Annual Report 2011

SCHOELLER
BLECKMANN
OILFIELD
EQUIPMENT

THE DEMAND SUPPLY STORY

CONTENTS

FINANCIAL HIGHLIGHTS

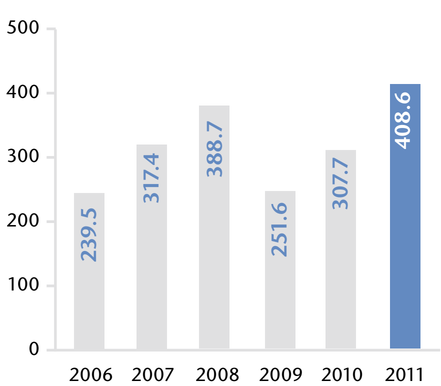
in MEUR

	2011	2010	2009	2008	2007	2006
Sales	408.6	307.7	251.6	388.7	317.4	239.5
Profit from operations	90.2	49.4	28.2	88.0	76.1	48.2
Earnings before Interest, Taxes, Depreciation and Amortization	125.0	85.1	61.5	114.2	92.9	61.1
Profit after tax	53.4	27.3	15.3	58.8	50.0	34.4
Earnings per share[1] (in EUR)	3.33	1.71	0.96	3.69	3.13	2.15
Total assets	620.0	561.6	425.5	443.3	357.9	285.3
Share capital	16.0	16.0	15.9	15.9	16.0	16.0
Shareholders' equity	314.8	267.1	229.8	226.2	194.1	171.7
Return on capital employed (in %)[2]	26.8	16.7	9.8	32.2	35.1	27.4
Dividend per share (in EUR)	1.20[3]	1.0	0.50	0.75	1.10	0.80
Number of shares outstanding at year end	15,960,116	15,960,116	15,880,116	15,880,116	16,000,000	16,000,000

[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 + Bonds + Bank loans and overdrafts + Long-term loans + Finance lease obligations – Cash and cash equivalents
[3] proposed

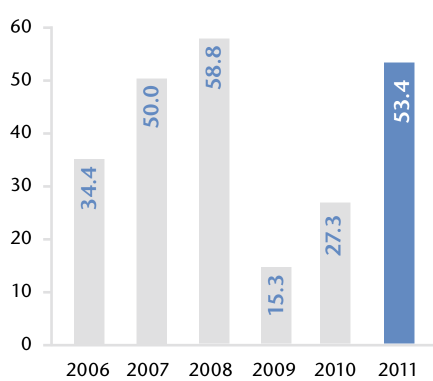
SALES

in MEUR



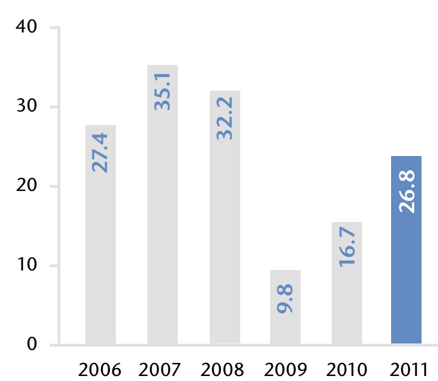
PROFIT AFTER TAX

in MEUR



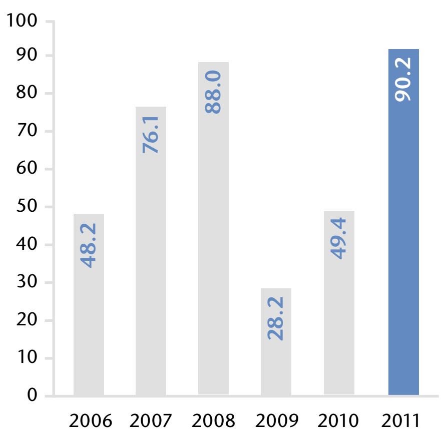
RETURN ON CAPITAL EMPLOYED

in Percent



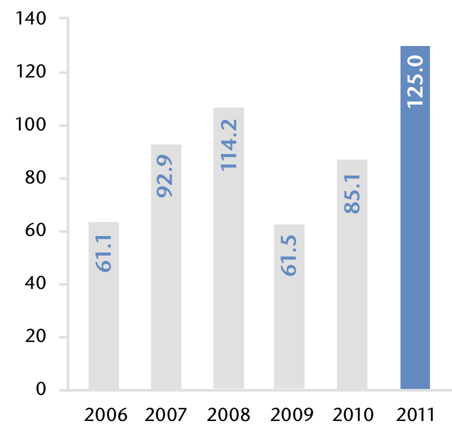
PROFIT FROM OPERATIONS

in MEUR



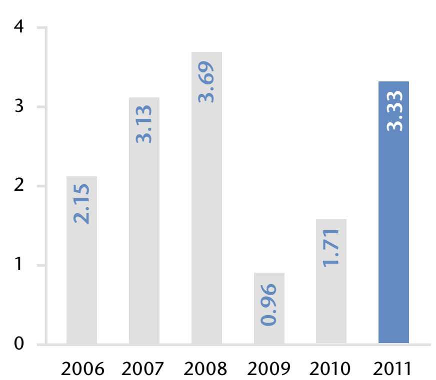
EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION

in MEUR



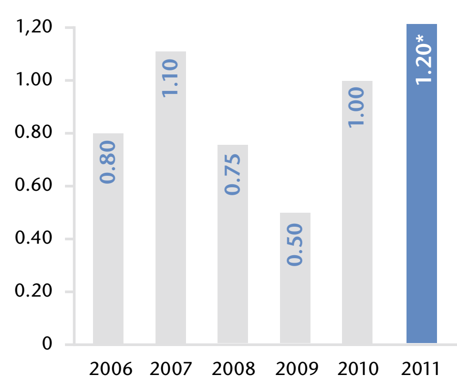
EARNINGS PER SHARE

in EUR



DIVIDEND PER SHARE

in EUR



*proposed

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Annual Report 2011

AN ENTERPRISE FOR THE FUTURE

Company Profile

Schoeller-Bleckmann Oilfield Equipment AG (SBO) is the global market leader in high-precision components for the oilfield service industry. The business focus is on producing non-magnetic drillstring components for directional drilling, which is used for applications such as deepwater, ultra deepwater and shale drilling.

Directional drilling is a technology to deviate wells for precisely targeting oil and gas reservoirs that are not directly located below the drilling rig, and is also used for continuous control, monitoring and adjustment of the drilling process. As a result, directional drilling ensures higher recovery factors from oil and gas fields and thus increased well productivity.

This is why directional drilling is the key technology for tapping future reservoirs. Directional drilling needs high-tech precision tools. SBO provides the key components and contributes to covering the rising global energy demand – and with it the demand for oil and gas – in the decades ahead.

One of SBO's core business segments is the sector of high-precision components (MWD/LWD). These tools are installed at the bottom of the drillstring and are used to steer the drill bit based on permanent surveys made during drilling, such as inclination and azimuth (MWD) or petrophysical parameters (LWD).

SBO's core business also comprises production and distribution of drilling motors and drilling tools as well as special tools for downhole circulation applications used in oil and gas wells. Additionally, SBO offers customers an extensive range of after-sales services. It was primarily the field of high-tech repair where new technologies and application procedures were developed to optimise product functionality and service life.

Schoeller-Bleckmann Oilfield Equipment AG solves highly complex tasks, offers customised products and, as a leader in terms of quality and technology, has set the industry benchmark over many years. As a result, SBO counts the major oilfield service companies among its customers and has established itself as market leader.

SBO is present at all major hubs of the global oilfield service industry and accompanies customers when they head for new regions. Providing added value to customers is both the starting point and target of the business activities of Schoeller-Bleckmann Oilfield Equipment AG. Leadership in technology, quality and innovation combined with a market-oriented growth strategy, high productivity, flexibility and a long-term strategic investment policy, form the foundation on which the proven track record of Schoeller-Bleckmann Oilfield Equipment AG is built.

Schoeller-Bleckmann Oilfield Equipment AG

GROUP SALES: MEUR 408.6 | HEADCOUNT: 1,459

NORTH AMERICA

Total Sales: MEUR 320.4 | Headcount: 635

- **Knust-SBO L.L.C.**
  Houston, TX/USA
- **Godwin-SBO L.L.C.**
  Houston, TX/USA
- **BICO Drilling Tools Inc.**
  Houston, TX/USA
- **BICO Faster Drilling Tools Inc.**
  Nisku, Canada
- **Schoeller-Bleckmann Energy Services L.L.C.**
  Broussard, LA/USA
- **Schoeller-Bleckmann Sales Co. L.L.C.**
  Houston, TX/USA
- **Schoeller-Bleckmann de Mexico, S.A. de C.V.**
  Monterrey, Mexico

EUROPE

Total Sales: MEUR 197.7 | Headcount: 653

- **Schoeller-Bleckmann Oilfield Technology GmbH**
  Ternitz, Austria
- **Darron Tool & Engineering Ltd.**
  Rotherham, UK
- **Schoeller-Bleckmann Darron Ltd.**
  Aberdeen, UK
- **Techman Engineering Ltd.**
  Chesterfield, UK

OTHER

Total Sales: MEUR 42.1 | Headcount: 171

- **Schoeller-Bleckmann Oilfield Equipment Middle East FZE**
  Dubai, U.A.E.
- **DSI FZE**
  Dubai, U.A.E.
- **SB Darron Pte. Ltd.**
  Singapore
- **Knust-SBO Far East Pte. Ltd.**
  Singapore
- **Schoeller-Bleckmann Oilfield Equipment Vietnam L.L.C.**
  Binh Duong, Vietnam
- **Schoeller-Bleckmann Darron Ltd.**
  Noyabrsk, Russia
- **Schoeller Bleckmann do Brasil, Ltda.**
  Macae, Brazil

Non-operative holding companies are not shown
Headcount per 31 December 2011
Total Sales: Year Ending 31 December 2011, not consolidated

Highlights 2011

Q 1

- Positive industry cycle despite unrest in Arab world
- Sound bookings level provides basis of satisfying business development
- SBO share reaches annual high of EUR 70.56 on 30 March 2011

Q 2

- Significant sales increase and strong profit improvement due to sustained strong bookings level
- SBO wins Vienna Stock Exchange Award 2011 in the ATX category
- WTI crude price climbs to annual high of USD 113.39 on 29 April 2011
- SBO presents itself to international analysts and investors on Capital Markets Days 2011

Q 3

- Strong business development maintained despite global economic cooldown
- Energy hunger of emerging markets drives global demand for oil and gas
- Robust oil price backs spending in exploration and production projects
- SBO order backlog remains significantly above previous year's level

Q 4

- Industry cycle remains unaffected by economic slowdown in second half of the year
- Bookings climb to MEUR 460.5 in 2011, the highest-ever level in the company's history
- Knust-SBO Far East goes operational as planned in Singapore
- All relevant key performance indicators were significantly improved in 2011 from fiscal 2010

GROWING ENERGY DEMAND

When global energy consumption takes off,
oil and gas ensure a safe landing.

GUEST COMMENT

Oil and Gas Remain at the Core of the Global Energy Economy

Dr. Fatih Birol, Chief Economist, International Energy Agency (Paris)

Dr. Fatih Birol is the Chief Economist of the International Energy Agency. He oversees the annual World Energy Outlook which is recognised as the most authoritative source for global energy analysis and projections. He is also the founder and chair of the IEA Energy Business Council which brings together leaders of some of the world's largest energy companies and policymakers to seek solutions to global energy challenges. Dr. Birol has been named by Forbes Magazine as one of the most influential people on the world's energy scene. He is a member of the UN Secretary- General's ‚High-level Group on Sustainable Energy for All' and the Chairman of the World Economic Forum's (Davos) Energy Advisory Board. Throughout his career, he has been awarded from many governments and institutions for his outstanding contribution to the profession.

Advancing global prosperity depends in no small part on the ability of the energy industry to provide affordable, reliable and clean energy supplies. This task has always been complicated by the interaction of numerous factors that are difficult to predict. Today, perhaps more than ever, the energy industry is confronted by very pressing uncertainties – over the outlook for the world economy and policy frameworks – that cloud strategies and investment decisions.

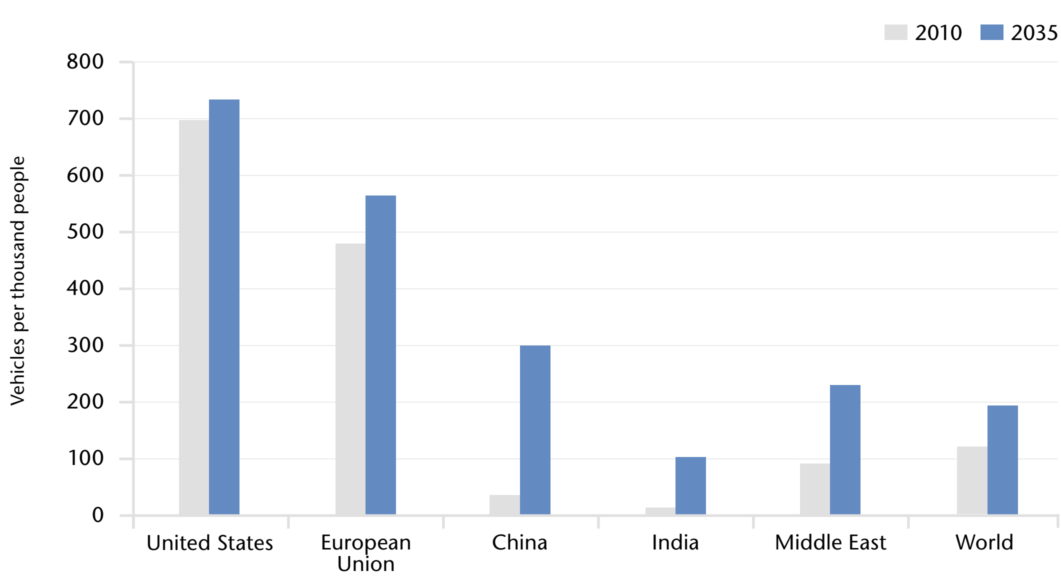
The World Energy Outlook, the flagship publication of the International Energy Agency, provides quantitative analysis of global energy and climate trends out to 2035. In doing so, it offers insights into the risks and opportunities that face the energy industry. An important theme of the report is that there is no single 'energy of the future'. In addition to wisely managing demand growth, we will need a robust supply of energy that incorporates a portfolio of sources. This will require action by governments to set policy frameworks that are clear and durable. While such frameworks remain unsettled in many countries, current energy and environmental policies (and additionally, several cautious assumptions about further measures that may yet be implemented) allow us to make projections about the pathway on which we are headed.

Even with uncertainty over the prospects for short-term economic growth, world energy demand is expected to increase by a third between 2010 and 2035. During this time, the dynamics of energy markets will increasingly be determined by decisions taken in Beijing and New Delhi, which will be the centre of gravity for demand growth. Oil and gas will continue to be pillars of the global energy economy, accounting for 27% and 23% of primary energy demand, respectively, in 2035. But while oil and gas demand needs will quickly rise, resources will become more challenging to produce because of both technical and above-ground factors.

DEMAND FOR MOBILITY DRIVES FORWARD DEVELOPMENT OF COSTLIER OIL

Rapidly increasing demand for mobility in the emerging economies will underpin higher rates of vehicle ownership – we project that by 2035 the world's passenger vehicle fleet will double in size, to 1.7 billion – and drive strong oil demand growth. In 2035, we expect oil demand to exceed 99 mb/d. This figure could be considerably higher without improvements in vehicle fuel economy, substitution by biofuels and gradually rising use of alternative vehicles powered by electricity or natural gas. Of these countervailing trends, the pace of vehicle fuel efficiency improvement will be the most decisive for the extent of future oil demand growth, as the possibilities for substituting oil as a transportation fuel remain limited. Moreover, greater numbers of cars are expected to be built and sold in non-OECD countries than in OECD countries within the next decade, meaning that the transportation policies of non-OECD countries will have the greatest impact on the rate of oil demand growth.

PASSENGER LIGHT-DUTY VEHICLE OWNERSHIP IN SELECTED MARKETS

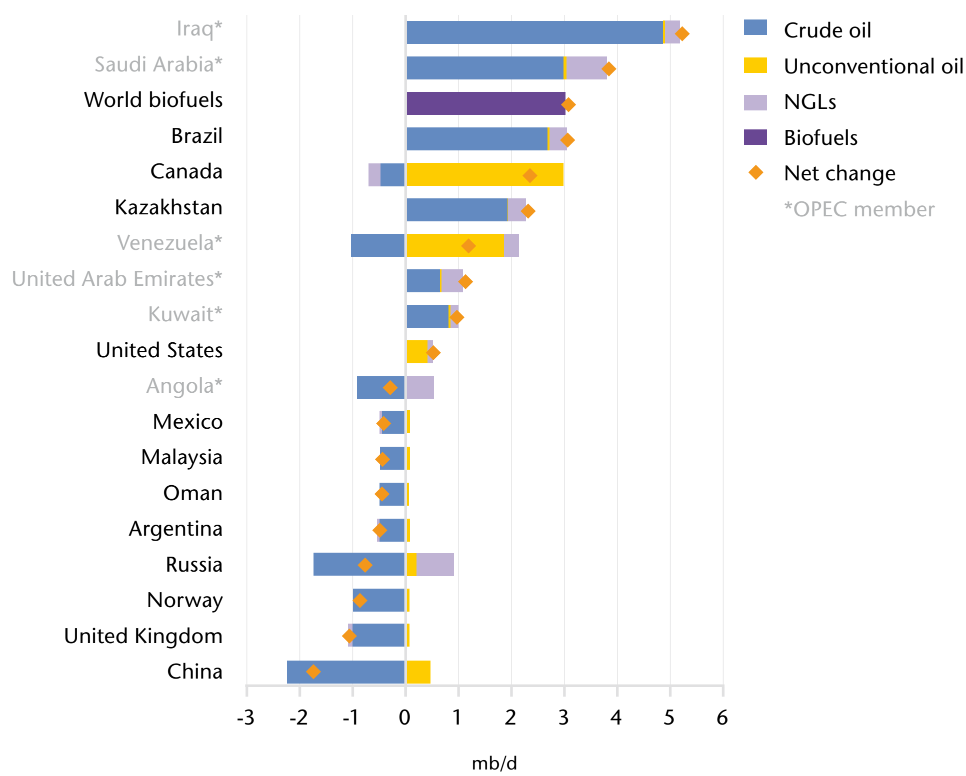


Industry must not only satisfy additional oil demand, but replace existing production capacity that will be lost due to natural decline: by 2020, 17 mb/d of gross oil production capacity will need to be added just to offset the decline in fields operating in 2010; by 2035, this amount balloons to 47 mb/d, roughly equivalent to twice the current oil output of all OPEC countries in the Middle East. We estimate that $9 trillion in cumulative upstream oil investment will be required over the next 25 years. In aggregate, OPEC countries account for all of the increase in global oil production between 2010 and 2035. But because the potential for output growth is concentrated in the Middle East and North Africa, the supply picture is particularly vulnerable to underinvestment that might be caused by increased perceptions of risk or shifting policy priorities in the region following the recent 'Arab Spring'.

Meeting future oil demand needs will necessitate a shift toward resources that are more difficult to access and produce, and are therefore costlier. There are many opportunities for new oil production, even in non-OPEC countries (however these largely help to offset declines elsewhere). Supported by a massive investment program, development of Brazil's deepwater pre-salt discoveries should boost the country's total output by an additional 3 mb/d in 2035. This is one of the largest increments in oil production likely to occur outside of OPEC countries. Production from the deepwater Gulf of Mexico is anticipated to resume growth, albeit with more cautious regulations in place following the Deepwater Horizon disaster, and contribute to a net increase in US oil supply. Technology innovation and higher prices are also unlocking new resources. These include light tight oil, which is already having a large impact in the United States and has significant upside beyond existing plays, as well as frontier opportunities like the Arctic.

Unconventional oil represents a vital source of additional supply between today and 2035. Production from Canada's oil sands rises by about 3 mb/d in our projections, accounting for another of the largest growth increments outside of OPEC countries. While debate about the environmental risks associated with oil sands development continues, industry and government are seeking ways to reduce the environmental footprint, such as in-situ extraction techniques. In Venezuela's Orinoco belt, investment by several foreign companies promises to raise extra-heavy oil production by almost 2 mb/d. Gas-to-liquids and coal-to-liquids represent other sources of unconventional oil that are small today but poised to account for steadily larger volumes of supply.

MAJOR CHANGES IN LIQUIDS SUPPLY 2010-2035



Natural gas liquids (NGLs) represent a key source of oil production growth over the next 25 years, amounting to more than 18 mb/d worldwide in 2035. The surge in NGLs output is fuelled by higher gas output, reduced gas flaring and a shift to wetter gas production in some countries.

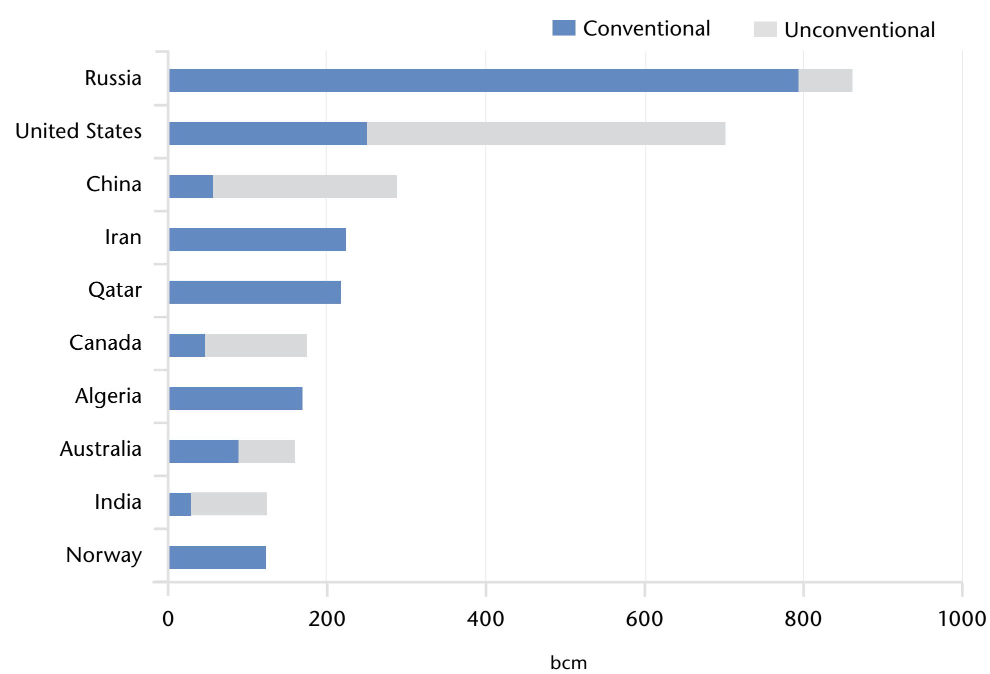
UNCONVENTIONALS CREATE BRIGHT PROSPECTS FOR NATURAL GAS

For natural gas, the successful exploitation of unconventional resources in the previous few years has flipped many former expectations about its future on their head. On both the supply and demand sides, there are strong indications that a bright future, even a golden age, is ahead.

Whereas global uncertainties afflicting the energy sector pose risks for many fuels and technologies, these can be seen as opportunities for natural gas. When it replaces other fossil-fuels, natural gas can lead to lower emissions of greenhouse gases and local pollutants. Because it remains a less utilized fuel in many regions, it can help to diversify energy supply and thus bolster energy security. As more variable power generation capacity comes online (wind and solar being intermittent resources), gas-fired power plants can provide important system flexibility and back-up capacity. Gas is also a particularly attractive for regions that are urbanising and seeking to satisfy rapid growth in energy demand, namely China, India and the Middle East – the key centres of new energy consumption over the next 25 years. Taking account of these considerations and a bullish supply picture, we expect that global demand for natural gas will grow more quickly than for most other fuels through 2035 (save some forms of renewable energy that grow from a very small base). By 2035, it will nearly overtake coal as the second most utilised energy source, behind oil.

The outlook for natural gas demand is buttressed by increasingly positive developments on the supply side. The resource base is vast and widely dispersed geographically. Conventional recoverable resources are equivalent to more than 120 years of current global consumption, while total recoverable resources could sustain today's production for over 250 years. Based on recent data, we estimate recoverable unconventional resources – shale gas, tight gas and coalbed methane – to be as large as conventional resources, largely thanks to the application of horizontal drilling, hydraulic fracturing and other technologies that have unlocked these once uneconomic resources. In some regions, these resources are hardly unconventional any longer (they currently make up about 60% of marketed production in the United States, for instance). We expect unconventional resources to make up about one-fifth of total global natural gas production in 2035, which is boosted to 4.75 trillion cubic metres. The dominant gas producers are Russia and the United States, although output from unconventional sources puts China, Canada and Australia among the world's leading producers.

THE WORLD'S LARGEST NATURAL GAS PRODUCERS 2035



IMPLICATIONS FOR THE OILFIELD SERVICES INDUSTRY

For the oil and gas industry, these trends indicate an exciting yet challenging landscape ahead. While oil and gas remain core components of global energy economy, their geographic location and geology, along with the prevailing economic conditions and regulatory environment, make their production more complex. Oilfield services companies are bound to play a key part in their development, and we can point to several major opportunities for the industry.

First, the customer base of the oilfield services industry may increasingly shift from international oil companies and independents to national oil companies (NOCs) that control the lion's share of the world's proven oil and natural gas reserves (particularly outside of Europe and North America). NOCs are a different set of actors with widely varied technical capabilities and strategic objectives (for example, they may also have a role in meeting domestic social needs). By working with oilfield services companies, many of which possess valuable experience in operations around the world, NOCs can improve their own capabilities without sacrificing control of their resources.

Second, the end of easy oil (and gas) and move toward more difficult-to-extract resources will require expertise to maximize output from declining fields and unlock new frontiers. From improved recovery programs to innovative drilling and well stimulation techniques that have freed new resources such as shale gas and tight oil, the oilfield services industry possesses important technologies and experience to do both. The need for such expertise is bound to proliferate as low-cost conventional resources are exhausted. And, while promising, the development of many unconventional resources to their full potential is not guaranteed. The extent of their future production depends in large part on our ability to mitigate associated environmental risks. For the oilfield services industry, this presents further opportunities to develop new technologies or new methods for applying existing technologies that minimize air pollution (including greenhouse gas emissions) and the water and land footprints of oil and gas operations.

MOVING AHEAD WITH INVESTMENTS

While the global energy sector may face large uncertainties in the near future given the state of the global economy and policy frameworks, we can be sure that emerging economies will drive demand for oil and gas ever higher while supplies will become more difficult to produce in the decades ahead. In this context, policymakers and industry leaders must redouble their efforts to overcome the challenges that they share.

At the heart of policymaking is the difficult task of balancing the sometimes conflicting goals of ensuring that energy supplies are affordable, reliable and clean, while providing the energy industry with a stable framework that allow it to confidently make large, long-term investments. Investment requirements for upstream oil and gas are daunting, at more than $15 trillion between now and 2035. With the volume of technologies and services required to access new oil and gas resources likely increase, there will be further opportunities for the oilfield services industry to develop lower-cost tools that help bring new energy resources to world markets.

The statements made in this comment are based on the views expressed by Dr. Fatih Birol, Chief Economist, International Energy Agency (Paris) , and do not necessarily reflect the views of the management of Schoeller-Bleckmann Oilfield Equipment AG and/or one of its affiliated companies.

LEADERSHIP

Preface of the Executive Board

Dear shareholders and business partners,

The 2011 financial year was a highly successful one for our company, as it not only followed seamlessly on the continued upwards development observed in the preceding 2010 business year, but also outperformed the previous record year of 2008 in terms of bookings, consolidated sales and earnings before interest and taxes.

Bookings worth MEUR 460.5 reached a new record level in 2011. Compared to MEUR 358.6 in fiscal 2010 this represents an increase of 28.4 %.

Consolidated sales also improved in 2011 to MEUR 408.6, or by as much as 32.8 % (MEUR 307.7) from 2010. As a result, earnings before interest and taxes (EBIT) went to MEUR 90.2 in 2011, significantly increasing by 82.7 % from 2010 (MEUR 49.4). Profit before tax also climbed from MEUR 42.9 in 2010 to MEUR 78.2 in 2011, thus rising by 82.5 %.

Essentially, this successful business outcome is based on three pillars: the positive market development, Schoeller-Bleckmann Oilfield Equipment AG's successful positioning in the market and the structure and organisation of our company.

Market development is mainly characterised by the interaction of supply and demand. While demand for energy – and hence for oil and gas – is growing worldwide, exploration of future reservoirs and provision of oil and gas is becoming more and more challenging.

It is primarily the energy hunger for oil and gas in the emerging markets that has left its mark on demand in 2011, although China's dynamic growth was slowing down towards the end of the year. However, neither this nor weakening growth in the Western industrialised nations had any sustained negative effect on energy demand in the second half of 2011.

On the supply side, 2011 was marked by political changes in North Africa and unrest in the Middle East. However, production losses in Libya were offset by existing OPEC spare capacity, keeping the oil price from climbing to excessive levels, which might have dampened the economy.

This overall supply and demand environment left its stamp on the business cycle in the oilfield service industry throughout 2011, which is why the sector performed better than most other branches of industry. As the major oil companies banked on strong medium- to long-term demand for oil and gas and a robust oil price, exploration and production activity was intense in 2011. Moreover, there was still pent-up demand to cover, since the major oil companies had cut on spending in 2009 and 2010 in the wake of the economic crisis.

Our company turned out to have established a perfect strategic position to meet the challenges of that market situation. The balanced mix of organic growth, selective acquisitions and ongoing technological developments again proved its worth in 2011, as we asserted our global market leadership in high-precision components for the oilfield service industry. In keeping with the growing demand in the oilfield service industry, SBO was ramping up capacities by flexible production management so as to fully meet customer requests.

„Bookings, consolidated sales and earnings before interest and taxes reached record levels in 2011."

Besides that, acquisition of Drilling Systems International Ltd. (DSI) in 2010 added new and attractive products to our portfolio. The positive effect of DSI's successful integration into the SBO distribution structure made itself felt already in 2011. The new generation of high-performance drilling motors made by our subsidiary BICO were the right products to introduce into the dynamically growing market for drilling motors in North America at the right time.

Oil and gas will remain the core energy sources in the next decades. What is needed, however, is a sufficient level of E&P (exploration and production) spending, exemplified by the brisk drilling activity in North America in 2011, where the rig count went from an average 2,108 units in December 2010 to 2,483 units in December 2011 (up 18 %). A large part of that drilling activity is attributable to exploration of oil and gas reservoirs in shale formations. The US, for instance, in 2005 started to dramatically reduce its dependence on imported gas by increased shale gas exploration and production. In future, the US will most likely turn from a gas importing country to a self-sufficient producer and even gas exporter. Owing to the robust oil price, oil drilling activities, and in particular shale oil drilling, were stepped up in the US. At the end of 2011, the share of oil drilling wells in the US accounted for as much as 60 % (in 2008 only for 20 %).

State-of-the-art exploration and production methods allow to unlock reservoirs that would have been technologically impossible and inefficient to tap only ten years ago. SBO drilling motors and SBO high-tech equipment for directional drilling have made a key contribution to that general development.

The growing overall complexity of the oilfield service industry business is illustrated by the fact that drilling depths and - in directional drilling - horizontal drilling lengths have roughly tripled since 1975. Tapping remote reservoirs requires more and more high-tech equipment. In many cases, new exploration projects are conducted in complex deepwater and ultra-deepwater plays. In the next five years, spending on deepwater projects is expected to account for USD 205 billion, representing an increase of 179 %.

„Business success in 2011 was based on positive market development, SBO's market positioning and the right structure and organisation of the company.“

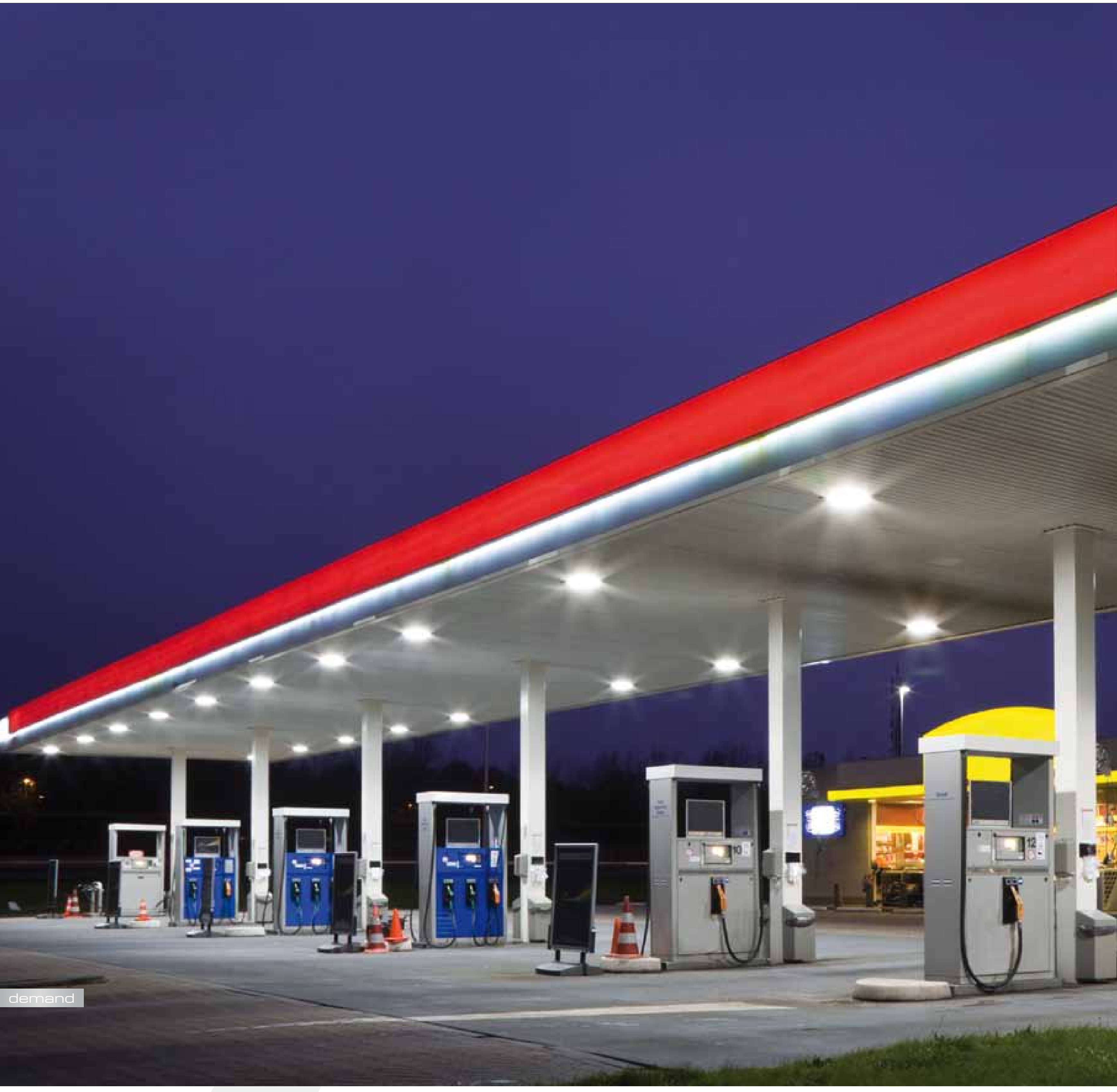
All of the above facts are reason enough for us to take an optimistic stance on SBO's further business development. Nevertheless, we should not close our eyes to the current global economic uncertainties as we go into 2012, because the oilfield service industry often tends to respond quite abruptly to macro-economic changes.

At the moment we cannot see any indication pointing to weakening demand for our products. Quite the contrary - with an order backlog of MEUR 176.4 at the end of 2011 our order books were filled very well. Despite the existing uncertainty about how the international economy will develop mainly in light of the current debt crisis in Europe, the market environment of our business has remained intact, as it is driven by a robust oil price, higher spending for exploration and production activities and the need for the supply side to meet pent-up demand that can be traced back to the cyclical downturn way back in 2009. With our financial position based on an equity rate of 50.8 % of the balance sheet total at year-end 2011 and a low net debt of MEUR 43.1 SBO is well prepared to face all future market scenarios. Should the global economy start to slow down, SBO will be able to overcome cyclical dips, as already demonstrated in the past. At the moment, however, we believe that we will continue our growth strategy through organic growth, developing new products and keeping potential candidates for acquisition on our radar screen.

In concluding, we would like to thank our employees for their commitment in the past business year 2011. Our thanks also go to our customers and shareholders for their confidence in our company.

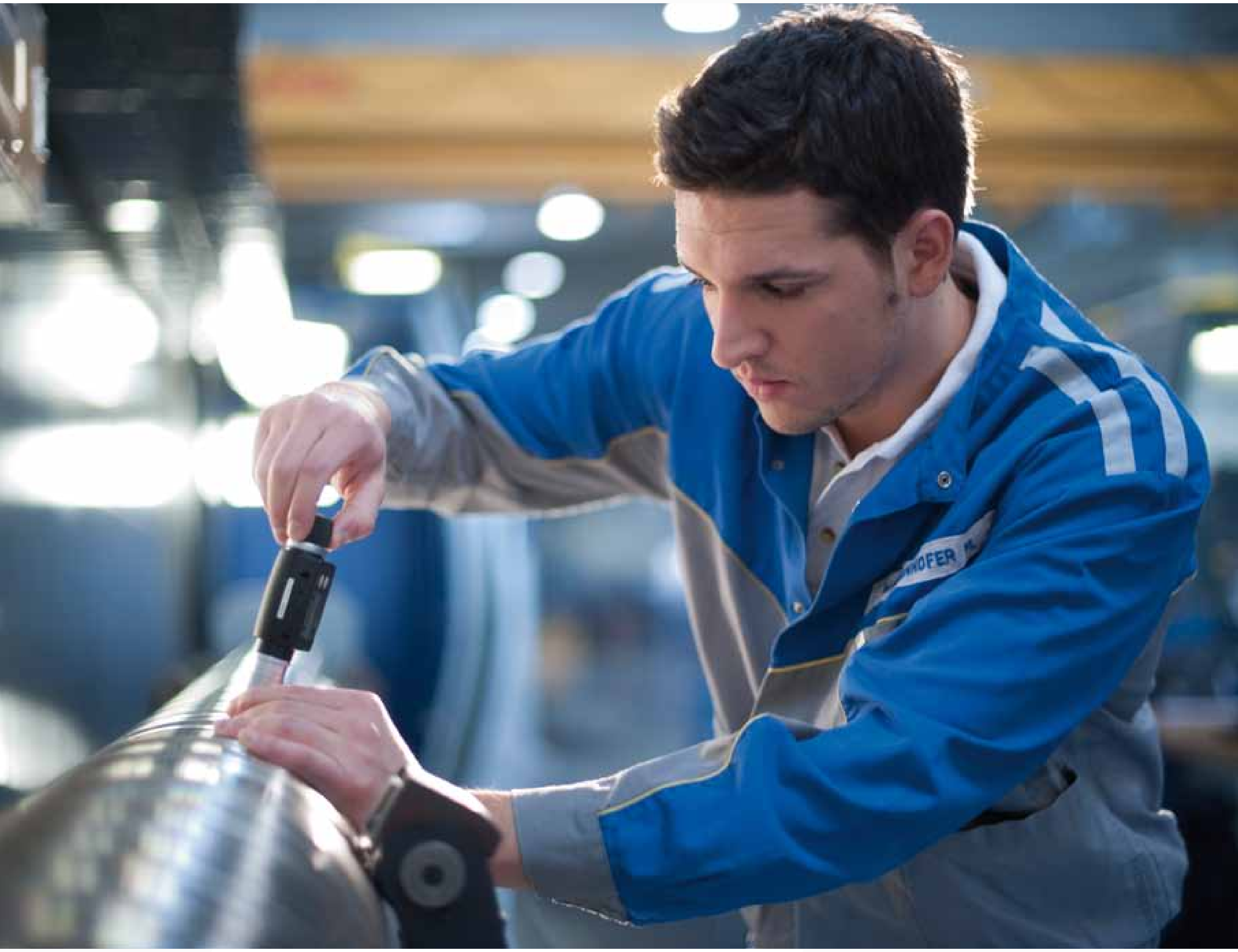
Gerald Grohmann
Chief Executive Officer

Franz Gritsch
Member of the Executive Board



DIRECTIONAL DRILLING

Mobility in all directions means
drilling in all directions.



OUR APPROACH

Human Resources

Following personnel upsizing in 2010 the headcount was again increased in 2011, as all sites experienced growing capacity utilisation, and production sites were built and expanded in the Far East (Knust-SBO Far East and Schoeller-Bleckmann Oilfield Equipment Vietnam).

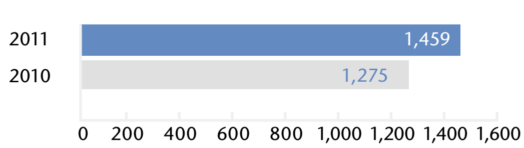
Since the beginning of 2011, the global number of SBO employees had risen by 14.4 % to 1,459 as at 31 December 2011. At many sites, former employees who were dismissed in the wake of the economic downturn in 2009 were hired again. The fact that skilled employees could be taken on board again not only attests to SBO's renowned position as an employer, but also to the positive work environment within the company. In Europe, the headcount stood at 653, up 13.8 % from the previous year. In North America and Mexico the workforce rose to 635, up 12.6 %. The remaining employees were spread over the other locations.

SBO's operational performance in 2011 was also based on our employees' expert technical know-how. Their tried and tested experience in production, their commitment as well as high quality and service awareness make SBO's employees highly appreciated partners in the oilfield service industry.

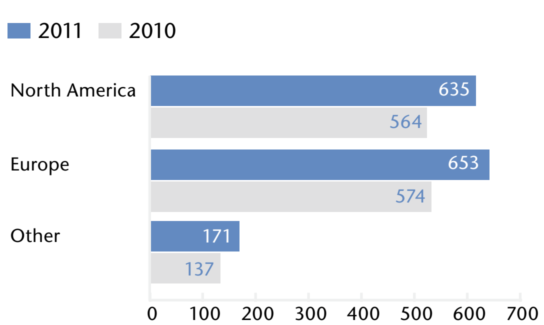
In 2011, training courses were offered again to support employees in continuously improving their skills and specialising in their field of expertise. In addition, a large number of training courses were conducted across the company, including, for instance, training on quality control and in-depth initial instruction schemes. In particular, employees at the production sites in the Far East started to receive basic instruction in 2011. All of these measures allow SBO to constantly keep or grow the high quality level to meet permanently rising customer requirements.

Schoeller-Bleckmann Oilfield Equipment AG provided training for 30 apprentices in Austria in 2011. Apprenticeship training is where SBO invests money in the future development of the company, as the oilfield service industry has a particularly strong need for highly qualified personnel. At SBO's apprentice training centre, young people undergo, for instance, training to become skilled metalworkers (toolmakers), and a large part of them stay with the company after they have taken their final examination.

TOTAL HEADCOUNT



HEADCOUNT BY REGION



BEST OF ATX

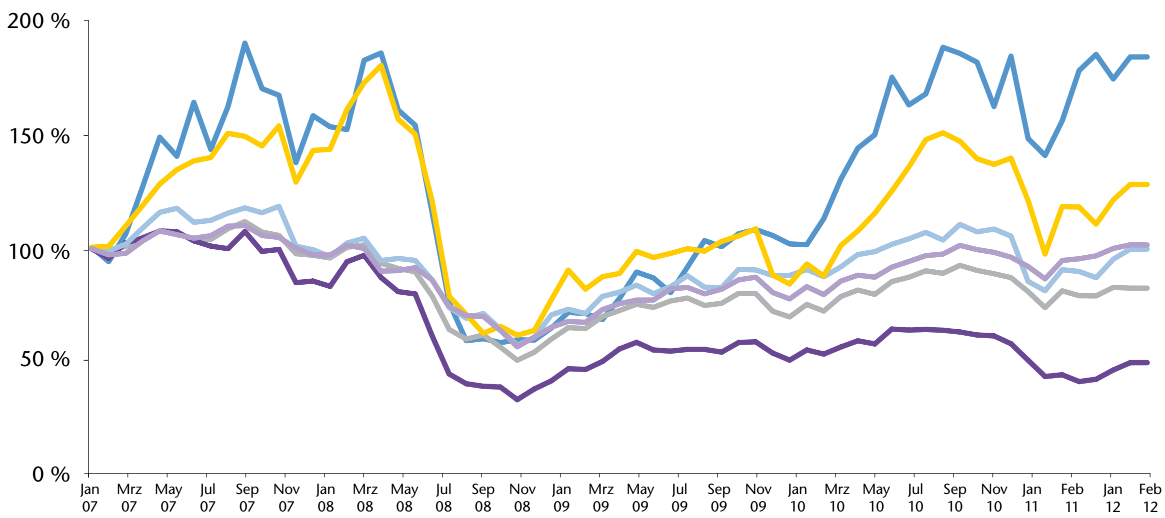
The SBO Share

Having climbed to 2,904.47 points at the end of 2010, Vienna's blue-chip index ATX was plunging to 1891.68 points, or 34.9 % throughout 2011. Out of the 20 stocks listed on the ATX, only two had performed positively as compared to the closing price of 2010. SBO was one of them. The share started into the stock exchange year 2011 at a price of EUR 65.26 per share. Over the year, it climbed to EUR 68.22 per share, or 4.5%, as posted at the end of 2011. Its annual low was EUR 46.12 per share on 23 August 2011. On 30 March 2011 the SBO share arrived at its annual high of EUR 70.56.

In recognition of its efforts for capital market communication Schoeller-Bleckmann Oilfield Equipment AG was presented the Vienna Stock Exchange Award 2011: SBO was ranked third in the ATX category. The ATX award is given to companies that stand out in the capital market with respect to investor relations, strategy and corporate governance in addition to market factors and financial reports.

SHARE PERFORMANCE

SBO MSCI ATX
DAX OSX DOW JONES

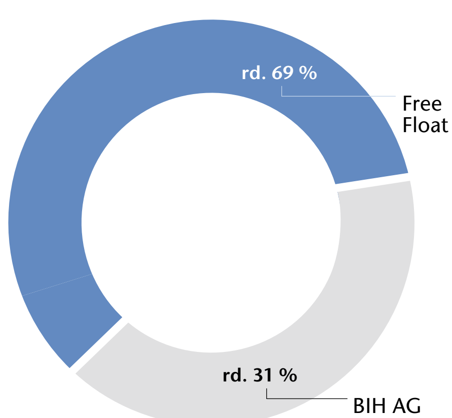


Living up to the principle of transparent management and corporate communication, a large number of information events were held for private and institutional investors also in 2011. 38 road shows were organised by SBO both in Austria and abroad. The Executive Board and Investor Relations team presented the company to an audience of national and international investors, for instance in Boston, Brussels, Chicago, Denver, Dublin, Edinburgh, Frankfurt, Geneva, Helsinki, Kitzbühel, Copenhagen, London, Montreal, Munich, New York, Paris, Stegersbach, Toronto, Warsaw, Vienna, Zurich and Zürs.

„SBO received Vienna Stock Exchange Award 2011 for capital market communication."

The focus remained on broadening the North American investor base, so one quarter of all road shows were held in the United States and Canada. Meanwhile, an estimated 25 % of SBO's free float share capital is owned by Anglo-American institutional investors.

SHAREHOLDER STRUCTURE 31 DECEMBER 2011



FINANCIAL CALENDAR 2012

25 April 2012	Annual Shareholders' Meeting
9 May 2012	Ex-day, dividend distribution day

Publications:

23 May 2012	1st Quarter 2012
22 August 2012	2nd Quarter 2012
21 November 2012	3rd Quarter 2012

In addition, SBO held its Capital Markets Days 2011 early in June: The Executive Board presented the company's strategy and vision to national and international analysts and investors and invited attendees to take part in a tour of the factory in Ternitz and of an oilfield nearby Vienna.

Analysts of Berenberg Bank, Deutsche Bank, Dresdner Kleinwort/Commerzbank, Erste Bank, Raiffeisen Centrobank, Cheuvreux, Fox-Davies Capital, Goldman Sachs, Hauck & Aufhäuser, UniCredit, and HSBC regularly covered Schoeller-Bleckmann Oilfield Equipment AG. In addition, Natixis started their periodic analysis of SBO in fiscal 2011.

Business journalists were kept up-to-date in 2011 in a host of one-on-one meetings concerning the field of business, products and services offered by SBO as well as current developments in the oilfield service industry.

The latest information about the company and all publications of SBO are available on the company website www.sbo.at.

KEY SHARE FIGURES

	2011	2010
Share capital (in EUR)	15,960,116	15,960,116
Number of shares	15,960,116	15,960,116
Average daily trading volume[1]	60,008	76,991
Closing rate at year-end (in EUR)	68.22	64.50
High/Low (in EUR)	70.56/46.12	65.70/33.25
Market capitalisation at year-end (in EUR)	1,088,799,000	1,029,427,482
Earnings per share (in EUR)	3.33	1.71
Price-earnings ratio at year-end	20.49	37.72
Dividend per share (in EUR)	1.20[2]	1.00

[1] Double counting
[2] Proposed

SHALE DRILLING

Shale gas – from a source of hope
to a source of energy.

Corporate Governance Report

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

The Austrian Corporate Governance Code is accessible at the website of the Austrian Working Group for Corporate Governance on www.corporate-governance.at

In 2009, several rules of the Austrian Corporate Governance Code were amended. SBO complies with the Code as amended on 1 January 2010. This new version of the Code now contains 83 rules subdivided into three categories:

First: L-Rules (Legal Requirements). They describe mandatory legal requirements that must be complied with by law.

Second: C-Rules (Comply or Explain) – this category contains customary international provisions; non-compliance must be explained.

The third category, the R-Rules (Recommendation) is of recommendatory nature.
Non-compliance does not have to be disclosed nor explained.

SBO complies with all mandatory legal provisions (L-Rules). Until February 2011 Ing. Gerald Grohmann was chairman of the Executive Board of SBO and member of the Supervisory Board of SEED Aktiengesellschaft (former ABAG Aktiengesellschaft). Dr. Peter Pichler was member of the Executive Board of ABAG Aktiengesellschaft and deputy chairman of the Supervisory Board of SBO. This contradicted Section 86 para 2 figure 3 of the Austrian Stock Corporation Act and Rule 44. However, in February 2011 Ing. Grohmann retired as member of the Supervisory Board of SEED Aktiengesellschaft (former ABAG Aktiengesellschaft), thus SBO currently complies with all L-Rules.

Explain

SBO largely complies with the C-Rules. Deviations are explained as follows:

Rule 31

As the Executive Board of SBO consists of two members, Section 241 paragraph 4 of the Austrian Commercial Code applies, pursuant to which disclosure of the 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 31. However, the company 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 Financial Statements)

Rule 41

In line with the Austrian Corporate Governance Code, the function of the Nomination Committee is exercised by the Remuneration Committee.

Rule 54

At present, no member of the Supervisory Board is explicitly designated as representative of minority shareholders. SBO has no majority shareholder (more than 50% of the share capital) and, therefore, the interests of minority shareholders can be regarded identical to the interests of institutional shareholders and the core shareholder. The Executive Board believes that the minority shareholders consider themselves well represented in the Supervisory Board: The current Supervisory Board was elected by 99.9 % of the shareholders present and entitled to vote. For this reason, the Executive Board sees no need for action in this matter.

THE EXECUTIVE BOARD

The rules of procedure for the Executive Board govern the composition and working method of the Executive Board, cooperation of the Executive Board and the Supervisory Board, procedures and the approach to conflict of interests, information and reporting duties of the Executive Board and decisions requiring approval of the Supervisory Board applying to significant transactions of the major subsidiaries. Generally, the Executive Board holds at least weekly meetings for mutual information and decision-making.

In 2011, the Executive Board was composed of two members:

	Year of birth	Date of first appointment	End of current term of office
Ing. Gerald Grohmann Chairman	1953	3 Oct. 2001	31 Dec. 2015
Mag. Franz Gritsch	1953	1 Dec. 1997	31 Dec. 2015

Membership in external non-group supervisory boards:

	Company	Function
Ing. Gerald Grohmann	SEED Aktiengesellschaft (former ABAG Aktiengesellschaft)	Member until February 2011

Distribution of responsibilities

Distribution of responsibilities and cooperation of the members of the Executive Board are governed by the rules of procedure of the Executive Board. The Executive Board has not set up any committees. The areas of responsibility held by the members of the Executive Board have been laid down by the Supervisory Board as follows, notwithstanding the collective responsibility of the Executive Board:

Ing. Gerald Grohmann	Strategy, marketing, technology and public relations
Mag. Franz Gritsch	Finance and accounting, human resources and legal matters

Outline of the Executive Board remuneration system

The remuneration system for the Executive Board takes into account both the situation in the market and a performance-related component. Concerning the composition of the remuneration of the members of the Executive Board we refer to Section 241 paragraph 4 of the Austrian Commercial Code. Remuneration consists of fixed and variable components. Variable components are always paid in the following year, as achievement of objectives can be determined only at the end of the year. Variable components are performance-related and depend on the degree to which the objects defined for the business year have been achieved.

The average variable portion in the total compensation of the Executive Board was 50% in the last years.

Pursuant to the employment agreements of the Executive Board members the variable remuneration component is limited to 65 % of the total remuneration.

Variable components are subject to individual provisions. They are composed of the following elements: Development of corporate growth, profit, cash-flow, equity and fixed capital. Fulfilment of these performance criteria can be determined based on the financial statements or depends on the occurrence or non-occurrence of the respective event.

As to managing directors of the subsidiaries, performance criteria are often added to the above criteria which are relevant only to those operating units or individual projects. Fulfilment of performance criteria can be determined based on the financial statements or depends on the occurrence or non-occurrence of the respective event.

No stock option programme or stock transfer programme is in place for the members of the Executive Board of SBO or the executive board members or managing directors of its subsidiaries, in particular no programme within the meaning of Rule 28 is in place.

The rules for severance payments follow the legal requirements. No future burdens related to pension fund contributions or any other entitlements of the members of the Executive Board arise to the company after termination of their employment contracts.

All members of the Executive Board are covered by a D & O (Directors & Officers) insurance taken out by, and at the expense of, SBO.

THE SUPERVISORY BOARD

In 2011, the Supervisory Board consisted of five members:

	Year of birth	Date of first appointment	End of current term of office
Mag. Norbert Zimmermann Chairman	1947	10 Apr. 1995	2012
Dr. Peter Pichler Deputy chairman	1958	10 Apr. 1995	2012
Mag. DI Helmut Langanger	1950	29 Apr. 2003	2012
Karl Samstag	1944	24 Oct. 2005	2012
Dr. Karl Schleinzer	1946	24 May 1995	2012

Other seats in supervisory boards or comparable functions in Austrian or foreign listed companies, if applicable, have been disclosed:

	Company	Function
Mag. Norbert Zimmermann Chairman	OMV AG Oberbank AG Bene AG Siemens AG Wiener Allianz AG	Supervisory board member Supervisory board member Supervisory board member Supervisory board member Supervisory board member
Dr. Peter Pichler Deputy chairman	-----	
Mag. DI Helmut Langanger	Enquest plc. MND a.s. KULCZYK OIL VENTURES Inc.	Supervisory board member Supervisory board member Supervisory board member
Karl Samstag	Allgem. Baugesellschaft A. Porr AG Flughafen Wien AG Oberbank AG BKS Bank AG Bank für Tirol und Vorarlberg AG	Supervisory board member Supervisory board member until April 2011 Supervisory board member Supervisory board member Supervisory board member
Dr. Karl Schleinzer	-----	

Working method of the Supervisory Board

In exercising its functions, in particular monitoring and strategic support of the Executive Board, the Supervisory Board discusses the situation and targets of the company and takes decisions.

The rules of procedure for the Supervisory Board govern in detail the composition, working method and tasks of the Supervisory Board, procedures and the approach to conflicts of interests and all committees (Audit Committee, Nomination and Remuneration Committee) and their responsibilities.

The Supervisory Board held four meetings in the period under review. Moreover, the Supervisory Board held meetings with the Executive Board on management matters.

All members of the Supervisory Board personally attended more than half of the meetings of the Supervisory Board in the period under review.

Committees

The Supervisory Board appoints the members of the Audit Committee and the Nomination and Remuneration Committee from among its members.

No separate strategy committee has been set up; such matters are dealt with by the Supervisory Board collectively.

The committees are elected for the terms of office of their members. Each committee elects a chairman and deputy-chairman from among its members.

Audit Committee

The Audit Committee is responsible for auditing and preparing the approval of the annual financial statements, the proposal on the disbursement of profits, and the management report. The Audit Committee also audits the consolidated financial statements and submits a proposal for selecting the auditor and reports on this to the Supervisory Board.

Members:	Mag. Norbert Zimmermann (Chairman)
	Dr. Peter Pichler
	Karl Samstag

In the year under review, the Audit Committee held two meetings, in which, in particular, issues concerning the financial statements, the internal control system and risk management were discussed.

An independent auditor made an assessment of the effectiveness of the company's risk management. The auditor's report on such assessment was discussed by the Audit Committee.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee deals with matters relating to the remuneration of the members of the Executive Board and the terms and conditions of employment contracts concluded with members of the Executive Board. Furthermore, it submits to the Supervisory Board proposals to fill vacant positions in the Executive Board and deals with issues of succession planning.

Members: Mag. Norbert Zimmermann (Chairman)
Dr. Peter Pichler
Dr. Karl Schleinzer

In the year under review, the Nomination and Remuneration Committee held one meeting.

Independence

Supervisory Board complies with the guidelines set forth in the Corporate Governance Code, Annex 1, on the independence of Supervisory Board members. According to the guidelines, the following members of the Supervisory Board qualify as independent:

Members: Mag. DI Helmut Langanger
Karl Samstag
Dr. Karl Schleinzer

The scope of services provided for the company as its legal counsel by Supervisory Board member Dr. Schleinzer in 2011 is not deemed significant pursuant to Annex 1 of the Corporate Governance Code (for details see Notes to the Consolidated Financial Statements).

Members Mag. Norbert Zimmermann and Dr. Peter Pichler represent the interests of Berndorf Industrie Holding AG, which holds a share of approximately 31 % in the company.

In the past year, no agreements requiring approval were in effect with members of the Supervisory Board or companies in which a member of the Supervisory Board held a considerable economic interest.

Remuneration of the Supervisory Board

The remuneration scheme for the members of the Supervisory Board was approved at the Annual General Meeting 2011. Remuneration is subdivided into a fixed and a variable portion which is determined as a percentage share of the group income before tax.

For fiscal year 2010 the following remuneration was paid:

	Fixed remuneration in EUR	**Variable remuneration in EUR**	**Total in EUR**
Mag. Norbert Zimmermann	6,000	6,833	12,833
Dr. Peter Pichler	5,000	6,833	11,833
Mag. DI Helmut Langanger	5,000	6,833	11,833
Karl Samstag	5,000	6,833	11,833
Dr. Karl Schleinzer	5,000	6,833	11,833

No loans or advances were paid to the members of the Supervisory Board.

All members of the Supervisory Board are covered by a D & O (Directors & Officers) insurance taken out by, and at the expense of, SBO.

Measures taken to promote women to the Executive Board, the Supervisory Board and to top management positions

It is of highest importance for SBO to strictly treat sexes equally at recruitment and treatment in all fields of the employment status; this without appointing women's quota or taking measures explicitly called "measures to promote women".

DEEPWATER DRILLING

The deeper the offshore well,
the higher the quality requirements.

A HIGHLIGHT

Management Report

MARKET ENVIRONMENT

In 2011, the world's economy was characterised mainly by growing uncertainty. Early in the year, unrest in the MENA (Middle East and North Africa) region and the natural and nuclear disaster in Japan had major repercussions on the global economic situation. In the second quarter, worldwide economic momentum started to slow down, which was also a result of rising commodity and energy prices and tighter monetary policies in some emerging markets. At the beginning of the second half of the year, it was primarily the debt crisis in Europe and the US and uncertainty in the international financial markets that cast their shadow on global economic development.

According to the International Monetary Fund (IMF) average global growth in 2011 stood at 3.8 % (following 5.2 % in 2010). A large part of global economic growth, namely 6.2 % (following 7.3 % in 2010), took place in the emerging markets and developing countries, above all in China and India. The industrialised countries posted growth rates of only 1.6 % in 2011 (following 3.2 % in 2010).[1]

Given the growing demand for oil and gas, the oilfield service industry remained largely unaffected by the global economic slowdown.

According to OPEC, average global demand for oil in 2011 had amounted to 87.82 million barrels per day, increasing by 0.88 million barrels per day, or 1.01 %, from average global demand for oil of 86.94 million barrels per day in 2010. The moderate rise in oil demand was primarily attributable to the average demand for oil recorded in the OECD countries, which fell by 0.72 % in 2011, decreasing to 45.82 million barrels per day (following 46.16 million barrels per day in 2010). However, the hunger for energy in the emerging markets more than offset the declining demand in OECD countries. Average demand for oil in developing countries in 2011 was 27.65 million barrels per day, up 0.65 million barrels per day from last year.[2]

The estimates of the International Energy Agency (IEA) on average global demand for oil of 89.1 million barrels per day in 2011 (up 0.8 % year-on-year) are somewhat more optimistic than those published by OPEC.[3]

1 IMF: World Economic Outlook Update, January 2012
2 OPEC: Monthly Oil Market Report , February 2012
3 IEA: Oil Market Report, February 2012

Furthermore, the rise in the rig count[4] , the parameter of globally active drilling rigs, showed that the economic development in 2011 had no negative effects on the oilfield service industry nor on exploration and production activity. In December 2011 the global rig count stood at 3,612 units, an increase of 12 % from 3,227 units operating in December 2010.

„Due to robust demand for oil and gas the oilfield service industry remained unaffected by the global economic slowdown."

The price of US crude WTI, from end of February to end of April, rose to its annual high of USD 113.39 per barrel (29 April 2011). By early October it had fallen to its annual low of USD 75.40 per barrel (4 October 2011), but recovered to USD 98.83 per barrel at the end of the year (30 December 2011). Over the year, the price of one barrel of WTI crude was growing by 7.9 %.

The price of European crude Brent, in the period from early January to early May, climbed from USD 95.82 to USD 126.64 per barrel (2 May 2011). From June, it was fluctuating between around USD 100 and USD 120 per barrel. On 30 December 2011, the price of one barrel of Brent crude stood at USD 108.09, increasing by 12.8 % from the beginning of the year.

What was particularly striking in 2011 was the widening gap between Brent and WTI crude prices, as in mid-2011 one barrel of Brent crude cost almost USD 30 more than WTI. This development was mainly a result of the high oil inventories in Cushing, Oklahoma/USA. Cushing is the WTI delivery site and has a decisive influence on pricing. As both oil production in the United States and oil imports from Canada were rising in 2011, oil inventories ballooned to a record 40.3 million barrels. Given the insufficient numbers of local refineries and inadequate pipeline capacities to deliver oil from Cushing to the Gulf coast, excessive supplies brought the WTI oil price down. At the same time, the price of globally marketed Brent crude went up much higher, primarily in the wake of global economic recovery (particularly in Asian emerging markets) and scarcity of oil supplies resulting from the Arab spring in Libya. By the end of the year, the high markup for one barrel of Brent against WTI crude had come to back to roughly USD 10.

[4] Baker Hughes Rig Count

BUSINESS DEVELOPMENT

For Schoeller-Bleckmann Oilfield Equipment AG, the 2011 financial year was marked by growing order volumes. Against the background of robust demand in the oilfield service industry SBO posted very strong business results. All relevant key performance indicators were significantly improved compared to the 2010 financial year.

Business performance was positive in all four quarters of the year. Bookings of MEUR 460.5 (up 28.4 % from MEUR 358.6 in the previous year) reached the highest level ever in the company's history, improving by 25.4 % compared to the bookings posted in the former record year 2008 (MEUR 367.3). As a result, capacity utilisation was growing constantly in the course of the year. While the order backlog had been MEUR 137.1 in mid-2011, it was climbing to MEUR 176.4 at the end of the year, reaching far into the first half of 2012. Additionally, this result outperformed the backlog level recorded at year-end 2010 by 34.8 %.

Strong bookings were recorded essentially in all segments of SBO. In the segment of high-precision components, SBO benefited from its global market leadership and growth in directional drilling. SBO components are used both in challenging onshore drilling and in dynamically growing offshore projects.

As for drilling motors, SBO's subsidiary BICO continued to expand market leadership through the new high-performance drilling motor "Spiro Star Supreme". Moreover, very strong demand for drilling motors was generally seen in North America as a result of growing shale drilling activities. Drilling Systems International Ltd. (DSI), a company SBO acquired at the start of the fourth quarter of 2010 and operating in the downhole circulation tools business, was integrated into the group as planned in 2011 and developed positively. Following a hesitant start, the business volume of the globally operating Service & Supply Shops of SBO was picking up continuously over the year.

The strong booking level was of particular benefit to the operating production companies in Austria and the United States. SBO's Mexican production company also recorded a favourable upwards development. Towards the end of the year, business at the two UK-based production companies Darron/Rotherham and Techman/Chesterfield started to pick up as well – after a lengthy dry spell, demand in the UK is now following the positive trend in the industry.

The most recent establishment of Knust-SBO Far East in Singapore started operations in December 2011 as planned. Like SBO's subsidiary in Vietnam, which went operational in 2010, the company will cover the growing local demand for SBO products in the Far East and strengthen the presence of Schoeller-Bleckmann Oilfield Equipment AG in Asia.

„Growing order volumes supported strong business development in 2011:
All key performance indicators were significantly improved in 2011 from previous year."

The rising order volume was accommodated in 2011 by personnel upsizing, expanding shift operations, and additional overtime. Orders were managed well by using the existing machinery and facilities.

Capital expenditure

In 2011, SBO continued to spend capital for expanding the drilling motor fleet of its subsidiary BICO.

Given the growing order volumes and healthy demand for SBO products the company continued to allocate funds to expand capacities at their sites. Apart from capital spending allocated to US-based facilities, attention was paid to build and expand productions facilities of Knust-SBO Far East, Singapore, and SBO's subsidiary in Vietnam.

Overall capital additions to fixed assets amounted to MEUR 37.0, clearly above last year's MEUR 25.1 (up 47.5 %), financed completely from the company's cash flow. Purchase commitments for expenditure in property, plant and equipment as at year-end 2011 were MEUR 9.8 (following MEUR 11.8 at year-end 2010).

Research and development

Schoeller-Bleckmann Oilfield Equipment AG has integrated its research and development activities in its operations for many years, ensuring market and customer-oriented R&D activities. Fiscal 2011 was again characterised by the manufacture of several prototypes in close cooperation with SBO's customers.

Together with the steel supplier SBO completed ready-for-the-market development of a new steel grade in fiscal 2011. The new non-magnetic stainless steel stands out by extra-high corrosion resistance and high mechanical strength and has been protected by patents.

In the field of drilling motors, the new high-performance "SpiroStar Supreme" introduced by SBO subsidiary BICO enjoyed strong market acceptance. The motor features improved performance characteristics. Growing shale oil drilling activities in the US are supporting demand for BICO high-performance drilling motors.

Basic principles of sustainability

As a future-oriented technology provider, SBO has actively pursued the principles of sustainable business operations for many years. Adopting a responsible attitude to the environment, in our dealings with employees and customers and assuming responsibility towards society as a major industrial enterprise has become daily practice at SBO.

As a globally operating company, SBO employs people with diverse cultural and religious backgrounds. SBO tolerates no discrimination whatsoever on grounds of our employees' ethnic or cultural origin or sex. It goes without saying that SBO bases employee performance assessment exclusively on objective performance criteria.

Consistent and strict compliance with all local and international legal requirements is another important part of SBO's corporate culture.

Adherence to its Business Ethics Policy is a key concern of Schoeller-Bleckmann Oilfield Equipment AG: Facing up to competition means that unfair business practices, such as illegal price fixing, bribery, collusion with competitors or other unfair trade practices are strictly prohibited. Non-compliance with these principles will be punished accordingly.

Sustainable business operations

SBO is a company aiming at long-term business success. The economic performance of SBO is based on leadership in technology, quality and innovation. A fundamental requirement of building and expanding SBO's leading market position in the high-tech oilfield service industry is to pursue a long-term capital expenditure policy.

At the technological level, ongoing research and development efforts are the foundation on which our market leadership is based. For reasons of efficiency, SBO has no central research and development (R&D) department, but closely cooperates with its customers instead. The research focus is on producing innovative prototypes. This is why SBO has integrated R&D activities in its business operations.

Environment

The manufacture of SBO's products generates no hazardous air or water pollution nor greenhouse gases. SBO's corporate environmental management concentrates on both state-of-the-art waste disposal and efficient and careful use of energy and power. Raw material deliveries have largely been moved from road to rail transportation.

The group attaches great importance to the management of production waste that can be recycled and reused as raw material in steel production. Sustainable research and improvement programmes are in place to ensure reduction of waste and higher recyclability rates.

Corporate social responsibility

It is in particular the manufacture of high-tech components where employees make a decisive contribution to a company's business success. Moreover, only highly qualified specialists can operate the extremely complex production machinery of SBO. As SBO pays special attention to safety at work, the number of work-related accidents is very low.
Furthermore, SBO assigns great value to performance-related remuneration and high-quality health promotion offers.
At the Austrian location in Ternitz with its current headcount of 412 employees SBO has lived up to the responsibility as one of the leading employers in the region for many years.

Risk report

Concerning the risks of the business model of Schoeller-Bleckmann Oilfield Equipment AG we refer to the presentation in Note 33 of the Consolidated Financial Statements.

OUTLOOK

Forecasts on global economic development in 2012 are still influenced by persisting uncertainties, as management of the financial and debt crisis in the Western industrialised nations and the economic situation in the United States continue to pose risks to the development of the world economy.

According to projections of the International Monetary Fund (IMF), average global growth in 2012 will come to 3.3 % (following 3.8 % in 2011 and 5.2 % in 2010). As for the emerging markets and developing countries, the IMF expects that 2012 will see a growth of 5.4 %, following 6.2 % in 2011. China and India will remain the driving forces of the global economy despite the slowdown of economic growth coming to a presumed 8.2 % or 7.0 % in 2012. Conversely, industrialised nations will grow by only 1.2 % in 2012 (following 1.6 % in 2011 and 3.2 % in 2010).[5]

The weak economic activity seen in Western industrialised nations will have no major impact on global energy consumption. While average oil demand in OECD countries will decrease from 45.82 million barrels per day in 2011 to 45.66 million barrels per day, or

[5] IMF: World Economic Outlook Update, January 2012

0.37 % in 2012, average oil demand in developing countries in the same period will climb by 2.12 %, from 27.65 million barrels per day to 28.24 million barrels per day. Average global oil demand in 2012, according to OPEC, will arrive at 88.76 million barrels per day, increasing from 0.94 million barrels per day compared to 87.82 million barrels per day in 2011.[6]

Somewhat more optimistic estimates of the International Energy Agency (IEA) anticipate an average global demand for oil of 89.9 million barrels per day in 2012 (up 0.8 million barrels per day compared to 2011).[7]

Based on these assumptions Schoeller-Bleckmann Oilfield Equipment AG generally expects to see a positive industry development also in 2012, following the sound development in 2011. Market analysts[8] project global exploration and production spending in 2012 to rise to USD 598 billion, or roughly 10 % (following USD 544 billion in 2011).

Due to the low gas price in the United States SBO expects the rig count to remain at a stable level there, if the decreasing number of gas wells continues to be offset by growing oil drilling activity. Internationally, notably the rising numbers of deepwater drilling projects should have a positive effect on drilling activity, for instance in the North Sea, Brazil or West Africa.

At the same time, however, SBO is also aware of the cyclical uncertainties that might have repercussions on the oilfield service industry above all in the emerging markets, if a sustained economic slowdown should set in. However, Schoeller-Bleckmann Oilfield Equipment AG currently does not consider this scenario as the most likely one to occur. Low OPEC spare capacity and the robust oil consumption expected for 2012 should have a continued positive effect on oil drilling activity.

„Despite the industry's cyclical nature the long-term growth trend for the oilfield service industry is beyond doubt, as proved again by the favourable industry development in 2011."

The long-term growth tendency for the oilfield service industry is beyond any doubt, as was again evidenced by the favourable development of the industry in 2011. While global demand for energy is constantly growing, production rates of existing oilfields are declining. Development of new oil and gas reservoirs requires increasingly challenging technological efforts. This fact has been, and will be, the driving force behind the growth of Schoeller-Bleckmann Oilfield Equipment AG in the years ahead.

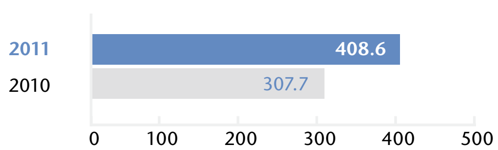
[6] OPEC: Monthly Oil Market Report, February 2012
[7] IEA: Oil Market Report, February 2012
[8] Barclays Capital, December 2011

Being the world market leader in high-precision components and high-performance drilling motors for the oilfield service industry and an innovative partner offering a range of special products, SBO remains well prepared to make full use of the future market potential.

ANALYSIS AND RESULTS

The consolidated financial statements of the company have been prepared in accordance with the International Financial Reporting Standards (IFRS), formerly International Accounting Standards (IAS).
No changes were made in the business of the SBO group.

SALES
in MEUR



Sales

Due to the favourable market development, sales increased by 32.8 %, from MEUR 307.7 to MEUR 408.6.

In fiscal 2011 the development of the US dollar had a negative effect. The average exchange rate in 2011 was 1 Euro = USD 1.3917, compared to 1 Euro = 1 USD 1.3268 in 2010, resulting in a negative influence of around MEUR 16 on sales.

EXCHANGE RATE
in EUR/USD

	High	Low	Average	Closing
Year 2011	1.4882	1.2889	1.3917	1.2939
Year 2010	1.4563	1.1942	1.3268	1.3391

Exchange rate

As in the years before, the US dollar continues to be the most important currency by far for the SBO group. In 2011, about 82 % (following 84 % in 2010) of total sales and revenues were generated in US dollars, while around 50 % of expenses were also incurred in US dollars.

The average rates for the years ended 31 December 2010 and 31 December 2011 were used by the company in the preparation of the consolidated profit and loss statements, whereas the closing rates for the years 2010 and 2011 were used in the preparation of the consolidated balance sheet.

Sales by regions

The table below shows sales by regions of origin.

All production sites posted increases in sales. The strong growth in region “Other” is attributable, on the one hand, to building production capacities in Vietnam and Singapore and, on the other hand, to the first full-year inclusion of Drilling Systems International Ltd. (DSI) in the consolidated financial statements.

North America, accounting for 70 % (2010: 73 %) of sales, continues to be the most important market for the company, as SBO’s major customers - integrated oilfield service companies - are located in the USA. However, the products of the SBO group are used by these US oilfield service companies all over the world.

SALES BY REGIONS

in MEUR

	2011	2010
North America	320.4	254.0
Europe	197.7	139.0
Other	42.1	17.3
- Intercompany Sales	-151.6	-102.6
Total Sales	408.6	307.7

Sales by products

In the business segment of high-precision components, comprising essentially MWD/LWD collars, MWD/LWD internals and high-precision parts, sales increased by 24 %, from MEUR 177.3 in 2010 to MEUR 219.0 in 2011.

Sales in the segment of downhole tools, oilfield supplies and service, consisting of product groups drilling motors, circulation tools, nonmagnetic drill collars and material as well as service and repair activities, increased by 45%, from MEUR 130.2 to MEUR 189.2.

SALES BY PRODUCTS

in MEUR

	2011	2010
High-Precision Components	219.0	177.3
Downhole tools, oilfield supplies and service	189.2	130.2
Other	0.4	0.2
Total Sales	408.6	307.7

Gross profit

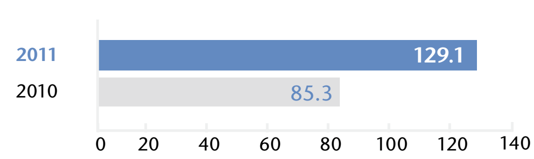
In 2011, gross profit amounted to MEUR 129.1, from MEUR 85.3 in the year before. The gross margin was 31.6 %, following 27.7 % in 2010.

The increase in the gross margin is primarily a result of substantially improved production capacity utilisation. Apart from that, selective price increases were also achieved.

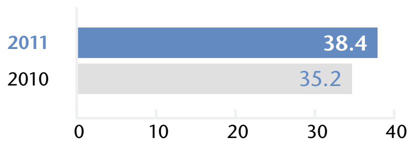
The main elements of production costs are material and energy expenses, personnel and depreciation of fixed assets.

GROSS PROFIT

in MEUR



SELLING, GENERAL AND ADMINISTRATIVE EXPENSES
in MEUR



Selling, general and administrative expenses

Selling, general and administrative expenses went from MEUR 35.2 in 2010 to MEUR 38.4 in 2011, at a disproportionally lower rate than sales, and arrived at 9.4 % of sales, compared to 11.5 % in 2010. The absolute rise in selling, general and administrative expenses is due to the expansion of the organisation for the setup of business operations in the Far East as well as the full-year consolidation of DSI.

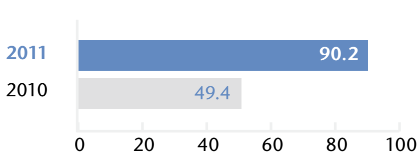
Selling, general and administrative expenses consist mainly of salary and salary-related expenses, professional fees, travel and entertainment, communication and insurance costs.

Other operating income and expenses

Other operating expenses amounted to MEUR 12.3 (2010: MEUR 8.5) in 2011. This item contains primarily exchange losses and R&D costs in the segment of downhole tools, oilfield supplies and service.

Other operating income was MEUR 11.8 (2010: MEUR 11.0) in 2011. The major item covered here are exchange gains. Furthermore also of rental income, service charges and gains from sale of fixed assets are included in this line item.

PROFIT FROM OPERATIONS
in MEUR



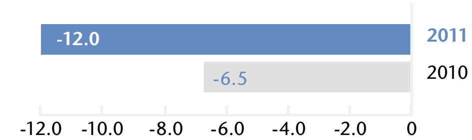
Income from operations

Income from operations after non-recurring items was MEUR 90.2 (22.1 % of sales), compared to MEUR 49.4 (16.0 % of sales) in the year before. This favourable development is mainly due to the increase in gross profit, as presented above.

Financial result

In 2011, the financial result stood at MEUR -12.0, after MEUR -6.5 in 2010. Net interest expenses were MEUR -5.9 (2010: MEUR -4.6). Also recorded here are other financial expenses of MEUR 6.1 (2010: MEUR 1.9), of these MEUR 4,2 (2010: MEUR 1,9) were for minority interests in subsidiaries held by the respective management, and MEUR 1,9 for the higher conditional purchase price of DSI which was recognised as an expense. The higher purchase price was a result of the fact that business development was better than expected at the time of acquisition.

FINANCIAL RESULT
in MEUR



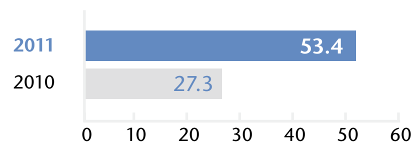
Net income / dividend

Net income after tax for 2011 was MEUR 53.4, following MEUR 27.3 in the year before.

Earnings per share stood at EUR 3.33, following EUR 1.71 in 2010.

The Executive Board proposes to the Annual General Meeting to pay to the shareholders a dividend of EUR 1.20 per share (basic dividend and bonus) for 2011, resulting in a total distribution of MEUR 19.2 to the shareholders.

PROFIT AFTER TAX / DIVIDEND
in MEUR



Assets and financial position

Shareholders' equity as of 31 December 2011 was MEUR 314.8, following MEUR 267.1 as of 31 December 2010. The equity ratio arrived at 50.8 % compared to 47.6 % in the year before. Net debt as of 31 December 2011 was MEUR 43.1, slightly lower than MEUR 48.9 as of 31 December 2010. The Gearing ratio (net debt in % of shareholders' equity) was 13.7 % as of 31 December 2011, following 18.3 % in the year before, this improvement is mainly resulting from strong profit development.

Cash-flow from profit was MEUR 91.7 in 2011, following MEUR 64.9 in 2010. The main elements contributing to this figure were income after tax amounting to MEUR 53.4 (2010: MEUR 27.3), as well as depreciation and amortisation of MEUR 34.8 (2010: including goodwill impairment MEUR 35.7). Expansion of business activities led to a substantial rise in inventories and trade receivables, and so cash-flow from operating activities decreased from MEUR 89.3 in the previous year to MEUR 59.8 in 2011. In the wake of business expansion the net working capital grew from MEUR 92.1 as of 31 December 2010 to MEUR 136.1 as of 31 December 2011.

In 2011, expenditures for property, plant and equipment amounted to MEUR 36.8 (2010: MEUR 25.0), of which MEUR 17.6 were spent for machinery and equipment for the production sites in Ternitz, Houston and the Far East, and MEUR 13.1 for further expanding the rental fleet of downhole tools.

Purchase commitments for property, plant and equipment as of 31 December 2011 amounted to MEUR 9.8.

REPORT ON THE MAIN FEATURES OF THE INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT SYSTEM IN RELATION TO THE FINANCIAL REPORTING PROCESS

The Executive Board has overall responsibility for the risk management of the SBO group, whereas direct responsibility lies with the managing directors of the operating entities.

Consequently, the system of internal continuous reporting to corporate headquarters plays a particularly important role in identifying risks at an early stage and implementing counter-measures. Operating subsidiaries provide the necessary information by timely monthly reporting on business development and financial management to the Executive Board.

The group has defined uniform standards for all global subsidiaries regarding implementation and documentation of the complete internal control system and, in particular, the financial reporting process. The underlying objective is to avoid risks leading to incomplete or erroneous financial reporting. In addition, liquidity planning of the subsidiaries is continuously monitored and aligned with the requirements defined by the holding company.

Furthermore, internal reports prepared by subsidiaries are checked for plausibility at corporate headquarters and compared with budgets in order to take appropriate action whenever deviations occur. For this purpose, subsidiaries are required to prepare annual budgets and mid-term planning to be approved by the Executive Board.

In addition, liquidity planning of the subsidiaries is continuously monitored and aligned with the requirements defined by the holding company.

Group controlling continuously monitors subsidiaries' compliance with accounting regulations. Internal auditing also focuses on accounting reviews. Moreover, the annual financial statements of all operating subsidiaries and holding companies are audited by international auditors.

At the Executive Board's regular meetings with local managing directors the current business development and foreseeable risks and opportunities are discussed.

In addition to the International Financial Reporting Standards, preparation of the consolidated financial statements is subject to internal guidelines to ensure uniform presentation by reporting companies (accounting and valuation issues).

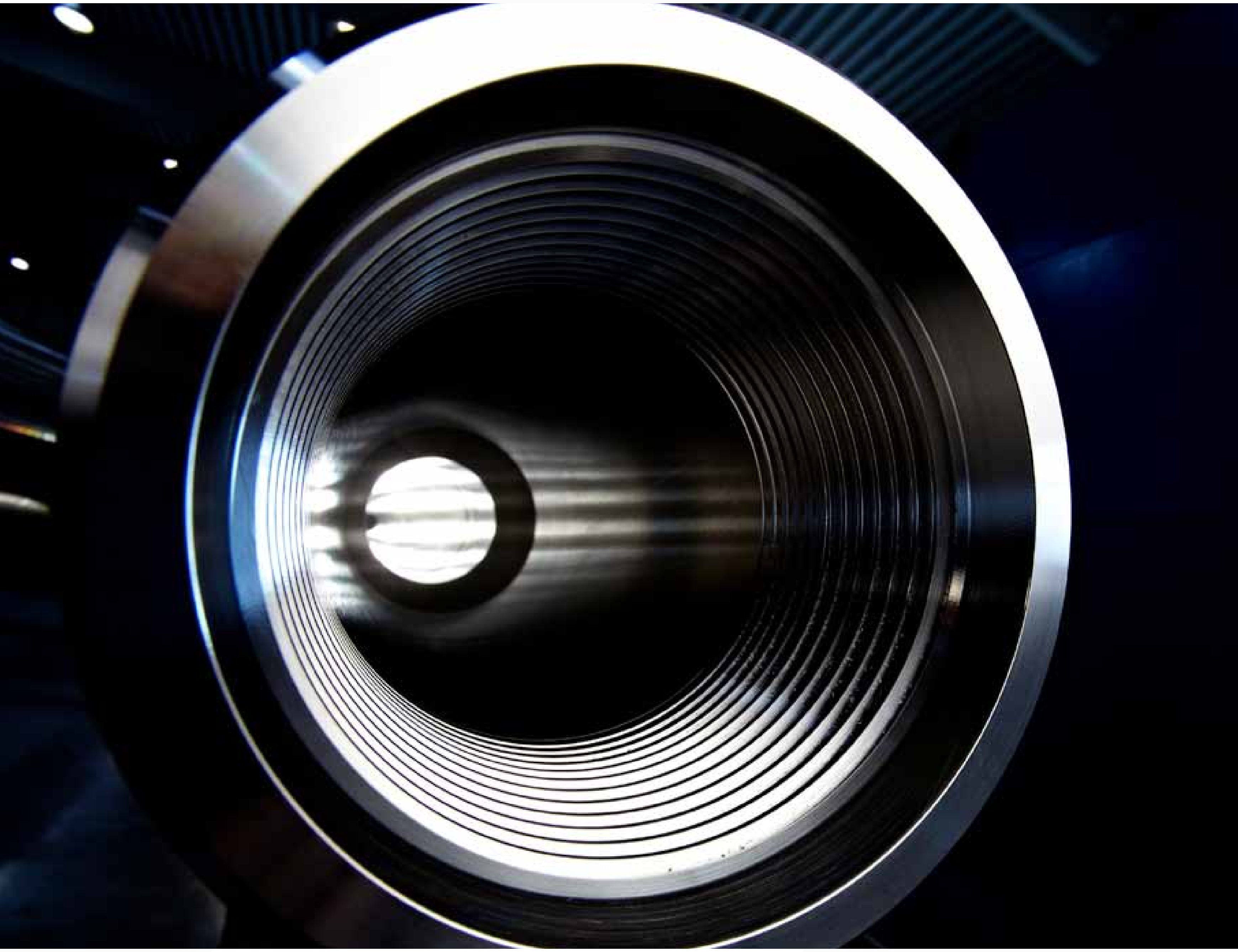
A certified consolidation programme equipped with the necessary auditing and consolidation routines is used for automated preparation of the consolidated financial statements.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

Please refer to Note 39, Financial Information.

ADDITIONAL INFORMATION ACC. TO SECTION 243A, AUSTRIAN COMMERCIAL CODE

Please refer to Note 20, Financial Information.



INSIGHT

Financial Information

Consolidated Balance Sheet

ASSETS in TEUR		31.12.2011	31.12.2010
Current assets			
Cash and cash equivalents		120,842	136,989
Trade accounts receivable	Note 5	72,973	57,876
Income tax receivable		2,074	0
Other accounts receivable and prepaid expenses	Note 6	6,842	5,655
Inventories	Note 7	139,087	100,517
TOTAL CURRENT ASSETS		**341,818**	**301,037**
Non-current assets			
Property, plant & equipment	Note 8	147,507	138,757
Goodwill	Note 9	58,734	57,089
Other intangible assets	Note 9	48,457	52,761
Long-term receivables	Note 10	13,808	5,620
Deferred tax assets	Note 11	9,723	6,303
TOTAL NON-CURRENT ASSETS		**278,229**	**260,530**
TOTAL ASSETS		**620,047**	**561,567**

Consolidated Balance Sheet

LIABILITIES AND SHAREHOLDERS' EQUITY in TEUR		31.12.2011	31.12.2010
Current liabilities			
Bank loans and overdrafts	Note 12	29,099	36,227
Current portion of long-term loans	Note 17	19,751	17,839
Finance lease obligations		361	418
Accounts payable trade		43,430	39,760
Government grants	Note 13	271	401
Income taxes payable		9,966	6,981
Other payables	Note 14	25,213	19,266
Other provisions	Note 15	6,225	5,903
TOTAL CURRENT LIABILITIES		**134,316**	**126,795**
Non-current liabilities			
Bonds	Note 16	39,906	39,864
Long-term loans	Note 17	74,532	90,887
Finance lease obligations		274	611
Government grants	Note 13	556	1,115
Employee benefit obligations	Note 18	4,571	3,690
Other payables	Note 19	33,053	19,289
Deferred tax liabilities	Note 11	18,067	12,189
TOTAL NON-CURRENT LIABILITIES		**170,959**	**167,645**
Shareholders´ equity			
Share capital	Note 20	15,960	15,960
Contributed capital		65,203	65,203
Legal reserve - non-distributable	Note 21	785	785
Other reserves	Note 22	33	36
Currency translation reserve		-10,859	-20,852
Retained earnings		242,149	204,897
Equity attributable to the owners of the parent company		313,271	266,029
Non-controlling interests	Note 23	1,501	1,098
TOTAL SHAREHOLDERS´ EQUITY		**314,772**	**267,127**
TOTAL LIABILITIES AND SHAREHOLDERS´ EQUITY		**620,047**	**561,567**

Consolidated Profit and Loss Statement

in TEUR		2011	2010
Sales	Note 24	**408,649**	**307,724**
Cost of goods sold	Note 25	-279,565	-222,420
Gross profit		**129,084**	**85,304**
Selling expenses	Note 25	-15,529	-12,798
General and administrative expenses	Note 25	-22,894	-22,415
Other operating expenses	Note 26	-12,309	-8,455
Other operating income	Note 26	11,847	10,990
Profit from operations before non-recurring items		**90,199**	**52,626**
Impairment on goodwill	Note 27	0	-3,256
Profit from operations after non-recurring items		**90,199**	**49,370**
Interest income		980	754
Interest expenses		-6,863	-5,379
Other financial income		0	20
Other financial expenses	Note 19	-6,109	-1,907
Financial result		**-11,992**	**-6,512**
Profit before tax		**78,207**	**42,858**
Income taxes	Note 28	-24,775	-15,528
Profit after tax		**53,432**	**27,330**
Thereof attributable to non-controlling interests		223	-3
Thereof attributable to the owners of the parent company		53,209	27,333
		53,432	**27,330**
Average number of shares outstanding		15,960,116	15,941,705
Earnings per share in EUR (basic = diluted)		**3.33**	**1.71**

Consolidated Statement of comprehensive Income

	2011	2010
Profit after tax	**53,432**	**27,330**
Foreign exchange adjustment - subsidiaries	9,702	12,793
Foreign exchange adjustment - other items[1]	627	2,513
Income tax effect	-156	-628
Hedging of a net investment	0	-1,607
Income tax effect	0	401
Other comprehensive income, net of tax	**10,173**	**13,472**
Total comprehensive income, net of tax	**63,605**	**40,802**
Thereof attributable to non-controlling interests	403	91
Thereof attributable to the owners of the parent company	63,202	40,711
	63,605	**40,802**

(1) Mainly the result from translation differences from net investments in foreign entities such as long-term receivables.

Consolidated Cash-Flow Statement

in TEUR		2011	2010
Profit after tax		53,432	27,330
Depreciation and amortization		34,766	32,452
Impairment on goodwill		0	3,256
Change in employee benefit obligations		881	486
Gain (loss) from sale of property, plant and equipment		-653	346
Gain (loss) from sale of long-term investments		0	-20
Income from release of subsidies		-279	-309
Other non-cash expenses and revenues		1,911	87
Change in deferred taxes		1,621	1,243
Cash-flow from profit		**91,679**	**64,871**
Change in accounts receivable trade		-12,615	-6,682
Change in other accounts receivable and prepaid expenses		-2,925	-570
Change in inventories		-33,895	-4,133
Change in accounts payable trade		7,597	25,829
Change in other payables and provisions		9,990	9,979
Cash-flow from operating activities	Note 36	**59,831**	**89,294**
Expenditures for property, plant & equipment		-36,804	-25,014
Expenditures for intangible assets		-228	-94
Expenditures for the acquisition of subsidiaries less cash acquired	Note 37	-4,337	-64,349
Proceeds from sale of property, plant & equipment		3,619	4,101
Cash-flow from investing activities	Note 36	**-37,750**	**-85,356**
Disposal of own shares	Note 20	0	1,085
Dividend payment		-15,960	-7,965
Government grants received		0	138
Repayment finance lease		-414	-443
Sale of investments to non-controlling interests	Note 31	0	1,007
Change in bank loans and overdrafts		-7,563	869
Proceeds from long-term loans		2,442	51,473
Repayments of long-term loans		-16,974	-12,006
Repayments of other long-term payables		-440	-1
Cash-flow from financing activities	Note 36	**-38,909**	**34,157**
Change in cash and cash equivalents		**-16,828**	**38,095**
Cash and cash equivalents at the beginning of the year		136,989	96,640
Effects of exchange rate changes on cash and cash equivalents		681	2,254
Cash and cash equivalents at the end of the year	Note 36	**120,842**	**136,989**
Supplementary information on operating cash-flow			
Interest received		834	819
Interest paid		-6,358	-5,170
Income tax paid		-22,210	-4,984

Consolidated Statement of Changes in Shareholders' Equity

Year 2011 in TEUR	Share capital	Contributed capital	Legal reserve	Other reserves	Currency translation reserve	Retained earnings	Total Parent company	Non-controlling interests	Total
Note	20		21	22					
1. January 2011	**15,960**	**65,203**	**785**	**36**	**-20,852**	**204,897**	**266,029**	**1,098**	267,127
Profit after tax						53,209	**53,209**	223	53,432
Other comprehensive income, net of tax					9,993		**9,993**	180	10,173
Total comprehensive income, net of tax	0	0	0	0	9,993	53,209	**63,202**	403	63,605
Dividends[1]						-15,960	**-15,960**		-15,960
Change in reserves				-3		3	**0**		0
31. December 2011	**15,960**	**65,203**	**785**	**33**	**-10,859**	**242,149**	**313,271**	**1,501**	314,772

[1] The dividend payment in the year 2011 of TEUR 15,960 was distributed to a share capital eligible for dividends of TEUR 15,960. Accordingly, the dividend per share amounted to EUR 1.00.

Year 2010 in TEUR	Share capital	Contributed capital	Legal reserve	Other reserves	Currency translation reserve	Retained earnings	Total Parent company	Non-controlling interests	Total
Note	20		21	22					
1. January 2010	**15,880**	**61,808**	**785**	**39**	**-34,230**	**185,526**	**229,808**	**0**	229,808
Profit after tax						27,333	**27,333**	-3	27,330
Other comprehensive income, net of tax					13,378		**13,378**	94	13,472
Total comprehensive income, net of tax	0	0	0	0	13,378	27,333	**40,711**	91	40,802
Dividends[2]						-7,965	**-7,965**		-7,965
Earn-out due to business combinations (Note 37)		889					**889**		889
Disposal of own shares (Note 20)	80	2,784					**2,864**		2,864
Income tax effect		-278					**-278**		-278
Increase in non-controlling interests (Note 31)							**0**	1,007	1,007
Change in reserves				-3		3	**0**		0
31. December 2010	**15,960**	**65,203**	**785**	**36**	**-20,852**	**204,897**	**266,029**	**1,098**	267,127

[2] The dividend payment in the year 2010 of TEUR 7,965 was distributed to a share capital eligible for dividends of TEUR 15,930. Accordingly, the dividend per share amounted to EUR 0.50.

Notes

NOTE 1 I 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.

Since 27 March 2003 the shares of the Company have been listed on the Wiener Börse (Vienna Stock Exchange).

NOTE 2 I Accounting Standards

The Company's consolidated financial statements as of 31 December 2011 were prepared in accordance with International Financial Reporting Standards (IFRSs) as well as with the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) as adopted by the EU.

The consolidated financial statements for SCHOELLER-BLECKMANN OILFIELD EQUIPMENT Aktiengesellschaft and its subsidiaries for the business year 2011 (as of 31 December 2011) were released by the Executive Board on 24 February 2012.

The financial statements are denominated in Euros. Unless otherwise provided, all figures have been rounded to thousands of Euros (TEUR). As a result of automated computation, the rounded amounts and percentage figures may display rounding differences.

NOTE 3 | Scope of consolidation

The consolidated financial statements as of 31 December 2011 comprise the accounts of SCHOELLER-BLECKMANN OILFIELD EQUIPMENT Aktiengesellschaft as the group parent company and its subsidiaries as follows:

Company	Location	Interest held in %
Schoeller-Bleckmann Oilfield Technology GmbH	Ternitz, AT	100.00
Schoeller-Bleckmann Drilling and Production Equipment GmbH	Ternitz, AT	100.00
BICO-DSI Investment GmbH	Ternitz, AT	90.00
DSI FZE (formerly Schoeller-Bleckmann Trading FZE)	Dubai, AE	90.00
Drilling Systems International Limited	Cayman Islands, CY	90.00
Schoeller-Bleckmann America Inc.	Wilmington, US	100.00
Accudrill L. L. C. (*)	Houston, US	96.60
Bafco Investment Co.	Warminster, US	100.00
Godwin-SBO L. L. C. (*)	Houston, US	96.60
Knust-SBO L. L. C. (*)	Houston, US	94.60
Knust-SBO Far East Pte. Ltd. (*)	Singapore, SG	94.60
Schoeller-Bleckmann Energy Services L. L. C. (*)	Lafayette, US	87.80
Schoeller-Bleckmann Sales Co. L. L. C.	Houston, US	100.00
Schoeller-Bleckmann Oilfield Equipment (UK) Limited	Rotherham, GB	100.00
Darron Tool & Engineering Limited (*)	Rotherham, GB	93.42
Darron Oil Tools Limited	Rotherham, GB	100.00
Schoeller-Bleckmann Darron Limited (*)	Aberdeen, GB	92.65
Schoeller-Bleckmann Darron (Aberdeen) Limited	Aberdeen, GB	100.00
Techman Engineering Limited	Chesterfield, GB	100.00
Techman Precision Engineering Limited	Chesterfield, GB	100.00
BICO Drilling Tools Inc. (*)	Houston, US	85.00
BICO Faster Drilling Tools Inc. (*)	Nisku, CA	72.25
Schoeller-Bleckmann de Mexico S. A. de C. V.	Monterrey, MX	100.00
Schoeller-Bleckmann do Brasil, Ltda.	Macae, BR	100.00
SB Darron Pte. Ltd.	Singapore, SG	100.00
Schoeller-Bleckmann Oilfield Equipment Middle East FZE	Dubai, AE	100.00
Schoeller-Bleckmann Oilfield Equipment Vietnam L. L. C.	Binh Duong, VN	100.00
BRMCO (167) Limited	Chesterfield, GB	100.00

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

In 2011, the following **change in the scope of consolidated entities** took place:

- Foundation of Schoeller-Bleckmann Darron (Aberdeen) Limited on 23 November 2011.

NOTE 4 | Significant accounting policies

The applied accounting policies remain generally unchanged compared to the previous year, except for the following changes.

Changes in accounting policies

In 2011 the Group has initially applied the following new and revised standards and interpretations. The adoption of these standards and interpretations only had an impact on group financial statements as of 31 December 2011 if it is marked with "yes" in the table below.

Regulation		Effective Date [1]	Impact on group financial statements
IFRS 1	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters	01/07/2010	no
IAS 24	Related Party Disclosures (revised 2009)	01/01/2011	no
IAS 32	Financial Instruments – Presentation: Classification of Rights Issues	01/02/2010	no
IFRIC 14	Prepayments of a Minimum Funding Requirement	01/01/2011	no
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	01/07/2010	no
Various	Improvements to IFRS 2010	Various, mainly 01/01/2011	no

[1] to be applied for annual periods beginning on or after this date

The following revised standard which has been adopted by the European Union, has not been applied early in 2011, but will be applied in the respective reporting periods for which its application becomes mandatory:

Regulation		Effective Date [2]	Impact on group financial statements
IFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets	01/07/2011	no

[2] to be applied for annual periods beginning on or after this date

It is expected that the initial application of this amended standard will not have any impact on the financial position or performance of the Group.

Balance sheet date

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

› Consolidation principles

Upon capital consolidation, business combinations are accounted for using the acquisition method i. e. the consideration transferred is offset against the proportionate fair value of the acquired assets and liabilities of the acquired business.

The consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 in profit and loss under other financial expenses or income, respectively. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Acquisition costs incurred are expensed (general and administrative expenses).

For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net asset.

Afterwards, their share of profit after tax and other comprehensive income is attributed to non-controlling interests. In case of losses, a negative balance could be recorded.

Subsidiaries are fully consolidated since their acquisition date, i. e. when the Company gets control over the acquired business. The consolidation ends when the Company loses control over the subsidiary. Changes in the ownership without loss of control are recorded as equity transactions.

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

The consolidated financial statements are denominated in Euros, the functional and reporting currency of the Group. Each group member determines its own functional currency. The line items in the individual company financial statements are measured by using this functional currency.

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.

For the group financial statements, the financial statements of foreign subsidiaries are translated into Euros, in accordance with the concept of functional currency:

- 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:

	Balance sheet date		Average annual rate	
1 EUR =	31.12.2011	**31.12.2010**	2011	**2010**
USD	1.2939	1.3391	1.3917	1.3268
GBP	0.8353	0.8647	0.8678	0.8582
CAD	1.3215	1.3307	1.3756	1.3665
MXN	18.0512	16.5800	17.2791	16.7532
BRL	2.4159	2.2177	2.3259	2.3344
VND	27,490.98	27,543.00	29,218.82	25,793.00

Exchange differences resulting from translating the financial statements of the subsidiaries are classified as "currency translation reserve within equity" of the consolidated financial statements, the movement in the current year is recorded under "other comprehensive income".

› Split in current and non-current 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 non-current. Residual time to maturity is determined on the basis of the balance sheet date.

Operating assets and liabilities, such as Trade Accounts Receivable and Trade Accounts Payable, are always considered as current, even if their maturity is beyond 12 months as 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):

Cash and cash equivalents

All cash, bank deposits and short-term financial investments available for sale are recorded under line item Cash and cash equivalents, because they can be converted into cash at any time. They are measured at current value at the balance sheet date and are not subject to significant changes in their value. Marketable financial instruments are non-derivative financial assets which are not held for trading purposes.

After initial recognition, marketable financial instruments are measured at their fair values while resulting profits and losses are booked into equity. The fair value is the 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 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 credits 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, Bonds, Payables under finance leasing and Derivative financial liabilities.

Liabilities are initially recognized at its fair value minus directly attributable transaction costs; 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.

The interest in subsidiaries, which is held by the respective management, is recorded also under financial liabilities.

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 fair 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, including the portion of the income from the current year, which is displayed in the consolidated Profit and Loss-statement under “other financial expenses”.

This portion of income in the current year is considered as representative for the effective interest expense.

Further the participation rights granted to the management of subsidiaries are recorded as financial liabilities. A transfer of such rights to third parties needs the approval of the Company. The Company has the option to purchase participation rights under specific circumstances, the purchase price is based on the respective equity portion at the date of the transaction.

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 fair value at the contract dates and are measured at the respective fair values in the following periods. Derivative financial instruments are recognized as assets if their fair values are positive and as liabilities if fair values are negative.

The fair values of derivative financial investments traded on active 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 fair values are determined by means of other acknowledged valuation methods (recent, comparable transactions between knowledgeable, independent partners willing to trade, comparison with the fair value of other, essentially identical financial instruments, as well as other valuation methods).

The Company uses the following instruments:

Fair value hedging

The accounting treatment applied to fair value hedges differs in that the change in the value of the derivative used as a hedging instrument and any gain or loss on the hedged item attributable to the hedged risk are recognized in profit or loss. When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in the profit and loss statement.

Other derivatives

In order to cover the foreign currency risk relating to monetary assets and liabilities in the balance sheet, the Company applies hedging measures, which, although not in compliance with the strict requirements set out in IAS 39 for hedge accounting, contribute effectively to hedge the financial risk from the risk management perspective.

Income or expenses resulting from changes in the fair value of financial instruments which do not fulfil the accounting criteria regarding hedging relationships under IAS 39, are directly booked to the profit and loss statement.

Income and expenses resulting from foreign currency hedging transactions which were made to hedge the exchange risk related to intra-group trading in foreign currencies are not displayed separately but reported together with the foreign exchange income and expenses from the hedged items in the operating result.

› 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 material expenses, 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 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	3 - 17
Fixtures, furniture and equipment	2 - 10

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognized in the profit and loss account in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the profit and loss account.

Repairs and refurbishments are charged to profit and loss at the time the expenditure has been incurred.

Borrowing costs are also expensed as incurred, unless they are related to a qualifying asset with a commencement date (acquisition or production) after 1 January 2009.

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 fair value of the minimum lease payments. The corresponding leasing liabilities are shown in the balance sheet as finance lease obligations.

Interest expenditures on capitalized lease objects are based on interest rates between 5.0 % and 7.0 %. 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.

The determination whether an arrangement contains a lease is based on its economic substance and requires a judgement as to whether the fulfilment of the contractual arrangement depends on the use of a specific asset or assets and whether the arrangement conveys a right to use the asset.

› Goodwill

Goodwill is recognized at acquisition cost not amortized but tested for impairment annually as of 31 December. For this purpose, the goodwill is assigned to cash generating units. The impairment test for cash generating units is performed by calculating the value in use on the basis of expected future cash flows.

A write-down of goodwill cannot be reversed in future periods.

› Current and deferred income taxes

The actual tax refund receivables and tax payables for the current and previous periods are measured in the amount of the expected refund by, or payment to the tax authority.

The respective amounts are based on the current tax rates and laws at the balance sheet date.
Current and deferred taxes related to items in other comprehensive income or in equity are not recognized in profit and loss but in equity.

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 recognized to the extent it is probable that there will be taxable income in future against which the deductible temporary differences may be offset. 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. Deferred taxes are measured at the tax rates that are expected to apply to the year, when the asset is realized or the liability is settled.

Current and deferred taxes which relates to items recognized under "other comprehensive income" or equity are also posted in "other comprehensive income" or equity but not through profit and loss.

› Government grants

Subsidies are recognized only when there is reasonable assurance that the Company will comply with any conditions attached to the grants and that the grants will in fact be received. Grants are recognized systematically as income over the period necessary to match them with the related costs, for which they are intended to compensate.

Grants relating to assets are recognized as a liability upon fulfilment of all requirements for the receipt of such grants. They are released over the useful life of the respective assets. The release is displayed in the consolidated Profit and Loss-statement (line item "other operating income").

› Provisions

In accordance with IAS 37, provisions are recognized when the Company has current legal or constructive obligations which are based on past events and which will probably lead to a payment. The provisions are measured at the best estimate of the management at the balance sheet date. If a reliable estimate is not possible, no provision is made.

› Employee benefits

Defined contribution pension plans

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 4,200 (2010: EUR 4,110)). For employees contributing 1 % of their annual salaries to the pension fund, the Company also contributes 1 %.

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 Schoeller-Bleckmann America Inc., Godwin-SBO L. L. C., Schoeller-Bleckmann Sales Co. L. L. C., Schoeller-Bleckmann Energy Services L. L. C. and BICO Drilling Tools Inc.

Employees are eligible for participation in the plan upon reaching 18 years of age and completion of six months 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 per payroll period.

Knust-SBO L. L. C. sponsors a 401(K) profit sharing and income deferral plan which covers substantially all employees. Employees may elect to defer a percentage of their qualifying wages, up to the maximum dollar amount set by law. 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 2011 and 2010, 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 (defined benefit plan). 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 2008-P (2010: AVÖ 2008-P) by Pagler & Pagler and an interest rate of 4.5 % (2010: 4.5 %), an annual increase in salaries of 4.5 % (2010: 4.5 %) 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 (defined contribution plan).

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 (defined benefit plan). The amounts accrued for this were also calculated by applying the Projected Unit Credit Method.

For all provisions for employee benefits, the actuarial gains or losses are booked in the profit and loss statement as incurred.

› Own shares

Own shares are carried at acquisition costs and are subtracted from the equity. The purchase, sale, issuance and redemption of own shares is not recognized in profit or loss. Potential differences between the carrying value and the related settlements are booked in Contributed capital.

› 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 only expensed, if 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 profit after tax attributable to the owners of the parent company by the average number of ordinary shares outstanding during the period.

› Estimates, discretionary decisions and assumptions

The **preparation of consolidated annual financial statements** in conformity with International Financial Reporting Standards (IFRS) requires estimates and assumptions as well as discretionary decisions 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, however, as seen from today´s perspective, the Board does not expect any major negative implications on the financial results in the near future.

For the yearly **impairment test of goodwill**, an estimate of the value in use 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 loss carry forwards and other timing differences (see Note 11).

The **accruals for defined benefit plans** and other employee 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).

In order to measure **inventories**, the management expectations of price and market developments are required (see Note 7).

Provisions are carried at those values which correspond to the best estimate by the management at the balance sheet date (see Note 15).
It is necessary to make assumptions regarding the default probability of **receivables** (see Note 5).

In **Property, plant and equipment and Intangible assets** it is necessary to include estimates for the period during which these assets are expected to be used (see Notes 8 and 9).

Liabilities for contingent purchase price payments due to business combinations are recorded at the balance sheet date with their fair value, which is derived from the most recent sales forecast (see Note 19).

The valuation of **liabilities for management interest** in subsidiaries and similar participation rights is based on assumptions about the service life for the respective managers with the company and the expected profitability of the subsidiaries as well.

The Company considers the proportion of the yearly profit as representative for the effective interest expense in the period payable to the managers (see Note 19).

NOTE 5 | Trade accounts receivable

An analysis of 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
2011	72,973	45,857	14,974	6,046	2,656	2,585	830
2010	57,876	37,081	11,236	5,382	1,874	386	1,815

The book value of impaired balances amounted to TEUR 25 (2010: TEUR 102).

The allowance account reflects the following:

in TEUR	2011	2010
As of 1 January	810	1,348
Exchange differences	136	79
Usage	0	-69
Reversal	-263	-941
Expensed additions	1,716	393
As of 31 December	2,399	**810**

The receivables listed are not secured.

NOTE 6 | Other accounts receivable and prepaid expenses

This position mainly consists of balances due from tax authorities and deferred charges as well.

The receivables are not secured, no allowances were recorded.

NOTE 7 | Inventories

Inventories are detailed by major classification as follows:

in TEUR	31 December 2011	31 December 2010
Raw materials	11,085	6,618
Work in progress	63,464	43,539
Finished goods	64,349	50,322
Prepayments	189	38
Total	**139,087**	**100,517**

Allowance expenses booked for 2011 were TEUR 4,785 (2010: TEUR 5,641).

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:

2011 in TEUR	Land & buildings	Plant & machinery	Fixtures, furniture & equipment	Prepayments & assets under construction	Total
At cost					
1 January 2011	59,348	225,377	10,345	5,201	300,271
Exchange differences	1,542	4,803	208	313	6,866
Additions	2,274	23,679	1,316	9,535	36,804
Transfers	1,053	5,504	56	-6,679	-66
Disposals	-110	-11,390	-368	-525	-12,393
31 December 2011	64,107	247,973	11,557	7,845	331,482
Accumulated depreciation & impairments					
1 January 2011	12,995	141,273	7,246	0	161,514
Exchange differences	338	2,796	159	0	3,293
Additions	1,808	25,637	1,400	0	28,845
Disposals	-55	-9,015	-357	0	-9,427
Appreciations	0	-250	0	0	-250
31 December 2011	15,086	160,441	8,448	0	183,975
Carrying value					
31 December 2011	49,021	87,532	3,109	7,845	147,507
31 December 2010	46,353	84,104	3.,099	5,201	138,757

2010 **in TEUR**	**Land & buildings**	**Plant & machinery**	**Fixtures, furniture & equipment**	**Prepayments & assets under construction**	**Total**
At cost					
1 January 2010	54,855	186,731	9,447	12,317	263,350
Exchange differences	2,301	7,549	346	84	10,280
Change in consolidated entities	0	10,142	39	0	10,181
Additions	1,837	17,788	747	4,642	25,014
Transfers	355	10,765	0	-11,120	0
Disposals	0	-7,598	-234	-722	-8,554
31 December 2010	59,348	225,377	10,345	5,201	300,271
Accumulated depreciation & impairments					
1 January 2010	10,519	109,592	5,846	696	126,653
Exchange differences	453	3,877	221	0	4,551
Change in consolidated entities	0	5,603	14	0	5,617
Additions	2,023	26,485	1,374	0	29,882
Disposals	0	-4,284	-209	-696	-5,189
31 December 2010	12,995	141,273	7,246	0	161,514
Carrying value					
31 December 2010	46,353	84,104	3,099	5,201	138,757
31 December 2009	44,336	77,139	3,601	11,621	136,697

The Company has manufacturing facilities in the following countries: USA, Austria, the UK, Mexico, Vietnam and Singapore.

Service and maintenance as well as marketing outlets are maintained in the USA, Canada, the UK, Singapore, the UAE, Russia and Brasil.

No impairments were made, neither in 2011 nor in 2010.

In 2011 write-ups were made in the amount of TEUR 250 (2010: TEUR 0), because of increased capacity utilization (recorded in profit and loss under cost of sales).

As of 31 December 2011 commitments for capital expenditure amounted to TEUR 9,789 (2010: TEUR 11,788).

Finance Lease

Plant and machinery held under finance lease are as follows:

in TEUR	31 December 2011	31 December 2010
Acquisition cost	2,381	2,300
Accumulated depreciation	-1,162	-833
Carrying value	**1,219**	**1,467**

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

in TEUR	31 December 2011	31 December 2010
For the following year	379	453
Between one and five years	274	649
More than five years	0	0
Total minimum lease payments	653	1,102
Less discount	-18	-73
Present value	**635**	**1,029**

Operating lease

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

in TEUR	31 December 2011	31 December 2010
For the following year	1,155	912
Between one and five years	3,242	2,286
After five years	121	145

Payments for operating leases which were expensed in the current year amounted to TEUR 1,260 (2010: TEUR 715).

NOTE 9 | Intangible assets

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

Year 2011 in TEUR	Goodwill	Other intangibles	Total
At cost			
1 January 2011	80,757	58,704	139,461
Exchange differences	2,264	1,852	4,116
Transfers	0	66	66
Additions	0	228	228
Disposals	0	-57	-57
31 December 2011	83,021	60,793	143,814
Accumulated amortization			
1 January 2011	23,668	5,943	29,611
Exchange differences	619	529	1,148
Additions	0	5,921	5,921
Disposals	0	-57	-57
31 December 2011	24,287	12,336	36,623
Carrying value			
31 December 2011	58,734	48,457	107,191
31 December 2010	57,089	52,761	109,850

Year 2010 in TEUR	Goodwill	Other intangibles	Total
At cost			
1 January 2010	58,728	11,174	69,902
Exchange differences	3,136	-31	3,105
Change in consolidated entities	20,414	44,499	64,913
Additions	0	3,063	3,063
Disposals	-1,521	-1	-1,522
31 December 2010	80,757	58,704	139,461
Accumulated amortization			
1 January 2010	19,749	3,301	23,050
Exchange differences	1,102	73	1,175
Additions	0	2,570	2,570
Impairments	3,256	0	3,256
Disposals	-439	-1	-440
31 December 2010	23,668	5,943	29,611
Carrying value			
31 December 2010	57,089	52,761	109,850
31 December 2009	38,979	7,873	46,852

As of 31 December 2011, commitments for acquisitions of intangible assets amounted to TEUR 0 (31 December 2010: TEUR 0).

1. Goodwill

The impairment test for the cash generating units was computed by using their value in use, which is based on the estimated future cash flows and a 11.0 % - 14.7 % (2010: 12.3 % - 14.2 %) capital cost rate before taxes (WACC = Weighted Average Costs of Capital). The WACC was determined based on the current figures for similar companies in the same industry segment and adjusted for specific inflation rates in different countries. A detailed planning period of 3 years is used, which is derived from the budgets of the management. For the terminal period, a fixed growth rate of 1 % was assumed.

The calculation of the cash flow is based on revenue expectations and planned capital expenditures. The value in use 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 2011 demonstrated that no write-down of goodwill was necessary (2010: an impairment in the amount of TEUR 3,256 was made).

For all cash generating units no impairment was necessary, as demonstrated by a sensitivity analysis, assuming any realistic changes in cash flows or capital costs.

The goodwill set out in the balance sheet is attributable to the following cash generating units:

In TEUR	31 December 2011	31 December 2010
Drilling Systems International Limited	19,374	18,736
Knust-SBO L. L. C.	14,739	14,241
Godwin-SBO L. L. C.	13,169	12,744
Schoeller-Bleckmann Oilfield Technology GmbH	4,655	4,655
Schoeller-Bleckmann Oilfield Equipment (UK) Limited	3,675	3,675
Techman Engineering Limited	1,546	1,481
BICO Drilling Tools Inc.	1,435	1,417
BICO Faster Drilling Tools Inc.	141	140
Total	**58,734**	**57,089**

Changes in the carrying amounts 2011 were exclusively due to the conversion of foreign exchange amounts.

2. Other intangible assets

In 2011 no significant additions or disposals were made.

As part of the initial accounting of Drilling Systems International Limited, TEUR 20,020 for the acquired customer base, TEUR 18,167 for acquired technology and TEUR 4,292 for trademarks were capitalized in 2010. These assets will be amortized over a period of 10 years (see Note 37). Also, Non-Compete-Agreements with a duration of 10 years in the amount of TEUR 2,969 were capitalized in 2010.

Additions of TEUR 1,985 were booked for the acquisition of patents from EXOKO COMPOSITES COMPANY LLC. in 2010.

Other intangible assets comprise right-of-use for IT software.

NOTE 10 | Long term receivables

This line item mainly refers to interest-bearing loans which have been granted to the management of subsidiaries of the Company 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 Group worth mentioning.

in TEUR	31 December 2011	31 December 2010
Loans	13,604	5,418
Other receivables	204	202
Total	**13,808**	**5,620**

As there were no past-due receivables, no write-downs had to be made either as of 31 December 2011 or 31 December 2010. The other receivables are not secured.

NOTE 11 | Deferred taxes

The Company's deferred tax assets and deferred tax payables result from the following positions:

In TEUR	31 December 2011	31 December 2010
Fixed assets (different valuation)	-13,446	-9,050
Fixed assets (different useful lives)	-5,601	-4,456
Inventory (different valuation)	5,867	4,705
Other items (different valuation)	3,538	1,581
Not deductible accruals	1,880	1,759
Exchange differences intercompany debt elimination	-2,523	-2,002
Tax loss carry forward	1,941	1,577
Total	**-8,344**	**-5,886**

The line items as reflected in the group balance sheet:

in TEUR	31 December 2011	31 December 2010
Deferred tax assets	9,723	6,303
Deferred tax liabilities	-18,067	-12,189
Total	**-8,344**	**-5,886**

Not recognized are deferred tax assets in the amount of TEUR 267 (2010: TEUR 404) related to tax losses carried forward, because the utilization of these losses could not be expected in the foreseeable future.

NOTE 12 | Bank loans and overdrafts

As of 31 December 2011, the short-term loan arrangements were as follows:

Currency	Amount in TEUR	Interest rate in %
USD loans	9,274	1.01 % variable
GBP loans	3,591	2.52 % variable
Subtotal	12,865	
Export promotion loans (EUR)	16,234	1.63 – 2.00 % variable
Total	**29,099**	

As of 31 December 2010, the short-term loan arrangements were as follows:

Currency	Amount in TEUR	Interest rate in %
USD loans	8,961	1.06 % variable
CAD loans	7,563	2.30 % variable
GBP loans	3,469	1.70 % variable
Subtotal	19,993	
Export promotion loans (EUR)	16,234	1.33 – 1.75 % variable
Total	36,227	

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 (2010: TEUR 18,754) to securitize these loans.

The **USD borrowings** due to banks in the amount of TEUR 9,274 (2010: TEUR 8,961) are collateralized by specific current assets of the Company ("floating charge").

NOTE 13 | Government grants

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. For some investment grants specific covenants have to be met (e. g. number of workers employed).

NOTE 14 | Other payables

Other payables were as follows:

in TEUR	31 December 2011	31 December 2010
Vacation not yet used	1,657	1,407
Other personnel expenses	9,741	6,171
Invoices not yet received	3,514	3,167
Legal and other counseling fees	586	529
Taxes	2,162	1,491
Social expenses	1,527	1,014
Sundry payables	6,026	5,487
Total	**25,213**	**19,266**

NOTE 15 | Other provisions

The following development was recorded:

Year 2011 in TEUR	31 Dec. 2010	Exchange Differences	Usage	Reversal	Additions	31 Dec. 2011
Warranty/product liability	3,798	0	-560	0	934	4,172
Restructuring	575	0	0	0	0	575
Other	1,530	0	0	-210	158	1,478
Total	**5,903**	**0**	**-560**	**-210**	**1,092**	**6,225**

Year 2010 in TEUR	31 Dec. 2009	Exchange Differences	Usage	Reversal	Additions	31 Dec. 2010
Warranty/product liability	3,099	0	-281	-249	1,229	3,798
Restructuring	575	0	0	0	0	575
Other	4,278	47	-2,305	-720	230	1,530
Total	**7,952**	**47**	**-2,586**	**-969**	**1,459**	**5,903**

Important items in the line „other provisions" refer to pending proceedings and governmental instructions.

It is expected that the costs accounted for in short-term provisions will be incurred in the following business year.

NOTE 16 | Bonds

In June 2008, two bonds with a total face value of MEUR 20.0 each were issued, in the form of 800 equally ranking bearer debentures with a par value of EUR 50,000 each.

The debentures were 100 % securitized by two changeable collective certificates which were deposited with Oesterreichische Kontrollbank Aktiengesellschaft in Vienna on the day of issuance. Individual debentures or coupons have not been issued.

The annual interest rates on the debentures until maturity are 5.75 % (on bond 2008-2013) and 5.875 % (on bond 2008-2015), related to their par values. The interest is payable in arrears, on 18 June of each year. The redemption will be in the amount of the par value, i. e., MEUR 20.0 each, on 18 June 2013 and 18 June 2015.

The bonds are traded in the third market at the Vienna Stock Exchange under ISIN Nos. AT0000A09U32 and AT0000A09U24.

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

As of 31 December 2011, long-term borrowings consist of the following:

Currency	Amount in TEUR	Interest rate in %	Term	Repayment
EUR	5,646	0.00 % fixed	2008 – 2024	quarterly
EUR	32,000	3.05 % fixed	2010 – 2018	semi-annually from 2012
EUR	8,000	3.10 % fixed	2010 – 2018	2018
EUR	5,000	5.25 % fixed	2009 – 2016	2016
EUR	3,750	4.73 % fixed	2009 – 2016	semi-annually
EUR	6,000	2.55 % fixed	2010 – 2015	annually from 2013
EUR	4,560	1.75 % fixed	2009 – 2015	semi-annually
EUR	3,274	0.00 % fixed	2008 – 2015	quarterly
EUR	1,648	3.99 % fixed	2006 – 2015	semi-annually
EUR	3,610	2.25 % fixed	2008 – 2014	semi-annually
EUR	70	2.00 % fixed	2010 – 2014	2014
EUR	66	2.50 % fixed	2008 – 2014	2014
EUR	4,800	4.79 % fixed	2008 – 2013	semi-annually
EUR	4,000	2.65 % variable	2010 – 2013	annually from 2012
EUR	3,125	3.22 % fixed	2009 – 2013	semi-annually
EUR	3,000	2.80 % variable	2010 – 2012	semi-annually
EUR	2,000	2.75 % variable	2010 – 2012	2012
EUR	938	1.50 % fixed	2006 – 2012	semi-annually
GBP	2,057	2.00 % variable	2007 – 2022	monthly
USD	739	6.35 % fixed	2003 – 2016	monthly
	94,283			

The following borrowings were collateralized:

EUR-loans:
TEUR 13,469 – Machinery pledged with a carrying-value of TEUR 13,642.

USD-loans:
TEUR 739 – Mortgage on land and building with a carrying-value of TEUR 1,520.

GBP-loans:
TEUR 2,057 – Lien on property (land and building) and on other assets (“floating charge“).

As of 31 December 2010, long-term borrowings consist of the following:

Currency	Amount in TEUR	Interest rate in %	Term	Repayment
EUR	3,440	0.00 % fixed	2008 – 2024	quarterly from 2011
EUR	32,000	3.05 % fixed	2010 – 2018	semi-annually from 2012
EUR	8,000	3.10 % fixed	2010 – 2018	2018
EUR	5,000	5.25 % fixed	2009 – 2016	2016
EUR	4,583	4.73 % fixed	2009 – 2016	semi-annually from 2010
EUR	6,500	1.75 % fixed	2009 – 2015	semi-annually from 2011
EUR	6,000	2.55 % fixed	2010 – 2015	annually from 2013
EUR	3,851	0.00 % fixed	2008 – 2015	quarterly from 2011
EUR	2,119	3.99 % fixed	2006 – 2015	semi-annually
EUR	5,056	2.25 % fixed	2008 – 2014	semi-annually from 2010
EUR	55	2.50 % fixed	2008 – 2014	2014
EUR	44	2.00 % fixed	2010 – 2014	2014
EUR	7,200	4.79 % fixed	2008 – 2013	semi-annually from 2010
EUR	4,375	3.22 % fixed	2009 – 2013	semi-annually from 2010
EUR	4,000	2.05 % variable	2010 – 2013	annually from 2012
EUR	8,000	2.20 % variable	2010 – 2012	semi-annually from 2011
EUR	2,813	1.50 % fixed	2006 – 2012	semi-annually
EUR	2,000	2.00 % variable	2010 – 2012	2012
EUR	556	3.54 % fixed	2006 – 2011	semi-annually
USD	834	6.35 % fixed	2003 – 2016	monthly
GBP	2,300	1.83 % variable	2007 – 2022	monthly
	108,726			

The following borrowings were collateralized:

EUR-loans:
TEUR 15,160 – Machinery pledged with a carrying-value of TEUR 19,425.

USD-loans:
TEUR 834 – Mortgage on land and building with a carrying-value of TEUR 1,510.

GBP-loans:
TEUR 2,301 – Lien on property (land and building) and on other assets ("floating charge"). The banking covenants applied to this loan have not been adhered to at the balance sheet date 31 December 2010 and the loan therefore became repayable on demand.

Adjustments of the variable interest rates are made quarterly.

With respect to the fair value of the loans see Note 32, regarding interest rate risk and hedging see Note 33.

NOTE 18 | Employee benefit obligations

As of the balance sheet date, the employee benefit obligations consisted of the following:

in TEUR	31 December 2011	31 December 2010
Severance payments	3,620	2,839
Jubilee payments for long service	951	851
Total	**4,571**	**3,690**

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

	2011	2010
Interest rate	4.50 %	4.50 %
Salary increases	4.50 %	4.50 %
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 has developed as follows:

in TEUR	2011	2010	2009	2008	2007
Defined benefit obligation as of 1 January	2,839	2,488	2,796	2,700	2,699
Current service cost	157	145	172	175	169
Interest cost	127	136	156	133	107
Current severance payments	-12	-237	-230	-194	-513
Actuarial gain/loss during the year	509	307	-406	-18	238
Defined benefit obligation as of 31 December	**3,620**	**2,839**	**2,488**	**2,796**	**2,700**
Of which: Experience based adjustments	509	-6	-406	-25	238

Current service costs, interest costs and actuarial gains/losses are exclusively booked under Income from operations (personnel expenses).

Pension plans (defined contributions)

Payments made under the defined contribution plans (pensions and other providence funds) were expensed and amounted to TEUR 854 in 2011 (2010: TEUR 2,135).

NOTE 19 | Other payables

Other payables include Earn-Outs from Business Combinations in the amount of TEUR 7,275 (2010: TEUR 4,820). The accretion of discount in the amount of TEUR 213 (2010: TEUR 0) is booked under interest expense.

The liability for contingent purchase price payments was increased by TEUR 1,909 through profit and loss (other financial expenses). This increase results from an improved sales forecast compared to the business plan as of the acquisition date, calculated with the discounted payments based on the most recent sales forecast.

Also the interest in subsidiaries, which are held by the respective management are included: TEUR 18,655 (2010: TEUR 10,810).

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

Company	31 December 2011	31 December 2010
Schoeller-Bleckmann Energy Services L. L. C.	12.20 %	14.20 %
Schoeller-Bleckmann Darron Limited	7.35 %	7.35 %
Darron Tool & Engineering Limited	6.58 %	6.58 %
BICO Drilling Tools Inc.	15.00 %	15.00 %
BICO Faster Drilling Tools Inc.	15.00 %	15.00 %
Knust-SBO L. L. C.	5.40 %	0.00 %
Godwin-SBO L. L. C.	3.40 %	0.00 %

Accordingly, the management holds pro-rated shares in these companies.

Liabilities in the amount of TEUR 3,810 are recorded for participation rights (2010: TEUR 0).

The effective interest expense recorded for management interest and participation rights in 2011 amounted to TEUR 4,199 (2010: TEUR 1,895), which is recorded under other financial expense.

Other significant payables are related to a non compete agreement and an interest-swap transaction.

NOTE 20 | Share capital

The share capital of the Company on 31 December 2011 as well as on 31 December 2010 was EUR 16 million; divided into 16 million common shares with a par value of EUR 1.00 each.

The Ordinary Shareholders' Meeting on 28 April 2010 authorized the Management Board for a period of 30 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. In 2011 no usage of this authorization was made.

As of 31 December 2011, the Company holds (unchanged to 2010) 39,884 of its own shares at acquisition costs of TEUR 1,554, equaling a 0.25 % share in its capital stock. There are 15,960,116 shares in circulation.

In 2010, 50,000 own shares were rendered for the acquisition of patents in respect of the development of drilling motors.

Also, 30,000 own shares were sold in 2010 to Mr. Gerald Grohmann, member of the Executive Board, at fair value (market price on transaction day).

In connection with the business combination with EXOKO COMPOSITES COMPANY LLC. in 2010, a conditional earn-out in the form of 50,000 shares of the Company would become due, if future sales levels are achieved as agreed. Since the sales target was not met in 2011, no dilution in the number of shares in circulation was effected at 31 December 2011.

As of 31 December 2011, 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, which are prepared in accordance with Austrian Accounting Principles. No further allocation is required because of the contributions already made.

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 | Non-controlling interests

The amount in the balance sheet represents the portion of the equity which is held by non-controlling interests by the following companies:

	2011	2010
BICO-DSI Investment GmbH	10 %	10 %
DSI FZE (formerly Schoeller-Bleckmann Trading FZE)	10 %	10 %
Drilling Systems International Limited	10 %	10 %

NOTE 24 | Additional breakdown of revenues

Net sales consist of:

in TEUR	2011	2010
Sale of goods	325,878	253,253
Operating lease revenue	82,771	54,471
Total net sales	**408,649**	**307,724**

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.

NOTE 25 | Additional breakdown of expenses

As the Company classifies its expenses by function, the following additional information is given as required by IAS 1 (accounted for by using the “total cost accounting method“):

in TEUR	2011	2010
Material expenses	192,724	139,406
Personnel expenses	85,732	70,459
Depreciation tangible assets	28,845	29,882
Amortization other intangibles	5,921	2,570

NOTE 26 | Other operating income and expenses

The main contents in the position **other operating expenses** are:

in TEUR	2011	2010
Exchange losses	9,797	5,677
Research and development expenses	2,445	2,228

So far, development costs were not capitalized due to the uncertainties of the future economic benefits attributable to them.

The main contents in the position **other operating income** are:

in TEUR	2011	2010
Exchange gains	9,696	8,729
Other income	2,151	2,261

NOTE 27 | Result from non-recurring items

In 2011 no transactions were recorded under this line item.

In 2010 an impairment of goodwill in the amount of TEUR 3,256 was recorded (see Note 9).

NOTE 28 | Income taxes

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

in TEUR	2011	2010
Income tax expense at a calculated tax rate of 25 %	-19,552	-10,715
Foreign tax rate differentials	-3,406	-2,789
Permanent differences	-925	-297
Withholding and other foreign taxes	-1,971	-852
Prior year adjustments	698	-510
Other differences	381	-365
Consolidated income tax expense	-24,775	-15,528
Consolidated tax rate	**31.7 %**	**36.2 %**

The **components of income taxes** were as follows:

in TEUR	2011	2010
Current taxes	-23,154	-13,534
Deferred taxes	-1,621	-1,994
Total	**-24,775**	**-15,528**

Deferred taxes mainly result from the formation and reversal of temporary differences, and the capitalization of current tax losses as well.

The following income taxes were booked in "other comprehensive income":

in TEUR	2011	2010
Current taxes		
Exchange rate differences	-81	-222
Deferred taxes		
Hedging of a net investment	0	401
Exchange rate differences	-76	-406
Total	**-157**	**-5**

The following income taxes were booked directly in equity:

in TEUR	2011	2010
Current taxes		
Disposal of own shares	0	-278

From the utilisation of tax loss carry forwards the effective taxes in 2011 were reduced by TEUR 151 (2010: TEUR 25).

The payment of dividends to the shareholders will not result in any implications on income taxes for the business year 2011 and the comparative period of 2010 for the Company.

NOTE 29 | 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 management purposes, the Group is organized into regions. Accordingly, the segment reporting is made by regions, the allocation of the business units is based on the location of the business units.

No operating segments have been aggregated to form the reportable operating segments. Management monitors revenues and operating results of the business units separately for the purpose of making decisions about resource allocation.

As the figures stated represent a summary of the single balance sheets and income statements of the consolidated companies, holding adjustments and consolidation entries (elimination of intercompany profits and other group transactions) have to be taken into account, in order to arrive at the reported group numbers.

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:

Year 2011 in TEUR	**Europe**	**North America**	**Other regions**	**SBO-Holding & consolidation adjustments**	**SBO Group**
Sales by origin					
External sales	69,269	298,512	40,868	0	408,649
Inter-company sales	128,451	21,874	1,216	-151,541	0
Total sales	197,720	320,386	42,084	-151,541	408,649
Operating income	38,097	52,077	4,228	-4,203	90,199
Attributable assets	166,399	312,483	100,373	40,792	620,047
Attributable liabilities	96,093	125,852	28,776	54,554	305,275
Capital expenditure	5,232	24,603	6,917	280	37,032
Depreciation & amortization	11,879	14,291	5,949	2,647	34,766
Head count (average)	596	604	153	21	1,374

Year 2010 in TEUR	**Europe**	**North America**	**Other regions**	**SBO-Holding & consolidation adjustments**	**SBO Group**
Sales by origin					
External sales	54,474	237,909	15,341	0	307,724
Inter-company sales	84,582	16,079	1,934	-102,595	0
Total sales	139,056	253,988	17,275	-102,595	307,724
Operating income	24,085	32,264	-344	-6,635	49,370
Attributable assets	149,344	269,003	101,130	42,090	561,567
Attributable liabilities	89,888	117,356	42,626	44,570	294,440
Capital expenditure	5,448	17,069	2,536	55	25,108
Depreciation & amortization	14,442	13,886	1,956	5,424	35,708
Thereof impairments	0	0	0	3,256	3,256
Head count (average)	523	504	104	20	1,151

Sales by product line

in TEUR	2011	2010
High-precision components	219,003	177,258
Oilfield supplies and services	189,276	130,242
Other Sales	370	224
Total Sales	**408,649**	**307,724**

The following categories are used, based on the intended purpose of the goods and services.

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.
- **Circulation tools** steer the flow direction of drilling muds in the drill string.
- 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.

For information on customers we refer to Note 33.

Geographic information

Sales to external customers were as follows:

in TEUR	2011	2010
Austria	3,531	2,651
Great Britain	25,887	15,527
U. S. A.	263,820	208,858
Other countries	115,411	80,688
Total Sales	**408,649**	**307,724**

The classification is based on the location of the customer.

NOTE 30 | Remuneration for the management

The remuneration including bonuses for 2010 paid in 2011 for the Executive Board and the General Managers of the subsidiaries (totaling 19 individuals as compared to 18 in the previous year) amounted to TEUR 5,747 (2010: TEUR 6,564). These amounts include the movement in provisions for severance and jubilee payments amounting to TEUR 399 (expense) in 2011 and TEUR 28 (expense) in 2010, expenses for defined contribution plans TEUR 502 (2010: TEUR 1,803).

With respect to the remuneration for the Executive Board of the Austrian parent company, § 266 (7) UGB (Austrian Commercial Code) is applied, pursuant to which no further disclosure is required.

The remuneration for the Supervisory Board amounted to TEUR 60 in the business year, which is a combination of a flat rate and a variable rate depending on the Group´s results (2010: TEUR 45).

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 2015.

NOTE 31 | Transactions with related parties

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

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 2011 amounted to TEUR 36 (2010: TEUR 36), thereof outstanding as of 31 December 2011 is TEUR 11 (31 December 2010: TEUR 11).

Mr. Gerald Grohmann, member of the Executive Board

In 2011 no transactions with Mr. Grohmann were carried out.

In 2010 Mr. Grohmann purchased 30,000 shares from the Company at fair value (TEUR 1,085 = market price on transaction day).

On 30 August 2010, Mr. Grohmann acquired a 10 % interest of the company BICO-DSI Investment GmbH (formerly Schoeller-Bleckmann Oilfield Investment GmbH). The consideration of TEUR 10 was the fair value of this company at that date. Mr. Grohmann also contributed proportionally TEUR 997 for a capital increase in this company.

NOTE 32 | Financial instruments

Derivative Financial Instruments

1. Forward exchange contracts

The Austrian company hedges its net receivables and order backlog denominated in US dollars and CAN 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 2011	Hedged receivables in TEUR	Receivables at effective date rates in TEUR	Fair value in TEUR
USD	32,498	33,989	-1,491
CAD	3,762	3,966	-204

Forward exchange transactions as of 31 December 2010	Hedged receivables in TEUR	Receivables at effective date rates in TEUR	Fair value in TEUR
USD	32,160	32,571	-411
CAD	1,797	1,874	-77

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

2. Interest swap

The Company entered into an interest swap until 2015 relating to a long-term GBP-loan. For this purpose, a variable interest rate was swapped with a fixed interest rate of 5.48 %. The fair value at 31 December 2011 amounted to TEUR – 411 (31 December 2010: TEUR – 418), the variance was expensed into profit and loss.

Overview financial instruments

The following table shows the financial instruments, classified in accordance with IAS 39 and IFRS 7:

FINANCIAL INSTRUMENTS

31.12.2011 in TEUR		Category acc. to IAS 39			Classification acc. to IFRS 7: Valuation method						
					Fair value	Amortized costs					
		Loans and receivables	Other financial liabilities	Derivatives	Derivatives	Cash and cash equivalents	Accounts receivable trade	Lendings	Financing liabilities	Accounts payable trade	Other
Current assets											
Cash and cash equivalents	120,842	120,842				120,842					
Trade accounts receivable	72,973	72,973					72,973				
Income tax receivable	2,074										
Other accounts receivable and prepaid expenses	6,842										
Inventories	139,087										
Total current assets	**341,818**										
Non-current assets											
Property, plant & equipment	147,507										
Goodwill	58,734										
Other intangible assets	48,457										
Long-term receivables	13,808	13,604						13,604			
Deferred tax assets	9,723										
Total non-current assets	**278,229**										
TOTAL ASSETS	**620,047**	**207,419**	**0**	**0**	**0**	**120,842**	**72,973**	**13,604**	**0**	**0**	**0**
Current liabilities											
Bank loans and overdrafts	29,099		29,099						29,099		
Current portion of long-term loans	19,751		19,751						19,751		
Finance lease obligations	361		361						361		
Accounts payable trade	43,430		43,430							43,430	
Government grants	271										
Income taxes payable	9,966										
Other payables	25,213		7,845	1,695	1,695					3,514	4,331
Other provisions	6,225										
Total current liabilities	**134,316**										
Non-current liabilities											
Bonds	39,906		39,906						39,906		
Long-term loans	74,532		74,532						74,532		
Finance lease obligations	274		274						274		
Government grants	556										
Retirement benefit obligations	4,571										
Other payables	33,053		25,367	7,686	7,686				22,465		2,902
Deferred tax payables	18,067										
Total non-current liabilities	**170,959**										
Shareholders´ equity											
Share capital	15,960										
Contributed capital	65,203										
Legal reserve - non-distributable	785										
Other reserves	33										
Translation component	-10,859										
Retained earnings	242,149										
Non-controlling interests	1,501										
Total shareholders´ equity	**314,772**										
TOTAL LIABILITIES AND SHAREHOLDERS´ EQUITY	**620,047**	**0**	**240,565**	**9,381**	**9,381**	**0**	**0**	**0**	**186,388**	**46,944**	**7,233**

FINANCIAL INSTRUMENTS

31.12.2010
in TEUR

		Category acc. to IAS 39			Classification acc. to IFRS 7: Valuation method						
					Fair value	Amortized costs					
		Loans and receivables	Other financial liabilities	Derivatives	Derivatives	Cash and cash equivalents	Accounts receivable trade	Lendings	Financing liabilities	Accounts payable trade	Other
Current assets											
Cash and cash equivalents	136,989	136,989				136,989					
Trade accounts receivable	57,876	57,876					57,876				
Other accounts receivable and prepaid expenses	5,655			202	202						
Inventories	100,517										
Total current assets	**301,037**										
Non-current assets											
Property, plant & equipment	138,757										
Goodwill	57,089										
Other intangible assets	52,761										
Long-term receivables	5,620	5,418						5,418			
Deferred tax assets	6,303										
Total non-current assets	**260,530**										
TOTAL ASSETS	**561,567**	**200,283**	**0**	**202**	**202**	**136,989**	**57,876**	**5,418**	**0**	**0**	**0**
Current liabilities											
Bank loans and overdrafts	36,227		36,227						36,227		
Current portion of long-term loans	17,839		17,839						17,839		
Finance lease obligations	418		418						418		
Accounts payable trade	39,760		39,760							39,760	
Government grants	401										
Income taxes payable	6,981										
Other payables	19,266		4,797	690	690					3,167	1,630
Other provisions	5,903										
Total current liabilities	**126,795**										
Non-current liabilities											
Bonds	39,864		39,864						39,864		
Long-term loans	90,887		90,887						90,887		
Finance lease obligations	611		611						611		
Government grants	1,115										
Retirement benefit obligations	3,690										
Other payables	19,289		14,051	5,238	5,238				10,810		3,241
Deferred tax payables	12,189										
Total non-current liabilities	**167,645**										
Shareholders´ equity											
Share capital	15,960										
Contributed capital	65,203										
Legal reserve - non-distributable	785										
Other reserves	36										
Translation component	-20,852										
Retained earnings	204,897										
Non-controlling interests	1,098										
Total shareholders´ equity	**267,127**										
TOTAL LIABILITIES AND SHAREHOLDERS´ EQUITY	**561,567**	**0**	**244,454**	**5,928**	**5,928**	**0**	**0**	**0**	**196,656**	**42,927**	**4,871**

Fair value of financial instruments

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have significant effects on the recorded fair value are observable, either directly or indirectly;

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

in TEUR	31 December 2011	Level 2	Level 3
Liabilities			
Derivatives	-9,381	-2,106	-7,275

in TEUR	31 December 2010	Level 2	Level 3
Assets			
Derivatives	202	202	0
Liabilities			
Derivatives	-5,928	-1,108	-4,820

During the reporting years 2011 and 2010, there were no transfers between level 1 and level 2 fair value measurements.

Derivatives shown under level 3 consist only of contingent liabilities for purchase price payments for business combinations, which are disclosed in Note 19.

For each category of financial instruments which are amortized at acquisition costs, both the carrying value and the fair value are provided in the table below:

in TEUR	2011 Carrying value	2011 Fair value	2010 Carrying value	2010 Fair value
Assets				
Trade receivables	72,973	72,973	57,876	57,876
Lendings	13,604	13,604	5,418	5,418
Liabilities				
Bonds	-39,906	-42,100	-39,864	-42,950
Borrowings from banks, finance lease obligations and other loans	-124,017	-122,927	-145,982	-142,366
Management interest and participation rights	-22,465	-22,465	-10,810	-10,810
Trade payables	-46,944	-46,944	-42,927	-42,927
Other	-7,233	-7,233	-4,871	-4,871

Acknowledged valuation methods have been used to determine the fair values of the derivative financial instruments. For assessing the fair value of lendings, borrowings and leasing obligations, the expected cash-flows have been discounted using market interest rates. The fair value for bonds was derived from the stock exchange price.

Regarding bank and other long-term loans with variable interest, the interest rates charged are current market rates, resulting in the fact that the carrying values equal the fair values to a large extent.

Cash and cash equivalents, trade receivables and payables and all other items have mostly short residual lives. Therefore, the carrying values equal the fair values at the balance sheet date.

Net result from financial instruments

The following table shows the net result by classification, according to IAS 39:

Year 2011 in TEUR	Allowance	Revaluation		Deletion/Disposal		Net result
		P/L	OCI(*)	P/L	OCI(*)	
Loans and receivables	-1,476	-	-	-	-	-1,476
Derivatives	-	-1,199	-	-	-	-1,199

Year 2010 in TEUR	Allowance	Revaluation		Deletion/Disposal		Net result
		P/L	OCI(*)	P/L	OCI(*)	
Loans and receivables	+945	-	-	-	-	+945
Derivatives	-	-146	-	-	-	-146
Hedging transactions	-	-	-	-	-1,607	-1,607

(*) OCI...other comprehensive income

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.

In the year 2011, the three biggest customers (which are the worldwide dominant service companies in the directional drilling market) accounted for 59.5 % of all sales worldwide (2010: 62.7 %). 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.

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 bonds, payables due to banks and trade payables.

In addition, the Company also uses derivative financial instruments 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 50 % 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 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 of a potential change in the US dollar exchange rate on the consolidated financial statements only in respect of the value of the derivative instruments in place at balance sheet date:

in TEUR	2011		2010	
Changes in EURO – US dollar rate	+10 Cent	-10 Cent	**+10 Cent**	**-10 Cent**
Change in profit before taxes	+2,626	-2,626	+2,438	-2,438

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 borrowings (approximately 85 %) 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 bonds, 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	2011		2010	
Change in basic points	+10	+20	**+10**	**+20**
Change in profit before taxes	+83	+166	+84	+168

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 10).

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. For the other obligations, the non-discounted cash-flows for the following business years are stated.

31 December 2011 in TEUR	Due at call	2012	2013	2014	2015 cont´d
Bonds	-	2,325	21,750	1,175	20,588
Payables due to banks	29,562	-	-	-	-
Long-term loans	-	22,457	19,343	15,239	47,051
Leasing obligations	-	379	191	83	-
Management interest and participation rights	-	-	-	-	22,465
Trade payables	-	43,430	-	-	-
Derivatives	-	2,087	1,117	1,858	5,372
Other	-	23,904	466	466	2,318

31 December 2010 in TEUR	Due at call	2011	2012	2013	2014 cont´d
Bonds	-	2,325	2,325	21,750	21,763
Payables due to banks	36,786	-	-	-	-
Long-term loans	-	20,325	21,686	18,331	58,073
Leasing obligations	-	453	383	187	80
Management interest and participation rights	-	-	-	-	10,810
Trade payables	-	39,760	-	-	-
Derivatives	-	1,073	662	1,099	3,932
Other	-	18,946	450	450	2,670

Other financial market risks

The risk variables are in particular the share prices and stock indexes.

› Capital management

It is a paramount goal of the 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 bonds, long-term loans, payables due to banks and leasing rates, less cash and cash equivalents and long-term financial investments. The gearing was 13.7 % as of 31 December 2011 and 18.3 % as of 31 December 2010.

in TEUR	31 December 2011	31 December 2010
Bank loans	29,099	36,227
Long-term loans	94,283	108,726
Finance lease obligations	635	1,029
Bonds	39,906	39,864
Less: Cash and cash equivalents	-120,842	-136,989
Net debt	**43,081**	**48,857**
Total equity	314,772	267,127
Gearing	**13.7 %**	**18.3 %**

The Company considers a gearing ratio of up to 60 % reasonable without having an impact on the refinancing conditions. In addition an average dividend ratio of 30 - 60 % payable to the shareholders is deemed to be appropriate.

NOTE 34 | Contingencies

No contingencies existed as of the balance sheet dates 31 December 2011 and 31 December 2010.

NOTE 35 | Other Commitments

The Company has operating lease commitments and commitments for capital expenditure (see Note 8). Apart from that no other commitments existed.

NOTE 36 | Cash flow Statement

The consolidated cash flow statement displays the change of cash and cash equivalents in the reporting year as a result of inflows and outflows of resources.

The liquid fund corresponds to cash and cash equivalents in the consolidated balance sheet and 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.

For the allotment of shares in subsidiaries and participation rights to the managers in 2011, the Company granted loans to the participants in the same amount (TEUR 7,990). Hence, no cash flows where effected.

NOTE 37 | Business combinations

Year 2011

No business combinations were executed in 2011.

For acquisitions made in 2010, payments in the amount of TEUR 4,337 were effected in 2011.

Regarding the development of the liabilities for contingent purchase price payments we refer to Note 19.

Year 2010

As of 1 October 2010, 100 % of the shares of **Drilling Systems International Limited (CY)**, which is managed out of Dubai (UAE), were acquired. This company delivers specialised downhole circulation tools which steer the flow direction of drilling muds in the drill string. The company's flagship product is the PBL tool which forms part of the drill string.

The main purpose of the PBL tool is to avoid mud losses during the drilling process. Such losses may occur when drilling mud escapes into the rock formations. The tool helps to protect costly drill string steering systems (MWD and LWD equipment) from damage and to solve expensive lost-circulation problems. The PBL tool is also used in deepwater operations to clean the wellhead profile prior to running casing and jetting/washing the subsea blowout preventers (BOPs).

The agreed upon purchase price has been hedged against the foreign exchange risk between signing of the purchase contract and closing through a fair value hedge on the firm commitment to acquire the business as hedged item and USD cash balances as hedging instrument. The initial carrying amounts of the assets and liabilities acquired in the business combination have been adjusted to include the cumulative change in the fair value of the firm commitment attributable to foreign exchange fluctuations amounting to TEUR 3,063 (basis adjustment). Recognition in profit and loss statement will take place according to subsequent measurement rules of the respective asset or liability.

In addition the previous owner has entered into a non-compete agreement over the next 10 years as part of the purchase contract for the business. Consequently, another intangible asset amounting to TEUR 2,969 as well as another payable have been recognized. The fair value of the non-compete agreement has been calculated as the present value of the agreed payments.

Furthermore, an asset deal was effected on 11 February 2010 with the company **EXOKO COMPOSITES COMPANY LLC.** (essential patents for the further development of drilling motors). As consideration it was agreed to transfer own shares of the Company. There were no cash payments effected.

Listed below are the fair values of the acquired identifiable assets and liabilities for both business combinations at the acquisition date (including basis adjustment from hedging of foreign exchange fluctuations):

in TEUR	Fair value
Intangible assets	44,539
Property, plant & equipment	4,564
Inventories	989
Trade accounts receivable	7,618
Other accounts receivable	168
Cash and cash equivalents	2,545
	60,423
Trade payables	389
Other payables	1,467
	1,856
Net assets	**58,567**
Goodwill resulting from the acquisitions	20,409
Total considerations	**78,976**

The gross amount of trade accounts receivable amounted to TEUR 7,618 and was equal to their fair value. None of the trade accounts receivable were impaired and it is expected that the full contractual amounts can be collected.

The total consideration for both business combinations amounted to TEUR 78,976, whereof TEUR 68,673 were transferred in 2010 and TEUR 10,303 were outstanding as of 31 December 2010 (of which TEUR 9,414 are recorded under other liabilities and TEUR 889 under equity).

The cash outflow due to the business combinations were as follows:

Cash outflow	TEUR	66,894
Net cash acquired	TEUR	-2,545
	TEUR	**64,349**

However, the following contingent considerations have been agreed upon as part of the purchase contract and have been valued with their fair values at the acquisition date.

The consideration for the business combination includes the fair value of a contingent consideration of TEUR 4,448 at acquisition date which will be payable when sales are exceeding a contractually agreed upon amount in the next 5 years and which has been calculated by discounting expected future contingent payments based on the business plan.

Also, a liability of TEUR 417 for contingent purchase price payments, amounting to a certain percentage of sales achieved with the acquired technology over the next 10 years, has been recognized. The fair value has been calculated as the present value of expected payments based on the business plan.

The respective liabilities have been recognized in "other payables" in the balance sheet, interest expenses are included in the position "interest expenses" in profit and loss statement. The best estimate of the expected payment from the contingent consideration as of 31 December 2010 equals the fair value recognized at the acquisition date.

Furthermore, there will be a contingent transfer of 50,000 shares of the Company if certain sales targets are met. The respective fair value of TEUR 889 has been recognized in equity and has been calculated from the published market price of shares of the Company at the acquisition date weighted by the expected probability of achieving the required sales targets.

Additionally, transaction costs of TEUR 1,098 have been expensed and are included in general and administrative expenses.

Goodwill of TEUR 20,409 comprises the value of expected synergies arising from the acquisitions. Goodwill has been allocated to the segment "other regions" (TEUR 19,309) and to the segment „North America" (TEUR 1,100; cash generating unit BICO Drilling Tools Inc.). None of the goodwill recognized is expected to be deductible for income tax purposes.

Due to the acquisitions, the group profit after tax was increased by TEUR 784 in 2010, the group sales by TEUR 3,568. If the businesses had been acquired at the beginning of the year, group sales would have increased by TEUR 20,319.

NOTE 38 | Personnel

The total average number of employees was as follows:

	2011	2010
Blue collar	1,070	856
White collar	304	295
	1,374	**1,151**

NOTE 39 | 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 Group's financial position and financial performance.

NOTE 40 | Proposed dividend

The Executive Board proposes to the shareholders that a dividend of EUR 0.50 per share (2010: EUR 0.50) plus a bonus of EUR 0.70 per share (2010: EUR 0.50), in total EUR 1.20 (2010: EUR 1.00) per share should be paid. Thus, the total distribution will mount to MEUR 19.2 compared to MEUR 16.0 in the year before.

NOTE 41 | Expenses incurred for the group auditors

The following expenses were incurred from **Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.**:

in TEUR	2011	2010
Audit of the consolidated annual financial statements	79	89
Other services	57	34

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

Ternitz, 24 February 2012

Gerald Grohmann Franz Gritsch
Members of the Executive Board

Report of the Supervisory Board of the SBO AG to the Annual General Meeting concerning the 2011 Business Year

During the 2011 business year, the Supervisory Board carried out the duties allocated to it by law and the articles of association and held 4 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 2011 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 2011 were examined by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., Vienna. According to their unqualified audit certification, the accounts, the Annual Accounts for the 2011 business year and the 2011 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 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 7 March 2012, the Supervisory Board approved the Annual Accounts for the 2011 business year, the Consolidated Financial Statements as at 31 December 2011, the proposal for the distribution of profits, the Corporate Governance Report and the Status Report combined with the Consolidated Status Report presented by the Executive Board.

Ternitz, 7 March 2012

Norbert Zimmermann
Chairman of the Supervisory Board

Corporate Information

Schoeller-Bleckmann Oilfield Equipment AG
Hauptstraße 2, A-2630 Ternitz, Austria
phone: (+43) 2630 315 100, fax: (+43) 2630 315 501
e-mail: info@sbo.co.at

BICO Drilling Tools Inc.
1604 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 7YE, 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 722 600, fax: (+44) 1709 722654
e-mail: GRoberts@darron-sbo.com

DSI FZE
Roundabout 6, LOB 5 G20
P.O. Box 30576, Jebel Ali Free Zone, Dubai, UAE
Phone: +971 (4) 887 1556 fax: +971 (4) 887 1008
e-mail: rosslandry@dsi-pbl.com

Godwin-SBO L.L.C.
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 L.L.C.
8625 Meadowcroft Dr., Houston, TX 77063, USA
phone: (+1) 713 785 1060, fax: (+1) 713 953 4580
e-mail: smcgowen@knust.com

Knust-SBO Far East Pte Ltd.
9 Tuas Loop, Singapore 637340
phone: (+65) 6681 9500
e-mail: rwelch@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.
Howemoss 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 Oilfield Equipment Vietnam L.L.C.
Lot B2.6, Street D3, Dong An 2 Industrial Zone,
Thu Dau Mot District,
Binh Duong Province, Vietnam
mobile: +84 (0) 168 330 9595
phone: +84 6503 589 590- Ext 15
fax: +84 6503 589 595

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: SBDR_Manfred@mail.ru

Schoeller-Bleckmann Energy Services L.L.C.
712 St. Etienne Road, P.O. Box 492,
Broussard, 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, Roundabout 10, Road 1030,
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
Hauptstraße 2, A-2630 Ternitz, Austria
phone: (+43) 2630 315 0, fax: (+43) 2630 315 401
e-mail: f.wurzer@sbo.co.at

Schoeller-Bleckmann Sales Co. L.L.C.
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, Nuevo Leon, Mexico
phone: (+52) 81 1344 3343, fax: (+52) 81 1344 3346
e-mail: ezequiel.villareal@sbmex.com

Techman Engineering Limited
Techman House, Broombank Park,
Chesterfield Trading Estate,
Sheepbridge, Chesterfield, S41 9RT, UK
phone: (+44) 1246 261385, fax: (+44) 1246 453734
e-mail: enquiries@techman-engineering.co.uk

Schoeller Bleckmann do Brasil Ltda.
Rua Projetada 02, Área 06, Fazenda Bela Vista, Imboassica,
CEP n° 27.901-000,
Macaé, Rio de Janeiro, Brazil
phone: (+55) 22 2773-3947, (+55) 22 2773-3155,
(+55) 22 2773-4529
fax: (+55) 22 2773-4214
e-mail: moodydave90@gmail.com

Auditor's Report (Translation)*)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of **SCHOELLER-BLECKMANN OILFIELD EQUIPMENT Aktiengesellschaft, Ternitz**, for the fiscal year from January 1, 2011 to December 31, 2011. These consolidated financial statements comprise the consolidated balance sheet as of December 31, 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the fiscal year ended December 31, 2011, and the notes.

Management's Responsibility for the Consolidated Financial Statements and for the Accounting System

The Company's management is responsible for the group accounting system and for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility and Description of Type and Scope of the Statutory Audit

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 Austrian Accounting Standards on Auditing, as well as in accordance with International Standards on Auditing (ISAs), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the consolidated 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 consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group'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 Group'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 reasonable basis for our audit opinion.

Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of December 31, 2011 and of its financial performance and its cash flows for the fiscal year from January 1, 2011 to December 31, 2011 in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU.

COMMENTS ON THE CONSOLIDATED MANAGEMENT REPORT

Pursuant to statutory provisions, the consolidated management report is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the consolidated management report is consistent with the consolidated financial statements and whether the disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

In our opinion, the consolidated management report is consistent with the consolidated financial statements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Vienna, February 24, 2012

Ernst & Young
Wirtschaftsprüfungsgesellschaft m.b.H.

Mag. Karl Rab eh	Mag. Markus Jandl eh
Wirtschaftsprüfer	Wirtschaftsprüfer

*) This report is a translation of the original report in German, which is solely valid. Publication of the consolidated financial statements together with our auditor's opinion may only be made if the consolidated financial statements and the consolidated management report are identical with the audited version attached to this report. Section 281 paragraph 2 UGB (Austrian Commercial Code) applies.

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.

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

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

Ultra 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 315 501
e-mail: investor_relations@sbo.co.at
Internet: www.sbo.at

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