THE FUTURE OF OIL

Annual Report 2009

SCHOELLER
BLECKMANN
OILFIELD
EQUIPMENT

CONTENTS

FINANCIAL HIGHLIGHTS

in MEUR

	2009	2008	2007	2006	2005	2004
Sales	251.6	388.7	317.4	239.5	172.7	152.2
Income from operations	28.2	88.0	76.1	48.2	25.5	17.9
Earnings before Interest, Taxes, Depreciation and Amortization	61.5	114.2	92.9	61.1	36.6	32.4
Income after taxation	15.3	58.8	50.0	34.4	17.3	10.8
Earnings per share[1] (in EUR)	0.96	3.69	3.13	2.15	1.13	0.83
Total assets	425.5	443.3	357.9	285.3	242.8	173.3
Share capital	15.9	15.9	16.0	16.0	16.0	13.0
Shareholders' equity	229.8	226.2	194.1	171.7	154.7	78.2
Return on capital employed (in %)[2]	9.8	32.2	35.1	27.4	17.8	13.8
Dividend per share (in EUR)	0.50[3]	0.75	1.10	0.80	0.50	0.40
Number of shares outstanding at year end	15,880,116	15,880,116	16,000,000	16,000,000	16,000,000	13,000,000

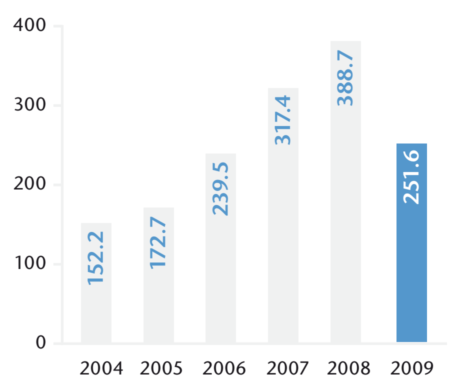
[1] based on average shares outstanding

[2] Return on capital employed = Income from operations after non-recurring items, divided by average capital employed.
Capital employed = Total shareholders´ equity + Bonds + Bank loans and overdrafts + Long-term loans + Finance lease obligations – Cash and cash equivalents

[3] proposed

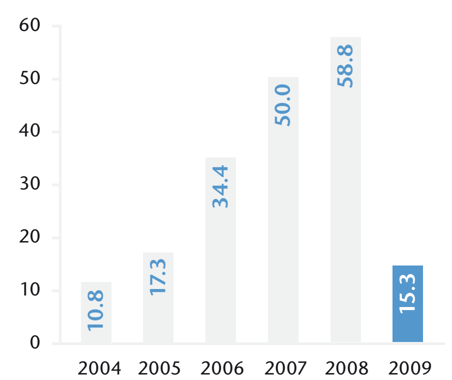
SALES

in MEUR



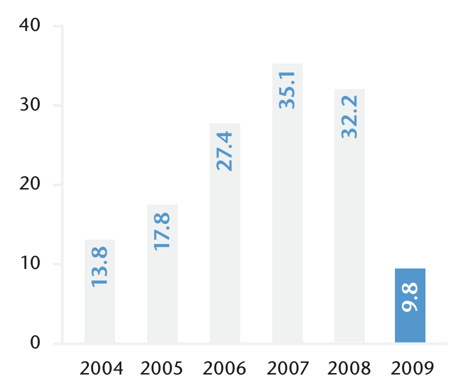
INCOME AFTER TAXATION

in MEUR



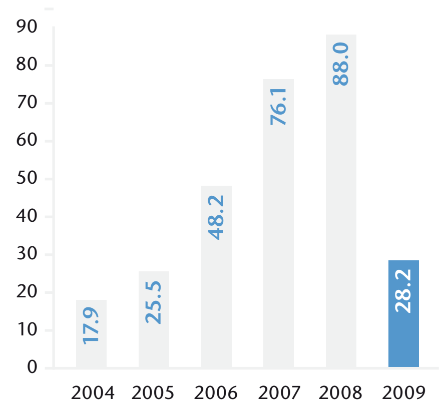
RETURN ON CAPITAL EMPLOYED

in Percent



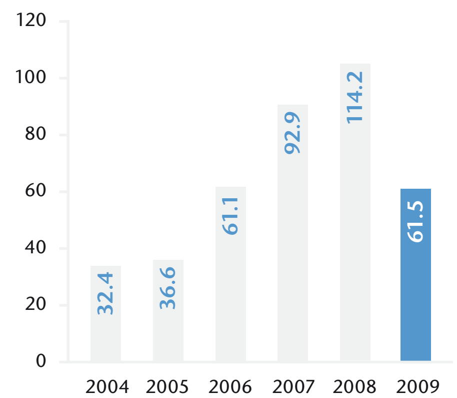
INCOME FROM OPERATIONS

in MEUR



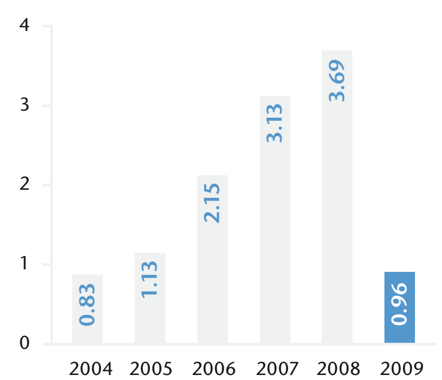
EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION

in MEUR



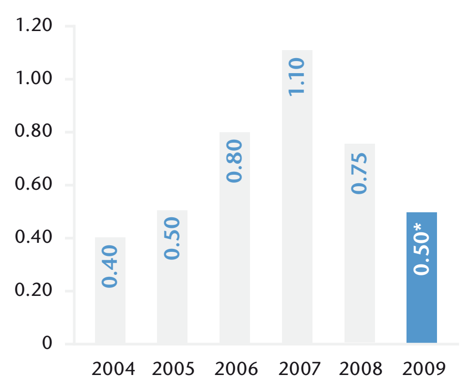
EARNINGS PER SHARE

in EUR



DIVIDEND PER SHARE

in EUR



* proposed

SCHOELLER
BLECKMANN
OILFIELD
EQUIPMENT

ANNUAL REPORT 2009

SBO HOLDS ITS GROUND IN CHALLENGING BUSINESS YEAR 2009

Company Profile

Schoeller-Bleckmann Oilfield Equipment AG (SBO) is the global market leader in non-magnetic high-precision components for the oilfield service industry and a leading provider of high-performance drilling motors. SBO's products are primarily used in directional drilling.

Directional drilling is a technology for precisely targeting oil reservoirs not located directly below the drilling rig, as well as continuous controlling, monitoring, and adjusting the drilling process, thus increasing recovery rates and well efficiency. As the number of technologically challenging drilling projects is rising, directional drilling has become increasingly important. In North America, for instance, the share of horizontal and directional drilling rigs in the total number of drilling rigs went from 29 % in 2000 to 65 % at the end of 2009.[1] Directional drilling is the only technology applied in offshore drilling activities, demonstrating the mounting technological complexity of such projects in the past decade.

Apart from non-magnetic drillstring components, drilling motors and drilling tools are further core products of SBO. Additionally, Schoeller-Bleckmann offers an extensive range of after-sales services. It was in particular the field of high-tech repair where new technologies and application procedures have been developed to optimize product functionality and service life.

Being a leader in terms of quality and technology, SBO has set the industry standard over many years and thus counts the major oilfield service companies among its customers. Constantly high quality, ongoing innovation combined with the high technological know-how and long-standing experience of employees in production engineering are major parameters for operational excellence. These factors form the basis of long-term customer relations, proving their worth in a challenging market environment.

SBO solves highly complex tasks and offers customized products. With its consistent customer orientation SBO has established itself as a stable, uncontested market leader. Schoeller-Bleckmann is present at all major hubs of the global oilfield service industry and accompanies customers when they head for new oil drilling regions.

Providing added-value to customers is both the starting point and target of Schoeller-Bleckmann's business activities. Combined with leadership in technology, quality and innovation, a market-oriented growth strategy, high productivity, flexibility and a long-term oriented strategic investment policy, this is the foundation of the proven track record of Schoeller-Bleckmann Oilfield Equipment AG.

[1] Baker Hughes: North America Rotary Rig Count (USA - onshore)

Schoeller-Bleckmann Oilfield Equipment AG

GROUP SALES:	MEUR 251.6
HEADCOUNT:	1,056

NORTH AMERICA

Total Sales: MEUR 207.2
Headcount: 447

- **Knust-SBO L.L.C.**
  Houston, Tx/USA
- **Godwin-SBO L.L.C.**
  Houston, Tx/USA
- **BICO Drilling Tools Inc.**
  Houston, Tx/USA
- **BICO Faster Drilling Tools Inc.**
  Nisku, Canada
- **Schoeller-Bleckmann Energy Services L.L.C.**
  Lafayette, La/USA
- **Schoeller-Bleckmann Sales Co. L.L.C.**
  Houston, Tx/USA
- **Schoeller-Bleckmann de Mexico, S.A. de C.V.**
  Monterrey, Mexico

EUROPE

Total Sales: MEUR 119.1
Headcount: 528

- **Schoeller-Bleckmann Oilfield Technology GmbH**
  Ternitz, Austria
- **Darron Tool & Engineering Ltd.**
  Rotherham, UK
- **Schoeller-Bleckmann Darron Ltd.**
  Aberdeen, UK
- **Techman Engineering Ltd.**
  Chesterfield, UK

OTHER

Total Sales: MEUR 6.1
Headcount: 81

- **Schoeller-Bleckmann Oilfield Equipment Middle East FZE**
  Dubai, U.A.E.
- **SB Darron Pte. Ltd.**
  Singapore
- **Schoeller-Bleckmann Darron Ltd.**
  Noyabrsk, Russia
- **Schoeller-Bleckmann Oilfield Equipment Vietnam L.L.C.**
  Binh Duong, Vietnam
- **Schoeller Bleckmann do Brasil, Ltda.**
  Macae, Brazil

Non-operative holding companies are not shown
Headcount per 31 December 2009
Total Sales: Year Ending 31 December 2009, not consolidated

Highlights 2009

Q1

- Early implementation of counter-measures in a massively changing market environment.
- Oil price hits annual low of USD 34 a barrel in February (after USD 145 a barrel in July 2008).

Q2

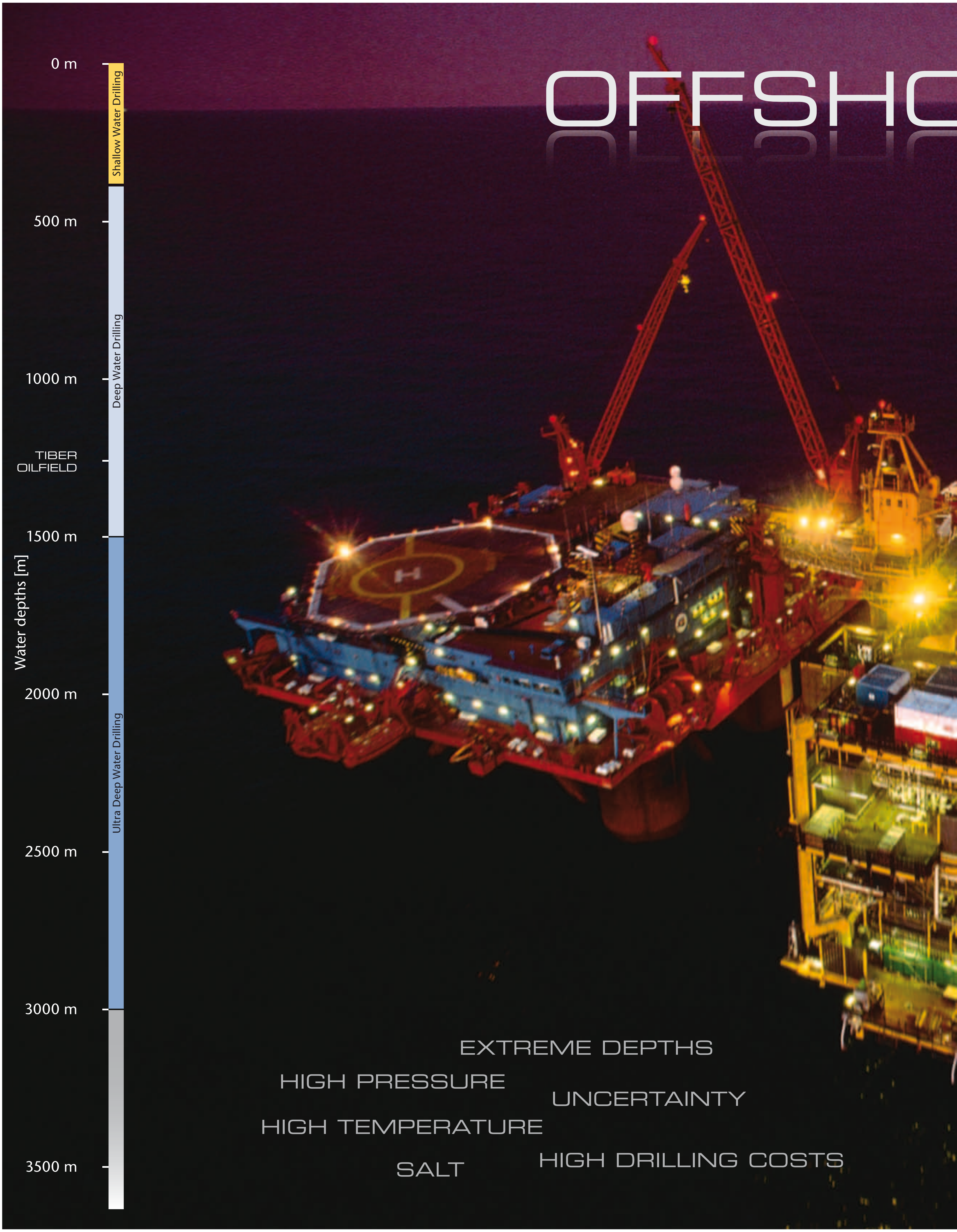
- Worldwide rig count, a leading indicator in the oilfield service industry, drops to 1983 units in May – down 44% from its 2008 peak.
- Group-wide cost-cutting programme implemented as planned.

Q3

- Start of short-time work at Ternitz site.
- Bookings start to bottom out.
- Order awarded for manufacturing prototype of highly complex directional drilling tool.
- New distribution centre opened in Brazil.

Q4

- WTI oil price climbs to annual peak of USD 81.03 on 21 October 2009.
- Rig count climbs to 2509 units in second half of 2009.
- SBO share arrives at annual high of EUR 34.87 on 20 October 2009.
- Start of production at Vietnam site.
- Counter-measures ensure clearly positive operating result 2009.



0 m
500 m
1000 m
TIBER OILFIELD
1500 m
2000 m
2500 m
3000 m
3500 m
Water depths [m]
Shallow Water Drilling
Deep Water Drilling
Ultra Deep Water Drilling
EXTREME DEPTHS
HIGH PRESSURE
UNCERTAINTY
HIGH TEMPERATURE
HIGH DRILLING COSTS
SALT

ORE CHALLENGES

TIBER OILFIELD

› REGION

Gulf of Mexico

› COUNTRY

United States

› OPERATORS

BP

› PARTNERS

BP 62 %
Petrobras 20 %
ConocoPhillips 18 %

› DISCOVERY

2009

› SIZE

Giant oil field (estimates between 4 – 6 billion barrels of oil in place)

› DRILLING DEPTH

Well drilled at a depth of 10.685 m under 1.260 m of water

› One of the deepest wells drilled by the oil and gas industry

Stabilizing Markets Promise Future Growth

Richard B. Spears, Managing Director,
Spears & Associates, Inc.
1 February 2010

SUMMARY

2009 was the oilfield's transition year. The first half of 2009 saw a sharp, brutal downturn in demand for most oilfield products and services, while the second half of 2009 showed a return to growth for several companies. And from the vantage point of early 2010, this year and next promise growth in upstream oil and gas. The global economy is finding a renewed sense of stability, which drives increasing demand for oil and gas, which itself drives the need for new drilling around the world. And new drilling drives demand for oilfield equipment and services.

THE GLOBAL OILFIELD EQUIPMENT & SERVICE MARKET

Spears & Associates has been measuring the oilfield's equipment and service market since the mid-'Sixties, but in the late 'Nineties we settled on 32 oilfield market segments that we would track through the years, from Artificial Lift to Wireline Logging. These 32 market segments represented USD$74 billion of spending in 1999, which was the lowest point seen in the industry over the last two decades. And although growth sagged briefly in 2002, the oilfield equipment and service industry surged to USD$292 billion in 2008 before declining in 2009.

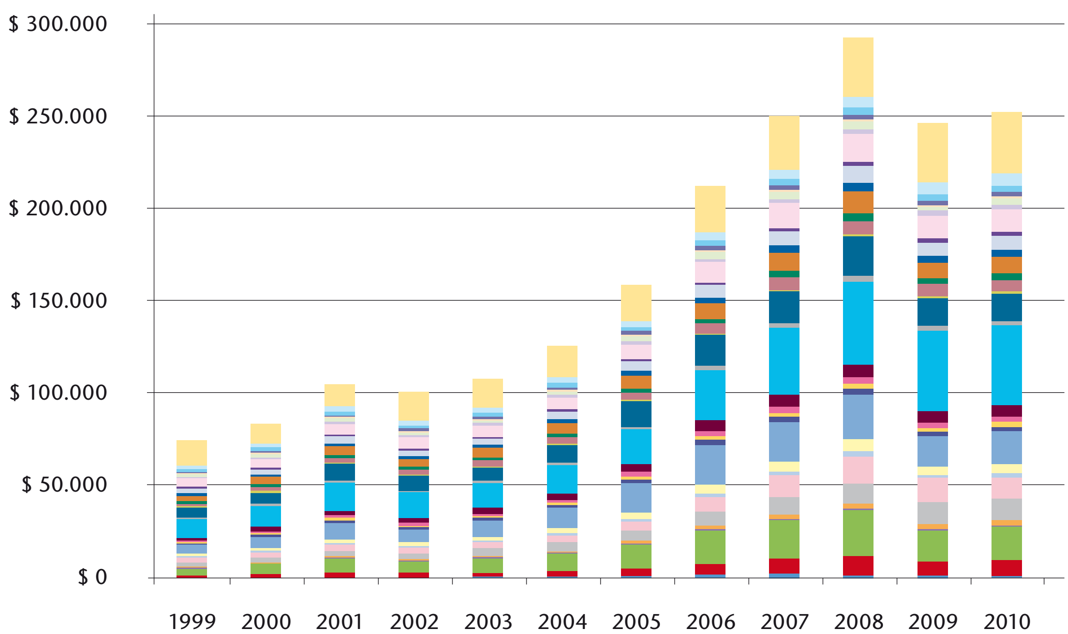
While the total market enjoyed a four-fold increase from 1999 through 2008, many of the individual market segments grew significantly faster: Services tied to horizontal drilling and completion grew six-fold, drilling technologies and subsea grew five-fold. Even the slowest growing market segments, those tied to oil and gas production, grew three-fold during the period.

The oilfield around the world enjoyed growth through 2008 borne on the wings of climbing oil prices and strong natural gas prices. Growing economies demanded more oil and the industry was able to deliver those increasing quantities of oil…but only just barely, despite Saudi Arabia drilling enormously complex wellbores to sustain oil output and major oil companies relentlessly seeking hydrocarbons in more and more remote locations. This hunt for more oil internationally and more natural gas in North America pushed the service industry to capacity and beyond. Costs of oilfield goods and services soared just as the world folded into its worst recession in decades. By Q4 2008, the oil and gas industry was desperately cutting back to match collapsing oil prices and sagging natural gas prices.

THE 2009 ROLLERCOASTER RIDE

By Q1 2009 new drilling was unattractive in many of the world's basins. The downturn in drilling activity was clearly underway in almost every country. Hardest hit was the world's largest oilfield equipment and service market, the US, where one directional drilling service company reported to Spears that, "...at the end of December 2008 we had 22 directional drilling projects underway and we were turning down work. By the end of January 2009 we had 2 drilling projects and our day rate was cut in half." In the first half of 2009, Middle East rig count began to fall, North Sea directional drilling contracts suffered

SPENDING - 32 OILFIELD MARKET-SHARES



Source: Spears & Associates, Inc. Oilfield Market Report serious discounting and Latin American development programs sagged. Within 6 months, quarterly top line revenues of the largest oilfield service companies had fallen 25-30 %. Smaller, US-focused service companies saw top line sales fall 60-70 %. Profits evaporated.

But students of the oil and gas industry learn that demand for oilfield products and services returns to growth upon finding the bottom of a market cycle. From our vantage point today we see that, from the peak in Q3 2008 to the bottom in the summer of 2009, the cycle was quite typical of every downturn in the last 30 years – by Q3 2009 the major oilfield service companies were reporting increasing sales in many product lines and early reports of Q4 2009 sales indicate accelerating growth, particularly in directional drilling services and multiple zone completion services.

RAMPING UP IN 2010

As the industry heads into 2010, exploration and production companies around the world are enjoying relatively high commodity prices, fairly low costs to drill and complete new wells, and the incentive to increase capital spending to find and develop more oil and gas in deeper waters, exotic locations and the newly discovered shale plays. In early 2010 every major directional drilling service company began hiring field service technicians due to strong demand, E&P companies were beginning to sign long term supply contracts with frac companies and land drillers, and plants were again building drill bits, mud motors and other downhole tools. Although oilfield sales in early 2010 are still far below the sky-high levels of mid-2008, signs of growth – so-called "green shoots" – are seen throughout the industry.

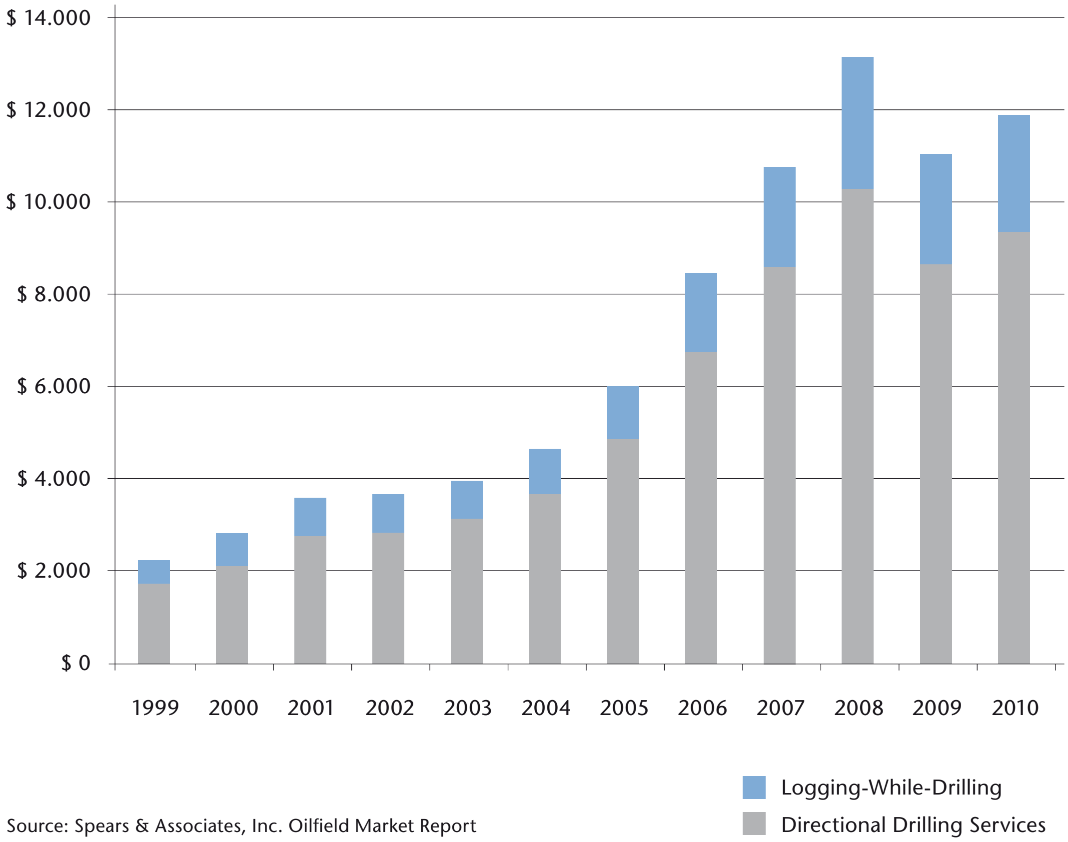
For 2010, Spears is projecting an increase in drilling around the world:

› North America will add almost 200 rigs to the active fleet throughout the year, an increase of 14 %.
› International will add about 20 rigs to the active fleet during 2010, an increase of 2 %.
› Offshore will add 26 rigs, an increase of 9 %.

DIRECTIONAL DRILLING – ONE OF THE INDUSTRY'S HIGHEST GROWTH MARKETS

Schoeller-Bleckmann's products supply some of the oilfield's highest-growth markets, the most important of which are the directional drilling and logging-while-drilling markets. Directional drilling, plus LWD, grew from USD$2 billion in 1999 to almost $13 billion in 2008 before scaling back to about USD$11 billion in 2009. The principal suppliers of directional drilling and LWD – Schlumberger, Halliburton, Baker Hughes and Weatherford – along with another two dozen regionally strong directional companies, invested record amounts of capital into building their fleets of directional tools to fuel that growth.

INVESTMENT IN DIRECTIONAL DRILLING AND LWD SERVICES



Source: Spears & Associates, Inc. Oilfield Market Report

Despite falling 16 % in 2009, the directional drilling and LWD industry still had its second largest year in history, higher than 2007, 2006… Why? The answer is found in every basin around the world. From the shallowest gas fields in the US to the deepest waters off Brazil and Angola, wells today are drilled directionally. When drilling and completion engineers learned that so-called "unconventional" shales could produce enormous amounts of gas when drilled horizontally and fracture stimulated multiple times, oil and gas companies around the world began evaluating every known field to see if horizontal drilling could increase the amount of oil and gas recovered. In the last three years, land-based operators have finally discovered what the offshore operators have known for years: Directional drilling is an excellent tool for getting more oil and gas out of the ground.

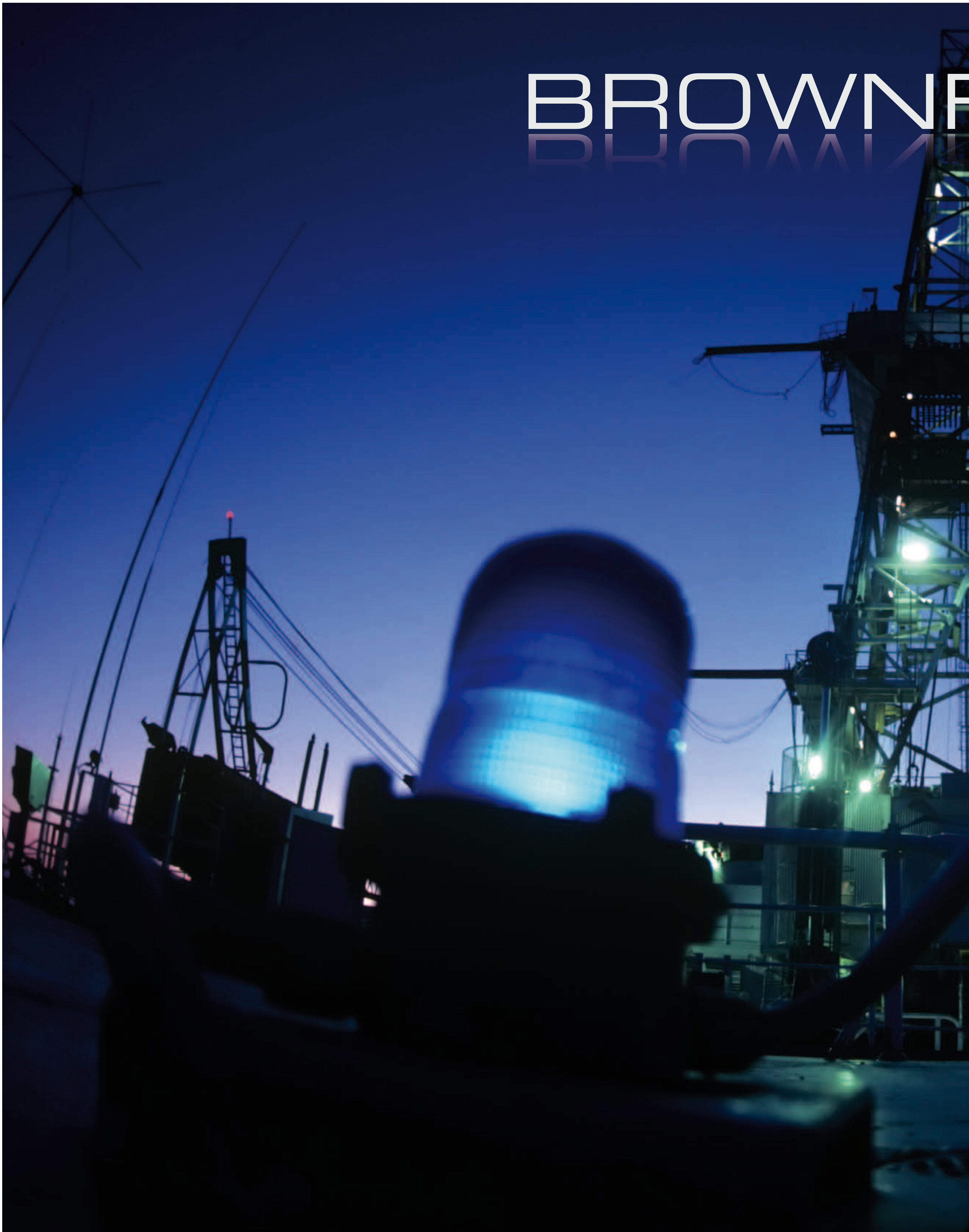
Therefore, Spears is forecasting growth in directional drilling and LWD services for 2010 that is at least 8 % over 2009. If directional drillers introduce higher prices in mid-year as utilization of their directional drilling fleets again exceeds 90 %, the global directional service market could grow at a rate twice that. And as these directional drilling fleets approach maximum utilization, service companies will again scale up investment in new downhole tools.

CONCLUSION

The oilfield equipment and service industry is very cyclic. It is an industry that, when it grows, it grows robustly and, when it falls, it falls sharply. The industry grew robustly from 2002 until mid-2008. From mid-2008 until mid-2009, the industry fell sharply. To borrow a term from the world of personal computers, it "re-booted". Today, hydrocarbon prices are stable, drilling costs are low, and the incentive to drill more wells is high, particularly directional wells all over the world. Companies selling downhole drilling technologies – PDC bits, directional drilling tools, LWD systems – will see a return to growth in 2010, with even more upside in 2011.

The statements made in this comment are based on the views expressed by Richard B. Spears, Managing Director, Spears & Associates, Inc., and do not necessarily reflect the views of the management of Schoeller-Bleckmann Oilfield Equipment AG and/or one of its affiliated companies.

BROWNF



FIELD SOLUTIONS

OPTIMIZED PRODUCTIVITY AND FIELD RECOVERY

› WELL STIMULATION

Hydraulic fracturing and propping
Acidizing

› ENHANCED OIL RECOVERY (EOR)

Thermal, gas and chemical recovery

› NEW DRILLING TECHNOLOGIES

Directional, horizontal, multilateral and extended reach drilling

› SEISMOLOGY

Three-dimensional seismic (3D)
Four-dimensional seismic (4D)

EARLY INITIATION OF IMMEDIATE ACTION TO RESPOND TO DIFFICULT ECONOMIC ENVIRONMENT WAS THE CORNERSTONE OF CLEARLY POSITIVE RESULT 2009

Preface of the Executive Board

Dear shareholders and business partners,

The past business year 2009 was the most challenging year in the history of Schoeller-Bleckmann Oilfield Equipment AG. The financial crisis followed by the global recession involving the sharpest economic downturn since 1945 resulted in an unprecedented decline for the oilfield service industry, hitting our company equally hard.

The underlying reasons for this development were excessive crude oil quantities in the world market and the sudden decrease in demand in the industrialized countries and emerging markets. As a consequence of steeply accumulating crude oil inventories and mounting uncertainty about further global economic development many exploration and production projects were stopped or postponed. The ensuing negative chain reaction rapidly captured the entire supply chain in the upstream oilfield industry.

By launching a host of measures we nevertheless succeeded in generating a clearly positive annual result amounting to MEUR 15.3, following the record MEUR 58.8 posted in 2008. Compared with the sales decline of 35 % in 2009, this shows rather impressively that SBO, in the final analysis, coped quite well with the extremely difficult year 2009. In view of the overall recession, the EBIT margin of 11.2 % and the EBITDA margin of 24.4 % in fiscal 2009 certainly reflect a remarkable performance.

Over the past years we demonstrated that SBO is in a position to respond to any and all market conditions with utmost flexibility. Between 2005 and 2008 the economic boom in the oilfield service industry brought with it record numbers of bookings. To fulfil them without compromising on quality and ensuring absolute on-time delivery, we implemented the largest package of capital expenditure measures and steepest headcount increase in the company's history. Early in 2009, it was the sudden decline in orders that had to be coped with. The oilfield service industry has always been a highly cyclical business, but what was new in 2009 was the speed and intensity of the decline.

Within only a few weeks, we had to decelerate our business abruptly after several years of full-throttle to now low-throttle operation, almost running idle. The aim of our endeavours was to secure the corporate assets and investments made in our team in the previous years so as to be prepared at all times for the upswing whenever it may set in.

The package of measures we launched comprised immediate capacity reduction, cost savings at all levels and cutting capex to an absolute minimum. Finally, precautions were taken to secure the company's liquidity.

Stability maintained in the crisis due to capacity adjustments, cost savings, cuts on spending and safeguarding liquidity

Intensive negotiations were held with our customers to keep order cancellations low and restrict them to the first half of 2009. Furthermore, we allocated existing orders to the now curtailed production capacities, thus keeping our company stable despite the financial crisis and protecting it as much as possible against any further unfavourable market developments.

While numerous macro-economic data now indicate that the recession may come to an end and first signs have emerged that exploration and production spending will be slightly increased, we believe that it is still too early to assume that the business cycle in the oilfield service industry's supply chain is about to be back to normal, as the inventories across the industry are still excessively high at the beginning of 2010. On the other hand, the upswing may set in rather promptly. Should worldwide confidence about global economic development keep rising, oil companies might further ramp up their exploration and production budgets, initiating the next upward cycle in the oilfield service industry that would follow the necessary phase of inventory consumption.

In any event, mid- to long-term prospects for SBO remain positive. All macro-economic scenarios see oil and gas continue as the major energy sources of humankind. Fundamental tendencies in demand such as population growth and gains in prosperity in the emerging markets, increasing mobility and more comfortable living environments have not been affected by the crisis and have not been changed by the rather heated debate in 2009 on greenhouse gas emissions. Important as further development of alternative energy sources may be, exploitation of new oil and gas reserves remains just as indispensable for covering growing energy needs.

Although global crude requirements are covered sufficiently by supplies, production rates of existing oil fields, as already mentioned repeatedly, decline by an average of six to eight percent annually[2]. As a result, the fall in demand for oil from 86.2 million barrels a day in 2008 to 84.9 million barrels a day in 2009[3] will only extend the period in which the ensuing difference between supply and demand will have to be bridged by new exploration and production projects.

[2] IEA: World Energy Outlook 2008
[3] IEA: Oil Market Report February 2010

Medium to long-term growth targets unchanged

Oil reserves will last for many decades to come. However, new oil fields are hard to tap, as the industry is facing increasingly complex geologies, greater depths both in onshore and offshore exploration as well as extreme temperatures and pressures in drilling. The number of directional drilling and offshore projects will also continue to grow in the next years. This is where the components we produce will play an ever more pivotal role.

Being the global leader in high-precision components for the oilfield service industry, SBO consequently is preparing for the next upturn already now. This is why we have implemented our strategic investments in Vietnam and Brazil according to plan, regardless of massive savings. On the one hand, we expect growing future demand for MWD/LWD components in Asia, while on the other hand our distribution centre in Brazil should profit substantially from the country’s recent offshore oil discoveries.

SBO has used the years of economic boom for systematically expanding production capacities, financed largely by the operating cash-flow, the 2008 bond issues and the 2005 capital increase. We deliberately opted for this conservative funding approach to overcome the present recession. At the same time, we will be able to fully benefit from a future cycle upswing from day one. Additionally, our sound balance sheet leaves us enough room for any further investments or acquisitions should the opportunity arise. The mid-term corporate strategy we pursue remains geared to growth, in line with the anticipated market developments.

In closing, we would like to thank all of our employees for their commitment in a challenging year. Our thanks also go to our customers and shareholders for their confidence in our company.

Gerald Grohmann
Chairman of the Executive Board

Franz Gritsch
Member of the Executive Board

SBO EMPLOYEES: FLEXIBILITY AND COMMITMENT DESPITE CHANGED OVERALL CONDITIONS

Human Resources

Flexibility, commitment and high loyalty demonstrated by SBO's employees again made a major contribution to the company's operational success. They furnished proof that they will deliver utmost product and service quality even in difficult times, making it possible for SBO to meet customers' high demands despite changed overall conditions.

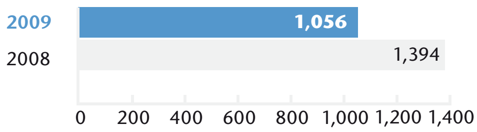
Given the difficult market environment and the weak demand, rigorous measures had to be taken in 2009 to reduce capacities and cut costs, which had implications for the headcount as well and, since they were inevitable, had to be implemented paying due regard to individual circumstances and with utmost care to protect the financial base and integrity of the company. All steps were made in an effort to ensure that SBO would be able to meet delivery obligations even if the industry cycle should suddenly rebound. Wherever feasible, employees having to leave the companies were offered the prospect of being re-hired as soon as the order situation has improved.

At the Austrian site of Ternitz, extensive and constructive talks were opened with the works council at an early stage. Following negotiations on the best possible solution both for employees and the company, reduced working hours were introduced at the site as of 1 July 2009, originally limited until the end of 2009. Short-time work was again agreed for the period from March 2010 to August 2010 to ensure its flexible utilization depending on how demand will develop.

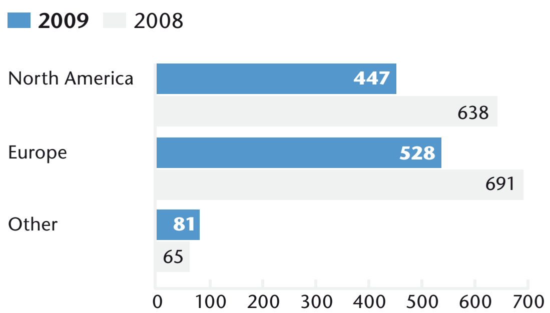
Across the company, a large number of training courses were held again in the past business year regardless of the overall economic situation. The aim of further training was to develop and extend skills, allowing employees to specialize in their fields of expertise and to keep or continuously enhance quality levels.

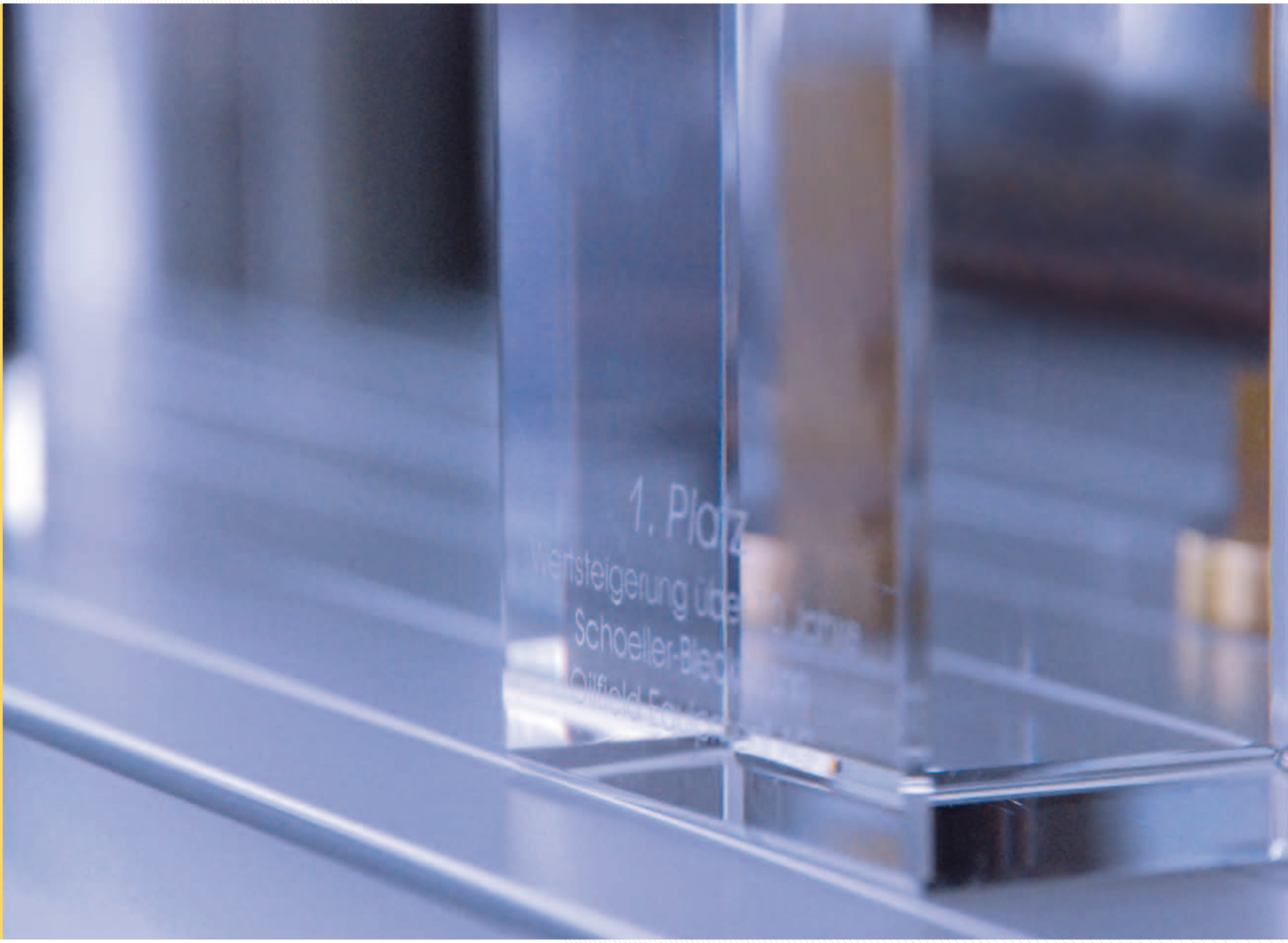
In Europe, a workforce of 528 was employed as at 31 December 2009, decreasing by -24 % over last year. In North America and Mexico the headcount went down 30 % to 447. The remaining workforce is distributed over the other sites.

TOTAL HEADCOUNT



HEADCOUNT BY REGION





THE SBO SHARE: UP 42.9 % IN THE COURSE OF 2009

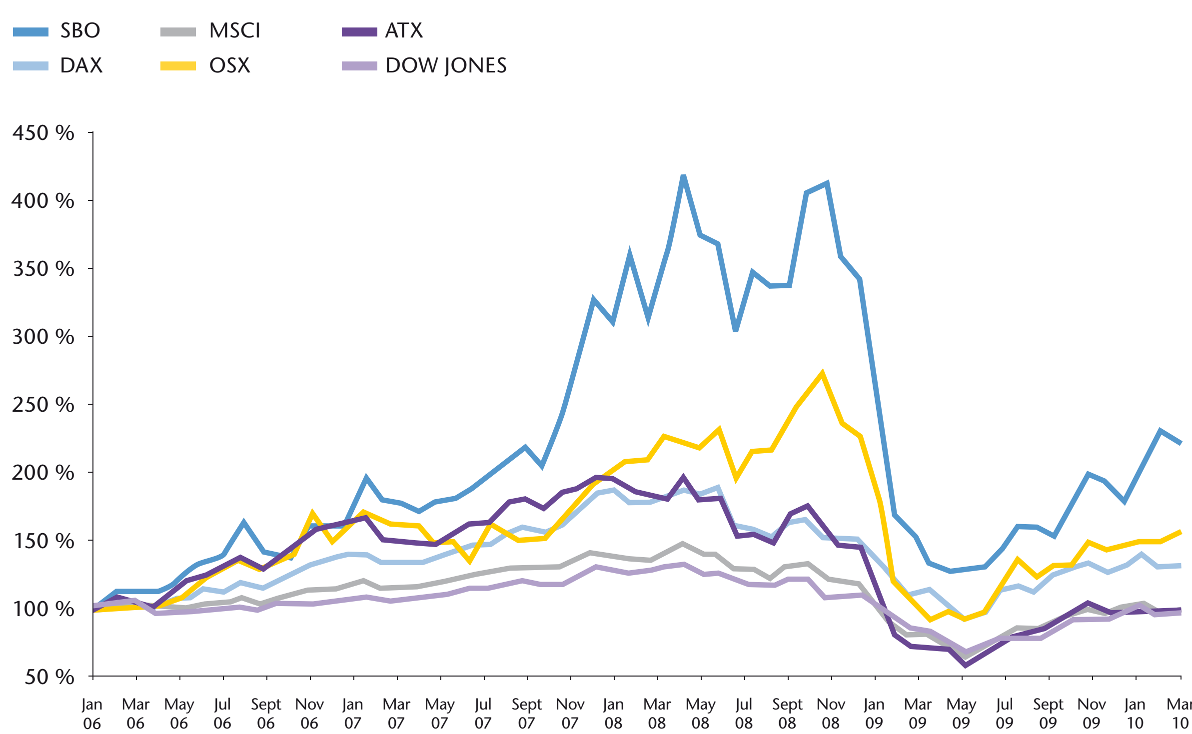
The SBO Share

Following the dramatic slump in 2008, global stock markets started to recover in 2009. Vienna's leading share index ATX, for instance, gained 42.0 %, the Dow Jones 20.2 % in the course of the year (changes as at end of 2008 compared with 2009).

In 2009, the SBO share started at a rate of EUR 23.50 per share, performing in line with the overall ATX development. Over the year, it climbed 42.9 % to EUR 33.59 per share at year-end. The annual low was EUR 18.78 per share on 9 March 2009, the annual high was EUR 35.72 per share on 16 October 2009.

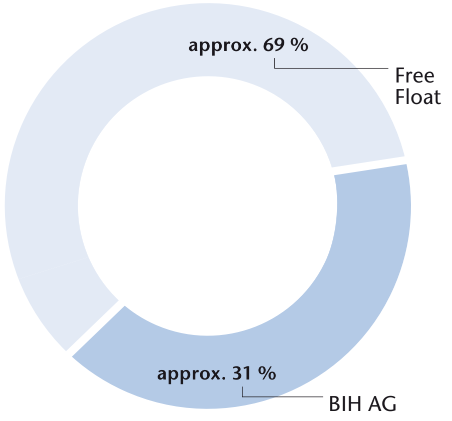
In the course of the year, Schoeller-Bleckmann Oilfield Equipment AG improved its ATX ranking from 16 in January to 14 in December 2009.

SHARE PERFORMANCE



More than ever, ongoing and comprehensive information exchange with capital market participants played a decisive role, notably in view of the challenging market environment. Living up to the principle of transparent management and corporate communication, a large number of information events were held for private and institutional investors in 2009. Around 30 road shows were organized by SBO in 2009 to step up the company's international presence: In Amsterdam, Austin, Boston, Chicago, Denver, Dublin, Edinburgh, Frankfurt, Geneva, Kitzbühel, London, Milan, New York, Paris, Salt Lake City, San Diego, Stegersbach, Stockholm, Warsaw, Zurich and Zürs, the Executive Board and the Investor Relations team presented the company to an audience of national and international investors. One focus in 2009 was on widening the investor base in the USA. Analysts of Bank of America Merrill Lynch, Berenberg Bank and Cheuvreux, Erste Bank, Goldman

SHAREHOLDER STRUCTURE 31 DECEMBER 2009



FINANCIAL CALENDAR 2010

28 April 2010	Annual Shareholders' Meeting
12 May 2010	Ex-day, dividend distribution day

Publications:

19 May 2010	1st Quarter 2010
18 August 2010	2nd Quarter 2010
17 November 2010	3rd Quarter 2010

Sachs, Raiffeisen Centrobank und UniCredit regularly cover Schoeller-Bleckmann Oilfield Equipment AG. In fiscal 2009, Deutsche Bank, Dresdner Kleinwort/Commerzbank, Hauck & Aufhäuser and HSBC started their regular analysis of SBO.

Likewise, business journalists were kept up-to-date in 2009 in a host of one-on-one meetings on the field of business, products and services offered by SBO as well as current developments in the oilfield service industry.

The latest information about the company and all publications of SBO are available on the company website http://info.sbo.at.

SHARE KEY DATA

	2009	2008
Share capital (in EUR)	15,880,116	15,880,116
Number of shares	15,880,116	15,880,116
Average number of shares traded per day[1]	109,619	95,530
Closing share price at year end (in EUR)	33.59	21,90
High/Low (in EUR)	35.72/18.78	71,80/19,02
Market capitalization at year end (in EUR)	533,413,096	347,774,540
Earnings per share (in EUR)	0.96	3.69
Price/earnings ratio at year end	34.99	5.93
Dividend per share (in EUR)	0.50[2]	0.75

[1] double counting
[2] proposed

Bakken
Gammon
Mowry
Horton Bluff
Antrim
Utica
Baxter
Green River
Mancos
Cane Creek
Marcellus
Niobrara
Excello/Mulky
Hovenweep
New Albany
Monterey
McClure
Pierre
Huron
Lewis and Mancos
Fayetteville
Caney and Woodford
Chattanooga
Palo Duro
Woodford
Floyd and Conasauga/Neal
Barnett
Haynesville/Bossier
Barnett and Woodford
Pearsall

SHALE GAS

THE HAYNESVILLE SHALE

- Largest onshore gas field in the United States
- Covers over 12.140 sq. meters
- Total resources estimates of 160 Tcf in place
- Reservoir thickness averages about 75 to 90 meters
- DRILLING DEPTHS

  3.200 meters
- WELLBORE TEMPERATURE

  130°C and 190°C
- WELLHEAD PRESSURE

  760 bar
- Recognized as the fourth largest gasfield in the world

Corporate Governance Report

Schoeller-Bleckmann Oilfield Equipment AG (SBO) has committed itself to comply with the Austrian Corporate Governance Code since 2005 and has consistently implemented its rules. The Austrian Corporate Governance Code is a set of rules meeting international standards for responsible management and governance of companies. By observing the Austrian Corporate Governance Code, SBO makes a contribution to strengthen trust in Austrian companies and the Austrian capital market.

The Austrian Corporate Governance Code is accessible at the website of the Austrian Working Group for Corporate Governance on www.corporate-governance.at.

At the end of 2008, several rules of the Austrian Corporate Governance Code were amended. SBO complies with the Code as amended on 1 January 2009. This new version of the Code now contains 83 rules subdivided into three categories:

First: L-Rules (Legal Requirements). They describe mandatory legal requirements that must be complied with by law.

Second: C-Rules (Comply or Explain) – this category contains customary international provisions; non-compliance must be explained.

The third category, the R-Rules (Recommendation) is of recommendatory nature. Non-compliance does not have to be disclosed nor explained.

SBO complies with all mandatory legal provisions (L-Rules).

Explain

SBO largely complies with the C-Rules. Deviations are explained as follows:

Rule 18

SBO has not set up a separate unit for internal auditing. The controlling department of the holding company also assumes auditing tasks for the company and its subsidiaries and regularly reports any material findings to the Audit Committee. Furthermore, the company and all its operating subsidiaries and holding companies are audited annually when the annual financial statements are audited by international certified accountants.

Rule 31

As the Executive Board of SBO consists of two members, section 241, paragraph 4, of the Austrian Commercial Code applies, pursuant to which disclosure of the compensation of members of the Executive Board and of expenditures for severance payments and retirement pensions for members of the executive board is not required. This exemption is applicable to Rule 31. However, the company publishes the total compensation of the members of the Executive Board and the managing directors of its subsidiaries. (For details see Notes to the Consolidated Financial Statements)

Rule 41

In line with the Austrian Corporate Governance Code, the function of the Nomination Committee is exercised by the Remuneration Committee.

Rule 54

At present, no member of the Supervisory Board is explicitly designated as representative of minority shareholders. SBO has no majority shareholder and, therefore, the interests of minority shareholders can be regarded identical to the interests of institutional shareholders and the core shareholder. The Executive Board believes that the minority shareholders consider themselves well represented in the Supervisory Board: The current Supervisory Board was elected by 99.9 % of the shareholders present and entitled to vote. For this reason, the Executive Board sees no need for action in this matter.

THE EXECUTIVE BOARD

The rules of procedure for the Executive Board govern the composition and working method of the Executive Board, cooperation of the Executive Board and the Supervisory Board, procedures and the approach to conflicts of interests, information and reporting duties of the Executive Board and decisions requiring approval of the Supervisory Board applying to significant transactions of the major subsidiaries. Generally, the Executive Board holds at least weekly meetings for mutual information and decision-making.

In 2009, the Executive Board was composed of two members:

	Year of birth	Date of first appointment	End of current term of office
Ing. Gerald Grohmann Chairman	1953	3 Oct. 2001	31 Dec. 2013
Mag. Franz Gritsch	1953	1 Dec. 1997	31 Dec. 2013

Membership in external non-group supervisory boards:

	Company	Function
Ing. Gerald Grohmann	ABAG Aktiengesellschaft, Berndorf	Member

Distribution of responsibilities

Distribution of responsibilities and cooperation of the members of the Executive Board are governed by the rules of procedure of the Executive Board. The Executive Board has not set up any committees. The areas of responsibility held by the members of the Executive Board have been laid down by the Supervisory Board as follows, notwithstanding the collective responsibility of the Executive Board:

Ing. Gerald Grohmann	Marketing and technology, public relations
Mag. Franz Gritsch	Finance and accounting, human resources and legal matters

Outline of the Executive Board remuneration system

The remuneration system for the Executive Board takes into account both the situation in the market and a performance-related component. Concerning the composition of the remuneration of the members of the Executive Board we refer to section 241 paragraph 4 of the Austrian Commercial Code. Remuneration consists of fixed and variable components. Variable components are always paid in the following year, as achievement of objectives can be determined only at the end of the year. Variable components are performance-related and depend on the degree to which the objects defined for the business year have been achieved.

The average variable portion in the total compensation of the Executive Board was 37 % in the last years.

Variable components are subject to individual provisions. They are composed of the following elements: Development of corporate growth, profit, cash-flow, equity, fixed capital and individually agreed performance-related criteria. Fulfilment of performance criteria can be determined based on the financial statements or depends on the occurrence or non-occurrence of the respective event.

The principles of profit-sharing applying to the Executive Board and senior staff have remained unchanged since last year.

The rules for severance payments follow the legal requirements. No future burdens related to pension fund contributions or any other entitlements of the members of the Executive Board arise to the company after termination of their employment contracts.

A stock-option plan does not exist.

All members of the Executive Board are covered by a D & O (Directors & Officers) insurance taken out by, and at the expense of, SBO.

THE SUPERVISORY BOARD

In 2009, the Supervisory Board consisted of five members:

	Year of birth	Date of first appointment	End of current term of office
Mag. Norbert Zimmermann Chairman	1947	10 Apr. 1995	2012
Dr. Peter Pichler Deputy chairman	1958	10 Apr. 1995	2012
Mag. DI Helmut Langanger	1950	29 Apr. 2003	2012
Karl Samstag	1944	24 Oct. 2005	2012
Dr. Karl Schleinzer	1946	24 May 1995	2012

Other seats in supervisory boards or comparable functions in Austrian or foreign listed companies, if applicable, have been disclosed:

	Company	Function
Mag. Norbert Zimmermann Chairman	OMV AG Oberbank AG Bene AG	Supervisory board member Supervisory board member Supervisory board member
Dr. Peter Pichler Deputy chairman	-----	
Mag. DI Helmut Langanger	OMV AG	Executive board member
Karl Samstag	Allgem. Baugesellschaft A. Porr AG UniCredit Bank Austria AG Flughafen Wien AG Oberbank AG BKS Bank AG Bank für Tirol und Vorarlberg AG	Supervisory board member Supervisory board member Supervisory board member Supervisory board member Supervisory board member Supervisory board member
Dr. Karl Schleinzer	-----	

Working method of the Supervisory Board

In exercising its functions, in particular monitoring and strategic support of the Executive Board, the Supervisory Board discusses the situation and targets of the company and takes decisions.

The rules of procedure for the Supervisory Board govern in detail the composition, working method and tasks of the Supervisory Board, procedures and the approach to conflicts of interests and all committees (Audit Committee, Nomination Committee and Remuneration Committee) and their responsibilities.

The Supervisory Board held five meetings in the period under review. Moreover, the Supervisory Board held meetings with the Executive Board on management matters.

All members of the Supervisory Board personally attended more than half of the meetings of the Supervisory Board in the period under review.

Committees

The Supervisory Board appoints the members of the Audit Committee and the Nomination and Remuneration Committee from among its members.

No separate strategy committee has been set up; such matters are dealt with by the Supervisory Board collectively.

The committees are elected for the terms of office of their members. Each committee elects a chairman and deputy-chairman from among its members.

Audit Committee

The Audit Committee fulfils the tasks set forth in the Austrian Stock Corporation Act.

Members: Mag. Norbert Zimmermann (Chairman)
Dr. Peter Pichler
Karl Samstag

In the year under review, the Audit Committee held three meetings, in which, in particular, issues concerning the financial statements, the internal control system and risk management were discussed.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee deals with matters relating to the remuneration of the members of the Executive Board and the terms and conditions of employment contracts concluded with members of the Executive Board. Furthermore, it submits to the Supervisory Board proposals to fill vacant positions in the Executive Board and deals with issues of succession planning.

Members: Mag. Norbert Zimmermann (Chairman)
Dr. Peter Pichler
Dr. Karl Schleinzer

In the year under review, the Nomination and Remuneration Committee held two meetings.

Independence

The Supervisory Board complies with the guidelines set forth in the Corporate Governance Code, Annex 1, relating to the independence of Supervisory Board members. According to the guidelines, the following members of the Supervisory Board qualify as independent:

Mag. DI Helmut Langanger
Karl Samstag
Dr. Karl Schleinzer

The scope of services provided for the company as its legal counsel by Supervisory Board member Dr. Schleinzer in 2009 is not deemed significant pursuant to Annex 1 of the Corporate Governance Code (for details see Notes to the Consolidated Financial Statements).

Members Mag. Norbert Zimmermann and Dr. Peter Pichler represent the interests of Berndorf Industrie Holding AG, which holds a share of approximately 31 % in the company.

In the past year, no agreements requiring approval were in effect with members of the Supervisory Board or companies in which a member of the Supervisory Board held a considerable economic interest.

Remuneration of the Supervisory Board

The remuneration scheme for the members of the Supervisory Board was approved at the Annual General Meeting 2009. Remuneration is subdivided into a fixed and a variable portion which is determined as a percentage share of the group income before tax.

For fiscal year 2008 the following remuneration was paid:

	Fixed remuneration in EUR	Variable remuneration in EUR	Total in EUR
Mag. Norbert Zimmermann	6,000	14,705	20,705
Dr. Peter Pichler	5,000	14,705	19,705
Mag. DI Helmut Langanger	5,000	14,705	19,705
Karl Samstag	5,000	14,705	19,705
Dr. Karl Schleinzer	5,000	14,705	19,705

No loans or advances were paid to the members of the Supervisory Board.

All members of the Supervisory Board are covered by a D & O (Directors & Officers) insurance taken out by, and at the expense of, SBO.


ARC

TIC CHALLENGES

› DRILLING CHALLENGES

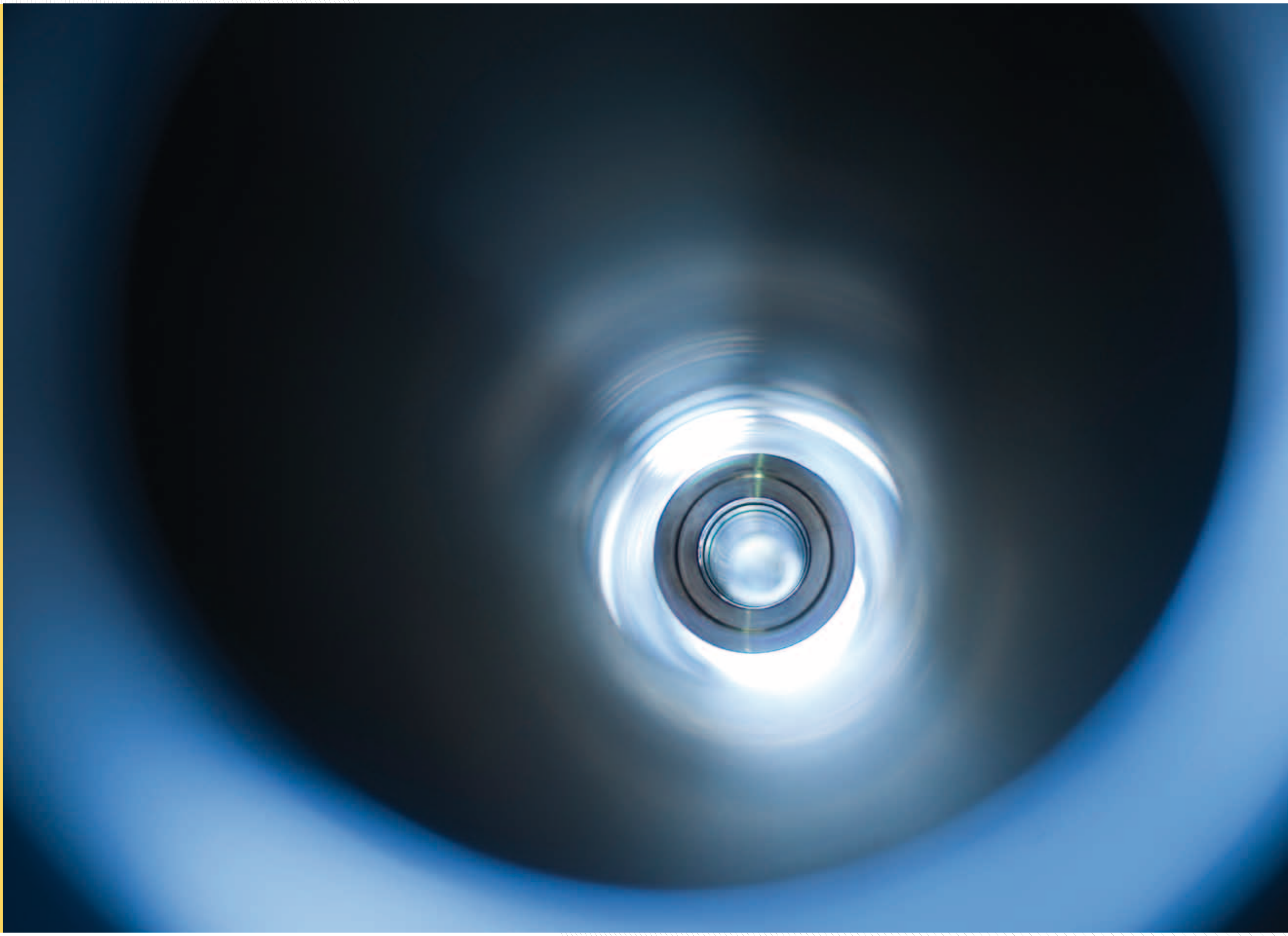
- Borehole instabilities due to warming up of the permafrost zone by the drilling fluid
- Low temperature metallurgy for exposed material
- Paraffin and asphaltene precipitation
- Isolation of tubings to avoid warming up the permafrost zone
- Special protection equipment for employees and infrastructure

› HOSTILE ENVIRONMENT

- Extreme cold (-40 °C and lower)
- Darkness and isolation create difficult working conditions
- Mean temperature above freezing point for only 2 – 3 months a year

› SEA ICE AND ICEBERGS

› REMOTENESS



CLEARLY POSITIVE ANNUAL RESULT DEFYING MARKET DOWNTURN IN THE OILFIELD SERVICE INDUSTRY

Management Report

MARKET ENVIRONMENT

Developments in the oilfield service industry in fiscal 2009 were dominated by the international recession that broke out in the wake of the financial crisis in the US. According to preliminary figures, the 2009 global GDP fell by 2.2 % (following an increase of 1.9 % in 2008).[4] For the first time since 1981 this resulted in a considerable contraction of global energy consumption.[5] Global demand for oil went from 86.2 million barrels a day in 2008 to 84.9 million barrels a day in 2009.[6]

Due to the resulting excess supply of crude oil in the world market oil companies hastened to cut back on their exploration and production budgets. Analysts estimate that in 2009 around USD 388 billion were spent for exploration and production activities worldwide, down 19 % from last year.[7] In North America, the situation was further aggravated as commodity prices collapsed and banks pursued a rather restrictive lending policy.[8] Exploration and production spending in the USA fell 31 % to USD 71 billion in 2009.[9] Market experts believe that, since October 2008, over 20 planned upstream oil and gas projects with a capacity of approximately 2 million barrels a day were cancelled or postponed indefinitely. Another 29 projects with a capacity of 3.8 million barrels a day were postponed by at least 18 months.[10] In total, anticipated production capacities of some 5.8 million barrels a day have not been brought on the market since 2008.

The global rig count, a leading parameter for activities in the oilfield service industry, fell to 1983 units in May 2009, down 44 % from its peak of 3557 rigs in 2008. This decline was the sharpest seen since the 1980's.[11]

Hand in hand with declining demand the oil price also fell sharply. Following its peak of USD 145 a barrel in 2008, the price set off at only USD 46.17 a barrel for US brand WTI in January 2009. Towards the end of the first quarter it started to rebound, arriving at USD 79.39 a barrel at the end of 2009. While this marked an increase of approximately 72 % over early in the year, prices in 2009 were considerably below the level reached in 2008.

[4] UN: World Economic Situation and Prospects 2010
[5] IEA: World Energy Outlook 2009
[6] IEA: Oil Market Report, February 2010
[7] IEA: World Energy Outlook 2009
[8] Barclays Capital: The Original E&P Spending Survey, December 2009
[9] Barclays Capital: The Original E&P Spending Survey, December 2009
[10] IEA: World Energy Outlook 2009
[11] Baker Hughes Rig Count

Rig count: Sharpest decline since 1980's

However, the reason for the oil price rise in 2009 was not growing demand, but rather speculation-induced, prompting oil companies not to ramp up their exploration and production spending. Crude oil, like other commodities, was considered increasingly as an inflation-proof financial investment. Also, the substantially weaker US dollar development over the year made oil prices – which are invoiced in US dollars – climb.

Since January 2009, crude oil inventories in the OECD member states grew constantly and arrived at 2270 million barrels in September.[12] At the end of 2009 they exceeded the five-year average by 93 million barrels. Crude inventories held in the USA and Europe (EU-15, including Norway) also were 46 million barrels (USA) and/or 12.3 million barrels (Europe) higher than the five-year-average.[13]

While the rig count started to climb slowly in the third and fourth quarters and went to 2,509 units[14] in December, demand for the associated drilling equipment was still largely covered from the high inventories in the oilfield service industry.

As the global economy continued to stabilize over the year, demand for oil gradually picked up again, but aggregate consumption remained on the decline in full 2009.

BUSINESS DEVELOPMENT

Business development for Schoeller-Bleckmann Oilfield Equipment AG in 2009 was massively affected by the market contraction in the oilfield service industry.

From the turn of the year 2008/09 bookings started to go down substantially. This was further aggravated by postponements and cancellations of orders already placed and often already in the stage of processing. Against this background and in compliance with the principles of commercial prudence, SBO decided to verify with particular caution all existing orders for their validity. Orders were deleted from the backlog if customers had asked to postpone or cancel them, affecting mainly the segment of MWD/LWD high-precision components.

Bookings received in 2009 totalled MEUR 111.1 (following MEUR 367.3 the year before), the order backlog at year-end was MEUR 76 (following MEUR 214 at the end of fiscal 2008). Lead times fell to around one quarter, demonstrating the current short-lived nature of

[12] OPEC: Monthly Oil Market Report, December 2009
[13] OPEC: Monthly Oil Market Report, January 2010
[14] Baker Hughes Rig Count

business in the entire oilfield service industry. Overcapacities in the market led to mounting price pressure. While the drop in steel and alloy prices had dampened sales, it had no effects on income for SBO, as commodity cost benefits were passed on to customers.

Extensive package of measures launched

SBO benefited from the high order backlog of 2008 mainly in the first quarter of 2009. Nevertheless, very early in 2009 an extensive package of measures was adopted to respond to the changed market situation. Immediate measures taken included reduction of overtime and accumulated work hours accounts as well as personnel downsizing at all sites. Moreover, we cut back on costs, capital expenditures were curtailed or postponed and the drop in orders was partly set off by sourcing in services. The declared aim of those immediate measures was to save around MEUR 25 annually. It was largely achieved during the year and was a decisive factor for SBO to generate a clearly positive full-year result.

Since the order situation had not changed substantially in the second quarter, short working hours were introduced for the second half of the year at the site in Ternitz/Austria as of 1 July 2009. Further personnel-related measures had to be taken at the other locations to adjust capacities to the current order situation.

Drilling motor business less affected

Basically, all segments and world regions were equally confronted with declining orders. Less affected was the drilling motor business of SBO subsidiary BICO Drilling Tools Inc., where drops were only minor. This is where SBO still benefits from the strong acceptance of the new drilling motor „Spiro Star“.

Due to the massive reduction of drilling activities, the Service & Supply Shops also had to come to terms with declining orders. However, SBO’s regional site in Russia, where unlike other regions drilling activities stood at a relatively high level, developed quite positively.

From the third quarter of 2009 onwards, the weak industry cycle started to stabilize, and SBO's bookings settled at a low level. Additionally, the number of customer inquiries was up again, although these first signs of recovery have not yet turned into concrete order placements.

Strategic investments continued unchanged

Plant and equipment investments that had been underway at the end of 2008 and early in 2009 were completed during the year and were spent mainly for final works under the capacity expansion scheme implemented in the previous years. Another focus was on increasing the fleet of BICO drilling motors which are leased out to customers. Strategic investments in the new sites in Vietnam and Brazil, which are of great significance to SBO's future growth, were conducted as planned. In Vietnam, the production equipment was installed and operators underwent their initial training. In Brazil, the new distribution centre was opened and first orders were received.

All other capital expenditure measures were reduced to a minimum in line with the group-wide savings programme. Therefore, in fiscal 2009 aggregate asset additions amounted to MEUR 32.6 (following MEUR 45.8 year-on-year). Thereof, Austrian site Ternitz accounted for MEUR 7.9 (following MEUR 14.6), the North American sites (including Mexico) for MEUR 16.9 (following MEUR 21.1), and the remainder was spent for the other sites of the group.

Research and development

Schoeller-Bleckmann Oilfield Equipment AG has integrated its research and development activities in its operations for many years, providing market and customer-oriented R&D.

In 2009, for instance, efforts made by BICO Drilling Tools Inc. to build a novel steerable drilling motor in collaboration with a development partner were further advanced, with initial tests producing very promising results.

The main focus of SBO's R&D activities in the past year was on manufacturing prototypes in close cooperation with customers. Compared with the year before, sufficient capacities were available for this sector in 2009. In this context, SBO – due to its high technological expertise - was awarded a contract by one of the major global oilfield service companies to manufacture a fleet of prototypes of a new and highly complex directional drilling tool. This order placed new challenges on SBO in terms of manufacturing precision and complexity, and was executed to the complete satisfaction of the customer. If this prototype turns out to be a success in the market, we expect to see follow-up orders in the future.

Environment

The manufacture of SBO's products generates no appreciable emissions into the air or water or greenhouse gases. Therefore, no official licensing requirements in the field of environmental protection beyond the customary scope are in place. SBO's corporate environmental management concentrates on both state-of-the-art waste disposal and efficient and careful use of energy and power.

Risk report

Concerning the risks of the business model of Schoeller-Bleckmann Oilfield Equipment AG we refer to the presentation in Note 33 of the Consolidated Financial Statements.

OUTLOOK

Signs indicating an end of the recession started to get stronger at the turn of the year 2009/10. However, there is still a lot of uncertainty on the time horizon and extent of the potential recovery and the ensuing rise in demand for oil and gas. For 2010, OPEC projects a slight increase in oil demand over 2009 by approximately 0.8 million barrels a day to 85.1 million barrels a day.[15] The International Energy Agency (IEA) expects to see a growth by 1.6 million barrels a day to 86.5 million barrels a day.[16] The remarkable difference between those two figures is proof of the current uncertainty over the oil market development in 2010. The true extent of consumption growth in 2010 will ultimately depend on the actual rate and intensity of economic recovery, notably in the USA, and China's further economic momentum.

The current oil price level and modest increase in demand suggest that exploration and production spending of oil companies will further grow in 2010, provided that the global economic recovery that has started to slowly set in will continue.

[15] OPEC: Monthly Oil Market Report, February 2010
[16] IEA: Oil Market Report, February 2010

Sound balance sheet structure, low debt, strong liquidity: SBO is well equipped for all future scenarios

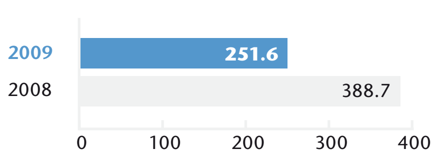
Schoeller-Bleckmann Oilfield Equipment expects to see a continuation of business consolidation in the first months of 2010. From today's perspective, last year's measures to reduce capacities were sufficient. SBO could handle even an extended period of stagnating or only slightly recovering bookings with its current structure. This position is demonstrated by the sound balance sheet, low debt and high liquidity of the company.

Being a financially sound company holding an excellent market position, SBO also is exploring options for acquisitions. In any event, SBO is perfectly equipped today to fully benefit from market recovery as soon as it may set in. Due to the fundamental conditions in the oil and gas market, this recovery is bound to occur, its actual point in time depending on the dynamism and robustness of the global upswing, and is therefore difficult to predict. In the medium to long run, the ever more challenging exploration of new oil reservoirs accompanied by declining production rates of existing oil fields will inevitably lead to yet another continuous growth in demand for high-precision components for the oilfield service industry.

ANALYSIS AND RESULTS

The consolidated financial statements of the company have been prepared in accordance with the International Financial Reporting Standards (IFRS), formerly International Accounting Standards (IAS). In the past business year, the scope of consolidated companies was expanded by the newly established companies Schoeller Bleckmann do Brasil Ltda. and Schoeller-Bleckmann Trading FZE. At the same time, Venezuelan company Schoeller-Bleckmann de Venezuela C.A. was deconsolidated following liquidation of activities. No changes were made in the business of the group.

SALES
in MEUR



Sales

The market decline is reflected in the development of sales. Compared with 2008, sales went down by 35.3 % from MEUR 388.7 to MEUR 251.6.

As shown in the table to the right, the development of the US dollar rate was similar to the year before. The slight strengthening of the average rate from 1 EUR = USD 1.4706 to 1 EUR = USD 1.3933 had a mildly positive effect of approximately MEUR 11 on sales.

As in the years before, the US dollar continues to be the most important currency by far for the SBO group. In 2009, about 83 % (following 78 % in 2008) of total sales and revenues were generated in US dollars.

The average rates for the years ended 31 December 2008 and 31 December 2009 were used by the company in the preparation of the consolidated profit and loss statements, whereas the closing rates for the years 2008 and 2009 were used in the preparation of the consolidated balance sheets.

EXCHANGE RATE

in EUR/USD

	High	Low	Average	Closing
Year 2009	1.5120	1.2555	1.3933	1.4440
Year 2008	1.5990	1.2460	1.4706	1.4090

Sales by regions

The table to the right shows sales by regions of origin. All sites of the company were affected by the decline in sales.

North America, accounting for 76 % of sales, continues to be the most important sales market for the company, as all major oilfield service companies are located in the USA. However, the products of the SBO group are used all over the world.

SALES BY REGIONS

in MEUR

	2009	2008
North America	207.2	300.2
Europe	119.1	237.5
Other	6.1	16.5
- Intercompany Sales	-80.8	-165.5
Total Sales	251.6	388.7

Sales by products

In the business segment of high-precision components, comprising essentially MWD/LWD collars, MWD/LWD internals and high-precision parts, the decline in sales amounted to 33 %. Sales in the segment of oilfield supplies and service, consisting of product groups non-magnetic drill collars, non-magnetic material, drilling motors and other oilfields components as well as service and repair activities, contracted by 39 %.

SALES BY PRODUCTS

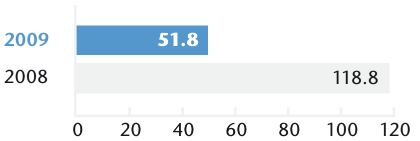
in MEUR

	2009	2008
High-Precision Components	159.5	237.7
Oilfield Supplies and Service	91.7	150.2
Other	0.4	0.8
Total Sales	251.6	388.7

Despite the difficult market conditions, notably in the North American market, the segment of drilling motors – due to considerable market share gains – almost followed up on the 2008 sales level, whereas the market for non-magnetic material and drill collars virtually collapsed in 2009.

GROSS PROFIT

in MEUR



Gross profit

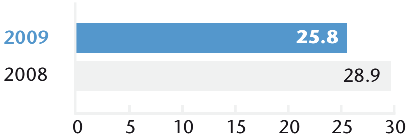
In 2009 the gross profit amounted to MEUR 51.8, after MEUR 118.8 in the year before. The gross margin was 20.6 %, after 30.6 % in 2008. This development was primarily a result of capacity underutilization at the production sites.

In order to mitigate the effects of the drop in sales the comprehensive cost-cutting measures described above were implemented already early in 2009, such as headcount downsizing (headcount reduced from 1,394 as of 31 December 2008 to 1,056 as of 31 December 2009), insourcing of services and scrutinizing overhead expenses.

A minor part of the gross profit decline was due also to price concessions.

SELLING AND ADMINISTRATIVE EXPENSES

in MEUR



Selling and administrative expenses

Selling, general and administrative (SGA) expenses were also included in the cost-cutting programme. Selling, general and administrative expenses amounted to MEUR 25.8, following MEUR 28.9 in 2008. Costs were reduced despite expanding the organisation (business set-up in Vietnam, establishment of the company in Brazil, inclusion of the British company Techman for full 2009).

SGA expenses mainly consist of salary and salary-related expenses, professional fees, travel and entertainment, communication and insurance costs.

Other operating income and expenses

- Other operating expenses MEUR 8.7 (2008: MEUR 17.2)
  This item contains mainly R&D expenses and exchange losses.
- Other operating income MEUR 10.8 (2008: MEUR 14.5)
  The major item covered here are exchange gains. Further operating income consists of rental income, service charges such as scrap sales and gains from the sale of fixed assets.

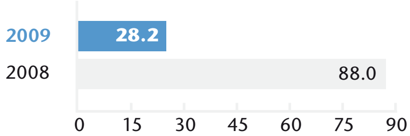
Income from non-recurring restructuring measures

This item shows an income of MEUR 0.1 in 2009 (2008: MEUR 0.8). Costs of liquidation of Schoeller-Bleckmann de Venezuela C.A. were MEUR 0.1 less than expected, allowing for reversal of provisions in the relevant amount.

Income from operations

Income from operations after non-recurring items was MEUR 28.2 (11.2% of sales) compared with MEUR 88.0 (22.6 % of sales) in the year before. This decline is a direct result of the business downturn.

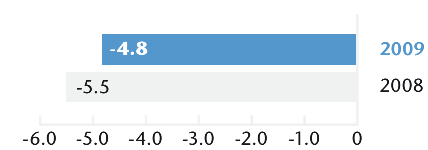
INCOME FROM OPERATIONS
in MEUR



Financial result

The financial result stood at MEUR – 4.8 after MEUR – 5.5 in the year before. Net interest expenses were MEUR 4.5, following MEUR 3.6 in 2008.
Financing conditions in 2009 remained largely unchanged.
Minority interests amounted to MEUR 0.2 after MEUR 2.2 in 2008.

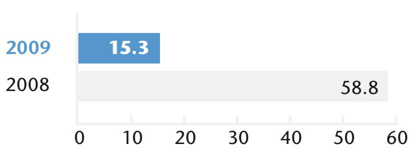
FINANCIAL RESULT
in MEUR



Net income / dividend

The net income for the year 2009 was MEUR 15.3, i.e. EUR 0.96 per share, compared with MEUR 58.8 and/or EUR 3.69 per share in 2008. The Executive Board proposes to the Annual General Meeting to pay

NET INCOME/DIVIDEND
in MEUR



to the shareholders a dividend of EUR 0.50 per share, a total distribution of MEUR 7.9 to our shareholders.

Assets and financial position

Shareholders' equity as of 31 December 2009 was MEUR 229.8, following MEUR 226.2 as of 31 December 2008. The equity ratio arrived at 54.0 % compared with 51.0 % in the year before.

Despite the decrease in profit, the cash-flow achieved was relatively satisfying. Cash-flow from profit arrived at MEUR 49.9, following MEUR 89.1. The main elements contributing to this figure were income after tax amounting to MEUR 15.3 as well as depreciation and amortization amounting to MEUR 33.2. Cash-flow from operating activities even slightly improved from MEUR 65.0 in 2008 to MEUR 67.6. This was due to a reduction of the net working capital by MEUR 14.9 to MEUR 106.3. Within the net working capital, inventories were reduced by MEUR 38.2 to MEUR 88.9.

The net cash-flow from investing activities (acquisitions net of revenues) amounted to MEUR 28.8, following MEUR 59.5 in 2008. Expenditures for property, plant and equipment were MEUR 32.6 in 2009 (2008: MEUR 45.8).

Expenditures for property, plant and equipment for the business segment of high-precision components amounted to MEUR 19.9 (2008: MEUR 22.8), concerning mainly spending for building a new production facility in Vietnam, Schoeller-Bleckmann Oilfield Equipment Vietnam LLC, and final capital expenditures from previous years at Godwin-SBO L.L.C. in Houston/USA and Schoeller-Bleckmann Oilfield Technology GmbH in Ternitz/Austria.

Expenditures for the business segment of oilfield supplies and service were spent mainly for additions to the rental fleet of drilling motors of the companies Drilling Tools Inc. in Houston/USA and BICO Faster Drilling Tools Inc. in Nisku/Canada.

Net debt as of 31 December 2009 was reduced to MEUR 46.5 from MEUR 74.2 as of 31 December 2008. This development was due to the reduction of the net working capital together with conservative spending activities and a satisfying cash-flow from profit.

The gearing ratio, defined as net debt divided by shareholders' equity, was 20.2 % as on 31 December 2009 after 32.8 % in the year before.

REPORT ON THE MAIN FEATURES OF THE INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT SYSTEM IN RELATION TO THE FINANCIAL REPORTING PROCESS

The Executive Board has overall responsibility for the risk management of the SBO group, whereas direct responsibility lies with the managing directors of the operating entities.
Consequently, the system of internal continuous reporting to corporate headquarters plays a particularly important role in identifying risks at an early stage and implementing counter-measures. Operating subsidiaries provide the necessary information by timely monthly reporting to the Executive Board.
The group has defined uniform standards for all global subsidiaries regarding implementation and documentation of the complete internal control system and, in particular, the financial reporting process. The underlying objective is to avoid risks leading to incomplete or erroneous financial reporting.
Furthermore, internal reports prepared by subsidiaries are checked for plausibility at corporate headquarters and compared with budgets in order to take appropriate action whenever deviations occur. For this purpose, subsidiaries are required to prepare annual budgets and mid-term planning to be approved by the Executive Board.
Group controlling monitors subsidiaries' compliance with accounting regulations. Moreover, the annual financial statements of all operating subsidiaries and holding companies are audited by international auditors.
At the Executive Board's regular meetings with local managing directors the current business development and foreseeable risks and opportunities are discussed.
In addition to the International Financial Reporting Standards, preparation of the consolidated financial statements is subject to internal guidelines to ensure uniform presentation by reporting companies (accounting and valuation issues).
A certified consolidation programme equipped with the necessary auditing and consolidation routines is used for automated preparation of the consolidated financial statements.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

Please refer to Note 39, Financial Information.

ADDITIONAL INFORMATION ACC. TO SECTION 243A, AUSTRIAN COMMERCIAL CODE

Please refer to Note 20, Financial Information.

CUTTING - ED

HIGH-PRECISION MWD/LWD COMPONENTS

› Manufacturing increasingly complex MWD/LWD tools

HIGH-PERFORMANCE

› Our high-performance „Spiro
longer service life and greater

GE TECHNOLOGY

DRILLING MOTORS

Star" motors – offering
rate of penetration

HIGH-TECH REPAIR

› At the doorstep of all major oil and gas centers around the world

SCHOELLER
BLECKMANN
OILFIELD
EQUIPMENT

SOUND FINANCING POLICY PROVES ITS WORTH IN CHALLENGING TIMES

Financial Information

Consolidated Balance Sheet

ASSETS in TEUR		31.12.2009	31.12.2008
Current assets			
Cash and cash equivalents		96,640	49,348
Trade accounts receivable	Note 5	41,033	56,101
Other accounts receivable and prepaid expenses	Note 6	4,934	9,846
Inventories	Note 7	88,899	127,147
TOTAL CURRENT ASSETS		**231,506**	**242,442**
Non-current assets			
Property, plant & equipment	Note 8	136,697	139,091
Goodwill	Note 9	38,979	39,279
Other intangible assets	Note 9	7,873	9,136
Long-term receivables	Note 10	4,128	4,676
Deferred tax assets	Note 11	6,358	8,690
TOTAL NON-CURRENT ASSETS		**194,035**	**200,872**
TOTAL ASSETS		**425,541**	**443,314**

Consolidated Balance Sheet

LIABILITIES AND SHAREHOLDERS' EQUITY in TEUR		31.12.2009	31.12.2008
Current liabilities			
Bank loans and overdrafts	Note 12	34,590	27,880
Current portion of long-term loans		19,829	8,729
Finance lease obligations		394	374
Accounts payable trade		8,709	38,689
Government grants	Note 13	810	284
Income taxes payable		1,056	4,260
Other payables	Note 14	10,884	21,429
Other provisions	Note 15	7,952	7,601
TOTAL CURRENT LIABILITIES		**84,224**	**109,246**
Non-current liabilities			
Bonds	Note 16	39,824	39,787
Long-term loans	Note 17	47,485	45,400
Finance lease obligations		1,026	1,356
Government grants	Note 13	1,564	1,299
Retirement benefit obligations	Note 18	3,204	3,528
Other payables	Note 19	7,875	7,795
Deferred tax payables	Note 11	10,531	8,687
TOTAL NON-CURRENT LIABILITIES		**111,509**	**107,852**
Shareholders' equity			
Share capital	Note 20	15,880	15,880
Contributed capital		61,808	61,808
Legal reserve - non-distributable	Note 21	785	785
Other reserves	Note 22	39	44
Translation component		-34,230	-34,441
Retained earnings		185,526	182,140
TOTAL SHAREHOLDERS´ EQUITY		**229,808**	**226,216**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**425,541**	**443,314**

Consolidated Profit and Loss Statement

in TEUR		2009	2008
Sales	Note 23	**251,605**	**388,705**
Cost of goods sold	Note 24	-199,855	-269,954
Gross profit		**51,750**	**118,751**
Selling expenses	Note 24	-9,807	-11,919
General and administrative expenses	Note 24	-15,951	-17,025
Other operating expenses	Note 25	-8,677	-17,162
Other operating income		10,806	14,514
Income from operations before non-recurring items		**28,121**	**87,159**
Result from non-recurring restructuring measures	Note 26	117	844
Income from operations after non-recurring items		**28,238**	**88,003**
Interest income		646	1,349
Interest expenses		-5,185	-4,981
Other financial income		0	329
Other financial expenses		-242	-2,221
Financial result		**-4,781**	**-5,524**
Income before taxation		**23,457**	**82,479**
Income taxes	Note 27	-8,166	-23,657
Income after taxation		**15,291**	**58,822**
Average number of shares outstanding		15,880,116	15,937,381
Earnings per share in EUR (basic=diluted)		**0.96**	**3.69**

Consolidated Statement of comprehensive Income

Income after taxation	**15,291**	**58,822**
Currency translation shareholders´ equity	2	-4,688
Currency translation other items (1)	-37	-766
Pertaining taxes	9	601
Hedging of a net investment	316	-267
Pertaining taxes	-79	67
Other comprehensive income, net of tax	**211**	**-5,053**
Total comprehensive income	**15,502**	**53,769**

(1) Mainly result from translation differences from net investments in foreign entities such as long-term receivables

Consolidated Cash-Flow Statement

in TEUR		2009	2008
Income after taxation		15,291	58,822
Depreciation and amortization		33,240	26,155
Change in retirement benefit obligations		-324	146
Gain (loss) from sale of property, plant and equipment		-213	-218
Gain (loss) from sale of long-term investments		0	-1
Income from release of subsidies		-884	-337
Other non-cash expenses and revenues		-1,299	6,369
Change in deferred taxes		4,112	-1,857
Cash-flow from the profit		**49,923**	**89,079**
Change in accounts receivable trade		15,927	-9,624
Change in other accounts receivable and prepaid expenses		5,474	-3,527
Change in inventories		40,079	-6,792
Change in accounts payable trade		-30,406	-4,508
Change in other payables and provisions		-13,422	330
Cash-flow from operating activities	Note 36	**67,575**	**64,958**
Expenditures for property, plant & equipment		-32,582	-45,840
Expenditures for intangible assets		-39	-98
Expenditures for the acquisition of subsidiaries less cash acquired	Note 37	0	-16,654
Proceeds from sale of property, plant & equipment		3,837	3,127
Proceeds from sale of long-term investments		0	1
Cash-flow from investing activities	Note 36	**-28,784**	**-59,464**
Acquisition of own shares	Note 20	0	-5,114
Dividend payment		-11,910	-17,547
Government grants received		1,651	594
Repayment finance lease		-436	-112
Flotation of bonds	Note 16	0	39,769
Change in bank loans and overdrafts		6,691	-14,463
Proceeds from long-term loans		23,275	35,080
Repayments of long-term loans		-9,899	-17,638
Repayments of other long-term payables		-639	-597
Cash-flow from financing activities	Note 36	**8,733**	**19,972**
Change in cash and cash equivalents		**47,524**	**25,466**
Cash and cash equivalents at the beginning of the year		49,348	23,916
Effects of exchange rate changes on cash and cash equivalents		-232	-34
Revaluation effects on cash and cash equivalents		0	0
Cash and cash equivalents at the end of the year	Note 36	**96,640**	**49,348**
Supplementary information on operating cash-flow			
Interest received		605	1,287
Interest paid		-5,316	-3,580
Income tax paid		-7,967	-29,134

Consolidated Statement of Changes in Shareholders' Equity

Year 2009 in TEUR	Share capital	Contributed capital	Legal reserve	Other reserves	Translation component	Retained earnings	Total
Note	20		21	22			
1 January 2009	**15,880**	**61,808**	**785**	**44**	**-34,441**	**182,140**	**226,216**
Total comprehensive income					211	15,291	15,502
Dividends[1]						-11,910	-11,910
Change in reserves				-5		5	0
31 December 2009	**15,880**	**61,808**	**785**	**39**	**-34,230**	**185,526**	**229,808**

[1] The dividend payment in the year 2009 of TEUR 11.910 was distributed to a share capital eligible for dividends of TEUR 15.880. Accordingly, the dividend per share amounted to EUR 0,75.

Year 2008 in TEUR	Share capital	Contributed capital	Legal reserve	Other reserves	Translation component	Retained earnings	Total
Note	20		21	22			
1 January 2008	**16,000**	**65,799**	**785**	**50**	**-29,388**	**140,859**	**194,105**
Total comprehensive income					-5,053	58,822	53,769
Dividends[1]						-17,547	-17,547
Acquisition of own shares	-131	-4,983					-5,114
Disposal of own shares for the acquisition of a subsidiary	11	481					492
Tax effect on own shares		511					511
Change in reserves				-6		6	0
31 December 2008	**15,880**	**61,808**	**785**	**44**	**-34,441**	**182,140**	**226,216**

[1] The dividend payment in the year 2008 of TEUR 17,547 was distributed to a share capital eligible for dividends of TEUR 15,952. Accordingly, the dividend per share amounted to EUR 1.10.

Notes

NOTE 1 | Information about the Company

SCHOELLER-BLECKMANN OILFIELD EQUIPMENT Aktiengesellschaft (the Company), located in 2630 Ternitz at Hauptstrasse 2, was incorporated on 26 May 1994 in Ternitz, Austria and is registered at the Commercial Court in Wiener Neustadt, Austria (FN 102999w).

The Company is engaged in the industrial manufacturing of components and parts for the oil and gas industry, mostly in directional drilling segments, and provides services in these areas.

Since 27 March 2003 the shares of the Company have been listed on the Wiener Börse (Vienna Stock Exchange).

NOTE 2 | Accounting Standards

The Company's consolidated financial statements as of 31 December 2009 were prepared in accordance with International Financial Reporting Standards (IFRSs) as well as with the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) as adopted by the EU.

As per Supervisory Board resolution, the consolidated financial statements for Schoeller-Bleckmann Oilfield Equipment Aktiengesellschaft and its subsidiaries for the business year 2009 (as of 31 December 2009) will be released on 8 March 2010.

The financial statements are denominated in Euros. Unless otherwise provided, all figures have been rounded to thousands of Euros (TEUR). As a result of automated computation, the rounded amounts and percentage figures may display rounding differences.

NOTE 3 | Scope of consolidation

The consolidated financial statements as of 31 December 2009 comprise the accounts of SCHOELLER-BLECKMANN OILFIELD EQUIPMENT Aktiengesellschaft as the group parent company and its subsidiaries as follows:

Company	Location	Interest held in %
Schoeller-Bleckmann Drilling and Production Equipment GmbH	Ternitz, Austria	100.00
Schoeller-Bleckmann Oilfield Technology GmbH	Ternitz, Austria	100.00
Schoeller-Bleckmann Oilfield Investment GmbH	Ternitz, Austria	100.00
Schoeller-Bleckmann America Inc.	Wilmington, USA	100.00
Accudrill L. L. C	Houston, USA	100.00
Bafco Investment Co.	Warminster, USA	100.00
Godwin-SBO L.L.C.	Houston, USA	100.00
Knust-SBO L.L.C.	Houston, USA	100.00
Schoeller-Bleckmann Energy Services L.L.C. (*)	Lafayette, USA	100.00
Schoeller-Bleckmann Sales Co. L.L.C.	Houston, USA	100.00
BICO Drilling Tools Inc. (*)	Houston, USA	100.00
BICO Faster Drilling Tools Inc.	Nisku, Canada	100.00
Schoeller-Bleckmann de Mexico S. A. de C. V.	Monterrey, Mexico	100.00
Schoeller-Bleckmann do Brasil, Ltda.	Macae, Brasil	100.00
SB Darron Pte. Ltd.	Singapore	100.00
Schoeller-Bleckmann Oilfield Equipment Middle East FZE	Dubai, U. A. E.	100.00
Schoeller-Bleckmann Trading FZE	Dubai, U. A. E.	100.00
Schoeller-Bleckmann Oilfield Equipment (UK) Limited	Rotherham, UK	100.00
Darron Oil Tools Limited	Rotherham, UK	100.00
Darron Tool & Engineering Limited (*)	Rotherham, UK	100.00
Schoeller-Bleckmann Darron Limited (*)	Aberdeen, UK	100.00
Techman Engineering Limited	Chesterfield, UK	100.00
Techman Precision Engineering Limited	Chesterfield, UK	100.00
Schoeller-Bleckmann Oilfield Equipment Vietnam L.L.C.	Binh Duong, VN	100.00

(*) With respect to the disclosure of the shares which are held by the management of these Companies, please see Note 19.

In 2009, the following **changes in the scope of consolidated entities** took place:

- Foundation of Schoeller-Bleckmann do Brasil, Ltda. on 12 March 2009;
- Foundation of Schoeller-Bleckmann Trading FZE on 16 June 2009;
- B. K. G. P. Inc. and B. K. L. P. Inc. were merged into Schoeller-Bleckmann America as of 1 January 2009
- Deconsolidation of Schoeller-Bleckmann de Venezuela C. A. as of 1 January 2009 after cessation of the operations and liquidation of all assets and liabilities;
- BRMCO (167) LIMITED is currently in foundation and will become a 100 % member of the Group in 2010.

NOTE 4 | Significant accounting policies

The applied accounting policies remain generally unchanged compared to the previous year, except for the following changes.

As of 1 January 2009 the Group has applied the following new and revised standards and interpretations:

- Amendments to IFRS 1 First time adoption of International Financial Reporting Standards and IAS 27 Consolidated and separate financial statements according to IFRS, effective as of 1 January 2009
- IFRS 2 Share-based payment – Vesting conditions and Cancellations, effective as of 1 January 2009
- IFRS 7 Financial instruments: Disclosures, effective as of 1 January 2009
- IFRS 8 Operating segments effective as of 1 January 2009
- IAS 1 Presentation of financial statements (revised), effective as of 1 January 2009
- IAS 23 Borrowing costs (revised), effective as of 1 January 2009
- IAS 32 Financial instruments: Presentation and IAS 1 Presentation of financial statements – Puttable financial instruments and obligations arising on liquidation, effective as of 1 January 2009
- IFRIC 13 Customer loyalty programmes, effective as of 1 July 2008
- IFRIC 15 Agreements for the construction of real estate, effective as of 1 January 2009
- IFRIC 16 Hedges of a net investment in a foreign operation, effective as of 1 October 2008
- Improvements to International Financial Reporting Standards (issued 2008)

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Group, the impact is described below:

IFRS 7 Financial Instruments: Disclosures

The amended standard requires additional disclosures about fair value measurement and liquidity risk. The amendment requires a quantitative analysis of the assessments of the fair values, based on a three-fold hierarchy for each category of financial instruments recorded at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as a disclosure of significant transfers between levels 1 and 2 in the fair value hierarchy. The amendment also clarifies the liquidity risk disclosures with respect to business transactions based on derivatives and assets used for liquidity management. The fair value measurement disclosures are presented in Note 32. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 33.

IFRS 8 Operating Segments

IFRS 8 replaced IAS 14 Segment Reporting upon its effective date. Instead of the reporting of business and geographical segments in IAS 14, IFRS 8 follows a management approach, whereby the published segment information is based on the same information which is used by the chief operating decision makers of the company for the purpose of allocating resources and assessing performance. The differentiation between primary and secondary segments is abolished. However, IFRS 8 principally requires the reporting of operating segments which exclusively or predominantly deliver internal services within the group. As determined by the group, the business segments identified in accordance with IFRS 8 correspond with the regional segments previously identified in accordance with IAS 14. IFRS 8 disclosures, including the adapted comparable information, are presented in Note 28.

IAS 1 Presentation of Financial Statements (revised)

The revised standard requires a separate presentation of owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, while the total of non-owner changes in equity are presented in a reconciliation for each equity component. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognized income and expense as well as those which are reflected in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

IAS 23 Borrowing Costs (revised)

In accordance with the transitional provisions of the revised IAS 23, the group has applied the standard prospectively. Accordingly, all borrowing costs related to qualifying assets whose commencement date is on or after the effective date of 1 January 2009 are capitalized. The revised IAS 23 requires capitalization of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The Group's previous policy was to expense borrowing costs as they were incurred. In accordance with the transitional provisions of the amended IAS 23, the Group has adopted the standard on a prospective basis. Therefore, borrowing costs are capitalized on qualifying assets with a commencement date on or after 1 January 2009. During the 12 months to 31 December 2009, no borrowing costs were capitalised as no qualifying assets such as established in the amendment were acquired or produced.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

The interpretation is to be applied prospectively. IFRIC 16 provides guidance on the accounting for the hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, on where within the group the hedging instruments can be held in the hedge of a net investment and on how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be reclassified from equity to profit and loss upon disposal of the hedged foreign operation. Due to the first-time application of the interpretation there has not been any implication on the balance sheet accounting of the hedged net investment through a foreign currency swap (Note 32).

Improvements to IFRS 2008

In May 2008, the Board first published a collective standard to amend various standards with the primary goal to abolish any inconsistencies and to clarify some of the wording. There are transitional provisions for each standard. Those amendments to the standards which were developed within the framework of the IFRS 2008 Improvements Project were first applied in the business year 2009. The following amendments result in an adjustment of the accounting and valuation methods:

IAS 20 Accounting for Government Grants and Disclosures of Government Assistance:

The group has applied the transitional provision which specifies that effective 1 January 2009, loans granted with no or low interest will no longer be exempt from the requirement to impute interest. The difference between the amount received and the discounted amount is to be recognized as a government grant. So far, the group has booked such loans with no or low interest at its nominal value; this also applies to loans with no or low interest granted before 1 January 2009. In addition, some of the wording has been revised to ensure consistency with other IFRS. During the business year 2009, no new government loans at no or low interest, which would be subject to the amended accounting and valuation method, were granted.

None of the additional provisions in the Improvements to IFRS 2008 have impacted the accounting methods or the presentation of the group´s assets, financial situation or performance.

The following new and revised standards and interpretations which were adopted by the European Union in the business year 2009, have not been applied prematurely, but will be applied in the respective reporting periods when they will go into effect:

- IFRS 1 First-time Adoption of International Financial Reporting Standards (revised) went into effect on 1 July 2009
- IFRS 3 Business Combinations (revised) and IAS 27 Consolidated and Separate Financial Statements (revised), including resulting amendments in IFRS 7, IAS 21, IAS 28, IAS 31 and IAS 39, went into effect on 1 July 2009
- IAS 32 Financial Instruments: Presentation: Classification of Rights Issues will go into effect on 1 February 2010
- IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items went into effect on 1 July 2009
- IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement went into effect on 1 July 2009
- IFRIC 17 Distribution of Non-cash Assets to Owners went into effect on 1 July 2009
- IFRIC 18 Transfers of Assets from Customers went into effect on 1 July 2009

The group does not expect any impact resulting from the first-time application of these amended or new standards and interpretations on the presentation of its assets, financial situation and performance, with the exception of the following:

IFRS 3 Business Combinations (revised) and IAS 27 Consolidated and Separate Financial Statements (revised)

IFRS 3 (revised) introduces substantial changes in the financial statements of business combinations if the acquisition takes place after the commencement date of these standards. There will be an impact on the measurement of non-controlling interest, the recognition of transaction costs, the initial and subsequent measurement of contingent consideration as well as on business combinations achieved in stages. These new provisions will affect the recognition of the business value or goodwill of the company, the financial result of the reporting period during which a business combination takes place, and on future financial results as well.

IAS 27 (revised) provides that changes in the ownership interest in a subsidiary not resulting in the loss of control are accounted for within equity. Therefore, such transaction can neither result in a business value or goodwill, nor in a gain or loss. Furthermore, there have been amendments to the provisions regarding loss allocations to shareholders of the parent company and to non-controlling shares, as well as on the accounting of transactions which result in a loss of control.

The new provisions of IFRS 3 (revised) and IAS 27 (revised) may impact the future gains or losses of control in subsidiaries.

› Balance sheet date

Balance sheet date of all companies included in the Company's accounts is 31 December.

› Consolidation principles

Upon capital consolidation, the acquisition costs of purchased shares were offset against the proportionate present value of the acquired assets and liabilities of the respective entity in applying the purchase method of consolidation accounting.

All inter-company receivable and payable balances were reconciled at the balance sheet date and offset in the course of the elimination process.

Sales and other income resulting from activities between the group companies were reconciled in the relating consolidation period and offset against the corresponding expenses.

Inter-company profits arising from the delivery of goods between group companies were also eliminated.

› Going concern basis

The consolidated financial statements were prepared on a going concern basis.

› Uniform accounting principles

The financial statements of all consolidated entities were prepared in accordance with uniform group accounting policies.

› Foreign currency translation

The consolidated financial statements are denominated in Euros, the functional and reporting currency of the Group. Each group member determines its own functional currency. The line items in the individual company financial statements are measured by using this functional currency.

Foreign currency transactions were translated at the exchange rate in effect at the transaction date. Monetary items denominated in foreign currencies were converted at the rate in effect at the balance sheet date. Currency differences were booked in profit or loss in the period they occurred. The profit and loss accounting between 1 January 2009 and 31 December 2009 reflects exchange gains or losses from foreign currency transactions in the amount of TEUR 2,684 (2008: TEUR -3,014).

For the group financial statements, the annual accounts of foreign subsidiaries are translated into Euros, in accordance with the concept of functional currency:

The assets and liabilities, both monetary and non-monetary, are translated at the balance sheet date.

All income and expense items of the foreign subsidiaries are translated at an average exchange rate for the year.

The development of the currency rates was as follows:

	Balance sheet date		Average annual rate	
1 EUR =	31.12.2009	**31.12.2008**	2009	**2008**
USD	1.4440	1.4090	1.3933	1.4706
GBP	0.8942	0.9585	0.8911	0.7965
CAD	1.5175	1.7090	1.5852	1.5593
AED	5.3000	5.1500	5.1194	5.4160
MXN	18.9223	19.2333	18.7841	16.2967

Exchange differences resulting from translating the financial statements of the subsidiaries are classified as translation components in the equity section of the consolidated financial statements, the movement in the current year is recorded under “other comprehensive income”.

› Split in current and long-term assets and liabilities

Assets and liabilities with a residual term to maturity of less than one year are reported as current, those with a residual term to maturity of more than one year as long-term. Residual time to maturity is determined on the basis of the balance sheet date.

Operating assets and liabilities, such as Trade Accounts Receivable and Trade Accounts Payable, are always considered as current, even their maturity is beyond 12 months as of the balance sheet date.

› Financial instruments

A financial instrument is an agreement whereby a financial asset is created in one company, simultaneously with a financial liability or equity in the other company. Such transactions are recognized at the settlement date, according to IAS 39.

A financial asset is derecognized when:

- the rights to receive cash flows from the asset have expired,
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party, or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is removed when the underlying obligation is discharged, cancelled or when it expires.

The consolidated balance sheet shows the following financial instruments (categorized according to IAS 39):

Liquid funds and available for sale investments

All cash, bank deposits and short-term financial investments available for sale recorded under line item Cash and cash equivalents are classified as liquid funds, because they can be converted into cash at any time. They are measured at current value at the balance sheet date and are not subject to significant changes in their value.

Marketable financial instruments are non-derivative financial assets which are not held for trading purposes.

After initial recognition, marketable financial instruments are measured at their present values while resulting profits and losses are booked into equity. The present value is the fair market value of the respective assets at the balance sheet date. Upon disposal or impairment of marketable financial assets recognized in equity to that point, gains or losses are accounted for in the annual profit and loss statement.

Interest and dividends earned on financial investments are stated in the annual result.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or definable payments, which are not listed at an active market. They particularly include Trade receivables, Loans and Other Receivables. Interest at market rates is charged on those trade receivables which are granted for credit periods which exceed those normally granted in business.

Receivables and other assets are recognized at the settlement date at acquisition costs, thereafter they are measured at amortized costs using the effective interest method, less any allowance for impairment. Gains and losses are booked into the profit and loss statement when the loans and receivables are derecognized or impaired, as well as through the amortization process.

The Company grants credits to its customers in the normal course of business, but generally does not require any collateral or security to support the amounts due, with the exception of occasional customers and customers located in high risk countries from whom the Company obtains confirmed letters of credit. Management performs permanent credit evaluations of its customers and builds up allowances for doubtful accounts if required.

The Company regularly assesses its receivables and records individual allowances for doubtful debts if necessary. These allowances are sufficient to cover the expected risk of default whereas actual defaults result in writing off the respective receivable. The decision whether to account for default risk by means of allowances or to recognize impairment losses depends on the reliability of the risk evaluation.

Management evaluates the adequacy of the allowances for doubtful debts using structural analyses of due dates and balances in accounts receivable, the history of payment defaults, customer ratings and changes in terms of payment.

Liabilities

Financial liabilities particularly include Trade payables, Payables due to banks, Bonds, Payables under finance leasing and Derivative financial liabilities.

Liabilities are initially recognized at the respective present value less related lending fees; later they are measured at amortized costs, using the effective interest method. Income and expenses resulting from the use of the effective interest method are booked into profit and loss.

Derivative financial instruments and hedging relationships

The Group uses financial instruments, such as currency futures and interest swaps to cover its interest and currency risks. These derivative financial instruments are recognized at present value at the contract dates and are measured at the respective present values in the following periods. Derivative financial instruments are recognized as assets if their present values are positive and as liabilities if present values are negative.

The present values of derivative financial investments traded on organized markets are determined by the market prices quoted at the balance sheet date; for those financial investments that are not traded on active markets, the present values are determined by means of other acknowledged valuation methods (recent, comparable transactions between knowledgeable, independent partners willing to trade, comparison with the present value of other, essentially identical financial instruments, as well as other valuation methods).

The Company uses the following instruments:

Hedging of net investment

A hedging relationship for securing a net investment in a foreign operation, including the safeguarding of monetary items that are entered in the balance sheet as part of the net investment, is accounted for as follows: the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge shall be recognized under “other comprehensive income”, whereas the ineffective portion shall be recognized in profit or loss. Upon disposal of the foreign operation, the cumulative gain or loss previously recognized in “other comprehensive income” shall be recognized in profit or loss.

Other derivatives

In order to cover the foreign currency risk relating to monetary assets and liabilities in the balance sheet, the Company applies safeguarding measures, which, although not in compliance with the strict requirements set out in IAS 39 for hedge accounting, contribute effectively to hedge the financial risk from the risk management perspective.

Income or expenses resulting from changes in the present value of financial instruments which do not fulfil the accounting criteria regarding hedging relationships under IAS 39, are immediately accounted for with effect to the profit and loss statement.

Income and expenses resulting from foreign currency hedging transactions which were made to secure the exchange risk related to intra-group trading in foreign currencies are not displayed separately but reported together with the foreign exchange income and expenses from trades in the operating result.

› Inventories

Inventories consist of materials and purchased parts in various stages of assembly and are stated at the lower of cost or net realizable value at the balance sheet date. Costs are determined by the first-in, first-out, weighted average or specific identification methods. The costs of finished goods comprise raw material expenses, other direct costs and related production overheads, but exclude interest expense. The Company reviews inventories for slow moving or obsolete items on an ongoing basis and establishes appropriate adjustment provisions if necessary.

› Tangible and intangible fixed assets

The Company's non-current assets are recorded at historical cost less depreciation/amortization. Depreciation is principally computed by means of the straight-line method, over the expected useful life of the asset. The estimated useful lives are as follows:

	Useful life in years
Other Intangibles	4 - 10
Buildings and improvements	5 - 50
Plant and machinery	3 - 17
Fixtures, furniture and equipment	2 - 10

Repairs and refurbishments are charged to the profit and loss statement at the time the expenditure has been incurred. Borrowing costs are also expensed as incurred, unless they are related to a qualifying asset with a commencement date (acquisition or production) after 1 January 2009.

Where tangible assets are financed by leasing agreements which give rights approximating to ownership (finance leases), they are treated as if they were purchased outright at the lower of the fair value or the present value of the minimum lease payments. The corresponding leasing liabilities are shown in the balance sheet as finance lease obligations.

Interest expenditures on capitalized lease objects are based on interest rates between 5.0 % and 7.0 %. This rate is in turn determined using the Company's incremental borrowing rate at the inception of each lease or the lessor's implicit rate of return.

The determination whether an arrangement contains a lease is based on its economic substance and requires a judgement as to whether the fulfillment of the contractual arrangement depends on the use of a specific asset or assets and whether the arrangement conveys a right to use the asset.

› Goodwill

Goodwill is recognized at acquisition cost and verified on a yearly basis as of 31 December. For this purpose, the goodwill is assigned to regional business units. The valuation of the business units is performed using the utility value on the basis of expected future cash flows.

› Current and deferred income taxes

The actual tax refund receivables and tax payables for the current and previous periods are measured in the amount of the expected refund by, or payment to the tax authority. The respective amounts are based on the current tax rates and laws at the balance sheet date.

Current and deferred taxes related to items in equity are not recognized in profits and losses but in equity.

The Company uses the "balance sheet liability method" under which deferred taxes are determined, based on the temporary difference between the amounts attributed to assets or liabilities in the individual group companies for tax purposes (tax base) and the carrying amounts of those assets or liabilities in the balance sheet. Deferred tax income or expenses arise from any movement in deferred tax assets or liabilities. They are measured by the tax rates which become effective when the differences reverse (IAS 12). Deferred tax assets are recognized to the extent it is probable that there will be taxable income in future against which the deductible temporary differences may be offset. Deferred tax assets are to be formed for tax loss carry forwards, provided these tax loss carry forwards can be consumed with future tax profits. Deferred taxes are measured at the tax rates that are expected to apply to the year, when the asset is realized or the liability is settled.

Current and deferred taxes which relates to items recognized under "other comprehensive income" or equity are also posted in "other comprehensive income" or equity but not through profit and loss.

› Government grants

Subsidies are recognised only when there is reasonable assurance that the company will comply with any conditions attached to the grants and that the grants will in fact be received. Grants are recognised systematically as income over the period necessary to match them with the related costs, for which they are intended to compensate.

Grants relating to assets are recognized as a liability upon fulfilment of all requirements for the receipt of such grants. They are released over the useful life of the respective assets. The release is displayed in the consolidated Profit and Loss-statement (line item "other operating income").

› Provisions

In accordance with IAS 37, provisions are recognized when the company has current legal or constructive obligations which are based on past events and which will probably lead to a payment. The provisions are measured at the best estimate of the management at the balance sheet date. If a reliable estimate is not possible, no provision is made.

› Retirement benefits

Defined contribution pension plans

In Austria the Company operates a contribution-based pension scheme for its workforce, with the related obligations having been transferred into the external APK (Allgemeine Pensionskasse) pension fund. Under this pension scheme, the Company pays the following contributions for its employees on an annual basis: for employees who do not themselves contribute to the pension scheme, the Company contributes 0.5 % of their annual salary (up to a maximum monthly salary of EUR 4,020 (2008: EUR 3,930)). For employees contributing 1 % of their annual salaries to the pension fund, the Company also contributes 1 %.

The Company has established the “SBOE U.S. Retirement Savings Plan” for its U.S.-based subsidiaries. Eligible participants in this plan are the employees of Godwin-SBO L.L.C., Schoeller-Bleckmann Sales Co. L.L.C., Schoeller-Bleckmann Energy Services L.L.C. and BICO Drilling Tools Inc.

Employees are eligible for participation in the plan upon reaching 21 years of age and completion of one year of service, as defined. Employees may elect to defer a percentage of their qualifying wages, up to the maximum dollar amount set by law. Employer contributions are discretionary. The Company decided to contribute 33.3 % towards the first 6 % of employee contributions, calculated on a monthly basis.

Knust-SBO L.L.C. sponsors a 401(K) profit sharing and income deferral plan which covers substantially all employees. Under this plan, employees may contribute from 2 % to 20 % of their salaries. The partnership may then make matching contributions equal to a discretionary percentage of the participants’ salary deductions. For the years ended on 31 December 2009 and 2008, the partnership elected to make no matching contributions.

Severance payment

Austrian law requires payment of a lump sum upon normal retirement or termination of an employment agreement, if the employee has been with the company for at least three years, and provided that the employment commenced before 1 January 2003 (defined benefit plan). Severance payment ranges from two to twelve months of salary based on the length of service. Payments are made on normal retirement or any other termination, with the exception of voluntary terminations. The provisions were calculated by applying the Projected Unit Credit Method using the mortality table AVÖ 2008-P (2008: AVÖ 2008-P) by Pagler & Pagler and an interest rate of 5.50 % (2008: 5.75 %), an annual increase in salaries of 4.50 % (2008: 4.75 %) and an appropriate fluctuation rate. The statutory pension age was taken into account as well.

For employment agreements commenced after 1 January 2003, the Company has to contribute 1.53 % of current remunerations to an external providence fund, according to the legal requirements (defined contribution plan).

Employees' jubilee payments for long service

According to the collective work agreement, employees in Austria are entitled to jubilee payments, depending on their length of service with their company (defined benefit plan). The amounts accrued for this were also calculated by applying the Projected Unit Credit Method.

For all provisions for retirement benefits, the actuarial gains or losses are booked in the profit and loss statement as incurred.

› Own shares

Own shares are carried at acquisition costs and are subtracted from the equity. The purchase, sale, issuance and redemption of own shares is not recognized in profit or loss. Potential differences between the carrying value and the related settlements are booked in Contributed capital.

› Revenue recognition

Sales revenue is recognized when title passes, generally upon delivery to the customer or on performance of the related service.

Revenue on operating leases is recognized on a pro-rated basis over the period.

Income on interest is recognized on a pro-rated basis over the period, by taking the effective interest into account.

› Research and development

Pursuant to IAS 38, research costs are expensed as incurred. Development costs are only expensed, if the requirements of IAS 38 for a capitalization of development expenses are not fully met.

› Earnings per share

Earnings per share are calculated in line with IAS 33 by dividing the net income for the period by the average number of ordinary shares outstanding during the period.

› Estimates, discretionary decisions and assumptions

The **preparation of consolidated annual financial statements** in conformity with International Financial Reporting Standards (IFRS) requires estimates and assumptions as well as discretionary decisions to be made by the management that affect the amounts reported in the balance sheet, in the notes and in the profit and loss statement. Actual future results may differ from such estimates, however, as seen from today´s perspective, the Board does not expect any major negative implications on the financial results in the near future.

For the yearly **impairment test of goodwill**, an estimate of the value in use is necessary. The management has to make assumptions for the expected future cash flows of the cash-generating units and has to choose a suitable discount rate (see Note 9).

For the consideration of **deferred taxes**, it is necessary to make estimates of the future taxable income which will be available for the exploitation of tax loss carry forwards and other timing differences (see Note 11).

The **accruals for defined benefit plans** and other retirement benefits are based on actuarial computations. For such calculations it is necessary to make assumptions for the discount rate, future salary increases, mortality rate and pension raises (see Note 18).

In order to measure **inventories**, the management expectations of price and market developments are required (see Note 7).

Provisions are carried at those values which correspond to the best estimate by the management at the balance sheet date (see Note 15).

It is necessary to make assumptions regarding the default probability of **receivables** (see Note 5).

In **Property, plant and equipment and Intangible assets** it is necessary to include estimates for the period during which these assets are expected to be used (see Notes 8 and 9).

NOTE 5 | Trade accounts receivable

An analysis of trade receivables as of 31 December shows the following situation:

in TEUR	Carrying value	Not past-due and not impaired	Past-due, not impaired				
			≤ 30 days	31-60 days	61-90 days	91-120 days	> 120 days
2009	41,033	23,852	7,852	3,823	2,385	944	1,778
2008	56,101	34,046	11,560	4,663	2,622	943	1,597

The book value of impaired balances amounted to TEUR 399 (2008: TEUR 670).

The allowance account reflects the following:

in TEUR	2009	2008
As of 1 January	970	467
Exchange differences	36	-133
Usage	-90	-118
Reversal	-18	-166
Expensed additions	450	920
As of 31 December	**1,348**	**970**

The receivables listed are not secured.

NOTE 6 | Other accounts receivable and prepaid expenses

An analysis of other receivables as of 31 December shows the following situation:

in TEUR	Carrying value		
	Other accounts receivable and prepaid expenses	Thereof receivables	not past-due and not impaired
2009	4,934	3,968	3,968
2008	9,846	9,018	9,018

The receivables listed are not secured, no allowances were recorded.

NOTE 7 | Inventories

Inventories are detailed by major classification as follows:

in TEUR	31 December 2009	31 December 2008
Raw materials	5,499	11,386
Work in progress	36,277	62,014
Finished goods	47,042	53,703
Prepayments	81	44
Total	**88,899**	**127,147**

Allowance expenses booked for 2009 were TEUR 6,941 (2008: TEUR 10,752).

NOTE 8 | Property, plant & equipment

The following is a summary of the gross carrying amounts and the accumulated depreciation of the property, plant and equipment held:

Year 2009 in TEUR	Land & buildings	Plant & machinery	Fixtures, furniture & equipment	Prepayments & assets under construction	Total
At cost					
1 January 2009	45,850	172,171	8,290	14,336	240,647
Exchange differences	-160	17	39	98	-6
Additions	5,480	13,159	1,182	12,761	32,582
Transfers	5,094	8,933	353	-14,380	0
Disposals	-1,409	-7,549	-417	-498	-9,873
31 December 2009	54,855	186,731	9,447	12,317	263,350
Accumulated depreciation & impairments					
1 January 2009	9,187	87,438	4,931	0	101,556
Exchange differences	59	-49	51	0	61
Additions	1,805	27,524	1,260	696	31,285
Transfers	407	-407	0	0	0
Disposals	-939	-4,914	-396	0	-6,249
31 December 2009	10,519	109,592	5,846	696	126,653
Carrying value					
31 December 2009	44,336	77,139	3,601	11,621	136,697
31 December 2008	36,663	84,733	3,359	14,336	139,091

Year 2008 in TEUR	Land & buildings	Plant & machinery	Fixtures, furniture & equipment	Prepayments & assets under construction	Total
At cost					
1 January 2008	35,849	143,186	7,218	13,183	199,436
Exchange differences	-1,437	-3,248	-379	-307	-5,371
Change in Scope of Consolidation	4,101	3,547	37	419	8,104
Additions	6,928	22,392	1,765	14,755	45,840
Transfers	857	12,293	33	-13,183	0
Disposals	-448	-5,999	-384	-531	-7,362
31 December 2008	45,850	172,171	8,290	14,336	240,647
Accumulated depreciation & impairments					
1 January 2008	8,377	69,851	4,499	0	82,727
Exchange differences	-375	-1,678	-329	0	-2,382
Change in Scope of Consolidation	51	574	16	0	641
Additions	1,580	22,359	1,084	0	25,023
Disposals	-446	-3,668	-339	0	-4,453
31 December 2008	9,187	87,438	4,931	0	101,556
Carrying value					
31 December 2008	36,663	84,733	3,359	14,336	139,091
31 December 2007	27,472	73,335	2,719	13,183	116,709

The Company has manufacturing facilities in the following countries: USA, Austria, the UK, Mexico and Vietnam.

Service and maintenance as well as marketing outlets are maintained in the USA, Canada, the UK, Singapore, the UAE, Russia and Brasil.

For the business year 2009, write-downs of Plant & Machinery were made in the amount of TEUR 2,823 (2008: TEUR 250) because of lower utilisation. These expenses are included in the consolidated Profit and Loss-statement under line item “Cost of Sales” (depreciation).

In 2009 and 2008 there were no write-ups.

As of 31 December 2009 commitments for capital expenditure amounted to TEUR 4,901 (2008: TEUR 22,433).

Finance Lease

Plant and machinery held under finance lease are as follows:

in TEUR	31 December 2009	31 December 2008
Acquisition cost	2,385	2,582
Accumulated depreciation	-613	-525
Carrying value	**1,772**	**2,057**

The following minimum lease payments arise from the utilization of such assets:

in TEUR	31 December 2009	31 December 2008
For the following year	474	477
Between one and five years	1,120	1,350
More than five years	12	179
Total minimum lease payments	1,606	2,006
Less discount	-186	-276
Present value	**1,420**	**1,730**

Operating lease

Commitments arising from lease and rental contracts (for items not shown in the balance sheet) amounted to:

in TEUR	31 December 2009	31 December 2008
For the following year	482	850
Between one and five years	910	914
After five years	204	200

Payments for operating leases which were expensed in the current year amounted to TEUR 800 in 2009 (2008: TEUR 912).

NOTE 9 | Intangible assets

The list below summarizes the gross carrying amounts and the accumulated amortization of intangible assets:

Year 2009 in TEUR	Goodwill	Other intangibles	Total
At cost			
1 January 2009	59,332	13,328	72,660
Exchange differences	-604	735	131
Additions	0	39	39
Disposals	0	-2,928	-2,928
31 December 2009	58,728	11,174	69,902
Accumulated amortization			
1 January 2009	20,053	4,192	24,245
Exchange differences	-304	82	-222
Additions	0	1,955	1,955
Disposals	0	-2,928	-2,928
31 December 2009	19,749	3,301	23,050
Carrying value			
31 December 2009	38,979	7,873	46,852
31 December 2008	39,279	9,136	48,415

Year 2008 in TEUR	Goodwill	Other intangibles	Total
At cost			
1 January 2008	53,429	3,395	56,824
Exchange differences	757	-1,854	-1,097
Change in Scope of Consolidation	5,146	11,712	16,858
Additions	0	98	98
Disposals	0	-23	-23
31 December 2008	59,332	13,328	72,660
Accumulated amortization			
1 January 2008	19,495	3,118	22,613
Exchange differences	558	-35	523
Additions	0	1,132	1,132
Disposals	0	-23	-23
31 December 2008	20,053	4,192	24,245
Carrying value			
31 December 2008	39,279	9,136	48,415
31 December 2007	33,934	277	34,211

In the years 2009 and 2008 no impairments were made.

No write-ups were made in the years 2009 and 2008.

As of 31 December 2009, commitments for acquisitions of intangible assets amounted to TEUR 0 (31 December 2008: TEUR 0).

1. Goodwill

The valuation of the business units was computed by using their value in use, which is based on the estimated future cash flows and a 8.3 % (previous year 9.0 %) capital cost rate before taxes (WACC = Weighted Average Costs of Capital). A detailed planning period of 3 years is used; which is derived from the budgets of the management. For the following period of 12 – 15 years, a flat cash flow without further growth is assumed. The risk component is taken into account in the cash flows.

The calculation of the cash flow is based on revenue expectations and planned capital expenditures. The value in use of the cash generating unit is largely determined by sales revenues. Sales plans are based on the demand forecasts of our main customers on the one hand and on the current backlog of orders on the other hand. Organic sales growth has been taken into account in the cash flow estimation.

The impairment test carried out as of 31 December 2009 demonstrated that no write-down of goodwill was necessary. The goodwill set out in the balance sheet is mainly attributable to the following cash generating units:

in TEUR	31 December 2009	31 December 2008
Knust-SBO L.L.C.	14,201	14,553
Godwin-SBO L.L.C.	11,858	12,139
Schoeller-Bleckmann Oilfield Technology GmbH	4,655	4,655
Techman Engineering Limited (see Note 37)	4,545	4,217
Schoeller-Bleckmann Oilfield Equipment (UK) Limited	3,675	3,675

Changes in the book values were exclusively due to the conversion of foreign exchange amounts.

2. Other intangible assets

As part of the initial accounting of Techman Engineering Limited, TEUR 9,230 for the acquired customer base and TEUR 2,482 for acquired technology were capitalized in 2008. These assets will be amortized over a period of 5 and 10 years respectively (see Note 37).

Other intangible assets comprise right-of-use for IT software.

NOTE 10 | Long term receivables

This line item mainly refers to interest-bearing loans which have been granted to the management of companies within the consolidation group for the acquisition of stock in their respective companies (also see Note 19). As the stock has to be returned in the event of non-compliance with the loan agreements, there is no credit risk for the Company worth mentioning.

in TEUR	31 December 2009	31 December 2008
Loans	4,001	4,612
Other receivables	127	64
Total	**4,128**	**4,676**

As there were no past-due receivables, no write-downs had to be made either as of 31 December 2009 or 31 December 2008. The other receivables are not secured.

NOTE 11 | Deferred taxes

The Company's deferred tax assets and deferred tax liabilities result from the following positions:

in TEUR	31 December 2009	31 December 2008
Fixed assets (different measurements and useful lives)	-10,470	-9,028
Inventory (different valuation)	3,724	7,146
Other items (different valuation)	1,146	96
Not deductible accruals	1,805	2,553
Accruals (unrealized exchange differences)	-881	-1,061
Tax loss carry forward	503	297
Total	**-4,173**	**3**

The line items as reflected in the group balance sheet:

in TEUR	2009	2008
Deferred tax assets	6,358	8,690
Deferred tax payables	-10,531	-8,687
	-4,173	3

Not recognized are deferred tax assets in the amount of TEUR 299 (2008: TEUR 177) related to tax losses carried forward, because the exploitation of these losses could not be expected in the foreseeable future.

NOTE 12 | Bank loans and overdrafts

As of 31 December 2009, the short-term loan arrangements were as follows:

Currency	Amount in TEUR	Interest rate in %
USD loans	8,310	0.67 % variable
CAD loans	6,626	1.90 % variable
GBP loans	3,420	1.15 – 2.25 % variable
Subtotal	18,356	
Export promotion loans (EUR)	16,234	1.17 – 1.60 % variable
Total	**34,590**	

As of 31 December 2008, the short-term loan arrangements were as follows:

Currency	Amount in TEUR	Interest rate in %
USD loans	8,516	4.42 % variable
GBP loans	3,130	6.38 % variable
Subtotal	11,646	
Export promotion loans (EUR)	16,234	2.88 – 3.30 % variable
Total	**27,880**	

The **export promotion loans** represent revolving short-term credit facilities; according to those arrangements the Company may use these funds permanently as long as it complies with the terms of agreement. In accordance with export promotion guidelines, the Company has agreed to assign receivables in the amount of TEUR 18,754 (2008: TEUR 18,754) to securitize these loans.

The **USD borrowings** due to banks in the amount of TEUR 8,310 (2008: TEUR 8,516) are collateralized by specific current assets of the Company (“floating charge”).

NOTE 13 | Government grants

The subsidies include a grant by the Federal Investment and Technology Fund, as well as other investment subsidies received for the acquisition of fixed assets, and investments in research and development. For some investment grants specific covenants have to be met (e.g. number of workers employed).

NOTE 14 | Other payables

Other payables were as follows:

in TEUR	31 December 2009	31 December 2008
Vacation not yet used	1,165	1,644
Other personnel expenses	4,017	6,704
Invoices not yet received	995	2,501
Legal and other counseling fees	610	890
Taxes	1,550	3,927
Social expenses	653	1,343
Other payables	1,894	4,420
Total payables	**10,884**	**21,429**

NOTE 15 | Other provisions

The following development was recorded:

Year 2009 in TEUR	31 Dec. 2008	Change in Scope of Cons.	Exchange Differences	Usage	Reversal	Provision	31 Dec. 2009
Warranty/product liability	3,326	0	0	-758	0	531	3,099
Restructuring	1,095	0	0	-403	-117	0	575
Other	3,180	0	25	-2,675	-530	4,278	4,278
Total	**7,601**	**0**	**25**	**-3,836**	**-647**	**4,809**	**7,952**

Year 2008 in TEUR	31 Dec. 2007	Change in Scope of Cons.	Exchange Differences	Usage	Reversal	Provision	31 Dec. 2008
Warranty/product liability	2,257	0	-21	-106	-71	1,267	3,326
Restructuring	1,939	0	0	0	-844	0	1,095
Other	4,201	605	-237	-2,991	-217	1,819	3,180
Total	**8,397**	**605**	**-258**	**-3,097**	**-1,132**	**3,086**	**7,601**

Important items in the line „other provisions“ refer to pending proceedings and governmental instructions.

It is expected that the costs accounted for in short-term provisions will be incurred in the following business year.

Regarding the provision for restructuring, see Note 26.

NOTE 16 | Bonds

In June 2008, two bonds with a total face value of MEUR 20.0 each were issued, in the form of 800 equally ranking bearer debentures with a par value of EUR 50,000 each.

The debentures were 100 % securitized by two changeable collective certificates which were deposited with Oesterreichische Kontrollbank Aktiengesellschaft in Vienna on the day of issuance. Individual debentures or coupons have not been issued.

The annual interest rates on the debentures until maturity are 5.75 % (on bond 2008-2013) and 5.875 % (on bond 2008-2015), related to their par values. The interest is payable in arrears, on 18 June of each year. The redemption will be in the amount of the par value, i. e., MEUR 20.0 each, on 18 June 2013 and 18 June 2015.

The bonds are traded in the third market at the Vienna Stock Exchange under ISIN Nos. AT0000A09U32 and AT0000A09U24.

NOTE 17 | Long-term loans including current portion (amortization in following year)

As of 31 December 2009, long-term borrowings consisted of the following:

Currency	Amount in TEUR	Interest rate in %	Term	Repayment
EUR	3,440	0.00 % fixed	2008 – 2024	quarterly from 2011
EUR	5,000	4.73 % fixed	2009 – 2016	semi-annually from 2010
EUR	5,000	5.25 % fixed	2009 – 2016	2016
EUR	2,589	3.99 % fixed	2006 – 2015	semi-annually
EUR	6,500	2.25 % fixed	2009 – 2015	semi-annually from 2011
EUR	2,500	0.00 % fixed	2008 – 2015	quarterly from 2011
EUR	7,500	2.25 % fixed	2008 – 2014	semi-annually from 2010
EUR	55	2.50 % fixed	2008 – 2014	2014
EUR	7,200	4.79 % fixed	2008 – 2013	semi-annually from 2010
EUR	5,000	3.22 % fixed	2009 – 2013	semi-annually from 2010
EUR	4,688	1.50 % fixed	2006 – 2012	semi-annually
EUR	1,667	3.54 % fixed	2006 – 2011	semi-annually
EUR	2,000	1.95 % variable	2003 – 2010	2010
EUR	2,400	1.79 % variable	2008 – 2010	semi-annually
USD	877	6.35 % fixed	2003 – 2016	monthly
USD	2,077	0.78 % variable	2007 – 2011	quarterly
USD	6,393	4.12 % fixed	2003 – 2010	2010
GBP	2,428	1.75 % variable	2007 – 2022	monthly
	67,314			

As of 31 December 2008, long-term borrowings consisted of the following:

Currency	Amount in TEUR	Interest rate in %	Term	Repayment
EUR	1,720	0.00 % fixed	2008 – 2023	quarterly from 2010
EUR	2,825	3.99 % fixed	2006 – 2015	semi-annually
EUR	2,500	0.00 % fixed	2008 – 2015	quarterly from 2010
EUR	235	5.69 % variable	2006 – 2015	semi-annually
EUR	7,500	2.25 % fixed	2008 – 2014	semi-annually from 2011
EUR	7,200	4.79 % fixed	2008 – 2013	semi-annually from 2010
EUR	7,500	1.50 % fixed	2006 – 2012	semi-annually
EUR	2,778	3.54 % fixed	2006 – 2011	semi-annually
EUR	4,800	5.69 % variable	2008 – 2010	semi-annually
EUR	2,000	5.85 % variable	2003 – 2010	2010
EUR	1,077	4.75 % fixed	2002 – 2009	semi-annually
EUR	462	4.80 % fixed	2002 – 2009	semi-annually
USD	1,000	6.35 % fixed	2003 – 2016	monthly
USD	3,265	3.97 % variable	2007 – 2011	quarterly
USD	6,708	4.12 % fixed	2003 – 2010	2010
GBP	65	3.75 % variable	2004 – 2024	monthly
GBP	1,975	3.00 % variable	2007 – 2022	monthly
GBP	519	3.50 % variable	2007 – 2022	monthly
	54,129			

The following borrowings were collateralized:

EUR-loans:
- TEUR 18,128 – Machinery pledged with a carrying-value of TEUR 24,743.

USD-loans:
- TEUR 877 – Mortgage on land and building with a carrying-value of TEUR 1,265;
- TEUR 2,077 – Pledge on particular assets (“floating charge”).

GBP-loans:
- TEUR 2,428 – Lien on property (land and building) with a carrying value of TEUR 3,592 and on other assets (“floating charge”).

Adjustments of the variable interest rates are made quarterly.

With respect to the present value of the loans see Note 32, regarding interest rate risk and hedging see Note 33.

NOTE 18 | Retirement benefit obligations

As of the balance sheet date, the Retirement benefit obligations consisted of the following:

in TEUR	31 December 2009	31 December 2008
Severance payments	2,488	2,796
Jubilee payments for long service	716	729
Pension provision	0	3
Total	**3,204**	**3,528**

The actuarial assumptions for the provisions of severance payments were as follows:

	2009	2008
Interest rate	5.50 %	5.75 %
Salary increases	4.50 %	4.75 %
Fluctuation rate (mark-down)	0.0 – 15.0 %	0.0 – 15.0 %

Actuarial gains or losses are expensed in the profit and loss statement as incurred.
No contributions were made to a separately maintained fund for these obligations.

Provisions for severance payments

The status of the accrual for severance payments has developed as follows:

in TEUR	2009	2008	2007	2006	2005
Defined benefit obligation as of 1 January	2,796	2,700	2,699	2,443	2,008
Current service cost	172	175	169	151	118
Interest cost	156	133	107	109	107
Current severance payments	-230	-194	-513	-146	-161
Actuarial gain/loss during the year	-406	-18	238	142	371
Defined benefit obligation as of 31 December	**2,488**	**2,796**	**2,700**	**2,699**	**2,443**

Actuarial gains/losses are mainly the result from experience-based adjustments: TEUR -406 (2008: TEUR -25).

Current service costs, interest costs and actuarial gains/losses are exclusively booked under Income from operations (personnel expenses).

Pension plans (defined contributions)

Payments made under the defined contribution plans (pensions and other providence funds) were expensed and amounted to TEUR 336 in 2009 (2008: TEUR 826).

NOTE 19 | Other payables

The management of the following (fully consolidated) subsidiaries had the following interest in their respective companies:

Company	31 December 2009	31 December 2008
Schoeller-Bleckmann Energy Services L.L.C.	14.20 %	15.00 %
Schoeller-Bleckmann Darron Limited	6.35 %	8.35 %
Darron Tool & Engineering Limited	6.58 %	6.97 %
BICO Drilling Tools Inc.	15.00 %	15.00 %

Accordingly, the management holds pro-rated shares in these companies.

The management is obliged by contract to sell the shares under specific circumstances, and the Company is obliged to buy these shares. The selling price is based on the value of the respective equity portion at the date of the transaction.

Pursuant to IAS 32.23, such contracts constitute a financial liability, valued at the present value of the redemption price. For the current valuation, the respective portion of the equity at the balance sheet date is used since no exact measurement of the future value is available, including the portion of the income from the current year, which is displayed in the consolidated Profit and Loss-statement under “other financial expenses”.

NOTE 20 | Share capital

The share capital of the Company on 31 December 2009 as well as on 31 December 2008 was EUR 16 million; divided into 16 million common shares with a par value of EUR 1.00 each.

The Ordinary Shareholders’ Meeting on 23 March 2006 authorized the Management Board to raise the share capital by an amount not exceeding EUR 5 million by issuing new shares. This authorization will be in force until 8 April 2011.

The Ordinary Shareholders' Meeting on 16 April 2008 authorized the Management Board for a period of 30 months to buy back own shares of the Company up to a maximum of 10 % of the share capital, the redemption price has to be EUR 1.00 at least and EUR 100.00 at the most.

In the year 2008, 131,298 of our own shares were purchased at the price of TEUR 5,114. A total of 11,414 shares thereof (TEUR 492) were transferred as part of a business combination (see Note 37). At the reporting date, the Company holds 119,884 of its own shares (unchanged to 2008), equalling a 0.75 % share in its capital stock. There are 15,880,116 shares in circulation.

As of 31 December 2009, approximately 31 % of the share capital is held by Berndorf Industrieholding AG, Berndorf.

NOTE 21 | Legal reserve – non-distributable

Austrian law requires the establishment of a legal reserve in the amount of one tenth of the nominal value of the Company's share capital. As long as the legal reserve and other restricted capital reserves have not reached such an amount, the Company is required to allocate five percent of its annual net profit (net of amounts allocated to make up losses carried forward from prior years, after changes in untaxed reserves have been taken into consideration) to such reserves. For the formation of such reserves, only the annual financial statements of the parent company are relevant, which are prepared in accordance with Austrian Accounting Principles.

NOTE 22 | Other reserves

The other reserves as shown in the balance sheet result from accelerated depreciation on specific, non-current assets for which a tax break is available. These reserves are untaxed profit allocations.

NOTE 23 | Additional breakdown of revenues

Net sales consist of:

in TEUR	2009	2008
Sale of goods	225,927	357,819
Operating lease revenue	25,678	30,886
Total net sales	**251,605**	**388,705**

NOTE 24 | Additional breakdown of expenses

As the Company classifies its expenses by function, the following additional information is given as required by IAS 1 (revised 2005) (accounted for by using the "total cost accounting method"):

in TEUR	2009	2008
Material expenses	96,189	179,479
Personnel expenses	57,103	75,660
Depreciation tangible assets	31,285	25,023
Amortization other intangibles	1,955	1,132

NOTE 25 | Research and development expenses

In the consolidated profit and loss statement, research and development expenses are included in line item "other operating expenses", with an amount of TEUR 2,288 in 2009 and TEUR 1,591 in 2008.

So far, development costs were not capitalized due to the uncertainties of the future economic benefits attributable to them.

NOTE 26 | Result from non-recurring restructuring measures

In 2009 the dissolution of the company Schoeller-Bleckmann de Venezuela C.A. was completed. An amount of TEUR 403 was used from the provisions posted in previous years and an amount of TEUR 117 was released.

In 2008, an amount of TEUR 844 was released from provisions posted in previous years after the completion of the restructuring of Darron Tool & Engineering Limited in Rotherham.

NOTE 27 | Taxes on income

A reconciliation of income taxes applying the Austrian statutory tax rate to income taxes stated for the Group is as follows:

in TEUR	2009	2008
Income tax expense at a calculated tax rate of 25 %	-5,864	-20,620
Foreign tax rate differentials	-2,247	-4,360
Valuation of shareholdings	0	-52
Usage of tax losses not recognized in prior years	0	1,484
Tax losses not capitalized	-148	0
Other differences	93	-109
Consolidated income tax expense	**-8,166**	**-23,657**
Consolidated tax rate	**34.8 %**	**28.7 %**

The components of income taxes were as follows:

in TEUR	2009	2008
Current taxes	-4,055	-25,516
Deferred taxes	-4,111	1,859
Total	**-8,166**	**-23,657**

Current taxes includes an adjustment from prior years in the amount of TEUR +77.
Deferred taxes mainly result from the formation and reversal of temporary differences.

The following income taxes were booked in other comprehensive income or directly in equity:

in TEUR	2009	2008
Current taxes		
Valuation of own shares	0	511
Exchange rate differences	-97	523
	-97	**1,034**
Deferred taxes		
Hedging of net investment	-79	67
Exchange rate differences	106	78
	27	**145**

From the exploitation of tax loss carry forwards the effective taxes in 2009 were reduced by TEUR 64 (2008: TEUR 1,622).
The payment of dividends to the shareholders will not result in any implications on income taxes for the business year 2009 and the comparative period of 2008.

NOTE 28 | Segment reporting

The Company operates worldwide mainly in one industry segment, the designing and manufacturing of drilling equipment for the oil and gas industry.

For management purposes, the Group is organized into regions. Accordingly, the segment reporting is made by regions, the allocation of the business units is based on the location of the business units.

No operating segments have been aggregated to form the reportable operating segments. Management monitors revenues and operating results of the business units separately for the purpose of making decisions about resource allocation.

As the figures stated represent a summary of the single balance sheets and income statements of the consolidated companies, holding adjustments and consolidation entries (elimination of intercompany profits and other group transactions) have to be taken into account, in order to arrive at the reported group numbers.

Inter-segment sales are carried out in accordance with the “at arm’s length“ principle.

As shown in the following schedule, the Company’s operations are concentrated in North America and Europe

Year 2009 in TEUR	**Europe**	**North America**	**Other regions**	**SBO-Holding & consolidation adjustments**	**SBO Group**
Sales by origin					
External sales	47,224	198,958	5,423	0	251,605
Inter-company sales	71,867	8,264	684	-80,815	0
Total sales	119,091	207,222	6,107	-80,815	251,605
Operating income	6,692	16,789	-1,858	6,615	28,238
Attributable assets	142,109	221,656	17,341	44,435	425,541
Attributable liabilities	87,044	90,664	4,450	13,575	195,733
Capital expenditure	9,853	16,910	5,268	590	32,621
Depreciation & amortization	18,758	11,395	479	2,608	33,240
Thereof impairments	2,823	0	0	0	2,823
Head count (average)	**564**	**514**	**72**	**19**	**1,169**

Year 2008 in TEUR	Europe	North America	Other regions	SBO-Holding & consolidation adjustments	SBO Group
Sales by origin					
External sales	92,713	281,342	14,649	0	388,705
Inter-company sales	144,759	18,844	1,849	-165,452	0
Total sales	237,472	300,186	16,498	-165,452	388,705
Operating income	43,631	49,195	3,205	-8,028	88,003
Attributable assets	179,465	243,240	15,030	5,579	443,314
Attributable liabilities	115,652	118,017	4,467	-21,038	217,098
Capital expenditure	22,217	21,110	1,441	1,170	45,938
Depreciation & amortization	10,168	14,107	226	1,654	26,155
Thereof impairments	0	250	0	0	250
Head count (average)	655	634	64	20	1,373

Sales by product line

The following categories are used, based on the intended purpose of the goods and services.

1. High-precision components

For applications in the MWD/LWD technology sector, collars and internals made of highly alloyed steel and other non-magnetic metals are required. These collars and internals are used to mount antennas, sensors, batteries, generators and other kind of electronic parts, for making measurements and analyses during the drill operation. All those components need the utmost high dimensional accuracy in intricate machining.

2. Oilfield supplies and services

This group comprises the following products:

- **Non-Magnetic Drill Collars (NMDC)**, steel bars which are used to prevent magnetic interference during MWD operations.
- **Drilling motors**, which drive the bit for directional drilling operations. They are also used for other applications, such as underground river and road crossings for utility services, telephone cables and pipelines.
- Various **other tools** for the oilfield such as stabilizers, reamers, hole openers, drilling jars and shock tools.

In addition to the manufacture of the above mentioned products, service and repair work is carried out. These activities focus on drillstring components which need to be inspected, checked for magnetic inclusions, rethreaded, buttwelded, resurfaced with hard metal, reground, shot peened, etc. as quickly as possible and with the highest standard in workmanship.

3. Other Sales

The Company is, to a limited extent, active in other areas as well.

in TEUR	2009	2008
High-precision components	159,501	237,721
Oilfield supplies and services	91,663	150,190
Other Sales	441	794
Total Sales	**251,605**	**388,705**

For information on customers we refer to note 33.

Geographic information:

Sales to external customers were as follows:

in TEUR	2009	2008
Austria	620	1,887
Great Britain	18,380	32,952
U.S.A.	182,676	261,259
Other countries	49,929	92,607
Total Sales	251,605	388,705

The classification is based on the location of the customer.

NOTE 29 | Remuneration for the management

The remuneration including bonuses for 2008 paid in 2009 for the Executive Board and the General Managers of the subsidiaries (totaling 15 individuals as compared to 14 in the previous year) amounted to TEUR 3,903 (2008: TEUR 4,320). These amounts include the movement in provisions for severance and jubilee payments amounting to TEUR 3 (income) in 2009 and TEUR 185 (expense) in 2008.

With respect to the remuneration for the Executive Board of the Austrian parent company, § 266 (7) UGB (Austrian Commercial Code) is applied, pursuant to which no further disclosure is required.

The remuneration for the Supervisory Board amounted to TEUR 100 in the business year, which is a combination of a flat rate and a variable rate depending on the Group´s results (2008: TEUR 89).

No loans were granted to the members of the Executive Board or to the Supervisory Board, respectively. The contracts with the members of the Executive Board are valid for one term and will expire on 31 December 2013.

NOTE 30 | Transactions with related parties

The following transactions with related but non-consolidated companies were carried out in 2009:

Schleinzer & Partner, attorneys-at-law:

This law firm is the legal consultant to the Company. One of the law firm´s partners, Dr. Karl Schleinzer, is a member of the Supervisory Board. Total charges for 2009 amounted to TEUR 36 (2008: TEUR 66), thereof outstanding as of 31 December 2009 is TEUR 0 (31 December 2008: TEUR 39).

NOTE 31 | Lease transactions

The Company leases drilling machinery under operating leases with terms of less than a year. The respective leasing fees are charged to customers according to the duration of use.

Revenues from short-term operating leases were TEUR 25,678 for 2009 and TEUR 30,886 for 2008.

NOTE 32 | Financial instruments

IFRS distinguish between derivative and non-derivative financial instruments.

Non-derivative Financial Instruments

Non-derivative financial instruments held by the Company are shown in the balance sheet.

Derivative Financial Instruments

1. Foreign currency receivables

The Austrian company hedges its net receivables and order backlog denominated in US dollars and CAN dollars on an ongoing basis by entering into forward exchange contracts. All transactions have short-term durations (3 – 8 months).

Forward exchange transactions as of 31 December 2009	Hedged receivables in TEUR	Receivables at effective date rates in TEUR	Present value in TEUR
USD	12,545	12,841	-296
CAD	3,211	3,306	-95

Forward exchange transactions as of 31 December 2008	Hedged receivables in TEUR	Receivables at effective date rates in TEUR	Present value in TEUR
USD	53,567	52,198	1,369

The forward exchange transactions are measured at fair value and recognized in the profit and loss statement, since the requirements under IAS 39 for hedge accounting are not fully met.

2. Interest swap

The Company entered into an interest swap until 2015 relating to a long-term GBP-loan. For this purpose, a variable interest rate was swapped with a fixed interest rate of 5.48 %.

The fair value at 31 December 2009 amounted to TEUR -369, booked into profit and loss.

3. Swap Transaction

The Company has entered into a foreign currency swap for the hedging of a long-term loan with a maturity in 2010, taken out to finance a net investment into a foreign business. For this purpose, an amount of TEUR 8,000 was swapped with an amount of TUSD 9,176, at a fixed interest rate of 4.12 %.

The market value of this swap as of 31 December 2009 was TEUR 1,607 (31 December 2008: TEUR 1,291). The change in value for the year was TEUR 316 (2008: TEUR -267), which was completely booked into equity (translation adjustment), without any impact on the net income as there was no ineffective portion in this hedge.

The following table shows the financial instruments, classified in accordance with IAS 39 and IFRS 7:

FINANCIAL INSTRUMENTS

31.12.2009 in TEUR		Category acc. to IAS 39					Classification acc. to IFRS 7: Valuation method								
							Fair value		Amortized costs						
		Loans and receivables	Assets available for sale	Other financial liabilities	Derivative Instruments	Hedging Instruments	Securities	Derivatives	Liquid funds	Accounts receivable trade	Lendings	Bonds	Loans, Bank & Lease obligations	Accounts payable trade	Other items
Current assets															
Cash and cash equivalents															
of which banks & cash	86,640	86,640							86,640						
of which short term investments	10,000		10,000				10,000								
Trade accounts receivable	41,033	41,033								41,033					
Other accounts receivable and prepaid expenses	4,934	3,968													3,968
Inventories	88,899														
Total current assets	**231,506**														
Non-current assets															
Property, plant & equipment	136,697														
Goodwill	38,979														
Other intangible assets	7,873														
Long-term receivables	4,128	4,128									4,001				127
Deferred tax assets	6,358														
Total non-current assets	**194,035**														
TOTAL ASSETS	**425,541**	**135,769**	**10,000**	**0**	**0**	**0**	**10,000**	**0**	**86,640**	**41,033**	**4,001**	**0**	**0**	**0**	**4,095**
Current liabilities															
Bank loans and overdrafts	34,590			34,590									34,590		
Current portion of long-term loans															
of which primary liabilities	13,436			13,436									13,436		
of which hedging	6,393					6,393		6,393							
Finance lease obligations	394			394									394		
Accounts payable trade	8,709			8,709										8,709	
Government grants	810														
Income taxes payable	1,056														
Other payables	10,884			1,494	391			391							1,494
Other provisions	7,952														
Total current liabilities	**84,224**														
Non-current liabilities															
Bonds	39,824			39,824								39,824			
Long-term loans	47,485			47,485									47,485		
Finance lease obligations	1,026			1,026									1,026		
Government grants	1,564														
Retirement benefit obligations	3,204														
Other payables	7,875			7,506	369			369							7,506
Deferred tax payables	10,531														
Total non-current liabilities	**111,509**														
Shareholders´ equity															
Share capital	15,880														
Contributed capital	61,808														
Legal reserve - non-distributable	785														
Other reserves	39														
Translation component	-34,230														
Retained earnings	185,526														
Total shareholders´ equity	**229,808**														
TOTAL LIABILITIES AND SHAREHOLDERS´ EQUITY	**425,541**	**0**	**0**	**154,464**	**760**	**6,393**	**0**	**7,153**	**0**	**0**	**0**	**39,824**	**96,931**	**8,709**	**9,000**

FINANCIAL INSTRUMENTS

31.12.2008 in TEUR		Category acc. to IAS 39					Classification acc. to IFRS 7: Valuation method								
							Fair value		Amortized costs						
		Loans and receivables	Assets available for sale	Other financial liabilities	Derivative Instruments	Hedging Instruments	Securities	Derivatives	Liquid funds	Accounts receivable trade	Lendings	Bonds	Loans, Bank & Lease obligations	Accounts payable trade	Other items
Current assets															
Cash and cash equivalents	49,348	49,348							49,348						
Trade accounts receivable	56,101	56,101								56,101					
Other accounts receivable and prepaid expenses	9,846	6,883			2,135			2,135							6,883
Inventories	127,147														
Total current assets	**242,442**														
Non-current assets															
Property, plant & equipment	139,091														
Goodwill	39,279														
Other intangible assets	9,136														
Long-term receivables	4,676	4,676								14	4,612				50
Deferred tax assets	8,690														
Total non-current assets	**200,872**														
TOTAL ASSETS	**443,314**	**117,008**	**0**	**0**	**2,135**	**0**	**0**	**2,135**	**49,348**	**56,115**	**4,612**	**0**	**0**	**0**	**6,933**
Current liabilities															
Bank loans and overdrafts	27,880			27,880									27,880		
Current portion of long-term loans	8,729			8,729									8,729		
Finance lease obligations	374			374									374		
Accounts payable trade	38,689			38,689										38,689	
Government grants	284														
Income taxes payable	4,260														
Other payables	21,429			3,656	765			765							3,656
Other provisions	7,601														
Total current liabilities	**109,246**														
Non-current liabilities															
Bonds	39,787			39,787								39,787			
Long-term loans															
of which primary liabilities	38,691			38,691									38,691		
of which hedging	6,709					6,709		6,709							
Finance lease obligations	1,356			1,356									1,356		
Government grants	1,299														
Retirement benefit obligations	3,528														
Other payables	7,795			7,795											7,795
Deferred tax payables	8,687														
Total non-current liabilities	**107,852**														
Shareholders´ equity															
Share capital	15,880														
Contributed capital	61,808														
Legal reserve - non-distributable	785														
Other reserves	44														
Translation component	-34,441														
Retained earnings	182,140														
Total shareholders´ equity	**226,216**														
TOTAL LIABILITIES AND SHAREHOLDERS´ EQUITY	**443,314**	**0**	**0**	**166,957**	**765**	**6,709**	**0**	**7,474**	**0**	**0**	**0**	**39,787**	**77,030**	**38,689**	**11,451**

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 of 31 December 2009 the Company had no financial instruments, which have to be allocated to this level.

in TEUR	31 December 2009	Level 1	Level 2
Assets			
Available for sale securities	10,000	-	10,000
Liabilities			
Hedging instruments	-6,393	-	-6,393
Other derivatives	-760	-	-760

During the reporting period ending 31 December 2009, there were no transfers between level 1 and level 2 fair value measurements.

For each category of financial instruments which are valued at acquisition costs, both the carrying value and the present value are provided in the table below:

	2009		2008	
in TEUR	Carrying value	Present value	Carrying value	Present value
Assets				
Trade receivables	41,033	41,033	56,115	56,115
Lendings	4,001	4,001	4,612	4,612
Other line items	4,095	4,095	6,933	6,933
Liabilities				
Bonds	-39,824	-43,845	-39,787	-42,793
Borrowings from banks, finance lease obligations and other loans	-96,931	-96,188	-77,030	-77,056
Trade payables	-8,709	-8,709	-38,689	-38,689
Other line items	-9,000	-9,000	-11,451	-11,451

Acknowledged valuation methods have been used to determine the fair values of the derivative financial instruments. For assessing the present 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 present 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 present values at the balance sheet date.

The following table shows the net result by classification, according to IAS 39:

Year 2009 in TEUR	Allowance	Revaluation		Deletion/Disposal		Net result
		P/L	OCI(*)	P/L	OCI(*)	
Loans and receivables	-761	-	-	-	-	-761
Derivative instruments	-	-2,129	-	-	-	-2,129
Hedging transactions	-	-	-316	-	-	-316

Year 2008 in TEUR	Allowance	Revaluation		Deletion/Disposal		Net result
		P/L	OCI(*)	P/L	OCI(*)	
Loans and receivables	-766	-	-	-	-	-766
Derivative instruments	-	-250	-	-	-	-250
Hedging transactions	-	-	-267	-	-	-267

(*) OCI… other comprehensive income

NOTE 33 | Risk management

The operations of the Company are exposed to a great number of risks that are inextricably linked to its worldwide business activities. Efficient steering and control systems are being used to detect, analyze, and cope with these risks, with the help of which the management of each company monitors the operating risks and reports them to the group management board.

From a current point of view, no risks are discernible that may pose a threat to the survival of the Company.

› General economic risks

The business situation of Schoeller-Bleckmann Oilfield Equipment highly depends on cycles, in particular on the cyclical development of oil and gas drilling activities performed by the international oil companies. In order to minimize the risks of pertinent order fluctuations, the manufacturing companies of the Group have been designed to ensure maximum flexibility.

› Sales and procurement risks

The market for products and services of the Company is to a great extent determined by continuous development and the application of new technologies. Therefore, securing and maintaining the Company's customer stock depends on the ability to offer new products and services tailored to the customers' needs.

In the year 2009, the three biggest customers (which are the worldwide dominant service companies in the directional drilling market) accounted for 65.8 % of all sales worldwide (63.4 % in 2008). Each customer accounted for a share of more than 10 % of total sales.

SBO addresses the risk of potential sales declines following the loss of a customer by means of continuous innovation, quality assurance measures and close customer relationship management.

Schlumberger published the acquisition of Smith International on 22 February 2010. The Company does not expect any impact on the business resulting from this merger, because SBO is an important and strategic supplier for both customers.

On the procurement side, raw materials and in particular alloy surcharges for non-magnetic steel are subject to significant price fluctuations. These alloy surcharges are partly passed on to the customers as part of our agreements.

The Company procures non-magnetic steel, its most essential raw material, almost exclusively from one supplier and therefore faces the risk of delayed deliveries, capacity shortages or business interruptions. From today´s perspective, the Company foresees no difficulty in obtaining quality steel from this supplier in future. In the event this supplier falls short of deliveries, there is only limited potential of substitution in the short-term.

› Substitution risks

SBO is subject to the risk of substitution of its products and technologies, which may result in the emergence of new competitors. SBO counteracts that risk through continuous market observation, intensive customer relationship management and proprietary innovations.

› Financial risks

As a direct result of its business operations, the Company on the one hand holds various financial assets, such as trade receivables as well as cash and cash equivalents. On the other hand, it also uses financial instruments to ensure the continuity of its operations, such as bonds, payables due to banks and trade payables.

In addition, the Company also uses derivative financial instruments to hedge interest rate and foreign exchange risks arising from its financing and business operations. However, derivates are not used for trading or speculative purposes.

The financial instruments principally entail interest-related cash-flow risks, as well as liquidity, currency and credit risks.

Foreign currency risks

Foreign currency risks arise from fluctuations in the value of financial instruments or cash-flows caused by foreign exchange fluctuations.

Foreign currency risks arise in the Company where balance sheet items as well as income and expenses are generated or incurred in a currency other than the local one. Forward exchange contracts (mainly in US dollars) are concluded in order to secure receivables and liabilities in foreign currencies.

From a long-term perspective, SBO invoices around 80 % of its sales volume in US dollars. This is due to its customer structure. All dominating service companies on the directional drilling market are located in the US, handling their worldwide activities in US dollars. Also from a long-term perspective, approximately 50 % of the costs are incurred in US dollars, with important production facilities being located both in the US and Europe. In order to minimize the currency exposure involved, orders are hedged between the times of order acceptance and invoicing. However, for reasons of costs and expedience, SBO does not hedge its entire net dollar exposure. In any case, the profit generated by SBO is contingent on the dollar-euro exchange rates.

The Company also faces currency translation risks when sales revenues, operating results and balance sheets of foreign subsidiaries are converted into the group currency. The respective values depend on the exchange rate in force at the respective date. The US is not only the main market for the Group but also the base of important production facilities with significant investments. Therefore, changes in the US dollar rate have a strong impact on the group balance sheet, which SBO addresses by taking out US dollar loans.

The table below shows the implications a potential change in the US dollar exchange rate may reasonably have on the group´s results. To derive at the result, the Company uses a model based on the long-term revenue and cost structures of the Group. Regarding the equity, the model is based on the differences caused by the conversion rates used for the companies accounting in foreign currencies. The same method is applied for the hedge of a net investment. Since there were no other substantial financial instruments denominated in foreign currencies, no further currency risks have to be taken into account. The models have remained unchanged for all years stated.

in TEUR Changes in EURO – US dollar rate	2009		2008	
	+10 cents	-10 cents	+10 cents	-10 cents
Change in profit before taxes	-6,427	7,420	-11,370	13,029
Change in equity	-9,501	10,915	-9,829	11,328

Interest rate risks

Interest rate risks result from fluctuations in interest rates on the market; these fluctuations may lead to changes in value of financial instruments and interest-related cash-flows.

The majority of the long-term borrowings (approximately 76 %) have fixed interest rates; therefore they are without any interest rate risk. However, the fair value of these credit facilities is subject to fluctuations. For fixed and variable interest rates and the associated risk of interest changes, we refer to Note 17. With the exception of bonds, loans and finance-lease obligations, no other liabilities are interest bearing and therefore not subject to any interest rate risk.

The interest rate risk is further reduced by short-term interest-bearing investments which the Company holds on a permanent basis. Depending on whether there is a credit or debit balance, the interest risk may result from increasing or decreasing interest rates.

The table below shows the reasonably foreseeable implications of a potential change in interest rates on earnings before taxes (there are no implications on group equity). These implications could affect the amount of interest payable to banks or interest earned on bank deposits, both only in the case of variable rates.

in TEUR Change in basic points	2009		2008	
	+10	+20	+10	+20
Change in profit before taxes	+31	+62	-13	-26

Credit risks

Credit risk arises from the non-compliance with contractual obligations by business partners and the resulting losses. The maximum default risk equals the book value of the respective receivables.

The credit risk with our customers can be considered as low as there have been long-standing, stable and smooth business relations with all major customers. Furthermore, we regularly check the credit rating of new and existing customers and monitor the amounts due. Adequate allowances for default risks are established.

With regard to loans granted to the management of subsidiaries, the default risk is eliminated as the loans are securitized by the acquired shares (see Note 10).

As for other financial assets (liquid funds, marketable securities), the maximum credit risk equals the respective book values, in the event the counterparty defaults. The pertinent credit risk may, however, be considered as low since we choose highly rated banks and well-renowned issuers of securities only.

Liquidity risks

Liquidity risk bears the uncertainty whether or not the Company has the liquid funds required to settle its obligations at all times and in a timely manner.

Due to the high self-financing capability and earning power of the Company, the liquidity risk is relatively low. The Company earns liquid funds through its operating business and uses external financing when needed. The worldwide spread of financing sources prevents any significant concentration of risk.

As the most important risk spreading measure, the group management constantly monitors the liquidity and financial planning of the Company´s operative units. Also the financing requirements are centrally managed and based on the consolidated financial reporting of the group members.

The table below shows all obligations for repayments and interest on financial obligations accounted for and agreed by contract as of 31 December. These obligations include derivative financial instruments for which the fair market value is stated. For the other obligations, the non-discounted cash-flows for the following business years are stated.

31 December 2009 **in TEUR**	**Due at call**	**2010**	**2011**	**2012**	**2013 cont´d**
Bonds	-	2,325	2,325	2,325	43,513
Payables due to banks	35,018	-	-	-	-
Long-term loans	-	15,185	13,205	11,255	27,454
Leasing obligations	-	474	280	280	573
Trade payables	-	8,683	26	-	-
Other payables	-	10,493	-	-	-
Derivative instruments	-	7,114	-	-	369

31 December 2008 in TEUR	Due at call	2009	2010	2011	2012 cont'd
Bonds	-	2,325	2,325	2,325	45,838
Payables due to banks	29,416	-	-	-	-
Long-term loans	-	9,424	9,896	9,291	20,661
Leasing obligations	-	477	477	477	575
Trade payables	-	38,641	48	-	-
Other payables	-	20,664	-	-	-
Derivative instruments	-	1,095	6,956	-	-

Other financial market risks

The risk variables are in particular the share prices and stock indexes. As all securities available for sale were disposed of in 2007, there is no significant risk arising from this item. The available for sale securities held by the Company comprise only interest bearing bonds with a fixed redemption price, therefore no significant risk is implied.

› Capital management

It is a paramount goal of the Group to ensure that we maintain a high credit rating and equity ratio in order to support our operations and to maximize the shareholder value.

It is particularly the gearing ratio (net indebtedness as a percentage of equity) that is used to monitor and manage capital. The indebtedness includes bonds, long-term loans, payables due to banks and leasing rates, less cash and cash equivalents and long-term financial investments.

In the long-term, the Company considers an average gearing ratio of 40 – 60 % as desirable, as well as an average dividend ratio of 30 – 60 % payable to the shareholders of the parent company. The gearing was 20.2 % as of 31 December 2009 and 32.8 % as of 31 December 2008.

in TEUR	31 December 2009	31 December 2008
Bank loans	34,590	27,880
Long-term loans	67,314	54,129
Finance lease obligations	1,420	1,730
Bonds	39,824	39,787
Less: Cash and cash equivalents	-96,640	-49,348
Net debt	**46,508**	**74,178**
Total equity	229.808	226.216
Gearing	**20.2 %**	**32.8 %**

NOTE 34 | Contingencies

No contingencies existed as of the balance sheet dates 31 December 2009 and 31 December 2008.

NOTE 35 | Other commitments

Besides operating lease commitments and commitments for capital expenditure (see Note 8), only commitments for the financing of product development costs existed in the amount of TEUR 526.

NOTE 36 | Cash flow statement

The consolidated cash flow statement displays the change of cash and cash equivalents in the reporting year as a result of inflows and outflows of resources.

The liquid fund corresponds to cash and cash equivalents in the consolidated balance sheet and only includes cash on hand and bank balances as well as short-term investments / marketable securities.

In the cash flow statement, cash flows are classified into cash flow from operating activities, cash flow from investing activities and cash flow from financing activities.

The cash flows from foreign operations have been allowed for by applying average foreign exchange rates. The cash flow from operating activities is determined using the indirect method, based on income after taxation and adjusting it for non-cash expenses and revenues. The result plus changes in net working capital (excluding liquid funds) as shown in the balance sheet is the cash flow from operating activities. Inflows/outflows of resources from current operations include inflows and outflows from interest payments and income taxes.

Dividend payments are shown under cash flow from financing activities.

NOTE 37 | Business combinations

Year 2009:
In 2009 no business combinations were executed.

Year 2008:
As of 1 October 2008, 100 % of the shares of Techman Engineering Limited, based in Chesterfield, England were acquired. The company produces precision components and tools for the oilfield service industry and has experience in processing composites.

Listed below are the carrying values of the identifiable assets and liabilities directly before the acquisition date and their fair values at the acquisition date:

in TEUR	Fair value	Carrying value
Intangible assets	11,712	0
Property, plant & equipment	7,462	7,462
Inventories	5,845	5,184
Trade accounts receivable	4,913	4,913
Other accounts receivable	215	215
Cash and cash equivalents	1,111	1,111
	31,258	**18,885**
Loans and payables due to banks	4,017	4,017
Finance lease obligations	2,194	2,194
Trade payables	4,688	4,688
Other payables	3,124	3,124
Deferred tax payables	4,124	413
	18,147	**14,436**
Net assets	**13,111**	**4,449**
Goodwill resulting from the acquisition	5,146	
Total acquisition costs	**18,257**	

Total acquisition costs were TEUR 18,257, comprising the cash amount of TEUR 17,765 (including transaction costs) and the transfer of 11,414 own shares at TEUR 492 (the share price on 1 October 2008).

The cash outflow due to the acquisition of the company was as follows:

Cash outflow	TEUR	-17,765
Net cash acquired with the subsidiary	TEUR	1,111
	TEUR	**-16,654**

Following the acquisition of Techman Engineering Limited, the financial group result was reduced by TEUR 1,239 in 2008. If the Company had been acquired at the beginning of the year, the group result 2008 would have increased by TEUR 1,159 and sales by TEUR 12,429.

The goodwill in the amount of TEUR 5,146 comprises the fair value of expected synergies resulting from the acquisition. The data available on the newly acquired customers were not complete at the balance sheet date; as a final assessment was not possible they were recognized at their preliminary fair values. The final assessment of the fair value was effected in October 2009. As a result, no adjustment was necessary.

NOTE 38 | Personnel

The total average number of employees was as follows:

	2009	**2008**
Blue collar	888	1,091
White collar	281	282
	1,169	**1,373**

NOTE 39 | Events after the balance sheet date

After the balance-sheet date no events of particular significance have occurred that would have changed the presentation of the net worth, financial position and earnings situation of the Company.

NOTE 40 | Proposed dividend

The Executive Board proposes to the shareholders that a dividend of EUR 0.50 per share (last year: EUR 0.50) plus a bonus of EUR 0.00 per share (last year: EUR 0.25), in total EUR 0.50 (last year: EUR 0.75) per share should be paid. Thus, the total distribution will amount to MEUR 7.9 compared to MEUR 11.9 in the year before.

NOTE 41 | Expenses incurred for the group auditors

In the year 2009, the following expenses were incurred from **Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.**:

Audit of the consolidated annual financial statements	TEUR 73
Other services	TEUR 45

Management Information

Executive Board:

Ing. Gerald Grohmann (President and CEO)
Mag. Franz Gritsch (Executive Vice-president and CFO)

Committees of the Supervisory Board:

Mag. Norbert Zimmermann
Dr. Peter Pichler
Dr. Karl Schleinzer

Audit Committee:
Mag. Norbert Zimmermann
Dr. Peter Pichler
Karl Samstag

Supervisory Board:

Mag. Norbert Zimmermann (Chairman)
First nomination: 1995
End of current appointment: 2012

Dr. Peter Pichler (Deputy Chairman)
First nomination: 1995
End of current appointment: 2012

Mag. Dipl. Ing. Helmut Langanger
First nomination: 2003
End of current appointment: 2012

Karl Samstag
First nomination: 2005
End of current appointment: 2012

Dr. Karl Schleinzer
First nomination: 1995
End of current appointment: 2012

Ternitz, 26 February 2010

Gerald Grohmann Franz Gritsch
Members of the Executive Board

Report of the Supervisory Board of the SBO AG to the Annual General Meeting concerning the 2009 Business Year

During the 2009 business year, the Supervisory Board carried out the duties allocated to it by law and the articles of association and held 5 meetings to this end. The management provided the Board with regular written and verbal reports concerning business developments and the company's status, including the situation of the Group companies. An Audit Committee for handling questions of the Financial Statements and a Remuneration Committee for handling questions regarding the reimbursement of the Executive Board was installed.

The Annual Accounts for the 2009 business year and the Status Report of SBO AG were examined by SST Schwarz & Schmid Wirtschaftsprüfungsgesellschaft m.b.H., Vienna. The Consolidated Financial Statements and the Consolidated Status Report for the SBO Group as at 31 December 2009 were examined by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Vienna. According to their unqualified audit certification, the accounts, the Annual Accounts for the 2009 business year and the 2009 Consolidated Financial Statements meet the statutory requirements, present a true and fair view of the assets, financial position and profitability of the company and the Group in accordance with generally accepted accounting principles. The Annual Accounts of SBO AG have been prepared in accordance with the Austrian Commercial Code and Austrian Generally Accepted Accounting Principles; the Consolidated Financial Statements of the SBO Group have been prepared in accordance with the International Financial Reporting Standards (IFRS).

At its meeting on 8 March 2010, the Supervisory Board approved the Annual Accounts for the 2009 business year, the Consolidated Financial Statements as at 31 December 2009, the proposal for the distribution of profits and the Status Report combined with the Consolidated Status Report presented by the Managing Board.

Ternitz, 8 March 2010

Norbert Zimmermann
Chairman of the Supervisory Board

Auditor's Report (Translation)

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of **SCHOELLER-BLECKMANN OILFIELD EQUIPMENT Aktiengesellschaft, Ternitz**, for the financial year from January 1, 2009 to December 31, 2009. These consolidated financial statements comprise the consolidated balance sheet as at December 31, 2009, the consolidated income statement, consolidated statement of comprehensive income, consolidated cash flow statement and the consolidated statement of changes in equity for the year ended December 31, 2009, and the notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements and for the Accounting System

The Company's management is responsible for the group accounting system and for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility and Description of Type and Scope of the Statutory Audit

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Standards on Auditing as well as in accordance with International Standards on Auditing (ISAs), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. Based on the results of our audit in our opinion, the consolidated financial statements comply with legal requirements and present fairly, in all material respects, the financial position of the group as of December 31, 2009, and of its financial performance and its cash flows for the financial year from January 1, 2009 to December 31, 2009 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

COMMENTS ON THE MANAGEMENT REPORT FOR THE GROUP

Pursuant to statutory provisions the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and whether the other disclosures in the management report for the Group do not give rise to misconception of the position of the group. The auditor's report also has to contain a statement as to whether the management report for the Group is consistent with the consolidated financial statements and whether the disclosures pursuant to section 243a UGB (Austrian Commercial Code) are appropriate. In our opinion, the management report for the Group is consistent with the consolidated financial statements. Disclosures pursuant to section 243a UGB (Austrian Commercial Code) are appropriate.

Vienna, February 26, 2010

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Karl Rab	Karl Fuchs
Certified Public Accountant	Certified Public Accountant

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Glossary

Non-magnetic steel
Non-magnetic steel characterized by particularly high material strength and corrosion resistance. Special processes such as cold-forging or surface treatment are applied to ensure high resistance to stress corrosion.

Barrel
The barrel is a measure of capacity and corresponds to 42 US gallons or around 159 litres.

Recovery factor
Amount in % of crude oil produced from the total oil-in-place of a reservoir, depending on the individual reservoir parameters and the quality of the crude oil produced. Currently, the average global recovery factor is approx. 35 %.

Exploration and Production (E&P)
These terms refer to the search for and extraction of oil and gas.

IEA = International Energy Agency

Logging While Drilling (LWD)
The petrophysical parameters indicating the presence of a reservoir are measured by the LWD tools and the data collected are transferred to the surface on a continuous basis.

Measurement While Drilling (MWD)
During drilling, MWD tools measure the inclination and direction of the drill bit.

Oil sand
Oil sand is a mixture of clay, sand, water and hydrocarbons. Hydrocarbons of oil sands have a most diverse composition, ranging from bitumen to conventional crude oil. Oil sand reservoirs are either surface-mined or extracted from deeper layers.

Oil shale
An oil shale is a sedimentary rock containing bitumen or non-volatile oils.

Peak oil
The point in time when the maximum rate of global petroleum production is reached, after which the rate of production enters its terminal decline.

Directional drilling
This technology is used for precisely targeting oil reservoirs not located directly below the drilling rig and for continuous monitoring and adapting the drilling process.
The collars produced by Schoeller-Bleckmann are used as „high-tech housings" to accommodate special logging instruments, sensors, antennas and generators. SBO also supplies high-precision parts (internals) which contain electronic components and other parts needed for measurements and analysis.

Rig = drilling rigs

Ultra Deep water drilling
Drilling in water depths of more than 1500 metres.

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