



SCHOELLER  
BLECKMANN  
OILFIELD  
EQUIPMENT



*Annual Financial Report 2017*

# RECOVERY IN NORTH AMERICA

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*"Our strategic focus on North America and positioning in the Well Completion business led us into the position to fully participate in the upswing"*

# MANAGEMENT REPORT

THE CONSOLIDATED MANAGEMENT REPORT WAS PREPARED BY SCHOELLER-BLECKMANN OILFIELD EQUIPMENT AKTIENGESELLSCHAFT FOR THE SCHOELLER-BLECKMANN OILFIELD EQUIPMENT IFRS – CONSOLIDATED FINANCIAL STATEMENTS ACCORDING TO SECTION 245a UGB (AUSTRIAN COMMERCIAL CODE).

## HIGHLIGHTS

- Strategic focus on North America and well completion turns out to be the perfect choice
- Organic growth driven forward with innovations and higher capacities at Downhole Technology
- Balanced cost structure as starting point for international upswing

The year 2017 was marked by sustained market recovery in North America. The market posted strong growth both in drilling and well completion and was picking up continuously throughout the year. SBO benefited considerably from this development: Sales and bookings went up sharply, and the book-to-bill ratio, which measures the number of orders coming in compared to sales and serves as an indicator of medium-term development, was greater than 1. A turnaround was also achieved for the operating result, as SBO closed the 2017 financial year with clearly positive earnings before interest, taxes, depreciation, and amortization (EBITDA) and earnings

before interest and taxes (EBIT). In the second half of 2017, the EBITDA margin was already above its long-term average. At the same time, a one-off effect negatively impacted the company's result: The strong performance of Downhole Technology LLC (Downhole Technology), acquired on 1 April 2016, required a non-cash-effective expense posting for the shares of minority shareholders (option). Whereas this is reflected in the financial result of SBO in 2017, SBO - as majority shareholder - benefits from the profit contribution and value increase of its successful subsidiary.

SBO pursued its strategy of growth also in 2017. The main focus, on the one hand, was on benefiting fully from the upswing in North America and adjusting capacities there in the "Oilfield Equipment" segment to meet the brisk demand for SBO products. On the other hand, important investments into ongoing research and development (R&D) projects were made, both to strengthen SBO's position as front runner and allow the company to play an active role in shaping the future of the industry.

# MARKET ENVIRONMENT

In 2017, the global economy grew massively from a broad basis, slightly exceeding original expectations. According to current estimates of the International Monetary Fund (IMF), global economic growth in 2017 arrived at 3.7 %, following 3.2 % the year before. The average growth rate of the industrialised countries in 2017 was 2.3 %, following 1.7 % in 2016. Economic growth in the emerging markets in 2017 came to 4.7 %, following 4.4 % the year before. While the economy was recovering worldwide, it was the economic development in Europe and Asia that came as a positive surprise. Stronger global trade was supported by larger investment activities, above all in the industrialised countries, and higher production output in Asia.<sup>5</sup>

Average global demand for oil in 2017, according to the International Energy Agency (IEA), rose by 1.6 million barrels per day (mb/d), or 1.7 %, to 97.8 mb/d (2016: 96.2 mb/d). Demand from non-OECD countries rose by 1.2 mb/d, or 2.4 %, to 50.5 mb/d (2016: 49.3 mb/d). In OECD countries demand grew by 0.5 mb/d, or 1.1 %, to 47.4 mb/d (2016: 46.9 mb/d).<sup>6</sup>

The balance between supply and demand was restored in 2017. Demand even slightly exceeded supply. In the first

quarter of 2017, supply and demand each stood at the level of 96.6 mb/d, while in the second quarter of 2017 demand was even 1.1 mb/d higher. Over the full year, demand exceeded supply by 0.4 mb/d. On 30 November 2016, OPEC had agreed to introduce a production limit of 32.5 mb/d (crude oil excluding natural gas liquids / NGLs) which was extended during the year to be effective until the end of 2018. OPEC production in 2017 stood at 39.2 mb/d (crude oil excluding natural gas liquids / NGLs: 32.4 mb/d). Supported by Saudi Arabia, average compliance at the end of the year arrived at 132 %. In non-OPEC regions, supply went up by 0.8 mb/d, to 58.2 mb/d, with the United States accounting for 13.2 mb/d and Canada for 4.8 mb/d. As a result, the share of North America and OPEC countries in global supply totalled only 58.7 %.

All in all, the market environment of the oilfield service industry in 2017 was marked significantly by the recovery in North America. Internationally, however, markets did not show any noteworthy signals and remained on a stable, but low level. Over the course of the year 2017, the global rig count rose by 17.9 %, from 1,772 rigs in December 2016 to 2,089 rigs in December 2017. This rise was posted in the first half of 2017, resulting from strong US growth, while sideways development

<sup>5</sup> International Monetary Fund (IMF), World Economic Outlook, January 2018.

<sup>6</sup> International Energy Agency (IEA), Oil Market Report, February 2018.

set in from summer onward. In North America, the rig count, in yearly comparison, climbed by 34.6 %, from 843 rigs to 1,135 rigs. In the remaining regions of the world, the rig count went up only slightly by 2.7 %, from 929 to 954 rigs. Since the cycle had reached its low in May 2016, this represented an increase of 685 rigs in North America, or 152.2 %, and a minimum decline by one rig, or 0,1 %, internationally - an indication of ongoing insufficient spending in those regions.<sup>7</sup>

*"The market environment outside North America was weak, but quite stable"*

The prices of the two crudes developed positively in 2017. While hopes on OPEC members to lower further the initially agreed production limit sent prices per barrel of US crude WTI down to a low of USD 42.05 and of European crude Brent to USD 44.35 on 21 June 2017, the momentum was turning in the second half of the year. During the year, the price per barrel of US crude WTI went from USD 53.72 on 3 January 2017 to USD 60.42 on 29 December 2017, that of European crude Brent from USD 56.82 to USD 66.87, representing an increase of 12.5 % for WTI and 17.7 % for Brent.<sup>8</sup> The positive oil price dynamism was supported by the continuous reduction of crude inventories in the OECD countries, including the United States, which fell from 1,245 mb in March 2017 to 1,106 mb at year-end 2017.<sup>9</sup>

Global spending for exploration and production (E&P spending), following massive cutbacks in the two years of crisis in 2015 and 2016, went up slightly again by 4 %, based on growth in North America, where E&P spending rose by 47 %. Internationally, the business environment remained weak, with E&P spending shrinking by another 6 %. Since the downturn started in 2014, global E&P spending remained curtailed by close to 50 %.<sup>10</sup>

<sup>7</sup> Baker Hughes Rig Count.

<sup>8</sup> Bloomberg: CO1 Brent Crude (ICE) und CL1 WTI Crude (Nymex).

<sup>9</sup> International Energy Agency (IEA), Oil Market Report, February 2018.

<sup>10</sup> Evercore ISI Research, Evercore ISI Global E&P Spending Outlook: A Pivotal Year For E&P Capital Deployment, December 2017; alike: Barclays, Global 2018 E&P Spending Outlook, December 2017.

# BUSINESS DEVELOPMENT

In the course of 2017, the environment for the oilfield service industry was recovering increasingly. While the international market remained in stagnation, business in North America gained momentum. Having established itself optimally in this market, SBO could participate in this development. Due to the solid strategic positioning, in tandem with cost-cutting measures implemented over the past years, the company's operating result clearly returned to positive territory in 2017. In the second half of the year, the EBITDA margin of 27.9 % even exceeded its long-term average of 24.1 % (2001-16).

Year-on-year, sales went up by 77.2 %, to MEUR 324.2 (2016: 183.0). Bookings more than doubled to MEUR 342.0 following MEUR 169.3 in 2016. Thus, the book-to-bill ratio, which measures the number of orders coming in compared to sales and serves as an indicator of medium-term development, was greater than 1. The order backlog at the end of 2017 was MEUR 37.6 (31 December 2016: MEUR 20.5).

The increase in sales is reflected in the operating result of SBO. Earnings before interest, taxes, depreciation, and amortization (EBITDA) returned to clearly positive territory, from MEUR minus 2.5 in 2016 to MEUR 74.7, including one-off income from completed restructuring measures of MEUR 1.9. The operating result (EBIT) of the 2017 financial year was MEUR 25.6, following MEUR minus 58.3 at the end of 2016. The EBITDA margin came to 23.0 % (2016: minus 1.4 %), and the EBIT margin to 7.9 % (2016: minus 31.9 %).

North American subsidiary Downhole Technology developed extremely well and once again clearly exceeded our originally high expectations in terms of sales and profit. As a result, the put/call option valuation for the shares of minority shareholders had to be adjusted in the balance sheet according to the applicable accounting principles. In course of the acquisition, SBO had taken over 68 % of the shares in Downhole Technology. The remaining 32 % of the shares may be purchased by SBO, or sold to SBO by minority shareholders, exercising a put/call option. As profit expectations of the fully consolidated company had increased, a one-off expense posting having an effect on profit, but not on cash, had to be included in the consolidated profit and loss statement of SBO in the third quarter of 2017 and had a negative effect on the financial result in the amount of MEUR 90.2. All in all, the strong performance of Downhole Technology is an asset for SBO since SBO, as majority shareholder, benefits from the continuing earnings contribution, on the one hand, and from the increased value of its subsidiary, on the other hand.

The financial result in 2017 therefore arrived at MEUR minus 95.4 (2016: MEUR 13.3). The previous year's result had included one-off income from the revaluation of option commitments amounting to MEUR 17.2. Without considering option revaluations, profit before tax was MEUR 17.9, and the respective result of the year before MEUR minus 62.3. Profit after tax stood at MEUR minus 54.4 (2016: MEUR minus 28.0). Earnings per share were EUR minus 3.41 (2016: EUR minus 1.75).

The company has a sound balance sheet structure: The equity ratio of SBO at the end of 2017 was 42.9 % (2016: 53.1 %), net debt MEUR 50.7 (2016: MEUR 51.0). Liquid funds stood at MEUR 166.0 (2016: MEUR 193.5). The operating cashflow came to MEUR 44.6 (2016: MEUR 31.3), free cashflow to MEUR 16.6 (2016: MEUR minus 69.1). The gearing ratio was 15.7 % (2016: 12.0 %). Spending for property, plant and equipment and intangible assets (CAPEX) went to MEUR 32.1, including spending for the expansion of production capacities (2016: MEUR 13.0). Purchase commitments for expenditure in property, plant and equipment were MEUR 1.2 (2016: MEUR 0.1).

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## DEVELOPMENT OF THE SEGMENTS

As of the first quarter of 2017, SBO reorganised its segments and reports in a new structure. According to the new structure, SBO's business operations are subdivided into two reportable segments - "Advanced Manufacturing & Services" (AMS) and "Oilfield Equipment" (OE):

- The "Advanced Manufacturing & Services" segment comprises high-precision machining and repair of drill collars

and complex MWD (Measurement While Drilling) / LWD (Logging While Drilling) components made of non-magnetic corrosion-resistant stainless steel, which form the housing for sensitive measuring instruments used for the precise measurement of inclination and azimuth of the drillstring as well as petrophysical parameters.

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

The "Advanced Manufacturing & Services" segment - traditionally a late-cycle business - generated sales of MEUR 103.2 in 2017 (2016: MEUR 86.7), whereas the operating result (EBIT) before one-off effects came to MEUR minus 14.5 (2016: MEUR minus 29.6).

In the "Oilfield Equipment" segment sales arrived at MEUR 221.0 (2016: MEUR 96.3), and the operating result (EBIT) before one-off effects at MEUR 46.2 (2016: MEUR minus 19.1).

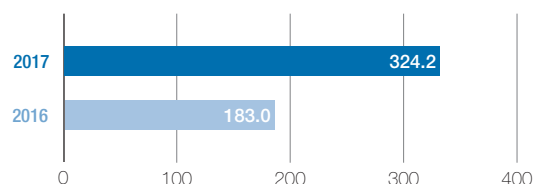


# ANALYSIS AND RESULTS

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

## Sales

in MEUR



Due to market recovery in North America, sales increased from MEUR 183.0 in 2016 to MEUR 324.2 in 2017.

As in the previous years, the US dollar continued to be the most important currency by far for the SBO Group. In 2017, 86 % (following 84 % in 2016) of sales and income were generated in US dollars, and around 62 % (following 60 % in 2016) of expenses were also incurred in US dollars. As the average exchange rate in 2017 of EUR 1 = USD 1.1293 was lower than in 2016, when it had been EUR 1 = USD 1.1066, this had a negative impact. The US dollar fell considerably against the Euro in the course of the year. The closing price as at 31 December 2017 was EUR 1 = USD 1.1993, down by around 14 % from EUR 1 = USD 1.0541 as at 31 December 2016.

## Exchange rate development

in EUR/USD	HIGH	LOW	AVERAGE	CLOSING
<b>2017</b>	1.2060	1.0385	1.1293	1.1993
<b>2016</b>	1.1569	1.0364	1.1066	1.0541

The average rates for the years ending 31 December 2016 and 31 December 2017 were used in the preparation of the consolidated profit and loss statements of those years, whereas the closing rates for the years 2016 and 2017 were used in the preparation of the consolidated balance sheets.

## Sales by business segments

In the 2017 financial year, segmental reporting was restructured. For the purpose of comparison, the 2016 financial year was also reorganised accordingly.

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

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

## Sales by business segments

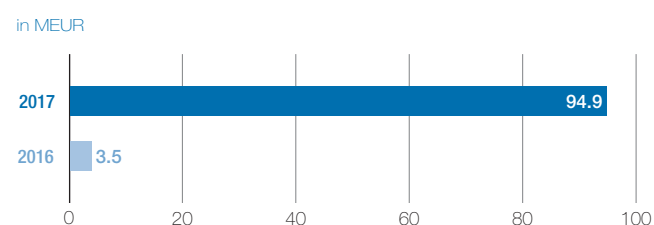
in MEUR	2017	2016
Advanced Manufacturing & Services	103.2	86.7
Oilfield Equipment	221.0	96.3
<b>Total sales</b>	<b>324.2</b>	<b>183.0</b>

The customer base for the “Advanced Manufacturing & Services” segment essentially consists of large, globally operating directional drilling service companies. The development of the segment depends on customers’ capital spending. Following dramatically curtailed spending in the years 2015 and 2016, expenditures went up again starting in 2017, resulting in continuously improving sales during 2017. Sales rose by 19.1 %, from MEUR 86.7 in 2016 to MEUR 103.2 in 2017.

The “Oilfield Equipment” segment reported much stronger growth

in sales. On the back of market recovery in North America and the associated significant rise in drilling and completing activity, sales climbed by 129.5 %, from MEUR 96.3 in 2016 to MEUR 221.0 in 2017, supported by the company’s strategic positioning in the North American market and the counter-cyclical acquisition of Downhole Technology.

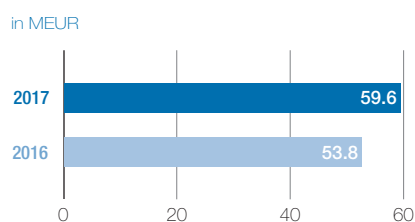
## Gross profit



Following MEUR 3.5 in 2016, gross profit in 2017 rose substantially to MEUR 94.9, and with it the gross margin, which went up to from 1.9 % in 2016 to 29.3 % in 2017. The significantly higher gross margin is a result of the growth in sales due to larger volumes and selective price increases, in tandem with better capacity utilization and cost reductions from the restructuring activities in the years 2015 and 2016.

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

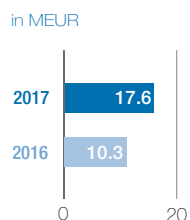
## Sales, general and administrative expenses



Sales, general and administrative expenses rose from MEUR 53.8 in 2016 to MEUR 59.6 in 2017. Sales, general and administrative expenses developed disproportionately below the rise in sales, falling from 29.4 % of sales revenues for the year 2016 to 18.4 % for the year 2017.

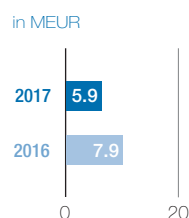
Sales, general and administrative expenses consist mainly of salary and salary-related expenses, professional fees for operational activities, travel and entertainment costs, communication and insurance expenses.

## Other operating expenses and income



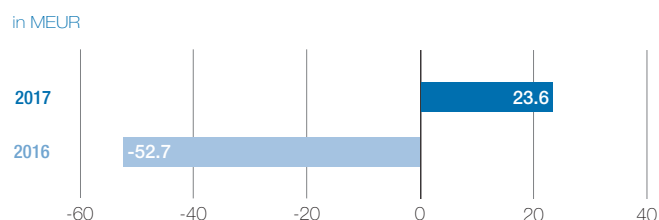
Other operating expenses amounted to MEUR 17.6 in 2017 (2016: MEUR 10.3). This item includes primarily research and development costs amounting to MEUR 7.8 (2016: MEUR 7.6),

as well as exchange losses of MEUR 9.8 (2016: MEUR 2.6). Substantially higher exchange losses compared to the year before were due to the valuation of assets in foreign currencies whose exchange rate against the Euro at the balance-sheet date had gone down sharply.



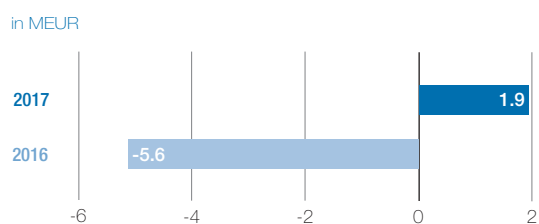
Other operating income in 2017 totalled MEUR 5.9 (2016: MEUR 7.9) and, apart from exchange gains, consisted of rental income, service charges and income from the sale of fixed assets. The drop in other operating income is due mainly to lower exchange gains in 2017 of MEUR 5.0, compared to MEUR 6.5 in 2016.

## Income from operations before non-recurring items



Due to the increase in sales, income from operations before non-recurring items returned from MEUR minus 52.7 (minus 28.8 % of sales) in 2016 into clearly positive territory: MEUR 23.6 for 2017 generated a margin of 7.3 % of sales.

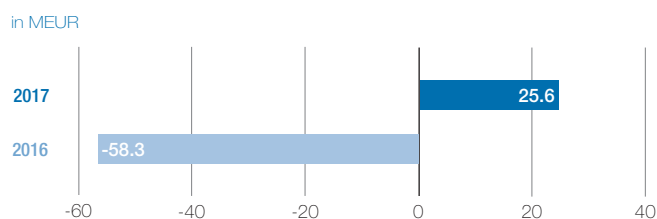
## Non-recurring items



Income generated in the 2017 financial year of MEUR 1.9 came from the sale of a plot of land in the United States, which was no longer needed after production sites had been merged.

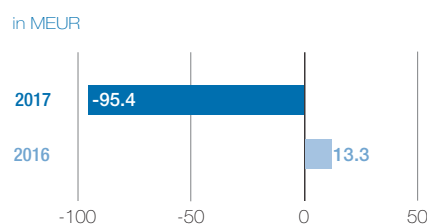
In the 2016 financial year, expenses for non-recurring items totalled MEUR 8.1, with MEUR 3.0 spent for restructuring production sites in the US, and MEUR 5.1 for impairment of property, plant and equipment and goodwill. These expenses were opposed by income from the sale of property, plant and equipment associated with restructuring activities totalling MEUR 1.7 and income from the sale of a plot of land in the UK of MEUR 0.8, in total MEUR 2.5.

## Income from operations



Income from operations after non-recurring items rose from MEUR minus 58.3 in 2016 to MEUR 25.6 in 2017.

## Financial result



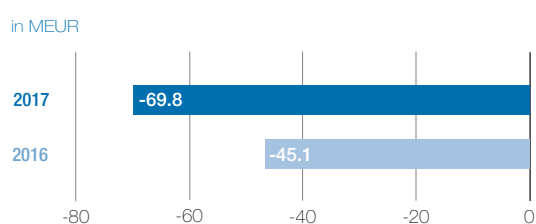
The financial result in 2017 was MEUR minus 95.4, following MEUR 13.3 in 2016.

The revaluation of option commitments for the 2017 financial year led to an expense posting of MEUR 87.6, substantially resulting from higher profit expectations for Downhole Technology. Higher income expectations for Downhole Technology drove up the price for exercising the option to acquire the remaining shares of minority shareholders, which may be drawn by SBO in the form of a put/call option or may be sold to SBO by minority shareholders. Last year's result included income from revaluations of option commitments amounting to MEUR 17.2.

In the past financial year, net interest result was MEUR minus 6.3 (2016: MEUR minus 4.0), including the proportionate result of the shares held by respective management and participation rights in individual subsidiaries, which came to MEUR minus 0.3 in 2017 (2016: MEUR 1.8).

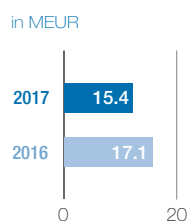
Other financial expenses amounting to MEUR 1.4 (2016: MEUR 0) include dividend payments to minority shareholders for shares in companies for which put/call option agreements are in place.

## Profit / loss before tax



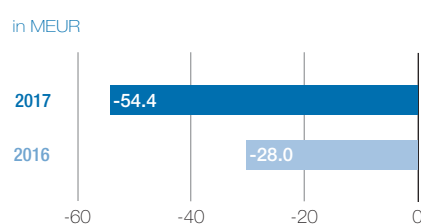
Profit / loss before tax for the year 2017 was MEUR minus 69.8, following MEUR minus 45.1 in 2016. Without considering option revaluations, profit / loss before tax was MEUR 17.9, while the comparable result in the previous year was MEUR minus 62.3.

## Income taxes



Income taxes in 2017 amounted to MEUR 15.4 (2016: MEUR 17.1), consisting of current tax expenses of MEUR 9.0, resulting from positive earnings contributions mainly in North America and deferred tax income of MEUR 24.5. An amount of MEUR 18.5 relates to future tax reliefs relating to the option valuation for Downhole Technology. The remaining MEUR 6.0 relate to changes in other temporary differences and, to a lower extent, capitalisation of tax effects from current losses.

## Profit / loss after tax / dividend



Profit / loss after tax for 2017 was MEUR minus 54.4, following MEUR minus 28.0 in the year before. Without considering option valuations, profit / loss after tax came to MEUR 14.8, and the comparable result for the previous year to MEUR minus 46.8.

Earnings per share arrived at EUR minus 3.41 in 2017, following EUR minus 1.75 in 2016. Without considering option valuations, earnings per share came to EUR 0.93, and the comparable result per share for the previous year to EUR minus 2.93.

The Executive Board proposes to the Annual General Meeting to pay a dividend of EUR 0.50 per share for 2017, totalling a distribution to shareholders of MEUR 8.0.

## Assets and financial position

Shareholders' equity as at 31 December 2017 was MEUR 322.0, following MEUR 425.7 as at 31 December 2016. The equity ratio arrived at 42.9 %, compared to 53.1 % in the year before. This development is due, on the one hand, to the negative profit / loss after tax resulting from valuation expenses for option commitments and, on the other hand, to negative development of the adjustment item from currency conversion resulting from the lower US dollar exchange rate.

Net debt as of 31 December 2017 was MEUR 50.7, down MEUR 0.3 from net debt as at 31 December 2016 (MEUR 51.0). The gearing ratio (net debt in percent of shareholders' equity) as at 31 December 2017 was 15.7 %, following 12.0 % in the year before.

Due to the negative impact of the valuation expenses for option commitments, cashflow from income decreased from MEUR 13.7 in 2016 to MEUR minus 23.1.

This valuation expense for the cashflow from current operations is neutralised, as the expense position is not cash-effective. Given the clearly increased operating income, cashflow from operating activities went up from MEUR 31.3 in 2016 to MEUR 44.6 in 2017.

Net cash outflows from investing activities totalled MEUR 28.0 (2016: MEUR 100.4), of which MEUR 32.1 (2016: MEUR 13.0) were spent for additions to fixed assets and intangible assets. Thereof, MEUR 28.2 were used for the "Oilfield Equipment" segment, mainly for capacity expansion at Downhole Technology relocating to a new site and for further increasing the rental fleet of drilling motors and downhole circulation tools, and MEUR 3.8 for the "Advanced Manufacturing & Services" segment. In the 2017 financial year, a positive free cashflow of MEUR 16.6 was generated (2016: MEUR minus 69.1).

### **Report on the essential characteristics of the internal control 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 the corporate headquarter plays a particularly important

role in identifying risks at an early stage and implementing countermeasures. Operational entities provide the necessary information by timely monthly reporting to the Executive Board.

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 the corporate headquarter 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, 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 disclosure issues). A certified consolidation programme equipped with the necessary auditing and consolidation routines is used for automated preparation of the consolidated financial statements.

### **Information according to Section 243a Austrian Commercial Code**

The share capital of the company as at 31 December 2017 and as at 31 December 2016 was EUR 16 million, divided into 16 million common shares with a par value of EUR 1.00 each.

The Annual General Meeting held on 27 April 2016 authorised the Executive Board, for a period of 30 months, to buy back own shares up to a maximum of 10 % of the share capital. In the 2016 financial year, the company acquired 40,597 own shares at a purchase price of TEUR 2,167. In 2017 no own shares were bought back.

As at the 2017 balance sheet date the company held 46,597 own shares (previous year: 52,597 shares), representing a share of 0.29 % (previous year: 0.33 %) in the share capital at a purchase price of TEUR 2,555 (previous year: TEUR 2,884). Therefore, the number of shares in circulation is 15,953,403 (previous year: 15,947,403).

As at 31 December 2017, Berndorf Industrieholding AG, Vienna, held approximately 33.4 % in the share capital (previous year: approximately 33.4 %).

No additional reportable facts pursuant to Section 243a Austrian Commercial Code exist.

# OUTLOOK

For 2018 and 2019, the International Monetary Fund (IMF) forecasts an increase in global economic growth of 3.9 % (following 3.7 % in 2017 and 3.2 % in 2016). In the industrialised nations, economic growth in 2018 should come to 2.3 %, and in 2019 to 2.2 % (following 1.7 % in 2016 and 2.3 % in 2017). Regarding emerging markets and developing countries, the IMF assumes that economic growth in 2018 will arrive at 4.9 % and in 2019 at 5.0 % (following 4.4 % in 2016 and 4.7 % in 2017).

The global economy is expected to grow even further in 2018 and 2019. According to the IMF, economic growth will be attributable to higher investment, more trade, rising industrial production and stronger confidence on the part of businesses and consumers. Moreover, the US tax reform should trigger a temporary rise in US growth to the benefit primarily of its trading partners Canada and Mexico.<sup>11</sup>

The International Energy Agency (IEA) estimates that oil demand will go up further in 2018: Oil consumption is set to rise by 1.4 mb/d to 99.2 mb/d in total. In OECD countries, average demand for oil of 47.4 mb/d should stay at the same level as in 2017. In non-OECD countries, average demand should rise by 1.3 mb/d, to a total of 51.8 mb/d. At the same time, crude oil supply in non-OPEC countries is expected to increase by 1.7 mb/d to 59.9 mb/d. Given consistent compliance with OPEC's production limit, the crude oil market should remain in balance in 2018 as well.<sup>12</sup>

Following insufficient spending by oil and gas companies in recent years, which further aggravated as spending for

*"Positive indicators lead us into the year 2018"*

exploration and production (E&P spending) was again curtailed internationally in 2017, the need to catch up is increasing. Steadily rising demand for oil and gas and growing decline of production rates from existing fields (also called depletion rates) are clear indications that projects off the North American mainland will need to be resumed. Technical improvements and maintaining production of projects that had already been realised have kept production stable temporarily also in the international market. At the same time, however, the volume of newly discovered resources has fallen to its historic low.<sup>13</sup> Based on 2017 crude oil output, the share of the international market in global supply makes up 41.3 % (internationally vs North America and OPEC countries).<sup>14</sup>

<sup>11</sup> International Monetary Fund (IMF), World Economic Outlook, January 2018.

<sup>12</sup> International Energy Agency (IEA), Oil Market Report, February 2018.

<sup>13</sup> Rystad Energy UCube and Rystad Energy Research and Analysis, December 2017.

<sup>14</sup> International Energy Agency (IEA), Oil Market Report, February 2018.



Rising oil prices have recently supported the release of several exploration projects also outside North America onshore, creating a momentum that should last throughout 2018. For 2018, expectations are that the number of projects ready for what is called offshore final investment decisions (FIDs) should even go up.<sup>15</sup> These projects should entail increasing capacity utilization for the oilfield service industry in the periods ahead. According to leading analyst and investment firms, global E&P spending should grow by 7 %, whereas internationally an increase of 4 % is expected.

In North America, where projected spending growth of 14 % should be even sharper, shortages of tools and equipment are intensifying. This should not only drive up equipment providers' capacity utilization, but also favour price inflation for oilfield service suppliers, such as SBO.<sup>16</sup>

Expectations for 2018 are that North America will remain the leading driver of growth. At the same time international recovery should set in gradually. SBO has prepared thoroughly for the upswing to ensure that its strategic orientation and ongoing research & development (R&D) activities will enable SBO to fully participate in the upswing as technology and market leader.

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## MATERIAL RISKS AND UNCERTAINTIES

For the risk report, reference is made to Note 36 in the notes of the Consolidated Financial Statements.

With respect to the use of financial instruments, reference is made to Note 35 in the notes of the Consolidated Financial Statements.

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## SUPPLEMENTARY REPORT

We refer to Note 42 of the Consolidated Financial Statements.

<sup>15</sup> Evercore, 2018 Outlook: The Global Recovery Begins Anew, December 2017.

<sup>16</sup> Evercore ISI Research, Evercore ISI Global E&P Spending Outlook: A Pivotal Year For E&P Capital Deployment, December 2017; alike: Barclays, Global 2018 E&P Spending Outlook, December 2017.

# NON-FINANCIAL STATEMENT

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## MATERIALITY ANALYSIS

Our Annual Report has been brought in line with the provisions of the Sustainability and Diversity Improvement Act (NaDiVeG). In course of revising the report, we analysed and defined, based on our business model and our mission statement, which stakeholders, aspects and topics are crucial for our business operations.

**Material aspects** are those that reflect the company's significant economic, environmental and social impacts, or substantively influence the assessments and decisions of stakeholders. What is material is heavily influenced by our strategy, but also defined by our stakeholders. This is why we, as a first step of our materiality analysis, have identified the relevant stakeholders.

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## OUR STAKEHOLDERS

To SBO, stakeholders are all individuals and organisations interacting with us, influencing our business success and who are exposed to the effects of our activity. Our analysis and

identification of stakeholders included characteristic features and particularities of SBO's business operations comprising, among others, the value chain of the oilfield service industry and our special position as leading provider in our niches, our globally located production sites and branch offices and employees who work there. We practise the fundamental principle of not only dealing with current tasks and challenges, but also to look ahead and respect the interests of future generations. This approach not only warrants that we actually practise corporate social responsibility (CSR) in everyday business, but also that we can cope with the cycles our industry is exposed to with the greatest possible caution and prudence.

Effective stakeholder management has a significant influence on corporate success and, therefore, is of strategic significance to SBO. It is important for SBO to know its stakeholders and their motivation, and to constantly evolve good relations that usually benefit both parties. As a globally active production company and employer of 1,432 individuals, SBO plays a role not only in economic, but also ecological and social terms in several regions. Accordingly, the interests of our stakeholders may be diverse. We have identified our stakeholders, analysed the motivation we are aware of and broken it down into meaningful aspects.



We break down our stakeholders into two groups with similar interests: Firstly, those stakeholders that are part of the value chain, including suppliers, employees and customers. This group has a particularly strong interest in operational performance criteria, such as safe work processes, high-quality products and reliable business relations.

We differentiate this group from the second group which is highly interested in our business success and activities from an ecological and social perspective: The shareholders and the capital market, the local community and the media.

We are in close contact with all stakeholder groups and maintain our relations on an equal footing, attaching great importance not only to pursuing our corporate interests vigorously, but also to listening closely and shaping the wide range of interests effectively so as to create a win-win situation.

Given SBO's good relations with our stakeholders we can identify risks early and, where necessary, adopt countermeasures proactively. They secure our reputation and, ultimately, are part of our business success.

### KEY THEMES OF SUSTAINABILITY

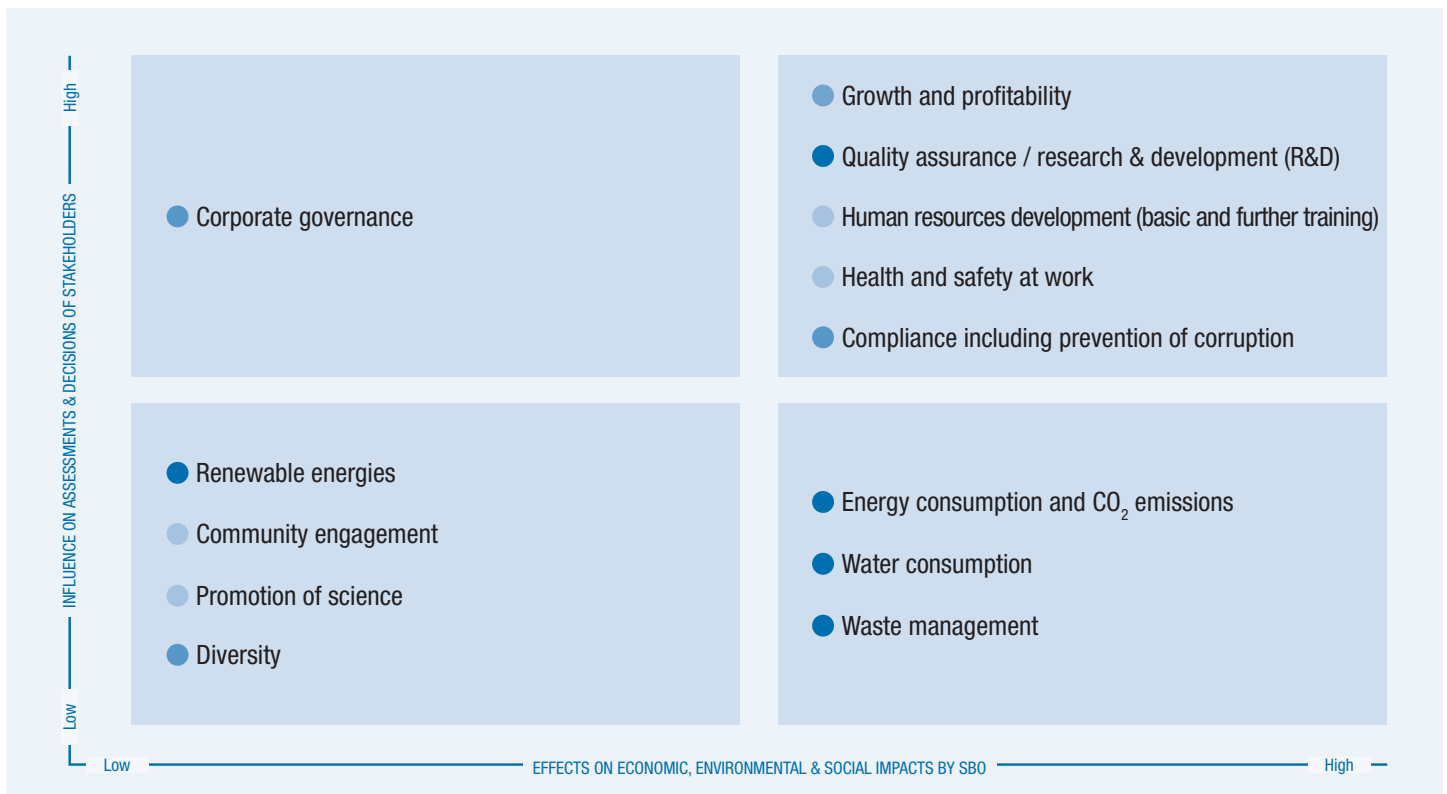
Apart from identifying and grouping stakeholders, we have established the major themes of sustainability in our company based on an analysis of the business activities involving internal and external sources. The legal framework applied in this respect was the Austrian Sustainability and Diversity Improvement Act. Internally, we interviewed managing directors and employees, analysed talks with customers, evaluated internal guidelines on quality and supplier management, assessed educational and further training programmes and activities, and held capital market talks. The findings gained from the process have been summarised and prepared systematically, taking account of our strategy.

In our analysis we have identified the following topics that need to be managed actively on the strategic level for ensuring a comprehensive and relevant approach to sustainability:



The above topics have been weighted based on two criteria: Firstly, their influence on our stakeholders and their decisions with regard to SBO. Secondly, their effects on economic, environmental and social aspects of the company. From

that, we prepared a two-dimensional matrix demonstrating the factors leading the way to sustainable behaviour in our company and as a company.



Linking our key themes and their weighting for SBO brings up nine specific major fields of action:

1. Growth and profitability
2. Quality assurance and research & development (R&D)
3. Human resources development (basic and further training)
4. Health and safety at work
5. Compliance including prevention of corruption
6. Corporate governance
7. Energy consumption and CO<sub>2</sub> emissions
8. Water consumption
9. Waste management

We report about these key fields of action and our activities in the following chapters, broken down into the topics “Sustainable growth”, “Environmental concept”, “Social and employee concept” and “Concept for the respect for human rights, anti-corruption and bribery”. In the process, we deliberately take different perspectives to discuss the same topics, but with varying priorities in each chapter, consistently putting them into the overall context of our strategy. As set forth in the communication policy of SBO, we make no forecasts on key performance indicators and specific targets.

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## RISKS AND OPPORTUNITIES

In the risk report contained in the consolidated financial statements, SBO reports in detail about the risks the company is exposed to. While we have found no substantial risks associated with sustainable management, we have identified the following risk areas:

### Quality

Defects in our products, such as material breakage, would impair both our customers and the environment. Such incidents, for example, may damage or contaminate the soil. Therefore, quality assurance in procurement and production is key for the environment, our and our customers' business success.

### **Safety at work and quality assurance**

Errors in work processes and insufficient training on certain work stations entail risks for product quality and employees' safety at the workplace. Specific training measures are in place to ensure that such risks are traditionally low at SBO.

### **Market environment**

The oil and gas industry is cyclical per tradition where upswings may be followed by sometimes long downturn periods, which has direct and, at times severe, implications for growth and the environmental, social, and employee-related matters of SBO. In launching specific countermeasures as described below, management aims to address such risks and reduce their impact.

### **Needs-oriented personnel planning in a cyclical business environment**

In our cyclical environment, responding promptly to heavily fluctuating market conditions is of crucial importance to the development and stability of the company. When times are good this means that we must be able to expand our capacities rapidly and increase the size of our workforce. In more difficult times and years of crisis, however, when incoming orders and capacity utilization at our sites go down sharply, labor costs also must be lowered. At SBO, various measures, such as short-time labor and work hours accounts, were introduced to delay and reduce the number of otherwise required dismissals in the past years. The risk of tight labor supply in the oil and gas or oilfield service industry is considered low at SBO.

### **Meeting stringent compliance and anti-corruption provisions specifically in countries vulnerable to corruption**

SBO has adopted stringent internal rules and regulations which define binding ethical conduct across the group. Violation of these rules by one or several employees may cause considerable financial damage and significantly harm our reputation. Precisely defined measures taken in various areas of ethical conduct aim to strengthen awareness for ethical and non-ethical behavior and set standards beyond national borders within the SBO group.

### **Business secrets**

As a technological leader, protecting our business secrets is of paramount priority. This includes, first and foremost, our research and development activities and results, our know-how, internal data, such as confidential business figures, and other data such as customer data, data on our employees or internal planning and budgets. Our employees are required to treat data as confidential, and a professionally organised IT environment ensures that a system for data security is in place.

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## SUSTAINABLE GROWTH

Growth is a clear strategic target of SBO. Our sustainable growth strategy comprises three core elements which we pursue consistently in our cyclical environment: Organic growth, research and development, and strategic acquisitions. These core elements are cross-cutting and ensure that we can grow and evolve in the long run.

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### ORGANIC GROWTH

In the cyclical market environment around our company strong phases of organic growth typically are followed by periods of downturn. The challenge is to manage the company in such an environment with responsibility and great foresight, and make the best possible use also of a downturn to get prepared for the next upswing from a position of strength. The efforts made to achieve this aim focus on enhancing the company's efficiency and, at the same time, fortify its structures to preserve and expand our market position.

[Organic growth](#) is our concept for developing our business segments and extending our regional network continuously, pushing forward market penetration of our products around the globe. This includes, in particular, reinforcing our sales network: We entertain own branch offices in 11 countries to serve customers on site. In 2016 we opened offices in Saudi Arabia and Mexico, which went fully operational in 2017. Furthermore, we focused on managing our activities for a best practice participation in the upswing. In North America, where

business could be run up to full speed in 2017, we not only added on our headcount, but also adjusted our rental fleet, including our drilling motors, to rising demand.

In 2016, we used low capacity utilization at the Ternitz site for obtaining certification according to EN 9100 (aviation, space and defence industry). This is a valuable further education programme for our employees that provides more diversification for the company strategically and broadens our expertise.

Capacity-wise, our subsidiary Downhole Technology has set a milestone in our growth efforts: Due to high demand for our products we decided to expand capacities there. As our subsidiary moved to a larger site in the second half of 2017, it will exploit market opportunities fully and grow along them. In our high precision manufacture, we adjusted our Direct Metal Laser Sintering (DMLS) capacities to rising market demand by purchasing further machines and remain a pioneer in this 3D metal print technology in the oilfield service industry.

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### RESEARCH AND DEVELOPMENT

[New inventions and innovative technologies](#) ensure that SBO - and our customers - are always one step ahead. This, in turn, enables us to grow organically and exploit new opportunities for expanding our company. We aim to be a front runner in research and development (R&D). Our goal is to offer solutions to our customers and the market which they have not even asked for.

Driven by our guiding principle “Quality First” we develop both new solutions and more efficient and environmentally friendly products to reduce resource consumption and contribute to efficiency increases in the market. As technology leader we invest heavily in research and development (R&D) to extend our lead and deliver high-end solutions to our customers. We develop products that help cover globally rising energy consumption with utmost efficiency.

Our employees play a key role in the process. We invest in them as we invest in our research and development (R&D) projects. Our team members are constantly encouraged to get actively involved and tap new potentials jointly. At the same time, we require our employees to broaden their skills and learn more about general matters relevant to the company.

As global market leader, we pursue innovations vigorously. In 2017, we invested successfully into the following developments:

- On the manufacturing of non-magnetic stainless steel collars, SBO has broadened its capabilities through the development of a [specialty laser lance](#). This technology enables application of wear resistant claddings over long distances within bores of tiny inner diameters with the effect of a clearly increased durability of the drill collar. Furthermore, with our newly invented [3D-laser measurement technology](#), Measurement While Drilling (MWD) / Logging While Drilling (LWD) components can be measured with highest precision. The highest quality standards at our products can therefore be deployed with even higher precision.

- The additive manufacturing technologies [Direct Metal Laser Sintering \(DMLS\)](#) and [Electron Beam Welding \(EBW\)](#), already introduced in previous year’s report, could be well positioned on the market. In a number of applications, DMLS together with EBW, which is a fusion welding process in which a beam of high-velocity electrons is applied to two non-magnetic steel or other steel materials to be joined, shows design optimization opportunities, coming along with not only much better product efficiencies, but also less product parts and reduced production lead-times. Among the parts manufactured, “Variable Orifice Injection Safety Valves”, which are required for well control in water or gas injection undertakings, proved clear benefits with respect to higher fluid rates and lower costs of manufacturing.
- Among the evolving fleet of downhole drilling tools, SBO has developed a new tool for hole cleaning operations. With its ability to split the fluid flow while drilling, completion and workover operations, the operator gets higher overall performance in hole cleaning undertakings. Cutbacks on drilling efficiency can thus be avoided. This new tool, coming within the family of [circulation tools](#), products for the mitigation of losses of drilling fluid, allows a much higher fluid velocity above the downhole drilling tools in the drillstring.
- On the materials side, specially developed [dissolvable balls](#) have been introduced to the product offering of very efficient composite frac plugs. The balls are needed to isolate the zones below the plug after the plug has been set and the zone perforated. With dissolvable balls, operators have an easier task as used balls do not have to



be removed by flushing or milling them out of the wellbore. In comparison to dissolvable plugs currently available on the market, SBO's dissolvable balls turn out to be very reliable and to show a much more satisfying granularity after having dissolved.

- Furthermore, in the field of sliding sleeve completions, which covers the other dominant technology besides plug'n'perf in the completion of unconventional reservoirs, our [closable sleeve system](#) has been developed further and is gaining momentum on the market. The opportunity to open and close sleeves individually provides the significant benefit to the operator that migrating back of fracture proppant into the wellbore before the formation has had time to "heal" onto the proppant, can be prevented. Additional benefits are that zones can be shut off when they begin to produce unwanted formation water and the possibility to selective re-stimulation of any or all zones if production declines dictate this requirement in future.

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## ACQUISITIONS

Apart from organic growth and research and development (R&D) we make [acquisitions](#) wherever promising opportunities arise. SBO has always pursued a successful strategy for mergers & acquisitions (M&A), as demonstrated by our corporate structure uniting a large number of successfully operating subsidiaries under the umbrella of SBO AG. We are constantly screening the market for companies that would extend our expertise or be a perfect addition to our fields of

business. Generally, we consider ourselves as niche provider in the high-tech and high-performance area. Acquisitions must fit our needs, and this is why we are looking for profitable businesses offering a valuable addition of new technologies and solutions.

This strategy is illustrated impressively by a deal we concluded at the beginning of the second quarter of 2016: Acquiring Downhole Technology in the midst of the worst crisis in our industry in 30 years helped us to expand our market position in the profitable well completion business and widen our product offering. In 2017, we clearly benefited from the brisk demand for Downhole Technology products that are designed to save water, time and costs and are very much sought after in the high-yield North American market.

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## ENVIRONMENTAL CONCEPT

SBO has set up a specific environmental strategy for each location that consists in decreasing waste volumes and reducing energy and water consumption, according to the local conditions. Those measures are an addition to our efforts for continuous improvement and development of our products and solutions, as we are aware that we leave an ecological footprint on our planet. Our materiality analysis has shown that our environmental management has to focus mainly on the following areas: Quality assurance, energy consumption and CO<sub>2</sub> emissions, water consumption and waste management.

Fossil energy sources are the largest pillar of energy supply today. The share of oil and gas in global demand for primary energy is 53.7 %. This share is expected to go down merely to 53.1 % by 2025, and to 52.2 % by 2040. Projections are that the share of renewable energies, including hydropower and bioenergy, in primary energy demand in 2025 will account for a mere 16.0 %, and 19.7 % even in 2040, compared to 14.0 % today. Without bioenergy, this share of an estimated 5.9 % in 2025 and 9.5 % in 2040, or 4.2 % as of today, is considerably lower.

In the field of transport alone, extra demand for oil is expected to come to an annual growth of 0.6 %, from 51.7 mb/d to 59.7 mb/d by 2040, and 0.8 %, to 55.6 mb/d by the year 2025. Even road transport - which is under political discussion - is set to see an increase in demand by 0.3 % annually, from 40.7 mb/d to 44.0 mb/d in 2040. This includes activities promising to save energy, such as switching from oil and gas to biofuels and efficiency-enhancing measures. Potentials are believed to be derived from technical improvements in areas such as hybridisation, direct injection, variable valve control, weight and friction reduction that should save additional demand for oil of 12 mb/d up until the year 2040 in an environment of increasing transportation. Vehicle electrification (all-electric and plug-in hybrid electric vehicles) should reduce additional demand by 2.5 mb/d.

Electrification will play a role almost exclusively for light-duty vehicles (LDV). While heavy-duty vehicles should evenly see some efficiency-enhancing effects, those in addition to systemic and logistic improvements, considerably rising demand for transport is expected to lead to additional demand for crude of in total 4 mb/d by the year 2040. As a result, additional demand in freight transport should be higher than

the relatively lower savings achieved in passenger transport.<sup>16</sup>

In the period under review, SBO launched a group-wide initiative to collect and control key performance indicators for further improving the company's environmental management. For the first time, data on energy consumption and CO<sub>2</sub> emissions, water consumption and waste management were assessed across the group and will be used as another tool for sustainability management and, as sound and comparable metrics, for documenting progress.

With its efficient products, SBO contributes to safe and sustainable energy supply - achieved through highest quality standards applied throughout the company.

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## EFFICIENT PRODUCTS

At SBO we develop and manufacture products standing out by high reliability and utmost efficiency. This is how we make our contribution to meet growing demand for oil and gas while keeping an eye on protecting resources wherever possible.

SBO is the global and technologically leading provider of products for directional drilling. State-of-the-art Measurement While Drilling (MWD) / Logging While Drilling (LWD) technology is applied to tap into reservoirs located at depths of even 15 km with utmost precision in order to increase the recovery factor from only one existing well via a number of horizontal wells.

<sup>16</sup> IEA, World Energy Outlook 2017, New Policies Scenario.

Our drilling motors are extremely reliable with low downtimes, minimising the risk of the drillstring getting stuck and equipment being lost in the ground. When selecting stainless steel grades for our high-precision components we make sure not to use materials impacting the environment. When drilling has been completed, these components are withdrawn from the ground without leaving residues, followed by respective disposal.

Our circulation tools are used to clean and seal boreholes during the drilling process as needed, reducing the risk of drilling fluid pressure fluctuations. Past experience has shown that overpressure and thus uncontrolled release of drilling fluid at the entry of the well (referred to as blowout), in rare cases, may cause severe accidents. Our tools are highly reliable, easy to operate and safe to use, offering time, safety and cost benefits to our customers.

Our subsidiary Downhole Technology is a leading manufacturer of composite frac plugs requiring significantly less water than standard products in the market. In plug'n'perf well completion operations where occasionally more than 100 frac plugs are used in a single well, such frac plugs can save water by 30 % to 50 %. Additionally, less transport is needed, because drilling regions often are supplied with water by trucks on land. The efficient use of water and transport routes benefits both our customers and the environment.

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## QUALITY ASSURANCE

High and constant quality in production processes and our products is a fundamental criterion in our everyday business. This is what we demand from ourselves and what our customers rightly claim from us. Our products must meet most stringent requirements in daily operations and safely resist adverse downhole conditions. Therefore, as quality and technology leader, we have entrenched awareness and pursuit of maximum quality deeply in our processes. We develop not only new solutions, but work steadily at increasing reliability and performance. This approach has been summarised under our guiding principle "Quality First", which enjoys top priority at all our sites and business areas and is an essential element of our corporate culture.

In high-precision manufacturing of our non-magnetic drill collars we develop and produce components for sophisticated directional drilling, where choosing the right materials, precision and reliable quality make all the difference. In extreme cases, material weakness and imprecise machining may lead to material breakage and total failure of the drillstring. Flawless high-quality products reduce the need for time, cost and resource-consuming repairs to a minimum.

Clear specifications are in place for each of our products, reviewed continuously throughout the production process.

These specifications are the result of our product development, on the one hand, and customer requirements, on the other hand, wherever tailor-made solutions are needed by our customers.

As regards suppliers, the selection process is the starting point for evaluating whether or not a supplier meets our defined quality standards. To qualify as a supplier of choice, the potential supplier must demonstrate that its quality management system meets the stringent requirements of SBO. Suppliers' performance is evaluated on a regular basis, with a focus on which types of material they delivered and if they received environmental certification. Additionally, critical suppliers are assessed on the spot, and first article inspection or analysis of origin of the product concerned is conducted. Should a supplier not be able or willing to meet our stringent requirements, we will, in case of doubt, terminate business relations with the supplier.

Our professionally trained personnel monitors all production steps. Inspection is made immediately on completion to respond to deviations at an early point, ensuring full product quality within the shortest possible production time. Final quality checks tracking actual performance against targets document the constantly high quality of our products. Demonstrating our quality awareness is a major competitive advantage in the market to strengthen customers' trust in our company.

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## QUALITY MANAGEMENT

Our quality management pursues a holistic approach and considers the entire product life cycle. Located in all major oil and gas regions, our service and repair shops handle and discuss claims with customers immediately on the spot and provide top-priority solutions. Claims are registered and analysed, and the results obtained are then implemented in our processes. Our high quality standard and full commitment to quality management are the main reason why we can proudly state that the relations we have established with most of our customers have lasted for many decades.

All our employees are aware that our success depends on their high-quality work. SBO attaches great importance to our "Quality First" culture in all areas and on all levels. Our machines meet state-of-the-art requirements and are measured regularly to those standards.

Our employees are highly qualified and work with utmost precision. Nevertheless, certain steps in production benefit from automation and digitalisation, such as quality management and product and process control. In several areas, we make use of modern software solutions to automate processes that require detailed planning and are prone to errors. This allows us to save time, reduce costs and bring about considerable efficiency increases also in terms of personnel resources.

We have introduced key quality standards at our production sites and conduct quality tests on a regular basis. Many of our global sites have received certification under the leading industry standards API Spec Q1, 7-1 and / or ISO 9001. Our Austrian site in Ternitz has been certified to EN ISO 14001 (environmental management).

## ENERGY CONSUMPTION AND CO<sub>2</sub> EMISSIONS

Our production process is energy-intensive and therefore has to be considered also in terms of emissions. The largest part of the energy needed, mainly electricity, is taken from public power grids. In production, our approach is sequential adaptation, with a focus on cutting energy consumption constantly through efficiency increases, making the best possible utilization of

resources and streamlining production process designs in terms of energy consumption.

Our largest production site located in Ternitz accommodates a machining centre for non-magnetic drillstring components that was built in 2014. The project included a solar power station with an overall output of 720 kWp (kilowatt peak) to cover part of our electricity demand in production with environmentally-friendly renewable energy contributing to a reduction of CO<sub>2</sub> emissions.

Total energy consumption in production in 2017 came to 12,078.9 gigajoules (GJ), up 19.4 % from total energy consumption in the previous year (2016: 10,114.7 GJ). Hence, the calculated emission of carbon dioxides stood at 11,917.7 tonnes (2016: 9,885.2 tonnes). This rise is due to growing demand for products driving up sales by 77.2 %.

## ENERGY CONSUMPTION AND CO<sub>2</sub> EMISSIONS AT THE SBO GROUP

	UNIT	2017	2016
Energy consumption	GJ	12,078.9	10,114.7
CO <sub>2</sub> emissions	Tonnes	11,917.7	9,885.2

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

## WATER EFFICIENCY

One of the most important cooling and cleaning agents used in stainless steel machining is water. At all sites, we take particular care to ensure cautious, efficient and conserving use of this resource. Again, the Ternitz site is a pioneer here, having switched years ago from mains water to circulation water for

cooling individual machines, such as the cold forging plant. In 2017, global water consumption totalled 58,303.0 cbm (2016: 42,479.6 cbm). The increase in water consumption is the result of higher activities.

## WATER ABSTRACTION OF THE SBO GROUP

	UNIT	2017	2016
Water abstraction	cbm	58,303.0	42,479.6
thereof ground water	cbm	24,871.5	16,126.5
thereof from public water mains	cbm	33,431.5	26,353.1

\* Water abstraction at all operating sites, excluding circulation water, insofar as can be reliably determined

## WASTE MANAGEMENT

When developing and selecting materials, including, in particular, stainless steels, we pay attention to the reduction of pollutant-containing raw materials. As a result, production rejects at SBO are largely free from pollutants. This allows for environmentally safe disposal of rejected items and products having reached the end of their service life at the customer.

In areas where material is purchased from outside, we inform our suppliers about the requirements and processing of our purchases. This procedure allows us to order such materials

in conformity with technical requirements and as closely as possible to boundary specifications such as form and size. This early step in the production chain plays an essential role in avoiding production wastes and reduces the ecological footprint as transport volumes are kept low.

Production processes are designed to ensure that the materials used in production are machined with utmost efficiency, creating an optimal input / output ratio. Nevertheless, our production and steel machining generates a considerable amount of waste.

Therefore, we have had an efficient waste management system in place for many years. Most of the metal scraps leave our production plant not as waste, but as valuable raw material for steelmaking and remain part of the value chain. Wastes that cannot be recycled are disposed of in line with state-of-the-art environmental standards at all of our sites. At some sites, lubricants such as used in production are collected, filtered during separation and reintroduced in the production cycle while production is running. We work at increasing the recycling rate continuously and have been making good progress.

In 2017, a total of 3,993.6 tonnes of waste were generated across the group (2016: 2,390.9 tonnes), including

384.9 tonnes of hazardous waste, a share of only 9.6 %. Hazardous waste includes both metal waste from production, classified as hazardous under the Basel Convention, and contaminated water from the cleaning of tools used for drilling, requiring separate processing and disposal.

This rise was due to growing demand for products and entry of Downhole Technology during the 2016 financial year. The strongly growing Well Completion business has, by its nature, rather high quantities of non-metal waste, which cannot be sold as raw material for steelmaking. Our aim is to further optimise the ratio between output and amount of waste generated.

## WASTE MANAGEMENT OF THE SBO GROUP

	UNIT	2017	2016
Total waste	Tonnes	3,993.6	2,390.9
thereof non-hazardous waste	Tonnes	3,608.7	2,009.6
thereof hazardous waste	Tonnes	384.9	381.3
Internationally shipped waste classified as hazardous (acc. to Basel Convention)	Tonnes	0.0	0.0

\* Total waste includes production waste and packaging material, insofar as can be reliably determined, not including metal scrap sold as raw material for steelmaking. Hazardous waste includes waste water contaminated by hazardous waste. Definition of hazardous waste based on Basel Convention

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## SOCIAL AND EMPLOYEE CONCEPT

Our experienced and highly trained team is key to SBO, as their expertise and know-how safeguard our company's sustained business success. From recruiting and their entry onward we support and promote our employees throughout their careers with SBO.

Our industry is characterised by cycles. In our personnel planning we try to mitigate the consequences of the ups and downs to the best of our ability. During the downturn in the past years, for instance, we focused on keeping know-how in the company and training appropriately qualified personnel for future years. Even in economically challenging times we keep the long-term perspective and invest in building our team. Attractive bonus models combined with an appealing work environment tie our experts and key personnel to the company for a long time. This is how we can preserve paramount know-how for production and minimise the risk of bottlenecks in production resulting from insufficiently qualified workers.

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## HUMAN RESOURCES DEVELOPMENT

### Best minds

At SBO, searching and promoting talents starts even before

they are hired and continues on through the entire employment period. In the recruiting process, we make sure to find the best suited person for the position and offer performance-related pays.

Gender and cultural origin are of no relevance for filling positions in our company. In 2017 we hired a total of 586 new employees. Due to natural movements, effective headcount increase in comparison each as at 31 December was 232 employees (from 1,200 in year 2016 to 1,432 in year 2017).

From total hirings, 65 were women and 521 men, representing a share of women of 11.1 %. Generally, technical professions traditionally attract more men than women, a fact that is even more pronounced in our industry. According to a survey, the share of women in the US oil and gas industry overall is 17.1 % on average.<sup>17</sup> At SBO, the share of women at the end of the 2017 financial year totalled 11.0 %, with 18.9 % white-collar and 6.7 % blue-collar workers (including apprentices).

SBO's corporate culture is characterised by our employees' strong identification with the company and our solutions. Our highly qualified employees have acquired their expertise over many years, ensuring the quality of our products. We aim to tie exactly those persons to the company for many cycles. This is why our personnel planning activities deliberately are long-term oriented.

<sup>17</sup> IHS for API, Minority and Female Employment in the Oil & Natural Gas and Petrochemical Industries, 2015-2035, Minority and Female Employment in the Oil & Gas and Petrochemical Industries: 2015, March 2016.



## TOTAL NUMBER OF EMPLOYEES BY EMPLOYMENT RELATIONSHIP, GENDER AND REGION

2017

HEADCOUNT	AUSTRIA	NORTH AMERICA (INCLUDING MEXICO)	UNITED KINGDOM	REST OF WORLD	TOTAL
<b>Total</b>	<b>309</b>	<b>764</b>	<b>137</b>	<b>222</b>	<b>1,432</b>
<b>EMPLOYMENT RELATIONSHIP</b>					
<b>White-collar</b>	63	328	44	73	508
<b>Blue-collar</b>	228	429	84	149	890
<b>Apprentices</b>	18	7	9	0	34
<b>GENDER</b>					
<b>Men</b>	277	684	123	190	1,274
<b>Women</b>	32	80	14	32	158

\* Total number each as at 31 December, countries defined according to company affiliation

## TOTAL NUMBER OF EMPLOYEES BY EMPLOYMENT RELATIONSHIP, GENDER AND REGION

2016

HEADCOUNT	AUSTRIA	NORTH AMERICA (INCLUDING MEXICO)	UNITED KINGDOM	REST OF WORLD	TOTAL
<b>Total</b>	<b>315</b>	<b>544</b>	<b>120</b>	<b>221</b>	<b>1,200</b>
<b>EMPLOYMENT RELATIONSHIP</b>					
<b>White-collar</b>	63	237	38	84	422
<b>Blue-collar</b>	227	307	72	137	743
<b>Apprentices</b>	25	0	10	0	35
<b>GENDER</b>					
<b>Men</b>	283	496	106	188	1,073
<b>Women</b>	32	48	14	33	127

\* Total number each as at 31 December, countries defined according to company affiliation

## Basic and further training

Both young and experienced employees undergo training on various aspects in our company. Basic and further training obligate to education oriented along needs. We encourage our employees to actively share their ideas for further developing our offers and give them appropriate opportunities in this respect.

In the year 2016, characterised by low amounts of incoming orders, free employee capacities were used to broaden their core skills and prepare the team for upcoming challenges. At many sites, basic and further training was pursued actively,

among those, in Austria, where such was part of the short-time labor program.

In 2017, the training focus was again on, and limited to, technical-operational measures.

At 38 %, the main emphasis was on basic and further technical training. Besides, in-depth training was provided in the fields of health and safety (32 %), applied IT (17 %) and legal & compliance (13 %). On average, each employee spent a total of 8.7 hours for internal and external training (except for enrolment).

## BASIC AND FURTHER TRAINING BY EMPLOYEE CATEGORY AND TRAINING FOCUS

2017

TOTAL HOURS	HEALTH & SAFETY	INFORMATION TECHNOLOGY	LEGAL & COMPLIANCE	TRAINING AND QUALIFICATION	MANAGEMENT	ADMINISTRATION	PRODUCTION
12,437	32 %	17 %	13 %	38 %	13 %	25 %	62 %

2016

TOTAL HOURS	HEALTH & SAFETY	INFORMATION TECHNOLOGY	LEGAL & COMPLIANCE	TRAINING AND QUALIFICATION	MANAGEMENT	ADMINISTRATION	PRODUCTION
24,243	26 %	15 %	5 %	54 %	7 %	19 %	74 %

\* Basic and further training includes internal and external training programmes except for enrolment

## HEALTH AND SAFETY AT WORK

Our team stands out by their high commitment to the company. Also in times of high capacity utilization, we strive to maintain a healthy work-life balance. Our employees' health and wellbeing are of great concern to us, as this is the foundation of the high quality standards and business success of SBO. We have introduced a set of measures to preserve the health and fitness of our employees. Those cover conduct of health training programmes depending on what is needed at our sites, including first-aid training courses to respond to emergencies. At some sites, access to fitness centres is offered, in singular cases we have even set up gyms.

Safety at work is a must at SBO. We are committed to the standards of the Occupational Health and Safety Assessment Series (OHSAS). Internally, stringent safety guidelines are implemented, and compliance is controlled on a regular basis. They consist of clearly regulated work processes and responsibilities, movement profiles and strict instructions on the use of facilities and machines. Employees are continuously informed about the applicable safety guidelines and local laws on safety at work.

What is important here is to prevent accidents and eliminate sources of accidents as far as possible. We have established check lists and emergency plans to meet local conditions. Where necessary and possible, we continuously update our procedures to warrant high safety levels. We encourage our employees to get actively involved and address potentially unsafe working methods.

As a result of consistent implementation of those measures, the number of work-related accidents is extremely low across the group. The 2017 lost-time injury rate (LTIR) was 8 accidents per one million working hours. Severity of accidents (SA) came to 6 lost workdays per incident, slightly improving from the year 2016 (2016: 8 lost workdays per incident). In 2017, as in 2016, no work-related fatalities occurred.

We seek to keep the number of incidents low. All incidents are documented and reviewed for their potential for improvement.

## SAFETY AT WORK

		2017	2016
Lost-time incidents	Number of incidents involving lost workdays	20	19
Work-related fatalities	Number	0	0
Lost-time injury rate (LTIR)	Number of incidents involving lost workdays per one million working hours	8	8
Fatal accident rate (FAR)	Number of fatalities per one million working hours	0	0
Severity of accident (SA)	Number of lost workdays (calendar days without day of incident) related to the number of incidents involving lost workdays	6	8

\* Incidents included starting from lost time of 8 working hours

## INTERNAL RELATIONS

Trust-based interaction among our team is a crucial element of our quality claim. Mutual respect, confidence, and professionalism are core values we are committed to. We actively provide for a sound foundation for communication between employees and management, as this is a decisive component of sustainable commitment and identification with our company and its products. We ensure that data are treated carefully and implement a strict data protection model based on European regulations.

As globally operating company with numerous subsidiaries, we provide the opportunity to report any problems occurring locally to the group management directly and anonymously. An online platform was set up for this purpose in the first half of 2017.

We have installed employee representations at all sites as requested by employees. We respect the fundamental right to the freedom of association at our global branch offices and maintain good relations with the works council, where established, and trade unions. In some countries in which SBO

has set up operating sites, no fundamental rights or only partial fundamental rights under labor constitution laws are granted, apparently reflecting the low number of employees protected by such provisions. Also at such operating sites, SBO applies Western principles and implements a homogeneous standard across the group.

The change in values regarding the freedom of association and employee rights is due exclusively to the disproportionate increase of our headcount in North America (including Mexico). Headcount increased in a day-to-day comparison by 220 individuals, whereas in the other regions it essentially remained unchanged with a slight plus of 12 individuals.

In North America (including Mexico), freedom of association is, other than in some other regions, a constitutional right. Nevertheless, the majority of employees permanently represented were concentrated on Austria, where the headcount – against the strong increase in North America (including Mexico) – went down slightly. This explains the decrease from 30.9 % to 25.1 % on a percentage scale of total staff.

## FREEDOM OF ASSOCIATION AND EMPLOYEE RIGHTS

	2017	2016
Share of employees entitled to freedom of association and collective bargaining	95.5 %	94.2 %
Share of employees permanently represented by trade unions or works councils	25.1 %	30.9 %

\* Share of employees as at 31 December following the legal rights at respective site

## WORKING TIME MODELS

Our company offers flexible working time models across the global network, depending on individual functions. It goes without saying that we comply with local restrictions and regulations governing working hours. Full-time and part-time arrangements are offered in key areas. In some functions, employees are offered the option to work from their home office at least to some extent.

In production, our local teams work in shift operations. This is the area where we make special efforts to find solutions and models allowing us to respond flexibly and promptly to the market situation and, at the same time, take into account the needs of our employees. One of the crucial aspects of these models is the cyclicity our industry is exposed to. In Austria, for instance, we have developed a model allowing our employees to collect hours in good

times and consume them when the market situation is weak. Furthermore, we made use of a government-subsidised model for short-time labor in Ternitz that prevented the majority of workers from being dismissed and the company from reducing key employees, a win-win model for all parties involved. This arrangement and other models made it possible for us to keep our highly qualified core team on board even in the challenging times during the past three years and to keep the company on its course for growth.

In 2017, 3.2 % of our employees were working part-time, essentially unchanged from the level of the 2016 financial year (2016: 4.2 %). In Austria, we made use of the government-subsidised short-time labor model in both years. Employees falling under this arrangement were registered as full-time employees.

## TOTAL NUMBER OF EMPLOYEES BY OCCUPATION AND REGION

2017

HEADCOUNT	AUSTRIA	NORTH AMERICA (INCLUDING MEXICO)	UNITED KINGDOM	REST OF WORLD	TOTAL
<b>Total</b>	<b>309</b>	<b>764</b>	<b>137</b>	<b>222</b>	<b>1,432</b>
<b>OCCUPATION</b>					
<b>Full-time</b>	277	757	131	221	1,386
<b>Part-time</b>	32	7	6	1	46

\* Total number each as at 31 December. Countries defined according to company affiliation. Full-time includes employees on short-time labor in Austria

## TOTAL NUMBER OF EMPLOYEES BY OCCUPATION AND REGION

2016

HEADCOUNT	AUSTRIA	NORTH AMERICA (INCLUDING MEXICO)	UNITED KINGDOM	REST OF WORLD	TOTAL
<b>Total</b>	<b>315</b>	<b>544</b>	<b>120</b>	<b>221</b>	<b>1,200</b>
<b>OCCUPATION</b>					
<b>Full-time</b>	271	544	115	220	1,150
<b>Part-time</b>	44	0	5	1	50

\* Total number each as at 31 December. Countries defined according to company affiliation. Full-time includes employees on short-time labor in Austria

## REMUNERATION

We invest in our employees – not only in financial terms. By launching a large number of measures we aim to safeguard our corporate culture by creating a productive and innovative work environment and continuous promotion and challenge of our employees. Nevertheless, attractive remuneration plays an important role in recruiting and retaining the best minds for our company. For our highly skilled personnel, we pay great attention to offering performance-related remuneration, also beyond the requirements under collective agreements that may apply. We aim to tie our employees to our company for a long time and ensure proactively that fluctuation remains on a low level. Naturally, we strictly comply with all regional requirements on minimum wages at all sites worldwide.

Depending on each company's success, our employees receive a profit-dependent variable remuneration in addition to their regular pays. At managerial level, the managing directors of our subsidiaries are entitled to acquire shares in their respective companies, benefiting directly from their successful performance, because a managing director being an entrepreneur acts with great personal commitment. The purpose of such measures is to strengthen our management's identification with the company, raise motivation and create attractive conditions for our global team.

The share of employees protected by provisions governing minimum wages or salaries has gone up slightly in a year-on-year comparison. This is due to the disproportionate headcount growth in North America.

## MINIMUM WAGES AND SALARIES

	2017	2016
Share of employees protected by minimum wages or salaries governed by law or collective agreements	85.4 %	83.2 %

\* Share of employees as at 31 December following the legal rights at respective site

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## CONCEPT FOR THE RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND BRIBERY

We at SBO are convinced that every person has to be treated with the same respect for his or her dignity. This principle applies regardless of gender, origin, nationality, ethnic background, religion, age, sexual orientation, language or physical or mental disabilities.

Moreover, we are dedicated to the protection of human rights and the prohibition of child labor at all sites and around the world. Full compliance with these principles is of top priority to us and is the fundamental requirement for cooperation with our business partners.

Irrespective of local legal practices, corruption, including bribery, is strictly forbidden at SBO and is punished rigorously. The Executive Board is committed to combating corruption and bribery and safeguarding compliance with pertinent laws and regulations. Internal guidelines that are mandatory across the group define the relevant standards for employees and business partners and the sanctions to be applied in case of violation.

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## HUMAN RIGHTS

Our Code of Conduct sets out clearly that we are committed to ethically correct behaviour and integrity and implement this approach globally and systematically, regardless of local practices.

We ensure at all sites that our employees can exercise their legal rights and pay great attention to compliance with all laws. This includes the right to training of works council members and equivalent institutions, adherence to rules governing working and rest times and payment of salaries and wages at or above the level required by law. Additionally, as a company operating in a cyclical industry, we have developed innovative solutions to well dampen the effects of downturns in our sector.

In the period under review, one case was dealt with at a subsidiary that had occurred before SBO assumed control. Since a former employee submitted a complaint, this case had to be taken up again and was settled out of court with the former employee, as agreed between group management and local management in the 2017 financial year. Therefore, the case has been closed.

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## CORRUPTION AND BRIBERY

Business ethics and corruption are topics treated with great care at SBO. In its binding policies, the company states towards employees and business partners its definition of corrupt behaviour, including bribery, and punishes any conduct that violates the fundamental principles of business ethics and prudent corporate behaviour.

Coping with these issues in day-to-day business is a constant challenge. In the period under review, no major risks regarding corruption and bribery were identified at SBO. Nevertheless, we meet this challenge proactively and draft strategies to confront employees and business partners with these serious topics in a preventive approach and to raise their awareness for avoiding careless behaviour, including measures starting at the selection process, but also specific employee training courses in this respect and the possibility of getting information from professional units within the group.

SBO maintains a culture of open and direct dialogue internally and deliberately addressing errors and mistakes, which helps to detect unwelcome developments or problems at an early point and creates confidence. Employees are encouraged to

address incidents and situations that may not be in line with the principles of our Code of Conduct. In addition, they can report violations also via direct and anonymous communication channels, inviting employees to make a contribution to fair and compliant behaviour without running the risk of punishment and avoiding personal damage as far as possible.

This is crucial for the reputation of SBO and pivotal for the company's successful development, since customers, suppliers, employees and the capital market need to rely on correct ethical conduct in accordance with the law. Group-wide, correct and exemplary fulfilment of compliance requirements are key factors of success to us, and our employees are trained so they can act accordingly in their daily practice.

In the financial year 2017, as in the financial year before, no significant fines for violating laws had to be paid.



*"SBO has committed  
itself to comply with the  
Austrian Corporate  
Governance Code since  
2005"*

# CORPORATE GOVERNANCE REPORT

SCHOELLER-BLECKMANN OILFIELD EQUIPMENT AKTIENGESELLSCHAFT (SBO) HAS COMMITTED ITSELF TO COMPLY WITH THE AUSTRIAN CORPORATE GOVERNANCE CODE SINCE 2005 AND HAS CONSISTENTLY IMPLEMENTED ITS RULES. THE AUSTRIAN CORPORATE GOVERNANCE CODE IS A SET OF RULES MEETING INTERNATIONAL STANDARDS FOR RESPONSIBLE MANAGEMENT AND GOVERNANCE OF COMPANIES. BY OBSERVING THE AUSTRIAN CORPORATE GOVERNANCE CODE, SBO MAKES A CONTRIBUTION TO STRENGTHEN TRUST IN AUSTRIAN COMPANIES AND THE AUSTRIAN CAPITAL MARKET.

The Austrian Corporate Governance Code, as amended in January 2018 and as applicable to this report, is accessible at the website of the Austrian Working Group for Corporate Governance on [www.corporate-governance.at](http://www.corporate-governance.at).

SBO complies with the Austrian Corporate Governance Code. The rules of this Code are subdivided into three categories:

**First:** L-Rules (Legal Requirements): They describe mandatory legal requirements that must be complied with by law.

**Second:** C-Rules (Comply or Explain). This category contains customary international provisions; non-compliance must be explained.

**Third:** R-Rules (Recommendation): These rules are recommendations only; non-compliance requires neither disclosure nor explanation.

SBO complies fully with mandatory legal requirements (L-Rules).

Regarding the 2017 financial year, SBO had to prepare both a consolidated and a non-consolidated Corporate Governance Report. Pursuant to Section 267b in conjunction with Section 251 (3) UGB (Austrian Commercial Code), these reports may be merged into one report. Therefore, this report contains the data required pursuant to Section 243c UGB as regards both the parent company (SBO) and the subsidiaries of SBO included in consolidation.

## Explain

SBO largely complies with the C-Rules. Deviations are explained as follows (according to the guidelines under Annex 2b to the Austrian Corporate Governance Code):

### C-Rule 27

The Rule stipulates, inter alia, that management board contracts shall contain provisions to the effect that companies may reclaim variable remuneration components if it becomes clear that the management board member concerned has received them on the basis of false data. Such provisions do not apply to the employment contracts of SBO's management board members, as it is in the interest of good governance to pay variable remuneration components only on the basis of data referring to the past and only after the underlying relevant data has been ascertained and reviewed thoroughly. Forward-looking statements are not considered in any way.

### C-Rule 28

The remuneration of 6,000 SBO shares concluded with Gerald Grohmann, CEO, is subject to disposal and encumbrance restrictions effective for a period of two years (instead of at least three years), because the Supervisory Board is of the opinion that this retention period of two years is adequate and expedient for the purpose of good corporate governance.

### C-Rule 39

The Rule provides, inter alia, that a committee of the Supervisory Board shall be authorised to take decisions in urgent cases. As the Supervisory Board of SBO has a limited number of members and took decisions promptly in urgent cases in the past, SBO has not set up a committee authorised to take decisions in urgent cases, in lieu of the full Supervisory Board. As it is always the full Supervisory Board that deals with such matters, this ensures that the expertise of all members of the Supervisory Board is taken into account in its decisions in urgent cases as well.

### C-Rule 41

In line with the Austrian Corporate Governance Code, the function of the Nomination Committee is exercised by the joint Nomination and Remuneration Committee, instead of a Nomination Committee established separately from the Remuneration Committee. As the Executive Board consists of only two members and the Nomination and Remuneration Committee is responsible for all other issues related to the Executive Board, this appears to be appropriate for efficiency purposes.

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## THE EXECUTIVE BOARD

The rules of procedure for the Executive Board govern the composition and working method of the Executive Board, cooperation of the Executive Board and the Supervisory Board, procedures and the approach to conflicts of interest, information and reporting duties of the Executive Board and decisions requiring approval of the Supervisory Board applying

also to key business transactions of the major subsidiaries. As a rule, the Executive Board holds at least weekly meetings for mutual information and decision-making.

In the 2017 financial year the Executive Board was composed of the following members

	YEAR OF BIRTH	DATE OF FIRST APPOINTMENT	END OF CURRENT TERM OF OFFICE
Gerald Grohmann Chief Executive Officer	1953	3 October 2001	31 December 2018
Klaus Mader Chief Financial Officer	1970	1 October 2015	30 September 2018

In the 2017 financial year the members of the Executive Board did not hold any group-external supervisory board mandates or

comparable functions in Austria or abroad.

### Allocation of responsibilities

Allocation of responsibilities and cooperation of the members of the Executive Board are governed by the rules of procedure of the Executive Board. The Executive Board has not set up any committees. The areas of responsibility allocated to the

members of the Executive Board have been laid down by the Supervisory Board as follows, notwithstanding the collective responsibility of the Executive Board:

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Gerald Grohmann

Strategy, marketing, technology and public relations

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Klaus Mader

Finance and accounting, human resources and legal matters

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As representatives of the SBO parent company, the members of the Executive Board perform a supervisory function at all subsidiaries included in consolidation (see Consolidated

Financial Statements), similar to that of a supervisory board in Austrian stock corporations, but no management or executive function.

## Total compensation for the members of the Executive Board and outline of the Executive Board remuneration system

The remuneration system for the Executive Board takes into account both the situation in the market and a performance-related component. Remuneration consists of fixed and variable components. Variable components are always paid in the following year, as achievement of objectives can be determined only at the end of the year. Variable components are performance-related and depend on the degree to which the objectives defined for the financial year have been achieved.

Pursuant to the employment contracts of the Executive Board members, the variable remuneration component is limited to 65 % of the total remuneration.

Variable components are subject to individual provisions. They are composed of the following elements: Development of long-term corporate growth, profit, cashflow, equity and fixed capital. Fulfilment of these performance criteria shall be determined based on the annual financial statements or depends on the results achieved. In addition, non-financial criteria for determining the variable components are in place. They are defined subject to specific medium- and long-term corporate goals, such as in the area of research and development or corporate development.

No stock option program is in place for the members of

the Executive Board of SBO or the managing directors of its subsidiaries; in particular no stock option program or program for the preferential transfer of stocks within the meaning of C-Rule 28 is in place. Starting with the 2014 financial year, an agreement on share-based remuneration was concluded with Gerald Grohmann, CEO, which provides for a limited, annual transfer of 6,000 SBO shares each. Said shares are subject to disposal and encumbrance restrictions for Mr. Grohmann, valid for a period of two years from the respective transfer date, but at the latest until termination of the employment agreement.

The rules for severance payments follow the legal requirements. Upon leaving the company, the Chief Executive Officer will additionally receive a voluntary severance benefit of 30,000 SBO shares. No future burdens related to pension fund contributions or any other entitlements of the members of the Executive Board arise to the company after termination of their employment contracts.

All members of the Executive Board are covered by a D & O insurance (Directors & Officers insurance) taken out by, and at the expense of, SBO.

For the 2017 financial year, the following remuneration was paid to the members of the Executive Board:

	<b>FIXED REMUNERATION IN TEUR</b>	<b>VARIABLE REMUNERATION IN TEUR</b>	<b>TOTAL IN TEUR</b>
Gerald Grohmann	581	180	761
Klaus Mader	362	100	462

\* The above table does not include the aforementioned share-based remuneration for Gerald Grohmann

## Fundamentals of the remuneration policy within the SBO Group

Remuneration of the managing directors of the subsidiaries of SBO included in consolidation takes into account both the situation in the market and a performance-related component. Remuneration consists of fixed and variable components. Variable components are performance-related and depend on the degree to which the objectives defined for the financial year have been achieved.

Variable components are subject to individual provisions. They are composed of the following elements: Development of long-term corporate growth, profit, cashflow, equity and fixed capital. Fulfilment of these performance-related criteria shall be determined based on the annual financial statements or depends on the results achieved. In addition, non-financial

criteria for determining the variable components are in place. They are defined subject to specific medium- and long-term corporate goals, such as in the area of research and development or corporate development.

Furthermore, the managing directors of the subsidiaries of SBO included in consolidation may acquire shares and participations rights in the respective subsidiary up to a certain limit.

## THE SUPERVISORY BOARD

In the 2017 financial year, the Supervisory Board was composed of six members:

	YEAR OF BIRTH	DATE OF FIRST APPOINTMENT	END OF CURRENT TERM OF OFFICE
Norbert Zimmermann Chairman	1947	10.04.1995	2022
Peter Pichler Deputy Chairman	1958	10.04.1995	2018
Brigitte Ederer	1956	23.04.2014	2019
Helmut Langanger	1950	29.04.2003	2019
Karl Schleinzer	1946	24.05.1995	2020
Wolfram Littich	1959	27.04.2016	2021

According to the articles of association of SBO, each year one member of the Supervisory Board withdraws from the Supervisory Board at the end of the Annual General Meeting, safeguarding effective control by the shareholders. The

withdrawing member can be re-elected immediately.

Other seats in supervisory boards or comparable functions in Austrian or foreign listed companies are disclosed as follows:

	<b>COMPANY</b>	<b>FUNCTION</b>
Norbert Zimmermann Chairman	-	-
Peter Pichler Deputy Chairman	-	-
Brigitte Eclerer	-	-
Helmut Langanger	ENQUEST plc SERINUS ENERGY Inc.	Member of the Board of Directors as Non-Executive Director Member of the Board of Directors as Non-Executive Director*
Karl Schleinzner	-	-
Wolfram Littich	-	-

\* Helmut Langanger resigned as member of the supervisory board of SERINUS ENERGY Inc. after the balance sheet date on 7 March 2018

No member of the Supervisory Board exercises a management or supervisory function in one of the subsidiaries of the SBO group included in consolidation.

### Working method of the Supervisory Board

In exercising its functions, in particular monitoring and strategic support of the Executive Board, the Supervisory Board discusses the situation and targets of the company and adopts resolutions.

The rules of procedure for the Supervisory Board govern in detail the composition, working method and tasks of the Supervisory Board, the approach to conflicts of interest, and all committees (Audit Committee, Nomination and Remuneration Committee) and their responsibilities.

The Supervisory Board held five meetings in the period under review. Moreover, the Executive Board submitted several oral and written reports to the Supervisory Board to inform about the development of business and the situation of the company and the group companies. The main focus of discussions was on the strategic orientation and development of the group and on major business transactions and measures taken.

All members of the Supervisory Board personally attended

more than half of the meetings of the Supervisory Board in the period under review.

### Committees

The Audit Committee and the Nomination and Remuneration Committee are appointed by the Supervisory Board from among its members.

No separate Strategy Committee or Committee to decide in urgent cases has been set up. Pertinent matters are dealt with by the Supervisory Board in its entirety.

The committees are elected for the terms of office of their members. Each committee elects a chairman and deputy chairman from among its members.

### Audit Committee

The Audit Committee is responsible, in particular, for auditing and preparing the approval of the annual and consolidated financial statements by the full Supervisory Board and for submitting a proposal for appointing the auditor. This includes auditing the non-financial statement pursuant to Section 267a UGB (Austrian Commercial Code) as part of the management report and the corporate governance report and dealing with the proposal on the distribution of profits.

Members: **Norbert Zimmermann (Chairman)**  
**Peter Pichler**  
**Wolfram Littich**

In the year under review, the Audit Committee held two meetings, in which specifically issues concerning the financial statements, the internal control system and risk management were discussed.

An independent auditor provided an assessment of the effectiveness of the company's risk management. The auditor's report on the assessment of the effectiveness of risk management was discussed by the Audit Committee.

### **Nomination and Remuneration Committee**

The Nomination and Remuneration Committee deals with matters relating to the remuneration of the members of the Executive Board and the terms and conditions of employment contracts concluded with members of the Executive Board. Furthermore, it submits to the Supervisory Board proposals to fill vacant positions in the Executive Board and deals with issues of succession planning.

Members: **Norbert Zimmermann (Chairman)**  
**Peter Pichler**  
**Karl Schleinzner**

In the year under review, the Nomination and Remuneration Committee held no meeting.

### **Independence**

Regarding independence in accordance with C-Rule 53, the Supervisory Board follows the guidelines contained in Annex 1 to the Austrian Corporate Governance Code. According to the guidelines, a member of the Supervisory Board shall be deemed independent if it does not remain on the Supervisory Board for more than 15 years. Supervisory Board members who are invested in the company or who represent the interests of such

a shareholder are excluded therefrom. The following Supervisory Board members are deemed independent:

**Norbert Zimmermann**  
**Peter Pichler**  
**Brigitte Ederer**  
**Helmut Langanger**  
**Wolfram Littich**

Therefore, the Supervisory Board constitutes an independent premium. The scope of services provided for the company by Supervisory Board member Dr. Schleinzner as legal counsel during the 2017 financial year is not deemed significant pursuant to Annex 1 to the Austrian Corporate Governance Code (for details see Notes to the Consolidated Financial Statements).

Brigitte Ederer, Helmut Langanger and Wolfram Littich represent the interests of minor shareholders in the Supervisory Board within the meaning of C-Rule 54 in conjunction with the criteria of independence defined by the Supervisory Board.

In the past year, no agreements requiring approval were in effect with members of the Supervisory Board or companies in which a member of the Supervisory Board held a considerable economic interest.

### **Remuneration of the Supervisory Board members**

The remuneration of the members of the Supervisory Board for the 2016 financial year was approved at the 2017 Annual General Meeting. The remuneration consists of a fixed and a variable component, which was determined as a percentage share of the group income after tax for the 2016 financial year. The remuneration for the members of the Supervisory Board for the 2017 financial year will be subject to adoption of a pertinent resolution at the 2018 Annual General Meeting.

For the 2016 financial year the following remuneration was resolved and paid:



	<b>FIXED REMUNERATION IN EUR</b>	<b>VARIABLE REMUNERATION IN EUR</b>	<b>TOTAL IN EUR</b>
Norbert Zimmermann Chairman	9,000	0	9,000
Peter Pichler Deputy Chairman	6,000	0	6,000
Brigitte Ederer	6,000	0	6,000
Helmut Langanger	6,000	0	6,000
Karl Schleinzer	6,000	0	6,000
Wolfram Littich	6,000	0	6,000

No loans or advances were paid to the members of the Supervisory Board. All members of the Supervisory Board are covered by a D & O insurance (Directors & Officers insurance) taken out by, and at the expense of, SBO.

### Measures to promote women

In the 2017 financial year, the share of women and men on the Executive Board and Supervisory Board was as follows and remained unchanged from the 2016 financial year:

## EXECUTIVE BOARD AND SUPERVISORY BOARD

2017

2016

	<b>GENDER</b>				<b>GENDER</b>			
	<b>WOMEN</b>		<b>MEN</b>		<b>WOMEN</b>		<b>MEN</b>	
	<b>absolute</b>	<b>%</b>	<b>absolute</b>	<b>%</b>	<b>absolute</b>	<b>%</b>	<b>absolute</b>	<b>%</b>
Supervisory Board	1	17 %	5	83 %	1	17 %	5	83 %
Executive Board	0	0 %	2	100 %	0	0 %	2	100 %

\* Total number each as at 31 December

The measures to promote women on the Executive Board and Supervisory Board are presented in the diversity concept below. On 26 July 2017, the Act on the Equality of Women and Men on the Supervisory Board (GFMA-G) was promulgated in Austria, providing for an obligatory gender quota of at least 30 %,

to be rounded to full heads, when members are (re-)appointed to the supervisory board. The Supervisory Board will submit a proposal to elect another woman to the Supervisory Board of the company to the 2018 Annual General Meeting, which is in conformity with the diversity concept.

# DIVERSITY CONCEPT

The cyclical industry environment of the oilfield service industry is a constant challenge to the management and supervisory bodies of SBO and of the subsidiaries included in consolidation. Massive periodic fluctuations of demand for the products of the company require vast managerial expertise and understanding of the forces prevailing in this sector. Additionally, the international positioning of the company calls for a careful approach to the cultural situation in the various markets.

Preserving and extending core skills and expertise are the two major criteria when filling management and supervisory board positions. All individuals in the Supervisory Board are renowned experts in their respective fields, sharing their expertise in the meetings of the Supervisory Board. It spans from pertinent experience in industry, cross-sectoral managerial experience to qualifications in specific subjects, such as legal advice.

Additionally, shareholders request a minimum of interpersonal homogeneity and loyalty ensuring a systematic pursuit of SBO's sustainable growth strategy. This request reaches far beyond prescribing explicit gender quotas. Nevertheless, SBO shares the view that when different generations, genders and cultures meet this is a source of further corporate development. For many years, it has been daily practice at SBO to make judgments on equal terms and beyond hierarchical structures. This is why new appointments for positions are guided both by professional qualifications and human diversity.

In the 2017 financial year, the diversity concept was applied to the entire SBO group as follows: When hiring new employees, attention was paid to maintain a diversified and high-performing team. The share of newly hired persons aged 30 to 50 stood at 52 %, while the share of persons under 30 years of age was 39 %.

## NEW HIRES BY GENDER AND AGE

2017

	AGE						Total	
	< 30		30 – 50		> 50			
	absolute	%	absolute	%	absolute	%	absolute	%
Men	202	39 %	271	52 %	48	9 %	<b>521</b>	<b>89 %</b>
Women	29	44 %	33	51 %	3	5 %	<b>65</b>	<b>11 %</b>
<b>Total</b>	<b>231</b>	<b>39 %</b>	<b>304</b>	<b>52 %</b>	<b>51</b>	<b>9 %</b>	<b>586</b>	

\* New hires including permanent hires and hires terminated within the period shown, and personnel taken on from other SBO companies

## NEW HIRES BY GENDER AND AGE

2016

	AGE						Total	
	< 30		30 – 50		> 50			
	absolute	%	absolute	%	absolute	%	absolute	%
Men	45	39%	57	49 %	14	12 %	<b>116</b>	<b>95 %</b>
Women	2	33 %	3	50 %	1	17 %	<b>6</b>	<b>5 %</b>
<b>Total</b>	<b>47</b>	<b>39 %</b>	<b>60</b>	<b>49 %</b>	<b>15</b>	<b>12 %</b>	<b>122</b>	

\* New hires including permanent hires and hires terminated within the period shown, and personnel taken on from other SBO companies

This distribution could not be achieved for the gender quota (women / men). The share of women in technical jobs is rather small by tradition. Moreover, it seems that the oilfield service industry in general is not very attractive to women. The group-

wide share of women in new hires in 2017 was only 11 %, and the share of women in the overall workforce at the end of the year also came to a mere 11 %.

## TOTAL NUMBER OF EMPLOYEES BY GENDER AND AGE

2017

	AGE						Total	
	< 30		30 – 50		> 50		absolute	%
	absolute	%	absolute	%	absolute	%		
Men	308	24 %	689	54 %	277	22 %	<b>1,274</b>	<b>89 %</b>
Women	38	24 %	90	57 %	30	19 %	<b>158</b>	<b>11 %</b>
<b>Total</b>	<b>346</b>	<b>24 %</b>	<b>779</b>	<b>54 %</b>	<b>307</b>	<b>22 %</b>	<b>1,432</b>	

\* Total number each as at 31 December

## TOTAL NUMBER OF EMPLOYEES BY GENDER AND AGE

2016

	AGE						Total	
	< 30		30 – 50		> 50		absolute	%
	absolute	%	absolute	%	absolute	%		
Men	254	24 %	564	52 %	255	24 %	<b>1,073</b>	<b>89 %</b>
Women	22	17 %	75	59 %	30	24 %	<b>127</b>	<b>11 %</b>
<b>Total</b>	<b>276</b>	<b>23 %</b>	<b>639</b>	<b>53 %</b>	<b>285</b>	<b>24 %</b>	<b>1,200</b>	

\* Total number each as at 31 December

The fact that the industry is of little appeal to women is clearly reflected in the type of job. While the share of white-collar

women employees was 19 %, the share of blue-collar female workers (including apprentices) was only 7 %.

## TOTAL NUMBER OF EMPLOYEES BY GENDER AND EMPLOYMENT RELATIONSHIP

2017

	EMPLOYMENT RELATIONSHIP							
	WHITE-COLLAR		BLUE-COLLAR		APPRENTICE		TOTAL	
	absolute	%	absolute	%	absolute	%	absolute	%
Men	412	81 %	832	93 %	30	88 %	<b>1,274</b>	<b>89 %</b>
Women	96	19 %	58	7 %	4	12 %	<b>158</b>	<b>11 %</b>
<b>Total</b>	<b>508</b>		<b>890</b>		<b>34</b>		<b>1,432</b>	

\* Total number each as at 31 December

## TOTAL NUMBER OF EMPLOYEES BY GENDER AND EMPLOYMENT RELATIONSHIP

2016

	EMPLOYMENT RELATIONSHIP							
	WHITE-COLLAR		BLUE-COLLAR		APPRENTICE		TOTAL	
	absolute	%	absolute	%	absolute	%	absolute	%
Men	333	79 %	708	95 %	32	91 %	<b>1,073</b>	<b>89 %</b>
Women	89	21 %	35	5 %	3	9 %	<b>127</b>	<b>11 %</b>
<b>Total</b>	<b>422</b>		<b>743</b>		<b>35</b>		<b>1,200</b>	

\* Total number each as at 31 December

Fortunately, the share of women among young workers improved at least slightly. In yearly comparison, the share of employees under 30 years of age went from 8.0 % in 2016 to 11.0 % in 2017. Also among blue-collar workers (including apprentices), the share of women rose from 5 % to 7 % at the end of the 2017 financial year. It appears to be of particular importance here to keep a good gender balance, which was actively promoted in special campaigns mainly directed at apprentices.

When it comes to appointing international executives, professional and corporate culture aspects play a key role. All managing directors at SBO's subsidiaries look back on years of experience in the industry. As far as possible, management and controlling positions are held predominantly by nationals of the countries where the sites are located.

### Events after the balance sheet date

None

*"Our industry requires  
sustainable management  
over the cycles"*

# CONSOLIDATED FINANCIAL STATEMENTS

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# CONSOLIDATED BALANCE SHEET

## ASSETS

in TEUR	Note	31.12.2017	31.12.2016
<b>Current assets</b>			
Cash and cash equivalents		165,982	193,453
Trade receivables	5	89,801	49,526
Income tax receivable		1,663	11,406
Other receivables and other assets	6	4,043	2,864
Assets held for sale	12	594	5,068
Inventories	7	97,086	105,653
<b>Total current assets</b>		<b>359,169</b>	<b>367,970</b>
<b>Non-current assets</b>			
Property, plant & equipment	8	145,172	165,344
Goodwill	9	156,293	174,716
Other intangible assets	9	49,532	69,904
Long-term receivables and assets	10	10,938	12,483
Deferred tax assets	11	29,137	11,639
<b>Total non-current assets</b>		<b>391,072</b>	<b>434,086</b>
<b>TOTAL ASSETS</b>		<b>750,241</b>	<b>802,056</b>





# CONSOLIDATED PROFIT AND LOSS STATEMENT

in TEUR	Note	2017	2016
<b>Sales</b>	23	<b>324,221</b>	<b>182,990</b>
Cost of goods sold	24	-229,327	-179,453
<b>Gross profit</b>		<b>94,894</b>	<b>3,537</b>
Selling expenses	24	-21,713	-20,070
General and administrative expenses	24	-37,902	-33,750
Other operating expenses	25	-17,603	-10,331
Other operating income	25	5,945	7,890
<b>Profit from operations before impairments and restructuring measures</b>		<b>23,621</b>	<b>-52,724</b>
Restructuring gains	26	1,938	2,525
Restructuring losses	26	0	-3,013
Impairment on property, plant & equipment	12	0	-1,789
Impairment on goodwill	9	0	-3,316
<b>Profit from operations after impairments and restructuring measures</b>		<b>25,559</b>	<b>-58,317</b>
Interest income	27	1,798	3,101
Interest expenses	27	-8,096	-7,091
Other financial income		0	52
Other financial expenses	28	-1,408	-30
Gains / losses from remeasurement of option liabilities	29	-87,648	17,232
<b>Financial result</b>		<b>-95,354</b>	<b>13,264</b>
<b>Profit / loss before tax</b>		<b>-69,795</b>	<b>-45,053</b>
Income taxes	30	15,435	17,052
<b>Profit / loss after tax</b>		<b>-54,360</b>	<b>-28,001</b>
Average number of shares outstanding		15,951,940	15,967,789
<b>EARNINGS PER SHARE IN EUR (BASIC = DILUTED)</b>		<b>-3.41</b>	<b>-1.75</b>

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in TEUR	Note	2017	2016
<b>Profit / loss after tax</b>		<b>-54,360</b>	<b>-28,001</b>
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods</b>			
Foreign exchange adjustment - subsidiaries		-45,850	9,867
Foreign exchange adjustment - other items <sup>1</sup>		-5,421	1,435
Income tax effect	30	1,355	-359
		<b>-49,916</b>	<b>10,943</b>
<b>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</b>			
Remeasurement gains (losses) on defined benefit plans	18	149	23
Income tax effect	30	-37	-6
		<b>112</b>	<b>17</b>
<b>Other comprehensive income, net of tax</b>		<b>-49,804</b>	<b>10,960</b>
<b>TOTAL COMPREHENSIVE INCOME, NET OF TAX</b>		<b>-104,164</b>	<b>-17,041</b>

<sup>1</sup> Mainly the result from translation differences from net investments in foreign entities

# CONSOLIDATED CASHFLOW STATEMENT

in TEUR	Note	2017	2016
Profit / loss after tax		-54,360	-28,001
Depreciation, amortization and impairments		49,121	56,060
Write-ups of fixed assets		0	-229
Change in provisions for employee benefits		-34	-525
Gain (loss) from sale of property, plant and equipment		-135	-146
Income from release of government grants		-96	-194
Other non-cash expenses and revenues		6,901	-4,495
Change in deferred taxes		-24,465	-8,753
<b>Cashflow from profit</b>		<b>-23,068</b>	<b>13,717</b>
Change in trade receivables		-48,164	7,884
Change in other receivables and other assets		12,248	-2,329
Change in inventories		-3,077	35,869
Change in trade payables		6,221	-2,726
Change in option liabilities		87,648	-17,232
Change in other liabilities and provisions		12,821	-3,921
<b>Cashflow from operating activities</b>	39	<b>44,629</b>	<b>31,262</b>
Expenditures for property, plant and equipment		-31,962	-12,656
Expenditures for other intangible assets		-107	-384
Change in payables for capital expenditure		1	111
Expenditures for the acquisition of subsidiaries less cash acquired	40	0	-90,028
Proceeds from sale of property, plant & equipment		4,056	2,595
<b>Cashflow from investing activities</b>	39	<b>-28,012</b>	<b>-100,362</b>
<b>Free Cashflow</b>		<b>16,617</b>	<b>-69,100</b>
Acquisition of treasury shares	21	0	-2,167
Dividend payment		0	-7,994
Repayments of finance leases		-37	-66
Change in liabilities to banks		-298	1,443
Proceeds from long-term loans	17	0	86,875
Repayments of long-term loans	17	-27,233	-12,783
Repayments of other long-term liabilities		-1,811	-2,224
<b>Cashflow from financing activities</b>	39	<b>-29,379</b>	<b>63,084</b>
<b>Change in cash and cash equivalents</b>		<b>-12,762</b>	<b>-6,016</b>
Cash and cash equivalents at the beginning of the year		193,453	196,278
Effects of exchange rate changes on cash and cash equivalents		-14,709	3,191
<b>Cash and cash equivalents at the end of the year</b>	39	<b>165,982</b>	<b>193,453</b>
<b>Supplementary information on operating cashflow</b>			
Interest received		1,203	933
Interest paid		-4,265	-3,107
Income tax paid		4	1,971

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## 2017

in TEUR	SHARE CAPITAL	CAPITAL RESERVE	LEGAL RESERVE	OTHER RESERVES	CURRENCY TRANSLATION RESERVE	RETAINED EARNINGS	TOTAL
Note	21		22				
<b>1 January 2017</b>	<b>15,947</b>	<b>66,812</b>	<b>785</b>	<b>19</b>	<b>61,109</b>	<b>281,061</b>	<b>425,733</b>
Profit / loss after tax						-54,360	-54,360
Other comprehensive income, net of tax					-49,916	112	-49,804
<b>Total comprehensive income, net of tax</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-49,916</b>	<b>-54,248</b>	<b>-104,164</b>
Share-based payment	6	436					442
<b>31 December 2017</b>	<b>15,953</b>	<b>67,248</b>	<b>785</b>	<b>19</b>	<b>11,193</b>	<b>226,813</b>	<b>322,011</b>

## 2016

in TEUR	SHARE CAPITAL	CAPITAL RESERVE	LEGAL RESERVE	OTHER RESERVES	CURRENCY TRANSLATION RESERVE	RETAINED EARNINGS	TOTAL
Note	21		22				
<b>1 January 2016</b>	<b>15,982</b>	<b>68,357</b>	<b>785</b>	<b>19</b>	<b>50,166</b>	<b>315,051</b>	<b>450,360</b>
Profit / loss after tax						-28,001	-28,001
Other comprehensive income, net of tax					10,943	17	10,960
<b>Total comprehensive income, net of tax</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10,943</b>	<b>-27,984</b>	<b>-17,041</b>
Dividends <sup>1</sup>						-7,994	-7,994
Acquisition of treasury shares	-41	-2,126					-2,167
Share-based payment	6	581					587
Option liabilities relating to cancellable non-controlling interests						1,988	1,988
<b>31 December 2016</b>	<b>15,947</b>	<b>66,812</b>	<b>785</b>	<b>19</b>	<b>61,109</b>	<b>281,061</b>	<b>425,733</b>

<sup>1</sup> 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## NOTE 1

### GENERAL INFORMATION ON THE COMPANY

SCHOELLER-BLECKMANN OILFIELD EQUIPMENT Aktiengesellschaft (the Company, SBO) with its registered office at Hauptstraße 2, 2630 Ternitz, was founded on 26 May 1994 in Ternitz, Austria and is registered in the Commercial Register at the Wiener Neustadt Commercial Court under no. 102999w.

The purpose of the Company is the industrial production of components and parts for the oil and gas industry, primarily for drilling applications and the provision of services in these areas.

The Company's shares have been listed on the Vienna Stock Exchange since 27 March 2003.

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## NOTE 2

### ACCOUNTING PRINCIPLES

The consolidated financial statements as at 31 December 2017 were prepared in accordance with the principles of the International Financial Reporting Standards (IFRSs) as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the EU. The additional requirements of Section 245a (1) of the Austrian Commercial Code (Unternehmensgesetzbuch, 'UGB') were also adhered to.

These consolidated financial statements of SCHOELLER-BLECKMANN OILFIELD EQUIPMENT Aktiengesellschaft and its subsidiaries for the 2017 financial year (reporting date: 31 December 2017) were released for publication by the Executive Board on 28 February 2018.

The consolidated financial statements are prepared in EUROS. Unless otherwise indicated, all values are rounded to thousands of euros (TEUR). The use of automated calculation aids may result in rounding differences in the totals of rounded amounts and percentage figures.

## NOTE 3

### SCOPE OF CONSOLIDATION

In addition to SCHOELLER-BLECKMANN OILFIELD EQUIPMENT Aktiengesellschaft as the ultimate parent, 36 (previous year: 39) subsidiaries are included in the consolidated financial statements as at 31 December 2017.

COMPANY	Location	INTEREST HELD DIRECTLY OR INDIRECTLY IN %	INTEREST HELD DIRECTLY OR INDIRECTLY IN %
		31.12.2017	31.12.2016
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	97.00
Schoeller-Bleckmann Sales Co. L.L.C.	Houston, US	100.00	100.00
Downhole Technology LLC (**)	Houston, US	67.73	67.73
BICO Drilling Tools Inc. (*)	Houston, US	90.65	89.71
BICO Faster Drilling Tools Inc. (*)	Nisku, CA	80.68	79.84
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, UK	100.00	100.00
Darron Tool & Engineering Limited	Rotherham, UK	100.00	100.00
Darron Oil Tools Limited	Rotherham, UK	100.00	100.00
Schoeller-Bleckmann Darron Limited (*)	Aberdeen, UK	95.00	93.00
Schoeller-Bleckmann Darron (Aberdeen) Limited (*)	Aberdeen, UK	94.00	94.00
Techman Engineering Limited (*)	Chesterfield, UK	90.65	90.65
Schoeller-Bleckmann (UK) Limited	Chesterfield, UK	100.00	100.00
OOO "Schoeller-Bleckmann"	Noyabrsk, RU	99.00	99.00
DSI FZE	Dubai, AE	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	99.00
Schoeller Bleckmann do Brasil, Ltda.	Macaé, BR	100.00	100.00
Schoeller-Bleckmann de Mexico S. A. de C. V. (*)	Monterrey, MX	100.00	98.00
Knust-SBD Pte. Ltd.	Singapore, SG	100.00	100.00
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

(\*) Refer to Note 19 for details on shares held by the management of these companies.

(\*\*) Refer to Note 20 for details on shares relating to existing option agreements.

The interest in each company corresponds to the voting rights. Therefore, control of the subsidiary is derived directly from the interest held.

The following changes occurred in the scope of consolidation during 2017:

- Dissolution of Drilling Systems International Limited, Cayman Islands, effective as at 30 June 2017. The company was not operationally active.

The Company has exercised the protective clause in accordance with Section 265 (3) UGB.

## NOTE 4

### SIGNIFICANT ACCOUNTING PRINCIPLES

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

#### 1. Changes in accounting principles

The Group applied the following new or amended standards and interpretations for the first time in the 2017 financial year. However, these standards and interpretations impacted the consolidated financial statements as at 31 December 2017 only if indicated by the word 'yes' in the table below:

STANDARDS/INTERPRETATIONS		EFFECTIVE DATE <sup>1</sup>	MATERIAL IMPACT ON SBO GROUP'S FINANCIAL STATEMENTS
IAS 7	Disclosure initiative	1.1.2017 <sup>1</sup>	refer to Note 39
IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	1.1.2017 <sup>1</sup>	No
various	Annual improvements to IFRSs 2014-2016 Cycle	1.1.2017 <sup>1</sup>	No

<sup>1</sup> To be applied in the EU in reporting periods starting on or after the indicated date.

The following new or revised standards and interpretations which have been published but not adopted by the EU, or which are not yet mandatory, were not applied early in the 2017 financial year. They will be applied in the future reporting period for which application is mandatory.

STANDARDS / INTERPRETATIONS		EFFECTIVE DATE <sup>1</sup>	EXPECTED MATERIAL IMPACT ON SBO GROUP'S FINANCIAL STATEMENTS
IAS 19 Amendments	Employee Benefits	1.1.2019 <sup>2</sup>	no
IAS 28 Amendments	Long-term Interests in Associates and Joint Ventures	1.1.2019 <sup>2</sup>	no
IAS 40 Amendments	Transfers of Investment Property	1.1.2018 <sup>2</sup>	no
IFRS 2 Amendments	Classification and Measurement of Share-based Payment Transactions	1.1.2018 <sup>2</sup>	no
IFRS 4	Insurance Contracts	1.1.2018 <sup>1</sup>	not applicable
IFRS 9	Financial Instruments	1.1.2018 <sup>1</sup>	see below
IFRS 9 Amendments	Financial Instruments: Prepayment Features with Negative Compensation	1.1.2019 <sup>2</sup>	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	1.1.2018 <sup>1</sup>	see below
IFRS 16	Leases	1.1.2019 <sup>1</sup>	see below
IFRS 17	Insurance Contracts	1.1.2021 <sup>2</sup>	not applicable
various	Annual improvements to IFRS 2014-2016 Cycle	1.1.2018 <sup>2</sup>	no
various	Annual improvements to IFRS 2015-2017 Cycle	1.1.2019 <sup>2</sup>	no
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1.1.2018 <sup>2</sup>	no
IFRIC 23	Uncertainty over Income Tax Treatments	1.1.2019 <sup>2</sup>	no

<sup>1</sup> To be applied in the EU in financial years beginning on or after the indicated date.

<sup>2</sup> This standard is not yet mandatory in the EU and was not applied early. The date indicated is the effective date as determined by the IASB.

## IFRS 9 Financial Instruments

IFRS 9 introduces a uniform approach for the classification and measurement of financial assets. The standard uses cashflow characteristics and the business model under which they are managed as a basis. In addition, IFRS 9 provides for a new impairment model based on expected credit losses. IFRS 9 also includes new rules regarding the application of hedge accounting. IFRS 9 is applicable for financial years beginning on or after 1 January 2018. SBO will apply the new standard for the first time as at 1 January 2018.



- **Classification**

IFRS 9 contains a new approach with respect to the classification of financial instruments, which is based on the business model or cashflow characteristics and includes the following three categories of financial assets: at amortized cost, at fair value in other comprehensive income (FVOCI), and at fair value through profit or loss (FVTPL).

The test of cashflow terms as well as of the business model for financial assets has shown that trade receivables, other receivables and assets and non-current receivables and assets, which include loans to the management of individual SBO companies, will continue to be recognised at amortized cost. The objective of these assets is to collect contractual cashflows; these cashflows are composed solely of payments of principal and interest on the principal amount outstanding. Any equity instruments are not held by SBO.

The classification for financial liabilities remains unchanged under IFRS 9. With the exception of derivatives from foreign currency hedges, which are classified as held for trading, and liabilities from options on non-controlling interests, no liabilities are recognised at fair value through profit or loss (FVTPL). The fair value option will also not be exercised. From its current perspective, SBO believes the new classification will not have any material effects on the accounting treatment of financial instruments.

- **Impairment of financial assets**

IFRS 9 switches from the incurred loss model under IAS 39 to a forward-looking expected credit loss (ECL) model and is applicable for financial assets which have been reclassified to at amortized cost or at the fair value in other comprehensive income (FVOCI). Impairment must be determined either using the 12-month model, which considers the expected losses for the next 12 months, or the general approach (three-stage approach), which factors in the expected losses during the entire lifetime of the financial asset.

In accordance with the simplified approach pursuant to IFRS 9.5.5.15, the Company must recognise impairments at each balance sheet date at an amount equal to the lifetime expected credit losses. For current receivables, the expected losses for the next 12 months correspond to the expected losses over the remaining life. For that reason, a transfer from Stage 1 to Stage 2 is not relevant. SBO's trade receivables are almost without exception short term and consequently do not include any significant interest component. The simplified approach must therefore be applied. Previously at SBO, loss allowances for trade receivables also had to be established when there were indications of possible default risks, and in any case, when past due periods were exceeded. Accordingly, at the end of each reporting period, trade receivables were adjusted through a loss allowance in accordance with the most probable outcome when a loss was incurred. Because the loss allowances to be established were intended to reflect default events and current economic circumstances (forecasts of future economic relationships are secondary in connection with the short-term nature of receivables), it must be assumed that when applying the simplified model of the new IFRS 9 using a provision matrix, the total expense and thus the loss allowances as of the reporting date will not deviate significantly from the historical values.

Long-term loans to management must be measured using the three-stage approach pursuant to IFRS 9.5.5.1 ff. Therefore, a loss allowance must be established upon initial recognition based on default events that are expected in the next twelve months. If the credit risk increases significantly, SBO must recognise a loss allowance based on the lifetime ECL. Management shares, and hence corresponding loans as well, are granted only to selected employees of SBO companies, who are very creditworthy. In addition, the loans are secured by the shares in the companies in question held by the managers. The credit risk for these loans has also not changed significantly since initial recognition.

An expected loss from these loans as at 1 January 2018 is considered to be insignificant, for which reason SBO also does not expect any changes in this area from the initial application of IFRS 9.

- **Hedge Accounting**

IFRS 9 also contains new requirements on hedge accounting. In particular, the new model aims at offering a better connection between an entity's risk management strategy, the reasons for the hedging, and the impacts of the hedge on the consolidated financial statements. SBO holds foreign currency derivatives to hedge against currency risks. However, these hedges were already not recognised using hedge accounting under IAS 39; accordingly, remeasurement gains and losses are recognised through profit or loss. Under IFRS 9 as well, the use of hedge accounting is not planned, for which reason no transition effects are expected in this area.

#### IFRS 15 Revenue from Contracts with Customers

Based on the new standard, revenue will be recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognised when the entity satisfies the performance obligation. IFRS 15 also requires the disclosure of quantitative and qualitative information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cashflows arising from contracts with customers. The standard must be applied for financial years beginning on or after 1 January 2018.

The standard has not been applied early. SBO will apply the modified retrospective approach and recognise the cumulative effect of first-time application as at 1 January 2018 as an adjustment of the opening balance of accumulated retained earnings. With this approach, IFRS 15 will be applied to contracts that are not yet settled as at 1 January 2018.

The analysis of the impacts of first-time application of the new standard on the consolidated financial statements showed that, in most cases, no material effects are expected from contracts with customers when the sale of goods is the sole performance

obligation. Revenue is recognised on the date on which the power of disposal over the asset transfers to the customer, that is to say, when the customer obtains control over the goods. This is generally the case upon delivery. Depending upon the contractual terms, earlier revenue recognition, i.e. before delivery, may be required in individual cases involving the production of customer-specific products in the „Advanced Manufacturing & Services“ segment because there is a legal right to payment for the performance already provided. Due to the short processing times of these orders, this will have only an insignificant effect of approximately TEUR 100 on the amount of SBO's accumulated retained earnings as at 1 January 2018.

With respect to the provision of repair or maintenance services, revenue is recognised when the repaired or serviced goods are delivered to the customer, which is also when control passes to the customer. For contracts with customers in which the performance obligation is the leasing of drilling tools, revenue recognition depends on use, i.e. over the period during which the customer benefits from the use of the drilling tools. Here, too, no material changes to the consolidated financial statements are expected. Multiple-element arrangements do currently not exist. For variable consideration in the form of quantity discounts granted in individual cases, the future discount to be granted must be estimated on each revenue recognition date.

## **IFRS 16 Leases**

The new standard specifies how an IFRS reporter will recognise, measure, present, and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less, or the agreement concerns a low-value asset (optional in each case). Lessors will continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor IAS 17 (Leases).

The Company is currently evaluating the impact of applying IFRS 16 on the consolidated financial statements. The analysis to date has shown that the application of the new standard will not result in any material impacts on SBO's consolidated financial statements because the production and sales locations are normally owned by SBO. The recognition of assets and liabilities for the existing operating leases will result in an increase in the consolidated balance sheet total. The recognition of rental expenses will be replaced by the depreciation of right-of-use assets and by interest expenses, which will result in an improvement of the EBITDA and EBIT performance figures. The obligations from operating leases are presented in Note 8.

Likewise, no significant impact is expected in those instances in which SBO is the lessor (see Note 23). Early application of the standard is not foreseen. For the initial application of IFRS 16 as at 1 January 2019, SBO intends to use the modified retrospective approach by recognising the cumulative effect from the transition as an adjustment to the opening equity balance of the reporting period, without restating comparative information. The lease liabilities will be recognised using the present value of the remaining lease payments and the right-of-use assets presumably at an amount equal to the recognised lease liabilities. SBO plans to apply

the recognition exemptions for leases with a term of 12 months or less, and for leases concerning low-value assets. The effect on the future amortization by the exercise of these options is not significant from the current perspective.

## **2. Reporting date**

The reporting date of all companies included in the consolidated financial statements is 31 December.

## **3. Treatment of non-controlling interests in the consolidated financial statements**

Non-controlling interests in the Group are recognised at the proportionate share of the remeasured identifiable net assets at the acquisition date. Subsequently, an appropriate share of net profit / loss after tax and other comprehensive income is allocated to non-controlling interests. Thus, a loss at the respective subsidiary could lead to a negative balance. Changes in the equity interest in a subsidiary without loss of control are recognised as equity transactions.

Refer to Note 20 for details on existing option agreements.

## **4. Foreign currency translation**

The consolidated financial statements are prepared in euros, the functional and reporting currency of the parent company. Each company within the Group sets its own functional currency. The items included in the financial statements of each company are measured using this functional currency.

Foreign currency transactions are translated at the exchange rate in effect at the transaction date. Monetary items denominated in foreign currencies are translated at the exchange rate as at the reporting date. Currency differences are recognised in profit or loss in the period in which they occur.

When preparing the consolidated 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 closing rate.
- All income and expense items of foreign subsidiaries are translated using an average annual rate.

Currencies developed as follows:

	RATE ON REPORTING DATE		AVERAGE ANNUAL RATE	
	31.12.2017	31.12.2016	2017	2016
1 EUR =				
USD	1.1993	1.0541	1.1293	1.1066
GBP	0.8872	0.8562	0.8761	0.8189
CAD	1.5039	1.4188	1.4644	1.4664
MXN	23.6612	21.7719	21.3278	20.6550
BRL	3.9729	3.4305	3.6041	3.8616
VND	27,130.4	23,942.2	25,845.5	24,664.9

Currency translation differences from the inclusion of financial statements of subsidiaries in the consolidated financial statements are recorded in the consolidated financial statements within equity under the item “currency translation reserve”; the change in the current year is presented under “other comprehensive income” in the consolidated statement of comprehensive income.

## 5. Classification of current and non-current assets and liabilities

Assets and liabilities with a residual term of up to one year are classified as current, those with a residual term of more than one year as non-current. Residual terms are determined as at the reporting date.

Operating assets and liabilities, such as trade receivables and trade payables, are always classified as current even if their maturity is more than 12 months after the reporting date as this corresponds to the usual business cycle.

## 6. Financial instruments

Transactions of financial instruments are recognised at the settlement date in accordance with IAS 39.

The consolidated balance sheet includes the following financial instruments (classified in accordance with IAS 39):

### CASH AND CASH EQUIVALENTS

All cash balances, demand deposits, and short-term extremely-liquid financial investments that can be converted to known amounts of cash and cash equivalents on demand, and which are subject to only insignificant fluctuations in value included under the item “cash and cash equivalents”, are classified as cash funds. Cash balances and demand deposits are measured at market values at the reporting date.

Current investments are non-derivative financial assets not held for trading that are available-for-sale assets with a term of less than three months.

### LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed on an active market. These comprise in particular trade receivables and other loans issued and receivables. Trade receivables that are granted beyond the normal payment target bear interest at arm's length rates.

Receivables are recognised at the settlement date at cost and subsequently measured at amortized cost using the effective interest method, less any allowance for impairment. Gains and losses are recognised to consolidated profit or loss due to amortization under the effective interest method, upon impairment or when a loan or receivable is derecognised.

The Company grants payment targets to its customers at customary business terms, but generally does not require any additional collateral or payment guarantees to secure the amounts due. Occasional customers and customers located in high risk countries from whom the Company obtains confirmed letters of credit are excluded from this policy.

Receivables are continually appraised and allowances for doubtful accounts are established if necessary. These allowances are sufficient to cover the expected default risk; actual defaults result in derecognition of the receivable in question. The decision of whether to account for the default risk by means of allowances or to reduce the receivable directly depends on the reliability of the assessment of the risk situation.

Management evaluates the adequacy of the allowances for doubtful accounts using the maturity structure of receivables balances, historical defaults on receivables, customer creditworthiness, and changes in payment behaviour.

## LIABILITIES

Financial liabilities comprise in particular trade payables, liabilities to banks, finance lease liabilities and derivative financial liabilities.

Liabilities are initially recognised at their fair value less transaction costs related to the borrowing and are subsequently measured at amortized cost using the effective interest method. Gains and losses resulting from the use of the effective interest method are recognised in consolidated profit or loss.

In addition, financial liabilities include purchase prices for shares in subsidiaries held by management. The managers are contractually obligated to sell these shares back to the Company when specified events occur and the Company is obligated to repurchase the shares. The repurchase price is based on the amount of the pro-rata equity on the sale date. Pursuant to IAS 32.23, such contracts give rise to a financial liability for the present value of the redemption amount. As the value cannot be determined exactly in advance, the liability is measured using the pro-rata equity at the reporting date, which includes the portion of the income from the current financial year that in turn is recognised in the consolidated profit and loss statement under "interest income or expense". This current income share is considered representative of the effective interest result.

Additional financial liabilities result from participation rights in subsidiaries granted to management. These participation rights may only be transferred to third parties with the Company's approval and the Company has a call option upon the occurrence of specified events, in which event the redemption amount is based on the subsidiary's net assets as at the exercise date. The current share of income is considered to be representative of the effective interest result which changes the liability accordingly.

## DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING RELATIONSHIPS

The Group uses derivative financial instruments such as currency futures to hedge currency risks. These derivative financial instruments are recognised at fair value at the contract date and are subsequently measured at fair value. Derivative financial instruments are recognised as assets if their fair values are positive and as liabilities if fair values are negative.

The Company uses the following instruments:

## OTHER DERIVATIVES

The Company uses hedging measures to hedge foreign currency risks from recognised monetary assets and liabilities. While these measures do not satisfy IAS 39's strict requirements for hedge accounting, they effectively contribute to the hedging of financial risk in accordance with risk management principles.

Gains and losses from hedges which serve to hedge the exchange risks from intra-Group deliveries in foreign currencies and which do not satisfy the criteria for hedge accounting in accordance with IAS 39 are not presented separately in profit or loss but rather together with currency gains and losses from deliveries in the operating result.

There are also option liabilities relating to cancellable non-controlling interests (see Note 20).

## HEDGE-ACCOUNTING

Once, in connection with a business combination in 2010, a foreign currency hedge of the purchase price was concluded between the signing and the closing, which was recognised as a fair value hedge of a fixed off-balance sheet obligation as the underlying. The loss attributable to the secured hedged was recognised as a basis adjustment to the acquired assets and is now recognised in profit or loss in accordance with the recognition of these assets in profit or loss (in line with depreciation over the estimated useful lives).



## 7. Inventories

Inventories consist of materials and purchased parts in various stages of completion and are recognised at cost or the lower net realisable value at the reporting date. Inventory usage is determined using the first-in, first-out, weighted average price or specific price methods. Costs of finished goods include the costs for raw materials, other directly allocable expenses as well as pro-rata overheads. Borrowing costs are not capitalised. Inventory risks arising from slow moving goods or reduced realisability are accounted for through appropriate valuation allowances.

## 8. Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are measured at cost less depreciation and amortization. Depreciation/amortization is generally recognised using the straight-line method over the expected useful life of the asset. The estimated useful lives are as follows:

	<b>USEFUL LIFE IN YEARS</b>
<b>Intangible assets:</b>	
Software	4
Technology	5 - 10
Customer base	5 - 10
Non-compete agreements	5 - 10
Trademarks	10
<b>Property, plant &amp; equipment:</b>	
Buildings and improvements	5 - 50
Technical plant and machinery	3 - 17
Other equipment, operating and office equipment	2 - 10

On each reporting date the Company assesses whether there are indications that property, plant and equipment or intangible assets may be impaired. If such indications exist, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. Impairment losses on continuing operations are recognised in profit or loss under "impairment of property, plant and equipment".

An assessment is made at each reporting date whether there are indications that previously recognised impairment losses no longer exist or may have decreased. A previously recognised 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 recognised. The reversal is limited to the extent that the asset's carrying amount may not exceed either its recoverable amount or the carrying amount that would have resulted, net of depreciation, had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss.

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

Leased property, plant and equipment assets which give rise to rights approximating ownership due to the arrangement of the underlying lease agreements (finance leases) are treated as asset purchases and recognised at fair value or the lower present value of the minimum lease payments. The lease liabilities resulting from the future lease payments are presented in the balance sheet as "finance lease liabilities".

Interest expenses on capitalised leased assets are based on an interest rate of 5.3 %. This rate is determined depending on the minimum interest rate for new loans at the inception of each lease or in correspondence with the lessor's implicit rate of return.

The determination whether an arrangement is or contains a lease is based on the economic substance of the agreement and requires judgement as to whether the satisfaction 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 recognised at cost and subsequently tested for impairment annually as at 31 December. For this purpose, goodwill is assigned to cash generating units and compared to the business units' value in use based on the expected cashflows.

Once recognised, an impairment of goodwill is not reversed in subsequent periods.

## 10. Current and deferred income taxes

Current tax refund claims and tax liabilities for current and previous periods are measured in the amount to be recovered from or paid to the tax authorities. The amount is calculated based on the tax rates and tax laws applicable at the reporting date.

The Company uses the balance sheet liability method prescribed by IAS 12 to recognise deferred taxes. Deferred tax assets and liabilities are measured based on the tax rates that are expected to apply to the period in which the asset will be realised or the liability settled. If there are losses in the current or previous periods, deferred tax assets are recognised for unused tax loss carryforwards only to the extent that there are substantial indications based on existing mid-term plans that sufficient taxable profits will be available against which the unused tax losses can be utilized. For tax loss carryforwards which do not expire, realisability is based on the next five years.

Current and deferred taxes which relate to items recognised under “other comprehensive income” or directly under equity are not recognised in profit or loss, but rather in “other comprehensive income” or directly in equity.

## 11. Government grants

Government grants are recognised only when there is reasonable assurance that the entity will comply with any conditions attached to the grants and that the grants will be received. Grants relating to costs are recognised as income over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis.

Grants relating to assets are recognised as a deferred income item as soon as all conditions necessary for the receipt of the grant have been satisfied. The deferred income is reversed over the useful life of the respective assets and presented in other “operating income” in the consolidated profit and loss statement.

## 12. Provisions

In accordance with IAS 37, provisions are recognised when the Company has current legal or constructive obligations as a result of

past events and for which payment is probable. Provisions are recognised at the amount determined based on management's best estimate at the reporting date. Provisions are not established if a reasonable estimate is not possible.

### 13. Provisions for employee benefits

#### DEFINED BENEFIT PLANS

Defined benefit plans concern solely obligations for severance benefits of Austrian companies. Upon termination of employment or normal retirement, employers must make a lump sum payment to the employee if they were employed for three years or more and employment commenced before 1 January 2003. Severance payments range from six to twelve months of salary at the time of separation depending on the length of service. Payments must be made upon normal retirement or termination by the employer, but not upon voluntary departure by the employee. The amount of the provision is calculated on each reporting date using actuarial measurements based on the projected unit credit method with a creditable service period from the beginning of the employment to the time of planned retirement for each employee, and corresponds to the present value of the employee's vested benefit claims at the end of the reporting period. The retirement age used refers to current legal provisions. Expected future salary increases and employee turnover discounts are considered based on medium-term historical experience.

All remeasurements relating to defined benefit plans (actuarial gains and losses) are recognised under "other comprehensive income", in accordance with IAS 19. Refer to Note 18 for further details on provisions for severance payments.

#### DEFINED CONTRIBUTION PLANS

In accordance with legal requirements for employments subject to Austrian law which commenced after 1 January 2003, the Company must pay 1.53 % of current compensation to an employee benefit fund.

Defined contribution pension schemes exist at several Group companies based either on specific legal obligations under national law or based on shop agreements or individual contractual pension agreements. The Group's obligation is limited at paying the contributions to each pension fund when due. There is no legal or constructive obligation to make future payments.

All contributions to defined contribution plans are recognised as an expense at the time when employees have provided the services that obligate the Company to make the contribution.

## OTHER LONG-TERM PERSONNEL OBLIGATIONS

In accordance with Austrian collective work agreements, employees are entitled to jubilee payments depending on their length of service (defined benefit plan). The amounts to be accrued for these provisions are also calculated using the projected unit credit method. The parameters used for the provision for severance pay are also applied when calculating the provision for jubilee payments. Remeasurements (actuarial gains or losses) are recognised in profit or loss.

## 14. Revenue recognition

Sales revenue from the sale of manufactured items and goods is recognised when the risks and rewards are transferred, normally upon delivery to the recipient. Revenues from service and repair work are recognised when the service has been rendered. Refer to Note 4 for further details on the impacts of the new IFRS 15 standard on revenue recognition, which will be applied as at 2018.

Individual entities within the SBO Group operate as lessors where the agreements refer solely to operating leases. Revenues from operating leases are recognised based on actual usage by the customer. No minimum lease obligations or minimum revenues are generally stipulated in the agreements.

Interest income is recognised on a pro-rata basis, using the effective interest method.

## 15. Research and development

Pursuant to IAS 38, research costs are recognised in profit or loss when incurred. Development costs are expensed when incurred, if the requirements for capitalisation of development costs in accordance with IAS 38 are not fully met. Development costs are recognised in profit or loss in SBO's consolidated financial statements in the period in which they are incurred, because the corresponding recognition criteria were not satisfied or due to the lack of materiality.

## 16. Share-based payment

In 2014 an agreement on share-based payments was entered into with the Chief Executive Officer. The granting requires valid employment. An agreement on the granting of a voluntary severance benefit in the form of SBO shares at the end of employment was also concluded. As the compensation is/will be settled using SBO shares, the current expense from these agreements is recognised in personnel expense and within equity (refer to Note 33).

## 17. Estimates, judgements, and assumptions

When preparing the consolidated annual financial statements under International Financial Reporting Standards, estimates, assumptions, and judgements must be made to a certain extent which impact the amounts presented in the balance sheet, the notes to the financial statements and the profit and loss statement. The amounts actually arising in the future may deviate from the estimates; however, from its current perspective the Management believes that there will not be any material negative impacts on the consolidated financial statements in the near future. The significant estimates and judgements underlying the consolidated annual financial statements are explained below.

Assumptions and discretionary decisions must be made when recognising and measuring "intangible assets" recognised in the course of business combinations (see Note 9).

Estimates are necessary about the period over which "property, plant and equipment" and "intangible assets" can be expected to be used (see Notes 8 and 9). In addition, if indications of "impairment of property, plant and equipment" or "intangible assets" are identified, estimates are required when determining the recoverable amount.

An estimate of the value in use is made for the annual impairment test of "goodwill" in which management must estimate the expected future cashflows of the cash generating units and choose an appropriate discount rate (see Note 9).

Deferred tax assets are recognised for unused tax losses to the extent it is probable that taxable income will be available, so that the loss carryforwards can actually be used. When accounting for "deferred tax assets", a significant exercise of judgment by management is required regarding the timing and extent to which future taxable income will be available in order to actually use the temporary differences or loss carryforwards (see Note 11).

Management estimates of pricing and market development are necessary in order to determine carrying amounts when measuring “inventories” (see Note 7).

“Receivables” require assumptions regarding the probability of default (see note 5).

For the recognition of “provisions”, management must evaluate the probability of occurrence at the reporting date. Provisions are recognised at the value that corresponds to management’s best estimate at the reporting date (see Note 16).

Expenses for defined benefit plans are determined based on actuarial calculations. The actuarial measurement is based on assumptions regarding the discount rates, future wage and salary increases, mortality rates, and employee turnover rates (see Note 18).

Option liabilities relating to cancellable non-controlling interests are measured at fair value at the acquisition date and are subsequently remeasured at fair value on each reporting date. The fair values are determined based on the discounted cashflows, which are derived from the most recent earnings forecast of the companies involved. Judgements are necessary when determining future cashflows and the choice of an appropriate discount rate. In 2017, the Company moved to using short-term interest rates in line with the expected duration for determining the option liability due to changes in estimates on the exercise date (see Note 20).

Liabilities for management’s interest in subsidiaries and participation rights are measured using estimates of the service period of the respective individuals in the company and future profitability of the subsidiaries. The Company assumes that the respective share of the subsidiary’s annual income essentially corresponds to the effective interest expense (see Note 19).

## NOTE 5

### TRADE RECEIVABLES

An analysis of trade receivables as at 31 December is presented below:

in TEUR	CARRYING AMOUNT	NOT PAST-DUE AND NOT IMPAIRED	PAST-DUE AND NOT IMPAIRED				
			≤ 30 DAYS	31-60 DAYS	61-90 DAYS	91-120 DAYS	> 120 DAYS
<b>2017</b>	89,801	49,375	22,540	8,195	4,231	2,222	2,525
<b>2016</b>	49,526	26,109	9,843	5,996	3,824	1,761	1,979

Trade receivables with a term of more than 12 months amounted to TEUR 446 (previous year: TEUR 508).

The carrying amount of impaired receivables amounted to TEUR 713 (previous year: TEUR 14). Allowances for doubtful accounts are recognised as soon as there are indications of an impending default, normally at least when payments are overdue by more than 180 days.

The allowance account is presented below:

in TEUR	<b>2017</b>	<b>2016</b>
As at 1 January	6,379	5,885
Currency translation adjustments	-723	241
Business combinations	0	1,414
Utilization	-442	-1,777
Reversal	-1,831	-969
Additions	2,011	1,585
<b>As at 31 December</b>	<b>5,394</b>	<b>6,379</b>

No collateral was received for the receivables listed.



## NOTE 6

### OTHER RECEIVABLES AND OTHER ASSETS

This line item mainly consists of receivables from tax authorities and prepaid expenses.

No collateral was received for the receivables and no valuation allowances have been recognised.

## NOTE 7

### INVENTORIES

The breakdown of inventories by classification is presented below:

in TEUR	31.12.2017	31.12.2016
Raw materials and supplies	9,806	7,434
Work in progress	44,096	39,832
Finished goods	42,984	58,359
Prepayments	200	28
<b>Total</b>	<b>97,086</b>	<b>105,653</b>

Valuation allowances expensed in 2017 were TEUR 2,502 (previous year: TEUR 3,939).

## NOTE 8

### PROPERTY, PLANT AND EQUIPMENT

A summary of the gross carrying amounts and the accumulated depreciation and impairments of property, plant and equipment is presented below:

#### 2017

in TEUR	LAND & BUILDINGS	TECHNICAL PLANT AND MACHINERY	OTHER EQUIPMENT, OPERATING AND OFFICE EQUIPMENT	PREPAYMENTS AND ASSETS UNDER CONSTRUCTION	TOTAL
<b>Cost</b>					
1 January 2017	93,274	378,468	13,576	286	485,604
Currency translation adjustments	-6,629	-29,384	-898	-52	-36,963
Additions	7,243	19,243	1,466	4,010	31,962
Reclassifications	233	3,375	-2	-3,606	0
Disposals	-211	-11,487	-680	-31	-12,409
31 December 2017	93,910	360,215	13,462	607	468,194
<b>Accumulated depreciation and impairment</b>					
1 January 2017	26,840	282,292	11,128	0	320,260
Currency translation adjustments	-1,850	-21,300	-719	0	-23,869
Additions from depreciation	3,467	30,557	1,193	0	35,217
Reclassifications	0	1	-1	0	0
Disposals	-129	-7,821	-636	0	-8,586
31 December 2017	28,328	283,729	10,965	0	323,022
<b>Carrying amount</b>					
31 December 2017	65,582	76,486	2,497	607	145,172
31 December 2016	66,434	96,176	2,448	286	165,344

## 2016

in TEUR	LAND & BUILDINGS	TECHNICAL PLANT AND MACHINERY	OTHER EQUIPMENT, OPERATING AND OFFICE EQUIPMENT	PREPAYMENTS AND ASSETS UNDER CONSTRUCTION	TOTAL
<b>Cost</b>					
1 January 2016	101,623	372,239	13,740	1,073	488,675
Currency translation adjustments	-3	2,348	70	22	2,437
Business combinations	634	4,186	153	399	5,372
Additions	553	11,128	599	376	12,656
Reclassifications	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 and impairment

1 January 2016	26,989	257,915	10,747	0	295,651
Currency translation adjustments	13	2,177	47	0	2,237
Additions from depreciation	3,307	32,479	1,285	0	37,071
Additions from impairment	1,789	0	0	0	1,789
Reversal of impairment losses	0	-229	0	0	-229
Reclassifications	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

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

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

The reclassification of assets held for sale and impairment losses for the 2016 financial year are presented in Note 12.

There were no reversals of impairment losses during the 2017 financial year. In the 2016 financial year, reversals of impairment losses in the amount of TEUR 229 were recognised in the "Advanced Manufacturing & Services" segment, based on the reduction of excess capacity caused by the withdrawal of other machinery in this segment.

As at 31 December 2017, purchase commitments for investments in property, plant and equipment amounted to TEUR 1,222 (previous year: TEUR 89).

## FINANCE LEASES

The carrying amounts of capitalised leased assets presented under "technical plant and machinery" amounted to TEUR 90 as at 31 December 2017 (previous year: TEUR 27), the present value of commitments for future minimum lease payments amounted to TEUR 79 (previous year: TEUR 28).

## OPERATING LEASES

The commitments arising from lease and rental agreements from the use of off-balance sheet property, plant and equipment are as follows:

in TEUR	31.12.2017	31.12.2016
For the following year	3,189	2,244
Between one and five years	5,432	3,060
More than five years	2,858	2,059

Payments due to operating leases that were recognised as a current expense totalled TEUR 3,918 in 2017 (previous year: TEUR 2,570).

## NOTE 9

### INTANGIBLE ASSETS

The gross carrying amounts and the accumulated amortization of intangible assets is summarised below:

#### 2017

in TEUR	GOODWILL	TECHNOLOGY	NON-COMPETE AGREEMENTS	CUSTOMER BASE	OTHER INTANGIBLE ASSETS	TOTAL
<b>Cost</b>						
1 January 2017	264,474	73,843	16,537	38,283	14,172	<b>407,309</b>
Currency translation adjustments	-24,665	-6,872	-1,087	-3,541	-1,182	<b>-37,347</b>
Additions	0	0	0	0	107	<b>107</b>
Disposals	-8,976	0	0	0	-224	<b>-9,200</b>
31 December 2017	230,833	66,971	15,450	34,742	12,873	<b>360,869</b>
<b>Accumulated amortization and impairments</b>						
1 January 2017	89,758	32,872	7,857	24,489	7,713	<b>162,689</b>
Currency translation adjustments	-6,242	-2,859	-386	-2,384	-576	<b>-12,447</b>
Additions from amortization	0	6,550	2,055	4,143	1,156	<b>13,904</b>
Disposals	-8,976	0	0	0	-126	<b>-9,102</b>
31 December 2017	74,540	36,563	9,526	26,248	8,167	<b>155,044</b>
<b>Carrying amount</b>						
31 December 2017	156,293	30,408	5,924	8,494	4,706	<b>205,825</b>
31 December 2016	174,716	40,971	8,680	13,794	6,459	<b>244,620</b>

## 2016

in TEUR	GOODWILL	TECHNOLOGY	NON-COMPETE AGREEMENTS	CUSTOMER BASE	OTHER INTANGIBLE ASSETS	TOTAL
<b>Cost</b>						
1 January 2016	166,305	51,820	10,722	38,350	11,600	278,797
Currency translation adjustments	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
Reclassifications	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
<b>Accumulated amortization and impairments</b>						
1 January 2016	84,587	28,497	5,915	20,617	6,714	146,330
Currency translation adjustments	1,855	-1,775	-428	-354	-29	-731
Additions from amortization	0	6,150	2,370	4,226	1,138	13,884
Additions from 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
<b>Carrying amount</b>						
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

As at 31 December 2017, purchase commitments for acquisitions of intangible assets amounted to TEUR 0 (previous year: TEUR 0).

## 1. Goodwill

Goodwill is allocated to the following cash generating units and segments:

in TEUR	31.12.2017	31.12.2016 *)
Segment "Advanced Manufacturing & Services"		
Knust-Godwin LLC	18,593	21,154
SCHOELLER-BLECKMANN Oilfield Technology GmbH	4,655	4,655
Schoeller-Bleckmann Darron (Aberdeen) Limited	798	798
Segment "Oilfield Equipment"		
Downhole Technology LLC	82,444	93,800
Resource Well Completion Technologies Inc.	24,599	26,074
DSI FZE	20,866	23,676
BICO Drilling Tools Inc.	4,214	4,427
BICO Faster Drilling Tools Inc.	124	132
<b>Total</b>	<b>156,293</b>	<b>174,716</b>

\*) restated due to change in segment-reporting in 2017

All cash generating units are measured based on the value in use by discounting expected future cashflows using the weighted average cost of capital (WACC). The WACC was determined based on the current market data for comparable companies in the same industry segment and adjusted for expected specific inflation rates for each country. A detailed planning period of five years (previous year: five years) and the cashflows are based on budgeting by management. For deriving cashflows in the terminal value, a fixed growth rate of 1 % (previous year: 1 %) was assumed for all cash generating units.

The following discount rates were applied as at 31 December 2017 and 31 December 2016:

## WACC (BEFORE TAX)

in %	31.12.2017	31.12.2016 *)
<b>Segment "Advanced Manufacturing &amp; Services"</b>		
Knust-Godwin LLC	10.7 %	14.2 %
SCHOELLER-BLECKMANN Oilfield Technology GmbH	12.5 %	12.8 %
Schoeller-Bleckmann Darron (Aberdeen) Limited	12.1 %	13.0 %
<b>Segment "Oilfield Equipment"</b>		
Downhole Technology LLC	11.0 %	14.8 %
Resource Well Completion Technologies Inc.	11.5 %	14.7 %
DSI FZE	10.1 %	12.0 %
BICO Drilling Tools Inc.	10.7 %	13.4 %

\*) restated due to change in segment-reporting in 2017

Cashflows were determined based on revenue forecasts and planned capital expenditures. The value in use of a cash generating unit is impacted the most by sales revenues. Forecasts of sales and cashflow take into account the cyclicity of the industry derived from historical experience on the one hand, and long-term developments of the sales market on the other. Sales forecasts for all cash generating units are based on the expected business development in the oilfield service industry. This is derived from expected drilling activities, the geographic sales markets, and company-specific developments. In addition, margin forecasts are derived from the expected product mix and cost developments based on expected developments of materials prices and planned capital expenditures. The estimated personnel development (based on planned headcount, required qualifications of employees needed and expected personnel cost based on the current economic situation) are also taken into account.

None of the impairment tests performed led to an impairment requirement. The change in the carrying amount of goodwill of all cash generating units in 2017 resulted from foreign currency translation.



Sensitivity analyses were carried out for all cash generating units. As the value in use reacts to changes in the assumptions regarding cashflows and the discount factors in particular, the analyses took into account an isolated increase in the discount factor by one percentage point as well as a reduction of cashflows by 10 %, as deemed possible by management. This analysis resulted in no impairment loss on any cash generation unit.

## 2016 IMPAIRMENTS

In 2016 an impairment of goodwill for Resource Well Completion Technologies Inc. cash generating unit (this unit's main activity is in the production of high-end products for stimulating oil and gas production) in the amount of TEUR 3,316 was recognised in profit or loss under the item "impairment on goodwill".

## 2. Other intangible assets

"Other intangible assets" mainly comprise technology, the customer base, trademarks, and rights from non-compete agreements relating to circulation tools from a business combination in 2010 (carrying amount as at 31 December 2017: TEUR 13,397; previous year: TEUR 19,418). These assets are amortized over a useful life of 10 years.

In addition, as part of the initial recognition of Resource Well Completion Technologies Inc. in 2014, acquired technologies (carrying amount as at 31 December 2017: TEUR 2,479; previous year: TEUR 3,313) and the acquired customer base (carrying amount as at 31 December 2017: TEUR 2,397; previous year: TEUR 3,926) were capitalised. The technology can be used over a period of seven years from the acquisition date, the customer base will be amortized over a useful life of five years. Furthermore, rights from non-compete agreements were capitalised for a term of at least five years (carrying amount as at 31 December 2017: TEUR 1,231; previous year: TEUR 2,016).

As part of the initial recognition of Downhole Technology LLC in 2016, acquired technologies (carrying amount as at 31 December 2017: TEUR 17,663; previous year: TEUR 22,531) and trademarks (carrying amount as at 31 December 2017: TEUR 1,472; previous year: TEUR 1,878) were capitalised with a useful life of ten years. In addition, rights from non-compete agreements (carrying amount as at 31 December 2017: TEUR 3,877; previous year: TEUR 5,448) were recognised which will be amortized over a period of six years.

Additional "other intangible assets" relate to technologies and non-compete agreements acquired in the course of a business combination in 2012.

"Other intangible assets" also include usage rights for IT software.

## NOTE 10

### LONG-TERM RECEIVABLES AND ASSETS

This item consists primarily of interest-bearing loans, which have been granted to the management of companies included in the scope of consolidation for the acquisition of shares or participation rights in these companies (also see Note 19). The Company has only a limited credit risk as the shares must be returned to the Company if the loan conditions are not satisfied.

in TEUR	31.12.2017	31.12.2016
Loans	9,540	11,347
Other receivables and assets	1,398	1,136
<b>Total</b>	<b>10,938</b>	<b>12,483</b>

As at 31 December 2017 and 31 December 2016 no impairments were required. There were no past due receivables.

No collateral was received for the other receivables and assets listed.

## NOTE 11

### DEFERRED TAXES

The deferred tax assets and liabilities result from the following items:

in TEUR	31.12.2017		31.12.2016	
	Assets	Liabilities	Assets	Liabilities
Property, plant and equipment	1,036	-4,150	1,334	-7,546
Other intangible assets (differences in useful lives)	711	-188	598	-410
Goodwill and other intangible assets (differences in carrying amounts)	0	-7,360	12	-11,720
Inventories (measurement differences)	5,818	0	9,355	0
Valuation of shares in subsidiaries	1,050	0	1,413	0
Option liabilities	19,091	0	2,048	0
Other items (measurement differences)	1,139	-365	1,767	-793
Provisions	2,400	0	2,755	0
Exchange differences from elimination of intercompany balances	1,041	0	0	-1,485
Tax loss carryforwards	6,600	0	4,273	0
<b>Subtotal</b>	<b>38,886</b>	<b>-12,063</b>	<b>23,555</b>	<b>-21,954</b>
Offset within legal tax units and jurisdictions	-9,749	9,749	-11,916	11,916
<b>Total</b>	<b>29,137</b>	<b>-2,314</b>	<b>11,639</b>	<b>-10,038</b>

Deferred taxes of TEUR 5,108 (previous year: TEUR 4,662) for loss carryforwards were not recognised or adjusted, the use of which is uncertain under the current mid-term planning. These will expire as follows:

in TEUR	2018	2019	2020	2021	2022	after 2022	never	TOTAL
	19	195	32	19	0	1,831	3,012	<b>5,108</b>

The gross deferred tax assets comprise tax claims of a consolidated tax group that generated a loss in the current financial year and whose deferred tax assets exceed deferred tax liabilities by TEUR 7,978 (previous year: two tax jurisdictions, whose deferred tax assets had exceeded deferred tax liabilities by TEUR 5,069 and TEUR 5,202, respectively, for a total of TEUR 10,271). The recognition of these deferred tax assets as at 31 December 2017 is based on the significant increase in incoming orders at the companies concerned during 2017 and on notably increasing future spendings expected for the oilfield-service industry.

Deferred tax assets include tax claims in the amount of TEUR 1,050 (previous year: TEUR 1,413) from write-downs of financial investments in the amount of TEUR 4,200 (previous year: TEUR 5,650) that are deductible over seven years under Austrian tax law.

Concerning option liabilities see also Note 20.

There are outside basis differences (i.e. between the tax base of equity interests and the pro-rata equity) at subsidiaries included in the consolidated financial statements, in particular from retained earnings and losses not covered by equity. As at 31 December 2017, timing differences amounted to TEUR 80,226 (previous year: TEUR 87,761), because distributions or disposals of equity investments of individual companies would generally be taxable. However, as the Group does not plan on dividends from or disposals of these companies in the foreseeable future, in accordance with IAS 12.39, no deferred taxes were recognised. Likewise, no withholding taxes were recognised as at 31 December 2017 due to the lack of planned distributions (previous year: TEUR 0).

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## NOTE 12

### ASSETS HELD FOR SALE

Real estate was sold during the 2017 financial year which was no longer needed due to the consolidation of production sites in the "Advanced Manufacturing & Services" segment. This real estate had already been presented in "assets held for sale" as at 31 December 2016. The resulting gain of TEUR 1,938 is included in "restructuring gains" in the profit and loss statement (see Note 26 in this regard). In connection with the consolidation, a building on the property was demolished in 2016 and an impairment loss of TEUR 1,789 was recognised.

A piece of the property remaining temporarily (TEUR 444) is intended to be sold as well following clarification of environmental issues. "Assets held for sale" also include two machines no longer needed due to the aforementioned consolidation of production sites (TEUR 150). Management expects that these transactions will be completed within the next twelve months.

## NOTE 13

### LIABILITIES TO BANKS

As at 31 December 2017, the current liabilities to banks were as follows:

CURRENCY	AMOUNT IN TEUR	INTEREST RATE IN %
GBP loans	6,763	1.43 % variable
CAD loans	1,117	4.70 % variable
<b>Subtotal</b>	<b>7,880</b>	
Export promotion loans (EUR)	24,000	0.18 – 0.45 % variable
<b>Total</b>	<b>31,880</b>	

As at 31 December 2016, the current liabilities to banks were as follows:

CURRENCY	AMOUNT IN TEUR	INTEREST RATE IN %
GBP loans	7,008	1.41 % variable
CAD loans	1,491	4.20 % variable
<b>Subtotal</b>	<b>8,499</b>	
Export promotion loans (EUR)	24,000	0.18 – 0.45 % variable
<b>Total</b>	<b>32,499</b>	

The export promotion loans represent revolving credit facilities that can be used by the Company permanently as long as it complies with certain lending agreements. In accordance with export promotion guidelines, receivables in the amount of TEUR 28,800 (previous year: TEUR 28,800) have been stipulated as security for these loans.

The CAD liabilities to banks in the amount of TEUR 1,117 (previous year: TEUR 1,491) have been secured by a floating charge on the entire assets of the borrowing company.

## NOTE 14

### GOVERNMENT GRANTS

The grants include a subsidy by a government investment and technology fund, as well as other investment subsidies received for the acquisition of property, plant and equipment and research and development expenses. Individual investment subsidies are tied to the adherence of investments in promoted areas (e.g. number of employees), which were adhered to as at the reporting date as well as in the previous year. As at 31 December 2017, subsidies received amounted to TEUR 57 (previous year: TEUR 154).

## NOTE 15

### OTHER LIABILITIES

Other current liabilities break down as follows:

in TEUR	31.12.2017	31.12.2016
Unused vacation	2,413	1,485
Other personnel expenses	7,245	4,641
Legal and professional fees	985	921
Tax liabilities	2,691	1,382
Social security and other employee benefits	2,074	1,951
Option liabilities	5,773	4,917
Miscellaneous other liabilities	8,932	4,677
<b>Total</b>	<b>30,113</b>	<b>19,979</b>

Refer to Note 20 for details on option liabilities from cancellable non-controlling interests.

In the financial year 2015, the Company received grants amounting to 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 and the expected obligation for repayment the amounts received are reported under "other current liabilities" as at 31 December 2017 (previous year: non-current liabilities).

## NOTE 16

### OTHER PROVISIONS

The other provisions developed as follows:

#### 2017

in TEUR	31.12.2016	UTILIZATION	REVERSAL	ADDITIONS	31.12.2017
Warranties and guarantees	3,022	0	-1,295	2	1,729
Other	1,184	-1,111	0	3,349	3,422
<b>Total</b>	<b>4,206</b>	<b>-1,111</b>	<b>-1,295</b>	<b>3,351</b>	<b>5,151</b>

The reduction in the provision for warranty risks in 2017 is attributable to reduced sales in the relevant business field.

It is expected that the costs related to the current provisions will be incurred in the next financial year.

At the beginning of November 2017, a decision was issued by the court of first instance with respect to a breach of patent rights by an SBO Group company alleged by a competitor at the end of 2015, according to which the competitor's patent was declared invalid and thus the alleged breaches of patent rights are groundless. This corresponds to the previous assessment by SBO management. The provisions for legal fees established in this regard in the consolidated financial statements as at 31 December 2016, in the amount of TEUR 1,100, were used during the 2017 financial year.

In the fourth quarter of 2017, a competitor filed suit regarding a breach of patent rights by an SBO Group company. The company's management considers this claim to be without merit and continues to dispute the allegations. Based on the current situation, the amount of any financial risk – extending beyond legal consulting costs – cannot yet be reliably assessed and are also considered to be improbable. As at 31 December 2017, a provision in the amount of TEUR 3,000 had been recognized in the consolidated financial statements in this regard.

## NOTE 17

### LONG-TERM LOANS INCLUDING CURRENT PORTION (AMORTIZATION FOR THE FOLLOWING YEAR)

As at 31 December 2017, long-term loans in the amount of TEUR 184,816, thereof current TEUR 69,478, were comprised of the following:

CURRENCY	AMOUNT IN TEUR	INTEREST RATE IN %	TERM	REPAYMENT
EUR	1,654	0.00 % fixed	2008 – 2024	Quarterly from 2011
EUR	47,500	0.69 % fixed	2016 – 2023	Semi-annually from 2018
EUR	10,000	2.06 % fixed	2016 – 2023	Bullet loan
EUR	2,500	1.24 % variable	2016 – 2018	Bullet loan
EUR	2,500	1.84 % fixed	2016 – 2023	Bullet loan
EUR	1,020	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	2,142	1.50 % fixed	2013 – 2019	Semi-annually from 2015
EUR	8,000	3.10 % fixed	2010 – 2018	Bullet loan
EUR	5,000	3.65 % 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	10,000	1.25 % fixed	2012 – 2018	Bullet loan
	<b>184,816</b>			

The following loans were backed by collateral:

- TEUR 4,816 (previous year: TEUR 7,049) – Lien on land, buildings, and machinery with a carrying amount of TEUR 12,524 (previous year: TEUR 14,520)

See Note 35 with regard to fair values; see Note 36 with respect to interest rate risk.



## NOTE 18

### PROVISIONS FOR EMPLOYEE BENEFITS

As at the reporting date, the provisions for employee benefits consisted of the following:

in TEUR	31.12.2017	31.12.2016
Severance payments	3,639	3,761
Jubilee payments	1,623	1,535
<b>Total</b>	<b>5,262</b>	<b>5,296</b>

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

	2017	2016
Discount rate	1.70 %	1.50 %
Salary increases	3.50 %	3.50 %
Employee turnover rate	0.0 – 15.0 %	0.0 – 15.0 %

Provisions were calculated using the Pagler & Pagler's AVÖ 2008-P (previous year: AVÖ 2008-P) mortality tables. Remeasurements of provisions for severance payments (actuarial gains or losses) are recognised in "other comprehensive income", in accordance with IAS 19.

No contributions were made to separately managed funds for the obligations presented.

## Provisions for severance payments

The provision for severance payments developed as follows:

in TEUR	2017	2016
Present value of severance obligation as at 1 January	3,761	4,444
Current service cost	147	174
Interest cost	51	82
Total expenses for severance payments	198	256
Remeasurements	-150	-23
Current severance payments	-170	-916
<b>Present value of severance benefit obligation as at 31 December</b>	<b>3,639</b>	<b>3,761</b>

The expenses shown in the table are presented in the consolidated profit and loss statement under personnel expenses of each functional area (see Note 24).

Remeasurements of provisions for severance payments recognised in "other comprehensive income" in accordance with IAS 19 are comprised of the following:

in TEUR	2017	2016
<b>Remeasurement of obligations</b>		
from changes to demographic assumptions	0	0
from changes to financial assumptions	-83	283
from historical experience	-67	-306
<b>Total</b>	<b>-150</b>	<b>-23</b>

The average term of the severance obligations as at 31 December 2017 was 11.4 years (previous year: 11.7 years).

## Sensitivity analysis

The effects on the obligations resulting from changes in significant actuarial assumptions are presented in the following sensitivity analysis. One significant influencing factor was changed in each case, while the remaining inputs were held constant. In reality, however, it is rather unlikely that these factors do not correlate. The changed obligation was determined analogously to the actual obligation, using the projected unit credit method in accordance with IAS 19.

in TEUR	SEVERANCE PAYMENTS	PRESENT VALUE OF OBLIGATION (DBO) 31.12.2017	
	CHANGE IN ASSUMPTION	CHANGE IN PROVISION GIVEN AN INCREASE IN ASSUMPTION	CHANGE IN PROVISION GIVEN A DECREASE IN ASSUMPTION
Discount rate	+/- 0.5 percentage points	-193	+212
Increase in salaries	+/- 0.5 percentage points	+199	-183

## Provision for jubilee payments

The provision for jubilee payments developed as follows:

in TEUR	2017	2016
Present value of jubilee payment obligation as at 1 January	1,535	1,377
Current service cost	129	124
Interest cost	23	30
Total expenses for jubilee payments	152	154
Remeasurements	-32	41
Current jubilee payments	-32	-37
<b>Present value of jubilee payment obligation as at 31 December</b>	<b>1,623</b>	<b>1,535</b>

## Defined contribution pension plans

Payments made in connection with defined contribution pension and employee benefit plans were expensed and amounted to TEUR 465 in the 2017 financial year (previous year: TEUR 360). Contributions of approximately TEUR 500 are expected for the following year.

## NOTE 19

### OTHER LIABILITIES

Other non-current liabilities break down as follows:

in TEUR	31.12.2017	31.12.2016
Option liabilities	131,515	53,615
Management interests	11,767	14,726
Participation rights	5,397	5,566
Non-compete agreements	1,067	1,395
Other liabilities	145	2,946
<b>Total</b>	<b>149,891</b>	<b>78,260</b>

Refer to Note 20 for details on option liabilities.

The management of the following companies included in the scope of consolidation held shares in their respective companies:

	31.12.2017	31.12.2016
<b>Company</b>		
BICO Drilling Tools Inc.	9.35 %	10.29 %
BICO FASTER Drilling Tools Inc.	11.00 %	11.00 %
Schoeller-Bleckmann Energy Services L. L. C.	3.00 %	3.00 %
Schoeller-Bleckmann Darron Limited	5.00 %	7.00 %
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.	0.00 %	2.00 %
ADRIANA HOLDING COMPANY LIMITED	1.00 %	1.00 %

Management thus has a pro-rata interest in these companies.

The management of the following companies included in the scope of consolidation held participation rights in their respective companies:

	<b>31.12.2017</b>	<b>31.12.2016</b>
<i>Company</i>		
DSI FZE	5.50 %	5.50 %
SCHOELLER-BLECKMANN Oilfield Technology GmbH	0.80 %	0.80 %
Resource Well Completion Technologies Inc.	5.00 %	5.00 %
Downhole Technology LLC	1.00 %	0.00 %

The effective interest expense recognised for management interests and participation rights was TEUR 840, the effective interest income recognised was TEUR 585 (previous year: expense TEUR 385, income TEUR 2,220) and is presented under "interest expenses" or "interest income", respectively.

## **NOTE 20**

### **OPTION LIABILITIES**

In the course of business combinations, the Company has concluded option agreements with non-controlling shareholders on the later acquisition of such non-controlling interests. The purchase price of the option liabilities from cancellable non-controlling interests depends on the results achieved by the company in question.

These option liabilities are recognised in "other liabilities" referring to the discounted amount of the expected payment from these cancellable options based on the current corporate planning at the acquisition date because the Group has an unconditional payment obligation. From a Group's perspective, 100 % of the shares in these companies are thus recognised due to this option commitment. Consequently, 100 % of the results of the respective subsidiaries are attributed to the owners of the parent company.

Option liabilities are subsequently measured using the discounted expected payment amount as at the reporting date based on current corporate planning. They are discounted using a risk-adequate interest rate for the respective term of the commitment. The interest cost from current discounting is presented under "interest expenses". Gains and losses due to changes of the discounted expected payment amount are recognised in "gains / losses from remeasurement of option liabilities".

In the course of two business combinations the Company granted the non-controlling shareholders the right 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 shareholders, who have committed themselves to transfer their shares to the Company in such case (put and call option). As the put and call options comprise all shares which are not yet held by the Group and the conditions for transfer in the put and call cases are identical, it is assumed that the Group has effectively acquired 100 % of the shares at the acquisition date. The option from the business combination in 2016 may be exercised at any time by both contracting parties as at 1 April 2019. The corresponding liability is recognised in other non-current liabilities. The option from 2014 is exercisable by both contracting parties at any time as at 31 March 2018. As at 31 December 2017 the related liability is presented in current (31 December 2016: non-current) other liabilities.

During the 2017 financial year increased earnings expectations with respect to Downhole Technology LLC, which is assigned to the "Oilfield Equipment" segment, resulted in an increase in the expected strike price for the shares underlying the option, and hence to a valuation effect in the amount of TEUR 90,152 concerning this option liability. The corresponding expenses are presented in the profit and loss statement in "gains / losses from remeasurement of option liabilities" and will be tax-effective for a period of 15 years upon exercising the option.

In the first half of 2016 the option agreement from the 2014 acquisition was amended replacing the EBITDA multiple of SBO at the exercise date by a fixed multiple. The resulting measurement differences are presented in the table below in the development of option liabilities as an addition/disposal due to contractual amendments and are recognised in the profit and loss statement together with the remeasurement gains and losses in "gains / losses from remeasurement of option liabilities".

In the course of a business combination in 2012 the Company granted the non-controlling shareholders the right to offer their shares to the Company at any time, and this obligated the Company to purchase the offered shares (put option). As the option can be exercised at any time by the non-controlling shareholders, the liability is recognised under "Other current liabilities". Based on the assessment as at the acquisition date that there was no present ownership interest with regard to the share underlying the put option, a non-controlling interest was recognised and as a result reclassified in full as a financial liability. Remeasurement changes of the liability are recognised in profit or loss in "gains / losses from remeasurement of option liabilities". In the 2016 reporting period, a unilateral capital increase by SBO at this company resulted in a disposal of this option liability of TEUR 1,988 that was recognised directly to consolidated equity in "retained earnings".

The development of option liabilities in the financial year is shown below:

in TEUR	BUSINESS COMBINATION DOWNHOLE TECHNOLOGY		OTHER BUSINESS COMBINATIONS	
	2017	2016	2017	2016
As at 1 January	51,006	0	7,526	28,055
Additions from business combinations	0	42,915	0	0
Accrued interest	1,905	1,595	1,056	1,483
Remeasurement gains recognised	0	0	-2,568	-11,011
Remeasurement losses recognised	90,152	2,839	63	10,379
Disposal of option liability due to unilateral capital increase	0	0	0	-1,988
Disposal of option liability from contract amendments	0	0	0	-32,637
Addition of option liability from contract amendments	0	0	0	13,198
Currency translation adjustments	-11,548	3,657	-304	47
<b>As at 31 December</b>	<b>131,515</b>	<b>51,006</b>	<b>5,773</b>	<b>7,526</b>

See Note 40 with regard to the business combination in 2016.

Of the measurement loss presented in the table in financial year 2016, TEUR 8,796 relate to the disposal of the liability before amendment of the agreement mentioned above. All of the remaining remeasurement gains and losses recognised in profit or loss relate to financial instruments on hand at the reporting date.

The sensitivity analysis for significant non-observable input factors with respect to option liabilities is shown below:

ASSUMPTION	CHANGE IN ASSUMPTION	TOTAL CHANGE IN LIABILITIES GIVEN INCREASE IN ASSUMPTIONS	TOTAL CHANGE IN LIABILITIES GIVEN DECREASE IN ASSUMPTIONS
Result	+/- 10 %	+24,513	-21,922
Discount rate 15 %, 1.35 % and 2.62 %	+/- 2.5, +/- 1, +/- 1 percentage points	-1,663	+1,218

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## NOTE 21

### SHARE CAPITAL

The Company's share capital as at 31 December 2017 as well as at 31 December 2016 was EUR 16 million and is divided into 16 million shares with a par value of EUR 1.00 each.

The Annual General Meeting on 27 April 2016 authorised the Executive Board to acquire treasury shares of the Company up to a maximum of 10 % of the share capital for a period of 30 months. In the 2016 financial year, the Company acquired 40,597 treasury shares at a purchase price of TEUR 2,167. No treasury shares were acquired in 2017.

As at the 2017 reporting date, the Company held 46,597 treasury shares (previous year: 52,597 shares), which corresponds to 0.29 % (previous year: 0.33 %) of the share capital with a cost of TEUR 2,555 (previous year: TEUR 2,884). The number of shares outstanding is thus 15,953,403 shares (previous year: 15,947,403).

In a business combination in 2010, it was stipulated that 50,000 shares of stock would be tendered as contingent consideration if specified future sales targets were achieved. As the sales target was not met in 2017, there is no dilution effect on the number of shares outstanding as at 31 December 2017.

As at 31 December 2017, Berndorf Industrieholding AG, Vienna held approximately 33.4 % of the share capital (previous year: approximately 33.4 %).

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## NOTE 22

### LEGAL RESERVE

Austrian law requires the establishment of a legal reserve in the amount of 10 % of the Company's nominal share capital. As long as the legal reserve and other restricted capital reserves do not reach this amount, the Company is required to allocate 5 % of its annual net profit, reduced by a loss carry forward and after factoring in changes to untaxed reserves to the legal reserve. Only the annual financial statements of the parent company prepared in accordance with Austrian accounting principles are decisive for the establishment of this reserve. No further allocation is required because of the amount of the reserve already recognised is sufficient.



## NOTE 23

### ADDITIONAL BREAKDOWN OF REVENUES

Sales break down as follows:

in TEUR	2017	2016
Product sales	197,334	110,516
Services and repairs	25,025	14,494
Operating lease revenue	101,862	57,980
<b>Total</b>	<b>324,221</b>	<b>182,990</b>

The Company leases drilling machinery under operating leases with terms of generally less than a year. As the leasing fees are generally charged based on use, there is no claim to future minimum lease payments.

## NOTE 24

### ADDITIONAL BREAKDOWN OF EXPENSES

As the Company classifies its expenses by function, the following additional disclosures are required by IAS 1 (presentation using the nature of expense format):

in TEUR	2017	2016
Cost of materials	115,796	56,810
Personnel expenses	97,766	72,375
Depreciation of property, plant and equipment including impairments	35,217	38,860
Amortization of other intangible assets including impairments	13,904	13,884
Impairment losses on goodwill	0	3,316
Impairment losses on assets held for sale	0	680

## NOTE 25

### OTHER OPERATING INCOME AND EXPENSES

The main items within "other operating expenses" are:

in TEUR	2017	2016
Exchange losses	9,768	2,589
Research and development expenses	7,827	7,631

Development costs have not been capitalised to date due to the uncertainties of the future economic benefits attributable to them.

The main items within "other operating income" are:

in TEUR	2017	2016
Exchange gains	4,963	6,514

## NOTE 26

### RESTRUCTURING GAINS AND LOSSES

The restructuring gains in 2017 of TEUR 1,938 concern the sale of real estate in the USA, which was already presented within "assets held for sale" as at 31 December 2016. Of the 2016 restructuring gains, TEUR 1,755 concerned the sale of machines in connection with the consolidation of production sites in the USA and TEUR 770 related to the sale of real estate in the UK.

Of the TEUR 3,013 in restructuring losses in the 2016 financial year, TEUR 2,333 concerned the consolidation of production sites in the USA in the "Advanced Manufacturing & Services" segment (previously: High Precision Components). Impairment losses of TEUR 680 on machines were recognised in 2016 in this connection from the measurement at fair value less costs to sell.

## NOTE 27

### INTEREST INCOME AND EXPENSES

“Interest income“ breaks down as follows:

in TEUR	2017	2016
Bank deposits and other loans	1,213	881
Effective interest on management interests and participation rights	585	2,220
<b>Interest income</b>	<b>1,798</b>	<b>3,101</b>

“Interest expenses“ break down as follows:

in TEUR	2017	2016
Loans	4,292	3,626
Compounding of option liabilities from cancellable non-controlling interests	2,964	3,080
Effective interest on management interests and participation rights	840	385
<b>Interest expenses</b>	<b>8,096</b>	<b>7,091</b>

See Note 20 with regard to option liabilities.

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## NOTE 28

### OTHER FINANCIAL EXPENSES

“Other financial expenses“ in the 2017 financial year amounting to TEUR 1,408 essentially include dividend distributions with respect to shares in companies within the SBO Group for which there are put/call option agreements (see Note 20).

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## NOTE 29

### GAINS / LOSSES FROM REMEASUREMENT OF OPTION LIABILITIES

This item presents measurement gains or losses in connection with option liabilities (see Note 20).

in TEUR	2017	2016
Remeasurement gains	2,568	11,011
Remeasurement losses	-90,216	-13,218
Net gain/loss from disposal and addition of option liabilities from contract amendments	0	19,439
<b>Total</b>	<b>-87,648</b>	<b>17,232</b>

## NOTE 30

### INCOME TAXES

A reconciliation of income taxes applying the Austrian corporate tax rate to consolidated tax rate is presented below:

in TEUR	2017	2016
Consolidated tax income (+) / expense (-) at a presumed tax rate of 25 %	17,449	11,264
Foreign tax rate differentials	5,477	4,208
Change in foreign tax rates	-10,869	-389
Withholding and foreign taxes	-1,274	-555
Impairment of goodwill	0	-895
Non-deductible expenses	-778	-1,287
Non-taxable changes in option liabilities	359	5,071
Non-taxable income and tax allowances	620	271
Prior year adjustments	175	220
Unrecognised tax loss carryforwards	-1,760	-2,834
Writedown of previously recognised tax loss carryforwards	-51	-156
Utilization of tax loss carryforwards not recognised in the previous year	15	2
Profit share of management interests and non-controlling interests	4,890	1,334
Other differences	1,182	798
<b>Consolidated tax income</b>	<b>15,435</b>	<b>17,052</b>
Earnings before tax	-69,795	-45,053
Profit share of management interests	243	-1,656
	-69,552	-46,709
<b>Consolidated tax income</b>	<b>15,435</b>	<b>17,052</b>
Consolidated tax rate	22.2 %	36.5 %

"Income taxes" break down as follows:

in TEUR	2017	2016
Current taxes	-9,031	8,299
Deferred taxes	24,465	8,753
<b>Total</b>	<b>15,435</b>	<b>17,052</b>

Deferred taxes mainly result from the formation and reversal of temporary differences, thereof TEUR 18,508 from the remeasurement of the option liability Downhole Technology, and the recognition of tax effects from current losses.

In the course of the US tax reform enacted in December 2017 US federal corporate tax rates were reduced from 35 % to 21 % for business years starting 2018. The following required remeasurement of prior year balances of deferred taxes due to the reduction of the US federal corporate tax rate resulted in tax income in 2017 because balances for deferred tax liabilities as of 31 December 2016 exceeded deferred tax assets. According to the regulations of IAS 12 changes in timing differences during the year 2017 of companies being affected by the US tax jurisdiction were measured in a first step at the current rate of 35 % and were then remeasured at year end using the lower future tax rate of 21 %. The largest change in timing differences resulted from the aforementioned remeasurement of the option liability relating to Downhole Technology. In the table above, the corresponding deferred tax income measured at the current rate is included in the items tax income and foreign tax rate differentials, respectively. The remeasurement of deferred tax balances at year end relating to the future reduction of the US federal corporate tax rate to 21 % is a material portion of the item "change in foreign tax rates".

The following income taxes were recognized under "other comprehensive income":

in TEUR	2017	2016
<b>Current taxes</b>		
Exchange rate differences	0	-1,249
Remeasurements IAS 19	-37	-6
<b>Deferred taxes</b>		
Exchange rate differences	1,355	890
<b>Total</b>	<b>1,318</b>	<b>-365</b>

The net deferred tax asset presented in the balance sheet was reduced by TEUR 598 in the 2017 financial year (previous year: net deferred tax liability reduced by TEUR 143) due to currency translation differences.

The Company's dividend distribution to shareholders did not result in any income tax consequences for the Company for the 2017 financial year or the 2016 comparison period.

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## NOTE 31

### SEGMENT REPORTING

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

In accordance with IFRS 8, the following segment report follows the management approach, in which the entire Executive Board of Schoeller-Bleckmann Oilfield Equipment AG is the chief operating decision maker monitoring the performance of the business units and deciding on the allocation of resources to the business segments.

As at first quarter of 2017, SBO changed its internal control and the resultant internal reporting structure. In past years, there was an increasingly overlapping of the functions of the production sites in the former High Precision Components segment with those of the service and repair shops, which were integrated in the previous "Oilfield Equipment" segment. In addition, both segments had a similar customer structure; the reallocation of the segments correspondingly reflects the purchasing practices of SBO's customers. Under the new structure, SBO's business is broken down into the two reportable segments, "Advanced Manufacturing & Services" (AMS) and "Oilfield Equipment" (OE).

The "Advanced Manufacturing & Services" (AMS) segment comprises the precise manufacturing and repair of drill collars and complex MWD (Measurement While Drilling) / LWD (Logging While Drilling) components from antimagnetic, corrosion resistant stainless steel. These form the housing for the sensitive measuring instruments that are used for the exact measurement of inclination and azimuth of the drillstring as well as petrophysical parameters.

The "Oilfield Equipment" (OE) segment encompasses a broad offering of highly-specialised solutions for the oil and gas industry: High-performance drilling motors and tools for the targeted driving of the drill string, special tools for downhole circulation technology (circulation tools), and products for the resource-efficient completion of unconventional reservoirs in the two dominant technologies, 'sliding sleeve' and 'plug and perf'.

Management of the Company and the allocation of resources are based on the financial performance of these segments. Management monitors sales revenues, the operating result, and earnings before taxes of the business units separately for the purpose of making decisions on the allocation of resources.

The amounts presented are a summary of the separate balance sheets and income statements the individual companies included in the consolidated financial statements. Individual holding adjustments and consolidating entries (elimination of intercompany profit and loss and other intragroup transactions) must be accounted for to attain the consolidated results presented. The previous-period figures have been adjusted for comparability.

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

Intra-Group sales are made at arm's length conditions.

## 2017

in TEUR	<b>ADVANCED MANUFACTURING &amp; SERVICES</b>	<b>OILFIELD EQUIPMENT</b>	<b>SBO-HOLDING &amp; CONSOLIDATION</b>	<b>GROUP</b>
External sales	103,220	221,001	0	324,221
Intercompany sales	43,930	14,901	-58,831	0
Total sales	147,150	235,902	-58,831	324,221
Operating result before impairments and restructuring measures	-14,469	46,155	-8,065	23,621
Profit / loss before tax	-11,722	-46,330	-11,743	-69,795
Capital expenditures	3,799	28,202	68	32,069
Depreciation and amortization	17,902	30,167	1,052	49,121
of which: impairments	0	0	0	0
Reversal of impairments	0	0	0	0
Headcount (average)	838	457	26	1,321

In the 2017 financial year, profit / loss before tax in the segment "Oilfield Equipment" include a loss from remeasurement of option liabilities in the amount of TEUR 87,648 (previous year: a gain of TEUR 17,232).

## 2016 (restated)

in TEUR	<b>ADVANCED MANUFACTURING &amp; SERVICES</b>	<b>OILFIELD EQUIPMENT</b>	<b>SBO-HOLDING &amp; CONSOLIDATION</b>	<b>GROUP</b>
External sales	86,703	96,287	0	182,990
Intercompany sales	23,705	9,154	-32,859	0
Total sales	110,408	105,441	-32,859	182,990
Operating result before impairments and restructuring measures	-29,582	-19,142	-4,000	-52,724
Profit / loss before tax	-31,272	-7,677	-6,104	-45,053
Capital expenditures	2,487	10,540	13	13,040
Depreciation and amortization	22,071	32,927	1,062	56,060
of which: impairments	1,789	3,316	0	5,105
Reversal of impairments	229	0	0	229
Headcount (average)	831	308	24	1,163



## Geographic information

Sales break down as follows:

in TEUR	2017	2016
Austria	918	651
United Kingdom	9,841	12,283
USA	203,767	93,779
Rest of World	109,695	76,277
<b>Total sales</b>	<b>324,221</b>	<b>182,990</b>

The revenues are classified based on the customer's location. There are no other countries with sales exceeding 10 % of the SBO Group's total sales.

See Note 36 for information regarding the most important customers.

Non-current assets break down as follows:

in TEUR	31.12.2017	31.12.2016
Austria	44,775	51,847
United Kingdom	26,616	31,433
USA	197,240	224,391
Canada	33,068	36,853
Dubai	37,771	49,170
Rest of World	11,527	16,270
<b>Total non-current assets</b>	<b>350,997</b>	<b>409,964</b>

Assets are classified based on each company's location.

## NOTE 32

### REMUNERATION OF THE EXECUTIVE AND SUPERVISORY BOARDS

The Executive Board's remuneration was comprised of the following:

#### 2017

in TEUR	FIXED	VARIABLE	TOTAL
Gerald Grohmann	581	180	761
Klaus Mader	362	100	462
<b>Total</b>	<b>943</b>	<b>280</b>	<b>1,223</b>

#### 2016

in TEUR	FIXED	VARIABLE	TOTAL
Gerald Grohmann	573	180	753
Klaus Mader	288	50	338
<b>Total</b>	<b>861</b>	<b>230</b>	<b>1,091</b>

Expenses for pensions and severance payments for active members of the Executive Board amounted to TEUR 109 (previous year: TEUR -107). Of that amount, TEUR 120 (previous year: TEUR 103) was attributable to defined contribution pension agreements. Expenses for share-based payments in financial years 2017 and 2016 are not included in the remuneration amounts presented above. Please see Note 33 for information on the voluntary severance and share-based payments.

Remuneration for the Supervisory Board amounted to TEUR 39 in the 2017 financial year (previous year: TEUR 39), which was a combination of a flat reimbursement for expenses and a variable component based on the Group's results.

No loans were granted to the members of the Executive or Supervisory Boards in the 2017 or 2016 financial years.

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## NOTE 33

### SHARE-BASED PAYMENTS

Share-based payments in the 2017 financial year resulted in expenses of TEUR 442 (previous year: TEUR 587). In the 2014 financial year, the Chairman of the Executive Board, Mr Gerald Grohmann, was granted an annual transfer of 6,000 SBO shares, contingent upon valid employment. The first transfer was made in 2014. Mr Grohmann may not dispose of or encumber the shares for a period of two years following each transfer, however not exceeding the termination of the employment agreement. The granting of shares is limited to a total market value of TEUR 1,300 with the value being determined at the end of each holding period. The market value of 6,000 shares at the transfer date in 2017 was TEUR 392 (previous year: TEUR 321). The market value of the 12,000 shares already transferred and still subject to disposal restrictions was TEUR 1,020 as at 31 December 2017 (previous year: 12,000 shares with a market value of TEUR 918).

Also in the 2014 financial year, the Company granted the Chairman of the Executive Board 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 to be EUR 70.00, based on the average price for the previous 36 months.

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## NOTE 34

### TRANSACTIONS WITH RELATED PARTIES

The following transactions with related parties not included in the SBO Group's scope of consolidation were settled at arm's-length conditions:

The law firm of Schleinzer & Partner is the Company's legal consultant. One of the law firm's partners, Dr Karl Schleinzer, is a member of the Supervisory Board. Professional fees for 2017 amounted to TEUR 36 (previous year: TEUR 36), of which TEUR 9 was outstanding as at 31 December 2017 (previous year: TEUR 0).

## NOTE 35

### FINANCIAL INSTRUMENTS

#### Derivative financial instruments

##### 1. FORWARD EXCHANGE CONTRACTS

The Austrian company hedges its receivables balances denominated in US dollars and CAN dollars by entering into forward exchange contracts. All transactions are short-term exposures (3–8 months).

##### FORWARD EXCHANGE CONTRACTS AS AT 31.12.2017

in TEUR	RECEIVABLES AT HEDGED RATE	RECEIVABLES AT REPORTING DATE RATE	FAIR VALUE
USD	10,553	10,391	161
CAD	902	891	11

##### FORWARD EXCHANGE CONTRACTS AS AT 31.12.2016

in TEUR	RECEIVABLES AT HEDGED RATE	RECEIVABLES AT REPORTING DATE RATE	FAIR VALUE
USD	2,715	2,838	-123
CAD	69	70	-1

The forward exchange transactions are measured at fair value and recognised in profit or loss since the requirements for hedge accounting in accordance with IAS 39 are not fully met.

##### 2. OTHER DERIVATIVE FINANCIAL INSTRUMENTS

There are also option liabilities relating to cancellable non-controlling interests (see Note 20).

## Overview of existing financial instruments

The following table shows the financial instruments, broken down by categories in accordance with IAS 39 and IFRS 7:

	<b>31.12.2017</b>										
	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	
<b>FINANCIAL INSTRUMENTS</b>											
in TEUR											
<b>Current assets</b>											
Cash and cash equivalents	165,982	165,982			165,982						
Trade receivables	89,801	89,801				89,801					
Income tax receivable	1,663										
Other receivables and other assets	4,043		173	173							
Assets held for sale	594										
Inventories	97,086										
<b>Total current assets</b>	<b>359,169</b>										
<b>Non-current assets</b>											
Property, plant & equipment	145,172										
Goodwill	156,293										
Other intangible assets	49,532										
Long-term receivables and assets	10,938	9,540						9,540			
Deferred tax assets	29,137										
<b>Total non-current assets</b>	<b>391,072</b>										
<b>TOTAL ASSETS</b>	<b>750,241</b>	<b>265,323</b>	<b>0</b>	<b>173</b>	<b>173</b>	<b>165,982</b>	<b>89,801</b>	<b>9,540</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Current liabilities</b>											
Liabilities to banks	31,880	31,880						31,880			
Current portion of long-term loans	69,478	69,478						69,478			
Finance lease liabilities	35	35						35			
Trade payables	16,611	16,611							16,611		
Government grants	57										
Income tax payable	2,056										
Other liabilities	30,113	7,592	5,788	5,788						7,592	
Other provisions	5,151										
<b>Total current liabilities</b>	<b>155,381</b>										
<b>Non-current liabilities</b>											
Long-term loans	115,338	115,338						115,338			
Finance lease liabilities	44	44						44			
Government grants	0										
Provisions for employee benefits	5,262										
Other liabilities	149,891	18,368	131,523	131,523				17,165		1,203	
Deferred tax liabilities	2,314										
<b>Total non-current liabilities</b>	<b>272,849</b>										
<b>Equity</b>											
Share capital	15,953										
Capital reserve	67,248										
Legal reserve	785										
Other reserves	19										
Currency translation reserve	11,193										
Retained earnings	226,813										
<b>Total equity</b>	<b>322,011</b>										
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>750,241</b>	<b>0</b>	<b>259,346</b>	<b>137,311</b>	<b>137,311</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>233,940</b>	<b>16,611</b>	<b>8,795</b>

## FINANCIAL INSTRUMENTS

31.12.2016

in TEUR

	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	
<b>Current assets</b>											
Cash and cash equivalents	193,453	193,453			193,453						
Trade receivables	49,526	49,526				49,526					
Income tax receivable	11,406										
Other receivables and other assets	2,864		0	0							
Assets held for sale	5,068										
Inventories	105,653										
<b>Total current assets</b>	<b>367,970</b>										
<b>Non-current assets</b>											
Property, plant & equipment	165,344										
Goodwill	174,716										
Other intangible assets	69,904										
Long-term receivables and assets	12,483	11,347					11,347				
Deferred tax assets	11,639										
<b>Total non-current assets</b>	<b>434,086</b>										
<b>TOTAL ASSETS</b>	<b>802,056</b>	<b>254,326</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>193,453</b>	<b>49,526</b>	<b>11,347</b>	<b>0</b>	<b>0</b>	
<b>Current liabilities</b>											
Liabilities to banks	32,499	32,499						32,499			
Current portion of long-term loans	37,233	37,233						37,233			
Finance lease liabilities	28	28						28			
Trade payables	11,929	11,929							11,929		
Government grants	97										
Income tax payable	2,010										
Other liabilities	19,979	4,553	5,046	5,046						4,553	
Other provisions	4,206										
<b>Total current liabilities</b>	<b>107,981</b>										
<b>Non-current liabilities</b>											
Long-term loans	174,691	174,691						174,691			
Finance lease liabilities	0	0									
Government grants	57										
Provisions for employee benefits	5,296										
Other liabilities	78,260	24,633	53,627	53,627				20,293		4,340	
Deferred tax liabilities	10,038										
<b>Total non-current liabilities</b>	<b>268,342</b>										
<b>Equity</b>											
Share capital	15,947										
Capital reserve	66,812										
Legal reserve	785										
Other reserves	19										
Currency translation reserve	61,109										
Retained earnings	281,061										
<b>Total equity</b>	<b>425,733</b>										
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>802,056</b>	<b>0</b>	<b>285,566</b>	<b>58,673</b>	<b>58,673</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>264,744</b>	<b>11,929</b>	<b>8,893</b>

## Fair value of financial instruments

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

**Level 1:** Quoted (unadjusted) prices in active markets for similar assets or liabilities.

**Level 2:** Techniques for which all inputs which have significant effects on the recognised fair value are observable, either directly or indirectly.

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

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

### 2017

in TEUR	BALANCE SHEET ITEM	TOTAL	LEVEL 2	LEVEL 3
<b>Assets</b>				
Derivatives	Other receivables and other assets	173	173	0
<b>Liabilities</b>				
Derivatives	Other liabilities	-137,311	0	-137,311

### 2016

in TEUR	BALANCE SHEET ITEM	TOTAL	LEVEL 2	LEVEL 3
<b>Liabilities</b>				
Derivatives	Other liabilities	-58,673	-124	-58,549

There were no reclassifications between the individual measurement levels during the 2017 and 2016 reporting periods. If required, items are generally reclassified at the end of the reporting period.

The derivatives assigned to level 3 consist almost solely of liabilities for the option liabilities from cancellable non-controlling interests (see Note 20).

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

For fixed rate loans received and lease liabilities, the fair value was calculated by discounting the expected future cashflows using market interest rates. For variable rate bank loans and loans received and issued, discounting corresponds to current market rates, which is why the carrying amounts largely equal the fair values. Cash and cash equivalents, trade receivables and trade payables and all other items have mostly short residual terms. The carrying amounts therefore equal the fair values on the reporting date.

The carrying amount and the different fair value for financial instruments measured at cost are presented in the table below:

in TEUR	Level	2017		2016	
		CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
<b>Liabilities</b>					
Loans, bank and lease liabilities	2	-216,775	-219,624	-244,451	-249,329

## Net result from financial instruments

The following table shows the gains / losses (net result) by classification in accordance with IAS 39:

### 2017

in TEUR	ADJUSTMENT	REMEASUREMENT		DERECOGNITION / DISPOSAL		NET RESULT
		PROFIT AND LOSS	OTHER COMPREHENSIVE INCOME	PROFIT AND LOSS	OTHER COMPREHENSIVE INCOME	
Loans and receivables	-120	-	-	-	-	-120
Derivatives	-	-90,319	-	-	-	-90,319

### 2016

in TEUR	ADJUSTMENT	REMEASUREMENT		DERECOGNITION / DISPOSAL		NET RESULT
		PROFIT AND LOSS	OTHER COMPREHENSIVE INCOME	PROFIT AND LOSS	OTHER COMPREHENSIVE INCOME	
Loans and receivables	-885	-	-	-	-	-885
Derivatives	-	-5,272	-	19,439	-	14,167

The total interest expense determined using the effective interest rate method for financial liabilities not valued at fair value through profit or loss was TEUR 5,132 (previous year: TEUR 4,011).



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## NOTE 36

### RISK REPORT

The SBO Group's operations are exposed to a number of risks that are inextricably linked to its worldwide business activities. Efficient management and control systems are used to recognise, analyse, and manage these risks, with the help of which the management of the individual operations monitors the operating risks and reports them to Group management.

From a current perspective, no risks are discernible that jeopardise the Company's existence as a going concern.

#### General economic risks

Schoeller-Bleckmann Oilfield Equipment's business development is, to a large extent, subjected to economic cycles, in particular to the cyclical development of drilling activities for oil and gas of the national and international oil companies. Due to the low price of oil in 2015 and 2016, which did recover in 2017, the oil and gas industry is still confronted with a reduction in capital expenditures by oil companies in 2017. In connection with the current downturn and the related inventory buildup in customers' supply chains, the risk remains that a buffer effect may occur in several areas of our business during the expected subsequent upturn due to the reduction of existing inventories. In order to minimise the related risks of fluctuations in orders received, the Group's manufacturing companies have been designed to ensure maximum flexibility.

#### Sales and procurement risks

The market for the SBO Group's products and services is determined to a great extent by the continuous development and use of new technologies. Securing and maintaining the customer base therefore depends on the ability to offer new products and services tailored to the customer's needs.

In 2017, the three largest customers (which are globally-active service companies in the directional drilling market) accounted for a 21.9 % share of sales (previous year: 39.9 %). SBO counters the risk of suffering potential noticeable sales declines from the loss of a customer through continuous innovation, quality assurance measures and close customer ties.

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

The Company procures high-alloy special steel, which is its most essential raw material, to a great extent from one supplier and is therefore exposed to the risk of delayed deliveries, capacity bottlenecks, or business interruptions. From today's perspective, the Company foresees absolutely no difficulty in continuing to obtain quality steel from this supplier. However, in the event of a failure by this supplier, there are only limited options for replacement procurement in the short-term.

## Substitution risks

SBO is subject to the risk of substitution of its products and technologies, which may also result in the growth of new competitors. SBO counters this risk through ongoing market observation, active proximity to customers, and proprietary innovations.

## Financial risks

On the one hand, the Company has various financial assets, such as trade receivables, cash and cash equivalents, and short-term investments as a direct result of its business operations. On the other hand, it also uses financial instruments such as liabilities to banks and trade payables, which ensure the financing of the Company's operations.

In addition, the Company has derivative financial instruments to hedge interest rate and foreign exchange risks arising from its business operations and financing sources. 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 as a result of exchange rate fluctuations.

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

Over the long-term, SBO invoices an average of approximately 80 % of its sales in US dollars. This is due to its customer structure. All dominating service companies in the directional drilling market are headquartered in the US and settle their worldwide activities in US dollars. Also, from a long-term perspective, only about 50 % to 60 % of costs are incurred in US dollars as important production facilities are located not just in the US, but in Europe as well. For reasons of costs and expedience, SBO does not hedge its entire net dollar exposure. In any case, SBO earnings are dependent on the USD/EUR exchange rate.

Additional risks arise from translating the financial statements of the foreign companies into the Group currency. Sales, earnings, and carrying amounts of these companies depend on the applicable exchange rate. As a result of the significant investments in the US, the primary sales market and location of important production facilities, changes in the US dollar have a substantial impact on the consolidated financial statements.

The table below shows the impact of a potential change in the USD exchange rate on the consolidated financial statements, based on reasonable judgment, and only in respect of the changes in value of derivative instruments (forward exchange contracts) as there are no material trade receivables or trade payables that are not denominated in the Group's functional currency:

in TEUR	2017		2016	
Change in EUR/USD exchange rate	+10 cents	-10 cents	+10 cents	-10 cents
Change in profit / loss before tax	+891	-891	+268	-268

## INTEREST RATE RISKS

Interest rate risks result from fluctuations in market interest rates which lead to changes in value of financial instruments and interest rate-related cashflows.

Almost all long-term loans existing as at the reporting date have fixed interest rates and are therefore not subject to interest rate risk. However, the fair value of these long-term loans is subject to fluctuations. The interest rates for individual loans are disclosed in Note 17. With the exception of loans and lease liabilities, no other liabilities are interest bearing and therefore these are not subject to any interest rate risk.

The interest rate risk is further reduced by the portfolio of short-term interest-bearing investments which the Company continuously holds. Depending on whether the Company has a surplus of financial resources on the investment or borrowing side, interest rate risks could therefore result from an increase or decrease in interest rates.

The table below shows the impact of a possible potential change in interest rates, based on reasonable judgment, on the interest expense for variable-rate liabilities to banks and on interest income for variable-rate bank balances (there are no impacts on consolidated equity):

in TEUR	2017		2016	
Change in basis points	+10	+ 20	+ 10	+ 20
Change in profit / loss before tax	+148	+296	+134	+268

## CREDIT RISKS

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

The credit risk related to our receivables from customers can be considered as low as there have been long-standing, stable business relations with all major customers. Furthermore, we regularly check the creditworthiness of new and existing customers and monitor outstanding balances. Loss allowances are recognised for credit risks.

With regard to loans to the management of subsidiaries, the credit risk is limited by the surety of the acquired shares (see Note 10).

For other financial assets (cash and cash equivalents, available-for-sale securities), the maximum credit risk upon default of the counterparty is the carrying amount of the financial instrument. However, this credit risk may be considered as low since we only choose highly-rated banks.

## LIQUIDITY RISKS

Liquidity risk consists in the risk of being able to access the financial resources required to settle liabilities incurred at all times and in due time.

Due to the Company's strong self-financing capability, the liquidity risk is relatively low. The Company generates liquid funds through its operating business and uses external bank financing when needed. 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 contractually obligated payments as at 31 December for principal payments, repayments, and interest from recognised financial liabilities, including derivative financial instruments, with disclosure of the undiscounted cashflows for the following financial years.

## 31.12.2017

in TEUR	DUE ON DEMAND	2018	2019	2020	2021 or beyond
Liabilities to banks	32,087	-	-	-	-
Long-term loans	-	72,278	12,187	41,400	66,935
Lease liabilities	-	38	32	14	-
Management interests and participation rights	-	-	-	-	17,165
Trade payables	-	16,611	-	-	-
Derivatives	3,158	2,649	136,734	-	-
Other	-	24,799	587	510	-

## 31.12.2016

in TEUR	DUE ON DEMAND	2017	2018	2019	2020 or beyond
Liabilities to banks	32,717	-	-	-	-
Long-term loans	-	40,757	62,104	12,187	108,335
Lease liabilities	-	29	-	-	-
Management interests and participation rights	-	-	-	-	20,293
Trade payables	-	11,929	-	-	-
Derivatives	4,917	5	2,802	57,378	-
Other	-	15,580	1,825	839	3,180

## OTHER FINANCIAL MARKET RISKS

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

## Capital management

The Company's primary goal is to ensure that we maintain a high credit rating and equity ratio in order to support our operations and maximise shareholder value.

The gearing ratio (net debt as a percentage of equity) is used in particular to monitor and manage capital. Net debt comprises long-term loans, bank and lease liabilities, less cash and cash equivalents.

The gearing ratio was 15.7 % as at 31 December 2017 (previous year: 12.0 %)

in TEUR	31.12.2017	31.12.2016
Liabilities to banks	31,880	32,499
Long-term loans	184,816	211,924
Less: cash and cash equivalents	-165,982	-193,453
<b>Net debt</b>	<b>50,714</b>	<b>50,970</b>
Total equity	322,011	425,733
<b>Gearing</b>	<b>15.7 %</b>	<b>12.0 %</b>

For the shareholders of the parent, the desired average long-term dividend rate is 30 % to 60 % (of the consolidated profit after tax).

## NOTE 37

### CONTINGENT LIABILITIES

The Company had no contingent liabilities as at 31 December 2017 or 31 December 2016.

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## NOTE 38

### OTHER OBLIGATIONS

Other obligations exist solely from operating leases and purchase commitments for investments in property, plant and equipment (see Note 8).

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## NOTE 39

### CASHFLOW STATEMENT

The Company's cashflow statement shows the change of cash and cash equivalents for the Company and the subsidiaries during the reporting year as a result of cash inflows and outflows. Cash funds correspond to the cash and cash equivalents in the consolidated balance sheet and are comprised solely of cash-in-hand and bank balances as well as marketable investment securities.

Within the cashflow statement, cashflows are broken down into cashflows from operating activities, from investing activities and from financing activities.

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

The cashflows from operating activities are determined using the indirect method by starting with adjusting profit / loss after tax and adjusting it for non-cash income and expenses. This result and the recognised changes in working capital (excluding cash funds) equal the cashflow from operating activities.

Cash inflows and outflows from current operations include inflows and outflows from interest payments and income taxes.

Dividend payments are presented as part of financing activities.

For the change in management interests and participation rights in 2017 and 2016, loans were reduced or granted in the same amount (TEUR -577; previous year: TEUR -525), which is why there were no cashflows.

Financial liabilities changed as follows during the 2017 financial year:

in TEUR	1.1.2017	CASH CHANGES	NON-CASH CHANGES		31.12.2017
			Exchange rate effects	Other changes	
Long-term loans including current portion	211,924	-27,233	0	125	184,816
Liabilities to banks	32,499	-298	-321	0	31,880
Finance leases	28	-37	-6	94	79
Other financial liabilities	20,293	-1,811	-2,190	873	17,165
<b>Total liabilities from financing activities</b>	<b>264,744</b>	<b>-29,379</b>	<b>-2,517</b>	<b>1,092</b>	<b>233,940</b>

## NOTE 40

### BUSINESS COMBINATIONS

#### 2017

There were no business combinations in 2017.

#### 2016

By agreement dated 1 April 2016, 67.73 % of the shares in Downhole Technology LLC, Houston, TX, USA were acquired. As a result, the company's assets and liabilities and all income and expenses have been allocated to the Group as at 1 April 2016.

The company is a technologically leading provider of composite frac plugs for completion of oil and gas wells and owns numerous patents. Completion refers to the preparation of a drilling site for the extraction of oil and gas. Downhole Technology manufactures composite frac plugs for the 'plug and perforation' completions process. The design, manufacturing know-how and high quality standard of its products enable a faster, safer, and more efficient completion of the well. As a consequence, Downhole Technology has attained outstanding acceptance on the market. With Downhole Technology, SBO is now able to offer a wider range of tight formation completion tools.

See Note 9 for information on the acquired intangible assets.

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 see Note 20.



## NOTE 41

### EMPLOYEES

The number of employees on an annual average and as at the reporting date was:

	ANNUAL AVERAGE		REPORTING DATE	
	2017	2016	31.12.2017	31.12.2016
Blue collar	850	766	924	778
White collar	471	397	508	422
	<b>1,321</b>	<b>1,163</b>	<b>1,432</b>	<b>1,200</b>

## NOTE 42

### EVENTS AFTER THE REPORTING DATE

There were no events of particular significance after the reporting date that would have changed the presentation of the Group's net assets, financial position, and results of operations in the consolidated financial statements as at 31 December 2017.

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## NOTE 43

### PROPOSED DIVIDEND

The Executive Board recommends distributing a dividend of EUR 0.50 per share to the shareholders. This would be a dividend distribution of MEUR 8.0. There was no dividend distribution in the previous year.

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## NOTE 44

### EXPENSES INCURRED FOR THE GROUP AUDITOR

The following expenses were incurred for the Group auditor, Ernst & Young Wirtschaftsprüfungsgesellschaft m. b. H.:

in TEUR	<b>2017</b>	<b>2016</b>
Audit of the consolidated annual financial statements	119	80
Other services	90	325

Other services in the 2016 financial year included expenses in the amount of TEUR 282 relating to the acquisition of Downhole Technology LLC as at 1 April 2016.

# MANAGEMENT DISCLOSURES

## EXECUTIVE BOARD:

**Ing. Gerald Grohmann (President and CEO)**

**Mag. Klaus Mader (CFO)**

The current management contract with Gerald Grohmann is effective for a term of office until 31 December 2018 and that of Klaus Mader until 30 September 2018.

## 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**

## SUPERVISORY BOARD:

**Mag. Norbert Zimmermann (Chairman)**

Initial appointment: 1995

End of the current term: 2022

**Dr. Peter Pichler (Deputy Chairman)**

Initial appointment: 1995

End of the current term: 2018

**Mag. Brigitte Ederer**

Initial appointment: 2014

End of the current term: 2019

**Mag. Dipl. Ing. Helmut Langanger**

Initial appointment: 2003

End of the current term: 2019

**Dr. Wolfram Littich**

Initial appointment: 2016

End of the current term: 2021

**Dr. Karl Schleinzer**

Initial appointment: 1995

End of the current term: 2020

Each year one member of the Supervisory Board leaves at the end of the Annual General Meeting, which ensures that the election of a member to the Supervisory Board can be resolved during the Annual General Meeting. To the extent the departure sequence does not arise from the term of office, it is decided by lot. In the Supervisory Board meeting that takes place prior to the holding of an Annual General Meeting for discussing

proposed resolutions and nominations in accordance with Section 108(1) Austrian Stock Corporation Act (Aktiengesetz, 'AktG'), the member of the Supervisory Board who will depart at the end of the subsequent Annual General Meeting must be determined by lot. The departing member can be reelected immediately.

Ternitz, 28 February 2018

**Gerald Grohmann**

**Klaus Mader**

Executive Board

# AUDITOR'S REPORT \*)

## 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, 2017, the consolidated statement of comprehensive income, statement of profit or loss, the consolidated statement of changes in equity and the consolidated statement of cashflows 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, 2017 and its financial performance for the year then ended in accordance with the International Financial Reportings Standards (IFRS) as adopted by EU, and the additional requirements under Section 245a Austrian Company Code UGB.

### BASIS FOR OPINION

We conducted our audit in accordance with the regulation (EU) no. 537/2014 (in the following "EU regulation") and 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 appropriate 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 goodwill**
- 2. Accounting of options over non-controlling interest**
- 3. Assessment of the valuation of deferred tax assets, including the impact of the US tax reform on deferred tax assets**

## 1. Valuation of goodwill

### DESCRIPTION

In its consolidated financial statements, SCHOELLER-BLECKMANN OILFIELD EQUIPMENT Aktiengesellschaft shows Goodwill of MEUR 156.3.

Under IFRS, as adopted by the EU, an entity is required to annually test the amount of goodwill for impairment.

Recoverability of goodwill depends on both external factors such as the development of oil prices, the development of input factors for discount rates, rig counts and drilling activities as well as internal evaluations such as the development of customer behavior and requires management discretionary decisions. The significant risk lies in the estimation of future cashflows and discount rates respectively deviations therefrom, which could lead to further impairments not recognized to an appropriate extent.

We refer to the disclosure in the notes to the consolidated financial statements in sections Note 4, pts 9 and Note 9.

### HOW OUR AUDIT ADDRESSED THE MATTER

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

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

The composition of the cash-generating units (CGUs) as well as the allocation of the 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 have been assessed as well.

We involved EY valuation specialists in our audit procedures related to the assessment of the appropriateness of valuation models, cashflow 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. Accounting of options over non-controlling interest

### DESCRIPTION

With contractual agreement dated April 1, 2016, SBO Group acquired 67.73 % of Downhole Technology LLC. 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. In addition, SBO-group holds two further options to purchase non-controlling interest in two further entities.

Due to the positive business development of Downhole Technology LLC and the accompanying increase in the fair value of the option a valuation loss out of the increase in the liability for the option over non-controlling interest in the amount of MEUR -90.2 was recorded through profit and loss. In total, liabilities for options over non-controlling interests in the

amount of MEUR 137.3 are stated in the consolidated financial statements. The major risk is related to the estimation of future cashflows as well as discount factors.

We refer to the disclosure of the facts in the notes to the consolidated financial statements in section Note 20.

#### HOW OUR AUDIT ADDRESSED THE MATTER

Our audit procedures included, among others, the following:

We verified that contractual agreements for options over non-controlling interest are still valid.

Analogous to our procedures for assessing the valuation of goodwill, we have reconciled basic data which was used in the calculation of liabilities per option agreement with approved financial plans.

The adequacy of the valuation models as well as the discount rates was verified. In the course of these audit procedures, EY evaluation specialists were involved.

We have evaluated the appropriateness of the disclosures in the notes related to existence and changes in valuation of all options.

### 3. Assessment of the valuation of deferred tax assets, including the impact of the US tax reform on deferred tax assets

#### DESCRIPTION

SCHOELLER-BLECKMANN OILFIELD EQUIPMENT Aktiengesellschaft shows deferred tax assets of MEUR 38.9, of which after netting with deferred tax liabilities to same tax authorities MEUR 29.1 are shown in the consolidated balance sheet. This balance includes deferred tax assets out of unused tax losses in an amount of MEUR 6.6.

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. In addition, the recent change in US tax legislation requires a tax rate adjustment of 35 % to 21 % from 2018 onwards.

Due to the changes in the tax legislation in the United States of America and the continuing uncertainties of individual companies of the SBO group when the economic environment is considered, we believe that the verification of the correct calculation as well as the recoverability of deferred tax assets is of particular importance.

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

#### 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 temporary differences on assets, liabilities and unused tax losses per entity or tax group. This included the verification of the consistency of planning assumptions with approved budgets, therefrom-derived tax planning calculations as well as impacts of changes in the US tax legislation. 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.

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## 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.

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

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.

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## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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### 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.

Regarding the consolidated non-financial statement contained in the group management report, it is our responsibility to examine whether it has been prepared, to read it and to evaluate whether it is, based on our knowledge obtained in the audit, materially inconsistent with the consolidated financial statements or otherwise appears to be materially misstated.

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.

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## 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.

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## ADDITIONAL INFORMATION IN ACCORDANCE WITH ARTICLE 10 EU REGULATION

We were elected as auditor by the ordinary general meeting at April 27, 2017. We were appointed by the Supervisory Board on April 27, 2017. We are auditors without cease since 1996.

We confirm that the audit opinion in the Section "Report on the consolidated financial statements" is consistent with the additional report to the audit committee referred to in article 11 of the EU regulation.

We declare that no prohibited non-audit services (article 5 par. 1 of the EU regulation) were provided by us and that we remained independent of the audited company in conducting the audit.

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## RESPONSIBLE AUSTRIAN CERTIFIED PUBLIC ACCOUNTANT

The engagement partner is Mag. Karl Fuchs, Certified Public Accountant.

Vienna, February 28, 2018

**Ernst & Young**

Wirtschaftsprüfungsgesellschaft m.b.H.

**Mag. Karl Fuchs mp**

Wirtschaftsprüfer / Certified Public Accountant

**Dipl.-Ing. (FH) Mag. Manfred Siebert mp**

Wirtschaftsprüfer / Certified Public Accountant

<sup>1</sup> 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 2017 FINANCIAL YEAR

In the 2017 financial year, the Supervisory Board performed its duties assigned to it by law and the Company's articles of association. It held five 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 2017 Annual General Meeting, Mag. Norbert Zimmermann was elected as member of the Supervisory Board for another period and re-elected as Chairman of the Supervisory Board at the constitutional Supervisory Board Meeting on 27 April 2017. Therewith, the Supervisory Board and the Executive Board remained unchanged during the 2017 financial year.

The Supervisory Board has two committees: The Audit Committee and the Remuneration Committee. In the 2017 financial year, there was no meeting of the Remuneration Committee.

The Audit Committee held two meetings in the 2017 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 Wirtschaftsprüfung GmbH 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 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 2017 and the management report were audited by Deloitte Schwarz & Schmid Wirtschaftsprüfung GmbH. 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 2017 and of the earnings situation of the Company for the financial year from 1 January 2017 to 31 December 2017, 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. Further, that the Corporate Governance-Report has been prepared.

The consolidated financial statements as of 31 December 2017, 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 2017 and of the earnings situation and the cashflows of the Group for the 2017 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. Further, that the consolidated non-financial statement pursuant to section 267a Austrian Commercial Code (UGB) and the Corporate Governance-Report have been prepared.

As the audits did not give rise to any objections, the auditors issued unqualified audit opinions both for the annual financial statements 2017 and the consolidated financial statements 2017.

At its meeting on 20 March 2018, and after discussion and review by the Audit Committee, the Supervisory Board

reviewed the submitted annual financial statements as of 31 December 2017 and the management report as well as the consolidated financial statements as of 31 December 2017 and the consolidated management report including the non-financial statement pursuant to section 267a Austrian Commercial Code (UGB) and the Corporate Governance-Report. The final results of these reviews did not give rise to any objections. At its meeting on 20 March 2018, the Supervisory Board approved the annual financial statements as of 31 December 2017, which are therefore deemed adopted pursuant to section 96 (4) Austrian Stock Corporation Act (AktG). In addition, the Supervisory Board consented, at that meeting, to the proposal submitted by the Executive Board regarding appropriation of the net profit reported in the annual financial statements of the Company as of 31 December 2017.

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 2017 financial year and thanks the shareholders and customers of the SBO Group for their trust.

Ternitz, 20 March 2018

The Supervisory Board

**Norbert Zimmermann**

Chairman

A handwritten signature in black ink, appearing to read 'N. Zimmermann', with a large 'N.' at the end.

*"The basics for sustainable success by SBO are leadership in technology, quality and innovation in close connection with a market-oriented growth strategy, high productivity and flexibility as well as a long-term strategic investment policy"*

# FINANCIAL REPORT

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BILANZ zu m. 31. Dezember 2017

A.K.T.I.V.A

	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	EUR	TEUR	EUR	TEUR

**A. Anlagevermögen**

- I. Immaterielle Vermögensgegenstände
  - 1. Konzessionen, gewerbliche Schutzrechte und ähnliche Rechte und Vorteile sowie daraus abgeleitete Lizenzen
- II. Sachanlagen
  - 1. Grundstücke, grundstücksgleiche Rechte und Bauten, einschließlich der Bauten auf fremdem Grund
  - 2. andere Anlagen, Betriebs- und Geschäftsausstattung
- III. Finanzanlagen
  - 1. Anteile an verbundenen Unternehmen
  - 2. Ausleihungen an verbundene Unternehmen
  - 3. Wertrechte des Anlagevermögens

**A. Eigenkapital**

- I. eingefordertes und eingezahltes Grundkapital eigene Anteile
- II. Kapitalrücklagen
  - 1. gebundene
  - davon für eigene Aktien EUR 46.597,00 (Vorjahr TEUR 53)
- III. Optionsrücklage
- IV. Gewinnrücklagen
  - 1. gesetzliche Rücklage
  - 2. andere Rücklagen (freie Rücklagen)
- V. Bilanzgewinn
- davon Gewinnvortrag EUR 3.510.853,46 (Vorjahr TEUR 125)

**B. Umlaufvermögen**

- I. Forderungen und sonstige Vermögensgegenstände
  - Forderungen gegenüber verbundenen Unternehmen
  - 1. davon mit einer Restlaufzeit von mehr als einem Jahr EUR 8.904.418,39 (Vorjahr TEUR 3.371)
  - sonstige Forderungen und Vermögensgegenstände
  - 2. davon mit einer Restlaufzeit von mehr als einem Jahr EUR 7.557.290,31 (Vorjahr TEUR 7.910)
- II. Kassenbestand, Guthaben bei Kreditinstituten

**B. Rückstellungen**

- 1. Rückstellungen für Abfertigungen
- 2. Steuerrückstellungen
- 3. sonstige Rückstellungen

**C. Verbindlichkeiten**

- davon mit einer Restlaufzeit von bis zu einem Jahr EUR 145.353.375,01 (Vorjahr TEUR 117.558)
- davon mit einer Restlaufzeit von mehr als einem Jahr EUR 114.108.387,00 (Vorjahr TEUR 171.654)
- 1. Verbindlichkeiten gegenüber Kreditinstituten
  - davon mit einer Restlaufzeit von bis zu einem Jahr EUR 67.545.455,00 (Vorjahr TEUR 35.000)
  - davon mit einer Restlaufzeit von mehr als einem Jahr EUR 112.454.545,00 (Vorjahr TEUR 170.000)
- 2. Verbindlichkeiten aus Lieferungen und Leistungen
  - davon mit einer Restlaufzeit von bis zu einem Jahr EUR 138.332,64
  - davon mit einer Restlaufzeit von bis zu einem Jahr EUR 138.332,64 (Vorjahr TEUR 146)
- 3. Verbindlichkeiten gegenüber verbundenen Unternehmen
  - davon mit einer Restlaufzeit von bis zu einem Jahr EUR 75.933.935,16 (Vorjahr TEUR 80.390)
  - davon mit einer Restlaufzeit von bis zu einem Jahr EUR 3.389.494,21
- 4. sonstige Verbindlichkeiten
  - davon mit einer Restlaufzeit von bis zu einem Jahr EUR 1.735.652,21 (Vorjahr TEUR 2.022)
  - davon mit einer Restlaufzeit von mehr als einem Jahr EUR 1.389.226,00 (Vorjahr TEUR 1.654)
  - davon aus Steuern EUR 134.425,41 (Vorjahr TEUR 129)
  - davon im Rahmen der sozialen Sicherheit EUR 40.688,20 (Vorjahr TEUR 37)

P.A.S.S.I.V.A

16.000.000,00	16.000
-46.597,00	-53
15.953.403,00	15.947
70.022.644,03	70.150
2.302.840,00	2.051
785.314,64	785
14.328.091,03	14.012
15.113.405,67	14.787
10.537.962,15	3.511
<b>113.930.254,85</b>	<b>106.456</b>

517.051,00	596
5.422.795,05	4.092
1.129.598,00	991
<b>7.069.444,05</b>	<b>5.679</b>

180.000.000,00	205.000
138.332,64	146
75.933.935,16	80.390
3.389.494,21	3.676
<b>259.461.762,01</b>	<b>289.212</b>
<b>380.461.460,91</b>	<b>401.347</b>

**SCHOELLER-BLECKMANN OILFIELD EQUIPMENT Aktiengesellschaft**

**GEWINN- UND VERLUSTRECHNUNG**  
**für das Geschäftsjahr vom 1. Jänner bis 31. Dezember 2017**

	2017 EUR	2016 TEUR
1. Umsatzerlöse	6.208.892,57	4.504
2. sonstige betriebliche Erträge		
a) Erträge aus dem Abgang vom Anlagevermögen mit Ausnahme der Finanzanlagen	0,00	0
b) Erträge aus der Auflösung von Rückstellungen	30.559,00	0
c) übrige	<u>931.914,96</u>	<u>2.058</u>
	962.473,96	2.058
3. Personalaufwand		
a) Löhne	-196.772,36	-198
b) Gehälter	-2.311.419,11	-2.343
c) soziale Aufwendungen		
aa) Aufwendungen für Altersversorgung	-124.596,02	-114
bb) Aufwendungen für Abfertigungen und Leistungen an betriebliche Mitarbeitervorsorgekassen	-493.070,51	-287
cc) Aufwendungen für gesetzlich vorgeschriebene Sozialabgaben sowie vom Entgelt abhängige Abgaben und Pflichtbeiträge	-415.450,02	-364
dd) übrige	<u>-621,55</u>	<u>-1</u>
	-1.033.738,10	-766
	-3.541.929,57	-3.307
4. Abschreibungen auf immaterielle Gegenstände des Anlagevermögens und Sachanlagen	-560.218,35	-571
5. sonstige betriebliche Aufwendungen		
a) Steuern, soweit sie nicht unter Z 15 fallen	-133.538,77	-192
b) übrige	<u>-6.399.661,63</u>	<u>-4.433</u>
	-6.533.200,40	-4.624
<b>6. Zwischensumme aus Z 1 bis 5 (Betriebserfolg)</b>	<b><u>-3.463.981,79</u></b>	<b><u>-1.940</u></b>
7. Erträge aus Beteiligungen	12.977.434,10	0
davon aus verbundenen Unternehmen EUR 12.977.434,10 (Vorjahr TEUR 0)		
8. Erträge aus anderen Wertpapieren und Ausleihungen des Anlagevermögens davon aus verbundenen Unternehmen EUR 2.588.607,12 (Vorjahr TEUR 2.613)	2.590.382,22	2.614
9. sonstige Zinsen und ähnliche Erträge davon aus verbundenen Unternehmen EUR 260.904,35 (Vorjahr TEUR 480)	731.630,36	812
10. Erträge aus der Zuschreibung zu Finanzanlagen	0,00	4.994
11. Aufwendungen aus Finanzanlagen	-3.059.751,98	0
a) davon Abschreibungen EUR 3.059.751,98 (Vorjahr TEUR 0)		
b) davon Aufwendungen aus verbundenen Unternehmen EUR 3.059.751,98 (Vorjahr TEUR 0)		
12. Zinsen und ähnliche Aufwendungen davon betreffend verbundene Unternehmen EUR 784.000,53 (Vorjahr TEUR 827)	-4.270.933,62	-4.097
<b>13. Zwischensumme aus Z 7 bis 12 (Finanzerfolg)</b>	<b><u>8.968.761,08</u></b>	<b><u>4.323</u></b>
<b>14. Ergebnis vor Steuern (Zwischensumme aus Z 6 und Z 13)</b>	<b><u>5.504.779,29</u></b>	<b><u>2.382</u></b>
15. Steuern vom Einkommen und vom Ertrag davon latente Steuern EUR 2.847.199,00 (Vorjahr TEUR 4.153)	1.522.329,40	1.003
<b>16. Jahresüberschuss</b>	<b><u>7.027.108,69</u></b>	<b><u>3.386</u></b>
17. Gewinnvortrag aus dem Vorjahr	3.510.853,46	125
<b>18. Bilanzgewinn</b>	<b><u>10.537.962,15</u></b>	<b><u>3.511</u></b>



## **ANHANG ZUM JAHRESABSCHLUSS 2017**

### **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.

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

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-Kurs 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-Kurs 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-Kurs 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 1,7 % (Vorjahr: 1,5 %), 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   |

Bei den **Anteilen an verbundenen Unternehmen** gab es folgende wesentliche Bewegung:

- Schoeller-Bleckmann de Mexico S. A. de C. V...  
Kapitalerhöhung TEUR 3.110,8

Zum Bilanzstichtag 31.12.2017 wurden Werthaltigkeitstests 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 durchgeführten Werthaltigkeitstests haben weder in 2017 noch in 2016 zu Wertminderungen bei den Beteiligungsansätzen geführt.

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

in TEUR	<1 Jahr	1-5 Jahre	> 5 Jahre	Bilanzwert
31.12.2017	0,0	20.845,5	20.845,5	41.691,0
31.12.2016	0,0	22.375,3	22.375,3	44.750,7

## 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 7.537,5; Vorjahr: TEUR 7.890,5).

Die in den **sonstigen Forderungen** enthaltenen Erträge, welche nach dem Abschlussstichtag zahlungswirksam werden, betrafen Zinsabgrenzungen (TEUR 40,6; Vorjahr: TEUR 12,3).

## Aktive latente Steuern

Die aktiven latenten Steuern wurden zum Bilanzstichtag für folgende Posten gebildet: Beteiligungen, Sachanlagen, Personalrückstellungen und steuerliche Verlustvorträge, welche in den Folgejahren verwertet werden können. Aufgrund der mittelfristigen Planungsrechnung werden, gestützt durch ansteigende Auftragseingänge und mittelfristig zunehmende Investitionserwartungen für die Ölfeld-Serviceindustrie, zukünftig steuerliche 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%. Der Anstieg im Jahr 2017 ergibt sich im Wesentlichen aus den zusätzlichen Verlusten der Steuergruppe in 2017.

## 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, in 2017 hat die Gesellschaft von der Ermächtigung laut Hauptversammlungsbeschluss keinen Gebrauch gemacht.

Zum Bilanzstichtag 2017 hält die Gesellschaft 46.597 Stück eigene Aktien (Vorjahr: 52.597 Stück). Dies entspricht einem Anteil von 0,29 % (Vorjahr: 0,33 %) am Grundkapital mit einem Anschaffungswert von TEUR 2.555 (Vorjahr TEUR 2.884). Die Anzahl der im Umlauf befindlichen Aktien beträgt somit 15.953.403 Stück (Vorjahr: 15.947.403 Stück).

Die **gebundene Kapitalrücklage** betrug zum Bilanzstichtag TEUR 70.022,6 (Vorjahr: TEUR 70.150,1 und resultiert im Wesentlichen aus dem Agio bei der Ausgabe junger Aktien in 1997 und in 2005. Die Veränderung in 2017 resultiert aus dem Abgang von eigenen Anteilen und einer Umgliederung zur Optionsrücklage.

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

Die **freie Rücklage** betrug zum Bilanzstichtag TEUR 14.328,1 (Vorjahr: TEUR 14.011,8). Die Veränderung in 2017 resultiert aus 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 2.302,8 (VJ: TEUR 2.051,0).

Gemäß dem Hauptversammlungsbeschluss vom 27. April 2017 wurde der **Bilanzgewinn 2016** in Höhe von TEUR 3.510,9 auf neue Rechnung vorgetragen.

## RÜCKSTELLUNGEN

In den **übrigen Rückstellungen** sind enthalten:

in TEUR	31.12.2017	31.12.2016
Jubiläumsgeldrückstellungen	35,9	53,0
Rückstellungen für nicht konsumierte Urlaube	364,9	303,8
sonstige Personalrückstellungen	362,1	357,0
Rechts-, Prüfungs- und Beratungskosten	159,7	116,8
Bilanzveröffentlichung	168,0	160,0
Sonstige Rückstellungen	39,0	0,0
<b>Summe</b>	<b>1.129,6</b>	<b>990,6</b>

## VERBINDLICHKEITEN

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

In den **sonstigen Verbindlichkeiten** sind Aufwendungen in Höhe von TEUR 1.666,9 (Vorjahr: TEUR 1.632,9) enthalten, die nach dem Abschlussstichtag zahlungswirksam werden.

In den Verbindlichkeiten gegenüber Kreditinstituten ist ein Betrag von TEUR 21.590,9 mit einer Restlaufzeit von mehr als fünf Jahren enthalten (Vorjahr: TEUR 30.681,8).

In den sonstigen Verbindlichkeiten ist ein Betrag von TEUR 330,8 mit einer Restlaufzeit von mehr als fünf Jahren enthalten (Vorjahr: TEUR 595,4).

## HAFTUNGSVERHÄLTNISSE

Haftungsverhältnisse bestanden in folgendem Ausmaß:

in TEUR	31.12.2017		31.12.2016	
	Gesamtbetrag	davon für verbundene Unternehmen	Gesamtbetrag	davon für verbundene Unternehmen
Haftungen für Kredite und Kurssicherungen	30.846,1	30.846,1	31.090,8	31.090,8

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 drei verbundenen Unternehmen Patronatserklärungen abgegeben, die eine unwiderrufliche Zusicherung enthalten, diese Unternehmen derart zu unterstützen, dass diese jederzeit ihren finanziellen Verpflichtungen nachkommen können.

## 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 ausübbare 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	2017	2016
Verrechnete Holdingleistungen	4.359,1	2.675,9
Mieterträge	1.849,7	1.827,6

### SONSTIGE BETRIEBLICHE ERTRÄGE

Die größten Posten sind:

In TEUR	2017	2016
Kursgewinne	931,0	1.571,9

### PERSONALAUFWAND

Im Posten **Aufwendungen für Abfertigungen und Leistungen an betriebliche Mitarbeiter-Vorsorgekassen** sind Leistungen an betriebliche Mitarbeiter-Vorsorgekassen in der Höhe von TEUR 22,1 (Vorjahr: TEUR 18,3) enthalten.

Von den Aufwendungen für Abfertigungen und Pensionen entfallen TEUR 550,7 (Vorjahr: TEUR 335,4) auf die Mitglieder des Vorstands.

## SONSTIGE BETRIEBLICHE AUFWENDUNGEN

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

in TEUR	2017	2016
Kursverluste	2.626,7	225,0
Rechts-, Prüfungs- und Beratungskosten	1.256,3	666,3
Dienstleistungen Konzern	405,0	622,9
Versicherungen	169,9	225,5

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	2017	2016
DSI FZE	8.472,4	0,0
Schoeller-Bleckmann Oilfield Equipment (UK) Ltd.	4.505,0	0,0

## STEUERN VOM EINKOMMEN UND VOM ERTRAG

Die SCHOELLER-BLECKMANN OILFIELD EQUIPMENT Aktiengesellschaft 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 2017 weist die Gesellschaft nach Verrechnung der Steuerumlagen an inländische Gruppenmitglieder in Höhe von TEUR 0,0 (Vorjahr: TEUR 0,0) einen Steuerertrag in Höhe von TEUR 1.522,3 (Vorjahr: TEUR 1.003,3) aus.

Darin sind Aufwendungen für Quellensteuern in Höhe von TEUR 32,2 (Vorjahr: TEUR 33,4) sowie ein auf Vorjahre entfallender Steuerertrag von TEUR 68,3 (Vorjahr: TEUR 0,0) enthalten.

## BILANZGEWINN

Das Geschäftsjahr 2017 schließt mit einem Jahresüberschuss von TEUR 7.027,1. Zuzüglich des Gewinnvortrags aus 2016 ergibt sich ein Bilanzgewinn von TEUR 10.538,0.

Der Vorstand schlägt vor, an die dividendenberechtigten Aktien eine Dividende von EUR 0,50 je Aktie (Vorjahr EUR 0) auszuschütten und den verbleibenden Bilanzgewinn auf neue Rechnung vorzutragen.

#### IV. Sonstige Angaben

##### GESCHÄFTSFÄLLE MIT NAHESTEHENDEN UNTERNEHMEN UND PERSONEN

Für das Geschäftsjahr 2017 liegen keine berichtspflichtigen Geschäftsfälle gemäß § 238 (1) Z. 12 UGB vor.

##### AUFWENDUNGEN FÜR DEN ABSCHLUSSPRÜFER

Im Jahr 2017 sind für den Abschlussprüfer, die **Deloitte Schwarz & Schmid Wirtschaftsprüfungs GmbH**, und mit diesem verbundene Unternehmen folgende Aufwendungen angefallen:

- |                                       |           |                      |
|---------------------------------------|-----------|----------------------|
| - Prüfung des Jahresabschlusses ..... | TEUR 21,0 | (Vorjahr: TEUR 22,5) |
| - Steuerberatungsleistungen .....     | TEUR 21,2 | (Vorjahr: TEUR 15,5) |
| - Sonstige Leistungen .....           | TEUR 5,0  | (Vorjahr: TEUR 57,5) |

##### 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** Aktiengesellschaft, Ternitz, angehören.

Geschäfte mit diesen Gesellschaften werden wie mit unabhängigen Dritten abgewickelt.

Die **SCHOELLER-BLECKMANN OILFIELD EQUIPMENT** Aktiengesellschaft war zum 31. Dezember 2017 an folgenden Unternehmen beteiligt:



	Anteil in Prozent	Ergebnis in TEUR		Eigenkapital in TEUR	
		Jahr 2017		Jahr 2017	31.12.2017
SCHOELLER-BLECKMANN Oilfield Technology GmbH, Ternitz	100,00	-1.872,2		98.394,4	
DSI FZE, Dubai, AE	100,00	1.746,1		51.407,2	
DSI PBL de Mexico S.A. de C.V., Villahermosa, MX	99,00	58,7		117,6	
Schoeller-Bleckmann America Inc., Wilmington, US	100,00	-80.609,3		42.252,1	
BICO Drilling Tools Inc., Houston, US	90,65	4.747,2		79.152,5	
Schoeller-Bleckmann de Mexico S. A. de C. V., Monterrey, MX	100,00	-1.691,0		-27,8	
Schoeller-Bleckmann Oilfield Equipment (UK) Limited, Rotherham, GB	100,00	2.333,3		36.656,1	
Knust-SBD Pte Ltd., Singapur, SG	51,50	-1.305,3		7.706,7	
Schoeller-Bleckmann Oilfield Equipment Middle East FZE, Dubai, AE	100,00	-286,1		5.492,7	
Schoeller-Bleckmann Oilfield Equipment Vietnam LLC, Binh Duong, VN	100,00	28,3		16.984,2	
Schoeller-Bleckmann Canada Ltd., Calgary, CA	100,00	179,6		33.221,6	
ADRIANA HOLDING COMPANY LIMITED, Dubai, AE	99,00	0,0		0,0	

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:

	<b>2017</b>	<b>2016</b>
Gehaltsempfänger	16	15
Lohnempfänger	8	8
<b>Summe Mitarbeiter</b>	<b>24</b>	<b>23</b>

Die Bezüge für die Mitglieder des Vorstands betragen im Jahr 2017 TEUR 1.223 (davon fixer Anteil TEUR 943, davon variabler Anteil TEUR 280 (Vorjahr: TEUR 1.091 (davon fixer Anteil TEUR 861, davon variabler Anteil TEUR 230).

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 2017 für 6.000 Aktien betrug TEUR 392 (Vorjahr: TEUR 321). Zum 31.12.2017 beträgt der Kurswert der 12.000 Stück bereits übertragenen und einer Verfügungsbeschränkung unterliegenden Aktien TEUR 1.020 (Vorjahr: 12.000 Stück mit Kurswert TEUR 918).

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 2017 erhielten die Aufsichtsratsmitglieder in Summe eine Vergütung von TEUR 39,0 (Vorjahr: TEUR 39,0).

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

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 27. Februar 2018

SCHOELLER-BLECKMANN OILFIELD EQUIPMENT Aktiengesellschaft

Der Vorstand

  
Ing. GERALD GROHMANN

  
Mag. KLAUS MADER

**SCHOELLER-BLECKMANN OILFIELD EQUIPMENT Aktiengesellschaft**

**Anlagenpiegel gemäß § 226 (1) UGB per 31.12.2017**

Beträge in EURO	Anschaffungs- bzw. Herstellungskosten		kumulierte Abschreibungen		Stand 31.12.2017	Buchwert 31.12.2017	Buchwert 31.12.2016
	Vortrag 01.01.2017	Zugänge	Abgänge	Stand 31.12.2017			
<b>I. Immaterielle Vermögensgegenstände</b>							
Konzessionen, gewerbliche Schutzrechte und ähnliche Rechte und							
1. Vortelle sowie daraus abgeleitete Lizenzen							
	63.738,60	0,00	0,00	0,00	63.738,60	0,00	3.155,00
<b>Summe immaterielle Vermögensgegenstände</b>	<b>63.738,60</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>	<b>63.738,60</b>	<b>0,00</b>	<b>3.155,00</b>
<b>II. Sachanlagevermögen</b>							
Grundstücke, grundstücksgleiche Rechte und Bauten, davon							
1. Grundwert EUR 3.560.935,26 (2016: TEUR 3.560,9)							
	20.140.201,77	0,00	0,00	0,00	20.140.201,77	11.641.954,90	12.170.402,98
2. andere Anlagen, Betriebs- und Geschäftsausstattung							
	681.785,17	12.574,88	0,00	0,00	694.360,05	116.363,51	131.754,40
3. geringwertige Wirtschaftsgüter							
	0,00	649,50	-649,50	0,00	0,00	0,00	0,00
<b>Summe Sachanlagen</b>	<b>20.821.986,94</b>	<b>13.224,38</b>	<b>-649,50</b>	<b>20.834.561,82</b>	<b>9.076.243,41</b>	<b>11.758.318,41</b>	<b>12.302.157,38</b>
<b>III. Finanzanlagen</b>							
1. Anteile an verbundenen Unternehmen							
	242.782.206,17	3.305.113,05	0,00	0,00	246.087.319,22	228.219.414,00	224.914.300,95
2. Ausleihungen an verbundenen Unternehmen							
	44.750.738,40	0,00	0,00	0,00	44.750.738,40	41.690.986,42	44.750.738,40
3. Wertrechte des Anlagevermögens							
	143.967,00	0,00	0,00	0,00	143.967,00	143.967,00	143.967,00
<b>Summe Finanzanlagen</b>	<b>287.676.911,57</b>	<b>3.305.113,05</b>	<b>0,00</b>	<b>290.982.024,62</b>	<b>20.927.657,20</b>	<b>270.054.367,42</b>	<b>269.809.006,35</b>
<b>SUMME ANLAGEVERMÖGEN</b>	<b>308.562.637,11</b>	<b>3.318.337,43</b>	<b>-649,50</b>	<b>311.880.325,04</b>	<b>30.067.639,21</b>	<b>281.812.685,83</b>	<b>282.114.318,73</b>

# Lagebericht

## LAGEBERICHT

für das Geschäftsjahr 2017

### 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 2017 MEUR 6,2 (Vorjahr: MEUR 4,5). 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 2017 MEUR 5,5 (Vorjahr: MEUR 2,4). Es war wesentlich gekennzeichnet durch Erträge aus Beteiligungen in Höhe von MEUR 13,0 (Vorjahr: MEUR 0,0). Es handelt sich hierbei um Ausschüttungen von Schoeller-Bleckmann Oilfield Equipment (UK) Limited GmbH. und DSI FZE.

In den Jahren 2016 und 2017 gab es keine nennenswerten **Zugänge zu Sachanlagen und immateriellen Vermögensgegenständen**.

Die **Zugänge zu Finanzanlagen** betragen MEUR 3,3 (Vorjahr: MEUR 88,7) und betrafen mit MEUR 3,3 *Anteile an verbundenen Unternehmen* (Vorjahr: MEUR 44,0) und mit MEUR 0,0 *Ausleihungen an verbundenen Unternehmen* (Vorjahr: MEUR 44,8).

Die **Bilanzsumme** 2017 ist mit MEUR 380,5 gegenüber dem Vorjahr (MEUR 401,3) gesunken, hauptsächlich durch die planmäßige Tilgung von Finanzverbindlichkeiten.

Die **Eigenkapitalquote** ist auf Grund der gesunkenen Bilanzsumme auf 30,0 % gestiegen (Vorjahr: 26,5 %).

Andererseits ist das **langfristig gebundene Vermögen** (überwiegend Finanzanlagen) auf 74,1 % der Bilanzsumme gestiegen (Vorjahr: 70,3 %).

Es bestehen keine Zweigniederlassungen der SBO.

## Mitarbeiter

Der **Personalstand** der SBO zum 31. Dezember 2017 betrug unverändert zum Vorjahr 23 Mitarbeiter (15 Gehaltsempfänger und 8 Lohnempfänger).

Unsere erfahrene und gut ausgebildete Mannschaft ist wesentlicher Bestandteil von SBO. Denn mit ihrer Kompetenz und ihrem Know-How sichern unsere Mitarbeiter den nachhaltigen Erfolg unseres Unternehmens. Vom Recruiting-Prozess und der Einstellung an begleiten und fördern wir unsere Mitarbeiter durch ihre gesamte Laufbahn bei SBO.

Die Suche und Förderung von Talenten beginnt bei SBO bereits vor ihrer Einstellung und zieht sich durch das gesamte Beschäftigungsverhältnis. Im Recruiting-Prozess achten wir darauf, die geeignetste Person für die jeweilige Stelle zu finden und sorgen für eine leistungsgerechte Entlohnung.

Geschlecht und kulturelle Herkunft spielen bei Besetzungen in unserem Unternehmen keine Rolle

Unsere Mannschaft zeichnet sich durch ein hohes Engagement aus. Wir setzen uns dafür ein, auch in Zeiten einer hohen Auslastung für eine gesunde Work-Life-Balance zu sorgen. Die Gesundheit und das Wohlbefinden unserer Mitarbeiter sind uns ein großes Anliegen. Sie sind eine Grundlage für die hohen Qualitätsmaßstäbe und somit den Erfolg von SBO.

Die Sicherheit am Arbeitsplatz wird im SBO-Netzwerk großgeschrieben. Wir bekennen uns zu den Standards der „Occupational Health and Safety Assessment Series“, kurz OHSAS. Intern bestehen strenge Sicherheitsrichtlinien, deren Einhaltung regelmäßig kontrolliert wird.

## Marktumfeld des SBO-Konzerns

Das Wachstum der Weltwirtschaft legte im Jahr 2017 auf breiter Basis spürbar zu und lag leicht über den ursprünglichen Erwartungen. Den aktuellen Schätzungen des Internationalen Währungsfonds (IWF) zufolge lag das globale Wirtschaftswachstum in 2017 bei 3,7 %, nach 3,2 % im Jahr davor. Die durchschnittliche Wachstumsrate der Industrienationen betrug im Jahr 2017 2,3 %, nach 1,7 % in 2016. Das Wirtschaftswachstum der Schwellenländer lag 2017 bei 4,7 %, nach 4,4 % im Jahr davor. Im Rahmen der weltweit anziehenden Konjunktur konnte vor allem das Wirtschaftswachstum in Europa und Asien positiv überraschen. Der anziehende weltweite Handel wurde von höheren Investment-Aktivitäten, besonders in den Industrienationen, sowie höherem Produktions-Output in Asien unterstützt.<sup>1</sup>

Die durchschnittliche globale Ölnachfrage stieg im Jahr 2017 laut Internationaler Energie Agentur (IEA) um 1,6 Millionen Barrel pro Tag (mb/d) oder 1,7 % auf 97,8 mb/d (2016: 96,2 mb/d). Die Nachfrage in den Nicht-OECD Staaten stieg um 1,2 mb/d oder 2,4 % auf 50,5 mb/d (2016: 49,3 mb/d). In den OECD Staaten stieg die Nachfrage um 0,5 mb/d oder 1,1 % auf 47,4 mb/d (2016: 46,9 mb/d).<sup>2</sup>

Die Balance aus Produktion und Nachfrage war im Jahr 2017 wiederhergestellt. Die Nachfrage lag sogar leicht über der Produktion. Im ersten Quartal 2017 befanden sich Produktion und Nachfrage mit je 96,6 mb/d im Gleichgewicht, im zweiten Quartal 2017 lag die Nachfra-

<sup>1</sup> Internationaler Währungsfonds (IWF), World Economic Outlook, Jänner 2018.

<sup>2</sup> International Energy Agency (IEA), Oil Market Report, Februar 2018.

ge sogar um 1,1 mb/d darüber. Über das Gesamtjahr lag die Nachfrage um 0,4 mb/d über der Produktion. Die OPEC Staaten hatten sich am 30. November 2016 auf eine Produktionsobergrenze von 32,5 mb/d (Rohöl exklusive Natural Gas Liquids / NGLs) geeinigt, die im Laufe des Jahres bis Ende 2018 verlängert wurde. Die OPEC Produktion lag im Jahr 2017 bei 39,2 mb/d (Rohöl exklusive Natural Gas Liquids / NGLs: 32,4 mb/d). Gestützt durch Saudi-Arabien lag die durchschnittliche Compliance zum Ende des Jahres bei 132 %. In den Nicht-OPEC Staaten stieg die Produktion um 0,8 mb/d auf 58,2 mb/d, wovon auf die USA 13,2 mb/d und auf Kanada 4,8 mb/d entfielen. Der Anteil von Nordamerika und den OPEC Staaten an der weltweiten Gesamtproduktion lag damit lediglich bei 58,7 %.

Das Marktumfeld der Oilfield Service-Industrie zeigte sich in 2017 insgesamt stark von der nordamerikanischen Erholung geprägt. International zeigten die Märkte noch keine nennenswerten Signale und waren auf niedrigem Niveau stabil. Der weltweite Rig Count stieg im Verlauf des Jahres 2017 von 1.772 Anlagen im Dezember 2016 um 17,9 % auf 2.089 Anlagen im Dezember 2017. Der Anstieg fand dabei im ersten Halbjahr 2017 statt und wurde von hohen Zuwächsen in den USA getragen. Ab dem Sommer stellte sich eine Seitwärtsbewegung ein. In Nordamerika stieg der Rig Count im Jahresvergleich um 34,6 % von 843 Anlagen auf 1.135 Anlagen. In den übrigen Weltregionen legte der Rig Count nur leicht um 2,7 % von 929 auf 954 Anlagen zu. Seit dem Zyklustief im Mai 2016 war dies ein Anstieg von 685 Anlagen in Nordamerika, bzw. 152,2 %, und ein minimaler Rückgang von einer Anlage, bzw. 0,1 %, weltweit. Dies ist ein Indiz für die anhaltenden Unterinvestitionen in diesem Umfeld.<sup>3</sup>

Die Preise der beiden Rohöl-Sorten entwickelten sich im Jahr 2017 positiv. Während Hoffnungen auf eine Verringerung der vereinbarten Produktionsobergrenze der OPEC Staaten die Preise für ein Barrel der US-Sorte WTI zunächst auf ein Tief von USD 42,05 und der europäischen Sorte Brent von USD 44,35 am 21. Juni 2017 fallen ließen, drehte die Dynamik in der zweiten Jahreshälfte. Im Jahresverlauf stieg der Preis für ein Barrel der US-Sorte WTI von USD 53,72 am 3. Jänner 2017 auf USD 60,42 zum 29. Dezember 2017, der europäischen Sorte Brent von USD 56,82 auf USD 66,87. Dies entspricht einer Steigerung von 12,5 % bei WTI bzw. 17,7 % bei Brent.<sup>4</sup> Unterstützt wurde die positive Dynamik des Ölpreises durch die kontinuierliche Verringerung der Rohöl-Lagerbestände in den OECD Staaten, darunter den USA, die sich zum Ende des Jahres 2017 von 1.245 mb im März 2017 auf 1.106 mb verringert haben.<sup>5</sup>

Die weltweiten Ausgaben für Exploration und Produktion (E&P-Ausgaben) legten nach den massiven Rückgängen in den beiden Krisenjahren 2015 und 2016 erstmals wieder leicht um 4 % zu. Der Anstieg basiert auf Zuwächsen in Nordamerika, wo die E&P-Ausgaben um 47 % gestiegen sind. International war das Geschäftsumfeld weiterhin schwach, hier gingen die E&P-Ausgaben sogar um weitere 6 % zurück. Seit Beginn des Abschwungs im Jahr 2014 verbuchten die weltweiten E&P-Ausgaben immer noch ein Minus von nahezu 50 %.<sup>6</sup>

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<sup>3</sup> Baker Hughes Rig Count.

<sup>4</sup> Bloomberg: CO1 Brent Crude (ICE) und CL1 WTI Crude (Nymex).

<sup>5</sup> International Energy Agency (IEA), Oil Market Report, Februar 2018.

<sup>6</sup> Evercore ISI Research, Evercore ISI Global E&P Spending Outlook: A Pivotal Year For E&P Capital Deployment, Dezember 2017; auch: Barclays, Global 2018 E&P Spending Outlook, Dezember 2017.



## Geschäftsentwicklung des SBO-Konzerns

Im Laufe des Jahres 2017 erholte sich das Umfeld der Oilfield Service-Industrie zunehmend. Während der internationale Markt weiterhin stagnierte, gewann das Geschäft in Nordamerika an Dynamik. SBO hat sich in diesem Markt bestmöglich aufgestellt und konnte somit an dieser Entwicklung partizipieren. Dank der guten strategischen Positionierung, gepaart mit den Kosteneinsparungsmaßnahmen der vergangenen Jahre, drehte das operative Ergebnis 2017 klar ins Plus. In der zweiten Jahreshälfte 2017 lag die EBITDA-Marge mit 27,9 % sogar über ihrem langjährigen Durchschnitt von 24,1 % (2001-16).

Der Umsatz stieg gegenüber dem Vorjahr um 77,2 % auf MEUR 324,2 (2016: MEUR 183,0). Der Auftragseingang hat sich auf MEUR 342,0 mehr als verdoppelt, nach MEUR 169,3 im Jahr 2016. Das Book-to-Bill-Ratio, das als Kennzahl den Auftragseingang ins Verhältnis zum Umsatz setzt und ein Indikator für die mittelfristige Entwicklung ist, lag damit über 1. Der Auftragsstand betrug Ende 2017 MEUR 37,6 (31.12.2016: MEUR 20,5).

Die Umsatzsteigerung spiegelt sich im operativen Ergebnis von SBO wider. Das Ergebnis vor Zinsen, Steuern und Abschreibungen (EBITDA) drehte von MEUR minus 2,5 im Jahr 2016 klar in den positiven Bereich und lag bei MEUR 74,7. Darin enthalten sind einmalige Erträge aus abgeschlossenen Restrukturierungsmaßnahmen in der Höhe von MEUR 1,9. Das Betriebsergebnis (EBIT) des Jahres 2017 betrug MEUR 25,6, nach MEUR minus 58,3 Ende 2016. Die EBITDA-Marge lag bei 23,0 % (2016: minus 1,4 %), die EBIT-Marge bei 7,9 % (2016: minus 31,9 %).

Die nordamerikanische Tochtergesellschaft Downhole Technology entwickelte sich äußerst erfreulich. Sie hat die ursprünglich bereits hohen Erwartungen bei Umsatz und Ergebnis noch einmal deutlich übertroffen. Dies führte dazu, dass die Bewertung der Put-/Call-Option für die Anteile der Minderheitsgesellschafter nach den Grundsätzen der anwendbaren Rechnungslegungsvorschriften bilanziell angepasst werden musste. Im Rahmen der Akquisition hat SBO 68 % der Anteile an Downhole Technology übernommen. Die verbleibenden 32 % der Anteile können in Form einer Put/Call-Option von SBO erworben bzw. von den Minderheitsgesellschaftern an SBO veräußert werden. Die gestiegenen Ergebniserwartungen der zu 100 % konsolidierten Gesellschaft machten daher im dritten Quartal 2017 eine einmalige ergebnis-, aber nicht zahlungswirksame Aufwandsbuchung in der konsolidierten Gewinn- und Verlustrechnung (GuV) von SBO notwendig, die sich negativ im Finanzergebnis niederschlägt. Für SBO ist die gute Entwicklung von Downhole Technology insgesamt sehr positiv, schließlich profitiert SBO als Mehrheitseigentümer einerseits vom laufenden Ergebnisbeitrag und andererseits von der Wertsteigerung ihres Tochterunternehmens.

Das Finanzergebnis des Gesamtjahres 2017 belief sich somit auf MEUR minus 95,4 (2016: MEUR 13,3). Im Vorjahresergebnis waren einmalige Erträge aus der Neubewertung von Optionsverbindlichkeiten in der Höhe von MEUR 17,2 enthalten. Ohne Berücksichtigung von Optionsbewertungen betrug das Ergebnis vor Steuern MEUR 17,9, das vergleichbare Ergebnis des Vorjahres MEUR minus 62,3. Das Ergebnis nach Steuern belief sich auf MEUR minus 54,4 (2016: MEUR minus 28,0). Das Ergebnis je Aktie lag bei EUR minus 3,41 (2016: EUR minus 1,75).

Der Konzern besitzt eine solide Bilanzstruktur: Die Eigenkapitalquote von SBO belief sich Ende 2017 auf 42,9 % (2016: 53,1 %), die Netto-Verschuldung auf MEUR 50,7 (2016: MEUR 51,0). Der Bestand an liquiden Mitteln betrug MEUR 166,0 (2016: MEUR 193,5). Der opera-

tive Cashflow belief sich auf MEUR 44,6 (2016: MEUR 31,3), der freie Cashflow auf MEUR 16,6 (2016: MEUR minus 69,1). Das Gearing lag bei 15,7 % (2016: 12,0 %). Die Investitionen in Sachanlagevermögen und immaterielle Vermögenswerte (CAPEX), unter Berücksichtigung der Aufwendungen für die Erweiterung von Produktionskapazitäten, stiegen auf MEUR 32,1, darin enthalten Investitionen in die Erweiterung von Produktionskapazitäten (2016: MEUR 13,0). Das Bestellobligo für Sachanlagen betrug MEUR 1,2 (2016: MEUR 0,1).

## Entwicklung der Segmente

SBO stellte zum ersten Quartal 2017 ihre Segmente um und berichtet seitdem in einer neuen Struktur. Gemäß der neuen Struktur gliedert sich das Geschäft von SBO in die beiden berichtspflichtigen Segmente „Advanced Manufacturing & Services“ (AMS) und „Oilfield Equipment“ (OE):

- Das Segment „Advanced Manufacturing & Services“ umfasst die hochpräzise Fertigung und Reparatur von Drill Collars und komplexen MWD (Measurement While Drilling) / LWD (Logging While Drilling) Komponenten aus antimagnetischem, korrosionsbeständigem Edelstahl. Diese bilden das Gehäuse für die sensiblen Messinstrumente, die zur exakten Messung von Neigung und Richtung des Bohrstranges sowie gesteinsphysikalischer Parameter eingesetzt werden.
- Das Segment „Oilfield Equipment“ beinhaltet ein breites Angebot an hochspeziellen Lösungen für die Öl- und Gasindustrie: High-Performance-Bohrmotoren und Tools für den zielgerichteten Vortrieb des Bohrstranges, sowie Spezialwerkzeuge für die Untertage-Zirkulations-Technologie (Circulation Tools). Darüber hinaus umfasst das Segment Produkte für das effiziente und ressourcenschonende Komplettieren unkonventioneller Lagerstätten in den beiden dominierenden Technologien „Sliding Sleeve“ und „Plug-n-Perf“.

Im Segment „Advanced Manufacturing & Services“, das traditionell spätzyklisch ist, lag der Umsatz 2017 bei MEUR 103,2 (2016: MEUR 86,7) und das Betriebsergebnis (EBIT) vor Sondereffekten bei MEUR minus 14,5 (2016: MEUR minus 29,6).

Im Segment „Oilfield Equipment“ betrug der Umsatz MEUR 221,0 (2016: MEUR 96,3) und das Betriebsergebnis (EBIT) vor Sondereffekten MEUR 46,2 (2016: MEUR minus 19,1).

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

### **Ausblick des SBO-Konzerns**

Der internationale Währungsfonds (IWF) prognostiziert für das Jahr 2018 und das Jahr 2019 einen Anstieg des weltweiten Wirtschaftswachstums um 3,9 % (nach 3,7 % im Jahr 2017 und 3,2 % im Jahr 2016). Die Wirtschaft der Industriestaaten soll im Jahr 2018 um 2,3 % und im Jahr 2019 um 2,2 % wachsen (nach 1,7 % in 2016 und 2,3 % in 2017). Für das Wirtschaftswachstum in den Schwellen- und Entwicklungsländern erwartet der IWF in 2018 einen Anstieg von 4,9 % und 2019 von 5,0 % (nach 4,4 % in 2016 und 4,7 % in 2017).

Die globale Wirtschaft soll 2018 und 2019 weltweit weiter zulegen. Das Wirtschaftswachstum soll dem IWF zufolge auf höhere Investments, mehr Handel, steigende industrielle Produktion sowie ein stärkeres Vertrauen von Unternehmen und Konsumenten zurückzuführen sein. Außerdem soll die US-Steuerreform zu einem temporären Anstieg des US-Wachstums führen, wovon vor allem die US-Handelspartner Kanada und Mexiko profitieren werden.<sup>7</sup>

Die Internationale Energieagentur (IEA) geht für 2018 von einem weiteren Anstieg des Ölbedarfs aus: So soll die Nachfrage nach Rohöl um 1,4 mb/d auf insgesamt 99,2 mb/d steigen. In den OECD Staaten soll die durchschnittliche Ölnachfrage mit 47,4 mb/d auf demselben Niveau wie 2017 liegen. In den Nicht-OECD Staaten soll die durchschnittliche Nachfrage um 1,3 mb/d auf 51,8 mb/d steigen. Gleichzeitig wird bei der Rohöl-Produktion in den Nicht-OPEC Staaten ein Zuwachs von 1,7 mb/d auf 59,9 mb/d erwartet. Damit sollte der Rohöl-Markt auch im Jahr 2018 ausgeglichen bleiben, legt man die fortlaufende Einhaltung der OPEC-Produktionsobergrenze zugrunde.

Nach den Unterinvestitionen der Öl- und Gasgesellschaften in den vergangenen Jahren, die im Jahr 2017 international durch eine weitere Verringerung der Ausgaben für Exploration und Produktion (E&P-Ausgaben) sogar noch zugenommen haben, ist der Nachholbedarf zunehmend groß. Die konstant steigende Nachfrage nach Öl und die fortschreitende Verringerung der Produktionsraten bestehender Felder (sog. Depletion Rate) sind klare Anzeichen dafür, dass es in absehbarer Zukunft zu einem deutlichen Wiederanlaufen von Projekten außerhalb des nordamerikanischen Festlandes kommen muss. Denn technische Verbesserungen und die Aufrechterhaltung der Produktion bereits verwirklichter Projekte haben zwar zu einer vorübergehenden Produktionsstabilität auch im internationalen Markt geführt. Zugleich ist aber das Volumen neu erschlossener Ressourcen (sog. Discovered Resources) auf ein historisches Tief gesunken.<sup>8</sup> Basierend auf der Rohöl-Produktion des Jahres 2017 liegt der Versorgungsanteil des internationalen Marktes an der weltweiten Versorgung bei 41,3 % (international vs Nordamerika und OPEC-Staaten).<sup>9</sup>

Die steigenden Ölpreise haben zuletzt die Freigabe einiger Explorationsprojekte auch außerhalb des nordamerikanischen Festlandes unterstützt. Das ist eine Dynamik, die auch im Jahr 2018 anhalten sollte. Für 2018 wird bei den Projekten, die außerhalb des Festlandes zur Investitionsfreigabe anstehen (sog. Offshore Final Investment Decisions oder FIDs) so-

<sup>7</sup> Internationaler Währungsfonds (IWF), World Economic Outlook, Jänner 2018.

<sup>8</sup> Rystad Energy UCube and Rystad Energy Research and Analysis, December 2017.

<sup>9</sup> International Energy Agency (IEA), Oil Market Report, Februar 2018.

gar eine weitere Zunahme erwartet.<sup>10</sup> Das sind Projekte, die in den kommenden Perioden zu einer zunehmenden Auslastung der Oilfield Service-Industrie führen sollten. Die führenden Analysten- und Investmenthäuser gehen davon aus, dass die E&P-Ausgaben weltweit um 7 % zulegen sollen, wobei die Ausgaben international um 4 % steigen sollen.

In Nordamerika, wo der Ausgabenanstieg mit 14 % noch deutlicher ausfallen soll, machen sich zunehmend Verknappungen bei Werkzeugen und Equipment bemerkbar. Dies sollte nicht nur zu einer höheren Auslastung der Ausrüstungsanbieter führen, sondern auch eine Preisinflation zugunsten der Oilfield Service-Gesellschaften wie SBO begünstigen.<sup>11</sup>

Für das Jahr 2018 ist zu erwarten, dass Nordamerika der führende Wachstumstreiber bleiben wird. Gleichzeitig sollte sich schrittweise eine internationale Erholung einstellen. SBO hat sich gezielt auf den Aufschwung vorbereitet. Mit der strategischen Ausrichtung des Unternehmens und der laufenden Weiterentwicklung im Bereich Forschung & Entwicklung (F&E) ist der Konzern gut aufgestellt, um als Technologie- und Marktführer am Aufschwung voll teilzunehmen.

## **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 Reporting-System 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 und GBP.

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

Überwiegend 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.

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<sup>10</sup> Evercore, 2018 Outlook: The Global Recovery Begins Anew, Dezember 2017.

<sup>11</sup> Evercore ISI Research, Evercore ISI Global E&P Spending Outlook: A Pivotal Year For E&P Capital Deployment, Dezember 2017; auch: Barclays, Global 2018 E&P Spending Outlook, Dezember 2017.

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

**Neue Erfindungen und innovative Technologien** sorgen dafür, dass SBO und somit unsere Kunden immer einen Schritt voraus sind. Das wiederum ermöglicht uns, organisch zu wachsen und neue Möglichkeiten für die Erweiterung unseres Unternehmens zu nützen. Wir wollen bei Forschung und Entwicklung (F&E) Vorreiter sein. Unser Ziel ist, unseren Kunden und dem Markt Lösungen anzubieten, nach denen sie noch gar nicht verlangt haben.

Getrieben von unserem Leitgedanken „Quality First“ entwickeln wir nicht nur neue Lösungen, sondern effizientere und damit schonendere Produkte. Damit reduzieren wir den Verbrauch von Ressourcen und liefern unseren Beitrag zu den Effizienzsteigerungen im Markt. Wir investieren als Technologieführer stark in Forschung und Entwicklung (F&E), um unseren Vorsprung stetig auszubauen und Kunden mit Spitzenlösungen beliefern zu können. Wir entwickeln Produkte, die dazu beitragen, den global steigenden Energieverbrauch abzudecken und dabei mit höchster Effizienz vorzugehen.

Unseren Mitarbeitern kommt dabei eine wichtige Rolle zu. Wir investieren in sie ebenso wie in unsere Forschungs- und Entwicklungs-(F&E)-Projekte. Unser Team ist immer dazu eingeladen, sich aktiv einzubringen und gemeinsam neue Potenziale zu heben. Gleichzeitig verlangen wir von unseren Mitarbeitern, ihre Kenntnisse zu erweitern und sich in allgemeinen unternehmensrelevanten Belangen fortzubilden.

Als Weltmarktführer treiben wir unsere Innovationen gezielt voran. Im Jahr 2017 haben wir erfolgreich in die folgenden Entwicklungen investiert

- Bei der Fertigung amagnetischer Komponenten (Collars) aus Edelstahl hat SBO ihre Fähigkeiten mit der Entwicklung einer **speziellen Laserlanze** zum Schweißen bei sehr geringem Innendurchmesser von weniger als 42 mm (1,6") ihre Kapazitäten erweitert. Mit dieser innovativen Technologie können Bohrungen mit geringen Durchmessern und Verschleißschichten über große Längen in einem Drill Collar aufpeanzt und dessen Lebensdauer erheblich erhöht werden. Zudem kann mit unserer neu entwickelten **3D-Laser-Messtechnik** die Innen- und Außengeometrie von Measurement While Drilling (MWD)- und Logging While Drilling (LWD)-Komponenten sowie anderer Teile der so genannten Bottom Hole Assembly (Bohrgarnitur) mit höchster Präzision gemessen werden. Die Erfassung dieser Daten bietet den Vorteil, dass damit ein vollständiger 3D Mess-Scan der gefertigten Komponenten erstellt werden kann und das Produkt somit den höchsten Qualitätsstandards entspricht.
- Die Additive Manufacturing Technologien **Direct Metal Laser Sintering (DMLS)** und **Elektronenstrahlschweißen (Electron Beam Welding (EBW))**, die bereits im Vorjahresbericht vorgestellt wurden, konnten gut auf dem Markt positioniert werden. Bei verschiedenen Anwendungen bietet DMLS gemeinsam mit EBW - hierbei handelt es sich um ein Schmelzschweißverfahren, bei dem mit Hilfe eines Strahls aus hochbeschleunigten Elektronen zwei amagnetische Stähle oder andere Stahlwerkstoffe miteinander verbunden werden - Möglichkeiten zur Designoptimierung, die nicht nur eine wesentlich höhere Produkteffizienz, sondern auch eine geringere Anzahl von Teilen und kürzere Fertigungszeiten mit sich bringen. Dies hat sich bei gefertigten Teilen, unter anderem sog. "Variable Orifice Injection Safety Valves", die bei Wasser- oder

Gasinjektionen für die Bohrlochkontrolle erforderlich sind, aufgrund der höheren Fließraten und geringeren Fertigungskosten bereits als vorteilhaft erwiesen.

- Im Bereich Bohrwerkzeuge hat SBO ein neues Tool zur Reinigung von Bohrlöchern entwickelt, mit dem die Bohrflüssigkeit während aufrechter Bohr-, Komplettierungs- und Workover-Arbeiten geteilt werden kann. Damit erhält der Betreiber mehrere Möglichkeiten bei der Steuerung von Hydraulik und Bohrlochreinigung. Dieses neue Tool ist Teil der **Circulation Tools** Produktfamilie - Produkte zur Verhinderung von Verlusten der Bohrspülung - und ermöglicht erheblich höhere Fließgeschwindigkeiten der Bohrflüssigkeit oberhalb der Measurement While Drilling (MWD) / Logging While Drilling (LWD)-Komponenten sowie der sonstigen Bohrwerkzeuge im Bohrstrang. Dies bewirkt eine Optimierung der Bohrlochreinigung ohne Abstriche bei der Bohreffizienz (beim Bohrmeißel).
- Bei den Werkstoffen ergänzen nun unsere speziell entwickelten **Dissolvable Balls** die Produktpalette an hocheffizienten Composite Frac Plugs. Die Bälle werden benötigt um Zonen unterhalb des Plugs zu isolieren, nachdem der Plug gesetzt und die Zone perforiert wurde. Dissolvable Balls bieten Kunden den Vorteil, dass sie nach Gebrauch nicht mehr aus dem Bohrloch auszirkuliert oder ausgefräst werden müssen. Im Vergleich zu den derzeit auf dem Markt angebotenen Dissolvable Plugs zeichnen sich die Dissolvable Balls von SBO durch hohe Zuverlässigkeit bei einer gleichzeitig wesentlich zufriedenstellenderen Granularität nach ihrer Auflösung aus.
- Darüber hinaus haben wir im Bereich Sliding Sleeve Completions, der neben Plug'n'Perf eine der beiden dominierenden Technologien beim Komplettieren unkonventioneller Lagerstätten abdeckt, unser **Closable Sleeve** System weiterentwickelt und auf dem Markt platziert. Die Sleeves werden individuell zur Stimulierung der jeweiligen Zonen geöffnet und können jederzeit selektiv wieder geschlossen werden. Dies bringt dem Betreiber erhebliche Vorteile, weil jeder Sleeve sofort nach Stimulierung des Gesteins auch wieder geschlossen werden kann und damit verhindert wird, dass die eingesetzten Stützmittel in das Bohrloch zurückfließen, bevor sie im Gestein „ausgeheilt“ sind. Weitere Vorteile sind, dass Zonen, die unerwünschtes Lagerstättenwasser zu produzieren beginnen abgeschottet werden können sowie um eine neuerliche Stimulierung in einzelnen oder allen Zonen durchzuführen, sollte dies aufgrund der natürlichen Verringerung der Förderrate (sog. Depletion) in Zukunft gewünscht sein.

#### **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 2017 wie auch zum 31. Dezember 2016 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. In 2017 wurden keine eigenen Aktien erworben.

Zum Bilanzstichtag 2017 hält die Gesellschaft 46.597 Stück eigene Aktien (Vorjahr: 52.597 Stück). Dies entspricht einem Anteil von 0,29 % (Vorjahr: 0,33 %) am Grundkapital mit einem Anschaffungswert von TEUR 2.555 (Vorjahr: TEUR 2.884). Die Anzahl der im Umlauf befindlichen Aktien beträgt somit 15.953.403 Stück (Vorjahr: 15.947.403 Stück).

Zum 31. Dezember 2017 hält die Berndorf Industrieholding AG, Wien, rund 33,4 % vom Grundkapital (Vorjahr: rund 33,4 %).

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

Ternitz, 27. Februar 2018

SCHOELLER-BLECKMANN  
OILFIELD EQUIPMENT Aktiengesellschaft

Der Vorstand

  
Ing. Gerald Grohmann

  
Mag. Klaus Mader



## 4. Bestätigungsvermerk

### Bericht zum Jahresabschluss

#### *Prüfungsurteil*

Wir haben den Jahresabschluss der SCHOELLER-BLECKMANN OILFIELD EQUIPMENT Aktiengesellschaft, Ternitz, bestehend aus der Bilanz zum 31. Dezember 2017, 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 2017 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 der Verordnung (EU) Nr. 537/2014 (im Folgenden EU-VO) und 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.

## **Deloitte.**

- Werthaltigkeit der Anteile an verbundenen Unternehmen

### Sachverhalt und Problemstellung

In der SCHOELLER-BLECKMANN OILFIELD EQUIPMENT Aktiengesellschaft bestehen Anteile an verbundenen Unternehmen in Höhe von rd. 228 MEUR. Aufgrund des, mit Ausnahme von Nordamerika, unverändert stagnierenden internationalen Marktes der SCHOELLER-BLECKMANN-Gesellschaften hat die Gesellschaft die Werthaltigkeit der Beteiligungsansätze untersucht. Zu diesem Zweck wurde zum 31. Dezember 2017 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 Plausibilisierung der Kapitalkosten mittels Vergleichsanalyse haben wir interne Experten hinzugezogen.

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

### *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

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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 der EU-VO und 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.

Als Teil einer Abschlussprüfung in Übereinstimmung mit der EU-VO und 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.

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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 berücksichtigen bei der Durchführung unserer Prüfung gemäß den anzuwendenden Prüfungsstandards den gesetzlichen und sonstigen regulatorischen Rechtsrahmen der Gesellschaft, sind aber nicht dafür verantwortlich, Verstöße der Gesellschaft gegen Gesetze und andere Rechtsvorschriften zu verhindern oder aufzudecken. Das aufgrund der inhärenten Grenzen einer Abschlussprüfung bestehende unvermeidbare Risiko, dass einige wesentliche falsche Darstellungen im Abschluss möglicherweise nicht aufgedeckt werden, obwohl die Prüfung ordnungsgemäß geplant und durchgeführt wurde, ist bei Verstößen gegen sonstige Rechtsvorschriften größer. Dies unter anderem deshalb, da es viele, hauptsächlich auf die betrieblichen Aspekte einer Gesellschaft bezogene Gesetze und andere Rechtsvorschriften gibt, die nicht von den rechnungslegungsbezogenen Informationssystemen der Gesellschaft erfasst werden und diesbezügliche Verstöße mit einem Verhalten zu deren Verschleierung einhergehen 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.
- 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

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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.

## **Zusätzliche Angaben nach Artikel 10 der EU-VO**

Wir wurden von der Hauptversammlung am 27. April 2017 als Abschlussprüfer für das am 31. Dezember 2017 endende Geschäftsjahr gewählt und am 23. August 2017 vom Aufsichtsrat mit der Durchführung der Abschlussprüfung beauftragt. Wir sind ununterbrochen seit dem am 31. Dezember 1995 endenden Geschäftsjahr Abschlussprüfer der Gesellschaft.

Wir erklären, dass das Prüfungsurteil im Abschnitt „Bericht zum Jahresabschluss“ mit dem zusätzlichen Bericht an den Prüfungsausschuss nach Art 11 der EU-VO in Einklang steht.

Wir erklären, dass wir keine verbotenen Nichtprüfungsleistungen nach Art 5 Abs 1 der EU-VO erbracht haben und dass wir bei der Durchführung der Abschlussprüfung unsere Unabhängigkeit von der Gesellschaft gewahrt haben.

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**Auftragsverantwortlicher Wirtschaftsprüfer**

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

Wien, am 27. Februar 2018

**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 Sec. 124 (1) (no3) 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, 28 February 2018



Ing. Gerald Grohmann      Mag. Klaus Mader  
Executive Board

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