



March 31, 2016

Dear Shareholders,

The year 2015 was one many of us in the oil and gas industry will never forget. If you've followed our industry, you know we have been mired in a deep recession since late 2014, as the supply of hydrocarbons has exceeded demand, resulting in a swift and dramatic decline in commodity prices. As a result, E&P companies across most geographic regions have reduced their capital spending, terminated drilling contracts, requested pricing concessions, and taken other measures within the supply chain to lower capital and operating expenses. The number of rigs drilling for oil and gas in the U.S. declined 47% in 2015 and the international rig count experienced a 13% reduction.

Reduced customer spending and lower activity levels significantly impacted our 2015 financial performance in most geographic markets. Pricing pressures and lower utilization were prevalent across both our Drilling Services and our Rental Tools Services businesses. Average utilization in our Drilling Services business was 44% in 2015 as compared with 72% in 2014. In our Rental Tools Services business, the utilization index for our U.S. rental tools tubular goods was 54, compared with 91 in 2014, and our international rental tools revenues declined 16% from 2014. Our share price also declined dramatically, as I know you are aware. Additionally, we reduced our workforce by 25%, saying goodbye to friends and colleagues we've known for many years.

In such trying times, it can be easy to overlook positive accomplishments – and there are several that position us for the road ahead.

Utilization for our two arctic-class drilling rigs in Alaska remained at 100 percent, as we continued to enhance drilling performance efficiently and safely. From a safety perspective, Parker Drilling has maintained a Total Recordable Incident Rate (TRIR) lower than the International Association of Drilling Contractors (IADC) average for eight of the last ten annual reporting periods. In recognition of our safety culture and accomplishments, EHS Today Magazine honored Parker Drilling as one of America's Safest Companies of 2015.

Our O&M business remained relatively steady. This business model is one we will continue to pursue, as we believe we are uniquely qualified and distinctly flexible in the ways we can help our customers manage their costs and mitigate their risks. Opportunities to operate and maintain customer-owned rigs typically occur on high profile, complex customer projects requiring highly-skilled crews and specific drilling equipment. The scope of services can be scaled to specific customer needs and contracts are typically longer term. Because they require little capital on our part, O&M projects typically enhance our overall return on capital.

Despite lower financial results in our U.S. rental tools business, we retained more business than we lost. Our deepwater U.S. Gulf of Mexico footprint expanded throughout the year, even as other markets declined. We took several steps to enhance the performance of our international rental tools business by consolidating and closing underperforming locations, hiring or replacing management, reducing headcount, and improving the effectiveness of our supply chain processes. As a result, gross margin as a percent of revenues improved, despite lower revenues.

During the year, we improved our balance sheet. We reduced our debt by \$30 million and increased our liquidity by both increasing cash on hand and increasing borrowing capacity. Cash on the balance sheet increased to \$134 million at year-end 2015 as compared with \$108 million at year-end 2014. Liquidity (cash on the balance sheet plus 2015 year-end revolver capacity) was approximately \$322 million at year-end 2015 as compared with approximately \$178 million at year-end 2014. We also took several steps to preserve and increase cash flow, including lowering our cost base through headcount reductions and lower idle rig costs, reducing capital expenditures, and striving to sustain utilization and market share.

There were other initiatives we accomplished in 2015 that go beyond the financial statements and position us for a better tomorrow. We implemented process improvements across the organization to help us deliver innovative, reliable, and efficient results to our customers. We also developed a new integrated management system, giving us an internal roadmap to facilitate and accelerate informed and empowered decision making on a global basis.

In 2016, we believe overall energy market conditions will remain at low levels due to the ongoing imbalance in oil supply and demand. While the preponderance of the market downturn has impacted our U.S.-based customers, industry experts are anticipating a significant decline in international activity this year. Some anticipate international customer spending could be 20% lower than in 2015. Although we do not know the depth or duration of this down cycle, we will continue to align our resources to meet the challenges. We will continue to adjust and adapt to the business environment and market conditions, while remaining opportunistic and positioning the Company for longer-term growth.

Our capital expenditures in 2016 are expected to be approximately \$50 million, which is a 40% reduction from our 2015 capital spending, as cash flow management remains our top priority. About 65% of our planned capital spend is for rental tools and about 30% is for drilling operations, with the remainder going toward corporate needs. Most of the capital will be directed toward maintenance items, with some capital allocated for select investments in our rental tools business. We have the flexibility to lower capital spending even further based on market conditions.

In addition, we will continue preparing for a better market by progressing on those things we can control. That means developing our employees, improving our focus on safety, recruiting and training those who can deliver value to our customers, winning new business, and maintaining market share.

Parker Drilling has a great foundation, history, and tradition. Companies don't survive in this industry for more than 80 years by just performing well during the good times. Environments like the one we are in today test the true determination and staying power of a company and its employees. We have an established track record of tackling challenges, and that will continue regardless of market conditions. I would like to acknowledge the continued efforts of our Parker Drilling employees who tackle those challenges daily and remain committed to delivering value to all of our stakeholders in 2016 and beyond.

I look forward to reporting to you again next year,

A handwritten signature in black ink, appearing to read "Gary G. Rich". The signature is fluid and cursive, with a large initial "G" and "R".

Gary G. Rich

Chairman, President & Chief Executive Officer