SCHOELLER
BLECKMANN
OILFIELD
EQUIPMENT

LETTER TO OUR SHAREHOLDERS 1-9 / 2014

HIGHLIGHTS

- Stable development in the third quarter despite volatile market environment
- Sound results with high profitability
- Increasing bookings

MANAGEMENT REPORT

Market environment

In the third quarter of 2014, the global economic development was lagging behind earlier expectations, prompting the International Monetary Fund (IMF) to revise down its forecast for the entire year 2014 from 3.7% originally expected to 3.3%. The IMF is particularly concerned about the development in Europe, where performance remained far behind expectations. Moreover, ongoing geopolitical crises have continued to weaken the economy in some emerging markets, such as in Russia, the CIS countries, and the Middle East.[1]

Global oil consumption was up 0.52%, or 0.48 million barrels per day (mb/d) in a year-on-year comparison (Q3 2013: 92.5 mb/d)[2]. In the third quarter the oil market was well supplied as worldwide crude oil production rose both in OPEC (particularly Libya and Iraq) and non-OPEC countries (particularly the U.S.). The effective spare capacity in OPEC countries[3] was 3.05 mb/d in September 2014, practically at the same level as the year before (September 2013: 2.90 mb/d)[4].

The prices[5] for the two major crudes, Brent and WTI, fell during the third quarter 2014: The price for one barrel of European Brent dropped by 14.6%, from USD 110.84 (1 July 2014) to USD 94.67 (30 Sept. 2014). In a year-on-year comparison as of 30 September, the price per barrel for Brent declined by 12.2%. U.S. WTI in turn fell by 14.0% in the third quarter of 2014, i.e., from USD 106.06 (1 July 2014) to USD 91.17 (30 Sept. 2014) and 10.9% in the year-on-year comparison as of 30 September. The price development of the both brands went largely parallel.

Prices continued to decline also during the first weeks of the fourth quarter 2014. This situation differs from previous ones where the oil price had soared in response to geopolitical crises. Market analysts see the current price development as a result of the sufficiently supplied oil market, which is largely due to the continuously successful shale oil exploitation in the U.S.

Declining oil prices in the third quarter did not affect worldwide drilling activity yet: The global rig count between June and September 2014 shows a 6.2% rise, or a plus of 214 rigs, from 3,445 to 3,659. Compared to last year's count (3,431 in September 2013), the increase was 228 rigs or 6.6%.

„Continued, high drilling activity in Q3, however the market environment has become more volatile."

The international rig count (global rig count excluding the U.S. and Canada) rose by 3% or 39 rigs in a year-on-year comparison, from 1,284 in September 2013 to 1,323 in September 2014. Growth in the Asia-Pacific region (+7% or 17 rigs), the Middle East (+4.5% or 17 rigs) and in Europe (+6.5% or 9 rigs) outweighed the slight declines in Latin America (-0.5% or 2 rigs) and Africa (-1.7% or 2 rigs).

The Canadian count was 406 rigs in September 2014, equalling a 4.9% increase or 19 rigs in a year-on-year comparison (September 2013: 387).

Also the number of U.S. rigs rose again, by 9.7% or 170 rigs from 1,760 in September 2013 to 1,930 in September 2014. During the same period the importance of oil drillings continued to grow. While the share of oil drillings accounted for 78% of all drillings in September 2013 (gas share: 22%), the rate was already 82% (gas: 18%) twelve months later. In September 2014, U.S. crude production was at its highest since March 1986.[7]

The share of directional and horizontal drilling rigs further increased in September 2014, accounting for 81% of all U.S. drilling rigs, while the share of vertical drilling rigs shrank to 19% (end of September 2013: 76% directional and horizontal; 24% vertical drilling).[8]

[1] *IMF World Economic Outlook (WEO) Update, October 2014*
[2] *International Energy Agency (IEA), Oil Market Report, October 2014*
[3] *"EIA defines spare capacity as the volume of production that can be brought on within 30 days and sustained for at least 90 days. […] OPEC spare capacity provides an indicator of the world oil market's ability to respond to potential crises that reduce oil supplies. ", www.eia.gov*
[4] *IEA Oil Market Report, October 2014*
[5] *U.S. Energy Information Agency (EIA): Spot Prices for Crude Oil and Petroleum Products*
[6] *Baker Hughes Inc. Rig Count*
[7] *U.S. Energy Information Agency (EIA): Weekly U.S. Field Production of Crude Oil*
[8] *U.S. Energy Information Agency (EIA): North America Rotary Rig Count*

Business development

The Schoeller-Bleckmann Oilfield Equipment AG (SBO) business showed a sound development in the third quarter of 2014, continuing the positive trend of the first two quarters. With a notable increase in bookings, SBO's results during the first nine months were slightly above the previous year.

SBO's revenues in the first nine months rose by 2.3% to MEUR 356.6 (1-9/2013: MEUR 348.5). EBITDA (earnings before interest, taxes, depreciation and amortization) increased by 2.1% to MEUR 102.9 (1-9/2013: MEUR 100.8), EBIT (earnings before interest and taxes) in 2014 was MEUR 72.0, or 9.5% up from the previous year (1-9/2013: MEUR 65.8[9]). Earnings before taxes were at MEUR 64.5 (1-9/2013: MEUR 60.8), a 6.1% plus in a year-on-year comparison, while earnings after taxes rose by 11.4% to MEUR 46.8 (1-9/2013: MEUR 42.0). Earnings per share were EUR 2.93 (1-9/2013: EUR 2.60) after the first nine months.

„Stable development: The trend of the first two quarters has continued."

Margins also had a positive development in the year-on-year comparison: While the EBITDA margin remained at last year's level of 28.9%, the EBIT margin improved slightly to 20.2% (1-9/2013: 18.9%[9]), and the pre-tax margin also showed a moderate plus at 18.1% (1-9/2013: 17.5%).

In the first nine months of 2014, SBO managed to increase its bookings by 11.7% to MEUR 369.4 (1-9/2013: MEUR 330.8). After a sluggish start in the first weeks of 2014, all segments showed notable growth for the rest of the period, a development which also extended into the third quarter. Total order backlog as of 30 September 2014 was MEUR 123.6 (30 Sept. 2013: MEUR 127.8), with a significant portion thereof reaching into the year 2015.

„SBO managed to raise its bookings in the first nine months by 11.7%."

As of 30 Sept. 2014, SBO's net debt was MEUR 9.7 (31 Dec. 2013: MEUR 16.6; 30 Sept. 2013: MEUR 19.5). Again, the SBO gearing remained at an extremely low level with only 2.2% as of 30 Sept. 2014 (31 Dec. 2013: 4.3%; 30 Sept. 2013: 5.2%).

Regarding the employment situation at the end of the third quarter, the headcount was 1,663 (compared to 1,640 as of 30 June 2014; 1,574 as of 31 Dec. 2013 and 1,565 as of 30 Sept. 2013). This increase over the previous year is primarily due to the labour-intensive high-tech-repair and maintenance operations in the Oilfield Equipment segment.

Development of the Segments

Starting in the second quarter of 2014, SBO divided its business into two segments: High Precision Components (manufacturing of precision drill string components) and Oilfield Equipment (non-magnetic drill collars, drilling motors, circulation tools and other components including maintenance and repair services). Compared to the first nine months of 2013, there was increasing bookings for both segments during the first nine months of 2014, as well as a sound business development:

Revenues in the High Precision Components segment developed in line with the partially significant decreases in customers' CAPEX (investment in non-current assets) expenditures. As in previous quarters, customers currently tend to maximize the lifetime of their tools while minimizing orders for new equipment. While SBO managed to maintain its position as a market leader in this segment, corresponding revenues declined by 4.7% to MEUR 173.3 (pro forma 1-9/2013: MEUR 181.8) resulting in a MEUR 24.1 gross operating profit for the segment, or a 21.8% decline (pro forma 1-9/2013: MEUR 30.8).

„The Oilfield Equipment segment benefited from the increase in worldwide drilling activity."

[9] *after non-recurring items*

In the Oilfield Equipment segment, SBO managed to benefit from worldwide drilling activity and showed good business development for non-magnetic drill collars. The SBO subsidiary BICO, specializing in drilling motors, demonstrated consistent and satisfactory growth, particularly in North America. Excellent development was also recorded for circulation tools from the SBO subsidiary DSI. In order to meet market demand, SBO's investments were focused on the fleet of BICO and DSI. Furthermore, earnings in the high-tech repair and maintenance of oilfield tools also rose, contributing to a 10% increase in the segment's revenues of MEUR 183.2 for the first nine months of 2014 (pro forma 1-9/2013: MEUR 166.6). Thus, the resulting gross operating profit climbed 35.8% to MEUR 48.2 (pro forma 1-9/2013: MEUR 35.5).

SBO plans to raise profitability in England by exploiting potential cost synergies between its two subsidiaries "Techman Engineering Ltd." and the close-by "Darron Tool & Engineering Ltd." Furthermore, fixed costs can be cut by optimizing processes and eliminating duplication of work. An improved cost structure should allow for an expansion of business in the future. SBO expects costs for the required measures in the amount of up to MEUR 5.0, which will be reflected in the 2014 annual income.

Investments

Investments in property, plant and equipment in the first nine months of 2014 were MEUR 31.3 (1-9/2013: MEUR 46.4) with a focus on the further expansion of the drilling motor fleet in the U.S. and Canada, as well as the DSI circulation tools fleet. A smaller CAPEX portion accounted for final invoices for the construction of the new production facility at Ternitz. Purchase commitments for non-current assets ordered as of 30 September 2014 were MEUR 10.0 (MEUR 12.7 as of 30 September 2013).

Risk report

In the half-year report 2014, SBO was already pointing out the economic sanctions against Russia in response to the crisis in Ukraine. It will not be before the end of 2014 that SBO can either estimate the impact of these sanctions on the business or the scope of that impact. Apart from this, the SBO business risk during the first nine months of 2014 has principally remained unchanged in comparison to the risks displayed in the 2013 Annual Report. Therefore, reference is made to the risk explained in the 2013 Annual Report, in particular the dollar-euro currency exchange risk. It is recommendable to read this quarterly report together with the Annual Report for 2013.

The SBO share

On 30 September 2014, the share of Schoeller-Bleckmann Oilfield Equipment AG concluded the third quarter of 2014 with a price of EUR 77.25, equalling a 5.9% decline during the first nine months of 2014 (02 January 2014: EUR 82.10). Compared to the end of the third quarter of 2013, the decrease was 11.7% (30 September 2013: EUR 87.44).

Outlook

In its latest report, the International Monetary Fund (IMF) again slightly revised its projections for the global economic growth for the year 2014 down – from 3.4% to 3.3%, contrasting its previous forecast of 3.7%. It is especially the lagging economic recovery in Europe, the slowing of growth in some emerging countries, and primarily also the current geopolitical crises in the Middle East and Ukraine which contribute to broad overall insecurity and a potentially dampening effect on economic growth. Consequently, the IMF has also slightly revised down its growth projection for 2015, from 4.0% to 3.8%.

In contrast, the U.S. economy is exceeding expectations and the IMF has increased its forecast for 2014 from 1.7% to 2.2%. The Fund continues to expect 3.1% growth in the U.S. for 2015, while projections for the Eurozone were lowered from 1.1% to 0.8% for 2014. For 2015 the Eurozone is expected to grow by 1.3%. For emerging markets, the IMF expects 4.4% growth in 2014 and 5.0% for 2015.[10]

According to current statistics of the International Energy Agency (IEA), global oil consumption for the entire year 2014 will be 92.4 mb/d, revised slightly down from the 92.6 mb/d previously expected. The revision was due to weakening macro-economic indicators and lagging demand. However, for 2015 experts count on continued and increasing oil demand in an improved macro-economic environment. Thus, demand for oil is to go up by 1.1 mb/d or 1.2%, to 93.5 mb/d.[11]

[10] *IMF World Economic Outlook (WEO) Update, October 2014*
[11] *IEA Oil Market Report, October 2014*

The environment of the oilfield service industry has become significantly more volatile during the past few months. The political instability in Ukraine and the Middle East, weakening global economic growth paired with significantly lower oil prices caused by slackening demand on the one hand, and sufficient supplies on the other, might affect the business environment of the oilfield service industry.

Some market observers assume that in the event of a further significant oil price decline for U.S. WTI to values below roughly USD 70 per barrel, technologically advanced drilling activities, such as in certain shale rock formations in the U.S., might gradually be cut back for economic reasons. Other experts expect that important oil-producing nations may not be in the position to tolerate further cuts in their revenues. Therefore, in order to prevent further price declines, OPEC countries may decide to cut production.

Regardless of any short-term market developments, SBO is in the position to adjust quickly to any change due to its high degree of flexibility. As a leader in technology, SBO is also in an optimal strategic position to exploit the long-term growth in worldwide oil and gas production in a sustainable way.

Also in the fourth quarter of 2014, the Oilfield Equipment segment should develop in line with global drilling activities which are on a stable level in all world regions. Due to the ongoing expansion of the drilling motor fleet and the high market acceptance for DSI circulation tools, SBO is in an excellent position to benefit from this trend. The further business development in the High-Precision Components segment will primarily reflect future CAPEX outlays of the global oilfield service companies.

Regardless, SBO has proved in the past that it responds both in time and flexibly to changing market conditions, while also achieving favourable results. The long-term trend for more technology required to cope with growing oil and gas consumption benefits SBO and remains unchanged despite current market volatility.

CONSOLIDATED PROFIT AND LOSS STATEMENT

in TEUR	9 months period ended 30.09.2014	9 months period ended 30.09.2013	3 months period ended 30.09.2014	3 months period ended 30.09.2013
Sales	**356,558**	**348,472**	**126,277**	**113,066**
Cost of goods sold	-245,198	-240,127	-87,592	-77,176
Gross profit	**111,360**	**108,345**	**38,685**	**35,890**
Selling expenses	-16,823	-14,703	-5,756	-4,861
General and administrative expenses	-23,963	-19,096	-7,845	-6,380
Other operating expenses	-8,141	-9,762	-3,127	-3,732
Other operating income	9,551	8,487	4,363	1,938
Profit from operations before non-recurring items	**71,984**	**73,271**	**26,320**	**22,855**
Impairment on other intangible assets	0	-7,517	0	0
Profit from operations after non-recurring items	**71,984**	**65,754**	**26,320**	**22,855**
Interest income	451	606	156	231
Interest expenses	-9,233	-10,170	-3,804	-3,030
Other financial income	1,341	4,645	422	0
Financial result	**-7,441**	**-4,919**	**-3,226**	**-2,799**
Profit before tax	**64,543**	**60,835**	**23,094**	**20,056**
Income taxes	-17,771	-18,851	-6,661	-6,169
Profit after tax	**46,772**	**41,984**	**16,433**	**13,887**
Thereof attributable to non-controlling interests	0	521	0	188
Thereof attributable to the owners of the parent company	46,772	41,463	16,433	13,699
	46,772	**41,984**	**16,433**	**13,887**
Average number of shares outstanding	15,954,491	15,959,773	15,976,000	15,959,097
Earnings per share in EUR (basic = diluted)	**2.93**	**2.60**	**1.03**	**0.86**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in TEUR	9 months period ended 30.09.2014	9 months period ended 30.09.2013	3 months period ended 30.09.2014	3 months period ended 30.09.2013
Profit after tax	**46,772**	**41,984**	**16,433**	**13,887**
Other comprehensive income to be reclassified to profit or loss in subsequent periods				
Foreign exchange adjustment - subsidiaries	31,016	-8,056	26,360	-7,280
Foreign exchange adjustment - other items	1,700	-389	1,546	-736
Income tax effect	-425	97	-387	184
Other comprehensive income, net of tax	**32,291**	**-8,348**	**27,519**	**-7,832**
Total comprehensive income, net of tax	**79,063**	**33,636**	**43,952**	**6,055**
Thereof attributable to non-controlling interests	0	409	0	37
Thereof attributable to the owners of the parent company	79,063	33,227	43,952	6,018
	79,063	**33,636**	**43,952**	**6,055**

CONSOLIDATED BALANCE SHEET

ASSETS in TEUR	30.09.2014	31.12.2013
Current assets		
Cash and cash equivalents	157,399	158,366
Trade accounts receivable	98,931	78,636
Other accounts receivable and prepaid expenses	4,143	7,103
Inventories	142,626	133,057
TOTAL CURRENT ASSETS	**403,099**	**377,162**
Non-current assets		
Property, plant & equipment	202,590	188,430
Goodwill	67,877	63,517
Other intangible assets	44,023	45,625
Long-term receivables and assets	18,605	17,046
Deferred tax assets	11,948	11,681
TOTAL NON-CURRENT ASSETS	**345,043**	**326,299**
TOTAL ASSETS	**748,142**	**703,461**

LIABILITIES AND SHAREHOLDERS´ EQUITY in TEUR	30.09.2014	31.12.2013
Current liabilities		
Bank loans and overdrafts	33,309	32,132
Current portion of bonds	19,990	0
Current portion of long-term loans	11,764	12,622
Finance lease obligations	0	81
Trade accounts payable	23,418	35,347
Government grants	292	294
Income taxes payable	6,827	10,872
Other payables	34,242	27,522
Other provisions	9,639	9,310
TOTAL CURRENT LIABILITIES	**139,481**	**128,180**
Non-current liabilities		
Bonds	0	19,980
Long-term loans	102,013	110,166
Government grants	450	462
Employee benefit obligations	6,257	5,987
Other payables	42,833	37,617
Deferred tax liabilities	20,862	18,882
TOTAL NON-CURRENT LIABILITIES	**172,415**	**193,094**
Shareholders´ equity		
Share capital	15,976	15,912
Contributed capital	66,987	61,567
Legal reserve - non-distributable	785	785
Other reserves	23	26
Currency translation reserve	2,088	-30,203
Retained earnings	350,387	332,257
Equity attributable to the owners of the parent company	436,246	380,344
Non-controlling interests	0	1,843
TOTAL SHAREHOLDERS´ EQUITY	**436,246**	**382,187**
TOTAL LIABILITIES AND SHAREHOLDERS´ EQUITY	**748,142**	**703,461**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS´ EQUITY

1-9/2014 in TEUR	Share capital	Contributed capital	Legal reserve	Other reserves	Currency translation reserve	Retained earnings	Total parent company	Non-controlling interests	Total
1 January 2014	**15,912**	**61,567**	**785**	**26**	**-30,203**	**332,257**	**380,344**	**1,843**	**382,187**
Profit after tax						46,772	**46,772**		**46,772**
Other comprehensive income, net of tax					32,291		**32,291**		**32,291**
Total comprehensive income, net of tax	0	0	0	0	32,291	46,772	**79,063**	0	**79,063**
Dividends						-23,964	**-23,964**	-997	**-24,961**
Disposal of own shares	6	515					**521**		**521**
Decrease in non-controlling interests and related disposal of own shares	58	4,905				-4,681	**282**	-846	**-564**
Change in reserves				-3		3	**0**		**0**
30 September 2014	**15,976**	**66,987**	**785**	**23**	**2,088**	**350,387**	**436,246**	**0**	**436,246**

1-9/2013 in TEUR	Share capital	Contributed capital	Legal reserve	Other reserves	Currency translation reserve	Retained earnings	Total parent company	Non-controlling interests	Total
1 January 2013	**15,960**	**65,203**	**785**	**29**	**-15,956**	**295,382**	**361,403**	**1,727**	**363,130**
Profit after tax						41,463	**41,463**	521	**41,984**
Other comprehensive income, net of tax					-8,236		**-8,236**	-112	**-8,348**
Total comprehensive income, net of tax	0	0	0	0	-8,236	41,463	**33,227**	409	**33,636**
Acquisition of own shares	-3	-255					**-258**		**-258**
Option commitment relating to cancelable non-controlling interests						-131	**-131**		**-131**
Dividends						-23,940	**-23,940**	**-245**	**-24,185**
Change in reserves				-2		2	**0**		**0**
30 September 2013	**15,957**	**64,948**	**785**	**27**	**-24,192**	**312,776**	**370,301**	**1,891**	**372,192**

CONSOLIDATED CASH-FLOW STATEMENT

in TEUR — 9 months period ended	30.09.2014	30.09.2013
Cash and cash equivalents at the beginning of the period	**158,366**	**138,260**
Cash flow from profit	77,538	81,338
Cash flow from operating activities	56,003	87,944
Cash flow from investing activities	-28,523	-44,762
Cash flow from financing activities	-34,845	-27,228
Effects of exchange rate changes	6,398	-1,760
Cash and cash equivalents at the end of the period	157,399	152,454

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Basis of preparation

The interim report as at 30 September 2014 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 2014 of the SBO group has neither been audited nor reviewed by independent accountants.

Accounting Policies

The accounting and valuation methods of 31 December 2013 have been applied basically unchanged, with the exception of the standards which came into force in 2014. 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 2013.

IFRS 12 was applied for the first time which requires disclosures relating to interests in subsidiaries, joint arrangements and associates. The disclosures are considerably more extensive than the current requirements of IAS 27, 28 and 31 and will accordingly lead to additional notes disclosures.

Scope of consolidation

In order to condense the group structure, a resolution to merge the two non-operating entities Schoeller-Bleckmann Drilling and Production Equipment GmbH, Ternitz, and BICO-DSI Investment GmbH, Ternitz, with SCHOELLER-BLECKMANN Oilfield Equipment Aktiengesellschaft, Ternitz, was adopted on 21 February 2014 as already presented in the report for the first quarter 2014. In this regard the minority shareholder of BICO-DSI Investment GmbH withdrew in the first quarter 2014 and was compensated with 57,761 SBO shares. Non-controlling interests fully ceased to exist; the factual transfer of the shares occurred in April 2014. No further effects on the consolidated financial statements occurred in this context.

In addition, no further changes occurred in the scope of consolidation in the first nine months of 2014.

Saisonality

Business development of SBO is not subject to seasonal influences.

Dividend paid

in TEUR	Total amount TEUR	Number of shares (ordinary shares)	Per share EUR
For the business year 2013 paid in 2014	23,964	15,975,900	1.50
For the business year 2012 paid in 2013	23,940	15,960,116	1.50

Segment Infomation

As presented in the report for the second quarter 2014 the internal management of SBO group was based on regional organizational structures with the reporting segments „North America“, „Europe“ and „other regions“ in the past. Divisional structures, however, continuously gained importance in internal reporting systems. Therefore, in the second quarter 2014 internal management and thus internal reporting structures were adapted. As a consequence with the report on the second quarter 2014 SBO group adapts its segment reporting disclosures. 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 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. Prior year figures were adjusted accordingly.

The operating result in the total column corresponds to the profit of operations in the income statement. Therefore, the reconciliation to profit before tax can be taken from the income statement.

in TEUR	High Precision Components	Oilfield Equipment		SBO-Holding & Consolidation	Group
1-9/2014					
External sales	173,309	183,249		0	356,558
Intercompany sales	40,102	53,140		-93,242	0
Total sales	213,411	236,389		-93,242	356,558
Operating profit	24,114	48,243		-373	71,984
1-9/2013					
External sales	181,847	166,625		0	348,472
Intercompany sales	38,272	52,131		-90,403	0
Total sales	220,119	218,756		-90,403	348,472
Operating profit	30,837	35,522	*)	-605	65,754

*) after impairment on other intangible assets of TEUR 7,517.

Own shares

During the second quarter 2014 the company disposed of 63,761 own shares which mainly refer to the mergers disclosed in section "Scope of Consolidation". The market value of the total 63,761 share at the date of transfer in the second quarter was TEUR 5,484.

Related Party Transactions

With respect to business transactions with related parties there were no substantial changes compared to 31 December 2013. 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 2013.

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		30.9.2014	Level 2	Level 3
Assets				
Derivatives	Other receivables and assets	0	0	0
Liabilities				
Derivatives	Other liabilities	-12,541	-1,415	-11,126

in TEUR		31.12.2013	Level 2	Level 3
Assets				
Derivatives	Other receivables and assets	394	394	0
Liabilities				
Derivatives	Other liabilities	-13,259	-139	-13,120

During the reporting period 2014 there were no transfers between level 1 and level 2 fair value measurements. In general, if required, transfers are carried out at the end of each reporting period.

Derivatives shown under level 3 consist only of contingent liabilities for purchase price payments and the option commitment relating to cancelable non-controlling interests to purchase the offered shares from the minority shareholders. The development in the reporting period 2014 was as follows:

in TEUR	1-9/2014
As at 1 Jan 2014	-13,120
Addition of accrued interest	-1,570
Gains from revaluation	1,269
Disposals from settlements	2,321
Currency adjustment	-26
As at 30 Sep 2014	**-11,126**

The foreign currency forward contracts are measured based on observable spot exchange rates. The fair value of interest swaps has been determined using a discounted cash flow model based on interest curves observable on the market.

The contingent purchase price payments from business combinations and the option commitment 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 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 with a residual term of further 1-5 years. The exercise price of the option commitment relating to cancelable non-controlling interests is based on the achieved financial results of the acquired entity. The liabilities are discounted using a risk adequate discount rate for the duration of each liability.

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

in TEUR	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%	403	-405
	Interest rate 38.3%	+/- 10%	-1,184	2,378
Contingent purchase price payments from business combinations	Sales	+/- 10%	1,430	-1,430
	Interest rate 38.3%,16.3%, 4%	+/- 10%, +/- 1%, +/- 1%	-166	182

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 Sep 2014		31 Dec 2013	
in TEUR	Level	Carrying value	Fair value	Carrying value	Fair value
Liabilities					
Bonds	1	-19,990	-20,762	-19,980	-21,400
Borrowings from banks, finance lease obligations and other loans	2	-147,086	-151,086	-155,001	-155,130

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

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 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 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, 17 November 2014

Gerald Grohmann
Chairman of the
Executive Board, CEO

Franz Gritsch
Member of the
Executive Board, CFO

- Schoeller-Bleckmann Oilfield Equipment AG is the global market leader in high-precision components for the oilfield service industry.
- The business focus is on non-magnetic drillstring components for high-tech directional drilling.
- Worldwide, the company employs a workforce of 1,663 (end of 2013: 1,574), thereof 449 in Ternitz/Austria and 658 in North America (including Mexico).

This report includes information and forecasts that are based on the future development of the SBO Group and its member companies. These forecasts represent estimates, which were prepared based on the information available at this time. If the assumptions underlying these forecasts are not realized or risks – as described in the risk report – should in fact occur, actual results may differ from the results expected at this time.

This report is not connected with a recommendation to buy or sell shares in Schoeller-Bleckmann Oilfield Equipment AG.

The English translation of this report is for convenience. Only the German version is binding.

For additional information please contact: Schoeller-Bleckmann Oilfield Equipment AG, A-2630 Ternitz/Austria, Hauptstraße 2
phone: +43 2630 315 251, fax: +43 2630 315 501, e-mail: f.schuetz@sbo.co.at, Internet: www.sbo.at

WWW.SBO.AT