

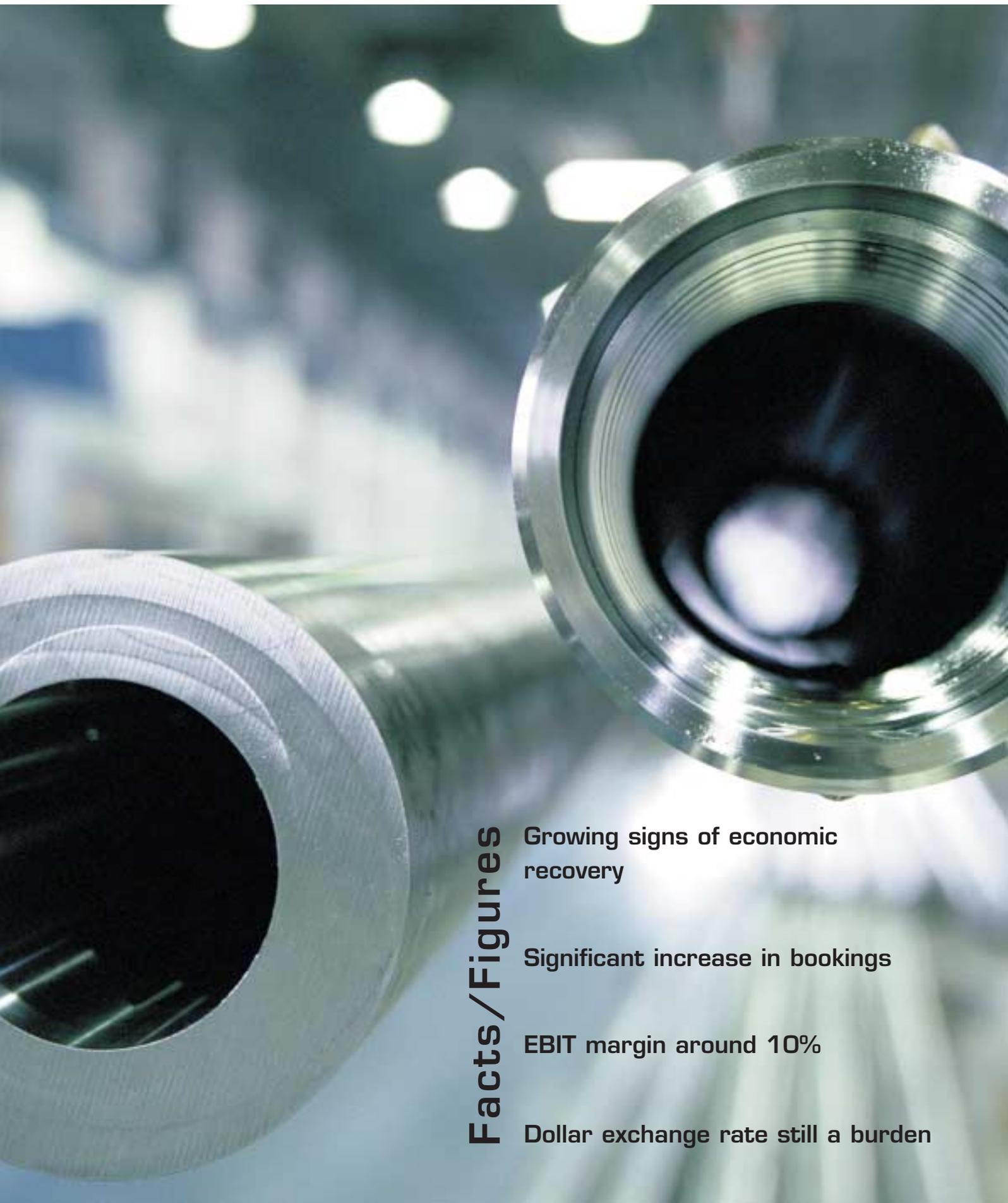
LETTER

1-2004

to our shareholders



SCHOELLER-BLECKMANN
OILFIELD EQUIPMENT AG



Facts / Figures

Growing signs of economic recovery

Significant increase in bookings

EBIT margin around 10%

Dollar exchange rate still a burden

Dear shareholders,

The signs of global economic recovery intensified in the first quarter of 2004. Positive business data from Asia and the US gave the oilfield service industry first impulses. However, the situation was impaired by political uncertainties in the Middle East, the politically and speculation-induced hike of the oil price and the dollar-euro exchange rate again falling over last year.

For SBO, the business year of 2004 started off well. Although the profit before tax for the first quarter of 2004, EUR 3.11 mill. was still below that of Q1/2003 (EUR 4.61 mill.) it already clearly surpassed last year's average quarterly results of EUR 2.35 mill. Additionally, sales and profit generated in the first quarter of 2003 had yet been above-average compared with the total year.

Bookings worth EUR 37.81 mill., which is around 20 percent above the average quarterly bookings of 2003, were promising as well. This growth is due, on the one hand, to the positive demand and, on the other hand, to the decrease of equipment inventories that took place in the oilfield service industry last year.

SBO was able to solidify its undisputed market position in high-precision components and gain a strong position due to the internal optimisation measures conducted last year. The positive effects of realigning our subsidiary Darron/U.K. towards the top market segment delivering equipment for the oilfield service industry have made themselves felt.

The development of the coming months will be influenced decisively by a sustained economic upswing in Asia and the US and the demand for oil it would trigger. However, a continued high oil price might have a dampening effect on economic growth and, therefore, also curb demand for high-tech equipment for the oilfield service industry. For SBO, additional uncertainties arise from the development of the dollar-euro exchange rate. At the moment, however, the overall environment for SBO is predominantly favourable.

Ternitz, May 2004
The Executive Board



Gerald Grohmann
President and CEO



Franz Gritsch
Executive Vice President
and CFO

Notes on the quarterly statement

In the first quarter of 2004 consolidated sales were EUR 35.27 mill. (following EUR 39.31 mill. in the first quarter of 2003). The EBIT was EUR 3.58 mill. (following EUR 5.06 mill. in the first quarter of last year).

The decline was a result mainly of the average dollar-euro exchange rate being around 17 % lower than in the same period last year. Adjusted for these again unfavourable currency effects, the EBIT would have been EUR 5.09 mill., which is slightly better than in the same period last year.

The satisfying 10.1 percent EBIT margin achieved in the first quarter of 2004 was slightly above the level of 2003.

Ordinary General Meeting

This year's Ordinary General Meeting of SBO decided on April 30, 2004 to distribute a dividend of 30 cents per share for the business year of 2003. Based on the closing price of the SBO share of EUR 8.92 this is a dividend yield of 3.4 percent for 2003.

Despite of the lately difficult business environment this yield again surpasses the average dividend yield achieved by Austrian stocks.

— **Schoeller-Bleckmann Oilfield Equipment AG** is the global market leader for **high-precision components** for the **oilfield service industry**.

— The business focus is on non-magnetic drill string components for directional drilling.

— Worldwide, the company currently employs a workforce of 802 (end of 2003: 800), 205 in Ternitz, Lower Austria and 407 in North America.

— The majority shareholder of the company is Berndorf Group (approx. 64%).

Interim Profit and Loss Account

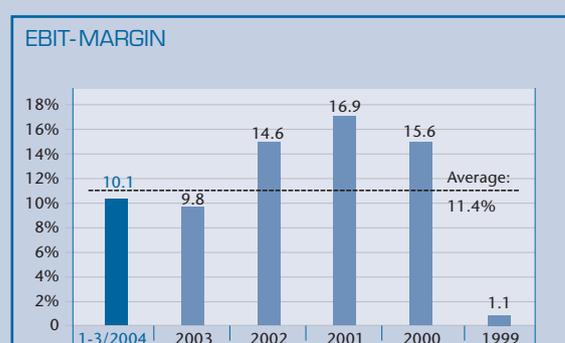
| (1,000 EURO) | UNAUDITED 3 months period ended | | AUDITED |
|--|------------------------------------|---------------|--------------------------|
| | 31.03.2004 | 31.03.2003 | Year ended 31.12.2003 |
| Sales | 35,271 | 39,306 | 134,157 |
| Cost of Sales | -27,096 | -29,455 | -102,222 |
| Gross profit | 8,175 | 9,851 | 31,935 |
| Selling, general & administrative expenses | -4,477 | -4,691 | -18,068 |
| Research & development expenses | -119 | -105 | -774 |
| Income from operations | 3,579 | 5,055 | 13,093 |
| Non-recurring expenses for restructuring | 0 | 0 | -4,648 |
| Other income/expenses | 188 | 584 | 3,081 |
| Foreign exchange gain/loss | -15 | -485 | 76 |
| Interest income/expenses | -638 | -540 | -2,203 |
| Total other income | -465 | -441 | -3,694 |
| Income on ordinary activities before taxation | 3,114 | 4,614 | 9,399 |
| Income taxes | -1,056 | -1,306 | -3,316 |
| Income after taxation | 2,058 | 3,308 | 6,083 |
| Minority interests | -8 | -794 | 13 |
| Net income | 2,050 | 2,514 | 6,096 |
| Earnings per share (in EURO) | 0.16 | 0.19 | 0.47 |
| Number of shares outstanding | 13,000,000 | 13,000,000 | 13,000,000 |

Statement of Shareholders' Equity (1,000 EURO)

| | |
|------------------------------------|---------------|
| Equity as of December 31, 2003 | 77,023 |
| Net income | 2,050 |
| Dividend | 0 |
| Currency translation adjustments | 3,061 |
| Equity as of March 31, 2004 | 82,134 |

| | |
|------------------------------------|---------------|
| Equity as of December 31, 2002 | 91,142 |
| Net income | 2,514 |
| Dividend | 0 |
| Currency translation adjustments | -3,697 |
| Equity as of March 31, 2003 | 89,959 |

| SALES BY REGION | | |
|----------------------|-------------|-------------|
| in MEUR | 1-3/2004 | 1-3/2003 |
| North America | 29.4 | 31.9 |
| Europe | 16.7 | 17.9 |
| Other | 2.3 | 2.4 |
| - Intercompany sales | -13.1 | -12.9 |
| Total Sales | 35.3 | 39.3 |



LETTER to our shareholders

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Interim Balance Sheet

| ASSETS (1,000 EURO) | UNAUDITED | AUDITED |
|--|----------------|----------------|
| | 31.03.2004 | 31.12.2003 |
| Cash and cash equivalents | 12,719 | 9,966 |
| Trade accounts receivable | 22,609 | 18,410 |
| Other accounts receivable and prepaid expenses | 6,148 | 7,952 |
| Inventories | 36,029 | 34,799 |
| Total current assets | 77,505 | 71,127 |
| Property, plant & equipment | 58,532 | 57,893 |
| Goodwill | 42,018 | 42,026 |
| Other intangible assets | 828 | 865 |
| Long-term investments | 1,272 | 1,272 |
| Long-term receivables | 96 | 98 |
| Total non-current assets | 102,746 | 102,154 |
| Deferred tax assets | 3,661 | 3,557 |
| TOTAL ASSETS | 183,912 | 176,838 |
| LIABILITIES AND SHAREHOLDERS' EQUITY (1,000 EURO) | | |
| Bank loans and overdrafts | 31,218 | 30,244 |
| Current portion of loans | 6,009 | 5,946 |
| Finance lease obligations | 197 | 186 |
| Accounts payable trade | 9,641 | 9,403 |
| Other payables and accrued expenses | 11,419 | 10,830 |
| Total current liabilities | 58,484 | 56,609 |
| Subsidies received | 895 | 461 |
| Loans not due within one year | 35,681 | 35,916 |
| Finance lease obligations, long-term | 730 | 734 |
| Retirement benefits obligations | 2,494 | 2,517 |
| Total non-current liabilities | 38,905 | 39,167 |
| Deferred tax payables | 2,920 | 2,999 |
| Minority interests in consolidated subsidiaries | 333 | 315 |
| Negative Goodwill | 241 | 264 |
| Common stock | 13,000 | 13,000 |
| Contributed capital | 16,996 | 16,996 |
| Other reserves and translation component | -10,845 | -13,904 |
| Retained earnings | 62,983 | 60,931 |
| Total shareholders' equity | 82,134 | 77,023 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 183,912 | 176,838 |

Interim Cash Flow Statement

| (1,000 EURO) | UNAUDITED | |
|---|-----------------------|---------------|
| | 3 months period ended | |
| | 31.03.2004 | 31.03.2003 |
| OPERATING ACTIVITIES | | |
| Income after taxation | 2,058 | 3,308 |
| Depreciation and amortisation | 3,631 | 3,704 |
| Other | -246 | -1,113 |
| Cash earnings | 5,443 | 5,899 |
| Change in working capital | -1,218 | 3,371 |
| Net cash provided by operating activities | 4,225 | 9,270 |
| INVESTING ACTIVITIES | | |
| Expenditures for fixed assets | -2,012 | -2,479 |
| Other activities | 499 | 33 |
| Net cash used in/provided by investing activities | -1,513 | -2,446 |
| FINANCING ACTIVITIES | | |
| Payment of dividends | 0 | 0 |
| Minority shareholders' contribution/distribution | 0 | -638 |
| Change in bank liabilities and other financing | 88 | -6,633 |
| Net cash used in/provided by financing activities | 88 | -7,271 |
| Translation adjustments | -388 | 540 |
| Change in cash and cash equivalents | 2,412 | 93 |
| Cash and cash equivalents at beginning of year | 9,966 | 16,625 |
| Change in consolidated entities/ Exchange rate effects | 341 | -623 |
| Cash and cash equivalents at end of period | 12,719 | 16,095 |



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