HIGHLIGHTS

- Sales 1-6/2007 up 31.2 % to MEUR 150.8
- Profit before tax 1-6/2007 up 59.1 % to MEUR 33.9
- Boom in the oilfield service industry continues
- Strategic investment programme according to plan

LETTER TO OUR SHAREHOLDERS 1-6/2007

SCHOELLER
BLECKMANN
OILFIELD
EQUIPMENT

GENERAL MARKET ENVIRONMENT

The positive market environment within the oilfield service industry continued unabated in the first half of 2007, as the worldwide favourable overall conditions turned out to be extremely stable. According to the OECD (Organisation for Economic Co-Operation and Development), global economic growth will be 2.5 % in 2007, with most of the dynamic growth again occurring in the emerging markets. The vivid demand for energy in the booming economies of those countries, in particular in Asia, but also in the robust economies of the industrialized nations are driving the demand for oil and gas as the prime energy sources.

At the same time, declining production rates of existing oil fields and the lack of additional production – in particular in non-OPEC countries – have substantially slowed down production capacity growth. As a consequence, international drilling activities and, with them, favourable market conditions are maintained, provided that the global economy remains strong.

According to estimates of the International Energy Agency (IEA) global demand for oil in the first half of 2007 averaged 85.0 million barrels per day (mbpd), a year-on-year increase of around 1 %. For full 2007, worldwide demand for oil is estimated at 86.0 mbpd, and 88.2 mbpd for 2008. The sustained strong demand for oil was reflected in the high oil price level. The average price of the West Texas Intermediate (WTI) brand fluctuated between USD 54.6/barrel in January 2007 and USD 67.5/barrel in June 2007 – a 23.7% rise in only six months. In July 2007 the oil price climbed to a record USD 74.2/barrel for 2007.

International oil companies kept their capital expenditures high so as to cover the expected additional demand for oil in the future. The earnings situation of the oil companies in combination with the current oil price support the positive investment cycle.

As a consequence, capacities of the international oilfield service companies are fully booked at the moment, adding further momentum to the demand for oilfield service tools.

BUSINESS DEVELOPMENT

Demand for products of Schoeller-Bleckmann persisted throughout the first half of 2007. The slightly lower booking level of the first quarter of 2007 was followed by the expected sharp rise to MEUR 95.0 (MEUR 83.6 in the second quarter of 2006), which was also markedly above the quarterly sales volume of MEUR 80.0 (MEUR 62.3 in the second quarter of 2006). Accumulated bookings in the first half of the year stood at MEUR 162.4 (MEUR 160.7 in the first half of 2006) and concerned all segments and regions alike. SBO's Service & Supply Shops also ran at above-average capacity.

Year-on-year group sales in the first half of 2007 rose by 31.2 % to MEUR 150.8. This increase is mainly due to the new production capacities commissioned in the past months, which are part of the current strategic investment programme. Moreover, price quality was again improved. Profit before tax went up 59.1 % to total MEUR 33.9, following MEUR 21.3 in the same period of last year. Similarly, the EBIT margin again climbed from an already excellent 19.3 % in the first half of 2006 to 23.4 % in the first half of 2007. The EBIT margin in the second quarter of 2007 climbed to the record level of 24.2 %, following 20.5 % in the second quarter of 2006.

Production in the MWD/LWD Components segment operated at full capacity at all sites. Supply of raw materials was ensured by concluding long-term delivery contracts and coordinated stockpiling of special alloys.

The increased production output of the MWD/LWD Components segment was accomplished mainly by the new forge at Ternitz, which had gone onstream in the first half of 2007. Although this plant is a prototype, its start-up performance was problem-free and the nominal capacity was achieved only a few weeks after commissioning. This new forge was set up at a cost of around MEUR 10 and helped removing a critical bottleneck within the production chain of large-volume, MWD/LWD components at the Ternitz site.

In the drilling motors segment, business developed quite satisfactorily in the first half of 2007, as demand both for the new high-performance „Spiro Star" motor and all other products of SBO's subsidiary BICO was vivid. Last year's expansion of the fleet of drilling motors (the drilling motor business is mainly leasing-based) had come at the right time.

In the first half of 2007, operating activities of SBO's Service & Supply Shop in Venezuela were discontinued due to the unstable economic and political situation. As sales in Venezuela recently accounted for less than one percent of SBO's total sales volume, this decision will have no perceptible impact on the business development of the group.

The company's headcount was increased to 1175 employees in the second quarter of 2007, following 1086 as at 31 December 2006 and 1000 in the second quarter of 2006. Most of the new recruits were hired at Ternitz.

CAPITAL EXPENDITURE

The strategic investment programme stepped up two years ago and currently worth approx. MEUR 150 is implemented according to plan.
Aggregate additions to fixed assets in the first half of 2007 were MEUR 34.8 - following MEUR 12.7 in the first half of 2006 - and were used mainly for expanding the Ternitz production site. Fol-

lowing completion of the new forge, the capex focus now is on a new production facility at Ternitz, which is built in close cooperation with some key customers; multi-year framework contracts have already been concluded to ensure full plant utilisation. The new production plant is scheduled to go onstream in the first quarter of 2008.

Other major capex projects were capacity expansions at the North American and Mexican sites, mainly aimed at increasing the production capacity.

Purchase commitments as at 30 June 2007 for further additions to the production equipment amounted to MEUR 21.0 (MEUR 18.3 as at 30 June 2006).

RISK MANAGEMENT REPORT

Business risks of Schoeller-Bleckmann did not change substantially in the first half of 2007 compared to the 2006 financial statements. We refer to the risks mentioned in the Annual Report 2006, in particular with regard to the USD/EUR currency risk, and recommend that the semi-annual financial statements for 2007 be read in conjunction with the Annual Report 2006.

THE SBO SHARE

The SBO share showed a new record performance in the first half of the year. The SBO share ended at a closing price of EUR 51.63 on 30 June 2007. Compared to the closing price as at 31 December 2006 of EUR 34.76, this was an increase of 48.5 %. The peak price (intraday) in the first six months of 2007 was EUR 57.00.

On 24 July 2007, Schoeller-Bleckmann was advised that the share held in the nominal capital of SBO by Polish investment fund company BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. as at 17 July 2007 had risen to 5.002 %.

OUTLOOK

The strong demand for oil will continue over the second half of 2007, provided that the global economic development remains unchanged. In our opinion, the recently very high oil price level at present is mainly driven by demand and less by speculation. The pressure to continuously step up production in the major oil-producing countries will be maintained, as oil production in economically and politically unstable regions such as Iraq or West Africa has not met expectations.

As for the oilfield service industry and SBO, this means sustained stability of the overall economic environment throughout the second half of 2007, as reflected in the mid-2007 order backlog of MEUR 243.3 (MEUR 179.1 at the 2006 semi-annual balance sheet), up 35.8% year-on-year despite of capacity expansions. A large part of most recent bookings have already been scheduled for fiscal 2008.

SBO expects the excellent business development to continue throughout full 2007. Only further deterioration of the USD/EUR exchange rate could have a negative effect on the earnings situation, but chances are very likely that the record result of the previous year may once again be surpassed in 2007.

OTHER STATEMENTS

The Interim Report as at 30 June 2007 has been prepared in accordance with the principles of the International Financial Reporting Standards (IFRS), provisions for interim financial reporting (IAS 34). The accounting and valuation methods of 31 December 2006 have been applied unchanged. In this regard, we refer to the Consolidated Financial Statements as at 31 December 2006. No changes in the scope of consolidated entities took place in the interim period ended 30 June 2007.

The Executive Board declares that the semi-annual financial statements of SBO, which have been prepared according to the International Financial Reporting Standards (IFRS), to the best of its knowledge, give a true and fair view of the net assets, financial position and results of operations of all entities included in consolidation.

Similarly, the Semi-Annual Management-Report gives a true and fair view of the net assets, financial position and results of operations of SBO and provides information about the business development and effect of existing or future risks on the business operations of SBO.

This Semi-Annual Financial-Report of the SBO group has neither been audited nor reviewed by independent accountants. The business development of SBO is not subject to any seasonal influences. No important events have occurred after the semi-annual balance sheet date.

Ternitz, August 2007

Gerald Grohmann
Chairman of the
Executive Board, CEO

Franz Gritsch
Member of the
Executive Board, CFO

PROFIT AND LOSS STATEMENT

	6 months ended		3 months ended	
	30.06.2007 TEUR	30.06.2006 TEUR	30.06.2007 TEUR	30.06.2006 TEUR
Sales	**150,809**	**114,924**	**80,030**	**62,347**
Cost of goods sold	-103,407	-81,169	-54,815	-43,238
Gross profit	**47,402**	**33,755**	**25,215**	**19,109**
Selling expenses	-5,204	-4,637	-2,659	-2,339
General and administrative expenses	-6,865	-6,093	-3,599	-3,114
Other operating expenses	-2,377	-3,703	-1,047	-2,353
Other operating income	2,359	2,846	1,486	1,481
Income from operations	**35,315**	**22,168**	**19,396**	**12,784**
Interest income	**517**	336	365	190
Interest expenses	**-1,347**	-1,140	-706	-621
Other financial income	**577**	0	99	0
Other financial expenses	**-1,117**	-34	-972	-10
Financial result	**-1,370**	**-838**	**-1,214**	**-441**
Income on ordinary activities before taxation	**33,945**	**21,330**	**18,182**	**12,343**
Income taxes	-9,459	-5,939	-5,161	-3,434
Income after taxation	**24,486**	**15,391**	**13,021**	**8,909**
Average number of shares outstanding	16,000,000	16,000,000	16,000,000	16,000,000
Earnings per share in EUR (basic = diluted)	1.53	0.96	0.81	0.56

STATEMENT OF SHAREHOLDERS' EQUITY

31 DECEMBER 2006 - 30 JUNE 2007	in TEUR
Equity at 31 December 2006	171,698
Income after taxation	24,486
Dividend	-12,800
Currency translation adjustments	-2,490
Other changes	-248
Equity at 30 June 2007	**180,646**

31 DECEMBER 2005 - 30 JUNE 2006	in TEUR
Equity at 31 December 2005	154,730
Income after taxation	15,391
Dividend	-8,000
Currency translation adjustments	-6,962
Other changes	0
Equity at 30 June 2006	**155,159**

BALANCE SHEET

ASSETS	30.06.2007 TEUR	31.12.2006 TEUR
Current assets		
Cash and cash equivalents	23,859	40,850
Trade accounts receivable	46,584	33,977
Other accounts receivable and prepaid expenses	5,658	3,906
Inventories	102,814	83,312
Total current assets	**178,915**	**162,045**
Non-current assets		
Property, plant & equipment	100,894	76,666
Goodwill	36,188	36,914
Other intangible assets	329	412
Long-term investments	1,462	1,507
Long-term receivables	5,483	2,419
Deferred tax assets	7,083	5,337
Total non-current assets	**151,439**	**123,255**
TOTAL ASSETS	**330,354**	**285,300**

LIABILITIES AND SHAREHOLDERS´ EQUITY	TEUR	TEUR
Current liabilities		
Bank loans and overdrafts	45,064	27,129
Current portion of long-term bank loans	4,305	3,847
Finance lease obligations	0	328
Accounts payable trade	31,936	22,404
Subsidies received	110	144
Income taxes payable	3,762	1,419
Other payables	13,382	13,481
Other accruals	9,915	7,935
Total current liabilities	**108,474**	**76,687**
Non-current liabilities		
Long-term bank loans	26,528	26,802
Long-term finance lease obligations	0	0
Subsidies received	686	687
Retirement benefit obligations	3,572	3,497
Other payables	5,617	1,448
Deferred tax payables	4,831	4,481
Total non-current liabilities	**41,234**	**36,915**
Shareholders´ equity		
Share capital	16,000	16,000
Contributed capital	65,799	65,799
Legal reserve - non-distributable	785	785
Other reserves	54	58
Translation component	-20,098	-17,608
Revaluation reserve	0	248
Retained earnings	118,106	106,416
Total shareholders´ equity	**180,646**	**171,698**
TOTAL LIABILITIES AND SHAREHOLDERS´ EQUITY	**330,354**	**285,300**

CASH FLOW STATEMENT

	6 months ended 30.06.2007 TEUR	30.06.2006 TEUR
Cash and cash equivalents at beginning of year	40,850	35,598
Cash earnings	31,616	23,242
Cash flow from operating activities	10,193	11,583
Cash flow from investing activities	-32,578	-12,236
Cash flow from financing activities	5,275	1,053
Other changes	119	-480
Cash and cash equivalents at end of period	**23,859**	**35,518**

SEGMENT INFORMATION

in TEUR	Europe	North America	Other regions	SBO-Holding & Consolidation	Group
1-6/2007					
Sales	76,352	125,045	6,832	-57,420	150,809
Operating income	15,005	23,415	1,416	-4,521	35,315
1-6/2006					
Sales	50,864	96,195	6,596	-38,731	114,924
Operating income	8,726	14,858	1,040	-2,456	22,168

DIVIDEND PAID

	Total amount MEUR	Number of shares (ordinary shares)	Per share EUR
For the business year 2006 paid in 2007	12.8	16,000,000	0.80
For the business year 2005 paid in 2006	8.0	16,000,000	0.50

- Schoeller-Bleckmann Oilfield Equipment AG is the global market leader in high-precision components for the oilfield service industry.
- The business focus is on non-magnetic drillstring components for high-tech directional drilling.
- Worldwide, the company employs a workforce of 1175 (end of 2006: 1086), 350 at Ternitz/Austria and 607 in North America (including Mexico).

For additional information please contact
Schoeller-Bleckmann Oilfield Equipment AG
A-2630 Ternitz/Austria, Hauptstraße 2
phone: +43 2630 315 110
fax: +43 2630 315 101
e-mail: info@sbo.co.at
Internet: http://info.sbo.at