



LETTER TO OUR
SHAREHOLDERS 1-9

09

HIGHLIGHTS

- Overall business conditions not yet improved fundamentally
- Increasing number of delivery inquiries
- SBO is well prepared to meet all future scenarios

MANAGEMENT REPORT

Market environment

The development of the oilfield service industry which was characterized by global recession in the first half of 2009 continued throughout the third quarter of 2009. First signs of economic recovery, observed mainly in the emerging markets, have not yet brought about a change in overall conditions. Worldwide demand for oil fell, for instance, by 1.6 % in July, and 1.7 % in August year-on-year. According to the International Energy Agency (IEA), total demand for oil in the third quarter of 2009 went down 1.6 % to 84.6 million barrels a day over the same period last year.¹

According to preliminary cautious estimates, the declining oil demand has reached its bottom. IEA expects to see growing demand for oil of 1.4 million barrels a day by the end of 2010.²

As demand remained at a low level, oil companies continued to curb their exploration and production activities. In

September, the global "rig count" – an essential indicator of the oilfield service industry – sagged to 2,203 units, down 1,354 units over last

Rig count dropped year-on-year, but recovered slightly over previous quarter

year, but slightly recovered over the previous quarter (June: 1,987 units, September: 2,203 units).³

Business development

Against the background of global market development, the bookings situation at Schoeller-Bleckmann Oilfield Equipment AG was relatively low also in the third quarter of 2009. Accumulated bookings in the first nine months of 2009 arrived at MEUR 74.5. Following the sharp decline in the first half of the year, the situation started to slightly stabilize in the third quarter of 2009. In contrast to the beginning of the year customers no longer cancelled orders. In the past weeks SBO received an increasing number of delivery inquiries and requests for quotations, which, however, have not turned into bookings yet. The order backlog as at 30 September 2009 was MEUR 103.3 (following MEUR 224.7 year-on-year) and is the backbone of sufficient basic capacity utilisation of SBO's manufacturing plants in the months ahead.

Sales generated in the first nine months of 2009 were MEUR 188.7 (following MEUR 281.3 in the first nine months of last year), dropping by around 33 %. As announced, short-time work was introduced at the Ternitz site in response to

the market environment, starting from the beginning of the third quarter of 2009. Production capacities were adjusted to the low demand and fixed costs were reduced at the other production sites as well. A group-wide cost-cutting programme comprising all segments is being implemented. While countermeasures initiated early on helped to generate a clearly positive EBIT figure of MEUR 23.6 in the first nine months, this still was considerably below the record result of the previous year of MEUR 64.2. This decline is a result of slack sales and the associated underutilisation of production capacities and the again weaker EUR/USD exchange rate. The EBIT margin of the first nine months was 12.5 % (following 22.8 %). Profit before tax decreased by 67.8 % to MEUR 19.4 (following MEUR 60.3). Profit after tax in the first three quarters arrived at MEUR 13.6 (following MEUR 42.4), dropping 68.0 % over the same period of last year. As a result, earnings per share in the first three quarters were EUR 0.85 (following EUR 2.66), down 67.9 %.

The financial result was stable. As current assets were reduced heavily, net debt was cut to now MEUR 69.6 (following MEUR 89.2 at the end of the first half of 2009).

The weak market development was reflected essentially in all segments, but mainly in high-precision components. However, customers are now spending more funds to develop prototypes. Due to its strong technological expertise, SBO was assigned by one of the leading oilfield service companies to manufacture proto-

types of a new, highly complex directional drilling tool. The drilling motor business continued to be strong, but

– due to the overall industry cycle – was somewhat weaker compared to last year. Business in the individual regions was largely consistent. By comparison, SBO's regional site in Russia developed positively.

For prototype development, customers count on SBO's technological expertise

Capital expenditure

Capital expenditure was reduced as planned in the first nine months of 2009. Additions to fixed assets in the period amounted to MEUR 28.8 (following MEUR 36.5 year-on-year). Apart from ongoing maintenance investments, the focus was on building the new sites in Vietnam and Brazil. In Vietnam, assembly of the first machines and employee training were started. The facility in Brazil was opened

¹ IEA "Oil Market Report", October 2009

² IEA "Oil Market Report", October 2009

³ Baker Hughes Rig Count

and already completed first orders. Purchase commitments for expenditure in property, plant and equipment as at 30 September 2009 was MEUR 7.5 (MEUR 17.3 as at 30 September 2008). As at 30 September 2009, SBO employed a total workforce of 1,063 (following 1,394 at the end of 2008). In the third quarter, further jobs were cut mainly in the US in the wake of capacity adjustments there, whilst new employees were hired in Vietnam.

Risk report

Business risks of Schoeller-Bleckmann Oilfield Equipment AG did not change substantially in the first nine months of 2009 over the risks mentioned in the 2008 financial statements. The current risks involved in declining order backlogs have been reported above. We therefore refer to the risks described in the Annual Report 2008, in particular the USD/EUR currency exchange risk, and recommend to read this report on the third quarter of 2009 in conjunction with the Annual Report 2008.

SBO share

The share of Schoeller-Bleckmann Oilfield Equipment AG closed the third quarter (30 September 2009) at EUR 32.77. Compared to the closing price of EUR 21.90 on 30 December 2008 this was an increase of 49.6 %. In the third quarter, the SBO share went up by 26.0 % from EUR 26.00 to EUR 32.77. The quarterly high arrived at EUR 33.99 (14 September 2009).

NOTES TO THE INTERIM FINANCIAL STATEMENTS

The interim report as at 30 September 2009 has been prepared in accordance with the principles of the International Financial Reporting Standards (IFRS), rules for interim financial reporting (IAS 34), to be applied in the European Union.

The accounting and valuation methods of 31 December 2008 have been applied basically unchanged, with the exception of the standards which came into force in 2009. The new regulations do not have a significant implication on the consolidated financial statements. In this context, we refer to the consolidated financial statements for the year ended 31 December 2008. In the first nine months of 2009 the scope of consolidation was enlarged because of the incorporation of Schoeller-Bleckmann do Brasil Ltda. The business development of SBO is not subject to seasonal influences.

No important events have occurred after the balance sheet date.

This report on the third quarter of 2009 of the SBO group has neither been audited nor reviewed by independent accountants.

Outlook

In the short run, no change of the current overall conditions can be expected for the international oilfield service industry, even though first signs of drilling activities stabilizing at a low level have been noticed.

In the next months, SBO will respond to the unfavourable market environment by constantly implementing cost-cutting measures and, if required, further capacity adjustments. Business and energy consumption forecasts recently revised upwards and oil prices of around USD 70 a barrel indicate intensifying exploration and production activities over the current level. The fundamental prerequisites for the business of SBO to pick up again remain intact: The currently insufficient number of exploration wells, declining production rates of existing oil fields and development of new deposits requiring more and more complex technologies will trigger increased demand for high-precision components for the oilfield service industry, as soon as customers' inventories have been used up. With SBO's low net debt and presently high equity ratio of 52 %, excellent liquidity and uncontested market position, the company is well equipped to meet all scenarios.

Intensification of exploration and production activities to be expected in the medium run

STATEMENT OF ALL LEGAL REPRESENTATIVES

We confirm to the best of our knowledge that the interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the group management report gives a true and fair view of important events that have occurred during the first nine months of the financial year and their impact on the interim financial statements, and of the principal risks and uncertainties for the remaining three months of the financial year and of the major related party transactions to be disclosed.



Gerald Grohmann
Chairman of the
Executive Board, CEO



Franz Gritsch
Member of the
Executive Board, CFO

CONSOLIDATED PROFIT AND LOSS STATEMENT

in TEUR	9 months ended		3 months ended	
	30.09.2009	30.09.2008	30.09.2009	30.09.2008
Sales	188,731	281,343	51,161	95,820
Cost of goods sold	-145,316	-195,663	-41,573	-66,788
Gross profit	43,415	85,680	9,588	29,032
Selling expenses	-7,531	-8,740	-2,205	-3,062
General and administrative expenses	-12,873	-11,993	-3,895	-3,972
Other operating expenses	-6,569	-12,087	-1,811	-5,295
Other operating income	7,155	11,362	1,629	5,576
Operating profit	23,597	64,222	3,306	22,279
Interest income	438	919	156	503
Interest expenses	-4,153	-3,398	-1,324	-1,367
Other financial income	0	329	0	329
Other financial expenses	-462	-1,805	-32	-594
Financial result	-4,177	-3,955	-1,200	-1,129
Income before taxation	19,420	60,267	2,106	21,150
Income taxes	-5,849	-17,843	-675	-6,263
Income after taxation	13,571	42,424	1,431	14,887
Average number of shares outstanding	15,880,116	15,954,895	15,880,116	15,950,713
Earnings per share in EUR (basic=diluted)	0.85	2.66	0.09	0.93

STATEMENT OF COMPREHENSIVE INCOME

in TEUR	9 months ended	
	30.09.2009	30.09.2008
Income after taxation	13,571	42,424
Currency translation adjustments	-4,291	2,400
Pertaining taxes	242	170
Hedging of a net investment	434	38
Pertaining taxes	-109	-10
Other comprehensive income, net of tax	-3,724	2,598
TOTAL COMPREHENSIVE INCOME	9,847	45,022

STATEMENT OF SHAREHOLDERS' EQUITY

in TEUR	9 months ended	
	30.09.2009	30.09.2008
As at 1 January 2009	226,216	194,105
Total comprehensive income	9,847	45,022
Dividends paid	-11,910	-17,547
Acquisition of own shares	0	-2,393
AS AT 30 SEPTEMBER 2009	224,153	219,187

CONSOLIDATED BALANCE SHEET

ASSETS in TEUR	30.09.2009	31.12.2008
Current assets		
Cash and cash equivalents	73,761	49,348
Trade accounts receivable	36,325	56,101
Other accounts receivable and prepaid expenses	3,919	9,846
Inventories	110,030	127,147
TOTAL CURRENT ASSETS	224,035	242,442
Non-current assets		
Property, plant & equipment	141,986	139,091
Goodwill	38,467	39,279
Other intangible assets	8,057	9,136
Long-term receivables	4,160	4,676
Deferred tax assets	10,336	8,690
TOTAL NON-CURRENT ASSETS	203,006	200,872
TOTAL ASSETS	427,041	443,314
LIABILITIES AND SHAREHOLDERS' EQUITY in TEUR	30.09.2009	31.12.2008
Current liabilities		
Bank loans and overdrafts	31,105	27,880
Current portion of long-term loans	8,806	8,729
Finance lease obligations	385	374
Accounts payable trade	11,326	38,689
Subsidies received	286	284
Income taxes payable	1,270	4,260
Other payables	15,674	21,429
Other provisions	8,319	7,601
TOTAL CURRENT LIABILITIES	77,171	109,246
Non-current liabilities		
Bonds	39,815	39,787
Long-term loans	62,113	45,400
Finance lease obligations	1,119	1,356
Subsidies received	2,928	1,299
Retirement benefit obligations	3,477	3,528
Other payables	7,626	7,795
Deferred tax payables	8,639	8,687
TOTAL NON-CURRENT LIABILITIES	125,717	107,852
Shareholders' equity		
Share capital	15,880	15,880
Contributed capital	61,808	61,808
Legal reserve - non-distributable	785	785
Other reserves	41	44
Translation component	-38,165	-34,441
Retained earnings	183,804	182,140
TOTAL SHAREHOLDERS' EQUITY	224,153	226,216
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	427,041	443,314

CASH FLOW STATEMENT

in TEUR	9 months ended	
	30.09.2009	30.09.2008
Cash and cash equivalents at the beginning of the period	49,348	23,916
Cash earnings	34,192	62,498
Cash flow from operating activities	41,502	44,695
Cash flow from investing activities	-26,119	-34,963
Cash flow from financing activities	9,694	22,817
Effects of exchange rate changes and revaluations	-664	158
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	73,761	56,623

DIVIDEND PAID

	Total amount TEUR	Number of shares (ordinary shares)	Per share EUR
For the business year 2008 paid in 2009	11,910	15,880,116	0.75
For the business year 2007 paid in 2008	17,547	15,951,702	1.10

SEGMENT INFORMATION

in TEUR	Europe	North America	Other regions	SBO-Holding & Consolidation	Group
1-9/2009					
External sales	36,335	148,115	4,281	0	188,731
Intercompany sales	58,477	6,875	696	-66,048	0
Total sales	94,812	154,990	4,977	-66,048	188,731
Operating profit	8,550	16,064	-125	-892	23,597
1-9/2008					
External sales	68,781	200,264	12,298	0	281,343
Intercompany sales	105,608	13,971	1,708	-121,287	0
Total sales	174,389	214,235	14,006	-121,287	281,343
Operating profit	28,605	37,930	3,067	-5,380	64,222

- Schoeller-Bleckmann Oilfield Equipment AG is the global market leader in high-precision components for the oilfield service industry.
- The business focus is on non-magnetic drillstring components for high-tech directional drilling.
- Worldwide, the company employs a workforce of 1,063 (end of 2008: 1,394), thereof 319 in Ternitz/Austria and 454 in North America (including Mexico).

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

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

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