ANNUAL REPORT 2014

SCHOELLER
BLECKMANN
OILFIELD
EQUIPMENT

WHAT WE VALUE

INNOVATION

CUSTOMER RELATIONSHIP

ENTREPRENEURSHIP

FINANCIAL DISCIPLINE

INTEGRITY

CONTENTS

FINANCIAL HIGHLIGHTS

in MEUR

	2014	2013	2012	2011	2010	2009
Sales	488.6	458.6	512.1	408.6	307.7	251.6
Profit from operations	67.5	90.2	121.2	90.2	49.4	28.2
Earnings before Interest, Taxes Depreciation and Amortization	149.3	136.5	160.8	125.0	85.1	61.5
Profit after tax	54.0	61.3	76.9	53.4	27.3	15.3
Earnings per share[1] (in EUR)	3.38	3.81	4.80	3.33	1.71	0.96
Total assets	800.4	703.5	698.4	620.0	561.6	425.5
Share capital	16.0	15.9	16.0	16.0	16.0	15.9
Shareholders´ equity	455.7	382.2	363.1	314.8	267.1	229.8
Return on capital employed (in %)[2]	15.2	22.7	32.1	26.8	16.7	9.8
Dividend per share (in EUR)	1.50[3]	1.50	1.50	1.20	1.00	0.50
Number of shares outstanding at year end	15,976,000	15,912,239	15,960,116	15,960,116	15,960,116	15,880,116

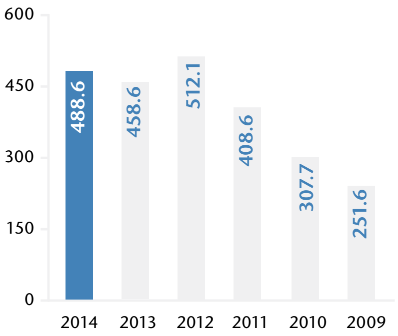
[1] based on average shares outstanding

[2] Return on capital employed = Income from operations after non-recurring items divided by average capital employed.
Capital employed = Total shareholders´ equity + Bonds + Bank loans and overdrafts + Long-term loans + Finance lease obligations - Cash and cash equivalents

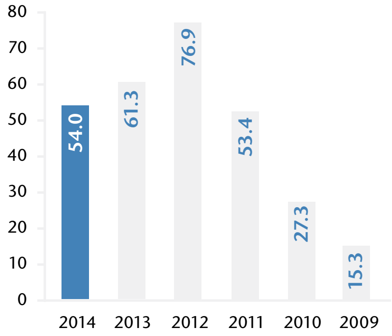
[3] proposed

SALES

in MEUR

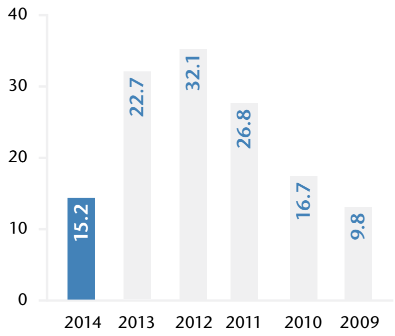


PROFIT AFTER TAX



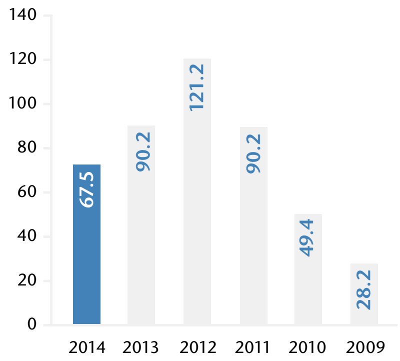
RETURN ON CAPITAL EMPLOYED

in Percent



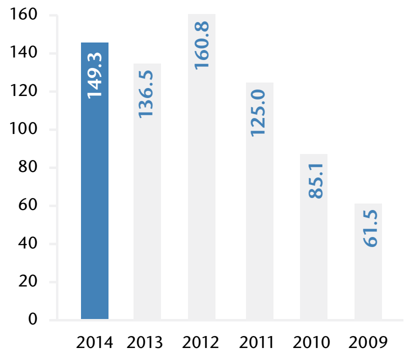
PROFIT FROM OPERATIONS

in MEUR



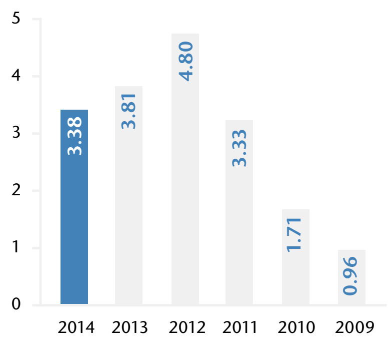
EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION

in MEUR



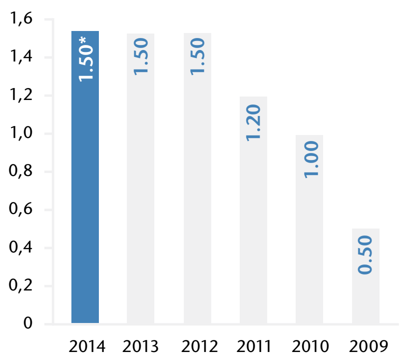
EARNINGS PER SHARE

in EUR



DIVIDEND PER SHARE

in EUR



* proposed

WHAT WE VALUE

OUR MISSION STATEMENT

INNOVATION

We use technological innovation to tap new oil and gas reservoirs.

CUSTOMER RELATIONSHIP

We build long-term partnerships that generate added value for our customers.

ENTREPRENEURSHIP

We support and reward the initiative and dedication of our employees.

FINANCIAL DISCIPLINE

A strong balance sheet and long-term profitability are the foundation of our business in a highly cyclical industry.

INTEGRITY

Honesty, openness and trust are the basis of our daily business life.

WE PRODUCE NEW IDEAS TODAY.
FOR TOMORROW'S OIL PRODUCTION.

THE SECRET OF OUR SUCCESS: DRILLING DOWN FOR FULL CUSTOMER SATISFACTION.

CUSTOMER RELATIONSHIP

ENTREPRENEURIAL SPIRIT UNLOCKS EVEN THE MOST DIFFICULT OIL AND GAS DEPOSITS.

FINANCIAL STABILITY IS OUR ANSWER TO MARKET CYCLICITY.

OUR BUSINESS RELATIONSHIPS ARE BASED ON OIL, GAS AND INTEGRITY.


CO
MP
ANY

Schoeller-Bleckmann Oilfield Equipment AG (SBO) is the global market leader in high precision components and a leading supplier of oilfield equipment for the oilfield service industry. The business focus is on non-magnetic drillstring components and high-tech downhole tools for drilling and completing directional and horizontal wells.

Directional and horizontal drilling is applied to penetrate oil and gas fields that earlier on were difficult to access. Directional drilling is a state-of-the art method for continuous control, steering and adjustment of direction during drilling to target hydrocarbon reservoirs and make drilling more efficient. Additionally, directional and horizontal drilling is used to increase recovery factors from brown fields (already developed gas and oil fields). The next step in the process is known as well completion and describes what is needed to prepare the well for oil and gas production. By acquiring high-tech provider "Resource Well Completion Technologies Inc." (Resource) SBO has added completion operations to its field of activity.

It is mainly the constantly rising global demand for energy that makes directional drilling and well completion key technologies for developing hydrocarbon reservoirs in the future, requiring the use of high-tech precision equipment and tools. SBO is a supplier of those key components and, therefore, contributes to covering the world's future energy demand.

SBO subdivides business activities into two segments: High Precision Components (HPC) and Oilfield Equipment (OE): The High Precision Components segment consists of the manufacturing of complex high precision parts, so-called MWD (Measuring While Drilling) and LWD (Logging While Drilling) precision drillstring components. These tools are placed in the drillstring to support drill bit steering based on real-time data gathered during drilling, such as inclination and azimuth of the drill bit (MWD) or petrophysical parameters (LWD).

The Oilfield Equipment segment comprises production and distribution of non-magnetic drillstring components (non-magnetic drill collars), high-performance drilling motors and special tools for downhole circulation applications (circulation tools), repair and maintenance services and, since November 2014, the completion activities (well completion and preparation for production). In November, SBO acquired 67 per cent of the shares in Canadian oilfield equipment provider „Resource Well Completion Technologies Inc." (Resource), a supplier of high-end products for particularly efficient stimulation of oil and gas production. Resource provides SBO with an excellent technological platform for further growth in completion activities.

As a leader in terms of quality and technology within the industry Schoeller-Bleckmann Oilfield Equipment AG counts the major oilfield service companies among its customers and has set the market benchmark over many years.

SBO is present at all major hubs of the oilfield service industry worldwide and follows its customers to support them as a partner when they move to new regions around the globe. Added value to customers is both the starting point and target of the business activities of Schoeller-Bleckmann Oilfield Equipment AG.

The basis of SBO's lasting and successful business performance is a close interaction between leadership in technology, quality and innovation, market-oriented growth strategy, high productivity and flexibility as well as our long-term strategic investment policy.

S

HIGH PRECISION COMPONENTS

- **Schoeller-Bleckmann Oilfield Technology GmbH**
  Ternitz, Austria
- **KNUST-SBO FAR EAST PTE. LTD.**
  Singapore
- **KNUST-SBO L.L.C.**
  Houston, USA
- **Schoeller-Bleckmann Oilfield Equipment Vietnam Co. Ltd.**
  Binh Duong, Vietnam
- **Darron Tool & Engineering Ltd.**
  Rotherham, UK
- **Techman Engineering Ltd.**
  Chesterfield, UK
- **Schoeller-Bleckmann de Mexico, S.A. de C.V.**
  Monterrey, Mexico
- **GODWIN-SBO L.L.C.**
  Houston, USA

Total Sales: MEUR 281.3
Headcount: 1139

B

OILFIELD EQUIPMENT

- **BICO Drilling Tools Inc.**
  Houston, USA
- **BICO FASTER Drilling Tools Inc.**
  Nisku, Canada
- **DSI FZE**
  Dubai, UAE
- **Schoeller-Bleckmann do Brasil, Ltda.**
  Macae, Brasil
- **Schoeller-Bleckmann Darron (Aberdeen) Ltd.**
  Aberdeen, UK
- **Resource Well Completion Technologies Inc.**
  Calgary, Canada
- **Schoeller-Bleckmann Darron Ltd.**
  Noyabrsk, Russia
- **Schoeller-Bleckmann Energy Services L.L.C.**
  Broussard, La/USA
- **SB Darron PTE Ltd.**
  Singapore
- **Schoeller-Bleckmann Oilfield Equipment Middle East FZE,**
  Dubai, UAE
- **Schoeller-Bleckmann Sales Co. L.L.C.**
  Houston, USA

Total Sales: MEUR 332.9
Headcount: 556

O

Non-operative holding companies are not shown. Headcount per 31 December 2014.
Total Sales per 31 December 2014, not consolidated

Q1

- Q1 bookings pointing upwards
- Continued strong profitability
- Market environment for oilfield service industry remains stable

Q2

- Stable market environment for the oilfield service industry
- Sound results with continued high profitability
- Bookings up

Q3

- Stable development in the third quarter despite volatile market environment
- Sound results with high profitability
- Increasing bookings

Q4

- Declining oil price leads to more volatile market environment
- Nevertheless continued high operating profitability
- One-off effects impact net income

TO OUR SHAREHOLDERS

"IN FISCAL 2014 SCHOELLER-BLECKMANN OILFIELD EQUIPMENT AG GENERATED SOUND RESULTS WITH HIGH PROFITABILITY AGAINST AN INCREASINGLY VOLATILE ENVIRONMENT."

Dear shareholders and business partners,

Global economic development in 2014 remained behind expectations, mainly due to sluggish economy in Europe, slightly slower growth in China and unexpected geopolitical crises. By contrast, economic development in the United States turned out to be surprisingly robust, and China, with an anticipated GDP growth of 7.4 %, also generated a respectable result. Over the year, the oil price was falling by 47 %, the lowest level seen since 2009 and leading to an increasingly volatile environment for the oilfield service industry in the second half of the year.

Nevertheless, Schoeller-Bleckmann Oilfield Equipment AG (SBO), in the 2014 financial year, posted sound results and high profitability. Sales climbed by 6.6 % to MEUR 488.6. Earnings before interest, taxes, depreciation and amortisation (EBITDA) arrived at MEUR 149.3 and the EBIT before one-off effects at MEUR 106.7 coming in well above the previous year's level. The EBITDA margin was 30.6 %, and the EBIT margin before one-off effects was 21.8 %. These one-off effects of MEUR 39.2 are due to the volatile situation in the oilfield service industry, resulting, on the one hand, in an adjustment of the goodwill of US - subsidiary Godwin-SBO L.L.C. and, on the other hand, in expenses for structural improvements of the shareholdings in the United Kingdom. Moreover, because of the prevailing market situation, SBO does not have to pay the second part of the purchase price for acquiring Resource leading to a contingent purchase price reduction of MEUR 22.9 and a non-cash effective goodwill impairment of MEUR 21.3. Hence the EBIT after one-off effects was MEUR 67.5 and the EBIT margin after one-off effects was 13.8 %. Profit before tax arrived at MEUR 80.0, representing the same level as the year before.

In the High Precision Components segment customers had started repairing tools to extend the lifetime already in 2013. This tendency continued throughout 2014. At the same time, however, the number of new orders placed was climbing continuously over the financial year. The Oilfield Equipment segment benefited from the high level of global drilling activity lasting up to the end of the financial year. Ultimately, both segments achieved very sound results and grew bookings compared to the previous year.

At this moment, it is impossible to predict how the environment for our industry will develop in the next quarters. What can be said is that the oil market has undergone a shift of paradigms: While in the past downturns were mostly caused by declining demand, the situation is different this time.

"SBO HAS PREVIOUSLY DEMONSTRATED ITS CAPACITY TO RESPOND TIMELY AND FLEXIBLY TO CHANGING MARKET CONDITIONS."

Although global economic development was slightly weaker than expected, there was no fundamental global slump as seen in the year 2009. Therefore, demand for oil and gas remained largely stable. The trouble spots in the Ukraine and Middle East should rather have pushed up the oil price. But the opposite happened, the reason being the fracking boom in North America. Meanwhile, the United States has become one of the world's three largest crude producers, catching up with Saudi Arabia and Russia. As a result, Saudi Arabia can no longer influence oil price levels as before, which have reduced OPEC's market power. To avoid loss of market shares, OPEC decided in November 2014 not to curtail production. Consequently, the oil market remained oversupplied at the end of 2014, bringing oil prices to their 5 1/2-year low at year-end.

This certainly entails advantages for the global economy, at least for those countries that do not fund their budgets from income generated by oil production. If there are no further massive negative influences, such as a dramatic escalation of the Ukraine crisis or new hotspots, the low oil price should stimulate the global economy. If this is the case, demand for oil and gas will go up. Moreover, depletion (declining production rate) of oil fields makes outputs drop if drilling activity is curtailed. The depletion rate of conventional wells averages approximately 6 % p.a., and of shale oil deposits 30 % annually and more. Consequently, if demand for oil goes up again, drilling activities will inevitably have to be ramped up again sooner or later so as to cover such demand.

How long this is going to take is hard to predict. We start into the new financial year with well filled order books, but 2015 is definitely not going to be an easy year for the oilfield service industry. In any event, SBO demonstrated in the past that we can respond timely and flexibly to changing market conditions and to achieve relatively sound returns even if the overall environment is difficult.

We are consistently working at further improving SBO's earning situation and respond promptly if required by the market situation: In the third quarter of 2014 we set up a programme to optimise our business activities in the United Kingdom. In 2015 we already started internationalising the drilling motor business of our subsidiary BICO in order to proactively use new market opportunities mainly outside North America. Moreover, we will gear our own CAPEX spending to market requirements while continuing our R&D programme as planned so as to strengthen our clear competitive edge as technology leader. Moreover, we can adjust out production capacities flexibly if required by declining demand.

The oilfield service industry has always been a cyclical business. However, its mid- to long-term growth perspectives are absolutely intact, as demand for oil and gas is set to grow for many years to come. The challenge to be met in a transitory downturn of the cycle, we believe, is not only to cope with temporary declining business in the best possible way, but also not to miss out on the next upswing ahead.

The focus of our capital expenditure in 2014 was on completing the new production facility in Ternitz and further expanding the drilling motor and circulation tools fleet. Taking a deliberately anti-cyclical approach, we acquired a majority share in Canadian oilfield equipment provider Resource in November 2014. We took advantage of the falling oil price to buy a profitable, highly innovative business at a fair price. We added the new completion product family to the portfolio of SBO without moving away from our core business. Resource provides an ideal technology platform to further grow our activities in the completion business. Additionally, we will continue monitoring the market and are ready to act whenever a high-tech business suiting SBO's requirements comes up for sale.

There is no doubt that the oilfield service will show attractive growth rates over the medium to long term. Exploitation of new oil and gas fields requires ever more complex technological solutions. Being a technology leader SBO is perfectly positioned to meet this challenge. SBO's high technological expertise, strong equity base, low debt and motivated workforce are the foundation for constantly benefiting from growth in our industry. Cycles may result in fluctuating sales and profit, but SBO has been, and will remain, a growth-oriented company in a growth-oriented market.

At this point, we would like to thank our employees, our customers and shareholders for their cooperation and the trust placed in our company in the past financial year 2014. We are well prepared to enter the new financial year 2015 with a clearly focused approach on meeting its challenges.

The Executive Board, March 2015

Gerald Grohmann **Franz Gritsch**

The Executive Board

HUMAN RESOURCES

HUMAN RESOURCES

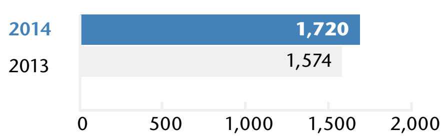
During 2014 SBO started to recruit employees again, after lower business volumes in 2013 were followed by slight downsizing (-1.1 %). Year-on-year, the headcount went up by 9.3 %, from 1574 at the end of 2013, to 1720 at the end of 2014, 451 being located in Austria, 714 in North America and Mexico, 292 in the United Kingdom and 263 in other regions of the world. More personnel had to be hired mainly in the Oilfield Equipment segment with its manpower-intensive high-tech repair and maintenance sector. Additionally, the number of employees went up by 57 following the acquisition of Resource Well Completion Technologies Inc. (Resource).

In 2014 a total of 72 apprentices were undergoing training with SBO. SBO is permanently investing in training young people so as to cover demand for highly qualified skilled workers. The training centre for apprentices is where young workers can acquire expert skills to become, for instance, skilled metalworkers. Many trainees stay with the company after they have passed their final examinations to become skilled workers. By training new skilled employees SBO is investing in the future development of the company, as its business success is largely based on the high technical expertise of employees.

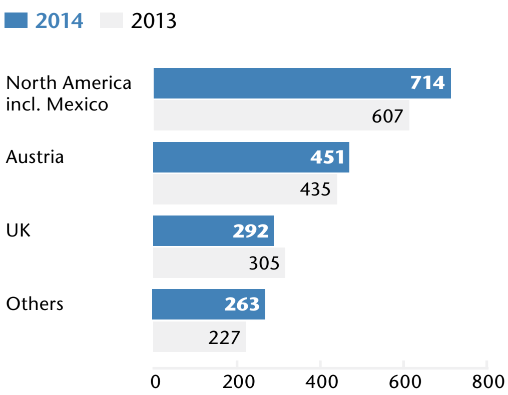
In order to maintain the high level of know-how, SBO offered a large number of further training courses and activities aimed at improving employees' skills and capabilities or specialising in a certain field of expertise also in 2014.

Their skills, long-standing experience and strong quality awareness have made a major contribution to maintaining and even improving the high service and quality level of SBO. The combination with basic and further training activities ensures that Schoeller-Bleckmann Oilfield Equipment AG is perfectly prepared to meet constantly rising customer requirements.

TOTAL HEADCOUNT



HEADCOUNT BY REGION

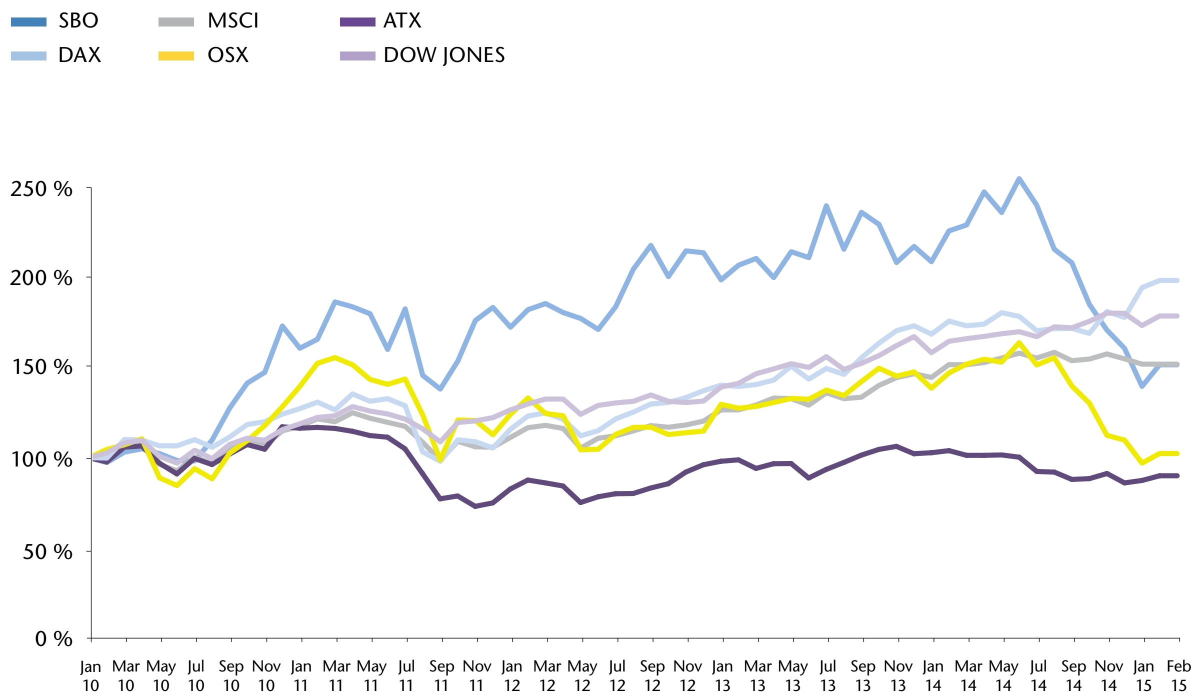



SRO
SHARE

The SBO share is quoted on the prime market of the Vienna Stock Exchange and listed in the Austrian ATX blue-chip index. On 2 January 2014, SBO started into the trading year at EUR 82.10 per share. On 2 May 2014, the SBO share reached its annual high of EUR 96.57, following a constant rise since the beginning of the year, and at the same time representing its new all-time high. The annual low of the share was EUR 55.00 on 12 December 2014. The share price developed largely in line with the oil price: Decelerating global economic growth, various geopolitical crises and oversupplies caused by the fracking boom in the US exerted mounting pressure on the oil price. The price of one barrel of US brand WTI was dropping by half over the second half of 2014 (30 June 2014: USD 106.07; 31 December 2014: USD 53.45).

On 30 December 2014 the SBO share arrived at EUR 60.00, down 26.9 % from the beginning of the year. Trading volumes came to roughly 36,200 shares per day (double count). In 2014, Vienna's ATX blue-chip index posted a decline of 14.7 %, from 2533.77 points at the beginning of the year to 2160.08 points on 30 December 2014. The SBO share thus remained behind overall ATX development.

SHARE PERFORMANCE

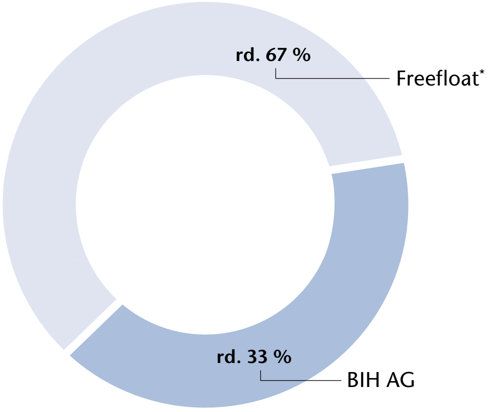


"SBO ADVOCATES TRANSPARENT CORPORATE MANAGEMENT AND COMMUNICATION."

SBO advocates transparent management and corporate communication. Private and institutional investors were given an opportunity to find out more about the company at various events held in 2014. In the year under review, SBO attended more than 40 road shows and conferences in Austria and abroad. The Executive Board and Investor Relations team presented the company to national and international investors, for instance in Boston, Brussels, Chicago, Edinburgh, Frankfurt, Geneva, Copenhagen, London, New York, Paris, San Francisco, Stegersbach, Stockholm, Ternitz, Toronto, Warsaw, Vienna, Zürs and Zurich.

In 2014 SBO was further working on broadening the investor base geographically. As at the end of 2014, SBO's investor landscape was as follows: SBO's core shareholder, Berndorf Industrieholding AG, held 32.6 % of the shares in SBO as at 31 December 2014, leaving a free float of 67.4 %, of which roughly 40 % is held by US-investors, 20 % by investors from the UK, 10 % by Austrian and 6 % each by French and German investors. Furthermore SBO has investors from Canada, Scandinavia or Australia.

SHAREHOLDER STRUCTURE 31 DECEMBER 2014



FINANCIAL CALENDAR 2015

23 April 2015	Annual Shareholder´s Meeting
8 May 2015	Ex-day, dividend distribution day

Publications:

19 May 2015	1st Quarter 2015
20 August 2015	2nd Quarter 2015
26 November 2015	3rd Quarter 2015

* Thereof EARNEST Partners, L.L.C., owns more than 5 %.
More than 4 % of the voting rights in SBO where held by Massachusetts Mutual Life Insurance Company until 5 February 2015 and by Oppenheimer International Growth Fund until 2 February 2015.

Analysts of Baader Bank, Berenberg Bank, Deutsche Bank, Commerzbank, Erste Bank, and Raiffeisen Centrobank as well as Goldman Sachs, Hauck & Aufhäuser, HSBC, Kepler Cheuvreux, Canaccord Genuity and Natixis regularly analysed SBO, which makes SBO's periodic coverage by 12 analysts rank among the leading ATX-listed companies.

Another focus for 2014 was on communicating with business journalists in Germany. During a two-day editorial tour held in Munich and Frankfurt in September 2014 new contacts were made with German journalists, and extensive press coverage was provided to present SBO to a wider public. CEO Gerald Grohmann used the talks to explain the strategy and business model of SBO beyond day-to-day business and inform participants about the background on current developments in the oil market and the oilfield service industry.

The latest information about the company and all publications of SBO are available on the company website at www.sbo.at.

KEY SHARE FIGURES

	2014	2013
Share capital (in EUR)	15,976,000	15,912,239
Number of shares	15,976,000	15,912,239
Average daily trading volume[1]	36,200	29,850
Closing rate at year-end (in EUR)	60.00	80.56
High/low (in EUR)	96.57/55.00	90.00/70.53
Market capitalisation at year-end (in EUR)	958,560,000	1,281,889,974
Earnings per share (in EUR)	3.38	3.81
Price-earnings ratio at year-end	17.75	21.14
Dividend per share (in EUR)	1.50[2]	1.50

[1] Double counting
[2] Proposed

CORPORATE GOVERNANCE REPORT

Schoeller-Bleckmann Oilfield Equipment AG (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 is accessible at the website of the Austrian Working Group for Corporate Governance on www.corporate-governance.at.

SBO complies with the Code as amended in July 2012 which is applicable to this report. The rules of the 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.

The third category, the R-Rules (Recommendation) is of recommendatory nature. Non-compliance does not have to be disclosed nor explained.

SBO complies with all mandatory legal provisions (L-Rules).

Explain
SBO largely complies with the C-Rules. Deviations are explained as follows:

Rule 28
The remuneration of 6,000 SBO shares each granted to Gerald Grohmann, CEO, in fiscal 2014 is subject to disposal and encumbrance restrictions effective for a period of two years.

Rule 41
In line with the Austrian Corporate Governance Code, the function of the Nomination Committee is exercised by the Remuneration Committee.

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 conflict of interests, information and reporting duties of the Executive Board and decisions requiring approval of the Supervisory Board applying to significant transactions of the major subsidiaries. Generally, the Executive Board holds at least weekly meetings for mutual information and decision-making.

In 2014, the Executive Board was composed of two members:

	Year of birth	Date of first appointment	End of current term of office
Ing. Gerald Grohmann Chairman	1953	3 Oct. 2001	31 Dec. 2018
Mag. Franz Gritsch	1953	1 Dec. 1997	31 Dec. 2015

In the fiscal year 2014, the members of the Executive Board did not hold any group-external Supervisory Board mandates.

Distribution of responsibilities

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

Ing. Gerald Grohmann	Strategy, marketing, technology and public relations
Mag. Franz Gritsch	Finance and accounting, human resources and legal matters

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 objects defined for the business year have been achieved.

Pursuant to the employment agreements 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 can be determined based on the financial statements or depends on the occurrence or non-occurrence of the respective event.

No stock option programme is in place for the members of the Executive Board of SBO or the executive board members or managing directors of its subsidiaries, in particular no programme within the meaning of Rule 28 (C-Rule) is in place. In fiscal 2014, an annual transfer of 6,000 SBO shares each was granted to Gerald Grohmann, Chief Executive Officer. 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 no later than upon termination of the executive service 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 (Directors & Officers) insurance taken out by, and at the expense of, SBO.

For the fiscal year 2014 the following remuneration was paid:

	Fixed remuneration in TEUR	Variable remuneration in TEUR	Total in TEUR
Ing. Gerald Grohmann	558	605	1,163
Mag. Franz Gritsch	362	406	768

THE SUPERVISORY BOARD

In 2014, the Supervisory Board consisted of six members:

	Year of birth	Date of first appointment	End of current term of office*
Mag. Norbert Zimmermann Chairman	1947	10 Apr. 1995	2017
Dr. Peter Pichler Deputy chairman	1958	10 Apr. 1995	2018
Mag. DI Helmut Langanger	1950	29 Apr. 2003	2019**
Karl Samstag	1944	24 Oct. 2005	2017
Dr. Karl Schleinzer	1946	24 May 1995	2017
Mag. Brigitte Ederer	1956	23 Apr. 2014	2019

* According to the articles of association each year one member of the Supervisory Board withdraws from the Supervisory Board with the end of the Annual General Meeting. The with drawing member can immediately be reelected.

**At the Annual General Meeting 2014, Mag. DI Helmut Langanger was reelected as member of the Supervisory Board.

According to C-Rule 54 in combination with the guidelines set forth by the Supervisory Board on the independence of Supervisory Board members, Mag. DI Helmut Langanger and Karl Samstag are representing the minority shareholders in the Supervisory Board.

Other seats in supervisory boards or comparable functions in Austrian or foreign listed companies, if applicable, have been disclosed:

	Company	**Function**
Mag. Norbert Zimmermann Chairman	OMV AG (until 14 August 2014) Oberbank AG (until 28 August 2014)	Supervisory board member Supervisory board member
Dr. Peter Pichler Deputy chairman	-----	
Mag. DI Helmut Langanger	Enquest plc SERINUS ENERGY INC	Supervisory board member Supervisory board member
Karl Samstag	Oberbank AG BKS Bank AG Bank für Tirol und Vorarlberg AG	Supervisory board member Supervisory board member Supervisory board member
Dr. Karl Schleinzer	-----	
Mag. Brigitte Ederer	Jenoptik AG	Supervisory board member

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 takes decisions.

The rules of procedure for the Supervisory Board govern in detail the composition, working method and tasks of the Supervisory Board, procedures and the approach to conflicts of interests 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 Supervisory Board held meetings with the Executive Board on management matters.

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 Supervisory Board appoints the members of the Audit Committee and the Nomination and Remuneration Committee from among its members.

No separate Strategy Committee has been set up; such matters are dealt with by the Supervisory Board collectively.

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 for auditing and preparing the approval of the annual financial statements, the proposal on the disbursement of profits, and the management report. The Audit Committee also audits the consolidated financial statements and submits a proposal for selecting the independent auditor and reports on this to the Supervisory Board.

Members: Mag. Norbert Zimmermann (Chairman)
Dr. Peter Pichler
Karl Samstag

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

An independent auditor made an assessment of the effectiveness of the company's risk management. The auditor's report on such assessment 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: Mag. Norbert Zimmermann (Chairman)
Dr. Peter Pichler
Dr. Karl Schleinzer

In the year under review, the Nomination and Remuneration Committee held one meeting.

Independence

In relation to the independence of Supervisory Board members in accordance with C-Rule 53, the Supervisory Board complies with the guidelines set forth in the Corporate Governance Code, Annex 1. According to the guidelines, the following members of the Supervisory Board qualify as independent:

Mag. DI Helmut Langanger
Karl Samstag
Dr. Karl Schleinzer
Mag. Brigitte Ederer

The scope of services provided for the company as its legal counsel by Supervisory Board member Dr. Schleinzer in 2014 is not deemed significant pursuant to Annex 1 of the Corporate Governance Code (for details see Notes to the Consolidated Financial Statements).

Members Mag. Norbert Zimmermann and Dr. Peter Pichler represent the interests of Berndorf Industrieholding AG, which holds a share of approximately 32.6 % in the company.

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

The remuneration for the members of the Supervisory Board for the fiscal year 2013 was approved at the Annual General Meeting 2014. The remuneration comprises of a fixed and a variable portion, which is determined as a percentage share of the group income for the fiscal year 2013 after tax. The remuneration for the members of the Supervisory Board for the fiscal year 2014 will be subject to an applicable resolution at the Annual General Meeting 2015.

For the fiscal year 2013 the following remuneration was resolved and paid:

	Fixed remuneration in EUR	Variable remuneration in EUR	Total in EUR
Mag. Norbert Zimmermann	9,000	15,331	24,331
Dr. Peter Pichler	6,000	15,331	21,331
Mag. DI Helmut Langanger	6,000	15,331	21,331
Karl Samstag	6,000	15,331	21,331
Dr. Karl Schleinzer	6,000	15,331	21,331

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 (Directors & Officers) insurance taken out by, and at the expense of, SBO.

Measures taken to promote women to the Executive Board, the Supervisory Board and to top management positions

It is of highest importance for SBO to strictly treat sexes equally both in the recruitment process and in all areas of the employment relationship even without an explicit "women's quota" or measures explicitly designated as "measures to promote women".

As a future-oriented technology provider, Schoeller-Bleckmann Oilfield Equipment AG (SBO) has actively pursued the principles of sustainable business operations for many years. Adopting a responsible attitude to the environment, in dealing with our employees, customers and suppliers and assuming responsibility towards society as a major industrial enterprise has become daily practice at SBO.

In serving the oilfield service industry SBO also defines itself as a company contributing to global energy supply.

Economic aspects

Competitiveness in the framework of sustainability

The world's hunger for energy is growing constantly. According to the International Energy Agency, global demand for energy will rise by 30 %, or 1 % p.a.[1] from 2012 to 2040. At the same time, the world population is expected to grow from 7.0 billion in 2012 to 9 billion, or by 1.9 billion, representing an annual increase of approx. 0.9 %. The largest part of this growth (around 85 %) will take place in the still less developed countries of the world, which are the driving force of constantly rising energy demand.

Oil and gas will remain key energy sources, as these fuels will continue to account for more than 50 % of energy supply in the next decades. Expectations are that the share of oil will go down slightly (from 31 % to 27 %) and the share of gas will rise moderately (from 21 % to 24 %).

Whereas, however, demand for energy – and with it for oil and gas – is growing all over the world, development of future reservoirs is becoming more and more challenging, as most of the easily accessible fields located just several hundred metres below the surface have already been largely exploited. Covering future demand for oil will require tapping resources that are more difficult - and more expensive - to explore and produce. Developing such oil and gas fields involves increasingly complex technologies. Directional drilling is applied to develop reservoirs located at distances three to four times longer than 30 years ago. This technology is also used to reduce the environmental impact in drilling regions, as directional drilling often means drilling only one well instead of a large number of vertical wells to produce the same quantities of oil.

In addition, SBO's completion products (completion refers to the process following next after a well has been drilled to prepare it for subsequent production) are key to maximise production from a well and, as a result, lower the environmentally relevant footprint per each barrel of oil produced considerably. By specialising in directional drilling and completion technology SBO has made

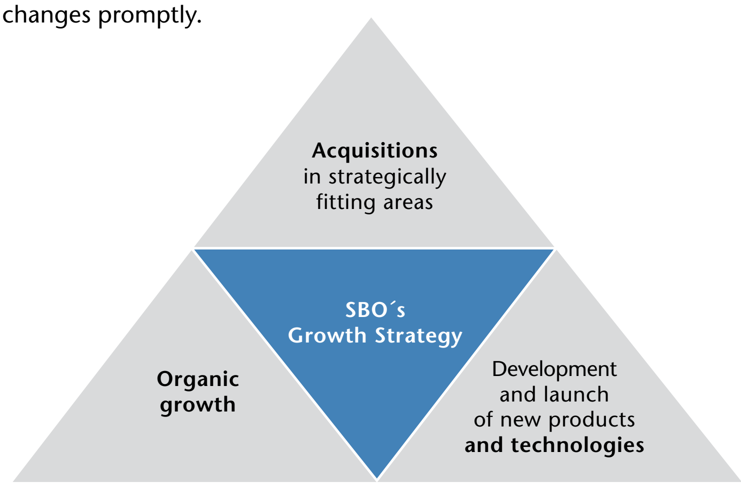
[1] IEA, WEO 2014: Current Policy Scenario

its contribution to sustainable reduction of the environmental impact associated with global energy supply.

Constantly growing technological complexity in oil and gas drilling has been, and will be, the engine of growth for Schoeller-Bleckmann Oilfield Equipment AG in the coming years. This is how SBO makes a contribution to securing global energy supply and thus to economic prosperity, peace and welfare.

Growth strategy

SBO pursues a strategy of medium to long-term growth which rests on three pillars. It allows SBO to respond to changes promptly.



Apart from organic growth SBO focuses on developing and launching new products and technologies and on acquisitions in strategically fitting business sectors. Growth is implemen-ted, for instance, by acquiring attractive niche players and building new sites, as well as through capacity expansions at existing sites, as exemplified by the expansion of the production site in Ternitz/Austria completed in 2014. This new machining centre for non-magnetic oilfield service drillstring components in Ternitz ensures cost-efficient production meeting the highest possible quality standards.

In the past years SBO established four new sites, all located in the emerging markets (Vietnam, Singapore, Brazil, Mexico). Those sites constitute an addition to our existing production facilities. In the process, no jobs have been relocated from industrialised countries to the emerging markets.

If requested for market entry, SBO cooperates with international trade organisation as needed. They help the company to establish itself in the new markets while observing all legal standards.

Use of profits

The company uses its profits mainly for financing and implementing the corporate strategy: As an example, SBO invests in expanding capacities, in research and development as well as acquisitions in strategically fitting sectors.

Furthermore, profits are spent for the distribution of the annual dividend, which depends on the income generated. As the management of SBO seeks to keep dividends at a continuous level, SBO aims to achieve a payout ratio of 30 % to 60 % of profit after tax, regardless of the industry cycle.

Environmental responsibility

Operational aspects of environmental protection

Across the group, SBO's products are manufactured as required by environmentally responsible and cost-conscious operations securing efficient use of funds.

Consequently, corporate environmental management concentrates on optimised and efficient energy and power consumption as well as waste minimisation and state-of-the-art waste disposal. In production, neither hazardous air and water pollution nor greenhouse gas emissions are generated. The volume of waste water produced in manufacturing is low as water is handled with great care and efficiency.

In order to prevent specific and general risks – and to respond appropriately to emergencies – response plans have been prepared at all levels and at all subsidiaries. Austrian subsidiary SBOT, for instance, has detailed contingency plans for pollution control and fire fighting in place.

Product-related aspects of environmental protection

Delivery of materials

SBO's high precision products are made from stainless steel. Due to long-term cooperation with an exclusive steel supplier both parties have increased their efficiency performance in production and delivery. Large parts of raw material deliveries in Austria have been shifted from road to rail transport.

Production

Production takes place with utmost efficiency, which is a basic economic requirement to keep costs of raw materials as low as possible. Compaction of raw materials during cold forging is key to the high quality of SBO products and increases their stress corrosion resistance. The new cold forging plant reduces noise emissions during the process to a minimum so as not to disturb employees or neighbours. The high precision manufacturing process (turning, milling, boring, etc.) is generally a low-noise method. During the expansion works conducted at the group's largest site in Ternitz, 720 solar panels delivering a total output of 720 kWp (kilowatt peak) were installed to produce up to 45,000 kWp per year.

Product life-cycle extension

Developing new oil and gas fields is getting more challenging and requires the use of more and more high-tech equipment. SBO products are applied in increasingly harsher conditions (growing pressures and temperatures in the reservoir) accelerating their wear and tear. This is the reason why SBO globally operates shops for highly demanding repair work on high precision components, which extends the life-cycle of certain products regardless of growing wear and thus reduces the use of raw materials for new products (life-cycle engineering). Developing new corrosion-resistant and high-strength non-magnetic materials also helped extending the lifetime of products made from them.

Deliveries to customers

Deliveries to SBO's globally operating customers are usually made by truck and ship, but in urgent exceptional cases also by air freight.

SBO's products are used in the oilfield service industry.

Disposal and recycling

In the group, great importance is attached to the management of production waste which, as valuable raw material, is recycled for further use in steel production. Sustainable research and improvement programmes are in place to ensure reduction of waste volumes and higher recyclability.

Corporate social responsibility

Employee-related aspects

It is the production of high-tech components where the skills and capabilities of employees are crucial for a company's success. Operating the highly complex machines of SBO calls for perfectly trained professionals.

Worldwide, SBO employed a workforce of 1720 as at 31 December 2014. Reflecting business development, the number of employees grew by roughly 450, that is by 35 %, compared to the end of 2010. As a rule, employees of SBO have permanent employment contracts, with the exception, for instance, of trainees during the summer months. More than 95 % of SBO's workforce are full-time employees, the rest works part-time.

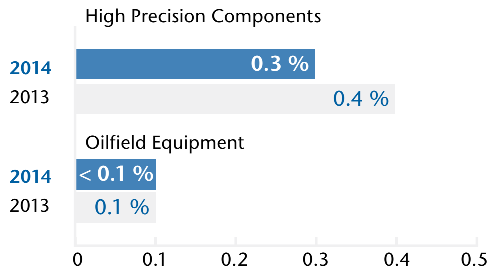
SBO pays great attention to performance-related remuneration and strictly complies with collective agreements. Moreover, SBO respects the fundamental freedom of assembly at its global branch offices. SBO has set up employee representation bodies at all sites as requested by employees or legal provisions. Employees' identification with the company is very strong. The relationship and dealings between management and workforce are characterised by mutual respect, trust and professionalism.

Any form of sexual harassment (gestures, language etc.) is strictly prohibited. Non-observance of these standards, which are also part of the compliance policy, has clear consequences – up to and including termination of employment, criminal prosecution or claims for damages.

Safety

SBO places special emphasis on safety at work. As a result, a large number of activities help to ensure safety at work, such as first-aid and safety-related training courses. Great attention is also paid to employees' health. SBO offers timely health promotion programmes. All operating subsidiaries have established guidelines, such as company manuals, to cover these issues. The minimum standards to be fulfilled are based on OHSAS (Occupational Health and Safety Assessment Series) requirements.

Across the group, the lost time injury rate (LTIR) over recent years was very low, as expressed in the following rates per paid production hour:



Health

Health and safety measures at SBO's operating subsidiaries are based on OHSAS standards as minimum requirements. Each company is free to take further measures, which makes sense as the number of employees at our subsidiaries averages 90 and therefore is easy to manage and highly flexible. This ensures efficient and demand-oriented health and safety policies at all sites.

The site in Ternitz/Austria, the largest in terms of workforce, also employs a company doctor. Regular initiatives, such as vaccinations to protect employees from the flu and tick bites provide additional health offers to SBO employees.

Basic and further training

SBO offers interesting career opportunities in a performance-oriented environment.

For manufacturing high precision components, SBO hires only the best skilled workers around the globe. The company provides either apprenticeship training for young workers or in-depth training for experienced employees following their recruitment.

At the Austrian site in Ternitz, SBO has lived up to its responsibility as one of the key employers in the region for many years, with a workforce of 451 as at 31 December 2014. Additionally, the company hires apprentices every year. A total number of 72 apprentices underwent training at SBO at the turn of 2014/2015. In 2014 the number of apprentices increased by 6. Many of them will later be offered employment as skilled workers.

Employee motivation

SBO's corporate culture is characterised by the strong identification of employees with the company and its products.

The excellent reputation products of Schoeller-Bleckmann enjoy all over the world is largely due to the commitment of its workforce who know no compromise in terms of quality even in times of above-average capacity utilisation. In addition to their regular pays, employees receive a bonus payment at the end of the year that depends on the profit generated by the company. Furthermore, the top management of subsidiaries may acquire shares in their companies and thus participate financially in its success. These measures help to increase employees' personal identification with the company and serve as an important contribution to keep employee fluctuation as low as possible.

SBO rigorously complies with local requirements concerning minimum wages at all sites worldwide. The SBO holding company and its individual subsidiaries adhere to statutory limitations on working time and offer models for flexible working hours to their employees. Depending on their function, employees may work full-time, part-time, or, at least to a certain extent, from home. Whereas part-time employment may make sense in areas such as controlling or accounting, this is not applicable to shift operation in high precision manufacturing. The company strives to create an environment that both allows to respond flexibly and rapidly to market demand and helps employees to sustain a healthy work-life balance. To do so, the company supports female employees in returning to work after maternity leave or staff members' joint participation in sporting events, such as the Vienna City Marathon.

Recruiting new employees

Apprentice training programmes – such as conducted at the Austrian site in Ternitz – and cooperation schemes with colleges in the US and Austrian universities help SBO to select, train and hire the best candidates. The majority of employees trained by SBO remain with the company after they have completed apprenticeship.

Concerning recruitment, equal opportunities for job application are given to men and women. SBO attaches great importance to a gender-neutral selection procedure. No discrimination whatsoever is applied to employee remuneration and job promotion. SBO's workforce is composed of approx. 4 % women and 96 % men. The substantially higher share of men is due to the nature of the industry: High precision manufacturing, in general, is a sector with a particularly low share of female employment. According to a recent study [2] published in March 2014 by research institutions

[2] See IHS for API (March 2014): Minority and Female Employment in the Oil and Gas and Petrochemical Industries.

IHS Global and American Petroleum Institute shows that, among roughly 721,000 employees in the U.S. oil and gas upstream sector (exploration and production), only 0.75 % women work as highly qualified skilled workers. This illustrates how difficult it is to find and employ female workers for high precision manufacturing.

Where the percentage of men and women in the overall workforce composition is more balanced, female employees are well represented at SBO, as i.e. female executives account for half of the group's departmental heads in the controlling sector.

Personnel development

In order to constantly improve employees' skills and capabilities and allow them to specialise in their field of expertise, SBO offers further training courses and conducts a large number of further education and training programmes across the group. Moreover, SBO selectively supports employees in embarking on targeted post-graduate studies.

At most of SBO's subsidiaries performance and development plans for employees are in place: Factors such as quality of work, productivity, expert knowledge, motivation, teamwork skills or safety awareness of each individual employee are assessed regularly. Line managers and employees prepare individualised training programmes jointly to tap development and improvement potentials. Training progress is continuously evaluated and recorded in a personal progress report.

Employees with disabilities

SBO assumes its responsibility towards society and counts people with disabilities among its employees.

Responsibility towards customers and suppliers

Customers

Schoeller-Bleckmann Oilfield Equipment AG solves highly complex tasks for customers and, as a leader in terms of quality and technology, has set the industry benchmark for many years. As a result, SBO counts the major oilfield service companies among its customers and has established itself as global market leader. SBO fully understands customers' needs and commits itself to long-term, transparent and fair customer relationships. This includes special protection of our customers' corporate data and intellectual property.

Suppliers

SBO maintains a fair and long-standing business relationship with its suppliers.

Corporate social responsibility

With its wage, salary and tax payments SBO contributes to the economic strength of the region. In fiscal 2014, corporation tax paid by SBO amounted to MEUR 27.7, in 2013 to MEUR 30.1. In Austria alone, expenses were MEUR 10.3, following MEUR 15.6 in the year before. Regarding other taxes (property tax, etc.), SBO paid MEUR 3.6 in 2014, following MEUR 3.3 in fiscal 2013. Additionally, in 2014 SBO paid TEUR 4 for statutory representation (contribution to the Austrian Economic Chamber), and TEUR 12 for voluntary representation of interests (largely membership fee to the Austrian Association of Industrialists).

In fiscal 2014 SBO did not receive individual grants, tax reliefs or other preferential treatment from Austrian or foreign tax authorities.

SBO supports and promotes regional social projects: In 2014, SBO made donations, such as for the aid programme for the blind and visually impaired and Lebenshilfe (life aid) Lower Austria. Also in 2014, SBO supported the Silbersberg association – a project where a large number of young people with handicaps find a home.

With its business operations, SBO also makes a contribution to security of global oil and gas supplies.

Politics and lobbying

Schoeller-Bleckmann Oilfield Equipment AG does not pursue political activities nor support political parties financially. Moreover, the company does not engage in lobbying nor prompt lobbying by third parties.

Ethics code of SBO

Trust is the fundamental basis of good relationships – this applies to SBO's relations with employees, customers, suppliers and the capital market.

In order to create the foundation of this approach, SBO is committed to integrity and honesty. Management, together with employees, has clear and binding principles of business ethics (Business Ethics Policy) and is strongly committed to complying with these principles. On recruitment, employees pledge to adhere to these values.

Unfair business practices, such as illegal price fixing, bribery or other unfair trade practices are strictly prohibited at SBO. Non-compliance with these principles is punished rigorously.

Human rights

SBO is committed to the protection of human rights, equal treatment of men and women and strictly rejects any kind of discrimination on grounds of ethnic or religious background, sex, age or sexual orientation.

Prohibition of child labour

SBO fully complies with the prohibition of child labour at all sites.

MANAGE-
MENT
REPORT

MARKET ENVIRONMENT

Global economic growth in 2014, despite some occasional periods of recovery, ultimately remained behind what was originally expected. According to current estimates of the International Monetary Fund (IMF), global economic growth in 2014 came to 3.3 %, the same level as in 2013. The average growth rate of industrialised countries in 2014 was 1.8 %, following 1.3 % in 2013. Economic growth in the emerging markets arrived at 4.4 % in 2014, following 4.7 % in 2013.[1]

Stagnating economy in the eurozone and many emerging markets, lower growth in China and geopolitical conflicts prompted the IMF to revise downwards its original growth forecasts. Geopolitical crises impacted growth mainly in the emerging markets concerned (Russia, Middle East), but all in all - thanks to China and India - they still posted attractive growth rates. The US economy continued its growth trend due to successful shale oil and gas production triggering an upswing for the US industry. In the third quarter of 2014, the United States even generated a GDP increase of 5 %.

Average global oil consumption in 2014, according to the International Energy Agency (IEA), rose by 0.6 million barrels per day (mb/d), or 0.7 %, to 92.5 mb/d (2013: 91.8 mb/d). This relatively moderate increase was due to consumption in OECD countries declining to 45.6 mb/d, down 0.5 mb/d or 1.0 % (2013: 46.1 mb/d). Falling demand in OECD countries was overcompensated by rising demand in emerging markets: Average oil consumption in non- OECD countries in 2014 went up by 1.1 mb/d, or 2.5 %, to 46.8 mb/d in (2013: 45.7 mb/d)[2].

The oil market was characterised by oversupplies mainly in the second half of 2014: Both OPEC and non-OPEC countries increased their outputs. In the past years, due to rapidly growing shale oil production, the United States turned into one of the three leading oil producing nations outside Saudi Arabia and Russia. And the U.S. further stepped up its oil output in 2014: In October 2014, volumes arrived at the highest level since February 1986.[3]

The 2014 rig count[4], the number of globally operating drilling rigs, was rising again from a slight decline seen in 2013. The average global rig count in 2014 was 3,578 units, up 166 rigs, or 4.9 %, year-on-year (2013: 3,412 rigs). Except for Latin America (-22 rigs or -5.3 %), the number of drilling rigs went up in all regions of the world, with the highest percentage share reported in the Middle East (up 34 units or 9.1 %), Canada (up 25 units or 7.0 %), Europe (up 10 units or 7.4 %) and Africa (up 9 units or 7.2 %). In absolute figures, the rise occurred mainly in the United States (up 101 units or 5.7 %).

[1] International Monetary Fund (IMF), World Economic Outlook Update, January 2015
[2] International Energy Agency (IEA), Oil Market Report, February 2015
[3] U.S. Energy Information Agency (EIA): U.S. Field Production of Crude Oil (Thousand Barrels per Day) as at 23 January 2015
[4] Baker Hughes Inc.

"THE MASSIVE OIL PRICE DECLINE LED TO INCREASING VOLATILITY OF THE ENVIRONMENT FOR THE OILFIELD SERVICE INDUSTRY."

In December 2014, the global rig count still was up 2.6 % from the previous year, regardless of the oil price slump. However from November to December it fell by 2.7 %, or 100 rigs, a decline which concerned almost exclusively North America.

In 2014, according to analyst estimates, global spending for exploration and production rose by approximately 5.8 % from the previous year to total roughly USD 679.5 billion.[5]

Prices of WTI and Brent crudes developed at a high level during the first half of 2014. The price of one barrel of US crude WTI rose from USD 95.14 at the beginning of the year to its annual high of USD 107.95 posted on 20 June 2014. European crude Brent started into the year at a price of USD 107.94 per barrel and climbed to its annual high of USD 115.19 on 19 June 2014.[6]

Despite the large number of geopolitical crises prices of both crudes were dropping sharply over the year: On 31 December 2014, WTI arrived at USD 53.45 per barrel and Brent at USD 55.27 per barrel, both marking their annual lows. In the course of the year (2 January - 31 December 2014), the price of WTI thus fell by 43.8 %, and of Brent by 48.8 %. This situation was different from previous market developments when the oil price had been rising considerably mostly in response to geopolitical crises. The reason, experts say, was the oversupplied oil market mainly accounted for by high shale oil production volumes in the United States. Surplus supplies in the fourth quarter of 2014 totalled around 0.8 mb/d.[7]

Also, OPEC decided in November 2014 to leave its crude output at a high level. In similar situations in the past, OPEC used to curb its production to keep control of crude prices.

Owing to that massive oil price plunge the overall environment for the oilfield service industry was becoming increasingly volatile in the second half of the year, against the background of mounting uncertainty in the market. Although the rig count at year-end had not gone down over the previous year, many companies in the oilfield service industry announced towards the end of 2014 that they planned to curtail their capex spending in fiscal 2015 because of the falling oil price.

[5] Barclays, Global 2014 E&P Spending Outlook, 8 Jan. 2015
[6] U.S. Energy Information Agency (EIA), Spot Prices for Crude Oil
[7] International Energy Agency (IEA), Oil Market Report, January 2015

“BY ACQUIRING RESOURCE SBO ADDED THE NEW COMPLETION PRODUCT FAMILY TO THE PORTFOLIO OF SBO, WITHOUT MOVING AWAY FROM THE CORE BUSINESS.“

BUSINESS DEVELOPMENT

In 2014, Schoeller-Bleckmann Oilfield Equipment AG (SBO) posted sound business results with continued high profitability. Regardless of the volatile environment, sales and bookings increased. The operating profit before one-off effects was well above the previous year's level.

SBO grew bookings in 2014 by 16.9 %, to MEUR 497.9 (2013: MEUR 425.9). Following a hesitant start in the first weeks, bookings were continuously picking up in all business segments over the rest of the year. While bookings were declining in the fourth quarter from the third quarter, they still were above the reading of the same quarter of the previous year, regardless of the massive oil price plunge. This was due mainly to the global rig count that had remained largely stable at least up until the end of 2014. Order backlog at year-end 2014 stood at MEUR 122.1 (end of 2013: MEUR 111.5).

SBO's business is composed of two segments - High Precision Components (manufacture of high precision drillstring components) and Oilfield Equipment (non-magnetic drill collars, drilling motors, circulation tools, completion tools and other components including maintenance and repair). Both segments increased their bookings in 2014 compared to the previous year and generated sound results with high profitability.

In 2014, the High Precision Components segment developed largely in line with customers' capex spending. As in 2013, customers tended to overhaul and repair tools to maximise their lifetime or take other measures to increase efficiency so as to reduce the number of new orders to a minimum. This was the market environment against which SBO managed to keep sales at the level posted the year before and asserted its position as global market leader. However, the segment felt some price pressure in the fourth quarter, an effect usually seen with dramatically dropping oil prices.

SBO's new production facility at the Ternitz site went on stream in 2014 ensuring process optimisation for the High Precision Components segment and delivery time reduction. Apart from that, SBO continued spending for targeted product innovation to strengthen the company's technological edge in this segment.

Sales were increased in the Oilfield Equipment segment benefiting from rising global drilling activity lasting almost until the end of 2014. Additionally, sales went up for non-magnetic drill collars and high-tech repair and maintenance.

Drilling motor subsidiary BICO recorded satisfying growth, mainly in North America, its prime market until now. BICO is the market leader for high-performance drilling motors, which are particularly suited to fulfil the requirements of challenging drilling operations and, apart from their very attractive rate of penetration, stand out by their long lifetime. Since demand was strong, BICO further expanded its drilling motor fleet in 2014.

Our subsidiary DSI, the clear global market leader for downhole circulation tools, also looks back on positive development. DSI's high-end tools stand out by the fact that they reduce mud losses and downtime and, as a result, significantly step up well cost efficiency. In 2014 DSI won new customers and further expanded its fleet.

In the area of High-Tech Repair and Maintenance of Oilfield Tools SBO benefited from customers' efforts to extend the lifetime of their tools. SBO pursues a one-stop shop concept in this business around the globe to deliver full customer service on the spot.

A new addition to the Oilfield Equipment segment is Canadian „Resource Well Completion Technologies Inc." (Resource), as SBO acquired a share of 67 % in the company in the fourth quarter. An option to take over the remaining 33 % after three years is in place. The purchase price is variable, with the first instalment of CAD 39.3 million payable when the deal was closed in November 2014. Due to the prevailing market situation, SBO will most likely not have to pay the second part of the purchase price.

This acquisition adds the new Completion product family to SBO's business portfolio, without moving the company away from its core business. Resource is a highly innovative provider of high-end products for efficient oil and gas production stimulation. Resource provides an ideal technology platform to further grow SBO's activites in the completion business.

SBO intends to step up profitability of business activities in the United Kingdom. This is why a programme was started in 2014 to exploit cost potentials between neighbouring subsidiaries „Techman Engineering Ltd." and „Darron Tool & Engineering Ltd.". Fixed costs can be cut by using synergies and process optimisation between both companies. The purpose is to further build business based on the resulting improved cost structure. The required measures are scheduled for completion in 2015.

Capital expenditure

Regarding capital expenditure, SBO pursues a long-term approach to fully meet customer requirements. State-of-the art machinery combined with appropriate production capacities are the foundation to protect and sustain the market position of SBO.

In the 2014 financial year, total additions to fixed assets amounted to MEUR 43.8 (2013: MEUR 62.6), with a focus on further expanding the drilling motor fleet in the US and Canada and the circulation tools fleet of DSI. A smaller part of capex spending was used for settling accounts regarding construction works for the new production facility at the Ternitz site.

As in the years before, additions were financed almost exclusively from the company's cashflow. Total purchase commitments for expenditure in property, plant and equipment as at the end of 2014 were MEUR 5.2 (end of 2013: MEUR 7.3).

Research and development

At Schoeller-Bleckmann Oilfield Equipment AG, research and development activities have been integrated in its operations for many years, a system that ensures market and customer-oriented R&D activities.

Concerning the segment of High Precision Components, one of the developments pursued was an innovative machining process for orientated and controlled deviation from the main bore in a collar.

In the segment Oilfield Equipment the new Exoko drilling motor technology offering customers an even better price-performance ratio is now ready to enter the market.

OUTLOOK

For 2015, the International Monetary Fund (IMF) projects average global growth of 3.5 %, following 3.3 % in 2014 and 2013. Growth expectations for the industrialised nations in 2015 are 2.4 % (following 1.8 % in 2014 and 1.3 % in 2013). This points to moderate economic recovery in the industrialised countries that will occur mainly in the United States. Concerning emerging markets, the IMF expects growth in 2015 to come to 4.3 % (following 4.4 % in 2014 and 4.7 % in 2013). Regardless of their slowdown in economic growth, China and India - with expected growth rates of 6.8 % and 6.3 %, respectively - remain the driving forces behind the global economy.[8]

Various factors of uncertainty with an impact on forecasts for global economic development seen already in 2014 are set to persist in 2015: Apart from the disappointing economic development in Europe and the associated risk of deflation, weak growth in Japan and decelerating economic growth in some emerging markets, it is above all the current geopolitical crises (Ukraine and Russia, Middle East) that constitute major elements of uncertainty.

It remains to be seen to which extent the drastically declining oil price will trigger growth in the western industrialised nations and China. According to market analyses[9], growth should be boosted by cheaper imports of energy – in the eurozone, for instance, this should drive the GDP up by as much as 0.4 percentage points theoretically, should the oil price fall by 10 %. Conversely, the loss of revenue puts a grave economic burden on oil and gas exporting countries. This is why Russia's further economic development is characterised by great uncertainty.

The International Energy Agency (IEA) expects global oil demand to rise further in 2015: Oil consumption in 2015 is set to come to 93.4 million barrels per day, representing an increase of 0.9 million barrels per day, or by 1.0 %, compared to the previous year (2014: 92.5 mb/d). Average global oil demand in the OECD countries of around 45.6 mb/d is believed to arrive at the same level as in 2014, while oil demand of non-OECD countries is projected to grow by 1.0 mb/d, or 2.0 %, to total 47.8 mb/d.[10]

According to market analyses, spending for exploration and production (E&P) in 2015 will be cut because of the persistent oversupply of the oil market. The projected decline ranges from 8.8 %[11] to 17 %[12], with an average oil price of USD 65 - 70 per barrel for WTI and Brent crudes. At an average oil price below that range, the decline is expected to be even sharper. Experts say that it is mainly North America that will be hit by significantly curtailed E&P spending.

[8] International Monetary Fund (IMF), World Economic Outlook Update, January 2015
[9] For example: William De Vijlder, BNP Paribas
[10] International Energy Agency (IEA), Oil Market Report, February 2015
[11] Barclays Global 2015 E&P Spending Outlook, January 2015
[12] Cowen, The Original E&P Spending Survey, January 2015

"2015 WILL BE A CHALLENGING YEAR FOR THE OILFIELD SERVICE INDUSTRY, BUT SBO IS ABLE TO MANAGE THE INDUSTRY CYCLES."

SBO starts into fiscal 2015 with well filled order books, but expects 2015 to become a challenging year for the oilfield service industry. Whatever the development is going to be, the company is ready and able to manage the cycles of the industry. SBO has demonstrated in the past its capacity to respond flexibly and promptly to any change in the market situation, generating relatively sound returns even under difficult overall conditions. SBO took initial actions in 2014 to further improve its earnings structure and mitigate effects of the expected downturn in the market environment:

- SBO launched a programme in the third quarter of 2014 to streamline cost structures of the UK subsidiaries at an early stage regardless of plummeting oil prices.

- Due to the volatile environment in January 2015 SBO adjusted the goodwill of US subsidiary Godwin.

- SBO decided in 2014 to go for internationalisation of the profitable drilling motor business of BICO with the aim of opening up new market opportunities outside North America. The intention is to use SBO's Dubai-based branch office to develop markets in the Middle East. Apart from that, subsidiaries of BICO are being set up in Mexico and Saudi-Arabia.

- SBO added the new Completion product family to the portfolio by acquiring the majority share in the Canadian company Resource in November 2014. Resource provides an excellent technology platform for further growth in this business field. Until now, Resource has operated primarily in the Canadian market. In 2015 SBO plans to extend distribution of Resource products using BICO's branch office network across the entire US market. As part of the purchase price depended on the business environment, SBO took advantage of the market weakness for an anticyclical investment.

- SBO will adjust its own capex spending in 2015 to market requirements and, if necessary, reduce it largely to maintenance investments. Spending for research and development will be kept at a stable level.

- If required by declining demand, SBO is in a position to respond very promptly and flexibly to the prevailing market conditions.

Short-term market prospects cannot be foreseen because of the current oil price development. However, medium- to long-term growth perspectives for the industry remain absolutely intact: The IEA[13] expects global oil demand to rise by around 30 % until the year 2040. Daily oil consumption, according to IEA figures, will go up from 90.1 mb/d in 2013 to 116.6 mb/d in 2040.

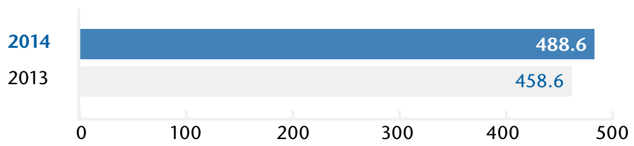
Covering that demand calls for constantly growing use of high-tech equipment. As a technology leader, SBO is perfectly positioned to benefit sustainably from this growth potential for a long time to come.

[13] IEA World Energy Outlook November 2014, Current Policy Scenario

ANALYSIS AND RESULTS

The consolidated financial statements of the company have been prepared in accordance with the International Financial Reporting Standards (IFRS), formerly International Accounting Standards (IAS). In the past financial year, acquisition of Canadian company Resource in November 2014 added the product range of Completion Tools to SBO's business activities. That company was included in the scope of consolidation for the first time as at 1 November 2014.

Sales in MEUR



Year-on-year, sales rose from MEUR 458.6 in 2013 to MEUR 488.6 in 2014, up by 6.6 %.

As in the previous years, development of the US dollar exchange rate had a major influence both on the profit and loss statement and the balance sheet. In 2014, 82 % (following 80 % in 2013) of sales and income were generated in US dollars, with around 50 % of expenditure - as before - were also incurred in US collars. While the average exchange rate in 2014 of 1 Euro = USD 1.3288 remained almost unchanged from 2013, 1 Euro = USD 1.3282, the US dollar climbed markedly compared to the euro at the end of the year. The closing rate on 31 December 2014 was 1 Euro = USD 1.2141, compared to 1 Euro = USD 1.3791 on 31 December 2013.

Exchange rate in EUR/USD

	High	Low	Average	Closing
Year 2014	1.3953	1.2141	1.3288	1.2141
Year 2013	1.3814	1.2768	1.3282	1.3791

The average rates for the years ended 31 December 2013 and 31 December 2014 were used by the company in the preparation of the consolidated profit and loss statements, whereas the closing rates for the years 2013 and 2014 were used in the preparation of the consolidated balance sheets.

Sales by business segments

In fiscal 2014 business segment reporting was newly organized. For comparison, the 2013 fiscal year was also rearranged accordingly.

The High Precision Components segment comprises the sale and manufacture of complex high precision parts, so-called MWD (Measurement While Drilling) and LWD (Logging While Drilling) precision drillstring components.

The Oilfield Equipment segment comprises the production and sale of non-magnetic drill collars as well as drilling motors and special downhole circulation tools, service and repair activities and - since 2014 - completion tools.

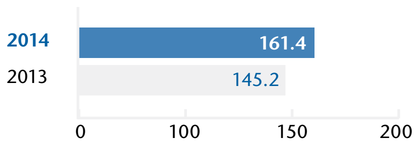
Sales by segments in MEUR

	High Precision Components	Oilfield Equipment	Total sales
Year 2014	228.8	259.8	488.6
Year 2013	236.5	222.1	458.6

The customer base for the High Precision Components segments essentially comprises major, globally active directional drilling service companies. Business development in the High Precision Components segment depends largely on customers' CAPEX spending. Customers tended to maximise potential tool lifetime by increasing repairs and other efficiency improvements and thus keep spending for new tools low. Against this background, sales declined slightly in 2014, by 3.3 %, from MEUR 236.5 in 2013 to MEUR 228.8 in 2014.

Sales in the Oilfield Equipment segment rose from MEUR 222.1 to MEUR 259.8, up 17.0 %. The segment benefited from strong global drilling activity lasting until the end of the year.

Gross profit in MEUR

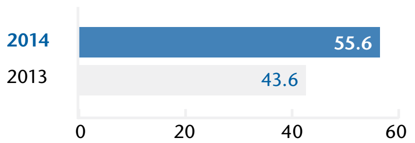


In 2014, gross profit went up by 11.2 %, from MEUR 145.2 to MEUR 161.4. The gross margin increased from 31.7 % to 33.0 %, which was largely due to sales growth in the Oilfield Equipment segment.

While a certain price pressure was felt in particular from Q4 on, this was compensated by ongoing process optimisation and systematic cost monitoring and control in all areas.

The main elements of production costs are material and energy expenses, personnel expenses and depreciation on fixed assets.

Selling and administrative expenses in MEUR



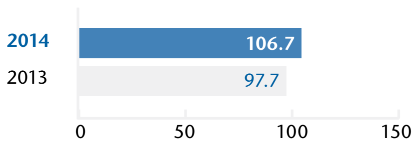
Selling and administrative expenses increased from MEUR 43.6 in 2013 to MEUR 55.6 in 2014. Whereas the increase in selling expenses of MEUR 19.4 in 2013 to MEUR 22.5 in 2014 was largely due to business expansion in the Oilfield Equipment segment, the increase in administrative expenses from MEUR 24.3 to MEUR 33.0 was caused, besides general cost inflation mainly by due diligence expenses both for external advisors and internal activities.

Apart from the due diligence expenses mentioned above, selling and administrative expenses consist mainly of salary and salary-related expenses, professional fees for operational activities, travel and entertainment costs, communication and insurance expenses.

Other operating income and expenses

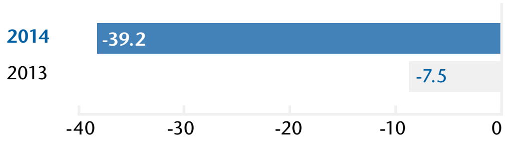
Other operating expenses amounted to MEUR 14.1 in 2014 (2013: MEUR 13.8). This item contains primarily research and development costs amounting to MEUR 6.2 (2013: MEUR 5.6), incurred mainly for the Oilfield Equipment segment, as well as exchange losses of MEUR 7.7 (2013: MEUR 7.9) that were offset by exchange gains in other operating income of MEUR 12.7 (2013: MEUR 6.3). Total other operating income in 2014 was MEUR 14.9 (2013: MEUR 9.9) and, apart from exchange gains, consisted of rental income, service charges and income from the sale of fixed assets.

Profit from operations before non-recurring items in MEUR



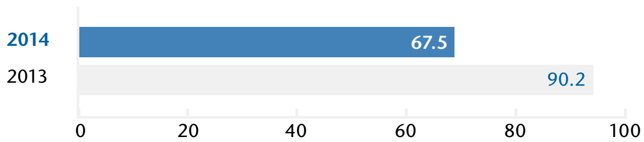
Profit from operations before non-recurring items was increased by 9.2 %, from MEUR 97.7 to MEUR 106.7 and thus accounted for 21.8 % of sales, following 21.3 % in the previous year.

Non-recurring items in MEUR



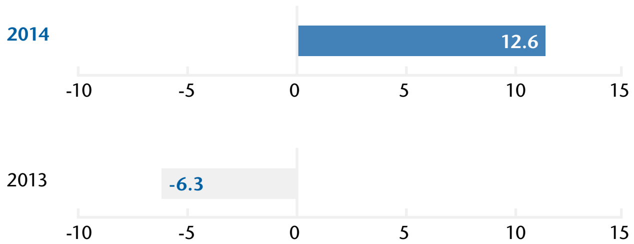
In fiscal 2014, expenses for non-recurring items came to MEUR 39.2, with MEUR 4.6 spent for costs of reorganising the two UK subsidiaries and MEUR 34.6 for goodwill impairment; the latter spent for the newly acquired Canadian company Resource in the amount of MEUR 21.3 – this amount being opposed by MEUR 22.9 on other financial income from the dissolution of a contingent purchase price and the revaluation of an option commitment - MEUR 10.4 for US subsidiary Godwin-SBO and MEUR 2.9 for UK subsidiary Darron Tool & Engineering.

Profit from operations in MEUR



Due to the restructuring costs and goodwill impairment mentioned above profit from operations decreased from MEUR 90.2 in 2013 to MEUR 67.5 in 2014. Despite high one-time effects a reading of 13.8 % of sales was achieved, following 19.7 % in the year before.

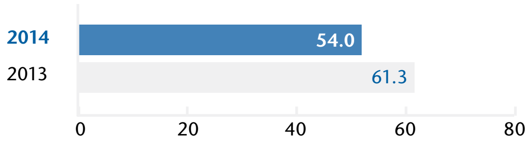
Financial result in MEUR



In 2014, the financial result arrived at MEUR 12.6, following MEUR -6.3 in 2013. It is substantially influenced by the dissolution of the contingent purchase price and the revaluation of the option commitment mentioned above, which amounted to MEUR 22.9. Other financial expenses amounting to MEUR 1.1 (2013: MEUR 0.9) related to the increase of the contingent purchase price for the acquisition of DSI recognised as expense. The purchase price was increased because business developed better than expected at the time of acquisition.

In the past fiscal year, net interest expenses were MEUR -11.0 (2013: MEUR -13.7). Also included as interest expenses are interests in subsidiaries and participation rights held by the respective managements, which came to MEUR 4.6 in 2014 (2013: MEUR 5.4).

Profit after tax in MEUR / dividend in EUR



Profit after tax for 2014 was MEUR 54.0, following MEUR 61.3 in the year before.

The tax burden rose from 25.8 % in 2013 to 31.0 % in 2014 mainly due to non-tax-effective one-offs on expenses.

Earnings per share arrived at EUR 3.38 in 2014, following EUR 3.81 in 2013.

The Executive Board proposes to the Annual General Meeting to pay a dividend of EUR 1.50 per share for 2014, resulting in a total distribution of MEUR 24.0 to the shareholders.

Assets and financial position

Shareholders' equity as of 31 December 2014 was MEUR 455.7, following MEUR 382.2 as of 31 December 2013. The equity ratio arrived at 56.9 %, following 54.3 % in the year before. This development is due, on the one hand, to profit after tax and, on the other hand, to higher USD exchange rates leading to a positive development of adjustment items from foreign currency conversion.

Net debt as of 31 December 2014 was MEUR 35.6, which is up by MEUR 19.0 from 31 December 2013. The gearing ratio (net debt in percent of shareholders' equity) was 7.8 % as of 31 December 2014, following 4.3 % in the year before.

Cashflow from operating activities arrived at MEUR 138.9 in 2014, following MEUR 110.4 in 2013. The main elements contributing to this key figure were profit after tax amounting to MEUR 54.0 (2013: MEUR 61.3) as well as depreciation and impairment amounting to MEUR 81.8 (2013: MEUR 46.3).

The net working capital went from MEUR 135.7 as of 31 December 2013 to MEUR 199.2 as of 31 December 2014. This development was mainly influenced by the US dollar exchange rate.

Therefore, the cashflow from operating activities went to MEUR 67.9, following MEUR 109.5 in 2013.

Net cash outflow from investing activities totalled MEUR 64.5 (2013: MEUR 58.7), of which MEUR 23.3 were spent for acquiring Canadian company Resource, and MEUR 43.8 (2013: MEUR 62.6) for additions to fixed assets, of which MEUR 31.4 were used for the Oilfield Equipment segment, primarily for expanding the drilling motor rental fleet, and MEUR 12.2 for the High Precision Components segment.

Report on the main features of the internal control system and risk management system in relation to the financial reporting process

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

Consequently, the system of internal continuous reporting to corporate headquarters plays a particularly important role in identifying risks at an early stage and implementing countermeasures. Operating subsidiaries 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 corporate headquarters and compared with budgets in order to take appropriate action whenever deviations occur. For this purpose, subsidiaries are required to prepare annual budgets and mid-term planning to be approved by the Executive Board.

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

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

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

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

Events after the balance sheet date

Please refer to Note 40, Financial Information.

Additional information acc. to Section 243a Austrian Commercial Code:

Please refer to Note 20, Financial Information.

FINANCIAL INFORMATION

CONSOLIDATED BALANCE SHEET

ASSETS in TEUR		31.12.2014	31.12.2013
Current assets			
Cash and cash equivalents		130,220	158,366
Trade accounts receivable	Note 5	107,311	78,636
Income tax receivable		641	0
Other accounts receivable and other assets	Note 6	4,778	7,103
Inventories	Note 7	164,694	133,057
TOTAL CURRENT ASSETS		**407,644**	**377,162**
Non-current assets			
Property, plant & equipment	Note 8	203,688	188,430
Goodwill	Note 9	100,417	63,517
Other intangible assets	Note 9	59,735	45,625
Long-term receivables and assets	Note 10	18,962	17,046
Deferred tax assets	Note 11	9,990	11,681
TOTAL NON-CURRENT ASSETS		**392,792**	**326,299**
TOTAL ASSETS		**800,436**	**703,461**

CONSOLIDATED BALANCE SHEET

LIABILITIES AND SHAREHOLDER´S EQUITY in TEUR		31.12.2014	31.12.2013
Current liabilities			
Bank loans and overdrafts	Note 12	35,744	32,132
Current portion of bonds	Note 16	19,993	0
Current portion of long-term loans	Note 17	11,673	12,622
Finance lease obligations		92	81
Trade accounts payable		24,050	35,347
Government grants	Note 13	37	294
Income taxes payable		10,524	10,872
Other payables	Note 14	36,629	27,522
Other provisions	Note 15	7,013	9,310
TOTAL CURRENT LIABILITIES		**145,755**	**128,180**
Non-current liabilities			
Bonds	Note 16	0	19,980
Long-term loans	Note 17	98,196	110,166
Finance lease obligations		91	0
Government grants	Note 13	437	462
Employee benefit obligations	Note 18	6,831	5,987
Other payables	Note 19	70,807	37,617
Deferred tax liabilities	Note 11	22,644	18,882
TOTAL NON-CURRENT LIABILITIES		**199,006**	**193,094**
Shareholder´s equity			
Share capital	Note 20	15,976	15,912
Contributed capital		67,560	61,567
Legal reserve - non-distributable	Note 21	785	785
Other reserves	Note 22	22	26
Currency translation reserve		13,834	-30,203
Retained earnings		357,498	332,257
Equity attributable to the owners of the parent company		*455,675*	*380,344*
Non-controlling interests	Note 23	*0*	*1,843*
TOTAL SHAREHOLDER´S EQUITY		**455,675**	**382,187**
TOTAL LIABILITIES AND SHAREHOLDER´S EQUITY		**800,436**	**703,461**

CONSOLIDATED PROFIT AND LOSS STATEMENT

in TEUR		2014	2013
Sales	Note 24	**488,612**	**458,573**
Cost of goods sold	Note 25	-327,197	-313,380
Gross profit		**161,415**	**145,193**
Selling expenses	Note 25	-22,536	-19,366
General and administrative expenses	Note 25	-33,017	-24,265
Other operating expenses	Note 26	-14,078	-13,775
Other operating income	Note 26	14,896	9,933
Profit from operations before non-recurring items		**106,680**	**97,720**
Restructuring costs	Note 27	-4,632	0
Impairment on goodwill	Note 9	-34,588	0
Impairment on other intangible assets	Note 9	0	-7,517
Profit from operations		**67,460**	**90,203**
Interest income		679	915
Interest expenses		-11,706	-14,624
Other financial income	Note 28	24,711	8,290
Other financial expenses	Note 19	-1,133	-856
Financial result		**12,551**	**-6,275**
Profit before tax		**80,011**	**83,928**
Income taxes	Note 29	-26,004	-22,604
Profit after tax		**54,007**	**61,324**
Thereof attributable to non-controlling interests		0	572
Thereof attributable to the owners of the parent company		54,007	60,752
		54,007	**61,324**
Average number of shares outstanding		15,959,912	15,955,477
Earnings per share in EUR (basic = diluted)		**3.38**	**3.81**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in TEUR		2014	2013
Profit after tax		**54,007**	**61,324**
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Foreign exchange adjustment - subsidiaries		42,244	-13,878
Foreign exchange adjustment - other items [1]		2,390	-773
Income tax effect	Note 29	-597	193
		44,037	**-14,458**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Remeasurement gains (losses) on defined benefit plans	Note 18	-166	255
Income tax effect		41	-64
		-125	**191**
Other comprehensive income, net of tax		**43,912**	**-14,267**
Total comprehensive income, net of tax		**97,919**	**47,057**
Thereof attributable to non-controlling interests		0	361
Thereof attributable to the owners of the parent company		97,919	46,696
		97,919	**47,057**

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

CONSOLIDATED CASHFLOW STATEMENT

in TEUR		2014	2013
Profit after tax		54,007	61,324
Depreciation, amortization and impairments		81,831	46,337
Write-ups of fixed assets		0	-1,264
Change in employee benefit obligations		844	103
Gain (loss) from sale of property, plant and equipment		-270	-180
Income from release of government grants		-292	-342
Other non-cash expenses and revenues		3,558	6,985
Change in deferred taxes		-734	-2,534
Cashflow from profit		**138,944**	**110,429**
Change in trade accounts receivable		-16,165	-9,790
Change in other accounts receivable and other assets		2,284	61
Change in inventories		-11,782	19,161
Change in trade accounts payable		-19,003	-2,032
Change in other payables and provisions		-26,362	-8,360
Cashflow from operating activities	Note 37	**67,916**	**109,469**
Expenditures for property, plant & equipment		-43,798	-62,593
Expenditures for other intangible assets		-1,172	-164
Change in accounts payable for capital expenditure		-569	395
Expenditures for the acquisition of subsidiaries less cash acquired	Note 38	-23,250	0
Proceeds from sale of property, plant & equipment		4,315	3,629
Cashflow from investing activities	Note 37	**-64,474**	**-58,733**
Acquisition of own shares	Note 20	0	-3,684
Dividend payment		-23,964	-23,940
Repayment finance lease		-18	-182
Dividend payment to non-controlling interests	Note 32	-997	-245
Change in bank loans and overdrafts		596	1,178
Proceeds from long-term loans	Note 17	0	37,500
Repayments of long-term loans	Note 17	-12,935	-15,605
Repayments of bonds	Note 16	0	-20,000
Repayments of other long-term payables		-1,983	-2,727
Cashflow from financing activities	Note 37	**-39,301**	**-27,705**
Change in cash and cash equivalents		**-35,859**	**23,031**
Cash and cash equivalents at the beginning of the year		158,366	138,260
Effects of exchange rate changes on cash and cash equivalents		7,713	-2,925
Cash and cash equivalents at the end of the year	Note 37	**130,220**	**158,366**
Supplementary information on operating cashflow			
Interest received		639	836
Interest paid		-4,302	-5,534
Income tax paid		-27,691	-30,113

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER´S EQUITY

Year 2014 in TEUR	Share capital	Contributed capital	Legal reserve	Other reserves	Currency translation reserve	Retained earnings	Total parent company	Non-controlling interests	Total
Note	20		21	22					
1. January 2014	15,912	61,567	785	26	-30,203	332,257	380,344	1,843	382,187
Profit after tax						54,007	54,007		54,007
Other comprehensive income, net of tax					44,037	-125	43,912		43,912
Total comprehensive income, net of tax	0	0	0	0	44,037	53,882	97,919	0	97,919
Dividends [(1)]						-23,964	-23,964	-997	-24,961
Share-based payment	6	1,088					1,094		1,094
Decrease in non-controlling interests and related disposal of own shares	58	4,905				-4,681	282	-846	-564
Changes in reserves				-4		4	0		0
31. December 2014	15,976	67,560	785	22	13,834	357,498	455,675	0	455,675

(1) The dividend payment in the year 2014 of TEUR 23,964 was distributed to a share capital eligible for dividends of TEUR 15,976. Accordingly, the dividend per share amounted to EUR 1.50.

Year 2013 in TEUR	Share capital	Contributed capital	Legal reserve	Other reserves	Currency translation reserve	Retained earnings	Total parent company	Non-controlling interests	Total
Note	20		21	22					
1. January 2013	15,960	65,203	785	29	-15,956	295,382	361,403	1,727	363,130
Profit after tax						60,752	60,752	572	61,324
Other comprehensive income, net of tax					-14,247	191	-14,056	-211	-14,267
Total comprehensive income, net of tax	0	0	0	0	-14,247	60,943	46,696	361	47,057
Dividends [(1)]						-23,940	-23,940	-245	-24,185
Acquisition of own shares	-48	-3,636					-3,684		-3,684
Option commitment relating to cancelable non-controlling interests [(2)]						-131	-131		-131
Change in reserves				-3		3	0		0
31. December 2013	15,912	61,567	785	26	-30,203	332,257	380,344	1,843	382,187

(1) The dividend payment in the year 2013 of TEUR 23,940 was distributed to a share capital eligible for dividends of TEUR 15,960. Accordingly, the dividend per share amounted to EUR 1.50.

(2) See Note 33.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1

Information about the company

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

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

Since 27 March 2003 the shares of the Company have been listed on the Wiener Börse (Vienna Stock Exchange).

NOTE 2

Accounting standards

The Company's consolidated financial statements as of 31 December 2014 were prepared in accordance with International Financial Reporting Standards (IFRSs) as well as with the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) as adopted by the EU. In addition, the supplemental requirements of § 245a article 1 UGB (Austrian Commercial Code) were adhered to.

The consolidated financial statements for SCHOELLER-BLECKMANN OILFIELD EQUIPMENT Aktiengesellschaft and its subsidiaries for the business year 2014 (as of 31 December 2014) were released by the Executive Board on 6 March 2015.

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

NOTE 3

Scope of consolidation

The consolidated financial statements as of 31 December 2014 comprise the accounts of SCHOELLER-BLECKMANN OILFIELD EQUIPMENT Aktiengesellschaft as the group parent company and 35 subsidiaries (2013: 31 subsidiaries).

Company	Location	Interest held in % 31.12.2014	Interest held in % 31.12.2013
Schoeller-Bleckmann Oilfield Technology GmbH	Ternitz, AT	100.00	100.00
DSI FZE	Dubai, AE	100.00	90.00
Drilling Systems International Limited	Cayman Islands, CY	100.00	90.00
Schoeller-Bleckmann America Inc.	Wilmington, US	100.00	100.00
Godwin-SBO L.L.C. (*)	Houston, US	97.20	96.60
Knust-SBO L.L.C. (*)	Houston, US	93.60	93.60
Knust-SBO Far East Pte. Ltd. (*)	Singapur, SG	93.60	93.60
Schoeller-Bleckmann Energy Services L.L.C. (*)	Lafayette, US	86.80	88.80
Schoeller-Bleckmann Sales Co. L.L.C.	Houston, US	100.00	100.00
Schoeller-Bleckmann Oilfield Equipment (UK) Limited	Rotherham, GB	100.00	100.00
Darron Tool & Engineering Limited (*)	Rotherham, GB	100.00	97.05
Darron Oil Tools Limited	Rotherham, GB	100.00	100.00
Schoeller-Bleckmann Darron Limited (*)	Aberdeen, GB	91.00	91.00
Schoeller-Bleckmann Darron (Aberdeen) Limited (*)	Aberdeen, GB	94.00	94.65
Techman Engineering Limited (*)	Chesterfield, GB	91.35	91.35
BICO Drilling Tools Inc. (*)	Houston, US	85.00	85.00
BICO Faster Drilling Tools Inc. (*)	Nisku, CA	73.95	72.25
Schoeller-Bleckmann de Mexico S. A. de C. V. (*)	Monterrey, MX	97.00	97.00
Schoeller Bleckmann do Brasil, Ltda.	Macae, BR	100.00	100.00
SB Darron Pte. Ltd.	Singapur, 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
Schoeller-Bleckmann Canada Ltd.	Calgary, CA	100.00	0.00
Resource Completion Systems Holdings Inc.	Calgary, CA	67.00	0.00
Resource Well Completions Technologies Inc.	Calgary, CA	67.00	0.00
Resource Completion Systems Inc.	Calgary, CA	67.00	0.00

(*) With respect to the disclosure of the shares which are held by the management of these Companies, please see Note 19.

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

In the business year 2014 the scope of consolidation changed as follows:

- Amalgamation of Schoeller-Bleckmann Drilling and Production Equipment GmbH and BICO-DSI Investment GmbH with Schoeller-Bleckmann Oilfield Equipment AG (see Note 32);
- Amalgamation of Accudrill L.L.C. with Godwin-SBO L.L.C. as of 20 November 2014;
- Formation of Schoeller-Bleckmann Canada Ltd. as of 7 November 2014
- Acquisition of 67.00 % of the shares of Resource Completion System Holdings Inc. and its subsidiaries Resource Well Completion Technologies Inc. and Resource Completion Systems Inc. as of 25 November 2014 (see Note 38).

NOTE 4

Significant accounting policies

The applied accounting policies remain generally unchanged compared to the previous year, except for the following changes.

Changes in accounting policies

In 2014 the Group has initially applied the following new and revised standards and interpretations. The adoption of these standards and interpretations only had an impact on group financial statements as of 31 December 2014 if it is marked with "yes" in the table below.

Regulation		Effective Date [1]	Impact on group financial statements
IAS 27	Separate Financial Statements	01.01.2014	no
IAS 28	Investments in Associates and Joint Ventures	01.01.2014	no
IAS 32	Offsetting Financial Assets and Financial Liabilities	01.01.2014	no
IAS 39	Novation of Derivatives and Continuation of Hedge Accounting	01.01.2014	no
IFRS 10	Consolidated Financial Statements	01.01.2014	no
IFRS 11	Joint Arrangements	01.01.2014	no
IFRS 12	Disclosures of Interests in Other Entities	01.01.2014	yes
IFRS 10-12	Transition Guidance	01.01.2014	yes
others	Amendments to IFRS 10, IFRS 12, IAS 27 – Investment Entities	01.01.2014	no

[1] to be applied for annual periods beginning on or after this date

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 requires disclosures relating to interests in subsidiaries, joint arrangements and associates. The disclosures are considerably more extensive than the current requirements of IAS 27, 28 and 31 and accordingly lead to additional notes disclosures.

The following new or revised standards and interpretations which have been published but are not yet mandatory or have not yet been adopted by the European Union, have not been applied early in 2014, but will be applied in the respective reporting periods for which application becomes mandatory:

Regulation		Effective Date [1]	Impact on group financial statements
IAS 1	Disclosure Initiative	01.01.2016 [2]	open
IAS 16 IAS 38	Clarification of Acceptable methods of Depreciation and Amortisation	01.01.2016 [2]	no
IAS 16 IAS 41	Agriculture: Bearer plants	01.01.2016 [2]	no
IAS 19	Defined benefit plans: Employee Contributions	01.01.2015	no
IAS 27	Equity Method in Separate Financial Statements	01.01.2016 [2]	no
IFRS 9	Financial Instruments	01.01.2018 [2]	open
IFRS 10 IAS 28	Sale or Contribution of assets between an Investor and its Associate or Joint Venture	01.01.2016 [2]	no
IFRS 10 IFRS 12 IAS 28	Investment Entities: Applying the Consolidation Exception	01.01.2016 [2]	no
IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	01.01.2016 [2]	no
IFRS 14	Regulatory Deferral Accounts	01.01.2016 [2]	no
IFRS 15	Revenue from Contracts with Customers	01.01.2017 [2]	yes
IFRIC 21	Levies	17.06.2014	no
others	Annual Improvements to IFRSs 2010-2012 Cycle	12.01.2015	no
others	Annual Improvements to IFRSs 2011-2013 Cycle	22.12.2014	no
others	Annual Improvements to IFRSs 2012-2014 Cycle	01.01.2016 [2]	no

[1] to be applied in the European Union for annual periods beginning on or after this date

[2] this standard is not yet mandatory in the European Union and was not applied early in 2014.
The date listed refers to the effective date published by the IASB.

IFRS 9 Financial Instruments

IFRS 9 introduces a single approach for the classification and measurement of financial assets. The standard refers to their cash-flow characteristics and the business model they are managed in, and provides a new impairment model based on expected credit losses. IFRS 9 also includes new regulations regarding the application of hedge accounting to better reflect an entity's risk management activities especially with regard to managing non-financial risks. The Company is currently assessing the impacts of adopting IFRS 9 on the Company's Consolidated Financial Statements.

IFRS 15 Revenue from Contracts with Customers

According to the new standard, the recognition of revenue reflects the transfer of promised goods or services to a customer at the amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Revenue is recognized when the entity fulfills the delivery of goods or services. IFRS 15 also requires a set of quantitative and qualitative disclosures to enable users of the Company's Consolidated Financial Statements to understand the nature, amount, timing, and uncertainty of revenue and cashflows arising from contracts with customers. The Company expects that the adoption of IFRS 15 will not have material effects on the Company's Consolidated Financial Statements.

Balance sheet date

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

Consolidation principles

According to International Financial Reporting Standards upon capital consolidation, business combinations are accounted for using the acquisition method i. e. the consideration transferred is offset against the proportionate fair value of the acquired assets and liabilities of the acquired business. The consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with IAS 39 in profit and loss under other financial expenses or income, respectively. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity. Acquisition costs incurred are expensed (general and administrative expenses).

Non controlling interests are recognized at their fair value of the proportionate share of identifiable net assets as at the acquisition date. Subsequently, their share of profit after tax and other comprehensive income is attributed to non-controlling interests. In case of losses, a negative balance could be recorded. Changes in the ownership without loss of control are recorded as equity transactions.

In the course of a business combination in 2014 the Company entitled the non-controlling interests to sell their shares to the Company at any time on or after 31 March 2018. The Company has committed itself to purchase the offered shares. In addition the Company obtained the right to purchase the shares from the non-controlling interests at any time on or after 31 March 2018. The non-controlling interests have committed themselves to sell the respective shares (put- and call option) in this case. The purchase price depends on the profits generated by the acquired company as well as on the EBITDA multiple of Schoeller-Bleckmann Oilfield Equipment AG (SBO) at the time of the transfer. The anticipated discounted purchase amount under this option is determined based on current planning figures and is recognized in other liabilities as granting of the option created an unconditional payment obligation for the Group. As the option can be exercised by both parties at equivalent terms the Group has effectively acquired 100 % of the shares of the subsidiary at the time of the business combination.

In the course of another business combination in 2012 the Company entitled non-controlling interests to sell their shares to the Company at any time. The Company has committed itself to purchase the offered shares (put option). The purchase price depends on the profits generated by the acquired company. The anticipated discounted purchase amount under the put option is determined based on current planning figures and is recognized in other liabilities as granting of the put option created an unconditional payment obligation for the Group.

From a group perspective due to these option agreements 100 % of the shares of these two subsidiaries are consolidated. Profits of the respective entities are fully allocated to the owners of the parent company. Dividend payments to non-controlling interests are recognized in other financial expenses.

Subsidiaries are fully consolidated starting from their acquisition date, i. e. when the Company gets control over the acquired business. The consolidation ends when the Company loses control over the subsidiary. All intercompany receivable and payable balances were reconciled at the balance sheet date and offset in the course of the elimination process.

Sales and other income resulting from activities between the group companies were reconciled in the relating consolidation period and offset against the corresponding expenses.

Intercompany profits arising from the delivery of goods between group companies were also eliminated.

Going concern basis

The consolidated financial statements were prepared on a going concern basis.

Uniform accounting principles

The financial statements of all consolidated entities were prepared in accordance with uniform group accounting policies.

Foreign currency translation

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

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

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

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

The development of the currency rates was as follows:

1 EUR =	Balance sheet date		Average annual rate	
	31.12.2014	31.12.2013	2014	2013
USD	1.2141	1.3791	1.3288	1.3282
GBP	0.7789	0.8337	0.8064	0.8493
CAD	1.4063	1.4671	1.4669	1.3685
MXN	17.8679	18.0731	17.6621	16.9644
BRL	3.2207	3.2576	3.1228	2.8669
VND	26,023.2	29,134.0	28,040.3	28,043.2

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

Split in current and non-current assets and liabilities

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

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

Financial instruments

A financial instrument is an agreement which simultaneously creates a financial asset in one company and a financial liability or an equity instrument in the other company.

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

A financial asset is derecognized when:

- the rights to receive cashflows from the asset have expired,
- the Company retains the right to receive cashflows from the asset, but has assumed an obligation to pay them in full without material delay to a third party, or
- the Company has transferred its rights to receive cashflows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognized when the underlying obligation is discharged, canceled or when it expires.

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

Cash and cash equivalents

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

Marketable financial instruments are non-derivative financial assets which are not held for trading purposes.

After initial recognition, marketable financial instruments are measured at their fair values while resulting profits and losses are recognized within equity. The fair value is the market value of the respective assets at the balance sheet date. Upon disposal or impairment of such marketable financial assets recognized within equity to that point, gains or losses are accounted for in the annual profit and loss statement.

Interest and dividends earned on financial investments are recognized through profit and loss.

Loans and receivables

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

Receivables and other assets are recognized at the settlement date at acquisition costs, thereafter they are measured at amortized costs using the effective interest method, less any allowance for impairment. Gains and losses are booked into the profit and loss statement when the loans and receivables are derecognized or impaired, as well as through the amortization process.

The Company grants credits to its customers in the normal course of business, but generally does not require any collateral or security to support the amounts due, with the exception of occasional customers and customers located in high risk countries from whom the Company obtains confirmed letters of credit. Management performs permanent credit evaluations of its customers and builds up allowances for doubtful accounts if required.

The Company regularly assesses its receivables and records individual allowances for doubtful debts if necessary. These allowances are sufficient to cover the expected risk of default whereas actual defaults result in writing off the respective receivable. The decision whether to account for default risk by means of allowances or to recognize impairment losses depends on the reliability of the risk evaluation.

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

Liabilities

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

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

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

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

Derivative financial instruments and hedging relationships

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

The Company uses the following instruments:

Other derivatives

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

Income or expenses resulting from changes in the fair value of financial instruments which do not fulfil the accounting criteria regarding hedging relationships under IAS 39, are directly booked to the profit and loss statement.

Income and expenses resulting from foreign currency hedging transactions which were made to hedge the exchange risk related to intra-group trading in foreign currencies are not displayed separately but reported together with the foreign exchange income and expenses from the hedged items in the operating result.

In addition, the Company records liabilities for contingent purchase price payments from business combinations and option commitments relating to cancelable non-controlling interests. The valuation at the balance sheet date is made according to the underlying agreements based on the discounted payments using the most recent sales forecast. The addition of accrued interest related to liabilities for contingent purchase price payments is recognized in interest expenses. Gains or losses resulting from changes in the expected discounted cashflows are recorded as other financial income or other financial expenses, respectively.

Hedging relationships

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

Inventories

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

Tangible and intangible fixed assets

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

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

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognized in the profit and loss account in expense categories consistent with the function of the impaired asset.

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

Repairs and refurbishments are charged to profit and loss at the time the expenditure has been incurred. Borrowing costs are also expensed as incurred, unless they are related to a qualifying asset.

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

Interest expenditures on capitalized lease objects are based on interest rates of 4.0 %. This rate is in turn determined using the Company's incremental borrowing rate at the inception of each lease or the lessor's implicit rate of return.

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

Goodwill

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

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

Current and deferred income taxes

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

The Company uses the "balance sheet liability method" according to IAS 12 under which deferred taxes are determined, based on the temporary difference between the amounts attributed to assets or liabilities in the individual group companies for tax purposes (tax base) and the carrying amounts of those assets or liabilities in the balance sheet. They are measured by the tax rates which become effective when the differences reverse (IAS 12). Deferred tax income or expenses arise from any movement in deferred tax assets or liabilities. Deferred tax assets are recognized to the extent it is probable that there will be taxable income in future against which the deductible temporary differences may be offset. Deferred tax assets are to be formed for tax loss carry forwards, provided these tax loss carry forwards can be consumed with future tax profits.

Deferred taxes are measured at the tax rates that are expected to apply to the year, when the asset is realized or the liability is settled.

Current and deferred taxes which relates to items recognized under "other comprehensive income" or equity are also posted in "other comprehensive income" or equity but not through profit and loss.

Government grants

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

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

Provisions

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

Employee benefits

Defined benefit plans

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

Defined contribution plans

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

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

Employees' jubilee payments for long service

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

Own shares

Own shares are carried at acquisition costs and are subtracted from the equity. The purchase, sale, issuance and redemption of own shares are not recognized in profit or loss. Potential differences between the par value and the related settlements are recorded under Contributed capital.

Revenue recognition

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

Several entities within SBO group operate as lessors. Lease agreements refer to operating lease only. Revenue on operating leases is recognized based on actual usage of the tools under the lease agreement by the customer.

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

Research and development

Pursuant to IAS 38, research costs are expensed as incurred. Development costs are only expensed, if the requirements of IAS 38 for a capitalization of development expenses are not fully met.

Share based payment

In 2014 an agreement on share based payment was entered into with the Chief Executive Officer. As the plan is and will be settled with equity instruments the related transactions are recognized in personnel expense and within equity.

Earnings per share

Earnings per share are calculated in line with IAS 33 by dividing the profit after tax attributable to the owners of the parent company by the average number of ordinary shares outstanding during the period.

Estimates, discretionary decisions and assumptions

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

Assumptions and discretionary decisions need to be taken for the recognition and valuation of intangible assets acquired in the course of business combinations (see Note 38).

In Property, plant and equipment and Intangible assets it is necessary to include estimates for the period during which these assets are expected to be used (see Notes 8 and 9).

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

For the consideration of deferred taxes assets, it is necessary to make estimates of the future taxable income which will be available for the utilization of tax loss carry forwards and other timing differences (see Note 11).

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

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

For the recognition of provisions the probability of occurrence needs to be evaluated at balance sheet date by management. Provisions are carried at those values which correspond to the best estimate by the management at the balance sheet date (see Note 15).

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

The option commitment relating to cancellable non-controlling interests is recorded at the balance sheet date with its fair value, which is derived from the most recent profit planning (see Notes 14, 19 and 38).

Liabilities for contingent purchase price payments due to business combinations are recorded at the balance sheet date with their fair values, which are derived from the most recent sales and earnings forecast (see Notes 14, 19 and 38).

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

NOTE 5

Trade accounts receivable

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

			Past-due, not impaired				
in TEUR	Carrying value	Not past-due and not impaired	≤ 30 days	31-60 days	61-90 days	91-120 days	> 120 days
2014	107,311	61,099	22,132	10,951	7,360	2,789	2,668
2013	78,636	49,507	16,045	6,190	3,187	1,434	2,073

The book value of impaired balances amounted to TEUR 312 (2013: TEUR 200).

The allowance account reflects the following:

in TEUR	2014	2013
As of 1 January	2,056	2,449
Exchange differences	210	-95
Business combinations	559	0
Consumption	-1,451	-124
Reversal	-616	-797
Expensed addition	1,418	623
As of 31 December	**2,176**	**2,056**

The receivables listed are not secured.

NOTE 6

Other accounts receivable and assets

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

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

NOTE 7

Inventories

Inventories are detailed by major classification as follows:

in TEUR	31 December 2014	31 December 2013
Raw materials	13,622	11,160
Work in progress	66,849	65,299
Finished goods	84,107	56,427
Prepayments	116	171
Total	**164,694**	**133,057**

Allowance expenses booked for 2014 were TEUR 3,943 (2013: TEUR 3,477).

NOTE 8

Property, Plant & Equipment

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

Year 2014 in TEUR	Land & buildings	Plant & machinery	Fixtures, furniture & equipment	Prepayments & assets under construction	Total
At cost					
1 January 2014	85,013	305,060	12,283	8,287	410,643
Exchange differences	6,362	24,100	858	313	31,633
Business combinations	40	112	599	0	751
Additions	3,072	32,357	1,750	6,619	43,798
Transfers	2,736	6,673	0	-9,409	0
Disposals	-282	-13,896	-929	0	-15,107
31 December 2014	96,941	354,406	14,561	5,810	471,718
Accumulated depreciation & impairment					
1 January 2014	19,970	193,052	9,191	0	222,213
Exchange differences	1,523	14,278	648	0	16,449
Business combinations	18	36	361	0	415
Additions depreciation	3,010	31,396	1,352	0	35,758
Additions impairment	0	4,257	0	0	4,257
Transfers	45	-45	0	0	0
Disposals	-266	-9,887	-909	0	-11,062
31 December 2014	24,300	233,087	10,643	0	268,030
Carrying value					
31 December 2014	72,641	121,319	3,918	5,810	203,688
31 December 2013	65,043	112,008	3,092	8,287	188,430

Year 2013 in TEUR	Land & buildings	Plant & machinery	Fixtures, furniture & equipment	Prepayments & assets under construction	Total
At cost					
1 January 2013	69,109	280,586	12,575	10,286	372,556
Exchange differences	-2,074	-8,491	-315	-120	-11,000
Additions	14,380	32,780	1,792	13,805	62,757
Transfers	3,757	12,992	-1,065	-15,684	0
Disposals	-159	-12,807	-704	0	-13,670
31 December 2013	85,013	305,060	12,283	8,287	410,643
Accumulated depreciation & impairments					
1 January 2013	17,323	180,373	9,398	0	207,094
Exchange differences	-509	-4,951	-234	0	-5,694
Additions depreciation	2,589	28,283	1,252	0	32,124
Transfers	623	0	-623	0	0
Disposals	-56	-9,389	-602	0	-10,047
Write-ups	0	-1,264	0	0	-1,264
31 December 2013	19,970	193,052	9,191	0	222,213
Carrying value					
31 December 2013	65,043	112,008	3,092	8,287	188,430
31 December 2012	51,786	100,213	3,177	10,286	165,462

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

Service and maintenance as well as marketing outlets are maintained in the USA, Canada, UK, Singapore, the UAE, Russia and Brazil.

In fiscal year 2014 the company recorded TEUR 4,257 (2013: TEUR 0) within non-recurring items for impairment on plant and machinery relating to eliminating duplication of work and concentrating parts of the manufacturing process of two entities on one site in the segment High Precision Components. For the recoverable amount of the cash generating unit Darron Tool & Engineering Limited we refer to Note 9.

No write-ups were made in 2014. In 2013 write-ups in the amount of TEUR 1,264 were made in the segment High Precision Components (prior segment Europe) as a sustained repair possibility of a damaged production facility was found (recorded within cost of sales).

As of 31 December 2014 commitments for capital expenditure amounted to TEUR 5,229 (2013: TEUR 7,260).

Finance Lease

Plant and machinery held under finance lease are as follows:

in TEUR	31 December 2014	31 December 2013
Acquisition cost	483	480
Accumulated depreciation	-288	-290
Carrying value	**195**	**190**

The following minimum lease payments arise from the utilization of such assets:

in TEUR	31 December 2014	31 December 2013
For the following year	99	83
Between one and five years	94	0
More than five years	0	0
Total minimum lease payments	193	83
Less discount	-10	-2
Present value	**183**	**81**

Operating lease

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

in TEUR	31 December 2014	31 December 2013
For the following year	1,652	1,345
Between one and five years	1,788	1,757
After five years	142	168

Payments for operating leases which were expensed in the current year amounted to TEUR 1,824 (2013: TEUR 1,458).

NOTE 9

Intangible assets

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

Year 2014 in TEUR	Goodwill	Other intangibles	Total
At cost			
1 January 2014	86,853	80,586	167,439
Exchange differences	9,155	8,428	17,583
Business combinations	66,196	15,579	81,775
Additions	0	1,172	1,172
Disposals	0	-8	-8
31 December 2014	162,204	105,757	267,961
Accumulated amortization and impairment			
1 January 2014	23,336	34,961	58,297
Exchange differences	3,863	3,841	7,704
Business combinations	0	0	0
Additions amortization	0	7,228	7,228
Additions impairment	34,588	0	34,588
Disposals	0	-8	-8
31 December 2014	61,787	46,022	107,809
Carrying value			
31 December 2014	100,417	59,735	160,152
31 December 2013	63,517	45,625	109,142

Year 2013 in TEUR	Goodwill	Other intangibles	Total
At cost			
1 January 2013	89,640	82,549	172,189
Exchange differences	-2,787	-2,114	-4,901
Additions	0	164	164
Disposals	0	-13	-13
31 December 2013	86,853	80,586	167,439
Accumulated amortization and impairment			
1 January 2013	24,080	21,458	45,538
Exchange differences	-744	-697	-1,441
Additions amortization	0	6,696	6,696
Additions impairment	0	7,517	7,517
Disposals	0	-13	-13
31 December 2013	23,336	34,961	58,297
Carrying value			
31 December 2013	63,517	45,625	109,142
31 December 2012	65,560	61,091	126,651

As of 31 December 2014, commitments for acquisitions of intangible assets amounted to TEUR 0 (2013: TEUR 0).

1. Goodwill

Impairment testing for each cash generating unit was computed by using their value in use, which is based on the estimated future cashflows and a 12.2 % - 16.9 % (2013: 11.9 % - 15.6 %) capital cost rate before taxes (WACC = Weighted Average Costs of Capital). The WACC was determined based on the current figures for similar companies in the same industry segment and adjusted for specific inflation rates in different countries. A detailed planning period of 5 years (2013: 3 years) is used, which is based on the budgets of the management. For the terminal period, a fixed growth rate of 1 % was considered.

Cashflows are determined based on revenue expectations and planned capital expenditures. The value in use of the cash generating unit is largely determined by sales revenues. Sales and cashflow plans consider the cyclicality of the industry derived from historical experiences as well as long-term developments of the business market. On this basis organic sales growth has been taken into account in the cashflow estimation. Sales plans are based on the demand forecasts of our main customers on the one hand and on the current backlog of orders and expected market growth according to expected business development on the other hand. In addition, margin plans are derived from the estimated product mix (based on purchase orders on hand and feedback of the sales departments) and estimated cost developments of material (based on price indications of current suppliers and material price development on commodity markets and deducible trends) and planned capital expenditures. Furthermore, estimated personnel development (based on planned headcount, required qualification of employees and expected personnel cost based on current economic climate) is considered.

The impairment tests carried out as of 31 December 2014 demonstrated that write-downs were required for the cash generating units Godwin-SBO L.L.C., Darron Tool & Engineering Limited and Resource Well Completions Technologies Inc. due to reduced income expectations under the current market environment.

In the fiscal year 2014 impairment of the cash generating unit Godwin-SBO L.L.C. amounted to TEUR 10,408. The recoverable amount of TEUR 40,597 was determined considering the company's business plans and is calculated by discounting the expected future cashflows of the cash generating unit using a discount rate of 15.9 % (2013: 15.5 %). An increase of the discount rate by 1 percentage point or a reduction of the expected cashflows by 10 % would result in a full impairment of the remaining goodwill as of 31 December 2014 of TEUR 2,659.

In 2014 an impairment of TEUR 2,877 was recorded relating to the cash generating unit Darron Tool & Engineering Limited. The recoverable amount of TEUR 13,133 was determined considering the company's business plans and is calculated by discounting the expected future cashflows of the cash generating unit using a discount rate of 13.2 % (2013: 14.0 %). As the entire goodwill amount was impaired in 2014 an increase in the discount rate or a decrease of expected future cashflows would not have any further impact on goodwill.

Due to the deterioration of the market and related reduced income expectations particularly for 2015 an impairment of TEUR 21,303 was required in 2014 for the cash generating unit Resource Well Completions Technology Inc. (see Note 38). The recoverable amount of TEUR 67,446 was determined considering the company's business plans and is calculated by discounting the expected future cashflows of the cash generating unit using a discount rate of 13.9 %. An increase of the discount rate by 1 percentage point would lead to an additional impairment of TEUR 7,564; a reduction of the expected cashflows by 10 % would result in an additional impairment of TEUR 6,462.

For all other cash generating units the impairment tests carried out demonstrated that no write-down of goodwill was necessary. The Company prepared sensitivity analyses for all cash generating units, which revealed that except for the cash generating unit Knust-SBO L.L.C. any realistic changes in planned cashflows or capital costs would not result in any impairment requirements. For the cash generating unit Knust-SBO L.L.C. a slight increase of the discount rate by 0.25 percentage points or a decrease of the expected cashflows by 2.0 % would lead to a write-down of the related goodwill.

The impairment tests carried out as of 31 December 2013 demonstrated that no write-down of goodwill was necessary.

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

in TEUR	31 December 2014	31 December 2013
Segment High Precision Components		
Knust-SBO L.L.C.	15,707	13,828
Schoeller-Bleckmann Oilfield Technology GmbH	4,655	4,655
Godwin-SBO L.L.C.	2,659	12,390
Techman Engineering Limited	1,684	1,550
Darron Tool & Engineering Limited	0	2,877
Segment Oilfield Equipment		
Resource Well Completions Technology Inc. (Note 38)	44,340	0
DSI FZE	20,617	18,206
BICO Drilling Tools Inc.	9,824	9,086
Schoeller-Bleckmann Darron (Aberdeen) Limited	798	798
BICO Faster Drilling Tools Inc.	133	127
Total	**100,417**	**63,517**

Due to the change of internal management in 2014 (see Note 30) goodwill amounting to TEUR 3,675, which had been allocated to the cash generating unit Schoeller-Bleckmann Oilfield Equipment (UK) Limited, was reallocated to its respective subsidiaries in the corresponding segments:

The cash generating unit Darron Tool & Engineering Limited (before impairment TEUR 2,877) was allocated to the segment "High Precision Components" and the cash generating unit Schoeller-Bleckmann Darron (Aberdeen) Limited (TEUR 798) was allocated to the segment "Oilfield Equipment".

Further changes in the carrying amounts 2014, except for additions in 2014 relating to Resource Well Completions Technology Inc. as well as recognized impairment relating to Godwin-SBO L.L.C., Darron Tool & Engineering Limited and Resource Well Completions Technology Inc., were due to the conversion of foreign exchange amounts.

2. Other intangible assets

Other intangible assets mainly comprise acquired technology, customer base, trademarks and rights from non-compete agreements relating to circulation tools from a business combination in the year 2010 (TEUR 27,705). These assets are amortized over a useful life of 10 years.

In addition, as part of the initial accounting of Resource Well Completions Technology Inc. TEUR 3,576 for acquired technology and TEUR 6,965 for the acquired customer base were capitalized in the business year 2014. The acquired technology will be amortized over a period of 7 years since acquisition date, the customer base will be amortized using a useful life of 5 years. Furthermore, non-compete agreements with a duration of 5 years were capitalized in the amount of TEUR 4,823 (see Note 38).

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

In the year 2013 an impairment at TEUR 7,517 relating to acquired technology not yet in use was recorded in the segment Oilfield Equipment (prior segment Europe) which was allocated to the developing engineering company as cash generating unit. The recoverable amount at TEUR 13,144 as of 31 December 2013 was determined based on the value in use considering the company's business plans and was calculated by discounting the expected future cashflows resulting from the technology over the remaining service life. In the year 2014 apart from regular amortization no impairment or write-up was required.

In addition, other intangible assets comprise right-of-use for IT software.

NOTE 10

Long-term receivables and assets

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

in TEUR	31 December 2014	31 December 2013
Loans	18,454	16,621
Other receivables and assets	508	425
Total	**18,962**	**17,046**

As there were no past-due receivables, no write-downs had to be made either as of 31 December 2014 or 31 December 2013.

Other receivables and assets are not secured.

NOTE 11

Deferred taxes

The Company's deferred tax assets and deferred tax liabilities result from the following positions:

in TEUR	31 December 2014 assets	31 December 2014 liabilities	31 December 2013 assets	31 December 2013 liabilities
Property, plant & equipment (differences in useful lives)	0	-7,271	277	-6,309
Property, plant & equipment (differences in valuation)	1,007	-4,959	480	-4,854
Other intangible assets (differences in useful lives)	0	-399	0	-267
Goodwill and other intangible assets (differences in valuation)	910	-11,704	1,017	-10,895
Inventories (differences in valuation)	5,972	0	6,001	0
Write-down of shares in subsidiaries	1,000	0	1,200	0
Other items (differences in valuation)	1,092	-773	1,286	-463
Accruals and provisions	2,209	0	2,755	0
Exchange differences intercompany debt elimination	0	-2,332	0	-592
Tax loss carry forwards	2,594	0	3,163	0
Subtotal	14,784	-27,438	16,179	-23,380
Netting related to identical tax authorities	-4,794	4,794	-4,498	4,498
Total	**9,990**	**-22,644**	**11,681**	**-18,882**

Deferred tax assets in the amount of TEUR 803 (2013: TEUR 528) related to tax loss carry forwards were not recognized, because the utilization of these losses could not be expected for the foreseeable future (thereof an amount of TEUR 0 (2013: TEUR 61) can only be utilized until 2015, the balance has indefinite duration).

Relating to consolidated subsidiaries included in the consolidated financial statements differences exist between the tax base of equity interests and the proportional share of equity (outside basis differences) which in particular result from retained earnings and uncovered losses. Such timing differences as at 31 December 2014 amount to TEUR 92,474 (2013: TEUR 68,478) due to the fact that dividend payments or the sale of certain subsidiaries would be taxable. However, as the Group does not plan dividends or sales relating to these subsidiaries in the foreseeable future no tax deferrals were recognized according to IAS 12.39. For expected dividend payments deferred tax liabilities of TEUR 408 (2013: TEUR 362) were recognized at 31 December 2014.

NOTE 12

Bank loans and overdrafts

As of 31 December 2014, the short-term loan arrangements were as follows:

Currency	Amount in TEUR	Interest rate in %
GBP loans	7,703	1.26 % variable
CAD loans	2,394	4.50 - 5.00 % variable
USD loans	1,647	1.30 % variable
Subtotal	11,744	
Export promotion loans (EUR)	24,000	0.48 % variable
Total	**35,744**	

As of 31 December 2013, the short-term loan arrangements were as follows:

Currency	Amount in TEUR	Interest rate in %
USD loans	8,701	1.30 % variable
GBP loans	7,197	1.16 % variable
Subtotal	15,898	
Export promotion loans (EUR)	16,234	0.63 % variable
Total	**32,132**	

The export promotion loans represent revolving short-term credit facilities; according to those arrangements the Company may use these funds permanently as long as it complies with the terms of agreement. In accordance with export promotion guidelines, the Company has agreed to assign receivables in the amount of TEUR 28,800 (2013: TEUR 19,480) to securitize these loans.

The CAD borrowings due to banks in the amount of TEUR 2,394 (2013: TEUR 0) are collateralized by the entire assets of the borrowing company ("floating charge").

The USD borrowings due to banks in the amount of TEUR 1,647 (2013: TEUR 8,701) are collateralized by specific current assets of the borrowing company ("floating charge").

NOTE 13

Government grants

The subsidies include a grant by the Federal Investment and Technology Fund, as well as other investment subsidies received for the acquisition of fixed assets, and investments in research and development. For some investment grants specific covenants have to be met (e. g. number of workers employed), as was the case at the balance sheet dates 2014 and 2013. The subsidies received amount to TEUR 474 as of 31 December 2014 (2013: TEUR 756).

NOTE 14

Other payables

Other short-term payables were as follows:

in TEUR	31 December 2014	31 December 2013
Vacation not yet used	2,226	1,792
Other personnel expenses	14,116	11,113
Legal and other counseling fees	1,471	701
Taxes	2,108	2,259
Social expenses	1,889	1,270
Option commitment relating to cancelable non-controlling interests	4,160	4,160
Earn-outs from business combinations	4,428	1,978
Sundry payables	6,231	4,249
Total	**36,629**	**27,522**

In the course of a business combination in 2012, the Company offered to the non-controlling shareholders the right to sell their remaining interest to the Company at any time, whereas the Company is obliged to purchase the offered shares. The purchase price for these shares is based on the achieved financial results of the acquired entity. As at 31 December 2014 an option commitment relating to cancelable non-controlling interests in the amount of TEUR 4,160 (2013: TEUR 4,160) was recognized.

Regarding contingent purchase price payments relating to cancelable non-controlling interests please see Note 19.

NOTE 15

Other provisions

The other provisions developed as follows:

Year 2014

in TEUR	31 Dec. 2013	Usage	Reversal	Additions	31 Dec. 2014
Warranty/Product liability	9,241	-248	-2,968	488	6,513
Other	69	0	0	431	500
Total	**9,310**	**-248**	**-2,968**	**919**	**7,013**

Year 2013

in TEUR	31 Dec. 2012	Usage	Reversal	Additions	31 Dec. 2013
Warranty/Product liability	4,316	-427	0	5,352	9,241
Restructuring	575	0	-575	0	0
Other	1,882	-113	-1,709	9	69
Total	**6,773**	**-540**	**-2,284**	**5,361**	**9,310**

Due to nonconformance of parts delivered within a comprehensive single order a warranty provision of TEUR 4,720 relating to this particular case was recognized in 2013. After detailed examination of all parts the expected volume of defective parts was reduced, thus an amount of TEUR 2,968 could be released in the fiscal year 2014.

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

At the end of 2013 a competitor claimed patent infringements by a subsidiary of SBO. Management evaluated this claim to be entirely unfounded. Accordingly, no provision was recognized in the consolidated financial statements as of 31 December 2013. In early 2014 the plaintiff abandoned the lawsuit.

In January 2015 again a competitor claimed patent infringements by a subsidiary of SBO. Management evaluates this claim to be entirely unfounded and vigorously rejects any allegations. Based on the current circumstances a reliable estimate on the amount of a potential obligation can not yet be made and is not evaluated to be probable. Accordingly, no provision was recognized in the consolidated financial statements as of 31 December 2014.

NOTE 16

Bonds

In June 2008, two bonds with a total face value of MEUR 20.0 each were issued, in the form of 800 equally ranking bearer debentures with a par value of EUR 50,000 each.

The debentures were 100 % securitized by two changeable collective certificates which were deposited with Oesterreichische Kontrollbank Aktiengesellschaft in Vienna on the day of issuance. Individual debentures or coupons have not been issued.

The annual interest rates on the debentures until maturity are 5.75 % (on bond 2008-2013) and 5.875 % (on bond 2008-2015), related to their par values. The interest is payable in arrears, on 18 June of each year. One of these debentures was repaid on 18 June 2013 in the amount of the par value, i. e., MEUR 20.0; the redemption of the second debenture in the amount of the par value, i. e., MEUR 20.0 will be on 18 June 2015.

The bonds were and are respectively traded in the third market at the Vienna Stock Exchange under ISIN AT0000A09U32 and AT0000A09U24.

NOTE 17

Long-term loans including current portion (amortization in following year)

As of 31 December 2014, long-term borrowings consist of the following:

Currency	Amount in TEUR	Interest rate in %	Term	Repayment
EUR	2,447	0.00 % fixed	2008 – 2024	quarterly from 2011
EUR	20,000	3.11 % fixed	2013 – 2020	2020
EUR	10,000	3.11 % fixed	2013 – 2020	2020
EUR	7,500	0.50 % fixed	2013 – 2019	semi-annually from 2015
EUR	8,000	3.10 % fixed	2010 – 2018	2018
EUR	20,000	3.05 % fixed	2010 – 2018	semi-annually from 2012
EUR	1,323	0.00 % fixed	2011 – 2017	quarterly from 2012
EUR	5,000	2.40 % fixed	2012 – 2017	2017
EUR	10,000	2.31 % fixed	2012 – 2017	2017
EUR	15,000	2.40 % fixed	2012 – 2017	2017
EUR	1,250	4.73 % fixed	2009 – 2016	semi-annually from 2010
EUR	5,000	5.25 % fixed	2009 – 2016	2016
EUR	235	3.99 % fixed	2006 – 2015	semi-annually
EUR	963	0.00 % fixed	2008 – 2015	quarterly from 2011
EUR	651	2.25 % fixed	2009 – 2015	semi-annually from 2011
EUR	2,500	2.55 % fixed	2010 – 2015	yearly from 2013
	109,869			

The following borrowings were collateralized:

EUR-loans:

- TEUR 12,234 – land and building and machinery pledged with a carrying-value of TEUR 17,906

As of 31 December 2013, long-term borrowings consist of the following:

Currency	Amount in TEUR	Interest rate in %	Term	Repayment
EUR	2,712	0.00 % fixed	2008 – 2024	quarterly from 2011
EUR	20,000	3.11 % fixed	2013 – 2020	2020
EUR	10,000	3.11 % fixed	2013 – 2020	2020
EUR	7,500	0.50 % fixed	2013 – 2019	semi-annually from 2015
EUR	8,000	3.10 % fixed	2010 – 2018	2018
EUR	25,000	3.05 % fixed	2010 – 2018	semi-annually from 2012
EUR	1,804	0.00 % fixed	2011 – 2017	quarterly from 2012
EUR	5,000	2.40 % fixed	2012 – 2017	2017
EUR	10,000	2.31 % fixed	2012 – 2017	2017
EUR	15,000	2.40 % fixed	2012 – 2017	2017
EUR	2,084	4.73 % fixed	2009 – 2016	semi-annually from 2010
EUR	5,000	5.25 % fixed	2009 – 2016	2016
EUR	706	3.99 % fixed	2006 – 2015	semi-annually
EUR	1,733	0.00 % fixed	2008 – 2015	quarterly from 2011
EUR	1,954	2.25 % fixed	2009 – 2015	semi-annually from 2011
EUR	5,000	2.55 % fixed	2010 – 2015	annually from 2013
EUR	66	2.50 % fixed	2008 – 2014	2014
EUR	70	2.00 % fixed	2010 – 2014	2014
EUR	722	2.25 % fixed	2008 – 2014	semi-annually from 2010
USD	437	6.35 % fixed	2003 – 2016	monthly
	122,788			

The following borrowings were collateralized:

EUR-loans:

- TEUR 14,471 – Mortgage on land and building and machinery pledged with a carrying-value of TEUR 21,844

USD-loans:

- TEUR 437– Mortgage on land and building with a carrying-value of TEUR 1,347

Adjustments to variable interest rates are made quarterly.

Referring to disclosures on the fair value of the loans see Note 33, regarding interest rate risk and hedging see Note 34.

NOTE 18

Employee benefit obligations

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

in TEUR	31 December 2014	31 December 2013
Severance payments	5,184	4,728
Jubilee payments for long service	1,647	1,259
Total	**6,831**	**5,987**

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

	2014	2013
Interest rate	2.00 %	3.00 %
Salary increases	4.00 %	4.50 %
Fluctuation rate (mark-down)	0.0 – 15.0 %	0.0 – 15.0 %

Provisions were determined based on mortality tables AVÖ 2008-P (2013: AVÖ 2008-P) of Pagler & Pagler. Remeasurements of provisions for severance payments (actuarial gains or losses) are recognized under ”other comprehensive income” according to IAS 19.

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

Provisions for severance payments

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

in TEUR	2014	2013
Defined benefit obligation as of 1 January	4,728	4,706
Current service cost	214	240
Interest cost	140	140
Total expenses for severance payments	354	380
Remeasurements during the year	166	-255
Current severance payments	-64	-103
Defined benefit obligation as of 31 December	**5,184**	**4,728**

The expenses shown in the table are recognized within profit and loss under personnel expenses of each functional cost group (see Note 25).

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

in TEUR	2014	2013
Remeasurement of obligations		
from changes to demographic assumptions	0	0
from changes to financial assumptions	384	0
adjustments based on past experience	-218	-255
Total	**166**	**-255**

The average duration of the defined benefit plan obligation as of 31 December 2014 is 13.7 years (2013: 14.5 years).

Sensitivity analysis

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

Severance payments		Present value of obligation (DBO) 31 December 2014	
in TEUR	Change in assumption	increase in assumption	decrease in assumption
Interest rate	+/- 0.5 percentage points	-269	+297
Increases in salaries	+/- 0.5 percentage points	+277	-254

Jubilee payments for long service

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

in TEUR	2014	2013
Defined benefit obligation as of 1 January	1,259	1,178
Current service cost	127	120
Interest cost	37	34
Total expenses for jubilee payments	164	154
Remeasurements during the year	266	-10
Current jubilee payments	-42	-63
Defined benefit obligation as of 31 December	1,647	1,259

Pension plans (defined contributions)

Payments made under the defined contribution plans (pensions and other providence funds) were expensed and amounted to TEUR 1,186 in 2014 (2013: TEUR 559). For the following year contributions in the amount of approximately TEUR 500 are expected to be paid.

NOTE 19

Other payables

Other long-term payables were as follows:

in TEUR	31 December 2014	31 December 2013
Option commitment	29,676	0
Management interest	29,064	24,066
Contingent considerations	4,547	6,982
Participation rights	5,020	4,122
Non-compete agreements	2,015	2,308
Interest swap	0	139
Other obligations	485	0
Total	**70,807**	**37,617**

In the course of a business combination in 2014 the Company entitled the non-controlling interests to sell their shares to the Company at any time on or after 31 March 2018. The Company has committed itself to purchase the offered shares. In addition the Company obtained the right to purchase the shares from the non-controlling interests at any time on or after 31 March 2018. The non-controlling interests have committed themselves to sell the respective shares (put- and call option) in this case. As the option can be exercised by both parties at equivalent terms the Group has effectively acquired 100% of the shares of the subsidiary at the time of the business combination.

Furthermore, other payables include contingent considerations from business combinations in the amount of TEUR 8,975 (2013: TEUR 8,960), thereof TEUR 4,547 long-term (2013: TEUR 6,982) and TEUR 4,428 short-term (2013: TEUR 1,978). The contingent purchase price payments prior to 2014 were determined as a certain percentage of achieved sales (to a certain extent when sales are exceeding a contractually agreed upon amount) and are to be paid on a yearly basis with a residual term of further 1-5 years. Regarding the contingent purchase price payments relating to the business combination in 2014, the Note 38.

The liabilities for contingent purchase price payments were adjusted through profit and loss in 2014: increases are recorded as other financial expenses of TEUR -1,133 (2013: TEUR -842), decreases are recorded as other financial income of TEUR +19,475 (2013: TEUR +3,547) (see Notes 28 and 38). These adjustments were derived from discounting expected payments based on the most recent sales and earnings forecasts.

For the settlement of contingent purchase price payments in 2014 the payments exceeded the accrued amount in the previous balance sheet by TEUR 204 (2013: TEUR 103). Differences from settlements are recorded under other financial income or expenses, respectively. The addition of accrued interest related to liabilities for contingent purchase price payments in the amount of TEUR 359 (2013: TEUR 1,004) is recognized within interest expenses.

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

Company	31 December 2014	31 December 2013
BICO Drilling Tools Inc.	15.00 %	15.00 %
BICO Faster Drilling Tools Inc.	13.00 %	15.00 %
Schoeller-Bleckmann Energy Services L.L.C.	13.20 %	11.20 %
Schoeller-Bleckmann Darron Limited	9.00 %	9.00 %
Techman Engineering Limited	8.65 %	8.65 %
Knust-SBO L.L.C.	6.40 %	6.40 %
Schoeller-Bleckmann Darron (Aberdeen) Limited	6.00 %	5.35 %
Godwin-SBO L.L.C.	2.80 %	3.40 %
Schoeller-Bleckmann de Mexico S. A. de C. V.	3.00 %	3.00 %
Darron Tool & Engineering Limited	0.00 %	2.95 %

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

As of 31 December 2014 participation rights were granted by Schoeller-Bleckmann Oilfield Technology GmbH, Ternitz, at 0.65 % (2013: 0.35 %) and DSI FZE, Dubai, at 6.4 % (2013: 7.2 %).

The effective interest expense recorded for management interest and participation rights in 2014 at TEUR 4,642 (2013: TEUR 5,387) is recorded under interest expenses.

NOTE 20

Share capital

The share capital of the Company as of 31 December 2014 as well as of 31 December 2013 was EUR 16 million; divided into 16 million common shares with a par value of EUR 1.00 each.

The Ordinary Shareholders' Meeting on 23 April 2014 authorized the Management Board for a period of 30 months to buy back own shares of the Company up to a maximum of 10 % of the share capital. In 2014 this right was not exercised. Based on an authorization from the annual General Meeting as of 25 April 2012 the Company acquired 47,877 own shares for a purchase price of TEUR 3,684 in 2013.

As of 31 December 2014, the Company holds 24,000 of its own shares (2013: 87,761 shares) at acquisition costs of TEUR 1,432 (2013: TEUR 5,238), equaling a 0.15 % share in its capital stock (2013: 0.55 %). There are 15,976,000 shares in circulation (2013: 15,912,239).

In the course of a business combination in 2010, 50,000 shares of the Company would become due as contingent consideration, if future sales levels are achieved as agreed. Since the sales target was not met in 2014, no dilution in the number of shares in circulation was effected at 31 December 2014.

As of 31 December 2014, approximately 32.6 % of the share capital is held by Berndorf Industrieholding AG, Berndorf (2013: approximately 31 %).

NOTE 21

Legal reserve - non-distributable

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

NOTE 22

Other reserves

The other reserves as shown in the balance sheet result from accelerated depreciation on specific, non-current assets for which a tax break is available. These reserves are untaxed profit allocations.

NOTE 23

Non-controlling interests

The amount in the balance sheet represents the portion of the equity which is held by non-controlling interests relating to the following companies:

	2014	2013
BICO-DSI Investment GmbH	0 %	10 %
DSI FZE *)	0 %	10 %
Drilling Systems International Limited *)	0 %	10 %

*) held by BICO-DSI Investment GmbH

During 2014 BICO-DSI Investment GmbH which held shares in DSI FZE and its subsidiary Drilling Systems International Limited, was merged with Schoeller-Bleckmann Oilfield Equipment AG, resulting in the disposal of non controlling interests which from a group perspective were considered to be not material. 100 % of the shares of the operating company DSI FZE and Drilling Systems International Limited are held by the group as of 31 December 2014. The corresponding development of results of the non controlling interests can be seen in the consolidated statement of changes in the shareholders' equity.

NOTE 24

Additional breakdown of revenues

Net sales consist of:

in TEUR	2014	2013
Sale of goods	340,666	342,058
Sale of services and repair	26,184	19,839
Operating lease revenue	121,762	96,676
Total net sales	**488,612**	**458,573**

The Company leases drilling machinery under operating leases with terms of less than a year. The respective leasing fees are charged to customers according to the duration of use.

NOTE 25

Additional breakdown of expenses

As the Company classifies its expenses by function, the following additional information is given as required by IAS 1 (disclosure according to "total cost accounting method"):

in TEUR	2014	2013
Material expenses	197,913	171,719
Personnel expenses	110,795	97,868
Depreciation property plant & equipment incl. impairment	40,015	32,124
Amortization other intangible assets incl. impairment	7,228	14,213
Impairment Goodwill	34,588	0

NOTE 26

Other operating income and expenses

The main contents in the position other operating expenses are:

in TEUR	2014	2013
Exchange losses	7,651	7,937
Research and development expenses	6,242	5,601

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

The main contents in the position other operating income are:

in TEUR	2014	2013
Exchange gains	12,691	6,333
Other income	2,205	3,599

NOTE 27

Restructuring expenses

Restructuring expenses mainly refer to impairment of plant and machinery amounting to TEUR 4,257 (2013: TEUR 0) which were recorded within the segment High Precision Components and which relate to eliminating duplication of work and concentrating parts of the manufacturing process of two entities on one site. Further expenses refer to related personnel expenses.

NOTE 28

Other financial income

Other financial income mainly includes revaluation gains relating to contingent purchase price payments amounting to TEUR 19,475 (2013: TEUR 3,547) (see Note 38) and revaluation gains from option commitments amounting to TEUR 5,159 (2013: TEUR 4,699) (see Notes 14 and 19).

NOTE 29

Income taxes

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

in TEUR	2014	2013
Income tax expense at tax rate of 25 %	-20,003	-20,982
Foreign tax rate differentials	-380	-1,475
Change tax rate differentials	37	140
Non deductable expenses *)	-7,978	-845
Income exempt from tax and tax incentives *)	7,167	3,530
Withholding and other foreign taxes	-2,265	-1,771
Prior year adjustments	-523	229
Tax loss carryforwards not recognized	-274	-369
Consumption of tax loss carryforwards not capitalized in prior years	361	0
Profit allocation to management participations	-946	-685
Other differences	-1,200	-376
Consolidated income tax expense	**-26,004**	**-22,604**
Profit before tax	80,011	83,928
Profit allocation to management participations	3,841	3,537
	83,852	**87,465**
Consolidated income tax expense	**-26,004**	**-22,604**
Consolidated tax rate	31.0 %	25.8 %

*) In the business year 2014 tax effects from non deductible expenses include non taxable goodwill impairment amounting to TEUR 6,097.

The components of income taxes were as follows:

in TEUR	2014	2013
Current taxes	-26,738	-25,138
Deferred taxes	734	2,534
Total	**-26,004**	**-22,604**

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

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

in TEUR	2014	2013
Current taxes		
Exchange rate differences	0	-59
Remeasurements IAS 19	41	-64
Deferred taxes		
Exchange rate differences	-598	252
Total	**-557**	**129**

The total negative balance of deferred taxes included in the balance sheet was increased by TEUR 1,739 during 2014 (2013: decreased by TEUR 606) due to exchange rate differences.

The payment of dividends to the shareholders will not result in any implications on income taxes for the business year 2014 and the comparative period of 2013 for the Company.

NOTE 30

Segment reporting

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

The following segment report is prepared in accordance with IFRS 8 using the "management approach" of the Management Board of Schoeller-Bleckmann Oilfield Equipment AG in its capacity as the chief operating decision maker on the allocation of resources to the business segments.

In the past the internal management of SBO group was based on regional organizational structures with the reporting segments "North America", "Europe" and "other regions". Divisional structures, however, continuously gained importance in internal reporting systems. Therefore, in the second quarter 2014 internal management and thus internal reporting structures were adjusted. As a consequence with the report on the second quarter 2014 SBO group adapts its segment reporting disclosures. Manufacturing and service sites are combined to the segments "High Precision Components" and "Oilfield Equipment" in accordance with product groups and services offered and existing customer groups, respectively.

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

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

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

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

Internal management of the group as well as the allocation of resources is based on the financial performance of these segments. Management monitors sales, operating profit and profit before taxes of these business units separately for the purpose of making decisions on the allocation of resources. The aggregation to the two reporting segments was performed based on business activities. Prior year figures were adjusted accordingly.

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

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

Intersegment sales are carried out in accordance with the “at arm’s length“ principle.

Year 2014 **in TEUR**	**High Precision Components**	**Oilfield Equipment**	**SBO-Holding & Consolidation**	**Group**
External sales	228,780	259,832	0	488,612
Intercompany sales	52,526	73,054	-125,580	0
Total sales	281,306	332,886	-125,580	488,612
Operating profit before non-recurring items	37,306	71,606	-2,232	106,680
Profit before taxes	19,414	71,114	-10,517	80,011
Attributable assets	341,108	449,044	10,284	800,436
Attributable liabilities	118,522	121,089	105,150	344,761
Capital expenditure	12,432	32,364	174	44,970
Depreciation & amortization	33,489	47,129	1,213	81,831
thereof impairment	17,542	21,303	0	38,845
Write-ups	0	0	0	0
Head count (average)	1,130	546	25	1,701

Year 2013 *) **in TEUR**	**High Precision Components**	**Oilfield Equipment**	**SBO-Holding & Consolidation**	**Group**
External sales	236,517	222,056	0	458,573
Intercompany sales	47,851	68,297	-116,148	0
Total sales	284,368	290,353	-116,148	458,573
Operating profit before non-recurring items	31,325	69,747	-3,352	97,720
Profit before taxes	31,649	65,539	-13,260	83,928
Attributable assets	331,243	301,787	70,431	703,461
Attributable liabilities	125,518	89,290	106,466	321,274
Capital expenditure	21,932	40,789	36	62,757
Depreciation & amortization	16,354	28,773	1,210	46,337
thereof impairment	0	7,517	0	7,517
Write-ups	1,264	0	0	1,264
Head count (average)	1,098	441	25	1,564

*) comparative prior year figures were adjusted

Geographic information:

Sales to external customers were as follows:

in TEUR	2014	2013
Austria	2,968	2,949
Great Britain	56,333	48,313
U. S. A.	255,896	252,540
Other countries	173,415	154,771
Total	**488,612**	**458,573**

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

For informatin regarding most important customers we refer to Note 34.

Long-term assets are located as follows:

in TEUR	2014	2013
Austria	62,937	64,638
Great Britain	53,855	58,126
U. S. A.	108,971	102,355
Canada	61,526	1,605
Dubai	56,302	52,470
Other countries	20,250	18,378
Total	**363,841**	**297,572**

Assets are classified according to the location of the entity.

NOTE 31

Remuneration for the executive and supervisory board

The remuneration paid to the Executive Board was as follows:

2014 in TEUR	fixed	variable	total
Gerald Grohmann	558	605	1,163
Franz Gritsch	362	406	768
Total	**920**	**1,011**	**1,931**

2013 in TEUR	fixed	variable	total
Gerald Grohmann	439	626	1,065
Franz Gritsch	356	483	839
Total	**795**	**1,109**	**1,904**

Expenses for pensions and severance payments relating to the Executive Board amounted to TEUR 760 (2013: TEUR 187). Thereof, TEUR 661 (2013: TEUR 97) referred to defined contribution pension plans.

Expenses resulting from share-based payments amounted to TEUR 1,094 in 2014 (2013: TEUR 0). During the business year 2014 an agreement was entered into with the executive board member Gerald Grohmann covering an annual transfer of 6,000 shares of SBO. The first shares were transferred as of 31 March 2014. These shares are subject to a restraint on disposal and collateralization on the part of Mr. Grohmann for a period of 2 years (but up to the termination of the employment contract at a maximum). The transfer is limited to a total market value of TEUR 1,300, with the market value being determined at the end of each retention period. As of 31 December 2014 the total market value of the transferred shares amounts to TEUR 360.

In addition, during 2014 the Company granted to the Chief Executive Officer a voluntary severance payment of 30,000 SBO shares at the end of the employment contract.

Remuneration for the Supervisory Board amounted to TEUR 110 in the business year 2014 (2013: TEUR 128), which is a combination of a flat rate and a variable rate depending on the Group´s results.

In 2014 and 2013 no loans were granted to the members of the Executive Board or to the Supervisory Board, respectively.

NOTES 32

Transactions with related parties

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

The law firm Schleinzer & Partner is the legal consultant to the Company. One of the law firm´s partners, Dr. Karl Schleinzer, is a member of the Supervisory Board. Total charges for 2014 amounted to TEUR 36 (2013: TEUR 36), thereof outstanding as of 31 December 2014 TEUR 9 (31 December 2013: TEUR 0).

In the business year 2014 BICO-DSI Investment GmbH, Ternitz paid dividends to its shareholders at a total amount of TEUR 9,965 (2013: TEUR 2,450). Thereof TEUR 997 (2013: TEUR 245) were paid to the executive board member of SCHOELLER-BLECKMANN Oilfield Equipment AG, Gerald Grohmann, who held 10 % of the shares of this company until the company was merged in 2014 (see Note 23).

In order to condense the group structure, a resolution to merge the two non-operating entities Schoeller-Bleckmann Drilling and Production Equipment GmbH, Ternitz, and BICO-DSI Investment GmbH, Ternitz, with SCHOELLER-BLECKMANN Oilfield Equipment Aktiengesellschaft, Ternitz, was adopted on 21 February 2014. In this regard the minority shareholder of BICO-DSI Investment GmbH withdrew in 2014 and was compensated with 57,761 SBO shares. Non-controlling interests amounting to TEUR 1,843 fully ceased to exist. No further effects on the consolidated financial statements occurred in this context.

NOTE 33

Financial instruments

Derivative Financial Instruments

1. Forward exchange contracts

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

Forward exchange transactions as of 31 December 2014	Hedged receivables in TEUR	Receivables at effective date rates in TEUR	Fair value in TEUR
USD	27,775	28,811	-1,036
CAD	2,179	2,198	-19

Forward exchange transactions as of 31 December 2013	Hedged receivables in TEUR	Receivables at effective date rates in TEUR	Fair value in TEUR
USD	22,776	22,444	+332
CAD	1,870	1,799	+71

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

2. Interest swap

The Company entered into an interest swap until 2015. For this purpose, a variable interest rate was swapped with a fixed interest rate of 5.48 %. The fair value at 31 December 2014 amounted to TEUR -29 (31 December 2013: TEUR -139), the variance was expensed into profit and loss.

3. Other derivative financial instruments

The Group has recognized liabilities for contingent purchase price payments from business combinations (see Note 19) and an option commitment relating to cancelable non-controlling interests (see Note 14).

Overview financial instruments

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

Financial Instruments		Category acc. to IAS 39			Classification acc. to IFRS 7: Valuation method						
					Fair value	Amortized costs					
31.12.2014 in TEUR		Loans and receivables	Other financial liabilities	Derivatives	Derivatives	Cash and cash equivalents	Trade accounts receivable	Lendings	Financing liabilities	Trade accounts payable	Other
Current assets											
Cash and cash equivalents	130,220	130,220				130,220					
Trade accounts receivable	107,311	107,311					107,311				
Income tax receivable	641										
Other accounts receivable and other assets	4,778										
Inventories	164,694										
Total current assets	**407,644**										
Non-current assets											
Property, plant & equipment	203,688										
Goodwill	100,417										
Other intangible assets	59,735										
Long-term receivables	18,962	18,454						18,454			
Deferred tax assets	9,990										
Total non-current assets	**392,792**										
TOTAL ASSETS	**800,436**	**255,985**	**0**	**0**	**0**	**130,220**	**107,311**	**18,454**	**0**	**0**	**0**
Current liabilities											
Bank loans and overdrafts	35,744		35,744						35,744		
Current portion of bonds	19,993		19,993						19,993		
Current portion of long-term loans	11,673		11,673						11,673		
Finance lease obligations	92		92						92		
Trade accounts payable	24,050		24,050							24,050	
Government grants	37										
Income taxes payable	10,524										
Other payables	36,629		5,176	9,643	9,643						5,176
Other provisions	7,013										
Total current liabilities	**145,755**										
Non-current liabilities											
Bonds	0										
Long-term loans	98,196		98,196						98,196		
Finance lease obligations	91		91						91		
Government grants	437										
Employee benefit obligations	6,831										
Other payables	70,807		36,585	34,222	34,222				34,084		2,501
Deferred tax payables	22,644										
Total non-current liabilities	**199,006**										
Shareholder´s equity											
Share capital	15,976										
Contributed capital	67,560										
Legal reserve - non-distributable	785										
Other reserves	22										
Translation reserve	13,834										
Retained earnings	357,498										
Non-controlling interests	0										
Total shareholder´s equity	**455,675**										
TOTAL LIABILITIES AND SHAREHOLDER´S EQUITY	**800,436**	**0**	**231,600**	**43,865**	**43,865**	**0**	**0**	**0**	**199,873**	**24,050**	**7,677**

Financial Instruments		Category acc. to IAS 39			Classification acc. to IFRS 7: Valuation method						
					Fair value	Amortized costs					
31.12.2013 in TEUR		Loans and receivables	Other financial liabilities	Derivatives	Derivatives	Cash and cash equivalents	Trade accounts receivable	Lendings	Financing liabilities	Trade accounts payable	Other
Current assets											
Cash and cash equivalents	158,366	158,366				158,366					
Trade accounts receivable	78,636	78,636					78,636				
Income tax receivable	0										
Other accounts receivable and other assets	7,103			393	393						
Inventories	133,057										
Total current assets	**377,162**										
Non-current assets											
Property, plant & equipment	188,430										
Goodwill	63,517										
Other intangible assets	45,625										
Long-term receivables	17,046	16,621						16,621			
Deferred tax assets	11,681										
Total non-current assets	**326,299**										
TOTAL ASSETS	**703,461**	**253,623**	**0**	**393**	**393**	**158,366**	**78,636**	**16,621**	**0**	**0**	**0**
Current liabilities											
Bank loans and overdrafts	32,132		32,132						32,132		
Current portion of bonds	0										
Current portion of long-term loans	12,622		12,622						12,622		
Finance lease obligations	81		81						81		
Trade accounts payable	35,347		35,347							35,347	
Government grants	294										
Income taxes payable	10,872										
Other payables	27,522		4,249	6,138	6,138						4,249
Other provisions	9,310										
Total current liabilities	**128,180**										
Non-current liabilities											
Bonds	19,980		19,980						19,980		
Long-term loans	110,166		110,166						110,166		
Finance lease obligations	0										
Government grants	462										
Employee benefit obligations	5,987										
Other payables	37,617		30,496	7,121	7,121				28,188		2,308
Deferred tax payables	18,882										
Total non-current liabilities	**193,094**										
Shareholder´s equity											
Share capital	15,912										
Contributed capital	61,567										
Legal reserve - non-distributable	785										
Other reserves	26										
Translation reserve	-30,203										
Retained earnings	332,257										
Non-controlling interests	1,843										
Total shareholder´s equity	**382,187**										
TOTAL LIABILITIES AND SHAREHOLDER´S EQUITY	**703,461**	**0**	**245,073**	**13,259**	**13,259**	**0**	**0**	**0**	**203,169**	**35,347**	**6,557**

Fair value of financial instruments

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

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

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

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

2014 in TEUR	Bilanzposition	Total	Level 2	Level 3
Assets				
Derivatives	Other receivables and assets	0	0	0
Liabilities				
Derivatives	Other liabilities	-43,865	-1,055	-42,810

2013 in TEUR	Bilanzposition	Total	Level 2	Level 3
Assets				
Derivatives	Other receivables and assets	394	394	0
Liabilities				
Derivatives	Other liabilities	-13,259	-139	-13,120

During the reporting years 2014 and 2013, there were no transfers between level 1 and level 2 fair value measurements. In general, if required, transfers are carried out at the end of each reporting period.

Derivatives shown under level 3 only consist of contingent liabilities for purchase price payments, which are disclosed in Notes 14 and 19, and the option commitments relating to cancelable non-controlling interests to purchase the offered shares from the minority shareholders due to the business combinations (see Notes 14 and 19).

The development in 2014 was as follows:

Liabilities for contingent purchase price payments

in TEUR	2014	2013
As of 1 January	-8,960	-12,431
Additions from business combinations	-19,860	0
Addition of accrued interest	-359	-1,004
Revaluation gains	19,475	3,547
Revaluation losses	-1,133	-842
Disposals from settlements of contingent purchase price payments	2,198	1,366
Currency adjustment	-336	404
As of 31 December	**-8,975**	**-8,960**

Option commitments relating to cancelable non-controlling interest

in TEUR	2014	2013
As of 1 January	-4,160	-6,054
Additions from business combinations	-33,401	0
Addition from option commitment relating to cancelable non-controlling interest	0	-486
Addition of accrued interest	-1,352	-2,319
Revaluation gains	5,159	4,699
Revaluation losses	0	0
Disposal from settlement	0	0
Currency adjustments	-82	0
As of 31 December	**-33,836**	**-4,160**

Revaluation gains and losses as shown in the table above refer to financial instruments still existing at balance sheet date. Revaluation gains are recognized under other financial income, revaluation losses under other financial expenses.

In 2013 an unilateral capital increase by one of the option holding non-controlling interests resulted in an increase of the option liability by TEUR 486 and a reduction of consolidated equity by TEUR 131.

The foreign currency forward contracts are measured based on observable spot exchange rates. The fair value of interest swaps has been determined using a discounted cashflow model based on interest curves observable on the market.

The contingent purchase price payments from business combinations and the option commitments relating to cancelable non-controlling interests are measured at balance sheet date according to the underlying agreements based on the expected discounted payments using the most recent business plans. The contingent purchase price payments determined as a certain percentage of achieved sales (to a certain extent when sales are exceeding a contractually agreed upon amount) are to be paid on a yearly basis with a residual term of further 1-5 years. The exercise price of the option commitments relating to cancelable non-controlling interests is based on the achieved financial results of the acquired entities. The liabilities are discounted using a risk adequate discount rate for the duration of each liability.

The sensitivity analysis for significant, non-observable input factors is as follows:

in TEUR	Assumption	Change in assumption	If assumption increases, liability changes by	If assumption decreases, liability changes by
option commitments	Net results	+/- 10 %	+3,304	-3,436
	Interest rate 32.5 %, 1.8 %	+/- 10 %, +/- 1 %	-1,050	+2,327
contingent purchase price payments	Sales	+/- 10 %	+1,653	-1,579
	Interest rate 32.5 %,13.3 %, 4 %	+/- 10 %, +/- 1 %, +/- 1 %	-46	+48

For assessing the fair value of lendings, borrowings and leasing obligations, the expected cashflows have been discounted using market interest rates. The fair value for bonds was derived from the stock exchange price.

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

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

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

in TEUR	Level	2014 Carrying value	2014 Fair value	2013 Carrying value	2013 Fair value
Liabilities					
Bonds	1	-19,993	-20,480	-19,980	-21,400
Borrowings from banks, finance lease obligations and other loans	2	-145,796	-148,832	-155,001	-155,130

Net result from financial instruments

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

Year 2014 in TEUR	Allowance	Revaluation P/L	Revaluation OCI (*)	Deletion/Disposal P/L	Deletion/Disposal OCI (*)	Net result
Loans and receivables	-839	-	-	-	-	-839
Derivatives	-	+20,480	-	-	-	+20,480

Year 2013 in TEUR	Allowance	Revaluation P/L	Revaluation OCI (*)	Deletion/Disposal P/L	Deletion/Disposal OCI (*)	Net result
Loans and receivables	+171	-	-	-	-	+171
Derivatives	-	+3,779	-	-	-	+3,779

The total amount of interest expenses determined by using the effective interest rate method for financial liabilities not valued at fair value through profit or loss is TEUR 10,354 (2013: TEUR 11,301).

NOTE 34

Risk management

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

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

General economic risks

The business situation of Schoeller-Bleckmann Oilfield Equipment highly depends on cycles, in particular on the cyclical development of oil and gas drilling activities performed by the international oil companies. In order to minimize the risks of pertinent order fluctuations, the manufacturing companies of the Group have been designed to ensure maximum flexibility.

Sales and procurement risks

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

In the year 2014, the three biggest customers (which are the worldwide dominant service companies in the directional drilling market) accounted for 55.2 % of all sales worldwide (2013: 58.1 %). SBO addresses the risk of potential sales declines following the loss of a customer by means of continuous innovation, quality assurance measures and close customer relationship management.

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

The Company procures non-magnetic steel, its most essential raw material, almost exclusively from one supplier and therefore faces the risk of delayed deliveries, capacity shortages or business interruptions. From today´s perspective, the Company foresees no difficulty in obtaining quality steel from this supplier in future. In the event this supplier falls short of deliveries, there is only limited potential of substitution in the short-term.

Substitution risks

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

Financial risks

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

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

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

Foreign currency risks

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

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

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

The Company also faces currency translation risks when sales revenues, operating results and balance sheets of foreign subsidiaries are converted into the group currency. The respective values depend on the exchange rate in force at the respective date.

The US is not only the main market for the Group but also the base of important production facilities with significant investments. Therefore, changes in the US dollar rate have a strong impact on the group balance sheet, which SBO addresses by taking out US dollar loans.

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

in TEUR	**2014**		**2013**	
Changes in EURO – US dollar rate	**+10 Cent**	**-10 Cent**	**+10 Cent**	**-10 Cent**
Change in profit before taxes	+2,204	-2,204	+1,651	-1,651

Interest rate risks

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

All long-term borrowings at 31 December 2014 have fixed interest rates; therefore they are without any interest rate risk. However, the fair value of these credit facilities is subject to fluctuations. The interest rates for all loans are disclosed in Note 17. With the exception of bonds, loans and finance-lease obligations, no other liabilities are interest bearing and therefore not subject to any interest rate risk.

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

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

in TEUR	**2014**		**2013**	
Change in basic points	**+10**	**+20**	**+10**	**+20**
Change in profit before taxes	+121	+242	+137	+274

Credit risks

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

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

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

As for other financial assets (liquid funds, marketable securities), the maximum credit risk equals the respective book values, in the event the counterparty defaults. The pertinent credit risk may, however, be considered as low since the Company chooses highly rated banks and well-renowned issuers of securities only.

Liquidity risks

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

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

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

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

31 December 2014 in TEUR	Due at call	2015	2016	2017	2018 cont´d
Bonds	-	20,588	-	-	-
Payables due to banks	36,085	-	-	-	-
Long-term loans	-	14,622	15,894	39,721	50,685
Leasing obligations	-	99	71	23	0
Management interest and Participation rights	-	-	-	-	34,084
Trade payables	-	24,050	-	-	-
Derivatives	4,160	4,458	4,570	97	31,451
Other	-	28,657	615	373	1,119

31 December 2013 in TEUR	Due at call	2014	2015	2016	2018 cont´d
Bonds	-	1,175	20,588	-	-
Payables due to banks	32,431	-	-	-	-
Long-term loans	-	15,922	14,791	16,050	90,405
Leasing obligations	-	83	-	-	-
Management interest and Participation rights	-	-	-	-	28,188
Trade payables	-	35,347	-	-	-
Derivatives	4,160	1,949	3,276	4,468	257
Other	-	21,757	373	373	1,494

Other financial market risks

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

Capital management

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

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

Gearing was 7.8 % as of 31 December 2014 and 4.3 % as of 31 December 2013.

in TEUR	31 December 2014	31 December 2013
Bank loans	35,744	32,132
Long-term loans	109,869	122,788
Finance lease obligations	183	81
Bonds	19,993	19,980
Less: Cash and cash equivalents	-130,220	-158,366
Net debt	**35,569**	**16,615**
Total equity	455,675	382,187
Gearing	**7.8 %**	**4.3 %**

The Company considers a gearing ratio of up to 60 % reasonable without having an impact on the refinancing conditions.

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

NOTE 35

Contingencies

No contingencies existed as of the balance sheet dates 31 December 2014 and 31 December 2013.

NOTE 36

Other commitments

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

NOTE 37

Cashflow statement

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

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

In the cashflow statement, cashflows are classified into cashflow from operating activities, cashflow from investing activities and cashflow from financing activities.
The cashflows from foreign operations have been allowed for by applying average foreign exchange rates.

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

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

Dividend payments are shown under cashflow from financing activities.

For the changes of shares in subsidiaries and participation rights held by managers in 2014 amounting to TEUR 632 (2013: TEUR -1,487) the Company granted loans or reduced loans to the participants in the same amounts. Hence, no cashflows were effected.

NOTE 38

Business combinations

Year 2014

With share purchase agreement as of 25 November 2014 67.00 % of the shares of Resource Completion System Holdings Inc., Calgary, CA, and its subsidiaries Resource Well Completion Technologies Inc., Calgary, CA, and Resource Completion Systems Inc., Calgary, CA, were acquired. As a consequence all assets, liabilities, expenses and revenues of the subsidiaries were consolidated by the group starting from 1 November 2014.

Resource Well Completion Technologies is committed to provide their customers and industry partners with efficient, reliable, technically advanced and cost effective solutions to downhole completion. The primary multistage products are the ZONE SEEKER, a leading ball-drop system which is used for "open hole completion" and the ZONE STRIKER, a unique coil tubing activated system which is needed for "cemented completion". Both reliable systems offer quick and cost efficient ways to improve oil or gas production while reducing water usage and increase well integrity.

Listed below are the fair values of the acquired identifiable assets and liabilities for the business combination:

in TEUR	Fair value
Intangible assets	15,579
Property, plant & equipment	336
Inventories	5,247
Trade accounts receivable	3,318
Other receivables and assets	741
Liquid funds	4,567
	29,788
Trade accounts payable	-6,585
Bank loans	-2,015
Other liabilities	-2,465
Deferred taxes	-3,841
Net assets	**14,882**
Goodwill resulting from the acquisition	66,196
Total consideration	**81,078**

Intangible assets contain technology at TEUR 3,576, customer base at TEUR 6,965 and non-compete agreements at TEUR 4,823.

The gross amount of acquired accounts receivable amounted to TEUR 3,898, with one receivable at TEUR 581 being impaired (fair value TEUR 0). The company expects that no payments will be received related to this receivable. For all other receivables the book value was equal to their fair value. None of these other accounts receivable were impaired.

The cash outflow due to the business combination was as follows:

in TEUR	
Cash outflow	27,817
Net cash acquired	-4,567
	23,250

The share purchase agreement includes a contingent purchase price payment depending on the financial results of the acquired subsidiary until 31 March 2015. The payment was determined at TEUR 19,860 at the time of the business combination by discounting expected future contingent payments based on the business plan. The corresponding liability was recognized within "other payables" at the time of the business combination. Market conditions particularly in North America have deteriorated significantly between acquisition date and balance sheet date due to a pronounced drop in crude oil price. As a result sales and financial results are expected to be significantly lower for the period relevant for determining the contingent purchase price payment until 31 March 2015. At the time of preparing the consolidated financial statements no further payment relating to the contingent purchase price is expected. Therefore, as of 31 December 2014 the relevant liability was released; the corresponding revaluation gain at TEUR 19,110 is recorded within other financial income.

In the course of this business combination the Company entitled the non-controlling interests to sell their shares to the Company at any time on or after 31 March 2018. The Company has committed itself to purchase the offered shares. In addition the Company obtained the right to purchase the shares from the non-controlling interests at any time on or after 31 March 2018. The non-controlling interests have committed themselves to sell the respective shares (put- and call option) in this case. The purchase price depends on the profits generated by the acquired company as well as on the EBITDA multiple of SBO at the time of the transfer. As the option can be exercised by both parties at equivalent terms the Group has effectively acquired 100 % of the shares of the subsidiary at the time of the business combination. The anticipated discounted purchase amount under this option is determined based on current planning figures and is recognized in other liabilities as granting of the option created an unconditional payment obligation for the Group (see Note 19). From a group perspective due to these option agreement 100 % of the shares of this subsidiary are consolidated. Profits of the respective entity are fully allocated to the owners of the parent company.

Goodwill which was allocated to the segment "Oilfield Equipment" and which amounts to TEUR 44,340 as of 31 December 2014 (see Note 9), comprises the value of the expected business development considering the expected synergies arising from the acquisition.

It is expected that the goodwill will not be deductible for income tax purposes.

Due to the acquisition the Group's profit was increased by TEUR 1,686 in 2014, the Group's sales were increased by TEUR 4,051. Had the business been acquired at the beginning of the year, Group's sales would have increased by TEUR 24,066.

Transaction cost of TEUR 2,609 have been expensed and are included in general and administrative expenses.

Regarding the development of the liabilities for contingent purchase price payments and for option price commitments we refer to Notes 14, 19 and 33.

Year 2013

No business combinations were executed in 2013.

Regarding the development of the liabilities for contingent purchase price payments we refer to Note 19.

NOTE 39

Personnel

The total average number of employees was as follows:

	2014	2013
Blue collar	1,290	1,215
White collar	411	349
	1,701	**1,564**

NOTE 40

Events after the balance sheet date

After the balance-sheet date no events of particular significance have occurred that would have changed the presentation of the Group's financial position and financial performance of the group financial statements as of 31 December 2014.

In January 2015 the Company took up a loan amounting to EUR 40,000,000 with fixed interest rates of 0.75 % and a duration until 31 December 2018. The loan is partly used to refinance the bonds maturing in June 2015 amounting to EUR 20,000,000.

Furthermore in January 2015 a competitor claimed patent infringements by a subsidiary of SBO (see Note 15).

In addition, no further reportable events occurred.

NOTE 41

Proposed dividend

The Executive Board proposes to the shareholders that a dividend of EUR 1.50 per share (2013: EUR 1.50) should be paid. Thus, the total distribution will amount to MEUR 24.0 compared to MEUR 24.0 in the preceding year.

NOTE 42

Expenses incurred for the group auditor´s

The following expenses were incurred from Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.:

in TEUR	2014	2013
Audit of the consolidated annual financial statements	81	73
Other services	53	56

MANAGEMENT INFORMATION

Executive Board:

Ing. Gerald Grohmann (President and CEO)
Mag. Franz Gritsch (Executive Vice-president and CFO)

The contracts with the members of the Executive Board are valid for one term. The contract of Ing. Gerald Grohmann will expire on 31 Dec. 2018. The contract of Mag. Franz Gritsch will expire on 31 Dec. 2015.

Committees of the Supervisory Board:

Remuneration Committee:
Mag. Norbert Zimmermann
Dr. Peter Pichler
Dr. Karl Schleinzer

Audit Committee:
Mag. Norbert Zimmermann
Dr. Peter Pichler
Karl Samstag

Supervisory Board:

Mag. Norbert Zimmermann (Chairman)
First nomination: 1995
End of current appointment: 2017

Dr. Peter Pichler (Deputy Chairman)
First nomination: 1995
End of current appointment: 2018

Mag. Brigitte Ederer
First nomination: 2014
End of current appointment: 2019

Mag. Dipl. Ing. Helmut Langanger
First nomination: 2003
End of current appointment: 2019

Karl Samstag
First nomination: 2005
End of current appointment: 2017

Dr. Karl Schleinzer
First nomination: 1995
End of current appointment: 2017

In each year one member of the Supervisory Board withdraws from the Supervisory Board with the end of the Annual General Meeting, thereby guaranteeing that in the course of the Annual General Meeting the election of one member of the Supervisory Board can be resolved. As far as the order of withdrawal cannot be ascertained from the term of office it shall be ascertained by lot. In the Supervisory Board meeting that takes place before the Annual General Meeting for consultation on the proposed resolutions and elections in accordance with section 108 paragraph 1 Austrian Stock Corporation Act the lot shall decide which member of the Supervisory Board shall withdraw with the end of the next Annual General Meeting. The withdrawing member can immediately be reelected.

Ternitz, 6 March 2015

Ing. Gerald Grohmann Mag. Franz Gritsch
Executive Board

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of SCHOELLER-BLECKMANN OILFIELD EQUIPMENT Aktiengesellschaft, Ternitz, for the fiscal year from January 1, 2014 to December 31, 2014. These consolidated financial statements comprise the consolidated balance sheet as of December 31, 2014, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cashflow statement and the consolidated statement of changes in equity for the fiscal year ended December 31, 2014, and the notes.

Management's Responsibility for the Consolidated Financial Statements and for the Accounting System

The Company's management is responsible for the group accounting system and for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU, and the additional requirements under Section 245a UGB. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility and Description of Type and Scope of the Statutory Audit

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing, as well as in accordance with International Standards on Auditing (ISAs), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of December 31, 2014 and of its financial performance and its cashflows for the fiscal year from January 1, 2014 to December 31, 2014 in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU.

Comments on the consolidated Management Report

Pursuant to statutory provisions, the consolidated management report is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the consolidated management report is consistent with the consolidated financial statements and whether the disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

In our opinion, the consolidated management report is consistent with the consolidated financial statements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Vienna, March 6, 2015

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Karl Fuchs mp
Certified Auditor

Mag. Markus Jandl mp
Certified Auditor

*) This report is a translation of the original report in German, which is solely valid. Publication of the consolidated financial statements together with our auditor's opinion may only be made if the consolidated financial statements and the consolidated management report are identical with the audited version attached to this report. Section 281 paragraph 2 UGB (Austrian Commercial Code) applies.

REPORT OF THE SUPERVISORY BOARD OF SBO AG CONCERNING THE 2014 BUSINESS YEAR

During the business year 2014 the Supervisory Board performed all duties assigned to it by law and the articles of association and held 5 meetings. The Executive Board provided the Supervisory Board with regular written and verbal reports concerning business developments and the Company's status, including the situation of the Group and Group companies. Focus of discussions were the strategic development of the Group, key business events and measures. An Audit Committee for handling questions regarding the financial statements and a Remuneration Committee for handling questions regarding the reimbursement of the Executive Board was installed.

The financial statements as of 31 December 2014 and the management report including the Company's accounting records were audited by Deloitte Schwarz & Schmid Wirtschaftsprüfungs GmbH. The audit revealed that the financial statements comply with legal requirements, that they give a true and fair view of the Company's assets and financial position on 31 December 2014 and of the Company's earnings for the fiscal year from 1 January 2014 to 31 December 2014 in compliance with generally accepted Austrian accounting principles, and that the management report is consistent with the financial statements.

The consolidated financial statements as of 31 December 2014 of SBO Group, which were prepared in compliance with International Financial Reporting Standards (IFRS) as adopted by the EU, and the consolidated management report, which was prepared in accordance with the Austrian Commercial Code (UGB), were audited by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. The auditor confirmed that the consolidated financial statements comply with legal requirements, that they give a true and fair view of the Group's assets and financial position on 31 December 2014 and of the Group's financial performance and cashflows for the fiscal year from 1 January 2014 to 31 December 2014, and that the Group management report is consistent with the consolidated financial statements.

The audits did not give rise to any objections. The auditors issued an unqualified audit opinion on the financial statements for 2014 and the consolidated financial statements for 2014.

At its meeting on 18 March 2015, the Supervisory Board approved the financial statements as of 31 December 2014 and the management report, thereby adopting the financial statements 2014 according to sec. 96 para. 4 Austrian Stock Corporation Act (AktG). In addition, the Supervisory Board approved the consolidated financial statements as of 31 December 2014 and the consolidated management report, the Corporate Governance Report submitted by the Executive Board as well as the proposal for the distribution of profits 2014.

The Supervisory Board would like to thank the Executive Board and all the employees for their high level of dedication and their successful work during financial year 2014. The Supervisory Board would also like to thank the Group's shareholders and customers for their trust.

Ternitz, 18 March 2015

Norbert Zimmermann
Chairman of the Supervisory Board

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Circulation tools

Products which actuate the flow path of the drilling fluid (mud) in the drillstring. The primary purpose of this technology is to prevent drilling mud loss during the drilling process. Therefore lost-circulation materials (LCM) are added directly to the drilling fluid and are circulated to the formation where the loss of fluid occurs. At this location, they tend to form a physical plug which arrests the fluid loss. Critical bottom hole assembly components such as MWD and LWD tools can be prevented from being blocked when a high concentration of lost-circulation material (LCM) is pumped.

Conventional resources

A „normal" reservoir, where the reservoir and fluid characteristics permit crude oil or natural gas to flow readily into wellbores. The term „conventional" shall make a distinction from other unconventional resources such as shale or tight gas.

Deepwater

Generally defined as operations in water depths of 1000 ft. (ca. 300 meters) or greater. Operations in depths of more than 1,500 meters are called Ultra Deepwater operations.

Depletion

Depletion describes the declining oil production from oil fields over time. According to the International Energy Agency (IEA) the oil production of producing fields in 2010 will decline by 47 million barrels per day until 2035.

Directional drilling

Directional drilling is a method of increasing a well's productivity while reducing the environmental footprint of an oil and gas operation. New technologies enable to drill laterally or horizontally (see horizontal drilling) beneath the surface, as opposed to vertically, allowing for a wider range of possible well configurations. Because horizontal and directional drilling methods often utilize existing vertical wellbores, additional wells may be drilled without additional disruption to the environment. Utilizing this technique also helps maximize recovery (recovery factor) from existing reservoirs by penetrating a greater cross-section of the formation, allowing substantially more oil to be produced while reducing the total number of wells required. Directional drilling is common in shale reservoirs because it allows drillers to place the borehole in contact with the most productive reservoir rock.

Drilling motor / downhole motor

The Positive Displacement Motor (PDM) is composed of a stator and a rotor. The stator is made of an extremely rigid elastomere. This material will yield when acted upon by a force, but will return to its original shape when that force is removed. The rotor, supported by bearings on each end, is mounted in the stator. The drill bit is attached, through a mechanical linkage, to the lower end of the rotor. As the drilling mud flows through the system, the cavity within the PDM is pressurized due to the hydraulic energy of the drilling mud. In the motor, the hydraulic energy is converted into rotational energy, which enables rotation of the rotor and the attached drill bit.

Exploration and Production (E&P)

These terms refer to the search for and extraction of crude oil and natural gas.

Gunhole drilling

A method to drill high precision small-diameter boreholes over long distances. SBO's gunhole process has been developed in cooperation with Vienna Technical university and is already used on an industrial scale.

Horizontal drilling

A subset of the more general term „directional drilling," used where the departure of the wellbore from vertical exceeds about 80 degrees. Note that some horizontal wells are designed such that after reaching true 90-degree horizontal, the wellbore may actually start drilling upward.

Because a horizontal well typically penetrates a greater length of the reservoir, it can offer significant production improvement over a vertical well. Horizontal drilling is common in shale reservoirs because it allows drillers to place the borehole in contact with the most productive reservoir rock.

IEA

International Energy Agency

Laser welding

A method which uses a laser beam to apply a hardfacing layer. The layer used to be applied by welding resulting in undesired deviations in high precision parts. More precise results can be achieved by using a laser beam.

Logging-while-drilling collars (LWD)

Logging While Drilling collars help to analyse geological formations and, therefore, to locate reservoirs.

Lost circulation

The reduced or total absence of fluid flow up the annulus when fluid is pumped through the drillstring. If a lack of drilling mud is returning to the surface after being pumped down a well lost circulation could be the reason. Lost circulation occurs when the drill bit encounters natural fissures, fractures or caverns, and mud flows into the newly available space.

Lost circulation material

In case drilling fluid is being lost to the formation downhole, lost circulation material such as flaky or granular material is added to the drilling mud in order to seal the formations in which lost circulation has occurred.

Measurement while drilling (MWD)

Measurement-while-drilling collars are used to measure depth, inclination and azimuth of the borehole.

Mud

A liquid circulated through the wellbore during drilling and workover operations. One purpose of the mud is to remove rock cuttings produced by drilling. The mud also helps to cool the drill bit, it prevents the borehole walls from caving in, constrains high-pressure formation fluids, and provides a medium for MWD mud-pulse transmission signals.

Non-Magnetic Drill Collars (NMDC)

NMDC's – also called top collars – are non-magnetic drillstring components used to avoid adverse effects on measurements (in particular of the azimuth).

Oil shale

An oil shale is a sedimentary rock containing bitumen or non-volatile oils. Oil shale is also called kerogen oil or kerogen shale and must not be confused with shale oil.

Recovery factor

Amount in % of crude oil produced from the total oil-in-place of a reservoir, depending on the individual reservoir parameters and the quality of the crude oil produced. Currently, the average global recovery factor is approx. 35 %.

Reservoir

A subsurface body of rock having sufficient porosity and permeability to store and transmit fluids. Sedimentary rocks are the most common reservoir rocks because they have more porosity than most igneous and metamorphic rocks and form under temperature conditions at which hydrocarbons can be preserved.

Rig

The machine used to drill a wellbore.

Shale

A fine-grained, fissile, detrital sedimentary rock formed by consolidation of clay- and silt-sized particles into thin, relatively impermeable layers. It is the most abundant sedimentary rock. Shale can include relatively large amounts of organic material compared with other rock types and thus has potential to become a rich hydrocarbon source rock, even though a typical shale contains just 1 % organic matter.

Shale oil

Oil produced from shale with technologies similar to produce shale gas, i.e. horizontal drilling and multistage hydraulic fracturing.

Unconventional resource

An umbrella term for oil and natural gas that is produced by means that do not meet the criteria for conventional production. What has qualified as unconventional at any particular time is a complex function of resource characteristics, the available exploration and production technologies, the economic environment, and the scale, frequency and duration of production from the resource. Perceptions of these factors inevitably change over time and often differ among users of the term. At present, coalbed methane, gas hydrates, shale gas, fractured reservoirs, and tight gas sands are considered unconventional resources.

Well completion

Well completion describes the process of making a well ready for oil or gas production. By acquiring Resource Well Completion Technologies Inc in November 2014 SBO has added completion operations to its field of activity.

Further definitions about the oil and gas industry are available at SBO's oil and gas glossary on www.sbo.at.

This report includes information and forecasts that are based on the future development of the SBO Group and its member companies. These forecasts represent estimates, which were prepared based on the information available at this time. If the assumptions underlying these forecasts are not realized or risks – as described in the risk report – should in fact occur, actual results may differ from the results expected at this time.

This report is not connected with a recommendation to buy or sell shares in Schoeller-Bleckmann Oilfield Equipment AG.

The English translation of this report is for convenience. Only the German version is binding.

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Imprint:
Publisher and responsible for the contents: SBO AG, Ternitz
Co-operation: Metrum Communications GmbH, Wien
Graphic Design: freecomm Werbeagentur GmbH, Graz
Photos: SBO, freecomm, Foto Peter Melbinger, Christian Jungwirth, MEV

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