

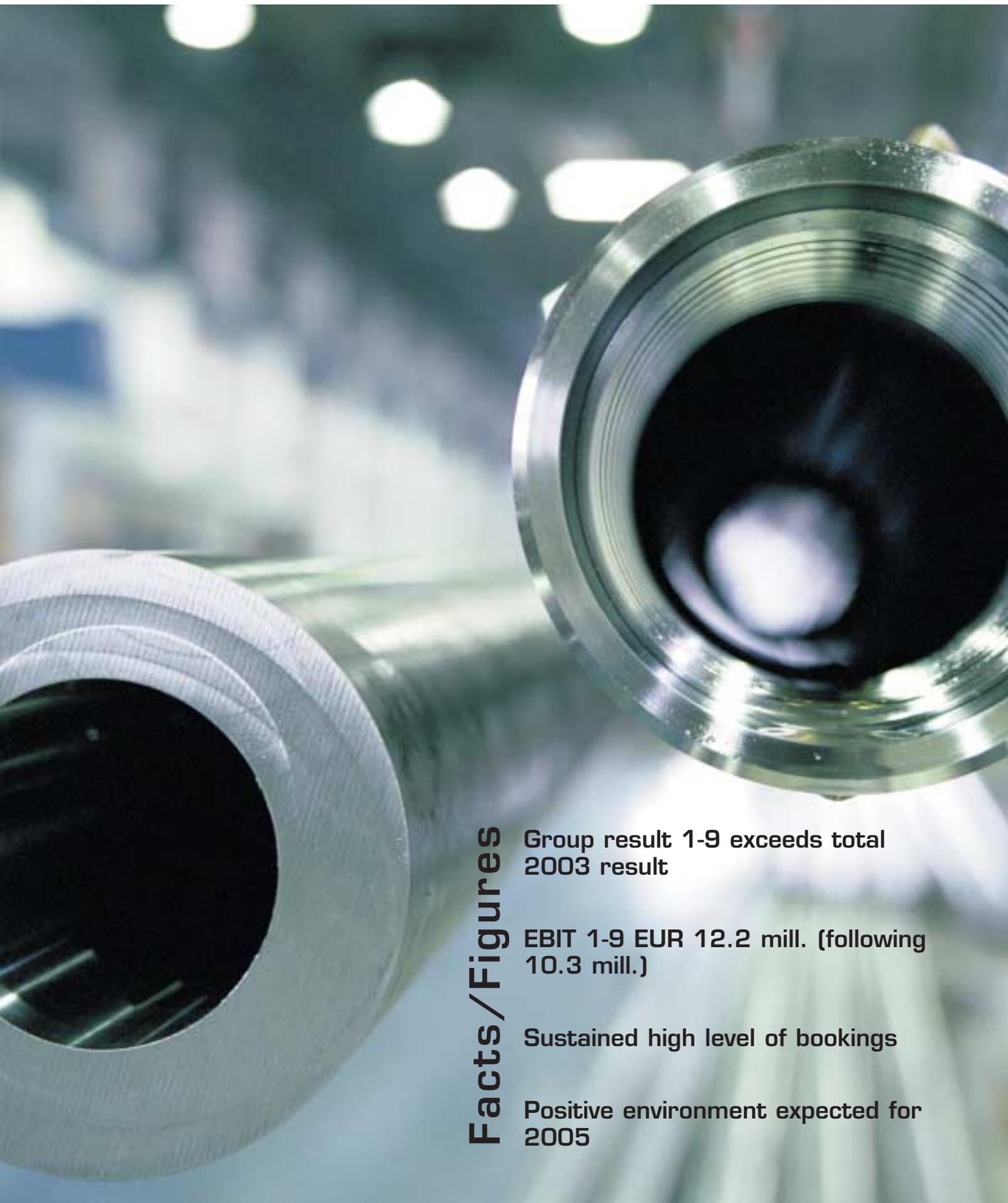
LETTER

3-2004

to our shareholders



SCHOELLER-BLECKMANN
OILFIELD EQUIPMENT AG



Facts / Figures

Group result 1-9 exceeds total 2003 result

EBIT 1-9 EUR 12.2 mill. (following 10.3 mill.)

Sustained high level of bookings

Positive environment expected for 2005

Dear shareholders,

The satisfying development of the first half of 2004 continued over the third quarter of the current business year. The positive development of the global economy supported the expectations of the oil industry for a still growing demand for oil. Fears that the oil price hike would have a dampening effect on the economy and demand have not materialized so far, as the economic development in the US and, in particular, Asia seem to be rather robust.

These favourable overall conditions have triggered more investment in oilfield exploration projects. The resulting intensified drilling activities led to a marked increase in orders placed with SBO in the third quarter of 2004 – as had been the case in the second quarter as well. Bookings received in the first nine months of 2004 amounted to EUR 122.3 mill., which was 34.4 % above the same period last year (EUR 91 mill.). All business divisions of our company equally observed this growth in demand.

The high level of bookings in Q2 of 2004 made itself felt in the third quarter of 2004 as the sales revenue generated was 31.7 % above the same quarter of last year. With regard to profitability, SBO did substantially better in the first nine months both in profit before tax and in the net result than in the full year 2003. This is all the more encouraging as the average dollar exchange rate against the euro fell by around 10.3 % in the first nine months of 2004 over the same period of the last year. Therefore, the better result is based both on the higher level of bookings and the extensive structural optimisation measures implemented by SBO in the past two years.

In the coming months we expect to see a continuation of the positive environment for the oilfield service industry. SBO will conclude the business year of 2004 with a considerably improved result over last year – in spite of the unfavourable development of the dollar rate recently observed. The dynamic development of the order situation also leads us to expect a satisfying business development for the first months of 2005 as well. Due to the flexible establishment of production capacities, SBO will be in a position to make perfect use of the upswing and to further expand its global market leadership in high-precision components for the oilfield service industry.

Ternitz, November 2004

The Executive Board



Gerald Grohmann
Chairman of the
Executive Board, CEO



Franz Gritsch
Member of the
Executive Board, CFO

Notes to the nine-month quarterly statement

In the first nine months of 2004, SBO generated consolidated group sales of EUR 113.0 mill. (following EUR 105.0 mill. last year). The nine-month EBIT was EUR 12.2 mill. and, therefore, 19.2 % above the figures achieved last year of EUR 10.3 mill. The EBIT margin was improved to 10.8 % against 9.8 % in the first nine months of 2003. Profit before tax was EUR 11.1 mill., 15.5 % above last year's level of EUR 9.6 mill.

Adjusted for the dollar rate, the group sales would have amounted to around EUR 122 mill., 16.2 % above last year, the nine-month profit before tax to EUR 14.4 mill., even 50.5 % above last year's figures.

The net group profit after minority interest was EUR 7.3 mill. (following EUR 5.4 mill.) in the first nine months of 2004, already considerably outperforming last year's total result of EUR 6.1 mill. Also, earnings per share of 56 cents achieved in the first nine months are already markedly above the value generated over the whole of 2003 (47 cents).

The above-average growth in sales revenues by 31.7 % to EUR 41.0 mill. (following EUR 31.1 mill. achieved last year) in the third quarter of 2004 is the result of the very high level of bookings in the second quarter. As a consequence, the third-quarter EBIT of EUR 4.8 mill. (EUR 2.1 mill.) was more than doubled over last year, corresponding to an EBIT margin of 11.7 %.

The order backlog as of September 30, 2004 was EUR 39.3 mill, 31.3 percent above last year's level. Due to the expansion of production the headcount was increased to 820 (following 809) as of September 30.

Berndorf AG sells block of shares

Berndorf AG, SBO's major shareholder, sold a block of shares to Austrian and international institutional investors under a block trade scheme in November 2004. As a result, Berndorf AG now holds around 55 % of the shares of SBO.

With this, Berndorf AG has fulfilled a request repeatedly voiced by the capital market to improve the liquidity of the SBO share by increasing the free-float volume.

Interim Profit and Loss Account

	UNAUDITED		UNAUDITED		AUDITED
	9 months period ended		3 months period ended		Year ended
	30.09.2004	30.09.2003	30.09.2004	30.09.2003	31.12.2003
	TEUR	TEUR	TEUR	TEUR	TEUR
Sales	112,961	105,036	41,010	31,148	134,157
Cost of sales	-87,329	-80,686	-31,746	-24,593	-102,222
Gross profit	25,632	24,350	9,264	6,555	31,935
Selling, general & administrative expenses	-12,972	-13,689	-4,304	-4,219	-18,068
Research & development expenses	-435	-407	-172	-210	-774
Income from operations	12,225	10,254	4,788	2,126	13,093
Non-recurring expenses for restructuring	0	0	0	0	-4,648
Other income/expenses	641	1,414	186	455	3,081
Foreign exchange gain/loss	40	-375	7	421	76
Interest income/expenses	-1,852	-1,722	-601	-571	-2,203
Total other income	-1,171	-683	-408	305	-3,694
Income on ordinary activities before taxation	11,054	9,571	4,380	2,431	9,399
Income taxes	-3,748	-2,929	-1,477	-904	-3,316
Income after taxation	7,306	6,642	2,903	1,527	6,083
Minority interests	-19	-1,211	-6	10	13
Net income	7,287	5,431	2,897	1,537	6,096
Earnings per share (in EURO)	0.56	0.42	0.22	0.12	0.47
Number of shares outstanding	13,000,000	13,000,000	13,000,000	13,000,000	13,000,000

Statement of Shareholders' Equity (TEUR)

Equity as of December 31, 2003	77,023
Net income	7,287
Dividend	-3,900
Currency translation adjustments	1,886
Equity as of September 30, 2004	82,296

Equity as of December 31, 2002	91,142
Net income	5,431
Dividend	6,500
Currency translation adjustments	-9,367
Equity as of September 30, 2003	80,706

SALES BY REGION

in MEUR	1-9/2004	1-9/2003
North America	94.4	84.3
Europe	48.8	50.2
Other	7.6	5.9
Intercompany sales	-37.8	-35.4
Total Sales	113.0	105.0

EBIT-MARGIN



— **Schoeller-Bleckmann Oilfield Equipment AG** is the global market leader for **high-precision components** for the **oilfield service industry**.

— The business focus is on non-magnetic drill string components for directional drilling.

— Worldwide, the company currently employs a **workforce of 820** (end of 2003: 800), 207 in Ternitz, Lower Austria and 417 in North America.

— The majority shareholder of the company is **Berndorf Group** (approx. 55%).

LETTER to our shareholders

3-2004

Interim Balance Sheet

ASSETS	UNAUDITED	AUDITED
	30.09.2004	31.12.2003
	TEUR	TEUR
Cash and cash equivalents	15,386	9,966
Trade accounts receivable	26,963	18,410
Other accounts receivable and prepaid expenses	5,581	7,952
Inventories	35,337	34,799
Total current assets	83,267	71,127
Property, plant & equipment	55,562	57,893
Goodwill	39,763	42,026
Other intangible assets	748	865
Long-term investments	1,272	1,272
Long-term receivables	214	98
Total non-current assets	97,559	102,154
Deferred tax assets	2,926	3,557
TOTAL ASSETS	183,752	176,838
LIABILITIES AND SHAREHOLDERS' EQUITY		
	TEUR	TEUR
Bank loans and overdrafts	31,092	30,244
Current portion of loans	6,018	5,946
Finance lease obligations	205	186
Accounts payable trade	11,058	9,403
Other payables and accrued expenses	12,428	10,830
Total current liabilities	60,801	56,609
Subsidies received	849	461
Loans not due within one year	33,093	35,916
Finance lease obligations, long-term	601	734
Retirement benefits obligations	2,583	2,517
Total non-current liabilities	36,277	39,167
Deferred tax payables	2,994	2,999
Minority interests in consolidated companies	341	315
Negative goodwill	194	264
Common stock	13,000	13,000
Contributed capital	16,996	16,996
Other reserves and translation component	-12,023	-13,904
Retained earnings	64,323	60,931
Total shareholders' equity	82,296	77,023
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	183,752	176,838

Interim Cash Flow Statement

	UNAUDITED	
	9 months period ended	
	30.09.2004	30.09.2003
	TEUR	TEUR
OPERATING ACTIVITIES		
Income after taxation	7,306	6,642
Depreciation and amortisation	11,101	11,071
Other	220	-1,094
Cash earnings	18,627	16,619
Change in working capital	-2,599	4,633
Net cash provided by operating activities	16,028	21,252
INVESTING ACTIVITIES		
Expenditures for fixed assets	-7,142	-11,123
Other activities	2,744	-16,473
Net cash used in/provided by investing activities	-4,398	-27,596
FINANCING ACTIVITIES		
Payment of dividends	-3,900	-6,500
Minority shareholders' contribution/distribution	0	-1,541
Change in bank liabilities and other financing	-2,338	10,932
Net cash used in/provided by financing activities	-6,238	2,891
Translation adjustments	-143	2,013
Change in cash and cash equivalents	5,249	-1,440
Cash and cash equivalents at beginning of year	9,966	16,625
Change in consolidated entities/ Exchange rate effects	171	-1,409
Cash and cash equivalents at end of period	15,386	13,776



For additional information please contact:

Schoeller-Bleckmann Oilfield Equipment AG
 A-2630 Ternitz/Austria, Hauptstrasse 2
 Tel.: +43 2630 315 100
 Fax: +43 2630 315 101
 E-Mail: sboe@sbo.co.at
 Internet: <http://info.sbo.at>



**SCHOELLER-BLECKMANN
 OILFIELD EQUIPMENT AG**