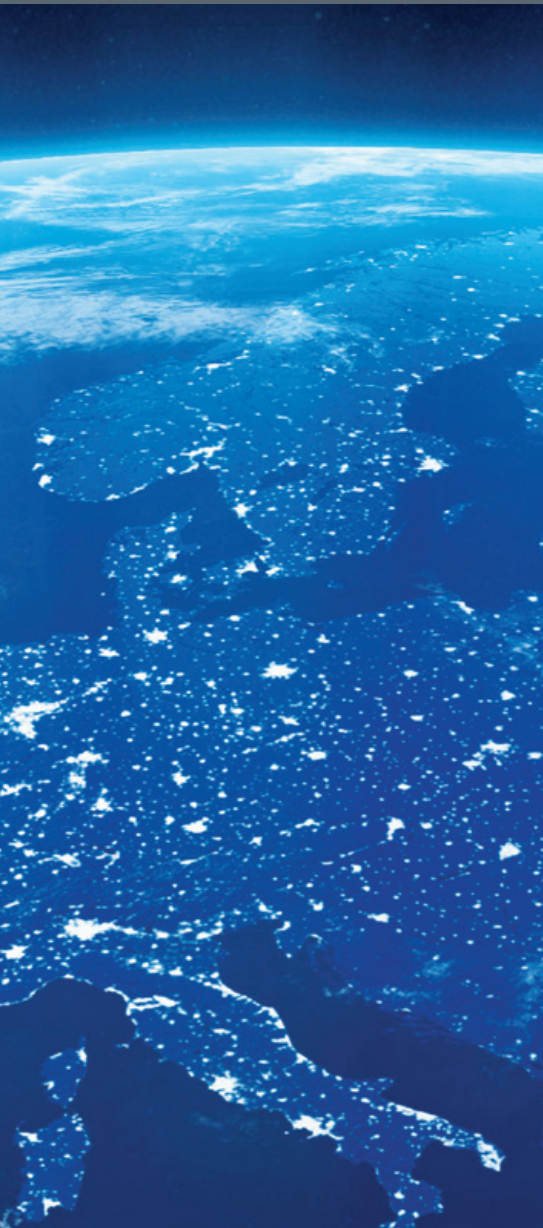




Evolving

Sustainable

Innovative





Our strategic focus is what got us to where we are today and what will carry us into the future.

In 2017 Newpark improved revenues 59% over the previous year. We continued to build upon our market share, acquired new capabilities, extended our offering and expanded our presence in new markets. We see these accomplishments as great strides in the right direction, but our efforts are nowhere near complete. Newpark is ever evolving, with an unwavering commitment on sustainable growth through innovation.

For the past decade, Newpark remained diligently focused on its strategy, each year taking meaningful steps toward our long-term vision. While the fundamental strategy remains intact, we navigate with an eye on the changing market landscape and seek out new opportunities. We are always evolving.

# EVOL



ving

# Evolving

Newpark is an accomplished global company with ever-expanding capabilities and offerings. We are leveraging our broad global footprint to expand our reach with our comprehensive product and service offering, allowing us to serve current customers in more ways and move into adjacent markets to secure new customers.



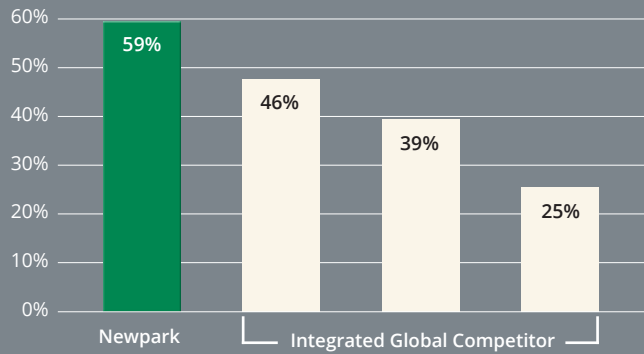
## Fluids Expansion

In 2017 we made progress on our ongoing strategic imperative to expand our presence globally. Newpark continued to expand market share, now holding the #2 share position for drilling fluids in North America and #3 in the world.<sup>1</sup> Our EMEA region achieved \$179 million of revenue in 2017, a new all-time high.

We also were awarded key contracts to drive future growth. We entered an agreement with Baker Hughes, a GE Company, to provide drilling fluids and related services for their integrated service offering to support offshore drilling operations for Woodside in Australia. In India, we signed a three-year contract to provide drilling and completion fluids to Cairn Energy.

<sup>1</sup> Drilling Fluids Market Share & Supplier Performance Report, Kimberlite International Oilfield Research, June 2017

## Customer Loyalty and Overall Satisfaction Levels<sup>1</sup>



<sup>1</sup> The Net Promoter Score is a widely used industry benchmark based on the likelihood of customers recommending a company to a colleague. The score is calculated by subtracting the percentage of detractors from the percentage of promoters, and is a good benchmark of customer loyalty.

Source: Drilling Fluids Market Share & Supplier Performance Report, Kimberlite International Oilfield Research, June 2017.

# Recognized Leader

Our actions are always driven by customer needs, and global operators have taken notice. In 2017 our fluids business achieved the highest level of customer loyalty and overall satisfaction among our peers.



## Key Acquisition

Newpark made its largest acquisition to date with the purchase of Well Service Group and Utility Access Solutions companies, who have been key service providers for our mats business since 2012. This acquisition immediately enhanced our capabilities, expanding our service offering and geographic footprint.



We are committed to building a sustainable future for our customers, shareholders, employees and the communities in which we operate.

Sustainable





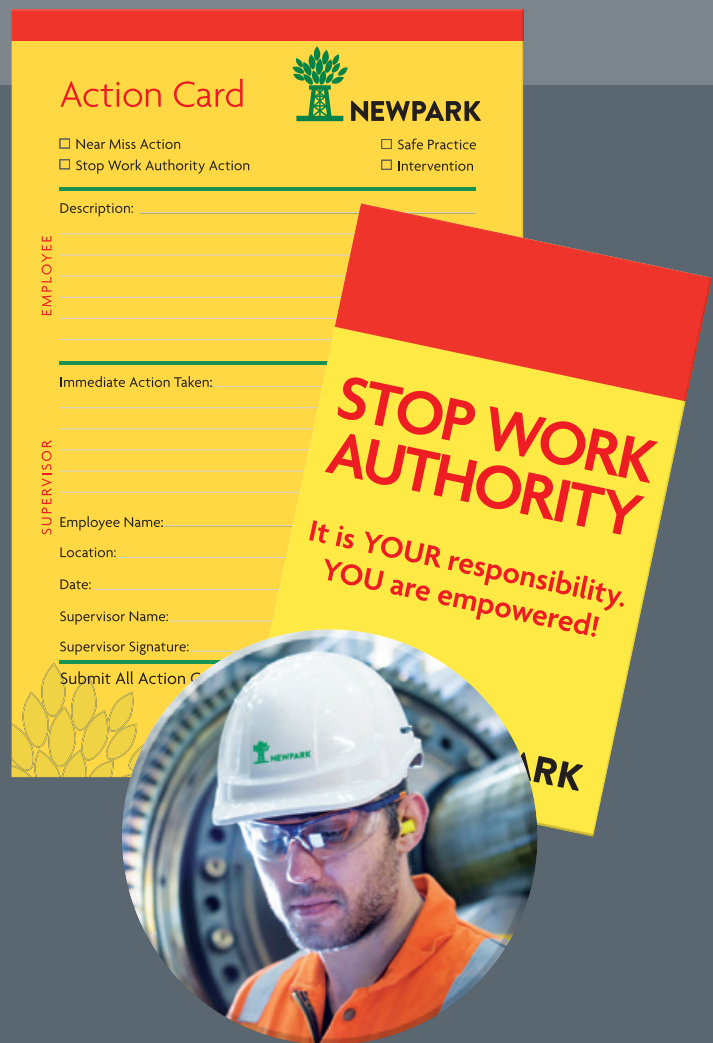
nabile

# Sustainable

The key to successfully executing a strategy is sustainability. Every pillar of our strategy is built to support ongoing growth over the long term. We develop advanced fluids chemistry and matting systems that help sustain the environment by minimizing impact. We bring this same discipline to sustaining the strength of our balance sheet and making ongoing improvements in safety.

## Safety Discipline

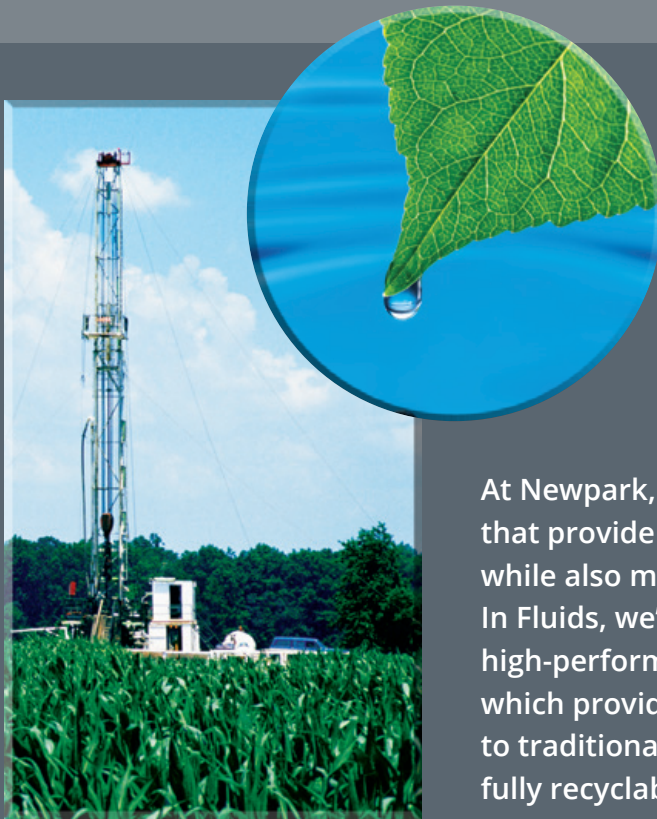
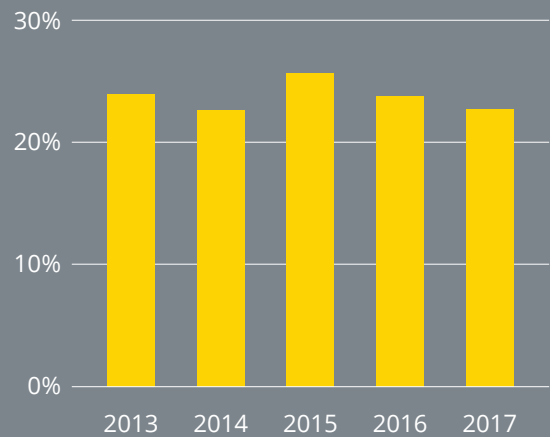
While 2017 was highlighted by rapid expansion and growth, one thing that didn't change, and never will, is our unwavering commitment to safety. Once again, we achieved world-class performance with a TRIR of 0.50. We believe that safety is central to everything we do. Our Stop Work Authority Policy and Near Miss Reporting Program empowers our employees to stop work immediately if they encounter a potentially unsafe condition while maintaining our focus on continual improvement. These programs are instrumental in our efforts to ensure safety is at the core of our corporate culture.



# Financial Strength

The recent downturn provided the most economically challenging market environment we have ever faced. Yet our approach, which balances the swift execution of our strategic growth objectives with disciplined capital deployment, has served us well. This prudent approach to managing our balance sheet allowed us to continue making crucial investments through the cycle, which have expanded our capabilities and strengthened our business model.

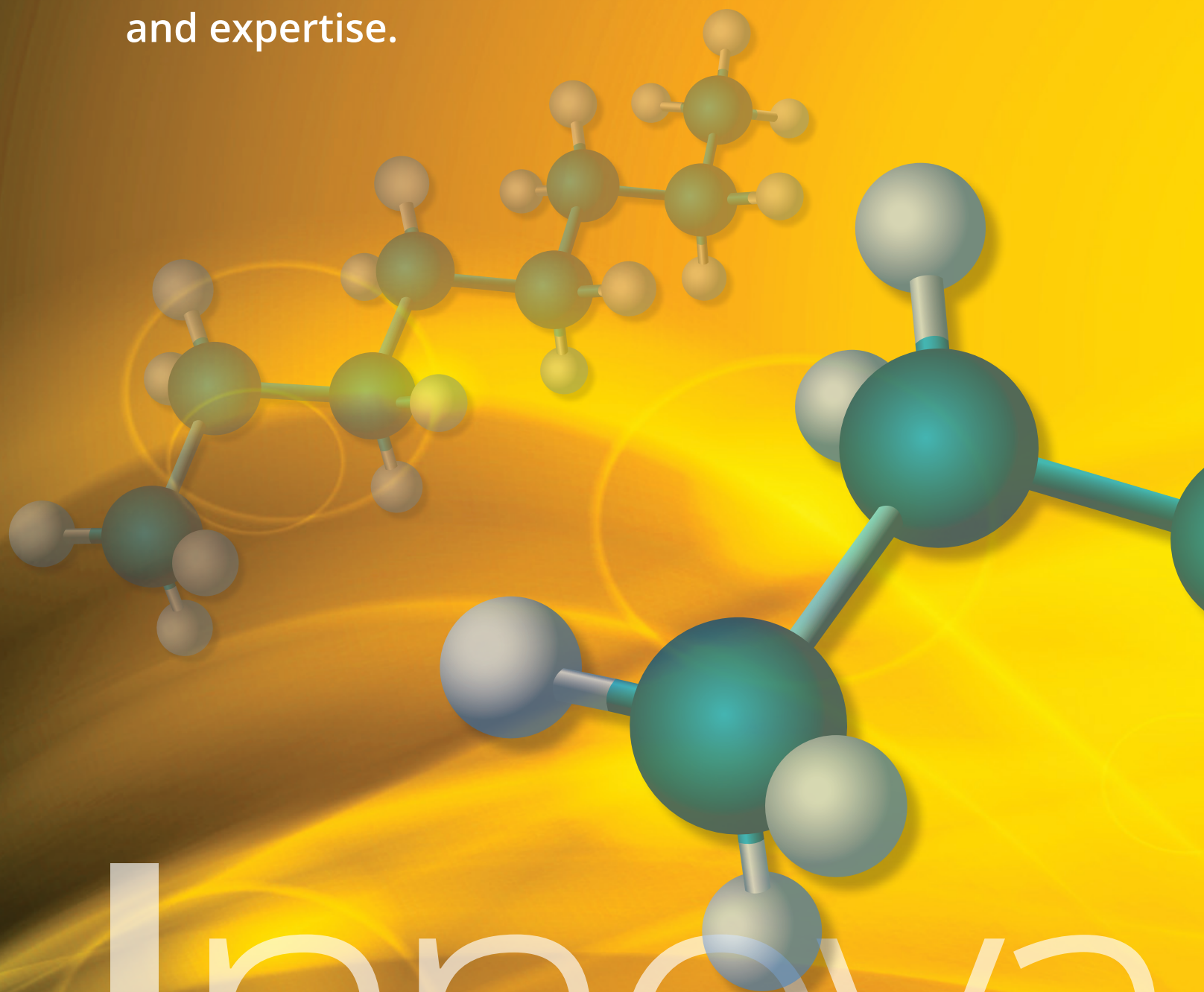
Debt-to-Capital Ratio



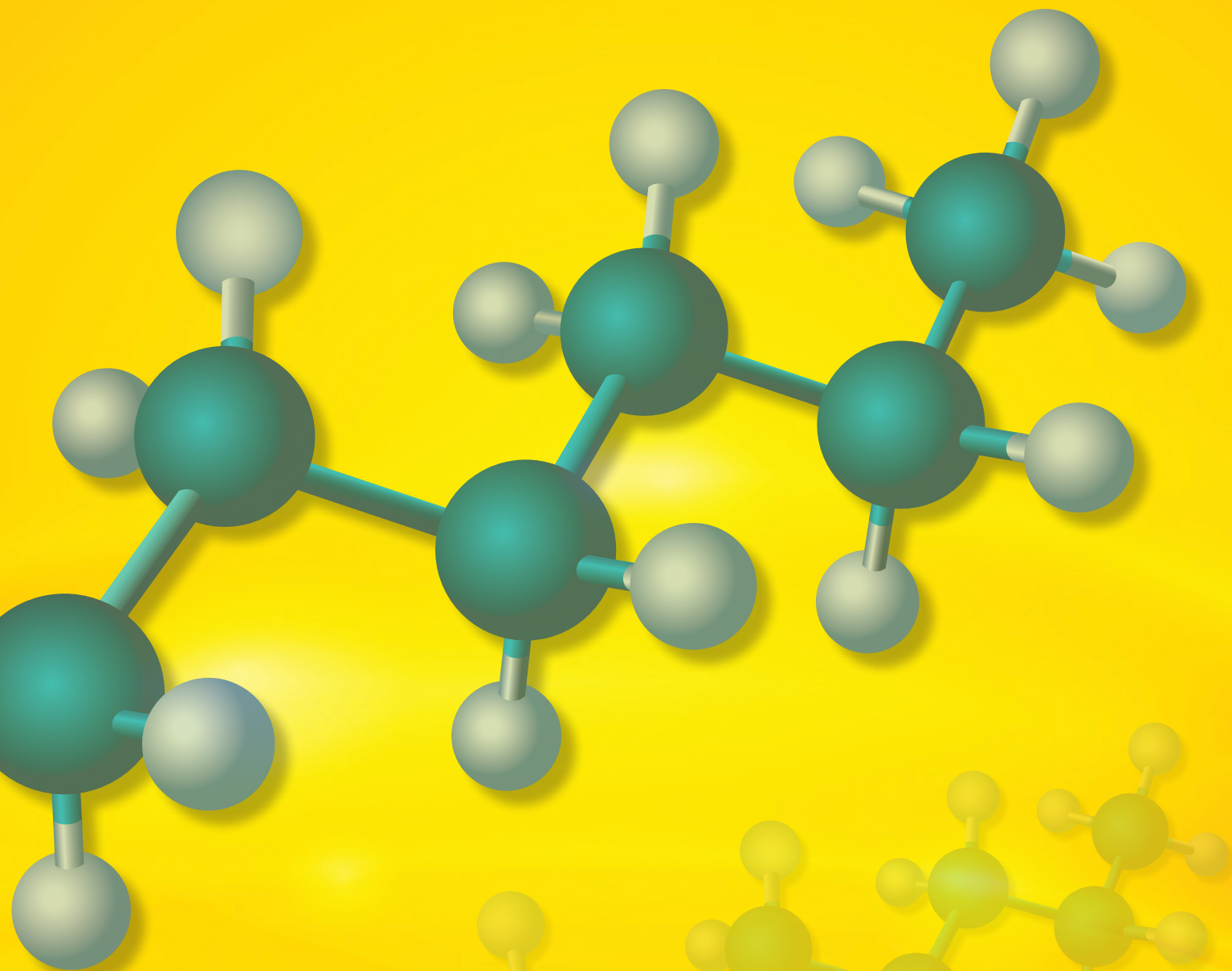
## Environmental Benefits

At Newpark, we continue to drive innovations that provide superior performance to our customers, while also minimizing the impact to the environment. In Fluids, we've long been the recognized leader in high-performance water-based drilling fluid systems, which provide environmentally sensitive alternatives to traditional drilling fluid products. Meanwhile, our fully recyclable composite matting systems provide enhanced environmental protection on the worksite, while also enabling customers to reduce their carbon footprint and eliminate deforestation associated with competitor wood mat products.

We are leading innovation through  
advancements in product technology  
and expertise.



# Innova



tive

# Innovative

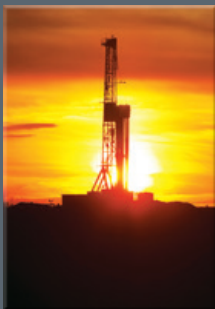
Customer challenges are ever evolving in the industries we serve, as well as the industries we are pursuing. Our strategy is to be the first to solve these challenges by taking the lead in innovation. We have made major capital investments to expand our R&D capabilities in both fluids and mats, and Newpark is now well-positioned to provide our customers with innovative solutions.

## Expanding Fluids Portfolio

Building upon our global leadership position in drilling fluids, we are taking the same focus on innovation to adjacent fluid chemistries, developing solutions that span across the life cycle of the well. This strategic expansion is a natural step for Newpark, leveraging our core capabilities in chemistry and global footprint, and providing improved stability for the fluids business.

### Developing solutions across the Life Cycle of the Well

#### Drilling & Completion Fluids



*Drilling fluids chemistry serves vital functions such as preventing well-control issues, preserving wellbore stability and minimizing formation damage. Completion fluids are used after the well has been drilled, to clean out the wellbore without damaging the formation, to ensure the well's production can be fully maximized.*

#### Stimulation Chemicals



*Stimulation chemicals are utilized in the hydraulic fracturing and matrix acidizing process, to help maximize the production of hydrocarbons from a reservoir after the well has been drilled and completed.*

#### Production Chemicals



*Production chemicals are used over the life of the well, to enhance the flow of hydrocarbons and to protect the integrity of the path in which the production flows (well, tubing, pipeline, etc.).*



# Leading Capabilities

Newpark's industry-leading R&D capabilities are producing next-generation technologies that are achieving unprecedented results for customers. We are continually adding to our intellectual property portfolio, expanding our product offerings, and opening new market opportunities.



Fluids Technology Center  
Katy, Texas



Mats & Integrated Services Research Center  
Carencro, Louisiana

## Mats Market Diversification

Any industry requiring a temporary road or worksite surface represents an opportunity for Newpark. Building upon our industry-leading Dura-Base® composite mats, we're developing next-generation matting systems, accessories and adaptations to further differentiate our offerings from our competition. We've expanded our product offering to address unique customer requirements of targeted growth markets, including power transmission and distribution and petrochemical industries, with a highly positive reception. Newpark's constant drive to improve through innovation continues to propel our status as a solutions leader among matting providers worldwide.

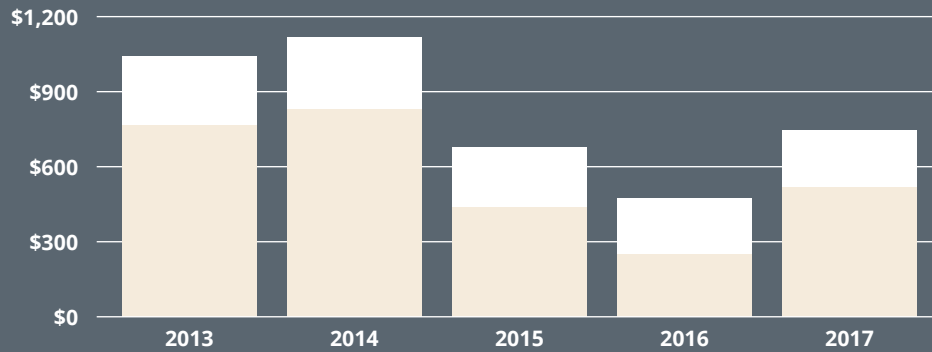


Clockwise from top left: 1. Army Corps of Engineers test at the Engineer Research and Development Center (ERDC) in Vicksburg, MS 2. Temporary substation in Uvalde, TX on the Dura-Base EPZ Mat System 3. Transmission line wire pull on the Dura-Base EPZ Mat System in Minnesota 4. Mobile self-contained mat washing system 5. Pipeline Pigging Project in El Campo, TX

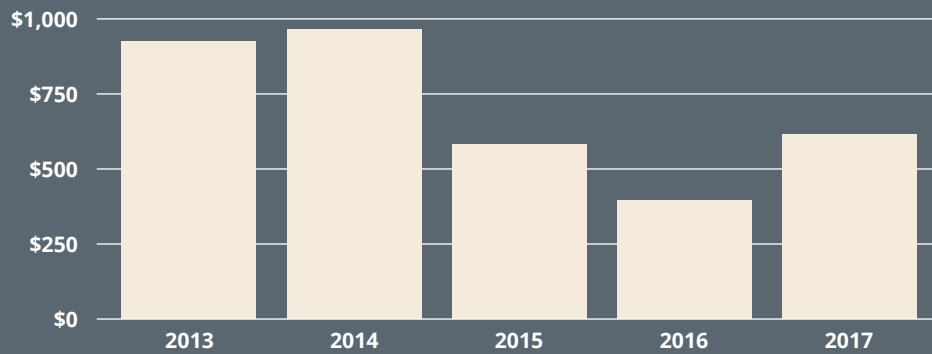
# Financial Highlights

**Total Revenues**  
(Millions)

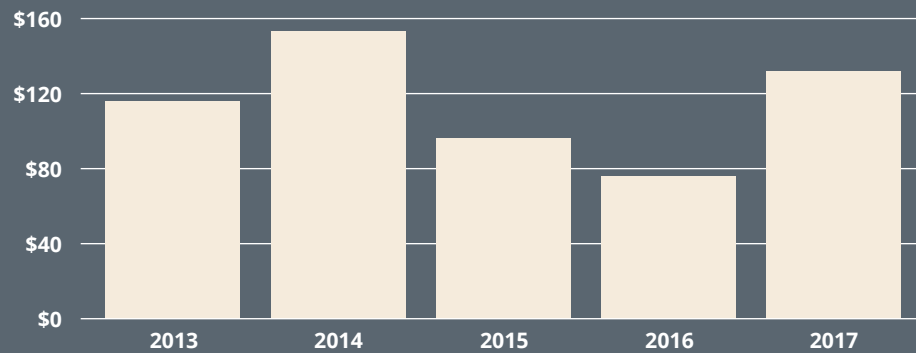
International  
 North America



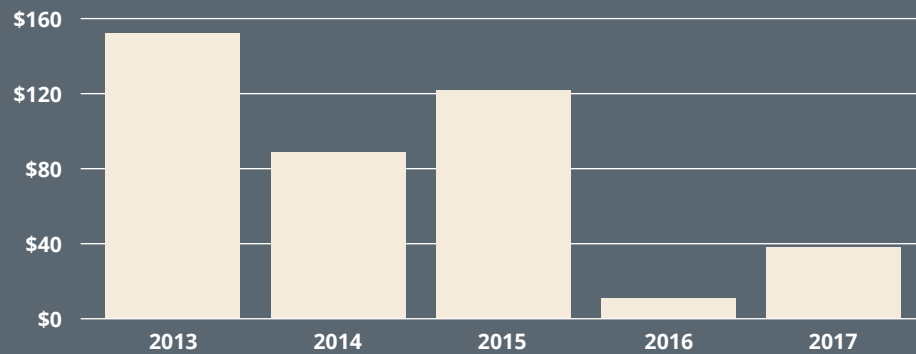
**Fluids Revenues**  
(Millions)



**Mats Revenues**  
(Millions)



**Cash From Operations**  
(Millions)





# To Our Shareholders

Before addressing our 2017 performance, I'd first like to share with you the evolution we are seeing in the markets we serve and our business.

Over the past year, the oil and gas industry continued its recovery from one of the most severe downturns in its history. The improvement in the North American market was particularly important for our business. Our optimism as we exit 2017, however, is balanced by the expectation that the North American market is changing. Fewer rigs, drilling longer laterals, in a shorter period of time, which, when combined with new completion techniques, allow our customers to access more feet of productive zones and produce more hydrocarbons from a single well. Our fluids chemistry is part of that story. We have developed and commercialized a series of drilling fluid systems tailored to meet the demands of this changing market. And our customers have recognized the strength of our focus on delivering state-of-the-art fluids solutions with outstanding customer service. We are now the 2nd largest drilling fluids company in North America and the 3rd largest globally, and we continue to rank among the highest of all oilfield service companies in the EnergyPoint Research Customer Satisfaction Surveys. But as the markets we serve continue to evolve, so must our business. That is the reason we are expanding our product offerings to include completion and stimulation chemicals. We are confident we can bring the benefits of the same type of focus to these product lines, taking advantage of our infrastructure and the expanding product offering of our business to grow revenue in markets we already serve.

**“We are in a position to make these strategic investments because of our financial strength. Newpark has emerged from the downturn stronger.”**

There is a similar evolution occurring in our Mats business. In the last few years, we have focused on expanding our business beyond oil and gas exploration, including utilities (transmission and distribution of electricity), pipeline (construction and maintenance) and general construction markets. As you have seen from the pages in this report, we are constantly innovating in the Mats business as well, by developing new uses for our mats, new tools to make the installation of the mats more efficient and enhancing the safety of workers located near energized power lines (the EPZ Grounding System™). We now have the majority of our mat fleet dedicated to these new markets, an early indicator of success in executing this strategy. Our commitment to service in this business is equally focused. Late in 2017, we acquired the Well Service Group and Utility Access Solutions to enhance our service capabilities and expand our understanding of our customer needs across all of our markets. We are very optimistic about the future for both the Mats and Fluids businesses as we evolve with the markets we serve.

We are in a position to make these strategic investments because of our financial strength. Newpark has emerged from the downturn stronger. I am pleased to report on our activities for the year and how our efforts have positioned Newpark to continue its path of growth.

#### **FINANCIAL PERFORMANCE**

In 2017 Newpark achieved improvements in both segments and generated \$748 million in revenues, a 59% increase over 2016, resulting in \$31 million of operating income. While these numbers are reflective of improving markets, they also testify to both the strategic and financial discipline Newpark maintained throughout the downturn.



We also were steadfast in protecting our balance sheet. Over the past year we successfully navigated the funding of our convertible debt maturity, and as market conditions improved, we expanded our credit facility to provide more flexibility while also reducing our borrowing costs, to ensure Newpark has the capital needed to further its strategies. Even with the significant outlay we made for the acquisition late in the year, we ended 2017 with a debt-to-capital ratio among the lowest levels achieved in the past decade. We are moving forward in a position of strength.

In a year marked by a sharp increase in activity, I am particularly proud of our safety performance. Although our North American workforce grew by nearly 80% in 2017, which includes the acquisition in our Mats business, we still achieved world-class safety performance, with a total recordable incident rate (TRIR) of 0.50. I would like to thank all of our employees for their unwavering commitment to safety, which enabled this remarkable achievement.



**Paul L. Howes**  
President and Chief  
Executive Officer

# From Our Chairman

To all of the employees, executive leaders, board members and shareholders of Newpark, I have been honored to serve on the Board of Directors for the past 12 years, including the past four years as non-executive chairman. I will be retiring from the board following the 2018 shareholders' meeting, and I would like to share my thoughts about the tremendous transformation, growth and success the company has achieved during my time here.

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When you are involved with the oversight of a company for 12 years, you see and take part in a lot of change. Newpark has made key acquisitions while divesting operating units that are not essential to our strategies. We have expanded our global footprint to more than 20 countries. In fluids market share we have come from a distant fourth to the number-two position in North America and third in the world. We have earned a reputation as the technology leader in both Fluids and Mats, and we are consistently ranked at the top of our industry in providing superior customer support and satisfaction.

Newpark has put in the work to get here. We have made astute R&D, manufacturing and infrastructure investments in both business lines, making Newpark a leader in both innovation and capacity. These investments have allowed us to diversify our business into other industries, geographies and product lines and stabilize our revenue streams. More than ever, Newpark is built to weather cycles and emerge stronger.

I attribute this to the vision of the Newpark leadership team, the finest I have worked with over my career. This team has built a business with the financial discipline that allows it to make important strategic investments even during the harshest of market downturns. This is not the same company that I joined in 2006. What the team has achieved in that time is nothing short of phenomenal, and I'm proud to have been part of it.

**“This is not the same company that I joined in 2006. What the team has achieved in that time is nothing short of phenomenal, and I’m proud to have been part of it.”**

I’m also proud to be part of a company that invests so fully in its people. Our entrepreneurial spirit and culture of opportunity has made Newpark the place where professionals in our industry want to build their careers. The best people come here and stay here because this is an organization that truly lives by its core values of integrity, respect, excellence and accountability.

In closing I would like to acknowledge the outstanding board with whom I have served. Today’s board comprises a diversity of backgrounds, experience and skills that are vital to guiding Newpark to pursue its strategies and thrive in today’s markets. I extend my sincere appreciation to my fellow board members, as well as the leadership team, employees, customers and shareholders of Newpark. I am grateful for the support you have given me over the years, and I wish you all continued success. I leave with great confidence in Newpark’s future.



*David C. Anderson*

**David C. Anderson**  
Chairman of The Board

# 2017

**E**volving

**S**ustainable

**I**nnovative

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 10-K**

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2017

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 001-2960**

**Newpark Resources, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**9320 Lakeside Blvd., Suite 100**

**The Woodlands, Texas**

(Address of principal executive office)

**72-1123385**

(I.R.S. Employer Identification No.)

**77381**

(Zip Code)

Registrant's telephone number, including area code **(281) 362-6800**

**Securities registered pursuant to Section 12(b) of the Act:**

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.01 par value	New York Stock Exchange

**Securities registered pursuant to Section 12(g) of the Act: None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes \_\_\_ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes \_\_\_ No

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  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  No \_\_\_

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K \_\_\_

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

Large accelerated filer \_\_\_

Accelerated filer

Non-accelerated filer \_\_\_ (Do not check if a smaller reporting company)

Smaller Reporting Company \_\_\_

Emerging growth company \_\_\_

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. \_\_\_

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes \_\_\_ No

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant, computed by reference to the price at which the common equity was last sold as of June 30, 2017, was \$613.1 million. The aggregate market value has been computed by reference to the closing sales price on such date, as reported by The New York Stock Exchange.

As of February 16, 2018, a total of 89,218,581 shares of Common Stock, \$0.01 par value per share, were outstanding.

**Documents Incorporated by Reference**

Pursuant to General Instruction G(3) to this Form 10-K, the information required by Items 10, 11, 12, 13 and 14 of Part III hereof is incorporated by reference from the registrant's definitive Proxy Statement for its 2018 Annual Meeting of Stockholders.

**NEWPARK RESOURCES, INC.**  
**INDEX TO ANNUAL REPORT ON FORM 10-K**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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## **CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS**

This Annual Report on Form 10-K contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995, as amended. We also may provide oral or written forward-looking information in other materials we release to the public. Words such as “will”, “may”, “could”, “would”, “anticipates”, “believes”, “estimates”, “expects”, “plans”, “intends”, and similar expressions are intended to identify these forward-looking statements but are not the exclusive means of identifying them. These forward-looking statements reflect the current views of our management; however, various risks, uncertainties, contingencies and other factors, some of which are beyond our control, are difficult to predict and could cause our actual results, performance or achievements to differ materially from those expressed in, or implied by, these statements, including the success or failure of our efforts to implement our business strategy.

We assume no obligation to update, amend or clarify publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by securities laws. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Annual Report might not occur.

For further information regarding these and other factors, risks and uncertainties affecting us, we refer you to the risk factors set forth in Item 1A of this Annual Report on Form 10-K.

## PART I

### ITEM 1. *Business*

#### General

Newpark Resources, Inc. was organized in 1932 as a Nevada corporation. In 1991, we changed our state of incorporation to Delaware. We are a geographically diversified supplier providing products, rentals and services primarily to the oil and gas exploration and production (“E&P”) industry. We operate our business through two reportable segments: Fluids Systems and Mats and Integrated Services. Our Fluids Systems segment provides drilling fluids products and technical services to customers in the North America, Europe, the Middle East and Africa (“EMEA”), Latin America and Asia Pacific regions. Our Mats and Integrated Services segment provides composite mat rentals, site construction and related site services to customers in various markets including oil and gas exploration and production, electrical transmission & distribution, pipeline, solar, petrochemical and construction across the U.S., Canada and Europe. We also sell composite mats to customers outside of the U.S. and to domestic customers outside of the E&P market.

Our principal executive offices are located at 9320 Lakeside Blvd., Suite 100, The Woodlands, Texas 77381. Our telephone number is (281) 362-6800. You can find more information about us at our website located at [www.newpark.com](http://www.newpark.com). Our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K and any amendments to those reports are available free of charge through our website. These reports are available as soon as reasonably practicable after we electronically file these materials with, or furnish them to, the Securities and Exchange Commission (“SEC”). Our Code of Ethics, our Corporate Governance Guidelines, our Audit Committee Charter, our Compensation Committee Charter and our Nominating and Corporate Governance Committee Charter are also posted to the corporate governance section of our website. We make our website content available for informational purposes only. It should not be relied upon for investment purposes, nor is it incorporated by reference in this Form 10-K. Information filed with the SEC may be read or copied at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, D.C., 20549. Information on operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website at [www.sec.gov](http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including us.

When referring to “Newpark” and using phrases such as the “Company”, “we”, “us” and “our”, our intent is to refer to Newpark Resources, Inc. and its subsidiaries as a whole or on a segment basis, depending on the context in which the statements are made.

#### Industry Fundamentals

Historically, several factors have driven demand for our products and services, including the supply, demand and pricing of oil and gas commodities, which drive E&P drilling and development activity. Demand for most of our Fluids Systems’ products and services is also driven, in part, by the level, type, depth and complexity of oil and gas drilling. Historically, drilling activity levels in North America have been volatile, primarily driven by the price of oil and natural gas. Beginning in the fourth quarter of 2014 and continuing through early 2016, the price of oil declined dramatically from the price levels in previous years. As a result, E&P drilling activity significantly declined in North America and many global markets over this period. While oil prices and drilling activity have improved from the lows reached in early 2016, both oil price and activity levels remain significantly lower than pre-downturn levels. The most widely accepted measure of activity for our North American operations is the Baker Hughes Rotary Rig Count. The average North America rig count was 1,083 in 2017, compared to 639 in 2016, 1,170 in 2015, and 2,241 in 2014.

The declining E&P drilling activity levels in 2015 and 2016 reduced the demand for our services, negatively impacted customer pricing and resulted in elevated costs associated with workforce reductions, all of which negatively impacted our profitability. Further, due to the fact that our business contains substantial levels of fixed costs, including significant facility and personnel expenses, North American operating margins in both operating segments were negatively impacted by the lower customer demand during this period.

Outside of North America, drilling activity is generally more stable, as drilling activity in many countries is based upon longer term economic projections and multiple year drilling programs, which tend to reduce the impact of short-term changes in commodity prices on overall drilling activity. While drilling activity in certain of our international markets (including Brazil and Australia) has declined in recent years, as a whole, our international activities have remained relatively stable. This stability is primarily driven by new contract awards, which include geographical expansion into new markets as well as market share gains in existing markets.

In addition to our ongoing activity in the E&P industry, our Mats and Integrated Services segment is continuing to expand into other industries in North America, including electrical transmission & distribution and pipeline construction and maintenance. The demand for our composite matting systems from customers in these industries, is driven in part, by the level of construction and maintenance activity associated with the electrical transmission & distribution grid, as well as the oil and natural gas pipeline infrastructure within the U.S.

## Reportable Segments

### *Fluids Systems*

Our Fluids Systems business provides drilling fluids products and technical services to customers in the North America, EMEA, Latin America, and Asia Pacific regions. We offer customized solutions for highly technical drilling projects involving complex subsurface conditions such as horizontal, directional, geologically deep or drilling in deep water. These projects require increased monitoring and critical engineering support of the fluids system during the drilling process. In addition, our Fluids Systems offering is expanding into adjacent areas to drilling fluids, including completion and stimulation chemistry, which are typically utilized by customers following the drilling process.

We also have industrial mineral grinding operations for barite, a critical raw material in drilling fluids products, which serve to support our activity in the North American drilling fluids market. We grind barite and other industrial minerals at four facilities, including locations in Texas, Louisiana and Tennessee. We use the resulting products in our drilling fluids business, and also sell them to third party users, including other drilling fluids companies. We also sell a variety of other minerals, principally to third-party industrial (non-oil and gas) markets.

*Raw Materials* — We believe that our sources of supply for materials and equipment used in our drilling fluids business are adequate for our needs, however, we have experienced periods of short-term scarcity of barite ore, which have resulted in significant cost increases. Our specialty milling operation is our primary supplier of barite used in our North American drilling fluids business. Our mills obtain raw barite ore under supply agreements from foreign sources, primarily China and India. We obtain other materials used in the drilling fluids business from various third party suppliers. We have encountered no serious shortages or delays in obtaining these raw materials.

*Technology* — Proprietary technology and systems are an important aspect of our business strategy. We seek patents and licenses on new developments whenever we believe it creates a competitive advantage in the marketplace. We own patent rights in a family of high-performance water-based fluids systems, which we market as Evolution<sup>®</sup> and DeepDrill<sup>®</sup> systems, which are designed to enhance drilling performance and provide environmental benefits. We also rely on a variety of unpatented proprietary technologies and know-how in many of our applications. We believe that our reputation in the industry, the range of services we offer, ongoing technical development and know-how, responsiveness to customers and understanding of regulatory requirements are of equal or greater competitive significance than our existing proprietary rights.

*Competition* — We face competition from larger companies, including Halliburton and Schlumberger, which compete vigorously on fluids performance and/or price. In addition, these companies have broad product and service offerings in addition to their drilling fluids. We also have smaller regional competitors competing with us mainly on price and local relationships. We believe that the principal competitive factors in our businesses include a combination of technical proficiency, reputation, price, reliability, quality, breadth of services offered and experience. We believe that our competitive position is enhanced by our proprietary products and services.

*Customers* — Our customers are principally major integrated and independent oil and gas E&P companies operating in the markets that we serve. During 2017, approximately 51% of segment revenues were derived from the 20 largest segment customers, of which the largest customer represented 10% of our segment revenues. The segment also generated 55% of revenues domestically during 2017. Typically, in North America, we perform services either under short-term standard contracts or under “master” service agreements. Internationally, some customers issue multi-year contracts, but many are on a well-by-well, or project basis. As most agreements with our customers can be terminated upon short notice, our backlog is not significant. We do not derive a significant portion of our revenues from government contracts. See “Note 12 – Segment and Related Information” in our Consolidated Financial Statements for additional information on financial and geographic data.

### *Mats and Integrated Services*

Our Mats and Integrated Services segment provides composite mat rentals, site construction and related site services to customers in various markets including oil and gas exploration and production (“E&P”), electrical transmission & distribution, pipeline, solar, petrochemical and construction across North America and Europe. We also sell composite mats to customers outside of the U.S. and to domestic customers outside of the E&P market. Following our efforts in recent years to diversify our customer base, Mats and Integrated Services segment revenues from non-E&P markets represented approximately two-thirds of our segment revenues in 2017.

We manufacture our DURA-BASE<sup>®</sup> Advanced Composite Mats for use in our rental operations as well as for third-party sales. Our mats provide environmental protection and ensure all-weather access to sites with unstable soil conditions. In order to support our efforts to expand our markets globally, we completed an expansion of our mats manufacturing facility in 2015 which nearly doubled our manufacturing capacity and significantly expanded our research and development capabilities. We continue to expand our product offerings, which now include the EPZ Grounding System<sup>™</sup> for enhanced safety and efficiency for contractors working on power line maintenance and construction projects and the T-REX<sup>™</sup> automated mat cleaning system to provide customers with a cost effective system to clean composite mats on site.

In November 2017, we acquired certain assets and assumed certain liabilities of Well Service Group, Inc. and Utility Access Solutions, Inc. (together, “WSG”). Since 2012, WSG has been a strategic logistics and installation service provider for our Mats and Integrated Service segment, offering a variety of complementary services to our composite matting systems, including access road construction, site planning and preparation, environmental protection, fluids and spill storage/containment, erosion control, and site restoration services. The completion of the WSG acquisition expanded our service offering as well as our U.S. geographic footprint across the Northeast, Midwest, Rockies, and West Texas regions of the U.S.

*Raw Materials* — We believe that our sources of supply for materials used in our business are adequate for our needs. We are not dependent upon any one supplier and we have encountered no serious shortages or delays in obtaining any raw materials. The resins, chemicals and other materials used to manufacture composite mats are widely available. Resin is the largest material component in the manufacturing of our composite mat products.

*Technology* — We have obtained patents related to the design and manufacturing of our DURA-BASE mats and several of the components, as well as other products and systems related to these mats (including the connecting pins and the EPZ Grounding System™). Using proprietary technology and systems is an important aspect of our business strategy. We believe that these products provide us with a distinct advantage over our competition. While we continue to add to our patent portfolio, two patents related to our DURA-BASE matting system will expire in May of 2020, and competitors may begin offering mats that include features described in those patents. We also believe that our reputation in the industry, the range of services we offer, ongoing technical development and know-how, responsiveness to customers and understanding of regulatory requirements also have competitive significance in the markets we serve.

*Competition* — Our market is fragmented and competitive, with many competitors providing various forms of site preparation products and services. The mat sales component of our business is not as fragmented as the rental and services segment with only a few competitors providing various alternatives to our DURA-BASE mat products, such as Signature Systems Group and Checkers Group. This is due to many factors, including large capital start-up costs and proprietary technology associated with this product. We believe that the principal competitive factors in our businesses include product capabilities, price, reputation, and reliability. We also believe that our competitive position is enhanced by our proprietary products, services and experience.

*Customers* — Our customers are principally infrastructure construction and oil and gas E&P companies operating in the markets that we serve. Approximately 63% of our segment revenues in 2017 were derived from the 20 largest segment customers, of which, the largest customer represented 15% of our segment revenues. The segment generated 91% of its revenues domestically during 2017. As a result of our efforts to expand beyond our traditional oilfield customer base, revenues from non E&P customers represented approximately 67% of segment revenues in 2017. Typically, we perform services either under short-term contracts or rental service agreements. As most agreements with our customers are cancelable upon short notice, our backlog is not significant. We do not derive a significant portion of our revenues from government contracts. See “Note 12 - Segment and Related Information” in our Consolidated Financial Statements for additional information on financial and geographic data.

## **Employees**

At January 31, 2018, we employed approximately 2,400 full and part-time personnel none of which are represented by unions. We consider our relations with our employees to be satisfactory.

## **Environmental Regulation**

We seek to comply with all applicable legal requirements concerning environmental matters. Our business is affected by governmental regulations relating to the oil and gas industry in general, as well as environmental, health and safety regulations that have specific application to our business. Our activities are impacted by various federal and state regulatory agencies, and provincial pollution control, health and safety programs that are administered and enforced by regulatory agencies.

Additionally, our business exposes us to environmental risks. We have implemented various procedures designed to ensure compliance with applicable regulations and reduce the risk of damage or loss. These include specified handling procedures and guidelines for waste, ongoing employee training, and monitoring and maintaining insurance coverage.

We also employ a corporate-wide web-based health, safety and environmental management system (“HSEMS”), which is ISO 14001:2004 compliant. The HSEMS is designed to capture information related to the planning, decision-making, and general operations of environmental regulatory activities within our operations. We also use the HSEMS to capture the information generated by regularly scheduled independent audits that are done to validate the findings of our internal monitoring and auditing procedures.

## **ITEM 1A. Risk Factors**

The following summarizes the most significant risk factors to our business. Our success will depend, in part, on our ability to anticipate and effectively manage these and other risks. Any of these risk factors, either individually or in combination, could have significant adverse impacts to our results of operations and financial condition, or prevent us from meeting our profitability or growth objectives.

### ***Risks Related to the Worldwide Oil and Natural Gas Industry***

We derive a significant portion of our revenues from customers in the worldwide oil and natural gas industry; therefore, our risk factors include those factors that impact the demand for oil and natural gas. Spending by our customers for exploration, development and production of oil and natural gas is based on a number of factors, including expectations of future hydrocarbon demand, energy prices, the risks associated with developing reserves, our customers' ability to finance exploration and development of reserves, regulatory developments and the future value of the reserves. Reductions in customer spending levels adversely affect the demand for our services and consequently, our revenue and operating results; and the presence of these market conditions negatively affects our revenue and operating results. The key risk factors that we believe influence the worldwide oil and natural gas markets are discussed below.

#### *Demand for oil and natural gas is subject to factors beyond our control*

Demand for oil and natural gas, as well as the demand for our services, is highly correlated with global economic growth and in particular by the economic growth of countries such as the U.S., India, China, and developing countries in Asia and the Middle East. Weakness in global economic activity could reduce demand for oil and natural gas and result in lower oil and natural gas prices. In addition, demand for oil and natural gas could be impacted by environmental regulation, including cap and trade legislation, regulation of hydraulic fracturing, and carbon taxes. Weakness or deterioration of the global economy could reduce our customers' spending levels and reduce our revenue and operating results.

#### *Supply of oil and natural gas is subject to factors beyond our control*

The ability to produce oil and natural gas can be affected by the number and productivity of new wells drilled and completed, as well as the rate of production and resulting depletion of existing wells. Productive capacity in excess of demand is also an important factor influencing energy prices and spending by oil and natural gas exploration companies. Oil and natural gas storage inventory levels are indicators of the relative balance between supply and demand. Supply can also be impacted by the degree to which individual Organization of Petroleum Exporting Countries ("OPEC") nations and other large oil and natural gas producing countries are willing and able to control production and exports of hydrocarbons, to decrease or increase supply and to support their targeted oil price or meet market share objectives. Any of these factors could affect the supply of oil and natural gas and could have a material effect on our results of operations.

#### *Volatility of oil and natural gas prices can adversely affect demand for our products and services*

Volatility in oil and natural gas prices can also impact our customers' activity levels and spending for our products and services. The level of energy prices is important to the cash flow for our customers and their ability to fund exploration and development activities. Compared to 2011 to 2014 levels, oil prices have declined significantly due in large part to increasing supplies, weakening demand growth and the decision by OPEC countries to maintain production levels throughout 2015 and most of 2016. While OPEC production limits were put in place in late 2016 and maintained throughout 2017, expectations about future commodity prices and price volatility are important for determining future spending levels. Our customers also take into account the volatility of energy prices and other risk factors by requiring higher returns for individual projects if there is higher perceived risk.

*Our customers' activity levels, spending for our products and services and ability to pay amounts owed us could be impacted by the ability of our customers to access equity or credit markets*

Our customers' access to capital is dependent on their ability to access the funds necessary to develop oil and gas prospects. Limited access to external sources of funding has and may continue to cause customers to reduce their capital spending plans. In addition, a reduction of cash flow to our customers resulting from declines in commodity prices or the lack of available debt or equity financing may impact the ability of our customers to pay amounts owed to us.

### ***Risks Related to our Customer Concentration and Reliance on the U.S. Exploration and Production Market***

In 2017, approximately 45% of our consolidated revenues were derived from our 20 largest customers, although no customer accounted for more than 10% of our consolidated revenues. In addition, approximately 62% of our consolidated revenues were derived from our U.S. operations.

Beginning in the fourth quarter of 2014 and continuing through early 2016, the price of oil declined dramatically from the price levels in previous years. Following this decline, North American drilling activity decreased significantly, which reduced the demand for our services and negatively impacted customer pricing in our North American operations, relative to pre-downturn levels. While oil prices and drilling activity have since improved from the lows reached in early 2016, there are no assurances that the price for oil or activity levels will not decline again in the future. Due to these changes, our quarterly and annual operating results have fluctuated significantly and may continue to fluctuate in future periods. Because our business has substantial fixed costs, including significant facility and personnel expenses, downtime or low productivity due to reduced demand can have a significant adverse impact on our profitability.

### ***Risks Related to International Operations***

We have significant operations outside of the United States, including certain areas of Canada, EMEA, Latin America, and Asia Pacific. In 2017, these international operations generated approximately 38% of our consolidated revenues. Algeria represents our largest international market with our total Algerian operations representing 12% of our consolidated revenues in 2017 and 8% of our total assets at December 31, 2017, including 28% of our total cash balance at December 31, 2017.

In addition, we may seek to expand to other areas outside the United States in the future. International operations are subject to a number of risks and uncertainties, including:

- difficulties and cost associated with complying with a wide variety of complex foreign laws, treaties and regulations;
- uncertainties in or unexpected changes in regulatory environments or tax laws;
- legal uncertainties, timing delays and expenses associated with tariffs, export licenses and other trade barriers;
- difficulties enforcing agreements and collecting receivables through foreign legal systems;
- risks associated with failing to comply with the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act, export laws, and other similar laws applicable to our operations in international markets;
- exchange controls or other limitations on international currency movements, including restrictions on the repatriation of funds to the U.S. from certain countries, such as Algeria;
- sanctions imposed by the U.S. government that prevent us from engaging in business in certain countries or with certain counter-parties;
- inability to obtain or preserve certain intellectual property rights in the foreign countries in which we operate;
- our inexperience in certain international markets;
- fluctuations in foreign currency exchange rates;
- political and economic instability; and
- acts of terrorism.

In addition, several North African markets in which we operate, including Tunisia, Egypt, Libya, and Algeria have experienced social and political unrest in past years, which, when they occur, negatively impact our operating results, and can include the temporary suspension of our operations. More recently in Brazil, the ongoing widely-publicized corruption investigation has continued to disrupt Petrobras' operations, which could negatively impact our operating results in Brazil.

### ***Risks Related to the Cost and Continued Availability of Borrowed Funds, including Risks of Noncompliance with Debt Covenants***

We employ borrowed funds as an integral part of our long-term capital structure and our future success is dependent upon continued access to borrowed funds to support our operations. The availability of borrowed funds on reasonable terms is dependent on the condition of credit markets and financial institutions from which these funds are obtained. Adverse events in the financial markets may significantly reduce the availability of funds, which may have an adverse effect on our cost of borrowings and our ability to fund our business strategy. Our ability to meet our debt service requirements and the continued availability of funds under our existing or future loan agreements is dependent upon our ability to generate operating income and remain in compliance with the covenants in our debt agreements. This, in turn, is subject to the volatile nature of the oil and natural gas industry, and to competitive, economic, financial and other factors that are beyond our control.

We fund our ongoing operational needs through a \$150 million asset-based revolving credit facility (the "Amended ABL Facility"). Borrowing availability under the Amended ABL Facility is calculated based on eligible accounts receivable, inventory, and, subject to satisfaction of certain financial covenants as described below, composite mats included in the rental fleet, net of reserves and limits on such assets included in the borrowing base calculation. To the extent pledged by us, the borrowing base calculation shall also include the amount of eligible pledged cash. The lender may establish reserves, in part based on appraisals of the asset base, and other limits at its discretion which could reduce the amounts otherwise available under the Amended ABL Facility. Availability associated with eligible rental mats will also be subject to maintaining a minimum consolidated fixed charge coverage ratio and a minimum level of operating income for the Mats and Integrated Services segment. The availability under the

Amended ABL Facility is expected to fluctuate directionally with changes in our domestic accounts receivable, inventory, and composite mat rental fleet.

The Amended ABL Facility terminates on October 17, 2022; however, the Amended ABL Facility has a springing maturity date that will accelerate the maturity of the Amended ABL Facility to September 1, 2021 if, prior to such date, the convertible notes due 2021 (“2021 Convertible Notes”) have not either been repurchased, redeemed, converted or we have not provided sufficient funds to repay the 2021 Convertible Notes in full on their maturity date. For this purpose, funds may be provided in cash to an escrow agent or a combination of cash to an escrow agent and the assignment of a portion of availability under the Amended ABL Facility. The Amended ABL Facility requires compliance with a minimum fixed charge coverage ratio and minimum unused availability of \$25.0 million to utilize borrowings or assignment of availability under the Amended ABL Facility towards funding the repayment of the 2021 Convertible Notes.

We are subject to compliance with a fixed charge coverage ratio covenant if our borrowing availability falls below \$22.5 million. If we are unable to make required payments under the Amended ABL Facility or other indebtedness of more than \$25.0 million, or if we fail to comply with the various covenants and other requirements of the Amended ABL Facility, we would be in default thereunder, which would permit the holders of the indebtedness to accelerate the maturity thereof, unless we are able to obtain, on a timely basis, a necessary waiver or amendment. Any waiver or amendment may require us to revise the terms of our agreements which could increase the cost of our borrowings, require the payment of additional fees, and adversely impact the results of our operations. Upon the occurrence of any event of default that is not waived, the lenders could elect to exercise any of their available remedies, which include the right to not lend any additional amounts or, in the event we have outstanding indebtedness under the Amended ABL Facility, to declare any outstanding indebtedness, together with any accrued interest and other fees, to be immediately due and payable. If we are unable to repay the outstanding indebtedness, if any, under the Amended ABL Facility when due, the lenders would be permitted to proceed against their collateral. In the event any outstanding indebtedness in excess of \$25.0 million is accelerated, this could also cause an event of default under our 2021 Convertible Notes. The acceleration of any of our indebtedness and the election to exercise any such remedies could have a material adverse effect on our business and financial condition.

#### ***Risks Related to Operating Hazards Present in the Oil and Natural Gas Industry***

Our operations are subject to hazards present in the oil and natural gas industry, such as fire, explosion, blowouts, oil spills and leaks or spills of hazardous materials (both onshore and offshore). These incidents as well as accidents or problems in normal operations can cause personal injury or death and damage to property or the environment. Our customers’ operations can also be interrupted and it is possible that such incidents can interrupt our ongoing operations and the ability to provide our services. From time to time, customers seek recovery for damage to their equipment or property that occurred during the course of our service obligations. Damage to our customers’ property and any related spills of hazardous materials could be extensive if a major problem occurred. We purchase insurance which may provide coverage for incidents such as those described above, however, the policies may not provide coverage or a sufficient amount of coverage for all types of damage claims that could be asserted against us. See the section entitled “Risks Related to the Inherent Limitations of Insurance Coverage” for additional information.

#### ***Risks Related to Business Acquisitions and Capital Investments***

Our ability to successfully execute our business strategy will depend, among other things, on our ability to make capital investments and acquisitions which provide us with financial benefits. In November 2017, we acquired certain assets and assumed certain liabilities of WSG for approximately \$78 million. WSG has been a strategic logistics and installation service provider for our Mats and Integrated Service segment, offering a variety of complementary services to the composite matting systems, including access road construction, site planning and preparation, environmental protection, fluids and spill storage/containment, erosion control, and site restoration services. In addition, our 2018 capital expenditures are expected to range between \$20 million to \$25 million (exclusive of any acquisitions). These acquisitions and investments are subject to a number of risks and uncertainties, including:

- incorrect assumptions regarding business activity levels or results from our capital investments, acquired operations or assets;
- failure to complete a planned acquisition transaction or to successfully integrate the operations or management of any acquired businesses or assets in a timely manner, including the WSG acquisition mentioned above;
- diversion of management’s attention from existing operations or other priorities;
- unanticipated disruptions to our business associated with the implementation of our enterprise-wide operational and financial system; and
- delays in completion and cost overruns associated with large capital investments.

Any of the factors above could have an adverse effect on our business, financial condition or results of operations.

### ***Risks Related to the Availability of Raw Materials and Skilled Personnel***

Our ability to provide products and services to our customers is dependent upon our ability to obtain the raw materials and qualified personnel necessary to operate our business.

Barite is a naturally occurring mineral that constitutes a significant portion of our drilling fluids systems. We currently secure the majority of our barite ore from foreign sources, primarily China and India. The availability and cost of barite ore is dependent on factors beyond our control including transportation, political priorities and government imposed export fees in the exporting countries, as well as the impact of weather and natural disasters. The future supply of barite ore from existing sources could be inadequate to meet the market demand, particularly during periods of increasing world-wide demand, which could ultimately restrict industry activity or our ability to meet customer's needs.

Our mats business is highly dependent on the availability of high-density polyethylene ("HDPE"), which is the primary raw material used in the manufacture of our DURA-BASE mats. The cost of HDPE can vary significantly based on the energy costs of the producers of HDPE, demand for this material, and the capacity/operations of the plants used to make HDPE. Should our cost of HDPE increase, we may not be able to increase our customer pricing to cover our costs, which may result in a reduction in future profitability.

All of our businesses are also highly dependent on our ability to attract and retain highly-skilled engineers, technical sales and service personnel. The market for these employees is competitive, and if we cannot attract and retain quality personnel, our ability to compete effectively and to grow our business will be severely limited. Also, a significant increase in the wages paid by competing employers could result in a reduction in our skilled labor force or an increase in our operating costs.

### ***Risk Related to our Market Competition***

We face competition in the Fluids Systems business from larger companies, including Halliburton and Schlumberger, which compete vigorously on fluids performance and/or price. In addition, these companies have broad product and service offerings in addition to their drilling fluids. At times, these larger companies attempt to compete by offering discounts to customers to use multiple products and services from our competitors, some of which we do not offer. We also have smaller regional competitors competing with us mainly on price and local relationships. Our competition in the Mats and Integrated Services business is fragmented, with many competitors providing various forms of mat products and services. More recently, several competitors have begun marketing composite products to compete with our DURA-BASE mat system. While we believe the design and manufacture of our mat products provide a differentiated value to our customers, many of our competitors seek to compete on pricing. Some of the early patents we received related to our DURA-BASE mat system will expire in 2020 and competitors may begin offering mats that include features described in those patents. We have filed legal actions against competitors in the U.S. to enforce our patents, and have filed for additional patents, but there is no assurance that these actions will be successful or that competitors will not be able to offer matting products that are substantially similar to the DURA-BASE mat system.

### ***Risk Related to Offering New Products and Offering Existing Products in New Markets***

As a key component of our long-term strategy in both operating segments, we seek to continue to expand our product and service offerings and enter new customer markets with our existing products. As with any market expansion effort, new customer and product markets include inherent uncertainties regarding customer expectations, industry-specific regulatory requirements, product performance and customer-specific risk profiles. As such, new market entry is subject to a number of risks and uncertainties, which could have an adverse effect on our business, financial condition or results of operations.

### ***Risks Related to Legal and Regulatory Matters, Including Environmental Regulations***

We are responsible for complying with numerous federal, state, local and foreign laws, regulations and policies that govern environmental protection, zoning and other matters applicable to our current and past business activities, including the activities of our former subsidiaries. Failure to remain compliant with these laws, regulations and policies may result in, among other things, fines, penalties, costs of cleanup of contaminated sites and site closure obligations, or other expenditures. Further, any changes in the current legal and regulatory environment could impact industry activity and the demands for our products and services, the scope of products and services that we provide, or our cost structure required to provide our products and services, or the costs incurred by our customers.

Many of the markets for our products and services are dependent on the continued exploration for and production of fossil fuels (predominantly oil and natural gas). Climate change is receiving increased attention worldwide. Many scientists, legislators and others attribute climate change to increased levels of greenhouse gases, including carbon dioxide attributed to the use of fossil fuels, which has led to significant legislative and regulatory efforts to limit greenhouse gas emissions. The Environmental Protection Agency (the "EPA") and other domestic and foreign regulatory agencies have adopted regulations that potentially limit greenhouse gas emissions and impose reporting obligations on large greenhouse gas emission sources. In addition, the EPA has adopted rules that could require the reduction of certain air emissions during exploration and production of oil and gas. To the extent that laws and regulations enacted as part of climate change legislation increase the costs of drilling for or



producing such fossil fuels, limit or restrict oil and natural gas exploration and production, or reduce the demand for fossil fuels, such legislation could have a material adverse impact on our operations and profitability.

Hydraulic fracturing is a common practice used by E&P operators to stimulate production of hydrocarbons, particularly from shale oil and gas formations in the United States. The process of hydraulic fracturing, which involves the injection of sand (or other forms of proppants) laden fluids into oil and gas bearing zones, has come under increasing scrutiny from a variety of regulatory agencies, including the EPA and various state authorities. Several states have adopted regulations requiring operators to identify the chemicals used in fracturing operations, others have adopted moratoriums on the use of fracturing, and the State of New York has banned the practice altogether. In addition, concerns have been raised about whether injection of waste associated with hydraulic fracturing operations or from the fracturing operations themselves, may cause or increase the impact of earthquakes. Studies are in process regarding the correlation between hydraulic fracturing and earthquakes. Although we do not provide hydraulic fracturing services, we have begun to offer stimulation fluids used in the hydraulic fracturing process. Regulations which have the effect of limiting the use or significantly increasing the costs of hydraulic fracturing, could have a significant negative impact on both the drilling and stimulation activity levels of our customers, and, therefore, the demand for our products and services.

#### ***Risks Related to the Inherent Limitations of Insurance Coverage***

While we maintain liability insurance, this insurance is subject to coverage limitations. Specific risks and limitations of our insurance coverage include the following:

- self-insured retention limits on each claim, which are our responsibility;
- exclusions for certain types of liabilities and limitations on coverage for damages resulting from pollution;
- coverage limits of the policies, and the risk that claims will exceed policy limits; and
- the financial strength and ability of our insurance carriers to meet their obligations under the policies.

In addition, our ability to continue to obtain insurance coverage on commercially reasonable terms is dependent upon a variety of factors impacting the insurance industry in general, which are outside our control. Any of the issues noted above, including insurance cost increases, uninsured or underinsured claims, or the inability of an insurance carrier to meet their financial obligations could have a material adverse effect on our profitability.

#### ***Risks Related to the Ongoing Effects of the U.S. Tax Cuts and Jobs Act and the Refinement of Provisional Estimates***

The U.S. Tax Cuts and Jobs Act (“Tax Act”) was enacted on December 22, 2017, resulting in broad and complex changes to U.S. income tax law. Our effective tax rate may fluctuate in the future as a result of the Tax Act, which introduces significant changes to U.S. income tax law that will have a meaningful impact on our provision for income taxes. Accounting for the income tax effects of the Tax Act requires significant judgments and estimates in the interpretation and calculations of the provisions of the Tax Act. Due to the timing of the enactment and the complexity involved in applying the provisions of the Tax Act, we made reasonable estimates of the effects and recorded provisional amounts in our financial statements for the year ended December 31, 2017. The U.S. Treasury Department, the U.S. Internal Revenue Service (“IRS”), and other standard-setting bodies may issue guidance on how the provisions of the Tax Act will be applied or otherwise administered that is different from our interpretation. As we finalize the necessary data, and interpret the Tax Act and any additional guidance issued by the U.S. Treasury Department, the IRS or other standard-setting bodies, we may make adjustments to the provisional amounts that could materially affect our financial position and results of operations as well as our effective tax rate in the period in which the adjustments are made.

#### ***Risks Related to Potential Impairments of Long-lived Intangible Assets***

As of December 31, 2017, our consolidated balance sheet includes \$43.6 million in goodwill and \$30.0 million of intangible assets, net, substantially all of which relates to the Mats and Integrated Services segment. Goodwill and indefinite-lived intangible assets are tested for impairment annually, or more frequently as the circumstances require, if any qualitative factors exist. In completing this annual evaluation during the fourth quarter of 2017, we determined that no reporting unit has a fair value below its net carrying value, and therefore, no impairment is required.

However, if the financial performance or future projections for our operating segments deteriorate from current levels, a future impairment of goodwill or indefinite-lived intangible assets may be required, which would negatively impact our financial results in the period of impairment.

#### ***Risks Related to Technological Developments and Intellectual Property in our Industry***

The market for our products and services is characterized by continual technological developments that generate substantial improvements in product functions and performance. If we are not successful in continuing to develop product enhancements or new products that are accepted in the marketplace or that comply with industry standards, we could lose market share to competitors, which would negatively impact our results of operations and financial condition.

Our success can be affected by our development and implementation of new product designs and improvements and by our ability to protect and maintain critical intellectual property assets related to these developments. Although in many cases our products are not protected by any registered intellectual property rights, in other cases we rely on a combination of patents and trade secret laws to establish and protect this proprietary technology. While patent rights give the owner of a patent the right to exclude third parties from making, using, selling, and offering for sale the inventions claimed in the patents, they do not necessarily grant the owner of a patent the right to practice the invention claimed in a patent. It may also be possible for a third party to design around our patents. We do not have patents in every country in which we conduct business and our patent portfolio will not protect all aspects of our business. When patent rights expire, competitors are generally free to offer the technology and products that were covered by the patents.

We also protect our trade secrets by customarily entering into confidentiality and/or license agreements with our employees, customers and potential customers and suppliers. Our rights in our confidential information, trade secrets, and confidential know-how will not prevent third parties from independently developing similar information. Publicly available information (such as information in expired patents, published patent applications, and scientific literature) can also be used by third parties to independently develop technology. We cannot provide assurance that this independently developed technology will not be equivalent or superior to our proprietary technology.

We may from time to time engage in litigation to determine the enforceability, scope and validity of our patent rights. In addition, we can seek to enforce our rights in trade secrets, or “know-how,” and other proprietary information and technology in the conduct of our business. However, it is possible that our competitors may infringe upon, misappropriate, violate or challenge the validity or enforceability of our intellectual property, and we may not be able to adequately protect or enforce our intellectual property rights in the future.

***Risks Related to Severe Weather, Particularly in the U.S. Gulf Coast***

We have significant operations located in market areas in the U.S. Gulf of Mexico and related near-shore areas which are susceptible to hurricanes and other adverse weather events. In these market areas, we generated approximately 16% of our consolidated revenue in 2017 and had approximately \$215 million of inventory and property, plant and equipment as of December 31, 2017. Such adverse weather events can disrupt our operations and result in damage to our properties, as well as negatively impact the activity and financial condition of our customers. Our business may be adversely affected by these and other negative effects of future hurricanes or other adverse weather events in regions in which we operate.

***Risks Related to Cybersecurity Breaches or Business System Disruptions***

We utilize various management information systems and information technology infrastructure to manage or support a variety of our business operations, and to maintain various records, which may include confidential business or proprietary information as well as information regarding our customers, business partners, employees or other third parties. Failures of or interference with access to these systems, such as communication disruptions, could have an adverse effect on our ability to conduct operations or directly impact consolidated financial reporting. Security breaches pose a risk to confidential data and intellectual property which could result in damages to our competitiveness and reputation. We have policies and procedures in place, including system monitoring and data back-up processes, to prevent or mitigate the effects of these potential disruptions or breaches, however there can be no assurance that existing or emerging threats will not have an adverse impact on our systems or communications networks. These risks could harm our reputation and our relationships with our customers, business partners, employees or other third parties, and may result in claims against us. In addition, these risks could have a material adverse effect on our business, consolidated results of operations, and consolidated financial condition.

***Risks Related to Fluctuations in the Market Value of our Common Stock***

The market price of our common stock may fluctuate due to a number of factors, including the general economy, stock market conditions, general trends in the E&P industry, announcements made by us or our competitors, and variations in our operating results. Investors may not be able to predict the timing or extent of these fluctuations.

**ITEM 1B. Unresolved Staff Comments**

None.

## **ITEM 2. Properties**

We lease office space to support our operating segments as well as our corporate offices. All material domestic owned properties are subject to liens and security interests under our Amended ABL Facility.

*Fluids Systems.* We own a facility containing approximately 103,000 square feet of office space on approximately 11 acres of land in Katy, Texas, which houses the divisional headquarters and technology center for this segment. We own a distribution warehouse and fluids blending facility containing approximately 65,000 square feet of office and industrial space on approximately 21 acres of land in Conroe, Texas. We lease approximately 9 acres of industrial space in Fourchon, Louisiana which houses a drilling fluids blending, storage, and transfer station to serve the Gulf of Mexico deepwater market. Additionally, we own six warehouse facilities and have 12 leased warehouses and 13 contract warehouses to support our customers and operations in the U.S. We own two warehouse facilities and have 22 contract warehouses in Canada to support our Canadian operations. For our international operations in the EMEA, Latin America and Asia Pacific regions, we lease 35 warehouses and own two warehouses to support these operations. Some of the warehouses also include blending facilities.

We operate four specialty product grinding facilities in the U.S. These facilities are located in Houston, Texas on approximately 18 acres of owned land, in New Iberia, Louisiana on 15.7 acres of leased land, in Corpus Christi, Texas on 6 acres of leased land, and in Dyersburg, Tennessee on 13.2 acres of owned land.

*Mats and Integrated Services.* We own a facility containing approximately 93,000 square feet of office and industrial space on approximately 34 acres of land in Carencro, Louisiana, which houses our manufacturing facilities and technology center for this segment. We also own three facilities and lease 18 sites throughout the U.S. which serve as bases for our well site service activities. Additionally, we lease two facilities in the United Kingdom to support field operations.

## **ITEM 3. Legal Proceedings**

### **Escrow Claims Related to the Sale of the Environmental Services Business**

*Newpark Resources, Inc. v. Ecoserv, LLC.* On July 13, 2015, we filed a declaratory action in the District Court in Harris County, Texas (80<sup>th</sup> Judicial District) seeking release of \$8.0 million of funds placed in escrow by Ecoserv in connection with its purchase of our Environmental Services business. Ecoserv filed a counterclaim asserting that we breached certain representations and covenants contained in the purchase/sale agreement including, among other things, the condition of certain assets. In addition, Ecoserv has alleged that Newpark committed fraud in connection with the March 2014 transaction.

Under the terms of the March 2014 sale of the Environmental Services business to Ecoserv, \$8.0 million of the sales price was withheld and placed in an escrow account to satisfy claims for possible breaches of representations and warranties contained in the purchase/sale agreement. For the amount withheld in escrow, \$4.0 million was scheduled for release to Newpark at each of the nine-month and 18-month anniversary of the closing. In December 2014, we received a letter from Ecoserv asserting that we had breached certain representations and warranties contained in the purchase/sale agreement, including failing to disclose operational problems and service work performed on injection/disposal wells and increased barge rental costs. The letter indicated that Ecoserv expected the damages associated with these claims to exceed the escrow amount. Following a further exchange of letters, in July 2015, we filed the action against Ecoserv referenced above. Thereafter, Ecoserv filed a counterclaim seeking recovery in excess of the escrow funds based on the alleged breach of representations and covenants in the purchase/sale agreement. Ecoserv also alleged that we committed fraud in connection with the March 2014 transaction. Discovery in the case provided more information about Ecoserv's claims, which included, among other things, alleged inadequate disclosures regarding the condition of a disposal cavern (at the time of the execution of the purchase/sale agreement and as it relates to the time period between execution of the purchase/sale agreement and at closing) and the lack of appropriate reserves/accruals/provisions in the financial statements of the business relating to certain regulatory obligations (such as plug and abandonment costs for injection wells and costs associated with a solids drying facility). Ecoserv sought to use a damage model for most of its damages based on its calculation of the difference between (a) the value of the business at closing, and (b) the sales price (\$100.0 million), and had claimed damages of approximately \$20.0 million. Following commencement of the trial in December 2017, we reached a settlement agreement with Ecoserv, under which Ecoserv will receive \$22.0 million in cash effectively reducing the net sales price of the Environmental Services business by such amount in exchange for dismissal of the pending claims in the lawsuit, and release of any future claims related to the March 2014 transaction. The impact of this settlement results in a \$17.4 million loss from disposal of discontinued operations, net of tax in 2017 to reduce the previously recognized gain from the sale of the Environmental Services business. The reduction in sales price will be funded, in part, through the release of the \$8.0 million that has been held in escrow since the March 2014 transaction. The remaining \$14 million will be funded in the first quarter of 2018 through available cash on hand and borrowings under our Amended ABL Facility. Litigation expenses related to this matter are included in corporate office expenses in operating income.

#### ITEM 4. Mine Safety Disclosures

The information concerning mine safety violations and other regulatory matters required by Section 1503 (a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in Exhibit 95.1 of this Annual Report on Form 10-K, which is incorporated by reference.

#### PART II

#### ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is traded on the New York Stock Exchange under the symbol "NR."

The following table sets forth the range of the high and low sales prices for our common stock for the periods indicated:

Period	High	Low
<b>2017</b>		
Fourth Quarter	\$ 10.05	\$ 8.20
Third Quarter	\$ 10.15	\$ 7.00
Second Quarter	\$ 8.25	\$ 6.65
First Quarter	\$ 8.45	\$ 6.75
<b>2016</b>		
Fourth Quarter	\$ 8.20	\$ 5.80
Third Quarter	\$ 7.72	\$ 5.48
Second Quarter	\$ 5.89	\$ 3.74
First Quarter	\$ 5.47	\$ 3.35

As of February 1, 2018, we had 1,305 stockholders of record as determined by our transfer agent.

The following table details our repurchases of shares of our common stock for the three months ended December 31, 2017:

Period	Total Number of Shares Purchased (1)	Average Price per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Approximate Dollar Value of Shares that May Yet be Purchased Under Plans or Programs (\$ in millions)
October 2017	8,195	\$ 8.54	—	\$ 33.5
November 2017	41,950	\$ 9.45	—	\$ 33.5
December 2017	—	—	—	\$ 33.5
Total	50,145	\$ 9.30	—	

- (1) During the three months ended December 31, 2017, we purchased an aggregate of 50,145 shares surrendered in lieu of taxes under vesting of restricted stock awards.

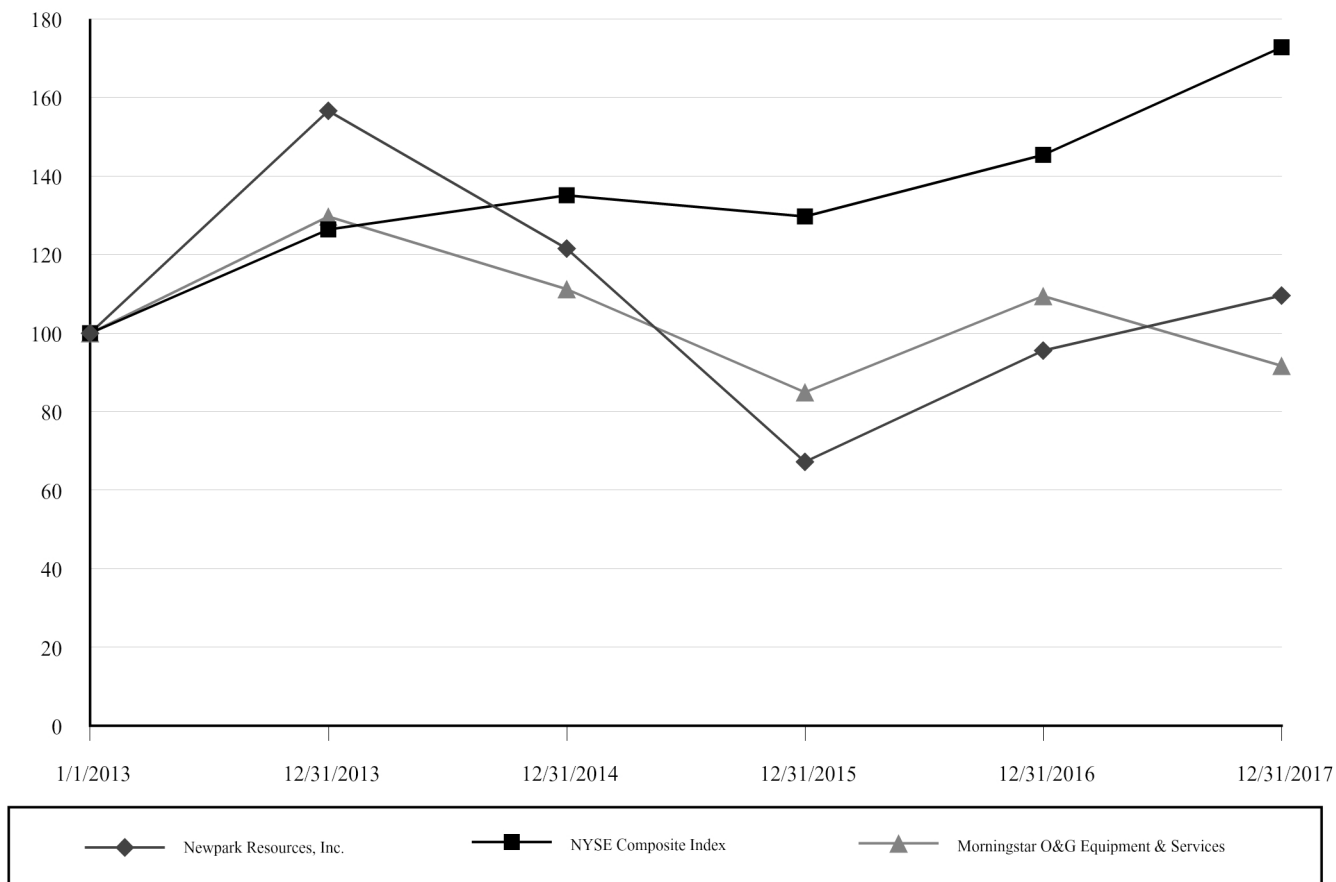
Our Board of Directors has approved a repurchase program that authorizes us to purchase up to \$100.0 million of our outstanding shares of common stock and prior to their maturity, our outstanding 2017 Convertible Notes in the open market or as otherwise determined by management, subject to certain limitations under the Amended ABL Facility and other factors. The repurchase program has no specific term. Repurchases are expected to be funded from operating cash flows and available cash on-hand. As part of the share repurchase program, our management has been authorized to establish trading plans under Rule 10b5-1 of the Securities Exchange Act of 1934.

There were no share or 2017 Convertible Notes repurchases under the program during 2017. At December 31, 2017, there was \$33.5 million of authorization remaining under the program. During 2017, we repurchased 415,418 of shares surrendered in lieu of taxes under vesting of restricted stock awards. All of the shares repurchased are held as treasury stock.

We have not paid any dividends during the three most recent fiscal years or any subsequent interim period, and we do not intend to pay any cash dividends in the foreseeable future. In addition, our Amended ABL Facility contains covenants which limit the payment of dividends on our common stock. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources - Asset-Based Loan Facility."

### Performance Graph

The following graph reflects a comparison of the cumulative total stockholder return of our common stock from January 1, 2013 through December 31, 2017, with the New York Stock Exchange Market Value Index, a broad equity market index, and the Morningstar Oil & Gas Equipment & Services Index, an industry group index. The graph assumes the investment of \$100 on January 1, 2013 in our common stock and each index and the reinvestment of all dividends, if any. This information shall be deemed furnished not filed, in this Form 10-K, and shall not be deemed incorporated by reference into any filing under the Securities Act of 1933, or the Securities Exchange Act of 1934, except to the extent we specifically incorporate it by reference.



**ITEM 6. Selected Financial Data**

The selected consolidated historical financial data presented below for the five years ended December 31, 2017 is derived from our consolidated financial statements. The following data should be read in conjunction with the consolidated financial statements and notes thereto and with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Items 7 and 8 below.

	<b>As of and for the Year Ended December 31,</b>				
(In thousands, except share data)	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>Consolidated Statements of Operations Data:</b>					
Revenues	\$ 747,763	\$ 471,496	\$ 676,865	\$ 1,118,416	\$ 1,042,356
Operating income (loss)	31,436	(57,213)	(99,099)	130,596	94,445
Interest expense, net	13,273	9,866	9,111	10,431	11,279
Income (loss) from continuing operations	11,219	(40,712)	(90,828)	79,009	52,622
Income from discontinued operations, net of tax	—	—	—	1,152	12,701
Gain (loss) from disposal of discontinued operations, net of tax	(17,367)	—	—	22,117	—
Net income (loss)	(6,148)	(40,712)	(90,828)	102,278	65,323
Basic income (loss) per share from continuing operations	\$ 0.13	\$ (0.49)	\$ (1.10)	\$ 0.95	\$ 0.62
Basic net income (loss) per share	\$ (0.07)	\$ (0.49)	\$ (1.10)	\$ 1.23	\$ 0.77
Diluted income (loss) per share from continuing operations	\$ 0.13	\$ (0.49)	\$ (1.10)	\$ 0.84	\$ 0.56
Diluted net income (loss) per share	\$ (0.07)	\$ (0.49)	\$ (1.10)	\$ 1.07	\$ 0.69
<b>Consolidated Balance Sheet Data:</b>					
Working capital	\$ 346,623	\$ 283,139	\$ 380,950	\$ 440,098	\$ 395,159
Total assets	902,716	798,183	848,893	1,007,672	954,918
Foreign bank lines of credit	1,000	—	7,371	11,395	12,809
Other current debt	518	83,368	11	253	58
Long-term debt, less current portion	158,957	72,900	171,211	170,462	170,009
Stockholders' equity	547,480	500,543	520,259	625,458	581,054
<b>Consolidated Cash Flow Data:</b>					
Net cash provided by operations	\$ 38,381	\$ 11,095	\$ 121,517	\$ 89,173	\$ 151,903
Net cash used in investing activities	(68,374)	(28,260)	(84,366)	(14,002)	(60,063)
Net cash used in financing activities	(2,290)	(650)	(6,730)	(49,158)	(72,528)

During 2016 and 2015, operating loss includes charges totaling \$14.8 million and \$80.5 million, respectively, resulting from the reduction in value of certain assets, the wind-down of our operations in Uruguay and the resolution of certain wage and hour litigation claims. Charges in 2016 include \$6.9 million of non-cash impairments in the Asia Pacific region, \$4.1 million of charges for the reduction in carrying values of certain inventory, \$4.5 million of charges in the Latin America region associated with the wind-down of our operations in Uruguay, partially offset by a \$0.7 million gain in 2016 associated with the change in final settlement amount of certain wage and hour litigation claims. Charges in 2015 include a \$70.7 million non-cash impairment of goodwill, a \$2.6 million non-cash impairment of assets, a \$2.2 million charge to reduce the carrying value of inventory and a \$5.0 million charge for the resolution of certain wage and hour litigation claims and related costs.

## ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of our financial condition, results of operations, liquidity and capital resources should be read together with our Consolidated Financial Statements and Notes to Consolidated Financial Statements included in Item 8 of this Annual Report.

### Overview

We are a geographically diversified supplier providing products, rentals and services primarily to the oil and gas exploration and production ("E&P") industry. We operate our business through two reportable segments: Fluids Systems and Mats and Integrated Services. In recent years, our Mats and Integrated Services segment has expanded beyond the E&P industry, and now serves a variety of industries, including the electrical transmission & distribution, pipeline, solar, petrochemical and construction industries.

Our operating results depend, to a large extent, on oil and gas drilling activity levels in the markets we serve, and particularly for the Fluids Systems segment, the nature of the drilling operations (including the depth and whether the wells are drilled vertically or horizontally), which governs the revenue potential of each well. Drilling activity, in turn, depends on oil and gas commodity pricing, inventory levels, product demand and regulatory restrictions. Oil and gas prices and activity are cyclical and volatile. This market volatility has a significant impact on our operating results.

Beginning in the fourth quarter of 2014 and continuing through early 2016, the price of oil declined dramatically from the price levels in previous years. As a result, E&P drilling activity declined sharply in North America and many global markets over this period. Since reaching a low point in early 2016, oil prices and North American drilling activity have steadily improved, although both remain significantly lower than pre-downturn levels. While our revenue potential is driven by a number of factors including those described above, rig count data remains the most widely accepted indicator of drilling activity. Average North America rig count data for the last three years is as follows:

	Year Ended December 31,			2017 vs 2016		2016 vs 2015	
	2017	2016	2015	Count	%	Count	%
U.S. Rig Count	877	509	978	368	72%	(469)	(48%)
Canadian Rig Count	206	130	192	76	58%	(62)	(32%)
Total	1,083	639	1,170	444	69%	(531)	(45%)

Source: Baker Hughes, a GE Company

As of February 16, 2018, the U.S. and Canadian rig counts were 975 and 318, respectively. The Canadian rig count reflects the normal seasonality for this market, with the highest rig count levels generally observed in the first quarter of each year, prior to Spring break-up.

Outside of North America, drilling activity has remained generally more stable during this period as drilling activity in many countries is based upon longer term economic projections and multiple year drilling programs, which tends to reduce the impact of short term changes in commodity prices on overall drilling activity. While drilling activity in certain of our international markets (including Brazil and Australia) has declined in recent years, as a whole, our international activities have remained relatively stable. This stability is primarily driven by new contract awards, including those described below, which include geographical expansion into new markets as well as market share gains in existing markets. While our international contracts vary in revenue potential and duration, certain international contracts are scheduled to conclude in 2018, including those with Sonatrach and Petrobras. Our future revenue levels in international markets are largely dependent on our ability to maintain existing market share upon contract renewals which may be subject to a competitive bid process and can be impacted by our customers' procurement strategies and allocation of contract awards.

### Segment Overview

Our Fluids Systems segment, which generated 82% of consolidated revenues in 2017, provides customized fluids solutions to E&P customers globally, operating through four geographic regions: North America, Europe, the Middle East and Africa ("EMEA"), Latin America, and Asia Pacific.

International expansion is a key element of our Fluids Systems strategy, which in recent years, has helped to stabilize revenues as North American oil and gas exploration activities have fluctuated significantly. Significant international contract awards in recent years include:

- A five year contract with Kuwait Oil Company to provide drilling fluids and related services for land operations. Work under this contract began in the second half of 2014.
- Lot 1 and Lot 3 of a restricted tender by Sonatrach to provide drilling fluids and related services, which expanded our market share with Sonatrach in Algeria. Work under this three-year contract began in the second quarter of 2015, with activity levels ramping up during the second half of 2015 and early 2016. While revenues from this contract represented less than 10% of consolidated revenues in 2017, the contract contributed approximately 14% of our consolidated revenues in 2016.
- A contract with Total S.A. to provide drilling fluids and related services for an exploratory ultra-deepwater well in Block 14 of offshore Uruguay. This project was completed in 2016, contributing approximately \$12 million of revenue for the year in 2016.
- A two-year contract with Shell Oil in Albania to provide drilling fluids and related services for onshore drilling activity. Work under this contract began in 2016.
- A three-year contract with Cairn Oil & Gas to provide drilling and completion fluids, along with associated services, in support of Cairn's onshore drilling in India. Work under this contract began in the third quarter of 2017.
- A contract with Baker Hughes, a GE Company, to provide drilling fluids and related services as part of Baker Hughes' integrated service offering in support of the Greater Enfield project in offshore Western Australia. Work under this contract began in January 2018.

Within the U.S. operations of our Fluids Systems segment we invested approximately \$40 million in recent years to significantly expand existing capacity and upgrade the drilling fluids blending, storage, and transfer capabilities in our Fourchon, Louisiana facility which serves customers in the Gulf of Mexico deepwater market. This project is part of our Fluids Systems strategy to penetrate the Gulf of Mexico deepwater market and was substantially completed in the second quarter of 2017. Capital expenditures related to the Fourchon expansion totaled \$6.9 million, \$22.2 million and \$10.1 million in 2017, 2016 and 2015, respectively.

Our Mats and Integrated Services segment, which generated 18% of consolidated revenues in 2017, provides composite mat rentals, site construction and related site services to customers in various markets including oil and gas exploration and production, electrical transmission & distribution, pipeline, solar, petrochemical and construction across North America and Europe. We also sell composite mats to customers outside of the U.S. and to domestic customers outside of the E&P market. Following our efforts in recent years to diversify our customer base, Mats and Integrated Services segment revenues from non-E&P markets represented approximately two-thirds of our segment revenues in 2017.

In November 2017, we acquired certain assets and assumed certain liabilities of Well Service Group, Inc. and Utility Access Solutions, Inc. (together, "WSG") for \$77.9 million, which included \$45.5 million of cash consideration and \$32.4 million of our common equity. Since 2012, WSG has been a strategic logistics and installation service provider for our Mats and Integrated Service segment, offering a variety of complementary services to our composite matting systems, including access road construction, site planning and preparation, environmental protection, fluids and spill storage/containment, erosion control, and site restoration services. The completion of the WSG acquisition expanded our service offering as well as our geographic footprint across the Northeast, Midwest, Rockies, and West Texas regions of the U.S. Following the mid-November acquisition, WSG contributed approximately \$9 million of revenues to the Mats and Integrated Services segment in 2017, reflecting an annualized revenue level of approximately \$70 million.

### **Impact of U.S. Tax Reform**

The U.S. Tax Cuts and Jobs Act ("Tax Act") was enacted on December 22, 2017, resulting in broad and complex changes to U.S. income tax law. The Tax Act includes a one-time transition tax in 2017 on accumulated foreign subsidiary earnings not previously subject to U.S. income tax, reduces the U.S. corporate statutory tax rate from 35% to 21% effective January 1, 2018, generally eliminates U.S. federal income tax on dividends from foreign subsidiaries, creates new tax on certain foreign-sourced earnings, makes other changes to limit certain deductions and changes rules on how certain tax credits and net operating loss carryforwards can be utilized.

Due to the timing of the enactment and the complexity involved in applying the provisions of the Tax Act, we made reasonable estimates of the effects and recorded provisional amounts in our 2017 financial statements. As we finalize the necessary data, and interpret the Tax Act and any additional guidance issued by the U.S. Treasury Department, the IRS, or other standard-setting bodies, we may make adjustments to the provisional amounts.



We recorded a net tax benefit of \$3.4 million in 2017, reflecting provisional amounts for the following income tax effects of the Tax Act:

*One-time transition tax* — The Tax Act requires us to pay U.S. income taxes on accumulated foreign subsidiary earnings not previously subject to U.S. income tax at a rate of 15.5% to the extent of foreign cash and certain other net current assets and 8% on the remaining earnings. We recorded a provisional amount in 2017 for our one-time transitional tax liability and income tax expense of \$6.9 million.

*Taxes on repatriation of foreign earnings* — We previously considered the unremitted earnings in our non-US subsidiaries held directly by a U.S. parent to be indefinitely reinvested and, accordingly, had not provided any deferred income taxes. We intend to pursue repatriation of unremitted earnings in our non-US subsidiaries held directly by a U.S. parent to the extent that such earnings have been included in the one-time transition tax discussed above, and subject to cash requirements to support the strategic objectives of the non-US subsidiary. We recorded a provisional amount in 2017 for the estimated liability and income tax expense for any U.S. federal or state income taxes or additional foreign withholding taxes related to repatriation of such earnings of \$7.0 million.

*Deferred tax effects* — The Tax Act reduces the U.S. corporate statutory tax rate from 35% to 21% for years after 2017. Accordingly, we have remeasured our U.S. net deferred tax liabilities as of December 31, 2017 to reflect the reduced rate that will apply in future periods when these deferred taxes are settled or realized. We recognized a provisional deferred tax benefit in 2017 of \$17.4 million to reflect the reduced U.S. tax rate on our estimated U.S. net deferred tax liabilities.

While we have not completed our analysis of the impacts of the Tax Act on our effective tax rate going forward, we anticipate the overall impacts of the Tax Act described above will reduce our effective tax rate in 2018 compared to 2017, excluding the \$3.4 million net benefit included in our 2017 income tax provision as described above. The impact of the Tax Act on our effective tax rate in 2018 will depend in large part on the relative contribution of our domestic earnings and finalization of the provisional accounting for the Tax Act.

### 2016 and 2015 Impairments and Restructuring Charges

After achieving an average North America rig count of 2,241 in 2014, the declining E&P drilling activity levels throughout 2015 through early 2016 reduced the demand for our services, negatively impacted customer pricing and resulted in elevated costs associated with workforce reductions, negatively impacting our profitability. Further, due to the fact that our business contains substantial levels of fixed costs, including significant facility and personnel expenses, North American operating margins in both operating segments were negatively impacted by the lower customer demand during these years.

In response to these significant activity declines in North America, we implemented cost reduction programs in 2015 including workforce reductions, reduced discretionary spending, and implemented temporary salary freezes for substantially all employees, including executive officers. In September 2015, we also implemented a voluntary early retirement program with certain eligible employees in the United States. As a result of the continuing declines in activity in the first half of 2016, we implemented further cost reduction actions including additional workforce reductions and beginning in March 2016, a temporary salary reduction for a significant number of North American employees, including executive officers, suspension of the Company's matching contribution to the U.S. defined contribution plan as well as a reduction in cash compensation paid to our Board of Directors in order to further align our cost structure to activity levels. In the second quarter of 2017, we restored salaries to pre-reduction levels for our North American employees, as well as the Company matching contribution to the U.S. defined contribution plan.

As part of these workforce reductions, we recognized charges for employee termination costs as shown in the table below:

(In thousands)	Year Ended December 31,	
	2016	2015
Fluids systems	\$ 4,125	\$ 7,218
Mats and integrated services	285	717
Corporate office	162	228
<b>Total employee termination costs</b>	<b>\$ 4,572</b>	<b>\$ 8,163</b>

During 2016 and 2015 we also recorded charges totaling \$14.8 million and \$80.5 million, respectively, resulting from the reduction in value of certain assets, the wind-down of our operations in Uruguay and the resolution of certain wage and hour litigation claims. The Fluids Systems segment operating results included \$15.5 million and \$75.5 million of these charges in 2016 and 2015, respectively. The remaining \$0.7 million benefit and \$5.0 million charge was included in Corporate Office expenses in 2016 and 2015, respectively, related to the resolution of certain wage and hour litigation claims.

The \$15.5 million of Fluids Systems charges in 2016 included \$6.9 million of non-cash impairments in the Asia Pacific region resulting from the continuing unfavorable industry market conditions and outlook for the region in 2016, \$4.1 million of charges for the reduction in carrying values of certain inventory, primarily resulting from lower of cost or market adjustments and \$4.5 million of charges in the Latin America region associated with the wind-down of our operations in Uruguay, including \$0.5 million to write-down property, plant and equipment. The \$6.9 million of impairments in the Asia Pacific region included a \$3.8 million charge to write-down property, plant and equipment to its estimated fair value and a \$3.1 million charge to fully impair the customer related intangible assets in the region.

The \$75.5 million of Fluids Systems charges in 2015 included \$70.7 million of non-cash charges for the impairment of goodwill, following our November 1, 2015 annual evaluation, a \$2.6 million non-cash impairment of assets, following our decision to exit a facility, and a \$2.2 million charge to reduce the carrying value of diesel-based drilling fluid inventory, resulting from lower of cost or market adjustments.

## Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

### Consolidated Results of Operations

Summarized results of operations for the year ended December 31, 2017 compared to the year ended December 31, 2016 are as follows:

(In thousands)	Year Ended December 31,		2017 vs 2016	
	2017	2016	\$	%
Revenues	\$ 747,763	\$ 471,496	\$ 276,267	59%
Cost of revenues	607,899	437,836	170,063	39%
Selling, general and administrative expenses	108,838	88,473	20,365	23%
Other operating income, net	(410)	(4,345)	3,935	91%
Impairments and other charges	—	6,745	(6,745)	NM
Operating income (loss)	31,436	(57,213)	88,649	155%
Foreign currency exchange (gain) loss	2,051	(710)	2,761	NM
Interest expense, net	13,273	9,866	3,407	35%
Gain on extinguishment of debt	—	(1,615)	1,615	NM
Income (loss) from continuing operations before income taxes	16,112	(64,754)	80,866	125%
Provision (benefit) for income taxes	4,893	(24,042)	28,935	120%
Income (loss) from continuing operations	11,219	(40,712)	51,931	128%
Loss from disposal of discontinued operations, net of tax	(17,367)	—	(17,367)	NM
Net Loss	\$ (6,148)	\$ (40,712)	\$ 34,564	85%

#### **Revenues**

Revenues increased 59% to \$747.8 million in 2017, compared to \$471.5 million in 2016. This \$276.3 million increase includes a \$268.0 million (108%) increase in revenues in North America, comprised of a \$212.5 million increase in our Fluids Systems segment and a \$55.5 million increase in the Mats and Integrated Services segment. Revenues from our international operations increased by \$8.3 million (4%), as activity gains in the EMEA region, Brazil and Chile were mostly offset by the completion of the offshore Uruguay project, which contributed \$12.3 million of revenue in 2016. Additional information regarding the change in revenues is provided within the operating segment results below.

#### **Cost of Revenues**

Cost of revenues increased 39% to \$607.9 million in 2017, compared to \$437.8 million in 2016. This increase was primarily driven by the 59% increase in revenues; however, cost of revenues contain substantial levels of fixed costs in each business, including significant depreciation, facility costs and personnel expenses, resulting in the lower increase in cost of revenues relative to the change in revenues. In addition, 2016 included \$4.6 million of employee severance costs which did not recur in 2017.

### ***Selling, General and Administrative Expenses***

Selling, general and administrative expenses increased \$20.4 million to \$108.8 million in 2017 from \$88.5 million in 2016. The increase in expenses is primarily attributable to a \$10.6 million increase in performance-based incentive compensation as well as elevated spending related to strategic planning efforts and legal matters, including the WSG acquisition described above. Selling, general and administrative expenses as a percentage of revenues decreased to 14.6% in 2017 from 18.8% in the prior year.

### ***Other Operating Income, net***

Other operating income was \$0.4 million in 2017 as compared to \$4.3 million in 2016, primarily reflecting gains on the sale of assets in both periods.

### ***Impairments and Other Charges***

During 2017, we did not recognize any impairments and other charges. During 2016, we recognized \$6.7 million of impairments and other charges. As previously described, these charges primarily included \$6.9 million of non-cash impairments in our Asia Pacific region including a \$3.8 million charge to write-down property, plant and equipment to its estimated fair value and a \$3.1 million charge to fully impair the customer related intangible assets. See “Note 12 – Segment Data” for additional information related to these charges. In addition, we recorded a \$0.5 million charge in 2016 in the Latin America region of our Fluids Systems segment to write-down property, plant and equipment associated with the wind-down of our operations in Uruguay. These charges were partially offset by a \$0.7 million gain in 2016 in our corporate office associated with the change in the final settlement amount of the wage and hour litigation claims.

### ***Foreign Currency Exchange***

Foreign currency exchange was a \$2.1 million loss in 2017 compared to a \$0.7 million gain in 2016, reflecting the impact of currency translation on assets and liabilities (including intercompany balances) that are denominated in currencies other than functional currencies.

### ***Interest Expense, net***

Interest expense totaled \$13.3 million in 2017 compared to \$9.9 million in 2016. This increase was primarily attributable to a \$3.7 million increase in non-cash amortization of debt discount associated with the 2021 Convertible Notes and lower capitalized interest in 2017 as compared to 2016. These increases were partially offset by \$1.1 million of charges in the second quarter of 2016 for the write-off of debt issuance costs related to the termination and replacement of our revolving Credit Agreement. See “Note 6 – Financing Arrangements” for further discussion of the accounting treatment for the 2021 Convertible Notes.

### ***Gain on Extinguishment of Debt***

The \$1.6 million gain on extinguishment of debt in 2016 reflects the difference in the amount paid and the net carrying value of the extinguished debt, including debt issuance costs, related to the repurchase of \$89.3 million aggregate principal amount of our 2017 Convertible Notes.

### ***Provision (Benefit) for Income Taxes***

The provision for income taxes for 2017 was \$4.9 million, reflecting an effective tax rate of 30.4%, compared to a \$24.0 million benefit in 2016, reflecting an effective tax rate of 37.1%. The provision for income taxes in 2017 includes a \$3.4 million benefit resulting from the provisional accounting for the Tax Act as previously described. In addition, the 2017 effective tax rate was negatively impacted primarily by non-deductible expenses relative to the amount of pre-tax income.

The benefit for income taxes in 2016 included a \$9.3 million benefit associated with a worthless stock deduction and related impacts from restructuring the investment in our Brazilian subsidiary, partially offset by the unfavorable impact of pretax losses incurred in Australia, including \$6.9 million of impairment charges, for which the recording of a tax benefit is not permitted.

### ***Loss from Disposal of Discontinued Operations***

Loss from disposal of discontinued operations includes a \$17.4 million charge, net of tax, in 2017 for the settlement of a pending litigation matter related to the March 2014 sale of our Environmental Services business. See “Note 14 – Discontinued Operations” and “Note 15 – Commitments and Contingencies” in our consolidated financial statements for additional information.

## Operating Segment Results

Summarized financial information for our reportable segments is shown in the following table (net of inter-segment transfers):

(In thousands)	Year ended December 31,		2017 vs 2016	
	2017	2016	\$	%
<b>Revenues</b>				
Fluids systems	\$ 615,803	\$ 395,461	\$ 220,342	56%
Mats and integrated services	131,960	76,035	55,925	74%
<b>Total revenues</b>	<b>\$ 747,763</b>	<b>\$ 471,496</b>	<b>\$ 276,267</b>	<b>59%</b>
<b>Operating income (loss)</b>				
Fluids systems	\$ 27,580	\$ (43,631)	\$ 71,211	
Mats and integrated services	40,491	14,741	25,750	
Corporate office	(36,635)	(28,323)	(8,312)	
<b>Operating income (loss)</b>	<b>\$ 31,436</b>	<b>\$ (57,213)</b>	<b>\$ 88,649</b>	
<b>Segment operating margin</b>				
Fluids systems	4.5%	(11.0%)		
Mats and integrated services	30.7%	19.4%		

## Fluids Systems

### *Revenues*

Total revenues for this segment consisted of the following:

(In thousands)	Year ended December 31,		2017 vs 2016	
	2017	2016	\$	%
United States	\$ 341,075	\$ 149,876	\$ 191,199	128%
Canada	54,322	33,050	21,272	64%
<b>Total North America</b>	<b>395,397</b>	<b>182,926</b>	<b>212,471</b>	<b>116%</b>
Latin America	36,965	40,736	(3,771)	(9%)
<b>Total Western Hemisphere</b>	<b>432,362</b>	<b>223,662</b>	<b>208,700</b>	<b>93%</b>
EMEA	179,360	167,130	12,230	7%
Asia Pacific	4,081	4,669	(588)	(13%)
<b>Total Eastern Hemisphere</b>	<b>183,441</b>	<b>171,799</b>	<b>11,642</b>	<b>7%</b>
<b>Total Fluids Systems</b>	<b>\$ 615,803</b>	<b>\$ 395,461</b>	<b>\$ 220,342</b>	<b>56%</b>

North America revenues increased 116% to \$395.4 million in 2017 compared to \$182.9 million in 2016. This increase in revenues is primarily attributable to the 69% increase in North American average rig count along with market share gains and higher customer spending per well in 2017 compared to the prior year. Canadian revenues also included a \$4.8 million increase from the August 2016 acquisition of Pragmatic Drilling Fluids Additives, Ltd.

Internationally, revenues increased 4% to \$220.4 million in 2017 compared to \$212.5 million in 2016. The increase in the EMEA region is primarily attributable to an increase in customer activity levels in Algeria and Romania. The decrease in the Latin America region is attributable to completion of the offshore Uruguay project which contributed \$12.3 million of revenue in 2016 partially offset by increased activity with Petrobras in Brazil and an increase in revenue from a customer contract in Chile which started in the fourth quarter of 2016.

### ***Operating Income***

The Fluids Systems segment generated operating income of \$27.6 million in 2017 compared to an operating loss of \$43.6 million in 2016, representing a \$71.2 million improvement in operating results. The operating loss in 2016 includes \$15.5 million of charges related to asset impairments and \$4.1 million of charges related to workforce reductions, as previously described.

The remaining \$51.6 million increase in operating results includes a \$48.7 million improvement from North American operations and a \$2.9 million increase in operating income from international operations. The improvement in North American operating results is largely attributable to the \$212.5 million increase in revenues described above. The increase in international operating income is primarily attributable to the increase in revenues as well as the benefit of cost reduction programs in the Asia Pacific region.

### **Mats and Integrated Services**

#### ***Revenues***

Total revenues for this segment consisted of the following:

(In thousands)	Year ended December 31,		2017 vs 2016	
	2017	2016	\$	%
Mat rental and services	\$ 96,067	\$ 58,389	\$ 37,678	65%
Mat sales	35,893	17,646	18,247	103%
Total	<u>\$ 131,960</u>	<u>\$ 76,035</u>	<u>\$ 55,925</u>	<u>74%</u>

Mat rental and services revenues for 2017 increased \$37.7 million compared to 2016. This improvement includes an increase in revenue from E&P customer activity, attributable to the improvement in oil prices, as well as increases in non-E&P customer activity associated with our continued efforts to expand beyond our traditional oilfield customer base and strong weather-related demand for rental mats. The 2017 operating results also include approximately \$9 million of services revenue from the WSG acquisition in mid-November.

Revenues from mat sales were \$35.9 million in 2017 compared to \$17.6 million in 2016. Revenues from mat sales have typically fluctuated based on the timing of mat orders from customers. The improvement in 2017 is primarily attributable to our continued efforts to further expand our sales into non-E&P markets.

#### ***Operating Income***

Segment operating income increased by \$25.8 million to \$40.5 million for 2017 as compared to \$14.7 million in 2016, attributable to the increases in both mat sales and rental and services revenues as described above. Due to the relatively fixed nature of operating expenses, increases in revenue have a higher incremental impact on segment operating margin.

As noted above, the 2017 operating results include approximately \$9 million of revenues associated with the WSG acquisition completed in mid-November 2017. The acquired business is predominately focused on site services, as opposed to product sales and rentals, which we expect will drive a shift in sales mix toward service revenues in 2018, as compared to 2017. While we expect the incremental service revenues to provide a positive impact to segment operating income, the mix shift and higher depreciation and amortization expense related to the purchase accounting allocation is expected to reduce the overall segment operating margin from the 30.7% operating margin achieved in 2017. See "Note 2 - Business Combinations" for further discussion of the acquisition.

### **Corporate office**

Corporate office expenses increased \$8.3 million to \$36.6 million in 2017, compared to \$28.3 million for 2016. The increase is primarily attributable to a \$2.7 million increase in performance-based incentive compensation and a \$2.0 million increase in spending related to strategic planning efforts and legal matters, including the Ecoserv lawsuit described further in "Note 15 - Commitments and Contingencies." The 2017 operating results also include a \$1.0 million increase in acquisition related costs, primarily attributable to the WSG acquisition.

## Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

### Consolidated Results of Operations

Summarized results of operations for the year ended December 31, 2016 compared to the year ended December 31, 2015 are as follows:

(In thousands)	Year Ended December 31,		2016 vs 2015	
	2016	2015	\$	%
Revenues	\$ 471,496	\$ 676,865	\$ (205,369)	(30%)
Cost of revenues	437,836	599,013	(161,177)	(27%)
Selling, general and administrative expenses	88,473	101,032	(12,559)	(12%)
Other operating income, net	(4,345)	(2,426)	(1,919)	(79%)
Impairments and other charges	6,745	78,345	(71,600)	NM
Operating loss	(57,213)	(99,099)	41,886	42%
Foreign currency exchange loss	(710)	4,016	(4,726)	NM
Interest expense, net	9,866	9,111	755	8%
Gain on extinguishment of debt	(1,615)	—	1,615	NM
Loss from operations before income taxes	(64,754)	(112,226)	47,472	42%
Benefit for income taxes	(24,042)	(21,398)	(2,644)	(12%)
Net Loss	\$ (40,712)	\$ (90,828)	\$ 50,116	55%

#### **Revenues**

Revenues decreased 30% to \$471.5 million in 2016, compared to \$676.9 million in 2015. This \$205.4 million decrease included a \$189.1 million (43%) decrease in revenues in North America, including a \$169.0 million decline in our Fluids Systems segment and a \$20.1 million decline in our Mats and Integrated Services segment. Revenues from our international operations decreased by \$16.3 million (7%), as a \$12.3 million revenue contribution from the offshore Uruguay project in 2016, along with activity gains in our EMEA region were more than offset by reduced drilling activity in Brazil and Asia Pacific, as well as a \$12.0 million unfavorable impact of currency exchange related to the stronger U.S. dollar in 2016. Additional information regarding the change in revenues is provided within the operating segment results below.

#### **Cost of Revenues**

Cost of revenues decreased 27% to \$437.8 million in 2016, compared to \$599.0 million in 2015. The decrease was primarily driven by the decline in revenues, the benefits of cost reduction programs, a \$6.1 million reduction in depreciation expense associated with the January 2016 change in estimated useful lives and residual values of our composite mats rental fleet and a \$2.0 million reduction in employee termination costs. These decreases were partially offset by a \$1.9 million increase in inventory impairments primary resulting from lower of cost or market adjustments. Additional information regarding the change in cost of revenues is provided within the operating segment results below.

#### **Selling, General and Administrative Expenses**

Selling, general and administrative expenses decreased \$12.6 million to \$88.5 million in 2016 from \$101.0 million in 2015. The decrease is primarily attributable to the benefits of cost reduction programs, a \$2.4 million decline in performance-based incentive compensation, a \$1.9 million decline in spending related to legal matters, a \$1.6 million decrease in employee termination costs and lower spending on strategic planning projects.

#### **Other Operating Income, net**

Other operating income was \$4.3 million in 2016 as compared to \$2.4 million in 2015, primarily reflecting gains on the sale of assets in both periods.

### ***Impairments and Other Charges***

As previously described, we recognized \$6.7 million of impairments and other charges in 2016, which included \$6.9 million of non-cash impairments in the Asia Pacific region of our Fluids Systems segment, reflecting a \$3.8 million charge to write-down property, plant and equipment to its estimated fair value and a \$3.1 million charge to fully impair the customer related intangible assets in the region. In addition, we recorded a \$0.5 million charge in 2016 in the Latin America region of our Fluids Systems segment to write-down property, plant and equipment associated with the wind-down of our operations in Uruguay, partially offset by a \$0.7 million gain in 2016 in our corporate office associated with the change in the final settlement amount of the wage and hour litigation claims.

In 2015, we recognized \$78.3 million of impairments and other charges including \$70.7 million of non-cash charges in the Fluids Systems segment for the impairment of goodwill and \$2.6 million for the impairment of certain assets following our decision to exit a facility. In addition, corporate office expenses in 2015 included a \$5.0 million charge for the resolution of certain wage and hour litigation claims and related costs.

### ***Foreign Currency Exchange***

Foreign currency exchange was a \$0.7 million gain in 2016 compared to a \$4.0 million loss in 2015, reflecting the impact of currency translation on assets and liabilities (including intercompany balances) that are denominated in currencies other than functional currencies. The foreign exchange loss in 2015 was primarily due to the strengthening of the U.S. dollar against the Brazilian real. In September 2015, approximately 70% of the inter-company balances due from our Brazilian subsidiary with foreign currency exposure were forgiven, which reduced the foreign currency volatility in 2016 in comparison to 2015.

### ***Interest Expense, net***

Interest expense, which primarily reflected the 4% interest associated with our unsecured 2017 Convertible Notes, totaled \$9.9 million for 2016 compared to \$9.1 million in 2015. The increase in 2016 was primarily attributable to a non-cash charge of \$1.1 million in the second quarter of 2016 for the write-off of debt issuance costs related to the termination and replacement of our revolving Credit Agreement partially offset by the benefit from the repurchase of \$11.2 million of our 2017 Convertible Notes in the first quarter of 2016.

### ***Gain on Extinguishment of Debt***

The \$1.6 million gain in 2016 reflects the difference in the amount paid and the net carrying value of the extinguished debt, including debt issuance costs, related to the repurchase of \$89.3 million aggregate principal amount of our 2017 Convertible Notes.

### ***Provision (Benefit) for Income Taxes***

The provision for income taxes for 2016 was a \$24.0 million benefit, reflecting an effective tax rate of 37.1%, compared to a \$21.4 million benefit in 2015, reflecting an effective tax rate of 19.1%. The benefit for income taxes in 2016 included a \$9.3 million benefit associated with a worthless stock deduction and related impacts from restructuring the investment in our Brazilian subsidiary, partially offset by the unfavorable impact of pretax losses incurred in Australia for which the recording of a tax benefit is not permitted.

The benefit for income taxes in 2015 was unfavorably impacted by the impairment of non-deductible goodwill. In addition, the 2015 income tax provision also included a \$4.6 million charge for increases to the valuation allowance for certain deferred tax assets which may not be realized (primarily related to our Australian subsidiary and certain U.S. state net operating losses). These 2015 charges were partially offset by a \$4.4 million benefit associated with the forgiveness of certain inter-company balances due from our Brazilian subsidiary and a \$2.2 million benefit from the release of U.S. tax reserves following the expiration of statutes of limitation.

## Operating Segment Results

Summarized financial information for our reportable segments is shown in the following table (net of inter-segment transfers):

(In thousands)	Year ended December 31,		2016 vs 2015	
	2016	2015	\$	%
<b>Revenues</b>				
Fluids systems	\$ 395,461	\$ 581,136	\$ (185,675)	(32%)
Mats and integrated services	76,035	95,729	(19,694)	(21%)
<b>Total revenues</b>	<b>\$ 471,496</b>	<b>\$ 676,865</b>	<b>\$ (205,369)</b>	<b>(30%)</b>
<b>Operating income (loss)</b>				
Fluids systems	\$ (43,631)	\$ (86,770)	\$ 43,139	
Mats and integrated services	14,741	24,949	(10,208)	
Corporate office	(28,323)	(37,278)	8,955	
<b>Operating loss</b>	<b>\$ (57,213)</b>	<b>\$ (99,099)</b>	<b>\$ 41,886</b>	
<b>Segment operating margin</b>				
Fluids systems	(11.0%)	(14.9%)		
Mats and integrated services	19.4%	26.1%		

## Fluids Systems

### *Revenues*

Total revenues for this segment consisted of the following:

(In thousands)	Year ended December 31,		2016 vs 2015	
	2016	2015	\$	%
United States	\$ 149,876	\$ 299,266	\$ (149,390)	(50%)
Canada	33,050	52,673	(19,623)	(37%)
<b>Total North America</b>	<b>182,926</b>	<b>351,939</b>	<b>(169,013)</b>	<b>(48%)</b>
Latin America	40,736	46,668	(5,932)	(13%)
<b>Total Western Hemisphere</b>	<b>223,662</b>	<b>398,607</b>	<b>(174,945)</b>	<b>(44%)</b>
EMEA	167,130	164,426	2,704	2%
Asia Pacific	4,669	18,103	(13,434)	(74%)
<b>Total Eastern Hemisphere</b>	<b>171,799</b>	<b>182,529</b>	<b>(10,730)</b>	<b>(6%)</b>
<b>Total Fluids Systems</b>	<b>\$ 395,461</b>	<b>\$ 581,136</b>	<b>\$ (185,675)</b>	<b>(32%)</b>

North America revenues decreased 48% to \$182.9 million in 2016, compared to \$351.9 million in 2015. This decrease in revenues is primarily attributable to the 45% decline in North American average rig count along with lower pricing and customer spending per well, partially offset by market share gains over this period.

Internationally, revenues decreased 7% to \$212.5 million in 2016 compared to \$229.2 million in 2015, which included a \$10.7 million reduction from currency rate changes compared to 2015. The increase in the EMEA region was primarily driven by a \$39.8 million increase for activity in Algeria, Kuwait, and the Republic of the Congo, partially offset by a \$16.6 million decrease following the completion of customer drilling activity in the deepwater Black Sea and other reductions in customer drilling activity related to the current commodity price environment, as well as an \$8.5 million reduction from the impact of currency exchange. The decrease in revenues in Latin America is primarily attributable to declines in Petrobras drilling activity in Brazil and the impact of currency exchange partially offset by the \$12.3 million revenue contribution from the offshore Uruguay project in 2016. The decline in Asia Pacific is primarily attributable to reduced drilling activity in Australia.



### ***Operating Income***

The Fluids Systems segment incurred an operating loss of \$43.6 million in 2016 compared to an operating loss of \$86.8 million in 2015. The operating losses in 2016 and 2015 included \$15.5 million and \$75.5 million of charges, respectively, for the impairment of assets as previously discussed. The remaining \$16.8 million net increase in operating loss in 2016 compared to 2015 included a \$13.3 million increase in the North American operating loss and a \$3.5 million decrease in international operating income. The increase in North American operating loss is largely attributable to the \$169.0 million decline in revenues described above, partially offset by the benefits of cost reduction programs and a \$3.1 million reduction in employee termination costs. The \$3.5 million decrease in international operating income is primarily attributable to an unfavorable change in customer mix in EMEA along with the revenue declines in Asia Pacific and Latin America and a \$1.8 million negative impact of currency exchange.

### **Mats and Integrated Services**

#### ***Revenues***

Total revenues for this segment consisted of the following:

(In thousands)	Year ended December 31,		2016 vs 2015	
	2016	2015	\$	%
Mat rental and services	\$ 58,389	\$ 73,037	\$ (14,648)	(20%)
Mat sales	17,646	22,692	(5,046)	(22%)
Total	<u>\$ 76,035</u>	<u>\$ 95,729</u>	<u>\$ (19,694)</u>	<u>(21%)</u>

Mat rental and services revenues decreased \$14.6 million in 2016, as compared to 2015. The decrease is primarily due to weakness in North American drilling markets, including the U.S. Northeast region which has historically been the segment's largest rental market. A 49% decline in the U.S. Northeast region's drilling activity, along with a significant decline in completions activity, has resulted in lower rental fleet utilization and customer pricing from prior year levels. The revenue decline from North American drilling markets was partially offset by a \$5.7 million increase in revenues from non-E&P customers in North America and Europe.

Revenues from mat sales declined by \$5.0 million compared to 2015 and typically fluctuates based on the timing of mat orders from customers.

#### ***Operating Income***

Segment operating income declined by \$10.2 million to \$14.7 million in 2016, as compared to \$24.9 million in 2015, largely attributable to the decline in revenues described above. Due to the relatively fixed nature of operating expenses in our rental business, declines in rental and services revenue have a higher decremental impact on the segment's operating margin. The impact of lower revenue was partially offset by a \$6.1 million reduction in depreciation expense and a \$1.4 million increase in gains recognized on the sale of used composite mats from our rental fleet. The reduction in depreciation expense was a result of a change in estimated useful lives and residual values of our composite mats included in rental fleet fixed assets in 2016 as further discussed in Note 1 to the Consolidated Financial Statements.

### **Corporate office**

Corporate office expenses decreased \$9.0 million to \$28.3 million in 2016, compared to \$37.3 million in 2015. The decrease is primarily attributable to a \$5.7 million improvement from the settlement of the wage and hour litigation claims and a \$2.0 million decrease in legal costs, primarily associated with such claims. The remaining \$1.3 million decrease is primarily attributable to reduced spending on strategic projects and the benefits of cost reduction programs.

### **Liquidity and Capital Resources**

Net cash provided by operating activities during 2017 totaled \$38.4 million compared to \$11.1 million during 2016. The increase in operating cash flow is primarily attributable to the improvements in operational performance in North America. As a result of the 59% improvement in consolidated revenues, net income adjusted for non-cash items provided \$57.4 million of operating cash in 2017, while an increase in working capital required to support the growth used \$19.1 million of cash in 2017, primarily reflecting increases in trade receivables offset by a \$37.2 million tax refund received in the second quarter of 2017.

Net cash used in investing activities during 2017 was \$68.4 million, including \$44.8 million associated with the WSG acquisition. Investing activities also included capital expenditures of \$31.4 million, including \$17.6 million in the Fluids Systems segment, of which \$6.9 million related to the facility upgrade and expansion of our Fourchon, Louisiana facility. The Mats and Integrated Services segment capital expenditures totaled \$12.0 million during 2017, primarily reflecting investments in the mat rental fleet.

Net cash used in financing activities during 2017 was \$2.3 million. We borrowed a net \$81.6 million on our Amended ABL Facility in 2017, which largely funded repayment of the \$83.3 million 2017 Convertible Notes that matured in October 2017.

As of December 31, 2017, we had cash on-hand of \$56.4 million, substantially all of which resides within our international subsidiaries. As a result of the Tax Act as previously described, we intend to pursue repatriation of available cash in certain of our international subsidiaries subject to cash requirements to support the strategic objectives of these international subsidiaries and finalization of our analysis of the impacts of the Tax Act. We anticipate that our future working capital requirements for our operations will fluctuate directionally with revenues. In addition, we expect total 2018 capital expenditures to be approximately \$20 million to \$25 million. Availability under our Amended ABL Facility also provides additional liquidity as discussed further below. Total availability under the Amended ABL Facility will fluctuate directionally based on the level of eligible accounts receivable, inventory, and, subject to satisfaction of certain financial covenants as described below, composite mats included in the rental fleet. We expect our available cash on-hand, cash generated by operations and remaining availability under our Amended ABL Facility to be adequate to fund current operations during the next 12 months.

Our capitalization was as follows:

(In thousands)	December 31, 2017	December 31, 2016
Convertible Notes due 2017	\$ —	\$ 83,256
Convertible Notes due 2021	100,000	100,000
Amended ABL Facility	81,600	—
Other debt	1,518	380
Unamortized discount and debt issuance costs	(22,643)	(27,368)
Total debt	<u>\$ 160,475</u>	<u>\$ 156,268</u>
Stockholder's equity	547,480	500,543
Total capitalization	<u>\$ 707,955</u>	<u>\$ 656,811</u>
Total debt to capitalization	<u>22.7%</u>	<u>23.8%</u>

**2017 Convertible Notes.** In September 2010, we issued \$172.5 million of unsecured convertible senior notes (“2017 Convertible Notes”) that matured on October 1, 2017. As of December 31, 2016, \$83.3 million aggregate principal amount remained outstanding, all of which were repaid upon maturity in October 2017.

**2021 Convertible Notes.** In December 2016, we issued \$100.0 million of unsecured convertible senior notes (“2021 Convertible Notes”) that mature on December 1, 2021, unless earlier converted by the holders pursuant to the terms of the notes. The notes bear interest at a rate of 4.0% per year, payable semiannually in arrears on June 1 and December 1 of each year.

Holder may convert the notes at their option at any time prior to the close of business on the business day immediately preceding June 1, 2021, only under the following circumstances:

- during any calendar quarter (and only during such calendar quarter) if the last reported sale price of our common stock for at least 20 trading days (regardless of whether consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price of the notes in effect on each applicable trading day;
- during the five business day period after any five consecutive trading day period in which the trading price per \$1,000 principal amount of notes for each trading day was less than 98% of the last reported sale price of our common stock on such date multiplied by the conversion rate on each such trading day; or
- upon the occurrence of specified corporate events, as described in the indenture governing the notes, such as a consolidation, merger, or share exchange.

On or after June 1, 2021 until the close of business on the business day immediately preceding the maturity date, holders may convert their notes at any time, regardless of whether any of the foregoing conditions have been satisfied. As of February 23, 2018, the notes were not convertible.

The notes are convertible into, at our election, cash, shares of common stock, or a combination of both, subject to satisfaction of specified conditions and during specified periods, as described above. If converted, we currently intend to pay cash for the principal amount of the notes converted. The conversion rate is initially 107.1381 shares of our common stock per \$1,000 principal amount of notes (equivalent to an initial conversion price of \$9.33 per share of common stock), subject to adjustment in certain circumstances. We may not redeem the notes prior to their maturity date.

In accordance with accounting guidance for convertible debt with a cash conversion option, we separately accounted for the debt and equity components of the notes in a manner that reflected our estimated nonconvertible debt borrowing rate. We estimated the fair value of the debt component of the notes to be \$75.2 million at the issuance date, assuming a 10.5% non-convertible borrowing rate. The carrying amount of the equity component was determined to be approximately \$24.8 million by deducting the fair value of the debt component from the principal amount of the notes, and was recorded as an increase to additional paid-in capital, net of the related deferred tax liability of \$8.7 million. The excess of the principal amount of the debt component over its carrying amount (the “debt discount”) is being amortized as interest expense over the term of the notes using the effective interest method. See “Note 6 – Financing Arrangements” in our consolidated financial statements for further discussion of the accounting treatment for the 2021 Convertible Notes.

**Revolving Credit Facility.** In March 2015, we entered into a Third Amended and Restated Credit Agreement (the “Credit Agreement”) which provided for a \$200.0 million revolving loan facility available for borrowings and letters of credit through March 2020. In December 2015, the Credit Agreement was amended, decreasing the revolving credit facility to \$150.0 million and subsequently, we terminated the Credit Agreement in May 2016, replacing it with an asset-based revolving loan facility as discussed further below. As of the date of termination, we had no outstanding borrowings under the Credit Agreement. In the second quarter of 2016, we recognized a non-cash charge of \$1.1 million in interest expense for the write-off of debt issuance costs in connection with the termination.

**Asset-Based Loan Facility.** In May 2016, we entered into an asset-based revolving credit agreement (the “ABL Facility”) which replaced the terminated Credit Agreement. The ABL Facility had a termination date of March 6, 2020 and provided financing of up to \$90.0 million available for borrowings (inclusive of letters of credit) and subject to certain conditions, could be increased to a maximum capacity of \$150.0 million. In October 2017, we entered into an Amended and Restated Credit Agreement (the “Amended ABL Facility”) which amends and restates our previous ABL Facility and increases the borrowing capacity from \$90.0 million to \$150.0 million, while also reducing applicable borrowing rates and fee terms. Subject to certain conditions, the Amended ABL Facility can be increased up to a maximum capacity of \$225.0 million.

The Amended ABL Facility terminates on October 17, 2022; however, the Amended ABL Facility has a springing maturity date that will accelerate the maturity of the Amended ABL Facility to September 1, 2021 if, prior to such date, the 2021 Convertible Notes have not either been repurchased, redeemed, converted or we have not provided sufficient funds to repay the 2021 Convertible Notes in full on their maturity date. For this purpose, funds may be provided in cash to an escrow agent or a combination of cash to an escrow agent and the assignment of a portion of availability under the Amended ABL Facility. The Amended ABL Facility requires compliance with a minimum fixed charge coverage ratio and minimum unused availability of \$25.0 million to utilize borrowings or assignment of availability under the Amended ABL Facility towards funding the repayment of the 2021 Convertible Notes.

Borrowing availability under the Amended ABL Facility is calculated based on eligible accounts receivable, inventory, and, subject to satisfaction of certain financial covenants as described below, composite mats included in the rental fleet, net of reserves and limits on such assets included in the borrowing base calculation. To the extent pledged by us, the borrowing base calculation shall also include the amount of eligible pledged cash. The lender may establish reserves, in part based on appraisals of the asset base, and other limits at its discretion which could reduce the amounts otherwise available under the Amended ABL Facility. Availability associated with eligible rental mats will also be subject to maintaining a minimum consolidated fixed charge coverage ratio and a minimum level of operating income for the Mats and Integrated Services segment. As of December 31, 2017, our total borrowing base availability under the Amended ABL Facility was \$136.2 million, of which, \$81.6 million was drawn, resulting in remaining availability of \$54.6 million.

Under the terms of the Amended ABL Facility, we may elect to borrow at a variable interest rate plus an applicable margin based on either, (1) LIBOR subject to a floor of zero or (2) a base rate equal to the highest of: (a) the federal funds rate plus 50 basis points, (b) the prime rate of Bank of America, N.A. or (c) LIBOR, subject to a floor of zero, plus 100 basis points. The applicable margin ranges from 175 to 275 basis points for LIBOR borrowings, and 75 to 175 basis points for base rate borrowings, based on the ratio of debt to consolidated EBITDA as defined in the Amended ABL Facility. As of December 31, 2017, the applicable margin for borrowings under our Amended ABL Facility is 200 basis points with respect to LIBOR borrowings and 100 basis points with respect to base rate borrowings. The weighted average interest rate for the Amended ABL Facility is 3.9% at December 31, 2017. In addition, we are required to pay a commitment fee on the unused portion of the Amended ABL Facility ranging from 25 to 37.5 basis points, based on the ratio of debt to consolidated EBITDA, as defined in the Amended ABL Facility. The applicable commitment fee as of December 31, 2017 was 37.5 basis points.

The Amended ABL Facility is a senior secured obligation, secured by first liens on all of our U.S. tangible and intangible assets and a portion of the capital stock of our non-U.S. subsidiaries has also been pledged as collateral. The Amended ABL Facility contains customary operating covenants and certain restrictions including, among other things, the incurrence of additional debt, liens, dividends, asset sales, investments, mergers, acquisitions, affiliate transactions, stock repurchases and other restricted payments. The Amended ABL Facility also requires compliance with a fixed charge coverage ratio if availability under the Amended ABL Facility falls below \$22.5 million. In addition, the Amended ABL Facility contains customary events of default, including,

without limitation, a failure to make payments under the facility, acceleration of more than \$25.0 million of other indebtedness, certain bankruptcy events and certain change of control events.

**Other Debt.** Our foreign subsidiaries in Italy and India maintain local credit arrangements consisting primarily of lines of credit which are renewed on an annual basis. We utilize local financing arrangements in our foreign operations in order to provide short-term local liquidity needs. Advances under these short-term credit arrangements are typically based on a percentage of the subsidiary's accounts receivable or firm contracts with certain customers. We had \$1.0 million outstanding under these arrangements at December 31, 2017, and there were no balances outstanding at December 31, 2016.

At December 31, 2017, we had letters of credit issued and outstanding which totaled \$7.2 million that are collateralized by \$7.6 million in restricted cash. Additionally, our foreign operations had \$21.6 million outstanding in letters of credit and other guarantees, primarily issued under the line of credit in Italy as well as certain letters of credit that are collateralized by \$1.5 million in restricted cash. At December 31, 2017 and December 31, 2016, prepaid expenses and other current assets in the accompanying balance sheet include total restricted cash related to letters of credit of \$9.1 million and \$7.4 million, respectively.

### Off-Balance Sheet Arrangements

In conjunction with our insurance programs, we had established letters of credit in favor of certain insurance companies in the amount of \$2.2 million and \$3.0 million at December 31, 2017 and 2016, respectively. We also had \$0.4 million in guarantee obligations in connection with facility closure bonds and other performance bonds issued by insurance companies outstanding as of December 31, 2017 and 2016.

Other than normal operating leases for office and warehouse space, rolling stock and other pieces of operating equipment, we do not have any off-balance sheet financing arrangements or special purpose entities. As such, we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such financing arrangements.

### Contractual Obligations

A summary of our outstanding contractual and other obligations and commitments at December 31, 2017 is as follows:

(In thousands)	2018	2019	2020	2021	2022	Thereafter	Total
Current debt	\$ 1,518	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,518
2021 Convertible Notes	—	—	—	100,000	—	—	100,000
Interest on 2021 Convertible Notes	4,000	4,000	4,000	4,000	—	—	16,000
Amended ABL Facility	—	—	—	—	81,600	—	81,600
Operating leases	13,318	6,877	4,611	3,764	3,251	7,689	39,510
Trade accounts payable and accrued liabilities <sup>(1)</sup>	156,813	—	—	—	—	—	156,813
Purchase commitments, not accrued	15,005	1,800	—	—	—	—	16,805
Other long-term liabilities <sup>(2)</sup>	—	—	—	—	—	6,285	6,285
Performance bond obligations	444	—	—	—	—	—	444
Letter of credit commitments	23,889	1,815	1,494	213	1,383	—	28,794
Total contractual obligations	<u>\$214,987</u>	<u>\$ 14,492</u>	<u>\$ 10,105</u>	<u>\$107,977</u>	<u>\$ 86,234</u>	<u>\$ 13,974</u>	<u>\$447,769</u>

(1) Excludes accrued interest on the 2021 Convertible Notes.

(2) Table does not allocate by year expected tax payments and uncertain tax positions due to the inability to make reasonably reliable estimates of the timing of future cash settlements with the respective taxing authorities. For additional discussion on uncertain tax positions, see "Note 8 – Income Taxes" in our Consolidated Financial Statements.

We anticipate that the obligations and commitments listed above that are due in less than one year will be paid from available cash on-hand, cash generated by operations, and estimated availability under our Amended ABL Facility, subject to covenant compliance and certain restrictions as discussed further above. The specific timing of settlement for certain long-term obligations cannot be reasonably estimated.

## **Critical Accounting Policies**

### ***Critical Accounting Estimates***

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted within the United States (“U.S. GAAP”), which requires us to make assumptions, estimates and judgments that affect the amounts and disclosures reported. Significant estimates used in preparing our consolidated financial statements include the following: allowances for product returns, allowances for doubtful accounts, reserves for self-insured retentions under insurance programs, estimated performance and values associated with employee incentive programs, fair values used for goodwill impairment testing, undiscounted future cash flows used for impairment testing of long-lived assets, the provisional accounting for the Tax Act, and valuation allowances for deferred tax assets. See “Note 1 – Summary of Significant Accounting Policies” in our Consolidated Financial Statements for a discussion of the accounting policies governing each of these matters. Our estimates are based on historical experience and on our future expectations that are believed to be reasonable. The combination of these factors forms the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from our current estimates and those differences may be material.

We believe the critical accounting policies described below affect our more significant judgments and estimates used in preparing our consolidated financial statements.

### ***Allowance for Doubtful Accounts***

Reserves for uncollectible accounts receivable are determined on a specific identification basis when we believe that the required payment of specific amounts owed to us is not probable. The majority of our revenues are from mid-sized and international oil companies as well as government-owned or government-controlled oil companies, and we have receivables in several foreign jurisdictions. Changes in the financial condition of our customers or political changes in foreign jurisdictions could cause our customers to be unable to repay these receivables, resulting in additional allowances. For 2017, 2016, and 2015, provisions for uncollectible accounts receivable were \$1.5 million, \$2.4 million and \$1.9 million, respectively.

### ***Allowance for Product Returns***

We maintain reserves for estimated customer returns of unused products in our Fluids Systems segment. The reserves are established based upon historical customer return levels and estimated gross profit levels attributable to product sales. Future customer return levels may differ from the historical return rate.

### ***Impairment of Long-lived Assets***

Goodwill and other indefinite-lived intangible assets are tested for impairment annually as of November 1, or more frequently, if an indication of impairment exists. When there are qualitative indicators of impairment, we use an impairment test which includes a comparison of the carrying value of net assets of our reporting units, including goodwill, with their estimated fair values, which we determine using a combination of a market multiple and discounted cash flow approach. We also compare the aggregate fair values of our reporting units with our market capitalization. If the carrying value exceeds the estimated fair value, an impairment charge is recorded in the period in which such review is performed. We identify our reporting units based on our analysis of several factors, including our operating segment structure, evaluation of the economic characteristics of our geographic regions within each of our operating segments, and the extent to which our business units share assets and other resources.

In completing our November 1, 2017 evaluation, we determined that each reporting unit’s fair value was in excess of the net carrying value and therefore, no impairment was required. At December 31, 2017, we had \$43.6 million of goodwill, substantially all of which relates to the Mats and Integrated Services segment.

In 2015, we completed the annual evaluation of the carrying values of our goodwill and other indefinite-lived intangible assets as of November 1, 2015. As a result of the further decline in commodity prices and drilling activities in the fourth quarter of 2015, including the projection of lower commodity prices and drilling activities, as well as the further decline in the quoted market prices of our common stock, we determined that the carrying value of our drilling fluids reporting unit exceeded its estimated fair value such that goodwill was potentially impaired. As a result, we completed step two of the evaluation to measure the amount of goodwill impairment determining a full impairment of goodwill related to the drilling fluids reporting unit was required. As such, in the fourth quarter of 2015, we recorded a \$70.7 million non-cash impairment charge to write-off the goodwill related to the drilling fluids reporting unit, which is included in impairments and other charges. In completing this annual evaluation as of November 1, 2015, we also determined that the mats and integrated services reporting unit did not have a fair value below its net carrying value and therefore, no impairment was required.

There are significant inherent uncertainties and management judgment in estimating the fair value of a reporting unit. While we believe we have made reasonable estimates and assumptions to estimate the fair value of our reporting units, it is possible that a material change could occur. If actual results are not consistent with our current estimates and assumptions, or if changes in macroeconomic conditions outside the control of management change such that it results in a significant negative impact on

our estimated fair values, the fair value of a reporting unit may decrease below its net carrying value, which could result in a material impairment of our goodwill.

We review property, plant and equipment, finite-lived intangible assets and certain other assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In 2016, we recognized \$6.9 million of non-cash impairments in the Asia Pacific region resulting from the continuing unfavorable industry market conditions and outlook for the region and a \$0.5 million charge in the Latin America region to write-down property, plant and equipment associated with the wind-down of our operations in Uruguay. In 2015, we recognized a \$2.6 million non-cash impairment charge for assets, following our decision to exit a drilling fluids facility.

We assess recoverability based on expected undiscounted future net cash flows. In estimating expected cash flows, we use a probability-weighted approach. Should the review indicate that the carrying value is not fully recoverable, the amount of impairment loss is determined by comparing the carrying value to the estimated fair value. Estimating future net cash flows requires us to make judgments regarding long-term forecasts of future revenues and costs related to the assets subject to review. These forecasts are uncertain in that they require assumptions about demand for our products and services, future market conditions and technological developments. If changes in these assumptions occur, our expectations regarding future net cash flows may change such that a material impairment could result.

### ***Insurance***

We maintain reserves for estimated future payments associated with our self-insured employee healthcare programs, as well as the self-insured retention exposures under our general liability, auto liability and workers compensation insurance policies. Our reserves are determined based on historical experience under these programs, including estimated development of known claims and estimated incurred-but-not-reported claims. Required reserves could change significantly based upon changes in insurance coverage, loss experience or inflationary impacts. As of December 31, 2017 and 2016, total insurance reserves were \$3.8 million and \$2.7 million, respectively.

### ***Income Taxes***

The Tax Act was enacted on December 22, 2017, resulting in broad and complex changes to U.S. income tax law. The Tax Act includes a one-time transition tax in 2017 on accumulated foreign subsidiary earnings not previously subject to U.S. income tax, reduces the U.S. corporate statutory tax rate from 35% to 21% effective January 1, 2018, generally eliminates U.S. federal income tax on dividends from foreign subsidiaries, creates new tax on certain foreign-sourced earnings, makes other changes to limit certain deductions and changes rules on how certain tax credits and net operating loss carryforwards can be utilized.

Due to the timing of the enactment and the complexity involved in applying the provisions of the Tax Act, we made reasonable estimates of the effects and recorded provisional amounts in our 2017 financial statements. As we finalize the necessary data, and interpret the Tax Act and any additional guidance issued by the U.S. Treasury Department, the IRS, or other standard-setting bodies, we may make adjustments to the provisional amounts.

The net tax benefit recognized in 2017 related to the Tax Act was \$3.4 million. As we complete our analysis of the Tax Act and incorporate additional guidance that may be issued by the U.S. Treasury Department, the IRS or other standard-setting bodies, we may identify additional effects not reflected as of December 31, 2017. Those adjustments may materially impact our provision for income taxes and effective tax rate in the period in which the adjustments are made. The accounting for the tax effects of the Tax Act will be completed in 2018.

While we have not completed our analysis of the impacts of the Tax Act on our effective tax rate going forward, we anticipate the overall impacts of the Tax Act described above will reduce our effective tax rate in 2018 compared to 2017, excluding the \$3.4 million net benefit included in our 2017 income tax provision. The impact of the Tax Act on our effective tax rate in 2018 will depend in large part on the relative contribution of our domestic earnings and finalization of the provisional accounting for the Tax Act.

We had total deferred tax assets of \$61.9 million and \$51.2 million at December 31, 2017 and 2016, respectively. A valuation allowance must be established to offset a deferred tax asset if, based on available evidence, it is more likely than not that some or all of the deferred tax asset will not be realized. In 2017, we recognized certain foreign tax credits of \$5.5 million in the U.S. related to the provisional accounting for taxes on repatriation of foreign earnings, however, we also recognized a full valuation allowance related to such tax assets as it is more likely than not that these assets will not be realized. We have considered future taxable income and tax planning strategies in assessing the need for our valuation allowance. At December 31, 2017, a total valuation allowance of \$30.2 million was recorded, which includes a valuation allowance on \$22.2 million of net operating loss carryforwards for certain U.S. state and foreign jurisdictions, including Australia, as well as a valuation allowance of \$5.5 million for certain tax credits recognized in 2017 related to the provisional accounting for the impact of the Tax Act as described above. Changes in the expected future generation of qualifying taxable income within these jurisdictions or in the realizability of other tax assets may result in an adjustment to the valuation allowance, which would be charged or credited to income in the period this

determination was made. In 2016, we recognized an increase in the valuation allowance for deferred tax assets, primarily related to our Australian subsidiary and certain U.S. state net operating losses, which are not expected to be realized. In addition, we decreased the valuation allowance in 2016 related to Brazil as we were able to utilize certain net operating loss carryforwards related to income in 2016 from the forgiveness of certain inter-company balances due from our Brazilian subsidiary.

We file income tax returns in the United States and several non-U.S. jurisdictions and are subject to examination in the various jurisdictions in which we file. We are no longer subject to income tax examinations for U.S. federal and substantially all state jurisdictions for years prior to 2012 and for substantially all foreign jurisdictions for years prior to 2008. We are currently under examination by the United States federal tax authorities for tax years 2014 and 2015. During the second quarter of 2017, we received a Revenue Agent Report from the IRS disallowing a deduction claimed on our 2015 tax return associated with the forgiveness of certain inter-company balances due from our Brazilian subsidiary and assessing tax due of approximately \$3.9 million. We submitted our response to the IRS in the third quarter of 2017 and are proceeding with the tax appeals process. We believe our tax position is properly reported in accordance with applicable U.S. tax laws and regulations and intend to vigorously defend our position through the tax appeals process.

We are also under examination by various tax authorities in other countries, and certain foreign jurisdictions have challenged the amounts of taxes due for certain tax periods. These audits are in various stages of completion. We fully cooperate with all audits, but defend existing positions vigorously. We evaluate the potential exposure associated with various filing positions and record a liability for tax contingencies as circumstances warrant. Although we believe all tax positions are reasonable and properly reported in accordance with applicable tax laws and regulations in effect during the periods involved, the final determination of tax audits and any related litigation could be materially different than that which is reflected in historical income tax provisions and tax contingency accruals.

### ***New accounting pronouncements***

In May 2014, the Financial Accounting Standards Board (“FASB”) amended the existing accounting standards for revenue recognition. The amendments are based on the principle that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments are to be applied using a retrospective or modified retrospective approach. The new guidance is effective for us in the first quarter of 2018. In order to determine the impact of the new guidance on our financial statements, we formed an implementation work team and completed assessments of the new guidance across our revenue streams. Our process included performing reviews of representative contracts across our revenue streams and comparing historical accounting practices to the new standard.

We have completed our evaluation of the impacts of these amendments. As our performance obligations under customer contracts are primarily short-term in nature, we do not expect the new guidance to have a material impact on the amounts of revenue recognized in our consolidated financial statements. We will include incremental disclosures in our 2018 consolidated financial statements regarding our revenue recognition policies and related amounts. We have adopted the new guidance utilizing the modified retrospective method effective January 1, 2018. The cumulative-effect adjustment to retained earnings upon adoption is not material.

In October 2016, the FASB amended the guidance related to the recognition of current and deferred income taxes for intra-entity asset transfers. Under current U.S. GAAP, recognition of income taxes on intra-entity asset transfers is prohibited until the asset has been sold to an outside party. This update requires that entities recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. This update does not change U.S. GAAP for the pre-tax effects of an intra-entity asset transfer or for an intra-entity transfer of inventory. This guidance is effective for us in the first quarter of 2018 and should be applied using a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. We have adopted the new guidance utilizing the modified retrospective method effective January 1, 2018. The cumulative-effect adjustment to retained earnings upon adoption is not material.

In August 2016, the FASB issued updated guidance that clarifies how certain cash receipts and cash payments are presented and classified in the statement of cash flows. This update provides guidance on eight specific cash flow issues. This guidance is effective for us in the first quarter of 2018 and should be applied using the retrospective transition method to each period presented. Early adoption is permitted but all changes must be adopted in the same period. We do not expect the adoption of this new guidance to have a material impact on the presentation of our consolidated statements of cash flows.

In February 2016, the FASB issued updated guidance regarding accounting for leases. The new accounting standard provides principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize both assets and liabilities arising from financing and operating leases. The classification as either a financing or operating lease will determine whether lease expense is recognized based on an effective interest method basis or on a straight-line basis over the term of the lease, respectively. The new guidance is effective for us in the first quarter of 2019 with early adoption permitted. Based on our current lease portfolio, we anticipate the new guidance will require us to reflect additional assets and liabilities in our consolidated balance sheet; however, we have not yet completed an estimation of such amount and we are still evaluating the overall impact of the new guidance on our consolidated financial statements.

In June 2016, the FASB issued new guidance which requires financial assets measured at amortized cost basis to be presented at the net amount expected to be collected, including trade receivables. The new standard requires an entity to estimate its lifetime “expected credit loss” for such assets at inception which will generally result in the earlier recognition of allowances for losses. The new guidance is effective for us in the first quarter of 2020 with early adoption permitted in 2019. This guidance should be applied using a modified retrospective basis through a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. We are currently evaluating the impact of the new guidance on our consolidated financial statements.

#### **ITEM 7A. *Quantitative and Qualitative Disclosures about Market Risk***

We are exposed to market risk from changes in interest rates and changes in foreign currency exchange rates. A discussion of our primary market risk exposure in financial instruments is presented below.

##### ***Interest Rate Risk***

At December 31, 2017, we had total principal amounts outstanding under financing arrangements of \$183.1 million, including \$100.0 million of borrowings under our 2021 Convertible Notes which bear interest at a fixed rate of 4% and \$81.6 million of borrowings under the Amended ABL Facility. Borrowings under our Amended ABL Facility are subject to a variable interest rate as determined by the credit agreement. The weighted average interest rate at December 31, 2017 for the Amended ABL Facility is 3.9%. Based upon the balance of variable rate debt at December 31, 2017, a 100 basis-point increase in short-term interest rates would have increased pre-tax interest expense by \$0.8 million.

##### ***Foreign Currency***

Our principal foreign operations are conducted in certain areas of EMEA, Latin America, Asia Pacific, and Canada. We have foreign currency exchange risks associated with these operations, which are conducted principally in the foreign currency of the jurisdictions in which we operate including European euros, Algerian dinar, Romanian new leu, Canadian dollars, Australian dollars, British pounds and Brazilian reais. Historically, we have not used off-balance sheet financial hedging instruments to manage foreign currency risks when we enter into a transaction denominated in a currency other than our local currencies.



**ITEM 8. Financial Statements and Supplementary Data**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders of  
Newpark Resources, Inc.  
The Woodlands, Texas

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Newpark Resources, Inc. and subsidiaries (the "Company") as of December 31, 2017 and 2016, the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows, for each of the three years in the period ended December 31, 2017, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 23, 2018, expressed an unqualified opinion on the Company's internal control over financial reporting.

**Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ DELOITTE & TOUCHE LLP

Houston, Texas  
February 23, 2018

We have served as the Company's auditor since 2008.

**Newpark Resources, Inc.**  
**Consolidated Balance Sheets**  
**December 31,**

(In thousands, except share data)	2017	2016
<b>ASSETS</b>		
Cash and cash equivalents	\$ 56,352	\$ 87,878
Receivables, net	265,866	214,307
Inventories	165,336	143,612
Prepaid expenses and other current assets	17,483	17,143
Total current assets	<u>505,037</u>	<u>462,940</u>
Property, plant and equipment, net	315,320	303,654
Goodwill	43,620	19,995
Other intangible assets, net	30,004	6,067
Deferred tax assets	4,753	1,747
Other assets	3,982	3,780
Total assets	<u>\$ 902,716</u>	<u>\$ 798,183</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current debt	\$ 1,518	\$ 83,368
Accounts payable	88,648	65,281
Accrued liabilities	68,248	31,152
Total current liabilities	<u>158,414</u>	<u>179,801</u>
Long-term debt, less current portion	158,957	72,900
Deferred tax liabilities	31,580	38,743
Other noncurrent liabilities	6,285	6,196
Total liabilities	<u>355,236</u>	<u>297,640</u>
Commitments and contingencies (Note 15)		
Common stock, \$0.01 par value, 200,000,000 shares authorized and 104,571,839 and 99,843,094 shares issued, respectively	1,046	998
Paid-in capital	603,849	558,966
Accumulated other comprehensive loss	(53,219)	(63,208)
Retained earnings	123,375	129,873
Treasury stock, at cost; 15,366,504 and 15,162,050 shares, respectively	(127,571)	(126,086)
Total stockholders' equity	<u>547,480</u>	<u>500,543</u>
Total liabilities and stockholders' equity	<u>\$ 902,716</u>	<u>\$ 798,183</u>

See Accompanying Notes to Consolidated Financial Statements

**Newpark Resources, Inc.**  
**Consolidated Statements of Operations**  
**Years Ended December 31,**

(In thousands, except per share data)	2017	2016	2015
<b>Revenues</b>			
Product sales	\$ 628,401	\$ 390,306	\$ 569,290
Rental and services	119,362	81,190	107,575
<b>Total Revenues</b>	<u>747,763</u>	<u>471,496</u>	<u>676,865</u>
<b>Cost of revenues</b>			
Cost of product sales	539,243	386,085	533,040
Cost of rental and services	68,656	51,751	65,973
<b>Total Cost of revenues</b>	<u>607,899</u>	<u>437,836</u>	<u>599,013</u>
Selling, general and administrative expenses	108,838	88,473	101,032
Other operating income, net	(410)	(4,345)	(2,426)
Impairments and other charges	—	6,745	78,345
<b>Operating income (loss)</b>	<u>31,436</u>	<u>(57,213)</u>	<u>(99,099)</u>
Foreign currency exchange (gain) loss	2,051	(710)	4,016
Interest expense, net	13,273	9,866	9,111
Gain on extinguishment of debt	—	(1,615)	—
<b>Income (loss) from continuing operations before income taxes</b>	<u>16,112</u>	<u>(64,754)</u>	<u>(112,226)</u>
Provision (benefit) for income taxes	4,893	(24,042)	(21,398)
<b>Income (loss) from continuing operations</b>	<u>11,219</u>	<u>(40,712)</u>	<u>(90,828)</u>
Loss from disposal of discontinued operations, net of tax	(17,367)	—	—
<b>Net loss</b>	<u>\$ (6,148)</u>	<u>\$ (40,712)</u>	<u>\$ (90,828)</u>
<b>Income (loss) per common share - basic:</b>			
Income (loss) from continuing operations	\$ 0.13	\$ (0.49)	\$ (1.10)
Loss from discontinued operations	(0.20)	—	—
<b>Net loss</b>	<u>\$ (0.07)</u>	<u>\$ (0.49)</u>	<u>\$ (1.10)</u>
<b>Income (loss) per common share - diluted:</b>			
Income (loss) from continuing operations	\$ 0.13	\$ (0.49)	\$ (1.10)
Loss from discontinued operations	(0.20)	—	—
<b>Net loss</b>	<u>\$ (0.07)</u>	<u>\$ (0.49)</u>	<u>\$ (1.10)</u>

See Accompanying Notes to Consolidated Financial Statements

**Newpark Resources, Inc.**  
**Consolidated Statements of Comprehensive Income (Loss)**  
**Years Ended December 31,**

(In thousands)	2017	2016	2015
Net loss	\$ (6,148)	\$ (40,712)	\$ (90,828)
Foreign currency translation adjustments	9,989	(4,932)	(26,284)
Comprehensive income (loss)	<u>\$ 3,841</u>	<u>\$ (45,644)</u>	<u>\$ (117,112)</u>

See Accompanying Notes to Consolidated Financial Statements

**Newpark Resources, Inc.**  
**Consolidated Statements of Stockholders' Equity**

(In thousands)	Common Stock	Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Treasury Stock	Total
Balance at January 1, 2015	\$ 992	\$ 521,228	\$ (31,992)	\$ 262,616	\$ (127,386)	\$ 625,458
Net loss	—	—	—	(90,828)	—	(90,828)
Employee stock options, restricted stock and employee stock purchase plan	2	(402)	—	—	(607)	(1,007)
Stock-based compensation expense	—	14,202	—	—	—	14,202
Income tax effect, net, of employee stock related activity	—	(412)	—	—	—	(412)
Foreign currency translation	—	—	(26,284)	—	—	(26,284)
Other	—	(870)	—	—	—	(870)
Balance at December 31, 2015	994	533,746	(58,276)	171,788	(127,993)	520,259
Net loss	—	—	—	(40,712)	—	(40,712)
Employee stock options, restricted stock and employee stock purchase plan	4	(478)	—	(1,203)	1,907	230
Stock-based compensation expense	—	12,056	—	—	—	12,056
Income tax effect, net, of employee stock related activity	—	(1,558)	—	—	—	(1,558)
Issuance of Convertible Notes due 2021	—	15,200	—	—	—	15,200
Foreign currency translation	—	—	(4,932)	—	—	(4,932)
Balance at December 31, 2016	998	558,966	(63,208)	129,873	(126,086)	500,543
Net loss	—	—	—	(6,148)	—	(6,148)
Employee stock options, restricted stock and employee stock purchase plan	14	1,636	—	(350)	(1,485)	(185)
Stock-based compensation expense	—	10,843	—	—	—	10,843
Issuance of shares for acquisition	34	32,404	—	—	—	32,438
Foreign currency translation	—	—	9,989	—	—	9,989
Balance at December 31, 2017	\$ 1,046	\$ 603,849	\$ (53,219)	\$ 123,375	\$ (127,571)	\$ 547,480

See Accompanying Notes to Consolidated Financial Statements

**Newpark Resources, Inc.**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31,**

(In thousands)	2017	2016	2015
<b>Cash flows from operating activities:</b>			
Net loss	\$ (6,148)	\$ (40,712)	\$ (90,828)
Adjustments to reconcile net loss to net cash provided by operations:			
Impairments and other non-cash charges	—	12,523	75,508
Depreciation and amortization	39,757	37,955	43,917
Stock-based compensation expense	10,843	12,056	14,202
Provision for deferred income taxes	(10,350)	3,352	(503)
Net provision for doubtful accounts	1,481	2,416	1,886
Loss on sale of a business	21,983	—	—
Gain on sale of assets	(5,478)	(2,820)	(1,364)
Gain on extinguishment of debt	—	(1,615)	—
Amortization of original issue discount and debt issuance costs	5,345	1,618	1,842
Excess tax benefit from stock-based compensation	—	—	(204)
Change in assets and liabilities:			
(Increase) decrease in receivables	(73,722)	(1,699)	122,399
(Increase) decrease in inventories	(15,097)	16,044	21,309
(Increase) decrease in other assets	986	1,708	(651)
Increase (decrease) in accounts payable	14,153	(5,213)	(31,974)
Increase (decrease) in accrued liabilities and other	54,628	(24,518)	(34,022)
<b>Net cash provided by operating activities</b>	<b>38,381</b>	<b>11,095</b>	<b>121,517</b>
<b>Cash flows from investing activities:</b>			
Capital expenditures	(31,371)	(38,440)	(69,404)
Proceeds from sale of property, plant and equipment	7,747	4,540	2,523
Business acquisitions, net of cash acquired	(44,750)	(4,420)	—
<b>Net cash used in investing activities</b>	<b>(68,374)</b>	<b>(38,320)</b>	<b>(66,881)</b>
<b>Cash flows from financing activities:</b>			
Borrowings on lines of credit	176,267	6,437	11,036
Payments on lines of credit	(93,700)	(14,269)	(12,544)
Proceeds from 2021 Convertible Notes	—	100,000	—
Purchases of 2017 Convertible Notes	—	(87,271)	—
Payment on 2017 Convertible Notes	(83,252)	—	—
Debt issuance costs	(955)	(5,403)	(2,023)
Other financing activities	165	357	(1,673)
Proceeds from employee stock plans	2,424	725	553
Purchases of treasury stock	(3,239)	(1,226)	(2,283)
Excess tax benefit from stock-based compensation	—	—	204
<b>Net cash used in financing activities</b>	<b>(2,290)</b>	<b>(650)</b>	<b>(6,730)</b>
Effect of exchange rate changes on cash	2,444	(1,449)	(8,335)
Net increase (decrease) in cash, cash equivalents, and restricted cash	(29,839)	(29,324)	39,571
Cash, cash equivalents, and restricted cash at beginning of year	95,299	124,623	85,052
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 65,460</u>	<u>\$ 95,299</u>	<u>\$ 124,623</u>
Cash paid (received) for:			
Income taxes (net of refunds)	\$ (20,396)	\$ (20,709)	\$ 10,866
Interest	\$ 8,718	\$ 8,802	\$ 8,464

See Accompanying Notes to Consolidated Financial Statements

**NEWPARK RESOURCES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1 — Summary of Significant Accounting Policies**

**Organization and Principles of Consolidation.** Newpark Resources, Inc. was organized in 1932 as a Nevada corporation. In 1991, we changed our state of incorporation to Delaware. The consolidated financial statements include our company and our wholly-owned subsidiaries (“we”, “our” or “us”). All intercompany transactions are eliminated in consolidation.

We are a geographically diversified supplier providing products, rentals and services primarily to the oil and gas exploration and production (“E&P”) industry. We operate our business through two reportable segments: Fluids Systems and Mats and Integrated Services. Our Fluids Systems segment provides customized drilling fluids solutions to E&P customers globally, operating through four geographic regions: North America, Europe, the Middle East and Africa (“EMEA”), Latin America, and Asia Pacific. Our Mats and Integrated Services segment provides composite mat rentals as well as location construction and related site services to customers at well, production, transportation and refinery locations in the United States (“U.S.”). In addition, mat rental and services activity is expanding into applications in other markets, including electrical transmission & distribution, pipeline, solar, petrochemical and construction industries across North America and Europe. We also manufacture and sell composite mats to customers outside of the U.S., and to domestic customers outside of the E&P market.

**Use of Estimates and Market Risks.** The preparation of financial statements in conformity with accounting principles generally accepted in the United States (“US GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates used in preparing our consolidated financial statements include, but are not limited to the following: allowances for product returns, allowances for doubtful accounts, reserves for self-insured retentions under insurance programs, estimated performance and values associated with employee incentive programs, fair values used for goodwill impairment testing, undiscounted future cash flows used for impairment testing of long-lived assets, the provisional accounting for the U.S. Tax Cuts and Jobs Act enacted on December 22, 2017 and valuation allowances for deferred tax assets.

Our operating results depend, to a large extent, on oil and gas drilling activity levels in the markets we serve, and particularly for the Fluids Systems segment, the nature of the drilling operations (including the depth and whether the wells are drilled vertically or horizontally) which governs the revenue potential of each well. Drilling activity, in turn, depends on oil and gas commodity pricing, inventory levels, product demand and regulatory restrictions. Oil and gas prices and activity are cyclical and volatile. This market volatility has a significant impact on our operating results.

**Cash Equivalents.** All highly liquid investments with a remaining maturity of three months or less at the date of acquisition are classified as cash equivalents.

**Restricted Cash.** Cash that is restricted as to withdrawal or usage is recognized as restricted cash and is included in other current assets in the accompanying balance sheet.

**Allowance for Doubtful Accounts.** Reserves for uncollectible accounts receivable are determined on a specific identification basis when we believe that the required payment of specific amounts owed to us is not probable. The majority of our revenues are from mid-sized and international oil companies as well as government-owned or government-controlled oil companies, and we have receivables in several foreign jurisdictions. Changes in the financial condition of our customers or political changes in foreign jurisdictions could cause our customers to be unable to repay these receivables, resulting in additional allowances.

**Allowance for Product Returns.** We maintain reserves for estimated customer returns of unused products in our Fluids Systems segment. The reserves are established based upon historical customer return levels and estimated gross profit levels attributable to product sales.

**Inventories.** Inventories are stated at the lower of cost (principally average cost) or net realizable value. Certain conversion costs associated with the acquisition, production, blending and storage of inventory in our Fluids Systems segment as well as in the manufacturing operations in the Mats and Integrated Services segment are capitalized as a component of the carrying value of the inventory and expensed as a component of cost of revenues as the products are sold. Reserves for inventory obsolescence are determined based on the fair value of the inventory using factors such as our historical usage of inventory on-hand, future expectations related to our customers’ needs, market conditions and the development of new products.

**Property, Plant and Equipment.** Property, plant and equipment are recorded at cost. Additions and improvements that extend the useful life of an asset are capitalized. We capitalize interest costs on significant capital projects. Maintenance and repairs are expensed as incurred. Sales and disposals of property, plant and equipment are removed at carrying cost less accumulated depreciation with any resulting gain or loss reflected in earnings.

**NEWPARK RESOURCES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

Depreciation is provided on property, plant and equipment, including assets held under capital leases, primarily utilizing the straight-line method over the following estimated useful service lives or lease term:

Computer hardware and office equipment	3-5 years
Computer software	3-10 years
Autos & light trucks	5-7 years
Furniture, fixtures & trailers	7-10 years
Composite mats (rental fleet)	10-12 years
Machinery and heavy equipment	5-15 years
Owned buildings	20-39 years
Leasehold improvements	Lease term, including reasonably assured renewal periods

In 2016, we revised our estimates of the useful lives and residual values of certain of our composite mats included in rental fleet fixed assets within the Mats and Integrated Services segment. We now estimate that certain composite mats which were originally estimated to have a useful life of 7 years with zero residual value will have estimated useful lives ranging from 10 to 12 years with an estimated residual value of 20%. These changes in estimates were recognized prospectively beginning January 1, 2016 resulting in a reduction in depreciation expense for the Mats and Integrated Services segment of approximately \$6.1 million, or \$0.05 per share, for the year ended December 31, 2016. We expect these changes to have a similar effect on annual results going forward.

**Goodwill and Other Intangible Assets.** Goodwill represents the excess of the purchase price of acquisitions over the fair value of the net identifiable assets acquired in business combinations. Goodwill and other intangible assets with indefinite lives are not amortized. Intangible assets with finite useful lives are amortized either on a straight-line basis over the asset's estimated useful life or on a basis that reflects the pattern in which the economic benefits of the asset are realized. Any period costs of maintaining intangible assets are expensed as incurred.

**Impairment of Long-Lived Assets.** Goodwill and other indefinite-lived intangible assets are tested for impairment annually as of November 1, or more frequently, if an indication of impairment exists. As part of our annual goodwill review we first perform a qualitative assessment based on company performance and future business outlook to determine if indicators of impairment exist. If there are any indicators of impairment present after performing the qualitative assessment, we then determine any impairment of goodwill by comparing the carrying amounts of our reporting units with fair values, which we estimate using a combination of a market multiple and discounted cash flow approach (classified within level 3 of the fair value hierarchy). We also compare the aggregate fair values of our reporting units with our market capitalization. If the carrying value exceeds the estimated fair value, an impairment charge is recorded in the period in which such review is performed. We identify our reporting units based on our analysis of several factors, including our operating segment structure, evaluation of the economic characteristics of our geographic regions within each of our operating segments, and the extent to which our business units share assets and other resources.

We review property, plant and equipment, finite-lived intangible assets and certain other assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. We assess recoverability based on expected undiscounted future net cash flows. In estimating expected cash flows, we use a probability-weighted approach. Should the review indicate that the carrying value is not fully recoverable; the amount of impairment loss is determined by comparing the carrying value to the estimated fair value.

**Insurance.** We maintain reserves for estimated future payments associated with our self-insured employee healthcare programs, as well as the self-insured retention exposures under our general liability, auto liability and workers compensation insurance policies. Our reserves are determined based on historical experience under these programs, including estimated development of known claims and estimated incurred-but-not-reported claims.

**Treasury Stock.** Treasury stock is carried at cost, which includes the entire cost of the acquired stock.

**Revenue Recognition.** The Fluids Systems segment recognizes sack and bulk material additive revenues upon shipment of materials and passage of title. Formulated liquid systems revenues are recognized when utilized or lost downhole while drilling. An allowance for product returns is maintained, reflecting estimated future customer product returns. Engineering and related services are provided to customers as an integral component of the fluid system delivery, at agreed upon hourly or daily rates, and revenues are recognized when the services are performed.



**NEWPARK RESOURCES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

For the Mats and Integrated Services segment, revenues from the sale of mats are recognized when title passes to the customer, which is upon shipment or delivery, depending upon the terms of the underlying sales contract. Revenues for services and rentals provided by this segment are generated from both fixed-price and unit-priced contracts, which are short-term in duration. The activities under these contracts include site preparation, pit design, construction, drilling waste management, and the installation and rental of mat systems for a period of time generally not to exceed 60 days. Revenues from services provided under these contracts are recognized as the specified services are completed. Revenues from any subsequent extensions to the rental agreements are recognized over the extension period.

Shipping and handling costs are reflected in cost of revenues, and all reimbursements by customers of shipping and handling costs are included in revenues.

**Income Taxes.** We provide for deferred taxes using an asset and liability approach by measuring deferred tax assets and liabilities due to temporary differences existing at year end using currently enacted tax rates and laws that will be in effect when the differences are expected to reverse. We reduce deferred tax assets by a valuation allowance when, based on our estimates, it is more likely than not that a portion of those assets will not be realized in a future period. The estimates utilized in recognition of deferred tax assets are subject to revision, either up or down, in future periods based on new facts or circumstances. We present deferred tax assets and liabilities as noncurrent in the balance sheet based on an analysis of each taxpaying component within a jurisdiction. We evaluate uncertain tax positions and record a liability as circumstances warrant.

**Share-Based Compensation.** Share-based compensation cost is measured at the grant date based on the fair value of the award, net of an estimated forfeiture rate. We recognize these costs in the income statement using the straight-line method over the vesting term. Fair value at the grant date is determined using the Black-Scholes option-pricing model for stock options and using the Monte Carlo valuation model for performance-based restricted stock units.

**Foreign Currency Translation.** The functional currency for substantially all international subsidiaries is their respective local currency. Financial statements for these international subsidiaries are translated into U.S. dollars using the exchange rate at each balance sheet date for assets and liabilities and the average exchange rates in effect during the respective period for revenues and expenses. Exchange rate adjustments resulting from translation of foreign currency financial statements are reflected in accumulated other comprehensive loss in stockholders' equity whereas exchange rate adjustments resulting from foreign currency denominated transactions are recorded in income. At December 31, 2017 and 2016, accumulated other comprehensive loss related to foreign subsidiaries reflected in stockholders' equity amounted to \$53.2 million and \$63.2 million, respectively.

**Fair Value Measurement.** Fair value is measured as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at a measurement date. We apply the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

- Level 1: The use of quoted prices in active markets for identical financial instruments.
- Level 2: The use of quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active or other inputs that are observable in the market or can be corroborated by observable market data.
- Level 3: The use of significantly unobservable inputs that typically require the use of management's estimates of assumptions that market participants would use in pricing.

**Derivative Financial Instruments.** We monitor our exposure to various business risks including interest rates and foreign currency exchange rates and occasionally use derivative financial instruments to manage the impact of certain of these risks. At the inception of a new derivative, we designate the derivative as a cash flow or fair value hedge or we determine the derivative to be undesignated as a hedging instrument based on the underlying facts. We do not enter into derivative instruments for trading purposes.

**Reclassifications.** In 2017, we separately presented in the consolidated statements of operations revenue and cost of revenue for product sales and rental and service categories. As a result, we recast the presentation of revenue and cost of revenue by such categories in the 2016 and 2015 presentation to conform to the current presentation. In addition, certain amounts reported in the consolidated statements of cash flows for prior periods have been reclassified to conform to the current reporting presentation.

**NEWPARK RESOURCES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**New Accounting Pronouncements**

**Standards adopted in 2017**

***Inventory Measurement.*** In July 2015, the Financial Accounting Standards Board (“FASB”) issued updated guidance that simplifies the subsequent measurement of inventory. It replaced the former lower of cost or market test with the lower of cost or net realizable value test. Net realizable value is defined as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. We adopted this new guidance prospectively in the first quarter of 2017; however, the adoption did not have a material impact on our consolidated financial statements.

***Share-based Compensation.*** In March 2016, the FASB issued updated guidance that simplified several aspects of accounting for share-based payments transactions, including income tax consequences. We adopted this new guidance in the first quarter of 2017.

The most significant impact of adopting this new guidance is the required change in accounting for excess tax benefits (“windfalls”) and deficiencies (“shortfalls”) related to share-based compensation. Beginning in the first quarter of 2017, such windfalls and shortfalls are now reflected in the consolidated statements of operations as a tax benefit or expense, respectively, whereas previously, they were generally recognized in additional paid in capital in the condensed consolidated balance sheets. For the twelve months ended December 31, 2017, we recognized \$0.5 million of expense in the provision for income taxes related to net shortfall tax deficiencies from share-based payments. For the twelve months ended December 31, 2016 and 2015, \$1.6 million and \$0.4 million respectively, of net shortfall tax deficiencies were recognized in additional paid-in capital.

The new guidance also impacts the calculation of diluted earnings per share. When applying the treasury stock method to share-based payment awards, entities shall no longer include tax windfalls or shortfalls when calculating assumed proceeds to determine the awards dilutive effect on earnings per share. The adoption of this guidance did not materially impact our diluted earnings per share in each of the periods presented.

In addition to the income tax consequences described above, the new guidance requires all windfall tax benefits related to share-based payments be reported as cash flows from operating activities along with all other income tax cash flows. Previously, windfall tax benefits from share-based payment arrangements were reported as cash flows from financing activities. The new guidance allows companies to elect either a prospective or retrospective application with respect to this statement of cash flows presentation. We have elected to apply this classification amendment prospectively. Since we did not have any material windfall tax benefits in 2016 or 2015, the prospective adoption did not significantly impact comparability with the prior year.

Finally, the new guidance allows for the accounting policy option to account for forfeitures as they occur or continue estimating expected forfeitures over the course of the vesting period as required under previous guidance. We have elected the accounting policy option to continue estimating forfeitures in determining share-based compensation expense resulting in no impact to our financial statements from the adoption of the new guidance.

***Restricted Cash Presentation.*** In November 2016, the FASB issued updated guidance that requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, restricted cash and restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. We elected to early adopt this new guidance in the fourth quarter of 2017 using the retrospective transition method to each period presented. The adoption of this new guidance changed the presentation of our consolidated statement of cash flows to include the amount of restricted cash with cash and cash equivalents when reconciling the beginning and end of period amounts shown on the consolidated statements of cash flows. See Note 13 for restricted cash balances.

***Goodwill Impairment Test.*** In January 2017, the FASB amended the guidance related to the accounting for goodwill impairments by eliminating step two from the goodwill impairment test. Under the new guidance, if the carrying amount of a reporting unit exceeds its fair value, an impairment loss shall be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. This guidance is effective for us for goodwill impairment tests beginning after December 15, 2019 with early adoption permitted. We elected to adopt this new guidance prospectively in 2017; however, the adoption did not have any impact on our consolidated financial statements.

**Standards not yet adopted**

***Revenue Recognition.*** In May 2014, the FASB amended the existing accounting standards for revenue recognition. The amendments are based on the principle that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments are to be applied using a retrospective or modified retrospective approach. The new guidance is effective

## NEWPARK RESOURCES, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

for us in the first quarter of 2018. In order to determine the impact of the new guidance on our financial statements, we formed an implementation work team and completed assessments of the new guidance across our revenue streams. Our process included performing reviews of representative contracts across our revenue streams and comparing historical accounting practices to the new standard.

We have completed our evaluation of the impacts of these amendments. As our performance obligations under customer contracts are primarily short-term in nature, we do not expect the new guidance to have a material impact on the amounts of revenue recognized in our consolidated financial statements. We will include incremental disclosures in our 2018 consolidated financial statements regarding our revenue recognition policies and related amounts. We have adopted the new guidance utilizing the modified retrospective method effective January 1, 2018. The cumulative-effect adjustment to retained earnings upon adoption is not material.

***Deferred Taxes on Intra-Entity Asset Transfers.*** In October 2016, the FASB amended the guidance related to the recognition of current and deferred income taxes for intra-entity asset transfers. Under current U.S. GAAP, recognition of income taxes on intra-entity asset transfers is prohibited until the asset has been sold to an outside party. This update requires that entities recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. This update does not change U.S. GAAP for the pre-tax effects of an intra-entity asset transfer or for an intra-entity transfer of inventory. This guidance is effective for us in the first quarter of 2018 and should be applied using a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. We have adopted the new guidance utilizing the modified retrospective method effective January 1, 2018. The cumulative-effect adjustment to retained earnings upon adoption is not material.

***Statement of Cash Flows.*** In August 2016, the FASB issued updated guidance that clarifies how certain cash receipts and cash payments are presented and classified in the statement of cash flows. This update provides guidance on eight specific cash flow issues. This guidance is effective for us in the first quarter of 2018 and should be applied using the retrospective transition method to each period presented. Early adoption is permitted but all changes must be adopted in the same period. We do not expect the adoption of this new guidance to have a material impact on the presentation of our consolidated statements of cash flows.

***Leases.*** In February 2016, the FASB issued updated guidance regarding accounting for leases. The new accounting standard provides principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize both assets and liabilities arising from financing and operating leases. The classification as either a financing or operating lease will determine whether lease expense is recognized based on an effective interest method basis or on a straight-line basis over the term of the lease, respectively. The new guidance is effective for us in the first quarter of 2019 with early adoption permitted. Based on our current lease portfolio, we anticipate the new guidance will require us to reflect additional assets and liabilities in our consolidated balance sheet; however, we have not yet completed an estimation of such amount and we are still evaluating the overall impact of the new guidance on our consolidated financial statements.

***Credit Losses.*** In June 2016, the FASB issued new guidance which requires financial assets measured at amortized cost basis to be presented at the net amount expected to be collected, including trade receivables. The new standard requires an entity to estimate its lifetime “expected credit loss” for such assets at inception which will generally result in the earlier recognition of allowances for losses. The new guidance is effective for us in the first quarter of 2020 with early adoption permitted in 2019. This guidance should be applied using a modified retrospective basis through a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. We are currently evaluating the impact of the new guidance on our consolidated financial statements.

#### **Note 2 — Business Combinations**

In November 2017, we acquired certain assets and assumed certain liabilities of Well Service Group, Inc. and Utility Access Solutions, Inc. (together, “WSG”). Since 2012, WSG has been a strategic logistics and installation service provider for the Mats and Integrated Services segment. The acquisition of WSG further expands our range of site construction and related services and geographic footprint across the Northeast, Midwest, Rockies and West Texas regions of the U.S. With the acquisition of WSG, we are now able to offer a range of complimentary services to our composite matting systems, including access road construction, site planning and preparation, environmental protection, fluids and spill storage/containment, erosion control, and site restoration services. The purchase price for this acquisition was approximately \$77.9 million, net of cash acquired, which included \$44.8 million of cash conveyed at closing, the issuance of 3,361,367 shares of our common equity valued at \$32.4 million and an estimated \$0.7 million to be paid in 2018 upon finalization of actual working capital conveyed at closing. The results of operations of WSG are reported within the Mats and Integrated Services segment for the period subsequent to the date of the acquisition.

The WSG transaction has been recorded using the acquisition method of accounting and accordingly, assets acquired and liabilities assumed were recorded at their estimated fair values as of the acquisition date. The acquisition resulted in the preliminary recognition of \$27.1 million in other intangible assets consisting primarily of customer relationships, technology and tradename.

**NEWPARK RESOURCES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

All of the other intangibles are finite-lived intangible assets that are preliminarily expected to be amortized over periods of 10 to 15 years with a weighted average amortization period of approximately 13 years. The excess of the total consideration was recorded as goodwill, which is deductible for tax purposes, and includes the value of the assembled workforce. The fair values of the identifiable assets acquired and liabilities assumed were based on the Company’s estimates and assumptions using various market, income and cost valuation approaches, which are classified within level 3 of the fair value hierarchy. While the initial purchase price allocation has been completed, the allocation of the purchase price is subject to change for a period of one year following the acquisition.

The following table summarizes the preliminary amounts recognized for the assets acquired and liabilities assumed as of the November 13, 2017 acquisition date:

(in thousands)	
Receivables	14,854
Inventories	3,207
Other current assets	114
Property, plant and equipment	16,313
Intangible assets	27,050
<b>Total Assets Acquired</b>	<b>61,538</b>
Current Liabilities	6,833
<b>Total Liabilities Assumed</b>	<b>6,833</b>
Net Assets Purchased	54,705
Goodwill	23,188
<b>Total Purchase Consideration</b>	<b>\$ 77,894</b>
Cash conveyed at closing	\$ 44,750
Equity issued at closing	32,438
Due to seller	706
<b>Total Purchase Consideration</b>	<b>\$ 77,894</b>

In August 2016, we completed the acquisition of Pragmatic Drilling Fluids Additives, Ltd. (“Pragmatic”), a Canadian provider of specialty chemicals for the oil and gas industry, which further expands our fluids technology portfolio and capabilities. The purchase price for this acquisition was \$4.4 million, net of cash acquired. The purchase price allocation resulted in amortizable intangible assets of \$1.7 million and goodwill of approximately \$1.7 million. Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired and is not deductible for tax purposes. The results of operations of Pragmatic are reported within the Fluids Systems segment for the period subsequent to the date of the acquisition.

Results of operations and pro-forma combined results of operations for these acquired businesses have not been presented as the effect of these acquisitions are not material to our consolidated financial statements.

**Note 3 — Inventories**

Inventories consisted of the following at December 31:

(In thousands)	2017	2016
Raw materials:		
Drilling fluids	\$ 123,022	\$ 115,399
Mats	1,419	1,137
Total raw materials	124,441	116,536
Blended drilling fluids components	30,495	23,762
Finished goods - mats	10,400	3,314
<b>Total inventories</b>	<b>\$ 165,336</b>	<b>\$ 143,612</b>

**NEWPARK RESOURCES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

Raw materials consist primarily of barite, chemicals, and other additives that are consumed in the production of our drilling fluid systems. Our blended drilling fluids components consist of base drilling fluid systems that have been either mixed internally at our mixing plants or purchased from third party vendors. These base drilling fluid systems require raw materials to be added, as needed to meet specified customer requirements.

**Note 4 — Property, Plant and Equipment**

Our investment in property, plant and equipment consisted of the following at December 31:

(In thousands)	<b>2017</b>		<b>2016</b>	
Land	\$	11,504	\$	11,505
Buildings and improvements		132,322		121,967
Machinery and equipment		284,337		248,229
Computer hardware and software		33,738		30,544
Furniture and fixtures		5,926		5,829
Construction in progress		8,607		19,417
		<u>476,434</u>		<u>437,491</u>
Less accumulated depreciation		<u>(215,419)</u>		<u>(186,700)</u>
		261,015		250,791
Composite mats (rental fleet)		101,968		100,543
Less accumulated depreciation - composite mats		<u>(47,663)</u>		<u>(47,680)</u>
		54,305		52,863
Property, plant and equipment, net	\$	<u>315,320</u>	\$	<u>303,654</u>

Depreciation expense was \$36.4 million, \$34.6 million and \$39.3 million in 2017, 2016 and 2015, respectively. Capital expenditures in 2017 included approximately \$17.6 million in the Fluids Systems segment, including a total of \$6.9 million related to completion of the facility upgrade and expansion of our Fourchon, Louisiana facility. Capital expenditures for the Mats and Integrated Services segment totaled \$12.0 million during 2017, primarily reflecting investments in the mat rental fleet.

**Note 5 — Goodwill and Other Intangible Assets**

Changes in the carrying amount of goodwill by reportable segment are as follows:

(In thousands)	<b>Fluids Systems</b>		<b>Mats and Integrated Services</b>		<b>Total</b>
Balance at December 31, 2015	\$	—	\$	19,009	\$ 19,009
Acquisition		1,720		—	1,720
Effects of foreign currency		(54)		(680)	(734)
Balance at December 31, 2016		<u>1,666</u>		<u>18,329</u>	<u>19,995</u>
Acquisition		—		23,188	23,188
Effects of foreign currency		116		321	437
Balance at December 31, 2017	\$	<u>1,782</u>	\$	<u>41,838</u>	\$ <u>43,620</u>

We completed our annual evaluation of the carrying values of our goodwill and other indefinite-lived intangible assets as of November 1, 2017 and determined that the carrying values of each of our reporting units were less than their respective fair values and therefore, no impairment was required.

**NEWPARK RESOURCES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

Other intangible assets consisted of the following:

(In thousands)	December 31, 2017			December 31, 2016		
	Gross Carrying Amount	Accumulated Amortization	Other intangible assets, net	Gross Carrying Amount	Accumulated Amortization	Other intangible assets, net
Technology related	\$ 15,596	\$ (4,427)	\$ 11,169	\$ 5,766	\$ (3,873)	\$ 1,893
Customer related	42,903	(24,679)	18,224	25,158	(21,962)	3,196
Employment related	1,864	(1,794)	70	1,848	(1,346)	502
Total amortizing intangible assets	<u>60,363</u>	<u>(30,900)</u>	<u>29,463</u>	<u>32,772</u>	<u>(27,181)</u>	<u>5,591</u>
Permits and licenses	542	—	541	476	—	476
Total indefinite-lived intangible assets	<u>542</u>	<u>—</u>	<u>541</u>	<u>476</u>	<u>—</u>	<u>476</u>
Total intangible assets	<u>\$ 60,905</u>	<u>\$ (30,900)</u>	<u>\$ 30,004</u>	<u>\$ 33,248</u>	<u>\$ (27,181)</u>	<u>\$ 6,067</u>

Total amortization expense in 2017, 2016 and 2015 related to other intangible assets was \$3.3 million, \$3.4 million and \$4.6 million, respectively.

In November 2017, we completed the acquisition of WSG, and in August 2016, we completed the acquisition of Pragmatic, which resulted in additions to amortizable intangible assets of \$27.1 million and \$1.7 million, respectively. See Note 2 for further discussion.

Estimated future amortization expense for the years ended December 31 is as follows:

(In thousands)	2018	2019	2020	2021	2022	Thereafter	Total
Technology related	\$ 1,013	\$ 1,019	\$ 991	\$ 940	\$ 878	\$ 6,328	\$ 11,169
Customer related	3,877	2,975	2,414	1,863	1,518	5,577	18,224
Employment related	70	—	—	—	—	—	70
Total future amortization expense	<u>\$ 4,960</u>	<u>\$ 3,994</u>	<u>\$ 3,405</u>	<u>\$ 2,803</u>	<u>\$ 2,396</u>	<u>\$ 11,905</u>	<u>\$ 29,463</u>

The weighted average amortization period for technology related, customer related and employment related intangible assets is 15 years, 11 years and 5 years, respectively.

**Note 6 — Financing arrangements**

Financing arrangements consisted of the following:

(In thousands)	December 31, 2017			December 31, 2016		
	Principal Amount	Unamortized Discount and Debt Issuance Costs	Total Debt	Principal Amount	Unamortized Discount and Debt Issuance Costs	Total Debt
2017 Convertible Notes	\$ —	\$ —	\$ —	\$ 83,256	\$ (268)	\$ 82,988
2021 Convertible Notes	100,000	(22,643)	77,357	100,000	(27,100)	72,900
Amended ABL Facility	81,600	—	81,600	—	—	—
Other debt	1,518	—	1,518	380	—	380
Total debt	<u>183,118</u>	<u>(22,643)</u>	<u>160,475</u>	<u>183,636</u>	<u>(27,368)</u>	<u>156,268</u>
Less: current portion	<u>(1,518)</u>	<u>—</u>	<u>(1,518)</u>	<u>(83,636)</u>	<u>268</u>	<u>(83,368)</u>
Long-term debt	<u>\$ 181,600</u>	<u>\$ (22,643)</u>	<u>\$ 158,957</u>	<u>\$ 100,000</u>	<u>\$ (27,100)</u>	<u>\$ 72,900</u>

**2017 Convertible Notes.** In September 2010, we issued \$172.5 million of unsecured convertible senior notes (“2017 Convertible Notes”) that matured on October 1, 2017. The notes bore interest at a rate of 4.0% per year, payable semiannually in arrears on April 1 and October 1 of each year. The conversion rate was 90.8893 shares of our common stock per \$1,000 principal amount of notes (equivalent to a conversion price of \$11.00 per share of common stock). In 2016, we repurchased \$89.3 million aggregate principal amount of our 2017 Convertible Notes for \$87.3 million and recognized a net gain of \$1.6 million reflecting

**NEWPARK RESOURCES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

the difference in the amount paid and the net carrying value of the extinguished debt, including debt issuance costs. As of December 31, 2016, \$83.3 million aggregate principal amount remained outstanding, all of which were repaid upon maturity in October 2017.

**2021 Convertible Notes.** In December 2016, we issued \$100.0 million of unsecured convertible senior notes (“2021 Convertible Notes”) that mature on December 1, 2021, unless earlier converted by the holders pursuant to the terms of the notes. The notes bear interest at a rate of 4.0% per year, payable semiannually in arrears on June 1 and December 1 of each year.

Holders may convert the notes at their option at any time prior to the close of business on the business day immediately preceding June 1, 2021, only under the following circumstances:

- during any calendar quarter commencing after the calendar quarter ending on March 31, 2017 (and only during such calendar quarter), if the last reported sale price of our common stock for at least 20 trading days (regardless of whether consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price of the notes in effect on each applicable trading day;
- during the five business day period after any five consecutive trading day period in which the trading price per \$1,000 principal amount of notes for each trading day was less than 98% of the last reported sale price of our common stock on such date multiplied by the conversion rate on each such trading day; or
- upon the occurrence of specified corporate events, as described in the indenture governing the notes, such as a consolidation, merger, or share exchange.

On or after June 1, 2021 until the close of business on the business day immediately preceding the maturity date, holders may convert their notes at any time, regardless of whether any of the foregoing conditions have been satisfied. As of February 23, 2018, the notes were not convertible.

The notes are convertible into, at our election, cash, shares of common stock, or a combination of both, subject to satisfaction of specified conditions and during specified periods, as described above. If converted, we currently intend to pay cash for the principal amount of the notes converted. The conversion rate is initially 107.1381 shares of our common stock per \$1,000 principal amount of notes (equivalent to an initial conversion price of \$9.33 per share of common stock), subject to adjustment in certain circumstances. We may not redeem the notes prior to their maturity date.

In accordance with accounting guidance for convertible debt with a cash conversion option, we separately accounted for the debt and equity components of the notes in a manner that reflected our estimated nonconvertible debt borrowing rate. We estimated the fair value of the debt component of the notes to be \$75.2 million at the issuance date, assuming a 10.5% non-convertible borrowing rate. The carrying amount of the equity component was determined to be approximately \$24.8 million by deducting the fair value of the debt component from the principal amount of the notes, and was recorded as an increase to additional paid-in capital, net of the related deferred tax liability of \$8.7 million. The excess of the principal amount of the debt component over its carrying amount (the “debt discount”) is being amortized as interest expense over the term of the notes using the effective interest method.

We allocated transaction costs related to the issuance of the notes, including underwriting discounts, of \$0.9 million and \$2.7 million to the equity and debt components, respectively. Issuance costs attributable to the equity component were netted against the equity component recorded in additional paid-in capital. The amount of the equity component was \$15.2 million at the time of issuance (net of issuance costs and the deferred tax liability related to the conversion feature) and is not remeasured as long as it continues to meet the conditions for equity classification.

The \$2.7 million of issuance costs attributable to the debt component were netted against long-term debt and are being amortized to interest expense over the term of the notes using the effective interest method. As of December 31, 2017, the carrying amount of the debt component was \$77.4 million, which is net of the unamortized debt discount and issuance costs of \$20.4 million and \$2.2 million, respectively. Including the impact of the debt discount and related deferred debt issuance costs, the effective interest rate on the notes is approximately 11.3%.

**Revolving Credit Facility.** In March 2015, we entered into a Third Amended and Restated Credit Agreement (the “Credit Agreement”) which provided for a \$200.0 million revolving loan facility available for borrowings and letters of credit through March 2020. In December 2015, the Credit Agreement was amended, decreasing the revolving credit facility to \$150.0 million and subsequently, we terminated the Credit Agreement in May 2016, replacing it with an asset-based revolving loan facility as discussed further below. As of the date of termination, we had no outstanding borrowings under the Credit Agreement. In the second quarter of 2016, we recognized a non-cash charge of \$1.1 million in interest expense for the write-off of debt issuance costs in connection with the termination.

## NEWPARK RESOURCES, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

**Asset-Based Loan Facility.** In May 2016, we entered into an asset-based revolving credit agreement (the “ABL Facility”) which replaced the terminated Credit Agreement. The ABL Facility had a termination date of March 6, 2020 and provided financing of up to \$90.0 million available for borrowings (inclusive of letters of credit) and subject to certain conditions, could be increased to a maximum capacity of \$150.0 million. In October 2017, we entered into an Amended and Restated Credit Agreement (the “Amended ABL Facility”) which amends and restates our previous ABL Facility and increases the borrowing capacity from \$90.0 million to \$150.0 million, while also reducing applicable borrowing rates and fee terms. Subject to certain conditions, the Amended ABL Facility can be increased up to a maximum capacity of \$225.0 million.

The Amended ABL Facility terminates on October 17, 2022; however, the Amended ABL Facility has a springing maturity date that will accelerate the maturity of the Amended ABL Facility to September 1, 2021 if, prior to such date, the 2021 Convertible Notes have not either been repurchased, redeemed, converted or we have not provided sufficient funds to repay the 2021 Convertible Notes in full on their maturity date. For this purpose, funds may be provided in cash to an escrow agent or a combination of cash to an escrow agent and the assignment of a portion of availability under the Amended ABL Facility. The Amended ABL Facility requires compliance with a minimum fixed charge coverage ratio and minimum unused availability of \$25.0 million to utilize borrowings or assignment of availability under the Amended ABL Facility towards funding the repayment of the 2021 Convertible Notes.

Borrowing availability under the Amended ABL Facility is calculated based on eligible accounts receivable, inventory, and, subject to satisfaction of certain financial covenants as described below, composite mats included in the rental fleet, net of reserves and limits on such assets included in the borrowing base calculation. To the extent pledged by us, the borrowing base calculation shall also include the amount of eligible pledged cash. The lender may establish such reserves, in part based on appraisals of the asset base, and other limits at its discretion which could reduce the amounts otherwise available under the Amended ABL Facility. Availability associated with eligible rental mats will also be subject to maintaining a minimum consolidated fixed charge coverage ratio and a minimum level of operating income for the Mats and Integrated Services segment. As of December 31, 2017, our total borrowing base availability under the Amended ABL Facility was \$136.2 million, of which, \$81.6 million was drawn, resulting in remaining availability of \$54.6 million.

Under the terms of the Amended ABL Facility, we may elect to borrow at a variable interest rate plus an applicable margin based on either, (1) LIBOR subject to a floor of zero or (2) a base rate equal to the highest of: (a) the federal funds rate plus 50 basis points, (b) the prime rate of Bank of America, N.A. or (c) LIBOR, subject to a floor of zero, plus 100 basis points. The applicable margin ranges from 175 to 275 basis points for LIBOR borrowings, and 75 to 175 basis points for base rate borrowings, based on the ratio of debt to consolidated EBITDA as defined in the Amended ABL Facility. As of December 31, 2017, the applicable margin for borrowings under our Amended ABL Facility is 200 basis points with respect to LIBOR borrowings and 100 basis points with respect to base rate borrowings. The weighted average interest rate for the Amended ABL Facility is 3.9% at December 31, 2017. In addition, we are required to pay a commitment fee on the unused portion of the Amended ABL Facility ranging from 25 to 37.5 basis points, based on the ratio of debt to consolidated EBITDA, as defined in the Amended ABL Facility. The applicable commitment fee as of December 31, 2017 was 37.5 basis points.

The Amended ABL Facility is a senior secured obligation, secured by first liens on all of our U.S. tangible and intangible assets and a portion of the capital stock of our non-U.S. subsidiaries has also been pledged as collateral. The Amended ABL Facility contains customary operating covenants and certain restrictions including, among other things, the incurrence of additional debt, liens, dividends, asset sales, investments, mergers, acquisitions, affiliate transactions, stock repurchases and other restricted payments. The Amended ABL Facility also requires compliance with a fixed charge coverage ratio if availability under the Amended ABL Facility falls below \$22.5 million. In addition, the Amended ABL Facility contains customary events of default, including, without limitation, a failure to make payments under the facility, acceleration of more than \$25.0 million of other indebtedness, certain bankruptcy events and certain change of control events.

**Other Debt.** Our foreign subsidiaries in Italy and India, maintain local credit arrangements consisting primarily of lines of credit which are renewed on an annual basis. We utilize local financing arrangements in our foreign operations in order to provide short-term local liquidity needs. Advances under these short-term credit arrangements are typically based on a percentage of the subsidiary’s accounts receivable or firm contracts with certain customers. We had \$1.0 million outstanding under these agreements at December 31, 2017, and no balances outstanding at December 31, 2016. In December 2016, we terminated our revolving line of credit in Brazil and repaid the outstanding balance.

At December 31, 2017, we had letters of credit issued and outstanding which totaled \$7.2 million that are collateralized by \$7.6 million in restricted cash. Additionally, our foreign operations had \$21.6 million outstanding in letters of credit and other guarantees, primarily issued under the line of credit in Italy as well as certain letters of credit that are collateralized by \$1.5 million in restricted cash. At December 31, 2017 and December 31, 2016, prepaid expenses and other current assets in the accompanying balance sheet include total restricted cash related to letters of credit of \$9.1 million and \$7.4 million, respectively.



**NEWPARK RESOURCES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

We incurred net interest expense of \$13.3 million, \$9.9 million and \$9.1 million for the years ended December 31, 2017, 2016 and 2015, respectively. The increase in interest expense in 2017 is primarily related to amortization of the debt discount related to the 2021 Convertible Notes as discussed above. Capitalized interest was \$0.1 million, \$0.9 million and \$1.1 million for the years ended December 31, 2017, 2016 and 2015 respectively. Scheduled repayment of long-term debt as of December 31, 2017 is \$100.0 million in 2021 and \$81.6 million in 2022.

**Note 7 — Fair Value of Financial Instruments and Concentrations of Credit Risk**

*Fair Value of Financial Instruments*

Our financial instruments include cash and cash equivalents, receivables, payables and debt. We believe the carrying values of these instruments, with the exception of our 2017 Convertible Notes and our 2021 Convertible Notes, approximated their fair values at December 31, 2017 and December 31, 2016. The estimated fair value of our 2021 Convertible Notes was \$127.3 million at December 31, 2017 and \$110.5 million at December 31, 2016, and the estimated fair value of our 2017 Convertible Notes was \$84.4 million at December 31, 2016, based on quoted market prices at these respective dates.

*Concentrations of Credit Risk*

Financial instruments that potentially subject us to significant concentrations of credit risk consist principally of cash, trade accounts and notes receivable. At December 31, 2017, substantially all of our cash deposits are held in accounts at numerous financial institutions across the various regions that we operate in. A majority of the cash is held in accounts that maintain deposit ratings of P-1 by Moody's, A-1 by Standard and Poor's, and F1 by Fitch. As part of our investment strategy, we perform periodic evaluations of the relative credit standing of these financial institutions.

*Accounts Receivable*

Accounts receivable consisted of the following at December 31:

(In thousands)	2017	2016
Gross trade receivables	\$ 256,851	\$ 162,569
Allowance for doubtful accounts	(9,457)	(8,849)
Net trade receivables	247,394	153,720
Income tax receivables	6,905	39,944
Other receivables	11,567	20,643
Total receivables, net	<u>\$ 265,866</u>	<u>\$ 214,307</u>

Gross trade receivables increased \$94.3 million, or 58%, in 2017 primarily due to the increase in revenues.

At December 31, 2016, income tax receivables included approximately \$38.0 million related to the carryback refund claims primarily for our U.S. federal tax losses incurred in 2016, substantially all of which was received in 2017.

Other receivables includes \$10.8 million and \$11.5 million for value added, goods and service taxes related to foreign jurisdictions as of December 31, 2017 and 2016, respectively. In addition, other receivables included \$8.0 million held in escrow at December 31, 2016 in connection with the March 2014 sale of the Environmental Services business. In connection with the settlement of a dispute with the buyers, as described further in Note 15 below, the escrow funds have been reclassified at December 31, 2017, reducing the settlement obligation reflected in accrued liabilities in the accompanying balance sheet.

*Customer Revenue Concentration*

We derive a significant portion of our revenues from companies in the E&P industry, and our customer base is highly concentrated in mid-sized and international oil companies as well as government-owned or government-controlled oil companies operating in the markets that we serve. For 2017, 2016 and 2015, revenues from our 20 largest customers represented approximately 45%, 53% and 49%, respectively, of our consolidated revenues. For 2016, revenue from Sonatrach, our primary customer in Algeria, represented approximately 14% of consolidated revenues. For 2017 and 2015, no single customer accounted for more than 10% of our consolidated revenues.

**NEWPARK RESOURCES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

We maintain an allowance for doubtful accounts based upon the expected collectability of accounts receivable. Changes in this allowance for 2017, 2016 and 2015 was as follows:

(In thousands)	2017	2016	2015
Balance at beginning of year	\$ 8,849	\$ 7,189	\$ 5,458
Provision for uncollectible accounts	1,481	2,416	1,886
Write-offs, net of recoveries	(873)	(756)	(155)
Balance at end of year	<u>\$ 9,457</u>	<u>\$ 8,849</u>	<u>\$ 7,189</u>

**Note 8 — Income Taxes**

The U.S. Tax Cuts and Jobs Act (“Tax Act”) was enacted on December 22, 2017 resulting in broad and complex changes to U.S. income tax law. The Tax Act includes a one-time transition tax in 2017 on accumulated foreign subsidiary earnings not previously subject to U.S. income tax, reduces the U.S. corporate statutory tax rate from 35% to 21% effective January 1, 2018, generally eliminates U.S. federal income tax on dividends from foreign subsidiaries, creates new tax on certain foreign-sourced earnings, makes other changes to limit certain deductions and changes rules on how certain tax credits and net operating loss carryforwards can be utilized.

Due to the timing of the enactment and the complexity involved in applying the provisions of the Tax Act, we made reasonable estimates of the effects and recorded provisional amounts in our 2017 financial statements. As we finalize the necessary data, and interpret the Tax Act and any additional guidance issued by the U.S. Treasury Department, the United States Internal Revenue Service (“IRS”), or other standard-setting bodies, we may make adjustments to the provisional amounts.

Provisional amounts for the following income tax effects of the Tax Act have been recorded as of December 31, 2017 and are subject to change during 2018.

***One-time transition tax***

The Tax Act requires us to pay U.S. income taxes on accumulated foreign subsidiary earnings not previously subject to U.S. income tax at a rate of 15.5% to the extent of foreign cash and certain other net current assets and 8% on the remaining earnings. We recorded a provisional amount in 2017 for our one-time transitional tax liability and income tax expense of \$6.9 million. We have recorded provisional amounts based on estimates of the effects of the Tax Act as the analysis requires significant data from our foreign subsidiaries that is not regularly collected or analyzed.

***Taxes on repatriation of foreign earnings***

We previously considered the unremitted earnings in our non-US subsidiaries held directly by a U.S. parent to be indefinitely reinvested and, accordingly, had not provided any deferred income taxes. We intend to pursue repatriation of unremitted earnings in our non-US subsidiaries held directly by a U.S. parent to the extent that such earnings have been included in the one-time transition tax discussed above, and subject to cash requirements to support the strategic objectives of the non-US subsidiary. We recorded a provisional amount in 2017 for the estimated liability and income tax expense for any U.S. federal or state income taxes or additional foreign withholding taxes related to repatriation of such earnings of \$7.0 million. In 2017, we recognized certain foreign tax credits of \$5.5 million in the U.S. related to the provisional accounting for taxes on repatriation of foreign earnings, however, we also recognized a full valuation allowance related to such tax assets as it is more likely than not that these assets will not be realized.

***Deferred tax effects***

The Tax Act reduces the U.S. corporate statutory tax rate from 35% to 21% for years after 2017. Accordingly, we have remeasured our U.S. net deferred tax liabilities as of December 31, 2017 to reflect the reduced rate that will apply in future periods when these deferred taxes are settled or realized. We recognized a provisional deferred tax benefit in 2017 of \$17.4 million to reflect the reduced U.S. tax rate on our estimated U.S. net deferred tax liabilities. Although the tax rate reduction is known, we have not completed our analysis of the effect of the Tax Act on the underlying deferred taxes and as such, the amounts recorded as of December 31, 2017 are provisional.

The net tax benefit recognized in 2017 related to the Tax Act was \$3.4 million. As we complete our analysis of the Tax Act and incorporate additional guidance that may be issued by the U.S. Treasury Department, the IRS or other standard-setting bodies, we may identify additional effects not reflected as of December 31, 2017. Those adjustments may materially impact our provision for income taxes and effective tax rate in the period in which the adjustments are made. The accounting for the tax effects of the Tax Act will be completed in 2018.

**NEWPARK RESOURCES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

While we have not completed our analysis of the impacts of the Tax Act on our effective tax rate going forward, we anticipate the overall impacts of the Tax Act described above will reduce our effective tax rate in 2018 compared to 2017, excluding the \$3.4 million net benefit included in our 2017 income tax provision. The impact of the Tax Act on our effective tax rate in 2018 will depend in large part on the relative contribution of our domestic earnings and finalization of the provisional accounting for the Tax Act.

The provision (benefit) for income taxes related to continuing operations was as follows:

(In thousands)	Year Ended December 31,		
	2017	2016	2015
<b>Current:</b>			
U.S. Federal	\$ (236)	\$ (37,854)	\$ (32,272)
State	561	20	(34)
Foreign	10,301	10,440	11,411
Total current	<u>10,626</u>	<u>(27,394)</u>	<u>(20,895)</u>
<b>Deferred:</b>			
U.S. Federal	(3,848)	2,670	(2,624)
State	(796)	(181)	179
Foreign	(1,089)	863	1,942
Total deferred	<u>(5,733)</u>	<u>3,352</u>	<u>(503)</u>
Total income tax expense (benefit)	<u>\$ 4,893</u>	<u>\$ (24,042)</u>	<u>\$ (21,398)</u>

The total provision (benefit) was allocated to the following components of income (loss):

(In thousands)	Year Ended December 31,		
	2017	2016	2015
Income (loss) from continuing operations	\$ 4,893	\$ (24,042)	\$ (21,398)
Loss from discontinued operations	(4,616)	—	—
Total provision (benefit)	<u>\$ 277</u>	<u>\$ (24,042)</u>	<u>\$ (21,398)</u>

Income (loss) from continuing operations before income taxes was as follows:

(In thousands)	Year Ended December 31,		
	2017	2016	2015
U.S.	\$ (27,282)	\$ (76,805)	\$ (122,082)
Foreign	43,394	12,051	9,856
Income (loss) from continuing operations before income taxes	<u>\$ 16,112</u>	<u>\$ (64,754)</u>	<u>\$ (112,226)</u>

**NEWPARK RESOURCES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

The effective income tax rate for continuing operations is reconciled to the statutory federal income tax rate as follows:

	<b>Year Ended December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Income tax expense (benefit) at federal statutory rate	35.0%	(35.0%)	(35.0%)
Nondeductible expenses	16.2%	2.8%	2.8%
Net impact of Tax Act	(22.3%)	—	—
Worthless stock deduction - Brazil	—	(14.4%)	—
Goodwill and other asset impairments	—	3.5%	15.7%
Manufacturing deduction	—	0.8%	1.8%
Different rates on earnings of foreign operations	(13.3%)	(1.2%)	(3.6%)
Dividend taxes on unremitted earnings	9.3%	2.2%	1.4%
Change in valuation allowance	1.5%	6.9%	2.8%
Uncertain tax positions	—	—	(2.2%)
State tax expense (benefit), net	(1.8%)	(2.5%)	(1.5%)
Other items, net	5.8%	(0.2%)	(1.3%)
Total income tax expense (benefit)	<u>30.4%</u>	<u>(37.1%)</u>	<u>(19.1%)</u>

Our effective tax rate in 2017 includes a \$3.4 million benefit resulting from the provisional accounting for the Tax Act as described above. In addition, the 2017 effective tax rate was negatively impacted primarily by non-deductible expenses relative to the amount of pre-tax income.

Our effective tax rate in 2016 includes a \$9.3 million benefit associated with a worthless stock deduction and related impacts from restructuring the investment in our Brazilian subsidiary, partially offset by a \$4.5 million charge for increases to the valuation allowance for certain deferred tax assets which may not be realized (primarily related to our Australian subsidiary and certain U.S. state net operating losses).

Our effective tax rate for 2015 was primarily impacted by the impairment of non-deductible goodwill. In addition, the 2015 income tax provision also includes a \$4.6 million charge for increases to the valuation allowance for certain deferred tax assets which may not be realized (primarily related to our Australian subsidiary and certain U.S. state net operating losses). These 2015 charges were partially offset by a \$4.4 million benefit associated with the forgiveness of certain inter-company balances due from our Brazilian subsidiary and a \$2.2 million benefit from the release of U.S. tax reserves, following the expiration of statutes of limitation.

**NEWPARK RESOURCES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

Temporary differences and carryforwards which give rise to deferred tax assets and liabilities at December 31 are as follows:

(In thousands)	2017	2016
<b>Deferred tax assets:</b>		
Net operating losses	\$ 23,490	\$ 18,771
Capitalized inventory costs	4,581	12,378
Stock based compensation	3,793	6,955
Accruals not currently deductible	7,730	4,883
Unrealized foreign exchange losses, net	2,595	3,087
Foreign tax credits	9,262	3,269
Other	10,451	1,871
Total deferred tax assets	<u>61,902</u>	<u>51,214</u>
Valuation allowance	(30,154)	(21,847)
Total deferred tax assets, net of allowances	<u>31,748</u>	<u>29,367</u>
<b>Deferred tax liabilities:</b>		
Accelerated depreciation and amortization	(34,265)	(43,225)
Original issue discount on 2021 Convertible Notes	(4,299)	(8,553)
Tax on unremitted earnings	(16,821)	(8,555)
Other	(3,190)	(6,030)
Total deferred tax liabilities	<u>(58,575)</u>	<u>(66,363)</u>
Total net deferred tax liabilities	<u>\$ (26,827)</u>	<u>\$ (36,996)</u>
Non-current deferred tax assets	\$ 4,753	\$ 1,747
Non-current deferred tax liabilities	(31,580)	(38,743)
Net deferred tax liabilities	<u>\$ (26,827)</u>	<u>\$ (36,996)</u>

For state income tax purposes, we have net operating loss carryforwards (“NOLs”) of approximately \$245.9 million available to reduce future state taxable income. These NOLs expire in varying amounts beginning in 2018 through 2037. Foreign NOLs of approximately \$30.5 million are available to reduce future taxable income, some of which expire beginning in 2018.

The realization of our net deferred tax assets is dependent on our ability to generate taxable income in future periods. At December 31, 2017 and 2016, we have recorded a valuation allowance in the amount of \$30.2 million and \$21.8 million, respectively, primarily related to certain U.S. state and foreign NOL carryforwards, including Australia, as well as for certain tax credits recognized in 2017 related to the provisional accounting for the impact of the Tax Act, which may not be realized.

We file income tax returns in the United States and several non-U.S. jurisdictions and are subject to examination in the various jurisdictions in which we file. We are no longer subject to income tax examinations for U.S. federal and substantially all state jurisdictions for years prior to 2012 and for substantially all foreign jurisdictions for years prior to 2008. We are currently under examination by the United States federal tax authorities for tax years 2014 and 2015. During the second quarter of 2017, we received a Revenue Agent Report from the IRS disallowing a deduction claimed on our 2015 tax return associated with the forgiveness of certain inter-company balances due from our Brazilian subsidiary and assessing tax due of approximately \$3.9 million. We submitted our response to the IRS in the third quarter of 2017 and are proceeding with the tax appeals process. We believe our tax position is properly reported in accordance with applicable U.S. tax laws and regulations and intend to vigorously defend our position through the tax appeals process.

We are also under examination by various tax authorities in other countries, and certain foreign jurisdictions have challenged the amounts of taxes due for certain tax periods. These audits are in various stages of completion. We fully cooperate with all audits, but defend existing positions vigorously. We evaluate the potential exposure associated with various filing positions and record a liability for tax contingencies as circumstances warrant. Although we believe all tax positions are reasonable and properly reported in accordance with applicable tax laws and regulations in effect during the periods involved, the final determination of tax audits and any related litigation could be materially different than that which is reflected in historical income tax provisions and tax contingency accruals.

**NEWPARK RESOURCES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

A reconciliation of the beginning and ending provision for uncertain tax positions is as follows:

(In thousands)	2017	2016	2015
Balance at January 1	\$ 665	\$ 419	\$ 3,786
Additions (reductions) for tax positions of prior years	(399)	477	(95)
Additions (reductions) for tax positions of current year	—	—	—
Reductions for settlements with tax authorities	—	—	(575)
Reductions for lapse of statute of limitations	(9)	(231)	(2,697)
Balance at December 31	<u>\$ 257</u>	<u>\$ 665</u>	<u>\$ 419</u>

Approximately \$0.3 million of unrecognized tax benefits at December 31, 2017, if recognized, would favorably impact the effective tax rate. In 2015, we recognized a \$2.2 million benefit to the income tax provision relating to uncertain tax positions for which the applicable statutes of limitation expired.

We recognize accrued interest and penalties related to uncertain tax positions in operating expenses. The amount of interest and penalties was immaterial for all periods presented.

**Note 9 — Capital Stock**

***Common stock***

Changes in outstanding Common Stock were as follows:

(In thousands of shares)	2017	2016	2015
Outstanding, beginning of year	99,843	99,377	99,204
Shares issued for exercise of options	416	125	104
Shares issued for time vested restricted stock (net of forfeitures)	952	341	69
Shares issued for acquisition	3,361	—	—
Outstanding, end of year	<u>104,572</u>	<u>99,843</u>	<u>99,377</u>

Outstanding shares of common stock include shares held as treasury stock totaling 15,366,504, 15,162,050 and 15,302,345 as of December 31, 2017, 2016 and 2015, respectively.

***Preferred stock***

We are authorized to issue up to 1,000,000 shares of Preferred Stock, \$0.01 par value. There were no outstanding shares of preferred stock at December 31, 2017, 2016 or 2015.

***Treasury stock***

During 2017, 2016 and 2015, we repurchased 415,418, 234,901 and 292,168 shares, respectively, for an aggregate price of \$3.2 million, \$1.2 million and \$2.3 million, respectively, representing employee shares surrendered in lieu of taxes under vesting of restricted stock awards. All of the shares repurchased are held as treasury stock.

During 2017, 2016 and 2015, we reissued 210,964, 375,196 and 200,056 shares of treasury stock pursuant to various stock plans, including our employee stock purchase plan and our 2014 Non-Employee Directors' Restricted Stock Plan.

***Repurchase program***

Our Board of Directors has approved a repurchase program that authorizes us to purchase up to \$100.0 million of our outstanding shares of common stock and prior to their maturity, our outstanding 2017 Convertible Notes in the open market or as otherwise determined by management, subject to certain limitations under our Amended ABL facility or other factors. There were no shares repurchased under the program during 2017, 2016 or 2015. In February 2016, we repurchased \$11.2 million of our 2017 Convertible Notes in the open market for \$9.2 million. As of December 31, 2017, we had \$33.5 million of authorization remaining under the program. The repurchase program has no specific term. Repurchases are expected to be funded from operating cash flows and available cash on-hand. As part of the share repurchase program, our management has been authorized to establish trading plans under Rule 10b5-1 of the Securities Exchange Act of 1934.

In addition, the Board separately authorized the repurchase of \$78.1 million of our 2017 Convertible Notes then outstanding in connection with the December 2016 issuance of \$100.0 million of 2021 Convertible Notes.

**NEWPARK RESOURCES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**Note 10 — Earnings per Share**

The following table presents the reconciliation of the numerator and denominator for calculating earnings per share from continuing operations:

(In thousands, except per share data)	Year Ended December 31,		
	2017	2016	2015
<b>Numerator</b>			
Income (loss) from continuing operations - basic	\$ 11,219	\$ (40,712)	\$ (90,828)
Assumed conversions of 2017 Convertible Notes	—	—	—
Adjusted income (loss) from continuing operations - diluted	\$ 11,219	\$ (40,712)	\$ (90,828)
<b>Denominator</b>			
Basic - weighted average common shares outstanding	85,421	83,697	82,722
Dilutive effect of stock options and restricted stock awards	2,554	—	—
Dilutive effect of 2017 Convertible Notes	—	—	—
Dilutive effect of 2021 Convertible Notes	—	—	—
Diluted - weighted average common shares outstanding	87,975	83,697	82,722
<b>Income (loss) from continuing operations per common share</b>			
Basic	\$ 0.13	\$ (0.49)	\$ (1.10)
Diluted	\$ 0.13	\$ (0.49)	\$ (1.10)

We excluded the following weighted-average potential shares from the calculations of diluted net income (loss) per share during the applicable periods because their inclusion would have been anti-dilutive:

(In thousands)	Year Ended December 31,		
	2017	2016	2015
Stock options and restricted stock-based awards	7,419	7,482	3,884
2017 Convertible Notes	5,702	14,295	15,682
2021 Convertible Notes	—	—	—

The 2021 Convertible Notes will not impact the calculation of diluted net income per share unless the average price of our common stock, as calculated in accordance with the terms of the indenture governing the 2021 Convertible Notes, exceeds the conversion price of \$9.33 per share. At December 31, 2017 the average price of our common stock was \$8.80 per share. We have the option to pay cash, issue shares of common stock, or any combination thereof for the aggregate amount due upon conversion of the 2021 Convertible Notes as further described in Note 6 above. If converted, we currently intend to settle the principal amount of the notes in cash and as a result, only the amounts payable in excess of the principal amount of the notes, if any, are assumed to be settled with shares of common stock for purposes of computing diluted net income from continuing operations per share.

**Note 11 — Stock Based Compensation and Other Benefit Plans**

The following describes stockholder approved plans utilized by the Company for the issuance of stock based awards.

***2014 Non-Employee Directors' Restricted Stock Plan***

In May 2014, our stockholders approved the 2014 Non-Employee Directors' Restricted Stock Plan (the "2014 Director Plan") which authorizes grants of restricted stock to non-employee directors based on a pre-determined dollar amount on the date of each annual meeting of stockholders. The pre-determined dollar amount for determining the number of restricted shares granted is subject to change by the Board of Directors or its committee but is initially set at \$150,000 for each non-employee director, except for the Chairman of the Board who will receive an annual grant of restricted shares equal to \$170,000. Each restricted share granted to a non-employee director vests in full on the earlier of the day prior to the next annual meeting of stockholders following the grant date or the first anniversary of the grant. During 2017, non-employee directors received shares of restricted stock totaling 98,714 shares at a weighted average fair value on the date of grant of \$7.80 per share.

The maximum number of shares of common stock issuable under the 2014 Director Plan is 1,000,000 leaving 504,258 shares available for grant as of December 31, 2017.

**NEWPARK RESOURCES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

***2015 Employee Equity Incentive Plan***

In May 2015, our stockholders approved the 2015 Employee Equity Incentive Plan (“2015 Plan”), pursuant to which the Compensation Committee of our Board of Directors (“Compensation Committee”) may grant to key employees, including executive officers and other corporate and divisional officers, a variety of forms of equity-based compensation, including options to purchase shares of common stock, shares of restricted common stock, restricted stock units, stock appreciation rights, other stock-based awards, and performance-based awards. In May 2016, our stockholders approved an amendment to the 2015 Plan which increased the number of shares authorized for issuance under the Plan from 6,000,000 to 7,800,000 shares. In May 2017, our stockholders approved a further amendment to the 2015 Plan which increased the number of shares authorized for issuance under the Plan from 7,800,000 to 9,800,000 shares. Under the 2015 Plan, as amended, grants of stock options and stock appreciation rights will reduce the number of available shares on a 1.00 to 1.00 basis, while full value awards will reduce the number of available shares on a 1.78 to 1.00 basis. At December 31, 2017, 2,079,603 shares remained available for award under the 2015 Plan.

In June 2017, our Board of Directors approved the Long-Term Cash Incentive Plan (“Cash Plan”), a sub-plan to the 2015 Plan, pursuant to which the Compensation Committee may grant time-based cash awards or performance-based cash awards to key employees, including executive officers and other corporate and divisional officers, to provide an opportunity for employees to receive a cash payment upon either completion of a service period or achievement of predetermined performance criteria at the end of a performance period.

Prior to approval of the 2015 Plan, equity-based compensation was provided pursuant to the 2006 Equity Incentive Plan (“2006 Plan”). No additional grants of equity-based compensation may be granted under the 2006 Plan following approval of the 2015 Plan, however, unexpired options and other awards previously granted continue in effect in accordance with their terms until they vest or are otherwise exercised or expire.

The Compensation Committee approves the granting of all stock based compensation to employees, utilizing shares available under the 2015 Plan, as amended. Activity under each of these programs is described below.

***Stock Options and Cash-Settled Stock Appreciation Rights***

Stock options granted by the Compensation Committee are granted with a three year vesting period and a term of ten years. During 2017, no options were granted.

The following table summarizes activity for our outstanding stock options for the year ended December 31, 2017:

	<b>Shares</b>	<b>Weighted-Average Exercise Price</b>	<b>Weighted-Average Remaining Contractual Life (Years)</b>	<b>Aggregate Intrinsic Value</b>
Outstanding at beginning of period	4,684,839	\$ 7.02		
Granted	—	—		
Exercised	(416,017)	5.83		
Expired or canceled	(303,297)	8.40		
Outstanding at end of period	<u>3,965,525</u>	\$ 7.03	5.53	\$ 6,172,506
Vested or expected to vest at end of period	<u>3,942,351</u>	\$ 7.05	5.51	\$ 6,102,803
Options exercisable at end of period	<u>3,010,995</u>	\$ 7.60	4.70	\$ 3,732,798

We estimated the fair value of options granted on the date of grant using the Black-Scholes option-pricing model, with the following weighted average assumptions:

	<b>2016</b>	<b>2015</b>
Risk-free interest rate	1.38%	1.57%
Expected life of the option in years	5.22	5.22
Expected volatility	50.5%	47.3%
Dividend yield	—%	—%



**NEWPARK RESOURCES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

The risk-free interest rate is based on the implied yield on a U.S. Treasury zero-coupon issue with a remaining term equal to the expected term of the option. The expected life of the option is based on observed historical patterns. The expected volatility is based on historical volatility of the price of our common stock. The dividend yield is based on the projected annual dividend payment per share divided by the stock price at the date of grant, which is zero because we have not paid dividends for several years and do not expect to pay dividends in the foreseeable future.

The following table summarizes information about the weighted-average exercise price and the weighted-average grant date fair value of stock options granted:

	<u>2016</u>	<u>2015</u>
Weighted-average exercise price of the stock on the date of grant	\$ 4.32	\$ 9.00
Weighted-average grant date fair value on the date of grant	\$ 1.97	\$ 3.91

All stock options granted for 2016 and 2015 reflected an exercise price equal to the market value of the stock on the date of grant.

The total intrinsic value of options exercised was \$1.1 million, \$0.1 million and \$0.3 million for the years ended December 31, 2017, 2016 and 2015, while cash from option exercises totaled \$2.6 million, \$0.7 million and \$0.6 million, respectively.

The following table summarizes activity for outstanding cash-settled stock appreciation rights for the year-ended December 31, 2017:

	<u>Rights</u>
Outstanding at beginning of period	69,500
Exercised	(25,000)
Expired or cancelled	(1,500)
Outstanding at end of period	<u>43,000</u>
Exercisable at end of period	<u>43,000</u>

During 2017, there were no additional grants of cash-settled stock appreciation rights. All remaining cash-settled stock appreciation rights have a June 2018 expiration date, and if exercised, will ultimately be settled in cash for the difference between the market value of our outstanding shares at the date of exercise, and \$7.89. As such, the projected cash settlement is adjusted each period based on the ending fair market value of the underlying stock. At December 31, 2017, the fair market value of each cash-settled stock appreciation right was \$1.58, resulting in a liability of \$0.1 million.

Total compensation cost recognized for stock options and cash-settled stock appreciation rights during the years ended December 31, 2017, 2016 and 2015 was \$1.7 million, \$2.3 million and \$2.6 million, respectively. For the years ended December 31, 2017, 2016 and 2015, we recognized tax benefits resulting from the exercise of stock options totaling \$0.3 million, \$0.1 million and \$0.1 million, respectively.

***Performance-Based Restricted Stock Units***

There were no performance-based restricted stock units granted during 2017. In 2016 and 2015, performance-based restricted stock units were awarded to executive officers and will be settled in shares of common stock based on the relative ranking of our total shareholder return (“TSR”) as compared to the TSR of our designated peer group over a three-year period. The ending TSR price is equal to the average closing price of our shares over the last 30-calendar days of the performance period as set forth in the following table:

	<u>2016</u>	<u>2015</u>
Number of performance-based restricted stock units issued, at target	230,790	136,881
Range of payout of shares for each executive	0% - 150%	0% - 150%
Performance period begin date	June 1, 2016	June 1, 2015
Performance period end date	May 31, 2019	May 31, 2018
Estimated fair value at date of grant	\$ 5.18	\$ 10.06

**NEWPARK RESOURCES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

We estimated the fair value of each performance-based restricted stock unit at the date of grant using the Monte Carlo valuation model, with the following weighted average assumptions:

	<u>2016</u>	<u>2015</u>
Risk-free interest rate	0.95%	1.02%
Average closing price <sup>(1)</sup>	\$ 4.69	\$ 8.96
Expected volatility	46.9%	38.4%
Dividend yield	—%	—%

(1) Average closing price of our shares over the 30-calendar days ending May 16, 2016, and May 19, 2015, respectively.

The following table summarizes activity for outstanding performance-based restricted stock units for the year-ended December 31, 2017:

<b>Nonvested Performance-Based Restricted Stock Units</b>	<b>Shares</b>	<b>Weighted-Average Grant Date Fair Value</b>
Outstanding at beginning of period	447,184	\$ 8.06
Granted	—	—
Vested	(93,244)	12.55
Forfeited	—	—
Outstanding at the end of period	<u>353,940</u>	<u>\$ 6.88</u>

Total compensation cost recognized for performance-based restricted stock units was \$1.0 million, \$1.0 million and \$1.1 million for the years ended December 31, 2017, 2016 and 2015 respectively. During the year ended December 31, 2017, the total fair value of performance-based restricted stock units vested was \$1.0 million.

***Restricted Stock Awards and Units***

Time-vested restricted stock awards and restricted stock units are periodically granted to key employees, including grants for employment inducements, as well as to members of our Board of Directors. Employee awards provide for vesting periods ranging from three to four years. Non-employee director grants vest in full on the earlier of the day prior to the next annual meeting of stockholders following the grant date or the first anniversary of the grant. Upon vesting of these grants, shares are issued to award recipients.

**NEWPARK RESOURCES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

The following tables summarize the activity for our outstanding time-vested restricted stock awards and restricted stock units for the year ended December 31, 2017.

<b>Nonvested Restricted Stock Awards (Time-Vesting)</b>	<b>Shares</b>	<b>Weighted-Average Grant Date Fair Value</b>
Nonvested at January 1, 2017	595,535	\$ 8.45
Granted	98,714	7.80
Vested	(521,379)	8.70
Forfeited	(4,156)	11.20
Nonvested at December 31, 2017	<u>168,714</u>	<u>\$ 7.24</u>

<b>Nonvested Restricted Stock Units (Time-Vesting)</b>	<b>Shares</b>	<b>Weighted-Average Grant Date Fair Value</b>
Nonvested at January 1, 2017	2,183,029	\$ 5.82
Granted	768,661	7.83
Vested	(815,289)	6.36
Forfeited	(145,764)	5.72
Nonvested at December 31, 2017	<u>1,990,637</u>	<u>\$ 6.38</u>

Total compensation cost recognized for restricted stock awards and restricted stock units was \$8.0 million, \$8.6 million and \$10.1 million for the years ended December 31, 2017, 2016 and 2015, respectively. Total unrecognized compensation cost at December 31, 2017 related to restricted stock awards and restricted stock units is approximately \$8.8 million which is expected to be recognized over the next 1.8 years. During the years ended December 31, 2017, 2016 and 2015, the total fair value of shares vested was \$10.4 million, \$3.9 million and \$8.1 million, respectively.

For 2017, 2016 and 2015, we recognized tax benefits resulting from the vesting of restricted stock awards and units totaling \$1.9 million, \$1.5 million and \$2.0 million, respectively.

***Cash-Based Awards***

The Compensation Committee also approved the issuance of cash-based awards during the second quarter of 2017, including \$5.3 million of time-based cash awards and a target amount of \$1.3 million of performance-based cash awards. The time-based cash awards were granted to executive officers and other key employees and primarily vest in equal installments over a three-year period. The performance-based cash awards were granted to executive officers and will be paid based on the relative ranking of the Company's TSR as compared to the TSR of the Company's designated peer group for 2017. The performance period began June 1, 2017 and ends May 31, 2020, with the ending TSR price being equal to the average closing price of our shares over the 30-calendar days ending May 31, 2020 with the cash payout for each executive ranging from 0% to 150% of target. The performance-based cash awards are accrued as a liability award over the performance period based on the estimated fair value. The fair value of the performance-based cash awards is remeasured each period using a Monte-Carlo valuation model with changes in fair value recognized in the consolidated statement of operations. At December 31, 2017, the total liability for cash-based awards was \$1.4 million.

***Defined Contribution Plan***

Substantially all of our U.S. employees are covered by a defined contribution plan ("401(k) Plan"). Employees may voluntarily contribute up to 50% of compensation, as defined in the 401(k) Plan. Participants' contributions, up to 3% of compensation, are matched 100% by us, and the participants' contributions, from 3% to 6% of compensation, are matched 50% by us. Under the 401(k) Plan, our cash contributions were \$1.4 million, \$0.9 million and \$3.2 million in 2017, 2016 and 2015, respectively. In connection with the cost reduction programs implemented in early 2016, we temporarily eliminated our 401(k) matching contribution beginning in March 2016. This temporary elimination in the Company's matching contribution to the U.S. defined contribution plan was lifted in the second quarter of 2017.

**NEWPARK RESOURCES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**Note 12 — Segment and Related Information**

Our Company consists of two reportable segments, which offer different products and services to a relatively homogeneous customer base. The reportable segments include: Fluids Systems and Mats and Integrated Services. All intercompany revenues and related profits have been eliminated.

*Fluids Systems* — Our Fluids Systems business provides drilling fluids products and technical services to customers in the North America, EMEA, Latin America, and Asia Pacific regions. We offer customized solutions for highly technical drilling projects involving complex subsurface conditions, such as horizontal, directional, geologically deep or drilling in deep water. These projects require increased monitoring and critical engineering support of the fluids system during the drilling process. In addition, our Fluids Systems offering is expanding into adjacent areas to drilling fluids, including completion and stimulation chemistry, which are typically utilized by customers following the drilling process.

We also have industrial mineral grinding operations for barite, a critical raw material in drilling fluids products, which serve to support our activity in the North American drilling fluids market. We use the resulting products in our drilling fluids business, and also sell them to third party users, including other drilling fluids companies. We also sell a variety of other minerals, principally to third party industrial (non-oil and gas) markets.

*Mats and Integrated Services* — Our Mats and Integrated Services segment provides composite mat rentals, site construction and related site services to customers in various markets including oil and gas exploration and production (“E&P”), electrical transmission & distribution, pipeline, solar, petrochemical and construction across North America and Europe. We also sell composite mats to customers outside of the U.S. and to domestic customers outside of the E&P market. We manufacture our DURA-BASE<sup>®</sup> Advanced Composite Mats for use in our rental operations as well as for third-party sales. Our mats provide environmental protection and ensure all-weather access to sites with unstable soil conditions. The November 2017 acquisition of WSG expanded our range of site construction and related services we offer our customers across the U.S. to include a variety of complementary services to our composite matting systems, including access road construction, site planning and preparation, environmental protection, fluids and spill storage/containment, erosion control, and site restoration services.

**NEWPARK RESOURCES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

Summarized financial information concerning our reportable segments is shown in the following tables:

(In thousands)	<b>Year Ended December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Revenues</b>			
Fluids systems	\$ 615,803	\$ 395,461	\$ 581,136
Mats and integrated services	131,960	76,035	95,729
<b>Total revenues</b>	<b>\$ 747,763</b>	<b>\$ 471,496</b>	<b>\$ 676,865</b>
<b>Depreciation and amortization</b>			
Fluids systems	\$ 21,566	\$ 20,746	\$ 22,108
Mats and integrated Services	14,991	14,227	18,869
Corporate office	3,200	2,982	2,940
<b>Total depreciation and amortization</b>	<b>\$ 39,757</b>	<b>\$ 37,955</b>	<b>\$ 43,917</b>
<b>Operating income (loss)</b>			
Fluids systems	\$ 27,580	\$ (43,631)	\$ (86,770)
Mats and integrated services	40,491	14,741	24,949
Corporate office	(36,635)	(28,323)	(37,278)
<b>Operating income (loss)</b>	<b>\$ 31,436</b>	<b>\$ (57,213)</b>	<b>\$ (99,099)</b>
<b>Segment Assets</b>			
Fluids Systems	\$ 611,455	\$ 522,488	\$ 549,827
Mats and Integrated Services	260,931	164,515	172,415
Corporate	30,330	111,180	126,651
<b>Total Assets</b>	<b>\$ 902,716</b>	<b>\$ 798,183</b>	<b>\$ 848,893</b>
<b>Capital Expenditures</b>			
Fluids Systems	\$ 17,589	\$ 32,310	\$ 40,533
Mats and Integrated Services	11,956	4,637	27,456
Corporate	1,826	1,493	1,415
<b>Total Capital Expenditures</b>	<b>\$ 31,371</b>	<b>\$ 38,440</b>	<b>\$ 69,404</b>

As a result of the significant declines in industry activity in North America in 2015 and early 2016, we implemented cost reduction programs including workforce reductions, reduced discretionary spending, and beginning in March 2016, a temporary salary reduction for a significant number of North American employees, including executive officers, suspension of the Company's matching contribution to the U.S. defined contribution plan as well as a reduction in cash compensation paid to our Board of Directors in order to align our cost structure to activity levels.

**NEWPARK RESOURCES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

As part of these cost reduction programs, we reduced our North American employee base by 626 (approximately 48%) from the first quarter 2015 through the third quarter of 2016, including reductions of 436 employees in 2015 and 190 employees in the first nine months of 2016. As a result of these termination programs, we recognized charges for employee termination costs as shown in the table below:

(In thousands)	<b>Year Ended December 31,</b>	
	<b>2016</b>	<b>2015</b>
Cost of revenues	\$ 3,647	\$ 5,664
Selling, general and administrative expenses	925	2,499
<b>Total employee termination costs</b>	<b>\$ 4,572</b>	<b>\$ 8,163</b>
Fluids systems	\$ 4,125	\$ 7,218
Mats and integrated services	285	717
Corporate office	162	228
<b>Total employee termination costs</b>	<b>\$ 4,572</b>	<b>\$ 8,163</b>

The temporary reduction in salaries, suspension of the Company's matching contribution to the U.S. defined contribution plan and reduction in cash compensation paid to our Board of Directors were lifted in the second quarter of 2017.

Our 2016 and 2015 operating losses include net charges of \$14.8 million and \$80.5 million, respectively, resulting from the reduction in value of certain assets, the wind-down of our operations in Uruguay and the resolution of certain wage and hour litigation claims. The Fluids Systems segment operating results included \$15.5 million and \$75.5 million of these charges in 2016 and 2015, respectively. The remaining \$0.7 million benefit and \$5.0 million charge was included in Corporate Office expenses in 2016 and 2015, respectively, related to the resolution of certain wage and hour litigation claims.

The \$15.5 million of Fluids Systems charges in 2016 included \$6.9 million of non-cash impairments in the Asia Pacific region resulting from the continuing unfavorable industry market conditions and outlook for the region in 2016, \$4.1 million of charges for the reduction in carrying values of certain inventory, primarily resulting from lower of cost or market adjustments and \$4.5 million of charges in the Latin America region associated with the wind-down of our operations in Uruguay, including \$0.5 million to write-down property, plant and equipment. The \$6.9 million of impairments in the Asia Pacific region included a \$3.8 million charge to write-down property, plant and equipment to its estimated fair value and a \$3.1 million charge to fully impair the customer related intangible assets in the region.

The \$75.5 million of Fluids Systems charges in 2015 included \$70.7 million of non-cash charges for the impairment of goodwill, following our November 1, 2015 annual evaluation, a \$2.6 million non-cash impairment of assets, following our decision to exit a facility, and a \$2.2 million charge to reduce the carrying value of diesel-based drilling fluid inventory, resulting from lower of cost or market adjustments.

In 2016, a total of \$6.7 million of these charges are reported in impairments and other charges with the remaining \$8.1 million reported in cost of revenues including the \$4.1 million of charges for the write-down of inventory and \$4.0 million of the Uruguay exit costs. In 2015, a total of \$78.3 million of these charges are reported in impairments and other charges with the remaining \$2.2 million of charges for the write-down of inventory being reported in cost of revenues.

As described in Note 1, we revised our estimated useful lives and end-of-life residual values for composite mats included in our rental fleet as of January 1, 2016 resulting in a decrease in depreciation expense of approximately \$6.1 million for the year ended December 31, 2016.

**NEWPARK RESOURCES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

The following table sets forth geographic information for our operations. Revenues by geographic location are determined based on the operating location from which services are rendered or products are sold. Long-lived assets include property, plant and equipment and other long-term assets based on the country in which the assets are located.

(In thousands)	Year Ended December 31,		
	2017	2016	2015
<b>Revenue</b>			
United States	\$ 460,872	\$ 214,026	\$ 384,147
Canada	55,600	34,176	52,851
Algeria	87,975	80,936	65,272
All Other EMEA	102,247	96,654	109,252
Latin America	36,988	41,035	47,240
Asia Pacific	4,081	4,669	18,103
<b>Total Revenue</b>	<u>\$ 747,763</u>	<u>\$ 471,496</u>	<u>\$ 676,865</u>
<b>Long-Lived Assets</b>			
United States	\$ 337,190	\$ 274,746	\$ 275,109
Canada	3,993	3,922	552
EMEA	46,269	48,047	50,759
Latin America	2,354	4,842	4,543
Asia Pacific	3,120	1,939	9,731
<b>Total Long-Lived Assets</b>	<u>\$ 392,926</u>	<u>\$ 333,496</u>	<u>\$ 340,694</u>

For 2016, revenue from Sonatrach, our primary customer in Algeria, was approximately 14% of consolidated revenues. For 2017 and 2015 no single customer accounted for more than 10% of our consolidated revenues.

**Note 13 — Supplemental Cash Flow and Other Information**

Accounts payable and accrued liabilities at December 31, 2017, 2016, and 2015, included accruals for capital expenditures of \$2.7 million, \$2.0 million, and \$3.9 million, respectively.

Accrued liabilities at December 31, 2017 and 2016 were \$68.2 million and \$31.2 million, respectively. The balance at December 31, 2017 and 2016 included \$31.4 million and \$11.9 million, respectively, for employee incentives and other compensation related expenses. The balance at December 31, 2017 also includes \$14.0 million for the settlement of claims in connection with the sale of the Environmental Services business that will be funded in the first quarter of 2018 through available cash on hand and borrowings under our Amended ABL Facility. Further discussion of the claims and related settlement is contained in Note 15 below.

Cash, cash equivalents and restricted cash in the consolidated statements of cash flows included the following:

(in thousands)	2017	2016	2015
Cash and cash equivalents	\$ 56,352	\$ 87,878	\$ 107,138
Restricted cash included in other current assets	9,108	7,421	17,485
Cash, cash equivalents and restricted cash	<u>\$ 65,460</u>	<u>\$ 95,299</u>	<u>\$ 124,623</u>

Impairments and other non-cash charges in the consolidated statements of cash flows included the following:

(In thousands)	2016	-	2015
Goodwill and other intangible asset impairments	\$ 3,104		\$ 70,720
Property, plant and equipment impairments	4,286		2,625
Inventory write-downs	4,075		2,163
Write-off of debt issuance costs on termination of Credit Agreement	1,058		—
Impairments and other non-cash charges in the Consolidated Statements of Cash Flows	<u>\$ 12,523</u>		<u>\$ 75,508</u>

There were no impairments and other non-cash charges in 2017.

**NEWPARK RESOURCES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**Note 14 — Discontinued Operations**

In March of 2014 we completed the sale of the Environmental Services business for \$100 million in cash. Cash proceeds from the sale were \$89.8 million in 2014, net of transaction related expenses, including the adjustment related to final working capital conveyed at closing. Following the sale, \$8 million of the sales price was withheld in escrow associated with transaction representations, warranties and indemnities, with \$4 million scheduled to be released at each of the nine-month and 18-month anniversary of the closing. As a result of the sale transaction, we recorded a gain on the disposal of the business of \$34.0 million (\$22.1 million after-tax) in the first quarter of 2014. Following completion of the March 2014 transaction, the buyer asserted that we had breached certain representations and warranties contained in the sale agreement. The disputed matter went to trial in 2017 and following commencement of the trial, we reached a settlement agreement with the buyer to effectively reduce the sales price by \$22.0 million. The impact of this settlement results in a charge to discontinued operations for \$22.0 million (\$17.4 million net of tax) in 2017 to reduce the previously recognized gain from the sale of the Environmental Services business. See further discussion of the buyer’s claims and related litigation in Note 15.

Summarized results of operations from discontinued operations are as follows:

(In thousands)	2017
Loss from disposal of discontinued operations before income taxes	\$ 21,983
Loss from disposal of discontinued operations, net of tax	\$ 17,367

**Note 15 — Commitments and Contingencies**

In the ordinary course of conducting our business, we become involved in litigation and other claims from private party actions, as well as judicial and administrative proceedings involving governmental authorities at the federal, state and local levels. While the outcome of litigation or other proceedings against us cannot be predicted with certainty, except as described below, management does not consider it reasonably possible that a loss resulting from such litigation or other proceedings, in excess of any amounts accrued or covered by insurance, has been incurred that is expected to have a material adverse impact on our consolidated financial statements.

**Escrow Claims Related to Sale of Environmental Services Business**

Under the terms of the March 2014 sale of our previous Environmental Services business to Ecoserv, LLC (“Ecoserv”), \$8.0 million of the sales price was withheld and placed in an escrow account to satisfy claims for possible breaches of representations and warranties contained in the purchase/sale agreement. For the amount withheld in escrow, \$4.0 million was scheduled for release to Newpark at each of the nine-month and 18-month anniversary of the closing. In December 2014, we received a letter from Ecoserv asserting that we had breached certain representations and warranties contained in the purchase/sale agreement, including failing to disclose operational problems and service work performed on injection/disposal wells and increased barge rental costs. The letter indicated that Ecoserv expected the damages associated with these claims to exceed the escrow amount. Following a further exchange of letters, in July 2015 we filed an action against Ecoserv in state district court in Harris County, Texas, seeking release of the escrow funds. Thereafter, Ecoserv filed a counterclaim seeking recovery in excess of the escrow funds based on the alleged breach of representations and covenants in the purchase/sale agreement. Ecoserv also alleged that we committed fraud in connection with the March 2014 transaction. Discovery in the case provided more information about Ecoserv’s claims, which included, among other things, alleged inadequate disclosures regarding the condition of a disposal cavern (at the time of the execution of the purchase/sale agreement and again as it relates to the time period between execution of the purchase/sale agreement and closing) and the lack of appropriate reserves/accruals/provisions in the financial statements of the business relating to certain regulatory obligations (such as plug and abandonment costs for injection wells and costs associated with a solids drying facility). Ecoserv sought to use a damage model for most of its damages based on its calculation of the difference between (a) the value of the business at closing, and (b) the sales price (\$100 million), and had claimed damages of approximately \$20.0 million. Following commencement of the trial in December 2017, we reached a settlement agreement with Ecoserv, under which Ecoserv will receive \$22.0 million in cash, effectively reducing the net sales price of the Environmental Services business by such amount in exchange for dismissal of the pending claims in the lawsuit, and release of any future claims related to the March 2014 transaction. The reduction in sale price will be funded, in part, through the release of the \$8.0 million that has been held in escrow since the March 2014 transaction. The remaining \$14.0 million will be funded in the first quarter of 2018 through available cash on hand and borrowings under our Amended ABL Facility. Litigation expenses related to this matter are included in corporate office expenses in operating income.



**NEWPARK RESOURCES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

***Leases***

We lease various manufacturing facilities, warehouses, office space, machinery and equipment under operating leases with remaining terms ranging from 1 to 9 years with various renewal options. Substantially all leases require payment of taxes, insurance and maintenance costs in addition to rental payments. Total rental expenses for all operating leases were approximately \$23.9 million, \$21.0 million and \$22.6 million in 2017, 2016 and 2015, respectively.

Future minimum payments under non-cancelable operating leases, with initial or remaining terms in excess of one year are included in the table below. Future minimum payments under capital leases are not significant.

(In thousands)	
2018	\$ 13,318
2019	6,877
2020	4,611
2021	3,764
2022	3,251
Thereafter	7,689
	\$ 39,510

***Other***

In conjunction with our insurance programs, we had established letters of credit in favor of certain insurance companies in the amount of \$2.2 million and \$3.0 million at December 31, 2017 and 2016, respectively. We also had \$0.4 million in guarantee obligations in connection with facility closure bonds and other performance bonds issued by insurance companies outstanding as of December 31, 2017 and 2016.

Other than normal operating leases for office and warehouse space, rolling stock and other pieces of operating equipment, we do not have any off-balance sheet financing arrangements or special purpose entities. As such, we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such financing arrangements.

We are self-insured for health claims, subject to certain “stop loss” insurance policies. Claims in excess of \$250,000 per incident are insured by third-party insurers. We had accrued liabilities of \$1.3 million and \$0.8 million for unpaid claims incurred, based on historical experience at December 31, 2017 and 2016, respectively. Substantially all of these estimated claims are expected to be paid within six months of their occurrence.

We are self-insured for certain workers’ compensation, auto and general liability claims up to a certain policy limit. Claims in excess of \$750,000 are insured by third-party reinsurers. At December 31, 2017 and 2016, we had accrued liabilities of \$2.5 million and \$1.9 million, respectively, for the uninsured portion of claims.

We maintain accrued liabilities for asset retirement obligations, which represent obligations associated with the retirement of tangible long-lived assets that result from the normal operation of the long-lived asset. Our asset retirement obligations primarily relate to required expenditures associated with owned and leased facilities. Upon settlement of the liability, a gain or loss for any difference between the settlement amount and the liability recorded is recognized. We had accrued asset retirement obligations of \$1.1 million and \$1.0 million as of December 31, 2017 and 2016, respectively.

**NEWPARK RESOURCES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

**Note 16 — Supplemental Selected Quarterly Financial Data (Unaudited)**

(In thousands, except per share amounts)	<b>First Quarter</b>	<b>Second Quarter</b>	<b>Third Quarter</b>	<b>Fourth Quarter</b>
<b>Fiscal Year 2017</b>				
Revenues	\$ 158,691	\$ 183,020	\$ 201,663	\$ 204,389
Operating income	3,746	7,968	9,882	9,840
Income (loss) from continuing operations	(983)	1,632	2,653	7,917
Net income (loss)	(983)	1,632	2,653	(9,450)
Income (loss) per common share - basic:				
Income (loss) from continuing operations	\$ (0.01)	\$ 0.02	\$ 0.03	\$ 0.09
Net income (loss)	\$ (0.01)	\$ 0.02	\$ 0.03	\$ (0.11)
Income (loss) per common share - diluted:				
Income (loss) from continuing operations	\$ (0.01)	\$ 0.02	\$ 0.03	\$ 0.09
Net income (loss)	\$ (0.01)	\$ 0.02	\$ 0.03	\$ (0.11)
<b>Fiscal Year 2016</b>				
Revenues	\$ 114,544	\$ 115,315	\$ 104,554	\$ 137,083
Operating loss	(18,825)	(15,135)	(15,055)	(8,198)
Loss from continuing operations	(13,300)	(13,904)	(13,451)	(57)
Net loss	(13,300)	(13,904)	(13,451)	(57)
Net loss per common share - basic:				
Loss from continuing operations	\$ (0.16)	\$ (0.17)	\$ (0.16)	\$ —
Net loss	\$ (0.16)	\$ (0.17)	\$ (0.16)	\$ —
Net loss per common share - diluted:				
Loss from continuing operations	\$ (0.16)	\$ (0.17)	\$ (0.16)	\$ —
Net loss	\$ (0.16)	\$ (0.17)	\$ (0.16)	\$ —

Fourth quarter 2017 income from continuing operations and net loss includes the \$3.4 million net tax benefit recognized related to the Tax Act. Fourth quarter 2017 net loss also includes the \$17.4 million loss from disposal of discontinued operations, net of tax.

Fourth quarter 2016 operating loss included a \$2.6 million non-cash charge to reduce the carrying value of drilling fluids inventory in our Asia Pacific region. Fourth quarter 2016 and third quarter 2016 operating loss included charges of \$2.0 million and \$2.5 million, respectively, associated primarily with asset redeployment costs resulting from the exit of our Fluids Systems operations in Uruguay. Second quarter 2016 operating loss included a total of \$6.9 million of impairments and other charges related to our Asia Pacific region, including a \$3.8 million non-cash impairment to write-down property, plant and equipment to its estimated fair value and a \$3.1 million impairment of customer related intangible assets.

**ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

**ITEM 9A. Controls and Procedures**

**Evaluation of disclosure controls and procedures**

Based on their evaluation of the Company's disclosure controls and procedures as of the end of the period covered by this Annual Report, the Chief Executive Officer and Chief Financial Officer of the Company have concluded that the Company's disclosure controls and procedures are effective as of December 31, 2017.

**Changes in internal control over financial reporting**

There has been no change in the Company's internal control over financial reporting during the quarter ended December 31, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**Management's Report on Internal Control Over Financial Reporting**

We are responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Securities and Exchange Act Rule 13(a)-15(f). Our internal control system over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Internal control over financial reporting has inherent limitations and may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance, not absolute assurance with respect to the financial statement preparation and presentation. Further, because of changes in conditions, the effectiveness of internal control over financial reporting may vary over time.

Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our internal control over financial reporting as of December 31, 2017 as required by the Securities and Exchange Act of 1934 Rule 13a-15(c). In making its assessment, we have utilized the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in a report entitled "*Internal Control — Integrated Framework (2013)*." We concluded that based on our evaluation, our internal control over financial reporting was effective as of December 31, 2017.

The effectiveness of our internal control over financial reporting as of December 31, 2017 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report which is included herein.

/s/ Paul L. Howes

Paul L. Howes  
President, Chief Executive Officer

/s/ Gregg S. Piontek

Gregg S. Piontek  
Vice President and Chief Financial Officer

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of  
Newpark Resources, Inc.  
The Woodlands, Texas

### Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Newpark Resources, Inc. and subsidiaries (the “Company”) as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2017, of the Company and our report dated February 23, 2018 expressed an unqualified opinion on those financial statements.

### Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP

Houston, Texas  
February 23, 2018

**ITEM 9B. *Other Information***

None

**PART III**

**ITEM 10. *Directors, Executive Officers and Corporate Governance***

**Executive Officers and Directors**

The information required by this Item is incorporated by reference to the “Executive Officers” and “Election of Directors” sections of the definitive Proxy Statement relating to our 2018 Annual Meeting of Stockholders.

**Compliance with Section 16(a) of the Exchange Act**

The information required by this Item is incorporated by reference to the “Section 16(a) Beneficial Ownership Reporting Compliance” section of the definitive Proxy Statement relating to our 2018 Annual Meeting of Stockholders.

**Code of Conduct and Ethics**

We have adopted a Code of Ethics for Senior Officers and Directors, and a Code of Business Ethics and Conduct (“Ethics Manual”) that applies to all officers and employees. The Code of Ethics and Ethics Manual are publicly available in the investor relations area of our website at [www.newpark.com](http://www.newpark.com). This Code of Ethics is incorporated in this Annual Report by reference. Copies of our Code of Ethics may also be requested in print by writing to Newpark Resources, Inc., 9320 Lakeside Blvd., Suite 100, The Woodlands, Texas, 77381.

**ITEM 11. *Executive Compensation***

The information required by this Item is incorporated by reference to the “Executive Compensation” section of the definitive Proxy Statement relating to our 2018 Annual Meeting of Stockholders.

**ITEM 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

The information required by this Item is incorporated by reference to the “Ownership of Common Stock” section of the definitive Proxy Statement relating to our 2018 Annual Meeting of Stockholders.

**ITEM 13. *Certain Relationships and Related Transactions, and Director Independence***

The information required by this Item is incorporated by reference to the “Related Person Transactions” and “Director Independence” sections of the definitive Proxy Statement relating to our 2018 Annual Meeting of Stockholders.

**ITEM 14. *Principal Accounting Fees and Services***

The information required by this Item is incorporated by reference to the “Independent Auditor” section of the definitive Proxy Statement relating to our 2018 Annual Meeting of Stockholders.

## PART IV

### ITEM 15. Exhibits and Financial Statement Schedules

- (a) List of documents filed as part of this Annual Report or incorporated herein by reference.

#### 1. Financial Statements

The following financial statements of the Registrant as set forth under Part II, Item 8 of this Annual Report on Form 10-K on the pages indicated.

	<u>Page in this Form 10-K</u>
Report of Independent Registered Public Accounting Firm	34
Consolidated Balance Sheets	35
Consolidated Statements of Operations	36
Consolidated Statements of Comprehensive Income (Loss)	37
Consolidated Statements of Stockholders' Equity	38
Consolidated Statements of Cash Flows	39
Notes to Consolidated Financial Statements	40

#### 2. Financial Statement Schedules

All schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and, therefore, have been omitted.

#### 3. Exhibits

The exhibits listed are filed as part of, or incorporated by reference into, this Annual Report on Form 10-K.

- 3.1 Restated Certificate of Incorporation of Newpark Resources, Inc., incorporated by reference to Exhibit 3.1 to the Company's Form 10-K405 for the year ended December 31, 1998 filed on March 31, 1999 (SEC File No. 001-02960).
- 3.2 Certificate of Designation of Series A Cumulative Perpetual Preferred Stock of Newpark Resources, Inc. incorporated by reference to Exhibit 99.1 to the Company's Current Report on Form 8-K filed on April 27, 1999 (SEC File No. 001-02960).
- 3.3 Certificate of Designation of Series B Convertible Preferred Stock of Newpark Resources, Inc., incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on June 7, 2000 (SEC File No. 001-02960).
- 3.4 Certificate of Rights and Preferences of Series C Convertible Preferred Stock of Newpark Resources, Inc., incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on January 4, 2001 (SEC File No. 001-02960).
- 3.5 Certificate of Amendment to the Restated Certificate of Incorporation of Newpark Resources, Inc., incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on November 4, 2009 (SEC File No. 001-02960).
- 3.6 Certificate of Amendment to the Restated Certificate of Incorporation of Newpark Resources, Inc., incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q filed on July 29, 2016 (SEC File No. 001-02960).
- 3.7 Amended and Restated Bylaws, incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed March 13, 2007 (SEC File No. 001-02960).
- 4.1 Specimen form of common stock certificate of Newpark Resources, Inc., incorporated by reference to the exhibit filed with the Company's Registration Statement on Form S-1 (SEC File No. 33-40716).
- 4.2 Indenture, dated December 5, 2016, between Newpark Resources, Inc. and Wells Fargo Bank, National Association, as trustee, incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on December 5, 2016 (SEC File No. 001-02960).
- 4.3 Form of 4.00% Convertible Senior Note due 2021, incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K filed on December 5, 2016 (SEC File No. 001-02960).
- \*10.1 Amended and Restated Employment Agreement, dated as of December 31, 2008, between the registrant and Paul L. Howes, incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on May 1, 2009 (SEC File No. 001-02960).

- 10.2 Indemnification Agreement, dated June 7, 2006, between the registrant and Paul L. Howes, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 13, 2006 (SEC File No. 001-02960).
- \*10.3 Employment Agreement, dated as of September 18, 2006, by and between Newpark Resources, Inc. and Mark J. Airola, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on September 20, 2006 (SEC File No. 001-02960).
- \*10.4 Form of Non-Qualified Stock Option Agreement under the Newpark Resources, Inc. 2006 Equity Incentive Plan, incorporated by reference to Exhibit 4.4 to the Company's Registration Statement on Form S-8 filed on March 26, 2007 (SEC File No. 333-0141577).
- \*10.5 Employment Agreement between Newpark Resources, Inc. and Bruce Smith dated April 20, 2007, incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2007 filed on May 8, 2007 (SEC File No. 001-02960).
- 10.6 Amendment to the Indemnification Agreement between Newpark Resources, Inc. and Paul L. Howes dated September 11, 2007, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on September 14, 2007 (SEC File No. 001-02960).
- \*10.7 Newpark Resources, Inc., 2008 Employee Stock Purchase Plan, incorporated by reference to Exhibit 4.1 the Company's Registration Statement on Form S-8 filed on December 9, 2008 (SEC File No. 333-156010).
- \*10.8 Form of Change of Control Agreement, incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2008 filed on May 2, 2008 (SEC File No. 001-02960).
- \*10.9 Amendment to Amended and Restated Employment Agreement between Newpark Resources, Inc. and Paul L. Howes dated April 20, 2009, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 23, 2009 (SEC File No. 001-02960).
- \*10.10 Amendment to Employment Agreement between Newpark Resources, Inc. and Bruce C. Smith dated April 22, 2009, incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on April 23, 2009 (SEC File No. 001-02960).
- \*10.11 Amendment to Employment Agreement between Newpark Resources, Inc. and Mark J. Airola dated April 22, 2009, incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on April 23, 2009 (SEC File No. 001-02960).
- \*10.12 Newpark Resources, Inc. 2010 Annual Cash Incentive Plan, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 2, 2010 (SEC File No. 001-02960).
- †\*10.13 Director Compensation Summary.
- \*10.14 Newpark Resources, Inc. 2006 Equity Incentive Plan (As Amended and Restated Effective June 10, 2009), incorporated by reference to Exhibit 4.6 to the Company's Registration Statement on Form S-8 filed on August 14, 2009 (SEC File No. 333-161378).
- \*10.15 Amendment No. 1 to the Newpark Resources, Inc. 2006 Equity Incentive Plan (As Amended and Restated Effective June 10, 2009), incorporated by reference to Exhibit 4.8 to the Company's Registration Statement on Form S-8 filed on June 9, 2011 (SEC File No. 333-174807).
- \*10.16 Form of Non-Qualified Stock Option Agreement under the Newpark Resources, Inc. 2006 Equity Incentive Plan (As Amended and Restated Effective June 10, 2009) (as amended), incorporated by reference to Exhibit 4.9 to the Company's Registration Statement on Form S-8 filed on June 9, 2011 (SEC File No. 333-174807).
- \*10.17 Form of Non-Qualified Stock Option Agreement under the Newpark Resources, Inc. 2006 Equity Incentive Plan (As Amended and Restated Effective June 10, 2009) (as amended), incorporated by reference to Exhibit 4.10 to the Company's Registration Statement on Form S-8 filed on June 9, 2011 (SEC File No. 333-174807).
- \*10.18 Form of Restricted Stock Agreement under the Newpark Resources, Inc. 2006 Equity Incentive Plan (As Amended and Restated Effective June 10, 2009) (as amended), incorporated by reference to Exhibit 4.11 to the Company's Registration Statement on Form S-8 filed on June 9, 2011 (SEC File No. 333-174807).
- \*10.19 Form of Restricted Stock Agreement under the Newpark Resources, Inc. 2006 Equity Incentive Plan (As Amended and Restated Effective June 10, 2009) (as amended), incorporated by reference to Exhibit 4.12 to the Company's Registration Statement on Form S-8 filed on June 9, 2011 (SEC File No. 333-174807).
- \*10.20 Employment Agreement, dated October 18, 2011, by and between Newpark Resources, Inc. and Gregg Steven Piontek, incorporated by reference to the Company's Current Report on Form 8-K filed on October 21, 2011 (SEC File No. 001-02960).
- 10.21 Indemnification Agreement, dated October 26, 2011, between Gregg S. Piontek and Newpark Resources, Inc., incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 31, 2011 (SEC File No. 001-02960).
- \*10.22 Form of Restricted Stock Unit for Participants Outside the United States under the 2006 Equity Incentive Plan (As Amended and Restated Effective June 10, 2009) (as amended), incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on July 27, 2012 (SEC File No. 001-02960).

- \*10.23 Form of Non-Qualified Stock Option Agreement for Participants Outside the United States under the 2006 Equity Incentive Plan (As Amended and Restated Effective June 10, 2009) (as amended), incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on July 27, 2012 (SEC File No. 001-02960).
- \*10.24 Amendment to Employment Agreement, dated December 31, 2012, between Mark Airola and Newpark Resources, Inc., incorporated by reference to the Company's Current Report on Form 8-K filed on January 4, 2013 (SEC File No. 001-02960).
- \*10.25 Amendment to Employment Agreement, dated December 31, 2012, between Bruce Smith and Newpark Resources, Inc., incorporated by reference to the Company's Current Report on Form 8-K filed on January 4, 2013 (SEC File No. 001-02960).
- 10.26 Membership Interests Purchase Agreement, dated February 10, 2014, by and among Newpark Resources, Inc., Newpark Drilling Fluids LLC and ecoserv, LLC, incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on April 25, 2014 (SEC File No. 001-02960).
- \*10.27 Newpark Resources, Inc. 2014 Non-Employee Directors' Restricted Stock Plan, incorporated by reference to Exhibit 4.7 to the Company's Registration Statement on Form S-8 filed on May 22, 2014 (SEC File No. 333-196164).
- \*10.28 Form of Non-Employee Director Restricted Stock Agreement under the Newpark Resources, Inc. 2014 Non-Employee Directors' Restricted Stock Plan, incorporated by reference to Exhibit 4.8 to the Company's Registration Statement on Form S-8 filed on May 22, 2014 (SEC File No. 333-196164).
- 10.29 Form of Indemnification Agreement, incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q filed on July 25, 2014 (SEC File No. 001-02960).
- \*10.30 Newpark Resources, Inc. 2015 Employee Equity Incentive Plan, incorporated by reference to Exhibit 4.7 to the Company's Registration Statement on Form S-8 filed May 22, 2015 (SEC File No. 333-204403).
- \*10.31 Form of Restricted Stock Agreement (time vested) under the Newpark Resources, Inc. 2015 Employee Equity Incentive Plan, incorporated by reference to Exhibit 4.8 to the Company's Registration Statement on Form S-8 filed May 22, 2015 (SEC File No. 333-204403).
- \*10.32 Form of Restricted Stock Unit Agreement (performance-based) under the Newpark Resources, Inc. 2015 Employee Equity Incentive Plan, incorporated by reference to Exhibit 4.9 to the Company's Registration Statement on Form S-8 filed May 22, 2015 (SEC File No. 333-204403).
- \*10.33 Form of Restricted Stock Unit Agreement (retirement eligible) under the Newpark Resources, Inc. 2015 Employee Equity Incentive Plan, incorporated by reference to Exhibit 4.10 to the Company's Registration Statement on Form S-8 filed May 22, 2015 (SEC File No. 333.204403).
- \*10.34 Form of Restricted Stock Unit Agreement (not retirement eligible) under the Newpark Resources, Inc. 2015 Employee Equity Incentive Plan, incorporated by reference to Exhibit 4.11 to the Company's Registration Statement on Form S-8 filed May 22, 2015 (SEC File No. 333.204403).
- \*10.35 Form of Restricted Stock Unit Agreement (international) under the Newpark Resources, Inc. 2015 Employee Equity Incentive Plan, incorporated by reference to Exhibit 4.12 to the Company's Registration Statement on Form S-8 filed May 22, 2015 (SEC File No. 333.204403).
- \*10.36 Form of Non-Qualified Stock Option Agreement (retirement eligible) under the Newpark Resources, Inc. 2015 Employee Equity Incentive Plan, incorporated by reference to Exhibit 4.13 to the Company's Registration Statement on Form S-8 filed May 22, 2015 (SEC File No. 333.204403).
- \*10.37 Form of Non-Qualified Stock Option Agreement (not retirement eligible) under the Newpark Resources, Inc. 2015 Employee Equity Incentive Plan, incorporated by reference to Exhibit 4.14 to the Company's Registration Statement on Form S-8 filed May 22, 2015 (SEC File No. 333.204403).
- \*10.38 Form of Non-Qualified Stock Option Agreement (international) under the Newpark Resources, Inc. 2015 Employee Equity Incentive Plan, incorporated by reference to Exhibit 4.15 to the Company's Registration Statement on Form S-8 filed May 22, 2015 (SEC File No. 333.204403).
- \*10.39 Amendment to Amended and Restated Employment Agreement dated as of February 16, 2016, between Newpark Resources, Inc. and Paul L. Howes, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 18, 2016 (SEC File No. 001-02960).
- \*10.40 Amendment to Employment Agreement dated as of February 16, 2016 between Newpark Resources, Inc. and Gregg S. Piontek, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on February 18, 2016 (SEC File No. 001-02960).
- \*10.41 Amendment to Employment Agreement dated February 16, 2016 between Newpark Resources, Inc. and Bruce C. Smith, incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on February 18, 2016 (SEC File No. 001-02960).
- \*10.42 Amendment to Employment Agreement dated February 16, 2016 between Newpark Resources, Inc. and Mark J. Airola, incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on February 18, 2016 (SEC File No. 001-02960).



- \*10.43 Employment Agreement, dated as of April 22, 2016, by and between Newpark Resources, Inc. and Matthew S. Lanigan, incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on July 29, 2016 (SEC File No. 001-02960).
- \*10.44 Change in Control Agreement dated as of April 22, 2016 by and between Newpark Resources, Inc. and Matthew S. Lanigan, incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on July 29, 2016 (SEC File No. 001-02960).
- \*10.45 Amendment No. 1 to Newpark Resources, Inc. 2015 Employee Equity Incentive Plan, incorporated by reference to Exhibit 4.8 to the Company's Registration Statement on Form S-8 filed on May 19, 2016 (333-211459).
- 10.46 Purchase Agreement, dated November 29, 2016, by and between Newpark Resources, Inc. and Credit Suisse Securities (USA) LLC, as representative of the several initial purchasers named therein, incorporated by reference to Exhibit 1.1 to the Company's Current Report on Form 8-K filed on December 5, 2016 (SEC File No. 001-02960).
- \*10.47 Letter Agreement dated as of December 13, 2016 between Newpark Resources, Inc. and Paul L. Howes, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 15, 2016 (SEC File No. 001-02960).
- \*10.48 Letter Agreement dated as of December 13, 2016 between Newpark Resources, Inc. and Gregg S. Piontek, incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on December 15, 2016 (SEC File No. 001-02960).
- \*10.49 Letter Agreement dated as of December 13, 2016 between Newpark Resources, Inc. and Bruce C. Smith, incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on December 15, 2016 (SEC File No. 001-02960).
- \*10.50 Letter Agreement dated as of December 13, 2016 between Newpark Resources, Inc. and Mark J. Airola, incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on December 15, 2016 (SEC File No. 001-02960).
- \*10.51 Amendment No. 2 to Newpark Resources, Inc. 2015 Employee Equity Incentive Plan, incorporated by reference to Exhibit 4.9 to the Company's Registration Statement on Form S-8 filed on May 18, 2017 (SEC File No. 333-218072).
- \*10.52 Newpark Resources, Inc. Amended and Restated Employee Stock Purchase Plan, incorporated by reference to Exhibit 4.7 to the Company's Registration Statement on Form S-8 filed on May 18, 2017 (SEC File No. 333-218074).
- \*10.53 Newpark Resources, Inc. Long-Term Cash Incentive Plan, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 15, 2017 (SEC File No. 001-02960).
- \*10.54 Form of Time-Based Cash Award Agreement under the Newpark Resources, Inc. Long-Term Cash Incentive Plan, incorporated by reference to Exhibit 10.2 to the Company's Current Report of Form 8-K filed on June 15, 2017 (SEC File No. 001-02960).
- \*10.55 Form of Performance-Based Cash Award Agreement under the Newpark Resources, Inc. Long-Term Cash Incentive Plan, incorporated by reference to Exhibit 10.3 to the Company's Current Report of Form 8-K filed on June 15, 2017 (SEC File No. 001-02960).
- \*10.56 Employment Agreement, dated as of July 1, 2017, by and between Newpark Resources, Inc. and Phillip T. Vollands, incorporated by reference to Exhibit 10.1 to the Company's Current Report of Form 8-K filed on July 3, 2017 (SEC File No. 001-02960)
- \*10.57 Amended and Restated Employment Agreement, dated as of July 1, 2017, by and between Newpark Resources, Inc. and Bruce Smith, incorporated by reference to Exhibit 10.2 to the Company's Current Report of Form 8-K filed on July 3, 2017 (SEC File No. 001-02960).
- 10.58 Amended and Restated Credit Agreement dated October 17, 2017 by and among Newpark Resources, Inc., Newpark Drilling Fluids LLC, Newpark Mats & Integrated Services LLC, Excalibar Minerals LLC and Dura-Base Nevada, Inc., as borrowers, Bank of America, N.A., as Administrative Agent, Swing Line Lender and an L/C Issuer, and the other Lenders party hereto, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 18, 2017 (SEC File No. 001-02960).
- 10.59 Asset Purchase Agreement, dated as of October 27, 2017, by and among Well Service Group Inc., the stockholders designated therein, Newpark Resources, Inc. and Newpark Mats & Integrated Services LLC, incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on October 31, 2017 (SEC File No. 001-02960).
- 10.60 Asset Purchase Agreement, dated as of October 27, 2017, by and among Utility Access Solutions Inc., the stockholders designated therein, Newpark Resources, Inc. and Newpark Mats & Integrated Services LLC, incorporated by reference to Exhibit 2.2 to the Company's Current Report on Form 8-K filed on October 31, 2017 (SEC File No. 001-02960).
- †21.1 Subsidiaries of the Registrant.
- †23.1 Consent of Independent Registered Public Accounting Firm.
- †31.1 Certification of Paul L. Howes pursuant to Rule 13a-14 or 15d-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

- †31.2 Certification of Gregg S. Piontek pursuant to Rule 13a-14 or 15d-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- †32.1 Certification of Paul L. Howes pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- †32.2 Certification of Gregg S. Piontek pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- †95.1 Reporting requirements under the Mine Safety and Health Administration.
- †101.INS XBRL Instance Document
- †101.SCH XBRL Schema Document
- †101.CAL XBRL Calculation Linkbase Document
- †101.LAB XBRL Label Linkbase Document
- †101.PRE XBRL Presentation Linkbase Document
- †101.DEF XBRL Definition Linkbase Document

† Filed herewith.

\* Management compensation plan or agreement

**ITEM 16. *Form 10-K Summary***

None.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NEWPARK RESOURCES, INC.

By: /s/ Paul L. Howes

Paul L. Howes

President and Chief Executive Officer

Dated: February 23, 2018

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant in the capacities and on the dates indicated.

<u>Signatures</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Paul L. Howes</u> Paul L. Howes	President, Chief Executive Officer and Director (Principal Executive Officer)	February 23, 2018
<u>/s/ Gregg S. Piontek</u> Gregg S. Piontek	Vice President and Chief Financial Officer (Principal Financial Officer)	February 23, 2018
<u>/s/ Douglas L. White</u> Douglas L. White	Corporate Controller and Chief Accounting Officer (Principal Accounting Officer)	February 23, 2018
<u>/s/ David C. Anderson</u> David C. Anderson	Chairman of the Board	February 23, 2018
<u>/s/ Anthony J. Best</u> Anthony J. Best	Director, Member of the Audit Committee	February 23, 2018
<u>/s/ G. Stephen Finley</u> G. Stephen Finley	Director, Member of the Audit Committee	February 23, 2018
<u>/s/ Roderick A. Larson</u> Roderick A. Larson	Director, Member of the Audit Committee	February 23, 2018
<u>/s/ John C. Mingé</u> John C. Mingé	Director, Member of the Audit Committee	February 23, 2018
<u>/s/ Rose M. Robeson</u> Rose M. Robeson	Director, Member of the Audit Committee	February 23, 2018
<u>/s/ Gary L. Warren</u> Gary L. Warren	Director, Member of the Audit Committee	February 23, 2018

**DIRECTORS**

<b>DAVID C. ANDERSON</b>	Chairman of the Board, Newpark Resources, Inc., Chief Executive Officer, Anderson Partners
<b>ANTHONY J. BEST</b>	Retired President and Chief Executive Officer, SM Energy Company
<b>G. STEPHEN FINLEY</b>	Retired Senior V.P., Finance and Administration and Chief Financial Officer, Baker Hughes Incorporated
<b>PAUL L. HOWES</b>	President and Chief Executive Officer
<b>RODERICK A. LARSON</b>	President and Chief Operating Officer, Oceaneering International, Inc.
<b>JOHN C. MINGÉ</b>	Chairman and President, BP America, Inc.
<b>ROSE M. ROBESON</b>	Retired VP and CFO, General Partner of DCP Midstream Partners LP
<b>GARY L. WARREN</b>	Retired Senior V.P., President, Drilling and Well Services Division, Weatherford International, Ltd.

**CORPORATE INFORMATION**

**NEWPARK RESOURCES, INC.  
CORPORATE HEADQUARTERS**  
9320 Lakeside Blvd., Suite 100  
The Woodlands, TX 77381

**INVESTOR RELATIONS CONTACT**  
**GREGG S. PIONTEK**  
Senior Vice President and  
Chief Financial Officer  
Phone: 281-362-6800  
Fax: 281-362-6801  
E-mail: gpiontek@newpark.com

**AUDITORS**  
**DELOITTE & TOUCHE LLP**  
Houston, Texas

**TRANSFER AGENT**  
**AMERICAN STOCK TRANSFER &  
TRUST COMPANY**  
6201 Fifteenth Avenue  
3rd Floor Mail Room  
Brooklyn, New York 11219  
Phone: 718-921-8124

**ANNUAL MEETING**  
The Annual Meeting of Shareholders  
of Newpark Resources, Inc. will be held on  
Thursday, May 17, 2018 at 10 a.m. CDT, at  
Newpark Corporate Offices  
9320 Lakeside Blvd., Suite 100  
The Woodlands, Texas 77381

**COMMON STOCK LISTED**  
**NEW YORK STOCK EXCHANGE**  
Symbol - NR

**EXECUTIVE OFFICERS**

<b>PAUL L. HOWES</b>	President and Chief Executive Officer
<b>MARK J. AIROLA</b>	Senior Vice President, General Counsel, Chief Administrative Officer, Chief Compliance Officer and Secretary
<b>MATTHEW S. LANIGAN</b>	Vice President and President, Mats and Integrated Services
<b>GREGG S. PIONTEK</b>	Senior Vice President and Chief Financial Officer
<b>BRUCE C. SMITH</b>	Chief Technology Marketing Officer
<b>PHILLIP T. VOLLANDS</b>	Vice President and President, Fluids Systems
<b>DOUGLAS L. WHITE</b>	Corporate Controller and Chief Accounting Officer

**CORE VALUES**

<b>INTEGRITY</b>	Acting honestly, ethically and responsibly in all aspects of our business
<b>RESPECT</b>	Dealing fairly and openly with employees, customers, suppliers and community
<b>EXCELLENCE</b>	Delivering value through performance, innovation and service quality
<b>ACCOUNTABILITY</b>	Using good judgment and taking responsibility for our actions



**CORPORATE HEADQUARTERS**

9320 Lakeside Blvd., Suite 100

The Woodlands, TX 77381

281-362-6800 [newpark.com](http://newpark.com)