

## HIGHLIGHTS

- > Profit before tax up 53% to EUR 16.9 (following 11.1) mill
- > Record order backlog as of September 30, 2005 EUR 114.2 (following 39.3) mill, up 190%
- > Bookings 1-9/2005 up 64% to EUR 200.8 (following 122.3) mill
- > Large-scale investment at Ternitz

**SCHOELLER-BLECKMANN OILFIELD EQUIPMENT AG**



## Dear shareholders,

The positive development observed in the first half of the year continued throughout the third quarter of fiscal 2005. Global demand for oil remained high. The price of the WTI (West Texas Intermediate) crude oil fluctuated between USD 56 and 70 per barrel in the third quarter of 2005. This overall environment has had a vigorously stimulating effect on the exploration activities of the international oil companies.

Therefore, demand for oilfield service equipment remained undiminished in the third quarter of the year. Schoeller-Bleckmann already received orders for 2007 in Q3, which is also the reason for the unprecedented order backlog. While this time horizon for orders is rather untypical of our industry, it is an indication that our customers also expect the upward cycle to continue for a long time.

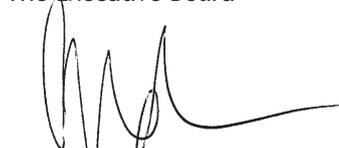
The strong demand was observed in all segments and at all production sites. We are particularly proud of the successful market entry of our new high-performance drilling motor called "Spiro Star" developed by our subsidiary BICO. It was launched only several months ago and has helped us to become the global market leader in this high-tech market niche of high-performance drilling motors.

In order to benefit from the upward tendency as best as possible we decided to initiate the largest ever investment and expansion programme in the company's history for the Ternitz production site. It will be kicked off still this year, will total around EUR 15 million and will be completed early in 2007. The core of the programme is a new forging plant which will double our forging capacity. In the wake of the capacity expansion, the downstream machinery stock will equally be upgraded. As a consequence of the large-scale investment at the Ternitz location Schoeller-Bleckmann Oilfield Equipment will create 20 new jobs for the region. The expansion is a major part of the 100 million Euro strategic investment programme of SBO which is to be implemented within the next two years.

We expect the overall market environment to remain positive for the oilfield service industry in the next months. The current record order backlog worth EUR 114.2 million as of end of September 2005 (following EUR 39.3 mill in September 2004) is the basis of a successful round-off of fiscal 2005 and a promising take-off in 2006. It will be our challenge within the coming months to cover the sustained strong demand for high-precision components by adjusting our production capacities accordingly.

Ternitz, November 2005

The Executive Board



**Gerald Grohmann**  
Chairman of the  
Executive Board, CEO



**Franz Gritsch**  
Member of the  
Executive Board, CFO

## NOTES ON THE NINE-MONTH STATEMENT

In the first nine months of 2005, sales generated by Schoeller-Bleckmann Oilfield Equipment AG went up 10% to EUR 123.9 mill, following EUR 113.0 mill in the same period of 2004. Adjusted for our subsidiary Bafco, which was divested in the first quarter of 2005, sales increased by 12%. Profit before tax climbed from EUR 11.1 mill in the same period of 2004 to EUR 16.9 mill, a 53% rise. The net income generated in the period under review was EUR 12.0 mill, 65% up against the same period of 2004 (EUR 7.3 mill). In terms of earnings per share this is EUR 0.80, calculated for an average of 15 million shares (following EUR 0.56 for 13 million shares in the first nine month of 2004). In the wake of the capital increase the number of shares was increased from 13 million to 16 million shares as of April 1, 2005.

The hurricanes hitting the US impaired the entire oilfield service industry located mainly in the south. Our subsidiaries in Houston had to discontinue production only for several days. Although invoicing was hampered by that downtime in September, SBO's production facilities remained undamaged.

Capex of EUR 13.4 mill (following EUR 7.1 mill in the first nine months of 2004) clearly exceeded last year's volume. They were used to build up the drilling motor and the machinery for manufacturing high-precision components at all sites. Implementation of the capacity expansion will be further intensified in the fourth quarter and will entail an increase of the headcount.

### New elections to the Supervisory Board of SBO

Karl Samstag, board member of Privatstiftung zur Verwaltung von Anteilsrechten and former chairman of the executive board of Bank Austria Creditanstalt AG, was elected member of the supervisory board of SBO in an extraordinary general meeting held on October 24. The general meeting also approved of a change of the statutes according to which voting in the general meeting must be subject to the majority provisions under the "Austrian Aktiengesetz" only.

### The SBO Share

On September 30, 2005 the closing price of the SBO share, which is represented in the ATX, the index of the volume leaders at the Vienna Stock Exchange, was EUR 27.87, an increase of more than 75% against the closing price at the end of 2004 (EUR 15.81). The rise of the free float following the capital increase was reflected positively in the trading volume of the share. The average daily trading volume in the first nine months of fiscal 2005 (double counting) was 77,222 shares against 24,212 shares in full 2004.

# INTERIM PROFIT AND LOSS ACCOUNT

TEUR	UNAUDITED				AUDITED
	9 months period ended		3 months period ended		Year ended
	30.9.2005	30.9.2004	30.9.2005	30.9.2004	31.12.2004
<b>Sales</b>	<b>123,878</b>	<b>112,961</b>	<b>44,763</b>	<b>41,010</b>	<b>152,162</b>
Cost of sales	-93,290	-87,329	-34,176	-31,746	-116,513
<b>Gross profit</b>	<b>30,588</b>	<b>25,632</b>	<b>10,587</b>	<b>9,264</b>	<b>35,649</b>
Selling, general & administrative expenses	-13,023	-12,972	-4,503	-4,304	-17,378
Research & development expenses	-414	-435	-135	-172	-709
<b>Income from operations</b>	<b>17,151</b>	<b>12,225</b>	<b>5,949</b>	<b>4,788</b>	<b>17,562</b>
Non-recurring expenses for restructuring	0	0	0	0	-958
Other income/expenses	784	641	338	186	1,409
Foreign exchange gain/loss	11	40	253	7	-119
Interest income/expenses	-1,075	-1,852	-286	-601	-2,373
Total other income	-280	-1,171	305	-408	-2,041
<b>Income on ordinary activities before taxation</b>	<b>16,871</b>	<b>11,054</b>	<b>6,254</b>	<b>4,380</b>	<b>15,521</b>
Income taxes	-4,849	-3,748	-1,774	-1,477	-4,732
Income after taxation	12,022	7,306	4,480	2,903	10,789
Minority interests	-41	-19	-21	-6	-25
<b>Net income</b>	<b>11,981</b>	<b>7,287</b>	<b>4,459</b>	<b>2,897</b>	<b>10,764</b>
Earnings per share (in EURO)	0.80	0.56	0.28	0.22	0.83
Number of shares outstanding	15,010,989	13,000,000	16,000,000	13,000,000	13,000,000

## STATEMENT OF SHAREHOLDERS' EQUITY (TEUR)

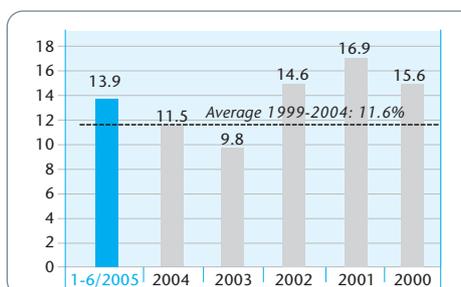
Equity as of December 31, 2004	78,180
Capital increase	51,803
Income after taxation	12,022
Dividend	-5,200
Currency translation adjustments	11,285
<b>Equity as of September 30, 2005</b>	<b>148,090</b>

Equity as of December 31, 2003	77,338
Income after taxation	7,306
Dividend	-3,900
Currency translation adjustments	1,893
<b>Equity as of September 30, 2004</b>	<b>82,637</b>

## SALES BY REGION (MEUR)

	2005 1-9	2004 1-9
North America	101.0	94.4
Europe	57.6	48.8
Other	8.3	7.6
- Intercompany Sales	-43.0	-37.8
<b>Total Sales</b>	<b>123.9</b>	<b>113.0</b>

## EBIT-MARGIN (%)



- > 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-performance direction drilling.
- > Worldwide, the company employs a workforce of 875 (Sept. 30, 2004: 792; adjusted for the divestment of the company's subsidiary Bafco in the first quarter of 2005), 221 at Ternitz, Lower Austria and 450 in North America (including Mexico).

## INTERIM BALANCE SHEET

ASSETS (TEUR)	UNAUDITED	AUDITED
	30.09.2005	31.12.2004
Cash and cash equivalents	42,913	17,042
Trade accounts receivable	27,453	19,987
Other accounts receivable and prepaid expenses	4,210	7,069
Inventories	51,935	36,226
<b>Total current assets</b>	<b>126,511</b>	<b>80,324</b>
Property, plant & equipment	61,647	52,329
Goodwill	39,459	35,884
Other intangible assets	560	636
Long-term investments	1,328	1,328
Long-term receivables	1,235	134
<b>Total non-current assets</b>	<b>104,229</b>	<b>90,311</b>
Deferred tax assets	2,329	2,699
<b>TOTAL ASSETS</b>	<b>233,069</b>	<b>173,334</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (TEUR)</b>		
Bank loans and overdrafts	12,451	25,166
Current portion of loans	5,179	5,820
Finance lease obligations	231	205
Accounts payable trade	16,576	14,482
Other payables and accrued expenses	14,460	12,259
<b>Total current liabilities</b>	<b>48,897</b>	<b>57,932</b>
Subsidies received	735	743
Loans not due within one year	28,130	29,416
Finance lease obligations, long-term	373	530
Retirement benefits obligations	2,656	2,571
<b>Total non-current liabilities</b>	<b>31,159</b>	<b>32,517</b>
Deferred tax payables	4,017	3,791
Negative goodwill	171	171
Common stock	16,000	13,000
Contributed capital	65,799	16,996
Other reserves and translation component	-8,808	-20,047
Retained earnings	74,697	67,915
Minority interests in consolidated companies	402	316
<b>Total shareholders' equity</b>	<b>148,090</b>	<b>78,180</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>233,069</b>	<b>173,334</b>

## INTERIM CASH FLOW STATEMENT

	UNAUDITED	
	30.09.2005	30.09.2004
	TEUR	TEUR
<b>OPERATING ACTIVITIES</b>		
Income after taxation	12,022	7,306
Depreciation and amortization	8,192	11,101
Other	374	220
<b>Cash earnings</b>	<b>20,588</b>	<b>18,627</b>
Change in working capital	-11,288	-2,599
<b>Net cash provided by operating activities</b>	<b>9,300</b>	<b>16,028</b>
<b>INVESTING ACTIVITIES</b>		
Expenditures for fixed assets	-13,443	-7,142
Other activities	683	2,744
<b>Net cash used in/provided by investing activities</b>	<b>-12,760</b>	<b>-4,398</b>
<b>FINANCING ACTIVITIES</b>		
Capital increase	51,803	0
Payment of dividends	-5,200	-3,900
Change in bank liabilities and other financing	-17,031	-2,338
<b>Net cash used in/provided by financing activities</b>	<b>29,572</b>	<b>-6,238</b>
Translation adjustments	-1,810	-143
<b>Change in cash and cash equivalents</b>	<b>24,302</b>	<b>5,249</b>
Cash and cash equivalents at beginning of year	17,042	9,966
Exchange rate effects	1,569	171
Cash and cash equivalents at end of period	42,913	15,386



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