

HIGHLIGHTS

- Sales and profit again substantially improved
- Record profit 2006 exceeded already after the first nine months
- Capital expenditures support further growth
- Market environment remains positive

LETTER TO OUR SHAREHOLDERS 1-9/2007

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**SCHOELLER
BLECKMANN**
OILFIELD
EQUIPMENT

MANAGEMENT REPORT

GENERAL MARKET ENVIRONMENT

The market environment for the oilfield service industry in the third quarter of 2007 was again characterised by positive overall conditions. The main drivers of this development were:

SUSTAINED ROBUST GLOBAL ECONOMIC GROWTH

Growth in the industrialised nations and the dynamic development in the emerging markets, above all China and India, triggered constant-

ly rising worldwide demand for oil and gas. So far, the volatile situation in the financial markets seen in the third quarter has not yet had any repercussions on the oilfield service industry.

While demand for oil remains high, growth of production capacities is not sufficient to compensate for the steadily declining production rates of mature oil fields and the delay in new E&P projects. As a result, supply increases targeted in particular by non-OPEC countries are slowing down considerably.

As for the demand side, the International Energy Agency (IEA) estimates global demand for oil in the first nine months of 2007 to average 85.3 million barrels/day (mbpd), following 84.4 mbpd in the same period last year. According to IEA, global demand for oil in 2007 is expected to climb to 85.9 mbpd (up 1.5 % from 2006). Those figures are reflected in the continued high oil price level. In the first nine months of 2007 the oil price¹ soared 46.3 % from USD 54.6/barrel (159 litres) in January to USD 79.9/barrel in September 2007. Market analysts expect the oil price to remain high until the end of 2007 and beyond.

Encouraged by these overall conditions international oil companies are prepared to further invest massively in exploration and production projects, sustaining the attractive market environment for the oilfield service industry. Production facilities of the international oilfield service industry are operating at full capacity.

BUSINESS DEVELOPMENT

As a result of the above developments, demand for products of Schoeller-Bleckmann (SBO) remained vivid throughout the third quarter of 2007, as evidenced by the high level of bookings worth MEUR 103.9 in the third quarter of 2007 (third quarter of 2006: MEUR 102.1), concerning all segments and regions alike. Accumulated bookings in the first nine months of 2007 arrived at a new record level of MEUR 266.3, following MEUR 262.8 year-on-year. The order backlog as per 30 September

2007 stood at MEUR 260.3 (previous year: MEUR 218.3). The order horizon reaches well into 2008. Group sales in the first nine months of 2007 rose 32 % to MEUR 233.6 (previous year: MEUR 176.6), producing once again an excellent result. This growth was achieved through the continuous expansion of production capacities and stronger pricing. Profit before tax went up 56 % to MEUR 52.7 in the first nine months of 2007, following MEUR 33.9 year-on-year. EBIT grew 57 % to currently MEUR 55.0 (previous year: MEUR 35.1). As a result, in the first nine months of 2007 the EBIT margin climbed to a new and absolute best-ever level of 23.5 % (previous year: 19.9 %). Net income in the first nine months of 2007 stood at MEUR 37.7, up 54 % from MEUR 24.5 year-on-year.

SALES AND PROFIT BEFORE TAX REMAIN HIGH

Earnings per share in the first nine months of 2007 were EUR 2.35, following EUR 1.53 in the same period of 2006, increasing by 54 %.

In the third quarter of 2007, sales and profitability again climbed to new record levels. Sales were up 34 % from MEUR 61.7 in the third quarter of 2006 to currently MEUR 82.8. EBIT was improved in the third quarter of 2007 to MEUR 19.7 (previous year: MEUR 13.0), the EBIT margin to 23.7 % (previous year: 21.0 %). Profit before tax in the third quarter of 2007 rose to MEUR 18.7 (previous year: MEUR 12.5).

With demand for high-tech tools surging, production in the MWD/LWD components segment ran at full capacity at all sites. Schoeller-Bleckmann's pro-active response to the current demand situation is to step up productivity and expand capacities under the strategic investment programme. The drilling motor segment also developed satisfactorily over the first nine months of 2007. The Service & Supply Shops reported high capacity booking.

Despite of the tight worldwide situation in the supply of skilled labour in the oilfield service industry, SBO's headcount grew from 1051 as at 30 September 2006 to currently 1215. The future growth of SBO will largely depend on the availability of skilled labour.

CAPITAL EXPENDITURE

Schoeller-Bleckmann continued its strategic investment programme launched two years ago and currently worth around MEUR 150 throughout the third quarter of 2007 as planned.

¹ Basis: Oil price of West Texas Intermediate (WTI)

So far, aggregate additions to fixed assets in 2007 accounted for MEUR 50.2, of which MEUR 15.4 were spent in the third quarter of 2007. They were used mainly for expanding the Ternitz production site, where the new production facility for fulfilling long-term contracts with some key customers is under construction as planned. The plant is scheduled to go onstream in the first quarter of 2008. Additionally, capacity expansions in North America were continued. The new piece of land located at Knust/Houston is developed according to plan just like the expansion of the production site at Godwin/Houston. Purchase commitments as at 30 September 2007 for further increasing fixed assets amounted to MEUR 34.3 (MEUR 16.6 as at 30 September 2006).

RISK MANAGEMENT REPORT

Business risks of Schoeller-Bleckmann did not change substantially in the first nine months of 2007 over the risks mentioned in the 2006 financial statements. We refer to the risks described in the Annual Report 2006, in particular with regard to the USD/EUR currency exchange risk and recommend to read the report on the third quarter results of 2007 in conjunction with the Annual Report 2006.

THE SBO SHARE

The share of Schoeller-Bleckmann ended at a closing price of EUR 59.70 at the end of the third quarter. Compared to the closing price of EUR 34.76 as at 31 December 2006, this was an increase of just under 71.7 %. The peak price (intraday) in the first nine months of 2007 was EUR 65.98. Effective as of 24 September 2007, the SBO share was included in the ATX, the index of volume leaders at the Vienna Stock Exchange.

OUTLOOK

Provided that the global economy continues to develop positively, the strong demand for crude oil will be sustained throughout the fourth quarter and beyond. The slow incremental oil production combined with high oil prices support capital spending activities of the international oil companies.

SUSTAINED FAVOURABLE MARKET ENVIRONMENT FOR FURTHER CORPORATE GROWTH

Against this background it is safe to assume that the market conditions for the oilfield service industry and Schoeller-Bleckmann will remain favourable. However, due to the boom situation in the industry, steel mills have been expanding their capacities as well,

driving competition in offering non-magnetic steels to third parties.

SBO utilises these generally positive market conditions to further accelerate its growth strategy for manufacturing high-precision components. The focus there is both on continuous capacity expansions at the production sites and ongoing innovation of SBO products and completion of the new plant at Ternitz.

Schoeller-Bleckmann therefore expects the positive market environment to continue throughout fiscal 2007, even if factors such as the USD/EUR exchange rate and raw material prices will have an impact on business development. As the record profit generated in 2006 was exceeded already after the first nine months of 2007, another record year is anticipated for 2007. Also for 2008, Schoeller-Bleckmann sees the prerequisites of continuing the excellent business development fulfilled.

OTHER DISCLOSURES

The Interim Report as at 30 September 2007 has been prepared according to the principles of the International Financial Reporting Standards (IFRS), provisions for interim financial reporting (IAS 34). The accounting and valuation methods as at 31 December 2006 have been applied unchanged. In this respect, we refer to the consolidated financial statements for the year ended 31 December 2006. In the first nine months of 2007 no changes occurred in the scope of consolidation. The Executive Board declares that the financial statements at the third quarter of 2007 of SBO, which have been prepared according to the International Financial Reporting Standards (IFRS), give a true and fair view of the net assets, financial position and results of operations of all entities included in consolidation. Similarly, the Management-Report also gives a true and fair view of the net assets, financial position and results of operations of SBO and provides information about the business development and effects of existing and/or future risks on the business operations of SBO. This report on the third quarter results of 2007 of the SBO group has neither been audited nor reviewed by independent accountants. The Business development of SBO is not subject to any seasonal influences. No important events have occurred after the balance sheet date for the third quarter of 2007.

Ternitz, November 2007



Gerald Grohmann
Chairman of the
Executive Board, CEO



Franz Gritsch
Member of the
Executive Board, CFO

PROFIT AND LOSS STATEMENT

	9 months ended		3 months ended	
	30.09.2007 TEUR	30.09.2006 TEUR	30.09.2007 TEUR	30.09.2006 TEUR
Sales	233,632	176,630	82,823	61,706
Cost of goods sold	-161,359	-124,240	-57,952	-43,071
Gross profit	72,273	52,390	24,871	18,635
Selling expenses	-7,767	-6,982	-2,563	-2,345
General and administrative expenses	-9,973	-9,051	-3,108	-2,958
Other operating expenses	-4,277	-4,478	-1,900	-775
Other operating income	4,718	3,250	2,359	404
Income from operations	54,974	35,129	19,659	12,961
Interest income	810	572	293	236
Interest expenses	-2,213	-1,766	-866	-626
Other financial income	577	0	0	0
Other financial expenses	-1,479	-78	-362	-44
Financial result	-2,305	-1,272	-935	-434
Income on ordinary activities before taxation	52,669	33,857	18,724	12,527
Income taxes	-14,992	-9,347	-5,533	-3,408
Income after taxation	37,677	24,510	13,191	9,119
Average number of shares outstanding	16,000,000	16,000,000	16,000,000	16,000,000
Earnings per share in EUR (basic = diluted)	2.35	1.53	0.82	0.57

STATEMENT OF SHAREHOLDERS' EQUITY

31 DEC 2006 - 30 SEPT 2007	
in TEUR	
Equity at 31 December 2006	171,698
Income after taxation	37,677
Dividend	-12,800
Currency translation adjustments	-9,130
Other changes	-248
Equity at 30 September 2007	187,197

31 DEC 2005 - 30 SEPT 2006	
in TEUR	
Equity at 31 December 2005	154,730
Income after taxation	24,510
Dividend	-8,000
Currency translation adjustments	-6,287
Other changes	0
Equity at 30 September 2006	164,953

BALANCE SHEET

ASSETS	30.09.2007 TEUR	31.12.2006 TEUR
Current assets		
Cash and cash equivalents	26,657	40,850
Trade accounts receivable	50,930	33,977
Other accounts receivable and prepaid expenses	6,668	3,906
Inventories	107,310	83,312
Total current assets	191,565	162,045
Non-current assets		
Property, plant & equipment	108,601	76,666
Goodwill	34,939	36,914
Other intangible assets	293	412
Long-term investments	1,461	1,507
Long-term receivables	5,625	2,419
Deferred tax assets	7,776	5,337
Total non-current assets	158,695	123,255
TOTAL ASSETS	350,260	285,300
LIABILITIES AND SHAREHOLDERS' EQUITY		
	TEUR	TEUR
Current liabilities		
Bank loans and overdrafts	50,018	27,129
Current portion of long-term bank loans	4,140	3,847
Finance lease obligations	0	328
Accounts payable trade	32,804	22,404
Subsidies received	93	144
Income taxes payable	5,144	1,419
Other payables	14,464	13,481
Other accruals	10,063	7,935
Total current liabilities	116,726	76,687
Non-current liabilities		
Long-term bank loans	30,699	26,802
Long-term finance lease obligations	0	0
Subsidies received	1,031	687
Retirement benefit obligations	3,726	3,497
Other payables	5,670	1,448
Deferred tax payables	5,211	4,481
Total non-current liabilities	46,337	36,915
Shareholders' equity		
Share capital	16,000	16,000
Contributed capital	65,799	65,799
Legal reserve - non-distributable	785	785
Other reserves	52	58
Translation component	-26,738	-17,608
Revaluation reserve	0	248
Retained earnings	131,299	106,416
Total shareholders' equity	187,197	171,698
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	350,260	285,300

CASH FLOW STATEMENT

	9 months ended	
	30.09.2007 TEUR	30.09.2006 TEUR
Cash and cash equivalents at beginning of year	40,850	35,598
Cash earnings	50,685	34,971
Cash flow from operating activities	17,587	18,867
Cash flow from investing activities	-47,433	-18,166
Cash flow from financing activities	15,640	-3,344
Other changes	13	147
Cash and cash equivalents at end of period	26,657	33,102

SEGMENT INFORMATION

in TEUR	Europe	North America	Other regions	SBO-Holding & Consolidation	Group
1-9/2007					
Sales	123,908	194,676	11,460	-96,412	233,632
Operating income	22,881	35,823	2,173	-5,903	54,974
1-9/2006					
Sales	74,092	147,991	10,072	-55,525	176,630
Operating income	12,996	23,001	1,677	-2,545	35,129

DIVIDEND PAID

	Total amount MEUR	Number of shares (ordinary shares)	Per share EUR
For the business year 2006 paid in 2007	12.8	16,000,000	0.80
For the business year 2005 paid in 2006	8.0	16,000,000	0.50

- 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 1215 (end of 2006: 1086), thereof 375 in Ternitz/Austria and 806 in North America (including Mexico).

For additional information please contact

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