

## STEP Energy Services Ltd. Reports First Quarter 2023 Results

**Calgary, Alberta – May 10, 2023** - STEP Energy Services Ltd. (the “Company” or “STEP”) is pleased to announce its financial and operating results for the three months ended March 31, 2023. The following press release should be read in conjunction with the management’s discussion and analysis (“MD&A”) and unaudited condensed consolidated interim financial statements and notes thereto as at March 31, 2023 (the “Financial Statements”). Readers should also refer to the “Forward-looking information & statements” legal advisory and the section regarding “Non-IFRS Measures and Ratios” at the end of this press release. All financial amounts and measures are expressed in Canadian dollars unless otherwise indicated. Additional information about STEP is available on the SEDAR website at [www.sedar.com](http://www.sedar.com), including the Company’s Annual Information Form for the year ended December 31, 2022 dated March 1, 2023 (the “AIF”).

### CONSOLIDATED HIGHLIGHTS

#### FINANCIAL REVIEW

(\$000s except percentages and per share amounts)		Three months ended	
		March 31, 2023	March 31, 2022
Consolidated revenue	\$	263,368	\$ 219,539
Net income	\$	19,656	\$ 9,173
Per share-basic	\$	0.27	\$ 0.14
Per share-diluted	\$	0.26	\$ 0.13
Adjusted EBITDA <sup>(1)</sup>	\$	45,352	\$ 36,990
Adjusted EBITDA % <sup>(1)</sup>		17%	17%
Free Cash Flow <sup>(1)</sup>		17,070	16,172

<sup>(1)</sup> Adjusted EBITDA and Free Cash Flow are non-IFRS financial measures, Adjusted EBITDA % is a non-IFRS financial ratio. These metrics are not defined and have no standardized meaning under IFRS. See Non-IFRS Measures and Ratios.

#### OPERATIONAL REVIEW

(\$000s except days, proppant, pumped, horsepower and units)		Three months ended	
		March 31, 2023	March 31, 2022
Fracturing services			
Fracturing operating days <sup>(2)</sup>		473	615
Proppant pumped (tonnes)		510,000	601,000
Active horsepower (“HP”), ended <sup>(3)</sup>		380,000	380,000
Total HP, ended		490,000	490,000
Coiled tubing services			
Coiled tubing operating days <sup>(2)</sup>		1,263	1,075
Active coiled tubing units, ended		21	16
Total coiled tubing units, ended		35	29

<sup>(2)</sup> An operating day is defined as any coiled tubing or fracturing work that is performed in a 24-hour period, exclusive of support equipment.

<sup>(3)</sup> Active horsepower denotes units active on client work sites. An additional 20-25% of this amount is required to accommodate equipment maintenance cycles.

(\$000s except shares)	March 31 2023	December 31, 2022
Cash and cash equivalents	\$ 1,237	\$ 2,785
Working capital (including cash and cash equivalents) <sup>(1)</sup>	\$ 64,665	\$ 66,580
Total assets	\$ 642,200	\$ 682,532
Total long-term financial liabilities <sup>(1)</sup>	\$ 152,215	\$ 168,746
Net debt <sup>(1)</sup>	\$ 133,042	\$ 142,224
Shares outstanding	71,617,464	71,589,626

<sup>(1)</sup> Working Capital, Total long-term financial liabilities and Net debt are non-IFRS financial measures. They are not defined and have no standardized meaning under IFRS. See Non-IFRS Measures and Ratios.

## FIRST QUARTER 2023 HIGHLIGHTS

- Consolidated revenue for the three months ended March 31, 2023 of \$263.4 million, increased 20% from \$219.5 million as at three months ended March 31, 2022 and increased 5% from \$251.4 million as at three months ended December 31, 2022.
- Generated net income for the three months ended March 31, 2023 of \$19.7 million, or \$0.26 per diluted share, compared to \$9.2 million, or a \$0.13 per diluted share in the same period of 2022 and \$16.7 million or a \$0.23 per diluted share for the three months ended December 31, 2022. Included in income for three months ended March 31, 2023, was a share based compensation recovery of \$5.1 million, compared to an expense of \$4.4 million during the three months ended December 31, 2022.
- For the three months ended March 31, 2023, Adjusted EBITDA was \$45.4 million or 17% of revenue compared to \$36.9 million or 17% of revenue in Q1 2022 and \$48.6 million or 19% in Q4 2022.
- Free Cash Flow for the three months ended March 31, 2023 was \$17.1 million compared to \$16.2 million in Q1 2022 and \$22.4 million in Q4 2022.
- STEP made significant progress on debt reduction while also investing into the long-term sustainability of the business.
  - The Company had Net debt of \$133.0 million at March 31, 2023, compared to \$142.2 million at December 31, 2022.
  - The Company invested \$26.6 million into its capital equipment, including \$6.3 million into the Company's first Tier 4 dual fuel fleet conversion that was started in Q4 2022. The Company had eight Tier 4 dual fuel units in the field at the end of Q1, providing diesel substitution rates of up to 85%.

## FIRST QUARTER 2023 OVERVIEW

The first quarter of 2023 was among STEP's best quarters. Revenue of \$263.4 million and Adjusted EBITDA of \$45.4 million were the Company's best first quarter results, driven by strong performance in coiled tubing and Canadian fracturing. Effective January 1, 2023, Adjusted EBITDA reflects the expensing of fracturing fluid ends in Canada, which added \$2.8 million in expense to the quarter. Fluid ends have a useful life that is based on an expected number of pumping hours, which is now being realized in a period less than 12 months as daily pumping hours and equipment utilization increases. These results showed significant year over year improvement and were flat sequentially.

Commodity price volatility was a factor in industry activity levels, particularly for natural gas weighted producers. Natural gas prices, as measured by the U.S. benchmark Henry Hub, retreated from Q4 2022 levels, averaging \$2.65 / mmBTU in Q1 2023, down 53% sequentially and going as low as \$1.93. West Texas Intermediate (WTI), the benchmark U.S. oil price, saw less volatility, with the Q1 average of \$76.12 down 7.8% sequentially, although prices dipped below \$70/barrel late in the quarter. Despite the commodity price volatility, the rig count in Canada rose by 34, or 18%, from Q4 2022. The rig count in the oil rich Permian basin, home of STEP's three U.S. fracturing crews, is up 3 rigs from 353 rigs at the year end, in contrast to the broader U.S. market which has dropped 31 rigs from Q4 2022<sup>1</sup>.

The first quarter saw constructive news for long term energy investments. The B.C. government and the Blueberry River First Nation (BRFN) agreed on a framework for resource development, which has already led to increased licencing activity in the Montney. The Montney is a critical source of natural gas for LNG Canada and Woodfibre LNG, which are on track for start up in 2025 and 2027 respectively. The Cedar LNG facility also received approval from the B.C. and federal governments, with the final investment decision ("FID") expected later this year. These three facilities are anticipated to export 2.8 bcf/day of clean, safe and secure Canadian natural gas. In the U.S., the resumption of exports from the Freeport LNG facility immediately put a

<sup>1</sup> Baker Hughes North America Rotary Rig Count, May 5, 2023

floor under natural gas prices and two additional projects (Plaquemines LNG and Port Arthur LNG) also reached a positive FID. These facilities are expected to add 3.1 bcf/day of LNG capacity to the U.S. export LNG market if they are completed in 2027 as forecasted.

STEP's fracturing activity in the quarter was mixed, with strong Canadian results offset by lower U.S. results. The Canadian fracturing service line produced its best top line revenue in the Company's history, generating \$138.0 million on 296,000 tonnes of proppant pumped. Q1 2023 activity in the U.S. fracturing service line was heavily impacted by shifting client schedules related to drilling issues and commodity price pressures. Coiled tubing operating days set a new quarterly record, with the service line operating nine units in Canada and eleven units in the U.S.

Net income was \$19.7 million in Q1 2023 (\$0.26 diluted earnings per share), sequentially higher than the \$16.7 million in Q4 (\$0.23 diluted earnings per share) and the \$9.2 million in Q1 2022 (\$0.13 diluted earnings per share). Net income included \$2.9 million in finance costs (Q4 2022 - \$3.0 million, Q1 2022 - \$3.3 million) and a recovery of \$5.3 million in share-based compensation (Q4 2022 - \$4.4 million expense, Q1 2022 - \$5.5 million expense).

Free Cash Flow was \$17.1 million in Q1 2023, sequentially lower than the \$22.4 million in Q4 2022 but higher than the \$16.2 million in Q1 2022. Free Cash Flow was negatively impacted by a \$4.2 million payment made to a foreign tax authority in connection with an ongoing tax dispute. It is of the view of the Company that this tax claim is without merit. The Free Cash Flow enabled STEP to reduce net debt to \$133.0 million at the close of Q1 2023 from \$142.4 million at close of Q4 2022. This debt reduction was accomplished while investing \$26 million into capital expenditures during Q1 2023. STEP has now reduced debt by nearly \$180 million from peak levels in 2018. The reduction in debt and improvement in Adjusted EBITDA meant that the Company had a 12-month trailing Funded Debt to Adjusted Bank EBITDA of 0.70:1.00, well under the limit of 3.00:1 in the Company's Credit Facilities (as defined in *Capital Management – Debt* below).

## MARKET OUTLOOK

The announcement by the OPEC+ group of oil producing nations in early April to voluntarily reduce production provided support to commodity markets that were rattled by concerns over the stability of the global banking system and global recession fears. West Texas Intermediate oil prices have stabilized above \$70 barrel to start the second quarter, providing greater certainty for oil and liquids producers. Natural gas prices are anticipated to remain soft through the shoulder season, but the futures prices show a steady strengthening through the latter half of 2023. The long-term outlook for oilfield services is very constructive. The structural under-investment in hydrocarbon production capacity through the last seven years has been exacerbated by geopolitical tensions, forcing governments and policy makers to confront the reality that oil and gas will be a key part of the energy mix for many years. STEP is proud to work in Canada and the U.S., countries that have the natural resources, the regulatory frameworks, and the technical expertise to deliver safe and affordable energy to the world.

### *Canada*

Canadian activity levels have been strong to date in Q2 2023, as warm, dry weather conditions in April allowed for the spillover work from Q1 to be completed. These conditions have also led to extreme wildfire risk in STEP's operating areas, which may have some impact on client work programs. STEP has an emergency response plan in place to protect Company personnel and property and does not anticipate any harm to its operations.

Spring break up is having less of an impact than it traditionally has in Canada as clients recognize the value of working in the second quarter. As activity and service intensity in the WCSB continues to increase, the second quarter is increasingly seen by clients and service providers as an opportunity to load level capital spending and activity. The intense pace of the first quarter, often accompanied by extreme weather conditions, typically moderates in the second quarter, reducing operating costs and the strain on the service infrastructure.

Pricing is anticipated to remain stable through the second quarter and the remainder of the year. Inflationary pressures have largely eased, although lingering supply chain constraints can still produce unusual delays, particularly for equipment maintenance related items.

The Company's first Tier 4 dual fuel fleet modernization is expected to be completed by the close of the second quarter. The performance of the Tier 4 equipped units already in the field has been exemplary, with diesel substitution rates consistently above 80%, relative to a Tier 2 diesel engine. These high substitution rates bring immediate cost and emission reduction benefits to STEP's clients, as well as providing higher profitability to STEP.

The second half of the year is anticipated to remain highly utilized for fracturing and coiled tubing, with much of the calendar already booked with client commitments. The low natural gas prices have led to some primarily dry gas focused work being delayed into the later part of the year, although the impact has been relatively modest to date. Many gas producers have a high liquids content, which is more closely aligned with WTI pricing, insulating them from the most severe impacts of the low natural gas prices.

### ***United States***

STEP's fracturing activity levels in the U.S. have returned to typical levels in the second quarter, recovering from the client delays that dominated the first quarter. The downtime in Q1 allowed for more robust preventative maintenance and some optimization to be completed on the idle fleets, which has been rewarded with very high pumping efficiencies across STEP's three fracturing fleets in the second quarter. Coiled tubing activity continues to remain strong into the second quarter, with demand outpacing supply in some regions.

Following a volatile period in Q1 where fracturing pricing temporarily came under pressure from undisciplined competitors, pricing in the second quarter has recovered and is expected to hold into the back half of the year. Pricing for coiled tubing services has been stable and is expected to stay in line for the balance of the year.

Second half visibility in the U.S. region continues to improve. The rig count in the Permian, home of STEP's three fracturing crews, has steadily increased following the OPEC+ announcement, reflecting increased confidence by E&Ps that oil prices are expected to stay stable in the near term. STEP's three fracturing crews are well placed in this market and are expected to see steady utilization through the balance of the year. Weak natural gas prices may limit opportunity for growth in the U.S. fracturing market, deferring STEP's plan to field a fourth fleet until market conditions improve. Demand for STEP's industry leading coiled tubing services is expected to remain strong.

## CANADIAN FINANCIAL AND OPERATIONS REVIEW

STEP has a fleet of 16 coiled tubing units in the WCSB, all of which are designed to service the deepest wells in the basin. STEP's fracturing business primarily focuses on the deeper, more technically challenging plays in Alberta and northeast British Columbia. STEP has 282,500 fracturing HP of which approximately 132,500 HP has dual-fuel capability. STEP deploys or idles coiled tubing units and fracturing horsepower as dictated by the market's ability to support targeted utilization and economic returns.

(\$000's except per day, days, units, proppant pumped and HP)		Three months ended	
		March 31, 2023	March 31, 2022
Revenue:			
Fracturing	\$	139,576	\$ 119,014
Coiled tubing		34,859	27,798
		174,435	146,812
Expenses		138,609	124,689
Results from operating activities	\$	35,826	\$ 22,123
Adjusted EBITDA <sup>(1)</sup>	\$	44,776	\$ 31,867
Adjusted EBITDA % <sup>(1)</sup>		26%	22%
Sales mix (% of segment revenue)			
Fracturing		80%	81%
Coiled tubing		20%	19%
Fracturing services			
Number of fracturing operating days <sup>(2)</sup>		312	395
Proppant pumped (tonnes)		296,000	323,000
Stages completed		4,360	4,761
Horsepower ("HP")			
Active pumping HP, end of period		215,000	215,000
Total pumping HP, end of period <sup>(3)</sup>		282,500	282,500
Coiled tubing services			
Number of coiled tubing operating days <sup>(2)</sup>		572	561
Active coiled tubing units, end of period		9	8
Total coiled tubing units, end of period		16	16

<sup>(1)</sup> Adjusted EBITDA is a non-IFRS financial measure and Adjusted EBITDA % are non-IFRS financial ratios. They are not defined and have no standardized meaning under IFRS. See Non-IFRS Measures and Ratios.

<sup>(2)</sup> An operating day is defined as any coiled tubing or fracturing work that is performed in a 24-hour period, exclusive of support equipment.

<sup>(3)</sup> Active horsepower denotes units active on client work sites. An additional 20-25% of this amount is required to accommodate equipment maintenance cycles.

### FIRST QUARTER 2023 COMPARED TO FIRST QUARTER 2022

Revenue for the three months ended March 31, 2023 was \$174.4 million compared to \$146.8 million for the same period of the prior year. Favourable weather conditions and proper client alignment resulted in steady utilization in both service lines. Fracturing revenue set records for the quarter with four large fracturing crews operating primarily in the gas and condensate rich areas of Montney while the smaller low-pressure crew was active in the oil rich Cardium and Viking formations. Proppant pricing was higher quarter over quarter resulting in increased revenue per operating day, however this was offset by the number of fracturing operating days which decreased to 312 for Q1 of 2023 from 395 during the same period of 2022. Coil tubing revenue benefited from cold weather extending into March allowing for a longer operating cycle and saw operating days increase to 572 for Q1 2023 from 561 during the comparable period of 2022.

Adjusted EBITDA for the first quarter of 2023 was \$44.8 million (26% of revenue) versus \$31.9 million (22% of revenue) in the first quarter of 2022. The year over year improvement in results is a reflection of the improved industry conditions, which provided STEP the opportunity to increase pricing for its services.

## UNITED STATES FINANCIAL AND OPERATIONS REVIEW

STEP has a fleet of 19 coiled tubing units in the Permian and Eagle Ford basins in Texas, the Bakken shale in North Dakota, and the Uinta-Piceance and Niobrara-DJ basins in Colorado. The U.S. fracturing business has 207,500 fracturing HP, of which 80,000 HP is Tier 4 diesel and 50,250 HP has direct injection dual-fuel capabilities. The U.S. fracturing business primarily operates in the Permian and Eagle Ford basins in Texas. The Company deploys or idles coiled tubing units and fracturing horsepower as dictated by the market's ability to support targeted utilization and economic returns.

(\$000's except per day, days, units, proppant pumped and HP)		Three months ended	
		March 31, 2023	March 31, 2022
Revenue:			
Fracturing	\$	49,317	\$ 49,667
Coiled tubing		39,616	23,060
		88,933	72,727
Expenses		96,056	71,031
Results from operating activities	\$	(7,123)	\$ 1,696
Adjusted EBITDA <sup>(1)</sup>	\$	4,816	\$ 9,822
Adjusted EBITDA % <sup>(1)</sup>		5%	14%
Sales mix (% of segment revenue)			
Fracturing		55%	68%
Coiled tubing		45%	32%
Fracturing services			
Number of fracturing operating days <sup>(2)</sup>		161	220
Proppant pumped (tonnes)		214,000	278,000
Stages completed		1,001	1,122
Horsepower ("HP")			
Active pumping HP, end of period		165,000	165,000
Total pumping HP, end of period <sup>(3)</sup>		207,500	207,500
Coiled tubing services			
Number of coiled tubing operating days <sup>(2)</sup>		691	514
Active coiled tubing units, end of period		12	8
Total coiled tubing units, end of period		19	13

<sup>(1)</sup> Adjusted EBITDA is a non-IFRS financial measure and Adjusted EBITDA % is non-IFRS financial ratios. They are not defined and have no standardized meaning under IFRS. See Non-IFRS Measures and Ratios.

<sup>(2)</sup> An operating day is defined as any coiled tubing or fracturing work that is performed in a 24-hour period, exclusive of support equipment.

<sup>(3)</sup> Active horsepower denotes units active on client work sites. An additional 15-20% of this amount is required to accommodate equipment maintenance cycles.

### FIRST QUARTER 2023 COMPARED TO FIRST QUARTER 2022

Revenue for the three months ended March 31, 2023 was \$88.9 million compared to \$72.7 million at March 31, 2022. The 22% increase over the \$72.7 million of revenue generated for the same period in 2022 was the result of higher operating days for coiled tubing services. The additional units acquired last year enabled STEP to deploy more fleets and benefit from the improved macro-economic environment and overall oilfield activity levels.

U.S. fracturing was impacted by shifting client schedules related to drilling delays resulting in a year-over-year decrease in operating days along with a decrease in proppant pumped for the first quarter of 2023. A more robust preventative maintenance program was completed on the idle fleets during Q1 which resulted in higher operating costs despite the lower activity levels.

U.S. operations generated Adjusted EBITDA of \$4.8 million (5% of revenue) for first quarter 2023 versus \$9.8 million (14% of revenue) in the first quarter of 2022. Lower operating days and higher operating costs were the primary factors in the year over year change in financial results.

## CORPORATE FINANCIAL REVIEW

The Company's corporate activities are separated from Canadian and U.S. operations. Corporate operating expenses include expenses related to asset reliability and optimization teams, as well as general and administrative costs which include costs associated with the executive team, the Board of Directors, public company costs and other activities that benefit Canadian and U.S. operating segments collectively.

(\$000's)	Three months ended		March 31,	
	March 31,		2023	
			March 31,	
			2022	
Expenses:				
Operating expenses		485		571
Selling, general and administrative		(1,466)		8,722
Results from operating activities	\$	981	\$	(9,293)
Add:				
Depreciation		221		138
Share-based compensation		(5,442)		4,457
Adjusted EBITDA <sup>(1)</sup>	\$	(4,240)	\$	(4,698)
Adjusted EBITDA % <sup>(1)</sup>		(2%)		(2%)

<sup>(1)</sup> Adjusted EBITDA is a non-IFRS financial measure and Adjusted EBITDA % is a non-IFRS financial ratio. They are not defined and have no standardized meaning under IFRS. See Non-IFRS Measures and Ratios.

### FIRST QUARTER 2023 COMPARED TO FIRST QUARTER 2022

For the three months ended March 31, 2023, STEP had a recovery from corporate activities of \$1.0 million compared to expenses of \$9.3 million for the same period in 2022 due to the mark to market adjustment on cash settled share-based compensation in the current period. This expense was \$9.9 million lower in Q1 2023 relative to Q1 2022, as the Company's share price decreased by \$1.97 from December 31, 2022 to March 31, 2023 compared to a share price increase of \$1.19 during the same period of the prior year.

## NON-IFRS MEASURES AND RATIOS

This Press Release includes terms and performance measures commonly used in the oilfield services industry that are not defined under IFRS. The terms presented are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These non-IFRS measures have no standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. The non-IFRS measures should be read in conjunction with the Company's quarterly financial statements and Annual Financial Statements and the accompanying notes thereto.

"Adjusted EBITDA" is a financial measure not presented in accordance with IFRS and is equal to net (loss) income before finance costs, depreciation and amortization, (gain) loss on disposal of property and equipment, current and deferred income tax provisions and recoveries, equity and cash settled share-based compensation, transaction costs, foreign exchange forward contract (gain) loss, foreign exchange (gain) loss, and impairment losses. "Adjusted EBITDA %" is a non-IFRS ratio and is calculated as Adjusted EBITDA divided by revenue. Adjusted EBITDA and Adjusted EBITDA % are presented because they are widely used by the investment community as they provide an indication of the results generated by the Company's normal course business activities prior to considering how the activities are financed and the results are taxed. The Company uses Adjusted EBITDA and Adjusted EBITDA % internally to evaluate operating and segment performance, because management believes they provide better comparability between periods. The following table presents a reconciliation of the non-IFRS financial measure of Adjusted EBITDA to the IFRS financial measure of net income.

(\$000s except percentages)		Three months ended	
		March 31, 2023	March 31, 2022
Net income	\$	19,656	\$ 9,173
Add (deduct):			
Depreciation and amortization		20,774	17,072
Gain on disposal of equipment		(273)	(818)
Finance costs		2,900	3,317
Income tax expense		6,169	2,560
Share-based compensation – Cash settled		(6,418)	5,166
Share-based compensation – Equity settled		1,322	340
Foreign exchange loss		170	180
Unrealized loss on derivatives		1,052	-
Adjusted EBITDA	\$	45,352	\$ 36,990
Adjusted EBITDA %		17%	17%

"Free Cash Flow" is a financial measure not presented in accordance with IFRS and is equal to net cash provided by operating activities adjusted for changes in non-cash Working Capital from operating activities, sustaining capital expenditures, term loan principal repayments and lease payments (net of sublease receipts). The Company may deduct or include additional items in its calculation of Free Cash Flow that are unusual, non-recurring or non-operating in nature. Free Cash Flow is presented as this measure is widely used in the investment community as an indication of the level of cash flow generated by ongoing operations. Management uses Free Cash Flow to evaluate the adequacy of internally generated cash flows to manage debt levels, invest in the growth of the business or return capital to shareholders. The following table presents a reconciliation of the non-IFRS financial measure of Free Cash Flow to the IFRS financial measure of net cash provided by operating activities.



(\$000s)	Three months ended	
	March 31, 2023	March 31, 2022
Net cash provided by (used in) operating activities	\$ 45,836	\$ (16,843)
Add (deduct):		
Changes in non-cash Working Capital from operating activities	(12,203)	50,805
Sustaining capital	(14,702)	(8,911)
Term loan principal repayments	-	(6,988)
Lease payments (net of sublease receipts)	(1,861)	(1,891)
Free Cash Flow	\$ 17,070	\$ 16,172

“Working Capital”, “Total long-term financial liabilities” and “Net debt” are financial measures not presented in accordance with IFRS. “Working Capital” is equal to total current assets less total current liabilities. “Total long-term financial liabilities” is comprised of loans and borrowings, long-term lease obligations and other liabilities. “Net debt” is equal to loans and borrowings before deferred financing charges less cash and cash equivalents and CCS derivatives. The data presented is intended to provide additional information about items on the statement of financial position and should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS.

The following table represents the composition of the non-IFRS financial measure of Working Capital (including cash and cash equivalents).

(\$000s)	March 31, 2023	December 31, 2022
Current assets	\$ 213,106	\$ 256,361
Current liabilities	(148,441)	(189,781)
Working Capital (including cash and cash equivalents)	\$ 64,665	\$ 66,580

The following table presents the composition of the non-IFRS financial measure of Total long-term financial liabilities.

(\$000s)	March 31, 2023	December 31, 2022
Long-term loans	\$ 130,577	\$ 140,794
Long-term leases	12,225	13,860
Other long-term liabilities	9,413	14,092
Total long-term financial liabilities	\$ 152,215	\$ 168,746

The following table presents the composition of the non-IFRS financial measure of Net debt.

(\$000s)	March 31, 2023	December 31, 2022
Loans and borrowings	\$ 130,577	\$ 140,794
Add back: Deferred financing costs	2,450	2,704
Less: Cash and cash equivalents	(1,237)	(2,785)
Less: CCS Derivatives liability	1,252	1,511
Net debt	\$ 133,042	\$ 142,224

## RISK FACTORS AND RISK MANAGEMENT

The oilfield services industry involves many risks, which may influence the ultimate success of the Company. The risks and uncertainties set out in the AIF and Annual MD&A are not the only ones the Company is facing. There are additional risks and uncertainties that the Company does not currently know about or that the Company currently considers immaterial which may also impair the Company's business operations and can cause the price of the Common Shares to decline. Readers should review and carefully consider the disclosure provided under the heading "Risk Factors" in the AIF and "Risk Factors and Risk Management" in the Annual MD&A, both of which are available on [www.sedar.com](http://www.sedar.com), and the disclosure provided in this Press Release under the headings "*Market Outlook*". In addition, global and national risks associated with inflation or economic contraction may adversely affect the Company by, among other things, reducing economic activity resulting in lower demand, and pricing, for crude oil and natural gas products, and thereby the demand and pricing for the Company's services. Other than as supplemented in this Press Release, the Company's risk factors, and management thereof has not changed substantially from those disclosed in the AIF and Annual MD&A.

## FORWARD-LOOKING INFORMATION & STATEMENTS

Certain statements contained in this Press Release constitute "forward-looking statements" or "forward-looking information" within the meaning of applicable securities laws (collectively, "forward-looking statements"). These statements relate to the expectations of management about future events, results of operations and the Company's future performance (both operational and financial) and business prospects. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "plan", "contemplate", "continue", "estimate", "expect", "intend", "propose", "might", "may", "will", "shall", "project", "should", "could", "would", "believe", "predict", "forecast", "pursue", "potential", "objective" and "capable" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. While the Company believes the expectations reflected in the forward-looking statements included in this Press Release are reasonable, such statements are not guarantees of future performance or outcomes and may prove to be incorrect and should not be unduly relied upon.

In particular, but without limitation, this Press Release contains forward-looking statements pertaining to: 2023 industry conditions and outlook, including the effect of Russia related sanctions and OPEC+ supply limitations, recovery in demand for oil and gas, industry production discipline, and other macroeconomic factors the effect of new LNG facilities as well as the resumption of U.S. LNG exports; OPEC+'s production as it relates to oil prices; anticipated 2023 utilization levels, commodity prices, and pricing for the Company's services; recession risk, including its effect on oil prices; the deferral of the Company's plans to field a fourth fracturing fleet in the U.S.; timing of completion of the Company's tier 4 DBG fracturing fleet and anticipated substitution rates in the Company's dual fuel fleets; the effect of resumed industrial activity on Blueberry River First Nation territorial lands; the effect of under-investment in hydrocarbon production; supply and demand for the Company's and its competitors' services, including the ability for the industry to respond to demand increases; the effect of inflation and related cost increases; expected pricing for the Company's services; the impact of weather and break up on the Company's operations; the competitive labour market; the potential for commodity price volatility; the effect of changes in work scope on expected margins; the Company's ability to meet all financial commitments including interest payments over the next twelve months; the Company's plans regarding additional equipment; the Company's ability to manage its capital structure; expected debt repayment and Funded Debt to Adjusted Bank EBITDA ratios; expected income tax and derivative liabilities; adequacy of resources to funds operations, financial obligations and planned capital expenditures; the Company's ability to retain its existing clients; the monitoring of impairment, amount and age of balances owing, and the Company's financial assets and liabilities denominated in U.S. dollars, and exchange rates; supply chain constraints impact on new-build and refurbishment timelines; and the Company's expected compliance with covenants under its Credit Facilities and its ability to satisfy its financial commitments thereunder.

The forward-looking information and statements contained in this Press Release reflect several material factors and expectations and assumptions of the Company including, without limitation: the effect of macroeconomic factors, including global energy security concerns and levels of oil and gas inventories; market concerns regarding economic recession; levels of oil and gas production and the effect of OPEC or OPEC+ related capacity and related uncertainty on the market for the Company's services; that the Company will continue to conduct its operations in a manner consistent with past operations; the

Company will continue as a going concern; the general continuance of current or, where applicable, assumed industry conditions; pricing of the Company's services; the Company's ability to market successfully to current and new clients; predictable effect of seasonal weather and break up on the Company's operations; the Company's ability to utilize its equipment; the Company's ability to collect on trade and other receivables; the Company's ability to obtain and retain qualified staff and equipment in a timely and cost effective manner; levels of deployable equipment; future capital expenditures to be made by the Company; future funding sources for the Company's capital program; the Company's future debt levels; the availability of unused credit capacity on the Company's credit lines; the impact of competition on the Company; the Company's ability to obtain financing on acceptable terms; the Company's continued compliance with financial covenants; the amount of available equipment in the marketplace; and client activity levels and spending. The Company believes the material factors, expectations and assumptions reflected in the forward-looking information and statements are reasonable, but no assurance can be given that these factors, expectations and assumptions will prove correct.

Actual results could differ materially from those anticipated in these forward-looking statements due to the risk factors set forth under the heading "Risk Factors" in the AIF and under the heading *Risk Factors and Risk Management* in this Press Release and the Annual MD&A.

Any financial outlook or future orientated financial information contained in this Press Release regarding prospective financial performance, financial position or cash flows is based on the assumptions about future events, including economic conditions and proposed courses of action based on management's assessment of the relevant information that is currently available. Projected operational information, including the Company's capital program, contains forward looking information and is based on a number of material assumptions and factors, as are set out above. These projections may also be considered to contain future oriented financial information or a financial outlook. The actual results of the Company's operations will likely vary from the amounts set forth in these projections and such variations may be material. Readers are cautioned that any such financial outlook and future oriented financial information contains herein should not be used for purposes other than those for which it is disclosed herein.

The forward-looking information and statements contained in this Press Release speak only as of the date of the document, and none of the Company or its subsidiaries assumes any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws. The reader is cautioned not to place undue reliance on forward-looking information.

# CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

As at	March 31,	December 31,
Unaudited (in thousands of Canadian dollars)	2023	2022
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 1,237	\$ 2,785
Trade and other receivables	157,056	199,004
Income tax receivable	-	137
Inventory	49,078	46,410
Prepaid expenses and deposits	5,735	8,025
	213,106	256,361
Property and equipment	403,111	402,482
Right-of-use assets	21,607	23,528
Intangible assets	151	161
Other assets	4,225	-
	\$ 642,200	\$ 682,532
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities		
Trade and other payables	\$ 125,353	\$ 165,869
Current portion of lease obligations	8,436	8,326
Current portion of other liabilities	7,093	6,526
Income tax payable	7,559	9,060
	148,441	189,781
Deferred tax liabilities	15,773	17,972
Lease obligations	12,225	13,860
Other liabilities	9,413	14,092
Loans and borrowings	130,577	140,794
	316,429	376,499
Shareholders' equity		
Share capital	453,756	453,702
Contributed surplus	34,111	32,843
Accumulated other comprehensive income	14,996	16,236
Deficit	(177,092)	(196,748)
	325,771	306,033
	\$ 642,200	\$ 682,532

## CONDENSED CONSOLIDATED INTERM STATEMENTS OF NET INCOME AND OTHER COMPREHENSIVE INCOME

Unaudited (in thousands of Canadian dollars, except per share amounts)	For the three months ended March 31,			
	2023		2022	
Revenue	\$	263,368	\$	219,539
Operating expenses		228,955		190,063
Gross profit		34,413		29,476
Selling, general and administrative expenses		4,729		14,950
Results from operating activities		29,684		14,526
Finance costs		2,900		3,317
Foreign exchange loss		170		180
Unrealized loss on derivatives		1,052		-
Gain on disposal of property and equipment		(273)		(818)
Amortization of intangible assets		10		114
Income before income tax		25,825		11,733
Income tax expense (recovery)				
Current		8,352		-
Deferred		(2,183)		2,560
		6,169		2,560
Net income		19,656		9,173
Other comprehensive income				
Foreign currency translation loss		(1,240)		(1,844)
Total comprehensive income	\$	18,416	\$	7,329
Income per share:				
Basic	\$	0.27	\$	0.14
Diluted	\$	0.26	\$	0.13

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

Unaudited (in thousands of Canadian dollars)	For the three months ended March 31,	
	2023	2022
Operating activities:		
Net income	\$ 19,656	\$ 9,173
Adjusted for the following:		
Depreciation and amortization	20,774	17,071
Share-based compensation (recovery)	(5,096)	5,506
Unrealized foreign exchange loss	114	290
Unrealized loss on derivatives	1,052	-
Gain on disposal of property and equipment	(273)	(818)
Finance costs	2,900	3,317
Income tax expense	6,169	2,560
Income taxes paid	(9,850)	-
Cash finance costs paid	(1,813)	(3,137)
Changes in non-cash working capital from operating activities	12,203	(50,805)
Net cash provided by (used in) operating activities	45,836	(16,843)
Investing activities:		
Purchase of property and equipment	(25,992)	(11,714)
Proceeds from disposal of equipment and vehicles	326	401
Changes in non-cash working capital from investing activities	(9,304)	2,572
Net cash used in investing activities	(34,970)	(8,741)
Financing activities:		
(Repayment) draws of loans and borrowings	(10,526)	30,600
Repayment of obligations under finance lease	(1,999)	(2,035)
Net cash provided by (used) in financing activities	(12,525)	28,565
Impact of exchange rate changes on cash	111	(42)
(Decrease) increase in cash and cash equivalents	(1,548)	2,939
Cash and cash equivalents, beginning of period	2,785	3,698
Cash and cash equivalents, end of period	\$ 1,237	\$ 6,637

## ABOUT STEP

STEP is an energy services company that provides coiled tubing, fluid and nitrogen pumping and hydraulic fracturing solutions. Our combination of modern equipment along with our commitment to safety and quality execution has differentiated STEP in plays where wells are deeper, have longer laterals and higher pressures. STEP has a high-performance, safety-focused culture and its experienced technical office and field professionals are committed to providing innovative, reliable and cost-effective solutions to its clients.

Founded in 2011 as a specialized deep capacity coiled tubing company, STEP has grown into a North American service provider delivering completion and stimulation services to exploration and production (“E&P”) companies in Canada and the U.S. Our Canadian services are focused in the Western Canadian Sedimentary Basin (“WCSB”), while in the U.S., our fracturing and coiled tubing services are focused in the Permian and Eagle Ford in Texas, the Uinta-Piceance and Niobrara-DJ basins in Colorado and the Bakken in North Dakota.

Our four core values; **Safety, Trust, Execution** and **Possibilities** inspire our team of professionals to provide differentiated levels of service, with a goal of flawless execution and an unwavering focus on safety.

### For more information please contact:

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STEP will host a conference call on Thursday, May 11, 2023 at 9:00 a.m. MT to discuss the results for the First Quarter of 2023.

To listen to the webcast of the conference call, please click on the following URL:

[https://viaid.webcasts.com/starthere.jsp?ei=1606160&tp\\_key=00bd569906](https://viaid.webcasts.com/starthere.jsp?ei=1606160&tp_key=00bd569906).

You can also visit the Investors section of our website at [www.stepenergyservices.com](http://www.stepenergyservices.com) and click on “Reports, Presentations & Key Dates”.

To participate in the Q&A session, please call the conference call operator at: 1-888-886-7786 (toll free) 15 minutes prior to the call’s start time and ask for “STEP Energy Services First Quarter and 2023 Earnings Results Conference Call”.

The conference call will be archived on STEP’s website at [www.stepenergyservices.com/investors](http://www.stepenergyservices.com/investors).