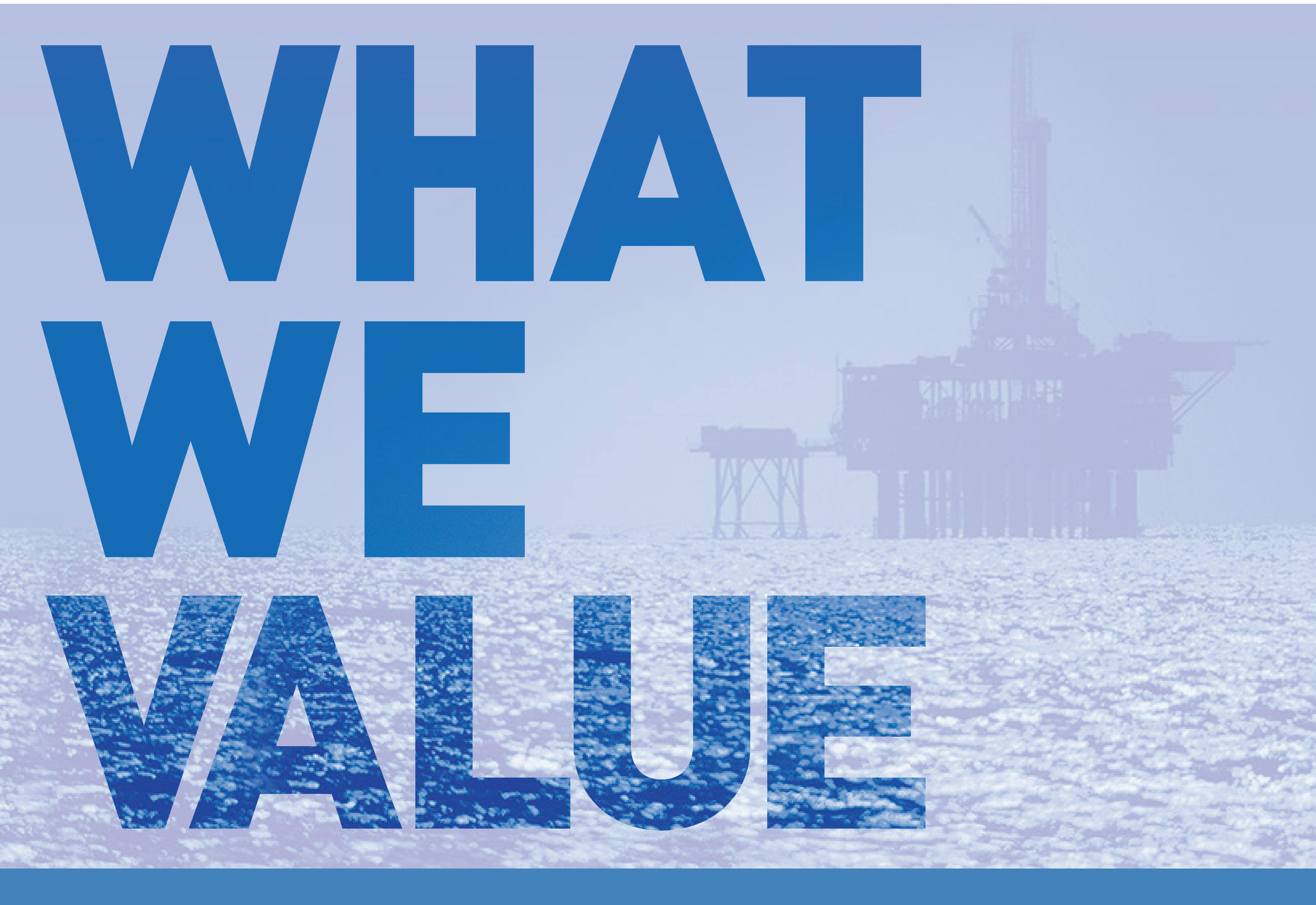
SCHOELLER BLECKMANN OILFIELD EQUIPMENT

LETTER TO OUR SHAREHOLDERS 1-9 / 2015

HIGHLIGHTS

- **Persistingly challenging market environment**
- **Record free cashflow but lower EPS**
- **Balance-sheet structure further improved:**
  - **59.4 % equity ratio**
  - **Liquid funds rose to MEUR 188**



“GLOBAL RIG COUNT DROPPED BY 41 %“

MARKET ENVIRONMENT

Global economic growth in 2015, according to the most recent report by the International Monetary Fund (IMF), remained behind original expectations. Growth in the emerging markets and developing countries continued to slow down, and economic recovery in the industrialised nations was weaker than projected in the IMF's previous report of July. Sharp cuts on expenditure in the oil sector impacted primarily economic development in the United States and Canada.[1]

As before, the oil market was characterised by oversupplies. According to the International Energy Agency (IEA), average crude production in the third quarter of 2015 came to 96.9 million barrels per day (mb/d). Compared to the same quarter of last year, production climbed further by 2.8 mb/d, or 3.0 % (Q3 2014: 94.1 mb/d). Compared to the second quarter of 2015, production grew by 0.7 mb/d, or 0.7 % (Q2 2015: 96.2 mb/d).

Average global oil consumption rose to 95.3 mb/d in the third quarter of 2015. Compared to the same quarter of last year, consumption increased by 2.1 mb/d, or 2.2 % (Q3 2014: 93.2 mb/d). Versus the second quarter of 2015, consumption climbed by 1.4 mb/d, or 1.5 % (Q2 2015: 93.9 mb/d), again producing excess supplies as in the past months, albeit at a lower level than in the second quarter of 2015: In Q3 2015, global crude production surpassed consumption by 1.6 mb/d (excess supplies in Q2 2015: 2.3 mb/d; Q1 2015: 1.4 mb/d). OPEC's effective spare capacity[2] in September 2015 fell by 0.7 mb/d from last year, to 2.35 mb/d (September 2014: 3.05 mb/d).[3]

The oil price plunged again in July and August of 2015, following a brief recovery in the previous months. On 24 August 2015, prices of the two standard crude brands plummeted to their 6-year low (WTI: USD 38.22; Brent: USD 41.59), the main reasons being growing oil inventories and mounting concern over global economic development, mainly in China. The price of one barrel of US crude WTI collapsed by 24.2 % in the third quarter of 2015, from USD 59.48 (30 June 2015) to USD 45.06 (30 September 2015). The price of one barrel of European crude Brent shrank by 21.6 %, from USD 60.31 (30 June 2015) to USD 47.29 (30 September 2015). After prices tended to be more stable in September, another drop in prices started to emerge in October.[4]

The low oil price level had massive repercussions on global drilling activities. Within one year, the number of globally active drilling rigs (= rig count[5]) dropped by 40.7 %, or 1488 rigs, to an average of 2,171 rigs in September 2015 (September 2014: 3,659 rigs).

In the United States, the rig count in the third quarter contracted slightly by 1.5 %, or 13 rigs, to 848 rigs (June 2015: 861 rigs). Year-on-year, the decline came to 56.1 %, or 1,082 rigs (September 2014: 1,930 rigs) and was due to the collapse of the oil price that made technologically highly challenging and costly production from unconventional sources - the preferred type of production in the United States - partly unprofitable.

[1] IMF World Economic Outlook (WEO), October 2015
[2] Definition of the International Energy Agency (IEA): *„IEA defines spare capacity as the capacity levels that can be reached within 90 days and sustained for an extended period."*
[3] International Energy Agency (IEA), Oil Market Report, November 2015
[4] U.S. Energy Information Administration (EIA): Spot Prices for Crude Oil and Petroleum Products
[5] Baker Hughes Inc. Rig Count

The share of directional and horizontal drilling rigs in the substantially decreased total count of US drilling rigs was 85 % at the end of September 2015 (end of September 2014: 81 %). The share of vertical drilling rigs fell to 15 % (end of September 2014: 19 %). Due to the lower oil prices the share of oil wells in the overall number of US wells went down even further. At the end of September 2015 only 76 % were oil wells and 24 % were gas wells. At the end of September 2014, 82 % had been oil wells and 18 % gas wells.[6]

The Canadian rig count soared by 41.9 %, or 54 rigs, to 183 rigs in the third quarter (June 2015: 129 rigs). The rapid increase was due to resumption of drilling activities that had to be interrupted in the wake of the seasonal spring break-up in the second quarter of the year. Year-on-year, Canadian drilling activity declined by 54.9 %, or 223 rigs (September 2014: 406 rigs).

Drilling activity outside North America involved 1,140 rigs in September, arriving at a similar level as at the end of the second quarter (June 2015: 1,146 rigs). Year-on-year, the drilling rig count dropped by 13.8 %, or 183 rigs (September 2014: 1,323 rigs).

In the Middle East, drilling activity declined moderately in the third quarter of 2015. In September, the rig count had contracted by 1.2 %, or 5 rigs, to 396 rigs from June (June 2015: 401 rigs). As a result, the rig count arrived at the same level as in the year before (September 2014: 396 rigs; +/-0 %). Notwithstanding the low oil prices, OPEC continues to keep crude production at a high level.

BUSINESS DEVELOPMENT

The entire oilfield service industry was hit by the expected slump of drilling activity in the first nine months of 2015. Schoeller-Bleckmann Oilfield Equipment AG (SBO) could not escape this development either. Nevertheless, SBO was able, in the first nine months, to generate positive operating income (EBIT) before impairments and increase cash-flow from operating activities and liquid funds in this extremely difficult environment, which worsened even further throughout the third quarter.

Whereas SBO had posted record bookings in 2014, the drop in bookings in 2015 was sharp. In the first nine months it fell by 58.2 %, to MEUR 154.2 (1-9/2014: MEUR 369.4). Sales contracted by 27.8 %, to MEUR 257.6 (1-9/2014: MEUR 356.6). The order backlog recorded at the end of the third quarter was MEUR 40.2, down 67.5 % from last year’s reading (30 September 2014: MEUR 123.6).

Customer restraint in ordering went hand in hand with persistent pressure on prices. Management responded at an early stage by taking a set of countermeasures to guide the company safely through the downturn. Naturally, the market collapse was reflected in the earnings figures of SBO.

[6] Baker Hughes Inc. North America Rotary Rig Count

"LIQUID FUNDS UP BY 44 %"

Earnings before interest, taxes, depreciation, and amortisation (EBITDA) fell by 46.5 %, to MEUR 55.0 (1-9/2014: MEUR 102.9). Earnings before interest and taxes (EBIT) before impairments dropped by 77.1 %, to MEUR 16.5 (1-9/2014: MEUR 72.0).

Due to the persistently challenging market situation impairments of the goodwill of MEUR minus 21.7 and of fixed assets amounting to MEUR minus 1.9 were made. This will largely be compensated by revaluation of option commitments which yield proceeds of MEUR 21.7 in the third quarter. As a consequence option commitments of MEUR 9.7 were released in the first nine months.

Goodwill impairments mainly concerned the company's two subsidiaries, Resource Well Completion Technologies Inc. and BICO Drilling Tools Inc., and had become necessary as both companies operate primarily in the North American market, which is particularly hit by the downturn. As a result, earnings before interest and taxes (EBIT) after impairments for the first nine months came to MEUR minus 7.1.

The quarterly valuation of the option commitments had a positive impact on the financial result, and concerned essentially the option for acquiring 33 % of the shares in Resource Well Completion Technologies Inc. In total, non-cash-effective proceeds of MEUR 9.7 were generated, bringing the financial result of the first nine months to MEUR plus 7.4, following MEUR minus 7.4 in the same period of last year.

Profit before tax in the first nine months therefore came to MEUR 0.3 (1-9/2014: MEUR 64.5). Profit after tax dropped to MEUR minus 2.0 (1-9/2014: MEUR 46.8). Earnings per share arrived at EUR minus 0.13 (1-9/2014: EUR 2.93). Margins went down as well: The EBITDA margin was 21.4 % (1-9/2014: 28.9 %), the EBIT margin before impairments stood at 6.4 % (1-9/2014: 20.2 %), and the EBIT margin after impairments went to minus 2.8 %. The pre-tax margin was 0.1 %, compared to 18.1 % in the first nine months of last year.

With its equity ratio of 59.4 % and liquid funds of MEUR 188.0, which increased year-on-year by MEUR 30.6, SBO has a very sound balance sheet structure.

Cash-flow from operating activities in the first nine months of 2015 climbed by 53.7 %, to MEUR 86.1 (1-9/2014: MEUR 56.0). As at 30 September 2015, SBO had a net cash position of MEUR 12.2 (31 December 2014: net debt of MEUR 35.6; 30 September 2014: net debt of MEUR 9.7). Liquid funds went up by 44 %, to MEUR 188.0 (31 December 2014: MEUR 130.2). This rise was mainly attributable to a decrease of the net working capital of MEUR 36.5. Spending for property, plant and equipment and for intangible assets (CAPEX) was reduced by 41.4 %, to MEUR 18.3 (1-9/2014: MEUR 31.3). Total purchase commitments for expenditure in property, plant and equipment as at 30 September 2015 were MEUR 1.1 (30 September 2014: MEUR 10.0).

DEVELOPMENT OF THE SEGMENTS

SBO subdivides business activities into two segments: High Precision Components (manufacture of high-precision drillstring components) and Oilfield Equipment (non-magnetic drill collars, drilling motors, circulation tools and other components including service and repair). Regardless of the challenging environment, both segments delivered positive operating income (EBIT) before impairments of MEUR 16.5 in the first nine months. Earnings before interest and taxes (EBIT) after impairments came to MEUR minus 7.1.

In the first nine months of 2015, the segment of High Precision Components developed in line with considerably curtailed capex spending by customers. Segment sales went down by 30.4 %, to MEUR 120.7 (1-9/2014: MEUR 173.3). Operating income (EBIT) in the segment before impairments fell by 89.5 %, to MEUR 2.5 (1-9/2014: MEUR 23.6).

In the segment of Oilfield Equipment the sharp downturn in global drilling activity had a dampening effect on business. Although customers preferred to use high-quality products even in the downturn, declining demand put downward pressure on prices. As a result, sales revenues generated in the segment fell by 25.3 %, to MEUR 136.9 (1-9/2014: MEUR 183.2). Operating income in the segment (EBIT) before impairments dropped by 68.9 %, to MEUR 14.9 (1-9/2014: MEUR 47.8).

MEASURES TO COMBAT THE DOWNTURN

SBO has gained vast experience in managing the cycles in the oilfield service industry and has promptly responded to the current downturn in order to combat deteriorating market conditions at an early stage. The company launched initial corrective measures in the second half of 2014 and systematically continued to pursue that course in the first nine months of 2015:

- SBO merged its two US subsidiaries „Godwin-SBO L.L.C." and „Knust-SBO L.L.C." as at 1 October 2015. Production of newly founded „Knust-Godwin-SBO L.L.C." will be bundled at the site of Godwin. The merger aims to create structural and sustainable cost benefits, although capacities will remain at the same level. As a result, the company will be excellently positioned to fully meet the demand that should re-emerge from the next upswing. Restructuring should be completed by mid-2016.

- SBO initiated a restructuring programme already one year ago, in the third quarter of 2014, to streamline cost structures of its UK activities. In view of the current business environment it was decided to merge operational activities of the two neighbouring subsidiaries „Techman Engineering Ltd." and „Darron Tool & Engineering Ltd." at the location of Techman by the end of 2015. As a result, structural and sustainable cost benefits will be created after the programme has been completed. Restructuring is running according to plan and should be finished in 2015.

- Also in 2014, SBO started to internationalise the successful drilling motor business of BICO. Apart from initial business success in Russia and the Far East, our subsidiary established in Dubai and a newly founded sales company in Saudi Arabia will market drilling motors.

- Expenditure for plant, property and equipment (CAPEX) was largely reduced to maintenance investments and restructuring activities in the first nine months of 2015. Moreover, selective expenditure was used for site extensions (Russia, Middle East). Spending for research and development has not been curbed.

- SBO started to adjust personnel capacities to the expected decline in demand at an early stage. The headcount as at 30 September 2015 was 1,231 (1,720 as at 31 December 2014, and 1,663 as at 30 September 2014).

RISK REPORT

The business risks of Schoeller-Bleckmann Oilfield Equipment AG did not change substantially in the first nine months of 2015 over the risks described in the 2014 annual financial statements. The entire oilfield service industry continues to be confronted with considerable cuts on capital expenditure due to low oil prices and large quantities of crude offered in the market. Regardless of the corrective measures described in the previous quarterly reports and already initiated, this has a significant influence on the assets and financial position of Schoeller-Bleckmann Oilfield Equipment AG. Additionally, we refer to all risks described in the Annual Report 2014. We recommend to read this report on the first nine months of 2015 in conjunction with the risk report contained in the Annual Report 2014.

SBO SHARE

The share of Schoeller-Bleckmann Oilfield Equipment AG started the third quarter of 2015 at a price of EUR 53.25 on 1 July 2015 and completed the quarter at a price of EUR 50.44 on 30 September 2015. Thus, the share price went down by 5.3 % over the third quarter. Year-on-year, this closing price represented a decline of 34.7 % (30 September 2014: EUR 77.25) and thus performed somewhat better than the oil price, which was halved in the same period (-50.6 % for WTI and -50.0 % for Brent).

OUTLOOK

In its most recent report the International Monetary Fund (IMF) reviewed downwards its forecast for global economic growth in full 2015 and in 2016: For 2015 down to 3.1 %, and for 2016 down to 3.6 % (2014: 3.4 %). In its previous forecast of July, the IMF still had expected growth to come to 3.3 % in 2015, and 3.8 % in 2016.

In the industrialised nations, the IMF anticipates growth to come to 2.0 % in 2015. Economic recovery as seen in the first months of 2015 was weaker than expected, prompting the IMF to slightly revise its original projection of 2.1 %. For 2016, the IMF expects economic recovery to continue, leading to a growth rate of 2.2 %.

Regarding emerging markets and developing countries, the IMF also slightly modified its growth forecast of July 2015 - from 4.2 % to 4.0 % for full 2015. In 2016, the IMF currently expects growth to arrive at 4.5 %.[7]

[7] IMF World Economic Outlook (WEO), October 2015

"VISIBILITY IN THE MARKET REMAINS VERY LOW"

According to the International Energy Agency (IEA), oil demand is set to rise further in the fourth quarter, to 95.5 mb/d (following 95.3 mb/d in the third quarter). The low oil price level has had an effect on consumption: In full 2015, demand is set to go up by 1.8 mb/d, to an average of 94.6 mb/d (2014: 92.7 mb/d), representing the largest increase in five years. For 2016, the IEA anticipates decelerating growth to come to 1.2 mb/d.[8]

Massive curtailment of E&P spending in non-OPEC countries will probably make production stagnate or go down. In mid-November 2015, the US rig count stood at only 757 rigs, the lowest level seen since April 2002. At what point expenditure will be ramped up to cover growing demand in the oil market cannot be predicted today. Visibility in the market continues to be extremely low.

For 2016, the International Energy Agency expects production in non-OPEC countries to drop by 0.6 mb/d.[9] Hence we expect a continued tightening of the supply and demand balance in the coming months. It is impossible though to assess today to which extent OPEC will be able to compensate for the decline in production and growing demand in 2016 as described above.

Therefore, SBO prepares for a continuation of the highly challenging market environment. It cannot be predicted at the moment at which point customers of SBO will abandon their restrictive spending policies. SBO endeavours to make full use of existing customer relations. However, as the level of bookings is low, the company is facing significant challenges. SBO will consistently continue implementing the countermeasures initiated in 2014 in the months ahead: Cost-cutting programmes will be ramped up, and capacities will be further adjusted to the market situation. Production optimisation in the United Kingdom and the US is running as planned, and the strategy adopted last year to open up new markets for the products of SBO in the Oilfield Equipment segment will be maintained.

However, those measures can compensate for only part of the fierce decline in demand in the established core markets. Our positive operating cash-flow, low debt and high level of liquid funds provide SBO with a stable basis to overcome the current cyclical downturn. As a result, SBO is in a position to intensify its search for strategically fitting acquisition targets, even in this difficult environment.

The current situation has demonstrated once again how fast the business cycle in the oil and gas industry can turn around. While full attention is now focused on managing the downturn, it is clear that the medium to long-term growth perspectives for the oilfield service industry remain absolutely intact. Rising demand for oil and gas, in addition to decreasing production rates from existing fields, will call for new spending and usher in the next upswing. Having implemented ongoing restructuring activities based on improved cost and organisational structures, SBO, as technology and market leader, will be excellently prepared to benefit from the next upswing.

[8] International Energy Agency (IEA), Oil Market Report, November 2015
[9] International Energy Agency (IEA), Oil Market Report, November 2015

CONSOLIDATED PROFIT AND LOSS STATEMENT

in TEUR	9 months period ended 30.09.2015	9 months period ended 30.09.2014	3 months period ended 30.09.2015	3 months period ended 30.09.2014
Sales	**257,600**	**356,558**	**70,745**	**126,277**
Cost of goods sold	-198,479	-245,198	-57,687	-87,592
Gross profit	**59,121**	**111,360**	**13,058**	**38,685**
Selling expenses	-15,797	-16,823	-4,684	-5,756
General and administrative expenses	-25,350	-23,963	-8,810	-7,845
Other operating expenses	-13,651	-8,141	-3,486	-3,127
Other operating income	12,182	9,551	1,078	4,363
Profit from operations before impairments	**16,505**	**71,984**	**-2,844**	**26,320**
Impairment on tangible assets	-1,915	0	-1,915	0
Impairment on goodwill	-21,730	0	-21,730	0
Profit from operations after impairments	**-7,140**	**71,984**	**-26,489**	**26,320**
Interest income	432	451	152	156
Interest expenses	-4,869	-9,233	-857	-3,804
Other financial income	2,228	141	999	22
Other financial expenses	-44	0	-44	0
Income/expense from revaluation of option commitments	9,667	1,200	21,745	400
Financial result	**7,414**	**-7,441**	**21,995**	**-3,226**
Profit before tax	**274**	**64,543**	**-4,494**	**23,094**
Income taxes	-2,302	-17,771	2,429	-6,661
Profit after tax	**-2,028**	**46,772**	**-2,065**	**16,433**
Average number of shares outstanding	15,979,890	15,954,491	15,982,000	15,976,000
Earnings per share in EUR (basic = diluted)	**-0.13**	**2.93**	**-0.13**	**1.03**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in TEUR	9 months period ended 30.09.2015	9 months period ended 30.09.2014	3 months period ended 30.09.2015	3 months period ended 30.09.2014
Profit after tax	**-2,028**	**46,772**	**-2,065**	**16,433**
Other comprehensive income to be reclassified to profit or loss in subsequent periods				
Foreign exchange adjustment - subsidiaries	23,015	31,016	-7,508	26,360
Foreign exchange adjustment - other items	1,708	1,700	-76	1,546
Income tax effect	-426	-425	40	-387
Other comprehensive income, net of tax	**24,297**	**32,291**	**-7,544**	**27,519**
Total comprehensive income, net of tax	**22,269**	**79,063**	**-9,609**	**43,952**

CONSOLIDATED BALANCE SHEET

ASSETS in TEUR	30.09.2015	31.12.2014
Current assets		
Cash and cash equivalents	188,030	130,220
Trade accounts receivable	57,451	107,311
Other accounts receivable and prepaid expenses	4,440	5,419
Inventories	151,369	164,694
TOTAL CURRENT ASSETS	**401,290**	**407,644**
Non-current assets		
Property, plant & equipment	197,596	203,688
Goodwill	79,200	100,417
Other intangible assets	53,464	59,735
Long-term receivables and assets	17,279	18,962
Deferred tax assets	16,809	9,990
TOTAL NON-CURRENT ASSETS	**364,348**	**392,792**
TOTAL ASSETS	**765,638**	**800,436**

CONSOLIDATED BALANCE SHEET

LIABILITIES AND SHAREHOLDERS´ EQUITY in TEUR	30.09.2015	31.12.2014
Current liabilities		
Bank loans and overdrafts	34,834	35,744
Current portion of bonds	0	19,993
Current portion of long-term loans	13,135	11,673
Finance lease obligations	72	92
Trade accounts payable	11,417	24,050
Government grants	132	37
Income taxes payable	1,209	10,524
Other payables	34,694	36,629
Other provisions	5,485	7,013
TOTAL CURRENT LIABILITIES	**100,978**	**145,755**
Non-current liabilities		
Long-term loans	127,729	98,196
Finance lease obligations	39	91
Government grants	330	437
Employee benefit obligations	7,101	6,831
Other payables	51,020	70,807
Deferred tax liabilities	23,813	22,644
TOTAL NON-CURRENT LIABILITIES	**210,032**	**199,006**
Shareholders´ equity		
Share capital	15,982	15,976
Contributed capital	68,211	67,560
Legal reserve - non-distributable	785	785
Other reserves	19	22
Currency translation reserve	38,131	13,834
Retained earnings	331,500	357,498
TOTAL SHAREHOLDERS´ EQUITY	**454,628**	**455,675**
TOTAL LIABILITIES AND SHAREHOLDERS´ EQUITY	**765,638**	**800,436**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS´ EQUITY

1-9 / 2015 in TEUR	Share capital	Contributed capital	Legal reserve	Other reserves	Currency translation reserve	Retained earnings	Total parent company	Non-controlling interests	Total
1 January 2015	15,976	67,560	785	22	13,834	357,498	455,675	0	455,675
Profit after tax						-2,028	-2,028		-2,028
Other comprehensive income, net of tax					24,297		24,297		24,297
Total comprehensive income, net of tax	0	0	0	0	24,297	-2,028	22,269	0	22,269
Dividend						-23,973	-23,973		-23,973
Share-based payment	6	651					657		657
Changes in reserves				-3		3	0		0
30 September 2015	15,982	68,211	785	19	38,131	331,500	454,628	0	454,628

1-9 / 2014 in TEUR	Share capital	Contributed capital	Legal reserve	Other reserves	Currency translation reserve	Retained earnings	Total parent company	Non-controlling interests	Total
1 January 2014	15,912	61,567	785	26	-30,203	332,257	380,344	1,843	382,187
Profit after tax						46,772	46,772		46,772
Other comprehensive income, net of tax					32,291		32,291		32,291
Total comprehensive income, net of tax	0	0	0	0	32,291	46,772	79,063	0	79,063
Dividend						-23,964	-23,964	-997	-24,961
Share based payment	6	515					521		521
Disposal of non-controlling interests	58	4,905				-4,681	282	-846	-564
Change in reserves				-3		3	0		0
30 September 2014	15,976	66,987	785	23	2,088	350,387	436,246	0	436,246

CONSOLIDATED CASHFLOW STATEMENT

in TEUR	9 months period ended 30.09.2015	9 months period ended 30.09.2014
Cash and cash equivalents at the beginning of the period	130,220	158,366
Cashflow from profit	49,596	77,538
Cashflow from operating activities	86,090	56,003
Cashflow from investing activities	-15,211	-28,523
Cashflow from financing activities	-16,935	-34,845
Effects of exchange rate changes	3,866	6,398
Cash and cash equivalents at the end of the period	188,030	157,399

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1

Basis of preparation

The interim report as at 30 September 2015 has been prepared in accordance with the principles of the International Financial Reporting Standards (IFRS), rules for interim financial reporting (IAS 34), to be applied in the European Union.

This report on the third quarter of 2015 of the SBO group has neither been audited nor reviewed by independent accountants.

NOTE 2

Accounting Policies

The accounting and valuation methods of 31 December 2014 have been applied basically unchanged, with the exception of the standards which came into force in 2015. The new regulations do not have a significant implication on the consolidated financial statements. In this context, we refer to the consolidated financial statements for the year ended 31 December 2014.

NOTE 3

Scope of consolidation

In May 2015, the company Resource Well Completion Technologies Corp., US, was incorporated.

NOTE 4

Seasonality

Business development of SBO is not subject to seasonal influences.

NOTE 5

Dividend paid

	Total amount TEUR	Number of shares (ordinary shares)	Per share EUR
For the business year 2014 paid in 2015	23,973	15,981,900	1.50
For the business year 2013 paid in 2014	23,964	15,975,900	1.50

NOTE 6

Segment information

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. The segment "Oilfield Equipment" covers non-magnetic drill collars, drilling motors, circulation tools, completion tools and other components including service and repair work directly ordered by the operating oilfield organizations of our customers.

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

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

Jan-Sep 2015 in TEUR	**High Precision Components**	**Oilfield Equipment**	**SBO-Holding & Consolidation**	**Group**
External sales	120,691	136,909		257,600
Intercompany sales	34,749	48,289	-83,038	0
Total sales	155,440	185,198	-83,038	257,600
Operating Profit before impairment	2,472	14,863	-830	16,505
Profit before taxes	-1,377	5,419	-3,768	274

Jan-Sep 2014 in TEUR	**High Precision Components**	**Oilfield Equipment**	**SBO-Holding & Consolidation**	**Group**
External sales	173,309	183,249		356,558
Intercompany sales	40,102	53,140	-93,242	0
Total sales	213,411	236,389	-93,242	356,558
Operating Profit before impairment	23,644	47,833	507	71,984
Profit before taxes	23,845	47,498	-6,800	64,543

NOTE 7

Impairment

Due to changed assumptions on short- and long-term oil price and rig count development and corresponding expectations regarding capital expenditures in the oilfield service industry the company performed impairment tests as of 30 September 2015. Decreased profit expectations in the current market environment led to the recognition of impairment on goodwill amounting to EUR 21.7 Mill which is reported in the profit and loss item "impairment on goodwill". Thereof, EUR 2.2 Mill refer to the cash generating unit Techman Engineering Limited in the segment High Precision Components. Within the segment Oilfield Equipment EUR 4.9 Mill refer to the cash generating unit BICO Drilling Tools Inc. and EUR 14.6 Mill to the cash generating unit Resource Well Completion Technologies Inc.

In addition, an impairment charge of EUR 1.9 Mill relating to fixed assets within the segment High Precision Components was recorded due to decreased capacity utilization in the profit and loss item "impairment on tangible assets".

NOTE 8

Own shares

During the reporting period the company transferred 6,000 SBO shares to the Chief Executive Officer based on the share based payment program introduced in 2014.

NOTE 9

Related Party Transactions

With respect to business transactions with related parties there were no substantial changes compared to 31 December 2014. All transactions with related parties are carried out at generally acceptable market conditions. For further information on individual business relations please refer to the consolidated financial statements of SBO AG for the year ended 31 December 2014.

NOTE 10

Financial Instruments

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

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

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

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

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

in TEUR	Balance sheet item	30 Sep 2015	Level 2	Level 3
Assets				
Derivates	Other receivables and assets	82	82	0
Liabilities				
Derivates	Other liabilities	-26,698	0	-26,698

in TEUR	Balance sheet item	31 Dec 2014	Level 2	Level 3
Liabilities				
Derivates	Other liabilities	-43,865	-1,055	-42,810

During the reporting period 2015 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 consist only of contingent liabilities for purchase price payments and the option commitments relating to cancelable non-controlling interests to purchase the offered shares from the minority shareholders. The development in the reporting period 2015 was as follows:

in TEUR	Contingent purchase price payments	Option commitments
As at 1 Jan 2015	-8,975	-33,836
Addition of accrued interest	-272	-1,414
Gains from revaluation	2,199	9,667
Losses from revaluation	0	0
Disposals from settlements	4,793	0
Currency adjustment	-777	1,917
As at 30 Sep 2015	**-3,032**	**-23,666**

The foreign currency forward contracts are measured based on observable spot exchange rates. The fair value of interest swaps which expired during the reporting period was determined using a discounted cash flow 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 sales forecast. The liabilities are discounted using a risk adequate discount rate for the duration of each liability.

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 one and further 4 years, respectively. Gains from revaluation refer to unrealized profits and are reported in the income statement within "other financial income".

The exercise price of the option commitments relating to cancelable non-controlling interests is based on the achieved financial results of the acquired entities and the EBITDA multiple of SBO at the time of the transfer, respectively. Gains from revaluation amounting to EUR 21.7 Mill for the third quarter 2015 and EUR 9.7 Mill for the period January to September 2015, respectively, refer to non cash-effective unrealized gains and are reported in the income statement within "income/expense from revaluation of option commitments". The decrease of option commitments during the third quarter mainly refers to a reduction of planned profits of the corresponding companies based on the current and expected future market environment.

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 commitment relating to cancelable non-controlling interests	Net results	+/-10 %	+2,364	-2,368
	Interest rate 27.5 % resp. 1.4 %	+/-10 resp.+/-1 percentage points	-866	+1,157
	Multiple 10.76	+/-30 %	+5,837	-5,837
Contingent purchase price payments from business combinations	Sales	+/- 10%	+646	-645
	Interest rate 27.5 % resp. 13.2 % resp. 4.0 %	+/-10 resp. +/-1 resp. +/-1 percentage points	-1	+2

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:

		30 Sep 2015		31 Dez 2014	
in TEUR	Level	Carrying value	Fair value	Carrying value	Fair value
Liabilities					
Bonds	1	0	0	-19,993	-20,480
Borrowings from banks, finance lease obligations and other loans	2	-175,809	-177,906	-145,796	-148,832

For assessing the fair value of lendings, borrowings and leasing obligations, the expected cash-flows 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.

NOTE 11

Events after the balance sheet date

With effect of 1 October 2015 the two US companies Knust-SBO L.L.C. und Godwin-SBO L.L.C. were merged. The production facility of the new company „Knust-Godwin LLC" will be combined at the location of Godwin while maintaining the existing level of production capacities. The merger will enable the company to reach structural and sustainable cost advantages.

Furthermore, no important events have occurred after the balance sheet date.

STATEMENT OF ALL LEGAL REPRESENTATIVES

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

Ternitz, 25 November 2015

Gerald Grohmann **Klaus Mader**

Executive Board

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