LETTER TO OUR SHAREHOLDERS 1-3

09

HIGHLIGHTS

- Solid result despite extremely difficult market environment
- Very weak industry cycle expected in 2009
- Further capacity adjustments maybe required

SCHOELLER BLECKMANN OILFIELD EQUIPMENT

MANAGEMENT REPORT

Market Environment

As anticipated already at the end of 2008, the market environment for the oilfield service industry declined sharply over the first quarter of 2009. The reasons for this development were both the repercussions of the global economic crisis, the drop in oil demand it entailed and the sustained low oil price level.

According to recently revised forecasts of the International Energy Agency (IEA) global oil demand in full 2009 will go down to an average of only 83.4 million barrels a day (2008: 85.8 million barrels a day).[1] Crude oil prices remained at a low level in the first quarter. At the beginning of the quarter, the price per barrel of crude oil (WTI)[2] arrived at USD 46.34 (2 January 2009) and, one month later, fell to its first-quarter low of USD 33.98 per barrel (12 February 2009). Over time, the oil price recovered slightly and stood at USD 49.66 per barrel at the end of the quarter (31 March 2009).

Industry cycle on the decline

Globally, more than enough crude oil is available at the moment. This is why the major oil companies slow down their exploration and production activities. Moreover, the low oil price no longer allows drilling exploration wells with sufficient economic efficiency. The worldwide rig count (number of globally active drilling rigs), an indicator of drilling activities, fell dramatically. At the end of 2008 it was 3,221 units and, in the first three months of 2009, slumped to 2,313 units[3], decreasing by 28 %. Cuts on spending for exploration and production are particularly felt in North America.

In the past months, such reductions in spending resulted in inventory buildups in the oilfield service industry and, with them, decreasing numbers of new orders and even cancellations of already placed orders.

Business development

Following the record year 2008, business for Schoeller-Bleckmann Oilfield Equipment AG flattened out in the first quarter of 2009, but SBO still profited from the strong bookings from the previous year. Quarterly sales went down around 9 % from MEUR 88.6 in the first quarter of 2008 to MEUR 80.8. EBIT dropped to MEUR 15.6, down 23 % from last year (31 March 2008: MEUR 20.2).

The EBIT margin of 19.3 % (31 March 2008: 22.7 %) reached a rather satisfying level. Profit before tax of MEUR 13.9 was down 26 % from last year's first quarter (MEUR 18.9).As a result, profit after tax also decreased from MEUR 13.3 to MEUR 9.7 (down 27 %).

Earnings per share went down quarter-on-quarter from EUR 0.83 by 27 % to EUR 0.61 per share.

This decline was mainly due to three factors: Operating income fell as a result of the slowdown in the industry environment. Additionally, one-off expenses for required capacity adjustments made themselves felt. Also, price pressure was noticeable in a weak economic environment.

SBO promptly responded to the dramatically changed environment by adequate capacity adjustments. As a result, overtime was reduced as were accumulated work hours accounts, and personnel was downsized at all sites. Furthermore, a package of measures to cut costs at all sites, postpone capex spending and start insourcing of services was initiated. This is to ensure that a double-digit million euro amount can be saved per year.

In line with the overall industry cycle, bookings were extremely low in the first quarter of 2009. As further economic development remains highly uncertain, many customers reduced their inventories and hesitated to place orders. Negotiations on delivery postponements and cancellation of orders were conducted. For reasons of commercial prudence, the existing order backlog was verified with particular caution for its validity. Orders postponed or cancelled as being discussed with customers were deleted from the backlog. This concerned mainly orders in the segment of high-precision components. Day-to-day drilling motor business and the segment of Service & Supply was not hit so massively by the recent development. Due to the above precautions total numbers of bookings and cancellations were roughly equal in the first quarter. The order backlog at the end of the first quarter of 2009 was MEUR 146 (following MEUR 212 at the end of the first quarter of 2008 and MEUR 214 at the end of 2008) and safeguards basic capacity utilisation for the large part of 2009.

Cautious re-evaluation of bookings and backlog

Purchase commitments for expenditure on property, plant and equipment as at 31 March 2009 was MEUR 13.9 (31 March 2008: MEUR 20.0).

1 *Oil Market Report, International Energy Agency, April 2009*
2 *Western Texas Intermediate crude oil*
3 *Baker Hughes: Rig Count (worldwide)*

Risk management report

Business risks of Schoeller-Bleckmann Oilfield Equipment AG did not change substantially in the first three months of 2009 over the risks mentioned in the 2008 financial statements. The current risks involved in declining backlogs due to cancellations and postponements have been reported above. We therefore refer to the risks described in the Annual Report 2008, in particular the USD/EUR currency exchange risk, and recommend to read this report on the first quarter of 2009 in conjunction with the Annual Report 2008.

The SBO share

In line with the cautious market environment, the SBO share developed sideways and closed at EUR 21.69 on 31 March 2009. Compared to the annual closing price of EUR 21.90 on 30 December 2008 this was a slight decline of 0.96 %.

Annual general meeting

This year's Annual General Meeting of Schoeller-Bleckmann Oilfield Equipment AG on 30 April 2009 resolved to adopt all items on the agenda by an overwhelming majority.

Shareholders agreed to a dividend distribution of EUR 0.75 per share suggested by the Executive Board for fiscal 2008 (2007: EUR 1.10). In doing so, both the record business year 2008 and the considerably less favourable overall conditions for the new business year 2009, in which a cautious distribution policy appears to be essential, were taken into account.

Outlook

Only an end of the global recession can re-stimulate the weak demand for oil and bring about a turnaround for the oilfield service industry. As this is not expected to occur in 2009, SBO has to be prepared for a considerable slowdown of sales and profit.

As the oilfield service industry acts with particular caution in this difficult environment, no general change in the order behaviour of customers of SBO is to be expected in the forthcoming months. In addition, business is becoming increasingly short-term, as it was the rule before the boom in the oilfield service industry. For SBO, this means that further capacity adjustments at all sites cannot be ruled out. This may led to further headcount reductions or other measures such as short-time working. However, SBO in the past repeatedly demonstrated its ability to master economically difficult times with utmost flexibility. Moreover, financing of current business is very well secured. SBO's quarterly financial statements also show a perfectly sound overall picture. As long-term prospects of the oilfield service industry and SBO remain fully intact, SBO adheres to the strategic expansion projects in Vietnam (MWD/LWD component manufacture) and in Brazil (Service & Supply). The new site in Vietnam will supply the growing Asian market, and in Brazil exploration of new offshore oil fields holds special cyclical effects in store.

Over the long term, growth prospects for the oilfield service industry remain intact

- Schoeller-Bleckmann Oilfield Equipment AG is the global market leader in high-precision components for the oilfield service industry.
- The business focus is on non-magnetic drillstring components for high-tech directional drilling.
- Worldwide, the company employs a workforce of 1,224 (end of 2008: 1,394), thereof 379 in Ternitz/Austria and 539 in North America (including Mexico).

CONSOLIDATED PROFIT AND LOSS STATEMENT

in TEUR	3 months ended 31.03.2009	3 months ended 31.03.2008
Sales	**80,799**	**88,634**
Cost of goods sold	-58,677	-61,405
Gross profit	**22,122**	**27,229**
Selling expenses	-2,847	-2,788
General and administrative expenses	-4,685	-3,933
Other operating expenses	-2,808	-4,317
Other operating income	3,826	3,972
Operating profit	**15,608**	**20,163**
Interest income	66	152
Interest expenses	-1,441	-939
Other financial income	0	0
Other financial expenses	-310	-503
Financial result	**-1,685**	**-1,290**
Income before taxation	**13,923**	**18,873**
Income taxes	-4,183	-5,591
Income after taxation	**9,740**	**13,282**
Average number of shares outstanding	15,880,116	15,962,317
Earnings per share in EUR (basic=diluted)	**0,61**	**0,83**

STATEMENT OF COMPREHENSIVE INCOME

in TEUR	3 months ended 31.03.2009	3 months ended 31.03.2008
Income after taxation	9,740	13,282
Currency translation adjustments	10,300	-11,211
Pertaining taxes	-564	1.070
Hedging of a net investment	-194	625
Pertaining taxes	49	-156
Other comprehensive income, net of tax	9,591	-9,672
TOTAL COMPREHENSIVE INCOME	**19,331**	**3,610**

STATEMENT OF SHAREHOLDERS´ EQUITY

in TEUR	3 months ended 31.03.2009	3 months ended 31.03.2008
As at 1 January 2009	226,216	194,105
Total comprehensive income	19,331	3,610
Dividends paid	0	0
Acquisition of own shares	0	-2,065
AS AT 31 MARCH 2009	**245,547**	**195,650**

CONSOLIDATED BALANCE SHEET

ASSETS in TEUR	31.03.2009	31.12.2008
Current assets		
Cash and cash equivalents	66,983	49,348
Trade accounts receivable	52,892	56,101
Other accounts receivable and prepaid expenses	6,908	9,846
Inventories	132,079	127,147
TOTAL CURRENT ASSETS	**258,862**	**242,442**
Non-current assets		
Property, plant & equipment	145,872	139,091
Goodwill	40,878	39,279
Other intangible assets	8,583	9,136
Long-term receivables	4,562	4,676
Deferred tax assets	10,200	8,690
TOTAL NON-CURRENT ASSETS	**210,095**	**200,872**
TOTAL ASSETS	**468,957**	**443,314**

LIABILITIES AND SHAREHOLDERS' EQUITY in TEUR	31.03.2009	31.12.2008
Current liabilities		
Bank loans and overdrafts	34,556	27,880
Current portion of long-term loans	9,408	8,729
Finance lease obligations	380	374
Accounts payable trade	29,589	38,689
Subsidies received	286	284
Income taxes payable	4,545	4,260
Other payables	17,540	21,429
Other provisions	7,562	7,601
TOTAL CURRENT LIABILITIES	**103,866**	**109,246**
Non-current liabilities		
Bonds	39,799	39,787
Long-term loans	55,271	45,400
Finance lease obligations	1,302	1,356
Subsidies received	1,295	1,299
Retirement benefit obligations	3,520	3,528
Other payables	8,405	7,795
Deferred tax payables	9,952	8,687
TOTAL NON-CURRENT LIABILITIES	**119,544**	**107,852**
Shareholders' equity		
Share capital	15,880	15,880
Contributed capital	61,808	61,808
Legal reserve - non-distributable	785	785
Other reserves	43	44
Translation component	-24,850	-34,441
Retained earnings	191,881	182,140
TOTAL SHAREHOLDERS´ EQUITY	**245,547**	**226,216**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**468,957**	**443,314**

CASH FLOW STATEMENT

in TEUR	3 monts ended 31.03.2009	31.03.2008
Cash and cash equivalents at the beginning of the period	49,348	23,916
Cash earnings	14,722	24,045
Cash flow from operating activities	10,392	8,370
Cash flow from investing activities	-10,332	-11,061
Cash flow from financing activities	16,144	5,793
Effects of exchange rate changes and revaluations	1,431	-1,415
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**66,983**	**25,603**

SEGMENT INFORMATION

in TEUR	Europe	North Amerika	Other regions	SBO-Holding & Consolidation	Group
1-3/2009					
Sales	49,386	66,451	1,859	-36,897	80,799
Operating profit	8,898	8,355	164	-1,809	15,608
1-3/2008					
Sales	57,511	68,005	5,013	-41,895	88,634
Operating profit	8,940	12,273	1,211	-2,261	20,163

NOTES TO THE INTERIM FINANCIAL STATEMENTS

The interim report as at 31 March 2009 has been prepared in accordance with the principles of the International Financial Reporting Standards (IFRS), rules for interim financial reporting (IAS 34), to be applied in the European Union.

The accounting and valuation methods of 31 December 2008 have been applied unchanged; in this context, we refer to the consolidated financial statements for the year ended 31 December 2008. In the first three months of 2009 no changes occurred in the scope of consolidation.

Business development of SBO is not subject to seasonal influences.

No important events have occurred after the balance sheet date.

This report on the first quarter of 2009 of the SBO group has neither been audited nor reviewed by independent accountants.

STATEMENT OF ALL LEGAL REPRESENTATIVES

We confirm to the best of our knowledge that the interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group as required by the applicable accounting standards and that the group management report gives a true and fair view of important events that have occurred during the first three months of the financial year and their impact on the interim financial statements, and of the principal risks and uncertainties for the remaining nine months of the financial year and of the major related party transactions to be disclosed.

Gerald Grohmann
Chairman of the
Executive Board, CEO

Franz Gritsch
Member of the
Executive Board, CFO

For additional information please contact: Schoeller-Bleckmann Oilfield Equipment AG, A-2630 Ternitz/Austria, Hauptstraße 2
phone: +43 2630 315 250, fax: +43 2630 315 501, e-mail: g.bauer@sbo.co.at, Internet: http://info.sbo.at