STEP energy services

STEP Energy Services Ltd. Reports Fourth Quarter and Year End 2023 Results

Calgary, Alberta – March 11, 2024 - STEP Energy Services Ltd. (the "Company" or "STEP") is pleased to announce its financial and operating results for the three months and twelve months ended December 31, 2023. The following press release should be read in conjunction with the management's discussion and analysis ("MD&A") and audited consolidated financial statements and notes thereto as at December 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.sedarplus.ca, including the Company's Annual Information Form for the year ended December 31, 2023 dated March 11, 2024 (the "AIF").

CONSOLIDATED HIGHLIGHTS

FINANCIAL REVIEW

($000s except percentages and per share amounts)	Three months ended		Years ended		
	December 31, 2023	December 31, 2022	**December 31, 2023**	December 31, 2022	December 31, 2021
Consolidated revenue	**$ 195,047**	$ 251,394	**$ 945,723**	$ 989,018	$ 536,309
Net income (loss)	**$ (5,244)**	$ 16,692	**$ 50,419**	$ 94,781	$ (28,127)
Per share-basic	**$ (0.07)**	$ 0.24	**$ 0.70**	$ 1.37	$ (0.41)
Per share-diluted	**$ (0.07)**	$ 0.23	**$ 0.67**	$ 1.31	$ (0.41)
Adjusted EBITDA [1]	**$ 18,436**	$ 48,616	**$ 163,578**	$ 198,906	$ 62,963
Adjusted EBITDA % [1]	**9%**	19%	**17%**	20%	12%
Free Cash Flow [1]	**(4,458)**	22,373	**82,811**	111,788	27,775

[1] 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		Years ended		
	December 31, 2023	December 31, 2022	**December 31, 2023**	December 31, 2022	December 31, 2021
Fracturing services					
Fracturing operating days [2]	**362**	476	**1,635**	2,042	1,681
Proppant pumped (tonnes)	**460,300**	453,000	**2,153,200**	2,229,000	1,972,000
Fracturing crews	**8**	8	**8**	8	7
Dual fuel horsepower ("HP"), ended	**301,500**	182,750	**301,500**	182,750	182,500
Total HP, ended	**490,000**	490,000	**490,000**	490,000	490,000
Coiled tubing services					
Coiled tubing operating days [2]	**1,263**	1,151	**4,976**	4,338	3,307
Active coiled tubing units, ended	**21**	19	**21**	19	15
Total coiled tubing units, ended	**35**	33	**35**	33	29

[2] An operating day is defined as any coiled tubing or fracturing work that is performed in a 24-hour period, exclusive of support equipment.

($000s except shares) As at December 31,		2023		2022		2021
Cash and cash equivalents	$	**1,785**	$	2,785	$	3,698
Working capital (including cash and cash equivalents) [(3)]	$	**42,104**	$	66,580	$	3,912
Total assets	$	**606,519**	$	682,532	$	483,848
Total long-term financial liabilities [(3)]	$	**118,970**	$	168,746	$	175,689
Net Debt [(3)]	$	**87,844**	$	142,224	$	186,885
Shares outstanding		**72,233,064**		71,589,626		68,156,981

[(3)] 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.

2023 ANNUAL HIGHLIGHTS

- Consolidated revenue for the year ended December 31, 2023 of $945.7 million, decreasing 4.4% from $989.0 million in the prior year.
- Net income for the year ended December 31, 2023 of $50.4 million, or $0.67 per diluted share, compared to $94.8 million in 2022, or $1.31 per diluted share. 2022 net income was positively impacted by the reversal of $38.4 million of impairment loss taken in 2020, following the significant improvement in business conditions.
- For the year ended December 31, 2023, Adjusted EBITDA was $163.6 million or 17% of revenue compared to $198.9 million or 20% of revenue in the prior year.
- Free Cash Flow for the year ended December 31, 2023 was $82.8 million compared to $111.8 million in 2022.
- STEP continued to advance its multiphase shareholder return strategy in 2023:
  - Net Debt was reduced to $87.8 million at December 31, 2023, compared to $142.2 million at December 31, 2022
  - During the fourth quarter of 2023, the Company received approval from the Toronto Stock Exchange (“TSX”) to proceed with a Normal Course Issuer Bid (“NCIB”) for a twelve-month period ending December 18, 2024. Under the NCIB, the Company can repurchase and cancel 3.6 million shares, representing 5% of Company’s issued and outstanding shares.
- The Company invested $105.2 million into sustaining and optimization capital equipment in the year. The primary focus of the optimization capital was the continued upgrade of fracturing fleets in Canada and the U.S. with the latest Tier 4 dual fuel engine technology, which reduces cost and emissions by displacing up to 85% of diesel with natural gas. STEP completed the upgrade of one fleet in Canada and one in the U.S. in 2023 and anticipates the completion of a second Canadian fleet by Q2 2024.
- STEP trialed electric fracturing equipment on a client site in the Permian Basin in the fourth quarter of 2023. STEP is continually evaluating next generation technology to ensure that it brings the most technically capable equipment to client locations. Next generation equipment has the potential of providing increased efficiency and lower operating costs, but the higher capital costs will require longer term client commitments.
- STEP operated 21 coiled tubing units in Canada and the U.S., the largest fleet in North America. The fleet set depth records in Canada and the U.S. during 2023, reaching 8,101 meters (26,578 feet) and 8,252 meters (27,075 feet), respectively.

FOURTH QUARTER 2023 OVERVIEW

Commodity prices remained volatile in the fourth quarter. West Texas Intermediate (WTI), the benchmark U.S. oil price, declined from approximately $90 per barrel at the start of the quarter to approximately $70 per barrel at the close. The strengthening of supply from countries outside of the Organization of the Petroleum Exporting Countries plus other oil-producing countries (“OPEC+”), coinciding with slower than expected global demand growth, were significant factors in the price decrease. The benchmark Henry Hub natural gas price fluctuated through the quarter, but the quarter-end price remained relatively flat compared to the price at the end of the third quarter. The steady erosion in the U.S. rig count seen through much of 2023 slowed in the fourth quarter, with the Baker Hughes land rig count bottoming at 597 rigs before closing 2023 at 602 rigs, resulting in an average rig count of 601 in the fourth quarter. This is down from 630 rigs in Q3 2023 and 764 rigs at the close of 2022. Rig counts in Canada decreased by 7 rigs, declining from an average of 187 in Q3 2023 to 180 in Q4

2023. The rig count in Canada is less indicative of completions activity, as an estimated 35-40% of Canadian rigs are typically drilling wells that do not require hydraulic fracturing. The reduced activity was captured in analysis from Rystad Energy[1], an independent energy research and business intelligence company, which estimated that North American fracturing starts in Q4 2023 fell by 15% relative to Q3 2023.

STEP's consolidated fourth quarter revenue of $195.0 million and Adjusted EBITDA of $18.4 million was lower sequentially and year over year. The fourth quarter typically sees a slowdown in activity as E&P companies wind down their capital budgets. At times companies will pull capital forward if there is a strong commodity price incentive but that did not materialize in Q4 2023 as commodity prices were on a weakening trend.

STEP's Canadian geographic region generated quarterly revenue of $112.2 million and adjusted EBITDA of $15.0 million. Fracturing revenue in Canada fell quarter over quarter due to the typical slowdown outlined above as well as the decision by certain clients to defer approximately $16.0 - $18.0 million of work scheduled for Q4 2023 into Q1 2024. The Q4 fracturing job mix also shifted sequentially to include more lower-intensity well completions, which have a lower revenue profile. The lower activity and shift in job mix is reflected in the reduction in proppant pumped, which declined in Q4 2023 to 223,300 tonnes from 308,000 tonnes in Q3 2023, resulting in lower average revenue per day. Coiled tubing services typically follow fracturing services on a well, resulting in activity changes that lag the fracturing market. Coiled tubing activity levels stayed strong through the fourth quarter, benefitting from STEP's presence in the Canadian market as a technical leader. Coiled tubing revenue per day also decreased in part due to the shift to lower intensity coil fracturing, which is lower revenue relative to the milling work that was more predominant in prior quarters.

STEP's U.S. geographic region generated quarterly revenue of $82.8 million and adjusted EBITDA of $7.2 million. The fourth quarter slow down in drilling activity was further exacerbated by the wave of consolidation in the U.S. E&P market, which negatively affected STEP's U.S. fracturing operations when a long-term client was acquired in mid Q4 2023. This acquisition resulted in the cancellation of the remaining fracturing work scope for 2023 for one fracturing crew and additional work scope was lost for a second fracturing crew when a client delayed a pad late in the quarter to the point where it would have crossed over into Q1 2024, disrupting the schedule for that quarter. The estimated revenue loss from this reduced utilization was approximately $17.0 - $19.0 million. With the reduction in utilization, proppant pumped decreased to 237,000 tonnes in Q4 from 281,000 tonnes in Q3. Coiled tubing activity remained strong in the northern basins as clients continued to operate until the holiday break while levels declined sequentially in the southern basins as clients reached the limits of their 2023 capital budgets.

The Company generated consolidated Adjusted EBITDA of $18.4 million, a margin of 9%. This was lower than the $52.3 million (21% margin) achieved in Q3 2023 and the $48.6 million (19% margin) posted in Q4 2022. The decline in activity was a factor in the lower Adjusted EBITDA but margins were also eroded by higher operating expenses associated with the preparation of equipment for the highly utilized upcoming quarter and certain one-time items that totalled between $3.0 - $4.0 million.

Net loss was $5.2 million in Q4 2023 ($0.07 diluted loss per share), sequentially lower than net income of $20.7 million in Q3 ($0.28 diluted earnings per share) and $16.7 million ($0.23 diluted earnings per share) realized in Q4 2022. Net loss for Q4 2023 included $2.6 million in finance costs (Q3 2023 - $2.9 million, Q4 2022 - $3.0 million) and $0.8 million in share-based compensation (Q3 2023 - $4.0 million, Q4 2022 - $4.4 million).

Free Cash Flow was $(4.5) million in Q4 2023, sequentially lower than the $37.1 million in Q3 2023 and the $22.4 million in Q4 2022. Significant collection of trade receivables late in Q4 2023 allowed the Company to accelerate certain capital expenditures to capitalize on benefits associated with early payment and possession. The accelerated capital expenditures resulted in a draw down of working capital, which STEP anticipates will return to more typical levels in the first quarter of 2024. Free Cash Flow on an annualized basis in 2023 was $82.8 million compared to $111.8 million in 2022. A considerable portion of Free Cash Flow was allocated to debt reduction, balanced with increased investment into equipment.

Net Debt was reduced to $87.8 million at the close of Q4 2023 from $89.8 million at close of Q3 2023 and is down nearly $60 million on a year-over-year basis. The debt reduction was accomplished while simultaneously investing $120.4 million into capital expenditures during the full year 2023. STEP has now reduced debt by nearly $230 million from peak levels in 2018.

1 Rystad Energy, January 5, 2024

MARKET OUTLOOK

The outlook for the north American energy sector is anticipated to continue strengthening as major energy infrastructure projects are completed in Canada and the U.S. In Canada, completion of the Trans Mountain Expansion Project will increase the capacity of the original Trans Mountain Pipeline from 300,000 barrels of oil per day to 890,000 barrels of oil per day and completion of the LNG Canada facility will require 2.1 BCF per day of feed gas to produce liquified natural gas ("LNG") for export. These projects are both anticipated to be complete in 2024, with additional LNG projects expected to add up to 4-5 BCF per day by 2030. In the U.S., numerous LNG projects are under construction with completion dates anticipated over the next 3-4 years, adding 11-12 BCF per day to current U.S. LNG export capacity of approximately 13-14 BCF per day today. Collectively these projects demonstrate that North America is becoming a cornerstone supplier of clean, reliable energy to the world, lifting millions of people out of energy poverty and delivering energy security to allies across the world, while providing constructive economic conditions for north American producers and service providers.

Near term commodity prices continue to remain volatile, with concerns over recession and overproduction weighing on prices. North American crude oil, as measured by the benchmark West Texas Intermediate ("WTI"), is showing greater resiliency due to the higher correlation with global oil markets. Those markets are heavily influenced by the supply management policies of the OPEC+ producers, which helps smooths out the volatility in crude prices. Natural gas prices are expected to remain weak through the shoulder season, with the benchmark Henry Hub price recently testing multi decade lows in Q1 2024 as a result of an extremely mild winter and record gas production. Major U.S. producers have announced reductions in their 2024 capital programs to return this market to balance, which will result in softer U.S. activity levels for at least the first half of the year relative to prior years. Canadian gas production is heavily affected by the price of natural gas liquids ("NGLs"), which have been more stable than natural gas due to their correlation to oil prices. Demand for condensate, a key NGL, remains strong and is supported by growing oil sands production. Nonetheless, major Canadian natural gas producers are also voicing more caution around expected 2024 activity levels, which may result in deferral of some work scope to later in the year.

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 realty 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, regulatory frameworks, and technical expertise to deliver safe and affordable energy to the world.

Canada

Canadian activity levels have been strong for Q1 2024, particularly for the fracturing service line which is seeing high utilization across the six active crews. The work that was deferred from Q4 2023 into Q1 2024 began at the start of January, which allowed STEP to weather the extreme cold in mid January with minimal disruption to utilization. Five of STEP's fracturing crews are focused on large multi-well pads in the gas-focused Montney and Duvernay plays, with the smaller sixth crew optimized for smaller scale fracturing work across different plays. This crew operates with a fully electrified combination unit that replaces individual blender, data van and chemical additive units, reducing the wellsite footprint and emissions.

The increase in fracturing intensity is driving horsepower demand higher, as well as requiring a large logistics fleet to support the larger sand volumes being placed per stage and per well. STEP operates one of the largest sand logistics fleets in the industry, hauling over 80% of STEP supplied sand in 2023. Having this fleet provides greater efficiency on fracturing operations by reducing third party nonproductive time and increasing flexibility between multiple fracturing operations.

Demand for STEP's coiled tubing and ancillary services (nitrogen and fluid pumping) has been steady from early January, reflecting the Company's position as one of the leading service providers in the WCSB. STEP coiled tubing crews are valued for their technical expertise and experience in the most technically challenging wells and STEP's Intelligent Intervention systems bring the best technology, such as Canada's deepest and largest e-coil fleet, to client locations.

All service lines are largely booked for the balance of the quarter, although timing of spring break-up may affect utilization levels in March. If break-up conditions come early, the remaining Q1 work scope will be pushed into Q2 2024. The second quarter calendar is filling up, although continued weakness in natural gas prices and concerns over drought conditions may result in the deferral of some work scope until conditions improve. Fresh water usage is continually decreasing as producers and service providers become more adept at handling recycled water. STEP also has fracturing systems that can utilize nitrogen or carbon dioxide to significantly reduce the amount of water required and has proprietary systems that use liquified petroleum gas ("LPG") to displace water completely.

STEP expects its second Tier 4 dual fuel fleet to be complete by the end of the second quarter, with upgraded pumpers being delivered to the field as they are completed. These pumpers displace up to 85% of diesel with natural gas, delivering lower emissions and costs to STEP's valued clients. On completion of this crew, 72% of STEP's total U.S. and Canadian fleet will be natural gas capable.

Work scope for the second half of the year remains difficult to project at this juncture, but the anticipated completion of the Trans Mountain Expansion and LNG Canada is expected to support activity levels. The Company is participating in a number of client proposals that will determine how much fracturing capacity is needed in Canada. The coiled tubing market is at balance in Q1, which is typically the most completions intensive quarter. That market has the potential to slip into an oversupplied position if additional coil capacity is added by current market participants, likely leading pricing lower for all participants. STEP is sensitive to the competitive balance in the fracturing and coiled tubing market and has the optionality to balance equipment between Canada and the U.S. to capitalize on the best return.

United States

STEP currently has two fracturing fleets operating in the Permian Basin. Activity has been consistent throughout the first quarter, reflecting the benefit of securing longer term work scope with active producers. The U.S. fracturing market remains oversupplied, which could result in some near-term softness in pricing and utilization as fracturing fleets focused on the gassier plays migrate to the Permian Basin and bid margins lower.

Activity levels on STEP's twelve coiled tubing fleets have stayed steady to start 2024, reflecting the Company's position as one of the leading service providers in the basins it operates in. Pricing is down modestly across the fleet relative to 2023 but has not seen the same pressures exhibited in the fracturing market. Spring break-up conditions may impact activity at STEP's northern coiled tubing bases in Colorado and North Dakota in late Q1 and early Q2, but utilization is expected to remain steady outside of these periods.

Visibility into the second half of the year will in large part be dictated by the slope of the natural gas futures curve. The current strip shows prices strengthening in the third and fourth quarters, which will bring more stability to the fracturing market. STEP will continue to evaluate opportunities to repatriate the fracturing capacity sent to Canada back to the U.S. The recent E&P consolidation is expected to benefit STEP's ultra deep coiled tubing capacity, as the contiguous land holdings of the consolidated entities create more opportunities for the three-mile laterals to be drilled.

Consolidated

STEP's focus for the balance of 2024 and into 2025 is on the generation of Free Cash Flow that supports the Company's commitment to continue investing into next generation technology and expanding its shareholder return framework.

STEP has set a target to have 90% of its fracturing fleet capable of utilizing natural gas by the end of 2025. STEP's current focus is on the upgrading of diesel engines to Tier 4 dual fuel capability, with the third fleet expected to be complete by the end of Q2 2024. STEP is evaluating other next generation technologies that could provide even higher natural gas substitution rates.

STEP's shareholder return framework will continue to focus on reduction of overall leverage but was expanded in late 2023 to include an NCIB. STEP believes that its current share price does not reflect the value inherent in its business and it intends to acquire the full amount permitted, provided market conditions remain favourable.

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 deploys or idles coiled tubing units and fracturing horsepower as dictated by the market's ability to support targeted utilization and economic returns.

($000's except per day, days, units, proppant pumped)	Three months ended		Years ended	
	December 31, 2023	December 31, 2022	**December 31, 2023**	December 31, 2022
Revenue:				
Fracturing	**$ 81,719**	$ 83,093	**$ 460,503**	$ 453,611
Coiled tubing	**30,486**	31,733	**119,710**	114,227
	112,205	114,826	**580,213**	567,838
Expenses	**107,495**	102,673	**483,007**	477,209
Results from operating activities	**$ 4,710**	$ 12,153	**$ 97,206**	$ 90,629
Adjusted EBITDA (1)	**$ 15,017**	$ 23,561	**$ 134,418**	$ 136,034
Adjusted EBITDA % (1)	**13%**	21%	**23%**	24%
Sales mix (% of segment revenue)				
Fracturing	**73%**	72%	**79%**	80%
Coiled tubing	**27%**	28%	**21%**	20%
Fracturing services				
Number of fracturing operating days (2)	**233**	249	**1,004**	1,194
Proppant pumped (tonnes)	**223,300**	145,000	**1,137,600**	1,059,000
Fracturing crews	**5**	5	**5**	5
Coiled tubing services				
Number of coiled tubing operating days (2)	**510**	496	**1,878**	1,964
Active coiled tubing units, end of period	**9**	8	**9**	8
Total coiled tubing units, end of period	**16**	16	**16**	16

(1) 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.
(2) An operating day is defined as any coiled tubing or fracturing work that is performed in a 24-hour period, exclusive of support equipment.

FOURTH QUARTER 2023 COMPARED TO FOURTH QUARTER 2022

Revenue for the three months ended December 31, 2023 was $112.2 million compared to $114.8 million for the three months ended December 31, 2022. While revenue remained relatively consistent in Q4 2023 compared to Q4 2022, Adjusted EBITDA fell from $23.6 million to $15.0 million.

Adjusted EBITDA for the fourth quarter of 2023 was 13% of revenue ($15.0 million) versus 21% of revenue ($23.6 million) in the fourth quarter of 2022. Margins were negatively impacted by decreased pricing on a year over year basis caused by the oversupply of equipment relative to activity in the Basin. Additionally, operating expenses were also higher year over year due to inflationary pressures, costs associated with the preparation of equipment for the highly utilized upcoming quarter as well as certain one-time items.

Fracturing operating days decreased to 233 in Q4 2023 from 249 during the same period of 2022, while proppant pumped continued to reflect the rising trend of increased fracturing intensity by increasing from 145,000 tonnes in Q4 2022 to 223,300 tonnes in Q4 2023. The weakness in commodity prices resulted in certain clients deferring their fracturing programs from Q4 2023 into Q1 2024. The estimated revenue loss from this change in work scope was approximately $16.0 - $18.0 million. Industry activity through the fourth quarter is typically softer as E&P companies exhaust their capital programs, making it extremely challenging for service providers to backfill unexpected cancellations that occur on short notice.

Coiled tubing operating days increased to 510 for Q4 2023 from 496 during the comparable period of 2022. A change in the competitor landscape was a factor in the increased market share for STEP's coiled tubing service line, resulting in higher year over year operating days.

FULL YEAR 2023 COMPARED TO FULL YEAR 2022

After several periods of robust growth, activity in the WCSB retreated modestly in 2023. Rystad Energy reported a 6% reduction in wells fracked[(1)], declining to 2,465 from 2,611 in 2022, and the average rig count was also down 6% relative to 2022, declining to 669 rigs in 2023 from 708 rigs in 2022. The deferral of work in late Q4 2023 into 2024 was a factor in the decline, as were the more volatile commodity prices. In contrast to the modest decline in wells fracked, total proppant demand in the basin continued to increase, increasing to 7.2 million tonnes in 2023, up from 7.0 million tonnes in 2022. This increase is due in part to the increased length of the wells (well licensed lateral length was up 23% in 2023) as well as the increase in sand placed per meter in the leading-edge wells in the Montney and Duvernay plays. The industry also celebrated the mechanical completion of the Coastal Gas Link and the Trans Mountain Expansion Project also came closer to reality, reaching 98% completion by the close of 2023. These pipelines will provide critical egress opportunities for Canadian producers to export responsibly produced oil and gas to the world.

For the year ended December 31, 2023, Canadian operations had revenue of $580.2 million, an increase over the $567.8 million generated in 2022, and Adjusted EBITDA of $134.4 million, which was a slight decrease from the $136.0 million earned in 2022. Macro-economic environment and oilfield activity levels were more erratic in 2023 relative to the exceptional conditions that existed throughout much of 2022.

Canadian operations had a strong year, generating Adjusted EBITDA of $134.4 million (23% of revenue) for fiscal 2023 compared to $136.0 million (24% of revenue) in 2022. Inflation on operating inputs remained a concern in 2023 and while the majority of supply disruptions have been resolved, cost increases from the last several years have led to an increase in the cost profile of the business. Margins were further impacted by the volatile commodity prices and reduced industry activity, which led to pricing concessions.

STEP operated five fracturing crews in Canada in both 2022 and 2023. Four of the five crews were focused on the larger, more technically challenging plays such as the Montney and Duvernay, while the fifth was focused on smaller scale work in the lower pressure plays. Additional competitor capacity in the Canadian fracturing market put some downward pressure on pricing and was a factor that limited the revenue increase to 2% despite proppant volumes increasing by 12%. Utilization days for the fleet were also affected by the additional industry capacity, as well as a decision by some clients to defer work into 2024 at various points through the year due to volatile commodity prices. Despite these various headwinds, the Canadian fracturing business had a record year in 2023.

STEP operated nine coiled tubing units in 2023, up from eight units in 2022 while a similar amount of ancillary pumping and nitrogen equipment was operated in both years. The volatile commodity pricing also affected the coiled tubing market, with decisions by certain clients to defer work to 2024. The volatility in this market resulted in operating days decreasing to 1,878 in 2023 from 1,964 in 2022 however, the continued depth and complexity of well designs resulted in an increase in revenue per day year over year. The trend to longer wells resulted in STEP's coiled tubing division setting their depth record of 8,101 meters (26,578 feet) in the current year.

1 Canada Activity Metrics Report, 1Q 2024; December 2023; Rystad Energy

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 while the U.S. fracturing business primarily operates in the Permian basin 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.

($000's except per day, days, units, proppant pumped)	Three months ended		Year ended	
	December 31, 2023	December 31, 2022	**December 31, 2023**	December 31, 2022
Revenue:				
Fracturing	**$ 40,265**	$ 97,697	**$ 185,809**	$ 296,732
Coiled tubing	**42,577**	38,871	**179,701**	124,448
	82,842	136,568	**365,510**	421,180
Expenses	**87,931**	121,970	**368,750**	387,758
Results from operating activities	**$ (5,089)**	$ 14,598	**$ (3,240)**	$ 33,422
Adjusted EBITDA [1]	**$ 7,204**	$ 28,627	**$ 45,708**	$ 79,585
Adjusted EBITDA % [1]	**9%**	21%	**13%**	19%
Sales mix (% of segment revenue)				
Fracturing	**49%**	72%	**51%**	70%
Coiled tubing	**51%**	28%	**49%**	30%
Fracturing services				
Number of fracturing operating days[2]	**129**	227	**631**	848
Proppant pumped (tonnes)	**237,000**	309,000	**1,015,600**	1,170,000
Fracturing crews	**2**	3	**2**	3
Coiled tubing services				
Number of coiled tubing operating days [2]	**753**	655	**3,098**	2,374
Active coiled tubing units, end of period	**12**	11	**12**	11
Total coiled tubing units, end of period	**19**	19	**19**	19

[1] 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.

[2] An operating day is defined as any coiled tubing or fracturing work that is performed in a 24-hour period, exclusive of support equipment.

FOURTH QUARTER 2023 COMPARED TO FOURTH QUARTER 2022

Revenue for the three months ended December 31, 2023 was $82.8 million compared to $136.6 million for the three months ended December 31, 2022. Adjusted EBITDA was $7.2 million in Q4 2023, down from $28.6 million in Q4 2022.

Adjusted EBITDA for the fourth quarter of 2023 was 9% of revenue ($7.2 million) versus 21% of revenue ($28.6 million) in the fourth quarter of 2022. Margins were negatively impacted by the decrease in utilization and pricing on a year over year basis, resulting from an oversupply of equipment in the southern basins, as well as the year over year effect of inflation on most operating expense categories. The Company has responded to the competitive pressures by rationalizing operating costs, including personnel as needed, and transferring fracturing equipment to Canada to capture higher margin utilization opportunities expected at the start of 2024.

During the fourth quarter fracturing operating days decreased to 129 from 227 during the same period of 2022, while proppant pumped declined from 309,000 tonnes in Q4 2022 to 237,000 tonnes in Q4 2023. Despite the decrease in total tonnes pumped, the tonnage pumped per day increased in Q4 2023 over Q4 2022, consistent with the rising trend of increased fracturing intensity. The second significant proppant related trend was the shift towards greater client supplied sand, which eliminated all STEP supplied sand in the fourth quarter. Two crews were idled part way through the quarter as a result of one client getting acquired and another client deferring their program further into the quarter to the point where the completion date conflicted with the early January 2024 start date of another client. The estimated revenue loss from this change in work scope was approximately $17.0 - $19.0 million. The inability to backfill this work is indicative of the U.S. market moving from an under supplied market in Q4 2022 to one with a surplus of equipment in Q4 2023, despite the decline in the U.S. fracturing fleet count to 230 fleets in Q4 2023 from 282 in Q4 2022. The softer conditions in the U.S. market led the Company to transfer equipment to Canada, which will enable the Canadian region to operate six fracturing fleets in Q1 2024.

Coiled tubing activity continued to improve on a year over year basis with operating days increasing to 753 for Q4 2023 from 655 during the comparable period of 2022. While the southern basins continue to experience competitive pressure, STEP's focus on the northern basins enabled the Company to activate an additional unit in 2023 leading to an increase in operating days for the coiled tubing division.

FULL YEAR 2023 COMPARED TO FULL YEAR 2022

U.S. oilfield service activity saw a decline in 2023 despite increased oil production levels. Rystad Energy reported a 20% decrease in U.S. onshore rig count since 2022, due to weakened commodity pricing and uncertain global demand growth outlook[(1)]. The decrease in rig count was widespread during 2023, but was particularly noticeable with the private companies, the engine of growth in 2022. The transition to dual fuel and next generation equipment in the U.S. remains a focus for the industry and STEP continues to pursue solutions to participate in this conversion. STEP has successfully transitioned one fracturing fleet to Tier 4 dual fuel in late 2023, complementing its existing Tier 2 direct injection dual fuel fleet, and has trialed electric fracturing equipment on a client site in the Permian Basin in the fourth quarter of 2023.

For the year ended December 31, 2023, U.S. operations had revenue of $365.5 million, a decrease from the $421.2 million generated in 2022, and Adjusted EBITDA of $45.7 million decreased significantly from the $79.6 million earned in 2022. The impact from the changing macro-economic environment had a more significant impact on oilfield service activity levels in the U.S. during 2023 as clients looked for multiple ways to reduce costs including self-sourcing product and increased efficiencies.

U.S. operations generated Adjusted EBITDA of $45.7 million (13% of revenue) for fiscal 2023 compared to $79.6 million (19% of revenue) in 2022. A significant portion of the reduction in EBITDA was related to increased client self-sourcing of product as STEP supplied only 6% of all proppant pumped in 2023 compared to 37% in 2022. The inflationary pressures on operating inputs over the last several years continued to have an impact on the cost profile of the business. Margins were further impacted by the continued oversupply of assets in the U.S. combined with reduced industry activity, which led to periods of low utilization and pricing concessions.

STEP operated three fracturing crews in the U.S. for the majority of 2023 before dropping to two fracturing crews in the fourth quarter, compared to three fracturing crews for the entirety of 2022. The rapid increase in customer mergers and acquisitions activity combined with the oversupply of assets in the U.S. created challenging operating conditions for the year. As a result of these conditions, work scopes and client mix changed constantly throughout the year versus conditions that were relatively stable in 2022. This had a significant impact on our fracturing business as operating days fell from 848 days in 2022 to 631 days in 2023. STEP rationalized operating costs, including personnel, during the fourth quarter to position this business to support two fracturing fleets to begin 2024.

STEP operated 12 coiled tubing units in 2023, up from 11 units in 2022. The U.S. coiled tubing operations continued to benefit from geographic diversity throughout 2023 as assets were relocated to northern basins through the year to capture higher demand in those areas. As a result, operating days for coiled tubing increased from 2,374 in 2022 to 3,098 in 2023, a 30% increase in operating days despite only increasing active units by 9%. These operations also benefited from the additional assets acquired during 2022 that increased our depth capacity and allowed us to expand on our operating footprint. These factors all contributed to the record year achieved by the U.S. coiled tubing business in 2023.

1 Rystad Energy, December 29, 2023

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.

($000's)	Three months ended		Year ended	
	December 31, 2023	December 31, 2022	**December 31, 2023**	December 31, 2022
Expenses:				
Operating expenses	**431**	506	**1,869**	2,375
Selling, general and administrative	**3,596**	6,841	**14,252**	31,418
Results from operating activities	**$ (4,027)**	$ (7,347)	**$ (16,121)**	$ (33,793)
Add:				
Depreciation	**204**	198	**841**	635
Share-based compensation	**38**	3,577	**(1,268)**	16,445
Adjusted EBITDA [1]	**$ (3,785)**	$ (3,572)	**$ (16,548)**	$ (16,713)
Adjusted EBITDA % [1]	**(2%)**	(1%)	**(2%)**	(2%)

[1] 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.

FOURTH QUARTER 2023 COMPARED TO FOURTH QUARTER 2022

For the three months ended December 31, 2023 expenses from corporate activities were $4.0 million compared to $7.3 million for the same period in 2022. Cash settled share-based compensation expense was $3.5 million lower in Q4 2023 relative to Q4 2022, as the Company's share price decreased by $0.32 from September 30, 2023 to December 31, 2023 compared to a share price increase of $0.86 during the same period of the prior year. Additionally, there were more cash settled share-based compensation units exercised in 2023, resulting in less outstanding units to record a related expense for in 2023 compared to the prior year which resulted in lower expenses from the mark to market adjustment in the current period.

FULL YEAR 2023 COMPARED TO FULL YEAR 2022

Expenses from corporate activities were $16.1 million for the year ended December 31, 2023, a decrease of 52% from $33.8 million for the year ended December 31, 2022. Share-based compensation decreased as STEP had a lower share price throughout the year which impacted the value of both the cash settled awards as well as the fair value assigned to new equity settled grants in fiscal 2023. Adjusted EBITDA has remained relatively consistent between the current and 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 (loss).

($000s except percentages and per share amounts)	Three months ended		Year ended		
	December 31, 2023	December 31, 2022	**December 31, 2023**	December 31, 2022	December 31, 2021
Net income (loss)	**$ (5,244)**	$ 16,692	**$ 50,419**	$ 94,781	$ (28,127)
Add (deduct):					
Depreciation and amortization	**22,066**	24,829	**84,680**	87,969	73,381
Gain on disposal of equipment	**(418)**	(638)	**(1,482)**	(3,209)	(969)
Finance costs	**2,583**	3,026	**11,140**	10,577	14,624
Income tax expense (recovery)	**(1,299)**	5,279	**17,019**	25,861	(2,498)
Share-based compensation – Cash settled	**(574)**	3,302	**(4,287)**	17,743	4,298
Share-based compensation – Equity settled	**1,359**	1,091	**5,379**	3,081	2,419
Foreign exchange gain	**(2,546)**	(7,646)	**(510)**	(1,020)	(165)
Unrealized loss on derivatives	**2,509**	8,361	**1,220**	1,511	-
Impairment reversal	**-**	(5,680)	**-**	(38,388)	-
Adjusted EBITDA	**$ 18,436**	$ 48,616	**$ 163,578**	$ 198,906	$ 62,963
Adjusted EBITDA %	**9%**	19%	**17%**	20%	12%

"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.

($000s except percentages and per share amounts)	Three months ended		Year ended		
	December 31, 2023	December 31, 2022	**December 31, 2023**	December 31, 2022	December 31, 2021
Net cash provided by (used in) operating activities	**$ 39,731**	$ 32,336	**$ 171,607**	$ 122,601	$ 58,846
Add (deduct):					
Changes in non-cash Working Capital from (used in) provided by operating activities	**(25,748)**	15,251	**(34,067)**	65,497	6,935
Sustaining capital	**(16,023)**	(23,526)	**(46,162)**	(54,058)	(30,131)
Term loan principal repayments	**-**	-	**-**	(13,975)	-
Lease payments (net of sublease receipts)	**(2,418)**	(1,688)	**(8,567)**	(8,277)	(7,875)
Free Cash Flow	**$ (4,458)**	$ 22,373	**$ 82,811**	$ 111,788	$ 27,775

"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).

($000s)	**December 31, 2023**	December 31, 2022
Current assets	**$ 154,715**	$ 256,361
Current liabilities	**(112,611)**	(189,781)
Working Capital (including cash and cash equivalents)	**$ 42,104**	$ 66,580

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

($000s)	**December 31, 2023**	December 31, 2022
Long-term loans	**$ 86,149**	$ 140,794
Long-term leases	**18,731**	13,860
Other long-term liabilities	**14,090**	14,092
Total long-term financial liabilities	**$ 118,970**	$ 168,746

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

As at December 31, ($000s)		2023		2022		2021
Loans and borrowings	$	**86,149**	$	140,794	$	189,957
Add back: Deferred financing costs		**1,637**		2,704		626
Less: Cash and cash equivalents		**(1,785)**		(2,785)		(3,698)
Less: CCS Derivatives liability		**1,843**		1,511		-
Net Debt	$	**87,844**	$	142,224	$	186,885

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.sedarplus.ca, 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: 2024 and 2025 industry conditions and outlook, including the effect of European and Middle East geopolitical events, demand for oil and gas, industry production discipline, and other macroeconomic factors, and the effect of new LNG facilities, including the completion of LNG Canada and the resulting LNG feed stock requirements; OPEC+ production as it relates to oil prices; anticipated 2024 utilization levels, commodity prices, and pricing for the Company's services; recession and inflation risk, including its effect on oil prices; the timing of completion of the Company's tier 4 dual fuel conversions and anticipated substitution rates in the Company's dual fuel fleets; the Company's target of having natural gas capabilities in 90% of its fracturing fleets by 2025;the Company's ability to test and evaluate next generation technologies; the Company's capital expenditures returning to more typical levels in Q1 2024; completion of the Trans Mountain Pipeline and a resulting increase in transport capacity; the potential for the Company's market to slip into an equipment oversupply position; near term softness of pricing and utilization for the Company's U.S. services; E&P consolidation benefiting utilization of STEP's ultra-deep capacity coil units; the effect large clients and their programs may have on the Company's activity levels; 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; the effect of natural gas transportation, storage and liquefaction system constraints; 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 and awards on expected margins and the location of deployed equipment; the Company's focus on Free Cash Flow and investment in emissions reduction technologies; the Company's intent to purchase the maximum available amount under its NCIB; the Company's ability to meet all financial commitments including interest payments over the next twelve months; the Company's plans regarding 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+ 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; predictability of Q2 and Q4 activity levels; 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; Client demand for dual fuel fleets and emissions reduction technologies; 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.

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.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31 (in thousands of Canadian dollars)		2023		2022
ASSETS				
Current Assets				
Cash and cash equivalents	$	1,785	$	2,785
Trade and other receivables		96,156		199,004
Income tax receivable		-		137
Inventory		47,523		46,410
Prepaid expenses and deposits		9,251		8,025
		154,715		256,361
Property and equipment		419,751		402,482
Right-of-use assets		27,857		23,528
Intangible assets		122		161
Other assets		4,074		-
	$	606,519	$	682,532
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities				
Trade and other payables	$	91,785	$	165,869
Current portion of lease obligations		8,753		8,326
Current portion of other liabilities		4,536		6,526
Income tax payable		7,537		9,060
		112,611		189,781
Deferred tax liabilities		19,390		17,972
Lease obligations		18,731		13,860
Other liabilities		14,090		14,092
Loans and borrowings		86,149		140,794
		250,971		376,499
Shareholders' equity				
Share capital		455,679		453,702
Contributed surplus		36,060		32,843
Accumulated other comprehensive income		10,138		16,236
Deficit		(146,329)		(196,748)
		355,548		306,033
	$	606,519	$	682,532

CONSOLIDATED STATEMENTS OF NET INCOME AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, (in thousands of Canadian dollars, except per share amounts)		2023		2022
Revenue	$	945,723	$	989,018
Operating expenses		829,588		841,433
Gross profit		116,135		147,585
Selling, general and administrative expenses		38,290		57,327
Results from operating activities		77,845		90,258
Finance costs, net		11,140		10,577
Foreign exchange gain		(510)		(1,020)
Unrealized loss on derivatives		1,220		1,511
Gain on disposal of property and equipment		(1,482)		(3,209)
Amortization of intangible assets		39		145
Impairment reversal of property and equipment		-		(38,388)
Income before income tax		67,438		120,642
Income tax expense				
Current		15,543		9,364
Deferred		1,476		16,497
		17,019		25,861
Net income		50,419		94,781
Other comprehensive income				
Foreign currency translation (loss) gain		(6,098)		13,853
Total comprehensive income	$	44,321	$	108,634
Net Income per share:				
Basic	$	0.70	$	1.37
Diluted	$	0.67	$	1.31

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended December 31, (in thousands of Canadian dollars)		2023		2022
Operating activities:				
Net income	$	50,419	$	94,781
Adjusted for the following:				
Depreciation and amortization		84,680		87,969
Share-based compensation expense		1,092		20,824
Unrealized foreign exchange loss (gain)		667		(1,739)
Unrealized loss on derivatives		1,220		1,511
Gain on disposal of property and equipment		(1,482)		(3,209)
Impairment reversal of property and equipment		-		(38,388)
Finance costs		11,140		10,577
Income tax expense		17,019		25,861
Income taxes paid		(17,022)		(321)
Cash finance costs paid		(10,193)		(9,768)
Changes in non-cash working capital from operating activities		34,067		(65,497)
Net cash provided by operating activities		171,607		122,601
Investing activities:				
Purchase of property and equipment		(105,178)		(82,984)
Proceeds from disposal of equipment and vehicles		2,300		6,393
Changes in non-cash working capital from investing activities		(6,107)		10,153
Net cash used in investing activities		(108,985)		(66,438)
Financing activities:				
Repayment of loans and borrowings		(54,864)		(46,537)
Repayment of obligations under finance lease		(8,851)		(11,238)
Common shares repurchased		(185)		-
Net cash used in financing activities		(63,900)		(57,775)
Impact of exchange rate changes on cash and cash equivalents		278		699
Decrease in cash and cash equivalents		(1,000)		(913)
Cash and cash equivalents, beginning of year		2,785		3,698
Cash and cash equivalents, end of year	$	1,785	$	2,785

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 services are focused on the Permian basin and our coiled tubing services are focused on 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 Tuesday, March 12, 2024 at 9:00 a.m. MT to discuss the results for the Fourth Quarter and Year End 2023 and outlook on 2024.

To listen to the webcast of the conference call, please click on the following URL:
https://onlinexperiences.com/Launch/QReg/ShowUUID=3594FBF2-5F5C-4342-A57F-34E2C846AA1A&LangLocaleID=1033

You can also visit the Investors section of our website at www.stepenergyservices.com and click on "Reports, Presentations & Key Dates".

To participate in the Q&A session, please call the conference call operator at: 1-800-717-1738 (toll free) 15 minutes prior to the call's start time and ask for "STEP Energy Services Fourth Quarter and Year End 2023 Earnings Results Conference Call".

The conference call will be archived on STEP's website at www.stepenergyservices.com/investors.