



AFTER THE DOWNTURN
COMES THE UPTURN

ANNUAL REPORT 2015

UPS AND DOWNS | RESILIENCE | FLEXIBILITY | RESPONSIVENESS

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FINANCIAL HIGHLIGHTS

in MEUR

	2015	2014	2013	2012	2011	2010
Sales	313.7	488.6	458.6	512.1	408.6	307.7
Profit from operations	-22.1	67.5	90.2	121.2	90.2	49.4
Earnings before Interest, Taxes Depreciation and Amortization	55.1	149.3	136.5	160.8	125.0	85.1
Profit after tax	-19.0	54.0	61.3	76.9	53.4	27.3
Earnings per share ¹ (in EUR)	-1.19	3.38	3.81	4.80	3.33	1.71
Total assets	740.5	800.4	703.5	698.4	620.0	561.6
Share capital	16.0	16.0	15.9	16.0	16.0	16.0
Shareholders' equity	450.4	455.7	382.2	363.1	314.8	267.1
Return on capital employed (in %) ²	-4.8	15.2	22.7	32.1	26.8	16.7
Dividend per share (in EUR)	0.50 ³	1.50	1.50	1.50	1.20	1.00
Number of shares outstanding at year end	15,982,000	15,976,000	15,912,239	15,960,116	15,960,116	15,960,116

¹ based on average shares outstanding

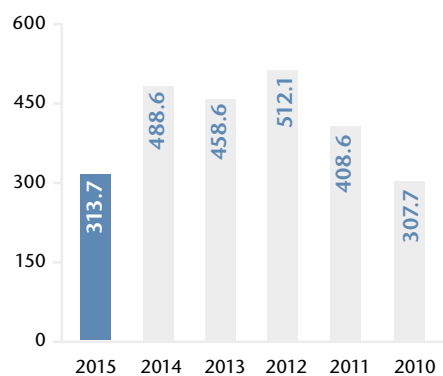
² Return on capital employed = Income from operations after impairments and restructuring measures/capital employed

Capital employed = Total shareholders' equity + Bonds + Bank loans and overdrafts + Long-term loans + Finance lease obligations - Cash and cash equivalents

³ proposed

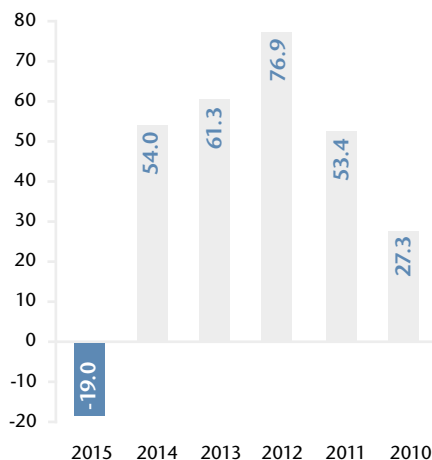
SALES

in MEUR



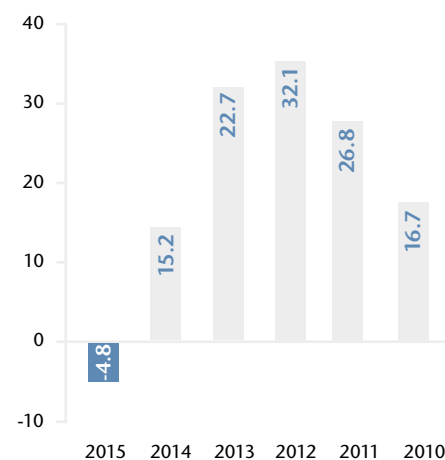
PROFIT AFTER TAX

in MEUR



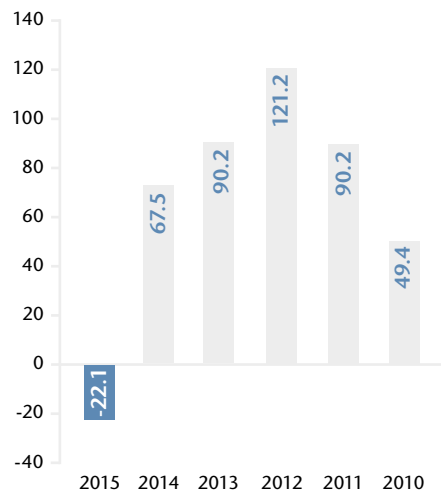
RETURN ON CAPITAL EMPLOYED

in Percent



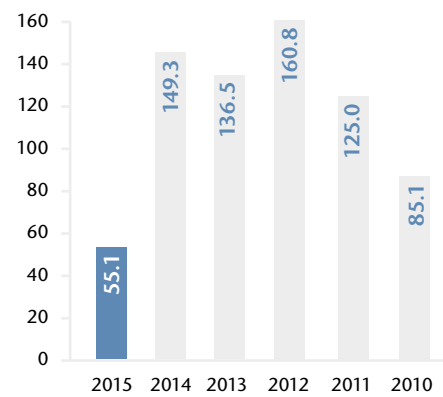
PROFIT FROM OPERATIONS

in MEUR



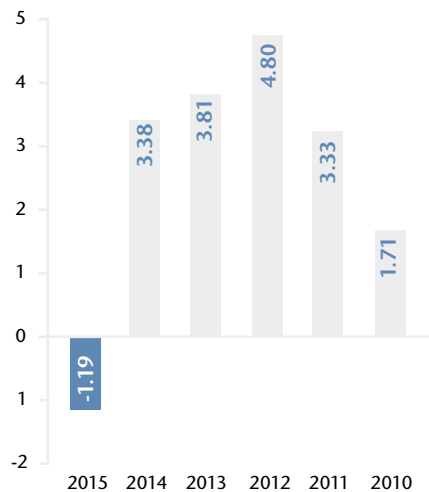
EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION

in MEUR



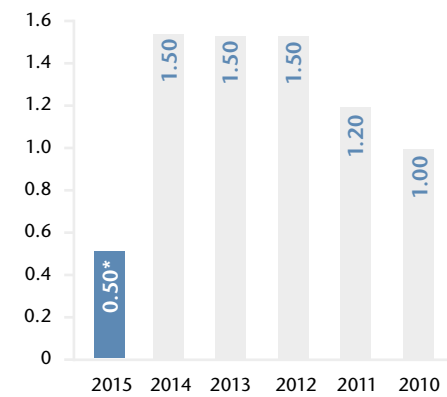
EARNINGS PER SHARE

in EUR



DIVIDEND PER SHARE

in EUR



* proposed

THE MARKET. OUR ANSWERS.

UPS AND DOWNS

WE OPERATE IN AN EXTREMELY CYCLICAL INDUSTRY.

- › In the oilfield business, longer-term upswings are consistently followed by abrupt downturns. Our track record shows that we are able to master such challenges.

RESILIENCE

WE ARE IN TOP FINANCIAL SHAPE.

- › With a cash position of MEUR 196.3, a net liquidity of MEUR 26.2, a positive free cashflow of MEUR 85.1 and an equity ratio of 60.8 % we are well prepared even for a lengthy downturn.

FLEXIBILITY

WE IMPROVE OUR COST FLEXIBILITY.

- › Optimising our business locations allows for long-term improvement of our cost structure without losing manufacturing capacity for the next upswing.

RESPONSIVENESS

WE RESPOND PROMPTLY.

- › With a leaner cost structure and our new “well completion” business we are prepared to get off the starting blocks for the next upcycle.





UPS AND
DOWNS

THE RULE, NOT THE EXCEPTION.



RESILIENCE

LIQUID ASSETS FOR THE LONG RUN.







FLEXIBILITY

MINIMAL COSTS
WITH MAXIMUM PERFORMANCE.





RESPONSE

SURGENESS

FULL STOP IN A DOWNTURN,
FULL SPEED IN AN UPTURN.

SBOE AG BICO DRILLING TOOLS BICO FASTER DRILLING TOOLS DSI
FZE KNUST-GODWIN KNUST-SBO FAR EAST SB DARRON SB DARRON
(ABERDEEN) SBOE VIETNAM SB DARRON SB ENERGY SERVICES
SBOE MIDDLE EAST FZE SBOT GMBH SB SALES CO. SB MEXICO
TECHMAN ENGINEERING LIMITED CB BRASIL RESOURCE WELL
COMPLETION TECHNOLOGIES INC. RESOURCE WELL COMPLETION
TECHNOLOGIES CORP. DSI SAUD SBOE AG BICO DRILLING TOOLS
BICO FASTER DRILLING TOOLS DSI FZE KNUST-GODWIN KNUST-SBO
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SB DARRON SB ENERGY SERVICES SBOE MIDDLE EAST FZE SBOT
GMBH SB SALES CO. SB MEXICO TECHMAN ENGINEERING LIMITED
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RESOURCE WELL COMPLETION TECHNOLOGIES CORP. DSI SAUD
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DRILLING TOOLS DSI FZE KNUST-GODWIN KNUST-SBO FAR EAST
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SB ENERGY SERVICES SBOE MIDDLE EAST FZE SBOT GMBH SB
SALES CO. SB MEXICO TECHMAN ENGINEERING LIMITED CB BRASIL
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(ABERDEEN) SBOE VIETNAM SB DARRON SB ENERGY SERVICES
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TOOLS BICO FASTER DRILLING TOOLS DSI FZE KNUST-GODWIN
KNUST-SBO FAR EAST SB DARRON SB DARRON (ABERDEEN)
SBOE VIETNAM SB DARRON SB ENERGY SERVICES SBOE
MIDDLE EAST FZE SBOT GMBH SB SALES CO. SB MEXICO
TECHMAN ENGINEERING LIMITED CB BRASIL RESOURCE
WELL COMPLETION TECHNOLOGIES INC. RESOURCE WELL
COMPLETION TECHNOLOGIES CORP. DSI SAUD



TEAM

COMPANY PROFILE

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 were difficult to access earlier on. With the sophisticated directional drilling, permanent control, steering and respective adjustment of direction during drilling is possible. Reservoirs can therefore be targeted accurately and the efficiency of bores increased. Furthermore, through directional and horizontal drilling, the production rate of already inferred oil and gas reservoirs can be increased. The next process step in the life-cycle of a bore 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) in November 2014, SBO is active in this field of operations.

In the wake of constantly rising global demand for energy, directional drilling and well completion became key technologies for the development of oil and gas reservoirs in the future. These technologies require high-tech precision equipment and tools. SBO is a supplier of these key components and therefore contributes to covering the world's future energy demand.

SBO subdivides its business into two segments: High Precision Components (HPC) and Oilfield Equipment (OE): The High Precision Components segment consists of the complex manufacturing of high-precision parts, so-called MWD (Measuring While Drilling) and LWD (Logging While Drilling) precision drillstring components. These tools are placed in the drill string 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 drill string components (non-magnetic drill collars), high-performance drilling motors and special tools for downhole circulation applications (circulation tools), repair and maintenance services and the equipment for well completion (completion of the well and preparation for production). Resource, a subsidiary of SBO acquired in November 2014, offers high-end products for particularly efficient stimulation of oil and gas reservoirs. Resource provides SBO with an excellent technological platform for further growth in the field of completion.

As quality and technology leader within the industry, SBO counts the major oilfield service companies among its customers and has set the market benchmark in the relevant business sectors over many years.

SBO is present at all major hubs of the oilfield service industry worldwide and follows its customers as a partner when they move to new regions around the globe. In 2015, SBO extended its network by establishing a sales company in Saudi Arabia. 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 sustainable success is the leadership in technology, quality and innovation in close connection with a market-oriented growth strategy, high productivity and flexibility as well as a long-term strategic investment policy.

BUSINESS LOCATIONS

- › **Schoeller-Bleckmann Oilfield Equipment AG**
Ternitz, Austria

HIGH PRECISION COMPONENTS

- › **Schoeller-Bleckmann Oilfield Technology GmbH**
Ternitz, Austria
- › **Schoeller-Bleckmann de Mexico, S.A. de C.V.**
Monterrey, Mexico
- › **Schoeller-Bleckmann Oilfield Equipment Vietnam Co. Ltd.**
Binh Duong, Vietnam
- › **KNUST-SBO Far East Pte Ltd.**
Singapore
- › **KNUST-GODWIN LLC**
Houston, TX/USA
- › **Techman Engineering Ltd.**
Chesterfield, UK

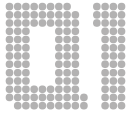
Total sales: MEUR 183.8
Headcount: 679

OILFIELD EQUIPMENT

- › **BICO Drilling Tools Inc.**
Houston, TX/USA
- › **BICO FASTER Drilling Tools Inc.**
Nisku, Canada
- › **DSI FZE**
Dubai, U.A.E.
- › **SB Darron Pte. Ltd.**
Singapore
- › **Resource Well Completion Technologies Inc.**
Calgary, Canada
- › **Resource Well Completion Technologies Corp.**
Oklahoma City, OK/USA
- › **DSI SAUDI L.L.C.**
Al-Khobar, KSA
- › **Schoeller-Bleckmann do Brasil, Ltda.**
Macaé, Brazil
- › **Schoeller-Bleckmann Darron (Aberdeen) Ltd.**
Aberdeen, UK
- › **Schoeller-Bleckmann Darron Ltd.**
Noyabrsk, Russian Federation
- › **Schoeller-Bleckmann Energy Services L.L.C.**
Broussard, LA/USA
- › **Schoeller-Bleckmann Sales Co. L.L.C.**
Houston, TX/USA
- › **Schoeller-Bleckmann Oilfield Equipment Middle East FZE**
Dubai, U.A.E.

Total sales: MEUR 223.3
Headcount: 430

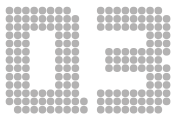
Headcount per 31 December 2015.
Non-operative units not included.
Holding Headcount (including non-operative units): 26.
Total sales per 31 December 2015, not consolidated.



-
- › Crude oversupply creates difficult market environment
 - › Nevertheless sound results generated
 - › Liquid funds grown



-
- › Positive operating result in a deteriorating market environment
 - › Stringent measures taken to combat downturn
 - › Fundamentally sound balance sheet structure



-
- › Market environment remains challenging
 - › Record free cashflow, but earnings per share down
 - › 59 % equity ratio and MEUR 188 liquid funds



-
- › Persistently difficult market environment due to sustained crude oversupply
 - › One-off effects impact operating result, but free cashflow at record level
 - › Fundamentally sound balance sheet structure:
 - › Equity ratio rose further to 61 %
 - › Liquid funds increased to MEUR 196



COACHES

PREFACE OF THE EXECUTIVE BOARD

"EVEN IN THIS EXTREMELY CHALLENGING ENVIRONMENT
SBO IS IN EXCELLENT FINANCIAL SHAPE AND WELL
PREPARED EVEN FOR A LENGTHY DOWNTURN".

Dear shareholders and business partners,

2015 was a highly challenging year for the oilfield service industry. The oil price of both crudes Brent and WTI had fallen below USD 40 per barrel by the end of the year, representing a contraction of close to 65 % each, compared to the summer of 2014. Over the year, the number of globally active drilling rigs fell by 45 %¹, and spending for exploration and production (E&P) by around 23 %². In short: The oilfield service industry experienced a profound downturn in 2015 – and this downturn is not over yet.

The current situation once again shows the extreme cyclicality of our business. In the oilfield service industry, extended upswings are always followed by abrupt downturns. But, the deeper and longer the downturn has been, the steeper the next upswing will normally be. These ups and downs are the rule, and not the exception, in our industry.

The management team of Schoeller-Bleckmann Oilfield Equipment AG (SBO) has decades of experience and profound expertise in navigating through such cycles. This time, we have again realised the deterioration in the market environment at an early point and started to take initial counter measures already in the third quarter of 2014. At the beginning of 2015, nobody was aware of how massive the downturn would become, but we were already prepared to face difficult times. We responded promptly by launching a vast set of measures to navigate SBO safely through the trough.

It goes without saying that the dramatic decline in drilling activities seen in 2015 was reflected in considerable spending cuts by the customers of SBO and thus – despite all counter measures taken – in our financial key figures: Bookings fell by 59.1 % and sales by 35.8 %. Nonetheless, the company generated a positive operative result (EBIT) before one-off effects amounting to MEUR 3.7. EBIT after one-off effects amounted to MEUR minus 22.1 (2014: MEUR 67.5). Profit after tax came in at MEUR minus 19.0. The one-off effects totaled MEUR 20.3 of which MEUR 18.3 were not cash effective. These mainly resulted from goodwill impairments and valuation of option commitments.

Even in this extremely challenging environment SBO has remained in top financial shape: With a cash position of MEUR 196.3, net liquidity of MEUR 26.2, positive free cashflow of MEUR 85.1 and an equity ratio of 60.8 % we are well prepared even for a lengthy downturn.

¹ Baker Hughes Inc.

² Evercore ISI OFS, 2016 Outlook; Barclays Capital Inc. January 2016.

"WE ARE POSITIONING THE COMPANY TO ENSURE THAT IT CAN BENEFIT FULLY FROM THE OPPORTUNITIES OFFERED BY THE NEXT UPTURN."

It is impossible to predict with any certainty how long the current downturn is going to last. Visibility in the sector is very low at the moment. Our customers manage their business on a month-to-month basis.

The root cause of the rapid decline of drilling activities is the dramatic oil price plunge due to persistent oversupply in the oil market. It should be noted here that global oil consumption in 2015, according to most recent estimates by the International Energy Agency (IEA), went up by 1.6 mb/d. This underpins that oil and gas, which will continue to cover nearly 50 %³ of the globally rising demand in primary energy also in the decades ahead, will remain the key sources of energy. However, this increase in oil consumption was accompanied by a growth of production by 2.7 mb/d. As a result, production increased by 1.1 mb/d more than consumption did year-on-year 2015 to 2014.⁴

This oversupply results from a fundamental structural change in the global oil market: Due to the fracking boom in North America, the US ranks among the three largest crude oil producers together with Saudi Arabia and Russia since 2015. In its attempt at avoiding further loss of market shares and taking corrective action, OPEC, led by Saudi Arabia, decided in November 2014 not to curb its output. It adhered to this course throughout 2015 and even increased production regardless of the oil price erosion. In December 2015, OPEC confirmed its policy and renewed its decision not to cut production.

And OPEC's strategy definitely makes itself felt – but not only in one direction: The US rig count indeed contracted by 57.6 %⁵ in 2015, the sharpest decline seen in the past three decades. Moreover, E&P spending was curtailed by 31 % in the US.⁶ At the same time, however, oil-related revenues in the OPEC countries also went down considerably. The International Monetary Fund (IMF) estimates the budget deficit of Saudi Arabia to having arrived at 21.6 % of the GDP in 2015, following 3.4 % in the year before.⁷ The question is how long the country and other OPEC members will be willing and able to live with decreasing incomes.

In addition, cutbacks of global E&P spending will, sooner or later, lead to insufficient production capacities for covering rising demand for oil. Natural depletion (production rates of already developed oil fields decline as no more investments are made) alone results in constant output reduction. Average depletion rates of conventional wells amount to 4 % to 8 % per year. They are much higher for shale oil deposits, mostly over 50 % in the first year, and typically as much as 80 % after three years.⁸ This is one of the reasons why drilling activity will sooner or later need to be ramped up again. At this point, the next upswing will set in. It is hard to predict when this will take place exactly, but our industry has taught us that: The longer the downturn, the steeper the upturn will generally be.

³ International Energy Agency (IEA), World Energy Outlook 2015, Current Policy Scenario.

⁴ International Energy Agency (IEA), Oil Market Report, February 2016.

⁵ Baker Hughes Inc.

⁶ Evercore ISI OFS, 2016 Outlook.

⁷ International Monetary Fund (IMF), World Economic and Financial Survey, October 2015.

⁸ International Energy Agency (IEA), World Energy Outlook 2015.

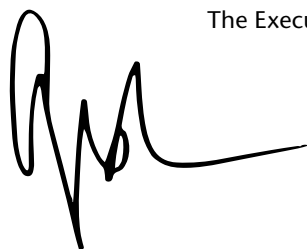
We are going full steam ahead to navigate SBO safely through the current cycle. In the process, we have reduced our capital expenditure in 2015 largely to maintenance investments and restructuring actions and adjusted personnel capacities continuously to market requirements. While we will continue this course, our attention is on the next upswing. We are re-positioning the company to ensure that it can benefit fully from the opportunities offered by the next upturn. This includes, on the one hand, an increase of cost flexibility through sustained site optimisation without losing manufacturing capacities for the next upswing. On the other hand, we are improving our responsiveness in the market: We continue to invest in new technologies and product innovation, and, with our additional product line “well completion”, are ready to get off the starting blocks for the next upswing.

We believe that we will see some degree of market consolidation within the oilfield service industry. Not all competitors will survive in the current market environment. SBO will benefit from such development in the medium term. Our strong balance sheet allows us to explore the market for attractive acquisition targets. It is our firm belief that SBO will emerge stronger from the present cycle.

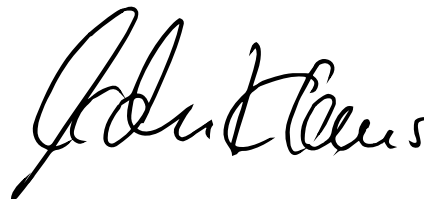
The oilfield service industry will continue to deliver attractive growth rates in the medium and long term, because the development of new oil and gas fields requires ever more complex technological solutions. Being a technology leader SBO is perfectly positioned to meet this challenge. SBO's high technological expertise, strong equity base, low debt, further improved cost base, and motivated workforce are the foundation for constantly benefiting from growth in our industry. Although cycles can always lead to fluctuating sales and profit levels, SBO has been, and will remain, a growth-oriented company in a growth-oriented market: Downswings are followed by upswings!

At this point, we would like to thank our employees, our customers and our shareholders for their cooperation and the trust placed in our company in the past financial year 2015. We are well prepared to start into the 2016 financial year.

The Executive Board, March 2016



Gerald Grohmann
Chief Executive Officer



Klaus Mader
Member of the Executive Board



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Center RELAY MARATHON 12th APRIL 2015

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RÖMERQUELLE

STADION CENTER

Center RELAY MARATHON 12th APRIL 2015

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Block 2:

Kronen Zeitung

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Kronen Zeitung

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ATHLETE

HUMAN RESOURCES

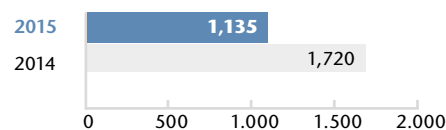
In the course of 2015, SBO adjusted its headcount to the extremely difficult market situation, mainly in the North American market and the UK, both massively hit by the downturn. As a result, the headcount fell by 34 % year-on-year, from 1,720 employees at the end of 2014 to 1,135 employees at the end of 2015. At year-end, 376 persons were employed in Austria, 399 in North America and Mexico (thereof USA: 302), 126 in the United Kingdom, and 234 in other regions of the world.

To be prepared for the next upswing, four new apprentices were hired in 2015, despite the group-wide cost-cutting programme, bringing their total number to 31. SBO is permanently investing in the training of 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 metal workers. Many apprentices stay with the company after they have passed their final examination to become skilled workers. By training new skilled workers, SBO is investing in the future of the company, as its business success is largely based on the high technical expertise.

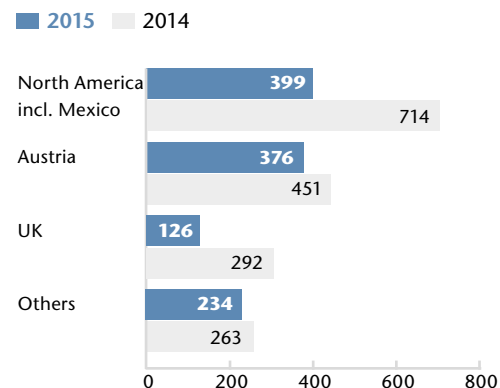
In order to maintain the high level of know-how, SBO offered a large number of further training courses and activities aimed at improving employees' skills and capabilities or specialising in a certain field of expertise also in 2015.

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.

TOTAL HEADCOUNT



HEADCOUNT BY REGION

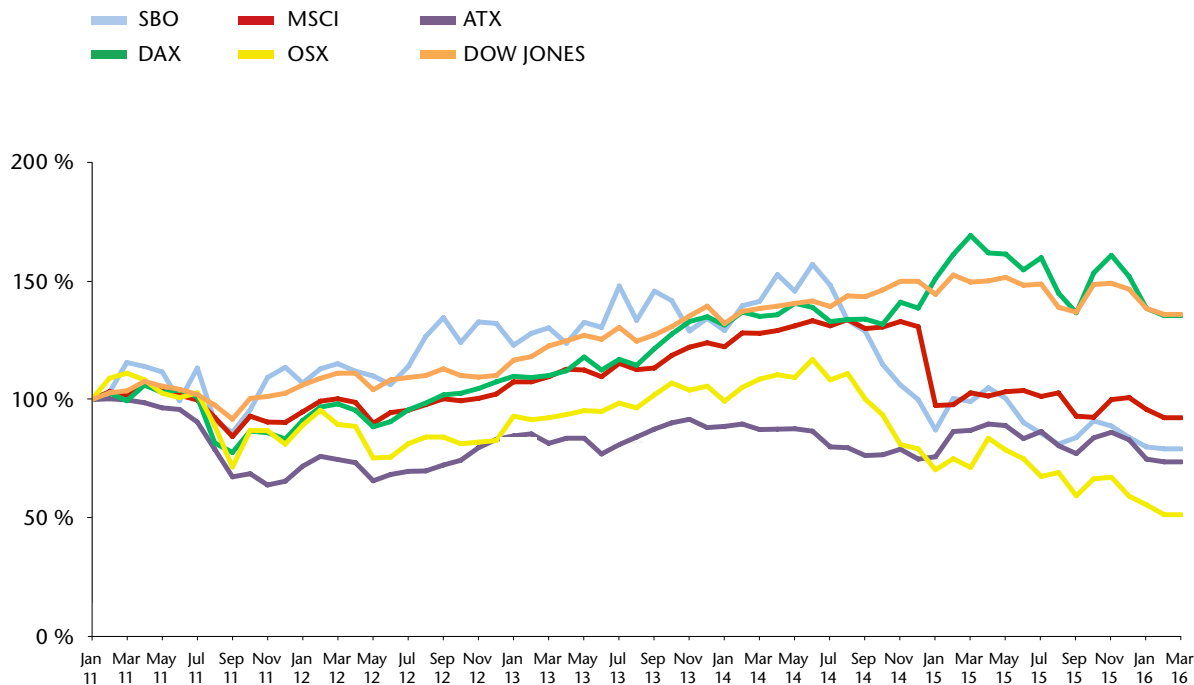


THE SBO-SHARE

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 2015, SBO started into the trading year at EUR 60.00 per share. On 11 June 2015, the SBO share reached its annual high of EUR 67.22. The annual low of the share was EUR 42.40 on 24 August 2015. The share price developed largely in line with the oil price: The price of one barrel of US brand WTI dropped by 39.5 % from its annual high of USD 61.36 on 10 June to USD 37.13 at the end of the year.

On 30 December 2015 the SBO share arrived at EUR 50.41, down 16.0 % from the beginning of the year. The Oil Service Sector Index (OSX), representing the share performance of the largest oil service providers worldwide, fell 25.1 % from USD 210.7 to USD 157.7 over the same period. In 2015, by contrast, Vienna's ATX blue-chip index posted an increase of 9.4 % from 2,191.06 points at the beginning of the year to 2,396.94 points on 30 December 2015. The SBO share thus outperformed the OSX development, but remained behind the ATX performance. Trading volumes averaged 40,700 shares per day (single count).

SHARE PERFORMANCE

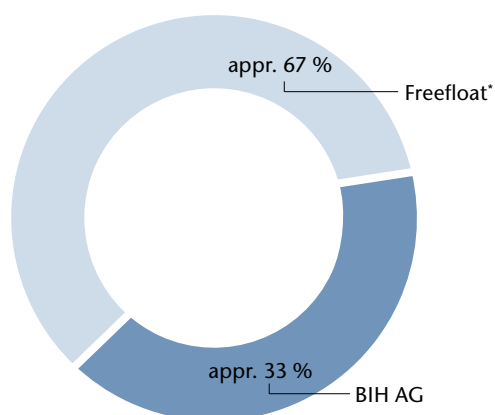


"SBO ADVOCATES TRANSPARENT COMMUNICATION WITH THE CAPITAL MARKET."

SBO places its emphasis on transparent management and communication with the capital market. In 2015, private and institutional investors were given the opportunity to inform about the company at various events of different type. In the reporting year, SBO attended more than 35 road shows and conferences in Austria and abroad. The Executive Board and the Investor Relations team presented the company to national and international investors, for instance in Boston, Brussels, Chicago, Denver, Edinburgh, Frankfurt, Geneva, Copenhagen, London, Los Angeles, New York, Paris, Salt Lake City, San Francisco, Stegersbach, Ternitz, Vienna, Zürs and Zurich.

In 2015, SBO was further working on the geographic broadening of the investor base. As at the end of 2015, SBO's investor landscape was as follows: SBO's core shareholder, BIH AG, held 33.4 % of the shares in SBO as at 31 December 2015, leaving a free float of 66.6 %, of which roughly 23 % is held by US investors, 20 % by investors from the United Kingdom, 8 % by Scandinavian investors, and 4 % each by Swiss and German investors. Further investors in SBO are investment funds, among them from Austria, Belgium, France, Poland, Australia etc.

SHAREHOLDER STRUCTURE 31 DECEMBER 2015



FINANCIAL CALENDAR 2016

27 April 2016	General shareholders' meeting
9 May 2016	Ex-day
10 May 2016	Record Date
11 May 2016	Dividend payout day

Publications:

25 May 2016	1 st Quarter 2016
24 August 2016	2 nd Quarter 2016
23 November 2016	3 rd Quarter 2016

* Thereof EARNEST Partners, LLC and Aberdeen Asset Managers Ltd. each own more than 5 % of the voting rights. Threadneedle Asset Management Limited (TAML) holds more than 4 % of the voting rights in SBO.

Analysts of Baader Bank, Berenberg Bank, Deutsche Bank, 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 11 analysts rank among the leading ATX-listed companies.

In 2015, SBO also maintained a transparent and pro-active communication with business and finance journalists. CEO Gerald Grohmann used the contacts with journalists to explain the strategy and business model of SBO beyond the day-to-day business and to inform them 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

	2015	2014
Share capital (in EUR)	16,000,000	16,000,000
Number of shares	16,000,000	16,000,000
Average daily trading volume ¹	81,394	36,200
Closing rate at year-end (in EUR)	50.41	60.00
High/low (in EUR)	67.22/42.40	96.57/55.00
Market capitalisation at year-end (in EUR)	805,652,620	958,560,000
Earnings per share (in EUR)	-1.19	3.38
Price-earnings ratio at year-end	n.a.	17.75
Dividend per share (in EUR)	0.50 ²	1.50

¹ Double counting

² Proposed



ALLEGIANCE

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 January 2015 which is applicable to this report. The rules of the Austrian Corporate Governance Code are subdivided into three categories:

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

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

Third: R-Rules (Recommendation). These are of recommendatory nature; non-execution 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 granted to Gerald Grohmann, CEO, for the fiscal year 2015 is subject to disposal and encumbrance restrictions effective for a period of two years (instead of three years), because the Supervisory Board is of the opinion that this retention period of two years is adequate and expedient for the purpose of good corporate management.

Rule 41

In line with the Austrian Corporate Governance Code, the function of the Nomination Committee is exercised by the Remuneration Committee instead of establishing a separate Nomination Committee. Against the backdrop that the Executive Board of SBO only consists of two members as well as due to the fact that the Remuneration Committee is responsible already for any other issues related to the Executive Board, the functions of the Nomination Committee are carried out by the Remuneration Committee for efficiency purposes.

Rule 62

SBO shall have evaluated periodically its compliance with the C-Rules of the Austrian Corporate Governance Code, but at least every three years, by an external institution, with the report on the findings of the evaluation to be published in the Corporate Governance Report. For the fiscal year 2015, SBO did not have an external institution carry out such an evaluation. The next external evaluation shall be made within the three year term according to the Austrian Corporate Governance Code.

THE EXECUTIVE BOARD

The rules of procedure for the Executive Board govern the composition and working method of the Executive Board, cooperation of the Executive Board and the Supervisory Board, procedures and the approach to conflicts of interest, information and reporting duties of the Executive Board and decisions requiring approval of the Supervisory Board applying to significant transactions of the major subsidiaries. Generally, the Executive Board holds at least weekly meetings for mutual information and decision-making.

During the fiscal year 2015, the Executive Board was composed of the following members:

	Year of birth	Date of first appointment	End of current term of office
Gerald Grohmann CEO	1953	3 Oct. 2001	31 Dec. 2018
Franz Gritsch	1953	1 Dec. 1997	30 Sept. 2015*
Klaus Mader	1970	1 Oct. 2015	30 Sept. 2018

* Franz Gritsch stepped down from the Executive Board with effect as of 30 September 2015 due to his retirement. However, for the purpose of a smooth handover to Klaus Mader, he continued his service for the company as "Director Finance" until the beginning of 2016.

In the fiscal year 2015, the members of the Executive Board did not hold any group-external Supervisory Board mandates or comparable functions in Austria or abroad.

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:

Gerald Grohmann	Strategy, marketing, technology and public relations
Franz Gritsch / Klaus Mader	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. Starting with the fiscal year 2014, an agreement on a share-based remuneration was concluded with Gerald Grohmann, CEO, which provides for an annual remuneration of 6,000 SBO shares each. Said shares are subject to disposal and encumbrance restrictions for Mr. Grohmann valid for a period of two years from the respective transfer date, but no later than upon termination of the employment agreement.

The rules for severance payments follow the legal requirements. Upon leaving the company, the chairman of the Executive Board 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 relationship.

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

For the fiscal year 2015 the following remuneration was paid:

	Fixed remuneration in TEUR	Variable remuneration in TEUR	Total in TEUR
Gerald Grohmann	565	717	1,282
Franz Gritsch	262	205	467
Klaus Mader	81	0	81

The table above does not include the share-based remuneration for Gerald Grohmann set out above.

THE SUPERVISORY BOARD

During the fiscal year 2015, the Supervisory Board consisted of six members:

	Year of birth	Date of first appointment	End of current term of office*
Norbert Zimmermann Chairman	1947	10 Apr. 1995	2017
Peter Pichler Deputy Chairman	1958	10 Apr. 1995	2018
Helmut Langanger	1950	29 Apr. 2003	2019
Karl Samstag	1944	24 Oct. 2005	2017
Karl Schleinzer	1946	24 May 1995	2020**
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 withdrawing member can immediately be reelected.

** At the Annual General Meeting 2015, Karl Schleinzer 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, 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 are, if applicable, disclosed:

	Company	Function
Norbert Zimmermann	-----	-----
Peter Pichler	-----	-----
Helmut Langanger	ENQUEST plc SERINUS Energy Inc.	Member of the Board of Directors as Non-Executive Director Member of the Board of Directors as Non-Executive Director
Karl Samstag	Oberbank AG BKS Bank AG Bank für Tirol und Vorarlberg AG	Supervisory board member Supervisory board member Supervisory board member
Karl Schleinzner	-----	-----
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 interest, and all committees (Audit Committee, Nomination and Remuneration Committee) and their responsibilities.

The Supervisory Board held five meetings in the period under review. Moreover, the Supervisory Board held meetings with the Executive Board on management matters. The main focus of the Supervisory Board's activities in 2015 was to monitor and support the management board concerning the strategic orientation of the group and navigation of the company through the current market downturn. Moreover, the Supervisory Board appointed the new Chief Financial Officer.

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: Norbert Zimmermann (Chairman)
 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: Norbert Zimmermann (Chairman)
 Peter Pichler
 Karl Schleinzer

In the reporting year, the Nomination and Remuneration Committee held two meetings.

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:

 Helmut Langanger
 Karl Samstag
 Karl Schleinzer
 Brigitte Ederer

The scope of services provided for the company as its legal counsel by Supervisory Board member Schleinzer during the fiscal year 2015 is not deemed significant pursuant to Annex 1 of the Corporate Governance Code (for details see Notes to the Consolidated Financial Statements).

Members Norbert Zimmermann and Peter Pichler represent the interests of BIH AG, which holds a share of approximately 33 % 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 2014 was approved at the Annual General Meeting 2015. 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 2014 after tax. The remuneration for the members of the Supervisory Board for the fiscal year 2015 will be subject to an applicable resolution at the Annual General Meeting 2016.

For the fiscal year 2014 the following remuneration was resolved and paid:

	Fixed remuneration in EUR	Variable remuneration in EUR	Total in EUR
Norbert Zimmermann	9,000	13,502	22,502
Peter Pichler	6,000	13,502	19,502
Helmut Langanger	6,000	13,502	19,502
Karl Samstag	6,000	13,502	19,502
Karl Schleinzer	6,000	13,502	19,502
Brigitte Ederer	4,500	10,126	14,626

No loans or advances were paid to the members of the Supervisory Board.

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

MEASURES 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".



FARMERS

SUSTAINABILITY REPORT

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 from 2013 to 2040 will rise by 45 %, or 1.4 % p.a.¹ At the same time, the world population is expected to grow from 7 billion in 2013 to 9 billion, or by 2 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 (from 36 % to 27 %) and the share of gas will rise (from 26 % to 31 %).

Whereas, however, demand for energy – and with it also 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 to tap 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 main 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 its contribution to the sustainable reduction of the environmental impact associated with global energy supply.

¹ IEA, WEO 2015: Current Policy Scenario.

Constantly growing technological complexity in oil and gas drilling has been, and will be, the engine of growth for SBO 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 implemented, for instance, by acquiring attractive niche players and building new sites, as well as through capacity expansions at existing sites, as exemplified by the establishment of a new sales organisation in Saudi Arabia in 2015 or the expansion of the production site in Ternitz/Austria completed already in 2014. A 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 five new sites, four of which in the emerging markets (Vietnam, Singapore, Brazil, Mexico) and the company in Saudi Arabia mentioned above. 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.

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 at payout ratios of 30 % to 60 % of the profit after tax, regardless of the industry cycle, if operating income is positive. If operating income is negative, payout and the dividend level depend on various factors, such as the current and future market situation, company outlook, level of liquid funds, other financial obligations, etc.

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, operational 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 nor other harmful effects on the environment 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 – emergency plans have been prepared at all levels and all group companies. The 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 cracking 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) in general is a low-noise method.

During the expansion of the group's largest site in Ternitz, 720 solar panels with a total output of 720 kWp (kilowatt peak) were installed to produce up to 45,000 kWh annually.

Product life-cycle extension

Developing new oil and gas fields is getting more and more demanding and requires the use of a rising number of technological 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 helps to extend the life of products manufactured 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 1,135 as at 31 December 2015. 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 on part-time basis.

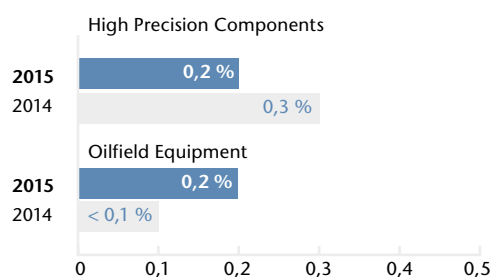
SBO pays great attention to performance-related remuneration and strictly complies with collective agreements. Moreover, SBO respects the fundamental freedom of assembly at its global branch offices. SBO has set up employee representation bodies at all sites as requested by employees or legal provisions. 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, expressions etc.) is strictly prohibited. Non-observance of these standards, which are also part of the code of conduct, 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 up-to-date 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 workforce at our subsidiaries averages 60 and therefore is easy to manage and highly flexible. This ensures efficient and demand-oriented health and safety policies at all sites.

At the site in Ternitz/Austria, the largest in terms of employees, a company doctor is employed. Regular initiatives, such as vaccinations to protect employees from the flu and tick bites provide additional health offers for 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 worldwide. The company provides either apprenticeship training for young workers or in-depth training for experienced employees, following 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 376 as at 31 December 2015. Additionally, the company hires apprentices every year: At the turn of 2015/2016 their total number across the group was 31. Many of them will later be employed as skilled workers by SBO.

Employee motivation

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

SBO products enjoy an excellent reputation all over the world, largely due to the commitment of its workforce, which knows 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 company and thus participates financially in their 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 responding 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 remains with the company after having completed apprenticeship.

Equal opportunities of 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 appr. 9 % women and 91 % 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 study² published in March 2014 by research institutions IHS Global and American Petroleum Institute, out of 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 supply of workers is more balanced in terms of gender, female employees are well represented at SBO. For instance, more than half of all positions as departmental head in controlling are filled by female executives across the group.

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

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 employs also people with disabilities.

RESPONSIBILITY TOWARDS CUSTOMERS, SUPPLIERS AND SOCIETY

Customers

SBO 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, including the fact that corporate data of our customers and their intellectual property rights are protected specifically.

Suppliers

SBO maintains fair and long-standing relations with all its suppliers.

CORPORATE SOCIAL RESPONSIBILITY

With its wage, salary and tax payments, SBO contributes to the economic strength of the region. In fiscal year 2015, corporate tax paid by SBO amounted to MEUR 18.5, in 2014 MEUR 27.7. In Austria alone, payments were MEUR 13.9, following MEUR 10.3 in the year before. Regarding other taxes (land tax etc.), SBO's expenses amounted to MEUR 4.2 in 2015, following MEUR 3.6 in fiscal year 2014. Additionally, SBO paid a contribution of TEUR 12.0 for statutory representation (contribution to the Austrian Economic Chamber), and a contribution of TEUR 12.0 for voluntary representation of interests (largely membership fee) in 2015.

SBO supports regional social projects: In 2015 SBO made donations, for instance, to Blinden- und Sehbehindertenförderung (promotion scheme for the blind and visually impaired) and RAINBOWS, the only Austrian-wide association to help children and adolescents following separation/divorce or death.

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

Politics and lobbying

SBO does not pursue political activities nor supports 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.

CORPORATE GOVERNANCE

Executive Board:

Gerald Grohmann (Chief Executive Officer)

Klaus Mader (Chief Financial Officer)

Supervisory Board:

Norbert Zimmermann (Chairman; first appointed in 1995; term of office until 2017)

Peter Pichler (Deputy Chairman; first appointed in 1995; term of office until 2018)

Helmut Langanger (first appointed in 2003; term of office until 2019)

Karl Samstag (first appointed in 2005; term of office until 2017)

Karl Schleinzer (first appointed in 1995; term of office until 2020)

Brigitte Ederer (first appointed in 2014; term of office until 2019)

Every year, one member of the Supervisory Board resigns from office at the end of the Annual General Meeting. The resigning member is eligible for immediate reelection. Karl Schleinzer was reelected to the Supervisory Board of SBO by resolution of the Annual General Meeting of 23 April 2015. The Supervisory Board of SBO consists of six members, representing the maximum number according to the Articles of Association.

The Supervisory Board of SBO maintains a nomination and remuneration committee as well as an audit committee. Issues regarding sustainability are dealt with by the entire Supervisory Board.

More details on SBO's compliance with the Austrian Corporate Governance Code are available from the current Corporate Governance Report of the company, which can also be downloaded from the company's website at www.sbo.at.

All shares of Schoeller-Bleckmann Oilfield Equipment AG are no-par value bearer shares. No preferred shareholder rights or different legal arrangements for shares are provided for in the Articles of Association of SBO. There is no exception to the rule "one share - one vote". Shareholders whose

aggregate holdings equal 5 % of the share capital have the right, pursuant to Section 109 (1) Austrian Stock Corporation Act, to request that additional items be put on the agenda of the Annual General Meeting. Shareholders whose aggregate holdings represent 1 % of the share capital may submit proposals for resolution in written form and request that such proposals be published, together with the names of the shareholders concerned, the reasons to be attached and the comment, if any, of the Executive Board or Supervisory Board, on the website of the company (pursuant to Section 110 Austrian Stock Corporation Act).

At the 2015 Annual General Meeting, 73.7 % of shareholders exercised their right to vote. SBO informs shareholders proactively about the Annual General Meeting and provides all necessary documents on its website in good time.

SBO, as a publicly listed company, commits itself to complying with:

- › the Austrian Stock Corporation and Stock Exchange Acts,
- › the Issuer Compliance Regulation,
- › the Publication and Disclosure Regulation,
- › the Corporate Governance Code,
- › the guidelines of the Vienna Stock Exchange.

The Compliance Policy which all employees of SBO must adhere to governs transmission of information and organisational measures to prevent the misuse or disclosure of information subject to compliance provisions.

Note on gender

In the interest of simplicity and readability, the masculine or feminine gender always includes the other gender.



HELI

MANAGEMENT REPORT

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"ALTHOUGH DEMAND FOR OIL WAS GROWING, THE MARKET REMAINED CONSIDERABLY OVERSUPPLIED. AS A RESULT, GLOBAL DRILLING ACTIVITY AS AT DECEMBER 2015 HAD GONE DOWN BY 45 % YEAR-ON-YEAR."

MARKET ENVIRONMENT

Global economic growth in 2015 declined slightly from the previous year, remaining behind original expectations. According to current estimates of the International Monetary Fund (IMF), global economic growth arrived at 3.1 %, which is 0.3 percentage points below the prior year's reading (2014: 3.4 %). The average growth rate of the industrialised countries in 2015 was 1.9 %, following 1.8 % in 2014. Economic growth in the emerging markets in 2015 came to 4.0 %, following 4.6 % in 2014.⁹

While the low oil price had an overall positive effect on oil-importing industrialised economies, it had an adverse impact on the oil-exporting emerging markets. Geopolitical crises weighed on the economies in Russia, which slipped into recession, and the Middle East. In China, economic growth slowed down. In total, the emerging markets – thanks to China and India – still achieved attractive growth rates.

Average global oil consumption in 2015, according to the International Energy Agency (IEA), rose by 1.6 million barrels per day (mb/d), or 1.7 %, to 94.4 mb/d (2014: 92.8 mb/d). Stronger demand came mainly from China, the US, India and Europe. Consumption in OECD countries grew by 0.5 mb/d, or 1.1 %, to 46.1 mb/d (2014: 45.7 mb/d). Consumption in non-OECD countries went up by 1.1 mb/d, or 2.5 %, to 48.3 mb/d¹⁰ (2014: 47.1 mb/d).

Although demand was growing, the oil market remained considerably oversupplied. In 2015, production averaging 96.4 mb/d exceeded consumption by 2.0 mb/d. OPEC countries – mainly Saudi Arabia and Iraq – drove their output up by 1.2 mb/d. However, non-OPEC countries also stepped up their production in 2015 by 1.4 mb/d from the year before, and this rise was mainly caused by the United States, where production fell again slightly in the fourth quarter of 2015, and Russia, which ramped up production to a maximum due to the current economic situation and the devaluation of the rouble. After a global supply overhang of 2.4 mb/d in the second quarter

⁹ International Monetary Fund (IMF), World Economic Outlook Update, January 2016.

¹⁰ International Energy Agency (IEA), Oil Market Report, February 2016.

of 2015, those oversupplies were slightly reduced to 2.3 mb/d in the fourth quarter 2015. OPEC's effective spare capacity¹¹ in January 2016 was 2.29 mb/d, down 0.67 mb/d from last year's reading (January 2015: 2.96 mb/d).¹²

The global rig count¹³ in December 2015 was 1,969 rigs, down by 45 % from the prior year's reading (2014: 3,570 rigs). The number of drilling rigs decreased in all regions of the world – except for the Middle East, where it remained unchanged. The largest contraction by far was seen in the US (minus 62.1 % to 714 rigs) – the most dramatic drop recorded over the past three decades.

Global spending for exploration and production in 2015, as analysts have pointed out, fell by approximately 23 % to around USD 560 billion, according to Evercore ISI. The sharpest drop of around 35 % was reported in North America.¹⁴

Prices of WTI and Brent crudes developed at a positive level in the first half of 2015, as the price of one barrel of US crude WTI climbed from USD 52.72 at the beginning of the year to USD 61.36 on 10 June 2015. European crude Brent started at USD 55.38 per barrel at the beginning of the year and climbed to its annual high of USD 66.33 on 13 May 2015.¹⁵

During the course of the year, however, prices of both crudes dropped significantly due to the continued oversupply in the oil market. Early in December 2015, OPEC again decided not to curb its oil production and maintained its course taken in November 2014. On 31 December 2015, the price of WTI arrived at USD 37.13 per barrel, the price of Brent at USD 36.61 per barrel. Over the year (2 January - 31 December 2015), the price of WTI had thus fallen by 29.6 %, and of Brent by 33.9 %.

¹¹ Definition der 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."

¹² International Energy Agency (IEA), Oil Market Report, February 2016.

¹³ Baker Hughes Inc.

¹⁴ Evercore ISI OFS, 2016 Outlook, Barclays Capital Inc. January 2016.

¹⁵ U.S. Energy Information Agency (EIA), Spot Prices for Crude Oil as per 1 January 2016.

"DESPITE THE EXTREMELY DIFFICULT ENVIRONMENT SBO GENERATED A POSITIVE OPERATING RESULT BEFORE ONE-OFF EFFECTS AND INCREASED ITS CASHFLOW SIGNIFICANTLY."

BUSINESS DEVELOPMENT

The entire oilfield service industry was hit by the massive slump of drilling activity in 2015. SBO could not escape that development either: Following record bookings in 2014, bookings contracted by 59.1 % to MEUR 203.6 (2014: MEUR 497.9), sales went down by 35.8 % to MEUR 313.7 (2014: MEUR 488.6). Nevertheless, the company generated a positive operative result (EBIT) before one-off effects amounting to MEUR 3.7. EBIT after one-off effects amounted to MEUR minus 22.1 (2014: MEUR 67.5). Profit after tax came in at MEUR minus 19.0 (2014: MEUR 54.0). The one-off effects totaled MEUR 20.3, of which MEUR 18.3 were not cash effective. These mainly resulted from goodwill impairments and valuation of option commitments.

Despite the extremely difficult environment, which further aggravated in the course of the year, SBO generated a positive operative result (EBIT) before one-off effects of MEUR 3.7 (2014: MEUR 106.7) and increased cashflow from operating activities by 52.3 % to MEUR 103.4 (2014: MEUR 67.9). With liquid funds of MEUR 196.3 and an equity ratio of 60.8 %, the company has a profoundly strong balance-sheet structure.

SBO subdivides its business activities into the two segments High Precision Components (manufacturing of high-precision drillstring components) and Oilfield Equipment (non-magnetic drill collars, drilling motors, circulation tools, completion tools and other components including service and repair). Both segments were severely hit by the market slump.

In 2015, the segment of High Precision Components developed in line with the decreased CAPEX-spending of customers. Owing to the massively reduced drilling activities as a consequence of the low oil price levels, customer demand contracted considerably. Moreover, customers again tended to overhaul and repair tools and take other efficiency enhancing measures to maximise their potential service life so as to reduce the number of new orders to a minimum. Bookings went down, sales shrank and mounting pressure was exerted on prices. All of these factors led to a negative profit before tax in the segment of High Precision Components. To defend its position as global market leader also in the current market environment and strengthen its technological edge for the next upswing, SBO continued its targeted investments in product innovation.

In the segment of Oilfield Equipment, the sharp curtailment of global drilling activity also had a dampening effect on business. Here, too, SBO posted declining bookings and sales. Drilling motor business of SBO's subsidiary BICO suffered from the particularly steep reduction of the rig count in North America. Still, BICO was able to assert its market position in the United States by implementing further technological improvements of its drilling motor fleet. Given the extremely challenging market environment, our subsidiary DSI, the clear world market leader in the field of downhole

circulation tools, and the Service and Repair Shops, specifically in Russia, delivered satisfying results. Likewise, Resource Well Completion Technologies (Resource), a subsidiary acquired at the end of 2014, delivered positive results.

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 counter measures already in the third quarter of 2014 and systematically continued to pursue this course in 2015:

- › SBO merged its two US subsidiaries "Godwin-SBO L.L.C." (Godwin) and "Knust-SBO L.L.C." (Knust) as of 1 October 2015. Production of newly founded "Knust-Godwin LLC" will be united at the site of Godwin. The merger aims to create structural and sustainable cost benefits, while 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 completed restructuring of its UK activities, initiated as early as in the third quarter of 2014 as planned. Operational activities of the two neighbouring subsidiaries "Techman Engineering Ltd." (Techman) and "Darron Tool & Engineering Ltd." (Darron) were merged at the location of Techman. As a result, structural and sustainable cost benefits have been created.
- › Expenditure for plant, property and equipment (CAPEX) was largely reduced to maintenance investments and restructuring activities in 2015. Moreover, SBO invested selectively in site extensions (Russia, Middle East). Spending for research and development has not been curbed.
- › SBO continued to internationalise the successful drilling motor business of its subsidiary BICO, which started in 2014. Apart from initial business success in Russia and the Far East, drilling motors will be marketed by our subsidiary established in Dubai. Moreover, our newly set up sales companies in Saudi Arabia and Mexico will open additional market opportunities primarily for DSI and its downhole circulation technologies.
- › Personnel capacities were adjusted to the market demand. The headcount as at 31 December 2015 was 1,135 (31 December 2014: 1,720) down by 34 % year-on-year.
- › The goodwill of subsidiaries Resource and BICO was adjusted. Both companies operate primarily in the North American market, which is particularly hit by the current downturn. Due to the merger of two subsidiaries in England, the goodwill of Techman was impaired by MEUR 1.8.

INVESTMENTS

Investments in tangible fixed assets amounted to MEUR 22.9 (2014: MEUR 43.8) in the fiscal year 2015. They were largely limited to maintenance investments and restructuring measures. Additionally, selective spending was made to site extensions.

As in the years before, additions were financed mainly from the current cashflow. Total purchase commitments for expenditure in property, plant and equipment as at the end of 2015 were MEUR 3.1 (end of 2014: MEUR 5.2).

RESEARCH AND DEVELOPMENT

At SBO, research and development activities have been integrated in its operations for many years, a system that ensures market and customer-oriented R&D activities. Here are two examples of the resulting production innovations:

In the segment of High Precision Components, SBO developed a new technological machining method allowing, for the first time, to conduct high-precision drilling with small diameters ("deviated gunhole drilling") deviated over longer distances in a collar. This creates new opportunities and enhanced efficiency in developing and designing MWD/LWD components.

In the segment of Oilfield Equipment, SBO's subsidiary DSI has introduced the new "fast ball", which is used for highly complex drilling and well completion activities. The fast ball ensures that circulation losses can be removed faster and more efficiently. With its increased weight (by 80 %), considerably higher density and greater temperature resistance of nearly 50 %, the fast ball reduces activation time of the "PBL activation tool" significantly.

"THE DOWNTURN HAS NOT YET COME TO AN END. THE CRUCIAL ISSUE IS HOW LONG THE OVERSUPPLY OF THE OIL MARKET WILL PERSIST. AS SOON AS THE BALANCE HAS BEEN RESTORED, THE UPSWING - FOR WHICH SBO IS WELL PREPARED - SHOULD SET IN."

OUTLOOK

In January 2016, the International Monetary Fund (IMF) has revised down its forecast for 2016, but still expects global economic growth to rise by 3.4 %, following 3.1 % in 2015 and 3.4 % in 2014.¹⁶ Growth expectations for the industrialised nations in 2016 are 2.1 % (following 1.9 % in 2015 and 1.8 % in 2014). This points to a continuation of the moderate economic recovery in the industrialised countries. In the emerging markets and developing countries, the IMF now assumes that growth in 2016 will arrive at 4.3 % (following 4.0 % in 2015 and 4.6 % in 2014).

According to the IMF, the main reason for economic recovery in the industrialised nations in 2016 is the boost triggered by low commodity costs – in particular the low oil price. In the emerging markets and developing countries, the IMF expects to see some degree of recovery primarily in those countries having experienced economic problems in 2015, among them Russia and other countries in Latin America and the Middle East. Stronger demand from the industrialised economies and lifting of the sanctions imposed on Iran should provide positive impulses in the emerging markets in 2016. In contrast, growth in China is expected to slow down. What is striking is the low forecast for Saudi Arabia, whose economy is clearly suffering from the low oil price and is expected to grow by a mere 1.2 % in 2016 (2015: 3.4 %).

Consequently, the International Energy Agency (IEA) projects oil consumption to rise further in 2016: Oil consumption is set to come to 95.6 mb/d in 2016, representing an increase of 1.2 mb/d, or by 1.2 % year-on-year (2015: 94.4 mb/d). Oil demand in the OECD countries is expected to average 46.2 mb/d, the same level as in 2015, whereas oil demand in non-OECD countries should go up by 1.2 mb/d, or 2.5 %, to a total of 49.4 mb/d.¹⁷

According to market surveys conducted by investment groups Barclays (January 2016)¹⁸ and Evercore ISI (December 2015), oilfield service providers will further cut back on their E&P spending in 2016, as the oversupply in the oil market continues. For the first time since the 1986/1987 downturn, this would involve dropping E&P expenditure in two consecutive years. The surveys came to the conclusion that E&P spending in 2016 would go down by 11 to 20 % globally, and by as much as 19 to 27 % in North America. Respondent companies calculated, at the time of survey, with a price of USD 45-50 per barrel of WTI for 2016.¹⁹ If the average oil price for 2016 falls below that level, further investment cuts cannot be excluded.

¹⁶ International Monetary Fund (IMF), World Economic Outlook Update, January 2016.

¹⁷ International Energy Agency (IEA), Oil Market Report, February 2016.

¹⁸ Barclays Capital Inc., Equity Research, January 2016.

¹⁹ Evercore ISI OFS, 2016 Outlook.

It is clear that this is the steepest downturn since 1986, when the oil price plummeted from USD 30 per barrel to USD 10 per barrel within eight months. At that time, sluggish demand for oil was accompanied by growing output from non-OPEC countries, and OPEC trying to regain market shares by stepping up production. The main differences over the current downturn are, on the one hand, the sustained robust demand for oil at the moment and OPEC's spare capacity, which then stood at more than 10 mb/d (at a global oil production of 60 mb/d), and gave the organisation much headway for driving up production volumes. Today, OPEC's spare capacity fluctuates between 2 and 3 mb/d (at a global oil production of 96.3 mb/d), even dropping by around 1 mb/d year-on-year. In other words, the spare capacity / production ratio lies with 2 % considerably below the same ratio in 1986 (16.7 %).

In any event, SBO braces for a highly challenging market situation continuing throughout 2016. The downturn weighing on the oilfield service industry in 2015 has not yet come to an end. The crucial question is how long the oversupply of the oil market will persist. As soon as the balance has been restored, the upswing - for which SBO is well prepared - should set in.

IEA expects production in non-OPEC countries to contract by 0.6 mb/d, from 57.7 mb/d in 2015 to 57.1 mb/d in 2016.²⁰ Russia will most likely keep its production of just over 11 mb/d at the same level as in 2015. In the United States, due to the massive drop of the rig count, less crude was produced in the fourth quarter of 2015, and the decline is set to continue in 2016, as the IEA projects. However, in the US, there is a large number of wells that have been drilled, but not been completed yet (DUCs). It is reasonable to assume that when the oil price starts to go up again, those wells will go on stream first, before new drilling projects are executed.

The remaining non-OPEC countries may have more difficulties to ramp up their production again after the sharp cut on E&P spending. Some experts project that those countries – accounting for around 30 % of global crude production – will be faced with production declines of 2.5 % in 2016.²¹

²⁰ International Energy Agency (IEA), Oil Market Report, February 2016.

²¹ Guggenheim Securities, November 2015.

It will be of prime importance how long OPEC will stick to its course of keeping production much higher than at 30 mb/d to counteract oil price recovery. The current policy has led to enormous loss of income for the OPEC countries. It is not clear how long Saudi Arabia and the poorer members of OPEC will be willing and able to accept that situation.

This combination of decreasing supply and growing demand should result in a sustained recovery of the oil price and trigger new investments. This is when the next upswing will set in. It is impossible to predict when this will occur. Visibility in the market remains extremely low. But past experience in the oilfield service industry has told us one thing: Each downturn is followed by an upturn. And the sharper and longer the downturn is, the steeper the next upswing will normally be.

With its high cash position, current net liquidity, positive free cashflow and high equity ratio, SBO is well prepared even for a lengthy downturn. The company will systematically continue the measures implemented in 2015 to combat the decline: Cost-cutting programmes will be stepped up and capacities adjusted further to the market situation. Site optimisation in the United States will be completed by midyear. The strategy to develop new markets for the products of SBO in the segment Oilfield Equipment will be pursued consistently. Due to its profoundly strong balance sheet, SBO is able to continue the search for strategically fitting acquisition targets.

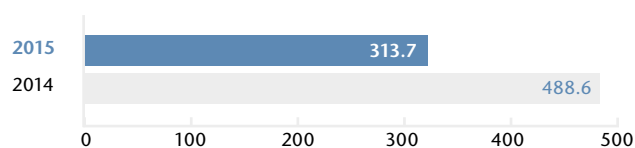
The current situation demonstrates clearly how fast the business cycle in the oil and gas industry can turn around. While full attention is now focused on managing the downturn, it is certain that the medium to long-term growth perspectives for the oilfield service industry remain absolutely intact. 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 prepared well to benefit fully from the next upswing.

ANALYSIS AND RESULTS

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

The business activities of the SBO group were not changed in the past financial year.

Sales in MEUR



Year-on-year, sales decreased by 35.8 % from MEUR 488.6 in 2014 to MEUR 313.7 in 2015.

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 2015, 85 % (following 82 % in 2014) of sales and income were generated in US dollars and around 50 % of expenditure - as before - was also incurred in US dollars. The average exchange rate in 2015 was 1 Euro = USD 1.1096 compared to 1 Euro = USD 1.3288 in 2014 and had a supporting effect.

Exchange rate in EUR/USD

	High	Low	Average	Close
Year 2015	1.2043	1.0552	1.1096	1.0887
Year 2014	1.3953	1.2141	1.3288	1.2141

In the preparation of the consolidated annual financial statements 2014 and 2015, the average rates for these years were used in the preparation of the consolidated profit and loss statements, whereas the closing rates as of 31 December were used in the preparation of the consolidated balance sheets.

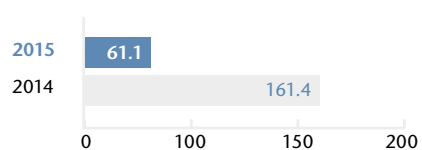
Sales by business segments in MEUR

	High Precision Components	Oilfield Equipment	Total sales
Year 2015	143.5	170.2	313.7
Year 2014	228.8	259.8	488.6

In the High Precision Components segment, sales in 2015 fell by 37.3 % from MEUR 228.8 in 2014 to MEUR 143.5 in 2015 due to considerably curtailed CAPEX-spending of customers.

In the Oilfield Equipment segment, the significant decline in drilling activities resulted in a drop of sales by 34.5 % from MEUR 259.8 to MEUR 170.2.

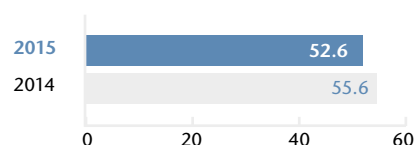
Gross profit in MEUR



In 2015, gross profit dropped by 62.1 % from MEUR 161.4 to MEUR 61.1 and the gross margin fell from 33.0 % to 19.5 %.

The gross margin reduction resulted from capacity under-utilisation and the lower price level. The reduced margin could be compensated only partly by cost-cutting measures.

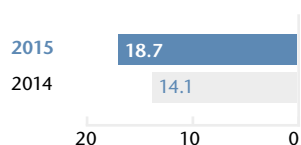
Selling and administrative expenses in MEUR



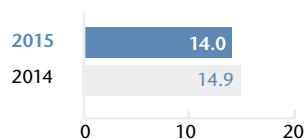
Selling and administrative expenses declined from MEUR 55.6 in 2014 to MEUR 52.6 in 2015.

Selling and administrative expenses consisted mainly of salary and salary-related expenses, professional fees for operational activities, travel and entertainment costs, communication and insurance expenses. The annual comparison, however, does not take into account that Resource Well Completion Technologies (Resource), a subsidiary acquired at the end of 2014, was only included in the numbers of 2015 and merely to an insignificantly small extent also in the numbers of 2014.

Other operative income and expenses

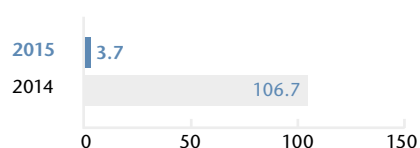


Other operating expenses amounted to MEUR 18.7 in 2015 (2014: MEUR 14.1). This item contains primarily research and development costs amounting to MEUR 8.2 (2014: MEUR 6.2), incurred mainly for the Oilfield Equipment segment, as well as exchange losses of MEUR 10.5 (2014: MEUR 7.7) that were offset by exchange gains in other operating income of MEUR 12.4 (2014: MEUR 12.7).



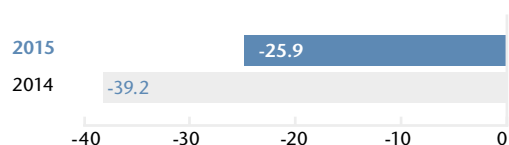
Other operating income in 2015 totalled MEUR 14.0 (2014: MEUR 14.9) and, apart from exchange gains, consisted of rental income, service charges and income from the sale of fixed assets.

Income from operations before impairments and restructuring measures in MEUR



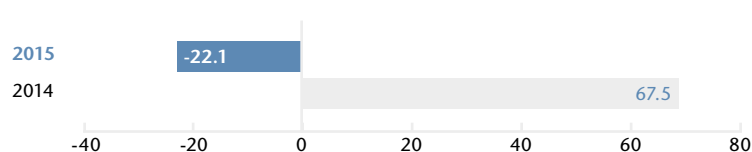
Income from operations before impairment and restructuring measures dropped by 96.5 % from MEUR 106.7 to MEUR 3.7 and thus accounted for 1.2 % of sales following 21.8 % in the previous year.

Impairment and restructuring measures in MEUR



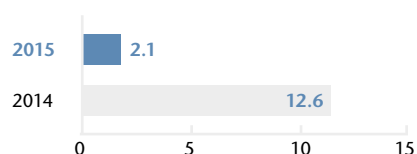
In fiscal 2015, expenses for impairment and restructuring measures came to MEUR 27.0 with MEUR 3.1 spent for costs of restructuring production sites in the US and the UK, MEUR 2.0 for impairment of property, plant and equipment and MEUR 21.9 for impairment of goodwill. These expenses are opposed by income from the disposal of property, plant and equipment associated with the aforementioned restructuring amounting to MEUR 1.2.

Income from operations in MEUR



Due to the decline in sales and one-off items, income from operations fell from MEUR 67.5 in 2014 to MEUR minus 22.1 in 2015.

Financial result in MEUR

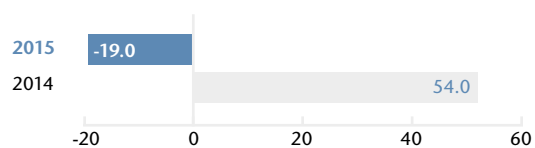


In 2015, the financial result arrived at MEUR 2.1 following MEUR 12.6 in 2014.

Other financial income generated from option and earn-out revaluations was reduced from MEUR 24.6 in 2014 to MEUR 8.7 in 2015.

In the past fiscal year, net interest expenses were MEUR minus 6.6 (2014: MEUR minus 11.0). Also included (as interest expenses) are minority interests in subsidiaries held by the respective managements, which came to MEUR minus 1.9 in 2015 (2014: MEUR minus 4.6).

Net income in MEUR



Net income for 2015 was MEUR minus 19.0 following MEUR 54.0 in the year before.

Earnings per share arrived at EUR minus 1.19 in 2015 following EUR 3.38 in 2014.

The Executive Board proposes to the Annual General Meeting to pay a dividend of EUR 0.50 per share for 2015, resulting in a total distribution of MEUR 8.0 to the shareholders.

Assets and financial position

Shareholders' equity as of 31 December 2015 was MEUR 450.4 following MEUR 455.7 as of 31 December 2014. The equity ratio arrived at 60.8 %, following 56.9 % in the year before. This development is due, on the one hand, to higher USD exchange rates leading to a positive development of adjustment items from foreign currency conversion and, on the other hand, to the reduced balance-sheet total.

The net cash position as of 31 December 2015 was MEUR 26.2, up MEUR 61.8 from the net debt as of 31 December 2014 (MEUR 35.6). The gearing ratio (net debt in percent of shareholders' equity) as of 31 December 2015 arrived at minus 5.8 %, following 7.8 % in the year before.

Due to negative income after tax, the cashflow from operating activities fell from MEUR 138.9 in 2014 to MEUR 46.3 in 2015.

The net working capital dropped from MEUR 199.2 as of 31 December 2014 to MEUR 150.4 as of 31 December 2015. This decline is mainly due to the substantial reduction of trade receivables and inventories, increasing the cashflow from operating activities year-on-year despite the lower income after tax, from MEUR 67.9 to MEUR 103.4.

Net cash outflow from investing activities totalled MEUR 18.3 (2014: MEUR 64.5), of which MEUR 22.9 (2014: MEUR 43.8) were spent for additions to tangible fixed assets. Thereof, MEUR 18.2 were used for the Oilfield Equipment segment (primarily for an expansion of the drilling motor rental fleet) and MEUR 4.3 for the High Precision Components segment.

REPORT ON THE MAIN ASPECTS OF THE INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT SYSTEM WITH RESPECT 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 operative 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 counter-measures. 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 operative 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 have been set 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 42 of the Financial Information.

ADDITIONAL INFORMATION ACC. TO SECTION 243a AUSTRIAN COMMERCIAL CODE

Please refer to Note 21 of the Financial Information.



DETAILED

ANALYSIS

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CONSOLIDATED BALANCE SHEET

ASSETS in TEUR		31.12.2015	31.12.2014
Current assets			
Cash and cash equivalents		196,278	130,220
Trade accounts receivable	Note 5	49,199	107,311
Income tax receivable		5,205	641
Other accounts receivable and other assets	Note 6	4,320	4,778
Assets held for sale	Note 12	2,230	0
Inventories	Note 7	133,748	164,694
TOTAL CURRENT ASSETS		390,980	407,644
Non-current assets			
Property, plant & equipment	Note 8	193,024	203,688
Goodwill	Note 9	81,718	100,417
Other intangible assets	Note 9	50,749	59,735
Long-term receivables and assets	Note 10	12,864	18,962
Deferred tax assets	Note 11	11,168	9,990
TOTAL NON-CURRENT ASSETS		349,523	392,792
TOTAL ASSETS		740,503	800,436

CONSOLIDATED BALANCE SHEET

LIABILITIES AND SHAREHOLDERS' EQUITY in TEUR		31.12.2015	31.12.2014
Current liabilities			
Bank loans and overdrafts	Note 13	32,174	35,744
Current portion of bonds	Note 17	0	19,993
Current portion of long-term loans	Note 18	12,783	11,673
Finance lease obligations		63	92
Trade accounts payable		11,150	24,050
Government grants	Note 14	205	37
Income taxes payable		1,502	10,524
Other payables	Note 15	24,696	36,629
Other provisions	Note 16	4,708	7,013
TOTAL CURRENT LIABILITIES		87,281	145,755
Non-current liabilities			
Long-term loans	Note 18	125,049	98,196
Finance lease obligations		27	91
Government grants	Note 14	153	437
Employee benefit obligations	Note 19	5,821	6,831
Other payables	Note 20	52,459	70,807
Deferred tax liabilities	Note 11	19,353	22,644
TOTAL NON-CURRENT LIABILITIES		202,862	199,006
Shareholders' equity			
Share capital	Note 21	15,982	15,976
Contributed capital		68,357	67,560
Legal reserve - non-distributable	Note 22	785	785
Other reserves		19	22
Currency translation reserve		50,166	13,834
Retained earnings		315,051	357,498
TOTAL SHAREHOLDERS' EQUITY		450,360	455,675
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		740,503	800,436

CONSOLIDATED PROFIT AND LOSS STATEMENT

in TEUR		2015	2014
Sales	Note 23	313,734	488,612
Cost of goods sold	Note 24	-252,610	-327,197
Gross profit		61,124	161,415
Selling expenses	Note 24	-19,757	-22,536
General and administrative expenses	Note 24	-32,879	-33,017
Other operating expenses	Note 25	-18,738	-14,078
Other operating income	Note 25	13,995	14,896
Profit from operations before impairments and restructuring measures		3,745	106,680
Restructuring income	Note 26	1,181	0
Restructuring expenses	Note 26	-3,146	-374
Impairment on tangible assets	Note 8	-2,010	-4,258
Impairment on goodwill	Note 9	-21,880	-34,588
Profit from operations after impairments and restructuring measures		-22,110	67,460
Interest income		1,308	679
Interest expenses	Note 27	-7,940	-11,706
Other financial income	Note 28	3,180	19,552
Other financial expenses		-45	-1,133
Income/expense from revaluation of option commitments	Note 29	5,575	5,159
Financial result		2,078	12,551
Profit/loss before tax		-20,032	80,011
Income taxes	Note 30	1,050	-26,004
Profit/loss after tax		-18,982	54,007
Average number of shares outstanding		15,980,422	15,959,912
Earnings per share in EUR (basic = diluted)		-1.19	3.38

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in TEUR	2015	2014
Profit/loss after tax	-18,982	54,007
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Foreign exchange adjustment - subsidiaries	34,560	42,244
Foreign exchange adjustment - other items ⁽¹⁾	2,362	2,390
Income tax effect Note 30	-590	-597
	36,332	44,037
Other comprehensive income not to be reclassified to profit or loss in subsequent periods		
Remeasurement gains (losses) on defined benefit plans Note 19	673	-166
Income tax effect	-168	41
	505	-125
Other comprehensive income, net of tax	36,837	43,912
Total comprehensive income, net of tax	17,855	97,919

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

CONSOLIDATED CASHFLOW STATEMENT

in TEUR	2015	2014
Profit/loss after tax	-18,982	54,007
Depreciation, amortization and impairments	75,255	81,831
Change in employee benefit obligations	-1,010	844
Gain (loss) from sale of property, plant and equipment	-1,529	-270
Income from release of government grants	-123	-292
Other non-cash expenses and revenues	-715	3,558
Change in deferred taxes	-6,615	-734
Cashflow from profit	46,281	138,944
Change in trade accounts receivable	65,624	-16,165
Change in other accounts receivable and other assets	-3,896	2,284
Change in inventories	43,301	-11,782
Change in trade accounts payable	-14,211	-19,003
Change in other payables and provisions	-33,662	-26,362
Cashflow from operating activities Note 39	103,437	67,916
Expenditures for property, plant & equipment	-22,875	-43,798
Expenditures for other intangible assets	-176	-1,172
Change in accounts payable for capital expenditure	-68	-569
Expenditures for the acquisition of subsidiaries less cash acquired Note 40	0	-23,250
Proceeds from sale of property, plant & equipment	4,811	4,315
Cashflow from investing activities Note 39	-18,308	-64,474
Dividend payment	-23,973	-23,964
Repayment finance lease	-86	-18
Dividend payment to non-controlling interests Note 34	0	-997
Change in bank loans and overdrafts	-4,176	596
Proceeds from long-term loans Note 18	41,200	0
Repayments of long-term loans Note 18	-13,238	-12,935
Repayments of bonds Note 17	-20,000	0
Repayments of other long-term payables	-5,189	-1,983
Cashflow from financing activities Note 39	-25,462	-39,301
Change in cash and cash equivalents	59,667	-35,859
Cash and cash equivalents at the beginning of the year	130,220	158,366
Effects of exchange rate changes on cash and cash equivalents	6,391	7,713
Cash and cash equivalents at the end of the year Note 39	196,278	130,220
Supplementary information on operating cashflow		
Interest received	700	639
Interest paid	-5,187	-4,302
Income tax paid	-18,467	-27,691

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

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

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

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	21		22						
1 January 2014	15,912	61,567	785	26	-30,203	332,257	380,344	1,843	382,187
Profit/loss 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
Change 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.

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 2015 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 2015 (as of 31 December 2015) were released by the Executive Board on 3 March 2016.

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 2015 comprise the accounts of SCHOELLER-BLECKMANN OILFIELD EQUIPMENT Aktiengesellschaft as the group parent company and 36 subsidiaries (2014: 35 subsidiaries).

Company	Location	Interest held in % 31 Dec. 2015	Interest held in % 31 Dec. 2014
Schoeller-Bleckmann Oilfield Technology GmbH	Ternitz, AT	100.00	100.00
Schoeller-Bleckmann America Inc.	Wilmington, US	100.00	100.00
Knust-Godwin LLC (*)	Houston, US	100.00	93.60
Knust-SBO Far East Pte. Ltd. (*)	Singapore, SG	100.00	93.60
Schoeller-Bleckmann Energy Services L.L.C. (*)	Lafayette, US	93.25	86.80
Schoeller-Bleckmann Sales Co. L.L.C.	Houston, US	100.00	100.00
BICO Drilling Tools Inc. (*)	Houston, US	89.55	85.00
BICO Faster Drilling Tools Inc. (*)	Nisku, CA	77.91	73.95
Schoeller-Bleckmann Canada Ltd.	Calgary, CA	100.00	100.00
Resource Completion Systems Holdings Inc. (**)	Calgary, CA	67.00	67.00
Resource Well Completion Technologies Inc. (**)	Calgary, CA	67.00	67.00
Resource Completion Systems Inc. (**)	Calgary, CA	67.00	67.00
Resource Well Completion Technologies Corp. (**)	Dallas, US	67.00	0.00
Schoeller-Bleckmann Oilfield Equipment (UK) Limited	Rotherham, GB	100.00	100.00
Darron Tool & Engineering Limited	Rotherham, GB	100.00	100.00
Darron Oil Tools Limited	Rotherham, GB	100.00	100.00
Schoeller-Bleckmann Darron Limited (*)	Aberdeen, GB	91.00	91.00
Schoeller-Bleckmann Darron (Aberdeen) Limited (*)	Aberdeen, GB	94.00	94.00
Techman Engineering Limited (*)	Chesterfield, GB	90.65	91.35
Schoeller-Bleckmann (UK) Limited	Chesterfield, GB	100.00	0.00
DSI FZE	Dubai, AE	100.00	100.00
Drilling Systems International Limited	Cayman Islands, CY	100.00	100.00
DSI Saudi LLC	Al-Khobar, KSA	100.00	0.00
DSI PBL de Mexico S. A. de C. V.	Villahermosa, MX	100.00	0.00
Schoeller Bleckmann do Brasil, Ltda.	Macaé, BR	100.00	100.00
Schoeller-Bleckmann de Mexico S. A. de C. V. (*)	Monterrey, MX	97.00	97.00
SB Darron Pte. Ltd.	Singapore, SG	100.00	100.00
Schoeller-Bleckmann Oilfield Equipment Middle East FZE	Dubai, AE	100.00	100.00
Schoeller-Bleckmann Oilfield Equipment Vietnam Co., Ltd.	Binh Duong, VN	100.00	100.00

(*) With respect to the disclosure of the shares which are held by the management of these Companies, please see Note 20.

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

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

In the business year 2015 the scope of consolidation changed as follows:

- › Acquisition of 100 % of the shares of Schoeller-Bleckmann (UK) Limited, Chesterfield, UK, as of 2 February 2015
- › Formation of Resource Well Completion Technologies Corp., Dallas, US on 8 May 2015. The company will be assigned to the Oilfield Equipment segment.
- › Amalgamation of Knust-SBO L.L.C. with Godwin-SBO L.L.C. under the name Knust-Godwin LLC as of 1 October 2015
- › Formation of DSI Saudi Limited Liability Company on 7 October 2015
- › Formation of DSI PBL de Mexico S. A. de C. V. on 15 December 2015

NOTE 4

SIGNIFICANT ACCOUNTING POLICIES

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

1. Changes in accounting policies

In 2015 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 2015 if it is marked with "yes" in the table below.

Regulation		Effective Date ¹	Impact on group financial statements
IFRIC 21	Levies	17/6/2014	no
various	Annual Improvements to IFRSs 2011-2013 Cycle	1/1/2015	no

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

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 adopted early in 2015, 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	1/1/2016 ¹	open
IAS 7	Disclosure Initiative	1/1/2017 ²	open
IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	1/1/2017 ²	no
IAS 16	Clarification of Acceptable methods of Depreciation and Amortization	1/1/2016 ¹	no
IAS 16	Agriculture: Bearer plants	1/1/2016 ¹	no
IAS 41			
IAS 19	Defined benefit plans: Employee Contributions	1/2/2015 ¹	no
IAS 27	Equity Method in Separate Financial Statements	1/1/2016 ¹	no
IFRS 9	Financial Instruments	1/1/2018 ²	open
IFRS 10	Sale or Contribution of assets between an Investor and its Associate or Joint Venture	Deferred indefinitely	no
IAS 28			
IFRS 10	Investment Entities: Applying the Consolidation Exception	1/1/2016 ²	no
IFRS 12 IAS 28			
IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1/1/2016 ¹	no
IFRS 15	Revenue from Contracts with Customers	1/1/2018 ²	yes
IFRS 16	Leasing	1/1/2019 ²	yes
various	Annual Improvements to IFRSs 2010-2012 Cycle	1/2/2015 ¹	no
various	Annual Improvements to IFRSs 2012-2014 Cycle	1/1/2016 ¹	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 adopted early in 2015. 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 cashflow characteristics and the business model they are managed in, and provides a new impairment model based on expected credit losses. IFRS 9 also includes new regulations regarding the application of hedge accounting to better reflect an entity's risk management activities especially with regard to managing non-financial risks. The Company is currently assessing the impacts of adopting IFRS 9 on the Company's Consolidated Financial Statements. The Company expects that the adoption of IFRS 9 will not have material effects 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 group is currently evaluating the impact of the new standard on the consolidated financial results. The analysis carried out to date has shown that no impact on the consolidated figures is expected in the case of contracts with customers when the performance obligation is limited to the sale of goods. Revenue is recognized at the date on which the power of disposition for the delivered asset passes to the customer. This is principally the case when the respective goods are delivered. In the event of repair or maintenance services, revenue is recognized at the time of delivery of the repaired or maintained goods, which is identical with the passing of the disposition power to the customer. In the event of contracts with customers where the obligation is the lease of drilling tools, revenue recognition depends on the use, i.e., over the period during which the customer benefits from the use of the drilling tools. Also in this case no impact on the consolidated figures is expected. The evaluation process will be continued and a preliminary application of the standard is not considered at this point.

IFRS 16 Leasing

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

The lessor will continue to distinguish between financing and operating lease, with the IFRS 16 model being almost identical with the IAS 17 standard. The company is currently evaluating the impact of applying IFRS 16 on the consolidated results.

2. Balance sheet date

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

3. 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.

4. Going concern basis

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

5. Uniform accounting principles

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

6. Foreign currency translation

The consolidated financial statements are denominated in Euros, the functional and reporting currency of the parent company. Each group member determines its own functional currency. All 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 December 2015	31 December 2014	2015	2014
USD	1.0887	1.2141	1.1096	1.3288
GBP	0.7340	0.7789	0.7260	0.8064
CAD	1.5116	1.4063	1.4176	1.4669
MXN	18.9145	17.8679	17.5995	17.6621
BRL	4.3117	3.2207	3.6916	3.1228
VND	24,575.2	26,023.2	24,223.1	28,040.3

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”.

7. 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.

8. 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 interest income, respectively, 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).

9. 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.

10. 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.

11. 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.

12. 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.

13. 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”).

14. 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.

15. 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 19.

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.

16. 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.

17. 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.

18. 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. In the group accounts development cost were not capitalized since the requirements of IAS 38 are not met and amounts have not been significant, respectively.

19. Share based payment

In 2014 an agreement on share based payment was entered into with the Chief Executive Officer for the period 2014-2018 providing a valid employment status. As the plan is and will be settled with equity instruments the related transactions are recognized in personnel expense and within equity.

20. 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.

21. 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 40).

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 cash flows of the cash-generating units and has to choose an adequate discount rate (see Note 9).

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

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

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

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 16).

Expenses for defined benefit plans are based on actuarial computations. For such calculations it is necessary to make assumptions on the discount rate, future salary increases, mortality rates and fluctuation rates (see Note 19).

Liabilities for option commitments relating to cancelable non-controlling interests are recorded at the time of acquisition at their fair value and are revalued in following periods at their fair value on each reporting date. The fair values are determined on the basis of the discounted cashflows, which are derived from the most recent profit planning of the companies involved and in one case also from the EBITDA multiple of SBO at the time the option is exercised. Discretionary decisions are necessary to anticipate future cashflows, the choice of a reasonable discount rate and the EBITDA multiple (see Notes 15, 20 and 29).

Liabilities from contingent purchase price payments due to business combinations are measured as part of the business combination at the fair value on the acquisition date. If the contingent purchase price payment fulfils the criteria of a financial liability it will be revalued in the following periods to reflect the fair value at the reporting date. The fair values are determined on the basis of the discounted cashflows, each of which is derived from the most recent sales and earnings forecast. The basic assumptions take into consideration the discount factor and the probability that the result targets will actually be achieved (see Notes 15, 20 and 35).

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 20).

22. Retrospective Adjustments

Based on materiality considerations income and expenses from the revaluation of option commitments are presented in a separate line item "income/expense from the revaluation of option commitments" in the profit and loss statement for the year in order to allow for a more reliable and relevant presentation of the Company's financial performance. In order to ensure comparability, the income from the revaluation at TEUR 5,159 reported within other financial income in 2014 was reclassified retrospectively to "income/expense from revaluation of option commitments".

Furthermore, for the purpose of improved presentation, losses from impairment on tangible assets in the amount of TEUR 4,258 which had been reported within restructuring expenses in 2014, were reclassified retrospectively to the separate line item "impairment on tangible assets".

The following table presents the retrospective adjustments of the financial information 2014 and the effects of these adjustments on the financial information 2015:

Effects on the consolidated profit and loss statement:

in TEUR	2015	2014
Restructuring expenses	-3,146	4,258
Impairment on tangible assets	-2,010	-4,258
Profit from operations	0	0
Other financial income	-5,575	-5,159
Income/expense from revaluation of option commitments	5,575	5,159
Financial result	0	0

These reclassifications within the profit and loss statement did not have any effects on earnings per share and balance sheet amounts, respectively. In addition there were no reclassifications within the cashflow.

NOTE 5

TRADE ACCOUNTS RECEIVABLE

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

in TEUR	Carrying value	Not past-due and not impaired	Past-due, not impaired				
			≤ 30 days	31-60 days	61-90 days	91-120 days	> 120 days
2015	49,199	26,016	10,389	5,740	4,045	1,702	1,167
2014	107,311	61,099	22,132	10,951	7,360	2,789	2,668

Trade accounts receivable with a duration of more than 12 months amount to TEUR 0 (2014: TEUR 962).

The book value of impaired balances amounted to TEUR 139 (2014: TEUR 312). Provisions for bad debts are recorded when there is evidence for an impending payment default, usually when payments are overdue by more than 180 days.

The allowance account reflects the following:

in TEUR	2015	2014
As of 1 January	2,176	2,056
Exchange differences	154	210
Business combinations	0	559
Consumption	-28	-1,451
Reversal	-1,227	-616
Expensed addition	4,810	1,418
As of 31 December	5,885	2,176

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 2015	31 December 2014
Raw materials	7,021	13,622
Work in progress	56,049	66,849
Finished goods	70,644	84,107
Prepayments	34	116
Total	133,748	164,694

Allowance expenses booked for 2015 were TEUR 5,643 (2014: TEUR 3,943).

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

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

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.

Further details on the classification to held for sale and impairment during the fiscal year 2015 can be found in Note 12.

In fiscal year 2014 the company recorded TEUR 4,258 within restructuring expenses relating to impairment on plant and machinery of the cash generating unit Darron Tool & Engineering Limited in the segment High Precision Components due to concentrating parts of the manufacturing process on one site. In 2015 this impairment amount was retrospectively reclassified to "impairment on tangible assets" (see Note 4 and Note 26).

No write-ups were made in 2015 and 2014.

As of 31 December 2015 commitments for capital expenditure amounted to TEUR 3,062 (2014: TEUR 5,229).

FINANCE LEASE

Plant and machinery held under finance lease are as follows:

in TEUR	31 December 2015	31 December 2014
Acquisition cost	394	483
Accumulated depreciation	-356	-288
Carrying value	38	195

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

in TEUR	31 December 2015	31 December 2014
For the following year	65	99
Between one and five years	27	94
More than five years	0	0
Total minimum lease payments	92	193
Less discount	-2	-10
Present value	90	183

OPERATING LEASE

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

in TEUR	31 December 2015	31 December 2014
For the following year	1,361	1,652
Between one and five years	2,128	1,788
After five years	175	142

Payments for operating leases which were expensed in the current year amounted to TEUR 2,079 (2014: TEUR 1,824).

NOTE 9

INTANGIBLE ASSETS

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

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

Year 2014 in TEUR	Goodwill	Technology	Non-compete agreements	Customer base	Miscellaneous intangible assets	Total
At cost						
1 January 2014	86,853	39,237	6,796	25,938	8,615	167,439
Exchange differences	9,155	4,301	343	3,045	739	17,583
Business combinations	66,196	4,822	3,576	6,965	216	81,775
Additions	0	0	0	0	1,172	1,172
Disposals	0	0	0	0	-8	-8
31 December 2014	162,204	48,360	10,715	35,948	10,734	267,961
Accumulated amortization and impairments						
1 January 2014	23,336	17,436	2,368	10,860	4,297	58,297
Exchange differences	3,863	1,963	195	1,365	318	7,704
Additions amortization	0	2,487	1,177	2,737	827	7,228
Additions impairment	34,588	0	0	0	0	34,588
Disposals	0	0	0	0	-8	-8
31 December 2014	61,787	21,886	3,740	14,962	5,434	107,809
Carrying value						
31 December 2014	100,417	26,474	6,975	20,986	5,300	160,152
31 December 2013	63,517	21,801	4,428	15,078	4,318	109,142

As of 31 December 2015, commitments for acquisitions of intangible assets amounted to TEUR 0 (2014: TEUR 0).

1. Goodwill

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

in TEUR	31 December 2015	31 December 2014
Segment High Precision Components		
Knust-Godwin LLC	20,482	18,366
Schoeller-Bleckmann Oilfield Technology GmbH	4,655	4,655
Techman Engineering Limited	0	1,684
Segment Oilfield Equipment		
Resource Well Completion Technologies Inc.	27,690	44,340
DSI FZE	22,938	20,617
BICO Drilling Tools Inc.	5,031	9,824
Schoeller-Bleckmann Darron (Aberdeen) Limited	798	798
BICO Faster Drilling Tools Inc.	124	133
Total	81,718	100,417

Impairment testing for each cash generating unit was computed by using their value in use, which is based on the estimated future cashflows and a capital cost rate after taxes (WACC = Weighted Average Costs of Capital). The WACC was determined based on the current figures for similar companies in the same industry segment and adjusted for specific inflation rates in different countries. A detailed planning period of 5 years (2014: 5 years) is used, which is based on the budgets of the management. For the terminal period, a fixed growth rate of 1 % (2014: 1 %) was considered for all cash generating units.

The following discount rates were used as of 31 December 2015 and 2014, respectively:

WACC (after tax) in %	31 December 2015	31 December 2014
Segment High Precision Components		
Knust-Godwin LLC	9.0 %	11.2 %
Schoeller-Bleckmann Oilfield Technology GmbH	8.4 %	10.6 %
Techman Engineering Limited	9.3 %	11.4 %
Segment Oilfield Equipment		
Resource Well Completion Technologies Inc.	8.5 %	10.9 %
DSI FZE	10.1 %	12.2 %
BICO Drilling Tools Inc.	9.0 %	11.2 %
Schoeller-Bleckmann Darron (Aberdeen) Limited	9.3 %	11.4 %

The changes in weighted average cost of capital (WACC) compared to the previous year largely result from a change in the capital structure at market values which is derived from an adequate peer group, and which leads to a changed relative weight of cost of equity and cost of debt.

Cash flows are determined based on revenue expectations and planned capital expenditures. The value in use of the cash generating unit is largely determined by sales revenues. Sales and cashflow plans consider the cyclicity of the industry derived from historical experiences as well as long-term developments of the business market. Sales plans are based on the demand forecasts of our main customers, on the current backlog of orders, and expected market growth according to expected business development considering expected future CAPEX spending in the oilfield service industry. 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.

Due to changed assumptions on expectations regarding capital expenditures in the oilfield service industry derived from short- and long-term oil price and rig count development 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 for the cash generating units BICO Drilling Tools Inc., Resource Well Completion Technologies Inc. and Techman Engineering Limited as the carrying amounts (including goodwill) of the cash generating units exceeded their corresponding value in use. These impairment amounts are reported in the profit and loss item "impairment on goodwill". Annual impairment tests were performed as of 31 December 2015 using updated parameters. Changes in the WACC applied arising from external factors led to an increase of the value in use for all cash generating units. Impairment amounts recorded in the third quarter were not reversed.

Reduced oil prices during the last year resulted particularly in North America in a decline of drilling activities of oilfield service companies. Therefore goodwill of the cash generating unit Resource Well Completion Technologies Inc., which offers high-end-products for particularly efficient stimulation of oil and gas reservoirs, was impaired by TEUR 14,461 in 2015. In 2014 an impairment charge for Resource Well Completion Technologies Inc. was recorded at TEUR 21,303.

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

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

The value in use of cash generating units, for which impairment charges were recognized in 2015, is set forth in the following table

in TEUR	31 December 2015	31 December 2014
Resource Well Completion Technologies Inc.	54,471	67,446
BICO Drilling Tools Inc.	126,273	129,399
Techman Engineering Limited	27,531	26,323

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 a reduction of planned cashflows by 10 % or an increase of discount rates by one percentage point do not result in any impairment requirements.

Changes in the carrying amounts of goodwill for DSI FZE and BICO Faster Drilling Tools were due to the conversion of foreign exchange amounts.

Impairment 2014

In the fiscal year 2014 an impairment amount at TEUR 10,408 related to the cash generating unit Godwin-SBO L.L.C. was recorded. The recoverable amount of TEUR 40,597 was determined using a discount rate of 11.2 %. Due to the amalgamation of the company in 2015 with the legal entity and cash generating unit Knust-SBO L.L.C. which is also assigned to the Segment High Precision Components to form Knust-Godwin LLC followed by a change in the internal management a reallocation and combination, respectively, of goodwill allocated to the two previously separated cash generating units took place. At the time of the merger the carrying amounts of Knust goodwill was TEUR 17,022, the carrying amount of Godwin goodwill was TEUR 2,882. Changes to the balance at TEUR 20,482 as of 31 December 2015 refer to foreign exchange conversions.

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 using a discount rate of 11.4 %.

2. Other intangible assets

Other intangible assets mainly comprise acquired technology, customer base, trademarks and rights from non-compete agreements relating to circulation tools from a business combination in the year 2010 (carrying amount 31 Dec 2015: TEUR 25,254; 31 Dec 2014: 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 Completion Technologies Inc. acquired technology (carrying amount 31 Dec 2015: TEUR 3,753; 31 Dec 2014: TEUR 4,725) and acquired customer base (carrying amount 31 Dec 2015: TEUR 4,986; 31 Dec 2014: TEUR 6,757) were capitalized in the business year 2014. The acquired technology will be amortized over a period of 7 years starting from acquisition date, the customer base will be amortized using a useful life of 5 years. Furthermore, non-compete agreements with a duration of 5 years were capitalized (carrying amount 31 Dec 2015: TEUR 2,560; 31 Dec 2014: TEUR 3,469).

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

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

NOTE 10

LONG-TERM RECEIVABLES AND ASSETS

This line item mainly refers to interest-bearing loans which have been granted to the management of subsidiaries of the Company for the acquisition of stock or participation rights in their respective companies (also see Note 20). 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 2015	31 December 2014
Loans	12,259	18,454
Other receivables and assets	605	508
Total	12,864	18,962

As there were no past-due receivables, no write-downs had to be made either as of 31 December 2015 or 31 December 2014.

Other receivables and assets are not secured.

NOTE 11

DEFERRED TAXES

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

in TEUR	31 December 2015	31 December 2015	31 December 2014	31 December 2014
	assets	liabilities	assets	liabilities
Property, plant & equipment (differences in useful lives)	0	-6,789	0	-7,271
Property, plant & equipment (differences in valuation)	925	-3,835	1,007	-4,959
Other intangible assets (differences in useful lives)	0	-458	0	-399
Goodwill and other intangible assets (differences in valuation)	14	-11,231	910	-11,704
Inventories (differences in valuation)	8,798	0	5,972	0
Write-down of shares in subsidiaries	1,775	0	1,000	0
Other items (differences in valuation)	2,049	-402	1,092	-773
Accruals and provisions	1,840	0	2,209	0
Exchange differences intercompany debt elimination	0	-3,420	0	-2,332
Tax loss carry forwards	2,549	0	2,594	0
Subtotal	17,950	-26,135	14,784	-27,438
Netting related to identical tax authorities	-6,782	6,782	-4,794	4,794
Total	11,168	-19,353	9,990	-22,644

Deferred tax assets related to tax loss carry forwards in the amount of TEUR 3,061 (2014: TEUR 803) were not recognized, because the utilization of these losses could not be expected for the foreseeable future (thereof an amount of TEUR 0 can only be utilized until 2016; 2014: TEUR 0 can only be utilized until 2015).

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 2015 amount to TEUR 113,178 (2014: TEUR 92,474) due to the fact that dividend payments or the sale of certain subsidiaries would be taxable. However, as the Group does not plan dividends from or disposals of these subsidiaries in the foreseeable future no deferred taxes were recognized according to IAS 12.39. For expected dividend payments deferred tax liabilities of TEUR 0 were recognized at 31 December 2015 (2014: TEUR 408).

NOTE 12

ASSETS HELD FOR SALE

In connection with the merger of Knust-SBO L.L.C. and Godwin-SBO L.L.C. to Knust-Godwin LLC and the consolidation of the two production facilities on the site of the former Godwin-SBO L.L.C. in 2015, it was decided to sell some machinery no longer needed. Immediately before reclassification to assets held for sale impairment was recorded at TEUR 2,010 due to revaluating these machines at their fair value less cost to sell. This impairment amount is reported in the profit and loss account in the line item "impairment on tangible assets". The recoverable amount at TEUR 828 was derived from offers and sales prices achieved for similar used equipment which is categorized within level 3 of the fair value hierarchy. The impairment loss resulted in a reduction of taxes on income in the amount of TEUR 717.

Furthermore, relating to the restructuring processes started in 2014 in UK in the segment High Precision Components it was decided in the year 2015 to sell the production site of Darron Tool & Engineering after transfer of the machinery to the site of Techman Engineering Limited. The carrying amount of the land and building as of 31 December 2015 is TEUR 1,402. There was no requirement for impairment.

Management expects that these transactions will be closed within the next 12 months.

NOTE 13

BANK LOANS AND OVERDRAFTS

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

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

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	

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 (2014: TEUR 28,800) to securitize these loans.

The [CAD borrowings](#) due to banks in the amount of TEUR 0 (2014: TEUR 2,394) are collateralized by the entire assets of the borrowing company ("floating charge").

The [USD borrowings](#) due to banks in the amount of TEUR 0 (2014: TEUR 1,647) are collateralized by specific current assets of the borrowing company ("floating charge").

NOTE 14

GOVERNMENT GRANTS

The subsidies include a grant by the Federal Investment and Technology Fund, as well as other investment subsidies received for the acquisition of fixed assets, and 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 2015 and 2014. The subsidies received amount to TEUR 358 as of 31 December 2015 (2014: TEUR 474).

NOTE 15

OTHER PAYABLES

Other short-term payables were as follows:

in TEUR	31 December 2015	31 December 2014
Vacation not yet used	1,457	2,226
Other personnel expenses	4,608	13,313
Legal and other counseling fees	1,049	1,471
Taxes	1,945	2,108
Social expenses	3,721	3,910
Option commitment relating to cancelable non-controlling interests	5,048	4,160
Contingent purchase price payments	2,237	4,428
Sundry payables	4,631	5,013
Total	24,696	36,629

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 2015 an option commitment relating to cancelable non-controlling interests in the amount of TEUR 5,048 (2014: TEUR 4,160) was recognized.

Regarding contingent purchase price payments relating to business combinations please see Note 20.

NOTE 16

OTHER PROVISIONS

The other provisions developed as follows:

Year 2015					
in TEUR	31 Dec. 2014	Usage	Reversal	Additions	31 Dec. 2015
Warranty/Product liability	6,513	-383	-1,528	43	4,645
Other	500	-16	-421	0	63
Total	7,013	-399	-1,949	43	4,708

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

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

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

At the end of fiscal year 2015 a competitor claimed patent infringements by a subsidiary of SBO. Management evaluated this claim to be entirely unfounded and vigorously rejects any allegations. Accordingly, no provision was recognized in the consolidated financial statements as of 31 December 2015.

A subsidiary of SBO filed an action for non-payment of goods against another competitor. In response of this claim, the defendant filed a counterclaim which in turn resulted in another counterclaim of the SBO company. Management of the company evaluates the claim of the competitor to be entirely unfounded and estimates that the company has chances of obtaining at least a major share of the original payments claimed.

NOTE 17

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 annual interest rates on the debentures until maturity were 5.75 % (on bond 2008-2013) and 5.875 % (on bond 2008-2015), related to their par values. The interest were payable in arrears, on 18 June of each year. The debentures were repaid on 18 June 2013 and 18 June 2015, respectively in the amount of the par value, i. e., MEUR 20.0 each.

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

NOTE 18

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

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

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

The following borrowings were collateralized:

EUR-loans:

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

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	bullet loan
EUR	10,000	3.11 % fixed	2013 – 2020	bullet loan
EUR	7,500	0.50 % fixed	2013 – 2019	semi-annually from 2015
EUR	8,000	3.10 % fixed	2010 – 2018	bullet loan
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	bullet loan
EUR	10,000	2.31 % fixed	2012 – 2017	bullet loan
EUR	15,000	2.40 % fixed	2012 – 2017	bullet loan
EUR	1,250	4.73 % fixed	2009 – 2016	semi-annually from 2010
EUR	5,000	5.25 % fixed	2009 – 2016	bullet loan
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	annually from 2013
	109,869			

The following borrowings were collateralized:

EUR-loans:

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

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

NOTE 19

EMPLOYEE BENEFIT OBLIGATIONS

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

in TEUR	31 December 2015	31 December 2014
Severance payments	4,444	5,184
Jubilee payments for long service	1,377	1,647
Total	5,821	6,831

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

	2015	2014
Interest rate	2.20 %	2.00 %
Salary increases	3.50 %	4.00 %
Fluctuation rate (mark-down)	0.0 – 15.0 %	0.0 – 15.0 %

Provisions were determined based on mortality tables AVÖ 2008-P (2014: 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	2015	2014
Defined benefit obligation as of 1 January	5,184	4,728
Current service cost	245	214
Interest cost	103	140
Total expenses for severance payments	348	354
Remeasurements during the year	-673	166
Current severance payments	-415	-64
Defined benefit obligation as of 31 December	4,444	5,184

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

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

in TEUR	2015	2014
Remeasurement of obligations		
from changes to demographic assumptions	0	0
from changes to financial assumptions	-279	384
adjustments based on past experience	-394	-218
Total	-673	166

The average duration of the defined benefit plan obligation as of 31 December 2015 is 11.0 years (2014: 13.7 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 in TEUR	Change in assumption	Present value of obligation (DBO) 31 December 2015	
		increase in assumption	decrease in assumption
Interest rate	+/- 0.5 percentage points	-188	+206
Increases in salaries	+/- 0.5 percentage points	+192	-177

JUBILEE PAYMENTS FOR LONG SERVICE

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

in TEUR	2015	2014
Defined benefit obligation as of 1 January	1,647	1,259
Current service cost	162	127
Interest cost	32	37
Total expenses for jubilee payments	194	164
Remeasurement during the year	-379	266
Current jubilee payments	-85	-42
Defined benefit obligation as of 31 December	1,377	1,647

PENSION PLANS (DEFINED CONTRIBUTIONS)

Payments made under the defined contribution plans (pensions and other providence funds) were expensed and amounted to TEUR 799 in 2015 (2014: TEUR 1,186). For the following year contributions are expected at TEUR 500.

NOTE 20

OTHER PAYABLES

Other long-term payables were as follows:

in TEUR	31 December 2015	31 December 2014
Option commitment	23,007	29,676
Management interest	17,180	29,064
Contingent purchase price payment	53	4,547
Participation rights	6,339	5,020
Non-compete agreements	1,712	2,015
Other obligations	4,168	485
Total	52,459	70,807

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. For option commitments relating to the business combination in 2014 see Note 40.

Furthermore, other payables include contingent purchase price payments from business combinations in the amount of TEUR 2,290 (2014: TEUR 8,975), thereof TEUR 53 long-term (2014: TEUR 4,547) and TEUR 2,237 short-term (2014: TEUR 4,428). 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. The major amount will be paid in 2016 based on sales achieved in 2015. An immaterial amount has a residual term of further 4 years. For contingent purchase price payments relating to the business combination in 2014 see Note 40.

Liabilities for contingent purchase price payments were adjusted through profit and loss in other financial income by TEUR 3,151 in 2015 (2014: increases recorded as other financial expenses of TEUR -1,133, decreases were recorded as other financial income of TEUR +19,475 (see Notes 28 and 40). 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 2015 the amount paid was TEUR 5 lower than the accrued amount in the previous balance sheet (2014: TEUR 204 paid more than accrued). Differences from settlements are recorded in other financial income or expenses, respectively. The addition of accrued interest related to liabilities for contingent purchase price payments in the amount of TEUR 391 (2014: TEUR 359) is recognized within interest expenses.

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

Company	31 December 2015	31 December 2014
BICO Drilling Tools Inc.	10.45 %	15.00 %
BICO Faster Drilling Tools Inc.	13.00 %	13.00 %
Schoeller-Bleckmann Energy Services L.L.C.	6.75 %	13.20 %
Schoeller-Bleckmann Darron Limited	9.00 %	9.00 %
Techman Engineering Limited	9.35 %	8.65 %
Knust-SBO L.L.C.	0.00 %	6.40 %
Schoeller-Bleckmann Darron (Aberdeen) Limited	6.00 %	6.00 %
Godwin-SBO L.L.C.	0.00 %	2.80 %
Schoeller-Bleckmann de Mexico S.A. de C.V.	3.00 %	3.00 %

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

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

Company	31 December 2015	31 December 2014
DSI FZE	6.10 %	6.40 %
Schoeller-Bleckmann Oilfield Technology GmbH	0.90 %	0.65 %
Resource Well Completion Technologies Inc.	5.00 %	0.00 %

In 2015 the effective interest expense recorded for management interest and participation rights amounts to TEUR 1,887, effective interest income amounts to TEUR 607 (2014: expense TEUR 4,642). Income and expense is recorded under interest expenses and interest income, respectively.

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

NOTE 21

SHARE CAPITAL

The share capital of the Company as of 31 December 2015 as well as of 31 December 2014 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 2015 and 2014 this right was not exercised.

As of 31 December 2015, the Company holds 18,000 of its own shares (2014: 24,000 shares) at acquisition costs of TEUR 1,074 (2014: TEUR 1,432), equaling a 0.11 % share in its capital stock (2014: 0.15 %). There are 15,982,000 shares in circulation (2014: 15,976,000 shares).

In the course of a business combination in 2010, 50,000 shares of the Company would become due as contingent consideration, if future sales levels are achieved as agreed. Since the sales target was not met in 2015, no dilution in the number of shares in circulation was effected at 31 December 2015.

As of 31 December 2015, approximately 33.4 % of the share capital is held by Berndorf Industrieholding AG, Berndorf (2014: approximately 32.6 %).

NOTE 22

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 23

ADDITIONAL BREAKDOWN OF REVENUES

Net sales consist of:

in TEUR	2015	2014
Sale of goods	215,645	340,666
Sale of services and repair	17,869	26,184
Operating lease revenue	80,220	121,762
Total net sales	313,734	488,612

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

NOTE 24

ADDITIONAL BREAKDOWN OF EXPENSES

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

in TEUR	2015	2014
Material expenses	113,424	197,913
Personnel expenses	91,511	110,795
Depreciation of property plant & equipment incl. impairment	41,511	40,015
Amortization of other intangible assets incl. impairment	11,864	7,228
Impairment on Goodwill	21,880	34,588

NOTE 25

OTHER OPERATING INCOME AND EXPENSES

The main contents in the position [other operating expenses](#) are:

in TEUR	2015	2014
Exchange losses	10,486	7,651
Research and development expenses	8,238	6,242

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	2015	2014
Exchange gains	12,417	12,691

NOTE 26

RESTRUCTURING EXPENSES

In connection with the merger of production facilities in the U.S. and the U.K., restructuring expenditures in the amount of TEUR 3,146 were incurred in business year 2015. TEUR 909 thereof related to relocation costs, TEUR 691 related to staff expenditures (2014: TEUR 375), and TEUR 1,546 other costs related to counseling fees, termination of agreements, building refurbishment, etc. On the other hand, income from the related sale of tangible assets amounted to TEUR 1,181.

In 2014 impairment of plant and machinery amounting to TEUR 4,258 was recorded within restructuring expenses relating to eliminating duplication of work and concentrating parts of the manufacturing process of two entities on one site within the segment High Precision Components. These expenses were reclassified retrospectively in 2015 to the line item impairment on tangible assets (see Note 4).

NOTE 27

INTEREST EXPENSES

Interest expenses are as follows:

in TEUR	2015	2014
Loans and bonds	4,106	5,354
Compounding of liabilities for option commitments relating to cancelable non-controlling interests and liabilities for contingent purchase price agreements	1,947	1,710
Management participations and participation rights	1,887	4,642
Interest expenses	7,940	11,706

With regard to the compounding of liabilities from option commitments and liabilities from contingent purchase price payments, please see Note 35.

NOTE 28

OTHER FINANCIAL INCOME

The line item other financial income essentially includes revaluation gains relating to liabilities for contingent purchase price payments in the amount of TEUR 3,151 (2014: TEUR 19,475) (see Note 20). The revaluation gains reported in this line item in 2014 relating to liabilities from option commitments in the amount of TEUR 5,159 were reclassified retrospectively to a separate item "income/expense from revaluation of option commitments" in 2015 (see Notes 4 and 29).

NOTE 29

INCOME/EXPENSE FROM REVALUATION OF OPTION COMMITMENTS

This line item shows gains or losses in connection with liabilities arising from options (see Notes 35).

in TEUR	2015	2014 adjusted *)
Revaluation gains	5,575	5,159
Revaluation losses	0	0
	5,575	5,159

*) See Note 4 – Retrospective adjustments

NOTE 30

INCOME TAXES

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

in TEUR	2015	2014
Income tax expense at tax rate of 25 %	5,008	-20,003
Foreign tax rate differentials	3,808	-380
Change tax rate differentials	171	37
Impairment on goodwill	-5,383	-6,097
Non deductible expenses	-1,063	-1,881
Non-taxable changes of option commitments and contingent purchase prices	1,005	5,796
Income exempt from tax and tax incentives	50	1,371
Write-down of shares in subsidiaries	1,137	0
Withholding and other foreign taxes	-691	-2,265
Prior year adjustments	628	-523
Tax loss carryforwards not recognized	-2,348	-274
Impairment of tax loss carryforwards recognized in prior years	-708	0
Consumption of tax loss carryforwards not capitalized in prior years	2	361
Profit allocation to management participations	-118	-946
Other differences	-448	-1,200
Consolidated income tax expense	1,050	-26,004
Profit/loss before tax	-20,032	80,011
Profit allocation to management participations	470	3,841
	-19,562	83,852
Consolidated income tax expense	1,050	-26,004
Consolidated tax rate	5.4 %	31.0 %

The components of **income taxes** were as follows:

in TEUR	2015	2014
Current taxes	-5,566	-26,738
Deferred taxes	6,616	734
Total	1,050	-26,004

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

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

in TEUR	2015	2014
Current taxes		
Remeasurements IAS 19	-168	41
Deferred taxes		
Exchange rate differences	-590	-598
Total	-758	-557

The total negative balance of deferred taxes included in the balance sheet was increased by TEUR 1,556 during 2015 (2014: TEUR 1,739) 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 2015 and the comparative period of 2014 for the Company.

NOTE 31

SEGMENT REPORTING

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

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

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.

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

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 impairments and restructuring measures	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

GEOGRAPHIC INFORMATION:

Sales to external customers were as follows:

in TEUR	2015	2014
Austria	2,411	2,968
Great Britain	30,285	56,333
USA	158,878	255,896
Other countries	122,160	173,415
Total sales	313,734	488,612

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 information regarding most important customers we refer to Note 36.

Long-term assets are located as follows:

in TEUR	2015	2014
Austria	58,453	62,937
Great Britain	40,656	53,855
USA	112,049	108,971
Canada	41,078	61,526
Dubai	55,500	56,302
Other countries	17,754	20,250
Total long-term assets	325,490	363,841

Assets are classified according to the location of the entity.

NOTE 32

REMUNERATION FOR THE EXECUTIVE AND SUPERVISORY BOARD

The remuneration paid to the Executive Board was as follows:

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

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

Expenses for pensions and severance payments relating to the Executive Board amounted to TEUR 426 (2014: TEUR 760). Thereof, TEUR 324 (2014: TEUR 661) referred to defined contribution pension plans.

Remuneration for the Supervisory Board amounted to TEUR 115 in the business year 2015 (2014: TEUR 110), which is a combination of a flat rate and a variable rate depending on the Group's results.

In 2015 and 2014 no loans were granted to the members of the Executive Board or to the Supervisory Board, respectively.

NOTE 33

SHARE-BASED PAYMENTS

In business year 2015 expenses for share-based payments totaled TEUR 803 (2014: TEUR 1,094). In business year 2014 the Chairman of the Board, Gerald Grohmann, was granted an annual transfer of 6,000 SBO shares, contingent upon a valid employment agreement. The first shares were transferred in 2014. For a period of two years following the transfer, however not exceeding the termination of the employment agreement, the shares are subject to a restriction on alienation or encumbrance on Mr. Grohmann's part. The transfer of shares is limited to a total market value of TEUR 1,300 with the market value being assessed at the end of each retention period. The market value of 6,000 shares at the time of transfer in 2015 was TEUR 384 (2014: TEUR 521). The market value of 12,000 shares transferred totaled TEUR 605 as of 31 December 2015 (2014: 6,000 shares equaling a market value of 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. Expenses for share-based payments of business years 2015 and 2014 are not included in remuneration amounts reported in Note 32.

NOTE 34

TRANSACTIONS WITH RELATED PARTIES

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

The law firm Schleinzer & Partner is the legal consultant to the Company. One of the law firm's partners, Karl Schleinzer, is a member of the Supervisory Board. Total charges for 2015 amounted to TEUR 36 (2014: TEUR 36), thereof outstanding as of 31 December 2015 TEUR 9 (31 December 2014: TEUR 9).

In the business year 2014 BICO-DSI Investment GmbH, Ternitz paid dividends to its shareholders at a total amount of TEUR 9,965. Thereof TEUR 997 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.

In order to condense the group structure, the two non-operating entities Schoeller-Bleckmann Drilling and Production Equipment GmbH, Ternitz, and BICO-DSI Investment GmbH, Ternitz, were merged with SCHOELLER-BLECKMANN Oilfield Equipment Aktiengesellschaft, Ternitz, in 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 35

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 2015	Hedged receivables in TEUR	Receivables at effective date rates in TEUR	Fair value in TEUR
USD	8,607	8,694	-87

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

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

In 2015 an interest swap held by the company matured, under which 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, 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 and option commitments relating to cancelable non-controlling interests (see Note 15 and 20).

Overview financial instruments

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

Financial Instruments	Classification acc. to IFRS 7: Valuation method										
	Category acc. to IAS 39					Fair value	Amortized costs				
31 December 2015 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	196,278	196,278			196,278						
Trade accounts receivable	49,199	49,199				49,199					
Income tax receivable	5,205										
Other accounts receivable and other assets	4,320										
Assets held for sale	2,230										
Inventories	133,748										
Total current assets	390,980										
Non-current assets											
Property, plant & equipment	193,024										
Goodwill	81,718										
Other intangible assets	50,749										
Long-term receivables	12,864	12,259					12,259				
Deferred tax assets	11,168										
Total non-current assets	349,523										
TOTAL ASSETS	740,503	257,736	0	0	0	196,278	49,199	12,259	0	0	
Current liabilities											
Bank loans and overdrafts	32,174	32,174						32,174			
Current portion of bonds	0										
Current portion of long-term loans	12,783	12,783						12,783			
Finance lease obligations	63	63						63			
Trade accounts payable	11,150	11,150							11,150		
Government grants	205										
Income taxes payable	1,502										
Other payables	24,696	4,544	7,372	7,372						4,544	
Other provisions	4,708										
Total current liabilities	87,281										
Non-current liabilities											
Long-term loans	125,049	125,049						125,049			
Finance lease obligations	27	27						27			
Government grants	153										
Employee benefit obligations	5,821										
Other payables	52,459	29,399	23,060	23,060				23,519		5,880	
Deferred tax payables	19,353										
Total non-current liabilities	202,862										
Shareholders' equity											
Share capital	15,982										
Contributed capital	68,357										
Legal reserve - non-distributable	785										
Other reserves	19										
Translation reserve	50,166										
Retained earnings	315,051										
Total shareholders' equity	450,360										
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	740,503	0	215,189	30,432	30,432	0	0	0	193,615	11,150	10,424

**Financial
Instruments**

Classification acc. to IFRS 7: Valuation method

**31 December 2014
in TEUR**

		Category acc. to IAS 39		Amortized costs							
		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											
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										
Shareholders' 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										
Total shareholders' equity	455,675										
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	800,436	0	231,600	43,865	43,865	0	0	0	199,873	24,050	7,677

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.

2015 in TEUR		Total	Level 2	Level 3
Assets				
Derivatives	Other receivables and assets	0	0	0
Liabilities				
Derivatives	Other liabilities	-30,432	-87	-30,345
2014 in TEUR		Total	Level 2	Level 3
Assets				
Derivatives	Other receivables and assets	0	0	0
Liabilities				
Derivatives	Other liabilities	-43,865	-1,055	-42,810

During the reporting years 2015 and 2014, 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 (see Notes 15 and 20), and the option commitments relating to cancelable non-controlling interests (see Notes 15 and 20).

The development in 2015 was as follows:

Liabilities for contingent purchase price payments

in TEUR	2015	2014
As of 1 January	-8,975	-8,960
Additions from business combinations	0	-19,860
Addition of accrued interest	-391	-359
Revaluation gains	3,151	19,475
Revaluation losses	0	-1,133
Disposals from settlements of contingent purchase price payments	4,813	2,198
Currency adjustment	-888	-336
As of 31 December	-2,290	-8,975

Option commitments relating to cancelable non-controlling interest

in TEUR	2015	2014
As of 1 January	-33,836	-4,160
Additions from business combinations	0	-33,401
Addition of accrued interest	-1,556	-1,352
Revaluation gains	5,575	5,159
Revaluation losses	0	0
Disposal from settlement	0	0
Currency adjustments	1,762	-82
As of 31 December	-28,055	-33,836

Revaluation gains and losses as shown in the table above refer to financial instruments still existing at balance sheet date. Revaluation gains from liabilities for contingent purchase price payments are recognized under other financial income, revaluation losses under other financial expenses. Revaluation gains and losses from option commitments relating to cancelable non-controlling interest are recognized in the line item "income/expense from revaluation of option commitments" (see Note 4).

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 forecast. 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. Liabilities from contingent purchase price payments largely refer to the last payment for a business combination in 2010, based on sales achieved in 2015 and are due in 2016. A minor share has a residual term of further 4 years. The exercise price for the option commitments relating to cancelable non-controlling interests are based on the achieved financial results of each of the acquired entities and in one case on the EBITDA multiple of SBO at the exercise date. 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			If assumption increases, liability changes by	If assumption decreases, liability changes by
	Assumption	Change in assumption		
Option commitments	Net results	+/- 10 %	+2,856	-2,855
	Interest rate 27.5 %, 1.4 %	+/- 10, +/- 1 Percentage points	-847	+739
	SBO Multiple 13.07	+/- 30 %	+7,053	-7,054
Contingent purchase price payments	Sales	+/- 10 %	+7	-7
	Interest rate 27.5 %, 13.4 %	+/- 10, +/- 1 Percentage points	-1	+1

The majority of the contingent purchase price payment is payable in 2016, therefore no further volatility is expected.

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	2015		2014	
		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	-170,096	-171,377	-145,796	-148,832

Net result from financial instruments

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

Year 2015 in TEUR	Allowance	Revaluation		Deletion/Disposal		Net result
		P/L	OCI	P/L	OCI	
Loans and receivables	-3,764	-	-	-	-	-3,764
Derivatives	-	-7,746	-	-	-	-7,746

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

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 5,993 (2014: TEUR 9,996).

NOTE 36

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. As a result of reduced oil prices in 2015 and 2016 SBO group is currently confronted with a reduction of capital expenditures of oilfield service companies. In connection with the current downturn and stockbuilding in the supply chain of customers there is a risk that a buffer effect can occur in the expected upturn due to decreasing existing stock levels. In order to minimize the risks of pertinent order fluctuations, the manufacturing companies of the Group have been designed to ensure maximum flexibility.

Sales and procurement risks

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

In the year 2015, the three largest customers (which are the worldwide dominant service companies in the directional drilling market) accounted for a share of 52.5 % of all sales worldwide (2014: 55.2 %). 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, derivatives are not used for trading or speculative purposes.

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

Foreign currency risks

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

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

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 Changes in EURO – US dollar rate	2015		2014	
	+10 cents	-10 cents	+10 cents	-10 cents
Change in profit before taxes	+698	-698	+2,204	-2,204

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 as of 31 December 2015 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 18. 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 Change in basic points	2015		2014	
	+10	+20	+10	+20
Change in profit before taxes	+157	+314	+121	+242

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, we regularly check 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 we choose 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 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 2015
in TEUR**

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

**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	-
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

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 -5.8 % as of 31 December 2015 and 7.8 % as of 31 December 2014.

in TEUR	31 December 2015	31 December 2014
Bank loans	32,174	35,744
Long-term loans	137,832	109,869
Finance lease obligations	90	183
Bonds	0	19,993
Less: Cash and cash equivalents	-196,278	-130,220
Net debt	-26,182	35,569
Total equity	450,360	455,675
Gearing	-5.8 %	7.8 %

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

NOTE 37

CONTINGENCIES

No contingencies existed as of the balance sheet dates 31 December 2015 and 31 December 2014.

NOTE 38

OTHER COMMITMENTS

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

NOTE 39

CASHFLOW STATEMENT

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

The liquid fund corresponds to cash and cash equivalents in the consolidated balance sheet and only includes cash on hand and bank balances as well as short-term investments/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 2015 amounting to TEUR -6,701 (2014: TEUR 632) the Company granted loans or reduced loans to the participants in the same amounts. Hence, no cashflows were effected.

NOTE 40

BUSINESS COMBINATIONS

Year 2015

No business combinations were executed in 2015.

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.

The share purchase agreement included a contingent purchase price payment depending on the financial results of the acquired subsidiary until 31 March 2015. The payment was determined 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 and was released as of 31 December 2014 due to the deterioration of market conditions in North America. The actual results of the acquired company between acquisition date and 31 March 2015 did not result in any further payment relating to the contingent purchase price. As a result profit and loss was not effected in 2015.

Regarding the development of the liabilities for contingent purchase price payments and for option price commitments we refer also refer to Notes 15, 20 and 35.

NOTE 41

PERSONNEL

The total number of employees was as follows:

	Annual average		Year end	
	2015	2014	31 December 2015	31 December 2014
Blue collar	959	1,290	781	1,307
White collar	380	411	354	413
	1,339	1,701	1,135	1,720

NOTE 42

EVENTS AFTER THE BALANCE SHEET DATE

After the balance-sheet date no events of particular significance have occurred that would have changed the presentation of the Group's financial position and financial performance of the group financial statements as of 31 December 2015.

In February 2016 the Company took up bonded loans and bullet loans amounting to TEUR 27,000 with fixed interest rates of 1.43 % to 1.84 % and a maturity in 2021 (TEUR 24,500) and 2023 (TEUR 2,500), respectively.

In addition, no further reportable events occurred.

NOTE 43

PROPOSED DIVIDEND

The Executive Board proposes to the shareholders that a dividend of EUR 0.50 per share (2014: EUR 1.50) should be paid. Thus, the total distribution will amount to MEUR 8.0 compared to MEUR 24.0 in the preceding year.

NOTE 44

EXPENSES INCURRED FOR THE GROUP AUDITORS

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

in TEUR	2015	2014
Audit of the consolidated annual financial statements	114	81
Other services	45	53

MANAGEMENT INFORMATION

EXECUTIVE BOARD:

Ing. Gerald Grohmann (President and CEO)

Mag. Klaus Mader (Executive Vice-president and CFO)
since 01 October 2015

Mag. Franz Gritsch (Executive Vice-president and CFO)
until 30 September 2015

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

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: 2020

In each year, one member of the Supervisory Board withdraws from the Supervisory Board with the end of the Annual General Meeting in order to make sure 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, March 3, 2016

Gerald Grohmann Klaus Mader
Executive Board

AUDITOR'S REPORT *) (TRANSLATION)

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 1 January 2015 to 31 December 2015. These consolidated financial statements comprise the consolidated balance sheet as of 31 December 2015, 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 31 December 2015, 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 judgement, 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 31 December 2015 and of its financial performance and its cashflows for the fiscal year from 1 January 2015 to 31 December 2015 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 3, 2016

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Karl Fuchs mp Markus Jandl mp
Wirtschaftsprüfer / Certified Auditor Wirtschaftsprüfer / 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 2015 BUSINESS YEAR

During the business year 2015, 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 2015 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, give a true and fair view of the Company's assets and financial position as of 31 December 2015 and of the Company's earnings for the fiscal year from 1 January 2015 to 31 December 2015 in compliance with generally accepted Austrian accounting principles, and the management report is consistent with the financial statements.

The consolidated financial statements as of 31 December 2015 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, give a true and fair view of the Group's assets and financial position on 31 December 2015 and the Group's financial performance and cashflows for the fiscal year from 1 January 2015 to 31 December 2015, and 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 2015 and the consolidated financial statements for 2015.

At its meeting on 16 March 2016, the Supervisory Board approved the financial statements as of 31 December 2015 and the management report, thereby adopting the financial statements 2015 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 2015 and the consolidated management report, the Corporate Governance Report submitted by the Executive Board as well as the proposal for the appropriation of earnings 2015.

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 2015. The Supervisory Board would also like to thank the Group's shareholders and customers for their trust.

Ternitz, 16 March 2016

A handwritten signature in black ink, appearing to read 'N. Zimmermann', with a long horizontal stroke under the name.

Norbert Zimmermann
(Chairman of the Supervisory Board)

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GLOSSARY

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" is 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.

IMPRESSUM

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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