

LETTER TO OUR SHAREHOLDERS

1 - 6/2008

HIGHLIGHTS

- Sustained positive business development in the first half of 2008
- Oil price supports industry cycle
- Favourable outlook for business development in 2008
- Long-term trend in demand unchanged

MARKET ENVIRONMENT

In the first half of 2008, the oilfield service industry operated in a sustained positive market environment. The slower additions on the supply side and constantly growing demand from China and India kept E&P spending at a high level. As before, the surging oil price drives growth in the oilfield service industry and provides for rising exploration budgets. Even recent fears of economic slowdown had no negative repercussions on the oilfield service industry in the first six months of 2008.

Global demand for oil in the second quarter of 2008 was 86.2 million barrels per day (mbpd), following 85.1 mbpd in the same quarter of last year. Total demand for 2008 is estimated at 86.9 mbpd by the

International Energy Agency (IEA). For 2009, IEA expects another increase by around 1 % to 87.7 mbpd, driven by ongoing economic growth in the non-OECD countries mainly in Asia, the Middle East

High oil price and stepped-up E&P budgets support growth of oilfield service industry

and Latin America, while due to the high oil prices and slower economic growth, demand in OECD countries will go down slightly.¹

The record prices of crude oil in the first quarter were again exceeded in the second quarter. At the beginning of the second quarter of 2008, the oil price² stood at around USD 101 per barrel and climbed to around USD 140 per barrel until 30 June 2008. At the onset of the third quarter, the oil price went to a record USD 145.6 (11 July 2008), but then fell considerably and, early in August 2008, arrived at USD 125 per barrel.

BUSINESS DEVELOPMENT

Following the excellent results achieved in the first quarter of 2008, the positive business development of Schoeller-Bleckmann Oilfield Equipment AG (SBO) continued throughout the second quarter of 2008. The order backlog as at 30 June 2008 of MEUR 211 was at the same level as in the first quarter of 2008 (following MEUR 243 at the end of the first half of 2007). Aggregate bookings received in the first half of 2008 amounted to MEUR 175.6, after MEUR 162.4 year-on-year.

Group sales generated in the first half of 2008 were MEUR 185.5, an increase of 23 % over the first half of 2007 (MEUR 150.8). This substantial growth already reflects the start-up of the new production facilities, mainly at the Ternitz site. Adjusted for the US dollar exchange rate, sales would even have gone up by as much as approximately 37 %. EBIT went

from MEUR 35.3 in the first half of 2007 to MEUR 41.9, up 19 %. The EBIT margin for the first half of 2008 was 22.6 % (following 23.4 % in the first half of 2007). Profit before tax stood at MEUR 39.1, up 15 % over the same period of the previous year (first half of 2007: MEUR 33.9). Year-on-year, profit after tax was improved by 12 % to MEUR 27.5. Earnings per share in the second quarter rose to EUR 0.89, up 7 % against the first quarter of 2008. Compared with the first half of 2007, earnings per share grew 13 % to EUR 1.73 per share in the first half of 2008.

Concerning raw material costs, the price surge observed in recent years was followed by a decline for certain alloy metals, in line with the international trend. As for personnel costs and availability, the situation continued to be tense. As before, the market for skilled labour is characterized by a lack of highly qualified staff. Nevertheless, SBO could cover growing manpower requirements, and the headcount as at 30 June 2008 increased to 1,276 (31 March 2008: 1,249).

Sales and profit increase in the first half of 2008

The Service & Supply Shops were again fully booked in the second quarter of 2008. We plan to establish our Russian site more firmly in the region by acquiring the property leased until now. Formal conclusion of the transaction is scheduled for the third quarter.

In June 2008, Schoeller-Bleckmann placed a corporate bond worth MEUR 40 divided into two tranches. The coupon rate for the first tranche is 5.75 % with a maturity of five years, and 5.875 % for the second tranche with a maturity of seven years. The offer was addressed exclusively to institutional investors and serves to optimize the debt capital structure of SBO.

CAPITAL EXPENDITURE

SBO's organic growth was continued as planned in the first half of 2008 via further capital spending. Aggregate additions to fixed assets in the first half of 2008 were MEUR 22.5, following MEUR 34.8 in the first half of 2007. Investment efforts focused on acquiring further production equipment at the Ternitz site and additional capacity increases in North America. The stock of drilling motors at our subsidiary BICO was also enlarged; drilling motors are leased out to exploration companies. The investment was made with a view to the anticipated increase of drilling activities in North America.

Purchase commitments for fixed assets as at 30 June 2008 were MEUR 18.1 (MEUR 21.0 as at 30 June 2007).

¹ International Energy Agency Oil Market Report

² Oil price of Western Texas Intermediate (WTI) brand

RISK MANAGEMENT REPORT

Business risks of Schoeller-Bleckmann did not change substantially in the first six months of 2008 over the risks mentioned in the 2007 financial statements. We therefore refer to the risks described in the Annual Report 2007, in particular the USD/EUR currency exchange risk and recommend to read this report on the first half of 2008 in conjunction with the Annual Report 2007.

THE SBO SHARE

The share of Schoeller-Bleckmann Oilfield Equipment AG completed the first half of 2008 at a closing price of EUR 68.45 on 30 June 2008, which was an increase of 11.2 % compared with the annual closing price 2007 of EUR 61.57. The ATX lost 12.6 % in the same period. In the second quarter of 2008, the SBO share rose by 21.3 % (31 March 2008: EUR 56.44) and the ATX by 4.7 %. The quarterly intraday all-time high arrived at EUR 72.49 (17 June 2008).

On 21 May 2008 SBO was informed that A & B Banken-Holding GmbH reduced their shareholding from more than 5 % to 4.95 % as at 26 May 2008.

OUTLOOK

Schoeller-Bleckmann Oilfield Equipment AG expects business to develop favourably in the second half of 2008, as all production capacities are fully booked. Despite a slowdown of the global economic development, the industry cycle is not expected to lose momentum in the second half of 2008 either. The market environment remains intact, as the growing number of drilling projects conducted under increasingly difficult conditions still drives the demand for high-tech drilling components.

Uncertainties influencing the bottom-line still arise from the further development of the USD/EUR exchange rate, changing customer dispositions and the overall economic development with its immediate effects on global oil consumption. Moreover, growing competition and price awareness in the oilfield service industry have to be factored in.

Growth trend in oilfield service industry continues undiminished

On the long term, we expect the growth tendency in the oilfield service industry to continue undiminished, as oil and gas will remain the leading sources of energy in the next years and decades.

OTHER DISCLOSURES

The interim report as at 30 June 2008 has been prepared according to 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 2007 have been applied unchanged; in this context, we refer to the consolidated financial statements for the year ended 31 December 2007. In the first six months of 2008 no changes occurred in the scope of consolidation.

The Executive Board declares that the financial statements for the first half of 2008 of SBO, prepared in accordance with the International Financial Reporting Standards (IFRS), give a true and fair view of the net assets, financial position and results of operations of all entities included in consolidation. The report also gives a true and fair view of the net assets, financial position and results of operations of SBO and provides information about business development and effects of existing and/or future risks on the business operations of SBO. This report on the first half of 2008 of the SBO group has neither been audited nor reviewed by independent accountants. Business development of SBO is not subject to seasonal influences.

Under the share buyback programme adopted last year, 48,298 own shares were acquired for MEUR 2.1 in the first half of 2008.

No important events have occurred after the balance sheet date.



Gerald Grohmann
Chairman of the
Executive Board, CEO



Franz Gritsch
Member of the
Executive Board, CFO

PROFIT AND LOSS STATEMENT

in TEUR	6 months ended		3 months ended	
	30.06.2008	30.06.2007	30.06.2008	30.06.2007
Sales	185,523	150,809	96,889	80,030
Cost of goods sold	-128,875	-103,407	-67,470	-54,815
Gross profit	56,648	47,402	29,419	25,215
Selling expenses	-5,678	-5,204	-2,890	-2,659
General and administrative expenses	-8,021	-6,865	-4,088	-3,599
Other operating expenses	-6,792	-2,377	-2,475	-1,047
Other operating income	5,786	2,359	1,814	1,486
Operating profit	41,943	35,315	21,780	19,396
Interest income	416	517	264	365
Interest expenses	-2,031	-1,347	-1,092	-706
Other financial income	0	577	0	99
Other financial expenses	-1,211	-1,117	-708	-972
Financial result	-2,826	-1,370	-1,536	-1,214
Income before taxation	39,117	33,945	20,244	18,182
Income taxes	-11,580	-9,459	-5,989	-5,161
Income after taxation	27,537	24,486	14,255	13,021
Average number of shares outstanding	15,957,009	16,000,000	15,951,702	16,000,000
Earnings per share in EUR (basic = diluted)	1.73	1.53	0.89	0.81

STATEMENT OF SHAREHOLDERS' EQUITY

31 December 2007 - 30 June 2008		in TEUR
Equity at 31 December 2007	194,105	
Income after taxation	27,537	
Dividend	-17,547	
Currency translation adjustments	-8,932	
Acquisition of own shares	-2,065	
Equity at 30 June 2008	193,098	

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

BALANCE SHEET

ASSETS in TEUR	30.06.2008	31.12.2007
Current assets		
Cash and cash equivalents	39,187	23,916
Trade accounts receivable	58,301	44,954
Other accounts receivable and prepaid expenses	5,746	6,033
Inventories	118,168	119,339
Total current assets	221,402	194,242
Non-current assets		
Property, plant & equipment	121,467	116,709
Goodwill	32,293	33,934
Other intangible assets	248	277
Long-term receivables	4,030	4,740
Deferred tax assets	7,588	8,003
Total non-current assets	165,626	163,663
TOTAL ASSETS	387,028	357,905

LIABILITIES AND SHAREHOLDERS' EQUITY in TEUR	30.06.2008	31.12.2007
Current liabilities		
Bank loans and overdrafts	40,462	41,871
Current portion of long-term bank loans	5,192	3,516
Accounts payable trade	34,480	39,863
Subsidies received	221	254
Income taxes payable	6,454	6,846
Other payables	14,935	15,818
Other accruals	8,602	8,397
Total current liabilities	110,346	116,565
Non-current liabilities		
Bonds	39,769	0
Long-term bank loans	26,365	30,079
Subsidies received	1,738	1,175
Retirement benefit obligations	3,445	3,382
Accounts payable trade	150	172
Other payables	6,294	5,960
Deferred tax payables	5,823	6,467
Total non-current liabilities	83,584	47,235
Shareholders' equity		
Share capital	15,952	16,000
Contributed capital	63,782	65,799
Legal reserve - non-distributable	785	785
Other reserves	47	50
Translation component	-41,109	-32,177
Retained earnings	153,641	143,648
Total shareholders' equity	193,098	194,105
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	387,028	357,905

CASH FLOW STATEMENT

in TEUR	6 months ended	
	30.06.2008	30.06.2007
Cash and cash equivalents at the beginning of the period	23,916	40,850
Cash earnings	42,150	31,616
Cash flow from operating activities	15,399	10,193
Cash flow from investing activities	-21,553	-32,578
Cash flow from financing activities	19,402	5,275
Effects of exchange rate changes and revaluations	2,023	119
Cash and cash equivalents at the end of the period	39,187	23,859

DIVIDEND PAID

	Total amount TEUR	Number of shares (ordinary shares)	Per share EUR
For the business year 2007 paid in 2008	17,547	15,951,702	1.10
For the business year 2006 paid in 2007	12,800	16,000,000	0.80

SEGMENT INFORMATION

in TEUR	Europe	North America	Other regions	SBO- Holding & Consolidation	Group
1-6/2008					
Sales	118,519	139,341	9,344	-81,681	185,523
Operating profit	19,241	24,626	2,168	-4,092	41,943
1-6/2007					
Sales	76,352	125,045	6,832	-57,420	150,809
Operating profit	15,005	23,415	1,416	-4,521	35,315

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.

- 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 1,276 (end of 2007: 1,222), thereof 391 in Ternitz/Austria and 632 in North America (including Mexico).

For additional information please contact:

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