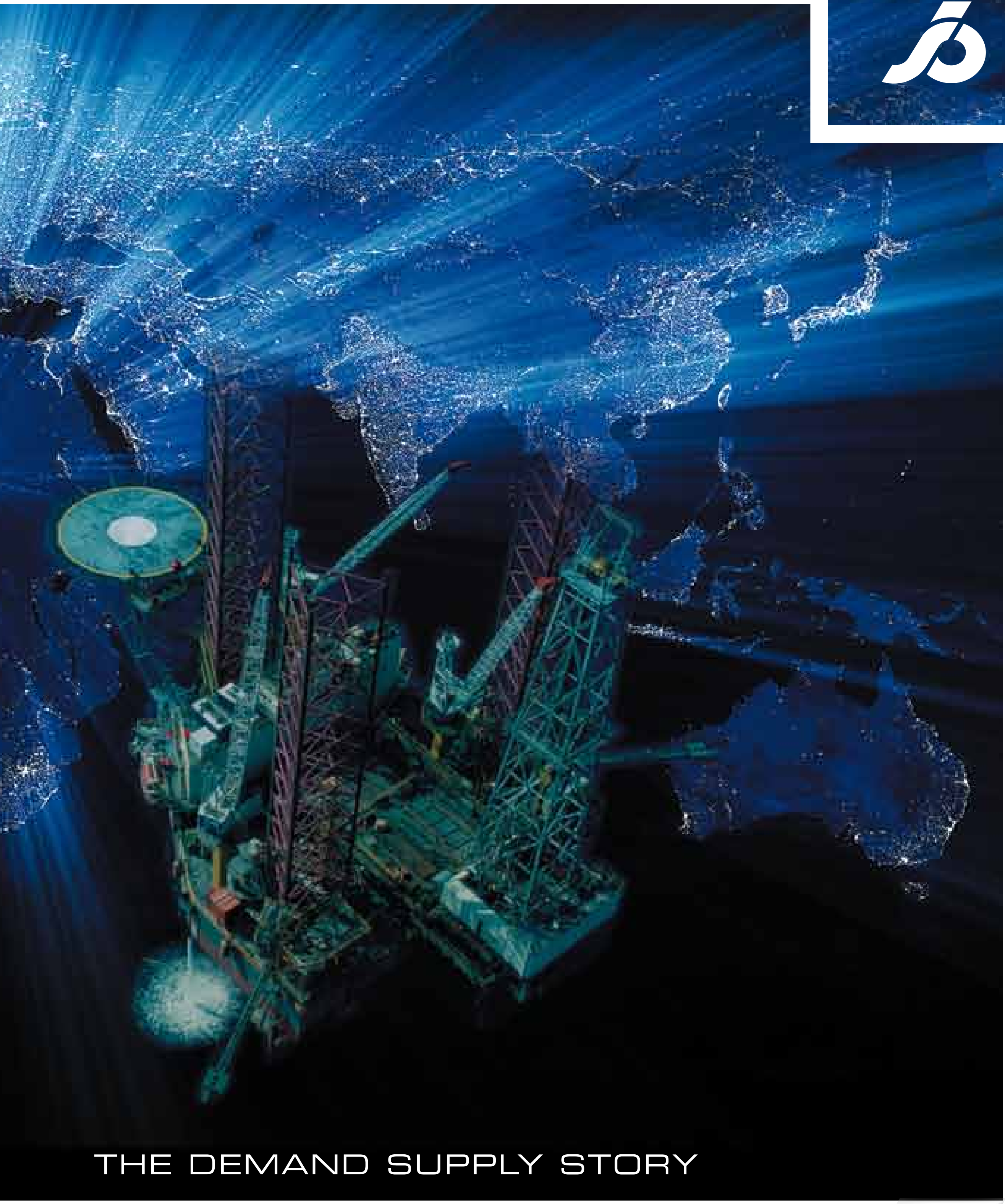
Letter to our Shareholders
1-6/2012

SCHOELLER
BLECKMANN
OILFIELD
EQUIPMENT



HIGHLIGHTS

- Half-year record sales and profit figures
- Record bookings in the second quarter
- Industry cycle continued upwards tendency despite global economic slowdown

MANAGEMENT REPORT

Market environment

Early in 2012 the global economy pointed slightly upwards, but this upswing did not last for long and faded away off again after a few months. In the second quarter of 2012 the public debt crisis and the weak economy in the eurozone dampened global economic development.

Global demand for oil followed this slowdown only to a minor extent and arrived at 88.8 million barrels per day in the second quarter of 2012. While this reflects a decline in demand in the second quarter of 2012 compared with the first quarter of 0.3 %, or 0.3 million barrel per day, it also shows that, at the same time, global demand for oil grew by 1.4 % or 1.2 million barrels per day year-on-year.[1]

„The rise in global oil demand and drilling activities drove the industry cycle"

The prices of US crude WTI and European crude Brent were decreasing throughout the second quarter because of the slightly shrinking oil demand described above, high OPEC oil production rates and the rise in US crude inventories, which was observed until the end of May. The price of one barrel of WTI fell by 17.5 %, from USD 103.03 per barrel (30 March 2012) to USD 85.04 per barrel (29 June 2012). The price of one barrel of Brent crude went down by 23.7 % from USD 123.41 per barrel (30 March 2012) to USD 94.17 per barrel (29 June 2012). Since the beginning of the year the price of one barrel of WTI crude contracted by 17.4 %, that of Brent crude by 15.3 %. Year-on-year (as at end of June) the price of one barrel of WTI fell by 10.8 %, and of one barrel of Brent crude by 15.7 %. Following the half-year low at the end of June 2012, when WTI fell to USD 77.72 per barrel (28 June 2012) and Brent to USD 88.69 per barrel (25 June 2012), prices started to pick up again in July 2012. On 07 August 2012 the price of one barrel of WTI crude stood at USD 93.68, that of one barrel of Brent at USD 112.39.[2]

The global rig count[3], the number of active drilling rigs worldwide, had come to 3484 rigs in June 2012. Year-on-year (rig count June 2011: 3257 rigs) the number of globally operating drilling rigs grew by 7.0 %.

In North America the share of directional and horizontal drilling rigs in the total count of drilling rigs was 71.8 % as at 29 June 2012. Last year it had been 69.9 % (24 June 2011).

The change from gas to oil drilling activities continued throughout the second quarter of 2012. As much as 72.5 % of all US drilling wells were oil wells at the end of 2012. The share of gas wells decreased to 27.3 %.

Compared with mid-year 2011 this constituted a considerable increase of 418 oil rigs, as the share of oil wells then had stood at 53.3 % (gas wells 46.4 %).

The overall US rig count grew by 4.1 % to 1959 rigs from end of June 2011 to end of June 2012 (29 June 2012).

As Canada entered the seasonal "spring breakup" period, drilling activity levels there contracted temporarily from 517 rigs by mid-March 2012 to 261 rigs at the end of June 2012. At the end of July 2012 (27 July 2012) the Canadian rig count had again climbed to 338 rigs.

The number of active rigs in the Gulf of Mexico had been going up 36.4 % to 45 rigs until the end of June 2012, compared with 33 active rigs at the end of June 2011.

International drilling activity grew to 1285 rigs at the end of June, from 1158 rigs in June last year. This marks a healthy increase of 11.0 % year-on-year.

Due to robust demand for oil in the emerging markets combined with the development of global drilling activity as described above, the industry cycle in the oilfield service sector was able to continue its upwards tendency in the first half of 2012 despite the global economic slowdown.

Business development

Schoeller-Bleckmann Oilfield Equipment AG (SBO) strongly benefited from the sound economic environment in the industry in the first half of 2012. The dynamic development of the company's bookings situation continued throughout the first two quarters of 2012. Sales and profit figures also came in at new half-year record levels for SBO.

„All-time-high figures for sales, profit and bookings in the first half of the year"

Bookings in the first half of the year went up 33.1 % to MEUR 276.9 (following MEUR 208.0 in the first half of 2011). Following a very strong upwards tendency already in the first quarter of 2012, absolutely unprecedented quarterly record bookings were posted in the second quarter of the year, arriving at MEUR 147.7. The order backlog at the half-year reporting date on 30 June 2012 stood at MEUR 208.7 (following MEUR 137.1 in mid-year 2011), up 52.2 % from last year's level, and was composed both of orders for 2012 and partly even for 2013.

Half-year sales revenues in 2012 grew 31.5 %, from MEUR 194.4 in 2011 to MEUR 255.7. Earnings before interest, taxes, depreciation, and amortisation (EBITDA) were MEUR 77.5, improving by 37.9 % compared with the first half of 2011.

[1] IEA Oil Market Report, August 2012
[2] EIA Spot Prices for Crude Oil and Petroleum Products
[3] Baker Hughes Rig Count

This corresponded to an EBITDA margin of 30.3 % (following 28.9 % in the first half of 2011). Earnings before interest and tax (EBIT) arrived at MEUR 58.4, following MEUR 40.1, up 45.6 % year-on-year. This represented an EBIT margin of 22.9 % (following 20.6 % in the first half of 2011). Profit before tax stood at MEUR 53.8 (following MEUR 34.7 in the first half of 2011), a very high level representing a pre-tax margin of 21.0 % (following 17.8 %). Profit after tax was improved by 57.2 %, coming in at MEUR 37.2 in the first half of 2012, compared to MEUR 23.6 year-on-year. Consequently, half-year earnings per share arrived at EUR 2.31 (following EUR 1.46 in the first half of 2011), up 58.3 %.

Net debt at mid-2012 was MEUR 68.1 (following MEUR 43.1 at the end of 2011 and MEUR 68.1 at mid-year 2011). This growth was largely attributable to an increase of the working capital as a result of higher sales, more capital spending and dividend payment in the second quarter of the year. SBO's gearing ratio of 19.9 % at mid-2012 (following 13.7 % at year-end 2011) was again kept at a very low level.

Very strong performance of high-precision components segment

The strong sales development in the first half of 2012 was seen throughout all segments, in particular in the segment of high-precision components. It is these extremely complex engineering products where SBO is in a position, even during cyclical peaks, to cover demand in the market both in terms of quantities and quality. SBO benefits from the capacity expansion programmes the company implemented at its global sites in the past years. The segment of downhole tools also generated increasing sales volumes for SBO in the first half of 2012. Business at SBO's drilling motor subsidiary BICO and downhole circulation tool subsidiary DSI continued to post strong results. Additionally, the second quarter of 2012 was characterised by substantial materials business making an above-average contribution to overall sales revenues.

Due to the highly positive business development most of SBO's production sites operated to full capacity in the first half of 2012. The headcount as at 30 June 2012 had climbed to 1575 (following 1506 at the end of the first quarter of 2012 or 1.368 as at 30 June 2011). Strongest additions to personnel were recorded at the Austrian site in Ternitz, resulting from the dynamic bookings situation for high-precision components.

Capital expenditure

Capital expenditure in the first half of 2012 went to MEUR 45.1 (following MEUR 17.1 in the first half of 2011). Purchase commitments for expenditure in property, plant and equipment as at 30 June 2012 totalled MEUR 10.5 (MEUR 8.8 as at 30 June 2011). The purchase price allocation for the acquisition made in the first quarter of the year has not yet been completed.

Capital spending was focused again on the continuous expansion of the drilling motor fleet at BICO and the multi-circulation tools fleet of DSI. Moreover, land was acquired at the Ternitz site for the already approved construction of a new machining centre for non-magnetic oilfield service drillstring components. Apart from that, expenses were incurred for capacity expansions in the US and Mexico.

Risk report

Business risks of Schoeller-Bleckmann Oilfield Equipment AG did not change substantially in the first six months of 2012 over the risks mentioned in the annual financial statements 2011. We therefore refer to the risks described in the Annual Report 2011, in particular the USD/EUR currency exchange rate and recommend to read this report on the first half of 2012 in conjunction with the Annual Report 2011.

The SBO share

The share of Schoeller-Bleckmann Oilfield Equipment AG completed the first half of the year (29 June 2012) at EUR 63.80. Compared to the closing price of EUR 59.73 on 30 June 2011 this represents an increase of 6.8 %. The quarterly high was EUR 69.00 (3 April 2012).

Outlook

According to the International Monetary Fund (IMF), the global economy is set to grow by 3.5 % in 2012 and 3.9 % in 2013. However, this forecast of the IMF is based on the assumption that, on the one hand, the anti-crisis programme of European policymakers and, on the other hand, fiscal loosening efforts in the major emerging markets will have positive effects. For the eurozone, analysts continue to see a mild recession of 0.3 % occurring in 2012. The current growth projection for the GDP in the US stands at 2.0 % in 2012, for the emerging markets at 5.6 %.[4]

In its most recent forecast[5], the International Energy Agency (IEA) expects average global oil demand to come to 89.6 million barrels per day in 2012, an increase of 1.0 % or 0.9 million

[4] *IMF World Economic Outlook Update, July 2012*
[5] *IEA Oil Market Report, August 2012*

barrels per day from last year. In 2013 the average global oil demand is assumed to stand at 90.5 million barrels per day. This is when oil demand in the non-OECD countries will exceed that of OECD countries for the first time; in 2013 demand of non-OECD countries will presumably amount to 45.7 million barrels per day, which is 0.6 million barrels per day above the demand of OECD countries.[6]

Based on the above data, SBO, for the time being, assumes that the business environment for the second half of 2012 will remain favourable. Unless oil demand goes down considerably in the emerging markets, which are the drivers of growth in demand for energy, even an economic slowdown in Europe or a slightly declining economic momentum in the US should have no sustained negative effect on global energy consumption. While the price of Brent crude fell below USD 90 per barrel for a short while during the second quarter of the year, it went back up to USD 112.39 per barrel (as at 07 August 2012) in light of the lowest OPEC spare capacity level seen in four years (2.35 million barrels per day), the persistently precarious geopolitical situation and US crude inventories decreasing from June on. Prices of WTI crude also were climbing considerably again. This oil price is high enough to ensure that even technologically complex and costly drilling projects, in particular the growing number of offshore wells, will remain economically attractive. As a result we expect that intense shale drilling activity in North America will continue over the rest of the year as well.

Further effects of the public debt crisis on the spending behaviour of the oil and gas industry cannot be assessed reliably at the moment. Growing uncertainty over business development beyond 2012 could lead to a more cautious spending climate within the oil and gas industry.

However, unless global economic development undergoes any substantial deterioration, SBO is confident about the market situation in the second half of 2012. The dynamic development in the first half of 2012 gives evidence of sustained strong customer acceptance and clear market leadership of SBO in the field of high-precision components.

„The dynamic business development gives evidence of the high customer acceptance and clear market leadership in high-precision components“

SBO will pursue its course of growth consistently in order to fully meet the continuously rising demand for oil and gas. Moreover, the need for increasingly complex technologies constitutes a stable, long-term driver of growth for SBO.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

The interim report as at 30 June 2012 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 2011 have been applied basically unchanged, with the exception of the standards which came into force in 2012. 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 2011. In the first six months of 2012 no changes occurred in the scope of consolidation, except for the acquisition of D-TECH (UK).

Business development of SBO is not subject to seasonal influences.

No important events have occurred after the balance sheet date.

This report on the second quarter of 2012 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 six months of the financial year and their impact on the interim financial statements, and of the principal risks and uncertainties for the remaining six 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

[6] *IEA Oil Market Report, July 2012*

CONSOLIDATED PROFIT AND LOSS STATEMENT

in TEUR	6 months ended 30.06.2012	6 months ended 30.06.2011	3 months ended 30.06.2012	3 months ended 30.06.2011
Sales	**255,722**	**194,412**	**135,155**	**97,064**
Costs of goods sold	-171,994	-132,968	-93,307	-66,328
Gross profit	**83,728**	**61,444**	**41,848**	**30,736**
Selling expenses	-8,902	-7,531	-4,517	-3,634
General and administrative expenses	-14,269	-10,922	-6,257	-5,354
Other operating expenses	-7,416	-8,406	-1,951	-3,022
Other operating income	5,299	5,545	1,189	1,444
Profit from operations	**58,440**	**40,130**	**30,312**	**20,170**
Interest income	440	387	179	220
Interest expenses	-2,903	-3,196	-1,422	-1,587
Other financial income	0	0	0	0
Other financial expenses	-2,163	-2,642	-1,036	-1,391
Financial result	**-4,626**	**-5,451**	**-2,279**	**-2,758**
Profit before tax	**53,814**	**34,679**	**28,033**	**17,412**
Income taxes	-16,664	-11,054	-8,707	-5,356
Profit after tax	**37,150**	**23,625**	**19,326**	**12,056**
Thereof attributable to non-controlling interests	233	298	135	190
Thereof attributable to the owners of the parent company	36,917	23,327	19,191	11,866
	37,150	**23,625**	**19,326**	**12,056**
Average number of shares outstanding	15,960,116	15,960,116	15,960,116	15,960,116
Earnings per share in EUR (basic = diluted)	**2.31**	**1.46**	**1.20**	**0.74**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in TEUR	6 months ended 30.06.2012	6 months ended 30.06.2011	3 months ended 30.06.2012	3 months ended 30.06.2011
Profit after tax	37,150	23,625	19,326	12,056
Foreign exchange adjustment - subsidiaries	8,968	-16,973	15,950	-3,874
Foreign exchange adjustment - other items	764	-3,122	1,424	-730
Income tax effect	-191	780	-356	182
Other comprehensive income, net of tax	9,541	-19,315	17,018	-4,422
TOTAL COMPREHENSIVE INCOME, NET OF TAX	**46,691**	**4,310**	**36,344**	**7,634**
Thereof attributable to non-controlling interests	371	-118	421	96
Thereof attributable to the owners of the parent company	46,320	4,428	35,923	7,538
	46,691	**4,310**	**36,344**	**7,634**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS´ EQUITY

in TEUR	6 months ended 30.06.2012	6 months ended 30.06.2011
As at 1 January	314,772	267,127
Profit after tax	37,150	23,625
Other comprehensive income, net of tax	9,541	-19,315
Total comprehensive income, net of tax	46,691	4,310
Dividend paid	-19,152	-15,960
AS AT 30 JUNE	**342,311**	**255,477**

CONSOLIDATED BALANCE SHEET

ASSETS in TEUR	30.06.2012	31.12.2011
Current assets		
Cash and cash equivalents	81,613	120,842
Trade accounts receivable	89,138	72,973
Other accounts receivable and prepaid expenses	6,635	8,916
Inventories	159,075	139,087
TOTAL CURRENT ASSETS	**336,461**	**341,818**
Non-current assets		
Property, plant & equipment	160,576	147,507
Goodwill	67,908	58,734
Other intangible assets	67,865	48,457
Long-term receivables	14,159	13,808
Deferred tax assets	10,666	9,723
TOTAL NON-CURRENT ASSETS	**321,174**	**278,229**
TOTAL ASSETS	**657,635**	**620,047**

LIABILITIES AND SHAREHOLDERS´ EQUITY in TEUR	30.06.2012	31.12.2011
Current liabilities		
Bank loans and overdrafts	27,476	29,099
Current portion of long-term loans	16,641	19,751
Finance lease obligations	255	361
Accounts payable trade	48,148	43,430
Government grants	273	271
Income taxes payable	13,113	9,966
Other payables	28,372	25,213
Other provisions	6,300	6,225
TOTAL CURRENT LIABILITIES	**140,578**	**134,316**
Non-current liabilities		
Bonds	39,928	39,906
Long-term loans	65,198	74,532
Finance lease obligations	182	274
Government grants	960	556
Employee benefit obligations	4,750	4,571
Other payables	40,322	33,053
Deferred tax liabilities	23,406	18,067
TOTAL NON-CURRENT LIABILITIES	**174,746**	**170,959**
Shareholders´ equity		
Share capital	15,960	15,960
Contributed capital	65,203	65,203
Legal reserve - non-distributable	785	785
Other reserves	31	33
Currency translation reserve	-1,456	-10,859
Retained earnings	259,916	242,149
Equity attributable to the owners of the parent company	340,439	313,271
Non-controlling interests	1,872	1,501
TOTAL SHAREHOLDERS´ EQUITY	**342,311**	**314,772**
TOTAL LIABILITIES AND SHAREHOLDERS´ EQUITY	**657,635**	**620,047**

CONSOLIDATED CASH-FLOW STATEMENT

in TEUR	6 months ended 30.06.2012	6 months ended 30.06.2011
Cash and cash equivalents at the beginning of the period	120,842	136,989
Cash earnings	55,532	45,874
Cash flow from operating activities	37,942	15,883
Cash flow from investing activities	-44,190	-15,219
Cash flow from financing activities	-34,549	-26,222
Effects of exchange rate changes	1,568	-4,749
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**81,613**	**106,682**

DIVIDEND PAID

	Total amount TEUR	Number of shares (ordinary shares)	Per share EUR
For the business year 2011 paid in 2012	19,152	15,960,116	1.20
For the business year 2010 paid in 2011	15,960	15,960,116	1.00

SEGMENT INFORMATION

in TEUR	Europe	North America	Other regions	SBO-Holding & Consolidation	Group
1-6/2012					
External sales	71,086	158,927	25,709		255,722
Intercompany sales	65,395	11,663	1,472	-78,530	0
Total sales	136,481	170,590	27,181	-78,530	255,722
Operating profit	35,715	27,649	2,550	-7,474	58,440
1-6/2011					
External sales	33,493	138,762	22,157		194,412
Intercompany sales	66,856	10,352	589	-77,797	0
Total sales	100,349	149,114	22,746	-77,797	194,412
Operating profit	16,668	22,457	3,744	-2,739	40,130

- 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 1,575 (end of 2011: 1,459), thereof 448 in Ternitz/Austria and 670 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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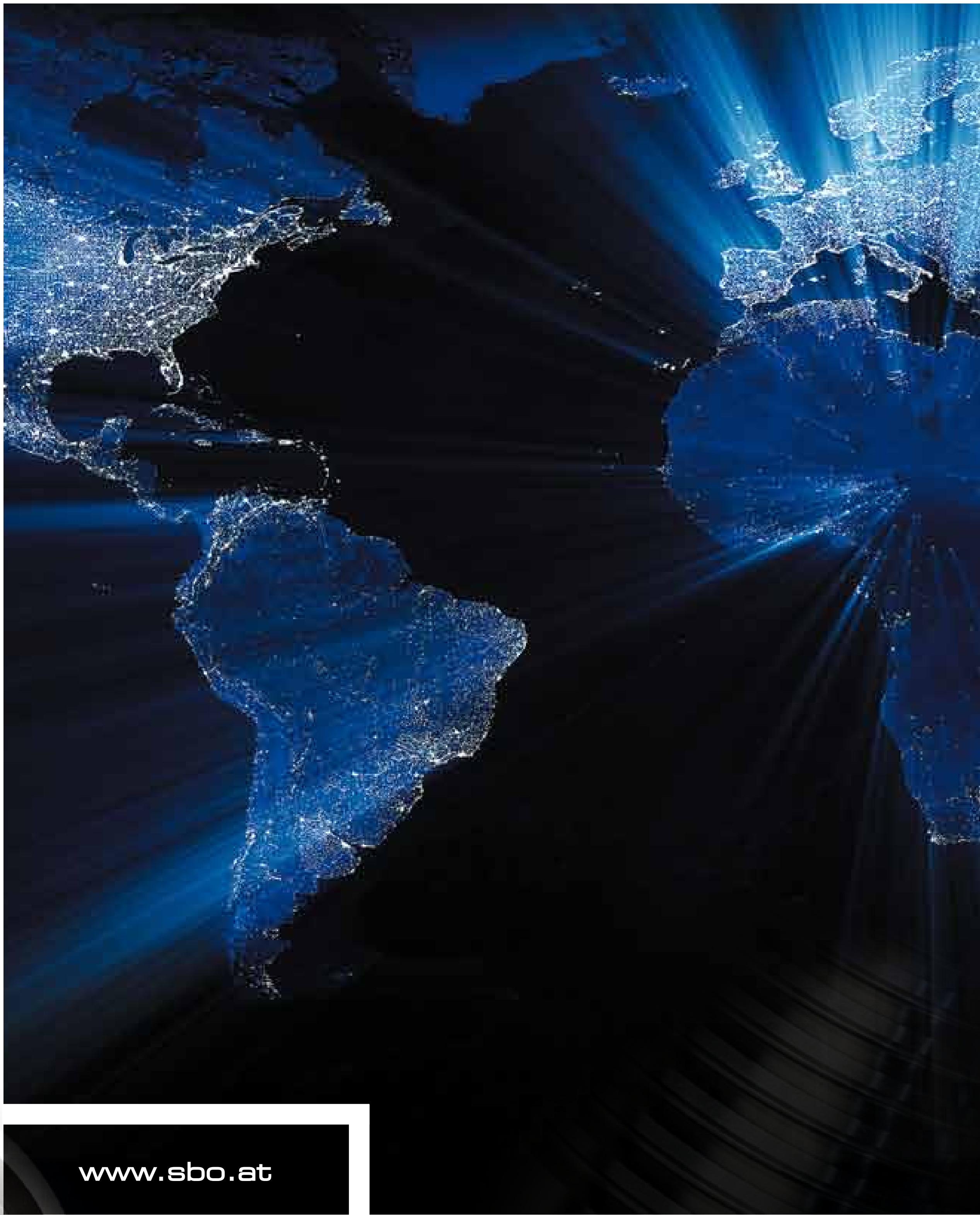

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