

"INCREASING SIGNS THAT THE CYCLE HAS REACHED ITS BOTTOM IN CONSISTENTLY CHALLENGING MARKET ENVIRONMENT"

MARKET ENVIRONMENT

The oilfield service industry was again characterised by the challenging market environment in the third quarter of 2016. The industry has been hit by the sharpest decline seen in more than 30 years. There are some indications that the cycle should have reached its bottom. Despite OPEC's record production in September, the balance of supply and demand was almost restored. And the number of globally active drilling rigs has also gone up constantly again since June 2016. However, it is still too early to speak of a sustained turnaround. Visibility in the market remains low.

Excess supply in the crude market in the third quarter of 2016 arrived at 0.3 million barrels per day (mb/d). In the first quarter of 2016 it had yet come to 1.1 mb/d, and in the second quarter of 2016 again to 0.3 mb/d. The sharp decline in excess supply observed since the beginning of the year is due to two effects: Constantly rising demand for oil was confronted with production cuts of non-OPEC countries, primarily the United States, resulting from the massive curtailment of expenditure for exploration and production (E&P spending). The oil companies had cut their E&P spending by 21 % in 2015 already, a further reduction of 26 % is expected for 2016. Adding to this were production outages in Canada caused by forest fires, and in Libya and Nigeria in the wake of local conflicts this year. Production was increased mainly in Saudi Arabia, Canada and Brazil. OPEC's crude output continued at record levels and reached 33.6 mb/d in September 2016. Global supply in the third quarter of 2016 arrived at 97.2 mb/d, following 96.6 mb/d in the first quarter of 2016, and 96.0 mb/d in the second quarter of 2016.

Oil demand was rising by 1.2 mb/d to 96.9 mb/d in the third quarter of 2016 from the second quarter of 2016. In the first quarter of 2016, it had come to 95.5 mb/d, in the second quarter of 2016 to 95.7 mb/d. From the second to the third quarter of 2016, consumption was rising primarily in the Middle East, in the US, and in Russia.¹

OPEC's spare capacity² fell to 2.1 mb/d in September 2016. At the beginning of the year, it had still been 3.0 mb/d. While global crude inventories reached a record level, their buildup slowed down in the third quarter of 2016 due to lower excess stocks.³

The oil price was massively influenced by two major macro-political events in the third quarter of 2016: In July, the rise of the US dollar (USD) - in the wake of the UK vote on the exit from the European Union ("Brexit") - put the oil price under severe pressure. An outright price rally set in for Brent and WTI crudes when OPEC announced at the energy conference in Algiers held at the end of

¹ International Energy Agency (IEA), Oil Market Report, November 2016.

² Definition of the International Energy Agency (IEA): "IEA defines spare capacity as the capacity levels that can be reached within 90 days and sustained for an extended period."

³ International Energy Agency (IEA), Oil Market Report, November 2016.

"PRESSURE ON RESULT, BUT FUNDAMENTALLY STRONG BALANCE SHEET STRUCTURE"

September that a permanent production ceiling of 32.5 to 33.0 mb/d was to be introduced at the next meeting on 30 November 2016. This ceiling on production would take 0.5 mb/d to 1.0 mb/d of supply out of the market and restore the balance of supply and demand immediately. At the end of the quarter, prices of Brent and WTI turned out to have hardly changed from the beginning of the quarter: On 1 July 2016, the price of one barrel of US crude WTI was USD 48.99 on 1 July 2016, and finally arrived at USD 48.24 on 30 September 2016. The price of one barrel of European crude Brent was USD 50.35 on 1 July 2016, and finally came to USD 49.06 (30 September 2016). Since the downturn started in the year 2014, the oil price has eroded by 55.0 % (WTI) and 57.3 % (Brent).⁴

In the third quarter, the global rig count⁵ climbed by 7.0 %, or 103 rigs, to an average 1,584 rigs in September 2016. Year-on-year, the rig count fell by 27.0 %, or 587 rigs. Following the massive decline of more than 60 % to the lowest level in the second quarter of 2016 (end of May 2016: 1,393 rigs), the global rig count picked up slightly again by 13.7 %, or 191 rigs, driven by the North American rig count, where the number or drilling rigs had contracted to particularly low levels. In contrast, the number of drilled but uncompleted wells (DUCs) in North America went down to 5,069, or by 9.0 %, from the highest level at the beginning of the year of 5,576.⁶ All of these facts are indications that the cycle has started to bottom out.

BUSINESS DEVELOPMENT

The persistently challenging market environment has put a strain on the operating result of Schoeller-Bleckmann Oilfield Equipment AG (SBO). In this difficult environment, SBO nevertheless generated a positive operating cashflow in the first three quarters of 2016. Thanks to the fundamentally strong balance sheet structure and high liquidity base, SBO stays in the position to continue targeted investments in its long-term growth strategy. Following the acquisition of Canadian "Resource Well Completion Technologies Inc." (Resource) in November 2014, SBO took over US based "Downhole Technology LLC" (Downhole Technology) on 1 April 2016, thereby broadening its position in the well completion market.

Due to low demand, sales went down by 48.3 % in the first three quarters of 2016, to MEUR 133.1 (1-9/2015: MEUR 257.6). In the first three quarters of 2015, SBO had still benefited from record bookings received in 2014. While bookings fell compared to the previous year, reflecting the strong customer restraint in ordering, by 24.5 % to MEUR 116.5 (1-9/2015: MEUR 154.2), they improved

⁴ Bloomberg: CO1 Brent Crude (ICE) and CL1 WTI Crude (Nymex).

⁵ Baker Hughes Inc

⁶ U.S. Energy Information Administration, EIA Estimates of Drilled but Uncompleted Wells (DUCs), October 2016.

from the first and the second quarters of 2016. At the end of the third quarter of 2016, the order backlog stood at MEUR 17.4, following MEUR 40.2 as at 30 September 2015. Downhole Technology has delivered positive contributions, and in line with expectations, to SBO's business development since the acquisition in the second quarter of 2016.

Earnings before interest, taxes, depreciation, and amortisation (EBITDA) were MEUR minus 7.2 (1-9/2015: MEUR 55.0). The operating result (EBIT) before one-off effects came to MEUR minus 44.0. By considering one-off expenses for due diligence of MEUR 2.3 and expenses for impairment on property, plant and equipment, and goodwill as well as restructuring of MEUR 4.6, therefore totalling MEUR 6.9, reported operating result (EBIT) came to MEUR minus 50.9 (1-9/2015: MEUR minus 7.1). The financial result went to MEUR 14.6 (1-9/2015: MEUR 7.4), therein considered the result from the revaluation of option commitments of MEUR 16.9. Profit before tax was MEUR minus 36.2 (1-9/2015: MEUR 0.3), profit after tax came to MEUR minus 22.9 (1-9/2015: MEUR minus 2.0). Earnings per share arrived at EUR minus 1.43 (1-9/2015: EUR minus 0.13). The margins reflect the market collapse: The EBITDA margin was minus 5.4 % (1-9/2015: 21.4 %), and the EBIT margin was minus 38.2 % (1-9/2015: minus 2.8 %). The pre-tax margin stood at minus 27.2 % (1-9/2015: 0.1 %).

Regardless of the persisting downturn, SBO generated a positive operating cashflow of MEUR 28.9 (1-9/2015: MEUR 86.1) in the first three quarters of 2016.

The balance sheet structure of SBO remains fundamentally strong. Liquid funds as at 30 September 2016 amounted to MEUR 141.6 (31 December 2015 – prior to the acquisition of Downhole Technology: MEUR 196.3). Net debt stood at MEUR 56.1 (31 December 2015: Net cash position of MEUR 26.2). Spending for property, plant and equipment and intangible assets (CAPEX) was cut by 48.7 % from the first three quarters of 2015 to MEUR 9.4 (1-9/2015: MEUR 18.3). Purchase commitments for expenditure in property, plant and equipment as at 30 September 2016 amounted to MEUR 0.2 (30 September 2015: MEUR 1.1). The equity ratio stood at 54.8 % (31 December 2015: 60.8 %).

"SBO RIGOROUSLY PURSUES COUNTERMEASURES"

DEVELOPMENT OF THE SEGMENTS

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

The segment of "High Precision Components" developed in line with considerably curtailed capital expenditures by customers in the first three quarters of 2016. Segment sales dropped by 62.2 % to MEUR 45.7 (1-9/2015: MEUR 120.7). The operating result (EBIT) in the segment arrived at MEUR minus 23.0 (1-9/2015: MEUR 2.5).

In the segment of "Oilfield Equipment" the sharp drop in global drilling activity had a dampening effect on the business. Although customers preferred to use high-quality products even in the downturn, declining demand put downward pressure on prices. As a result, sales generated in the segment fell by 36.2 % to MEUR 87.4 (1-9/2015: MEUR 136.9). The operating result (EBIT) in the segment arrived at MEUR minus 15.9 (1-9/2015: MEUR 14.9).

MEASURES TO COMBAT THE DOWNTURN

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

The merger of the company's two Singapore-based subsidiaries that had been decided at the end of the second quarter is in the stage of implementation: In the process, "SB DARRON Pte. Ltd." and "Knust-SBO Far East Pte. Ltd." will be merged into "Knust-SBD Pte. Ltd.". Both sites will be operating under joint management. Restructuring should be completed in 2017 and will create structural and sustainable cost benefits.

- > Capital expenditure was further reduced in the first three quarters of 2016, with the exception of spending for research & development.
- Personnel capacities were adjusted to the decreasing demand in 2016, as required at the individual sites. Short-time work was extended until 31 January 2017 at the plant in Ternitz, Austria. The headcount remained largely unchanged in the third quarter of 2016, coming to 1,184 as at 30 September 2016, or 1,031 without Downhole Technology (1,231 as at 30 September 2015). This represents a reduction of more than 40 % since the beginning of the downturn in 2014 (31 December 2014: 1,720 employees).
- In the first half of 2016, SBO also largely completed the merger of its two US-based subsidiaries "Godwin-SBO L.L.C." and "Knust-SBO L.L.C.", after its two neighbouring UK-based subsidiaries "Techman Engineering Ltd." and "Darron Tool & Engineering Ltd." had been merged at the site of Techman from the third quarter of 2014 onwards. Some remaining activities will be settled by the end of the year. Through the merger of the companies each at one location, structural and sustainable cost benefits will be created without curtailing existing capacities. As a result, SBO will be even better positioned to fully meet the demand that will re-emerge from the next upswing.

RISK REPORT

The business risks of SBO did not change substantially in the first three quarters of 2016 over the risks described in the 2015 annual financial statements. The entire oilfield service industry continues to be confronted with considerable cuts on capital expenditure due to low oil prices and large quantities of crude offered in the market. This has a significant influence on the assets and financial position of SBO, regardless of the corrective measures described in previous quarterly reports and initiated. Additionally, we refer to all risks described in the Annual Report 2015. We recommend to read this report on the first three quarters of 2016 in conjunction with the risk report contained in the Annual Report 2015.

"PERSISTENTLY CHALLENGING MARKET ENVIRONMENT THROUGHOUT FOURTH QUARTER – BALANCE OF SUPPLY AND DEMAND EXPECTED FOR 2017"

SBO SHARE

The share of Schoeller-Bleckmann Oilfield Equipment AG (SBO) started the third quarter of 2016 at a price of EUR 53.40 on 1 July 2016 and closed at EUR 59.00 on 30 September 2016. This represented a share price increase of 10.5 % during the third quarter of the year. Since the decline started in 2014, the share price has dropped by 38.2 %, considerably outperforming the development of the oil price (WTI: down 55.0 %, Brent: down 57.3 %).

OUTLOOK

The International Monetary Fund (IMF) confirmed in October 2016 its assessment made in July 2016 regarding global economic growth for the years 2016 and 2017, expecting growth to come to 3.1 % in 2016. For 2017, according to the IMF, growth should arrive at 3.4 %. However, the IMF reduced its economic growth forecast for the industrialised nations for 2016 by 0.2 %. This is due to the fact that the IMF expects to see more economic, political, and institutional uncertainty associated with the Brexit. For 2017, the forecast of economic growth in the industrialised nations remains at 1.8 %. In the emerging markets, the IMF anticipates growth to come to 4.2 % in 2016 (previously: 4.1 %), and an accelerated growth of 4.6 % in 2017.⁷

Since the fourth quarter of 2014, the oilfield service industry has been affected by a massive downturn, which is still persisting. The oil companies have again been cutting back on their E&P spending considerably this year. Global E&P spending will probably be curbed by another 26 % in 2016. In North America, the decline is projected to come to 41 %, and internationally to 21 %. Persistently challenging market conditions are expected to prevail also throughout the fourth quarter.

At the same time, global oil oversupply is decreasing gradually. Global demand for oil is rising constantly. It is widely believed that the balance of supply and demand should be reached in 2017. If OPEC members decide to introduce the discussed production ceiling on 30 November 2016, this

⁷ IMF World Economic Outlook, Update October 2016.

Evercore ISI Research, June 2016; likewise Barclays, Oil & Gas Weekly, 22 March 2016.

should accelerate the process. Given recent years' lack of E&P spending, expectations are that the decreasing oil supply cannot meet the growing oil demand in the future. At this point in time, at the latest, new investments will be necessary.

The year 2016 will remain challenging also in the fourth quarter. However, SBO is prepared to cope well with the steepest downturn in decades. The strong cash balance, low net debt and high equity ratio provide the company with a basis to make targeted investments in its long-term growth strategy even in the downturn. With the establishment of its well completion business and its activities in research & development, SBO is preparing systematically for the next upswing. At the same time, ongoing cost-cutting programmes are implemented consistently and capacities adjusted to the market situation. SBO is well positioned to benefit fully from the next upswing as technology and market leader.

CONSOLIDATED PROFIT AND LOSS STATEMENT

| | 9 months period ended | | 3 months period ended | |
|--|-----------------------|------------|-----------------------|------------|
| in TEUR | 30.09.2016 | 30.09.2015 | 30.09.2016 | 30.09.2015 |
| | | | | |
| Sales | 133,070 | 257,600 | 45,059 | 70,745 |
| Cost of goods sold | -135,706 | -198,479 | -45,359 | -57,687 |
| Gross profit | -2,636 | 59,121 | -300 | 13,058 |
| Selling expenses | -14,123 | -15,797 | -4,895 | -4,684 |
| General and administrative expenses | -25,937 | -25,350 | -8,688 | -8,810 |
| Other operating expenses | -7,552 | -13,651 | -1,686 | -3,486 |
| Other operating income | 3,960 | 12,182 | 515 | 1,078 |
| Profit from operations before impairments and restructuring measures | -46,288 | 16,505 | -15,054 | -2,844 |
| Restructuring income | 2,475 | 0 | 850 | 0 |
| Restructuring expenses | -2,027 | 0 | -451 | 0 |
| Impairment on tangible assets | -1,737 | -1,915 | 1 | -1,915 |
| Impairment on goodwill | -3,295 | -21,730 | -22 | -21,730 |
| Profit from operations | | | | |
| after impairments and restructuring measures | -50,872 | -7,140 | -14,676 | -26,489 |
| Interest income | 2,530 | 432 | 869 | 152 |
| Interest expenses | -4,839 | -4,869 | -2,031 | -857 |
| Other financial income | 50 | 2,228 | 0 | 999 |
| Other financial expenses | -31 | -44 | -30 | -44 |
| Income/expense from revaluation of option commitments | 16,914 | 9,667 | 6,395 | 21,745 |
| Financial result | 14,624 | 7,414 | 5,203 | 21,995 |
| Profit/loss before tax | -36,248 | 274 | -9,473 | -4,494 |
| Income taxes | 13,368 | -2,302 | 3,492 | 2,429 |
| Profit/loss after tax | -22,880 | -2,028 | -5,981 | -2,065 |
| Average number of shares outstanding | 15,974,635 | 15,979,890 | 15,954,064 | 15,982,000 |
| Earnings per share in EUR (basic = diluted) | -1.43 | -0.13 | -0.37 | -0.13 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | 9 months p | eriod ended | 3 months per | riod ended |
|---|------------|-------------|--------------|------------|
| in TEUR | 30.09.2016 | 30.09.2015 | 30.09.2016 | 30.09.2015 |
| | | | | |
| Profit/loss after tax | -22,880 | -2,028 | -5,981 | -2,065 |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods | | | | |
| Foreign exchange adjustment - subsidiaries | -11,666 | 23,015 | -3,824 | -7,508 |
| Foreign exchange adjustment - other items | -699 | 1,708 | -225 | -76 |
| Income tax effect | 175 | -426 | 57 | 40 |
| Other comprehensive income, net of tax | -12,190 | 24,297 | -3,992 | -7,544 |
| Total comprehensive income, net of tax | -35,070 | 22,269 | -9,973 | -9,609 |

CONSOLIDATED BALANCE SHEET

| ASSETS in TEUR | 30.09.2016 | 31.12.2015 |
|--|------------|---------------|
| Current assets | | |
| Cash and cash equivalents | 141,580 | 196,278 |
| Trade accounts receivable | 42,480 | 49,199 |
| Other accounts receivable and prepaid expenses | 9,617 | 9,525 |
| Assets held for sale | 5,428 | 2,230 |
| Inventories | 105,819 | 133,748 |
| TOTAL CURRENT ASSETS | 304,924 | 390,980 |
| Non-current assets | | |
| Property, plant & equipment | 165,441 | 193,024 |
| Goodwill | 166,733 | 81,718 |
| Other intangible assets | 71,352 | 50,749 |
| Long-term receivables and assets | 12,276 | 12,864 |
| Deferred tax assets | 23,409 | 11,168 |
| TOTAL NON-CURRENT ASSETS | 439,211 | 349,523 |
| TOTAL ASSETS | 744,135 | 740,503 |
| HARMITIES AND SHAREHOLDERS' FOLLTY'. TELLD | 20.00.2016 | 21 12 2015 |
| LIABILITIES AND SHAREHOLDERS' EQUITY in TEUR | 30.09.2016 | 31.12.2015 |
| Current liabilities | | |
| Bank loans and overdrafts | 32,199 | 32,174 |
| Current portion of long-term loans | 7,294 | 12,783 |
| Finance lease obligations | 28 | 63 |
| Trade accounts payable | 9,658 | 11,150 |
| Government grants | 97 | 205 |
| Income taxes payable | 1,390 | 1,502 |
| Other payables | 25,306 | 24,696 |
| Other provisions | 4,067 | 4,708 |
| TOTAL CURRENT LIABILITIES | 80,039 | 87,281 |
| Non-current liabilities | | 3.,23. |
| Long-term loans | 158,156 | 125,049 |
| Finance lease obligations | 12 | 27 |
| Government grants | 154 | 153 |
| Employee benefit obligations | 5,304 | 5,821 |
| Other payables | 75,338 | 52,459 |
| Deferred tax liabilities | 17,616 | 19,353 |
| TOTAL NON-CURRENT LIABILITIES | 256,580 | 202,862 |
| Shareholders' equity | 230,360 | 202,002 |
| Share capital | 15,947 | 15.002 |
| • | | 15,982 |
| Contributed capital | 66,702 | 68,357 785 |
| Legal reserve - non-distributable | 785 | 785 |
| Other reserves | 16 | 19 |
| Currency translation reserve | 37,976 | 50,166 |
| Retained earnings | 286,090 | 315,051 |
| TOTAL SHAREHOLDERS' EQUITY | 407,516 | 450,360 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 744,135 | 740,503 |

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| 1-9/2016 in TEUR | Share capital | Contributed capital | Legal reserve | Other reserves | Currency translation reserve | Retained earnings | Total |
|--|------------------|---------------------|------------------|----------------|------------------------------------|----------------------|---------|
| 1 January 2016 | 15,982 | 68,357 | 785 | 19 | 50,166 | 315,051 | 450,360 |
| Profit/loss after tax | | | | | | -22,880 | -22,880 |
| Other comprehensive income, net of tax | | | | | -12,190 | | -12,190 |
| Total comprehensive income, net of tax | 0 | 0 | 0 | 0 | -12,190 | -22,880 | -35,070 |
| Dividend payment | | | | | | -7,994 | -7,994 |
| Acquisition of own shares | -41 | -2,126 | | | | | -2,167 |
| Share based payment | 6 | 471 | | | | | 477 |
| Option commitment relating to cancelable non-controlling interests | | | | | | 1,910 | 1,910 |
| Change in reserves | | | | -3 | | 3 | 0 |
| 30 September 2016 | 15,947 | 66,702 | 785 | 16 | 37,976 | 286,090 | 407,516 |

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

CONSOLIDATED CASHFLOW STATEMENT

| 9 | months | period | ended |
|---|--------|--------|-------|
| | | | |

| in TEUR | 30.09.2016 | 30.09.2015 |
|--|------------|------------|
| | | |
| OPERATING ACTIVITIES | | |
| Profit/loss after tax | -22,880 | -2,028 |
| Depreciation, amortization and impairments | 43,718 | 62,127 |
| Other non-cash expenses and revenues | -18,179 | -10,503 |
| Cashflow from profit | 2,659 | 49,596 |
| Change in working capital | 26,201 | 36,494 |
| Cashflow from operating activities | 28,860 | 86,090 |
| INVESTING ACTIVITIES | | |
| Expenditures for property, plant & equipment and intangibles | -9,401 | -18,334 |
| Expenditures for the acquisition of subsidiaries less cash acquired | -90,028 | 0 |
| Other activities | 1,745 | 3,123 |
| Cashflow from investing activities | -97,684 | -15,211 |
| FREE CASHFLOW | -68,824 | 70,879 |
| FINANCING ACTIVITIES | | |
| Dividend payment | -7,994 | -23,973 |
| Acquisition of own shares | -2,167 | 0 |
| Repayments of bonds | 0 | -20,000 |
| Change in bank loans and overdrafts & finance lease | 26,818 | 27,038 |
| Cashflow from financing activities | 16,657 | -16,935 |
| Change in cash and cash equivalents | -52,167 | 53,944 |
| commission contraction contractions | -32,10/ | 33,744 |
| Cash and cash equivalents at the beginning of the period | 196,278 | 130,220 |
| Effects of exchange rate changes on cash and cash equivalents | -2,531 | 3,866 |
| Cash and cash equivalents at the end of the period | 141,580 | 188,030 |

NOTE 1

BASIS OF PREPARATION

The interim report as at 30 September 2016 has been prepared in accordance with the principles of the International Financial Reporting Standards (IFRS), rules for interim financial reporting (IAS 34), to be applied in the European Union.

This report on the third quarter of 2016 of the SBO group has neither been audited nor reviewed by independent accountants.

NOTE 2

ACCOUNTING POLICIES

The accounting and valuation methods of 31 December 2015 have been applied basically unchanged, with the exception of the standards which came into force in 2016. The new regulations do not have a significant implication on the consolidated financial statements. In this context, we refer to the consolidated financial statements for the year ended 31 December 2015.

NOTE 3

SCOPE OF CONSOLIDATION

Acquisition Downhole Technology

As of 1 April 2016 SBO acquired 67,73 % of the shares of Downhole Technology LLC, Houston, US. Therefore, assets and liabilities related to this acquisition were consolidated by the Group starting from 1 April 2016.

The company is a technologically leading provider of patent protected "composite frac plugs" for completion of oil and gas wells and achieved sales of MEUR 38.4 in 2015. Well completion is the preparation of the well for the production of oil and gas. Downhole Technology offers composite frac plugs for the so called plug-and-perforation completions process. The patented design, the manufacturing know-how and the high quality standard of its products enable completion of the well to be done faster, more efficiently and more securely. As a consequence, Downhole Technology has reached an outstanding acceptance on the market. With Downhole Technology SBO is now in a position to offer a wider range of tight formation completion tools.

The purchase price allocation of this business combination in the second quarter 2016 has not been finalized. The final valuation of the purchase price allocation will be completed within 12 months after the date of acquisition, once all the bases for calculating the fair values, in particular relating to acquired technology, trademarks, non-compete agreements as well as deferred taxes, have been analyzed in detail.

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

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

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

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

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

Net cashflows from the acquisition were as follows:

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

In the course of this business combination, the Company entitled the non-controlling interests to sell their shares to the Company at any time on or after 1 April 2019. 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 1 April 2019. 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 the option can be exercised by both parties at equivalent terms the Group has effectively acquired 100% of the shares of the subsidiary at the time of the business combination. The anticipated discounted purchase amount under this option is determined based on current planning figures and is recognized in other liabilities as granting of the option created an unconditional payment obligation for the Group. From a group perspective, due to this option agreement 100% of the shares of this subsidiary are consolidated. Profits of the respective entity are fully allocated to the owners of the parent company.

Goodwill determined based on the preliminary purchase price allocation is allocated to the segment "Oilfield Equipment" and refers to the expected business development and employee know-how considering the expected synergies arising from the acquisition. It is expected that part of the recognized goodwill can be tax deductible for a period of 15 years.

Reported sales of the Group were increased due to the acquisition by TEUR 17,773, reported profit from operations considering amortization of intangible assets by TEUR 2,885. Had the business been acquired at the beginning of the year, Group's sales would have increased by further TEUR 10,920 and profit from operations considering amortization of intangible assets by further TEUR 1,390.

In 2016, transaction cost at TEUR 2,558 were paid, thereof an amount of TEUR 2,350 is included in general and administrative expenses in the reporting period.

Incorporation of Adriana Holding

In June 2016, Adriana Holding Company Limited with its corporate seat in Dubai was established.

Incorporation of Knust-SBD

In September 2016, Knust-SBD Pte. Ltd. with its corporate seat in Singapore was established.

NOTE 4
SEASONALITY

Business development of SBO is not subject to significant seasonal influences.

NOTE 5 DIVIDEND PAID

| | Total amount TEUR | Number of shares (ordinary shares) | Per share EUR |
|---|----------------------|------------------------------------|------------------|
| For the business year 2015 paid in 2016 | 7,994 | 15,987,900 | 0.50 |
| For the business year 2014 paid in 2015 | 23,973 | 15,981,900 | 1.50 |

NOTE 6

SEGMENT INFORMATION

Manufacturing and service sites are combined to the segments "High Precision Components" and "Oilfield Equipment" in accordance with product groups and services offered and existing customer groups, respectively.

The segment "High Precision Components" includes complex machining of high-precision components with utmost high dimensional accuracy which are ordered by the engineering divisions of our customers. The segment "Oilfield Equipment" covers non-magnetic drill collars, drilling motors, circulation tools, completion tools and other components including service and repair work directly ordered by the operating oilfield organizations of our customers.

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

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

| 1-9/2016 in TEUR | High Precision Components | Oilfield Equipment | SBO-Holding & Consolidation | Group |
|--|------------------------------|-----------------------|--------------------------------|---------|
| External sales | 45,673 | 87,397 | 0 | 133,070 |
| Intercompany sales | 14,735 | 10,837 | -25,572 | 0 |
| Total sales | 60,408 | 98,234 | -25,572 | 133,070 |
| Profit from operations before impairments and restructuring measures | -22,952 | -15,945 | -7,391 | -46,288 |
| Profit before taxes | -24,034 | 277 | -12,491 | -36,248 |

| 1-9/2015 in TEUR | High Precision Components | Oilfield Equipment | SBO-Holding & Consolidation | Group |
|--|------------------------------|-----------------------|--------------------------------|---------|
| External sales | 120,691 | 136,909 | 0 | 257,600 |
| Intercompany sales | 34,749 | 48,289 | -83,038 | 0 |
| Total sales | 155,440 | 185,198 | -83,038 | 257,600 |
| Profit from operations before impairments and restructuring measures | 2,472 | 14,863 | -830 | 16,505 |
| Profit before taxes | -1,377 | 5,419 | -3,768 | 274 |

NOTE 7

OWN SHARES

Based on the resolution of the Annual General Meeting of 27 April 2016 relating to the authorization to acquire treasury shares the company acquired 40,597 own shares at a purchase price of TEUR 2,167 during the reporting period. Furthermore, during the reporting period the company transferred 6,000 SBO shares to the Chief Executive Officer based on the share based payment program introduced in 2014.

NOTE 8

RESTRUCTURING EXPENSES AND INCOME

Restructuring expenses of MEUR 2.0 refer to the combination of production sites in the US in the segment High Precision Components which was started in 2015 and continued in 2016. In conjunction with these restructuring measures machines, which were classified as held for sale in the group financial statements 2015, were sold in 2016. This sale resulted in income of MEUR 1.7 and was reported as restructuring income in the reporting period. In addition, an income of MEUR 0.8 from the sale of property in UK was included in the restructuring income, which was also classified as held for sale in the group financial statements 2015.

NOTE 9

IMPAIRMENT

Impairment tests performed by the group as of 30 June 2016 resulted in an impairment charge related to the cash generating unit Resource Well Completion Technologies Inc. within the segment Oilfield Equipment mainly due to increasing WACCs caused by external factors. Impairment expenses at MEUR 3.3 are reported in the profit and loss item "impairment on goodwill". Impairment tests performed as of 30 September 2016 did not require any further impairment.

In connection with the mentioned combination of production sites in the US, the decision to sell property not needed for manufacturing purposes any more was made during the reporting period. Immediately before reclassification to assets held for sale impairment was recorded at MEUR 1.7 due to evaluating the building at its fair value. This impairment amount is reported in the profit and loss account in the line item "impairment on tangible assets".

NOTE 10

RELATED PARTY TRANSACTIONS

With respect to business transactions with related parties there were no substantial changes compared to 31 December 2015. All transactions with related parties are carried out at generally acceptable market conditions. For further information on individual business relations please refer to the consolidated financial statements of SBO for the year ended 31 December 2015.

NOTE 11

FINANCIAL INSTRUMENTS

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

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have significant effects on the recorded fair value are observable, either directly or indirectly;
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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

| in TEUR | Balance sheet item | 30.09.2016 | Level 2 | Level 3 |
|-------------|--------------------|------------|---------|---------|
| Liabilities | | | | |
| Derivatives | Other liabilities | -55,746 | -14 | -55,732 |

| in TEUR | Balance sheet item | 31.12.2015 | Level 2 | Level 3 |
|-------------|--------------------|------------|---------|---------|
| Liabilities | | | | |
| Derivatives | Other liabilities | -30,432 | -87 | -30,345 |

During the reporting period 2016 there were no transfers between level 1 and level 2 fair value measurements. In general, if required, transfers are carried out at the end of each reporting period.

Derivatives shown under level 3 consist only of contingent liabilities for purchase price payments and the option commitments relating to cancelable non-controlling interests to purchase the offered shares from the minority shareholders. The development in the reporting period 2016 was as follows:

| in TEUR | Contingent purchase | Option commitments | |
|--|---------------------|--------------------|--|
| | price payments | | |
| As at 1 January 2016 | -2,290 | -28,055 | |
| Additions from business combinations | 0 | -42,915 | |
| Addition of accrued interest | -2 | -2,132 | |
| Gains from revaluation | 50 | 11,606 | |
| Losses from revaluation | -1 | -14,012 | |
| Disposals from settlements | 2,168 | 0 | |
| Disposal of option commitment due to unilateral capital increase | 0 | 1,910 | |
| Currency adjustment | 56 | -1,435 | |
| Disposal from contract amendments | 0 | 32,438 | |
| Addition from contract amendments | 0 | -13,118 | |
| As at 30 September 2016 | -19 | -55,713 | |

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

The contingent purchase price payments from business combinations and the option commitments relating to cancelable non-controlling interests are measured at balance sheet date according to the underlying agreements based on the expected discounted payments using the most recent sales forecast. The liabilities are discounted using a risk adequate discount rate for the duration of each liability.

The contingent purchase price payments determined as a certain percentage of achieved sales (to a certain extent when sales are exceeding a contractually agreed upon amount) are to be paid on a yearly basis. One agreement on contingent purchase prices was finally fulfilled with the payment of the last portion during the reporting period 2016 based on sales of 2015. The remaining liabilities for contingent purchase price payments have a residual term of further three years. Gains from revaluation refer to unrealized profits and are reported in the income statement within "other financial income".

The exercise price of the option commitments relating to cancelable non-controlling interests is based on the achieved financial results of the acquired entities. During the first six months of 2016 one option agreement was amended replacing the EBITDA multiple of SBO at the exercise date by a fixed multiple. Valuation effects from this change in the agreement are reported in the table above within disposal and addition from contract amendments. During the reporting period a unilateral capital increase by SBO led to the decrease of an option commitment of MEUR 1.9 which was recorded in equity within retained earnings. Valuation results from the third quarter 2016 mainly refer to updates in underlying company planning. Gains and losses from revaluation refer to unrealized gains and losses and are reported in the income statement together with the disposal and addition from contract amendments within "income/expense from revaluation of option commitments".

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

| in TEUR | Assumption | Change in assumption | If assumption increases, liabi- lity changes by | If assumption decreases, liabi- lity changes by |
|------------------------------------|--|-----------------------------------|--|---|
| Option commitments | Net results | +/-10 % | +5,320 | -5,321 |
| | Interest rate 20 % resp. 4.1 % resp. 4.1 % | +/-10 resp.+/-1 percentage points | -2,139 | +2,162 |
| Contingent purchase price payments | Sales | +/- 10% | +2 | -2 |
| | Interest rate 12.6 % | +/-1 percentage point | 0 | 0 |

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

| | | 30.09.2016 | | 31.12.2015 | |
|--|-------|-------------------|------------|----------------|------------|
| in TEUR | Level | Carrying value | Fair value | Carrying value | Fair value |
| Liabilities | | | | | |
| Borrowings from banks, finance lease obligations and other loans | 2 | -197,688 | -203,671 | -170,096 | -171,377 |

For assessing the fair value of borrowings and leasing obligations, the expected cashflows have been discounted using market interest rates. Regarding bank and other long-term loans with variable interest, the interest rates charged are current market rates, resulting in the fact that the carrying values equal the fair values to a large extent. Cash and cash equivalents, trade receivables and payables and all other items have mostly short residual lives. Therefore, the carrying values equal the fair values at the balance sheet date.

NOTE 12

EVENTS AFTER THE BALANCE SHEET DATE

After the balance sheet date, SBO took up a loan at MEUR 50.0 with a funding guarantee from Oesterreichische Kontrollbank Aktiengesellschaft. The loan is subject to a fixed interest rate of 0.99 % and repayment in semi-annual installments from 31 December 2018 to 31 December 2023.

With effect as of 31 October 2016, the two Singapore based subsidiaries SB Darron Pte. Ltd. and Knust-SBO Far East Pte. Ltd. were merged with the newly established entity Knust-SBD Pte. Ltd.

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

STRIENTENT OF FULLEGAL REPESSORS

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

Ternitz, 22 November 2016

Gerald Grohmann

Executive Board

Klaus Mader

