



SCHOELLER
BLECKMANN
OILFIELD
EQUIPMENT

LETTER TO OUR SHAREHOLDERS 1-3 2017

HIGHLIGHTS

- Continued market recovery in North America
- Sales and bookings develop positively within expectations
- The company is well positioned to respond flexibly to the upswing

MANAGEMENT REPORT

"NORTH AMERICA CONTINUED APPRECIABLE RECOVERY IN THE FIRST QUARTER"

MARKET ENVIRONMENT

In the first quarter of 2017, the balance of supply and demand in the global crude market was nearly reached. Year-on-year, demand rose by 1 million barrels per day (mb/d) to 96.5 mb/d (1-3/2016: 95.5 mb/d). Over the full year 2016, demand went up by as much as 1.6 mb/d.

On 30 November 2016, OPEC members agreed on a production limit of 32.5 mb/d (crude oil without natural gas liquids / NGLs), which took effect on 1 January 2017. Led by Saudi Arabia, the OPEC countries adhered to the agreement in the first quarter of 2017: Average compliance was 99 %. OPEC's output totalled 31.9 mb/d, which is 1.4 mb/d below the production in the fourth quarter of 2016, before the production limit was introduced. Non-OPEC output also fell, by 0.2 mb/d from the fourth quarter of 2016, but including seasonal effects such as Canada's spring break-up. Crude production in the United States, by contrast, went up by 0.2 mb/d in quarterly comparison. In total, crude supply (including natural gas liquids / NGLs) in the first quarter of 2017 reached 96.6 mb/d (1-3/2016: 96.7 mb/d). Therefore, supply exceeded demand by 0.1 mb/d.

Due to rising crude production in the United States and an increasing amount of crude imports in America and Europe, also OECD crude stocks came to a higher level. Crude stocks totalled 1.235 million barrels (mb) by the end of the quarter, after 1.177 mb by the end of the fourth quarter of 2016.¹

Prices of WTI and Brent crudes clearly remained above the USD 50 mark in the first quarter of 2017. WTI started the year at a price of USD 52.33, whereas Brent was traded for USD 56.82. At the end of the quarter, the price of WTI arrived at USD 50.60 and of Brent at USD 52.83. Year-on-year, the price of WTI climbed by 32.0 % (31. March 2016: USD 38.34) and of Brent by 33.4 % (31. March 2016: USD 39.60).²

The number of globally active drilling rigs (rig count) continued to rise in the first quarter. In March 2017, the rig count arrived at 1,985 rigs, up 41.3 % from its low in May 2016 (1,405 rigs). Compared to December 2016, the rig count went up by 12.0 % (1,772 rigs). The rise seen in the first quarter of 2017 is due mainly to the development in the US, where the rig count totalled 789 rigs in March 2017, representing an increase of 93.4 % from the low in May 2016 (408 rigs). Compared to December 2016, this is a growth of 24.4 % (634 rigs).³ Improving drilling activity is equally reflected in the number of drilled but uncompleted Wells (DUCs) in North America, which climbed by 10.2 % to 5,534 units (December 2016: 5,023 units).⁴

¹ International Energy Agency (IEA), Oil Market Report, May 2017.

² Bloomberg: CO1 Brent Crude (ICE) and CL1 WTI Crude (Nymex).

³ Baker Hughes Rig Count.

⁴ U.S. Energy Information Administration, EIA Estimates of Drilled but Uncompleted Wells (DUCs), May 2017.

MANAGEMENT REPORT

"IMPROVING ACTIVITY LEVELS HAD POSITIVE EFFECT ON SALES AND BOOKINGS OF SBO"

BUSINESS DEVELOPMENT

The repercussions of the sharpest decline in the past 30 years, which had a firm grip on the oilfield service industry since the second half of 2014, were still felt heavily throughout the first quarter of 2017. While North America had experienced a marked recovery since the second half of 2016, the oilfield service industry was struggling to get off the ground again. Specifically, growth in international business was limited in the first quarter of 2017. These developments are evidenced also by the result of Schoeller-Bleckmann Oilfield Equipment AG (SBO). The company has very consciously positioned itself on the North American market and underlined this, once again, by the acquisition of US-based "Downhole Technology LLC" (Downhole Technology).

SBO generated sales worth MEUR 60.1 in the first quarter of 2017. Compared to the same quarter of 2016, this is an increase of 28.5 % (1-3/2016: MEUR 46.8). Bookings rose by 72.0 %, to MEUR 69.9, following MEUR 40.6 in the first quarter of 2016. As a result, the book-to-bill ratio, which measures the number of orders coming in compared to sales and serves as an indicator of medium-term development, was greater than 1 for the second consecutive quarter: In the first quarter of 2017 it was 1.2 (1-3/2016: 0.9). At the end of the first quarter of 2017, the order backlog totalled MEUR 30.5 (31 March 2016: MEUR 28.3).

Earnings before interest, taxes, depreciation, and amortisation (EBITDA) were MEUR 7.2 (1-3/2016: MEUR minus 4.8). The operating result (EBIT) posted a clear increase, from MEUR minus 16.9 in the first quarter of 2016 to MEUR minus 5.8 in the first quarter of 2017. The EBITDA margin stood at 12.0 % (1-3/2016: minus 10.2 %), and the EBIT margin at minus 9.6 % (1-3/2016: minus 36.1 %). The – sustained – cost-cutting measures taken in the past two years delivered a positive contribution to the development of SBO's business result.

The financial result amounted to MEUR minus 0.5 (1-3/2016: MEUR minus 3.3), including the positive result from the revaluation of option commitments of MEUR 0.9. Profit before tax was MEUR minus 6.3 (1-3/2016: MEUR minus 20.2), and profit after tax MEUR minus 4.9 (1-3/2016: MEUR minus 15.0). Earnings per share came to EUR minus 0.31 (1-3/2016: EUR minus 0.94).

The company has a fundamentally strong balance sheet structure: As at 31 March 2017, SBO's equity ratio was 52.6 % (31 March 2016: 57.1 %), and net debt was MEUR 54.9 (31 March 2016: Net liquidity MEUR 24.2). On 1 April 2016, SBO acquired Downhole Technology. SBO again

MANAGEMENT REPORT

generated a positive operating cashflow of MEUR 2.1 in the first quarter of 2017 (1-3/2016: MEUR 6.3). The cash position was MEUR 188.8 (31 March 2016: MEUR 224.9). Spending for property, plant and equipment and for intangible assets (CAPEX) arrived at MEUR 5.8 (1-3/2016: MEUR 3.1). Purchase commitments for expenditure in property, plant and equipment as at 31 March 2017 were MEUR 1.3 (31 March 2016: MEUR 0.1).

DEVELOPMENT OF THE SEGMENTS

With the beginning of 2017, SBO introduced adaptations to its corporate structure due to amended market requirements and now presents business reports in line with the new structure. In the past years, subsidiaries under the former segment "High Precision Components" were increasingly overlapping with those subsidiaries offering service and repair within the segment "Oilfield Equipment". Moreover, both businesses have a similar customer structure, and the reorganisation of segments allows for a more transparent presentation of the procurement behaviour of SBO's customers. Under the new structure, SBO's business operations are subdivided into two reportable segments - "Advanced Manufacturing & Services" (AMS) and "Oilfield Equipment" (OE):

- › The "Advanced Manufacturing & Services" (AMS) segment comprises high-precision machining and repair of drill collars and complex MWD (Measurement While Drilling) / LWD (Logging While Drilling) components made of non-magnetic corrosion-resistant stainless steel. These form the housing for sensitive measuring instruments needed for the precise measurement of inclination and azimuth of the drillstring as well as petrophysical parameters.
- › The "Oilfield Equipment" (OE) segment contains a broad offering of highly specialized solutions for the oil and gas industry: High performance drilling motors and tools for the directed drive of the drillstring, as well as downhole circulation tools; in addition thereto, products for the efficient and resource-saving completion of unconventional resources in both dominating technologies "sliding sleeve" and "plug-n-perf".

MANAGEMENT REPORT

In the "Advanced Manufacturing & Services" (AMS) segment, sales stood at MEUR 19.3 (1-3/2016: MEUR 29.4) and the operating result (EBIT) at MEUR minus 7.1 (1-3/2016: MEUR minus 5.3) in the first quarter of 2017.

In the "Oilfield Equipment" (OE) segment, rising segment sales came to MEUR 40.8 (1-3/2016: MEUR 17.4) and the operating result (EBIT) to MEUR 2.9 (1-3/2016: MEUR minus 5.2).

RISK REPORT

The business risks of Schoeller-Bleckmann Oilfield Equipment AG did not change substantially in the first three months of 2017 over the risks described in the 2016 annual financial statements. The entire oilfield service industry continues to be confronted with curtailed capital expenditure due to the crisis in the sector. Regardless of the corrective measures described in the previous quarterly reports and taken, this has a significant influence on the assets and financial position of SBO. In addition, we refer to all risks described in the Annual Report 2016. We recommend to read this report on the first three months of 2017 in conjunction with the risk report contained in the Annual Report 2016.

SBO SHARE

The share of SBO started into year 2017 at a price of EUR 77.44 on 2 January and closed at EUR 65.30 on 31 March 2017, dropping by 15.7 % in the first quarter. Negative price developments were also seen at crudes WTI (minus 3.3 %) and Brent (minus 7.0 %). Since the decline started in 2014, the share price has dropped by 32.0 %, strongly outperforming the oil price (minus 53.0 % (WTI) and minus 54.3 % (Brent)).

MANAGEMENT REPORT

"SBO IS WELL POSITIONED FOR A FLEXIBLE RESPONSE TO THE UPSWING"

OUTLOOK

The International Monetary Fund (IMF) expects global economic growth to arrive at 3.5 % for year 2017 and 3.6 % for year 2018, following 3.1 % in year 2016 and 3.4 % in year 2015. In the industrialised countries, economic growth should come to 2.0 % each in 2017 and 2018, following an increase of 1.7 % in 2016 and 2.1 % in 2015, mainly due to economic recovery in the United States. In the emerging and developing countries, according to IMF, growth should come to 4.5 % in 2017 and 4.8 % in 2018, following 4.1 % in 2016 and 4.2 % in 2015. This development, the IMF believes, will be supported by improved macroeconomic conditions in commodity-exporting countries.⁵

Spending for exploration and production (E&P spending) should be on the rise again for the first time since 2014. According to conservative estimates, global E&P spending is expected to increase by 2 %, and by 21 % in North America. Given the massive curtailment of capital expenditure in the years 2015 and 2016, the need for investing is fundamentally strong. Much of last years' spending for E&P was used only for maintaining current production levels. The assumption is that, up to the year 2025, new projects worth 16 mb/d will have to be released for production so as to meet the growing demand for crude oil.⁶ When considering this factor and the stable increase in demand, it cannot be ruled out, over the medium term, that the oil market might end up undersupplied.

In North America a pronounced market recovery has been observed since the second half of 2016. Internationally, this revival has not yet taken place. This is strong evidence that North America is adapting very flexibly to the new situation. The downturn in the oil market seems to finally have come to an end. A major factor of influence on this year's development will be OPEC's further line of action. At their meeting scheduled for 25 May 2017, OPEC members will decide on whether or not to extend the production limit initially set at 32.5 mb/d for a period of six months. Should the production limit be maintained, this would support sustained stability in the crude oil market.

IEA expects to see a production increase of 0.5 mb/d in North America in 2017. For non-OPEC countries (including North America), the IEA anticipates growth to arrive at 0.6 mb/d. At the same time, global demand should go up by 1.3 mb/d. The balance of supply and demand was nearly restored in the first quarter of 2017. At the same time, OECD crude stocks increased further. For the full year 2017, the decision to be taken by OPEC at the end of May 2017 and the response of E&P companies in North America will be crucial. All in all, 2017 is expected to be a transition year.⁷

Short response times and high flexibility are key factors for safely managing the cycles of the oil and gas industry. SBO's group structure optimisation, expansion of the Well Completion business, and research and development activities provided the basis to strengthen its position even over the past two years of the downturn. SBO is in a strong position to benefit fully from the next upswing as market and technology leader.

⁵ IMF World Economic Outlook (WEO), April 2017.

⁶ IEA World Energy Outlook 2016 (New Policies Scenario).

⁷ International Energy Agency (IEA), Oil Market Report, May 2017.

FINANCIAL INFORMATION

CONSOLIDATED BALANCE SHEET

| ASSETS in TEUR | 31.03.2017 | 31.12.2016 |
|--|----------------|----------------|
| Current assets | | |
| Cash and cash equivalents | 188,783 | 193,453 |
| Trade accounts receivable | 57,161 | 49,526 |
| Other accounts receivable and prepaid expenses | 15,071 | 14,270 |
| Assets held for sale | 4,987 | 5,068 |
| Inventories | 101,544 | 105,653 |
| TOTAL CURRENT ASSETS | 367,546 | 367,970 |
| Non-current assets | | |
| Property, plant & equipment | 159,536 | 165,344 |
| Goodwill | 172,626 | 174,716 |
| Other intangible assets | 65,598 | 69,904 |
| Long-term receivables and assets | 12,795 | 12,483 |
| Deferred tax assets | 12,385 | 11,639 |
| TOTAL NON-CURRENT ASSETS | 422,940 | 434,086 |
| TOTAL ASSETS | 790,486 | 802,056 |

FINANCIAL INFORMATION

CONSOLIDATED BALANCE SHEET

| LIABILITIES AND SHAREHOLDERS' EQUITY in TEUR | 31.03.2017 | 31.12.2016 |
|---|----------------|----------------|
| Current liabilities | | |
| Bank loans and overdrafts | 31,880 | 32,499 |
| Current portion of long-term loans | 37,173 | 37,233 |
| Finance lease obligations | 19 | 28 |
| Trade accounts payable | 13,516 | 11,929 |
| Government grants | 96 | 97 |
| Income taxes payable | 1,998 | 2,010 |
| Other payables | 20,225 | 19,979 |
| Other provisions | 2,956 | 4,206 |
| TOTAL CURRENT LIABILITIES | 107,863 | 107,981 |
| Non-current liabilities | | |
| Long-term loans | 174,565 | 174,691 |
| Government grants | 57 | 57 |
| Employee benefit obligations | 5,370 | 5,296 |
| Other payables | 77,920 | 78,260 |
| Deferred tax liabilities | 9,253 | 10,038 |
| TOTAL NON-CURRENT LIABILITIES | 267,165 | 268,342 |
| Shareholders' equity | | |
| Share capital | 15,953 | 15,947 |
| Contributed capital | 66,917 | 66,812 |
| Legal reserve | 785 | 785 |
| Other reserves | 19 | 19 |
| Currency translation reserve | 55,623 | 61,109 |
| Retained earnings | 276,161 | 281,061 |
| TOTAL SHAREHOLDERS' EQUITY | 415,458 | 425,733 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 790,486 | 802,056 |

FINANCIAL INFORMATION

CONSOLIDATED PROFIT AND LOSS STATEMENT

| in TEUR | 3 months period ended | 31.03.2017 | 31.03.2016 |
|--|-----------------------|---------------|----------------|
| Sales | | 60,133 | 46,782 |
| Cost of goods sold | | -49,072 | -46,540 |
| Gross profit | | 11,061 | 242 |
| Selling expenses | | -6,513 | -4,272 |
| General and administrative expenses | | -8,444 | -9,827 |
| Other operating expenses | | -3,261 | -4,907 |
| Other operating income | | 1,396 | 1,892 |
| Profit from operations | | -5,761 | -16,872 |
| Interest income | | 690 | 691 |
| Interest expenses | | -2,062 | -1,284 |
| Other financial income | | 0 | 44 |
| Other financial expenses | | 0 | -1 |
| Income/expenses from revaluation of option commitments | | 851 | -2,791 |
| Financial result | | -521 | -3,341 |
| Profit before tax | | -6,282 | -20,213 |
| Income taxes | | 1,382 | 5,174 |
| Profit after tax | | -4,900 | -15,039 |
| Average number of shares outstanding | | 15,947,460 | 15,982,066 |
| Earnings per share in EUR (basic = diluted) | | -0.31 | -0.94 |

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| in TEUR | 3 months period ended | 31.03.2017 | 31.03.2016 |
|--|-----------------------|----------------|----------------|
| Profit after tax | | -4,900 | -15,039 |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods | | | |
| Foreign exchange adjustment - subsidiaries | | -5,081 | -16,009 |
| Foreign exchange adjustment - other items | | -540 | -927 |
| Income tax effect | | 135 | 232 |
| Other comprehensive income, net of tax | | -5,486 | -16,704 |
| Total comprehensive income, net of tax | | -10,386 | -31,743 |

FINANCIAL INFORMATION

CONSOLIDATED CASHFLOW STATEMENT

| in TEUR | 3 months period ended | 31.03.2017 | 31.03.2016 |
|--|-----------------------|----------------|----------------|
| OPERATING ACTIVITIES | | | |
| Profit/loss after tax | | -4,900 | -15,039 |
| Depreciation, amortization and impairments | | 12,964 | 12,084 |
| Other non-cash expenses and revenues | | -1,311 | -1,879 |
| Cashflow from profit | | 6,753 | -4,834 |
| Change in working capital | | -4,618 | 11,087 |
| Cashflow from operating activities | | 2,135 | 6,253 |
| INVESTING ACTIVITIES | | | |
| Expenditures for property, plant & equipment and intangible assets | | -5,801 | -3,063 |
| Other activities | | 1,039 | 590 |
| Cashflow from investing activities | | -4,762 | -2,473 |
| FREE CASHFLOW | | -2,627 | 3,780 |
| FINANCING ACTIVITIES | | | |
| Change in bank loans and overdrafts & finance lease | | -920 | 30,804 |
| Cashflow from financing activities | | -920 | 30,804 |
| Change in cash and cash equivalents | | -3,547 | 34,584 |
| Cash and cash equivalents at the beginning of the period | | 193,453 | 196,278 |
| Effects of exchange rate changes on cash and cash equivalents | | -1,123 | -5,975 |
| Cash and cash equivalents at the end of the period | | 188,783 | 224,887 |

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| 1-3 / 2017 in TEUR | Share capital | Contributed capital | Legal reserve | Other reserves | Currency translation reserve | Retained earnings | Total |
|---|------------------|------------------------|------------------|-------------------|------------------------------------|----------------------|---------|
| 1 January 2017 | 15,947 | 66,812 | 785 | 19 | 61,109 | 281,061 | 425,733 |
| Profit after tax | | | | | | -4,900 | -4,900 |
| Other comprehensive income, net of tax | | | | | -5,486 | | -5,486 |
| Total comprehensive income, net of tax | 0 | 0 | 0 | 0 | -5,486 | -4,900 | -10,386 |
| Share based payment | 6 | 105 | | | | | 111 |
| 31 March 2017 | 15,953 | 66,917 | 785 | 19 | 55,623 | 276,161 | 415,458 |

| 1-3 / 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 after tax | | | | | | -15,039 | -15,039 |
| Other comprehensive income, net of tax | | | | | -16,704 | | -16,704 |
| Total comprehensive income, net of tax | 0 | 0 | 0 | 0 | -16,704 | -15,039 | -31,743 |
| Share based payment | 6 | 250 | | | | | 256 |
| Change in reserves | | | | -1 | | 1 | 0 |
| 31 March 2016 | 15,988 | 68,607 | 785 | 18 | 33,462 | 300,013 | 418,873 |

FINANCIAL INFORMATION

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1

BASIS OF PREPARATION

The interim report as at 31 March 2017 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 first quarter of 2017 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 2016 have been applied basically unchanged, with the exception of the standards which came into force in 2017. 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 2016.

NOTE 3

SCOPE OF CONSOLIDATION

During the first three months of 2017 no changes occurred in the scope of consolidation.

NOTE 4

SEASONALITY

Business development of SBO is not subject to seasonal influences.

FINANCIAL INFORMATION

NOTE 5

SEGMENT INFORMATION

At the beginning of the first quarter of 2017, SBO introduced changes to its internal steering and the internal reporting structure resulting thereof. In the past years, subsidiaries under the former segment "High Precision Components" were increasingly overlapping with those subsidiaries offering service and repair within the segment "Oilfield Equipment". Moreover, both businesses have a similar customer structure, and the reorganisation of segments allows for a more transparent presentation of the procurement behaviour of SBO's customers. Under the new structure, SBO's business operations are subdivided into two reportable segments - "Advanced Manufacturing & Services" (AMS) and "Oilfield Equipment" (OE):

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

The "Oilfield Equipment" (OE) segment contains a broad offering of highly specialized solutions for the oil and gas industry: High performance drilling motors and tools for the directed drive of the drillstring, as well as downhole circulation tools; in addition thereto, products for the efficient and resource-saving completion of unconventional resources in both dominating technologies "sliding sleeve" and "plug-n-perf".

Internal management of the group as well as the allocation of resources is based on the financial performance of these segments. Prior year figures were adjusted accordingly.

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

FINANCIAL INFORMATION

| 1-3/2017 in TEUR | Advanced Manufacturing & Services | Oilfield Equipment | SBO-Holding & Consolidation | Group |
|--|---|-----------------------|--------------------------------|--------|
| External sales | 19,300 | 40,833 | 0 | 60,133 |
| Intercompany sales | 6,650 | 3,548 | -10,198 | 0 |
| Total sales | 25,950 | 44,381 | -10,198 | 60,133 |
| Profit from operations before impairments and restructuring measures | -7,079 | 2,885 | -1,567 | -5,761 |
| Profit before taxes | -6,924 | 2,964 | -2,322 | -6,282 |

| 1-3/2016 in TEUR | Advanced Manufacturing & Services | Oilfield Equipment | SBO-Holding & Consolidation | Group |
|--|---|-----------------------|--------------------------------|---------|
| External sales | 29,406 | 17,376 | 0 | 46,782 |
| Intercompany sales | 8,249 | 1,992 | -10,241 | 0 |
| Total sales | 37,655 | 19,368 | -10,241 | 46,782 |
| Profit from operations before impairments and restructuring measures | -5,346 | -5,236 | -6,290 | -16,872 |
| Profit before taxes | -5,245 | -8,470 | 6,498 | -20,213 |

NOTE 6

OWN SHARES

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

FINANCIAL INFORMATION

NOTE 7

RELATED PARTY TRANSACTIONS

With respect to business transactions with related parties there were no substantial changes compared to 31 December 2016. All transactions with related parties are carried out at generally acceptable market conditions. For further information on individual business relations please refer to the consolidated financial statements of SBO AG for the year ended 31 December 2016.

NOTE 8

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:

FINANCIAL INFORMATION

| in TEUR | Balance sheet item | 31.03.2017 | Stufe 2 | Stufe 3 |
|--------------------|--------------------|------------|---------|---------|
| Liabilities | | | | |
| Derivatives | Other liabilities | -57,917 | -124 | -57,793 |

| in TEUR | Balance sheet item | 31.12.2016 | Stufe 2 | Stufe 3 |
|--------------------|--------------------|------------|---------|---------|
| Liabilities | | | | |
| Derivatives | Other liabilities | -58,673 | -124 | -58,549 |

During the reporting period 2017 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 2017 was as follows:

| in TEUR | Contingent purchase price payments | Option commitments |
|------------------------------|------------------------------------|--------------------|
| As at 1 Jan 2017 | -17 | -58,532 |
| Addition of accrued interest | -1 | -829 |
| Gains from revaluation | 0 | 1,356 |
| Losses from revaluation | -0 | -505 |
| Currency adjustment | 1 | 734 |
| As at 31 Mar 2017 | -17 | -57,776 |

FINANCIAL INFORMATION

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 are to be paid on a yearly basis. The liabilities for contingent purchase price payments have a residual term of further two 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. Gains and losses from revaluation refer to unrealized gains and losses and are reported in the income statement 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, liability changes by | If assumption decreases, liability changes by |
|---|--------------------|------------------------|---|---|
| Option commitment relating to cancelable non-controlling interests | Net results | +/-10 % | +5,515 | -5,514 |
| | Interest rate 20 % | +/-2.5 resp. | | |
| | resp. 4.4 % | +/-1 resp. | -919 | +603 |
| | resp. 4.3 % | +/-1 percentage points | | |

Referring to contingent purchase price payments the sensitivity analysis performed for significant non-observable input parameters only resulted in immaterial changes of the liabilities both when considering reasonable possible changes in sales revenues and interest rates.

FINANCIAL INFORMATION

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 | 31.03.2017 | | 31.12.2016 | |
|--|-------|----------------|------------|----------------|------------|
| | | Carrying value | Fair value | Carrying value | Fair value |
| Liabilities | | | | | |
| Borrowings from banks, finance lease obligations and other loans | 2 | -243,636 | -248,229 | -244,451 | -249,329 |

For assessing the fair value of lendings, 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 9

EVENTS AFTER THE BALANCE SHEET DATE

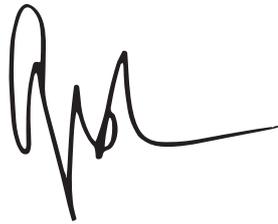
No important events have occurred after the balance sheet date.

FINANCIAL INFORMATION

STATEMENT OF ALL LEGAL REPRESENTATIVES

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 first quarter gives a true and fair view of important events that have occurred during the first three months of the financial year and their impact on the interim financial statements, and of the principal risks and uncertainties for the remaining nine months of the financial year and of the major related party transactions to be disclosed.

Ternitz, 23 May 2017



Gerald Grohmann



Klaus Mader

Executive Board

