

Non-GAAP Financial Measures

From time to time, management may publicly disclose certain “non-GAAP financial measures” in our earnings releases, financial presentations or earnings conference calls. These non-GAAP measures may include EBITDA and free cash flow. The Company provides reconciliations to the nearest GAAP measure for these and other non-GAAP measures on a quarterly basis.

These non-GAAP measures are not in accordance with, or a substitute for, measures prepared in accordance with GAAP, and may be different from non-GAAP measures used by other companies. In addition, these non-GAAP measures are not based on any comprehensive set of accounting rules or principles. Non-GAAP measures have limitations in that they do not reflect all of the amounts associated with the Company’s results of operations that would be reflected in measures determined in accordance with GAAP.

These financial measures are provided to enhance investors’ overall understanding of the Company’s current financial performance. In addition, because the Company has reported certain non-GAAP measures in the past, the Company believes the inclusion of non-GAAP measures provides consistency in the Company’s financial reporting.

Adjusted EBITDA Reconciliation

Reconciliation of Net Loss from Continuing Operations to Adjusted EBITDA

For the three months ended December 31, 2016

(in thousands)

Net loss from continuing operations	\$	(166,259)
<u>Adjustments:</u>		
Interest expense, net		24,429
Other income		(519)
Income taxes		(56,402)
Depreciation, depletion, amortization and accretion		117,954
Reduction in value of assets		35,961
Inventory write-down		20,786
Restructuring costs		16,403
Adjusted EBITDA	\$	<u>(7,647)</u>

Adjusted EBITDA is defined as net income/loss or loss from continuing operations plus interest expense, other income/expense, income taxes and depreciation, depletion, accretion and amortization, reduction in value of assets and restructuring costs. Management uses Adjusted EBITDA as a measure of actual cash used or cash generated by continuing operations.

Free Cash Flow (Deficit) Reconciliation

For the three and twelve months ended December 31, 2016

(in thousands)

	For the Three Months Ended December 31, 2016	For the Twelve Months Ended December 31, 2016
Net cash provided by (used in) operating activities	\$ (85,423)	\$ 61,252
Less: capital expenditures	(6,477)	(80,548)
Free cash flow (deficit)	<u>\$ (91,900)</u>	<u>\$ (19,296)</u>

Free cash flow is defined as net cash provided by or used in operating activities less capital expenditures. Management uses free cash flow as a measure of progress on its capital efficiency and cash flow initiatives.

Reconciliation of As Reported Income (Loss) from Operations to Adjusted Income (Loss) From Operations
Three months ended December 31, 2016, September 30, 2016 and December 31, 2015
(in thousands)
(unaudited)

	Three months ended, December 31, 2016				
	Drilling Products and Services	Onshore Completion and Workover Services	Production Services	Technical Solutions	Consolidated
Reported loss from operations	\$ (29,864)	\$ (77,681)	\$ (31,492)	\$ (59,714)	\$ (198,751)
Reduction in value of assets	1,244	2,094	7,023	25,600	35,961
Inventory write-down	-	-	1,664	19,122	20,786
Restructuring costs	12,685	720	2,393	605	16,403
Adjusted loss from operations	<u>\$ (15,935)</u>	<u>\$ (74,867)</u>	<u>\$ (20,412)</u>	<u>\$ (14,387)</u>	<u>\$ (125,601)</u>

	Three months ended, September 30, 2016				
	Drilling Products and Services	Onshore Completion and Workover Services	Production Services	Technical Solutions	Consolidated
Reported loss from operations	\$ (25,749)	\$ (74,195)	\$ (31,320)	\$ (10,730)	\$ (141,994)
Restructuring costs	247	794	2,686	520	4,247
Adjusted loss from operations	<u>\$ (25,502)</u>	<u>\$ (73,401)</u>	<u>\$ (28,634)</u>	<u>\$ (10,210)</u>	<u>\$ (137,747)</u>

	Three months ended, December 31, 2015				
	Drilling Products and Services	Onshore Completion and Workover Services	Production Services	Technical Solutions	Consolidated
Reported loss from operations	\$ (33,436)	\$ (88,147)	\$ (54,519)	\$ (103,628)	\$ (279,730)
Reduction in value of assets	24,440	2,966	23,308	124,904	175,618
Restructuring costs	579	20,350	9,487	5,803	36,219
Adjusted income (loss) from operations	<u>\$ (8,417)</u>	<u>\$ (64,831)</u>	<u>\$ (21,724)</u>	<u>\$ 27,079</u>	<u>\$ (67,893)</u>

Reconciliation of As Reported Net Loss from Continuing Operations to Adjusted Net Loss From Continuing Operations

Three months ended December 31, 2016, September 30, 2016 and December 31, 2015

(in thousands)

(unaudited)

	Three months ended,					
	December 31, 2016		September 30, 2016		December 31, 2015	
	Consolidated	Per Share	Consolidated	Per Share	Consolidated	Per Share
Reported net loss from continuing operations	\$ (166,259)	\$ (1.10)	\$ (113,913)	\$ (0.75)	\$ (214,547)	\$ (1.43)
Reduction in value of assets and other items	73,150	0.48	4,247	0.03	211,837	1.41
Income taxes	(18,529)	(0.12)	(1,225)	(0.01)	(58,574)	(0.39)
Adjusted net loss from continuing operations	<u>\$ (111,638)</u>	<u>\$ (0.74)</u>	<u>\$ (110,891)</u>	<u>\$ (0.73)</u>	<u>\$ (61,284)</u>	<u>\$ (0.41)</u>