

Nuverra Announces Fourth-Quarter And Full Year 2016 Results

SCOTTSDALE, Ariz., April 14, 2017 /PRNewswire/ -- Nuverra Environmental Solutions, Inc. (OTCQB: NESC) ("Nuverra" or the "Company") today announced financial and operating results for the fourth quarter and full year ended December 31, 2016.

SUMMARY OF QUARTERLY RESULTS

- Fourth quarter revenue was \$35.8 million, an increase of approximately 1.0%, or \$0.3 million, when compared with revenue of \$35.4 million in the third quarter of 2016.
- Total costs and expenses, adjusted for special items, were \$48.0 million, or a 0.9% increase when compared with \$47.5 million in the third quarter of 2016, and a 38.9% reduction in total costs and expenses, adjusted for special items, when compared with the fourth quarter of 2015.
- Loss from continuing operations for the fourth quarter was \$61.3 million, or a loss of \$0.45 per diluted share, compared with a loss from continuing operations of \$38.4 million, or a loss of \$0.30 per diluted share, in the third quarter of 2016.
- Adjusted EBITDA from continuing operations for the fourth quarter was \$2.5 million, a decrease of \$0.9 million compared with adjusted EBITDA from continuing operations of \$3.4 million in the third quarter of 2016.
- Total liquidity as of December 31, 2016 was \$12.6 million.

FOURTH QUARTER 2016 RESULTS

Fourth quarter revenue was \$35.8 million, an increase of \$0.3 million, or 1.0%, from \$35.4 million in the third quarter of 2016. Revenue increased sequentially based on a mix of pricing and activity improvement as rig counts continued to rebound, partially offset by poor weather conditions in December. In the fourth quarter of 2015, the Company reported revenue of \$68.6 million.

Total costs and expenses, adjusted for special items, were \$48.0 million, a 0.9% increase compared with total costs and expenses, adjusted for special items, of \$47.5 million in the third quarter of 2016. The Company reported total costs and expenses, adjusted for special items, of \$78.5 million in the fourth quarter of 2015.

On a year-over-year comparison with the fourth quarter of 2015, the \$30.5 million reduction in total costs and expenses, adjusted for special items, included:

- Approximately \$12.8 million in lower payroll and related expenses, reflecting a 41.0% year-over-year reduction in headcount;
- Approximately \$2.3 million in lower fuel expense;
- Approximately \$2.6 million, or 34.7%, in lower general and administrative expenses;
- Approximately \$3.4 million in lower depreciation and amortization expenses; with,
- The balance of \$9.4 million related to reductions in other direct operating expenses.

For the fourth quarter of 2016, the Company reported a net loss from continuing operations of \$61.3 million, or a loss of \$0.45 per diluted share. Special items in the fourth quarter totaled approximately \$35.3 million and included \$31.7 million for asset impairment charges, partially offset by a \$0.7 million gain on the change in fair value of the derivative warrant liability. Additionally, special items included net losses on sales of underutilized assets, non-recurring legal and professional fees, and stock-based compensation expense. Excluding the impact of these special items, fourth quarter adjusted loss from continuing operations was \$26.0 million, or a loss of \$0.19 per diluted share. This compares with a loss from continuing operations, adjusted for special items, of \$26.3 million, or a loss of \$0.20 per diluted share, in the third quarter of 2016. The Company reported a loss from continuing operations, adjusted for special items, of \$21.8 million, or a loss of \$0.79 per diluted share, in the fourth quarter of 2015.

Adjusted EBITDA from continuing operations for the fourth quarter was \$2.5 million, a decrease of \$0.9 million compared with \$3.4 million in the third quarter of 2016. Fourth quarter adjusted EBITDA margin from continuing operations was 7.1%, compared with 9.7% in the third quarter of 2016. The Company reported adjusted EBITDA from continuing operations of \$8.2 million and an adjusted EBITDA margin from continuing operations of 12.0% in the fourth quarter of 2015.

2016 FULL YEAR RESULTS

Revenue for the year was \$152.2 million, a decrease of \$204.5 million, or 57.3%, when compared with \$356.7 million for fiscal 2015. The decrease was attributable to lower overall drilling and completion activities by our customers due to the continued decline in oil and natural gas prices, coupled with continued pricing pressures in all divisions.

Net loss from continuing operations for the year was \$167.6 million, or a loss of \$1.84 per diluted share, compared with a loss of \$195.2 million, or a loss of \$7.05 per diluted share, for fiscal 2015. Excluding special items, the full year adjusted loss from continuing operations was \$108.0 million, or a loss of \$1.19 per diluted share, compared with adjusted loss from continuing operations of \$73.8 million, or a loss of \$2.67 per diluted share, in 2015. The \$59.4 million in special items for the full year primarily included \$14.3 million in legal and professional fees associated with the Company's exchange offer and related debt restructuring activities, and \$42.2 million for asset impairment charges, partially offset by a \$1.7 million gain on the sale of the Company's minority interest in Underground Solutions, Inc., and a \$3.3 million gain on the change in fair value of the derivative warrant liability. Additionally, special items included net losses on sales of underutilized assets, severance-related charges, stock-based compensation expense, and the write off of a portion of the unamortized debt issuance costs associated with amendments to the asset-based revolving credit facility (the "ABL Facility").

Adjusted EBITDA from continuing operations for the full year was \$7.8 million, a decrease of 82.9% when compared with fiscal 2015. Adjusted EBITDA margin from continuing operations for 2016 was 5.2%, compared with 12.9% in 2015.

CASH FLOW AND LIQUIDITY

Net cash used in operating activities from continuing operations for the full year ended December 31, 2016 was \$26.3 million, while asset sales net of capital expenditures from continuing operations provided proceeds of \$6.9 million. For the full year ended December 31, 2016, free cash flow (defined as net cash used in or provided by operating activities, less purchases of property, plant and equipment net of proceeds received from sales of property, plant and equipment) was negative at \$19.4 million, compared with positive free cash flow of \$43.4 million in 2015.

Total liquidity as of December 31, 2016, consisting almost entirely of available borrowings under the ABL Credit Facility, was \$12.6 million.

As of December 31, 2016, total debt outstanding was \$487.6 million, including \$40.4 million of 9.875% Senior Notes due 2018, \$351.3 million of 12.5%/10.0% Senior Secured Second Lien Notes due 2021, \$60.7 million under a term loan, \$22.7 million under the ABL Facility, and \$12.5 million in capital leases and notes payable.

About Nuverra

Nuverra Environmental Solutions is among the largest companies in the United States dedicated to providing comprehensive, full-cycle environmental solutions to customers in the energy market. Nuverra focuses on the delivery, collection, treatment, recycling, and disposal of restricted solids, water, wastewater, waste fluids, and hydrocarbons. The Company provides its suite of environmentally compliant and sustainable solutions to customers who demand stricter environmental compliance and accountability from their service providers. Find additional information about Nuverra in documents filed with the U.S. Securities and Exchange Commission ("SEC") at <http://www.sec.gov>.

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of Section 27A of the United States Securities Act of 1933, as amended, or the "Securities Act," and Section 21E of the United States Securities Exchange Act of 1934, as amended, or the "Exchange Act." These statements relate to our expectations for future events and time periods. All statements other than statements of historical fact are statements that could be deemed to be forward-looking statements, and any forward-looking statements contained herein are based on information available to us as of the date of this press release and our current expectations, forecasts and assumptions, and involve a number of risks and uncertainties. Accordingly, forward-looking statements should not be relied upon as representing our views as of any subsequent date. Future performance cannot be ensured, and actual results may differ materially from those in the forward-looking statements. Some factors that could cause actual results to differ include, among others: the current default under our asset-based revolving credit facility and related cross-defaults under our other documents governing our indebtedness; difficulties encountered in restructuring our debt; risks of successfully consummating restructuring of our debt within the timeframes or on the terms contemplated; the ability to successfully consummate a bankruptcy proceeding in connection with the restructuring of our debt; the potential that our debtholders can accelerate and foreclose pursuant to our debt obligations at any time; the ability to make the scheduled interest payments under the agreements governing our debt obligations, including the upcoming interest payments on our notes; potential impact of litigation; uncertainty relating to successful negotiation, execution and consummation of all necessary definitive agreements in connection with our strategic initiatives; whether certain markets grow as anticipated; pricing pressures; current and projected future uncertainties in commodities markets, including low oil and/or natural gas prices; changes in customer drilling and completion activities and capital expenditure plans; shifts in production in shale areas where we operate and/or shale areas where we currently do not have operations; control of costs and expenses, including uncertainty regarding the ability to successfully implement cost-management initiatives; liquidity and access to capital; compliance with the terms of agreements governing our indebtedness; and the competitive and regulatory environment. The forward-looking statements contained, or incorporated by reference, herein are also subject generally to other risks and uncertainties that are described from time to time in the Company's filings with the SEC. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's views as of the date of this press release. The Company undertakes no obligation to update any such forward-looking statements, whether as a result of new information, future events, changes in expectations or otherwise. Additional risks and uncertainties are disclosed from time to time in the Company's filings with the SEC, including the Annual Report on Form 10-K for the fiscal year ended December 31, 2016, as well as Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

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- Tables to Follow -

NUVERRA ENVIRONMENTAL SOLUTIONS, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

| | Three Months Ended | | Year Ended | |
|--------------------|---------------------------|-------------|---------------------|-------------|
| | December 31, | | December 31, | |
| | 2016 | 2015 | 2016 | 2015 |
| Revenue: | | | | |
| Non-rental revenue | \$ 32,348 | \$ 64,115 | \$ 139,886 | \$ 327,655 |
| Rental revenue | 3,434 | 4,517 | 12,290 | 29,044 |

| | | | | |
|---|--------------------|--------------------|---------------------|---------------------|
| Total revenue | 35,782 | 68,632 | 152,176 | 356,699 |
| Costs and expenses: | | | | |
| Direct operating expenses | 28,602 | 57,826 | 129,624 | 279,881 |
| General and administrative expenses | 9,034 | 8,225 | 37,013 | 39,327 |
| Depreciation and amortization | 14,693 | 18,046 | 60,763 | 70,511 |
| Impairment of long-lived assets | 31,712 | - | 42,164 | - |
| Impairment of goodwill | - | - | - | 104,721 |
| Other, net | - | 5,984 | - | 7,098 |
| Total costs and expenses | <u>84,041</u> | <u>90,081</u> | <u>269,564</u> | <u>501,538</u> |
| Loss from operations | (48,259) | (21,449) | (117,388) | (144,839) |
| Interest expense, net | (13,856) | (12,057) | (54,530) | (49,194) |
| Other income, net | 754 | 151 | 5,778 | 894 |
| Loss on extinguishment of debt | - | (1,134) | (674) | (2,145) |
| Loss from continuing operations before income taxes | (61,361) | (34,489) | (166,814) | (195,284) |
| Income tax benefit (expense) | 45 | 77 | (807) | 117 |
| Loss from continuing operations | (61,316) | (34,412) | (167,621) | (195,167) |
| Gain (loss) from discontinued operations, net of income taxes | - | 531 | (1,235) | (287) |
| Net loss attributable to common shareholders | <u>\$ (61,316)</u> | <u>\$ (33,881)</u> | <u>\$ (168,856)</u> | <u>\$ (195,454)</u> |
| Net loss per common share attributable to common shareholders: | | | | |
| Basic and diluted loss from continuing operations | \$ (0.45) | \$ (1.24) | \$ (1.84) | \$ (7.05) |
| Basic and diluted income (loss) from discontinued operations | - | 0.02 | (0.01) | (0.01) |
| Net loss per basic and diluted common share | <u>\$ (0.45)</u> | <u>\$ (1.22)</u> | <u>\$ (1.85)</u> | <u>\$ (7.06)</u> |
| Weighted average shares outstanding used in computing net loss per basic and diluted common share | 137,702 | 27,821 | 90,979 | 27,681 |

NUVERRA ENVIRONMENTAL SOLUTIONS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In thousands)

| | December 31, | December 31, |
|--|-------------------------|-------------------------|
| | 2016 | 2015 |
| | <hr/> | <hr/> |
| Assets | | |
| Cash and cash equivalents | \$ 994 | \$ 39,309 |
| Restricted cash | 1,420 | 4,250 |
| Accounts receivable, net | 23,795 | 42,188 |
| Inventories | 2,464 | 2,985 |
| Prepaid expenses and other receivables | 3,516 | 3,377 |
| Other current assets | 107 | 2,372 |
| Assets held for sale | 1,182 | - |
| Total current assets | <hr/> 33,478 | <hr/> 94,481 |
| Property, plant and equipment, net | 294,179 | 406,188 |
| Equity investments | 73 | 3,750 |
| Intangibles, net | 14,310 | 16,867 |
| Other assets | 564 | 1,333 |
| Total assets | <hr/> \$ 342,604 | <hr/> \$ 522,619 |
| Liabilities and Shareholders' Deficit | | |
| Accounts payable | \$ 4,047 | \$ 6,907 |
| Accrued liabilities | 18,787 | 29,843 |
| Current contingent consideration | - | 8,628 |
| Current portion of long-term debt | 465,835 | 499,709 |
| Derivative warrant liability | 4,298 | - |
| Total current liabilities | <hr/> 492,967 | <hr/> 545,087 |
| Deferred income taxes | 495 | 270 |
| Long-term debt | 5,956 | 11,758 |
| Long-term contingent consideration | 8,500 | - |
| Other long-term liabilities | 3,752 | 3,775 |
| Total liabilities | <hr/> 511,670 | <hr/> 560,890 |
| Commitments and contingencies | | |
| Shareholders' deficit: | | |
| Common stock | 152 | 30 |
| Additional paid-in capital | 1,407,867 | 1,369,921 |
| Treasury stock | (19,807) | (19,800) |
| Accumulated deficit | (1,557,278) | (1,388,422) |
| Total shareholders' deficit | <hr/> (169,066) | <hr/> (38,271) |
| Total liabilities and shareholders' deficit | <hr/> \$ 342,604 | <hr/> \$ 522,619 |

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

| | Year Ended December 31, | |
|---|------------------------------------|--------------|
| | 2016 | 2015 |
| Cash flows from operating activities: | | |
| Net loss | \$ (168,856) | \$ (195,454) |
| Adjustments to reconcile net loss to net cash (used in) provided by operating activities: | | |
| Income from discontinued operations, net of income taxes | - | (906) |
| Loss on the sale of TFI | 1,235 | 1,534 |
| Depreciation and amortization of intangible assets | 60,763 | 70,511 |
| Amortization of debt issuance costs, net | 6,165 | 4,800 |
| Accrued interest added to debt principal | 26,684 | - |
| Stock-based compensation | 1,125 | 2,321 |
| Impairment of long-lived assets | 42,164 | 5,921 |
| Impairment of goodwill | - | 104,721 |
| Gain on the sale of UGSI | (1,747) | - |
| Loss (gain) on disposal of property, plant and equipment | 3,512 | (321) |
| Bad debt expense | (283) | (1,110) |
| Change in fair value of derivative warrant liability | (3,311) | - |
| Loss on extinguishment of debt | 674 | 2,145 |
| Deferred income taxes | 225 | (1) |
| Other, net | 560 | (456) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 18,676 | 67,735 |
| Prepaid expenses and other receivables | (285) | 543 |
| Accounts payable and accrued liabilities | (13,507) | (17,059) |
| Other assets and liabilities, net | (45) | 4,903 |
| Net cash (used in) provided by operating activities from continuing operations | (26,251) | 49,827 |
| Net cash used in operating activities from discontinued operations | - | (708) |
| Net cash (used in) provided by operating activities | (26,251) | 49,119 |
| Cash flows from investing activities: | | |
| Proceeds from the sale of TFI | - | 78,897 |
| Proceeds from the sale of property, plant and equipment | 10,696 | 12,732 |
| Purchases of property, plant and equipment | (3,826) | (19,201) |
| Proceeds from the sale of UGSI | 5,032 | - |
| Change in restricted cash | 2,830 | (4,250) |
| Net cash provided by investing activities from continuing operations | 14,732 | 68,178 |
| Net cash used in investing activities from discontinued operations | - | (181) |
| Net cash provided by investing activities | 14,732 | 67,997 |

Cash flows from financing activities:

| | | |
|--|-----------|-----------|
| Proceeds from revolving credit facility | 154,514 | - |
| Payments on revolving credit facility | (233,667) | (81,647) |
| Proceeds from term loan | 55,000 | - |
| Payments for debt issuance costs | (1,029) | (225) |
| Issuance of stock | 5,000 | - |
| Payments on vehicle financing and other financing activities | (6,614) | (11,246) |
| Net cash used in financing activities of continuing operations | (26,796) | (93,118) |
| Net cash used in financing activities of discontinued operations | - | (105) |
| Net cash used in financing activities | (26,796) | (93,223) |
| Net (decrease) increase in cash and cash equivalents | (38,315) | 23,893 |
| Cash and cash equivalents - beginning of period | 39,309 | 15,416 |
| Cash and cash equivalents - end of period | 994 | 39,309 |
| Less: cash and cash equivalents of discontinued operations - end of period | - | - |
| Cash and cash equivalents of continuing operations - end of period | \$ 994 | \$ 39,309 |

NUVERRA ENVIRONMENTAL SOLUTIONS, INC. AND SUBSIDIARIES**NON-GAAP RECONCILIATIONS**

(In thousands)

(Unaudited)

This press release contains non-GAAP financial measures as defined by the rules and regulations of the United States Securities and Exchange Commission. A non-GAAP financial measure is a numerical measure of a company's historical or future financial performance, financial position or cash flows that excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measure calculated and presented in accordance with GAAP in the statements of operations or balance sheets of the Company; or includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable measure so calculated and presented. Reconciliations of these non-GAAP financial measures to their comparable GAAP financial measures are included in the attached financial tables.

These non-GAAP financial measures are provided because management of the Company uses these financial measures in evaluating the Company's ongoing financial results and trends. Management uses this non-GAAP information as an indicator of business results, and evaluates overall performance with respect to such indicators. Management believes that excluding items such as acquisition expenses, amortization of intangible assets, stock-based compensation, asset impairments, restructuring charges, expenses related to litigation and resolution of lawsuits, and other charges, which may or may not be non-recurring, among other items that are inconsistent in amount and frequency (as with acquisition expenses), or determined pursuant to complex formulas that incorporate factors, such as market volatility, that are beyond our control (as with stock-based compensation), for purposes of calculating these non-GAAP financial measures facilitates a more meaningful evaluation of the Company's current operating performance and comparisons to the past and future operating performance. The Company believes that providing non-GAAP financial measures such as EBITDA, adjusted EBITDA, adjusted net income (loss), and adjusted net income (loss) per share, in addition to related GAAP financial measures, provides investors with greater transparency to the information used by the Company's management. These non-GAAP financial measures are not substitutes for measures of performance or liquidity calculated in accordance

with GAAP and may not necessarily be indicative of the Company's liquidity or ability to fund cash needs. Not all companies calculate non-GAAP financial measures in the same manner, and our presentation may not be comparable to the presentations of other companies.

Reconciliation of Loss from Continuing Operations to EBITDA, Adjusted EBITDA from Continuing Operations and Total Adjusted EBITDA:

| | Three Months Ended December 31, | | Year Ended December 31, | |
|---|------------------------------------|-------------|----------------------------|--------------|
| | 2016 | 2015 | 2016 | 2015 |
| Loss from continuing operations | \$ (61,316) | \$ (34,412) | \$ (167,621) | \$ (195,167) |
| Depreciation and amortization | 14,693 | 18,046 | 60,763 | 70,511 |
| Interest expense, net | 13,856 | 12,057 | 54,530 | 49,194 |
| Income tax (benefit) expense | (45) | (77) | 807 | (117) |
| EBITDA | (32,812) | (4,386) | (51,521) | (75,579) |
| Adjustments: | | | | |
| Transaction-related costs, including earnout adjustments, net | - | (143) | (117) | (288) |
| Stock-based compensation | 217 | 463 | 1,125 | 2,321 |
| Change in fair value of derivative warrant liability | (737) | - | (3,311) | - |
| Capital reorganization costs | 4,033 | (108) | 14,310 | 201 |
| Legal and environmental costs, net | (99) | 389 | 3,128 | 1,389 |
| Impairment of long-lived assets | 31,712 | - | 42,164 | - |
| Impairment of goodwill | - | - | - | 104,721 |
| Restructuring, exit and other costs | - | 9,983 | (379) | 11,335 |
| Loss on extinguishment of debt | - | 1,134 | 674 | 2,145 |
| Gain on the sale of UGSI | - | - | (1,747) | - |
| Loss (gain) on disposal of assets | 219 | 877 | 3,512 | (321) |
| Adjusted EBITDA from continuing operations | 2,533 | 8,209 | 7,838 | 45,924 |
| Adjusted EBITDA from discontinued operations | - | - | - | 1,197 |

Total Adjusted EBITDA ~~\$ 2,533~~ ~~\$ 8,209~~ ~~\$ 7,838~~ ~~\$ 47,121~~

Reconciliation of Loss from Discontinued Operations to EBITDA from Discontinued Operations and Adjusted EBITDA from Discontinued Operations:

| | Three Months Ended December 31, | | Year Ended December 31, | |
|--|------------------------------------|-------------|----------------------------|-----------------|
| | 2016 | 2015 | 2016 | 2015 |
| Income (loss) from discontinued operations | \$ - | \$ 531 | \$ (1,235) | \$ (287) |
| Income tax benefit | - | (341) | - | (76) |
| EBITDA from discontinued operations | - | 190 | (1,235) | (363) |
| Adjustments: | | | | |
| Transaction-related costs | - | - | - | 26 |
| Loss on sale of TFI | - | (190) | 1,235 | 1,534 |
| Adjusted EBITDA from discontinued operations | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,197</u> |

**NUVERRA ENVIRONMENTAL SOLUTIONS, INC. AND SUBSIDIARIES
NON-GAAP RECONCILIATIONS (continued)**

(In thousands)

(Unaudited)

Reconciliation of QTD Segment Performance to Adjusted EBITDA

| Three Months Ended December 31, 2016 | Rocky Mountain | Northeast | Southern | Corporate | Total |
|---|----------------|-----------|----------|-----------|-----------|
| Revenue | \$ 19,541 | \$ 8,104 | \$ 8,137 | \$ - | \$ 35,782 |
| Direct operating expenses | 15,386 | 7,668 | 5,548 | - | 28,602 |
| General and administrative expenses | 1,193 | 757 | 603 | 6,481 | 9,034 |
| Depreciation and amortization | 8,073 | 2,856 | 3,705 | 59 | 14,693 |
| Loss from operations | (36,823) | (3,177) | (1,719) | (6,540) | (48,259) |
| Operating margin % | (188.4%) | (39.2%) | (21.1%) | NA | (134.9%) |
| Loss from continuing operations before income taxes | (36,863) | (3,242) | (1,725) | (19,531) | (61,361) |

| | | | | | |
|--|--------------------|-----------------|-----------------|-------------------|--------------------|
| Loss from continuing operations | (36,863) | (3,241) | (1,724) | (19,488) | (61,316) |
| Depreciation and amortization | 8,073 | 2,856 | 3,705 | 59 | 14,693 |
| Interest expense, net | 57 | 64 | 7 | 13,728 | 13,856 |
| Income tax benefit | - | (1) | (1) | (43) | (45) |
| EBITDA | <u>\$ (28,733)</u> | <u>\$ (322)</u> | <u>\$ 1,987</u> | <u>\$ (5,744)</u> | <u>\$ (32,812)</u> |
| Adjustments, net | <u>31,701</u> | <u>97</u> | <u>79</u> | <u>3,468</u> | <u>35,345</u> |
| Adjusted EBITDA from continuing operations | <u>\$ 2,968</u> | <u>\$ (225)</u> | <u>\$ 2,066</u> | <u>\$ (2,276)</u> | <u>\$ 2,533</u> |
| <i>Adjusted EBITDA margin %</i> | <i>15.2%</i> | <i>(2.8%)</i> | <i>25.4%</i> | <i>NA</i> | <i>7.1%</i> |

Three Months Ended December 31, 2015

| | <u>Rocky Mountain</u> | <u>Northeast</u> | <u>Southern</u> | <u>Corporate</u> | <u>Total</u> |
|---|-----------------------|------------------|-----------------|------------------|----------------|
| Revenue | \$ 37,685 | \$ 17,586 | \$ 13,361 | \$ - | \$ 68,632 |
| Direct operating expenses | 31,744 | 14,458 | 11,624 | - | 57,826 |
| General and administrative expenses | 1,623 | 890 | 891 | 4,821 | 8,225 |
| Depreciation and amortization | 8,952 | 4,639 | 4,360 | 95 | 18,046 |
| Loss from operations | (4,634) | (2,400) | (9,499) | (4,916) | (21,449) |
| <i>Operating margin %</i> | <i>(12.3%)</i> | <i>(13.6%)</i> | <i>(71.1%)</i> | <i>NA</i> | <i>(31.3%)</i> |
| Loss from continuing operations before income taxes | (4,723) | (2,472) | (9,489) | (17,805) | (34,489) |
| Loss from continuing operations | (4,723) | (2,472) | (9,489) | (17,728) | (34,412) |
| Depreciation and | | | | | |

| | | | | | |
|--|----------|----------|----------|------------|------------|
| amortization | 8,952 | 4,639 | 4,360 | 95 | 18,046 |
| Interest expense, net | 99 | 150 | 53 | 11,755 | 12,057 |
| Income tax benefit | - | - | - | (77) | (77) |
| | | | \$ | | |
| EBITDA | \$ 4,328 | \$ 2,317 | (5,076) | \$ (5,955) | \$ (4,386) |
| Adjustments, net | 4,192 | 167 | 6,358 | 1,878 | 12,595 |
| Adjusted EBITDA from continuing operations | \$ 8,520 | \$ 2,484 | \$ 1,282 | \$ (4,077) | \$ 8,209 |
| <i>Adjusted EBITDA margin %</i> | 22.6% | 14.1% | 9.6% | NA | 12.0% |

NUVERRA ENVIRONMENTAL SOLUTIONS, INC. AND SUBSIDIARIES
NON-GAAP RECONCILIATIONS (continued)

(In thousands)

(Unaudited)

Reconciliation of YTD Segment Performance to Adjusted EBITDA

| Year Ended December 31, 2016 | Rocky Mountain | Northeast | Southern | Corporate | Total |
|---|-----------------------|------------------|-----------------|------------------|--------------|
| Revenue | \$ 82,564 | \$ 36,446 | \$ 33,166 | \$ - | \$ 152,176 |
| Direct operating expenses | 65,066 | 36,673 | 27,885 | - | 129,624 |
| General and administrative expenses | 5,951 | 2,632 | 2,951 | 25,479 | 37,013 |
| Depreciation and amortization | 31,498 | 13,446 | 15,559 | 260 | 60,763 |
| Loss from operations | (51,663) | (24,330) | (15,656) | (25,739) | (117,388) |
| <i>Operating margin %</i> | (62.6%) | (66.8%) | (47.2%) | NA | (77.1%) |
| Loss from continuing operations before income taxes | (51,951) | (24,226) | (15,741) | (74,896) | (166,814) |
| Loss from continuing operations | (51,951) | (24,225) | (15,786) | (75,659) | (167,621) |

| | | | | | |
|---|-----------------------|------------------|-----------------|------------------|--------------|
| Depreciation and amortization | 31,498 | 13,446 | 15,559 | 260 | 60,763 |
| Interest expense, net | 411 | 432 | 146 | 53,541 | 54,530 |
| Income tax (benefit) expense | - | (1) | 45 | 763 | 807 |
| | | | \$ | | |
| EBITDA | \$ (20,042) | \$ (10,348) | (36) | \$ (21,095) | \$ (51,521) |
| Adjustments, net | 34,209 | 8,917 | 4,627 | 11,606 | 59,359 |
| Adjusted EBITDA from continuing operations | \$ 14,167 | \$ (1,431) | \$ 4,591 | \$ (9,489) | \$ 7,838 |
| <i>Adjusted EBITDA margin %</i> | 17.2% | (3.9%) | 13.8% | NA | 5.2% |
| Year Ended December 31, 2015 | Rocky Mountain | Northeast | Southern | Corporate | Total |
| Revenue | \$ 196,021 | \$ 92,135 | \$ 68,543 | \$ - | \$ 356,699 |
| Direct operating expenses | 147,214 | 74,364 | 58,303 | - | 279,881 |
| General and administrative expenses | 6,824 | 4,606 | 4,891 | 23,006 | 39,327 |
| Depreciation and amortization | 35,043 | 16,667 | 18,188 | 613 | 70,511 |
| Loss from operations | (97,781) | (3,624) | (19,422) | (24,012) | (144,839) |
| <i>Operating margin %</i> | (49.9%) | (3.9%) | (28.3%) | NA | (40.6%) |
| Loss from continuing operations before income taxes | (97,632) | (4,228) | (19,526) | (73,898) | (195,284) |
| Loss from continuing operations | (97,632) | (4,228) | (19,526) | (73,781) | (195,167) |
| Depreciation and amortization | 35,043 | 16,667 | 18,188 | 613 | 70,511 |
| Interest | | | | | |

| | | | | | |
|--|-------------|-----------|----------|-------------|-------------|
| expense, net | 462 | 796 | 195 | 47,741 | 49,194 |
| income tax | | | | | |
| benefit | - | - | - | (117) | (117) |
| | | | \$ | | |
| EBITDA | \$ (62,127) | \$ 13,235 | (1,143) | \$ (25,544) | \$ (75,579) |
| Adjustments, net | 108,207 | 301 | 7,408 | 5,587 | 121,503 |
| Adjusted EBITDA from continuing operations | \$ 46,080 | \$ 13,536 | \$ 6,265 | \$ (19,957) | \$ 45,924 |
| <i>Adjusted EBITDA margin</i> | | | | | |
| % | 23.5% | 14.7% | 9.1% | NA | 12.9% |

NUVERRA ENVIRONMENTAL SOLUTIONS, INC. AND SUBSIDIARIES
NON-GAAP RECONCILIATIONS (continued)

(In thousands)

(Unaudited)

Reconciliation of Special Items to Adjusted Loss from Continuing Operations and to EBITDA and Adjusted EBITDA from Continuing Operations

| | Three Months Ended December 31, 2016 | | |
|---|---|----------------------|--------------------|
| | As Reported | Special Items | As Adjusted |
| Revenue | \$ 35,782 | \$ - | \$ 35,782 |
| Direct operating expenses | 28,602 | (218) [A] | 28,384 |
| General and administrative expenses | 9,034 | (4,152) [B] | 4,882 |
| Total costs and expenses | 84,041 | (36,082) [C] | 47,959 |
| Loss from operations | (48,259) | 36,082 [C] | (12,177) |
| Loss from continuing operations | (61,316) | 35,319 [D] | (25,997) |
| Basic and diluted loss from continuing operations | \$ (0.45) | | \$ (0.19) |
| Loss from continuing operations | \$ (61,316) | | \$ (25,997) |
| Depreciation and amortization | 14,693 | | 14,693 |
| Interest expense, net | 13,856 | | 13,856 |
| Income tax benefit | (45) | | (19) |
| EBITDA and Adjusted EBITDA from continuing operations | \$ (32,812) | | \$ 2,533 |

Description of 2016 Special Items:

[A] Special items primarily includes the loss on sale of underutilized assets.

[B] Primarily attributable to stock-based compensation, non-routine litigation expenses, non-routine professional fees and \$4.0 million for capital re-organization costs.

- [C] Primarily includes the aforementioned adjustments along with long-lived asset impairment charges of \$31.7 million for assets determined to be impaired in the Rocky Mountain division.
- [D] Primarily includes the aforementioned adjustments along with a gain of \$0.7 million associated with the change in fair value of the derivative warrant liability. Additionally, our effective tax rate for the three months ended December 31, 2016 was near zero percent and has been applied to the special items accordingly.

| | Three Months Ended December 31, 2015 | | |
|---|---|----------------------|--------------------|
| | As Reported | Special Items | As Adjusted |
| Revenue | \$ 68,632 | \$ - | \$ 68,632 |
| Direct operating expenses | 57,826 | (4,876) [E] | 52,950 |
| General and administrative expenses | 8,225 | (744) [F] | 7,481 |
| Total costs and expenses | 90,081 | (11,604) [G] | 78,477 |
| Loss from operations | (21,449) | 11,604 [G] | (9,845) |
| Loss from continuing operations | (34,412) | 12,570 [H] | (21,842) |
| Basic and diluted loss from continuing operations | \$ (1.24) | | \$ (0.79) |
| Loss from continuing operations | \$ (34,412) | | \$ (21,842) |
| Depreciation and amortization | 18,046 | | 18,046 |
| Interest expense, net | 12,057 | | 12,057 |
| Income tax benefit | (77) | | (52) |
| EBITDA and Adjusted EBITDA from continuing operations | <u>\$ (4,386)</u> | | <u>\$ 8,209</u> |

Description of 2015 Special Items:

- [E] Special items include a loss on sale related to the disposal of certain transportation related assets and the write-off of pipeline related assets in connection with a contract termination.
- [F] Primarily attributable to stock-based compensation and non-routine litigation expenses.
- [G] Primarily includes the aforementioned adjustments, and approximately \$5.9 million in long-lived asset impairment charges recorded in the Southern division in association with our restructuring initiative.
- [H] Primarily includes the aforementioned adjustments along with a charge of \$1.1 million in connection with a write-off of a portion of the unamortized debt issuance costs associated with our ABL Facility. We also recorded a net reduction related to a prior acquisition earnout reserve of \$0.1 million in the three months ended December 31, 2015. Additionally, our effective tax rate for the three months ended December 31, 2015 was near zero percent and has been applied to the special items accordingly.

(Unaudited)

Reconciliation of Special Items to Adjusted Loss from Continuing Operations and to EBITDA and Adjusted EBITDA from Continuing Operations

| | Year Ended December 31, 2016 | | |
|---|-------------------------------------|----------------------|--------------------|
| | As Reported | Special Items | As Adjusted |
| Revenue | \$ 152,176 | \$ - | \$ 152,176 |
| Direct operating expenses | 129,624 | (5,850) [A] | 123,774 |
| General and administrative expenses | 37,013 | (15,857) [B] | 21,156 |
| Total costs and expenses | 269,564 | (63,871) [C] | 205,693 |
| Loss from operations | (117,388) | 63,871 [C] | (53,517) |
| Loss from continuing operations | (167,621) | 59,646 [D] | (107,975) |
| Basic and diluted loss from continuing operations | \$ (1.84) | | \$ (1.19) |
| Loss from continuing operations | \$ (167,621) | | \$ (107,975) |
| Depreciation and amortization | 60,763 | | 60,763 |
| Interest expense, net | 54,530 | | 54,530 |
| Income tax expense | 807 | | 520 |
| EBITDA and Adjusted EBITDA from continuing operations | <u>\$ (51,521)</u> | | <u>\$ 7,838</u> |

Description of 2016 Special Items:

- [A] Special items primarily includes the loss on sale of underutilized assets and environmental clean-up charges.
- [B] Primarily attributable to stock-based compensation, non-routine litigation expenses, non-routine professional fees and capital re-organization costs of \$14.3 million.
- [C] Primarily includes the aforementioned adjustments along with long-lived asset impairment charges for assets classified as assets-held-for-sale in the Northeast division of \$2.4 million and the Southern division of \$2.4 million, as well as long-lived asset impairment charges of \$31.7 million for the Rocky Mountain division and \$5.7 million for the Northeast division.
- [D] Primarily includes the aforementioned adjustments along with a charge of \$0.7 million in connection with the write-off of a portion of the unamortized debt issuance costs as a result of amendments to the ABL Facility, a gain of \$3.3 million associated with the change in fair value of the derivative warrant liability, and a gain on the sale of Underground Solutions, Inc. of \$1.7 million. Additionally, our effective tax rate for the twelve months ended December 31, 2016 was 0.5% and has been applied to the special items accordingly.

| | Year Ended December 31, 2015 | | |
|-------------------------------------|-------------------------------------|----------------------|--------------------|
| | As Reported | Special Items | As Adjusted |
| Revenue | \$ 356,699 | \$ - | \$ 356,699 |
| Direct operating expenses | 279,881 | (3,678) [E] | 276,203 |
| General and administrative expenses | 39,327 | (4,149) [F] | 35,178 |
| Total costs and expenses | 501,538 | (119,646) [G] | 381,892 |
| Loss from operations | (144,839) | 119,646 [G] | (25,193) |

| | | | | |
|---|--------------------|---------|-----|------------------|
| Loss from continuing operations | (195,167) | 121,381 | [H] | (73,786) |
| Basic and diluted loss from continuing operations | \$ (7.05) | | | \$ (2.67) |
| Loss from continuing operations | \$ (195,167) | | | \$ (73,786) |
| Depreciation and amortization | 70,511 | | | 70,511 |
| Interest expense, net | 49,194 | | | 49,194 |
| Income tax (benefit) expense | (117) | | | 5 |
| EBITDA and Adjusted EBITDA from continuing operations | <u>\$ (75,579)</u> | | | <u>\$ 45,924</u> |

Description of 2015 Special Items:

- [E] Special items include a gain on sale related to the disposal of certain transportation related assets and the write-off of pipeline related assets in connection with a contract termination.
- [F] Primarily attributable to stock-based compensation, non-routine litigation expenses and a gain related to the sale of assets.
- [G] Primarily includes the aforementioned adjustments, as well as a charge of approximately \$7.1 million associated with our restructuring initiative and other exit related costs from certain shale basins, and approximately \$104.7 million associated with a goodwill impairment charge recorded for the Rocky Mountain division.
- [H] Primarily includes the aforementioned adjustments, along with a charge of \$2.1 million in connection with a write-off of a portion of the unamortized debt issuance costs associated with our ABL Facility and a net reduction related to a prior acquisition earnout reserve of \$0.3 million. Additionally, our effective tax rate for the year ended December 31, 2015 was zero percent and has been applied to the special items accordingly.

NUVERRA ENVIRONMENTAL SOLUTIONS, INC. AND SUBSIDIARIES

NON-GAAP RECONCILIATIONS (continued)

(In thousands)

(Unaudited)

Reconciliation of Free Cash Flow from Continuing Operations

| | Year Ended | |
|--|---------------------|------------------|
| | December 31, | |
| | 2016 | 2015 |
| Net cash (used in) provided by operating activities from continuing operations | \$ (26,251) | \$ 49,827 |
| Less: net cash capital expenditures [1] | 6,870 | (6,469) |
| Free Cash Flow | <u>\$ (19,381)</u> | <u>\$ 43,358</u> |

[1] Purchases of property, plant and equipment, net of proceeds received from sales of property, plant and equipment

SOURCE Nuverra Environmental Solutions, Inc.

<http://ir.nuverra.com/2017-04-14-Nuverra-Announces-Fourth-Quarter-And-Full-Year-2016-Results>