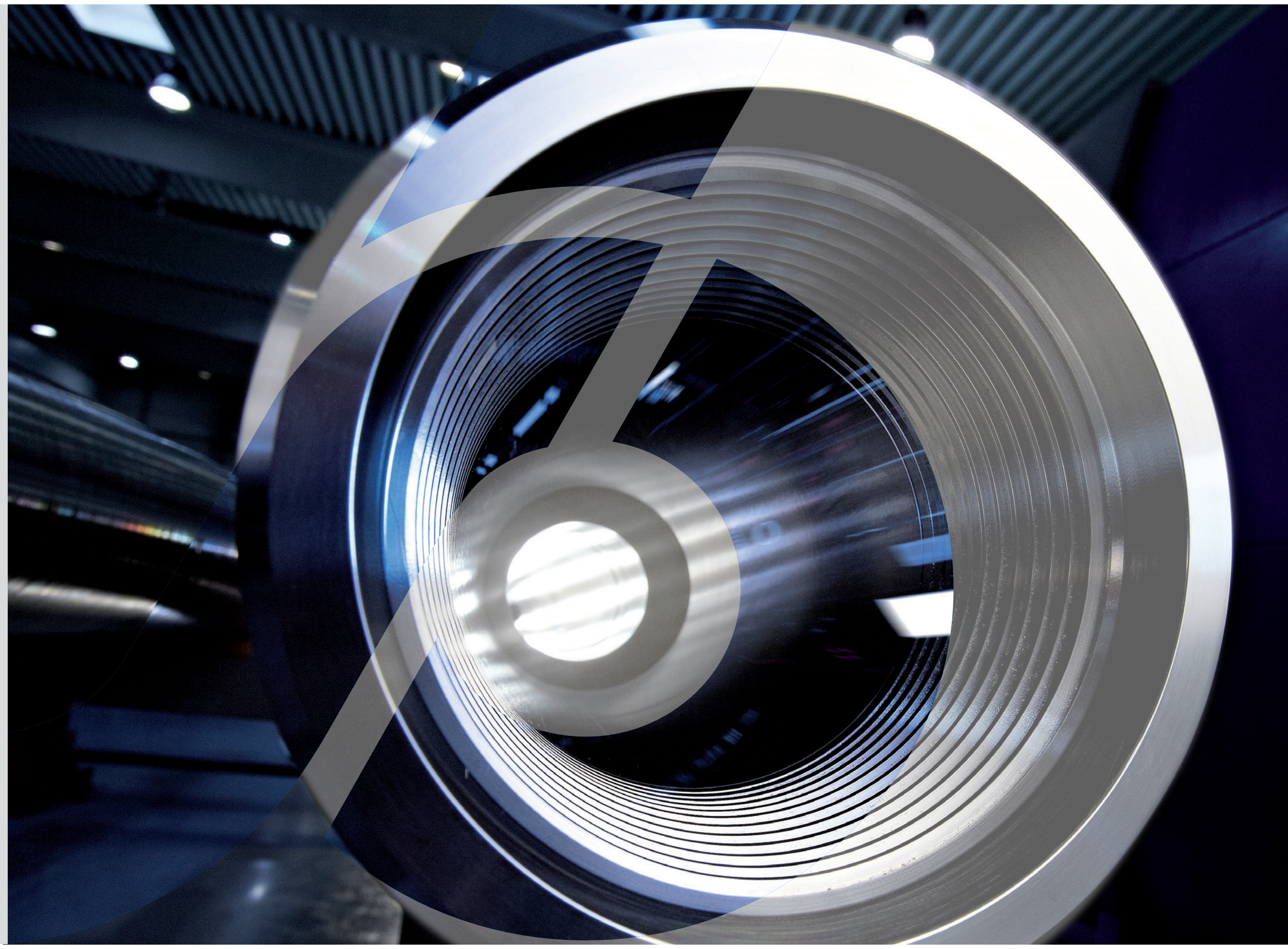
SCHOELLER
BLECKMANN
OILFIELD
EQUIPMENT

Letter to our Shareholders
1-3/2013

FOCUS ON SUCCESS

Q1 2013



HIGHLIGHTS

- Cautious spending policy pursued by customers in the first quarter
- Oilfield service industry environment remains intact
- SBO's capex program provides basis for mid-term demand growth

Market environment

Development of the global economy varied among individual world regions in the first months of 2013. As before, the euro zone went through a period of slight recession, while economic development in North America remained largely stable. The situation in Asia was marked by a generally positive development. Following a mild decline in the previous year, China also slightly picked up again compared to the previous year.

Average global demand for oil, according to the International Energy Agency (IEA), stood at 89.8 million barrels per day in the first three months of 2013, representing an increase of 0.9 million barrels per day, or 1.0 % from the first quarter of 2012 when it had amounted to 88.9 million barrels per day.[1] Again, this growth was driven by economic development in the emerging markets.

As for the supply side, the situation in the global oil market was sound, and US inventories remained high in the quarter under review. According to the IEA, OPEC's effective spare capacity in the first quarter of 2013 arrived at 3.47 million barrels per day (end of 2012: 3.26 million barrels per day).

The price of US crude WTI was USD 93.12 per barrel at the beginning of 2013 and was slightly going up to USD 97.24 per barrel by the end of March 2013. On 30 January 2013, the price per barrel of WTI reached its quarterly high of USD 97.98 and its quarterly low of USD 90.13 in March 2013. The price of European crude Brent developed in line with US crude WTI in the first quarter of 2013: The year 2013 started at USD 112.58 per barrel of Brent and was climbing to USD 118.90 per barrel, or 6 %, by 8 February 2013. On 28 March 2013, the price of one barrel of Brent was 12 % higher than the price of one barrel of WTI. According to market analysts the slight drop in oil prices in April 2013 was mainly caused by high inventories. In any event, the current oil price level is high enough to ensure that technologically challenging drilling projects can be run profitably.

The worldwide rig count[2], the parameter of all globally operating drilling rigs, went down from 3663 to 3488 rigs in March 2013 compared to the same period last year. This was due to declining drilling activity in North America, from 2471 rigs in March 2012 to 2220 rigs in March 2013, while the rig count outside of North America grew from 1192 in March 2012 to 1268 in March 2013. Compared to last year, this growth was observed primarily in Europe, the Middle East and Africa. In the period from January to March 2013 the Canadian rig count fell from 503 to 464 units due to seasonal factors (spring break-up). Overall, the number of globally active drilling rigs decreased from 3539 to 3488 units in that period.

In North America the share of directional and horizontal drilling rigs in the total number of rigs went up once again to 75 % at the end of March 2013. In the previous year directional drilling projects had accounted for 71 %, while ten years ago they had accounted for only 32 %.

The shift from gas to oil drilling continued in the United States. Whereas in the first quarter of 2012 67 % of all US rigs had produced oil and 33 % gas, the share of drilling for oil in the first quarter of 2013 made up 78 %, and 22% for gas.

Business development

For Schoeller-Bleckmann Oilfield Equipment AG (SBO), the first quarter of 2013 was characterised by the cautious spending policy pursued by customers which had started to become apparent already during the second half of 2012. The underlying reason was overordering in the first half of 2012 resulting in high customer inventories that have not yet been reduced. In order to optimise their inventories, customers recently cut on their spending and preferred to invest in repairing tools rather than buying new equipment.

As a result, SBO's sales and profit figures were below last year's results. Compared to the first quarter of 2012 sales shrank moderately by 4.0 %, from MEUR 120.6 to MEUR 115.8 in the first quarter of 2013. Earnings before interest, taxes, depreciation and amortisation (EBITDA) arrived at MEUR 32.8, down 10.1 % from the first quarter of 2012. This represented an EBITDA margin of 28.3 % (following 30.2 % in the previous year). Quarterly earnings before interest and taxes (EBIT) were MEUR 23.2, down by 17.6 % from MEUR 28.1 achieved in the same period of last year. This represented an EBIT margin of 20.0 % (following 23.3 % in the first quarter of 2012). Profit before tax decreased from MEUR 25.8 to MEUR 20.5, profit after tax from MEUR 17.8 to MEUR 14.2.

The quarterly earnings per share stood at EUR 0.88 (following EUR 1.11 in the first quarter of 2012), down by 21.0 %. This decrease in earnings was due, on the one hand, to reduced capacity utilisation compared to last year and the associated lower economies of scale and, on the other hand, selective price adjustments for individual products. Material prices remained stable, while personnel expenses went down slightly.

[1] IEA Oil Market Report, May 2013 | [2] Baker Hughes Rig Count

„Bookings received in Q1/2013 were down from last year, but up from Q4/2012"

Customers' cautious ordering behaviour was reflected in the bookings received in the first quarter. Compared to the extraordinarily strong result in Q1 2012 of MEUR 129.2 they contracted to MEUR 93.3. At the same time, this represents a mild increase from Q4 2012. Customers' spending policies made themselves felt primarily in the product group of high-precision components, where the order situation was somewhat weaker than last year. This is the product group most affected by the impact of overordering observed in the first half of 2012. The product group of downhole tools, oilfield supplies and service continued to develop positively despite declining drilling activity in North America.

The headcount as at the end of the first quarter of 2013 was 1569 (1506 as at 31 March 2012, 1591 as at 31 December 2012).

Capital Expenditure and Financing

Capital expenditure in property, plant and equipment in the first quarter of 2013 amounted to MEUR 9.1 (following MEUR 9.8 in the first quarter of 2012). The largest part was attributed to the expansion project at the Ternitz site, where a new machining centre for non-magnetic oilfield service drillstring components worth MEUR 54 million is under construction at the moment. Construction work progress is running as planned. Completion of construction works is scheduled for the second half of 2013, installation of the first machines for the end of 2013/beginning of 2014. Another spending focus was on expanding the drilling motor and circulation tools rental fleet. Total purchase commitments for expenditure in property, plant and equipment as at 31 March 2013 were MEUR 21.7 (MEUR 8.9 as at 31 March 2012). In the first quarter of 2013, borrower's note loans in the amount of MEUR 30.0 were taken out with credit institutions.

„Expansion of Ternitz site progresses as planned"

Risk report

Business risks of Schoeller-Bleckmann Oilfield Equipment AG did not change substantially in the first three months of 2013 over the risks mentioned in the 2012 annual financial statements. We therefore refer to the risks described in the Annual Report 2012, in particular the USD/EUR currency exchange rate. Also, the order situation in 2013 may be impaired if customers slow down their inventory reduction. We recommend to read this report on the first quarter of 2013 in conjunction with the Annual Report 2012.

The SBO share

The share of Schoeller-Bleckmann Oilfield Equipment AG started into 2013 at a price of EUR 80.75 (2 January 2013) and ended the first quarter (28 March 2013) at EUR 78.12. Compared to the previous year, this closing price represented an increase of 13% of the price achieved at the end of the first quarter of 2012 which had been EUR 69.03. The quarterly high of EUR 85.16 was recorded on 13 March 2013. Year-on-year, the SBO share price by and large developed in line with the ATX market segment.

Annual General Meeting 2013

The Annual General Meeting held in April 2013 adopted a resolution to increase the dividend from last year's EUR 1.20 to EUR 1.50 for the 2012 financial year, of which EUR 0.50 are attributed to the basic dividend and EUR 1.00 to the bonus.

The Executive Board and the Supervisory Board were granted discharge for the 2012 financial year. According to the Articles of Association, Dr. Peter Pichler's Supervisory Board mandate ended by draw at this year's Annual General Meeting. At the elections to the Supervisory Board, Dr. Peter Pichler was reappointed as Supervisory Board member until the Annual General Meeting to be held in 2018.

For the current fiscal year, SST Schwarz & Schmid Wirtschaftsprüfungsges.m.b.H. Wirtschaftsprüfungs- und Steuerberatungsgesellschaft was appointed auditor of the annual financial statements of the company, and Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. was appointed auditor of the consolidated financial statements.

Outlook

The global economy is set to develop sluggishly throughout the next months of 2013. The International Monetary Fund (IMF) expects global growth in 2013 to arrive at 3.3 %, representing only a minimum improvement from 2012 (3.2 %). As before, growth will take place in the emerging markets, where the increase is expected to come to 5.3 %. According to the IMF, the United States' GDP should also rise by 1.9 %, whereas the euro zone will have to face another year of mild recession of 0.3 % (following a decline of 0.6 % last year). A general upswing of the global economy involving a growth of 4 % is expected to set in only in 2014.[3]

„Expected growth in global demand for oil is the basis of stable development for the oilfield service industry in 2013"

For 2013, the IEA projects average global demand for oil to come to 90.6 million barrels per day[4], representing an increase of 0.9 % or 0.8 million barrels per day from last year. In any case, the expected growth is a sufficient basis of stable development in the oilfield service industry throughout 2013. At the moment there are no indications that the high spending volumes in oil and gas exploration and production expected for 2013 should be curtailed. Stable oil prices and the now again somewhat higher gas price in the United States support such expectations. These are the reasons why drilling activity remains at a high level globally.

As a result, SBO's customers are expected to further reduce their inventories of high-precision components gradually in the months ahead. If drilling activity continues this should increase the number of new orders coming in. However, it cannot be predicted how fast inventories will actually be reduced.

Generally speaking, the industry environment appears to be intact at the beginning of the second quarter of 2013. Owing to its extreme flexibility SBO is perfectly prepared to meet all scenarios. With its ongoing capital investment programme, SBO has prepared the ground for the further dynamic growth in demand that is expected to set in over the medium term. The company's sound balance-sheet structure combined with low debt and sustained high cash-flow confirm the mid-to long-term positive growth perspectives of SBO.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

The interim report as at 31 March 2013 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 2012 have been applied basically unchanged, with the exception of the standards which came into force in 2013. The new regulations do not have a significant implication on the consolidated financial statements. In this context, we refer to the consolidated financial statements for the year ended 31 December 2012. IAS 19 Employee Benefits was applied for the first time, resulting mainly in new accounting requirements for post-employment benefits. From 2013 on, actuarial gains and losses will be recognised in Other Income instead of Operating Income. As re-calculation will take place only at the end of the year no changes occurred during the year.

IAS 1 has lead to changes in the Statement of Comprehensive Income. IFRS 13 requires additional information on financial instruments in the Notes to the Financial Statements.

In the first three months of 2013 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 2013 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

[3] IMF World Economic Outlook, April 2013 | [4] IEA Oil Market Report, May 2013

CONSOLIDATED PROFIT AND LOSS STATEMENT

in TEUR	3 months period ended 31.03.2013	3 months period ended 31.03.2012
Sales	**115,801**	**120,567**
Cost of goods sold	-81,894	-78,687
Gross profit	**33,907**	**41,880**
Selling expenses	-4,679	-4,385
General and administrative expenses	-6,319	-8,012
Other operating expenses	-4,516	-5,465
Other operating income	4,794	4,110
Profit from operations	**23,187**	**28,128**
Interest income	154	261
Interest expenses	-1,492	-1,481
Other financial income	0	0
Other financial expenses	-1,313	-1,127
Financial result	**-2,651**	**-2,347**
Profit before tax	**20,536**	**25,781**
Income taxes	-6,325	-7,957
Profit after tax	**14,211**	**17,824**
Thereof attributable to non-controlling interests	199	98
Thereof attributable to the owners of the parent company	14,012	17,726
	14,211	**17,824**
Average number of shares outstanding	15,960,116	15,960,116
Earnings per share in EUR (basic = diluted)	**0.88**	**1.11**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in TEUR	3 months period ended 31.03.2013	3 months period ended 31.03.2012
Profit after tax	14,211	17,824
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Foreign exchange adjustment - subsidiaries	6,310	-6,982
Foreign exchange adjustment - other items	671	-660
Income tax effect	-168	165
Other comprehensive income, net of tax	6,813	-7,477
TOTAL COMPREHENSIVE INCOME, NET OF TAX	**21,024**	**10,347**
Thereof attributable to non-controlling interests	334	-50
Thereof attributable to the owners of the parent company	20,690	10,397
	21,024	**10,347**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS´ EQUITY

in TEUR	3 months period ended 31.03.2013	3 months period ended 31.03.2012
As at 1 January	**363,130**	**314,772**
Profit after tax	14,211	17,824
Other comprehensive income, net of tax	6,813	-7,477
Total comprehensive income, net of tax	21,024	10,347
AS AT 31 MARCH	**384,154**	**325,119**

CONSOLIDATED BALANCE SHEET

ASSETS in TEUR	31.03.2013	31.12.2012
Current assets		
Cash and cash equivalents	187,252	138,260
Trade accounts receivable	79,686	71,854
Other accounts receivable and prepaid expenses	6,214	8,146
Inventories	150,416	157,973
TOTAL CURRENT ASSETS	**423,568**	**376,233**
Non-current assets		
Property, plant & equipment	169,241	165,462
Goodwill	66,888	65,560
Other intangible assets	59,743	61,091
Long-term receivables	17,574	17,736
Deferred tax assets	12,986	12,356
TOTAL NON-CURRENT ASSETS	**326,432**	**322,205**
TOTAL ASSETS	**750,000**	**698,438**

LIABILITIES AND SHAREHOLDERS´ EQUITY in TEUR	31.03.2013	31.12.2012
Current liabilities		
Bank loans and overdrafts	32,701	31,455
Current portion of bonds	19,994	19,988
Current portion of long-term loans	15,612	15,606
Finance lease obligations	166	189
Accounts payable trade	34,468	37,819
Government grants	342	358
Income taxes payable	19,839	17,316
Other payables	30,679	30,405
Other provisions	6,779	6,773
TOTAL CURRENT LIABILITIES	**160,580**	**159,909**
Non-current liabilities		
Bonds	19,969	19,963
Long-term loans	114,566	85,307
Finance lease obligations	39	83
Government grants	746	744
Employee benefit obligations	5,974	5,884
Other payables	40,607	40,469
Deferred tax liabilities	23,365	22,949
TOTAL NON-CURRENT LIABILITIES	**205,266**	**175,399**
Shareholders´ equity		
Share capital	15,960	15,960
Contributed capital	65,203	65,203
Legal reserve - non-distributable	785	785
Other reserves	28	29
Currency translation reserve	-9,278	-15,956
Retained earnings	309,395	295,382
Equity attributable to the owners of the parent company	382,093	361,403
Non-controlling interests	2,061	1,727
TOTAL SHAREHOLDERS´ EQUITY	**384,154**	**363,130**
TOTAL LIABILITIES AND SHAREHOLDERS´ EQUITY	**750,000**	**698,438**

CONSOLIDATED CASH-FLOW STATEMENT

in TEUR	3 months period ended 31.03.2013	3 months period ended 31.03.2012
Cash and cash equivalents at the beginning of the period	138,260	120,842
Cash earnings	22,859	28,032
Cash flow from operating activities	26,072	15,456
Cash flow from investing activities	-8,544	-29,427
Cash flow from financing activities	30,077	-6,783
Effects of exchange rate changes	1,387	-1,354
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**187,252**	**98,734**

SEGMENT INFORMATION

in TEUR	Europe	North America	Other regions	SBO-Holding & Consolidation	Group
1-3/2013					
External sales	36,715	66,372	12,714	0	115,801
Intercompany sales	26,316	4,477	1,128	-31,921	0
Total sales	63,031	70,849	13,842	-31,921	115,801
Operating profit	14,190	7,802	2,404	-1,209	23,187
1-3/2012					
External sales	32,786	75,334	12,447	0	120,567
Intercompany sales	35,001	6,844	682	-42,527	0
Total sales	67,787	82,178	13,129	-42,527	120,567
Operating profit	18,177	13,954	930	-4,933	28,128

- 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 1,569 (end of 2012: 1,591), thereof 454 in Ternitz/Austria and 616 in North America (including Mexico).

This report includes information and forecasts that are based on the future development of the SBO Group and its member companies. These forecasts represent estimates, which were prepared based on the information available at this time. If the assumptions underlying these forecasts are not realized or risks – as described in the risk report – should in fact occur, actual results may differ from the results expected at this time.

This report is not connected with a recommendation to buy or sell shares in Schoeller-Bleckmann Oilfield Equipment AG.

The English translation of this report is for convenience. Only the German version is binding.

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500

Sales 2012
in MEUR*

100

Profit 2012
in MEUR*

*rounded down figures

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