Dear Fellow Stockholders,

In 2018, market trends began to inflect in a more positive direction, particularly for activity in the land basins of the United States.

Crude oil prices improved over the first nine months of 2018, providing our customers with the necessary confidence to increase their capital spending. As a result, we experienced an acceleration of U.S. land-based drilling and completion-related activity. Oil States benefited directly from the strengthening of the U.S. onshore shale markets during 2018, resulting in growth in completions-related activity which translated into positive results for our business segments, and was supportive of the acquisitions we closed in the first quarter of 2018. However, our 2018 recovery was tempered somewhat by the continued and prolonged underinvestment in deepwater projects globally.

With the backdrop of an improving U.S. land-based market, we delivered solid results across our major business lines and realized positive contributions from our two acquisitions that we closed during 2018. Total Company revenues for the year totaled $1.1 billion and Consolidated EBITDA was $121 million(1), up 62% and 249%, respectively, from 2017. Approximately 65% of our full year consolidated revenues were driven by U.S. drilling and completion-related activity, reflecting the macro shifts in customer spending in favor of North America land based investments.

In January of 2018, we closed the transformational acquisition of GEODynamics, Inc., a provider of oil and gas perforation systems and downhole tools in support of completion, intervention, wireline and well abandonment operations. GEODynamics is reported as our third business segment named Downhole Technologies, which we believe offers meaningful growth potential that combines technology with downhole consumable completion solutions which affords us additional revenue opportunities by allowing us to service an expanded customer base. In February 2018, we acquired Falcon Flowback Services (“Falcon”), a full service provider of flowback and well testing services for the separation and recovery of fluids, solid debris and proppant used during hydraulic fracturing operations. Falcon was integrated into our Completion Services business within our Well Site Services segment. Through the acquisition of Falcon, we have expanded our footprint and equipment offerings which affords our Company greater scale and access to highly-trained field technicians in a challenging labor environment.

In 2018, we added two new members to our Board of Directors, Darrell E. Hollek and E. Joseph “Joe” Wright. They both bring extensive energy industry experience to our Board and our Company, which will provide us with meaningful benefits as we continue to focus on our long-term growth and success. During the year, Robert “Bob” L. Potter was elected as Chairman of the Board, following the resignation of Mark G. Papa as Director and Chairman. Mr. Papa had served as a Director of Oil States since our initial public offering in February 2001 and as Chairman since February 2016, offering leadership and strategic guidance to Oil States throughout his tenure with us. Mark has been a dedicated Director to Oil States over his seventeen years of service, sharing his broad industry experience and the perspective of our E&P customer base, for which we are grateful.

Macroeconomic Environment and Outlook

During 2018, crude oil prices rose to their highest levels since the industry downturn began in late 2014, improving our customers' cash flow and driving them to invest additional capital to increase their production. WTI and Brent crude oil prices averaged $65 per barrel and $71 per barrel in 2018, up 28% and 32%, respectively, compared to 2017 average prices. The average U.S. rig count for 2018 improved 18% compared to the 2017 average. Additionally, advancements in technologies and improved operating efficiencies have allowed the U.S. exploration and production industry to lower the breakeven price of exploration and production of oil and gas. Shale play success has been nothing short of amazing. The U.S.

Energy Information Administration ("EIA") estimates that U.S. crude oil production averaged 10.9 million barrels per day in 2018, up approximately 17% from the 2017 average, reaching its highest level and experiencing the largest volume growth on record. However, surging U.S. shale oil production began to overwhelm lackluster global demand growth, and during the fourth quarter of 2018, crude oil prices declined approximately 40%, due in part to higher than expected supply growth from the U.S., Russia and Saudi Arabia, as well as growing concerns over slowing global demand growth. In response to the precipitous decline in crude oil prices late in the year, OPEC and Russia agreed to reduce production and the Canadian government mandated a production shut-in all in an effort to balance commodity supplies. Crude oil prices recovered approximately 30% since December 31, 2018 and, importantly, the WTI to Midland crude oil price differential that widened in 2018 has now disappeared. While these and other events should provide support for a more balanced supply and demand environment later in 2019, the EIA currently forecasts continued supply growth and an average crude oil price in 2019 that will be approximately 15% below the 2018 average.

With the volatility in commodity prices witnessed over the past few years, there has been meaningful underinvestment in the deepwater sector. During this time, customers have looked to make their major deepwater projects more economic at lower commodity breakeven prices by re-bidding projects, identifying advancements in technology, and reducing overall project costs with equipment standardization. Major deepwater project sanctions have been extremely weak over the last four years, but the outlook is beginning to look brighter. The expectation for floating production facility sanctions over the next four years has improved and the average annual spend is forecasted to total $15 to $16 billion per year through 2022(2).

Our portfolio of technologically-advanced products and services, growing well complexity, improving commodity prices, and increases in customer spending offshore, position Oil States to benefit from the market conditions in 2019.

Our Business Segments

Well Site Services

Our 2018 Well Site Services segment results benefited from the continued recovery in North American drilling and completions activity along with contributions from the Falcon acquisition beginning in March 2018. Total segment revenues of $480 million increased 66% year-over-year, EBITDA improved 182% and EBITDA margins averaged 13%.

In our Completion Services business, we realized the benefits of expanded activity in the U.S. During 2018 and saw a 58% increase in the number of Completion Services jobs performed along with an 11% increase in revenue per Completion Services job, primarily as a result of contributions from the acquired Falcon operations, more complex wells being completed and the corresponding product and service mix shift to higher-end equipment. We witnessed an increase in demand for our higher-end proprietary completions-related equipment such as our stage frac isolation tools and Tempress Hydropull™ tool, which is used in extended reach applications. U.S. regions that experienced strong activity during the year included the Permian Basin, the Mid Continent, the Rockies, and the Northeast.

Activity levels for 2019 will track our customers' capital spending budgets and the level of commodity prices realized. Wells continue to grow in complexity which in turn should favor our higher-end equipment.

Utilization of our land drilling rigs averaged 30% in 2018, which was flat with 2017. As of December 31, 2018, we had eight land drilling rigs working out of our total fleet of 34 rigs. Our land drilling rigs are very efficient and cost effective for operators in drilling vertical wells, setting surface casing, and drilling salt water disposal wells.

Downhole Technologies

Our Downhole Technologies segment is comprised of the GEODynamics operations we acquired in January 2018. GEODynamics was founded in 2004 as a researcher, developer and manufacturer of consumable engineered products used in completion applications and has achieved significant growth in recent years. The segment is headquartered in Millsap, Texas (west of Fort Worth, Texas) on a campus which supports its engineering, product testing, manufacturing, sales and administrative functions. GEODynamics employs approximately 500 personnel in 14 locations. GEODynamics' product innovation is internally driven by its experienced research and engineering personnel, who are located on site with the manufacturing and testing facilities. GEODynamics maintains collaborative relationships with E&P operators, allowing it to advance its products in response to the needs of our customers. GEODynamics currently holds nearly 120 issued patents with a number of patents pending.

GEODynamics has established itself as a technology leader for oil and gas well perforating systems, and also provides downhole completion, intervention, and wireline conveyed solutions. The segment's expertise has led to the optimization of perforation hole size, depth, and quality of tunnels, which are key factors for maximizing the effectiveness of hydraulic fracturing. During 2018, this segment contributed $214 million in revenues with EBITDA margins averaging 21%. We started a Technical Solutions Group in mid-2018 to help provide tailored support to our wireline and operator customers delivering our product offerings from our manufacturing location to the wellsite. This group is an investment in our future and affords us the opportunity to deploy both personnel and integrated product solutions directly to the wellsite to ensure product quality and performance is maintained. This group is currently working in support of field trials for our newer technology, a portion of which is expected to achieve commercialization in the second quarter of 2019. Ultimately when these trialed products are brought to market, the group will generate revenues sufficient to offset associated costs.

Offshore/Manufactured Products

Since the downturn in the energy industry began in late 2014, the majority of the deepwater development projects have been deferred, adversely impacting our Offshore/Manufactured Products segment's operations and backlog. We began 2018 with historically low backlog levels reflecting reduced demand for production facility and subsea products, partially offset by an increase in standard casing and conductor connector product sales, and service and repair work. As a result, total segment revenue was $394 million, which was up 3% year-over-year, and our EBITDA margins averaged 16%. Our short-cycle product revenues, whose demand is largely driven by U.S. land-based activities, comprised 37% of the segment's revenues during 2018.

Orders booked during 2018 totaled $421 million, equating to a book-to-bill ratio of 1.1x, and a 7% year-over-year backlog increase. Noteworthy backlog additions exceeding $10 million were limited during the year and included standard casing and conductor connectors destined for Africa and floating production facility content for a customer in Latin America.

Our customer conversations and visibility regarding select project sanctions for 2019 and beyond remain constructive. Demand for our short-cycle products is expected to remain steady, tracking U.S. land completions-related activity.

Disciplined Financial Position

Protecting our balance sheet and preserving our liquidity position have been top priorities for us during the energy downturn which began in late 2014, allowing us the ability to grow our business through acquisitions and organic investments. Prior to the closing of the GEODynamics acquisition in January 2018, we were essentially debt free, having utilized our free cash flow to pay down outstanding borrowings in prior years. Financing for the GEODynamics acquisition included the issuance of 8.66 million shares of our common stock valued at $295 million, the payment of $295 million in cash, and the issuance of a $25 million unsecured note payable to the seller, for total consideration of $615 million at closing.

Subsequent to closing the transaction, we entered into a more permanent financing structure. In January of 2018, we sold to qualified institutional investors $200 million principal amount of 1.50% convertible senior notes due 2023. In conjunction with the issuance of the convertible notes, our revolving credit facility was further amended and extended. Lender commitments under the amended revolving credit facility total $350 million and the maturity date was extended to January 30, 2022. We utilized the net proceeds from the convertible senior notes offering to reduce borrowings outstanding under our revolving credit facility.

In February 2018, we acquired Falcon for an acquisition price of $84 million, net of cash acquired. The acquisition was funded by borrowings under our revolving credit facility.

From March 31, 2018 through December 31, 2018, we reduced outstanding borrowings under our revolving credit facility by $52 million and as of December 31, 2018 our net debt leverage ratio was 2.4x and our senior secured leverage ratio was 1.2x, both well below the allowable maximum ratios.

We intend to invest between $65 million and $70 million in capital expenditures during 2019. This capital will be primarily spent on maintaining our equipment deployed to service the active U.S. shale plays along with growth capital for our Downhole Technologies segment, whose expansions are long-term investments that will provide additional capacity and manufacturing efficiencies.

Oil States remains financially well positioned with a strong balance sheet and limited debt maturities before 2022. We remain disciplined in our allocation of capital and are focused on creating long-term stockholder value via strategic growth and, ultimately, returns on invested capital.

Conclusion

The outlook for the energy sector in 2019 is generally positive, but does predict that U.S. E&P capital spending and rig counts will decline 4% and 2%, respectively, while international rig counts are expected to increase 5%(3). Well complexity and service intensity are not abating, nor are the number of stages completed. We have strategically shifted our offerings toward these key industry drivers with our existing base business and through our recent acquisitions. As we have noted, the opportunity set for major deepwater project sanctions is trending more positively in 2019, which will benefit our Company given the strength of our technology offerings and our global footprint.

We achieved some significant and transformational accomplishments in 2018, albeit during a difficult cycle for the industry. These successes will benefit Oil States over the long-term and would not have been possible without the hard work and dedication of our employees across the globe. Looking forward, we have the opportunity to further engage in cross training amongst our businesses, pursue product and productivity improvements and demonstrate superior customer service that will differentiate us from our competitors as the market continues to recover.

We are cognizant of the need to expand market share, control costs, and generate returns for our shareholders. As we move into 2019, we remain committed to developing differentiated technology focused on helping our customers make better wells, while carefully controlling our costs, generating positive free cash flow and returns on invested capital.

Sincerely,

Cindy B. Taylor

President and Chief Executive Officer

March 27, 2019

(1) See non-GAAP reconciliation on page 32 of our Annual Report on Form 10-K for the year ended December 31, 2018.
(2) Source: Westwood Global Energy Group, January 2019
(3) Source: Spears, “Drilling and Production Outlook”, March 2019