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CES ENERGY SOLUTIONS CORP. ANNOUNCES STRONG Q1 2020 RESULTS AND PROVIDES BUSINESS UPDATE

CES Energy Solutions Corp. ("CES" or the **"**Company") (**TSX: CEU) (OTC - Nasdaq Intl: CESDF)** announced today the Company's results for the three months ended March 31, 2020 and provided a business update.

CES is pleased to announce strong Q1 2020 financial results despite weakening industry conditions in the latter part of the quarter. CES generated revenue of $349.4 million during Q1 2020 and Adjusted EBITDAC of $51.1 million, which represented 14.6% of revenue for the period. The financial results reported for Q1 2020 are reflective of continued improvements in CES' geographic positioning and strategic commitment to the US market which generated 65% of the Company's overall revenue in Q1 2020, record drilling fluids market share in the US and increased market share in Canada, realization of operating efficiencies, and capitalizing on the infrastructure buildout in both the US and Canada. Offsetting these improvements, the Company experienced a reduction in activity levels during March 2020 as a result of the impact of COVID-19 and low oil price environment described below.

In light of the low oil price environment and initiatives undertaken by the Company to right-size the business, CES recorded the following items in Q1 2020 which negatively impacted net income and EBITDAC and are considered to be non-recurring:

- Within cost of sales, the Company recorded $11.1 million of inventory write-downs as certain commodity based products were revalued to net realizable value to reflect current prices;
- Within general and administrative expenses, the Company recorded $1.1 million in additional bad debt allowances; and
- Within cost of sales and general and administrative expenses, the Company recorded $0.7 million in restructuring costs.

Excluding the items noted above, CES achieved Adjusted EBITDAC of $51.1 million in Q1 2020, compared to $43.7 million in Q1 2019.

Revenue generated in the US in Q1 2020 was $228.0 million, representing 65% of the Company's overall revenue, and a slight increase from 2019. The year-over-year increase in US revenues was underpinned by CES' completed investments in key US infrastructure and capabilities, record US drilling fluids market share despite industry rig counts decreasing as operators remained highly disciplined on capital spending and rig counts fell sharply in the second half of March, and increased production chemical related US Treatment Points, particularly in the attractive Permian Basin and Rocky Mountain regions. These results were muted by a reduction in activity in March in response to COVID-19 and the low oil price environment.

Revenue generated in Canada increased 12% to $121.5 million in Q1 2020, respectively, over the 2019 comparative period, primarily due to an increase in drilling activity during the first two months of 2020, while March activity levels declined in response to COVID-19 and the low oil price environment. Despite these market conditions and continued production curtailments, drilling fluids market share grew year-over-year as did Treatment Points.

During Q1 2020 the Company recorded a goodwill impairment charge of $248.9 million in the Company's cash generating units ("CGU") as determined under IFRS (2019 - $nil). Based on current market conditions and associated projections, the Company's impairment analysis indicated that the recoverable amount of the net assets for each CGU did not exceed its respective carrying value and, therefore, goodwill allocated to the Canadian Operations CGU was impaired by $79.6 million and goodwill allocated to the US Operations CGU was impaired by $169.3 million.

Net loss in Q1 2020 was $225.7 million compared to net income of $2.2 million for the comparative 2019 period. Net income decreased from Q1 2019 to Q1 2020 primarily due to the factors outlined above, offset by a deferred income tax recovery of $14.7 million which was largely driven by the goodwill impairment recorded in the quarter, a reduction in stock based compensation expense and lower interest expense. In Q1 2020, CES demonstrated increased stability in free cash flow generation and Adjusted EBITDAC margins. Adjusted EBITDAC margin improved from 13.1% in Q1 2019 to 14.6% in Q1 2020. CES saw areas of margin improvement as a result of increased industry activity and favourable product mix, increased market share in the drilling fluids businesses, higher activity levels in the US production chemical business, continuation of improvements resulting from restructuring efforts within PureChem, and rationalization of the Canadian drilling fluids business aligned with industry activity levels. Furthermore, as noted above, the Company quickly implemented right-sizing measures in March in response to deteriorating global oil and gas market conditions.

In Q1 2020, CES incurred $12.4 million in capital expenditures, representing a 31% increase from $9.4 million in Q1 2019. Current quarter capital expenditures are primarily comprised of expansion of the Midland, Texas lab capabilities, fleet additions and equipment to support higher US activity levels. The Company has invested significantly in building out infrastructure in the US and Canada, and large expansionary projects such as PureChem's Grande Prairie facility for blending and storage of production chemicals and the Kermit mud plant expansion in the Permian Basin were largely completed in 2018.

CES has a strong balance sheet and is well positioned to weather the current downturn. CES generated $12.3 million in cash provided by operating activities during the three months ended March 31, 2020. Funds Flow from Operations were $32.3 million, excluding the $20.0 million working capital build during the quarter. The Company had a Working Capital Surplus of $417.3 million, as at March 31, 2020 compared to $369.6 million, as at December 31, 2019, an increase attributable to higher drilling related activity and a stronger USD versus CAD on translation of USD denominated working capital. CES continues to focus on working capital optimization and working capital harvest driven by expected declines in activity levels. During the 2015-2016 downturn, CES saw a reduction in Working Capital Surplus of $152.7 million from December 31, 2014 to June 30, 2016, and was able to reduce Total Debt outstanding, fully pay down the Senior Facility, and grow cash balances through the end of Q2 2016 to $111.1 million.

In October 2017, CES successfully re-financed and reduced its coupon on its previously outstanding $300.0 million Senior Notes by issuing new 6.375% Senior Notes which now mature in October 2024, providing a stable long-term tranche of debt to withstand potential industry volatility.

At March 31, 2020, CES had a net draw of $92.9 million on its Senior Facility (December 31, 2019 - $76.7 million), which does not mature until September 28, 2022. The increase in the net draw from December 31, 2019 was primarily driven by the investment in working capital on higher activity levels across the business and by opportunistic repurchases of the Company's common shares under the NCIB. The maximum available draw on the Senior Facility at March 31, 2020 was $170.0 million on the Canadian facility and US$50.0 million on the US facility (December 31, 2019 - $170.0 million and US$50.0 million, respectively). As at the date hereof, the Company had a net draw of approximately $75.0 million on its Senior Facility compared to $92.9 million at March 31, 2020.

Update on Business and Outlook

In the first quarter of 2020, the oil and gas industry was significantly impacted by a reduction to global demand caused by the coronavirus ("COVID-19") pandemic, and uncertainty surrounding production level decisions amongst OPEC+ members. Global commodity prices fell sharply in mid-March, and conditions continued to deteriorate throughout April and into May. CES' Q1 2020 financial results demonstrate the Company's ability to grow market share in key end markets, improve Adjusted EBITDAC margins, and generate significant free cash flow. However, the first quarter is reflective of very different industry conditions than what has been seen thus far in the second quarter of 2020. The Company remains cautious of the severity and duration of this low oil price environment as the magnitude of the impact on the economy and associated financial effect on CES is unknown at this time. CES expects that the oil and gas industry will continue to experience significant volatility and reduced activity levels throughout the remainder of 2020, and we remain extremely cautious with our outlook. We expect significantly reduced upstream activity across North America, reduced production levels, downward pressure on margins, and some customers potentially experiencing formal restructurings and bankruptcies. Our goal through this downturn is to preserve our strong balance sheet and optimize our industry leading operations and employee base to weather the downturn and maximize our potential for when conditions improve.

In response to the expected reduction in activity levels, CES previously announced proactive measures that have been taken to right-size the business and preserve balance sheet strength, including reductions to Executive and Board of Directors' compensation levels, reductions in personnel and overhead costs, elimination of non-essential capital expenditures, suspension of the Company's dividend and current suspension of normal course issuer bid ("NCIB") activity. Further, the Company has applied for the Federal Government's Canada Emergency Wage Subsidy (CEWS).

CES remains committed to the safety of our employees, support of our customers, defense of our strong financial position, and preservation of shareholder value. CES' counter cyclical leverage model and capital light business will continue to demonstrate our resiliency to weather this challenging business environment while preparing the Company to excel as headwinds subside. During 2020, it is expected that CES will again harvest a significant amount of working capital, allowing this free cash flow to pay down draws on the Company's Senior Facility. The suspension of CES' dividend and NCIB program, accompanied by several cost reduction initiatives, will further help to preserve the strength of the Company's balance sheet while maintaining liquidity to fund existing operations and potential growth initiatives.

CES has proactively managed both the duration and the flexibility of its debt. In August 2019, CES successfully amended and extended its Senior Facility to September 2022. In October 2017, CES successfully re-financed and reduced its coupon on its previously outstanding $300.0 million Senior Notes by issuing new 6.375% Senior Notes which mature in October 2024. This provides the Company with an additional level of financial stability during the ongoing COVID-19 crisis and the related deterioration of the global crude oil market.

Although CES previously expected 2020 capital expenditures to be at or below 2019 levels, in light of recent developments in the global oil and gas markets, the Company has suspended all non-essential capital expenditures and currently expects 2020 capital expenditures to be up to $30.0 million. CES will adjust these levels as required as conditions continue to unfold.

CES continues to believe that over time it can further grow its share of the oilfield consumable chemical markets in which it competes. CES also sees the consumable chemical market increasing its share of the oilfield spend as operators continue to: drill longer reach laterals and drill them faster; expand and optimize the utilization of pad drilling; increase the intensity and size of their fracs; and require increasingly technical and specialized chemical treatments to effectively maintain existing cash flow generating wells and treat growing production volumes and water cuts from new wells.

CES' strategy is to utilize its decentralized management model; its vertically integrated manufacturing model; its problem solving through science approach; its patented and proprietary technologies; and its superior people and execution to increase market share. By being basic in the manufacture of the consumable chemicals it sells, CES continues to be price competitive and a technology leader. Operators require increasingly technical solutions and deeper customer-centric coverage models to meet their needs. CES believes that its unique value proposition makes it the premier independent provider of technically advanced consumable chemical solutions to the North American oilfield.

In its core businesses, CES will focus on profitably growing market share, controlling costs and managing working capital, developing or acquiring new technologies and making strategic investments as required to position the business to capitalize on current and future opportunities.

Conference Call Details

With respect to the first quarter results, CES will host a conference call / webcast at 9:00 am MT (11:00 am ET) on Friday, May 15, 2020.

North American toll-free: 1-(800)-319-4610
International / Toronto callers: (416)-915-3239
Link to Webcast: http://www.cesenergysolutions.com/

Financial Highlights

	Three Months Ended March 31,		
($000s, except per share amounts)	**2020**	2019	%Change
Revenue			
United States	**227,958**	224,892	1 %
Canada	**121,489**	108,096	12 %
Total Revenue	**349,447**	332,988	5 %
Net (loss) income	**(225,720)**	2,198	nmf
per share – basic	***(0.86)***	*0.01*	*nmf*
per share - diluted	***(0.86)***	*0.01*	*nmf*
Adjusted EBITDAC [(2)]	**51,132**	43,713	17.0 %
Adjusted EBITDAC [(2)] % of Revenue	***14.6 %***	*13.1 %*	1.5 %
Cash provided by operating activities	**12,337**	51,835	(76)%
Funds Flow From Operations [(2)]	**32,326**	36,294	(11)%
Capital expenditures			
Expansion Capital [(2)]	**6,840**	7,865	(13)%
Maintenance Capital [(2)]	**5,521**	1,537	259 %
Total capital expenditures	**12,361**	9,402	31 %
Dividends declared	**2,948**	3,995	(26)%
per share	***0.0113***	*0.0150*	(25)%
Common Shares Outstanding			
End of period	**262,026,924**	266,968,576	
Weighted average - basic	**262,711,372**	266,141,659	
Weighted average - diluted	**262,711,372**	272,078,943	

	As at		
Financial Position ($000s)	**March 31, 2020**	December 31, 2019	%Change
Total assets	**1,072,069**	1,219,772	(12)%
Long-term financial liabilities[(1)]	**402,036**	385,865	4 %
Total Debt[(2)]	**426,560**	407,631	5 %
Working Capital Surplus[(2)]	**417,291**	369,628	13 %
Net Debt[(2)]	**9,269**	38,003	(76)%
Shareholders' equity	**515,445**	679,310	(24)%

Notes:

[1]*Includes the Senior Facility, the Senior Notes, and lease obligations.*

[2]*CES uses certain performance measures or operational definitions that are not recognizable under International Financial Reporting Standards ("IFRS"). These performance measures include net income (loss) before interest, taxes, depreciation and amortization, finance costs, other gains and losses, and stock-based compensation ("EBITDAC"), Adjusted EBITDAC, Gross Margin (excluding depreciation), Funds Flow From Operations, Total Debt, Working Capital Surplus, Net Debt, Expansion Capital and Maintenance Capital. Management believes that these measures provide supplemental financial information that is useful in the evaluation of CES' operations. Readers should be cautioned, however, that these measures should not be construed as alternatives to measures determined in accordance with IFRS as an indicator of CES' performance. CES' method of calculating these measures may differ from that of other organizations and, accordingly, these may not be comparable. Please refer to the Non-GAAP Measures section and Operational Definitions Section of CES' MD&A for the three months ended March 31, 2020 for additional details regarding the calculation of these measures.*

Business of CES

CES is a leading provider of technically advanced consumable chemical solutions throughout the life-cycle of the oilfield. This includes total solutions at the drill-bit, at the point of completion and stimulation, at the wellhead and pump-jack, and finally through to the pipeline and midstream market. At the drill-bit, CES' designed drilling fluids encompass the functions of cleaning the hole, stabilizing the rock drilled, controlling subsurface pressures, enhancing drilling rates, and protecting potential production zones while conserving the environment in the surrounding surface and subsurface area. At the point of completion and stimulation, CES' designed chemicals form a critical component of fracturing solutions or other forms of remedial well stimulation techniques. The shift to horizontal drilling and multi-stage fracturing with long horizontal well completions has been responsible for significant growth in the drilling fluids and completion and stimulation chemicals markets. At the wellhead and pump-jack, CES' designed production and specialty chemicals provide down-hole solutions for production and gathering infrastructure to maximize production and reduce costs of equipment maintenance. Key solutions include corrosion inhibitors, demulsifiers, H_2S scavengers, paraffin control products, surfactants, scale inhibitors, biocides and other specialty products. Further, specialty chemicals are used throughout the pipeline and midstream industry to aid in hydrocarbon movement and manage transportation and processing challenges including corrosion, wax build-up and H_2S.

CES operates in all major basins throughout the United States ("US"), including Permian, Eagleford, Bakken, Marcellus and Scoop/Stack, as well as in the Western Canadian Sedimentary Basin ("WCSB") with an emphasis on servicing the ongoing major resource plays; Montney, Duvernay, Deep Basin and SAGD. In the US, CES operates under the trade names AES Drilling Fluids ("AES"), JACAM Chemicals ("JACAM"), Catalyst Oilfield Services ("Catalyst") and Superior Weighting Products ("Superior Weighting"). In Canada, CES operates under the trade names Canadian Energy Services, PureChem Services ("PureChem"), StimWrx Energy Services Ltd. ("StimWrx"), Sialco Materials Ltd. ("Sialco"), and Clear Environmental Solutions ("Clear").

The JACAM, Catalyst, PureChem, and Sialco brands are vertically integrated manufacturers of advanced specialty chemicals. In addition to being basic in the manufacture of oilfield chemicals, JACAM, Catalyst, and PureChem have expanding distribution channels into the oilfield. The StimWrx brand provides near matrix stimulation and remediation of oil, gas, and injection wells in Western Canada and the US. The Canadian Energy Services and AES brands are focused on the design and implementation of drilling fluids systems and completion solutions sold directly to oil and gas producers. The Superior Weighting brand custom grinds minerals including barite, which is the weighting agent utilized in most drilling fluid systems.

Clear is a complimentary business division that supports the operations and augments the product offerings in the WCSB. Clear is CES' environmental division, providing environmental consulting, water management and water transfer services, and drilling fluids waste disposal services primarily to oil and gas producers active in the WCSB.

CES continues to invest in research and development of new technologies and in the top-end scientific talent that can develop and refine these technologies. CES operates nine separate lab facilities across North America: two in Houston, Texas; two in Midland, Texas; one in Sterling, Kansas; and one in each of Calgary, Alberta; Grand Prairie, Alberta; Carlyle, Saskatchewan; and Delta, British Columbia. In the US, CES' main chemical manufacturing and reacting facility is located in Sterling, Kansas with additional low-temperature reacting and chemical blending capabilities just outside of Midland, Texas and chemical blending capabilities in Sonora, Texas. In Canada, CES has a chemical manufacturing and reacting facility located in Delta, British Columbia with additional chemical blending capabilities located in Carlyle, Saskatchewan, Nisku, Alberta, and Grand Prairie, Alberta. CES also leverages third party partner relationships to drive innovation in the consumable fluids and chemicals business.

Cautionary Statement

Except for the historical and present factual information contained herein, the matters set forth in this press release, may constitute forward-looking information or forward-looking statements (collectively referred to as "forward-looking information") which involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of CES, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. When used in this press release, such information uses such words as "may", "would", "could", "will", "intend", "expect", "believe", "plan", "anticipate", "estimate", and other similar terminology. This information reflects CES' current expectations regarding future events and operating performance and speaks only as of the date of the press release. Forward-looking information involves significant risks and uncertainties, should not be read as a guarantee of future performance or results, and will not necessarily be an accurate indication of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking information, including, but not limited to, the factors discussed below. The management of CES believes the material factors, expectations and assumptions reflected in the forward-looking information are reasonable but no assurance can be given that these factors, expectations and assumptions will prove to be correct. The forward-looking information contained in this document speaks only as of the date of the document, and CES assumes no obligation to publicly update or revise such information to reflect new events or circumstances, except as may be required pursuant to applicable securities laws or regulations. The material assumptions in making forward-looking statements include, but are not limited to, assumptions relating to demand levels and pricing for the oilfield consumable chemical offerings of the Company; fluctuations in the price and demand for oil and natural gas; anticipated activity levels of the Company's significant customers; commodity pricing; general economic and financial market conditions; the successful integration of recent acquisitions; the Company's ability to finance its operations; levels of drilling and other activity in the WCSB, the Permian and other US basins, the effects of seasonal and weather conditions on operations and facilities; changes in laws or regulations; currency exchange fluctuations; the ability of the Company to attract and retain skilled labour and qualified management; and other unforeseen conditions which could impact the Company's business of supplying oilfield consumable chemistry to the Canadian and US markets and the Company's ability to respond to such conditions.

In particular, this press release contains forward-looking information pertaining to the following: the certainty and predictability of future cash flows and earnings; expectations that EBITDAC will exceed the sum of expenditures on interest, taxes and capital expenditures; expectations of capital expenditures in 2020; expectations regarding CES' ability to harvest working capital as activity levels decline based on historical performance and current circumstances; expectations that EBITDAC will provide sufficient free cash flow to pay down the Company's Senior Facility; the sufficiency of liquidity and capital resources to meet long-term payment obligations; CES' ability to increase or maintain its market share, including expectations that PureChem and JACAM will increase market share in the oilfield consumable chemical market, that Catalyst will increase market-share of production and specialty chemicals in the Permian Basin, and that AES will increase drilling fluids market share in the Permian Basin; optimism with respect to future prospects for CES; impact of CES' vertically integrated business model on future financial performance; CES' ability to leverage third party partner relationships to drive innovation in the consumable fluids and chemicals business; supply and demand for CES' products and services, including expectations for growth in CES' production and specialty chemical sales, expected growth in the consumable chemicals market; industry activity levels; commodity prices; uncertainty surrounding the duration and severity of a low oil and natural gas price environment; development of new technologies; expectations regarding CES' growth opportunities in Canada and the US; expectations regarding the performance or expansion of CES' operations and working capital optimization; expectations regarding end markets for production chemicals and drilling fluids in Canada and the US; expectations regarding the impact of production curtailment policies; expectations regarding demand for CES' services and technology; investments in research and development and technology advancements; access to debt and capital markets and cost of capital; expectations regarding capital allocation including the use of surplus free cash flow, the purchase of CES' common shares by CES pursuant to the NCIB, debt reduction through the repayment of the Company's Senior Facility or repurchases of the Company's Senior Notes, investments in current operations, issuing dividends, or market acquisitions; CES' ability to continue to comply with covenants in debt facilities; and competitive conditions.

CES' actual results could differ materially from those anticipated in the forward-looking information as a result of the following factors: general economic conditions in the US, Canada, and internationally; geopolitical risk; fluctuations in demand for consumable fluids and chemical oilfield services, the severity of the downturn in oilfield activity; the severity of the decline in activity in the Permian, the WCSB, and other basins in which the Company operates; a decline in frac related chemical sales; a decline in operator usage of chemicals on wells; an increase in the number of customer well shut-ins; a shift in types of wells drilled; volatility in market prices for oil, natural gas, and natural gas liquids and the effect of this volatility on the demand for oilfield services generally; the declines in prices for natural gas, natural gas liquids, oil, and pricing differentials between world pricing; pricing in North America and pricing in Canada; impacts of production level decisions among OPEC+ members and the potential demand impacts of COVID-19; competition, and pricing pressures from customers in the current commodity environment; the degree and severity of the COVID-19 pandemic, including government laws and regulations implemented in response to the pandemic and the resulting impact on the demand for oil and natural gas; currency risk as a result of fluctuations in value of the US dollar; liabilities and risks, including environmental liabilities and risks inherent in oil and natural gas operations; sourcing, pricing and availability of raw materials, consumables, component parts, equipment, suppliers, facilities, and skilled management, technical and field personnel; the collectability of accounts receivable, particularly in the current low oil and natural gas price environment; ability to integrate technological advances and match advances of competitors; ability to protect the Company's proprietary technologies; availability of capital; uncertainties in weather and temperature affecting the duration of the oilfield service periods and the activities that can be completed; the ability to successfully integrate and achieve synergies from the Company's acquisitions; changes in legislation and the regulatory environment, including uncertainties with respect to oil and gas royalty regimes, programs to reduce greenhouse gas and other emissions, carbon pricing schemes, and regulations restricting the use of hydraulic fracturing; pipeline capacity and other transportation infrastructure constraints; government mandated production curtailments; reassessment and audit risk and other tax filing matters; changes and proposed changes to US policies including the potential for tax reform, and possible renegotiation of international trade agreements and the implementation of the Canada-United States-Mexico Agreement; international and domestic trade disputes, including restrictions on the transportation of oil and natural gas and regulations governing the sale and export of oil, natural gas and refined petroleum products; divergence in climate change policies between the US and Canada; potential changes to the *crude by rail industry; changes to the fiscal regimes applicable to entities operating in the US and the WCSB; supply chain disruptions including those caused by global pandemics or disease or from political unrest and blockades; access to capital and the liquidity of debt markets; fluctuations in foreign exchange and interest rates; CES' ability to maintain adequate insurance at rates it considers reasonable and commercially justifiable; and the other factors considered under "Risk Factors" in CES' Annual Information Form for the three months ended March 31, 2020 and "Risks and Uncertainties" in CES' MD&A dated May 14, 2020.*

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