SCHOELLER BLECKMANN OILFIELD EQUIPMENT

LETTER TO OUR SHAREHOLDERS 1-6 2017

HIGHLIGHTS

- Continued strong drilling und well completion activities in North America
- Sales and bookings clearly picking up in the transition year
- Strategic positioning in the Well Completion segment proves to be right

MANAGEMENT REPORT

"UPWARD TREND CONTINUING IN NORTH AMERICA"

MARKET ENVIRONMENT

The market environment of the oilfield service industry in North America showed further improvement in the first half of 2017. This development was again accelerated in the second quarter. Internationally, by contrast, no revival has taken place yet, confirming previous assessment that 2017 would merely be a year of transition for the industry.

In the second quarter of 2017, demand in the global crude oil market was picking up strongly and enough to overcompensate the growing supply. At 97.4 million barrels per day (mb/d), it exceeded demand in the first quarter of 2017 by 0.9 mb/d (Q1 2017: 96.5 mb/d). Year-on-year, it climbed by as much as 1.8 mb/d (Q2 2016: 95.6 mb/d).

On 30 November 2016, OPEC members had agreed on a production limit of 32.5 mb/d (crude oil without natural gas liquids / NGLs) which took effect on 1 January 2017. On 25 May 2017, OPEC decided upon the extension of the production limit by another nine months, until the end of March 2018. Led by Saudi Arabia, average compliance rate arrived at more than 90 % by the end of the first half of 2017. OPEC's output in the second quarter totalled 32.3 mb/d, following 32.1 mb/d in the first quarter of 2017. Natural gas liquids / NGLs included, it arrived at 39.2 mb/d in the second quarter, following 38.9 mb/d in the first quarter of 2017. Non-OPEC output fell by 0.1 mb/d, to 57.7 mb/d, compared to the first quarter of 2017. Overall, global demand exceeded supply by 0.5 mb/d in the second quarter of 2017.

OECD crude stocks were shrinking in the second quarter of 2017, dropping to 1,194 million barrels (mb) at its end, following 1,245 mb at the end of the first quarter of 2017.[1]

Prices of both crudes WTI and Brent were exposed to severe volatilities in the second quarter of 2017. Oil prices were coming under massive pressure already at the beginning of the quarter. The price per barrel of WTI dropped by 8.4 %, from USD 50.24 (3 April 2017) to USD 46.04 (30 June 2017) over the second quarter. The price per barrel of European crude Brent fell by 9.8 %, from USD 53.12 to USD 47.92, bringing the oil price almost back to the level seen last year. Year-on-year, the price of WTI contracted by 4.7 % (30 June 2016: USD 48.33), of Brent by 3.5 % (30 June 2016: USD 49.68).[2]

The number of globally active drilling rigs (rig count) continued to grow in the second quarter of 2017,

[1] International Energy Agency (IEA), Oil Market Report, August 2017.
[2] Bloomberg: CO1 Brent Crude (ICE) and CL1 WTI Crude (Nymex).

"SBO DOUBLED BOOKINGS THANKS TO STRONG POSITIONING IN NORTH AMERICA"

by 2.8% or 56 rigs, from an average 1,985 rigs in March to 2,041 rigs in June. Since the beginning of the year, the increase had come to 15.2 % or 269 rigs (December 2016: 1,772 rigs). Growth is mainly attributable to the development in North America, where it arrived at 3.7 %, or 39 rigs, in the second quarter of 2017 (March 2017: 1,042 rigs), regardless of subdued activity in Canada resulting from the seasonal spring break-up.[3] Improving drilling activity was also reflected in the number of drilled but uncompleted wells (DUCs) in the United States, which climbed by 11.7 % to 6,031 units in the second quarter (March 2017: 5,397 units).[4]

BUSINESS DEVELOPMENT

The business environment within the oilfield service industry continued to recover throughout the second quarter of 2017. Schoeller-Bleckmann Oilfield Equipment AG (SBO) took part in this development, further improving sales by 25.6 % in the second quarter of 2017 (following 20.5 % in the first quarter of 2017). For the first time following two years of crisis, the company's operating result (EBIT) returned to positive territory in the second quarter of 2017. This was primarily due to the company's strong positioning in the North American market, the main driver behind this development.

SBO generated sales worth MEUR 135.7 in the first half of 2017. Compared to the crisis year 2016, this marked a sharp increase of 54.2 % (1-6/2016: MEUR 88.0). Bookings even doubled in the first half of 2017 and stood at MEUR 150.0, following MEUR 75.0 in the first half 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 third consecutive quarter. At the end of the first half of 2017, the order backlog totalled MEUR 34.7 (30 June 2016: MEUR 21.1).

The sharp rise in sales is reflected in the business results of the company. Earnings before interest, taxes, depreciation, and amortisation (EBITDA) returned to positive territory, from MEUR minus 5.7 in the first half of 2016 to MEUR 22.0. The operating result (EBIT) was MEUR minus 3.6 in the first half of 2017, following MEUR minus 36.2 in the first half of 2016. The EBITDA margin stood at 16.2 % (1-6/2016: minus 6.5 %), the EBIT margin at minus 2.6 % (1-6/2016: minus 41.1 %).

[3] Baker Hughes Rig Count.
[4] U.S. Energy Information Administration, EIA Estimates of Drilled but Uncompleted Wells (DUCs), August 2017.

The financial result came to MEUR minus 4.4 (1-6/2016: MEUR 9.4). Last year, one-off income from the revaluation of option commitments of MEUR 10.5 was included. Profit before tax was MEUR minus 8.0 (1-6/2016: MEUR minus 26.8), and profit after tax MEUR minus 6.2 (1-6/2016: MEUR minus 16.9). Earnings per share came to EUR minus 0.39 (1-6/2016: EUR minus 1.06).

The company has a fundamentally strong balance sheet structure: As at 30 June 2017, SBO's equity ratio was 51.1 % (30 June 2016: 54.7 %), and net debt MEUR 62.8 (30 June 2016: MEUR 59.7). Liquid funds at the end of the first half of the year amounted to MEUR 177.6 (30 June 2016: MEUR 137.9). The operating cashflow arrived at MEUR 6.3 (1-6/2016: MEUR 18.5). Spending for property, plant and equipment and for intangible assets (CAPEX) was MEUR 11.8 (1-6/2016: MEUR 5.9). Purchase commitments for expenditure in property, plant and equipment as at 30 June 2017 amounted to MEUR 1.7 (30 June 2016: MEUR 0.2).

DEVELOPMENT OF THE SEGMENTS

SBO reorganised its segments during the first quarter of 2017 and now presents business reports in line with the new structure. Under the new structure, SBO's business operations are subdivided into the 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, which form the housing for sensitive measuring instruments used for the precise measurement of inclination and azimuth of the drillstring as well as petrophysical parameters.

› The "Oilfield Equipment" (OE) segment comprises a wide range of highly specialised solutions for the oil and gas industry: High-performance drilling motors and tools for directional drillstring drive, downhole circulation tools as well as products for efficient and resource-saving completion of unconventional reservoirs in the two dominating technologies "sliding sleeve" and "plug-n-perf".

The "Advanced Manufacturing & Services" (AMS) segment generated sales of MEUR 45.4 in the first half of 2017 (1-6/2016: MEUR 49.5), and the operating result (EBIT) came to MEUR minus 10.4 (1-6/2016 before one-off effects: MEUR minus 14.8).

In the "Oilfield Equipment" (OE) segment, sales arrived at MEUR 90.3 (1-6/2016: MEUR 38.6), and the operating result (EBIT) at MEUR 11.8 (1-6/2016 before one-off effects: MEUR minus 10.7).

RISK REPORT

The business risks of SBO did not change substantially in the first half 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 consequences of the crisis in the sector. Regardless of the corrective measures described in previous quarterly reports and already initiated, this has a significant influence on the financial and earnings situation of SBO. Additionally, we refer to all risks described in the Annual Report 2016. We recommend to read this report on the first half of 2017 in conjunction with the risk report contained in the Annual Report 2016.

SBO SHARE

The share of SBO started into the second quarter at a price of EUR 65.68 on 3 April 2017 and closed at EUR 57.30 on 30 June 2017, dropping by 12.8 % in the second quarter. This goes in line with the negative price development of crude oils WTI (minus 8.4 %) and Brent (minus 9.8 %). Since the decline started in 2014, the share price has gone down by 40.3 %, strongly outperforming the oil price (minus 57.3 % for WTI and minus 58.6 % for Brent).

"SBO IS STRATEGICALLY WELL POSITIONED FOR FURTHER GROWTH"

OUTLOOK

The International Monetary Fund (IMF) expects global economic growth for 2017 to arrive at 3.5 % and 3.6 % for 2018, following 3.1 % in 2016 and 3.4 % in 2015. In the industrialised countries, economic growth should come to 2.0 % both in 2017 and 2018, following an increase of 1.7 % in 2016 and 2.1 % in 2015, mainly attributable to stronger economic recovery in the United States. In the emerging and developing countries, according to the IMF, growth should arrive at 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]

Although uncertainty in the capital markets is growing, market recovery in North America proves to be strong at the beginning of the second half of 2017. The IEA expects crude supplies to rise by 0.8 mb/d in 2017, and 1.2 mb/d in 2018 in North America. For non-OPEC countries (including North America), the increase should come to 0.7 mb/d and 1.5 mb/d, respectively. The OPEC countries have extended the production limit effective from 1 January 2017 until the end of March 2018. Concurrently, global demand should rise by 1.5 mb/d in 2017 and 1.4 mb/d in 2018.

Reactivity of North American exploration and production companies (E&P companies) has rapidly driven up production volumes, which, in turn, has brought nervousness to the oil markets. As a result, international projects have once again been postponed. This response, however, ignores the fact that rising North American output can only partly compensate for the lack of international spending over the medium and long term. Based on 2016 supply figures, the share of international crude supply in the global supply (excluding OPEC supply) accounts for 42 %.[6] This is related primarily to those countries that have been impacted by three straight years of curbed spending. It is assumed that, by the year 2025, 16 mb/d of new projects will have to be released for production to meet the rising demand for oil.[7] This represents almost total crude supply in North America as of today.

[5] IMF World Economic Outlook (WEO), April 2017.
[6] International Energy Agency (IEA), Oil Market Report, August 2017.
[7] IEA World Energy Outlook 2016 (New Policies Scenario).

Spending for exploration and production (E&P spending) should be on the rise again in 2017 for the first time since 2014. In North America it is estimated to increase by 41 %. Internationally, no stimulus is expected, E&P spending is projected to decline further, even though only slightly by 1 %. Global E&P spending should go up by 8 %. Therefore, the company expects 2017 just to be a year of transition.[8]

Responding promptly is key to 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 have enabled the company to improve its cost structure sustainably in the past two years of the downturn and to advance its strategic orientation.

The decision to strengthen SBO's position in the North American market even further has turned out to be right. "Downhole Technology LLC" (Downhole Technology) - acquired in 2016 - is about to expand existing production capacities by relocating to another site. Implementation of the long-term strategy and target-oriented capital spending have provided SBO with a strong foundation to benefit fully from the continuing market revival.

[8] Evercore ISI Global E&P Mid-Year Spending Outlook, June 2017.

CONSOLIDATED BALANCE SHEET

ASSETS in TEUR	30.06.2017	31.12.2016
Current assets		
Cash and cash equivalents	177,600	193,453
Trade accounts receivable	66,278	49,526
Other accounts receivable and prepaid expenses	13,876	14,270
Assets held for sale	4,629	5,068
Inventories	99,563	105,653
TOTAL CURRENT ASSETS	**361,946**	**367,970**
Non-current assets		
Property, plant & equipment	148,505	165,344
Goodwill	162,961	174,716
Other intangible assets	58,687	69,904
Long-term receivables and assets	11,184	12,483
Deferred tax assets	12,769	11,639
TOTAL NON-CURRENT ASSETS	**394,106**	**434,086**
TOTAL ASSETS	**756,052**	**802,056**

CONSOLIDATED BALANCE SHEET

LIABILITIES AND SHAREHOLDERS´ EQUITY in TEUR	30.06.2017	31.12.2016
Current liabilities		
Bank loans and overdrafts	32,127	32,499
Current portion of long-term loans	37,053	37,233
Finance lease obligations	11	28
Trade accounts payable	15,224	11,929
Government grants	96	97
Income taxes payable	2,306	2,010
Other payables	26,337	19,979
Other provisions	2,714	4,206
TOTAL CURRENT LIABILITIES	**115,868**	**107,981**
Non-current liabilities		
Long-term loans	171,225	174,691
Government grants	57	57
Employee benefit obligations	5,395	5,296
Other payables	69,807	78,260
Deferred tax liabilities	7,628	10,038
TOTAL NON-CURRENT LIABILITIES	**254,112**	**268,342**
Shareholders´ equity		
Share capital	15,953	15,947
Contributed capital	67,027	66,812
Legal reserve	785	785
Other reserves	19	19
Currency translation reserve	27,410	61,109
Retained earnings	274,878	281,061
TOTAL SHAREHOLDERS´ EQUITY	**386,072**	**425,733**
TOTAL LIABILITIES AND SHAREHOLDERS´ EQUITY	**756,052**	**802,056**

CONSOLIDATED PROFIT AND LOSS STATEMENT

	6 months period ended		3 months period ended	
in TEUR	30.06.2017	30.06.2016	30.06.2017	30.06.2016
Sales	**135,679**	**88,011**	**75,546**	**41,229**
Cost of goods sold	-104,643	-90,347	-55,571	-43,807
Gross profit	**31,036**	**-2,336**	**19,975**	**-2,578**
Selling expenses	-11,650	-9,228	-5,137	-4,956
General and administrative expenses	-16,885	-17,249	-8,441	-7,422
Other operating expenses	-8,336	-5,866	-5,075	-959
Other operating income	2,241	3,445	845	1,553
Profit from operations before impairments and restructuring measures	**-3,594**	**-31,234**	**2,167**	**-14,362**
Restructuring income	0	1,625	0	1,625
Restructuring expenses	0	-1,576	0	-1,576
Impairment on tangible assets	0	-1,738	0	-1,738
Impairment on goodwill	0	-3,273	0	-3,273
Profit from operations after impairments and restructuring measures	**-3,594**	**-36,196**	**2,167**	**-19,324**
Interest income	1,060	1,661	370	970
Interest expenses	-3,735	-2,808	-1,673	-1,524
Other financial income	0	50	0	6
Other financial expenses	-1,431	-1	-1,431	0
Income/expenses from revaluation of option commitments	-295	10,519	-1,146	13,310
Financial result	**-4,401**	**9,421**	**-3,880**	**12,762**
Profit/loss before tax	**-7,995**	**-26,775**	**-1,713**	**-6,562**
Income taxes	1,812	9,876	430	4,702
Profit/loss after tax	**-6,183**	**-16,899**	**-1,283**	**-1,860**
Average number of shares outstanding	15,950,453	15,985,033	15,953,403	15,988,000
Earnings per share in EUR (basic = diluted)	**-0.39**	**-1.06**	**-0.08**	**-0.12**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	6 months period ended		3 months period ended	
in TEUR	30.06.2017	30.06.2016	30.06.2017	30.06.2016
Profit/loss after tax	**-6,183**	**-16,899**	**-1,283**	**-1,860**
Other comprehensive income to be reclassified to profit or loss in subsequent periods				
Foreign exchange adjustment - subsidiaries	-31,125	-7,842	-26,044	8,167
Foreign exchange adjustment - other items	-3,432	-474	-2,892	453
Income tax effect	858	118	723	-114
Other comprehensive income, net of tax	**-33,699**	**-8,198**	**-28,213**	**8,506**
Total comprehensive income, net of tax	**-39,882**	**-25,097**	**-29,496**	**6,646**

CONSOLIDATED CASHFLOW STATEMENT

in TEUR 6 months period ended	30.06.2017	30.06.2016
OPERATING ACTIVITIES		
Profit/loss after tax	-6,183	-16,899
Depreciation, amortization and impairments	25,633	30,503
Other non-cash expenses and revenues	201	-13,076
Cashflow from profit	**19,651**	**528**
Change in working capital	-13,307	17,926
Cashflow from operating activities	**6,344**	**18,454**
INVESTING ACTIVITIES		
Expenditures for property, plant & equipment and intangible assets	-11,816	-5,948
Expenditures for the acquisition of subsidiaries less cash acquired	0	-90,028
Other activities	2,232	1,233
Cashflow from investing activities	**-9,584**	**-94,743**
FREE CASHFLOW	**-3,240**	**-76,289**
FINANCING ACTIVITIES		
Dividend payment	0	-7,994
Change in bank loans and overdrafts & finance lease	-4,646	27,484
Cashflow from financing activities	**-4,646**	**19,490**
Change in cash and cash equivalents	**-7,886**	**-56,799**
Cash and cash equivalents at the beginning of the period	193,453	196,278
Effects of exchange rate changes on cash and cash equivalents	-7,967	-1,625
Cash and cash equivalents at the end of the period	**177,600**	**137,854**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS´ EQUITY

1-6/2017 in TEUR	Share capital	Contributed capital	Legal reserve	Other reserves	Currency translation reserve	Retained earnings	Total
01.01.2017	**15,947**	**66,812**	**785**	**19**	**61,109**	**281,061**	**425,733**
Profit/loss after tax						-6,183	**-6,183**
Other comprehensive income, net of tax					-33,699		**-33,699**
Total comprehensive income, net of tax	0	0	0	0	-33,699	-6,183	**-39,882**
Share based payment	6	215					**221**
30.06.2017	**15,953**	**67,027**	**785**	**19**	**27,410**	**274,878**	**386,072**

1-6/2016 in TEUR	Share capital	Contributed capital	Legal reserve	Other reserves	Currency translation reserve	Retained earnings	Total
01.01.2016	**15,982**	**68,357**	**785**	**19**	**50,166**	**315,051**	**450,360**
Profit/loss after tax						-16,899	**-16,899**
Other comprehensive income, net of tax					-8,198		**-8,198**
Total comprehensive income, net of tax	0	0	0	0	-8,198	-16,899	**-25,097**
Dividend payment						-7,994	**-7,994**
Share based payment	6	361					**367**
Change in reserves				-2		2	**0**
30.06.2016	**15,988**	**68,718**	**785**	**17**	**41,968**	**290,160**	**417,636**

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1

BASIS OF PREPARATION

The interim report as at 30 June 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 half 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 half of 2017 no changes occurred in the scope of consolidation.

NOTE 4

SEASONALITY

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

NOTE 5

SEGMENT INFORMATION

During 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, which form the housing for sensitive measuring instruments used for the precise measurement of inclination and azimuth of the drillstring as well as petrophysical parameters.

The "Oilfield Equipment" (OE) segment comprises a wide range of highly specialised solutions for the oil and gas industry: High-performance drilling motors and tools for directional drillstring drive, downhole circulation tools as well as products for efficient and resource-saving completion of unconventional reservoirs in the two 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.

1-6/2017 in TEUR	Advanced Manufacturing & Services	Oilfield Equipment	SBO-Holding & Consolidation	Group
External sales	45,377	90,302	0	135,679
Intercompany sales	17,943	7,443	-25,386	0
Total sales	63,320	97,745	-25,386	135,679
Profit from operations before impairments and restructuring measures	-10,366	11,833	-5,061	-3,594
Profit/loss before tax	-10,072	8,573	-6,496	-7,995

1-6/2016 in TEUR	Advanced Manufacturing & Services	Oilfield Equipment	SBO-Holding & Consolidation	Group
External sales	49,457	38,554	0	88,011
Intercompany sales	14,299	3,561	-17,860	0
Total sales	63,756	42,115	-17,860	88,011
Profit from operations before impairments and restructuring measures	-14,777	-10,682	-5,775	-31,234
Profit/loss before tax	-16,272	-3,649	-6,854	-26,775

NOTE 6

TANGIBLE AND INTANGIBLE FIXED ASSETS

Information on capital expenditures for tangible and intangible fixed assets as well as purchase commitments for expenditure in property, plant and equipment is included in the management report.

NOTE 7

OWN SHARES

During the reporting period 2017, the company transferred 6,000 SBO shares based on the share based payment program introduced in 2014.

NOTE 8

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 9

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	30.06.2017	Level 2	Level 3
Liabilities				
Derivatives	Other liabilities	-56,584	-262	-56,322

in TEUR	Balance sheet item	31.12.2016	Level 2	Level 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
01.01.2017	-17	-58,532
Addition of accrued interest	-1	-1,690
Gains from revaluation	0	0
Losses from revaluation	0	-295
Currency adjustment	1	4,212
30.06.2017	**-17**	**-56,305**

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 %	+5,374	-5,373
	Interest rate 20 % 4.6 % resp. 4.3 % resp.	+/-2.5 resp. +/-1 resp. +/-1 percentage points	-1,194	+1,148

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.

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	30.06.2017 Carrying value	30.06.2017 Fair value	31.12.2016 Carrying value	31.12.2016 Fair value
Liabilities					
Borrowings from banks, finance lease obligations and other loans	2	-240,416	-244,406	-244,451	-249,329

For assessing the fair value of long-term loans and leasing obligations with a fixed interest rate, the expected cashflows have been discounted using market interest rates. Regarding lendings, 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 10

EVENTS AFTER THE BALANCE SHEET DATE

No important events have occurred after the balance sheet date.

STATEMENT OF ALL LEGAL REPRESENTATIVES

We confirm to the best of our knowledge that the 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 half-year group management report gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the interim financial statements, and of the principal risks and uncertainties for the remaining six months of the financial year and of the major related party transactions to be disclosed.

Ternitz, 23 August 2017

Gerald Grohmann **Klaus Mader**

Executive Board