February 19, 2009

Oil States Announces Fourth Quarter Earnings of $1.74 per Share Before Goodwill Impairment

HOUSTON, Feb. 19 /PRNewswire-FirstCall/ -- Today, Oil States International, Inc. (NYSE: OIS) reported net income for the quarter ended December 31, 2008 of $7.0 million, or $0.14 per diluted share, compared to $48.2 million, or $0.95 per diluted share reported in the fourth quarter of 2007. The fourth quarter 2008 results included a non-cash, pre-tax charge of approximately $85.6 million, or $1.60 per diluted share after-tax, related to the impairment of a portion of the Company's goodwill. Excluding the impairment charges related to the write off of the full amount of its drilling and tubular services goodwill, the Company generated $86.8 million in net income, or $1.74 per diluted share, on $901.1 million of revenues and $162.9 million of Adjusted EBITDA in the fourth quarter of 2008. Excluding the goodwill impairment charges, Oil States recognized year-over-year growth in quarterly revenues and Adjusted EBITDA (EBITDA is defined as net income plus interest, taxes, depreciation and amortization. Adjusted EBITDA is defined as EBITDA excluding the goodwill impairment charges) of 55% and 72%, respectively, in the fourth quarter of 2008(A) with year-over-year growth recognized in each of its business lines led by Tubular Services and Accommodations.

"We had a record year in 2008 with each of our business lines having record or near record earnings," stated Cindy B. Taylor, Oil States' President and Chief Executive Officer. "In particular, our Tubular Services and Accommodations segments demonstrated strong year-over-year growth. However, 2009 will be a difficult year characterized by significantly reduced operational and financial results, as the global economic recession and reduced capital market liquidity have negatively impacted commodity prices and our customers' spending plans. Our current expectation for first quarter 2009 earnings is in a range of $0.96 to $1.06 per diluted share."

Mrs. Taylor continued, "We have substantially reduced our planned capital expenditures for 2009 as compared to our 2008 spending and are reducing our cost structure in response to the market downturn. We expect all of our businesses to be negatively impacted in 2009 with the most immediate impact occurring in our Tubular Services and Drilling businesses."

Mrs. Taylor concluded, "We have a strong liquidity position. At year end, we had $196 million of availability which has grown to $280 million today under our $500 million credit facility. We have no near term debt maturities as our credit facility extends to December 2011, and the first put/call date for our convertible notes is July 2012. We expect our liquidity strength to allow us to capitalize on opportunities the downturn presents."

The Company recognized an effective tax rate of 85.2% in the fourth quarter of 2008 compared to 30.1% in the fourth quarter of 2007. The effective tax rate in the fourth quarter of 2008 was negatively impacted by a significant amount of the goodwill impairment charges which were non-deductible. Excluding the goodwill impairment, the effective tax rate for the fourth quarter of 2008 would have approximated 34.9%. The effective tax rate in the fourth quarter of 2007 benefited from statutory tax rate reductions in Canada.

For the full year 2008, the Company reported revenues of $2.9 billion and EBITDA of $495.6 million which resulted in $222.7 million of net income, or $4.33 per diluted share. Excluding the goodwill impairment charges, the Company reported $581.3 of Adjusted EBITDA and $302.5 million of net income, or $5.88 per diluted share. The Company reported revenues of $2.1 billion and EBITDA of $385.5 million for the full year 2007 which resulted in net income of $203.4 million, or $3.99 per diluted share. The full year periods for 2008 and 2007 included gains on the sale of Boots & Coots common stock of $0.08 and $0.17 per diluted share, respectively.

BUSINESS SEGMENT RESULTS

(Unless otherwise noted, the following discussion compares the quarterly results from the fourth quarter of 2008 to the results from the fourth quarter of 2007. In order to present a more meaningful comparison of the Company's operating results, the fourth quarter 2008 results exclude the goodwill impairment charges.)

Well Site Services

Excluding the $22.8 million goodwill impairment charge taken in the drilling business, Well Site Services generated revenues of $235.7 million and Adjusted EBITDA of $80.1 million in the fourth quarter of 2008, compared to $209.1 million and $67.2 million, respectively, in the fourth quarter of 2007, representing year-over-year increases of 13% and 19%, respectively. The increase in EBITDA was primarily due to improved results from the Company's oil sands accommodations and drilling operations.

For the fourth quarter of 2008, the accommodations business reported revenues of $94.6 million and EBITDA of $35.3 million, compared to revenues and EBITDA of $91.5 million and $29.0 million, respectively, in the fourth quarter of 2007. Accommodations revenue and EBITDA increased 3% and 22%, respectively, primarily due to the significant increase in average available room capacity at the Company's four major oil sands lodges and strong accommodations activity in the U.S. EBITDA growth in accommodations was partially offset by weaker Canadian dollar and weaker year-over-year accommodations activity related to conventional Canadian drilling activity.

Drilling services generated revenues and Adjusted EBITDA of $44.0 million and $14.2 million, respectively, in the fourth quarter of 2008 compared to $35.3 million of revenues and $10.1 million of EBITDA in the fourth quarter 2007. These year-over-year increases in drilling services were primarily the result of three additional rigs built over the past twelve months, increased utilization and higher cash margins compared to the fourth quarter of 2007.

Rental tools generated $97.0 million of revenues and $30.5 million of EBITDA in the fourth quarter of 2008 compared to revenue of $82.3 million and EBITDA of $28.1 million in the fourth quarter of 2007. This year-over-year growth was due to increased completion activity in the U.S., particularly in wellhead isolation, well testing and thru-tubing work.

Offshore Products

In the fourth quarter of 2008, Offshore Products generated $141.4 million of revenues and $25.6 million in EBITDA compared to $141.2 million of revenues and $21.3 million in EBITDA in the fourth quarter of 2007. The increase in EBITDA year-over year is primarily due to $5.0 million of project cost overruns recognized in the fourth quarter of 2007 and product mix related to increased rig, vessel and subsea pipeline equipment orders partially offset by lower bearing and connector product shipments. Backlog totaled $362.1 million at December 31, 2008 down from $420.5 million at September 30, 2008 and roughly flat with the $362.2 million at December 31, 2007.

Tubular Services

Excluding the $62.9 million goodwill impairment charge taken, Tubular Services generated revenues and Adjusted EBITDA of $524.0 million and $63.9 million, respectively, during the fourth quarter of 2008 compared to revenues of $230.6 million and EBITDA of $11.0 million in the fourth quarter of 2007. Tubular Services' OCTG shipments increased 21% to 166,200 tons from 137,000 tons in the fourth quarter of 2007. Gross margins in the fourth quarter of 2008 increased to 12.8% from 5.7% in the fourth quarter of 2007 because of higher year-over-year OCTG mill pricing. The Company's OCTG inventory increased to $396.5 million from $276.9 million at September 30, 2008 due to the receipt of inventory in satisfaction of customer orders.

Goodwill Impairment

In accordance with Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," the Company concluded that the goodwill amounts previously recorded in the Drilling and Tubular Services reporting units were impaired in their entirety. The total goodwill impairment charge recognized in the fourth quarter of 2008 was $85.6 million before taxes and $79.8 million after-tax. The majority of the impairment charge is related to goodwill recorded prior to or in conjunction with the Company's initial public offering in 2001. This non-cash charge does not impact the Company's liquidity position, its debt covenants or the Company's cash flows.

Oil States International, Inc. is a diversified oilfield services company. With locations around the world, Oil States is a leading manufacturer of products for deepwater production facilities and subsea pipelines, and a leading supplier of a broad range of services to the oil and gas industry, including production-related rental tools, work force accommodations and logistics, oil country tubular goods distribution and land drilling services. Oil States is organized in three business segments - Well Site Services, Offshore Products and Tubular Services, and is publicly traded on the New York Stock Exchange under the symbol OIS. For more information on the Company, please visit Oil States International's website at http://www.oilstatesintl.com.

The Company will be hosting a conference call to discuss the results for the fourth quarter of 2008 on Friday, February 20, 2009 at 11:00 am Eastern time. This call is being webcast and can be accessed at Oil States' web site at http://www.oilstatesintl.com. Participants may also join the conference call by dialing (800) 447-0521 and using the passcode of 23632564. A replay of the conference call will be available one hour after the completion of the call by dialing (888) 843-8996 and entering the passcode of 23632564.

This press release contains and the associated conference call will contain forward-looking statements within the meaning of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are those that do not state historical facts and are, therefore, inherently subject to risks and uncertainties. The forward-looking statements included therein will be based on then current expectations and entail various risks and uncertainties that could cause actual results to differ materially from those forward-looking statements. Such risks and uncertainties include, among other things, risks associated with the general nature of the oilfield service industry and other factors discussed within the "Business" section of the Form 10-K for the year ended December 31, 2007 filed by Oil States with the SEC on February 22, 2008 and within the Company's subsequent SEC filings.

Oil States International, Inc.
Unaudited Condensed Consolidated Statements of Income
(in thousands, except per share amounts)
(unaudited)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2008	2007	2008	2007
Revenues	$901,056	$580,971	$2,948,457	$2,088,235
Costs and expenses:				
Cost of sales	702,100	456,331	2,234,974	1,602,213
Selling, general and administrative expenses	37,504	31,989	143,080	118,421
Depreciation and amortization expense	26,863	21,383	102,604	70,703
Impairment of goodwill	85,630	-	85,630	-
Other operating income	(928)	(373)	(1,586)	(888)
Operating income	49,887	71,641	383,755	297,786
Interest expense	(3,613)	(5,191)	(17,530)	(17,988)
Interest income	805	909	3,561	3,508
Equity in earnings of unconsolidated affiliates	868	1,307	4,035	3,350
Gain on sale of workover services and resulting investment	-	-	6,160	12,774
Other income / (expense)	(331)	333	(922)	928
Income before income taxes	47,616	68,999	379,059	300,358
Income tax provision	(40,591)	(20,799)	(156,349)	(96,986)
Net income	$7,025	$48,200	$222,710	$203,372
Net income per share				
Basic	$0.14	$0.97	$4.49	$4.11
Diluted	$0.14	$0.95	$4.33	$3.99
Weighted average number of common shares outstanding				
Basic	49,622	49,730	49,622	49,500
Diluted	49,806	50,994	51,414	50,911

Oil States International, Inc.
Consolidated Balance Sheets
(in thousands)

Assets	December 31, 2008 (unaudited)	September 30, 2008 (unaudited)	December 31, 2007 (audited)
Current assets			
Cash and cash equivalents	$30,199	$55,621	$30,592
Accounts receivable, net	575,982	502,807	450,153
Inventories, net	612,488	463,086	349,347
Prepaid expenses and other current assets	18,815	13,475	35,575
Total current assets	1,237,484	1,034,989	865,667
Property, plant and equipment, net	695,338	723,626	586,910
Goodwill, net	305,441	399,151	391,644
Investments in unconsolidated affiliates	5,899	6,255	24,778
Other non-current assets	55,085	56,940	60,627
Total assets	$2,299,247	$2,220,961	$1,929,626
Liabilities and stockholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	$371,789	$347,450	$239,119
Current portion of long-term debt	4,943	179,941	4,718
Income taxes	52,546	24,392	43
Deferred revenue	105,640	83,585	60,910
Other current liabilities	1,587	1,220	121
Total current liabilities	536,505	636,588	304,911
Long-term debt (B)	474,948	236,574	487,102
Deferred income taxes	55,646	52,966	40,550
Other noncurrent liabilities	13,155	14,293	12,236
Total liabilities	1,080,254	940,421	844,799
Stockholders' equity			
Common stock	526	526	522
Additional paid-in capital	425,284	422,044	402,091
Retained earnings	913,423	906,398	690,713
Accumulated other comprehensive income / (loss)	(28,409)	37,854	73,036
Treasury stock	(91,831)	(86,282)	(81,535)
Total stockholders' equity	1,218,993	1,280,540	1,084,827

Total liabilities and stockholders' equity	$2,299,247	$2,220,961	$1,929,626

Oil States International, Inc.
Segment Data
(in thousands)
(unaudited)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2008	2007	2008	2007
Revenues				
Accommodations	$94,612	$91,535	$427,130	$312,846
Rental Tools	97,041	82,321	355,809	260,404
Drilling and Other	44,023	35,268	177,339	143,153
Well Site Services	235,676	209,124	960,278	716,403
Offshore Products	141,385	141,209	528,164	527,810
Tubular Services	523,995	230,638	1,460,015	844,022
Total Revenues	$901,056	$580,971	$2,948,457	$2,088,235
Adjusted EBITDA (A)				
Accommodations	$35,335	$28,968	$156,223	$109,270
Rental Tools	30,535	28,138	111,224	96,006
Drilling and Other (C) (D)	14,196	10,092	68,096	66,983
Well Site Services (C)	80,066	67,198	335,543	272,259
Offshore Products	25,598	21,342	100,357	93,444
Tubular Services (D)	63,913	10,974	172,086	40,763
Corporate and Eliminations	(6,660)	(4,850)	(26,724)	(20,925)
Total Adjusted EBITDA (C) (D)	$162,917	$94,664	$581,262	$385,541
Operating Income / (Loss)				
Accommodations	$27,210	$21,056	$120,972	$85,347
Rental Tools	20,860	20,536	75,787	71,973
Drilling and Other (D)	8,521	5,789	40,200	40,508
Well Site Services	56,591	47,381	236,959	197,828
Offshore Products	22,624	18,572	89,280	82,460
Tubular Services (D)	62,800	10,494	169,333	38,467
Corporate and Eliminations	(6,498)	(4,806)	(26,187)	(20,969)
Total Operating Income (D)	$135,517	$71,641	$469,385	$297,786

Oil States International, Inc.
Additional Quarterly Segment and Operating Data
(unaudited)

	Three Months Ended December 31, 2008	2007
Supplemental Operating Data		
Land Drilling		
Operating Statistics		
Average Rigs Available	37	34
Utilization	79.1%	74.3%
Implied Day Rate ($ in thousands per day)	$16.4	$15.2
Implied Daily Cash Margin ($ in thousands per day)	$5.5	$4.3
Offshore Products Backlog ($ in millions)	$362.1	$362.2
Tubular Services Operating Data		
Shipments (Tons in thousands)	166.2	137.0
Quarter end Inventory ($ in thousands)	$396,462	$191,374

(A) The term EBITDA consists of net income plus interest, taxes, depreciation and amortization. EBITDA is not a measure of financial performance under generally accepted accounting principles. You should not consider it in isolation from or as a substitute for net income or cash flow measures prepared in accordance with generally accepted accounting principles or as a measure of profitability or liquidity. Additionally, EBITDA may not be comparable to other similarly titled measures of other companies. The Company has included EBITDA as a supplemental disclosure because its management believes that EBITDA provides useful information regarding our ability to service debt and to fund capital expenditures and provides investors a helpful measure for comparing its operating performance with the performance of other companies that have different financing and capital structures or tax rates. The Company uses EBITDA to compare and to monitor the performance of its business segments to other comparable public companies and as a benchmark for the award of incentive compensation under its annual incentive compensation plan. Adjusted EBITDA is a non-GAAP measure which excludes the goodwill impairment charges recognized in the fourth quarter of 2008. The following table sets forth a reconciliation of EBITDA to net income, which is the most directly comparable measure of financial performance calculated under generally accepted accounting principles:

Reconciliation of GAAP to Non-GAAP Financial Information
(in thousands)
(unaudited)

	Three Months Ended December 31, 2008	2007	Twelve Months Ended December 31, 2008	2007

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Net income	$7,025	$48,200	$222,710	$203,372
Income tax expense	40,591	20,799	156,349	96,986
Depreciation and amortization	26,863	21,383	102,604	70,703
Interest income	(805)	(909)	(3,561)	(3,508)
Interest expense	3,613	5,191	17,530	17,988
EBITDA	$77,287	$94,664	$495,632	$385,541
Goodwill impairment	85,630	-	85,630	-
Adjusted EBITDA	$162,917	$94,664	$581,262	$385,541

(B) As of December 31, 2008, the Company had approximately $195.9 million available under its revolving credit facility.

(C) Includes $6.2 million and $12.8 million gains on sale of Boots & Coots common stock in the full years 2008 and 2007 results, respectively.

(D) Drilling EBITDA and Operating Income exclude $22.8 million goodwill impairment charge. Tubular Services EBITDA and Operating Income exclude a $62.9 million goodwill impairment charge. Consolidated EBITDA and Operating Income exclude an $85.6 million goodwill impairment charge.