 46,7 mb/d (2015: 46,4 mb/d).

Der Ölmarkt war auch im Jahr 2016 überversorgt. Der weltweite Öl-Angebotsüberhang betrug im ersten Quartal 2016 1,3 mb/d, im zweiten Quartal 2016 aber nur mehr 0,1 mb/d und im dritten Quartal 2016 drehte er vorübergehend in Folge von politischen Ereignissen (z.B. lokale Konflikte in Nigeria und Venezuela) in einen leichten Nachfrageüberhang von 0,2 mb/d. Ab Mitte des zweiten Quartals steigerten die OPEC Staaten, angeführt von Saudi-Arabien, Irak und Libyen, ihre Produktion trotz der bereits in Diskussion stehenden Produktionsobergrenze von durchschnittlich 38,7 mb/d im Mai 2016 auf 39,8 mb/d im Dezember 2016 (33,1 mb/d exklusive Natural Gas Liquids/NGLs). In den Nicht-OPEC Staaten ging das Angebot 2016, angeführt von den USA und China, um 0,8 mb/d auf 57,7 mb/d zurück. Die OPEC Produktion (inklusive Natural Gas Liquids/NGLs) erreichte im November 2016 ihren Höchststand von 40,2 mb/d. Im vierten Quartal konnte die steigende Nachfrage die steigende Produktion in den OPEC Staaten nicht mehr kompensieren. Über das Gesamtjahr blieb der Ölmarkt um 0,4 mb/d überversorgt. Die OPEC Reservekapazität zum Ende des vierten Quartals lag im Dezember 2016 bei lediglich 2,5 mb/d (2,9 mb/d im Jänner 2016).

Am 30. November 2016 einigten sich die OPEC Staaten auf eine Produktionsobergrenze von 32,5 mb/d für die Dauer von mindestens sechs Monaten. Gemessen an den Angebotszahlen der IEA entspricht dies einer effektiven Reduktion von 1 mb/d über den Jahreswechsel 2016 / 2017. Die Balance zwischen Angebot und Nachfrage sollte daher beschleunigt wiederhergestellt werden.

Maßgeblich für die Wiederherstellung wird auch die Veränderung der OECD Lagerbestände sein. Die Rohöl-Lagerbestände sanken von 1.177 Million Barrels (mb) zu Beginn des Jahres 2016 auf 1.170 mb im Dezember 2016 und lagen um 115 mb über dem fünfjährigen Durchschnitt. Gleichzeitig erhöhten die OECD Mitgliedstaaten ihre Rohölimporte von 20,1 mb/d im

¹ Internationaler Währungsfonds (IWF), World Economic Outlook Update, Jänner 2017.

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Vorjahr auf 21,1 mb/d in 2016. Im Mai 2016 erreichten die Rohöl-Lagerbestände ihren Höchststand von 1.215 mb.²

Der weltweite Rig Count ging zunächst um 26 % auf 1.405 Anlagen im Mai 2016 zurück. Seit Ende des zweiten Quartals stellte sich gerade im nordamerikanischen Rig Count eine deutliche Erholung ein, sodass der weltweite Rig Count im Dezember 2016 mit 1.772 Anlagen um 6 % unter dem Wert zu Beginn des Jahres (Jänner 2016: 1.891 Anlagen) bzw. um 10 % unter dem Vorjahreswert (Dezember 2015: 1.969 Anlagen) lag. Der nordamerikanische Rig Count konnte von seinem Tiefstand von 450 Anlagen wieder auf 843 Anlagen zum Jahresende zulegen und lag damit nahezu auf dem Niveau vom Jänner 2016. In den übrigen Weltregionen ging die Zahl der Bohranlagen seit Jänner 2016 um 11 % auf 929 Anlagen zurück.³ Der Bestand gebohrter, aber noch nicht komplettierter Bohrlöcher (Drilled but Uncompleted Wells oder DUCs) in Nordamerika verringerte sich seit dem Höchststand zu Beginn des Jahres von 5.596 Einheiten zunächst um 10 % auf 5.039 Einheiten und stieg zuletzt wieder mit der anziehenden Bohraktivität um 5 % auf 5.289 Einheiten zum Ende des Jahres.⁴

Die weltweiten Ausgaben für Exploration und Produktion (E&P-Ausgaben) sanken im Jahr 2016 noch einmal beschleunigt. Nachdem sie 2015 bereits um 21 % gesunken waren, gingen sie 2016 nach Analystenschätzungen erneut um 27 % zurück. Den stärksten Rückgang 2016 verzeichnete Nordamerika mit einem Minus von 41 %, nach einem Rückgang von 33 % in 2015. Seit Beginn des Abschwungs in 2014 gingen die weltweiten E&P-Ausgaben um 42 % zurück, die nordamerikanischen um 62 %.⁵

Die Preise beider Rohöl-Sorten waren stark von den Erwartungen des Finanzmarktes in Hinblick auf das Verhältnis von Angebot und Nachfrage geprägt. Zu Jahresbeginn fiel der Preis für ein Barrel der US-Sorte WTI auf ein Tief von USD 26,21 im Jänner sowie der europäischen Sorte Brent auf ein Tief von USD 27,88 im Februar. Dieser Ölpreisverfall kam für den Markt völlig unerwartet und hatte zur Folge, dass die E&P-Budgets noch einmal gekürzt wurden. Über den Jahresverlauf pendelte sich der Ölpreis in der Bandbreite zwischen USD 40 und 52 ein, war jedoch einer starken Volatilität ausgesetzt. Mit der Entscheidung der OPEC Staaten am 30. November 2016 über eine Produktionsobergrenze reagierte der Markt umgehend positiv und konnte das notwendige Vertrauen hinsichtlich eines nachhaltig höheren Ölpreises wieder gewinnen. Im Jahresverlauf stieg der Preis für ein Barrel der US-Sorte WTI von USD 36,76 zum 4. Jänner 2016 auf USD 53,72 zum 30. Dezember 2016, der europäischen Sorte Brent von USD 37,22 auf USD 56,82.⁶

Geschäftsentwicklung des SBO-Konzerns

Die Oilfield Service Industrie war 2016 das zweite Jahr in Folge mit dem stärksten Abschwung der vergangenen 30 Jahre konfrontiert. Die Zurückhaltung der Kunden bei den Bestellvolumina wurde durch einen anhaltenden Druck auf die Preise ergänzt. Dieser Einbruch

² International Energy Agency (IEA), Oil Market Report, Februar 2017.

³ Baker Hughes Inc.

⁴ U.S. Energy Information Administration (EIA), Drilling Productivity Report, Februar 2017.

⁵ Evercore ISI, The 2017 Evercore ISI Global E&P Spending Outlook, Dezember 2016.

⁶ Bloomberg: CO1 Brent Crude (ICE) und CL1 WTI Crude (Nymex)

spiegelt sich naturgemäß in den Umsatz- und Ergebniszahlen des Konzerns wider. Das Management reagierte bereits 2014 frühzeitig mit einem Paket von Gegensteuerungsmaßnahmen, um das Unternehmen sicher durch den Abschwung zu steuern. An diesem Kurs hielt der Konzern auch 2016 konsequent fest.

Trotz dieses sehr schwierigen Umfelds konnte der Konzern einen positiven operativen Cash-flow erzielen und verfügt über eine kerngesunde Bilanzstruktur. Der hohe Bestand an liquiden Mitteln gibt dem Unternehmen die Kraft, auch im aktuellen Zyklus gezielt in zukünftige Wachstumsfelder zu investieren. Das Management entschied sich für zwei strategische Schwerpunkte in diesem herausfordernden Marktumfeld: Einerseits nachhaltige und einmalige Kostenoptimierungsmaßnahmen, andererseits Investitionen in den Aufbau des neuen Geschäftsbereichs Well Completion sowie in Forschung und Entwicklung. Mit dem Erwerb von Downhole Technology am 1. April 2016 tätigte der Konzern die größte Akquisition in der Unternehmensgeschichte.

Der Konzern gliedert sein Geschäft in zwei Segmente: „High Precision Components“ (HPC) (Fertigung von komplexen MWD [Measurement While Drilling] und LWD [Logging While Drilling] Komponenten aus antimagnetischem, korrosionsbeständigem Edelstahl) und „Oilfield Equipment“ (OE) (High-Performance-Bohrmotoren und Spezialwerkzeuge für die Untertage-Zirkulations-Technologie [Circulation Tools], den Vertrieb amagnetischer Bohrstrangkomponten [Non-Magnetic Drill-Collars], Service- und Reparaturarbeiten sowie Produkte für das Komplettieren der Bohrung). Beide Segmente waren 2016 vom Markteinbruch spürbar betroffen.

Das Segment „High Precision Components“ entwickelte sich 2016 entsprechend den deutlich reduzierten CAPEX-Ausgaben der Kunden. Der Segment-Umsatz ging um 61,5 % auf MEUR 55,3 zurück (2015: MEUR 143,5). Das Segment-Betriebsergebnis (EBIT) betrug MEUR minus 29,3 (2015: MEUR minus 5,9) vor Sondereffekten.

Im Segment „Oilfield Equipment“ wirkte der massive Rückgang der weltweiten Aktivitäten dämpfend auf das Geschäft. Die Kunden setzten zwar auch im Abschwung auf Qualitätsprodukte, die sinkende Nachfrage drückte aber auf die Preise. Der Segment-Umsatz sank daher um 25,0 % auf MEUR 127,7 (2015: MEUR 170,2). Das Segment-Betriebsergebnis (EBIT) betrug MEUR minus 18,0 (2015: MEUR 13,3) vor Sondereffekten.

Der Konzern besitzt große Erfahrung im Umgang mit den Zyklen in der Oilfield Service Industrie. Das Management hat auch im Abschwung der vergangenen beiden Jahre rasch reagiert und frühzeitig im dritten Quartal 2014 erste Gegensteuerungsmaßnahmen eingeleitet, um der Verschlechterung der Marktverhältnisse entgegenzuwirken. Diesen Kurs setzte der Konzern 2016 weiter konsequent fort:

- Die beiden Restrukturierungen (Fusionen) in den USA und in Großbritannien wurden abgeschlossen. Die Fusion der beiden Tochtergesellschaften in Singapur, die Mitte 2016 beschlossen wurde, ist abgeschlossen. Ein gemeinsames Management führt die beiden Standorte der „Knust-SBO Far East Pte. Ltd.“ und der „SB Darron Pte. Ltd.“ unter der Firma „Knust-SBD Pte. Ltd.“ fort. Durch die Restrukturierung werden strukturelle und damit nachhaltige Kostenvorteile erzielt.

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- Die CAPEX-Ausgaben wurden von MEUR 23,1 im Jahr 2015 auf MEUR 13,0 im Jahr 2016 weiter reduziert. Ausgaben für Forschung und Entwicklung (F&E) waren von dieser Reduktion ausgenommen.
- Die Personalkapazitäten wurden 2016 standortabhängig an den Nachfragerückgang angepasst. Die Kurzarbeit am Standort Ternitz wurde bis 31. Juli 2017 verlängert. Der Personalstand lag zum 31. Dezember 2016 bei 1.200 Mitarbeitern. Ohne Berücksichtigung von Downhole Technology waren es 1.034 Mitarbeiter (1.135 per 31. Dezember 2015). Dies entspricht einer Reduktion von 40 % seit Beginn des Abschwungs im Jahr 2014 (31. Dezember 2014: 1.720 Mitarbeiter).

Bereits im November 2014 hatte der Konzern das kanadische Unternehmen „Resource Well Completion Technologies Inc.“ (Resource) übernommen und einen Grundstein für die Präsenz am Well Completion - Markt gelegt. Zuvor hatte der Konzern vorwiegend Produkte für Directional Drilling hergestellt.

Well Completion ist jener Prozessschritt im Lebenszyklus einer Bohrung, bei welchem das Bohrloch für die Öl- und Gasförderung vorbereitet wird. Ebenso wie im Directional Drilling gewinnt im Well Completion Technologie und einschlägiges Know-How zunehmend an Bedeutung. Effizienzsteigerungen der vergangenen Jahre sind auch auf die zunehmende Technologisierung in diesem Bereich zurückzuführen. Mit dem Einstieg in den Well Completion-Markt hat sich der Konzern strategisch neu positioniert, um in diesem attraktiven Markt zu partizipieren.

Der Konzern erwarb 68 % der Anteile an „Downhole Technology LLC“ (Downhole Technology) am 1. April 2016. Dies war die größte Akquisition in der Geschichte von SBO. Downhole Technology ist in Houston in den USA ansässig und ein technologisch führender Anbieter von sog. Composite Frac Plugs für das Komplettieren von Öl- und Gasbohrungen. Das patentierte Design, das Fertigungs-Know-How sowie die hohen Qualitätsstandards der Produkte ermöglichen ein rascheres, effizienteres und sichereres Komplettieren der Bohrung als mit vergleichbaren Produkten. Durch hohe Qualität und innovatives Design erzielt Downhole Technology eine hohe Akzeptanz am Markt.

Mit Downhole Technology und Resource ist der Konzern in der Lage, ein breites Portfolio an Tight Formation Completion Tools anzubieten. Während Resource High-Tech „Sliding Sleeve“-Lösungen für das Komplettieren von Bohrungen anbietet, stellt Downhole Technology „Plug-n-Perf“-Equipment für diese Anwendungen her. Der Konzern ist bereits heute als führender unabhängiger Produkthanbieter im Markt vertreten.

Darüber hinaus hat der Konzern die 2014 gestartete Internationalisierung des erfolgreichen Bohrmotorengeschäfts der Tochtergesellschaft BICO im Jahr 2016 weiter vorangetrieben: Die Bohrmotoren werden verstärkt in Russland und Fernost sowie von der bestehenden Niederlassung in Dubai aus vermarktet. Das sind jene Regionen, die global am wenigsten vom Nachfragerückgang betroffen sind. Zudem bieten die neu gegründeten Vertriebsgesellschaften in Saudi-Arabien und Mexiko vor allem für die Tochtergesellschaft DSI mit ihrer Untertage-Zirkulations-Technologie zusätzliche Marktchancen.

2) Bericht über die voraussichtliche Entwicklung und die Risiken des Unternehmens

Ausblick des SBO-Konzerns

Der Internationale Währungsfonds (IWF) prognostiziert für das Jahr 2017 einen Anstieg des weltweiten Wirtschaftswachstums um 3,4 %, für das Jahr 2018 um 3,6 % (nach 3,1 % im Jahr 2016 und 3,2 % im Jahr 2015). In den Industriestaaten sollte die Wirtschaft im Jahr 2017 um 1,9 %, im Jahr 2018 um 2,0 % wachsen (nach 1,6 % im Jahr 2016 und 2,1 % im Jahr 2015). Damit zeichnet sich eine Fortsetzung der moderaten Konjunkturerholung in den Industriestaaten ab. In den Schwellen- und Entwicklungsländern geht der IWF für 2017 von einem Wachstum von 4,5 %, für 2018 von 4,8 % aus (nach jeweils 4,1 % in den Jahren 2016 und 2015).⁷

Das Anziehen der weltweiten Konjunktur in 2017 und 2018 basiert laut Einschätzung des IWF vor allem auf einem beschleunigten Wachstum in den Schwellenländern. Die Abschwächung des Wachstums in China soll durch ein stärkeres Wachstum in jenen Schwellen- und Entwicklungsländern überkompensiert werden, die sich 2016 in einer Rezession befanden. Dazu zählen u.a. Brasilien, Nigeria und Russland. Außerdem geht der IWF davon aus, dass begleitende fiskalpolitische Maßnahmen in den Industrieländern sowie nachlassende geopolitische Spannungen zu einem stärkeren Wachstum in den betroffenen Ländern beitragen. Der Brexit sollte sich laut IWF auf die Weltwirtschaft nicht stark auswirken, sofern keine größeren neuen wirtschaftlichen Barrieren geschaffen werden und die Verhandlungen zwischen Großbritannien und der Europäischen Union reibungslos verlaufen.

Die Internationale Energieagentur (IEA) geht für 2017 von einem weiteren Anstieg der Ölnachfrage aus: Die Ölnachfrage soll 2017 um 1,4 mb/d auf 98,0 mb/d steigen. In den OECD Staaten soll die durchschnittliche Ölnachfrage mit rund 46,8 mb/d auf demselben Niveau wie 2016 liegen. In den Nicht-OECD Staaten soll die durchschnittliche Nachfrage um 1,4 mb/d auf insgesamt 51,2 mb/d steigen.

Nach zwei Jahren kontinuierlicher Einsparungen in der Industrie scheint nun endlich der Abschwung zu Ende zu sein. Die IEA erwartet, dass das Angebot in den Nicht-OPEC Staaten von 57,7 mb/d im Jahr 2016 um 0,3 mb/d auf 58,0 mb/d im Jahr 2017 steigen wird. Die OPEC Staaten haben sich am 30. November 2016 auf eine Produktionsobergrenze von 32,5 mb/d für die Dauer von mindestens sechs Monaten geeinigt. Die Balance aus Angebot und Nachfrage sollte daher beschleunigt wiederhergestellt werden.⁸

Es bestätigt sich zunehmend, dass sich Nordamerika sehr flexibel auf die neue Situation einstellen kann. Führende Analystenhäuser erwarten für 2017 einen Anstieg der E&P-Ausgaben in Nordamerika von 21 %; weltweit sollen es 2 % sein. Das wäre der erste Anstieg seit 2014. Mit Blick auf die massiven Investitionskürzungen in den Jahren 2015 und 2016 ist der Investitionsbedarf grundsätzlich hoch. E&P-Ausgaben des vergangenen Jahres sind zu einem großen Teil lediglich in die Erhaltung der bestehenden Förderung geflossen. Ohne

⁷ Internationaler Währungsfonds (IWF), World Economic Outlook Update, Jänner 2017.

⁸ International Energy Agency (IEA), Oil Market Report, Februar 2017.

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Investitionen wird durchschnittlich eine Post-Peak Decline Rate von 5-7 % p.a. angenommen.⁹ Unter Berücksichtigung dieses Faktors und der stabil steigenden Ölnachfrage ist mittelfristig nicht ausgeschlossen, dass es zu einer Unterversorgung des Ölmarktes kommen könnte.¹⁰

Die Erwartungen für 2017 gehen vor allem für Nordamerika von einer positiven Entwicklung aus. Insgesamt wird für 2017 ein Übergangsjahr erwartet. Der Konzern ist traditionell ein Spätzykliker. Mit dem Aufbau des Geschäftsfeldes Well Completion sowie ihrer Tätigkeit in Forschung und Entwicklung hat sich der Konzern gezielt auf den Aufschwung vorbereitet. Der hohe Cash-Bestand, die geringe Nettoverschuldung und die hohe Eigenkapitalquote des Unternehmens geben dem Konzern die Flexibilität, auf kommende Herausforderungen schnell reagieren zu können. Der Konzern ist gut aufgestellt, um als Technologie- und Marktführer den Aufschwung optimal nutzen zu können.

Risikomanagement

Die SCHOELLER-BLECKMANN OILFIELD EQUIPMENT Aktiengesellschaft fungiert als strategische Managementholding für ihre Tochtergesellschaften. Ein wesentliches Aufgabengebiet der Holding ist, sich mit den strategischen und operativen Risiken auseinander zu setzen und rechtzeitig Maßnahmen zur Optimierung dieser Risiken zu setzen. Ein konzernweites Reportingsystem unterstützt den Vorstand der SBO AG beim laufenden Monitoring des operativen Geschäftes und damit der Einschätzung operativer Risiken der Tochtergesellschaften. Die strategischen Risiken werden in Zusammenhang mit der jährlichen Erstellung der Mittelfristplanung zwischen dem Vorstand der SBO AG und den Geschäftsführern der Tochtergesellschaften erörtert und bewertet.

Finanzinstrumente

Die Ausleihungen wurden nur an verbundene Unternehmungen gewährt und sind fix verzinst. Diese lauten auf USD und unterliegen daher Fremdwährungsschwankungen. Ebenso besteht der Großteil der sonstigen Forderungen aus langfristigen verzinslichen Forderungen in USD, GBP und CAD.

Die liquiden Mittel bestehen aus Guthaben bei österreichischen Banken mit marktkonformer Verzinsung.

Alle zum Bilanzstichtag bestehenden langfristigen Bankverbindlichkeiten werden fix verzinst und unterliegen daher keinem Zinsänderungsrisiko.

Aufgrund der derzeitig verfügbaren liquiden Mittel bestehen aus heutiger Sicht keine Liquiditäts-Probleme.

⁹ HSBC Global Research, Februar 2017.

¹⁰ Evercore ISI, The 2017 Evercore ISI Global E&P Spending Outlook, Dezember 2016; etwas optimistischer: Barclays, 2017 E&P Spending Outlook, Jänner 2017.

3) Bericht über die Forschung und Entwicklung im SBO-Konzern

Die Wachstumsstrategie des Konzerns ist langfristig orientiert und basiert neben organischem Wachstum auf Akquisitionen und Forschung und Entwicklung (F&E). Gezielte F&E-Investments auch im Abschwung stellen sicher, dass der Konzern am nächsten Aufschwung optimal teilnehmen kann.

Die F&E-Budgets des Konzerns waren nicht von den durchgeführten Kosteneinsparungen betroffen. So konnten in den vergangenen Monaten einige innovative Erfolge erzielt werden:

Mit ihrer „Direct Laser Metal Sintering“ (DLMS) Anlage ist der Konzern nun auch kommerziell im hochpräzisen 3D Metall-Druck vertreten. Diese neuartige, auf Faserlaser basierende *Additive Manufacturing* Technologie ergänzt das breite Angebot an traditionellen Fertigungstechniken des Konzerns. Damit können hochkomplexe Metallteile mit nur geringem Zeitaufwand einzelgefertigt werden, ohne Abstriche bei Qualität und mechanischen Eigenschaften.

In Ergänzung dazu konnte das Elektronenstrahlschweißen („Electronic Beam Welding“ (EBW)) kommerzialisiert werden. Bisher auf dem Markt verfügbare Systeme erwiesen sich als unzuverlässig oder konnten den Qualitätsansprüchen nicht gerecht werden. Diese Technologie kann der Konzern flexibel für Kundenanforderungen einsetzen, die mit herkömmlichen Fertigungstechniken nicht umsetzbar wären.

In der traditionellen Fertigung hat der Konzern im „GooseNeck Drilling“ die Marktreife erlangt. Diese Technologie ermöglicht es, innerhalb der Bohrstange gerichtete Bohrungen ab einem Durchmesser von 1 ½" (38 mm) herzustellen. Hierdurch erhalten die Kunden völlig neue Möglichkeiten bei der Konstruktion von komplexen MWD (Measurement While Drilling) und LWD (Logging While Drilling) Messgeräten. Durch das außermittige Versetzen der Zentrumsbohrung in der Bohrstange haben Messgeräte mehr Installationsraum zur Verfügung, ohne dass die Festigkeit der Bohrstange durch einen „Stub Welding“ Prozess (Schweißprozess) geschwächt wird.

Mit dem „MASTER Motor Konzept“ entwickelte der Konzern eine in Design und Leistungsfähigkeit verbesserte Produktlinie an Hochleistungsmotoren. Höhere Strömungsgeschwindigkeiten und Temperaturen können durch robustere Verbindungen und höhere Wartungsstandards erheblich besser bewältigt werden als mit herkömmlichen Bohrmotoren. Die neue Produktlinie ist in Verbindung mit anderen Hochleistungskomponenten des Konzerns darauf ausgelegt, gerade in besonders harten oder durch Zirkulationsverluste beeinträchtigten Umgebungen ein hohes Drehmoment zu erzeugen. Betreiber profitieren vor allem auch durch die höhere Bohrgeschwindigkeit, den zeiteffizienteren Bohrprozess und die Zeitersparnis beim Komplettieren des Bohrlochs. Diese neue Technologie wird ab dem heurigen Jahr kommerziell eingesetzt.

Im Well Completion wurde neben dem bestehenden „Open Only“ auch ein „Closable Sleeve“-System entwickelt. Damit können für die Produktion bereits geöffnete Sleeves auch wieder geschlossen werden. Der Druck im Produktionsstrang wird stabil gehalten, weil Zonen mit eindringenden Verunreinigungen und weniger produktive Zonen isoliert werden können. Für die Betreiber optimiert das die Produktion. Das System ist kompakt und verfügt über einen hydraulischen Schließmechanismus. Diese Technologie kann auch für ein späteres Refracking eingesetzt werden.

4) Berichterstattung über wesentliche Merkmale des internen Kontrollsystems und des Risikomanagementsystems im Hinblick auf den Rechnungslegungsprozess

Die Gesamtverantwortung für das Risikomanagement der SBO-Gruppe liegt beim Vorstand, während die unmittelbare Verantwortung bei den Geschäftsführern der operativen Einheiten liegt. Demzufolge besitzt das interne laufende Berichtswesen an die Konzernzentrale besonders hohe Bedeutung, um Risiken frühzeitig erkennen und Gegenmaßnahmen ergreifen zu können. Dies erfolgt durch eine zeitnahe monatliche Berichterstattung über die Geschäftsentwicklung und Gebarung von den operativen Einheiten an den Vorstand.

Für die Tochterunternehmen wurden vom Konzern weltweit einheitliche Standards für die Umsetzung und Dokumentation des gesamten internen Kontrollsystems und damit vor allem auch für den Rechnungslegungsprozess vorgegeben. Dadurch sollen jene Risiken vermieden werden, die zu einer unvollständigen oder fehlerhaften Finanzberichterstattung führen können.

Weiters werden die von den Tochtergesellschaften erstellten internen Berichte in der Konzernzentrale auf Plausibilität geprüft und mit Planungsrechnungen verglichen, um bei Abweichungen geeignete Maßnahmen setzen zu können. Hierzu werden von den Gesellschaften Jahresbudgets und Mittelfristplanungen angefordert, welche vom Vorstand genehmigt werden müssen.

Die Ordnungsmäßigkeit des Rechnungswesens bei den Tochtergesellschaften wird durch laufende Prüfungstätigkeiten des Konzerncontrollings überwacht. Auch im Zuge der internen Revision werden schwerpunktmäßige Prüfungen über das Rechnungswesen durchgeführt. Weiters werden alle Jahresabschlüsse durch internationale Prüfungsgesellschaften geprüft.

Im Zuge von regelmäßigen Sitzungen des Vorstandes mit den lokalen Geschäftsführungen werden die laufende Geschäftsentwicklung sowie absehbare Chancen und Risiken besprochen.

Für die Erstellung des Konzernabschlusses bestehen in Ergänzung zu den Internationalen Rechnungslegungsvorschriften konzerninterne Richtlinien, um eine einheitliche Darstellung bei den berichtenden Gesellschaften zu gewährleisten (Bewertungs- und Ausweisfragen).

Für die automationsunterstützte Aufstellung des Konzernabschlusses wird ein zertifiziertes Konsolidierungsprogramm verwendet, welches mit den notwendigen Prüf- und Konsolidierungsroutinen ausgestattet ist.

Die für den Konzern dargestellten Merkmale des internen Kontrollsystems und des Risikomanagementsystems im Hinblick auf den Rechnungslegungsprozess sind auch uneingeschränkt für die Holdinggesellschaft anwendbar. Für das Rechnungswesen der Holdinggesellschaft sind ebenfalls anerkannte Standardprogramme im Einsatz.

5) Angaben zu Kapital-, Anteils-, Stimm- und Kontrollrechten und damit verbundenen Verpflichtungen

Das Grundkapital der Gesellschaft betrug zum 31. Dezember 2016 wie auch zum 31. Dezember 2015 EUR 16 Millionen und ist zerlegt in 16 Millionen Stück Nennbetragsaktien zum Nennbetrag von je EUR 1,00.

In der Hauptversammlung vom 27. April 2016 wurde der Vorstand für die Dauer von 30 Monaten ermächtigt, eigene Aktien der Gesellschaft bis zu maximal 10 % des Grundkapitals zu erwerben. Im Geschäftsjahr 2016 hat die Gesellschaft 40.597 Stück eigene Aktien mit einem Kaufpreis von TEUR 2.167 erworben. 2015 wurde von der Ermächtigung laut Hauptversammlungsbeschluss vom 23. April 2014 kein Gebrauch gemacht.

Zum Bilanzstichtag 2016 hält die Gesellschaft 52.597 Stück eigene Aktien (Vorjahr: 18.000 Stück). Dies entspricht einem Anteil von 0,33 % (Vorjahr: 0,11 %) am Grundkapital mit einem Anschaffungswert von TEUR 2.884 (Vorjahr TEUR 1.074). Die Anzahl der im Umlauf befindlichen Aktien beträgt somit 15.947.403 Stück (Vorjahr: 15.982.000 Stück).

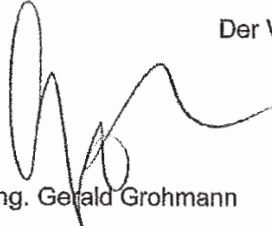
Zum 31. Dezember 2016 hält die Berndorf Industrieholding AG, Berndorf, rund 33,4 % vom Grundkapital (Vorjahr: rund 33,4 %).

Darüber hinaus bestehen keine weiteren angabepflichtigen Sachverhalte gemäß § 243a UGB.

Ternitz, 28. Februar 2017

SCHOELLER-BLECKMANN
OILFIELD EQUIPMENT Aktiengesellschaft

Der Vorstand



Ing. Gerald Grohmann



Mag. Klaus Mader

Bestätigungsvermerk

Bericht zum Jahresabschluss

Prüfungsurteil

Wir haben den Jahresabschluss der SCHOELLER-BLECKMANN OILFIELD EQUIPMENT Aktiengesellschaft, Ternitz, bestehend aus der Bilanz zum 31. Dezember 2016, der Gewinn- und Verlustrechnung für das an diesem Stichtag endende Geschäftsjahr sowie dem Anhang, geprüft.

Nach unserer Beurteilung entspricht der beigefügte Jahresabschluss den gesetzlichen Vorschriften und vermittelt ein möglichst getreues Bild der Vermögens- und Finanzlage zum 31. Dezember 2016 sowie der Ertragslage der Gesellschaft für das an diesem Stichtag endende Geschäftsjahr in Übereinstimmung mit den österreichischen unternehmensrechtlichen Vorschriften.

Grundlage für das Prüfungsurteil

Wir haben unsere Abschlussprüfung in Übereinstimmung mit den österreichischen Grundsätzen ordnungsmäßiger Abschlussprüfung durchgeführt. Diese Grundsätze erfordern die Anwendung der International Standards on Auditing (ISA). Unsere Verantwortlichkeiten nach diesen Vorschriften und Standards sind im Abschnitt „Verantwortlichkeiten des Abschlussprüfers für die Prüfung des Jahresabschlusses“ unseres Bestätigungsvermerks weitergehend beschrieben. Wir sind von der Gesellschaft unabhängig in Übereinstimmung mit den österreichischen unternehmensrechtlichen und berufsrechtlichen Vorschriften, und wir haben unsere sonstigen beruflichen Pflichten in Übereinstimmung mit diesen Anforderungen erfüllt. Wir sind der Auffassung, dass die von uns erlangten Prüfungsnachweise ausreichend und geeignet sind, um als Grundlage für unser Prüfungsurteil zu dienen.

Besonders wichtige Prüfungssachverhalte

Besonders wichtige Prüfungssachverhalte sind solche Sachverhalte, die nach unserem pflichtgemäßen Ermessen am bedeutsamsten für unsere Prüfung des Jahresabschlusses des Geschäftsjahres waren. Diese Sachverhalte wurden im Zusammenhang mit unserer Prüfung des Jahresabschlusses als Ganzem und bei der Bildung unseres Prüfungsurteils hierzu berücksichtigt, und wir geben kein gesondertes Prüfungsurteil zu diesen Sachverhalten ab.

- Werthaltigkeit der Anteile an verbundenen Unternehmen

Sachverhalt und Problemstellung

In der SBO AG bestehen Anteile an verbundenen Unternehmen in Höhe von rd. 225 MEUR. Wegen der angespannten wirtschaftlichen Lage der SCHOELLER-BLECKMANN Gesellschaften weltweit hat die Gesellschaft die Werthaltigkeit der Beteiligungsansätze untersucht. Zu diesem Zweck wurde zum 31. Dezember 2016 für die Anteile an verbundenen Unternehmen auf Basis der vorliegenden Planungen ein Werthaltigkeitstest durchgeführt. Die Bewertung erfolgte durch Diskontierung der prognostizierten Cashflows unter Heranziehung eines Kapitalkostensatzes nach Steuern, welcher aufgrund aktueller Marktdaten für vergleichbare Unternehmen im selben Industriezweig unter Berücksichtigung der länderspezifischen Inflationserwartungen ermittelt wurde.

Nähere Ausführungen zur Beteiligungsbewertung befinden sich im Anhang im Abschnitt Erläuterungen zur Bilanz – Anlagevermögen.

In das Bewertungsmodell fließen zahlreiche Schätzwerte ein, die naturgemäß mit Unsicherheiten behaftet sind und wesentlich das Ergebnis der Bewertung beeinflussen.

Somit handelt es sich bei der Beteiligungsbewertung um ein Prüffeld von besonderer Bedeutung, welches verstärkte Aufmerksamkeit im Rahmen der Abschlussprüfung erfordert.

Prüferisches Vorgehen

Wir haben die im Rahmen der Werthaltigkeitsprüfungen angesetzten Parameter mit unternehmensspezifischen Informationen sowie branchenspezifischen Marktdaten bzw. Markterwartungen aus externen und internen Datenquellen verglichen und das angewendete Bewertungsmodell hinsichtlich seiner Angemessenheit beurteilt.

Zur Beurteilung des Modells und der Angemessenheit der herangezogenen Parameter haben wir Interne Spezialisten beigezogen.

Die bei den Berechnungen verwendeten künftigen Zahlungsmittelzuflüsse und die darin verwendeten Plandaten haben wir mit den entsprechenden Mittelfristplanungen des Managements abgeglichen.

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Sonstige Informationen.

Die gesetzlichen Vertreter sind für die sonstigen Informationen verantwortlich. Die sonstigen Informationen beinhalten alle Informationen im Jahresfinanzbericht, ausgenommen den Jahresabschluss, den Lagebericht und den Bestätigungsvermerk.

Unser Prüfungsurteil zum Jahresabschluss deckt die sonstigen Informationen nicht ab und wir geben keine Art der Zusicherung darauf ab.

In Verbindung mit unserer Prüfung des Jahresabschlusses ist es unsere Verantwortung, die oben angeführten sonstigen Informationen zu lesen und dabei abzuwägen, ob sie angesichts des bei der Prüfung gewonnenen Verständnisses wesentlich in Widerspruch zum Jahresabschluss stehen oder sonst wesentlich falsch dargestellt erscheinen.

Verantwortlichkeiten der gesetzlichen Vertreter und des Prüfungsausschusses für den Jahresabschluss

Die gesetzlichen Vertreter sind verantwortlich für die Aufstellung des Jahresabschlusses und dafür, dass dieser in Übereinstimmung mit den österreichischen unternehmensrechtlichen Vorschriften ein möglichst getreues Bild der Vermögens-, Finanz- und Ertragslage der Gesellschaft vermittelt. Ferner sind die gesetzlichen Vertreter verantwortlich für die internen Kontrollen, die sie als notwendig erachten, um die Aufstellung eines Jahresabschlusses zu ermöglichen, der frei von wesentlichen – beabsichtigten oder unbeabsichtigten – falschen Darstellungen ist.

Bei der Aufstellung des Jahresabschlusses sind die gesetzlichen Vertreter dafür verantwortlich, die Fähigkeit der Gesellschaft zur Fortführung der Unternehmenstätigkeit zu beurteilen, Sachverhalte im Zusammenhang mit der Fortführung der Unternehmenstätigkeit – sofern einschlägig – anzugeben, sowie dafür, den Rechnungslegungsgrundsatz der Fortführung der Unternehmenstätigkeit anzuwenden, es sei denn, die gesetzlichen Vertreter beabsichtigen, entweder die Gesellschaft zu liquidieren oder die Unternehmenstätigkeit einzustellen oder haben keine realistische Alternative dazu.

Der Prüfungsausschuss ist verantwortlich für die Überwachung des Rechnungslegungsprozesses der Gesellschaft.

Verantwortlichkeiten des Abschlussprüfers für die Prüfung des Jahresabschlusses

Unsere Ziele sind, hinreichende Sicherheit darüber zu erlangen, ob der Jahresabschluss als Ganzes frei von wesentlichen – beabsichtigten oder unbeabsichtigten – falschen Darstellungen ist, und einen Bestätigungsvermerk zu erteilen, der unser Prüfungsurteil beinhaltet. Hinreichende Sicherheit ist ein hohes Maß an Sicherheit, aber keine Garantie dafür, dass eine in Übereinstimmung mit den österreichischen Grundsätzen ordnungsmäßiger Abschlussprüfung, die die Anwendung der ISA erfordern, durchgeführte Abschlussprüfung eine wesentliche falsche Darstellung, falls eine solche vorliegt, stets aufdeckt. Falsche Darstellungen können aus dolosen Handlungen oder Irrtümern resultieren und werden als wesentlich angesehen, wenn von ihnen einzeln oder insgesamt vernünftigerweise erwartet werden könnte, dass sie die auf der Grundlage dieses Jahresabschlusses getroffenen wirtschaftlichen Entscheidungen von Nutzern beeinflussen.

Die Abschlussprüfung umfasst keine Zusicherung des künftigen Fortbestands der geprüften Gesellschaft oder der Wirtschaftlichkeit oder Wirksamkeit der bisherigen oder zukünftigen Geschäftsführung.

Bei der Durchführung einer Abschlussprüfung in Übereinstimmung mit den österreichischen Grundsätzen ordnungsmäßiger Abschlussprüfung, die die Anwendung der ISA erfordern, üben wir während der gesamten Abschlussprüfung pflichtgemäßes Ermessen aus und bewahren eine kritische Grundhaltung.

Darüber hinaus gilt:

- Wir identifizieren und beurteilen die Risiken wesentlicher – beabsichtigter oder unbeabsichtigter – falscher Darstellungen im Abschluss, planen Prüfungshandlungen als Reaktion auf diese Risiken, führen sie durch und erlangen Prüfungsnachweise, die ausreichend und geeignet sind, um als Grundlage für unser Prüfungsurteil zu dienen. Das Risiko, dass aus dolosen Handlungen resultierende wesentliche falsche Darstellungen nicht aufgedeckt werden, ist höher als ein aus Irrtümern resultierendes, da dolose Handlungen betrügerisches Zusammenwirken, Fälschungen, beabsichtigte Unvollständigkeiten, irreführende Darstellungen oder das Außerkraftsetzen interner Kontrollen beinhalten können.
- Wir gewinnen ein Verständnis von dem für die Abschlussprüfung relevanten internen Kontrollsystem, um Prüfungshandlungen zu planen, die unter den gegebenen Umständen angemessen sind, jedoch nicht mit dem Ziel, ein Prüfungsurteil zur Wirksamkeit des internen Kontrollsystems der Gesellschaft abzugeben.

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- Wir beurteilen die Angemessenheit der von den gesetzlichen Vertretern angewandten Rechnungslegungsmethoden sowie die Vertretbarkeit der von den gesetzlichen Vertretern dargestellten geschätzten Werte in der Rechnungslegung und damit zusammenhängende Angaben.
- Wir ziehen Schlussfolgerungen über die Angemessenheit der Anwendung des Rechnungslegungsgrundsatzes der Fortführung der Unternehmenstätigkeit durch die gesetzlichen Vertreter sowie, auf der Grundlage der erlangten Prüfungsnachweise, ob eine wesentliche Unsicherheit im Zusammenhang mit Ereignissen oder Gegebenheiten besteht, die erhebliche Zweifel an der Fähigkeit der Gesellschaft zur Fortführung der Unternehmenstätigkeit aufwerfen kann. Falls wir die Schlussfolgerung ziehen, dass eine wesentliche Unsicherheit besteht, sind wir verpflichtet, in unserem Bestätigungsvermerk auf die dazugehörigen Angaben im Jahresabschluss aufmerksam zu machen oder, falls diese Angaben unangemessen sind, unser Prüfungsurteil zu modifizieren. Wir ziehen unsere Schlussfolgerungen auf der Grundlage der bis zum Datum unseres Bestätigungsvermerks erlangten Prüfungsnachweise. Zukünftige Ereignisse oder Gegebenheiten können jedoch die Abkehr der Gesellschaft von der Fortführung der Unternehmenstätigkeit zur Folge haben.
- Wir beurteilen die Gesamtdarstellung, den Aufbau und den Inhalt des Jahresabschlusses einschließlich der Angaben sowie ob der Jahresabschluss die zugrunde liegenden Geschäftsvorfälle und Ereignisse in einer Weise wiedergibt, dass ein möglichst getreues Bild erreicht wird.

Wir tauschen uns mit dem Prüfungsausschuss unter anderem über den geplanten Umfang und die geplante zeitliche Einteilung der Abschlussprüfung sowie über bedeutsame Prüfungsfeststellungen, einschließlich etwaiger bedeutsamer Mängel im internen Kontrollsystem, die wir während unserer Abschlussprüfung erkennen, aus.

Wir geben dem Prüfungsausschuss auch eine Erklärung ab, dass wir die relevanten beruflichen Verhaltensanforderungen zur Unabhängigkeit eingehalten haben und tauschen uns mit ihm über alle Beziehungen und sonstigen Sachverhalte aus, von denen vernünftigerweise angenommen werden kann, dass sie sich auf unsere Unabhängigkeit und – sofern einschlägig – damit zusammenhängende Schutzmaßnahmen auswirken.

Wir bestimmen von den Sachverhalten, über die wir uns mit dem Prüfungsausschuss ausgetauscht haben, diejenigen Sachverhalte, die am bedeutsamsten für die Prüfung des Jahresabschlusses des Geschäftsjahres waren und daher die besonders wichtigen Prüfungssachverhalte sind. Wir beschreiben diese Sachverhalte in unserem Bestätigungsvermerk, es sei denn, Gesetze oder andere Rechtsvorschriften schließen die öffentliche Angabe des Sachverhalts aus oder wir bestimmen in äußerst seltenen Fällen, dass ein Sachverhalt nicht in unserem Bestätigungsvermerk mitgeteilt werden sollte, weil vernünftigerweise erwartet wird, dass die negativen Folgen einer solchen Mitteilung deren Vorteile für das öffentliche Interesse übersteigen würden.

Bericht zum Lagebericht

Der Lagebericht ist auf Grund der österreichischen unternehmensrechtlichen Vorschriften darauf zu prüfen, ob er mit dem Jahresabschluss in Einklang steht und ob er nach den geltenden rechtlichen Anforderungen aufgestellt wurde.

Die gesetzlichen Vertreter der Gesellschaft sind verantwortlich für die Aufstellung des Lageberichts in Übereinstimmung mit den österreichischen unternehmensrechtlichen Vorschriften.

Wir haben unsere Prüfung in Übereinstimmung mit den Berufsgrundsätzen zur Prüfung des Lageberichts durchgeführt.

Urteil

Nach unserer Beurteilung ist der Lagebericht nach den geltenden rechtlichen Anforderungen aufgestellt worden, enthält zutreffende Angaben nach § 243a UGB und steht in Einklang mit dem Jahresabschluss.

Erklärung

Angesichts der bei der Prüfung des Jahresabschlusses gewonnenen Erkenntnisse und des gewonnenen Verständnisses über die Gesellschaft und ihr Umfeld wurden wesentliche fehlerhafte Angaben im Lagebericht nicht festgestellt.

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Auftragsverantwortlicher Wirtschaftsprüfer

Der für die Abschlussprüfung auftragsverantwortliche Wirtschaftsprüfer ist Mag. Christof Wolf.

Wien, am 28. Februar 2017

Deloitte Schwarz & Schmid Wirtschaftsprüfungs GmbH


Mag. Christof Wolf
Wirtschaftsprüfer




Mag. Gerhard Marterbauer
Wirtschaftsprüfer

Die Veröffentlichung oder Weitergabe des Jahresabschlusses mit unserem Bestätigungsvermerk darf nur in der von uns bestätigten Fassung erfolgen. Dieser Bestätigungsvermerk bezieht sich ausschließlich auf den deutschsprachigen und vollständigen Jahresabschluss samt Lagebericht. Für abweichende Fassungen sind die Vorschriften des § 281 Abs 2 UGB zu beachten.



**Declaration of all Legal Representatives
Pursuant to § 82 Sect. 4 (3) of the
Austrian Stock Exchange Act**

We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by applicable accounting standards and that the group management report gives a true and fair view of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties the group faces.

We confirm to the best of our knowledge that the separate financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company as required by applicable accounting standards and that the management report gives a true and fair view of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties the company faces.

Ternitz, March 3rd, 2017

A blue ink signature of Ing. Gerald Grohmann, consisting of a large, stylized 'G' followed by a cursive 'rohmann'.

Ing. Gerald Grohmann
Executive Board

A blue ink signature of Mag. Klaus Mader, consisting of a cursive 'K' followed by 'Mader'.

Mag. Klaus Mader

