



SCHOELLER
BLECKMANN
OILFIELD
EQUIPMENT

LETTER TO OUR SHAREHOLDERS 1-9 2018

HIGHLIGHTS

- Sales and earnings continue path of growth in first three quarters of 2018
- Sales up one third, operating result almost increased by a factor of five
- Current uncertainties in the markets create volatile environment, while positive development is expected for 2019

MANAGEMENT REPORT

MARKET ENVIRONMENT

High upstream activity on the North American mainland and ongoing revival of the international market triggered further recovery of business for the oilfield service industry in the first three quarters of 2018. As expected, strong growth in the most productive regions in the United States created bottlenecks in transport capacities, equipment and personnel. This had a dampening effect on the upward trend. The reasons for these bottlenecks are of a temporary nature, and it is expected that these issues will be largely resolved in the wake of adequate capital spending throughout 2019.

Internationally, the signs of market revival were continuing gradually. As companies were ready to step up spending, new oil and gas projects were also launched in regions outside North America mainland, including offshore. The fact that increasing aging of existing fields could lead to a supply shortage in the medium term now appears to have a positive effect on the budgets and capital expenditure of the oil and gas companies.

Global oil production in the third quarter of 2018 was 100.7 million barrels per day (mb/d), slightly above demand totalling 99.8 mb/d. Against the background of the global economic upswing, demand increased by 1.2 mb/d since the beginning of the year, up 1.5 mb/d year-on-year (Q3 2017: 98.3 mb/d).

OPEC's total crude oil production (crude oil without Natural Gas Liquids / NGLs) rose to 32.6 mb/d in the third quarter of 2018, from 32.1 mb/d in the second quarter of 2018 (Q3 2017: 33.0 mb/d). This largely absorbed production losses in Venezuela and Iran. OPEC compliance was 117 % in September 2018, which means that the confirmed production cut was again met. In 2017, the OPEC states had agreed on a maximum production volume of 32.5 mb/d in order to stabilise the oil market.¹

*"High activity in
North America and
further international
market recovery"*

The production volume of non-OPEC countries rose to 61.2 mb/d in the third quarter of 2018, following 60.0 mb/d in the second quarter of 2018 (Q3 2017: 58.1 mb/d). Since the beginning of the year, production in the US was ramped up by 2.1 mb/d to 16.0 mb/d,

¹ The agreement on the production cut provided for a country-specific reduction in production volumes and did not cover Libya, Nigeria and Congo.

and in Russia by 0.3 mb/d to 11.7 mb/d.

OECD crude oil inventories continued to fall in the third quarter of 2018 and stood at 1,054 million barrels (mb) at the end of September, following 1,089 mb at the end of June 2018. Compared with the peak of 1,245 mb in March 2017, they were down more than 15 %.²

The number of rigs worldwide (rig count) increased by 169 rigs or 8.1 % since the beginning of the year to an average of 2,258 rigs in September 2018 (December 2017: 2,089 rigs). Compared to the previous year, the global rig count increased by 177 rigs or 8.5 % (September 2017: 2,081 rigs). In the US rig count, the year-to-date figure was 123 rigs or 13.2 % more than in the prior year. In April 2018, the mark of 1,000 rigs was passed, arriving at 1,053 rigs at the end of the reporting period. In the international rig count,

the number of rigs rose from 954 in December 2017 to 1,004 rigs in September 2018, also exceeding the 1,000 mark.³

The number of drilled but uncompleted wells (DUCs) in the United States so far has reached an all-time high of 8,276 units in September 2018. This increase was mainly attributable to the sustained large number of drilling permits granted in the face of transport bottlenecks in the most productive regions in the United States.⁴

The two oil prices WTI and Brent continued their upward trend in the first three quarters of 2018. The price for a barrel of WTI crude started 2018 at USD 60.42 and closed at USD 73.25 (+21.2 %) on 28 September 2018. European crude Brent rose from USD 66.87 to USD 82.72 (+ 23.7 %).⁵

BUSINESS DEVELOPMENT

Schoeller-Bleckmann Oilfield Equipment AG (SBO) continued its course of growth in the first three quarters of 2018. The company's strategic decision to react early to the upswing and expand capacities as well as gradually adjust the number of employees was reflected positively in the company's development.

North America and the slow recovery of the international market had a favourable effect on SBO's sales and earnings. Overall, demand for SBO's highly efficient drilling tools and products remained generally high. There is still a backlog of demand due to the oil crisis of the past years.

² International Energy Agency (IEA), Oil Market Report, November 2018.

³ Baker Hughes Rig Count.

⁴ U.S. Energy Information Administration (EIA), Oil Productivity Report, November 2018.

⁵ Bloomberg: CO1 Brent Crude (ICE) and CL1 WTI Crude (Nymex).

SBO's sales in the first three quarters of 2018 amounted to MEUR 310.8, an increase of 36.6 % compared to the reference period of last year (1-9/2017: MEUR 227.6). Bookings amounted to MEUR 368.1, up 52.4 % (1-9/2017: MEUR 241.5). The book-to-bill ratio, which expresses the number of orders coming in compared to sales and is an indicator of medium-term development, remained above 1. The order backlog went up to MEUR 93.2 by the end of September 2018 (31 December 2017: MEUR 37.6).

"Positive corporate development due to early response to upswing"

Earnings before interest, taxes, depreciation, and amortisation (EBITDA) rose to MEUR 89.8 (1-9/2017: MEUR 48.5), an increase of 85.4 %. The EBITDA margin during the reporting period was 28.9 % (1-9/2017: 21.3 %), well above the long-term average of 24.1 %. Earnings before interest and

taxes (EBIT) increased almost fivefold to MEUR 54.3 (1-9/2017: MEUR 11.0), including a one-off income of MEUR 1.9 from a land sale. The EBIT margin was 17.5 % (1-9/2017: 4.8 %).

The financial result came to MEUR minus 12.7 (1-9/2017: MEUR minus 95.5, including an expense from the revaluation of option commitments amounting to MEUR minus 89.5). Profit before tax arrived at MEUR 41.6, following minus MEUR 84.5 in the same period last year. Profit after tax was MEUR 33.0 (1-9/2017: MEUR minus 86.2). Earnings per share amounted to EUR 2.07 (1-9/2017: EUR minus 5.41).

SBO's balance sheet structure remains sound: shareholders' equity increased to MEUR 357.8 in the first three quarters of 2018 (31 December 2017: MEUR 322.0). The equity ratio at the end of the first three quarters of 2018 was 38.6 % (31 December 2017: 42.9 %), net debt was MEUR 75.5 (31 December 2017: MEUR 50.7). Liquid funds at the end of the first three quarters were MEUR 266.3 (31 December 2017: MEUR 166.0). Operating cashflow was MEUR 12.1 (1-9/2017: MEUR 23.0), free cashflow was MEUR minus 11.9 (1-9/2017: MEUR 1.0). Capital expenditure on property, plant, equipment and intangible assets (CAPEX) amounted to MEUR 24.9 (1-9/2017: MEUR 25.3). Purchase commitments for property, plant and equipment arrived at MEUR 3.6 as of 30 September 2018 (31 December 2017: MEUR 1.2).

DEVELOPMENT OF THE SEGMENTS

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 in addition to downhole circulation tools as well as products for efficient and resource-conscious completion of unconventional wells in the two dominating technologies „sliding sleeve“ and „plug-n-perf“.

The traditionally late-cycle AMS segment developed positively in the first three quarters of 2018, as international recovery was setting in slowly. The segment generated sales worth MEUR 121.1 in the first three quarters of 2018 (1-9/2017: MEUR 72.6), whereas the operating result (EBIT) came to MEUR 11.0 (1-9/2017: MEUR minus 14.6).

In the Oilfield Equipment segment SBO benefited from the market environment in North America. Sales generated in the segment arrived at MEUR 189.7 (1-9/2017: MEUR 155.0), and the operating result (EBIT) at MEUR 44.4 (1-9/2017: MEUR 30.0).

RISK REPORT

The business risks of SBO did not change substantially in the first three quarters of 2018 over the risks presented in the 2017 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 implemented, this has a significant impact on the assets and financial position of SBO. Additionally, we refer to all risks described in the Annual Report 2017. We recommend to read this report on the third quarter of 2018 in conjunction with the risk report contained in the 2017 Annual Report.

SBO SHARE

The SBO share started the year at EUR 85.00 on 2 January 2018 and closed at EUR 94.45 on 28 September 2018. Therefore, the share price rose by 11.1 % in the first three quarters and performed substantially above the OSX and ATX indices. The OSX remained virtually unchanged over the same period last

year, while the Austrian leading index ATX lost 2.2 %. In comparison, prices for a barrel of crude oil WTI (+ 21.2 %) and Brent (+ 23.7 %) went up.⁶ On 22 May 2018, the SBO share reached an all-time high of EUR 111.6.

OUTLOOK

"Positive trend temporarily concealed by volatile markets"

Global economic growth and the current market environment in the oil and gas industry are fundamentally driving activities in the oilfield service industry. Since

the beginning of the fourth quarter of 2018, however, markets have been undergoing strong volatility. While production rates, supported by efficiency-enhancing measures, remained high, there were growing fears that economic growth and, with it, expected demand for oil and gas could slow down.

For 2018 and 2019, the International Monetary Fund (IMF) forecasts global economic growth to come to 3.7 %. Its original expectations of 3.9 % (April 2018) had to be revised slightly downward. In the industrial nations, economic output is expected to increase by 2.4 % in 2018 and by a further 2.1 % in 2019. In its latest forecasts, the IMF expects stable growth of

⁶ Bloomberg: CO1 Brent Crude (ICE) and CL1 WTI Crude (Nymex).

4.7 % in 2018 and 2019 for the emerging and developing countries, in line with 2017.⁷

As for the demand for crude oil, the International Energy Agency (IEA) expects to see an increase of 1.3 mb/d to 99.2 mb/d in 2018 and 1.4 mb/d in 2019 (demand in 2019: 100.6 mb/d). Concerning crude oil production, the non-OPEC states, according to the IEA, will increase their output by 2.3 mb/d to 60.3 mb/d in 2018 and another 2.0 mb/d in 2019 (production in 2019: 62.3 mb/d). Assumptions are that OPEC will continue its price-supporting policy.⁸

Trade policy measures, including trade barriers and sanctions, are once again used deliberately by large economies to exert pressure. Although the pressure on the global economy is increasing significantly it is generally assumed that the global economy will continue to grow in 2019, leading to a further increase in spending for exploration and production (E&P spending) and, with it, an expansion of activities, as the oil and gas industry will be confronted with progressive ageing of existing oil and gas fields in the years ahead. Regarding depletion, the International Energy Agency (IEA) estimates that by 2025 conventional production of up to 22 mb/d will have to be offset by new exploration projects, which is multiple times the level of shale oil production today.⁹

For the coming months, however, one-off effects such as already exhausted E&P annual budgets for 2018 cannot be ruled out. In addition, temporary constraints in transport capacities, equipment and personnel in the United States have weakened activity. At the same time, the infrastructure measures introduced and the granting of further drilling permits secure activity also in that region sustainably, even if they may remain decelerated temporarily.

The backlog demand caused by the long crisis and the award of contracts for new oil and gas projects suggest that there will be further demand for SBO products and solutions in the years ahead. SBO has responded to rising customer demand and initiated, for instance, expansion at its Vietnam production site, as capacity utilisation is highest there at the moment. In addition, SBO is represented in all major centres of the oilfield service industry and can therefore respond efficiently to customer requirements.

With its continuous investment in research and development, SBO offers innovative technologies and solutions for the increasingly demanding industry. Coupled with its sustainable management strategy, the company is optimally prepared for opportunities down the road.

⁷ IMF World Economic Outlook (WEO), October 2018.

⁸ International Energy Agency (IEA), Oil Market Report, November 2018.

⁹ IEA World Energy Outlook 2018.

FINANCIAL INFORMATION

CONSOLIDATED BALANCE SHEET

ASSETS

in TEUR	30.09.2018	31.12.2017
<i>Current assets</i>		
Cash and cash equivalents	266,299	165,982
Trade receivables	128,147	89,801
Other receivables and other assets	7,510	5,706
Assets held for sale	688	594
Inventories	138,268	97,086
Total current assets	540,912	359,169
<i>Non-current assets</i>		
Property, plant and equipment	144,591	145,172
Goodwill	160,647	156,293
Other intangible assets	41,300	49,532
Long-term receivables and assets	10,499	10,938
Deferred tax assets	28,051	29,137
Total non-current assets	385,088	391,072
TOTAL ASSETS	926,000	750,241

CONSOLIDATED BALANCE SHEET

LIABILITIES AND EQUITY

in TEUR	30.09.2018	31.12.2017
<i>Current liabilities</i>		
Liabilities to banks	31,366	31,880
Current portion of long-term loans	63,524	69,478
Finance lease liabilities	36	35
Trade payables	21,502	16,611
Government grants	1,394	57
Income tax payable	2,903	2,056
Other liabilities	170,085	30,113
Other provisions	4,522	5,151
Total current liabilities	295,332	155,381
<i>Non-current liabilities</i>		
Long-term loans	246,950	115,338
Finance lease liabilities	18	44
Government grants	958	0
Provisions for employee benefits	5,442	5,262
Other liabilities	18,450	149,891
Deferred tax liabilities	1,079	2,314
Total non-current liabilities	272,897	272,849
<i>Equity</i>		
Share capital	15,959	15,953
Capital reserve	68,470	67,248
Legal reserve	785	785
Other reserves	19	19
Currency translation reserve	20,674	11,193
Retained earnings	251,864	226,813
Total equity	357,771	322,011
TOTAL LIABILITIES AND EQUITY	926,000	750,241

CONSOLIDATED PROFIT AND LOSS STATEMENT

in TEUR	9 MONTHS PERIOD ENDED		3 MONTHS PERIOD ENDED	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
Sales	310,799	227,596	110,764	91,917
Cost of goods sold	-202,653	-167,890	-69,884	-63,247
Gross profit	108,146	59,706	40,880	28,670
Selling expenses	-17,617	-16,500	-6,089	-4,850
General and administrative expenses	-34,834	-25,295	-12,176	-8,410
Other operating expenses	-12,208	-12,684	-4,383	-4,348
Other operating income	10,801	3,824	3,985	1,583
Profit from operations before restructuring measures	54,288	9,051	22,217	12,645
Restructuring income	0	1,966	0	1,966
Profit from operations after restructuring measures	54,288	11,017	22,217	14,611
Interest income	1,757	1,348	728	288
Interest expenses	-7,694	-5,941	-2,788	-2,206
Other financial income	59	3	47	3
Other financial expenses	-7,292	-1,393	-95	38
Gains / losses from remeasurement of option liabilities	446	-89,510	2,692	-89,215
Financial result	-12,724	-95,493	584	-91,092
Profit / loss before tax	41,564	-84,476	22,801	-76,481
Income taxes	-8,533	-1,746	-2,978	-3,558
Profit / loss after tax	33,031	-86,222	19,823	-80,039
Average number of shares outstanding	15,957,491	15,951,447	15,959,403	15,953,403
EARNINGS PER SHARE IN EUR (BASIC = DILUTED)	2.07	-5.41	1.24	-5.02

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in TEUR	9 MONTHS PERIOD ENDED		3 MONTHS PERIOD ENDED	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
Profit / loss after tax	33,031	-86,222	19,823	-80,039
Other comprehensive income to be reclassified to profit or loss in subsequent periods				
Foreign exchange adjustment - subsidiaries	8,740	-37,856	2,632	-6,731
Foreign exchange adjustment - other items	988	-4,761	243	-1,329
Income tax effect	-247	1,190	-61	332
Other comprehensive income, net of tax	9,481	-41,427	2,814	-7,728
TOTAL COMPREHENSIVE INCOME, NET OF TAX	42,512	-127,649	22,637	-87,767

CONSOLIDATED CASHFLOW STATEMENT

in TEUR	9 MONTHS PERIOD ENDED	30.09.2018	30.09.2017
OPERATING ACTIVITIES			
Profit / loss after tax		33,031	-86,222
Adjustment for dividends paid relating to put/call-options		7,292	0
Depreciation, amortisation and impairments		35,549	37,437
Other non-cash expenses and revenues		-3,418	1,596
Cashflow from profit		72,454	-47,189
Change in working capital		-60,348	70,182
Cashflow from operating activities		12,106	22,993
INVESTING ACTIVITIES			
Expenditures for property, plant and equipment and intangible assets		-24,913	-25,306
Expenditures for the acquisition of non-controlling interests		-2,575	0
Other activities		3,512	3,339
Cashflow from investing activities		-23,976	-21,967
FREE CASHFLOW		-11,870	1,026
FINANCING ACTIVITIES			
Dividend payment		-7,980	0
Dividends paid relating to put/call-options		-7,292	0
Change in bank loans and overdrafts and finance leases		123,510	-4,875
Cashflow from financing activities		108,238	-4,875
Change in cash and cash equivalents		96,368	-3,849
Cash and cash equivalents at the beginning of the period		165,982	193,453
Effects of exchange rate changes on cash and cash equivalents		3,949	-11,741
Cash and cash equivalents at the end of the period		266,299	177,863

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2018

in TEUR	SHARE CAPITAL	CAPITAL RESERVE	LEGAL RESERVE	OTHER RESERVES	CURRENCY TRANSLATION RESERVE	RETAINED EARNINGS	TOTAL
1 January 2018	15,953	67,248	785	19	11,193	226,813	322,011
Profit / loss after tax						33,031	33,031
Other comprehensive income, net of tax					9,481		9,481
Total comprehensive income, net of tax	0	0	0	0	9,481	33,031	42,512
Dividend payment						-7,980	-7,980
Share-based payment	6	1,222					1,228
30 September 2018	15,959	68,470	785	19	20,674	251,864	357,771

2017

in TEUR	SHARE CAPITAL	CAPITAL RESERVE	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 / loss after tax						-86,222	-86,222
Other comprehensive income, net of tax					-41,427		-41,427
Total comprehensive income, net of tax	0	0	0	0	-41,427	-86,222	-127,649
Share-based payment	6	349					355
30 June 2017	15,953	67,161	785	19	19,682	194,839	298,439

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1

BASIS OF PREPARATION

The interim report as at 30 September 2018 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 2018 of the SBO Group has neither been audited nor reviewed by independent accountants.

NOTE 2

ACCOUNTING POLICIES

In the reporting period 2018 the newly adopted standards IFRS 9 and IFRS 15 were applied by SBO for the first time. The first-time application of IFRS 15 based on the modified retrospective approach and resulted for the sale of goods in no notable and for service and repair as well as the rental of drilling tools in no adjustments as of 1 January 2018.

IFRS 9 provides for a new approach regarding the categorization and valuation of financial instruments, impairment of financial assets and regulations on hedge accounting. The new categorization and valuation requirements of IFRS 9 do currently have no significant effects on the accounting and valuation of financial instruments of SBO. SBO does not use hedge accounting for existing foreign currency derivatives.

Apart from the standards which came into force in 2018 the accounting and valuation methods of 31 December 2017 have been applied basically unchanged. In this context, we refer to the consolidated financial statements for the year ended 31 December 2017.

NOTE 3

SCOPE OF CONSOLIDATION

In the reporting period the company BICO Drilling Tools FZE with the corporate seat in Dubai was established.

Apart from that no further changes occurred in the scope of consolidation during 2018.

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
For the business year 2017 paid in 2018	7,980	15,959,303	0.50
For the business year 2016 paid in 2017	0	15,953,303	0.00

NOTE 6

SEGMENT INFORMATION

Based on product groups and services offered and existing customer groups, respectively, 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 specialized solutions for the oil and gas industry: High-performance drilling motors and tools for directional drillstring drive in addition to downhole circulation tools as well as products for efficient and resource-conscious 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.

Results in the total column correspond to those in the profit and loss statement.

1-9/2018

in TEUR	ADVANCED MANUFACTURING & SERVICES	OILFIELD EQUIPMENT	SBO-HOLDING & CONSOLIDATION	GROUP
External sales	121,138	189,661		310,799
Intercompany sales	63,523	10,628	-74,151	0
Total sales	184,661	200,289	-74,151	310,799
Profit from operations before restructuring measures	11,014	44,379	-1,105	54,288
Profit / loss before tax	11,767	32,907	-3,110	41,564

1-9/2017

in TEUR	ADVANCED MANUFACTURING & SERVICES	OILFIELD EQUIPMENT	SBO-HOLDING & CONSOLIDATION	GROUP
External sales	72,586	155,010		227,596
Intercompany sales	29,307	11,318	-40,625	0
Total sales	101,893	166,328	-40,625	227,596
Profit from operations before restructuring measures	-14,550	30,026	-6,425	9,051
Profit / loss before tax	-12,055	-63,434	-8,987	-84,476

Profit from operations 2018 of the segment Advanced Manufacturing & Services includes a gain from the sale of land at TEUR 1,914.

In year 2017, profit before tax of the Oilfield Equipment segment contained an expense from the evaluation of option commitments amounting to MEUR minus 89.5.

Sales break down as follows:

in TEUR	ADVANCED MANUFACTURING & SERVICES		OILFIELD EQUIPMENT	
	1-9/2018	1-9/2017	1-9/2018	1-9/2017
Product sales	103,594	58,488	107,302	79,106
Services and repairs	13,157	8,662	11,532	9,641
Operating lease revenue	4,387	5,436	70,827	66,263
Total	121,138	72,586	189,661	155,010

NOTE 7

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 8

TREASURY SHARES

During the reporting period the company transferred 6,000 SBO shares based on the share based payment program introduced in 2014 and prolonged in 2018.

NOTE 9

RELATED PARTY TRANSACTIONS

With respect to business transactions with related parties there were no substantial changes compared to 31 December 2017. 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 2017.

NOTE 10

FINANCIAL INSTRUMENTS

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

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

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

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

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

in TEUR	BALANCE SHEET ITEM	30.09.2018	LEVEL 2	LEVEL 3
Assets				
Derivatives	Other receivables and other assets	22	22	0
Liabilities				
Derivatives	Other liabilities	-143,260	-226	-143,034

in TEUR	BALANCE SHEET ITEM	31.12.2017	LEVEL 2	LEVEL 3
Assets				
Derivatives	Other receivables and other assets	173	173	0
Liabilities				
Derivatives	Other liabilities	-137,311	0	-137,311

During the reporting period 2018 there were no transfers between the levels of fair value measurements. In general, if required, transfers are carried out at the end of each reporting period.

Derivatives shown under level 3 almost exclusively consist of option commitments relating to cancelable non-controlling interests to purchase the offered shares from the minority shareholders. The development of liabilities for option commitments in the reporting period 2018 was as follows:

in TEUR	BUSINESS COMBINATION DOWNHOLE TECHNOLOGY	OTHER BUSINESS COMBINATIONS
1 January 2018	-131,515	-5,773
Addition of accrued interest	-3,508	-375
Gains from revaluation	0	2,722
Losses from revaluation	-2,276	0
Disposal due to settlement	0	2,575
Currency adjustment	-4,924	49
30 September 2018	-142,223	-802

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 corporate planning. The liabilities are discounted using a risk-adequate discount rate for the duration of each liability.

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". As the put/call option relating to Downhole Technology can be exercised starting from 1 April 2019 the corresponding liability was reclassified in the reporting period from non-current to current other liabilities.

During the reporting period SBO Group exercised the option on the acquisition of the remaining 33 % of shares in Resource Well Completion Technologies Inc. Based on the option agreement in place, 100 % of the shares in the company were recognised from a Group perspective already in the past. The purchase price amounting to MCAD 4.0 (MEUR 2.6) was fully provided for in the option liabilities as of 31 December 2017. Therefore, apart from the payment of the purchase price, this transaction does not have any further effects on the group financial statements of SBO in

2018.

Gains from revaluation reported in 2018 refer to an agreement reached during the third quarter on the purchase price of the majority of remaining shares covered by the put option entered into in the course of a business combination 2012.

The sensitivity analysis for significant, non-observable input factors relating to option liabilities is as follows:

in TEUR	ASSUMPTION	CHANGE IN ASSUMPTION	IF ASSUMPTION INCREASES, LIABILITY CHANGES BY	IF ASSUMPTION DECREASES, LIABILITY CHANGES BY
	Net results	+/-10 %	+14,222	-14,222
	Interest rate 3.5 %	+/-1 percentage point	-1,022	+1,039

The foreign currency forward contracts are measured based on observable spot exchange 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	30.09.2018		31.12.2017	
		CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Liabilities					
Borrowings from banks, finance lease obligations and other loans	2	-341,894	-347,282	-216,775	-219,624

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 amounts 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 amounts equal the fair values at the balance sheet date.

NOTE 11

CASHFLOW

During the reporting period the Company took up bonded loans and bearer bonds totalling at MEUR 137.3 with terms from 4 to 10 years and with predominantly fixed interest rates from 1.09 % to 2.45 %.

NOTE 12

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 group management report of 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 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, 27 November 2018

The image shows two handwritten signatures in black ink. The signature on the left is for Gerald Grohmann, and the signature on the right is for Klaus Mader. Both signatures are written in a cursive, flowing style.

Gerald Grohmann

Klaus Mader

Executive Board

