OIL STATES INTERNATIONAL, INC
Form 10-Q
July 31, 2013
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2013

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to ____________

Commission file number: 001-16337

OIL STATES INTERNATIONAL, INC.

____

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	76-0476605 (I.R.S. Employer Identification No.)
Three Allen Center, 333 Clay Street, Suite 4620, Houston, Texas	77002 (Zip Code)

(Address of principal executive offices)

(713) 652-0582

(Registrant s telephone number, including area code)

None

(Former name, former address and former fiscal year,

if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES [X] NO [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files)

YES [X] NO [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "accelerated filer," "large accelerated filer" and "smaller reporting company in Rule 12b-2 of the Exchange Act.

(Check one):

Large Accelerated Filer [X]	Accelerated Filer [ ]
Non-Accelerated Filer [ ] (Do not check if a smaller reporting company)	Smaller Reporting Company [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES [ ] NO [X]

The Registrant had 55,153,849 shares of common stock, par value $0.01, outstanding and 3,859,739 shares of treasury stock as of July 30, 2013.

OIL STATES INTERNATIONAL, INC.

INDEX

PART I -- FINANCIAL INFORMATION

ITEM 1. ***Financial Statements***

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In Thousands, Except Per Share Amounts)

	THREE MONTHS ENDED		**SIX MONTHS ENDED**	
	JUNE 30,		JUNE 30,	
	2013	**2012**	**2013**	**2012**
Revenues	$1,040,548	$1,091,088	$2,109,988	$2,190,080
Costs and expenses:				
Cost of sales and services	783,344	819,164	1,575,685	1,614,961
Selling, general and administrative expenses	57,159	48,853	112,047	96,592
Depreciation and amortization expense	68,622	54,218	135,537	104,884
Other operating (income) expense	4,831	(407)	(860)	137
	913,956	921,828	1,822,409	1,816,574
Operating income	126,592	169,260	287,579	373,506
Interest expense, net of capitalized interest	(19,657)	(17,937)	(39,748)	(35,880)
Interest income	638	242	1,202	539
Equity in earnings (losses) of unconsolidated affiliates	(59)	220	(766)	640
Other income	1,021	4,308	2,291	6,044
Income before income taxes	108,535	156,093	250,558	344,849
Income tax provision	(31,666)	(44,617)	(71,105)	(97,901)
Net income	76,869	111,476	179,453	246,948
Less: Net income attributable to noncontrolling interest	344	242	739	650
Net income attributable to Oil States International, Inc.	$76,525	$111,234	$178,714	$246,298
Net income per share attributable to Oil States International, Inc. common stockholders:				
Basic	$1.39	$2.15	$3.25	$4.78
Diluted	$1.38	$2.01	$3.22	$4.45

Weighted average number of common shares outstanding:				
Basic	55,061	51,637	54,935	51,533
Diluted	55,582	55,251	55,477	55,404

The accompanying notes are an integral part of these financial statements.

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands)

	THREE MONTHS ENDED		**SIX MONTHS ENDED**	
	JUNE 30, 2013	**2012**	**JUNE 30, 2013**	**2012**
Net income	$76,869	$111,476	$179,453	$246,948
Other comprehensive income (loss):				
Foreign currency translation adjustment	(147,761)	(28,283)	(170,101)	(3,037)
Unrealized gain (loss) on forward contracts, net of tax	(94)	--	117	--
Total other comprehensive income (loss)	(147,855)	(28,283)	(169,984)	(3,037)
Comprehensive income (loss)	(70,986)	83,193	9,469	243,911
Comprehensive income attributable to noncontrolling interest	(299)	(215)	(665)	(640)
Comprehensive income (loss) attributable to Oil States International, Inc.	$(71,285)	$82,978	$8,804	$243,271

The accompanying notes are an integral part of these financial statements.

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In Thousands)

	JUNE 30, 2013 **(UNAUDITED)**	**DECEMBER 31,** 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 225,857	$ 253,172
Accounts receivable, net	738,784	832,785
Inventories, net	698,587	701,496
Prepaid expenses and other current assets	64,968	38,639
Total current assets	1,728,196	1,826,092
Property, plant, and equipment, net	1,858,410	1,852,126
Goodwill, net	491,846	520,818
Other intangible assets, net	129,754	146,103
Other noncurrent assets	64,323	94,823
Total assets	$ 4,272,529	$ 4,439,962
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 251,053	$ 279,933
Accrued liabilities	99,958	107,906
Income taxes	8,146	29,588
Current portion of long-term debt and capitalized leases	20,349	30,480
Deferred revenue	66,408	66,311
Other current liabilities	36,588	4,314
Total current liabilities	482,502	518,532
Long-term debt and capitalized leases	1,146,134	1,279,805
Deferred income taxes	121,968	129,235
Other noncurrent liabilities	23,589	46,590
Total liabilities	1,774,193	1,974,162
Stockholders equity:		
Oil States International, Inc. stockholders equity:		

Common stock, $.01 par value, 200,000,000 shares authorized, 59,008,138 shares and 58,488,299 shares issued, respectively, and 55,148,868 shares and 54,695,473 shares outstanding, respectively	590	585
Additional paid-in capital	614,927	586,070
Retained earnings	2,077,909	1,899,195
Accumulated other comprehensive income (loss)	(62,887)	107,097
Common stock held in treasury at cost, 3,859,270 and 3,792,826 shares, respectively	(133,747)	(128,542)
Total Oil States International, Inc. stockholders equity	2,496,792	2,464,405
Noncontrolling interest	1,544	1,395
Total stockholders equity	2,498,336	2,465,800
Total liabilities and stockholders equity	$ 4,272,529	$ 4,439,962

The accompanying notes are an integral part of these financial statements.

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

	SIX MONTHS ENDED JUNE 30,	
	2013	**2012**
Cash flows from operating activities:		
Net income	$179,453	$246,948
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	135,537	104,884
Deferred income tax provision	(538)	4,991
Excess tax benefits from share-based payment arrangements	(5,329)	(6,014)
Gains on disposals of assets	(333)	(4,851)
Non-cash compensation charge	13,133	9,189
Accretion of debt discount	--	4,106
Amortization of deferred financing costs	4,041	3,600
Other, net	1,201	(547)
Changes in operating assets and liabilities, net of effect from acquired businesses:		
Accounts receivable	73,965	(99,243)
Inventories	(2,059)	(79,781)
Accounts payable and accrued liabilities	(29,774)	35,920
Taxes payable	2,618	29,137
Other current assets and liabilities, net	(12,933)	2,707
Net cash flows provided by operating activities	358,982	251,046
Cash flows from investing activities:		
Capital expenditures, including capitalized interest	(240,423)	(199,983)
Acquisitions of businesses, net of cash acquired	(321)	--
Proceeds from disposition of property, plant and equipment	2,633	5,225
Other, net	94	(1,650)
Net cash flows used in investing activities	(238,017)	(196,408)
Cash flows from financing activities:		
Revolving credit borrowings and (repayments), net	(47,901)	(951)
Term loan repayments	(92,762)	(14,944)
Debt and capital lease repayments	(209)	(2,312)
Issuance of common stock from share-based payment arrangements	10,388	7,801
Purchase of treasury stock	(1,485)	--
Excess tax benefits from share-based payment arrangements	5,329	6,014

Shares added to treasury stock as a result of net share settlements due to vesting of restricted stock	(3,722)	(4,092)
Other, net	(201)	(23)
Net cash flows provided by (used in) financing activities	(130,563)	(8,507)
Effect of exchange rate changes on cash	(17,717)	(3,461)
Net change in cash and cash equivalents from continuing operations	(27,315)	42,670
Cash and cash equivalents, beginning of period	253,172	71,721
Cash and cash equivalents, end of period	$225,857	$114,391

The accompanying notes are an integral part of these financial statements.

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

1. ORGANIZATION AND BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of Oil States International, Inc. and its wholly-owned subsidiaries (referred to in this report as we or the Company) have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the Commission) pertaining to interim financial information. Certain information in footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP) have been condensed or omitted pursuant to these rules and regulations. The unaudited financial statements included in this report reflect all the adjustments, consisting of normal recurring adjustments, which the Company considers necessary for a fair presentation of the results of operations for the interim periods covered and for the financial condition of the Company at the date of the interim balance sheet. Results for the interim periods are not necessarily indicative of results for the full year.

The preparation of condensed consolidated financial statements in conformity with GAAP requires the use of estimates and assumptions by management in determining the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. If the underlying estimates and assumptions, upon which the financial statements are based, change in future periods, actual amounts may differ from those included in the accompanying condensed consolidated financial statements.

The financial statements included in this report should be read in conjunction with the Company s audited financial statements and accompanying notes included in its Annual Report on Form 10-K for the year ended December 31, 2012 (the 2012 Form 10-K).

2. RECENT ACCOUNTING PRONOUNCEMENTS

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board (the FASB), which are adopted by the Company as of the specified effective date. Unless otherwise discussed, management believes that the impact of recently issued standards, which are not yet effective, will not have a material impact on the Company s consolidated financial statements upon adoption.

In February 2013, the FASB issued a new accounting standard related to the reporting of amounts reclassified out of accumulated other comprehensive income (OCI). Under this standard, an entity is required to provide information about the amounts reclassified out of accumulated OCI by component. In addition, an entity is required to present, either on the face of the financial statements or in the notes, significant amounts reclassified out of accumulated OCI by the respective line items of net income, but only if the amount reclassified is required to be reclassified in its entirety in the same reporting period. For amounts that are not required to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional details about those amounts. This standard does not change the current requirements for reporting net income or other comprehensive income in the financial statements and was effective for interim and annual periods beginning on or after December 15, 2012. We adopted this standard in the Quarterly Report on Form 10-Q for the three month period ended March 31, 2013, and the adoption of this standard did not have a material effect on our consolidated financial statements.

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

(Continued)

3. DETAILS OF SELECTED BALANCE SHEET ACCOUNTS

Additional information regarding selected balance sheet accounts at June 30, 2013 and December 31, 2012 is presented below (in thousands):

	JUNE 30, 2013	**DECEMBER 31,** 2012
Accounts receivable, net:		
Trade	$549,799	$ 616,680
Unbilled revenue	192,700	218,229
Other	2,970	3,691
Total accounts receivable	745,469	838,600
Allowance for doubtful accounts	(6,685)	(5,815)
	$738,784	$ 832,785

	JUNE 30, 2013	**DECEMBER 31,** 2012
Inventories, net:		
Tubular goods	$438,529	$ 450,244
Other finished goods and purchased products	93,851	90,974
Work in process	67,799	64,267
Raw materials	112,898	107,356
Total inventories	713,077	712,841
Allowance for excess, damaged, remnant or obsolete inventory	(14,490)	(11,345)
	$698,587	$ 701,496

JUNE 30,

	Estimated Useful Life (years)	2013	DECEMBER 31, 2012
Property, plant and equipment, net:			
Land		$60,630	$ 58,888
Accommodations assets	3 - 15	1,444,093	1,481,830
Buildings and leasehold improvements	3 - 40	196,196	194,676
Machinery and equipment	2 - 29	426,830	402,342
Completion services equipment	4 - 10	289,594	264,225
Office furniture and equipment	1 - 10	56,386	54,337
Vehicles	2 - 10	132,561	123,474
Construction in progress		214,641	149,665
Total property, plant and equipment		2,820,931	2,729,437
Accumulated depreciation		(962,521)	(877,311)
		$1,858,410	$ 1,852,126

	JUNE 30, 2013	DECEMBER 31, 2012
Accrued liabilities:		
Accrued compensation	$45,144	$ 69,206
Insurance liabilities	12,488	11,411
Accrued taxes, other than income taxes	12,917	7,204
Accrued interest	14,193	4,042
Accrued commissions	3,769	3,763
Other	11,447	12,280
	$99,958	$ 107,906

4. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Accumulated other comprehensive income decreased from $107.1 million at December 31, 2012 to an accumulated other comprehensive loss of $62.9 million at June 30, 2013, a net change of $170.0 million, primarily as a result of decreases in the Canadian and Australian dollar exchange rates compared to the U.S. dollar. The Canadian dollar was valued at an exchange rate of U.S. $0.95 at June 30, 2013 compared to U.S. $1.01 at December 31, 2012, a decrease of 6%. The Australian dollar was valued at an exchange rate of U.S. $0.92 at June 30, 2013 compared to U.S. $1.04 at December 31, 2012, a decrease of 12%. Excluding intercompany balances, our Canadian dollar and Australian dollar functional currency net assets total approximately C$880 million and A$926 million, respectively, at June 30, 2013.

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

(Continued)

5. EARNINGS PER SHARE

The calculation of earnings per share attributable to the Company is presented below (in thousands, except per share amounts):

	THREE MONTHS ENDED JUNE 30,		**SIX MONTHS ENDED** JUNE 30,	
	2013	**2012**	**2013**	**2012**
Basic earnings per share:				
Net income attributable to Oil States International, Inc.	$76,525	$111,234	$178,714	$246,298
Weighted average number of shares outstanding	55,061	51,637	54,935	51,533
Basic earnings per share	$1.39	$2.15	$3.25	$4.78
Diluted earnings per share:				
Net income attributable to Oil States International, Inc.	$76,525	$111,234	$178,714	$246,298
Weighted average number of shares outstanding	55,061	51,637	54,935	51,533
Effect of dilutive securities:				
Options on common stock	339	484	364	531
2 3/8% Contingent Convertible Senior Subordinated Notes	--	3,030	--	3,196
Restricted stock awards and other	182	100	178	144
Total shares and dilutive securities	55,582	55,251	55,477	55,404
Diluted earnings per share	$1.38	$2.01	$3.22	$4.45

Our calculation of diluted earnings per share for the three and six months ended June 30, 2013 excludes 392,416 shares and 392,660 shares, respectively, issuable pursuant to outstanding stock options and restricted stock awards, due to their antidilutive effect. Our calculation of diluted earnings per share for the three and six months ended June 30, 2012 excludes 625,565 shares and 484,533 shares, respectively, issuable pursuant to outstanding stock options and restricted stock awards, due to their antidilutive effect.

See Note 7 to the Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for a discussion of the conversion of our 2 3/8% Contingent Convertible Senior Subordinated Notes (2 3/8% Notes).

6. BUSINESS ACQUISITIONS AND GOODWILL

On December 14, 2012, we acquired all of the equity of Tempress Technologies, Inc. (Tempress) for purchase price consideration of $49.5 million consisting of $32.5 million in cash plus contingent consideration with an estimated fair market value of $17.0 million at closing. During the second quarter of 2013, the estimated fair market value of the contingent liability was increased, resulting in a $3.0 million, or $0.05 per diluted share after tax, charge to other operating expense. The contingent liability increased to $20.0 million during the second quarter due to favorable developments related to a patent application by Tempress. It is now estimated that the patent will be issued in a form satisfactory to the Company. The Company s total escrowed deposits of $25.3 million include this contingent consideration and other consideration for seller transaction indemnities, are considered restricted cash and are classified as Other current assets in our June 30, 2013 Consolidated Balance Sheet and Other noncurrent assets in our December 31, 2012 Consolidated Balance Sheet. Liabilities for contingent consideration and escrowed amounts expected to be paid to the seller also totaled $25.3 million at June 30, 2013 and are classified as Other current liabilities in our Consolidated Balance Sheet. Headquartered in Kent, Washington, Tempress designs, develops and markets a suite of highly specialized, hydraulically-activated tools utilized during downhole completion activities. The operations of Tempress have been included in our well site services segment since the acquisition date.

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

(Continued)

On July 2, 2012, we acquired all of the operating assets of Piper Valve Systems, Ltd (Piper). Headquartered in Oklahoma City, Oklahoma, Piper designs and manufactures high pressure valves and manifold components for oil and gas industry projects offshore (surface and subsea) and onshore. Piper's valve technology complements our offshore products segment, allowing us to integrate their valve products and services into our existing subsea products such as pipeline end manifolds and terminals, increasing our suite of global deepwater product and service offerings. Subject to customary post-closing adjustments, cash consideration paid for the acquisition totaled $48.0 million. The operations of Piper have been included in our offshore products segment since the acquisition date.

In December 2010, we also acquired all of the operating assets of Mountain West Oilfield Service and Supplies, Inc. and Ufford Leasing LLC (Mountain West) for total consideration of $47.1 million including estimated contingent consideration of $4.0 million. During the first quarter of 2013, the liability for the estimated contingent consideration recorded in connection with this transaction was adjusted to its estimated fair value of zero resulting in the recording of other operating income of $4.0 million. Contingent consideration for the Mountain West acquisition was estimated based upon the amount of earnings before interest, depreciation, amortization and taxes expected to be earned by the acquired business during the three-year period ended December 31, 2013, subject to adjustment for capital spending levels.

Changes in the carrying amount of goodwill for the six month period ended June 30, 2013 are as follows (in thousands):

	Well Site Services						
	Completion Services	Drilling Services	Subtotal	Accommodations	Offshore Products	Tubular Services	Total
Balance as of December 31, 2011							
Goodwill	$169,711	$22,767	$192,478	$ 291,323	$100,944	$62,863	$647,608
Accumulated Impairment Losses	(94,528)	(22,767)	(117,295)	--	--	(62,863)	(180,158)
	75,183	--	75,183	291,323	100,944	--	467,450
	31,254	--	31,254	--	17,757	--	49,011

Goodwill acquired and purchase price adjustments							
Foreign currency translation and other changes	316	--	316	3,809	232	--	4,357
	106,753	--	106,753	295,132	118,933	--	520,818
Balance as of December 31, 2012							
Goodwill	201,281	22,767	224,048	295,132	118,933	62,863	700,976
Accumulated Impairment Losses	(94,528)	(22,767)	(117,295)	--	--	(62,863)	(180,158)
	106,753	--	106,753	295,132	118,933	--	520,818
Goodwill acquired and purchase price adjustments	1,576	--	1,576	--	(950)	--	626
Foreign currency translation and other changes	(783)	--	(783)	(28,465)	(350)	--	(29,598)
	107,546	--	107,546	266,667	117,633	--	491,846
Balance as of June 30, 2013							
Goodwill	202,074	22,767	224,841	266,667	117,633	62,863	672,004
Accumulated Impairment Losses	(94,528)	(22,767)	(117,295)	--	--	(62,863)	(180,158)
	$ 107,546	$ --	$ 107,546	$ 266,667	$ 117,633	$ --	$ 491,846

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

(Continued)

7. DEBT

As of June 30, 2013 and December 31, 2012, long-term debt consisted of the following (in thousands):

	June 30, 2013	**December 31, 2012**
U.S. revolving credit facility, which matures December 10, 2015, with available commitments up to $500 million; no borrowings outstanding during the six month period ended June 30, 2013	$--	$--
U.S. term loan, which matures December 10, 2015, of $200 million; 2.5% of aggregate principal repayable per quarter; weighted average interest rate of 2.2% for the six month period ended June 30, 2013	160,000	170,000
Canadian revolving credit facility, which matures on December 10, 2015, with available commitments up to $250 million; no borrowings outstanding during the six month period ended June 30, 2013	--	--
Canadian term loan, which matures December 10, 2015, of $100 million; 2.5% of aggregate principal repayable per quarter; weighted average interest rate of 3.3% for the six month period ended June 30, 2013	--	85,786
Australian revolving credit facility, which matures December 10, 2015, with available commitments up to AUD$300 million and with a weighted average interest rate of 5.1% for the six month period ended June 30, 2013	--	47,803
6 1/2% senior unsecured notes - due June 2019	600,000	600,000
5 1/8% senior unsecured notes - due January 2023	400,000	400,000
Capital lease obligations and other debt	6,483	6,696
Total debt	1,166,483	1,310,285

Less: Current portion	20,349	30,480
Total long-term debt and capitalized leases	$1,146,134	$1,279,805

5 1/8% Senior Unsecured Notes

On December 21, 2012, the Company sold $400 million aggregate principal amount of 5 1/8% Senior Notes due 2023 (5 1/8% Notes) through a private placement to qualified institutional buyers. The 5 1/8% Notes are senior unsecured obligations of the Company, are guaranteed by our material U.S. subsidiaries (the Guarantors), bear interest at a rate of 5 1/8% per annum and mature on January 1, 2023. At any time prior to January 15, 2016, the Company may redeem up to 35% of the 5 1/8% Notes at a redemption price of 105.125% of the principal amount, plus accrued and unpaid interest to the redemption date, with the proceeds of certain equity offerings. Prior to January 15, 2018, the Company may redeem some or all of the 5 1/8% Notes for cash at a redemption price equal to 100% of their principal amount plus an applicable make-whole premium and accrued and unpaid interest to the redemption date. On and after January 15, 2018, the Company may redeem some or all of the 5 1/8% Notes at redemption prices (expressed as percentages of principal amount), plus accrued and unpaid interest to the redemption date. The optional redemption prices as a percentage of principal amount are as follows:

Twelve Month Period Beginning January 15,	**% of Principal Amount**	
2018	102.563	%
2019	101.708	%
2020	100.854	%
2021 and thereafter	100.000	%

The Company utilized approximately $334 million of the net proceeds of the 5 1/8% Notes to repay borrowings under its U.S. revolving credit facility. The remaining net proceeds of approximately $61 million were utilized for general corporate purposes.

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

(Continued)

6 1/2% Senior Unsecured Notes

On June 1, 2011, the Company sold $600 million aggregate principal amount of 6 1/2% senior unsecured notes (6 1/2% Notes) due 2019 through a private placement to qualified institutional buyers. The 6 1/2% Notes are senior unsecured obligations of the Company, are guaranteed by our material U.S. subsidiaries (the Guarantors), bear interest at a rate of 6 1/2% per annum and mature on June 1, 2019. At any time prior to June 1, 2014, the Company may redeem up to 35% of the 6 1/2% Notes at a redemption price of 106.5% of the principal amount, plus accrued and unpaid interest to the redemption date, with the proceeds of certain equity offerings. Prior to June 1, 2014, the Company may redeem some or all of the 6 1/2% Notes for cash at a redemption price equal to 100% of their principal amount plus an applicable make-whole premium and accrued and unpaid interest to the redemption date. On and after June 1, 2014, the Company may redeem some or all of the 6 1/2% Notes at redemption prices (expressed as percentages of principal amount), plus accrued and unpaid interest to the redemption date. The optional redemption prices as a percentage of principal amount are as follows:

Twelve Month Period Beginning June 1,	**% of Principal Amount**
2014	104.875 %
2015	103.250 %
2016	101.625 %
2017 and thereafter	100.000 %

The Company utilized approximately $515 million of the net proceeds of the 6 1/2% Notes to repay borrowings outstanding under its U.S. and Canadian credit facilities. The remaining net proceeds of approximately $75 million were utilized for general corporate purposes.

2 3/8% Contingent Convertible Senior Notes

On May 17, 2012, the Company gave notice of the redemption of all of its outstanding 2 3/8% Notes due 2025 (2 3/8% Notes), totaling $174,990,000 at a redemption price equal to 100% of the principal amount thereof plus accrued interest. In July 2012, rather than having their 2 3/8% Notes redeemed, on or prior to July 5, 2012, holders of $174,990,000 aggregate principal amount of the 2 3/8% Notes converted their 2 3/8% Notes and received cash up to the principal amount and, in the aggregate, 3,012,380 shares of the Company s common stock valued at $220.6 million.

An effective interest rate of 7.17% was applied as of the issuance date for our 2 3/8% Notes in accordance with ASC 470-20 Debt with Conversion and Other Options. Interest expense on the 2 3/8% Notes, excluding amortization of debt issue costs, was as follows (in thousands):

	Three months ended		**Six months ended**	
	June 30,		June 30,	
	2013	**2012**	**2013**	**2012**
Interest expense	$--	$3,111	$--	$6,185

As of June 30, 2013, the Company had approximately $225.9 million of cash and cash equivalents and $713.0 million of the Company s U.S. and Canadian credit facilities available for future financing needs. The Company also had availability totaling AUD$300 million under its Australian credit facility. As of June 30, 2013, the Company had $37.0 million of outstanding letters of credit which reduced amounts available under its credit facilities.

Interest expense on the condensed consolidated statements of income is net of capitalized interest of $0.2 million and $0.5 million, respectively, for the three and six months ended June 30, 2013 and $1.2 million and $2.5 million, respectively, for the same periods in 2012.

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

(Continued)

8. FAIR VALUE MEASUREMENTS

The Company s financial instruments consist of cash and cash equivalents, investments, receivables, payables, bank debt and foreign currency forward contracts. The Company believes that the carrying values of these instruments on the accompanying consolidated balance sheets approximate their fair values.

The fair values of the Company s 6 1/2% Notes and 5 1/8% Notes are estimated based on quoted prices and analysis of similar instruments (Level 2 fair value measurements). The carrying values and fair values of these notes are as follows for the periods indicated (in thousands):

	June 30, 2013		**December 31, 2012**	
	Carrying Value	**Fair** Value	**Carrying** Value	**Fair** Value
5 1/8% Notes				
Principal amount due 2023	$400,000	$419,000	$400,000	$405,752
6 1/2% Notes				
Principal amount due 2019	$600,000	$623,250	$600,000	$641,628

As of June 30, 2013, the carrying value of the Company's debt outstanding under its credit facilities was estimated to be at fair value.

9. CHANGES IN COMMON STOCK OUTSTANDING

Shares of common stock outstanding January 1, 2013	54,695,473
Shares issued upon exercise of stock options and vesting of restricted stock awards	519,839
Repurchase of shares transferred to treasury	(20,000)
Shares withheld for taxes on vesting of restricted stock awards and transferred to treasury	(46,444)
Shares of common stock outstanding June 30, 2013	55,148,868

10. STOCK BASED COMPENSATION

During the first six months of 2013, we granted restricted stock awards totaling 308,539 shares valued at a total of $25.0 million. Of the restricted stock awards granted in the first six months of 2013, a total of 264,557 awards vest in four equal annual installments beginning in February 2014, 30,314 awards are performance based awards that may vest in February 2016 in an amount that will depend on the Company s achievement of specified performance objectives, 9,880 awards vest 100% in May 2014 and 3,500 awards vest 100% in February 2014. The 2013 performance based awards have a performance criteria that will be measured based upon the Company s achievement levels of average after-tax annual return on invested capital for the three year period commencing January 1, 2013 and ending December 31, 2015. During the six months ended June 30, 2013, the Company also granted 71,500 units of phantom shares under the Canadian Long-Term Incentive Plan, which provides for the granting of units of phantom shares to key Canadian employees. These awards vest in three equal annual installments beginning in February 2014 and are accounted for as a liability until paid. Participants granted units of phantom shares are entitled to a lump sum cash payment equal to the fair market value of a share of the Company s common stock on the vesting date. A total of 149,402 stock options with a ten-year term were awarded in the six months ended June 30, 2013 with an average exercise price of $80.25, a fair value of $4.2 million and that will vest in four equal annual installments starting in February 2014.

Stock based compensation pre-tax expense recognized in the six month periods ended June 30, 2013 and 2012 totaled $13.1 million and $9.2 million, or $0.17 and $0.12 per diluted share after tax, respectively. Stock based compensation pre-tax expense recognized in the three month periods ended June 30, 2013 and 2012 totaled $6.8 million and $4.8 million, or $0.09 and $0.07 per diluted share after tax, respectively. The total fair value of restricted stock awards that vested during the six months ended June 30, 2013 and 2012 was $14.7 million and $15.8 million, respectively. At June 30, 2013, $55.0 million of compensation cost related to unvested stock options and restricted stock awards attributable to future performance had not yet been recognized.

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

(Continued)

11. INCOME TAXES

Income tax expense for interim periods is based on estimates of the effective tax rate for the entire fiscal year. The Company s income tax provision for the three and six months ended June 30, 2013 totaled $31.7 million, or 29.2% of pretax income, and $71.1 million, or 28.4% of pretax income, respectively, compared to income tax expense of $44.6 million, or 28.6% of pretax income, and $97.9 million, or 28.4% of pretax income, respectively, for the three and six months ended June 30, 2012. The higher effective tax rate for the three months ended June 30, 2013 is primarily due to a slightly higher foreign effective tax rate. The Company s effective tax rates are lower than U.S. statutory rates because of lower foreign tax rates.

12. SEGMENT AND RELATED INFORMATION

In accordance with current accounting standards regarding disclosures about segments of an enterprise and related information, the Company has identified the following reportable segments: well site services, accommodations, offshore products and tubular services. The Company s reportable segments represent strategic business units that offer different products and services. They are managed separately because each business requires different technologies and marketing strategies. Most of the businesses were initially acquired as a unit, and the management at the time of the acquisition was retained. Subsequent acquisitions have been direct extensions to our business segments. Separate business lines within the well site services segment have been disclosed to provide additional detail for that segment. Results of a portion of our accommodations segment supporting Steam-Assisted Gravity Drainage (SAGD) and traditional oil and natural gas drilling activities are impacted by seasonally higher activity during the Canadian winter drilling season occurring in the first calendar quarter, typically followed by lower activity during Spring break-up in the second quarter.

Financial information by business segment for each of the three and six months ended June 30, 2013 and 2012 is summarized in the following table (in thousands):

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

(Continued)

	Revenues from unaffiliated customers	Depreciation and amortization	Operating income (loss)	Equity in earnings (loss) of unconsolidated affiliates	Capital expenditures	Total assets
Three months ended June 30, 2013						
Well site services						
Completion services	$ 142,171	$ 15,924	$ 27,491	$ --	$ 26,509	$ 580,759
Drilling services	44,212	6,164	7,133	--	6,285	167,203
Total well site services	186,383	22,088	34,624	--	32,794	747,962
Accommodations	244,213	41,410	54,888	--	90,689	1,973,674
Offshore products	204,406	4,290	37,329	(95)	8,611	831,343
Tubular services	405,546	607	15,841	36	388	635,959
Corporate and eliminations	--	227	(16,090)	--	544	83,591
Total	$ 1,040,548	$ 68,622	$ 126,592	$ (59)	$ 133,026	$ 4,272,529

	Revenues from unaffiliated customers	Depreciation and amortization	Operating income (loss)	Equity in earnings (loss) of unconsolidated affiliates	Capital expenditures	Total assets
Three months ended June 30, 2012						
Well site services						
Completion services	$ 125,079	$ 12,433	$ 28,974	$ --	$ 19,349	$ 489,942
Drilling services	51,456	5,950	8,358	--	4,961	131,273
Total well site services	176,535	18,383	37,332	--	24,310	621,215
Accommodations	260,966	31,609	83,207	--	62,217	1,928,076
Offshore products	191,638	3,434	36,589	67	10,977	704,508
Tubular services	461,949	573	24,054	153	281	714,130
Corporate and eliminations	--	219	(11,922)	--	796	41,760
Total	$ 1,091,088	$ 54,218	$ 169,260	$ 220	$ 98,581	$ 4,009,689

	Revenues from	Depreciation and	Operating income	Equity in earnings	Capital expenditures	Total assets

	unaffiliated customers	amortization	(loss)	(loss) of unconsolidated affiliates		
Six months ended June 30, 2013						
Well site services						
Completion services	$ 279,537	$ 31,119	$ 56,150	$ --	$ 46,974	$ 580,759
Drilling services	84,416	11,916	11,213	--	13,852	167,203
Total well site services	363,953	43,035	67,363	--	60,826	747,962
Accommodations	540,880	82,499	149,793	--	160,606	1,973,674
Offshore products	405,696	8,332	69,465	(831)	17,622	831,343
Tubular services	799,459	1,210	30,877	65	721	635,959
Corporate and eliminations	--	461	(29,919)	--	648	83,591
Total	$ 2,109,988	$ 135,537	$ 287,579	$ (766)	$ 240,423	$ 4,272,529

	Revenues from unaffiliated customers	Depreciation and amortization	Operating income (loss)	Equity in earnings (loss) of unconsolidated affiliates	Capital expenditures	Total assets
Six months ended June 30, 2012						
Well site services						
Completion services	$ 260,633	$ 23,873	$ 62,768	$ --	$ 37,874	$ 489,942
Drilling services	98,862	11,021	15,817	--	13,524	131,273
Total well site services	359,495	34,894	78,585	--	51,398	621,215
Accommodations	562,786	61,560	202,232	--	126,125	1,928,076
Offshore products	377,358	6,852	69,090	252	20,963	704,508
Tubular services	890,441	1,144	46,475	388	296	714,130
Corporate and eliminations	--	434	(22,876)	--	1,201	41,760
Total	$ 2,190,080	$ 104,884	$ 373,506	$ 640	$ 199,983	$ 4,009,689

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

(Continued)

13. COMMITMENTS AND CONTINGENCIES

The Company is a party to various pending or threatened claims, lawsuits and administrative proceedings seeking damages or other remedies concerning its commercial operations, products, employees and other matters, including warranty and product liability claims and occasional claims by individuals alleging exposure to hazardous materials as a result of its products or operations. Some of these claims relate to matters occurring prior to its acquisition of businesses, and some relate to businesses it has sold. In certain cases, the Company is entitled to indemnification from the sellers of businesses, and in other cases, it has indemnified the buyers of businesses from it. Although the Company can give no assurance about the outcome of pending legal and administrative proceedings and the effect such outcomes may have on it, management believes that any ultimate liability resulting from the outcome of such proceedings, to the extent not otherwise provided for or covered by insurance, will not have a material adverse effect on its consolidated financial position, results of operations or liquidity.

14. PLANNED SPIN-OFF OF ACCOMMODATIONS BUSINESS

On July 30, 2013, we announced that our board of directors has approved pursuing the spin-off of our accommodations business into a stand-alone, publicly traded corporation through a tax-free distribution of the accommodations business to the Company s shareholders. The objective of the spin-off is to more effectively focus on two distinct businesses, achieve lower cost of capital for our accommodations business, to pursue more tailored and aggressive growth strategies and optimize operating efficiencies among other objectives. The spin-off is subject to market conditions, the receipt of an affirmative IRS ruling or independent tax opinion, the completion of a review by the Commission of a Form 10 to be filed by the accommodations business, the execution of separation and intercompany agreements and final approval of our board of directors and is expected to be completed in the first half of 2014.

15. CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Certain wholly-owned subsidiaries, as detailed below (the Guarantor Subsidiaries), have guaranteed all of the 6 1/2% Notes and all of the 5 1/8% Notes. These guarantees are full and unconditional, subject to the following release provisions:

- in connection with any sale, exchange or transfer (by merger, consolidation or otherwise) of the capital stock of that guarantor after which that guarantor is no longer a restricted subsidiary;

- upon proper designation of a guarantor by the Company as an unrestricted subsidiary;

- upon the release or discharge of all outstanding guarantees by a guarantor of indebtedness of the Company and its restricted subsidiaries under any credit facility;

- upon legal or covenant defeasance or satisfaction and discharge of the indenture; or

- upon the dissolution of a guarantor, provided no event of default has occurred under the indentures and is continuing.

The following condensed consolidating financial information is included so that separate financial statements of the Guarantor Subsidiaries are not required to be filed with the Commission. The condensed consolidating financial information presents investments in both consolidated and unconsolidated affiliates using the equity method of accounting.

The following condensed consolidating financial information presents: condensed consolidating statements of income for each of the three and six month periods ended June 30, 2013 and 2012, condensed consolidating balance sheets as of June 30, 2013 and December 31, 2012 and the statements of cash flows for each of the six months ended June 30, 2013 and 2012 of (a) the Company, parent/guarantor, (b) Acute Technological Services, Inc., Capstar Holding, L.L.C., Capstar Drilling, Inc., General Marine Leasing, L.L.C., Oil States Energy Services L.L.C., Oil States Energy Services Holding, Inc., Oil States Energy Services International Holding, L.L.C., Oil States Management, Inc., Oil States Industries, Inc., Oil States Skagit SMATCO, L.L.C., PTI Group USA L.L.C., PTI Mars Holdco 1, L.L.C., Sooner Inc., Sooner Pipe, L.L.C., Sooner Holding Company and Tempress Technologies, Inc. (the Guarantor Subsidiaries), (c) the non-guarantor subsidiaries, (d) consolidating adjustments necessary to consolidate the Company and its subsidiaries and (e) the Company on a consolidated basis.

We have corrected the presentation of our condensed consolidating statement of cash flows for the six month period ended June 30, 2012 to properly reflect equity contributions by the Parent Guarantor to Guarantor Subsidiaries of $14 million and by Guarantor Subsidiaries to Non-Guarantor Subsidiaries of $5.8 million between investing and financing activities in accordance with SEC Regulation S-X, which were previously presented as net amounts in investing activities as proceeds from (funding of) accounts and notes with affiliates. These changes had no impact on consolidated results, as previously reported.

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

(Continued)

Condensed Consolidating Statements of Income and Comprehensive Income

	Three Months Ended June 30, 2013				
	Oil States International, Inc. (Parent/ Guarantor)	Guarantor Subsidiaries	Other Subsidiaries (Non-Guarantors)	Consolidating Adjustments	Consolidated Oil States International, Inc.
	(In thousands)				
REVENUES					
Operating revenues	$	$ 726,408	$ 314,140	$	$ 1,040,548
Intercompany revenues		10,283	12,498	(22,781)	
Total revenues		736,691	326,638	(22,781)	1,040,548
OPERATING EXPENSES					
Cost of sales and services		600,965	184,677	(2,298)	783,344
Intercompany cost of sales and services		7,928	11,338	(19,266)	
Selling, general and administrative expenses	383	38,935	17,841		57,159
Depreciation and amortization expense	227	28,460	39,978	(43)	68,622
Other operating (income) expense	289	4,201	340	1	4,831
Operating income (loss)	(899)	56,202	72,464	(1,175)	126,592
Interest expense, net of capitalized interest	(18,121)	(136)	(15,661)	14,261	(19,657)
Interest income	4,775	44	10,080	(14,261)	638
Equity in earnings (loss) of unconsolidated affiliates	90,770	49,363	(95)	(140,097)	(59)
Other income		764	257		1,021
Income before income taxes	76,525	106,237	67,045	(141,272)	108,535
Income tax provision		(14,503)	(17,163)		(31,666)
Net income	76,525	91,734	49,882	(141,272)	76,869

Other comprehensive income:

Foreign currency translation adjustment	(147,761)	(131,480)	(135,601)	267,081	(147,761)
Unrealized gain on forward contracts		(94)			(94)
Total other comprehensive income	(147,761)	(131,574)	(135,601)	267,081	(147,855)
Comprehensive income	(71,236)	(39,840)	(85,719)	125,809	(70,986)
Comprehensive income attributable to noncontrolling interest			(288)	(11)	(299)
Comprehensive income attributable to Oil States International, Inc.	$ (71,236)	$ (39,840)	$ (86,077)	$ 125,798	$ (71,285)

17

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

(Continued)

Condensed Consolidating Statements of Income and Comprehensive Income

	Three Months Ended June 30, 2012				
	Oil States International, Inc. (Parent/ Guarantor)	Guarantor Subsidiaries	Other Subsidiaries (Non-Guarantors)	Consolidating Adjustments	Consolidated Oil States International, Inc.
	(In thousands)				
REVENUES					
Operating revenues	$	$ 774,316	$ 316,772	$	$ 1,091,088
Intercompany revenues		7,516	3,413	(10,929)	
Total revenues		781,832	320,185	(10,929)	1,091,088
OPERATING EXPENSES					
Cost of sales and services		645,387	175,945	(2,168)	819,164
Intercompany cost of sales and services		5,306	3,085	(8,391)	
Selling, general and administrative expenses	394	31,440	17,019		48,853
Depreciation and amortization expense	219	23,082	30,922	(5)	54,218
Other operating (income)expense	143	(71)	(479)		(407)
Operating income (loss)	(756)	76,688	93,693	(365)	169,260
Interest expense, net of capitalized interest	(16,803)	(216)	(17,669)	16,751	(17,937)
Interest income	5,033	56	11,904	(16,751)	242
Equity in earnings (loss) of unconsolidated affiliates	123,055	67,555	74	(190,464)	220
Other income		3,971	337		4,308
Income before income taxes	110,529	148,054	88,339	(190,829)	156,093
Income tax provision	705	(24,613)	(20,709)		(44,617)

Net income	111,234	123,441	67,630	(190,829)	111,476
Other comprehensive income:					
Foreign currency translation adjustment	(28,283)	(21,244)	(21,244)	42,488	(28,283)
Total other comprehensive income	(28,283)	(21,244)	(21,244)	42,488	(28,283)
Comprehensive income	82,951	102,197	46,386	(148,341)	83,193
Comprehensive income attributable to noncontrolling interest			(215)		(215)
Comprehensive income attributable to Oil States International, Inc.	$ 82,951	$ 102,197	$ 46,171	$ (148,341)	$ 82,978

18

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

(Continued)

Condensed Consolidating Statements of Income and Comprehensive Income

	Six Months Ended June 30, 2013				
	Oil States International, Inc. (Parent/ Guarantor)	Guarantor Subsidiaries	Other Subsidiaries (Non- Guarantors)	Consolidating Adjustments	Consolidated Oil States International, Inc.
	(In thousands)				
REVENUES					
Operating revenues	$	$ 1,431,014	$ 678,974	$	$ 2,109,988
Intercompany revenues		15,790	13,231	(29,021)	
Total revenues		1,446,804	692,205	(29,021)	2,109,988
OPERATING EXPENSES					
Cost of sales and services		1,192,499	386,901	(3,715)	1,575,685
Intercompany cost of sales and services		11,974	12,045	(24,019)	
Selling, general and administrative expenses	783	75,486	35,778		112,047
Depreciation and amortization expense	461	55,363	79,794	(81)	135,537
Other operating (income) expense	135	185	(1,181)	1	(860)
Operating income (loss)	(1,379)	111,297	178,868	(1,207)	287,579
Interest expense, net of capitalized interest	(36,348)	(316)	(32,510)	29,426	(39,748)
Interest income	9,591	90	20,946	(29,425)	1,202
Equity in earnings (loss) of unconsolidated affiliates	206,850	124,104	(831)	(330,889)	(766)
Other income		1,558	733		2,291
Income before income taxes	178,714	236,733	167,206	(332,095)	250,558
Income tax provision		(28,946)	(42,159)		(71,105)
Net income	178,714	207,787	125,047	(332,095)	179,453

Other comprehensive income:

Foreign currency translation adjustment	(170,101)	(146,503)	(150,590)	297,093	(170,101)
Unrealized gain on forward contracts		117			117
Total other comprehensive income	(170,101)	(146,386)	(150,590)	297,093	(169,984)
Comprehensive income	8,613	61,401	(25,543)	(35,002)	9,469
Comprehensive income attributable to noncontrolling interest			(636)	(29)	(665)
Comprehensive income attributable to Oil States International, Inc.	$ 8,613	$ 61,401	$ (26,179)	$ (35,031)	$ 8,804

19

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

(Continued)

Condensed Consolidating Statements of Income and Comprehensive Income

	Six Months Ended June 30, 2012				
	Oil States International, Inc. (Parent/ Guarantor)	**Guarantor** Subsidiaries	**Other** Subsidiaries (Non- Guarantors)	**Consolidating** Adjustments	**Consolidated Oil** States International, Inc.
	(In thousands)				
REVENUES					
Operating revenues	$	$ 1,527,538	$ 662,542	$	$ 2,190,080
Intercompany revenues		12,554	3,443	(15,997)	
Total revenues		1,540,092	665,985	(15,997)	2,190,080
OPERATING EXPENSES					
Cost of sales and services		1,256,544	362,368	(3,951)	1,614,961
Intercompany cost of sales and services		8,528	3,130	(11,658)	
Selling, general and administrative expenses	825	62,415	33,352		96,592
Depreciation and amortization expense	435	44,168	60,290	(9)	104,884
Other operating (income) expense	(25)	(646)	808		137
Operating income (loss)	(1,235)	169,083	206,037	(379)	373,506
Interest expense, net of capitalized interest	(33,640)	(433)	(36,114)	34,307	(35,880)
Interest income	10,105	78	24,663	(34,307)	539
Equity in earnings (loss) of unconsolidated affiliates	269,672	148,959	252	(418,243)	640
Other income		5,599	445		6,044
Income before income taxes	244,902	323,286	195,283	(418,622)	344,849
Income tax provision	1,396	(53,194)	(46,103)		(97,901)
Net income	246,298	270,092	149,180	(418,622)	246,948

Other comprehensive income:					
Foreign currency translation adjustment	(3,037)	(2,693)	(2,683)	5,376	(3,037)
Total other comprehensive income	(3,037)	(2,693)	(2,683)	5,376	(3,037)
Comprehensive income	243,261	267,399	146,497	(413,246)	243,911
Comprehensive income attributable to noncontrolling interest			(635)	(5)	(640)
Comprehensive income attributable to Oil States International, Inc.	$ 243,261	$ 267,399	$ 145,862	$ (413,251)	$ 243,271

20

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

(Continued)

Consolidating Balance Sheets

	June 30, 2013 Oil States International, Inc. (Parent/ Guarantor) (In thousands)	Guarantor Subsidiaries	Other Subsidiaries (Non-Guarantors)	Consolidating Adjustments	Consolidated Oil States International, Inc.
ASSETS					
Current assets:					
Cash and cash equivalents	$28,653	$ 34,846	$ 162,358	$	$ 225,857
Accounts receivable, net		446,512	292,272		738,784
Inventories, net		583,607	114,980		698,587
Prepaid expenses and other current assets	14,546	38,512	11,910		64,968
Total current assets	43,199	1,103,477	581,520		1,728,196
Property, plant and equipment, net	2,109	615,682	1,243,755	(3,136)	1,858,410
Goodwill, net		222,235	269,611		491,846
Other intangible assets, net		56,564	73,190		129,754
Investments in unconsolidated affiliates	2,771,647	1,600,689	2,369	(4,365,557)	9,148
Long-term intercompany receivables (payables)	717,336	(353,237)	(364,095)	(4)	
Other noncurrent assets	39,858	882	14,435		55,175
Total assets	$3,574,149	$ 3,246,292	$ 1,820,785	$ (4,368,697)	$ 4,272,529
LIABILITIES AND EQUITY					
Current liabilities:					
Accounts payable	$862	$ 171,983	$ 78,208	$	