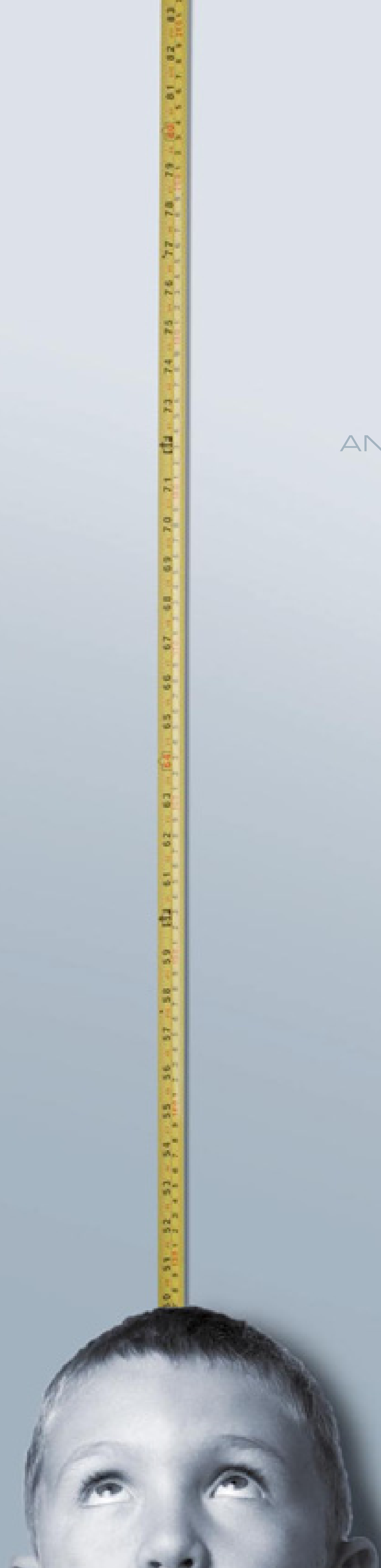


SCHOELLER
BLECKMANN
OILFIELD
EQUIPMENT

ANNUAL REPORT 2007

CONTENTS

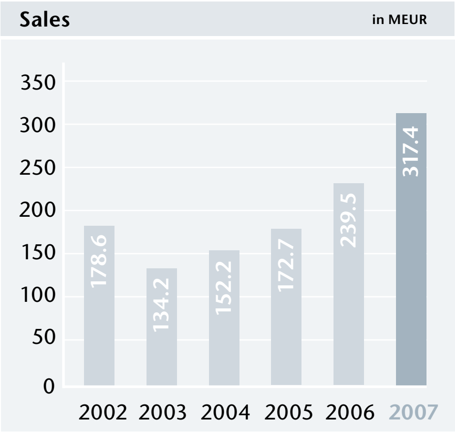
FINANCIAL HIGHLIGHTS

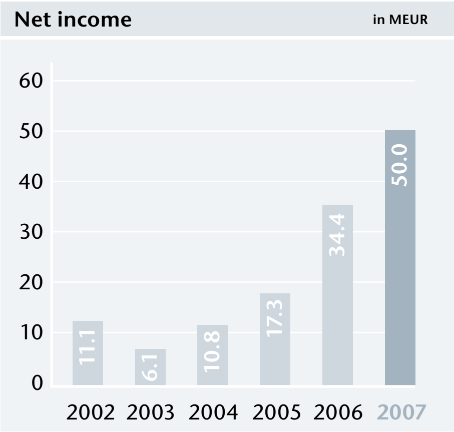
in MEUR	2007	2006	2005	2004	2003	2002
Net sales	**317.4**	239.5	172.7	152.2	134.2	178.6
Income from operations	**76.1**	48.2	25.5	17.9	13.1	26.1
Income on ordinary activities	**72.5**	46.8	24.3	15.5	9.4	19.8
Net income	**50.0**	34.4	17.3	10.8	6.1	11.1
Earnings per share[1] (in EUR)	**3.13**	2.15	1.13	0.83	0.47	0.85
Total assets	**257.9**	285.3	242.8	173.3	176.8	192.2
Share capital	**16.0**	16.0	16.0	13.0	13.0	13.0
Shareholders' equity	**194.1**	171.7	154.7	78.2	77.0	91.1
Return on capital employed (in %)[2]	**35.1**	27.4	17.8	13.8	9.4	17.4
Dividend per share (in EUR)	**1.10**[3]	0.80	0.50	0.40	0.30	0.50
Number of shares outstanding at year end	**16,000,000**	16,000,000	16,000,000	13,000,000	13,000,000	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 + Bank loans + Finance lease obligations – Cash and cash equivalents – Long-term investments

[3] proposed






Directional Drilling
16:9 PAL STEREO
DVD
VIDEO
dd0208sbo
Imagefilm
Deutsch / English
4 min.

SCHOELLER
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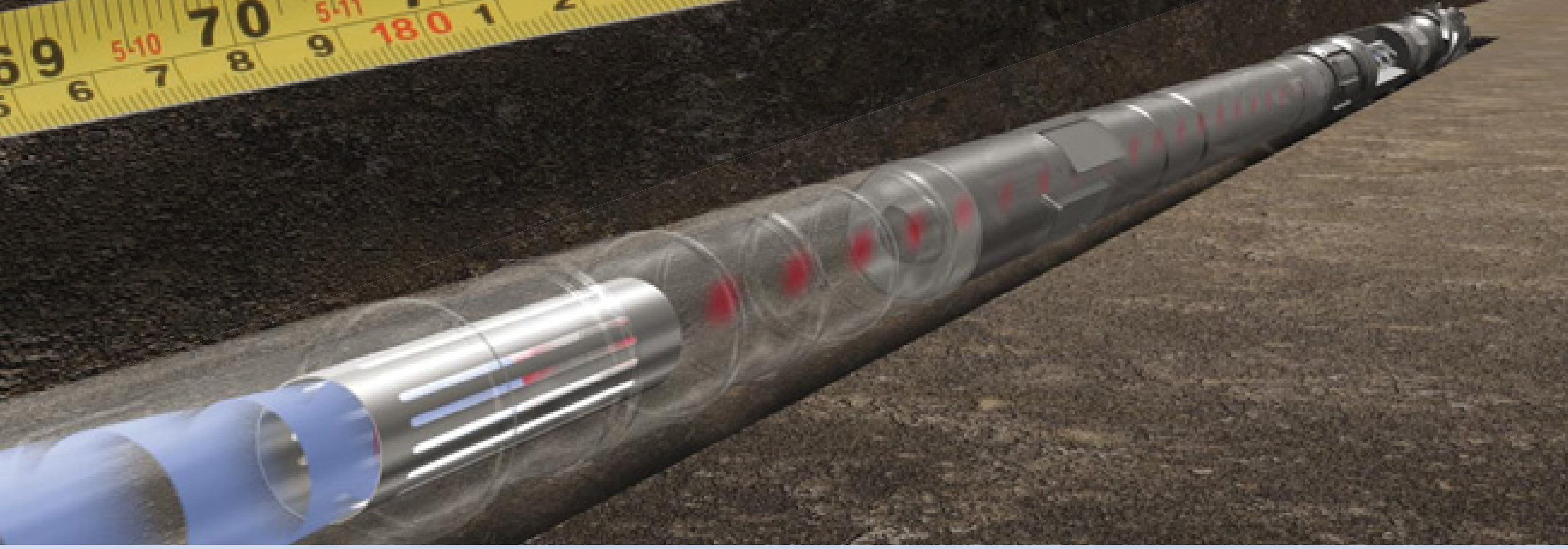
ANNUAL REPORT 2007



COMPANY PROFILE

Schoeller-Bleckmann Oilfield Equipment AG (SBO) is the global market leader in non-magnetic high-precision components for the oilfield service industry. The main application of SBO products is directional drilling, a technology used for precisely targeting oil reservoirs not located directly below the drilling rig, for continuous monitoring and adapting the drilling process to cut costs and increase efficiency. As the number of technologically challenging drilling projects is rising, directional drilling has been increasingly applied for many years. The share of horizontal and directional drilling rigs in the total number of drilling rigs went from 29 % in 2000 to 45 % in 2007[1]. This clearly shows that technological complexity in drilling activities has been growing.

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

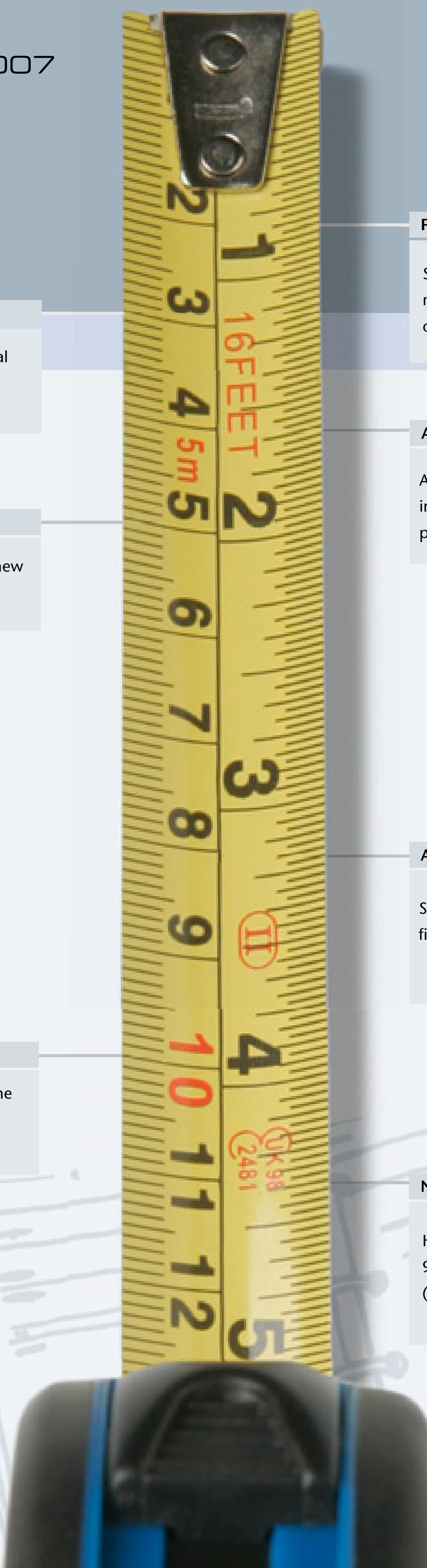
Being a leader in terms of quality and technology, SBO has set the industry standard over many years and counts all major oilfield service companies among its customers. Constantly high quality, ongoing innovation combined with the high technological know-how and long-standing experience of employees in production engineering are major parameters for operational excellence. SBO solves highly complex tasks and offers customized products. With its consistent customer orientation SBO has become the market leader and maintained and strengthened this position over many years. Schoeller-Bleckmann is located in the major hubs of the global oilfield service industry.

> Schoeller-Bleckmann: Technology, quality and innovation leadership in high-precision components for the oilfield service industry

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 clear and consistently implemented growth strategy, high productivity and a full-scale strategic investment policy, this is the foundation of the proven track record of Schoeller-Bleckmann Oilfield Equipment AG.

[1] Raymond James, Equity Research, Energy Industry Brief, 24 December 2007

HIGHLIGHTS 2007



February

SBO is the first company to conclude multi-year supply agreements for the oilfield service industry

March

Decision to build a new, additional production plant in Ternitz

April

Annual Meeting approves dividend increase from EUR 0.50 to EUR 0.80 per share

May

Successful full-load operation of new rotary forging machine in Ternitz

August

SBO announces half-year record figures: Sales up 31 %, profit up 59 %

October

SBO share reaches intraday all-time high at EUR 75.49 on 22 October 2007

November

Highest-ever WTI oil price at USD 98.88 as per 20 November 2007 (source: Bloomberg)

SCHOELLER-BLECKMANN OILFIELD EQUIPMENT AG

Ternitz/Austria
Group Sales: MEUR 317.4
Headcount: 1,222

North America

Total Sales: MEUR 256.4
Headcount: 603

Knust-SBO Ltd.
Houston, Tx/USA

Godwin-SBO L.P.
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.P.
Houston, Tx/USA

Schoeller-Bleckmann de Mexico S.A. de C.V.
Monterrey, Mexico

Europe

Total Sales: MEUR 174.0
Headcount: 559

Schoeller-Bleckmann Oilfield Technology GmbH & Co. KG
Ternitz, Austria

Darron Tool & Engineering Ltd.
Rotherham, UK

Schoeller-Bleckmann Darron Ltd.
Aberdeen, UK

Other

Total Sales: MEUR 15.9
Headcount: 60

Schoeller-Bleckmann Oilfield Equipment Middle East FZE
Dubai, U.A.E.

SB Darron Pte. Ltd.
Singapore

Schoeller-Bleckmann Darron Ltd.
Noyabrsk, Russia

Non-operative holding companies are not shown
Headcount per 31 December 2007
Total Sales: Year Ending 31 December 2007, not consolidated

„No alternative to oil and gas in the next decades"

In January 2008 Gerald Grohmann, CEO of SBO, Helmut Langanger, Member of the Board of OMV, and oil analyst Andy Sommer (HSH Nordbank) met for an exchange of thoughts. The meeting was hosted and summarized by journalist Herbert Hutar.

Hutar:
What is your view on the development of demand for oil and the oil price in the course of this year? In the United States, after all, we expect to see an economic slowdown as a consequence of the financial crisis.

Grohmann:
Yes, it is true that in North America an economic slowdown is in the offing, but this is contrasted with continued strong demand from China or India, so the drop in oil prices will be moderate. Oil inventories are low and production rates are on the decline in many oil fields.

Langanger:
Well, I hope that we are now slowly moving back to normal, as prices are falling. Strange as it may sound, but the price spiral of the past years by no means facilitated our business, quite the opposite: Exploration and production cost have doubled in only two years. Equipment delivery times have tripled. And shortage of skilled labour has often had companies battling for one expert.

Hutar:
And oil prices did not cover costs?

Langanger:
Frankly speaking, the oil price spike is not a blessing, but a curse. How come? Many people think that 80, 90 or as much as 100 dollars a barrel will rev up profits, but that is not the case. I have just mentioned rising costs, delays in deliveries, but what's more, we see a real change of paradigms in our business. Host countries having considerable oil resources tell us: You may have valid contracts, but you are getting too much of the pie. An oil minister has literally told me: „The money is flowing out of our ears. Companies from China and India are lining up at our doors. They do not demand such large shares in oil and gas production. And the major oil service companies deliver the required drilling technologies. We do have alternatives. And – we want to re-negotiate the terms of our contracts." And I can assure you that such discussions are extremely awkward. You either agree to less favourable terms or you will never again get a new project there. The major oil production countries clearly sit in the driver's seat.

Hutar:
Mr. Sommer, as an analyst you rather take the investor's perspective. Do you share Mr. Langanger's view that oil prices are absurdly high?

Sommer:
I agree that business has become much rougher for OMV, but also Shell or BP, but I would rather address you, Mr. Grohmann: You have the technology, you have the know-how, the expertise and that gives you a competitive edge all around the world. Simply because oil production is becoming so much more challenging. From this angle, the high oil price certainly is more of an advantage to the oilfield service industry than to the oil producing industry.

Grohmann:
Well, as long as the oil price is driven by demand it will kick off projects in the field of exploration and production. But if the oil price is driven by risk premiums or financial games this has no effect on our order books. Still: Since 2004 we have experienced an unprecedented boom, and demand for products and services of the oilfield service industry exceeds capacities by far. Technological requirements become more and more challenging, tools more and more complex, so there are only a few out there who can keep pace and this is what we definitely benefit from. We are also confronted with higher purchase prices – for steel or alloy metals for instance – but we can pass them on to our customers rather easily.


Gerald Grohmann, CEO of SBO


Journalist Herbert Hutar

Hutar:
Mr. Sommer, what is your assessment of the – if you will – „non-productive“ components of the oil price? Around 10 % of global oil trade are said to be accounted for by speculation and there is always talk about political risk premiums.

Sommer:
As for risk premiums, I would assess them at 20 dollars, another 10 to 20 dollars are due to the activities of financial investors in the oil market. I avoid calling them speculators on purpose. For, if a chemical group secures its oil supplies by resorting to newly developed financial products and hedges against price surges this is not what you could brand as speculation. On the other hand, speculation means more liquidity for the oil market, which is not so bad either. Concerning estimates for this year: We have already seen the 100 dollar mark a barrel and I think that was it. Demand will be slightly dampened in the OECD countries, starting from the US, but not in Asia.
And on the production side, a whole lot of new oil fields will go on stream this year, offsetting the decline in production. In total, I think there will be more balance between supply and demand than in 2007. Fundamentally, I think the price will settle at around 80 dollars this year.

Hutar:
Let's now take a look into the future: In an effort to promote climate protection and decrease our dependence on imports, the EU wants to have around 10 % of fuel demand covered by biodiesel and biofuel by the year 2020. Will that have an impact on the oil markets?

Langanger:
I have my doubts if this can be done. I suppose we will achieve 5 to 7 %, 10 % will be the maximum.

Sommer:
Nonetheless the big oil companies are following suit and have jumped on the bandwagon: Shell offers alternative fuels, BP counts on solar energy. But those will not become major business areas.

Grohmann:
Alternative fuels are no real alternatives at the moment. Technologically speaking we are only at the beginning of a development. The now available biofuels are competing with foodstuff production, a tendency whose negative implications were reflected in the explosion of prices of agricultural produce. I hope we will see good progress in the next decades in this field, but until then there is no alternative to oil and gas.

Langanger:
That's correct, oil and gas will continue to dominate the energy market with a share of around 60 % in the next years and decades. Oil will go down slightly, gas will go up. 20 % will be covered by coal, the remaining 20 % will be accounted for by everything else: Hydropower, alternative energies, but also nuclear power, like it or not.

Hutar:
How long will oil last? „Peak Oil" is the buzzword here. This is the point in time from which production will decline for purely physical reasons. That may be true of individual reservoirs but also regions, for instance the North Sea, or the whole world.

Helmut Langanger, Member of the Board of OMV

Oil analyst Andy Sommer (HSH Nordbank)

Langanger:
The era of easy oil is over, that much is for sure. From now on things will get more difficult, complicated and expensive. In the past 100 years, we produced around 20 % of the globally available oil reserves. Another 20 % will be produced at tolerable costs, but this not going to last long because consumption is so high. For the remaining 60 % we need high oil prices to cover the tremendous costs and develop technologies that are not yet around. Extraction of the most costly oil sand deposits requires 50 dollars a barrel, for oil shales we need to invest 70 dollars. And now, from reserves to annual production rates: Today we produce around 85 million barrels a day worldwide. I daresay that previous estimates of IEA or ExxonMobil indicating future rates of up to 130 million barrels a day are way too optimistic. In my opinion oil production will not go beyond 95 million barrels a day, as substantial increments will come around only together with increased gas production, in the form of condensates or natural gas liquids. New oil fields just offset the declining production rates of old fields.

Easy oil is over – oil production will become more challenging, complex and expensive

Grohmann:
That is right and refers to strictly technological prerequisites. I do believe, however, that „Peak Oil" will hit us more in the geopolitical context. As in some countries, access to oil fields has already been restricted for political or safety reasons. Iraq is an example. And we may have to face politically motivated restrictions of access elsewhere and in other forms, such as if governments cut oil production to exert political pressure.

Hutar:
Global Peak Oil, the foreseeable end of the oil era, has been predicted several times, but that magical point in time has been put off repeatedly. The US administration presently assumes that it will occur around the year 2060. The oil price hike has made new deposits profitable but new technologies also lead to a revaluation of inventories.

Grohmann:
Of course we are glad to see our customers pack more and more technology into the drillstring, because this increases the value of our products. In the process, the drill bit can be steered towards the oil reservoir within only a few metres. Today, we drill down to 5,000 metres and over horizontal

distances of up to 15 kilometres. But technologically speaking we have not reached our limits yet. The oil industry aims at drilling down to depths of 8,000, maybe even 10,000 metres; in 5 or 10 years from now this may already have been achieved.

Langanger:
Right, and we should not forget one thing: Only one third of the oil reservoirs is extracted today, so two thirds of the oil are left in the ground. If we could increase recovery by one percent worldwide, this would equal two annual production volumes. The processes required for this are not new. But earlier on we insisted that they would be profitable only at an oil price of 25 or 30 dollars. So what are we waiting for? You could inject heat so the oil gets more liquid and can be pumped out more easily. A similar effect can be achieved chemically. Or by injecting gas from above, and the gas displaces the oil to the production wells. Or by using carbon dioxide. This would kill two birds with one stone: We could capture carbon dioxide in power plants or other large-scale emitters and inject it into oil reservoirs. This concept of carbon dioxide elimination is also called CCS, Carbon Capture and Storage. It would be a true win-win situation: Eliminating carbon dioxide and, at the same time, increasing oil recovery from already existing fields.

Grohmann:
After all, we should not underestimate the ingenuity of our industry. I am deeply convinced that we will increase efficient use of oil and gas resources by continuously developing new technologies also in the next decades. As these resources are finite we will have to use them even more cautiously. But, ultimately, this is an issue of optimal application of know-how and technology to which all of us can make our own contribution.

> Continuous development of know-how and technology ensures permanently improved utilization of oil and gas reserves

Hutar:
Gentlemen, thank you all for this remarkable and highly interesting discussion.

Franz Gritsch
(Executive Vice-president and CFO)

Gerald Grohmann
(President and CEO)

PREFACE OF THE EXECUTIVE BOARD

To our shareholders

Our company Schoeller-Bleckmann Oilfield Equipment AG (SBO) has achieved another absolute record year. In the past fiscal year 2007, we could follow seamlessly on fiscal 2006, improved once again all fundamentals and continued the course of growth not only with respect to sales, but also to bottom-line results. This is all the more remarkable, as 2006 had already been an outstanding business year in the history of our company.

A look at the development of our company over the past five business years shows that we could fully benefit from the current economic upswing in the oilfield service industry. In that period, as we pursued a focused growth strategy, sales were more than doubled from MEUR 134.2 (2003) to MEUR 317.4 in the previous fiscal year, while the net income grew by a factor of more than 8, from MEUR 6.1 to MEUR 50.0. In the past five years our company reached another dimension both in terms of business volume and profitability, despite of the fact that the EUR/USD exchange rate, a major factor for our bottom-line, developed unfavourably for SBO in the period, as the US dollar was devaluated against the Euro by an average of 21 %. Market capitalisation also multiplied in the period and grew by 750 % to MEUR 985 as per 31 December 2007.

In the next decades, oil and gas will remain the prime energy sources of our economy. Renewable energy sources will not be available in relevant quantities in the near future.

We have good reason to believe that the current cycle in the oilfield service industry will continue at least until, maybe even beyond, the end of the decade. The demand for oil and gas will grow even further if the positive development in the emerging markets is sustained. As a result, the oilfield service industry faces two challenges: On the one hand, investing in technologically demanding projects to step up recovery rates of existing oil reservoirs, on the other hand to develop those new oil fields that require extensive technological efforts to be tapped. It is therefore beyond doubt that the overall cycle will be of a long-term nature even if economic fluctuations may have an effect on the oilfield service industry.

Record business year – all fundamentals significantly improved

Against this background we continued to rapidly implement the strategic investment programme initiated almost three years ago and passed some major milestones in the process in 2007.

Successfully starting up our forging machine at the Ternitz site was just as important a cornerstone as were the massive additions to our production equipment at our sites in North America and Austria. As our new production plant in Ternitz will go onstream in the first quarter of 2008, our investment programme will reach a preliminary peak. However, this will not bring our policy of growth to an end. New expansion projects were initiated in North America in 2007 and will secure SBO's further organic growth geared to the market situation in the years to come.

Strategic capital expenditures for sustained continuation of course of growth

The gratifying development of our company fundamentals proves that it was correct to decide in favour of organic growth and not to focus on capacity expansion by way of potentially overpriced, high-risk acquisitions.

Over the past three years we conducted an aggregate investment programme of MEUR 118.0. Considering also the capital investment for already approved projects this sum totals no less than MEUR 150.0.
With that, we can meet the requirements of the market in every respect. We believe that we have not only secured but even further expanded our market position in high-precision components for the oilfield service industry and in drilling motors.

Nevertheless, our rapid organic growth does not rule out acquisitions. Our sound balance sheet and strong cash-flows are the perfect basis if a strategically reasonable opportunity arises.

Due to our high order backlog and the vivid development of order intake, fiscal 2007 required full commitment from our employees, partly working around the clock, at many weekends and public holidays. At this point, we would like to express our sincere thanks to all of them. At the same time, this excellent commitment of our team also generated bottom-line results in 2007 that many of us would hardly have considered possible some years ago.

Analyzing the figures, however, one has to bear in mind that we have reached margins that are exceptional for an industrial enterprise to achieve.

The remarkable operating result of 2007 allows us to both continue the future-oriented investment programme and further increase the distribution to our shareholders of previously EUR 0.80 per share. We will suggest to the Annual Meeting to pay out a base dividend of EUR 0.50 plus a bonus of EUR 0.60 in total EUR 1.10 per share. In absolute figures, this is another record distribution amounting to an aggregate MEUR 17.6 (up 38 % following MEUR 12.8 for fiscal 2006).

Exceptional profit allows record dividend distribution

In closing, we would like to thank all of our customers, business partners and shareholders for their confidence in our company in fiscal 2007.

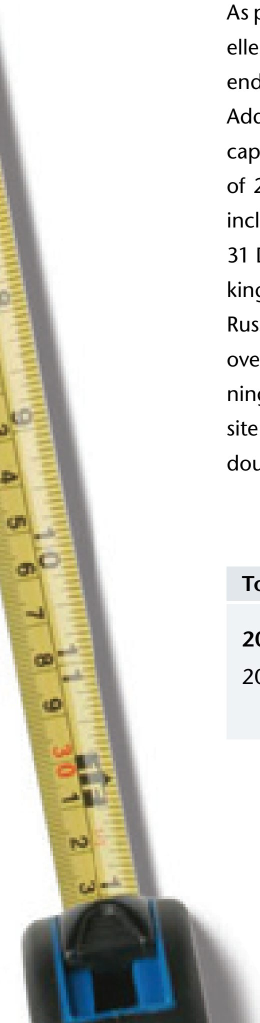
Gerald Grohmann
Chairman of
the Executive Board

Franz Gritsch
Member of
the Executive Board

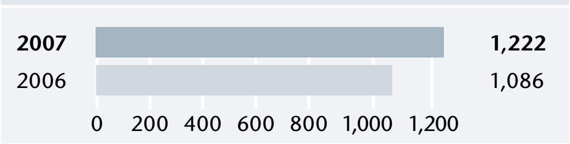
HUMAN RESOURCES

Our employees make a major contribution to the operating success of Schoeller-Bleckmann Oilfield Equipment AG. Commitment, service-orientation, quality awareness, integrity and creativity are instrumental to developing and implementing customized solutions provided by SBO. At Schoeller-Bleckmann, corporate culture is characterized by the high degree of identification our employees have with the company and the products. As an attractive employer, SBO offers a challenging job environment in a climate of openness and trust in which entrepreneurial thinking is encouraged.

As per 31 December 2007, the global headcount of the Schoeller-Bleckmann group was 1,222. Compared to the year ended 2006, this is an increase of 13 % or 136 employees. Additional staff was recruited in the wake of the production capacity increases. In Europe, SBO's headcount as per end of 2007 was 559, up 20 % year-on-year. In North America including Mexico the workforce of 603 was up 8 % over 31 December 2006. The remaining 60 employees were working for the SBO group in Venezuela, Singapore, Dubai and Russia. Their number was reduced by -6 % or 4 employees over the previous year. Due to preparations for commissioning the new production plant the headcount at the Ternitz site grew to 375, increasing 27 % within one year or almost doubling within the past three years.



Total Headcount

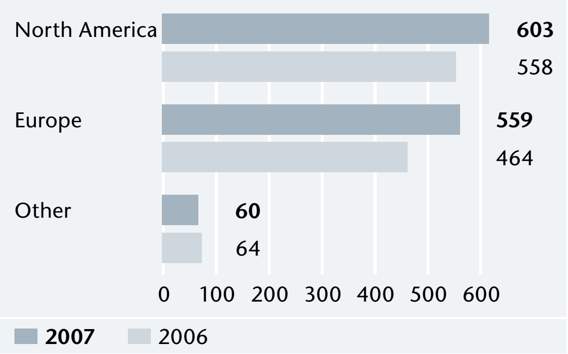


In order to pursue the steady course of growth, SBO is continuously investing in employee recruitment, education and training. This is how Schoeller-Bleckmann could hire highly qualified personnel also in fiscal 2007, despite of the tense global situation in the skilled labour market.

SBO's sustained quality and innovation leadership is based not least on the qualified training and continuous further education of the company's workforce. In 2007 again, full-scale basic and advanced training activities were conducted at all sites. SBO's state-of-the art production equipment requires expert knowledge and many months of structured instruction courses. With this, all employees are perfectly trained to meet the ever growing complexity of technological requirements.

As every year, we would like to thank again all of our employees for their commitment and skills which have been a major contribution to the successful performance of the company.

Headcount by Region

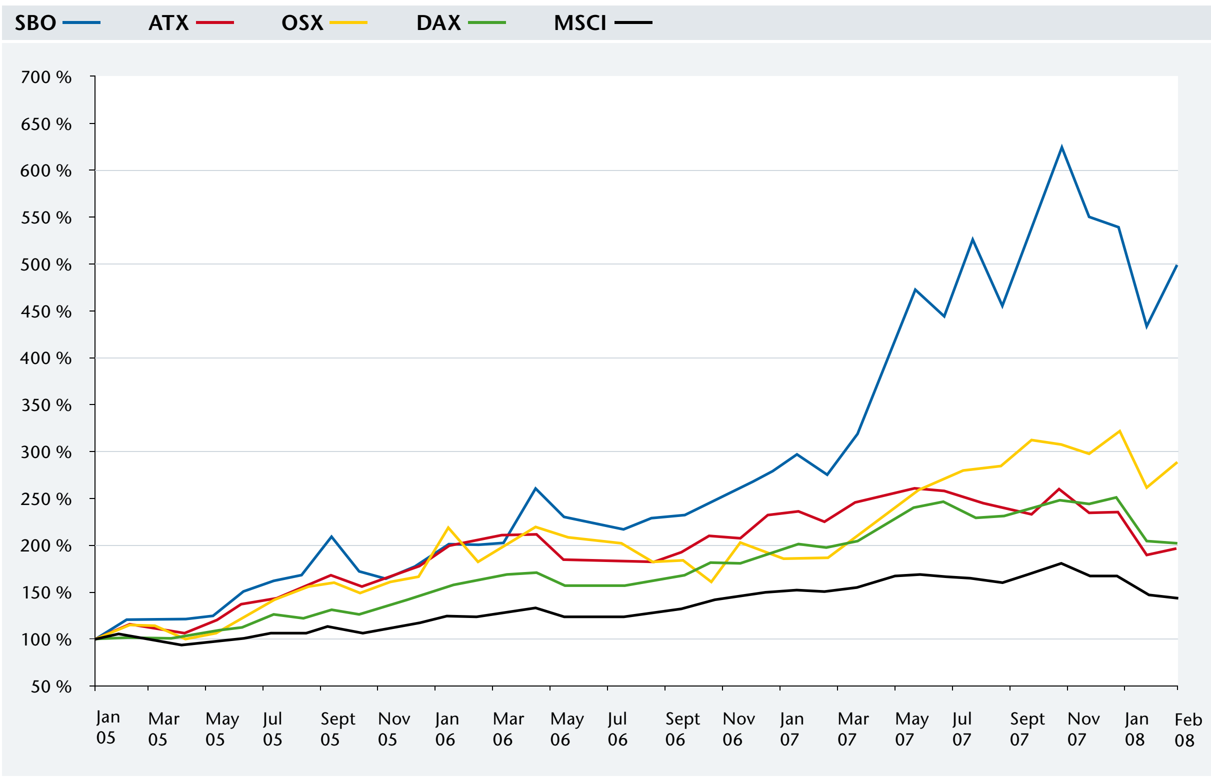


THE SBO-SHARE

In the past fiscal year 2007, the share of Schoeller-Bleckmann Oilfield Equipment AG (SBO) could not only continue its successful stock market performance of the previous years, but even surpassed these results as the top performing share of the ATX. In 2007, the SBO share started at a rate of EUR 34.76 and, on 28 December 2007, ended at EUR 61.57. This is an increase of 77 % in 2007 or 578 % since the Schoeller-Bleckmann share was introduced on the Vienna Stock Exchange (first listed price on 27 March 2003: EUR 9.08). The annual high was reached on 22 October 2007 when the share climbed to EUR 75.00. The intraday all-time high of EUR 75.49 was even slightly above that price. With that, the SBO share clearly outperformed the ATX, which grew by only around 1 % during 2007.

Overall, the stock market environment was extremely conducive to the performance of the Schoeller-Bleck-

SHARE PERFORMANCE



THE SBO-SHARE

mann share in 2007. As a result of the positive industry cycle and the impressive development of the company the share clearly disconnected from the weakening overall market development in the second half of the year. Regarding liquidity, together with the vigorous price performance, the share again developed very well in 2007. The average daily volume traded was 102,786 shares (double counting), which is another increase from 16 % or 13,859 shares compared to the previous year (88,927 shares in double counting).

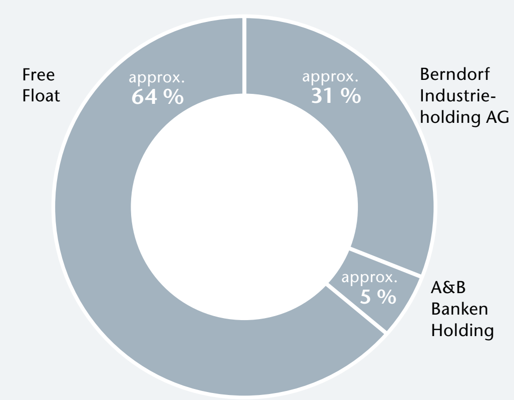
As of 19 March 2007 the SBO share was taken off the ATX, but included again on 24 September 2007. The main criteria for inclusion in and/or exclusion from the Austrian Traded Index are the capitalized free float and traded stock volume; the index composition is decided on by the ATX Committee.

As part of transparent management and corporate communication, a large number of road shows were held for private and institutional investors. The management of

Financial Calendar

16 April 2008	Annual Shareholders' Meeting
30 April 2008	Ex-day, dividend distribution day
Publications:	
20 May 2008	1st quarter 2008
21 August 2008	2nd quarter 2008
20 November 2008	3rd quarter 2008

Shareholder Structure - 31 December 2007



Schoeller-Bleckmann presented the company to an international audience of investors in London, New York, Zurich, Geneva, Brussels, Milan, Warsaw, Budapest, Moscow and in Austria at conferences held in Vienna, Zürs, Kitzbühel and Stegersbach.

The proactive communication policy towards the media also included press conferences, press releases and continuous contacts with journalists. In order to present the company Schoeller-Bleckmann and the market environment to journalists, a seminar including a plant tour was held in Ternitz.

Intensive and in-depth dialogues with analysts were continued. Analysts of UniCredit, Erste Bank, Raiffeisen Centrobank and Sal. Oppenheim regularly analyze Schoeller-Bleckmann Oilfield Equipment AG. Additionally, coverage by Capital Bank and Berenberg Bank was included in 2007 and by Merill Lynch and Cazenove in early 2008.

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

Share Key Data	2007	2006
Share capital (in EUR)	**16,000,000**	16,000,000
Number of shares	**16,000,000**	16,000,000
Average number of shares traded per day[1]	**102,786**	88,927
Closing share price at year end (in EUR)	**61.57**	34.76
High/Low (in EUR)	**75.00/33.50**	35.50/24.70
Market capitalization at year end (in EUR)	**985,120,000**	556,160,000
Earnings per share (in EUR)	**3.13**	2.15
Price/earnings ratio at year end	**19.67**	16.16
Dividend per share (in EUR)	**1.10**[2]	0.80

[1] double counting
[2] proposed

CORPORATE GOVERNANCE

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

The 80 rules of the Austrian Corporate Governance Code are subdivided in 3 categories: L-Rules (Legal Requirements) describe mandatory legal requirements that must be complied with by law. The second category is C-Rules (Comply or Explain) and contains customary international provisions, deviation from which is subject to explanation. The third category, R-Rules (Recommendation), is of recommendatory nature. Noncompliance does not have to be explained.

The mandatory legal provisions (L-Rules) are fully complied with by Schoeller-Bleckmann.

Explain

The C-Rules are largely complied with by SBO. Deviations are explained as follows:

Rule 18

Schoeller-Bleckmann Oilfield Equipment has not set up a separate unit for internal auditing and does not intend to do so in future. The controlling staff of the holding company has also assumed auditing tasks for the company and its subsidiaries and regularly presents any material findings to the audit committee. Furthermore, the company and all its subsidiaries are audited annually when the annual financial statements are reviewed by international certified accountants.

Rule 30

As the Executive Board of Schoeller-Bleckmann Oilfield Equipment consists of two members, Article 241 Para 4 UGB („Austrian Commercial Code“) applies, pursuant to which disclosure of 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 30. The company, however, voluntarily 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 Income Statement)

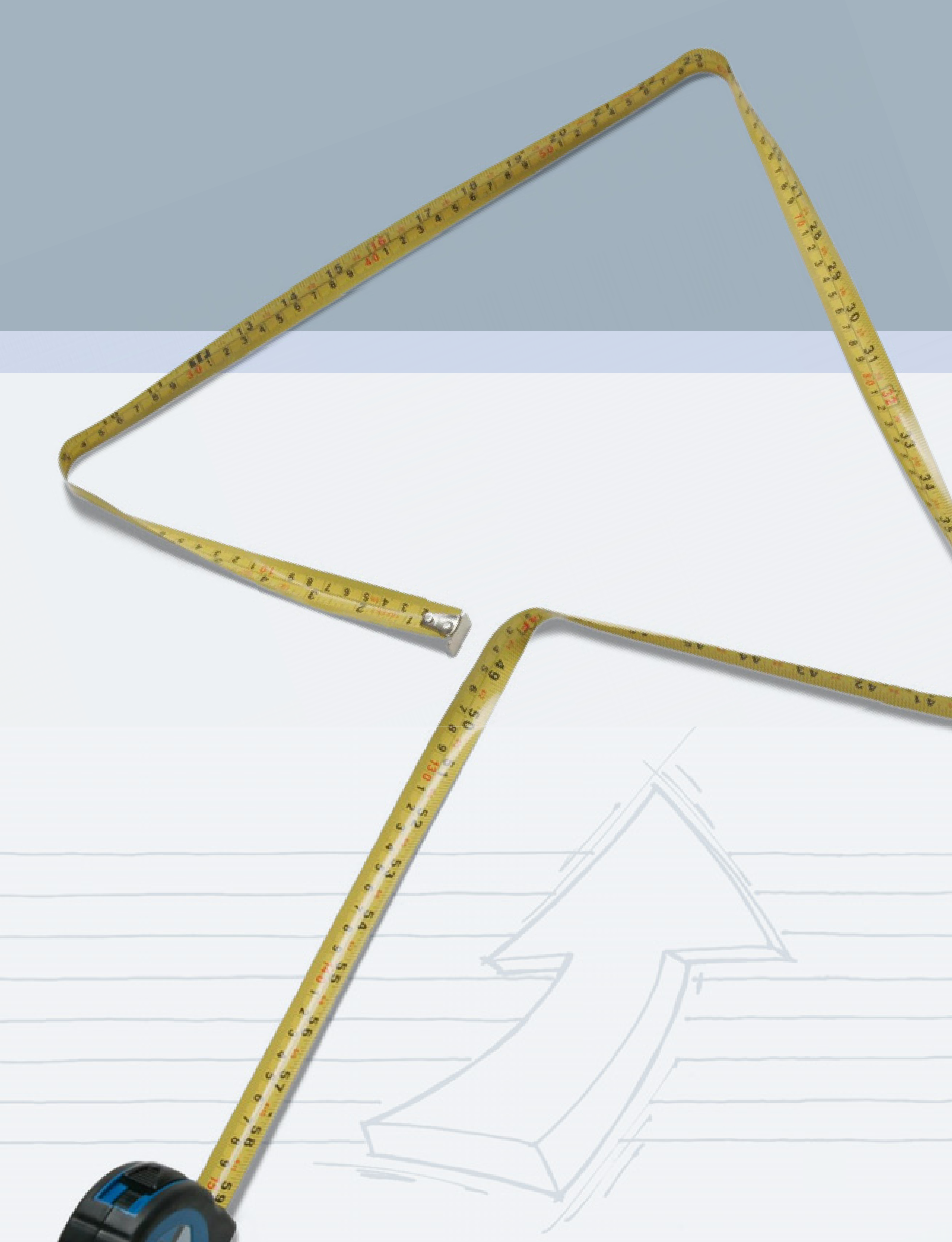
Rule 38
Neither the company's articles of association nor the rules of procedure provide for any age limits for the members of the Executive Board. The Supervisory Board of the company has basically objected to the introduction of such age limits, as this would not provide any substantial additional value for the company.

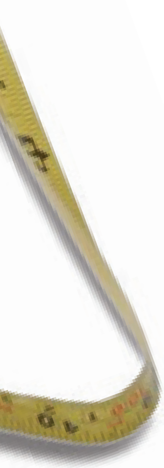
Rule 41
In line with the Austrian Corporate Governance Code, the function of the nomination committee is exercised by the remuneration committee.

Rule 53
The members of the Supervisory Board of Schoeller-Bleckmann Oilfield Equipment act independently. The scope of activities of Supervisory Board member Dr. Schleinzer in 2007 as the company's legal counsel was not regarded to be substantial pursuant to Annex 1 of the Austrian Corporate Governance Code. (For details see Notes to the Consolidated Income Statement)

Rule 54
At present, no member of the Supervisory Board is explicitly designated as representative of minority shareholders. It is the opinion of the Executive Board that the minority shareholders feel that their interests are well represented in the Supervisory Board: All members of the current Supervisory Board were elected unanimously, i.e. without any dissenting vote and thus with the votes of the minority shareholders present. Therefore, the Executive Board sees no need for action in this matter at the moment.

Rule 57
Neither the company's articles of association nor the rules of procedure provide for any age limit for the members of the Supervisory Board. The Supervisory Board of the company has basically objected to the introduction of such age limits, as this would not provide any substantial additional value for the company.





MARKET ENVIRONMENT

The major parameters for the development of the oilfield service industry are the demand for oil and gas, on the one hand, and the development of production rates of existing oil and gas fields, on the other hand.

The dynamic economic growth in the emerging markets and the US in the years from 2003 to 2006 triggered a stronger-than-expected demand for energy. Oil consumption in those three years alone grew by 5.8 million barrels per day[2], which is the accumulated production volume of the North Sea and Mexico. At the same time, production rates of existing oil fields are on the decline and, with them, the global oil production spare capacities. Attempting to compensate for this decline and covering future growth in oil consumption, the international oil companies invest heavily in developing new oil reservoirs and improving recovery rates of existing fields. This spending is the driving force for the oilfield service industry.

The upward cycle that has persisted for four years now did not lose any momentum in fiscal 2007. The growing demand for energy in the emerging markets of China and India and the positive economic situation in North America in the first half of 2007, the robust economic development in Europe and the Middle East were fuelling demand for oil and gas in 2007 again. According to initial estimates of the IEA (International Energy Agency) global demand for oil in 2007 grew 1.1 million barrels per day (bpd) to an average 86.0 million bpd, up approx. 1.4 % from the previous year. For 2008, IEA expects an increase in demand of around 1.9 % or 1.7 million bpd. This increase is mainly driven by the economic development in the Pacific region. The IEA anticipates a spike in China's demand for oil-based energy sources in 2007 of around 4.5 % to 7.5 million bpd, which in 2008 will again rise to around 7.9 million bpd, up 5.8 %. For India, IEA also projects an increase in demand for oil products by 5.7 % to approx. 2.8 million bpd, but it will go down to 4.1 % in 2008.[3]

Sustained strong business cycle of the oilfield service industry

Owing to this vivid demand, the constantly low spare capacities to balance supply and demand for oil, but mainly also speculative effects, the crude oil price rose from its 2007 annual low of USD 50.48 a barrel to USD 98.88[4] a barrel. At the turn of 2007 to 2008 oil crossed the USD 100 threshold for the first time.

This environment had a continued stimulating effect on the E&P spending policy of the major oil companies in 2007. The average global rig count in 2007 went from 3,043 to 3,116 units[5]. While the number of rigs in Canada fell sharply other regions of the world reported significant increases.

[2] Schlumberger, Oil & Money Conference, October 2007

[3] Monthly Oil Market Report, IEA, February 2008

[4] Western Texas Intermediate Crude Oil Prices, 2007 Bloomberg

[5] Worldwide Rig Count, Baker Hughes, January 2008

Virtually all globally available capacities of the oil exploration industry are fully booked and new facilities such as high-tech drilling platforms and drill ships for deep-sea projects are under construction. The large spending volume and growing complexity of exploration and production wells have sent costs in the oilfield service industry skyrocketing.

According to market analyses, growth in capital expenditures for exploration and production - an indication of the actual growth of the oilfield service industry - will amount to approximately 15 % to 20 % in 2008[6].

All these factors considered, the market environment developed very well for the oilfield service industry in 2007. Schoeller Bleckmann benefits both from the surging demand and the growing complexity within the E&P industry, causing above-average demand for high-tech components for directional drilling technology, the core business of Schoeller-Bleckmann Oilfield Equipment AG.

BUSINESS DEVELOPMENT

New order backlog peak

Business development of Schoeller-Bleckmann Oilfield Equipment AG in 2007 was characterized by the profound extension of business volumes and dynamic organic growth. The positive market environment was utilized to the full extent, as reflected in new absolute record results in all company fundamentals.

Amounting to MEUR 341 in fiscal 2007, bookings remained at almost the same level as in 2006, when they had reached MEUR 349. They concerned all segments and regions alike. At the reporting date, the order backlog stood at MEUR 249, following MEUR 241 year-on-year. In spite of the latest massive expansion of SBO's production capacities, the order backlog partly reaches well into 2009.

Capacity expansion and productivity increases

Schoeller-Bleckmann managed the large number of bookings received in 2007 by ensuring efficient utilisation of production facilities and deployment of human resources.

These efforts included further productivity increases, extension of working hours with additional shifts and overtime and recruitment of additional staff. Most of the sales increase was due to the growth-oriented strategic investment programme launched in 2005, which included substantial additions to production capacities at all sites.

[6] Lehman Brothers Oil Services & Drilling Industry Overview, UBS Investment Research US Oil Service Bits, Credit Suisse 2008 Outlook for Drilling & Completion Spending, December 2007

On the cost side – a consequence of the industry cycle - it was mainly the increase in wages in North America that had to be absorbed. However, these additional costs as well as the rising price of stainless steel could be accommodated in prices. Physical supplies of feedstock were secured by long-term delivery cooperation contracts with steel mills and dealers. Additionally, in North America production was secured by stockpiling strategic specialty products.

Service & Supply Shops fully booked

The excellent industry development strongly supported business of the globally operating Service & Supply Shops of Schoeller-Bleckmann Oilfield Equipment AG, benefiting in particular our sites in Scotland and Russia, whereas operations of the Service & Supply Shop in Venezuela had to be discontinued because of political and economic instability. The portion of Venezuela in 2007 was below one percent of the group's total sales volume.

Drilling motor business

The Schoeller-Bleckmann group is a leading supplier of drilling motors in North America. Business is operated mainly on a leasing basis, under which SBO provides customers with the required drilling motor fleet.

In fiscal 2007, Schoeller-Bleckmann subsidiary BICO Drilling Tools Inc., where SBO's drilling motor business is concentrated, posted new record figures for sales and profit. This performance is a result of the excellent technological properties of BICO high-performance motor Spiro Star, which has met with great market acceptance since it was launched two years ago.

Considerable expansion of business volume due to organic growth

In the course of the year, the gas boom in Canada and, with it, local demand for drilling motors flattened out. By exporting drilling motors and expanding business with non-magnetic drill collars, BICO more than compensated for that development.

Capex programme to drive further growth

The dynamic growth of SBO in 2007 was of an exclusively organic nature and was based on the strategic investment programme approved in 2005.

The major milestone of the programme was the successful commissioning of the new rotary forging machine at the Ternitz location in the first half of 2007. The new facility was built at a total cost of around MEUR 10 and increases production outputs substantially. Although the machine is a prototype, its start-up performance was problem-free. After only a few weeks, the full nominal capacity was achieved and the previous bottleneck in material availability for large-volume, non-magnetic MWD/LWD components was eliminated, which is pivotal for SBO's further growth.

At the Ternitz site, construction works for the new production facility proceeded as planned. In order to utilize those additional capacities, SBO had signed multi-year contracts in early 2007, a novelty for the short-term oriented oilfield service industry. The new production plant is scheduled to go onstream in the first quarter of 2008.

SBO acquired an additional industrial area of 16,000 m^2 for further growth projects in Ternitz.

At our locations in North America and Mexico capacities were expanded by substantially increasing production facilities. In order to secure future growth in Houston, Texas, adjacent land covering in total approx. 13.5 acres (55,000 m^2) was acquired.

In fiscal 2007, aggregate asset additions amounted to MEUR 66.0. Broken down regionally, the total investment volume for the Ternitz site was MEUR 34.3, for North America (including Mexico) MEUR 26.4, and the remainder was spent for the other sites.

Research and development

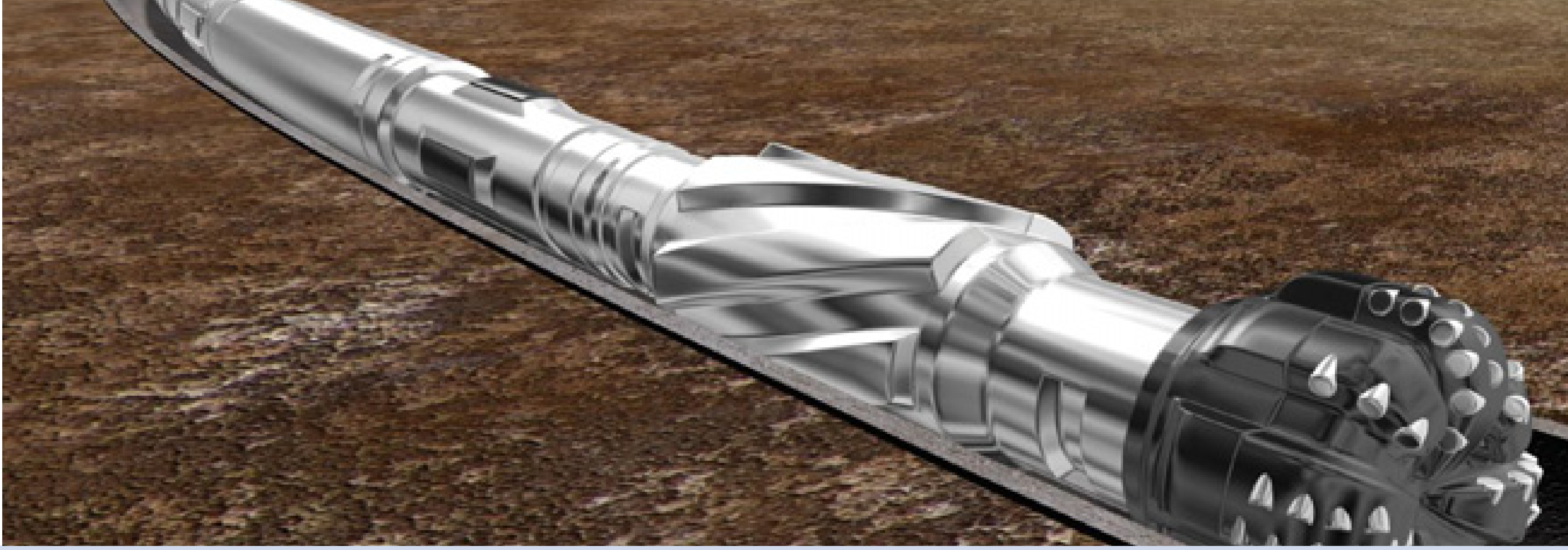
Schoeller-Bleckmann Oilfield Equipment AG has integrated its research and development largely in its operations, providing for optimal use of funds and, above all, research efforts that are performance-driven, customized and market-oriented.

In co-operation with key customers, several prototypes were developed and manufactured in 2007 and will go into production in the next years. At BICO Drilling Tools Inc. development works for a new generation of steerable drilling motors were continued and the first promising functional tests were conducted.

Environment

Schoeller-Bleckmann Oilfield Equipment (SBO) is the global market leader in high-precision non-magnetic steel components for the oilfield service industry.

The manufacture of our products generates no appreciable emissions into air or water. Therefore, no official licensing requirements in the field of environmental protection beyond the customary scope are in place.
As a result, the company's environmental management focuses on waste disposal, energy saving and noise abatement measures.
At the Ternitz site, shipment of raw materials was shifted from road to rail, saving around 1,000 deliveries by truck per year.



Risk management report

For the risk management report please see Note 33 on page 79.

OUTLOOK

Market environment

Based on the business situation described above, we expect to see continuation of the current cycle in the oilfield service industry, provided that the global economy remains strong and the dynamic development in Asia persists.

One result of the high oil price level is that development of new reserves under difficult production conditions requiring the use of high technology has become more economically attractive. Another consequence is growing profitability of capital spent to increase the recovery rate of existing oil fields. Approximately 70% of these "brown fields" have been producing oil for more than 30 years. Further potential growth for the oilfield service industry may come from the fact that the average size of newly discovered oil fields has declined regardless of the considerably higher expenses for exploration. A challenge for the industry in the years ahead will be the need to hire qualified labour. It will take some time until the newly recruited team members are trained accordingly.

Changes in the market environment will be triggered by the fact that growing nationalism has increasingly limited the access of international investment capital to utilization of resources. In many countries with high oil reserves it is now the national oil companies (NOCs) that are implementing investments. However, NOCs also depend on the services provided by the oilfield service industry.

Outlook for Schoeller-Bleckmann

SBO started into the new fiscal year with a record order backlog of MEUR 249 at the end of 2007. In 2008, SBO will continue the course of growth oriented along the current cycle in the oilfield service industry by commissioning the new plant at the Ternitz site and by pursuing the investment policy at the other locations.

Record order backlog provides the basis for favourable company development 2008

Apart from corporate growth and market development, the EUR/USD exchange rate will have a major impact on bottom-line results. One of the key challenges for SBO in fiscal 2008 will be optimal human resources management to sustain the course of growth.

On the whole, Schoeller-Bleckmann expects to see continuation of the favourable development of the company in 2008.

MANAGEMENT REPORT

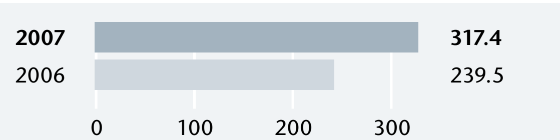
ANALYSIS AND RESULTS

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), formerly International Accounting Standards (IAS). In the year under review, the scope of consolidated Companies remained unchanged and no changes were made in the business of the Group.

Sales

Due to the sustained positive market environment another increase in sales of 32.5 % (after 38.6 % in 2006) from MEUR 239.5 to MEUR 317.4 was achieved.

Sales in MEUR



Because of the massive expansion of activities in Austria, the significance of the US dollar as the major currency has decreased. Nonetheless, the US dollar continues to be the most important currency by far for the SBO group. In 2007, about 75 % (after 80 % in 2006) of total sales and revenues were generated in US dollars, and around 50 % (after 60 % in 2006) of the costs were incurred in US dollars.

Exchange rate (EUR/USD)

	High	Low	Average	Closing
Year 2007	1.4874	1.2893	1.3706	1.4730
Year 2006	1.3331	1.1826	1.2557	1.3160

The average rates for the years ended 31 December 2006 and 31 December 2007 were used by the Company in the preparation of the Consolidated Profit and Loss Statements, whereas the closing rates for the years 2006 and 2007 were used in the preparation of the Consolidated Balance Sheets. The weakening of the US dollar in 2007 had an effect of approximately MEUR 22.0 on the sales figure reported.

Sales by regions

The table below shows sales by regions of origin. The increase in Europe results mainly from the expansion of the production facility in Ternitz/Austria.

Regarding sales markets, North America continues to be the most important market for the Company, as the major oilfield service companies are located in the US. However, the products of the SBO group are used all over the world, both in onshore and offshore drilling.

Sales by Regions in MEUR

	2007	2006
North America	**256.4**	199.8
Europe	**174.0**	100.2
Other	**15.9**	13.6
- Intercompany Sales	**-128.9**	-74.1
Total Sales	**317.4**	**239.5**

Sales by products

Both business segments, high-precision components and oilfield supplies and service, reported significant sales increases in fiscal 2007. The business segment of high-precision components achieved an increase by 27 %; it comprises primarily MWD/LWD collars, MWD/LWD internals and high-precision parts.

In the segment of oilfield supplies and service, sales grew by approximately 44 %. It comprises non-magnetic drill collars, non-magnetic material, drilling motors and other components for the oilfield as well as service and repair activities.

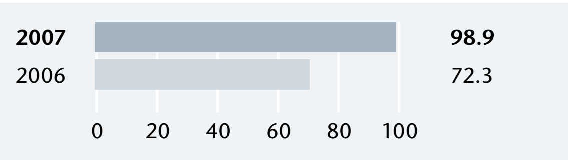
Sales by Product in MEUR

	2007	2006
High-Precision Components	**196.5**	154.9
Oilfield Supplies and Service	**119.3**	83.0
Other	**1.6**	1.6
Total Sales	**317.4**	**239.5**

Gross profit

Gross profit amounted to MEUR 98.9 after MEUR 72.3 in the year before, which is an increase of 37 %.

Gross Profit in MEUR

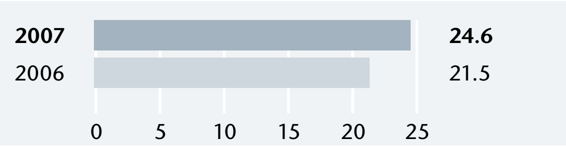


The gross margin was again improved from 30.2 % in the year before to 31.2 %.This development results both from price increases and economy of scale from the full utilization of the capacities.

Selling, general and administrative expenses

Selling, general and administrative (SGA) expenses amounted to MEUR 24.6, compared with MEUR 21.5 in 2006. Therefore, SGA expenses increased only disproportionately and, expressed as a percentage of sales, were reduced from 8.9 % in 2006 to 7.8 % in 2007. This development is, on the one hand, the result of the favourable sales growth, and reflects, on the other hand, the continuing strict cost management of the Group. SGA expenses mainly consist of salary and salary-related expenses, professional fees, travel and entertainment, communication and insurance costs.

Selling general and administrative Expenses in MEUR



Other operating income and expenses

- Other operating expenses MEUR 7.3 (2006: MEUR 5.3) This item contains mainly R&D expenses and exchange losses.
- Other operating income MEUR 7.3 (2006: MEUR 4.3) The major item covered here are exchange gains.

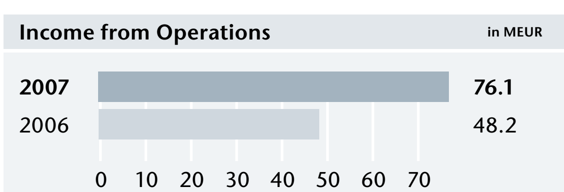
Further operating income consists of rental income, service charges as well as scrap sales and gains from the sale of fixed assets.

Income from non-recurring restructuring measures

This position shows an income of MEUR 1.8 in 2007. It mainly refers to the partial reversal of provisions made for restructuring in previous years. Due to the positive business development the planned restructuring was not required.

Income from operations

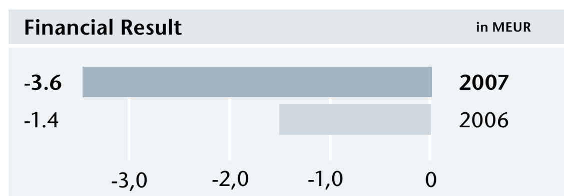
Income from operations after non-recurring items increased by 58 % to MEUR 76.1, compared to MEUR 48.2 in the year before. This is a margin of 24.0 % (2006: 20.1 %) of sales. This favourable development is mainly due to the increased business volume and economy of scale from capacity expansion and strict cost management.



Financial result

The financial result stood at MEUR – 3.6 after MEUR – 1.4 in the year before. It is mainly characterized by minority interests amounting to MEUR 1.7 (2006: MEUR 0.2).

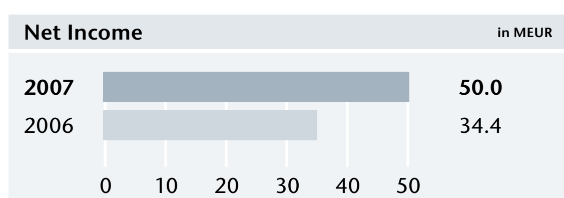
Net interest expenses were MEUR 2.0 after MEUR 1.2 in the year before.



Net income/dividend

The net income for the year 2007 amounted to MEUR 50.0, i.e. EUR 3.13 per share, compared with MEUR 34.4 and/or EUR 2.15 per share for the year 2006.

The Executive Board proposes to the Shareholders that a dividend of EUR 0.50 (2006: EUR 0.50) and a bonus of EUR 0.60 (2006: EUR 0.30), in total EUR 1.10 per share (following EUR 0.80 in 2006), should be paid. Therefore, total distribution amounts to MEUR 17.6 compared with MEUR 12.8 in the year before.



Capital resources and liquidity

Corresponding to profit development, the cash-flow from profit was also substantially improved from MEUR 47.1 in

2006 to MEUR 67.9 in the period under review. The main elements contributing to this figure were income after taxation amounting to MEUR 50.0 and depreciation and amortization of MEUR 16.8.

Cash-flow from operating activities arrived at MEUR 34.5 (2006: MEUR 24.8). The increased business volume led to further inventory growth. Additionally, the sales increase was combined with higher receivables. As a result, the net working capital went up by MEUR 23.5, from MEUR 75.9 to MEUR 99.4.

Cash-outflow from investing activities amounted to MEUR 60.9, following MEUR 25.4 in 2006. Expenditures for property, plant and equipment were MEUR 66.0 in 2007 (2006: MEUR 28.8), proceeds from the sale of fixed assets amounted to MEUR 5.2 (2006: MEUR 3.8).

These intensive investments in fixed assets are in line with the corporate strategy aimed at expanding the existing production capacities for organic growth.

Expenditures for property, plant and equipment for the business segment of high-precision components amounted to MEUR 37.8 (2006: MEUR 13.4) and concerned spendings made for the acquisition of real estate for Godwin-SBO L.P. and Knust-SBO Ltd. in Houston/USA, a production hall for Schoeller-Bleckmann Oilfield Technology GmbH & Co KG in Ternitz/Austria, and precision manufacturing equipment at all sites.

Expenditures for the business segment of oilfield supplies and services amounted to MEUR 25.9 (2006: MEUR 15.2). They were spent mainly for the acquisition of a rotary forging machine and deep-hole drilling machines for Schoeller-Bleckmann Oilfield Technology GmbH & Co KG in Ternitz/Austria and additions to the rental fleet of drilling motors of the companies BICO Drilling Tools Inc. in Houston/USA and BICO Faster Drilling Tools Inc. in Nisku/Canada.

Net debt as at 31 December 2007 was MEUR 51.6 following MEUR 15.7 as at 31 December 2006. The increase in net debt is a result of the above-mentioned capital expenditures and the rising net working capital.

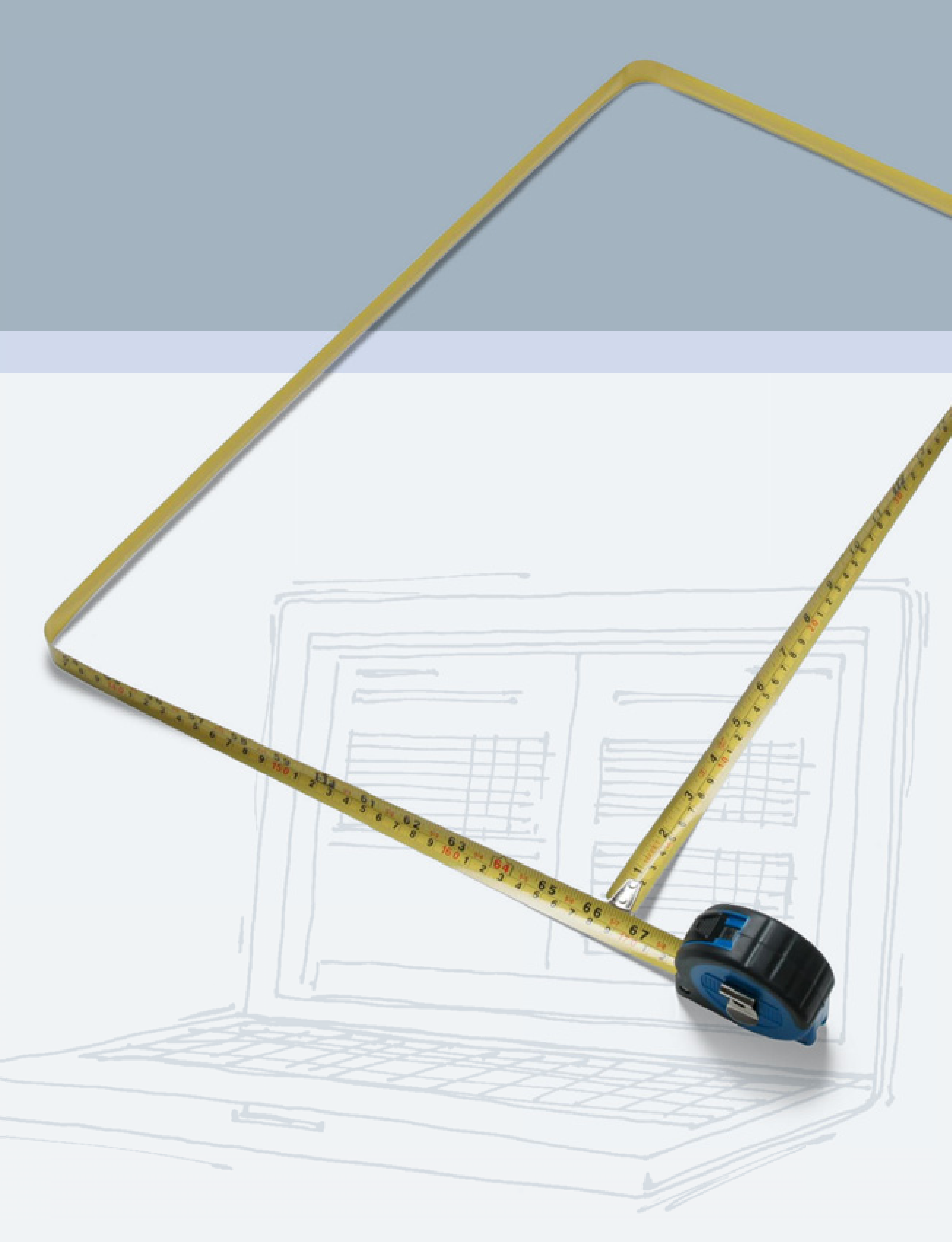
The gearing ratio, defined as net debt divided by shareholders' equity, was 26.6 % as at 31 December 2007 after 9.2 % in the year before.

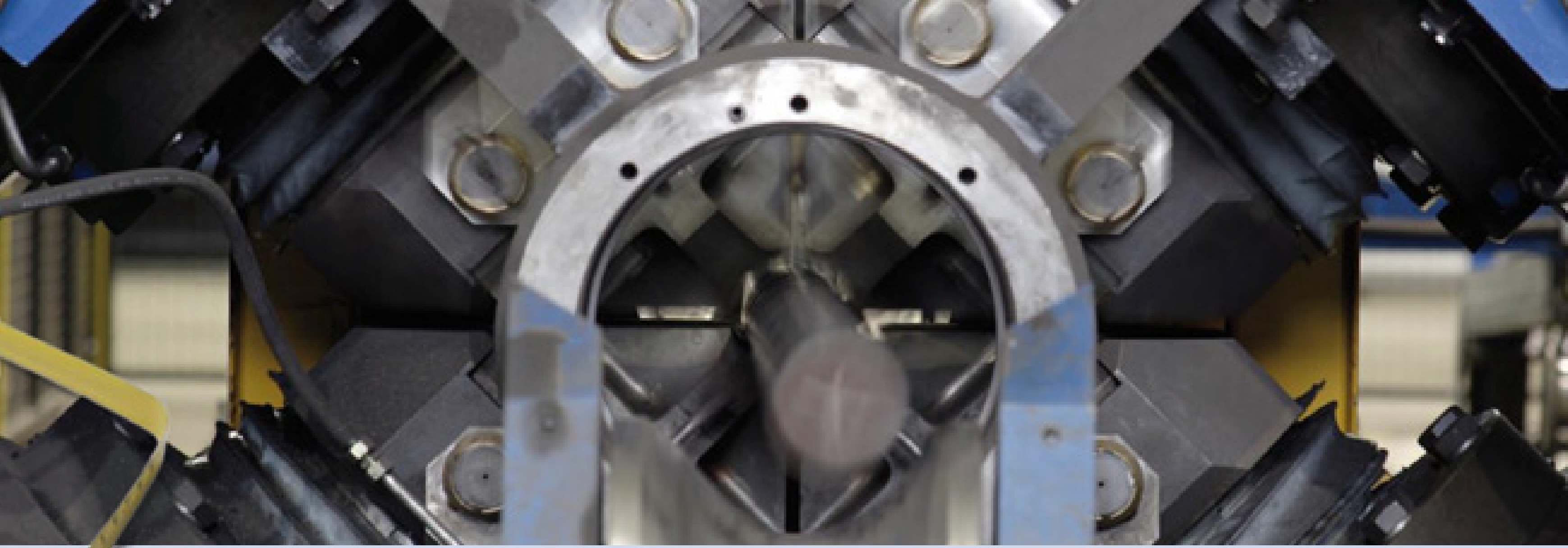
EVENTS AFTER THE BALANCE SHEET DATE

Please refer to Note 38, Financial Information, page 85.

ADDITIONAL INFORMATION ACCORDING TO SECTION 243A, AUSTRIAN COMMERCIAL CODE

Please refer to Note 20, Financial Information, page 68.





FINANCIAL INFORMATION

CONSOLIDATED BALANCE SHEET

ASSETS in TEUR		31.12.2007	31.12.2006
Current assets			
Cash and cash equivalents		23,916	40,850
Trade accounts receivable	Note 5	44,954	33,977
Other accounts receivable and prepaid expenses	Note 6	6,033	3,906
Inventories	Note 7	119,339	83,312
Total current assets		**194,242**	**162,045**
Non-current assets			
Property, plant & equipment	Note 8	116,709	76,666
Goodwill	Note 9	33,934	36,914
Other intangible assets	Note 9	277	412
Long-term investments	Note 10	0	1,507
Long-term receivables	Note 11	4,740	2,419
Deferred tax assets	Note 12	8,003	5,337
Total non-current assets		**163,663**	**123,255**
TOTAL ASSETS		**357,905**	**285,300**

CONSOLIDATED BALANCE SHEET

LIABILITIES AND SHAREHOLDERS' EQUITY in TEUR		31.12.2007	31.12.2006
Current liabilities			
Bank loans and overdrafts	Note 13	41,871	27,129
Current portion of long-term bank loans		3,516	3,847
Finance lease obligations	Note 8	0	328
Accounts payable trade		39,863	22,404
Subsidies received	Note 14	254	144
Income taxes payable		6,846	1,419
Other payables	Note 15	15,818	13,481
Other provisions	Note 16	8,397	7,935
Total current liabilities		**116,565**	**76,687**
Non-current liabilities			
Long-term bank loans	Note 17	30,079	26,802
Subsidies received	Note 14	1,175	687
Retirement benefit obligations	Note 18	3,382	3,497
Accounts payable trade		172	0
Other payables	Note 19	5,960	1,448
Deferred tax payables	Note 12	6,467	4,481
Total non-current liabilities		**47,235**	**36,915**
Shareholders´ equity			
Share capital	Note 20	16,000	16,000
Contributed capital		65,799	65,799
Legal reserve - non-distributable	Note 21	785	785
Other reserves	Note 22	50	58
Translation component		-32,177	-17,608
Revaluation reserve		0	248
Retained earnings		143,648	106,416
Total shareholders´ equity		**194,105**	**171,698**
TOTAL LIABILITIES AND SHAREHOLDERS´ EQUITY		**357,905**	**285,300**

CONSOLIDATED PROFIT AND LOSS STATEMENT

in TEUR		2007	2006
Sales	Note 23	**317,372**	**239,501**
Cost of goods sold	Note 24	-218,424	-167,195
Gross profit		**98,948**	**72,306**
Selling expenses	Note 24	-10,083	-9,385
General and administrative expenses	Note 24	-14,547	-12,086
Other operating expenses	Note 25	-7,290	-5,301
Other operating income		7,292	4,257
Income from operations before non-recurring items		**74,320**	**49,791**
Result from non-recurring restructuring measures	Note 26	1,790	-1,547
Income from operations after non-recurring items		**76,110**	**48,244**
Interest income		1,218	1,064
Interest expenses		-3,248	-2,282
Other financial income	Note 32	432	0
Other financial expenses	Note 32	-1,987	-219
Financial result		**-3,585**	**-1,437**
Income before taxation		**72,525**	**46,807**
Income taxes	Note 27	-22,501	-12,418
Income after taxation		**50,024**	**34,389**
Average number of shares outstanding		16,000,000	16,000,000
Earnings per share in EUR (basic=diluted)		**3.13**	**2.15**

CONSOLIDATED CASH-FLOW STATEMENT

in TEUR		2007	2006
Income after taxation		50,024	34,389
Depreciation and amortization		16,785	12,824
Change in retirement benefit obligations		-115	392
Gain (loss) from sale of property, plant and equipment		-307	-38
Gain (loss) from sale of investments and securities		290	10
Income from release of subsidies		-259	-172
Other non-cash expenses and revenues		2,059	1,130
Change in deferred taxes		-565	-1,429
Cash-flow from the profit		**67,912**	**47,106**
Change in accounts receivable trade		-14,682	-7,872
Change in other accounts receivable and prepaid expenses		-1,587	1,038
Change in inventories		-45,847	-30,347
Change in accounts payable trade		18,740	6,700
Change in other payables and accrued expenses		9,956	8,126
Cash-flow from operating activities	Note 36	**34,492**	**24,751**
Expenditures for property, plant & equipment		-65,975	-28,779
Expenditures for intangible assets		-97	-126
Expenditures for investments		0	-300
Proceeds from sale of fixed assets		3,585	3,656
Proceeds from sale of investments and securities		1,636	179
Cash-flow from investing activities	Note 36	**-60,851**	**-25,370**
Dividend payments		-12,800	-8,000
Subsidies received		906	342
Change in finance lease		-321	-226
Change in bank loans and overdrafts		16,284	3,627
Borrowings of long-term loans		8,917	14,281
Repayment of long-term loans		-4,236	-4,327
Cash-flow from financing activities	Note 36	**8,553**	**5,697**
Translation adjustment		2,851	963
Change in cash and cash equivalents		**-14,758**	**6,041**
Cash and cash equivalents at the beginning of the year		40,850	35,598
Effects of exchange rate changes on cash and cash equivalents		-1,845	-1,120
Revaluation effects on cash and cash equivalents		-331	331
Cash and cash equivalents at the end of the year	Note 36	**23,916**	**40,850**

Supplementary information on operating cash-flow		
Interest received	1,228	1,140
Interest paid	-3,191	-2,239
Income tax paid	-17,056	-11,409

STATEMENT OF SHAREHOLDERS' EQUITY

2007 in TEUR	Share capital	Contributed capital	Legal reserve	Other reserves	Revaluation reserve	Translation component	Retained earnings	Total
Note	20		21	22	32			
1 January 2007	**16,000**	**65,799**	**785**	**58**	**248**	**-17,608**	**106,416**	**171,698**
Currency translation shareholders´equity						-10,688		**-10,688**
Hedging of a net investment						557		**557**
Revaluation marketable securities					-331			**-331**
Currency translation other items[1]						-4,255		**-4,255**
Tax effect					83	-183		**-100**
Total income and expense for the year recognized directly in equity	0	0	0	0	-248	-14,569	0	**-14,817**
Income after taxation							50,024	**50,024**
Total income and expense for the year	0	0	0	0	-248	-14,569	50,024	**35,207**
Dividends[2]							-12,800	**-12,800**
Change in reserves				-8			8	**0**
31 December 2007	**16,000**	**65,799**	**785**	**50**	**0**	**-32,177**	**143,648**	**194,105**

[1] Mainly result from translation differences from net investments in foreign entities such as long-term receivables.
[2] The dividend payment in the year 2007 of TEUR 12,800 was distributed to a share capital of TEUR 16,000. Accordingly, the dividend per share amounted to EUR 0.80.

2006 in TEUR	Share capital	Contributed capital	Legal reserve	Other reserves	Revaluation reserve	Translation component	Retained earnings	Total
1 January 2006	**16,000**	**65,799**	**785**	**59**	**0**	**-7,939**	**80,026**	**154,730**
Currency translation shareholders´equity						-6,764		**-6,764**
Hedging of a net investment						779		**779**
Revaluation marketable securities					331			**331**
Currency translation other items[1]						-4,564		**-4,564**
Tax effect					-83	880		**797**
Total income and expense for the year recognized directly in equity	0	0	0	0	248	-9,669	0	**-9,421**
Income after taxation							34,389	**34,389**
Total income and expense for the year	0	0	0	0	248	-9,669	34,389	**24,968**
Dividends[2]							-8,000	**-8,000**
Change in reserves				-1			1	**0**
31 December 2006	**16,000**	**65,799**	**785**	**58**	**248**	**-17,608**	**106,416**	**171,698**

[1] Mainly result from translation differences from net investments in foreign entities such as long-term receivables.
[2] The dividend payment in the year 2006 of TEUR 8,000 was distributed to a share capital of TEUR 16,000. Accordingly, the dividend per share amounted to EUR 0.50.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

The Company's shares had been listed on the NASDAQ Europe in Brussels from 20 June 1997 to 30 June 2003. 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 2007 were prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, formerly International Accounting Standards (IAS), as adopted by the International Accounting Standards Board (IASB), as well as with the interpretations of the International Financial Reporting Interpretation Committee (IFRIC), formerly the Standard Interpretation Committee (SIC).

NOTE 3
Scope of consolidation

The consolidated financial statements as of 31 December 2007 comprise the accounts of SCHOELLER-BLECKMANN OILFIELD EQUIPMENT Aktiengesellschaft and its subsidiaries as follows:

Company	Location	Interest held in %
Schoeller-Bleckmann Drilling and Production Equipment GmbH	Ternitz, Austria	100
Schoeller-Bleckmann Oilfield Technology GmbH & Co KG	Ternitz, Austria	100
Schoeller-Bleckmann Oilfield Technology GmbH	Ternitz, Austria	100
Schoeller-Bleckmann Oilfield Investment GmbH	Ternitz, Austria	100
Schoeller-Bleckmann America Inc.	Wilmington, USA	100
B.K.G.P. Inc.	Wilmington, USA	100
B.K.L.P. Inc.	Wilmington, USA	100
Accudrill L.P.	Houston, USA	100
Bafco Investment Co.	Warminster, USA	100
Godwin-SBO L.P.	Houston, USA	100
Knust-SBO Ltd.	Houston, USA	100
Schoeller-Bleckmann Energy Services L.L.C.*	Lafayette, USA	100
Schoeller-Bleckmann Sales Co. L.P.	Houston, USA	100
BICO Drilling Tools Inc.*	Houston, USA	100
BICO Faster Drilling Tools Inc.	Nisku, Canada	100
Schoeller-Bleckmann de Mexico S.A. de C.V.	Monterrey, Mexico	100
Schoeller-Bleckmann de Venezuela C.A.	Anaco, Venezuela	100
SB Darron Pte. Ltd.	Singapore	100
Schoeller-Bleckmann Oilfield Equipment Middle East FZE	Dubai, U.A.E.	100
Darron Holdings Limited	Rotherham, UK	100
Darron Oil Tools Limited	Rotherham, UK	100
Darron Tool & Engineering Limited*	Rotherham, UK	100
Schoeller-Bleckmann Darron Limited*	Aberdeen, UK	100

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

In 2007, no changes in the scope of consolidated entities took place.

NOTE 4
Significant accounting policies

The accounting and valuation methods used by the Company remain unchanged from 31 December 2006:

- **Changes in accounting policies**

The following changes came into force on 1 January 2007, and were taken into account for the Financial Statements as of 31 December 2007 for the first time:

IFRS 7 Financial instruments – information: In compliance with the provisions of IRFS 7, which went into effect on 1 January 2007, additional information regarding financial instruments is provided for business years 2006 and 2007, however no change in the accounting policies is required.

IAS 1 – amendment: Additional capital disclosures.

The following changes came into force in 2007, but they were not relevant for the Company and had no influence on the consolidated financial statements, respectively:

- IFRIC 7: Financial Reporting in Hyperinflationary Economies
- IFRIC 8: Scope of IFRS2 – Share based payment
- IFRIC 9: Reassessment of embedded derivatives
- IFRIC 10: Interim financial reporting and impairment

For the year 2007 and as of 31 December 2007, no standards or interpretations were voluntarily adopted in advance by the Company:

IFRS 8 (Operating Segments) will presumably not change the segment reporting structure of SBO.

The amendment of IAS 23 (Borrowing Costs) has to be adopted for annual periods beginning on or after 1 January 2009. The Company will apply this standard accordingly. Borrowing costs will be capitalized for qualified assets from 1 January 2009 on. No changes will be made to borrowing costs, which were expensed in prior periods.

IAS 1 (Presentation of Financial Statements – Revised) will change only the presentation of the changes in equity but will not have any influence on the income after taxation or the equity of the Company.

IFRIC 11 (IFRS 2 – Group and Treasury Share Transactions), IFRIC 12 (Service Concession Arrangements), IFRIC 13 (Customer Loyalty Programs) and IFRIC 14 (IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction) will not have any influence on the financial statements of the Company

- **Materiality**

The recognition, measurement and disclosure as well as the combination of individual items of the balance sheet, the profit and loss statement, the cash flow statement and the non-owner movements in equity as well as the scope of the notes provided are guided by the principle of materiality.

Balance sheet date

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

Consolidation principles

Upon capital consolidation, the investments in the subsidiaries were offset against the equity of the respective entity in applying the purchase method of consolidation accounting in line with International Financial Reporting Standards.
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

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 2007 and 31 December 2007 reflects exchange rate differences in the amount of TEUR - 1,231 (2006: TEUR - 319).

For all subsidiaries with financial statements denominated in foreign currency, the local currency was used as the functional currency for the translation into Euros.

- 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:

1 EUR =	Balance sheet date		Average annual rate	
	31.12.2007	**31.12.2006**	**2007**	**2006**
USD	1.4730	1.3160	1.3706	1.2557
GBP	0.7365	0.6704	0.6845	0.6818
CAD	1.4460	1.5305	1.4689	1.4242
AED	5.4100	4.8550	5.0687	4.6357
MXN	16.0735	14.2279	15.0726	13.7861

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.

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.

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

All cash and financial investments with a residual term of up to 90 days from the date of receipt which are booked under line item Cash and cash equivalents are classified as liquid funds. They are measured at current value at the balance sheet date.

Marketable financial instruments

Marketable financial instruments are non-derivative financial assets which are not held for trading purposes. On the one hand, they include short-term investments which are summarized under liquid funds and therefore stated under Cash and cash equivalents. On the other hand they also include investment fund certificates which are classified under long-term financial assets. These investment fund certificates are quoted on liquid markets and are therefore sellable anytime.

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 Cash and cash equivalents, 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 loans 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, 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 various 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 directly in equity, 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 equity 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, 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.

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 materials, 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	4 - 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. Interest expenses are also expensed as incurred.

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.

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.

Deferred taxes

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 to be formed for tax loss carry forwards, provided these tax loss carry forwards can be consumed with future tax profits.

Subsidies received

Subsidies are recognized as a liability upon fulfillment of all requirements for the receipt of such grants. They are released over the useful life of the respective assets (other operating income).

Provisions

In accordance with IAS 37, provisions are stated in the amount that is necessary as of the balance sheet date, according to reasonable commercial standards, to cover future payment obligations, identifiable risks and contingent liabilities of the Company. The amount stated is the amount most likely to result from a careful consideration of the facts involved.

Retirement benefits

Austrian pension obligations
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 3,840 (2006: EUR 3,750)). For employees contributing 1 % of their annual salaries to the pension fund, the Company also contributes 1 %.

Other retirement plans
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.P., Schoeller-Bleckmann Sales Co. L.P., 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 Ltd. 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 2007 and 2006, 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. 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 1999-P by Pagler & Pagler and an interest rate of 5.0 % (2006: 4.0 %), an annual increase in salaries of 4.0 % (2006: 3.0 %) 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.

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. 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.

- **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 also expensed as incurred, but are not capitalized due to the uncertainties of the future economic benefits attributable to them. 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

The preparation of annual financial statements in conformity with generally recognized International Financial Reporting Standards (IFRS) requires estimates and assumptions 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.

For the yearly impairment test of goodwill, an estimate of the utility value 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 losses and other timing differences (see Note 12).

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).

NOTE 5
Trade accounts receivable

An analysis of past-due, not impaired 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
2007	44,954	28,223	9,583	3,939	1,327	1,122	759
2006	33,977	22,592	8,227	1,748	1,075	294	41

The allowance account reflects the following:

in TEUR	2007	2006
As of 1 January	361	519
Exchange differences	-47	-34
Usage	-12	-213
Reversal	-9	-67
Expensed additions	174	156
As of 31 December	**467**	**361**

The receivables listed are not secured.

NOTE 6
Other accounts receivable and prepaid expenses

An analysis of past-due, not impaired other receivables as of 31 December shows the following situation:

in TEUR	Carrying value		Not past-due and not impaired
	Other accounts receivable and prepaid expenses	Thereof receivables	
2007	6,033	5,496	5,496
2006	3,906	3,307	3,307

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 2007	31 December 2006
Raw materials	14,503	17,033
Work in progress	60,418	43,413
Finished goods	44,348	22,866
Prepayments	70	0
Total	**119,339**	**83,312**

Allowance expenses booked for 2007 were TEUR 3,388 (2006: TEUR 307).

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 2007 in TEUR	Land & buildings	Plant & machinery	Fixtures, furniture & equipment	Prepayments & assets under construction	Total
At cost					
1 January 2007	22,083	117,065	6,246	8,537	153,931
Exchange differences	-1,996	-8,353	-455	-161	-10,965
Additions	14,863	30,790	1,720	18,602	65,975
Transfers	1,114	12,588	93	-13,795	0
Disposals	-215	-8,904	-386	0	-9,505
31 December 2007	35,849	143,186	7,218	13,183	199,436
Accumulated depreciation					
1 January 2007	8,084	64,799	4,382	0	77,265
Exchange differences	-547	-4,005	-327	0	-4,879
Additions	1,016	14,737	815	0	16,568
Transfers	0	0	0	0	0
Disposals	-176	-5,680	-371	0	-6,227
31 December 2007	8,377	69,851	4,499	0	82,727
Carrying value					
31 December 2007	27,472	73,335	2,719	13,183	116,709
31 December 2006	13,999	52,266	1,864	8,537	76,666

Year 2006 in TEUR	Land & buildings	Plant & machinery	Fixtures, furniture & equipment	Prepayments & assets under construction	Total
At cost					
1 January 2006	23,433	106,991	5,914	7,415	143,753
Exchange differences	-1,123	-6,205	-213	-77	-7,618
Additions	452	20,652	929	6,746	28,779
Transfers	14	5,428	97	-5,539	0
Disposals	-693	-9,801	-481	-8	-10,983
31 December 2006	22,083	117,065	6,246	8,537	153,931
Accumulated depreciation					
1 January 2006	7,659	63,696	4,198	0	75,553
Exchange differences	-356	-3,063	-131	0	-3,550
Additions	917	10,945	736	0	12,598
Transfers	0	0	0	0	0
Disposals	-136	-6,779	-421	0	-7,336
31 December 2006	8,084	64,799	4,382	0	77,265
Carrying value					
31 December 2006	13,999	52,266	1,864	8,537	76,666
31 December 2005	15,774	43,295	1,716	7,415	68,200

The Company has manufacturing facilities in the following countries: USA, Austria, the UK and Mexico.
Service and maintenance, as well as marketing outlets, are maintained in the USA, Canada, Venezuela, the UK, Singapore, the UAE and Russia.

In 2007, non-recurring write-offs were made in the amount of TEUR 87 (2006: TEUR 68).
In 2007 and 2006 there were no write-ups.
As of 31 December 2007, commitments for capital expenditure amounted to TEUR 22,820 (2006: TEUR 13,968).

Finance Lease

The Company leases various properties under finance lease which, based upon the underlying contracts, are attributable to the group. The assets and liabilities under finance lease are recorded at the lower of the present value of the minimum lease payments or at the fair value of the asset. Depreciation of assets under finance lease was included in the depreciation expenses.

Interest expenditures on capitalized lease objects are based on an interest rate of 5.5 %. 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.

Plant and machinery held under finance lease are as follows:

in TEUR	31 December 2007	31 December 2006
Acquisition cost	0	1,343
Accumulated depreciation	0	-575
Carrying value	**0**	**768**

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

in TEUR	31 December 2007	31 December 2006
For the following year	0	328
Between one and five years	0	0
Total minimum lease commitments	0	328
Less discount	0	0
Present value	**0**	**328**

Operating lease

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

in TEUR	31 December 2007	31 December 2006
For the following year	921	746
Between one and five years	1,444	1,363
After five years	218	68

Payments for operating leases which were expensed in the current year, amounted to TEUR 904 in 2007 (2006: TEUR 687).

NOTE 9
Intangible assets

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

Year 2007 in TEUR	Goodwill	Other intangibles	Total
At cost			
1 January 2007	57,996	3,627	61,623
Exchange differences	-4,567	-328	-4,895
Additions	0	97	97
Disposals	0	-1	-1
31 December 2007	53,429	3,395	56,824
Accumulated amortization			
1 January 2007	21,082	3,215	24,297
Exchange differences	-1,587	-313	-1,900
Additions	0	217	217
Disposals	0	-1	-1
31 December 2007	19,495	3,118	22,613
Carrying value			
31 December 2007	33,934	277	34,211
31 December 2006	36,914	412	37,326

Year 2006 in TEUR	Goodwill	Other intangibles	Total
At cost			
1 January 2006	62,810	5,420	68,230
Exchange differences	-4,814	-341	-5,155
Additions	0	126	126
Disposals	0	-1,578	-1,578
31 December 2006	57,996	3,627	61,623
Accumulated amortization			
1 January 2006	22,791	4,872	27,663
Exchange differences	-1,709	-305	-2,014
Additions	0	226	226
Disposals	0	-1,578	-1,578
31 December 2006	21,082	3,215	24,297
Carrying value			
31 December 2006	36,914	412	37,326
31 December 2005	40,019	548	40,567

In the years 2007 and 2006, no non-recurring write-offs were made.

No write-ups were made in the years 2007 and 2006.

As of 31 December 2007, commitments for acquisitions of intangible assets amounted to TEUR 0 (31 December 2006: TEUR 0).

1. Goodwill

The valuation of the business units was computed by using their utility value, which is based on the estimated future cash flows and a risk free interest rate of 6 %. A detailed planning period of 3 years is used; 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, which in turn are derived from the budgets of the management.

The calculation of the cash flow is based on revenue expectations and planned capital expenditures. The value 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 2007 demonstrated that no write-down of goodwill was necessary. The goodwill set out in the balance sheet is mainly attributable to the following business units:

in TEUR	31 December 2007	31 December 2006
Knust-SBO Ltd.	13,921	15,582
Godwin-SBO L.P.	11,636	12,957
Schoeller-Bleckmann Oilfield Technology GmbH & Co KG	4,655	4,655
Darron Holdings Limited	3,675	3,675

2. Other intangible assets:

Other intangible assets are IT software as well as rights in non-compete agreements. Non-compete agreements were entered into with certain employees of Godwin Machine Works in 1998. The capitalized rights are being amortized over the life of the respective agreements, ranging from four to ten years.

NOTE 10
Long-term investments

Long-term investments comprise the following items:

in TEUR	31 December 2007	31 December 2006
Investment fund certificates	0	1,473
Pension funds and others	0	34
Total	**0**	**1,507**

Respective gains and losses are detailed in Note 32.

NOTE 11
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.

Other long-term receivables are those payable by customers.

in TEUR	31 December 2007	31 December 2006
Loans	4,421	1,873
Other receivables	319	546
Total	**4,740**	**2,419**

As there were no past-due receivables, no write-downs had to be made either as of 31.12.2007 or 31.12.2006. The other receivables are not secured.

NOTE 12
Deferred taxes

As of 31 December 2007, the Company had a net deferred tax asset of TEUR 1,536 (as of 31 December 2006: TEUR 856).
The components of the Company's deferred tax assets and deferred tax liabilities as of the balance sheet dates were as follows:

in TEUR	31 December 2007	31 December 2006
Fixed assets	-2,330	-4,181
Inventory	1,664	1,738
Other items	-75	-269
Not deductible accruals	2,608	2,795
Accruals (unrealized exchange losses)	-718	-481
Tax loss carry forward	387	1,254
Subtotal	1,536	856
Valuation allowances	0	0
Total	**1,536**	**856**

Not recognized are deferred tax assets in the amount of TEUR 2,126 (2006: TEUR 2,336) related to tax losses carried forward, because the exploitation of these losses could not be expected in the foreseeable future.
From the exploitation of tax losses the effective taxes in 2007 were reduced by TEUR 329.

NOTE 13

Bank loans and overdrafts

As of 31 December 2007, the short-term loan arrangements were as follows:

Currency	Amount in TEUR	Interest rate in %
USD loans	13,610	5.58 - 5.66 % variable
GBP loans	6,527	6.55 - 6.80 % variable
EUR loans	5,500	4.69 - 5.01 % variable
Subtotal	25,637	
Export promotion loans (EUR)	16,234	4.58 - 5.10 % variable
Total	**41,871**	

As of 31 December 2006, the short-term loan arrangements were as follows:

Currency	Amount in TEUR	Interest rate in %
USD loans	13,620	5.77 - 5.99 % variable
GBP loans	4,475	5.27 % variable
Subtotal	18,095	
Export promotion loans (EUR)	9,034	3.12 - 3.55 % variable
Total	**27,129**	

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 (2006: TEUR 10,114) to securitize these loans.

The USD borrowings due to banks in the amount of TEUR 13,610 (2006: TEUR 13,620) are collateralized by specific current assets of the Company ("floating charge").

NOTE 14
Subsidies received

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.

NOTE 15
Other payables

Other payables were as follows:

in TEUR	31 December 2007	31 December 2006
Vacation not yet used	1,247	1,148
Other personnel expenses	4,774	4,114
Invoices not yet received	2,530	2,820
Legal and other counseling fees	680	739
Taxes	2,316	2,243
Social expenses	875	705
Other payables	3,396	1,712
Total payables	**15,818**	**13,481**

NOTE 16
Other provisions

The following development was recorded for business year 2007:

in TEUR	31 Dec. 2006	Exchange Transl.	Usage	Reversal	Provision	31 Dec. 2007
Warranty/product liability	1,268	0	0	0	989	2,257
Restructuring	4,181	0	-452	-1,790	0	1,939
Other	2,486	-94	-965	0	2,774	4,201
Total	**7,935**	**-94**	**-1,417**	**-1,790**	**3,763**	**8,397**

Regarding the provision for restructuring, see Note 26.

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

As of 31 December 2007, long-term bank loans consisted of the following:

Currency	Amount in TEUR	Interest rate in %	Term	Repayment
EUR	706	5.69 % variable	2006 - 2015	semi-annually
EUR	2,825	3.99 % fixed	2006 - 2015	semi-annually
EUR	7,500	1.50 % fixed	2006 - 2012	semi-annually from 2009
EUR	3,500	3.54 % fixed	2006 - 2011	semi-annually
EUR	389	5.69 % variable	2006 - 2011	semi-annually
EUR	2,000	5.85% variable	2003 - 2010	2010
EUR	2,154	4.75 % fixed	2002 - 2009	semi-annually
EUR	923	4.80 % fixed	2002 - 2009	semi-annually
USD	1,046	6.35 % fixed	2003 - 2016	monthly
USD	4,073	5.92 % variable	2007 - 2013	quarterly
USD	2,037	5.61 % variable	2007 - 2013	quarterly
USD	6,442	4.12 % fixed	2003 - 2010	2010
	33,595			

The following borrowings were collateralized:

EUR-loans:
- TEUR 7,500 – Machinery pledged with a carrying-value of TEUR 12,622.

USD-loans:
- TEUR 1,046 – Mortgage on land and building with a carrying-value of TEUR 1,521;
- TEUR 6,110 – Pledge on particular assets (“floating charge”).

As of 31 December 2006, long-term bank loans consisted of the following:

Currency	Amount in TEUR	Interest rate in %	Term	Repayment
EUR	2,225	3.99 % fixed	2006 - 2015	semi-annually from 2008
EUR	556	4.54 % variable	2006 - 2015	semi-annually from 2008
EUR	7,500	1.00 % fixed	2006 - 2012	semi-annually from 2008
EUR	2,800	3.54 % fixed	2006 - 2011	semi-annually
EUR	1,200	4.54 % variable	2006 - 2011	semi-annually
EUR	2,000	4.70 % variable	2003 - 2010	2010
EUR	3,231	4.75 % fixed	2002 - 2009	semi-annually
EUR	1,385	4.80 % fixed	2002 - 2009	semi-annually
EUR	487	2.95 % fixed	2002 - 2008	semi-annually
EUR	1,000	3.65 % fixed	2003 - 2007	annually
USD	1,266	6.35 % fixed	2003 - 2016	monthly
USD	6,999	4.12 % fixed	2003 - 2010	2010
	30,649			

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

in TEUR	31 December 2007	31 December 2006
Severance payments	2,700	2,699
Jubilee payments for long service	679	787
Pension provision	3	11
Total	**3,382**	**3,497**

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

	2007	2006
Interest rate	5.0 %	4.0 %
Salary increases	4.0 %	3.0 %
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 during the business year has developed as follows:

in TEUR	2007	2006	2005	2004	2003
Present value of severance payments as of 1 January	2,699	2,443	2,008	1,956	1,836
Current service cost	169	151	118	121	126
Interest cost	107	109	107	104	97
Current severance payments	-513	-146	-161	-147	-91
Actuarial gain/loss during the year	238	142	371	-26	-12
Present value of the termination benefits as of 31 Dec.	**2,700**	**2,699**	**2,443**	**2,008**	**1,956**

The change in the actuarial assumptions resulted in no additional expenses for the year 2007.

Pension plans (defined contributions)

Payments made under the defined contribution plans (pensions and other providence funds) were expensed and amounted to TEUR 639 in 2007 (2006: TEUR 435).

NOTE 19
Other payables

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

Company	31 December 2007	31 December 2006
Schoeller-Bleckmann Energy Services L.L.C.	15.00 %	15.00 %
Schoeller-Bleckmann Darron Limited	8.35 %	8.35 %
Darron Tool & Engineering Limited	6.97 %	4.17 %
BICO Drilling Tools Inc.	15.00 %	0.00 %

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.

NOTE 20
Share capital

The share capital of the Company on 31 December 2007 as well as on 31 December 2006 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 19 April 2007 authorized the Management Board for a period of 18 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.

As of 31 December 2007, 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.

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	2007	2006
Sales of goods	290,102	217,489
Operating lease revenue	27,270	22,012
Total net sales	**317,372**	**239,501**

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):

in TEUR	2007	2006
Material expenses	187,341	122,953
Personnel expenses	67,629	57,840
Depreciation tangible assets	16,568	12,598
Amortization other intangibles	217	226

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 1,154 in 2007 and TEUR 1,178 in 2006.

NOTE 26
Result from non-recurring restructuring measures

In 2007, the following provisions posted in the previous years were reversed or used respectively:

Schoeller-Bleckmann de Venezuela C.A.:
An amount of TEUR 452 was used for expenses, which were incurred in the course of the termination of the business activities in 2007.

Schoeller-Bleckmann Darron Limited:
A notable improvement of the market in 2007 and the newly commenced long-term trading operations made the planned restructuring measures redundant, thereby effecting the reversal of provisions in the amount of TEUR 1,790.

In 2006, an amount of TEUR 1,547 was provided for the reorganization of the subsidiary Schoeller-Bleckmann de Venezuela C.A., planned to be executed in 2007. In addition, an amount of TEUR 133 was used for restructuring the management of Schoeller-Bleckmann Energy Services L.L.C. in 2006.

NOTE 27
Taxes on income

The components of income tax were as follows:

in TEUR	2007	2006
Current taxes		
Austria	-5,923	-4,519
U.S.	-14,072	-8,629
Other	-3,071	-699
Deferred taxes		
Austria	1,348	703
U.S.	455	167
Other	-1,238	559
Total	**-22,501**	**-12,418**

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

in TEUR	2007	2006
Income tax expense at a calculated tax rate of 25 %	-18,131	-11,702
Foreign tax rate differentials	-4,050	-1,307
Valuation of shareholdings	-674	202
Tax losses carried forward	329	703
Other differences	25	-314
Consolidated income tax expense	**-22,501**	**-12,418**
Consolidated tax rate	**310 %**	**26.5 %**

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 this reason, the primary segment reporting is displayed by geographical regions.

As the figures stated represent a summary of the single balance sheets and income statements of the consolidated companies, consolidation adjustments have to be allowed for in order to arrive at the consolidated figures shown.
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.

Primary segment information by region:

Year 2007 in TEUR	Europe	North America	Other regions	SBO-Holding & consolidation adjustments	SBO Group
Sales by origin					
External sales	68,181	234,875	14,316	0	317,372
Inter-company sales	105,843	21,538	1,555	-128,936	0
Total sales	174,024	256,413	15,871	-128,936	317,372
Operating income	30,655	46,620	2,973	-4,138	76,110
Attributable assets	149,478	200,355	12,354	-4,282	357,905
Attributable liabilities	88,004	108,714	4,430	-37,348	163,800
Capital expenditure	37,102	26,364	198	2,408	66,072
Depreciation & amortization	7,728	8,377	255	425	16,785
Thereof non-recurring write-offs	0	87	0	0	87
Head count (average)	504	588	58	18	1,168

Year 2006 in TEUR	Europe	North Amercia	Other regions	SBO-Holding & consolidation adjustments	SBO Group
Sales by origin					
External sales	40,783	186,280	12,438	0	239,501
Inter-company sales	59,415	13,524	1,197	-74,136	0
Total sales	100,198	199,805	13,635	-74,136	239,501
Operating income	18,540	31,554	2,569	-4,419	48,244
Attributable assets	91,758	161,646	10,311	21,585	285,300
Attributable liabilities	64,389	99,087	3,340	-53,214	113,602
Capital expenditure	13,877	14,456	340	232	28,905
Depreciation & amortization	4,462	7,680	442	240	12,824
Thereof non-recurring write-offs	68	0	0	0	68
Head count (average)	404	522	61	15	1,002

The secondary segment reporting by product is classified by the intended purpose of the goods and services. The following categories are used:

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.

Secondary segment reporting by product:

Year 2007 in TEUR	High-precision components	Oilfield supplies & services	Other sales	SBO-Holding & consolidation adjustments	SBO Group
External sales	196,508	119,276	1,588	0	317,372
Attributable assets	201,235	160,951	1	-4,282	357,905
Capital expenditure	37,785	25,879	0	2,408	66,072

Year 2006 in TEUR	High-precision components	Oilfield supplies & services	Other sales	SBO-Holding & consolidation adjustments	SBO Group
External sales	154,872	83,029	1,600	0	239,501
Attributable assets	160,645	103,069	1	21,585	285,300
Capital expenditure	13,447	15,226	0	232	28,905

NOTE 29
Remuneration for the management

The remuneration including bonuses for 2006 paid in 2007 for the Executive Board and the General Managers of the subsidiaries (total 13 persons) amounted to TEUR 3,304 (2006: TEUR 2,583). These amounts include the provisions for severance and jubilee payments amounting to TEUR 99 in 2007 and TEUR 51 in 2006.
The remuneration for the Supervisory Board amounted to TEUR 69 in the business year, which is a combination of a flat rate and a variable rate depending on the group´s results (2006: TEUR 25 flat rate only).
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 2008.

NOTE 30
Transactions with related parties

The following transactions with related but non-consolidated companies were carried out in 2007:

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 2007 amounted to TEUR 54 (2006: TEUR 36), thereof outstanding as of 31 December 2007 is TEUR 27 (31 December 2006 TEUR 0).

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 27,270 for 2007 and TEUR 22,012 for 2006.

NOTE 32
Financial instruments

IFRS distinguish between primary and derivative financial instruments.

Primary Financial Instruments

Primary financial instruments held by the Company are shown in the balance sheet. The amounts stated represent the maximum credit risk and risk of loss.
With regard to long-term financial investments, please see Notes 4 and 10.

Derivative Financial Instruments

1. Foreign currency receivables

The Austrian company hedges its net receivables and order backlog denominated in US 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 2007	Hedged receivables in TEUR	Receivables at effective date rates in TEUR	Present value in TEUR
USD	41,335	39,715	1,620

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

2. 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 2007 was TEUR 1,558. The change in value for the year was TEUR 557 (2006: TEUR 779), 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 **31.12.2007** **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	Derivates	Liquid funds	Accounts receivable trade	Loans	Bank & Lease obligations	Accounts payable trade	Other items
Current assets														
Cash and cash equivalents														
of which banks & cash	23,916	23,916							23,916					
of which short term investments	0													
Trade accounts receivable	44,954	44,954								44,954				
Other accounts receivable and prepaid expenses	6,033	3,877			1,620			1,620						3,877
Inventories	119,339													
Total current assets	**194,242**													
Non-current assets														
Property, plant & equipment	116,709													
Goodwill	33,934													
Other intangible assets	277													
Long-term investments	0													
Long-term receivables	4,740	4,740								257	4,421			62
Deferred tax assets	8,003													
Total non-current assets	**163,663**													
TOTAL ASSETS	**357,905**	**77,487**	**0**	**0**	**1,620**	**0**	**0**	**1,620**	**23,916**	**45,211**	**4,421**	**0**	**0**	**3,939**
Current liabilities														
Bank loans and overdrafts	41,871			41,871								41,871		
Current portion of long-term bank loans	3,516			3,516								3,516		
Finance lease obligations	0													
Accounts payable trade	39,863			39,863									39,863	
Subsidies received	254			254										254
Income taxes payable	6,846													
Other payables	15,818			15,818										3,396
Other provisions	8,397													
Total current liabilities	**116,565**													
Non-current liabilities														
Long-term bank loans														
of which primary liabilities	23,637			23,637								23,637		
of which hedging	6,442					6,442		6,442						
Finance lease obligations	0													
Subsidies received	1,175			1,175										1,175
Retirement benefit obligations	3,382													
Accounts payable trade	172			172									172	
Other payables	5,960			5,960										5,960
Deferred tax payables	6,467													
Total non-current liabilities	**47,235**													
Shareholders' equity														
Share capital	16,000													
Contributed capital	65,799													
Legal reserve - non-distributable	785													
Other reserves	50													
Translation component	-32,177													
Revaluation reserve	0													
Retained earnings	143,648													
Total shareholders' equity	**194,105**													
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**357,905**	**0**	**0**	**132,266**	**0**	**6,442**	**0**	**6,442**	**0**	**0**	**0**	**69,024**	**40,035**	**10,785**

FINANCIAL INSTRUMENTS 31.12.2006 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	Derivates	Liquid funds	Accounts receivable trade	Loans	Bank & Lease obligations	Accounts payable trade	Other items
Current assets														
Cash and cash equivalents														
of which banks & cash	25,749	25,749							25,749					
of which short term investments	15,101		15,101				15,101							
Trade accounts receivable	33,977	33,977								33,977				
Other accounts receivable and prepaid expenses	3,906	2,965			343			343						2,965
Inventories	83,312													
Total current assets	**162,045**													
Non-current assets														
Property, plant & equipment	76,666													
Goodwill	36,914													
Other intangible assets	412													
Long-term investments	1,507		1,507				1,507							21
Long-term receivables	2,419	2,419								525	1,873			
Deferred tax assets	5,337													
Total non-current assets	**123,255**													
TOTAL ASSETS	**285,300**	**65,110**	**16,608**	**0**	**343**	**0**	**16,608**	**343**	**25,749**	**34,502**	**1,873**	**0**	**0**	**2,986**
Current liabilities														
Bank loans and overdrafts	27,129			27,129								27,129		
Current portion of long-term bank loans	3,847			3,847								3,847		
Finance lease obligations	328			328								328		
Accounts payable trade	22,404			22,404									22,404	
Subsidies received	144			144										144
Income taxes payable	1,419													
Other payables	13,481			13,481										1,712
Other provisions	7,935													
Total current liabilities	**76,687**													
Non-current liabilities														
Long-term bank loans														
of which primary liabilities	19,803			19,803								19,803		
of which hedging	6,999					6,999		6,999						
Finance lease obligations	0													
Subsidies received	687			687										687
Retirement benefit obligations	3,497													
Accounts payable trade	0													
Other payables	1,448			1,448										1,448
Deferred tax payables	4,481													
Total non-current liabilities	**36,915**													
Shareholders' equity														
Share capital	16,000													
Contributed capital	65,799													
Legal reserve - non-distributable	785													
Other reserves	58													
Translation component	-17,608													
Revaluation reserve	248													
Retained earnings	106,416													
Total shareholders' equity	**171,698**													
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**285,300**	**0**	**0**	**89,271**	**0**	**6,999**	**0**	**6,999**	**0**	**0**	**0**	**51,107**	**22,404**	**3,991**

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:

in TEUR	2007		2006	
	Carrying value	Present value	Carrying value	Present value
Assets				
Trade receivables	45,211	45,211	34,502	34,502
Lendings	4,421	4,421	1,873	1,873
Other line items	3,939	3,939	2,986	2,986
Liabilities				
Borrowings from banks and finance lease obligations	-69,024	-68,529	-51,107	-50,513
Trade payables	-40,035	-40,035	-22,404	-22,404
Other line items	-10,785	-10,785	-3,991	-3,991

The respective market values have been used to determine the present values of the marketable securities (i.e., securities available for selling) and the derivative financing instruments. For assessing the present value of borrowings and leasing obligations, the expected cash-flows have been discounted using market interest rates.

Regarding bank 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, they 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 2007 in TEUR	Allowance	Revaluation		Deletion/Disposal		Net result
		P/L	Equity	P/L	Equity	
Loans and receivables	-165	-	-	-	-	-165
Assets available for sale	-	-	-	406	-331	75
Other financial obligations	-	-	-	-	-	-
Derivate instruments	-	1,277	-	-	-	1,277
Hedging transactions	-	-	557	-	-	557

Year 2006 in TEUR	Allowance	Revaluation		Deletion/Disposal		Net result
		P/L	Equity	P/L	Equity	
Loans and receivables	-89	-	-	-	-	-89
Assets available for sale	-	-	331	-	-	331
Other financial obligations	-	-	-	-	-	-
Derivate instruments	-	343	-	-	-	343
Hedging transactions	-	-	1,001	-	-	1,001

Following the sale of securities in 2007, TEUR 331 (2006: TEUR 0) previously stated in equity were recognized in the profit and loss statement.

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.

The three dominant service companies in the market (Schlumberger, Halliburton, Baker Hughes) accounted for 63 % of all sales worldwide in 2006 and for 65 % in 2007.

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.

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.

Due to the strong global demand for raw materials, SBO was faced with the risk of delivery problems due to the lack of certain semi-finished products during the reporting period. As a result of the new purchasing policy, the stockpiling of certain specialty alloys in the U.S. and intensified cooperation with a major supplier, those risks were identified and minimized early on.

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 payables due to banks and trade payables.

In addition, the Company also uses derivative financial tools 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 60 % 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 SBO 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. The models have remained unchanged for all years stated.

in TEUR	**2007**		**2006**	
Changes in EURO - US dollar rate	**+10 cents**	**-10 cents**	**+10 cents**	**-10 cents**
Change in profit before taxes	-8,548	9,893	-5,828	6,837
Change in equity	-7,170	7,949	-7,226	8,416

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 bank borrowings (approximately 75 %) 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 bank 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 profit 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	**2007**		**2006**	
Change in basic points	**+10**	**+20**	**+10**	**+20**
Change in profit before taxes	-23	-46	-10	-20

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 11).

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 2007 in TEUR	Due at call	2008	2009	2010	2011 cont'd
Payables due to banks	44,096	4,688	7,259	7,426	11,311
Lease obligations	-	-	-	-	-
Trade payables	-	39,863	172	-	-
Other payables	-	15,818	-	-	-
Derivative instruments	-	265	265	6,575	-

31 December 2006 in TEUR	Due at call	2007	2008	2009	2010 cont'd
Payables due to banks	28,452	4,552	3,615	5,529	12,628
Lease obligations	-	328	-	-	-
Trade payables	-	22,404	-	-	-
Other payables	-	13,481	-	-	-
Derivative instruments	-	288	288	288	7,143

Other financial market risks

These risks primarily refer to share prices and stock indexes.
The marketable securities (i.e. securities available for sale) which were sold in 2007, refers to shares in investment funds, which in turn were primarily invested in money markets and bonds. Therefore share prices and stock indexes had only marginal impact on the value of these investments.

- **Capital management**

It is a paramount goal of our 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 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.

NOTE 34
Contingencies

No contingencies existed as of the balance sheet dates 31 December 2007 and 31 December 2006.

NOTE 35
Other commitments

Apart from operating lease commitments and commitments for capital expenditure, no further commitments existed as of the balance sheet date (see Note 8).

NOTE 36
Cashflow statement

The cash flow statement of the Company and its subsidiaries displays the change of cash and cash equivalents in the reporting year as a result of inflows and outflows of resources.
The liquid fund 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
Personnel

The total average number of employees was as follows:

	2007	**2006**
Blue collar	933	802
White collar	235	200
	1,168	**1,002**

NOTE 38
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 39
Proposed dividend

The Executive Board proposes to the shareholders that a dividend of EUR 0.50 per share (2006: EUR 0.50) plus a bonus of EUR 0.60 per share (2006: EUR 0.30), in total EUR 1.10 per share should be paid.
Thus, the total distribution amounts to TEUR 17,600 compared to TEUR 12,800 in 2006.

MANAGEMENT INFORMATION

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

Committees of the Supervisory Board:
Remuneration Committee:
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

STATEMENT BY THE EXECUTIVE BOARD REGARDING COMPLIANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS WITH IFRS RULES

The Executive Board hereby declares that the consolidated financial statements present fairly, in all material respects, the financial position of Schoeller-Bleckmann Oilfield Equipment Aktiengesellschaft and the results of its operations as of 31 December 2007, and that International Financial Reporting Standards (IFRSs) as adopted by the EU were complied with in full.

Ternitz, 20 February 2008

Ing. Gerald Grohmann   Mag. Franz Gritsch
Members of the Executive Board

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT

We have audited the accompanying consolidated financial statements of SCHOELLER-BLECKMANN OILFIELD EQUIPMENT Aktiengesellschaft, Ternitz, for the financial year from 1 January 2007 to 31 December 2007. These consolidated financial statements comprise the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended 31 December 2007, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

The Company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of 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

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 in accordance with International Standards on Auditing, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the 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 financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 present fairly, in all material respects, the financial position of the group as of 31 December 2007, and of its financial performance and its cash flows for the financial year from 1 January 2007 to 31 December 2007 in accordance with International Financial Reporting Standards as adopted by the EU.

Report on Other Legal and Regulatory Requirements

Laws and regulations applicable in Austria require us to perform audit procedures whether the consolidated management report is consistent with the consolidated financial statements and whether the other disclosures made in the consolidated management report do not give rise to misconception of the position of the group.

In our opinion, the consolidated management report for the group is consistent with the consolidated financial statements.

Vienna, 20 February 2008

ERNST & YOUNG
WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT MBH

Mag. Brigitte Frey & Mag. Karl Fuchs
(Auditors)

REPORT OF THE SUPERVISORY BOARD ON THE 2007 BUSINESS YEAR

During the 2007 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 2007 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 2007 were examined by Ernst & Young Wirts chaftsprüfungsgesellschaft m.b.H., Vienna. According to their unqualified audit certification, the accounts, the Annual Accounts for the 2007 business year and the 2007 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 2007 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 10 March 2008, the Supervisory Board approved the Annual Accounts for the 2007 business year, the Consolidated Financial Statements as at 31 December 2007, the proposal for the distribution of profits and the Status Report combined with the Consolidated Status Report presented by the Managing Board.

Ternitz, 10 March 2008

Norbert Zimmermann
Chairman of the Supervisory Board

MEMBERS OF THE BOARDS AND CORPORATE INFORMATION

EXECUTIVE BOARD

Gerald Grohmann
President and CEO

Franz Gritsch
Executive Vice-president and CFO

SUPERVISORY BOARD

Norbert Zimmermann
Chairman

Peter Pichler
Deputy Chairman

Helmut Langanger
Karl Samstag
Karl Schleinzer

CORPORATE INFORMATION

Schoeller-Bleckmann Oilfield Equipment AG
Hauptstrasse 2, A-2630 Ternitz, Austria
phone: (+43) 2630 315 100, fax: (+43) 2630 315 101
e-mail: info@sbo.co.at

BICO Drilling Tools Inc.
3040 Greens Road, Houston, Tx 77032, USA
phone: (+1) 281 590 6966, fax: (+1) 281 590 2280
e-mail: sales@bicodrilling.com

BICO Faster Drilling Tools Inc.
2107 – 7th Street, Nisku, AB T9E 7Y3, Canada
phone: (+1) 780 955 5969, fax: (+1) 780 955 4707
e-mail: bud@bicofaster.com

Darron Tool & Engineering Ltd.
West Bawtry Road, Rotherham S60 2XL,
South Yorkshire, UK
phone: (+44) 1709 722 643, fax: (+44) 1709 722654
e-mail: groberts@darron-sbo.com

Godwin-SBO L.P.
28825 Katy-Brookshire Road, Katy, Tx 77494, USA
phone: (+1) 281 371 5400, fax: (+1) 281 371 5424
e-mail: mcorliss@godwin-sbo.com

Knust-SBO Ltd.
3110 Dunvale, Houston, Tx 77063, USA
phone: (+1) 713 785 1060, fax: (+1) 713 953 4580
e-mail: knustsbo@knust.com

SB Darron Pte. Ltd.
14 Gul Street 3, Singapore 629268
phone: (+65) 6861 4302, fax: (+65) 6861 4556
e-mail: robert@sbdarron.com.sg

Schoeller-Bleckmann Darron Ltd.
Howe Moss Terrace, Kirkhill Industrial Estate, Dyce,
Aberdeen AB21 0GR, UK
phone: (+44) 1224 799 600, fax: (+44) 1224 770 156
e-mail: operations@sbdl.co.uk

Schoeller-Bleckmann Darron Ltd.
Industrial Zone, Panel XI, Noyabrsk, 629800, Yamala
Nenetsky Autonomous, Region, Russian Federation
phone: (+7) 3496 344576, fax: (+7) 3496 343062
e-mail: sbdrussia@mail.ru

Schoeller-Bleckmann Energy Services L.L.C.
713 St. Etienne Road, P.O. Box 492, Lafayette,
La 70518-0492, USA
phone: (+1) 337 837 2030, fax: (+1) 337 837 4460
e-mail: david@sbesllc.com

Schoeller-Bleckmann Oilfield Equipment
Middle East FZE
P.O. Box 61327, Jebel Ali Free Zone, Dubai, U.A.E.
phone: (+971) 4883 4228, fax: (+971) 4883 4022
e-mail: robert@sboe.ae

Schoeller-Bleckmann Oilfield Technology GmbH & Co. KG
Hauptstrasse 2, A-2630 Ternitz, Austria
phone: (+43) 2630 315 0, fax: (+43) 2630 315 401
e-mail: w.radko@sbo.co.at

Schoeller-Bleckmann Sales Co. L.P.
11525 Brittmoore Park Drive, Houston, Tx 77041, USA
phone: (+1) 713 856 6500, fax: (+1) 713 856 6565
e-mail: bill@sbsaleshouston.com

Schoeller-Bleckmann de Mexico S.A. de C.V.
517-5 Calle C, Parque Industrial Almacentro, Apodaca,
66600 Monterrey, Nuevo Leon, Mexico
phone: (+52) 81 1344 3343, fax: (+52) 81 1344 3346
e-mail: alfred100@sbmex.com

Schoeller-Bleckmann de Venezuela C.A.*
Apartado No. 54, Anaco, Edo. Anzoàtegui, Venezuela

* Activities ceased midyear

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.

Carbon Capture and Storage (CCS)
The purpose of CCS is to reduce CO_2 emissions from fossil fuels used for power generation. In the process, carbon dioxide (CO_2) generated in the combustion of fossil energy is separated and stored.

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

LNG (liquefied natural gas)
Liquefied natural gas is natural gas that has been converted to liquid form by cooling it to – 161°C (110 K) for ease of storage or transport. One volume of this liquid takes up only about 1/600th of the volume of natural gas.

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)

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

For additional information please contact:

Schoeller-Bleckmann Oilfield Equipment AG
A-2630 Ternitz/Austria, Hauptstrasse 2

phone.:	+43 2630 315 100
fax:	+43 2630 315 101
e-mail:	info@sbo.co.at
Internet:	http://info.sbo.at

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