

**LIBERTY**

**BETTER.  
FASTER.  
STRONGER.**

ANNUAL REPORT 2018



**LBRT**  

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**LISTED**  

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**NYSE**



## TABLE OF CONTENTS

4.	TIMELINE
6.	LETTER FROM THE CEO
8.	SAFETY & ENVIRONMENT
10.	TECHNOLOGY
12.	PEOPLE + CULTURE
16.	COMMUNITY
18.	BUSINESS STRATEGY: PARTNERSHIP   FINANCIAL SNAPSHOT

# TIMELINE



**JANUARY 2012**

Inaugural frac in North Dakota

**SEPTEMBER 2012**

Annual revenue exceeds \$100M



**FEBRUARY 2014**

**DECEMBER 2014**

Annual revenue exceeds \$500M



**NOVEMBER 2014**

**SEPTEMBER 2014**

Liberty team grows to 500

2012

**AUGUST 2012**



**FEBRUARY 2015**

Liberty starts in Wyoming



**MAY 2013**

Liberty starts in Colorado



**AUGUST 2016**

Debut of Liberty's  
Quiet Fleet®



**JUNE 2016**

Liberty acquires  
Sanjel Assets

Liberty starts in  
West Texas

**MARCH 2017**

Liberty team grows  
to 1,500



**FEBRUARY 2017**



**JANUARY 2017**



**OCTOBER 2017**

**SEPTEMBER 2017**

Annual revenue  
exceeds \$1B



**JULY 2017**

Liberty starts in  
South Texas



**JUNE 2018**



**MARCH 2018**



**FEBRUARY 2018**

**LBRT IPO**

**2019**

**OCTOBER 2016**



**NOVEMBER 2016**

Liberty team grows to 1,000

**DECEMBER 2016**



**APRIL 2017**



**MAY 2017**



**NOVEMBER 2017**

Liberty team grows  
to 2,000

**DECEMBER 2017**



**NOVEMBER 2018**

Annual revenue  
exceeds \$2B





# LETTER FROM THE CEO



## WELCOME TO OUR LIBERTY FAMILY.

FROM DAY ONE, OUR MISSION AT LIBERTY HAS BEEN SINGULAR: BUILD THE BEST DAMN FRAC COMPANY, PERIOD. THAT IS IT. I CAN ASSURE YOU THAT WE WILL NEVER WAVER FROM THIS SIMPLE GOAL. WE ARE CONSTANTLY STRIVING TO GET BETTER. A HUNGER TO IMPROVE IS IN OUR DNA.

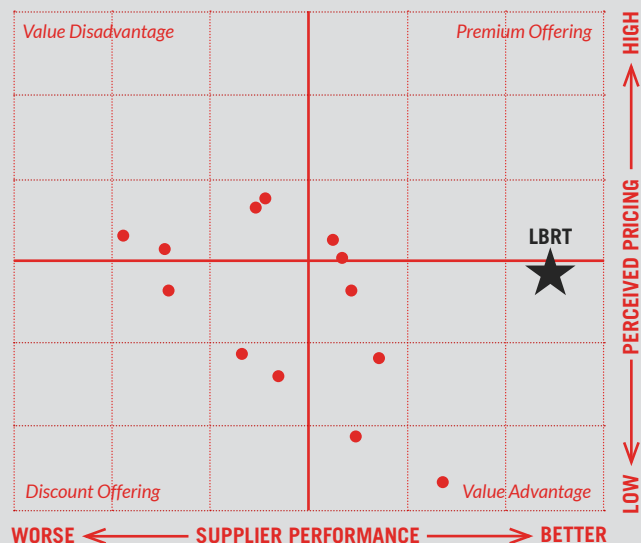
## OUR BUSINESS

We founded Liberty in 2011 with the mission to build a different frac company. A better frac company. One that partners with leading exploration and production companies to apply technology innovations and superior operations to reduce our customers' cost of producing a barrel of oil. We do this by designing better fracs that yield BETTER wells that are brought on line FASTER. Liberty founders bring over 20 years of technology thought leadership and operations excellence that have been powering the shale revolution from its beginnings in the late 1990s. Our technology leadership, low employee turnover, aligned incentives and culture of excellence deliver an industry-leading Return on Capital Employed. Consistently reinvesting our cash flow at superior rates of return has allowed us to rapidly become a top four frac company in the U.S. onshore market (as measured by wells completed in 2018) entirely through organic growth. In the eyes of our customers, Liberty's value is consistently viewed as superior to our competitors as shown in the graph below provided by Kimberlite.

2018 was an exciting year at Liberty. A successful January 2018 IPO brought us public on the NYSE. In our first year as a public company, our revenues grew 45% to \$2.16 billion, net income before taxes grew 72% to \$289 million and our Adjusted EBITDA\* grew 56% to \$438 million. In addition to strong growth in our business, Liberty also returned \$95 million of cash to shareholders through dividends, distributions and repurchasing roughly 4% of our total post-IPO share count. Perhaps more importantly, we did all of this while reducing net debt to nearly zero and with a full year pre-tax Return on Capital Employed (ROCE\*) of 39%. Our industry leading ROCE positions us strongly to continue to grow and return capital to shareholders in the cyclical U.S. oil and gas industry.

Liberty has remained disciplined in our organic growth. Throughout the cycles in our industry, we are committed to reinvesting our own cash flow at high rates of return and returning capital to our shareholders. Liberty has prioritized a strong balance sheet with low leverage and ample liquidity to keep Liberty STRONGER and able to move FASTER.

VALUE MAP - U.S. LAND - HYDRAULIC FRACTURING  
Supplier Performance vs. Price



Source: Kimberlite

6 \*Adjusted EBITDA and ROCE are non-GAAP financial and operational measures. Please see endnotes 1 and 2, respectively, following this annual report for important additional information, including a reconciliation to the most comparable GAAP measure.

Building partnerships with our customers and understanding what drives our customers' success is what sets Liberty apart—when they succeed, we succeed. Our partnerships do not stop with our customers. We have also developed long-term relationships with our key suppliers as well as our team members (employees). Liberty's strong long-term partnerships are key to navigating the cycles inherent in the U.S. frac business.

We take safety and environmental impacts seriously. Our business, like all businesses, impacts those near our operations as well as the broader environment, and can pose safety risks to our employees. The U.S. Bureau of Labor Statistics reflects the sterling safety record of the oil and gas industry, which ranks as the ninth safest industry out of the 90 industries that they track. Liberty's Total Recordable Incident Rate (TRIR) was roughly half of the industry average – a clear reflection of our culture and the pride our crews take in getting the job done safely.

Liberty was first in the market to develop a Quiet Fleet that leads the industry in noise reduction, dramatically lowering the impact of oil and gas development on neighboring communities. Our fleets are equipped with dual-fuel technology, allowing engines to seamlessly transition from diesel to natural gas, providing a cost-effective solution to reduce our emissions. In fact, the oil and gas industry has been a leader in driving the dramatic improvement of U.S. air quality. The EPA estimates over 70% decline in the top pollutants listed in the U.S. Clean Air Act since 1970! U.S. greenhouse gas emissions on a per capita basis hit a 50-year low in 2017. The shale revolution has been the largest driver of that reduction, providing low-cost natural gas to displace coal as the largest source of U.S. electricity.

Liberty is widely recognized as a technology leader. Our tech team has developed Fraconomics™, an innovative tool that allows us to conduct multi-variate analysis with our proprietary database of unconventional wells to help our customers enhance their fracture designs and lower the cost of producing a barrel of oil. Fraconomics is one example of Liberty's dedication to making our customers STRONGER by making BETTER wells FASTER.

## THE LIBERTY DIFFERENCE

The key to Liberty's industry leading performance is our people and the culture that binds them together as a cohesive and competitive team. I work in Liberty's Denver headquarters where we focus everyday on supporting our customers and our operations teams that work together to perform safe and efficient services in the field 24/7, 365 days of the year, whether it is -20°F in North Dakota or 110°F in West Texas. I am very proud of Liberty's performance in 2018, only our seventh full year of commercial operations. We have made great progress in our mission to build the best damn frac company, period, and we will continue to work hard every day to improve. I look to the future with unbridled enthusiasm for the journey ahead.

**AGAIN, WELCOME TO THE FAMILY.**

**SINCERELY,**



**CHRIS WRIGHT**  
**CHAIRMAN AND CEO, LIBERTY OILFIELD SERVICES**

## HUMAN LIBERTY + OIL & GAS ENABLES LONGER, SAFER, MORE MEANINGFUL LIVES

Since first oil and gas well was drilled in 1859:

**90% → 10%**

Extreme Poverty went from 90% to less than 10%.

**x2**

Worldwide life expectancy has doubled.

**130,000**

Every day ~130,000 people are lifted from extreme poverty thanks to the spread of liberty, modern medicine and affordable energy.

**WE BELIEVE IN LIBERTY:  
EVERYONE SHOULD HAVE THE  
FREEDOM AND OPPORTUNITY TO  
PURSUE THEIR DREAMS.**

The tremendous growth in human liberty starting in the late 18th century combined with the start of the oil and gas industry in the mid 19th century together enabled the modern world. We are proud to be a part of the revolution that has radically improved the quality of life for the entire world. Worldwide life expectancy has doubled since the first oil well was drilled in 1859. The percent of the global population living in extreme poverty (less than \$2 per day) has dropped from roughly 90% of the world's population to less than 10%. Although this is a tremendous accomplishment, the work is not done. Thanks to the spread of liberty, modern medicine and affordable energy, approximately 130,000 people are lifted out of extreme poverty every day.

**HELPING TO DRIVE THIS  
IMPROVEMENT MOTIVATES  
LIBERTY TO BECOME...**

**BETTER.  
FASTER.  
STRONGER.**



# SAFETY & ENVIRONMENT



## DID YOU KNOW?

OIL AND GAS IS THE 9TH SAFEST INDUSTRY OUT OF 90 INDUSTRIES TRACKED BY THE U.S. BUREAU OF LABOR STATISTICS.

IN FACT, THE OIL AND GAS INDUSTRY IS RANKED SAFER THAN FLORISTS, CLOTHING STORES AND LIBRARIES.



In the past year, Liberty deployed the Mobile Training Center. This trailer allows District HSE Managers to conduct additional safety trainings and meetings on location.

## SAFETY

Our people are our most important asset. Ensuring their safety and the safety of those around them is the most important thing we do. This starts with the Liberty culture, a culture that attracts and retains the best personnel. Liberty's personnel turnover is consistently 3 to 4 times lower than the industry average. The Liberty Frac Academy supports our culture by providing ongoing training. Almost 2,400 individual competency assessments were completed in 2018.

Commercial motor vehicle safety is equally important at Liberty. Driving is one of the highest-risk activities that we do every day. We were early adopters of electronic logs in all our large commercial vehicles, successfully completing implementation across our entire fleet by the middle of 2018. Our strong focus on driver safety shows in our results – almost 4 million miles driven in 2018 with no unsafe driving violations and no reportable crashes. Liberty was pleased to be awarded the Colorado Commercial Motor Carriers President's Trophy for the best safety program in April 2017.

## 2018 LIBERTY TRIR VS. AVG OILFIELD SERVICES AND OTHER SIMILAR INDUSTRIES:



Source: Bureau of Labor Statistics



Liberty Team accepting the Colorado Commercial Motor Carriers President's Trophy



## REDUCING OUR IMPACT

Noise, dust and truck traffic are the three largest impacts of hydraulic fracturing on the surrounding community. Liberty has worked hard to be a leader in reducing all of these.

We deployed our first Quiet Fleet in the third quarter of 2016. Today, a third of our capacity employs this innovative design. The Quiet Fleet represents a huge step forward in fracturing equipment. Noise levels are reduced by greater than 3X when compared to a conventional fleet. At 500 feet away, the equipment cannot be heard above ordinary conversation. The equipment also employs a 3-stage fire suppression system on each piece of equipment, an industry first for a fracturing fleet.

Liberty was an early mover in deploying containerized technology for transporting proppant to the wellsite. Today, every Liberty fleet utilizes boxes for this process. The innovative approach allowed Liberty to eliminate the noise and dust associated with the transfer of sand using pneumatic trailers. With the new approach, truck trips and sand handling are reduced. The transfer from the container to the blender is accomplished using gravity flow and conveyors, a much cleaner and quieter process.

Reduction of diesel engine emissions is also an important priority. Approximately 40% of the Liberty frac fleet is dual-fuel capable, allowing substitution of clean-burning natural gas for diesel on location. Liberty will also take delivery of its first fracturing fleets powered by tier 4 diesel engines in 2019. These new pumps will meet the newest level of emissions standard for nonroad equipment.

Containerized sand minimizes dust exposure on location, creating a safer environment for our employees.



# 3X

NOISE LEVELS ARE REDUCED BY GREATER THAN 3X WHEN COMPARED TO A CONVENTIONAL FLEET.

THE LIBERTY QUIET FLEET IS AN EFFECTIVE WAY TO MINIMIZE THE IMPACT OF NOISE - OFFERING OUR CUSTOMERS A TECHNOLOGY THAT ALLOWS THEM TO BE THE BEST NEIGHBOR POSSIBLE.



# TECHNOLOGY

# LIBERTY OILFIELD SERVICES

## DID YOU KNOW?

OVER THE LAST DECADE, SHALE TECHNOLOGY HAS DOUBLED U.S. OIL PRODUCTION, CUTTING OIL PRICES IN HALF. THIS SAVES CONSUMERS OVER ONE TRILLION DOLLARS A YEAR (APPROXIMATELY \$200 FOR EVERY HUMAN ON THE PLANET).



**LIBERTY OILFIELD SERVICES HAS BUILT A CULTURE OF INNOVATION THAT IMPROVES OPERATIONAL EFFICIENCY, CREATES VALUE FOR OUR CUSTOMERS AND MAKES US A BETTER NEIGHBOR.**

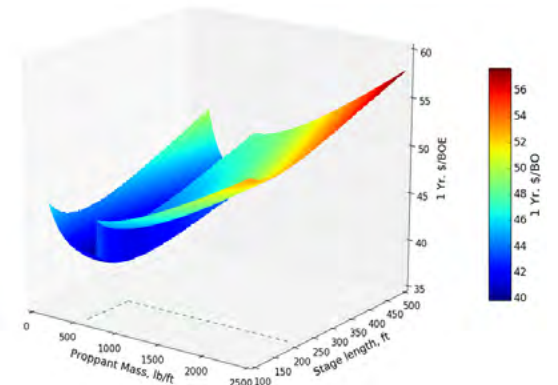
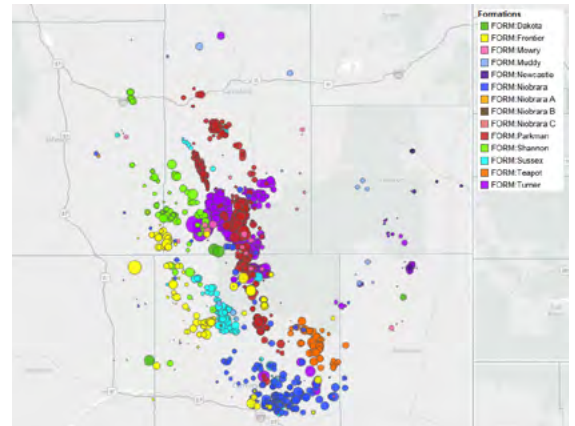
In many areas of the country, oil and gas reserves are located near population centers. Like most industrial activities, oil and gas operations generate traffic, noise and dust. Our innovative Quiet Fleet dramatically reduces noise levels around a frac site. We also utilize containerized proppant delivery on all our fleets, which reduces dust, noise and truck traffic.

We strive to minimize our customers' cost to produce a barrel of oil by optimizing individual well performance and field development strategies. We are tech nerds who pioneered the industry's ability to directly measure how fractures grow. This experience gives us a unique understanding of what happens underground during a frac job. Proprietary statistical analysis combined with calibrated frac and reservoir models allow us to provide valuable insight for our customers. These tools determine which frac design changes best impact production economics.

Our tech team is focused on data. We have built a range of data-centric tools to help our customers build better wells. Liberty FracTrends™ visualizes our extensive proprietary database of completion, petrophysical and production data assembled from both public and private sources. Our database covers more than 60,000 unconventional wells in the basins where we work.

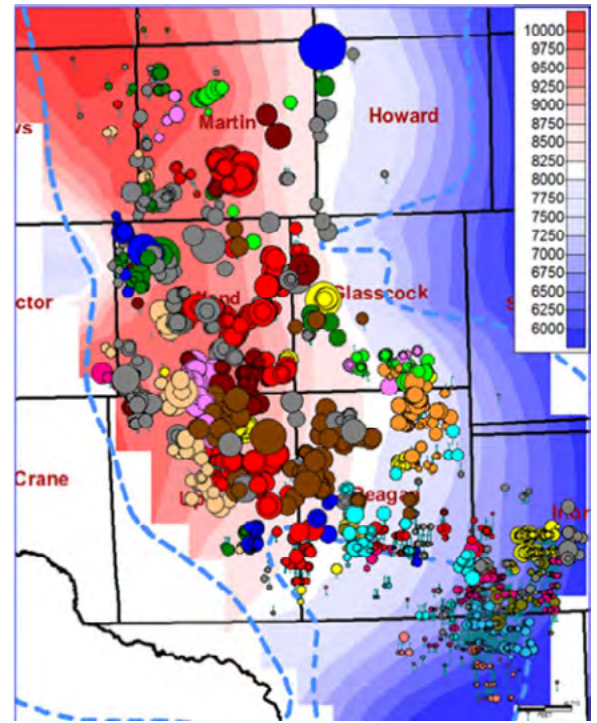
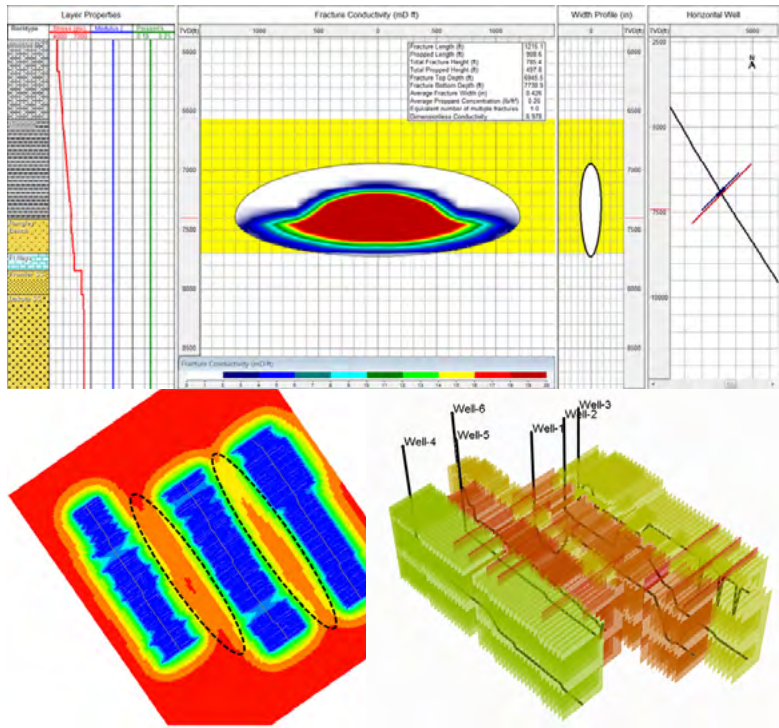
We use statistical analysis methods such as multi-variate analysis (MVA) to uncover independent relationships between frac design parameters and well productivity. Our economic model, Liberty's Fraconomics™, incorporates the cost impacts of frac design changes to optimize per barrel production costs for our customers. Our customer-focused technology efforts help solidify long-term partnerships.

## "BIG DATA" VISUALIZATION & STATISTICS





# CALIBRATED FRAC & MULTI-WELL MODELING



Permian Basin well productivity





# PEOPLE + CULTURE



**IN 2018, LIBERTY HOSTED OUR FIRST-EVER WOMEN'S SUMMIT, BRINGING TOGETHER EMPLOYEES FROM ALL FACETS OF OUR OPERATIONS: FROM WELDERS TO DIRECTORS, FRAC HANDS TO FINANCE. WE WERE HONORED TO HOST A VARIETY OF SPEAKERS AND HIGHLIGHT OUR OWN VARIED TALENTS. THIS EVENT WAS AN OVERWHELMING SUCCESS, ENERGIZING OUR LIBERTY FAMILY.**

**AT LIBERTY WE BELIEVE IN OUR PEOPLE, AND INVESTING IN OUR TEAM MEMBERS IS OUR TOP PRIORITY.**

Building Liberty's competitive advantage means playing the long game. We continually invest in hiring, training and retaining the best and brightest individuals for our team. Year-after-year Liberty's employee turnover rates are substantially lower than that of our industry. We focus on individual contributions and team success to foster a culture built around operational excellence. All Liberty team members are incentivized and committed to building long-term value and success. Our dedication to our people goes beyond the ordinary – we believe in the power of our Liberty family and seek to provide a company culture where all employees can excel. From company-sponsored events to a strong investment in the communities where we live and operate, we believe in putting people first.

**WE ARE DRIVEN BY OUR GOAL: BUILD THE BEST DAMN FRAC COMPANY, PERIOD.**

**IN AUGUST, LIBERTY ORGANIZED AN ENERGY PROUD RALLY ON THE STEPS OF THE COLORADO STATE CAPITOL. THE EVENT, WHICH DREW A CROWD OF 3,500, BECAME A SYMBOL OF UNITY AMONG THE INDUSTRY AND OUR STAKEHOLDERS. LIBERTY CEO CHRIS WRIGHT ADDRESSES THE CROWD.**





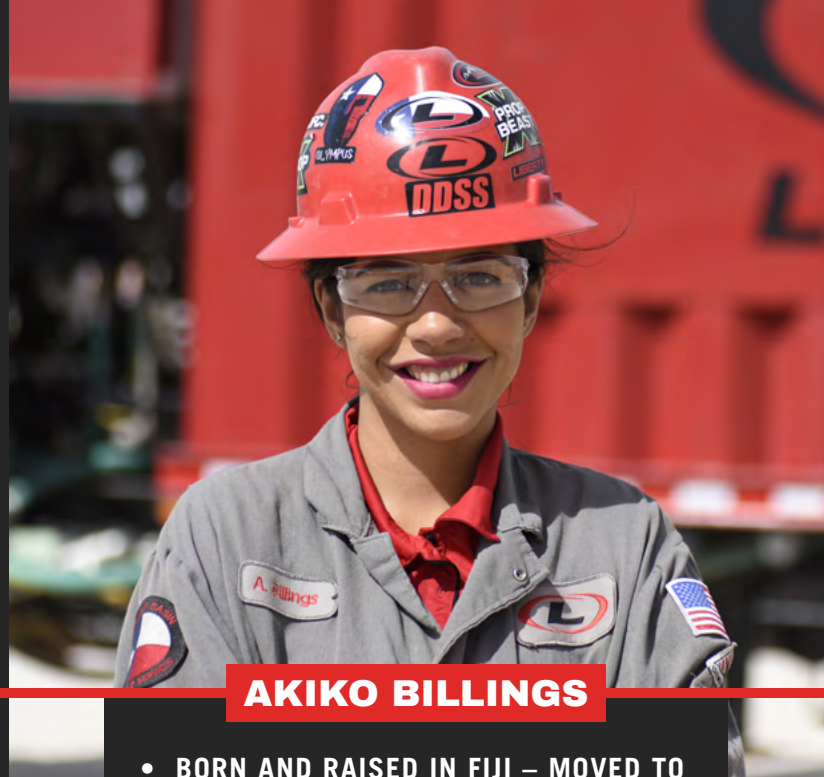
“TO ME, AND I LEARNED THIS AT A YOUNG AGE, EVERYTHING IS DOMINATED BY WHO’S AROUND YOU. IF YOU’RE AROUND GREAT HUMANS, YOU’RE GOING TO DO WELL. WHETHER TIMES ARE GOOD OR BAD, IF YOU’RE SURROUNDED BY GREAT PEOPLE WHO BELIEVE IN WHAT THEY DO AND HAVE YOUR BACK, YOU GET SOMETHING SPECIAL AND THAT’S WHAT WE HAVE HERE AT LIBERTY.”

– LIBERTY CEO CHRIS WRIGHT, ADDRESSING THE 2018 LIBERTY WOMEN’S SUMMIT





# FEATURED TEAM MEMBERS



**AKIKO BILLINGS**

- BORN AND RAISED IN FIJI – MOVED TO U.S. AT AGE 10
- GRADUATED FROM COLORADO SCHOOL OF MINES
- 2016 STARTED WITH LIBERTY AS FIELD ENGINEER
- CURRENTLY, STAFF ENGINEER ON NINJA TEAM

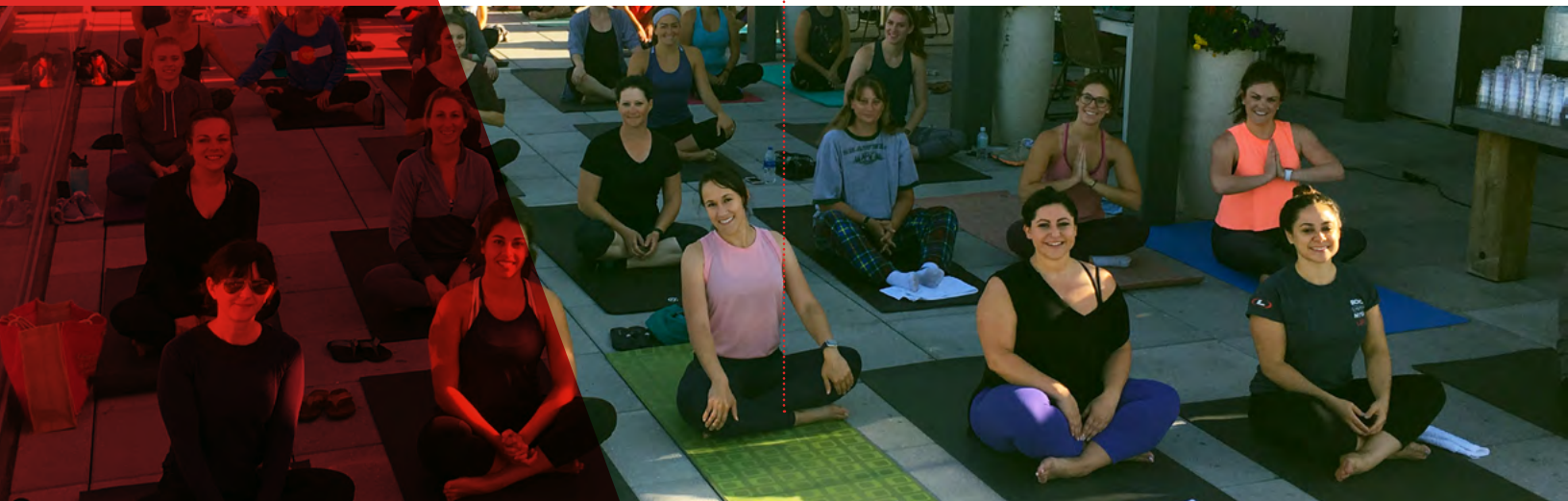
## DID YOU KNOW?

**62%** OF EMPLOYEES ARE MILLENNIALS OR YOUNGER

**389** TEAM MEMBER OWNERS

**96%** OF LBRT EMPLOYEES TAKE ADVANTAGE OF THE 401(K) MATCH

“LIBERTY HAS BEEN NOTHING BUT A BLESSING SINCE JOINING. I NOT ONLY FOUND A GREAT COMPANY AND WORK ENVIRONMENT BUT A FAMILY AWAY FROM HOME. I ENJOY EVERY SINGLE DAY I GET TO SPEND WITH MY COWORKERS DOING WHAT WE DO BEST.”







**FUMI BALOGUN**

- FIRST-GENERATION AMERICAN
- BORN AND RAISED IN HOUSTON, TEXAS
- GRADUATED FROM LOUISIANA STATE UNIVERSITY
- CURRENTLY SERVING ON SPE PERMIAN BASIN'S BOARD OF DIRECTORS AS THE YOUNG PROFESSIONALS CHAIR



**JARRETT HAVERCAMP**

- COLORADO NATIVE
- FIRST MECHANIC HIRED AT LIBERTY – EMPLOYEE #13
- LEADS LIBERTY FAB SHOP – CONSISTING OF 15 TEAM MEMBERS
- HUSBAND TO MISSY, FATHER TO HUCK

“I HONESTLY LOVE WORKING AT LIBERTY. MY CREW, PHOENIX, FEELS LIKE FAMILY – WE PUSH EACH OTHER TO BE OUR BEST. I HAVE SO MANY GREAT MEMORIES BONDING WITH MY LIBERTY FAMILY. WHETHER IT’S SHUTTING DOWN OPERATIONS FOR OUR ANNUAL FIELD CHRISTMAS PARTY, OR FLYING TO COLORADO FOR THE LIBERTY WOMEN’S SUMMIT – LIBERTY’S CULTURE IS TRULY DIFFERENT! JOINING LIBERTY WAS THE BEST DECISION I’VE MADE IN MY CAREER.”

“BEING WITH LIBERTY SINCE ITS INFANCY HAS HELPED ME BRING AN UNPRECEDENTED DEGREE OF PRIDE TO EVERY DESIGN, EVERY WELD AND EVERY PROJECT. I AM SO PROUD TO BE PART OF THE LIBERTY FAMILY. I AM INCREDIBLY GRATEFUL TO HAVE SUCH AMAZING MENTORS AND PEERS TO COLLABORATE WITH, WHO HAVE GIVEN ME THE FREEDOM TO BE SO CREATIVE. I LOOK FORWARD TO CONTINUING TO DESIGN, BUILD AND CREATE FOR LIBERTY UNTIL THE DAY I RETIRE.”





# COMMUNITY



**250** HOURS

**TEAM LIBERTY  
ASSISTED IN BUILDING  
5 HOUSES FOR HABITAT  
FOR HUMANITY IN  
MIDLAND, HOUSTON  
AND DENVER – PUTTING  
IN MORE THAN 250  
HOURS OF SWEAT.**

Liberty strives to be the best, not only in frac, but in our communities. From our Quiet Fleet softly humming on the edge of town, to our crews spending a day picking up winter trash on the streets of North Dakota... Liberty is committed to excellence. To maintain **The Liberty Standard**, we depend on our most important asset, our people. Every member of the Liberty value chain is a stakeholder, and how we present ourselves to the industry, as well as the community, is what sets us apart.

Our corporate giving strategy evolved from our name, Liberty. We believe in human liberty. Everyone should have the opportunity and the freedom to follow their dreams.

**SINCE LIBERTY WAS FOUNDED IN 2011, WE HAVE BECOME DEEPLY ROOTED IN OUR COMMUNITIES. EVERY COMMUNITY IS DIFFERENT, AND WHILE WE ARE UNABLE TO ADDRESS EVERY NEED, LIBERTY HAS CHOSEN THREE CORE FOCUS AREAS:**



## EDUCATION

Liberty supports organizations that provide educational opportunities.



## ALLEVIATING POVERTY

Liberty supports organizations dedicated to lifting people out of poverty by providing opportunities for individuals to find their own definition of success.



## VETERAN/MILITARY SERVICES

Liberty supports organizations that provide support and opportunities for veterans, first responders and active military personnel.



Every Tuesday, Liberty volunteers spend their lunch hour reading to 3rd grade students at Columbian Elementary in Denver. Liberty has partnered with the Power Lunch program for 4 years. A highlight each year is hosting our buddies for an interactive field trip at our headquarters.

## FEATURED PARTNER: ACE SCHOLARSHIPS



STORY FROM JORGE JAQUEZ,  
ACE SCHOLAR + LIBERTY ENGINEER



**“ACE SCHOLARSHIPS HAS BEEN ONE OF THE BEST THINGS TO HAPPEN TO MY FAMILY, AS ALL THREE OF MY BROTHERS WERE ALSO ABLE TO ATTEND GREAT SCHOOLS WITH SUPPORT FROM DONORS LIKE LIBERTY. I AM NOW A PART OF ACE’S FIRST ALUMNI BOARD, AND CONTINUE TO BE INVOLVED WITH THE ORGANIZATION.”**

**1992**

Jorge was born.

**1998**

Started Kindergarten and learned English.

**2007**

Entered high school.

**2014**

Interned at Liberty, rotating through the lab, shop, warehouse and field.

**2017**

Graduated from Colorado School of Mines, hired at Liberty as field engineer in Odessa, TX.

**1997**

Jorge’s parents and their 4 children moved from Chihuahua, Mexico.

**2005**

Received an ACE Scholarship to attend a school that better fit his needs.

**2011**

Graduated high school, started his freshman year at Colorado School of Mines.

**2015**

Interned at Liberty as a field engineer.

**2019**

Transferred back to DJ basin and bought his first house.

## THE LIBERTY STANDARD

Holding ourselves to the highest standard encourages thoughtful ideation that promotes excellence across all facets of our business. We’ve developed a community investment strategy that reflects Liberty’s vision: be the best damn frac company, period. The three core focus areas align with Liberty’s corporate values and ensure we are supporting a spectrum of organizations impacting our communities.

### LIBERTY’S CORPORATE VALUES:

Assuring that partners’ missions and operations align with Liberty’s values:

- Never compromise on ethics or honesty
- Never give less than our best
- Work every day to better serve our customers, teammates, suppliers and communities

## DID YOU KNOW?

**IN 2018, LIBERTY AND OUR EMPLOYEES PROVIDED 80 SCHOLARSHIPS TO KIDS THROUGH ACE SCHOLARSHIPS.**



Liberty Houston Team regularly volunteers with the Houston Food Bank. They pack meals, stock shelves and sort food.

## DID YOU KNOW?

**TWO OF JORGE’S YOUNGER BROTHERS INTERNED AT LIBERTY THROUGH A LOCAL HIGH SCHOOL’S WORK STUDY PROGRAM. ONE OF THEM HOPES TO BECOME AN ENGINEER AT LIBERTY.**





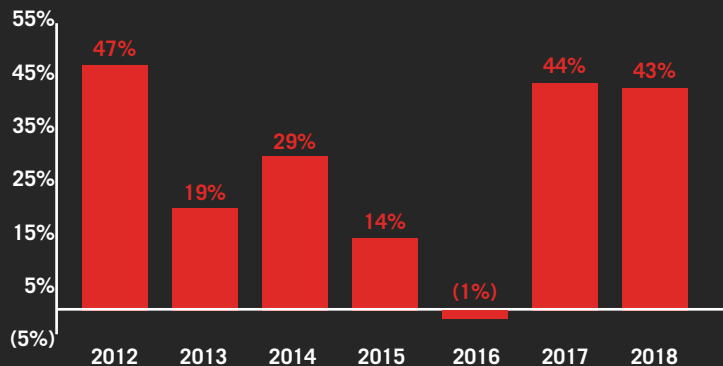
# BUSINESS STRATEGY:

## PARTNERSHIP | FINANCIAL SNAPSHOT

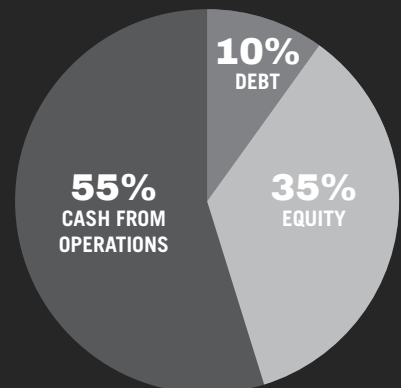
### INVESTMENT HIGHLIGHTS

1. DISCIPLINED ORGANIC GROWTH
2. REINVEST AT HIGH RATES OF RETURN
3. RETURN CAPITAL TO SHAREHOLDERS
4. BALANCE SHEET STRENGTH
5. UNMATCHED RATE OF INNOVATION
6. LONG-TERM PARTNERSHIPS

### CASH RETURN ON CAPITAL INVESTED\*



### HISTORICAL FUNDING SOURCES



## FINANCIAL HIGHLIGHTS AND BUSINESS STRATEGY

From the beginning, Liberty has focused on generating cash flow and reinvesting that capital at **high rates of return**. The majority of the capital used to build Liberty has come from cash generated by operations.

Our **disciplined focus on organic growth** has minimized the need to raise equity and debt capital. In Liberty's seven years of operations, we have averaged a pre-tax cash return on capital invested (CROCI\*) of approximately 28%. Two of these seven years were the severe 2015/2016 downturn when oil prices dropped below \$30/bbl, and frac activity in the basins in which we operated dropped an astonishing 66%. Liberty manages the industry cycles by ensuring that we have **the balance sheet strength** to weather swings in commodity prices. This allows us to capitalize on temporary dislocations of asset values in the service equipment market.

Service company financial performance is driven primarily by operational efficiency and asset utilization. Liberty outperforms on both of these metrics. Our experienced, motivated and team-oriented personnel excel at safe, efficient operations. This differential operational performance keeps Liberty's customer demand high, ensuring high asset utilization even in the depths of a downturn. Liberty's low employee turnover helps **build long-term operational partnerships** with our customers, allowing us to be selective and work with customers who share our drive for high-throughput operations.

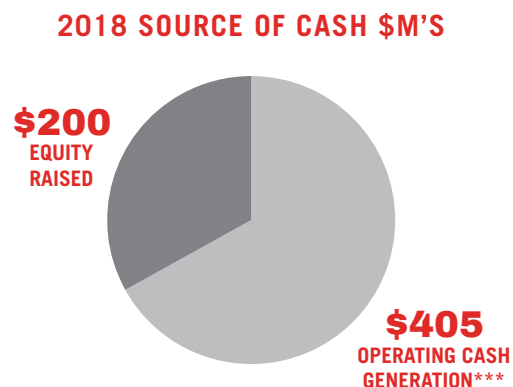
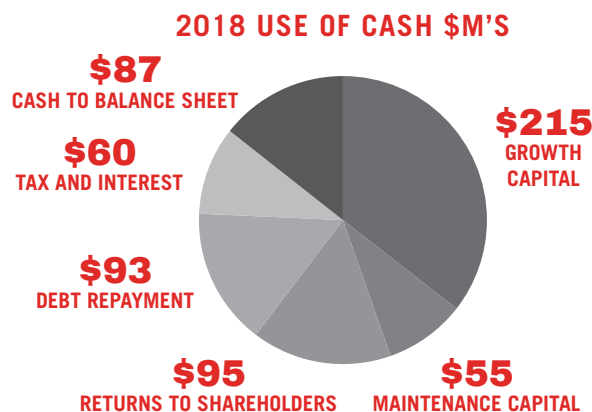
We invest in **innovative technology** to optimize our customers' production economics, strengthening customer relationships. This investment also includes technology that maximizes operational efficiency and minimizes the total cost of ownership for our equipment. Our drive to be the best is evidenced by our **industry-leading returns**. Strong sustaining free cash flow in 2018 enabled **Liberty to return \$95 million dollars to shareholders** during our first year as a public company, while generating a 45% increase in revenue and a 56% increase in Adjusted EBITDA.\*\*

(in millions)	2018	2017	% Change YoY
<b>Total Revenue</b>	<b>\$2,155</b>	<b>\$1,490</b>	<b>45%</b>
<b>Total Gross Profit</b>	<b>\$526</b>	<b>\$343</b>	<b>53%</b>
<b>Pre-Tax Net Income</b>	<b>\$289</b>	<b>\$169</b>	<b>46%</b>
<b>Adjusted EBITDA</b>	<b>\$438</b>	<b>\$281</b>	<b>56%</b>

\*\*Adjusted EBITDA is a non-GAAP financial measure. Please see endnote 1 following this annual report for important additional information, including a reconciliation to the most comparable GAAP measure.

\*\*\* Operating Cash Generation is a non-GAAP financial measure. Please see endnote 4 following this annual report for important additional information, including a reconciliation to the most comparable GAAP measure.

Operating Metrics (Annualized)			
Average Active Frac Fleets	21.3	15.1	41%
Revenue/Active Fleet	101.2	98.7	3%
Adj. EBITDA/Active Fleet	20.6	18.6	11%





<sup>1</sup> Adjusted EBITDA is not presented in accordance with generally accepted accounting principles in the United States (“U.S. GAAP”). Please see the table below for a Reconciliation of Net Income to EBITDA and Adjusted EBITDA, its most directly comparable U.S. GAAP financial measure.

(in millions)

	<u>Year Ended</u> <u>31-Dec-18</u>	<u>Year Ended</u> <u>31-Dec-17</u>
<b>Net Income (loss)</b>	<b>\$ 249</b>	<b>\$ 169</b>
Depreciation & Amortization	\$ 125	\$ 81
Interest Expense	\$ 17	\$ 13
Income Tax Expense	\$ 40	\$ -
<b>EBITDA</b>	<b>\$ 431</b>	<b>\$ 263</b>
Fleet start-up costs	\$ 10	\$ 14
Asset acquisition costs	\$ 1	\$ 2
(Gain) / loss on disposal of assets	\$ (4)	\$ -
Advisory services fees	\$ -	\$ 2
<b>Adjusted EBITDA</b>	<b>\$ 438</b>	<b>\$ 281</b>

<sup>2</sup> Pre-Tax Return on Capital Employed (“ROCE”) is an operational measure. Please see the table below for a Calculation of Pre-Tax Return on Capital Employed.

(in thousands)

	<u>Twelve Months Ended</u> <u>December 31, 2018</u>	
<b>Net income</b>	\$ 249,033	
Add back: Income tax expense	40,385	
<b>Pre-tax net income</b>	<b>\$ 289,418</b>	
<b>Capital Employed</b>	<u>Dec. 31,</u> <u>2018</u>	<u>Dec. 31,</u> <u>2017</u>
Total debt, net of discount	\$ 106,524	\$ 196,357
Redeemable common units	-	42,486
Total equity	740,814	392,766
<b>Total Capital Employed</b>	<b>\$ 847,338</b>	<b>\$ 631,610</b>
<b>Average Capital Employed</b>	\$ 739,474	
<b>Pre-Tax Return on Capital Employed</b>	39%	

<sup>3</sup> Cash Return on Capital Invested is defined as the ratio of Adjusted EBITDA, a non-U.S. GAAP measure, to gross capital invested (total assets plus accumulated depreciation less non-interest bearing current liabilities). Please see note 1 above for a reconciliation of Adjusted EBITDA to its most comparable U.S. GAAP measure.

<sup>4</sup> Operating Cash Generation is not presented in accordance with U.S. GAAP. Please see the table below for a reconciliation to Cash Flow from Operations, its most directly comparable U.S. GAAP financial measure.

(in millions)

	<u>Year Ended</u> <u>31-Dec-18</u>
<b>Cash Flow from Operations</b>	<b>\$ 352</b>
Fleet start-up costs	\$ 10
Cash paid for interest	\$ 13
Cash income taxes	\$ 27
Proceeds from disposal of assets	\$ 3
<b>Operating Cash Generation</b>	<b>\$ 405</b>















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**Investor Relations Contact Information**

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