

LETTER TO OUR SHAREHOLDERS

1 - 9/2008

HIGHLIGHTS

- At the moment no slowdown of business cycle
- Favourable development of bookings in the third quarter
- Record business year 2008 expected

MARKET ENVIRONMENT

The market environment for the oilfield service industry continued to develop positively throughout the third quarter, following a satisfying first half year of 2008. So far, neither the international financial crisis nor the slowdown of global economic growth have had a negative impact on the industry.

In the first nine months of 2008, according to estimates of the International Energy Agency (IEA), global demand for oil – one of the major parameters for the development of the oilfield service industry – amounted to approx. 85.9 million barrels per day (mbpd). This is largely identical with the demand observed in the same period of last year (85.8 mbpd). For 2008, IEA expects to see an average oil demand of around

Development of industry cycle sustained

86.2 mbpd and, for 2009, continues to anticipate a rise in demand to approx. 86.5 mbpd.¹ Crude oil prices in the third quarter already reflected the generally expected global economic

downturn, but also the withdrawal of speculative capital from the commodities markets. At the onset of the third quarter, the price of one barrel of crude oil (WTI)² peaked at USD 145.6 (11 July 2008), but declined gradually over the following months and, at the end of the third quarter, arrived at USD 98.3 (26 September 2008). After that, the oil price fell continuously and, in the first weeks of the fourth quarter, stood at approx. USD 65.0 a barrel. Demand for oil from the emerging markets, in particular from China, the Middle East and India, continued to grow at an unchanged high level in the third quarter. In North America and most OECD countries demand for oil was on the decline.³

BUSINESS DEVELOPMENT

Following the positive performance of Schoeller-Bleckmann Oilfield Equipment AG in the first half of 2008, business developed favourably over the third quarter as well. Compared with the third quarter of the previous year, bookings went up by around 5.6 % to MEUR 109.8 (MEUR 103.9 for the third quarter of 2007). Aggregate bookings received in the first nine months of 2008 amounted to MEUR 285.4, following MEUR 266.3 year-on-year, which is a rise of 7.2 %.

Group sales generated in the first nine months of 2008 came to MEUR 281.3 (following MEUR 233.6 last year), increasing by 20.4 %. This growth in sales was primarily due to the expansion of production capacities at the Ternitz site and the continuous growth of SBO's locations in America. EBIT in the first three quarters of 2008 were improved from MEUR 55.0 to MEUR 64.2, up 16.8 %. The EBIT margin of 22.8 % of sales again arrived at an excellent level. Profit before tax was MEUR 60.3, up

14.4 % year-on-year (first nine months of 2007: MEUR 52.7). Compared with the same period of the previous year, profit after tax was improved 12.6 % to MEUR 42.4. Earnings per share in the first three quarters of 2008 rose to EUR 2.66 per share, up 12.9 % compared with the same period last year. The sound order situation concerned primarily the business segments of high-precision components and drilling motors. In the segment of Service & Supply Shops signs of declining numbers of orders, following the boom in the previous quarters, started to make themselves felt. In total, however, orders developed very favourably. As for raw materials, the situation for some alloy metals continued to ease, while production costs were characterised by rising electricity prices. The company's growth was reflected in 108 additions to the headcount (30 September 2007: 1,215), totalling 1,323 persons at the end of the third quarter of 2008. Part of the increase is due to the recruitment of new apprentices at the Ternitz site.

Bookings at continuing high level

CAPITAL EXPENDITURE

The dynamic investment programme of SBO was continued unchanged over the third quarter of 2008, as total capital spending in the period came to approx. MEUR 14.0. Additions to fixed assets in the first nine months of 2008 amounted to MEUR 36.5, focusing both on expenditure for expansion in Ternitz and America and for the drilling motor fleet.

Purchase commitments for fixed assets as at 30 September 2008 were MEUR 17.3 (following MEUR 34.3 as at 30 September 2007). Effective 1 October, 100 % of the shares of British oilfield service provider Techman Engineering Ltd./Chesterfield were acquired. Techman manufactures precision components (collars) and tools for the oilfield service industry and, with around 70 employees, recently generated annual sales of approx. GBP 13.5 million. For Schoeller-Bleckmann, Techman is an ideal addition to capacities in the core business of high-precision components. Moreover, Techman has the expertise in using composite materials, rounding off the broad material know-how of the SBO group. Techman will remain a separate entity and supply the existing customer base as before and will be fully consolidated in SBO as of the commencement of the fourth quarter.

RISK MANAGEMENT REPORT

Business risks of Schoeller-Bleckmann did not change substantially in the first nine 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

¹ International Energy Agency „Oil Market Report“, 13 November 2008

² Western Texas Intermediate crude oil

³ OPEC „Monthly Oil Market Report“, October 2008

and recommend to read this report on the third quarter of 2008 in conjunction with the Annual Report 2007.

THE SBO SHARE

The share of Schoeller-Bleckmann Oilfield Equipment AG completed the third quarter (30 September 2008) at a closing price of EUR 42.50. Compared with the closing price as at 31 December 2007 of EUR 61.57 it fell by approx. 31 %. This development was a result of the overall stock market plunge which the SBO share could not defy. Moreover, the Vienna Stock Exchange so far has been excessively hit by the slump in prices.

OUTLOOK

The global economic slowdown that became apparent already in mid-2008 was substantially accelerated by the international financial crisis fully setting in from the third quarter onwards. Its effects on the real economy, both in terms of intensity and duration of the crisis, cannot be assessed properly at the moment. This is why no substantiated forecast can presently be made on the development of the market and demand situation in the next year. From today's perspective, repercussions for the oilfield service industry should be felt only in North America and some few overseas exploration areas.

In any case, Schoeller-Bleckmann Oilfield Equipment AG is perfectly prepared to meet all future scenarios. SBO made enormous investments in the past years, financing them extremely conservatively with a high

Market environment
of the oilfield service
industry remains
attractive for a long time

equity ratio from the cash-flow and a corporate bond. Individually concluded long-term delivery agreements additionally safeguard profitability of some of the capital spent for that purpose. Nonetheless, SBO would be

in a position at any time to respond to a changing environment with utmost flexibility and immediately adjust production capacities to actual demand. Moreover, the continued stable cash-flow from operational business is also the basis of the company's optimal liquidity. SBO's self-financing capability combined with a high equity ratio might even offer additional opportunities for company acquisitions in the current environment.

All scenarios – except for a global recession – assume that the mid- and long-term prospects for the oilfield service industry stay attractive, as oil and gas remain the most important sources of energy for a long time to come. Even if the months ahead should see temporarily declining drilling activities, this would result in an even stronger catch-up effect

at a later point in time. Dwindling output from existing oil fields and the required development of new oil deposits to meet demand for oil necessitate increasing spending for exploration and production projects under any scenario. Schoeller-Bleckmann Oilfield Equipment AG, due to the positive order situation, at any rate expects to post a record business year 2008. Uncertainties still arise from the USD/EUR currency exchange rate and short-term planning of customers at the turn of the year and the general economic slowdown.

OTHER DISCLOSURES

The interim report as at 30 September 2008 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 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 nine months of 2008 no changes occurred in the scope of consolidation.

The Executive Board declares that the financial statements for the third quarter 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 result of operations of all entities included in consolidation. The report also gives a true and fair view of the net assets, financial position and result 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 third quarter 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.

In the first nine months of 2008, 55,298 own shares were bought back for MEUR 2.4.

No important events have occurred after the balance sheet date, except for the above-mentioned acquisition of Techman Engineering Ltd./ Chesterfield.



Gerald Grohmann
Chairman of the
Executive Board, CEO



Franz Gritsch
Member of the
Executive Board, CFO

PROFIT AND LOSS STATEMENT

in TEUR	9 months ended		3 months ended	
	30.09.2008	30.09.2007	30.09.2008	30.09.2007
Sales	281,343	233,632	95,820	82,823
Cost of goods sold	-195,663	-161,359	-66,788	-57,952
Gross profit	85,680	72,273	29,032	24,871
Selling expenses	-8,740	-7,767	-3,062	-2,563
General and administrative expenses	-11,993	-9,973	-3,972	-3,108
Other operating expenses	-12,087	-4,277	-5,295	-1,900
Other operating income	11,362	4,718	5,576	2,359
Operating profit	64,222	54,974	22,279	19,659
Interest income	919	810	503	293
Interest expenses	-3,398	-2,213	-1,367	-866
Other financial income	329	577	329	0
Other financial expenses	-1,805	-1,479	-594	-362
Financial result	-3,955	-2,305	-1,129	-935
Income before taxation	60,267	52,669	21,150	18,724
Income taxes	-17,843	-14,992	-6,263	-5,533
Income after taxation	42,424	37,677	14,887	13,191
Average number of shares outstanding	15,954,895	16,000,000	15,950,713	16,000,000
Earnings per share in EUR (basic = diluted)	2.66	2.35	0.93	0.82

STATEMENT OF SHAREHOLDERS' EQUITY

31 December 2007 - 30 September 2008		in TEUR
Equity at 31 December 2007	194,105	
Income after taxation	42,424	
Dividend	-17,547	
Currency translation adjustments	2,598	
Acquisition of own shares	-2,393	
Equity at 30 September 2008	219,187	

31 December 2006 - 30 September 2007		in TEUR
Equity at 31 December 2006	171,698	
Income after taxation	37,677	
Dividend	-12,800	
Currency translation adjustments	-9,130	
Other changes	-248	
Equity at 30 September 2007	187,197	

BALANCE SHEET

ASSETS in TEUR	30.09.2008	31.12.2007
Current assets		
Cash and cash equivalents	56,623	23,916
Trade accounts receivable	61,251	44,954
Other accounts receivable and prepaid expenses	4,505	6,033
Inventories	121,438	119,339
Total current assets	243,817	194,242
Non-current assets		
Property, plant & equipment	134,046	116,709
Goodwill	34,544	33,934
Other intangible assets	213	277
Long-term receivables	4,188	4,740
Deferred tax assets	7,812	8,003
Total non-current assets	180,803	163,663
TOTAL ASSETS	424,620	357,905

LIABILITIES AND SHAREHOLDERS' EQUITY in TEUR	30.09.2008	31.12.2007
Current liabilities		
Bank loans and overdrafts	35,691	41,871
Current portion of long-term bank loans	6,596	3,516
Accounts payable trade	34,329	39,863
Subsidies received	207	254
Income taxes payable	5,221	6,846
Other payables	17,712	15,818
Other accruals	11,325	8,397
Total current liabilities	111,081	116,565
Non-current liabilities		
Bonds	39,778	0
Long-term bank loans	36,297	30,079
Subsidies received	1,736	1,175
Retirement benefit obligations	3,538	3,382
Accounts payable trade	125	172
Other payables	7,263	5,960
Deferred tax payables	5,615	6,467
Total non-current liabilities	94,352	47,235
Shareholders' equity		
Share capital	15,945	16,000
Contributed capital	63,461	65,799
Legal reserve - non-distributable	785	785
Other reserves	46	50
Translation component	-29,579	-32,177
Retained earnings	168,529	143,648
Total shareholders' equity	219,187	194,105
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	424,620	357,905

CASH FLOW STATEMENT

in TEUR	9 months ended	
	30.09.2008	30.09.2007
Cash and cash equivalents at the beginning of the period	23,916	40,850
Cash earnings	58,401	50,685
Cash flow from operating activities	40,598	17,587
Cash flow from investing activities	-34,963	-47,433
Cash flow from financing activities	22,817	15,640
Effects of exchange rate changes and revaluations	4,255	13
Cash and cash equivalents at the end of the period	56,623	26,657

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
1-9/2008					
Sales	174,389	214,235	14,006	-121,287	281,343
Operating profit	28,605	37,930	3,067	-5,380	64,222
1-9/2007					
Sales	123,908	194,676	11,460	-96,412	233,632
Operating profit	22,881	35,823	2,173	-5,903	54,974

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 1,323 (end of 2007: 1,222), thereof 405 in Ternitz/Austria and 650 in North America (including Mexico).

For additional information please contact:

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