pason

Press Release

Pason Reports Fourth Quarter and Year End 2014 Results

FOR IMMEDIATE RELEASE

CALGARY, Alberta (February 26, 2015) – Pason Systems Inc. (PSI.TO) announced today its 2014 fourth quarter and year end results.

Performance Data

	Three Months Ended December 31,			Years Ended December 31,		
	2014	2013	Change	**2014**	2013	Change
(CDN 000s, except per share data)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue	**138,206**	107,418	29	**499,272**	403,088	24
Income	**47,211**	24,288	94	**112,104**	23,655	374
Per share – basic	**0.57**	0.30	90	**1.36**	0.29	371
Per share – diluted	**0.57**	0.29	97	**1.34**	0.29	362
EBITDA (1)	**59,065**	54,543	8	**251,623**	136,647	84
As a % of revenue	**42.7**	50.8	(16)	**50.4**	33.9	49
Funds flow from operations	**59,947**	46,403	29	**224,204**	134,930	66
Per share – basic	**0.73**	0.57	29	**2.71**	1.64	65
Per share – diluted	**0.72**	0.56	29	**2.68**	1.63	64
Cash from (used in) operating activities	**42,460**	(75,220)	—	**213,583**	62,047	244
Free cash flow (1)	**(4,144)**	(95,090)	96	**92,691**	(8,035)	—
Per share – basic	**(0.05)**	(1.16)	96	**1.12**	(0.10)	—
Per share – diluted	**(0.05)**	(1.15)	96	**1.10**	(0.10)	—
Capital expenditures	**46,654**	20,127	132	**121,188**	70,664	71
Working capital	**206,571**	127,933	61	**206,571**	127,933	61
Total assets	**570,066**	445,876	28	**570,066**	445,876	28
Total long-term debt	**—**	—	—	**—**	—	—
Cash dividends declared	**0.17**	0.14	21	**0.64**	0.53	21
Shares outstanding end of period (#)	**83,363**	82,158	1	**83,363**	82,158	1

(1) Non-IFRS financial measures are defined in the Management's Discussion and Analysis section.

Q4 2014 vs Q4 2013

The Company generated consolidated revenue of $138.2 million in the fourth quarter of 2014, up 29% from $107.4 million in the same period of 2013. Growth in US market share, increased rig activity in all of its major markets, continued robust growth in Communications, strong market acceptance of the new Pason Rig Display (PRD), and a strengthening of the US dollar relative to the Canadian dollar all contributed to revenue growth in the fourth quarter.

Consolidated EBITDA was $59.1 million in the fourth quarter, an increase of $4.5 million from the fourth quarter of 2013, due to strong operational performance and the strengthening of the US dollar relative to the Canadian dollar, offset by an impairment loss on excess rental assets of $14.9 million. Funds flow from operations increased by 29%.

Net income increased by $22.9 million to $47.2 million ($0.57 per share) in the fourth quarter of 2014 from net income of $24.3 million ($0.29 per share) in the prior year period. Earnings were positively impacted by market share growth in the US, increased rig activity, the appreciation of the US dollar relative to the Canadian dollar, and a recovery of stock-based compensation expense of $20.6 million, offset by the impairment loss on excess rental assets.

In the fourth quarter of 2014, the Company changed its dividend policy whereby the dividend is now paid in the same quarter as the record date. As a result, there were two dividend payments made in the fourth quarter of 2014.

President's Message

Pason demonstrated very strong operational and financial performance during the fourth quarter of 2014. Quarterly revenue of $138.2 million and net income of $47.2 million, or $0.57 per share, represent record results for Pason. Drilling activity in North American land was higher than a year ago, although active rig counts started to decline in the United States in December. An increase in US market share, continued success of the new Pason Rig Display, growth in the Communications segment, and strengthening of the US dollar relative to the Canadian dollar contributed to revenue and income growth in the fourth quarter. In addition, a recovery of stock-based compensation expense of $20.6 million positively impacted income. However, this was largely offset by an impairment loss of $14.9 million on what we believe is excess quantities of rental equipment driven by the outlook for the industry.

Full year results for 2014 were equally impressive. Revenue for the year was just shy of half a billion dollars. EBITDA was 50% of revenue, net income was $112.1 million, or $1.34 per share, and return on equity was 26%. For 2014, Pason declared dividends totaling $0.64 per share, an increase of 21% from the previous year. This represents an unbroken track record of annual dividend increases since 2003. On December 31, 2014, our cash position stood at $144.9 million. There is no debt on the balance sheet.

All business units generated strong results in 2014. Full year operating profit for the United States was $164.4 million, for Canada $75.5 million, and for International $18.3 million. In the fourth quarter, our EDR market share in the United States was 62% compared to 57% during the fourth quarter of 2013. Revenue per EDR day (the average daily rental revenue we are able to generate per rig) was US$672, up 10% from the previous year. In Canada, EDR market share for the quarter was 94%, unchanged from a year ago. Revenue per EDR day was $1,258, up 12% from the previous year. All international businesses, including Latin America, Australia and the Middle East and North Africa demonstrated solid growth in 2014.

Outlook

In light of the severe market downturn, the short-term outlook is of course less optimistic. The declines in E&P capital spending and drilling activity are significant. The contraction of land rig counts in North America continues to accelerate and is more dramatic than in 2009. Pricing pressure is mounting. The supply/demand imbalance that caused the decline in oil prices continues to persist. In fact, oil production is still increasing, led by US shale. Absent a shock to the supply side, it may take some time for this imbalance to work itself out. We anticipate that drilling activity, especially in North American land, will continue to fall and may remain at much lower levels for an extended period of time. The quick recovery we experienced after 2009 looks unlikely in this environment.

Pason is not immune to these forces. We will experience a contraction in revenue and margins going forward. Given that there will be significantly fewer active drilling rigs, we are reducing our 2015 capital expenditure budget to $65.0 million. Of this budget, $31.0 million is directed toward new hardware that can generate incremental revenue or save operating costs for our customers, $24.4 million for maintenance capital, and $9.6 million for capitalized R&D.

To lay the foundation for future growth, we will continue to make targeted investments in new product development, service capabilities, and technical infrastructure.

With our excellent product suite, best-in-class service model, technical capabilities and pristine balance sheet, Pason is well positioned to weather this storm and emerge even stronger.

Marcel Kessler
President and Chief Executive Officer
February 26, 2015

Management’s Discussion and Analysis

The following discussion and analysis has been prepared by management as of February 26, 2015, and is a review of the financial condition and results of operations of Pason Systems Inc. (Pason or the Company) based on International Financial Reporting Standards (IFRS) and should be read in conjunction with the consolidated financial statements and accompanying notes.

Certain information regarding the Company contained herein may constitute forward-looking statements under applicable securities laws. Such statements are subject to known or unknown risks and uncertainties that may cause actual results to differ materially from those anticipated or implied in the forward-looking statements.

All financial measures presented in this report are expressed in Canadian dollars unless otherwise indicated.

Additional IFRS Measures

In its audited consolidated financial statements, the Corporation uses certain additional IFRS measures. Management believes these measures provide useful supplemental information to readers.

Funds flow from operations

Management believes that funds flow from operations, as reported in the Consolidated Statements of Cash Flows, is a useful additional measure as it represents the cash generated during the period, regardless of the timing of collection of receivables and payment of payables. Funds flow from operations represents the cash flow from continuing operations, excluding non-cash items. Funds flow from operations is defined as net income adjusted for depreciation and amortization expense, stock-based compensation expense, deferred taxes, and other non-cash items impacting operations.

Cash from operating activities

Cash from operating activities is defined as funds flow from operations adjusted for changes in working capital items.

Non-IFRS Financial Measures

These definitions are not recognized measures under IFRS, and accordingly, may not be comparable to measures used by other companies. These Non-IFRS measures provide readers with additional information regarding the Company's ability to generate funds to finance its operations, fund its research and development and capital expenditure program, and pay dividends.

EBITDA

EBITDA is defined as net income before interest expense, income taxes, stock-based compensation expense, and depreciation and amortization expense.

Free cash flow

Free cash flow is defined as cash from operating activities plus proceeds on disposal of property, plant, and equipment less capital expenditures and deferred development costs.

Overall Performance

	Three Months Ended December 31,			Years Ended December 31,		
	2014	2013	Change	**2014**	2013	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Electronic Drilling Recorder	**61,444**	46,551	32	**218,963**	175,120	25
Pit Volume Totalizer/ePVT	**20,043**	15,931	26	**72,684**	60,589	20
Communications	**12,440**	7,844	59	**42,018**	28,597	47
Software	**9,062**	7,294	24	**33,076**	27,651	20
AutoDriller	**11,814**	9,896	19	**44,102**	37,445	18
Gas Analyzer	**10,387**	8,585	21	**37,870**	31,501	20
Other	**13,016**	11,317	15	**50,559**	42,185	20
Total revenue	**138,206**	107,418	29	**499,272**	403,088	24

Electronic Drilling Recorder (EDR) and Pit Volume Totalizer (PVT) rental day performance for Canada and the United States is reported below:

Canada

	Three Months Ended December 31,			Years Ended December 31,		
	2014	2013	Change	**2014**	2013	Change
			(%)			(%)
EDR rental days (#)	**31,800**	30,600	4	**122,900**	113,600	8
PVT rental days (#)	**31,300**	29,700	5	**120,300**	111,100	8

United States

	Three Months Ended December 31,			Years Ended December 31,		
	2014	2013	Change	**2014**	2013	Change
			(%)			(%)
EDR rental days (#)	**104,500**	88,500	18	**394,700**	351,300	12
PVT rental days (#)	**81,300**	66,700	22	**304,200**	263,700	15

Electronic Drilling Recorder

The Pason EDR remains the Company's primary product. The EDR provides a complete system of drilling data acquisition, data networking, and drilling management tools and reports at both the wellsite and customer offices. The EDR is the base product from which all other wellsite instrumentation products are linked. By linking these products, a number of otherwise redundant elements such as data processing, display, storage, and networking are eliminated. This ensures greater reliability and a more robust system of instrumentation for the customer. Revenue generated from the EDR increased 32% for the fourth quarter of 2014 compared to the same period in 2013 and 25% for the year. These increases are attributable to continued growth in demand for EDR peripheral devices, the roll-out of the Pason Rig Display (PRD) in Canadian and US markets, an increase in US market share in 2014 over the fourth quarter of 2013 (62% versus 57%), a strengthening US dollar relative to the Canadian dollar, and increased revenue in International markets. Industry activity in the US market increased 9% in the fourth quarter of 2014 (6% on a year-to-date basis), while fourth quarter and year to date Canadian rig activity increased 4% and 9% respectively compared to the same periods in 2013. Canadian EDR days increased 4% in the fourth quarter of 2014 and 8% for the year compared to the same periods in 2013, while US EDR days increased by 18% for the fourth quarter of 2014 and 12% for the year.

In the fourth quarter, the Pason EDR was installed on 94% of all active land rigs in Canada and 62% of the land rigs in the US, compared to 94% and 57% respectively in the fourth quarter of 2013. On a year-to-date basis, the Pason EDR was installed on 94% of all active land rigs in Canada and 61% of the land rigs in the US, compared to 95% and 57% respectively in the same period of 2013.

In addition, the Company continues to increase revenue in its International business unit.

Pit Volume Totalizer

The PVT is Pason's proprietary solution for the detection and early warning of “kicks” that are caused by hydrocarbons entering the wellbore under high pressure and expanding as they migrate to the surface. PVT revenue for 2014 was impacted by rig count activity combined with an increase in product penetration in both the US market and International markets. For the year ended 2014, the PVT was installed on 98% of rigs with a Pason EDR in Canada and 75% in the US, which was consistent with 2013. During the latter part of 2014, the company's new Enhanced PVT (ePVT) reached commercial status and is in the process of being rolled out in the company's major markets.

Communications

Pason's Communications revenue is derived from the provision of communications services including the provision of bandwidth through the Company's automatically-aiming satellite system and terrestrial networks. This system provides reliable high-speed wellsite communications for email and web application management tools. Pason displays all data in standard forms on its DataHub web application, although if customers require greater analysis or desire to have the information transferred to another supplier's database, data is available for export from the Pason DataHub using WITSML (a specification for transferring data among oilfield service companies, drilling contractors, and operators). The Company complements its satellite equipment with High-Speed Packet Access (HSPA), a high-speed wireless ground system which provides automatic fail-over between satellite and terrestrial networks to achieve greater reliability in its service offering.

Communications revenue increased by 59% in the fourth quarter and 47% for the year compared to 2013 in large part due to increased usage of the Company's premium product offerings in both the US and Canadian markets, and the strengthening of the US dollar relative to the Canadian dollar.

Software

The Pason DataHub is the Company's data management system that collects, stores, and displays drilling data, reports, and real-time information from drilling operations. The DataHub provides access to data through a number of innovative applications or services, including:

- Live Rig View (LRV), which provides advanced data viewing, directional drilling, and 3D visualization of drilling data in real time via a web browser.
- Live Rig View Mobile, which allows users to access their data on mobile devices, including iPhone, iPad, BlackBerry, and Android.
- WITSML, which provides seamless data sharing with third-party applications, enhancing the value of data hosted by Pason.
- Additional specialized software, including remote directional.

In 2014, 98% of the Company's Canadian customers and 91% of customers in the US were using all or a portion of the functionality of the DataHub, compared to 97% and 90%, respectively, in 2013.

AutoDriller

Pason's AutoDriller is used to maintain constant weight on the drill bit while a well is being drilled. For the year ended December 31, 2014, the AutoDriller was installed on 75% of Canadian and 46% of US land rigs operating with a Pason EDR system, compared to 73% and 45%, respectively, in 2013.

Gas Analyzer

The Pason Gas Analyzer measures the total hydrocarbon gases (C1 through C4) exiting the wellbore, and then calculates the lag time to show the formation depth where the gases were produced. The Gas Analyzer provides information about the composition of the gas, and further calculates geologic ratios from the gas composition to assist in indicating the type of gas, natural gas liquid, or oil in the formation. For the year ended 2014, the Gas Analyzer was installed on 63% of Canadian and 24% of US land rigs operating with a Pason EDR system. The penetration in Canada is an increase of approximately 6% in market share over 2013 levels while the US experienced an increase of 1%.

Other

Other is comprised mainly of the rental of service rig recorders in Latin America, the Electronic Choke Actuator, Hazardous Gas Alarm, Mobilization revenue, sales of sensors and other systems sold by 3PS, and spare parts sold by Pason Offshore. The increase in Other is due mostly to increased sales of sensors by 3PS Inc. and mobilization revenue in the US business unit.

Discussion of Operations

United States Operations

	Three Months Ended December 31,			Years Ended December 31,		
	2014	2013	Change	**2014**	2013	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Electronic Drilling Recorder	**39,429**	27,883	41	**139,651**	108,021	29
Pit Volume Totalizer/ePVT	**11,862**	8,755	35	**42,487**	33,959	25
Communications	**6,242**	3,417	83	**21,032**	11,997	75
Software	**5,903**	4,548	30	**21,759**	17,586	24
AutoDriller	**6,749**	5,124	32	**24,849**	20,467	21
Gas Analyzer	**4,605**	3,461	33	**16,578**	13,285	25
Other	**8,285**	6,574	26	**32,012**	26,645	20
Total revenue	**83,075**	59,762	39	**298,368**	231,960	29
Operating costs	**28,391**	21,661	31	**100,858**	88,697	14
Depreciation and amortization	**9,703**	7,221	34	**33,142**	29,366	13
Segment operating profit	**44,981**	30,880	46	**164,368**	113,897	44

	Three Months Ended December 31,			
		2014		2013
	USD	**CAD**	USD	CAD
	$	**$**	$	$
Revenue per EDR day	**672**	**761**	611	641
Revenue per industry day	**417**	**472**	350	367

	Years Ended December 31,			
		2014		2013
	USD	**CAD**	USD	CAD
	$	**$**	$	$
Revenue per EDR day	**651**	**719**	605	623
Revenue per industry day	**395**	**437**	345	356

US segment revenue increased by 39% in the fourth quarter over the 2013 comparable period (30% increase when measured in USD). For the year, US segment revenue increased by 29% over the 2013 comparable period (21% increase when measured in USD).

Industry activity in the US market during the fourth quarter of 2014 increased by 9% from the prior year and 6% for the year while revenue from the rental of instrumentation equipment increased by 40% and 30% for the three and twelve month periods respectively over 2013 levels. EDR rental days increased by 18% and 12%, respectively, for the three and twelve months ended December 31, 2014 over the same time periods in 2013, while revenue per EDR day in the fourth quarter of 2014 increased to US$672, an increase of US

$61 over the same period in 2013. For the year, revenue per EDR day increased to US$651, an increase of US$46 as compared to 2013.

Market share gains, increased usage of premium communication services, and a favourable movement in the exchange rate all contributed to revenue growth in the US segment. US market share was 61% during the year ended December 31, 2014, up from 57% in the same period of 2013.

Operating costs increased by 31% in the fourth quarter relative to the same period in the prior year primarily due to a weakening of the Canadian dollar combined with an increase in field support-related costs, as new equipment continues to be deployed in the field.

Segment profit, as a percentage of revenue, was 54% for the fourth quarter of 2014 compared to 52% for the corresponding period in 2013, an increase of $14.1 million. For the year, segment profit as a percentage of revenue was 55% compared to 49% for the corresponding period in 2013, an increase of $50.5 million. The US business unit was able to increase its operating margin primarily by leveraging its fixed cost structure and controlling variable costs.

Canadian Operations

	Three Months Ended December 31,			Years Ended December 31,		
	2014	2013	Change	**2014**	2013	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Electronic Drilling Recorder	**15,918**	13,621	17	**57,475**	48,943	17
Pit Volume Totalizer/ePVT	**5,891**	5,343	10	**22,109**	19,706	12
Communications	**5,631**	4,034	40	**19,052**	15,077	26
Software	**2,824**	2,620	8	**10,349**	9,631	7
AutoDriller	**3,642**	3,475	5	**13,801**	12,522	10
Gas Analyzer	**4,394**	3,913	12	**16,296**	13,618	20
Other	**1,981**	1,847	7	**7,489**	7,125	5
Total revenue	**40,281**	34,853	16	**146,571**	126,622	16
Operating costs	**12,211**	10,228	19	**43,047**	37,116	16
Depreciation and amortization	**8,873**	7,757	14	**28,033**	26,088	7
Segment operating profit	**19,197**	16,868	14	**75,491**	63,418	19

	Three Months Ended December 31,	
	2014	2013
	CAD	CAD
	$	$
Revenue per EDR day	**1,258**	1,121
Revenue per Industry day	**1,186**	1,055

	Years Ended December 31,	
	2014	2013
	CAD	CAD
	$	$
Revenue per EDR day	**1,183**	1,103
Revenue per Industry day	**1,111**	1,043

Canadian segment revenue grew by 16% for the three months ended December 31, 2014, and 16% for the year as compared to the same periods in 2013. This positive growth is a result of an 4% increase in the number of drilling industry days in the fourth quarter compared to 2013 levels, continued strong adoption of the PRD in conjunction with the rollout of the ePVT, higher Communications revenue, and greater penetration of the Gas Analyzer. EDR rental days increased 4% in the fourth quarter and 8% for the year compared to 2013 levels.

The Canadian business unit was able to increase its revenue for the year due to a shorter spring break up period in the second quarter, along with increased product adoption, notably EDR peripherals, the Gas Analyzer, and Communications revenue.

The factors above combined to result in an increase in revenue per EDR day of $137 to $1,258 during the fourth quarter of 2014 compared to 2013. For the year, revenue per EDR day increased $80 to $1,183.

Operating costs increased by 19% in the fourth quarter of 2014 relative to the same period in 2013, primarily due to an increase in field support-related costs similar to the United States. Segment operating profit for the fourth quarter of 2014 of $19.2 million is an increase of $2.3 million over the same period in 2013. On a year-to-date basis, operating costs increased by 16%, which was attributable to the increase in satellite bandwidth costs to improve the customer experience at the rig and field support-related costs. Year-to-date segment operating profit of $75.5 million is an increase of 19% over the prior year.

International Operations

	Three Months Ended December 31,			Years Ended December 31,		
	2014	2013	Change	**2014**	2013	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Revenue						
Electronic Drilling Recorder	**6,097**	5,047	21	**21,837**	18,156	20
Pit Volume Totalizer/ePVT	**2,290**	1,833	25	**8,088**	6,924	17
Communications	**567**	393	44	**1,934**	1,523	27
Software	**335**	127	164	**968**	434	123
AutoDriller	**1,423**	1,297	10	**5,452**	4,456	22
Gas Analyzer	**1,388**	1,211	15	**4,996**	4,598	9
Other	**2,750**	2,895	(5)	**11,058**	8,415	31
Total revenue	**14,850**	12,803	16	**54,333**	44,506	22
Operating costs	**7,634**	6,715	14	**27,999**	27,702	1
Depreciation and amortization	**2,568**	1,534	67	**8,026**	6,717	19
Segment operating profit	**4,648**	4,554	2	**18,308**	10,087	82

Revenue in the International operations segment increased 16% in the fourth quarter of 2014 and 22% for the year ended compared to the same periods in 2013, with increased revenue from each of the Company's rental products.

Operating profit increased by $0.1 million for the fourth quarter of 2014 over 2013, an increase of 2%. For the year ended, operating profit increased by $8.2 million, an increase of 82% from the same period in 2013.

A number of factors influenced these results:

- Latin America revenue increased 19% in the fourth quarter and 18% year-to-date compared to prior periods as the Company saw increased activity in the majority of its major markets.
- The Company continues to increase its customer base in areas the Company has identified as "frontier markets" including the Middle East and North Africa (MENA) regions. These new markets, combined with increases in rig activity in the Gulf of Mexico, resulted in an increase in fourth quarter revenue of 17% over the same period in 2013 and 49% on a year-to-date basis.
- Australia revenue increased 8% in the fourth quarter and 19% for the year as a result of increased penetration of the company's rental products.

Corporate Expenses

	Three Months Ended December 31,			Years Ended December 31,		
	2014	2013	Change	**2014**	2013	Change
(000s)	**($)**	($)	(%)	**($)**	($)	(%)
Other expenses						
Research and development	**10,653**	6,820	56	**35,427**	27,252	30
Corporate services	**6,014**	4,319	39	**22,243**	17,373	28
Stock-based compensation	**(20,600)**	6,144	—	**19,471**	32,511	(40)
Other						
Litigation provision	**—**	—	—	**—**	61,614	(100)
Foreign exchange (gain) loss	**(1,498)**	2,797	—	**729**	2,175	(66)
Earn-out provision	**—**	—	—	**—**	3,071	(100)
Impairment loss	**14,884**	—	—	**14,884**	—	—
Other	**852**	335	154	**2,462**	1,441	71
Total corporate expenses	**10,305**	20,415	(50)	**95,216**	145,437	(35)

During the fourth quarter of 2014, the Company reviewed the level of rental equipment deployed in each respective business unit versus the anticipated decline in utilization rates of such equipment due to the reduction in drilling activity as a result of the drop in oil and gas prices. This review resulted in the Company identifying what it believes is excess equipment based upon management's best estimate of future drilling activity. The net book value of this excess equipment, totaling $14.9 million, was recorded as an impairment loss in the fourth quarter of 2014.

The significant drop in the share price during Q4 of 2014 resulted in a recovery of stock-based compensation expense of $20.6 million.

Q4 2014 versus Q3 2014

Consolidated revenue was $138.2 million in the fourth quarter of 2014 compared to $134.0 million in the third quarter of 2014, an increase of $4.2 million or 3%. The Canadian segment earned revenue of $40.3 million in the fourth quarter as compared to $38.6 million in the third quarter of 2014, an increase of $1.7 million. The US market experienced revenue growth of $3.7 million and the International segment had a revenue decrease of $1.2 million.

Sequentially, EBITDA decreased 22% from $76.1 million in the third quarter of 2014 to $59.1 million in the fourth quarter of 2014 due in most part to the impairment loss on excess rental assets of $14.9 million, while funds flow from operations decreased to $59.9 million in the fourth quarter from $63.7 million in the third quarter of 2014.

Net income increased by 78% to $47.2 million ($0.57 per share) in the fourth quarter of 2014 from $26.5 million ($0.31 per share) in the prior quarter due to the large stock-based compensation recovery and a lower effective tax rate for the fourth quarter of 2014, offset by the impairment loss on rental assets that was recognized in the fourth quarter.

Fourth Quarter & Year End Conference Call

Pason will be conducting a conference call for interested analysts, brokers, investors and media representatives to review its fourth quarter and full-year results at 9:00 am (Calgary time) on Friday, February 27, 2015. The conference call dial-in number is 1-888-231-8191 or 1-647-427-7450. You can access the seven-day replay by dialing 1-855-859-2056 or 1-416-849-0833, using password 45067619.

Pason Systems Inc. is a leading global provider of specialized data management systems for drilling rigs. Our solutions, which include data acquisition, wellsite reporting, remote communications, and web-based information management, enable collaboration between the rig and the office. Pason's common shares trade on the Toronto Stock Exchange under the symbol PSI.TO.

Additional information, including the Company's Annual Report and Annual Information Form for the year ended December 31, 2014, is available on SEDAR at www.sedar.com or on the Company's website at www.pason.com.

Shareholders are also invited to attend the Company's Annual and Special Meeting on Wednesday, May 6, 2015, at 3:30 pm at the offices of Pason Systems Inc., 6120 Third Street SE, Calgary, Alberta.

Consolidated Balance Sheets

As at	December 31, 2014	December 31, 2013
(CDN 000s)	($)	($)
Assets		
Current		
Cash and cash equivalents	**144,858**	78,018
Cash held in trust	**—**	11,502
Trade and other receivables	**122,494**	87,469
Prepaid expenses	**5,811**	3,121
Income taxes recoverable	**491**	15,752
Total current assets	**273,654**	195,862
Non-current		
Property, plant and equipment	**234,344**	183,601
Intangible assets and goodwill	**62,068**	65,261
Deferred tax assets	**—**	1,152
Total non-current assets	**296,412**	250,014
Total assets	**570,066**	445,876
Liabilities and equity		
Current		
Trade payables and accruals	**47,414**	30,485
Income taxes payable	**3,544**	—
Stock-based compensation liability	**16,125**	25,942
Dividend payable	**—**	11,502
Total current liabilities	**67,083**	67,929
Non-current		
Stock-based compensation liability	**3,018**	3,905
Deferred tax liabilities	**16,442**	7,573
Total non-current liabilities	**19,460**	11,478
Equity		
Share capital	**113,827**	80,725
Share-based benefits reserve	**12,927**	12,927
Foreign currency translation reserve	**32,807**	7,958
Retained earnings	**323,962**	264,859
Total equity	**483,523**	366,469
Total liabilities and equity	**570,066**	445,876

Consolidated Statements of Operations

	Three Months Ended December 31,		Years Ended December 31,	
	2014	2013	**2014**	2013
(CDN 000s, except per share data)	**($)**	($)	**($)**	($)
Revenue	**138,206**	107,418	**499,272**	403,088
Operating expenses				
Rental services	**43,610**	33,368	**153,151**	134,874
Local administration	**4,626**	5,236	**18,753**	18,641
Depreciation and amortization	**21,144**	16,512	**69,201**	62,171
	69,380	55,116	**241,105**	215,686
Operating profit	**68,826**	52,302	**258,167**	187,402
Other expenses				
Research and development	**10,653**	6,820	**35,427**	27,252
Corporate services	**6,014**	4,319	**22,243**	17,373
Stock-based compensation	**(20,600)**	6,144	**19,471**	32,511
Other expenses	**14,238**	3,132	**18,075**	68,301
	10,305	20,415	**95,216**	145,437
Income before income taxes	**58,521**	31,887	**162,951**	41,965
Income taxes	**11,310**	7,599	**50,847**	18,310
Net income	**47,211**	24,288	**112,104**	23,655
Income per share				
Basic	**0.57**	0.30	**1.36**	0.29
Diluted	**0.57**	0.29	**1.34**	0.29

Consolidated Statements of Other Comprehensive Income

	Three Months Ended December 31,		Years Ended December 31,	
	2014	2013	**2014**	2013
(CDN 000s)	**($)**	($)	**($)**	($)
Net income	**47,211**	24,288	**112,104**	23,655
Items that may be reclassified subsequently to net income:				
Foreign currency translation adjustment	**8,855**	9,421	**24,849**	16,306
Total comprehensive income	**56,066**	33,709	**136,953**	39,961

Consolidated Statements of Changes in Equity

	Share Capital	Share-Based Benefits Reserve	Foreign Currency Translation Reserve	Retained Earnings	Total Equity
(CDN 000s)	($)	($)	($)	($)	($)
Balance at January 1, 2013	79,393	12,927	(8,348)	284,724	368,696
Net loss	—	—	—	(633)	(633)
Dividends	—	—	—	(32,018)	(32,018)
Other comprehensive income	—	—	6,885	—	6,885
Exercise of stock options	1,020	—	—	—	1,020
Balance at September 30, 2013	80,413	12,927	(1,463)	252,073	343,950
Net income	—	—	—	24,288	24,288
Dividends	—	—	—	(11,502)	(11,502)
Other comprehensive income	—	—	9,421	—	9,421
Exercise of stock options	312	—	—	—	312
Balance at December 31, 2013	80,725	12,927	7,958	264,859	366,469
Net income	—	—	—	64,893	64,893
Dividends	—	—	—	(38,845)	(38,845)
Other comprehensive income	—	—	15,994	—	15,994
Exercise of stock options	21,984	—	—	—	21,984
Balance at September 30, 2014	102,709	12,927	23,952	290,907	430,495
Net income	—	—	—	47,211	47,211
Dividends	—	—	—	(14,156)	(14,156)
Other comprehensive income	—	—	8,855	—	8,855
Exercise of stock options	11,118	—	—	—	11,118
Balance at December 31, 2014	**113,827**	**12,927**	**32,807**	**323,962**	**483,523**

Consolidated Statements of Cash Flows

	Three Months Ended December 31,		Years Ended December 31,	
	2014	2013	**2014**	2013
(CDN 000s)	**($)**	($)	**($)**	($)
Cash from operating activities				
Net income	**47,211**	24,288	**112,104**	23,655
Adjustment for non-cash items:				
Depreciation and amortization	**21,144**	16,512	**69,201**	62,171
Impairment loss	**14,884**	—	**14,884**	—
Stock-based compensation	**(20,600)**	6,144	**19,471**	32,511
Deferred income taxes	**2,204**	(2,358)	**9,958**	12,899
Unrealized foreign exchange (gain) loss	**(4,896)**	1,817	**(1,414)**	3,694
Funds flow from operations	**59,947**	46,403	**224,204**	134,930
Movements in non-cash working capital items:				
(Increase) decrease in trade and other receivables	**(2,228)**	2,712	**(30,580)**	(999)
(Increase) decrease in prepaid expenses	**(1,238)**	463	**(2,542)**	(125)
Increase (decrease) in income taxes	**6,953**	6,242	**30,732**	(8,020)
Decrease in litigation provision	**—**	(115,192)	**—**	(52,033)
Decrease in trade payables, accruals and stock-based compensation liability	**(19,354)**	(17,961)	**(1,248)**	(3,484)
Effects of exchange rate changes	**4,300**	2,898	**5,134**	3,079
Cash generated from (used in) operating activities	**48,380**	(74,435)	**225,700**	73,348
Income tax paid	**(5,920)**	(785)	**(12,117)**	(11,301)
Net cash from (used in) operating activities	**42,460**	(75,220)	**213,583**	62,047
Cash flows from (used in) financing activities				
Proceeds from issuance of common shares	**6,781**	312	**16,741**	1,332
Settlement of stock options	**—**	(3,643)	**(2,589)**	(10,153)
Payment of dividends	**(28,245)**	(10,677)	**(64,502)**	(51,709)
Net cash used in financing activities	**(21,464)**	(14,008)	**(50,350)**	(60,530)
Cash flows (used in) from investing activities				
Additions to property, plant and equipment	**(44,665)**	(17,265)	**(113,679)**	(56,171)
Capitalized development costs	**(1,989)**	(2,862)	**(7,509)**	(14,493)
Proceeds on disposal of property, plant and equipment	**50**	257	**296**	582
Changes in non-cash working capital	**(180)**	(482)	**6,152**	(989)
Net cash used in investing activities	**(46,784)**	(20,352)	**(114,740)**	(71,071)
Effect of exchange rate on cash and cash equivalents	**5,559**	951	**6,845**	1,130
Net (decrease) increase in cash and cash equivalents	**(20,229)**	(108,629)	**55,338**	(68,424)
Cash and cash equivalents, beginning of period	**165,087**	198,149	**89,520**	157,944
Cash and cash equivalents, end of period	**144,858**	89,520	**144,858**	89,520
Cash and cash equivalents consists of:				
Cash and cash equivalents	**144,858**	78,018	**144,858**	78,018
Cash held in trust	**—**	11,502	**—**	11,502
Cash and cash equivalents, end of year	**144,858**	89,520	**144,858**	89,520

Operating Segments

The Company operates in three geographic segments: Canada, the United States, and International (Latin America, Offshore, the Eastern Hemisphere, and the Middle East). The amounts related to each segment are as follows:

Three Months Ended December 31, 2014	Canada	United States	International	Total
(CDN 000s)	($)	($)	($)	($)
Revenue	**40,281**	**83,075**	**14,850**	**138,206**
Operating costs	**12,211**	**28,391**	**7,634**	**48,236**
Depreciation and amortization	**8,873**	**9,703**	**2,568**	**21,144**
Segment operating profit	**19,197**	**44,981**	**4,648**	**68,826**
Research and development				**10,653**
Corporate services				**6,014**
Stock-based compensation				**(20,600)**
Other expenses				**14,238**
Income taxes				**11,310**
Net income				**47,211**
Capital expenditures	**19,970**	**19,998**	**6,686**	**46,654**
Goodwill	**—**	**21,471**	**2,600**	**24,071**
Intangible assets	**31,910**	**4,319**	**1,768**	**37,997**
Segment assets	**173,932**	**321,842**	**74,292**	**570,066**
Segment liabilities	**47,220**	**26,786**	**12,537**	**86,543**
Three Months Ended December 31, 2013				
(CDN 000s)				
Revenue	34,853	59,762	12,803	107,418
Operating costs	10,228	21,661	6,715	38,604
Depreciation and amortization	7,757	7,221	1,534	16,512
Segment operating profit	16,868	30,880	4,554	52,302
Research and development				6,820
Corporate services				4,319
Stock-based compensation				6,144
Other expenses				3,132
Income taxes				7,599
Net income				24,288
Capital expenditures	10,151	7,852	2,124	20,127
Goodwill	—	19,685	2,600	22,285
Intangible assets	32,343	7,773	2,860	42,976
Segment assets	173,947	210,764	61,165	445,876
Segment liabilities	46,495	23,621	9,291	79,407

Year Ended December 31, 2014	Canada	United States	International	Total
(CDN 000s)	($)	($)	($)	($)
Revenue	**146,571**	**298,368**	**54,333**	**499,272**
Operating costs	**43,047**	**100,858**	**27,999**	**171,904**
Depreciation and amortization	**28,033**	**33,142**	**8,026**	**69,201**
Segment operating profit	**75,491**	**164,368**	**18,308**	**258,167**
Research and development				**35,427**
Corporate services				**22,243**
Stock-based compensation				**19,471**
Other expenses				**18,075**
Income taxes				**50,847**
Net income				**112,104**
Capital expenditures	**55,284**	**53,917**	**11,987**	**121,188**
Goodwill	**—**	**21,471**	**2,600**	**24,071**
Intangible assets	**31,910**	**4,319**	**1,768**	**37,997**
Segment assets	**173,932**	**321,842**	**74,292**	**570,066**
Segment liabilities	**47,220**	**26,786**	**12,537**	**86,543**

Year Ended December 31, 2013				
(CDN 000s)				
Revenue	126,622	231,960	44,506	403,088
Operating costs	37,116	88,697	27,702	153,515
Depreciation and amortization	26,088	29,366	6,717	62,171
Segment operating profit	63,418	113,897	10,087	187,402
Research and development				27,252
Corporate services				17,373
Stock-based compensation				32,511
Other expenses				68,301
Income taxes				18,310
Net income				23,655
Capital expenditures	37,709	26,101	6,854	70,664
Goodwill	—	19,685	2,600	22,285
Intangible assets	32,343	7,773	2,860	42,976
Segment assets	173,947	210,764	61,165	445,876
Segment liabilities	46,495	23,621	9,291	79,407

Other Expenses

	Three Months Ended December 31,		Years Ended December 31,	
	2014	2013	**2014**	2013
(CDN 000s)	**($)**	($)	**($)**	($)
Litigation provision	**—**	—	**—**	61,614
Foreign exchange (gain)/loss	**(1,498)**	2,797	**729**	2,175
Earn-out provision	**—**	—	**—**	3,071
Impairment loss	**14,884**	—	**14,884**	—
Other	**852**	335	**2,462**	1,441
Other expenses	**14,238**	3,132	**18,075**	68,301

During the fourth quarter of 2014, the Company reviewed the level of rental equipment deployed versus the anticipated decline in utilization rates of such equipment due to the reduction in drilling activity as a result of the drop in oil and gas prices. This review resulted in the Company identifying what it believes is excess equipment based upon management's best estimate of future drilling activity. The net book value of this excess equipment, totaling $14,884 (2013: nil), of which $2,305 related to the Canadian segment and $12,579 to the US operating segment, was recorded as a non-cash impairment loss and is included in other expenses in the Consolidated Statements of Operations.

Since 2003, the Company had been defending its position in three patent infringement lawsuits relating to its automatic driller product. The three separate lawsuits all alleged that the Company's automatic driller infringed a certain patent which expired on April 19, 2013. Pason had been defending its position on the grounds that the asserted claims in the patent were invalid and that in any event the Pason automatic driller does not infringe any of the claims of the patent.

In August 2013, the Company and the plaintiff in the litigation negotiated a final resolution and settlement totaling USD $112,000. As a result of this settlement and license agreement, the Company recorded an additional provision in its consolidated financial statements in 2013. The payment required to resolve all claims against the Company regarding this matter was made in the fourth quarter of 2013.

Part of the purchase of Petron was an earn-out clause that was conditional on the successful commercialization of a revenue stream generated from a product designed by Petron. Management concluded that an amount was owing and the Company and previous shareholders of Petron agreed to $3,071, which was recorded in 2013.

Events After the Reporting Period

In February, 2015, the Company became aware of a number of patent infringement lawsuits that were recently filed by a small, privately-held instrumentation company based in Texas, USA. The Company is named as the defendant in one of these actions. These complaints all allege patent infringement.

The company has appointed litigation counsel and is considering its options to defend the claim. At this time no financial statement impact, if any, can be determined.

Pason Systems Inc.

Pason Systems Inc. is a leading global provider of specialized data management systems for drilling rigs. Our solutions, which include data acquisition, wellsite reporting, remote communications, and web-based information management, enable collaboration between the rig and the office. Pason's common shares trade on the Toronto Stock Exchange under the symbol PSI.TO.

For more information about Pason Systems Inc., visit the company's website at www.pason.com or contact:

Marcel Kessler	**Jon Faber**
President and CEO	Chief Financial Officer
403-301-3400	403-301-3400
marcel.kessler@pason.com	jon.faber@pason.com

Certain information regarding the Company contained herein may constitute forward-looking information under applicable securities law. The words “anticipate”, “expect”, “believe”, “may”, “should”, “will”, “estimate”, “project”, “outlook”, “forecast” or other similar words are used to identify such forward-looking information and statements. Forward-looking statements in this document may include statements, express or implied regarding the anticipated business prospects and financial performance of Pason; expectations or projections about future strategies and goals for growth and expansion; expected and future cash flows and revenues; and expected impact of future commitments. These forward-looking statements are based upon various underlying factors and assumptions, including the state of the economy and the oil and gas exploration and production business, in particular; the Company's business prospects and opportunities; and estimates of the financial and operational performance of Pason.

Forward-looking information and statements are subject to known or unknown risks and uncertainties that may cause actual results to differ materially from those anticipated or implied in the forward-looking information and statements. Risk factors that could cause actual results or events to differ materially from current expectations include, among others, the ability of Pason to successfully implement its strategic initiatives and whether such strategic initiatives will yield the expected benefits, the operating performance of Pason's assets and businesses, the price of energy commodities, competitive factors in the energy industry, changes in laws and regulations affecting Pason's businesses, technological developments, and general economic conditions.

Readers are cautioned not to place undue reliance on forward-looking statements as there can be no assurance that the plans, intentions or expectations upon which they are placed will occur. Such forward looking statements, although considered reasonable by management as of the date hereof, may prove to be incorrect and actual results may differ materially from those anticipated. Forward-looking statements contained in this press release are expressly qualified by this cautionary statement.

Additional information on risks and uncertainties and other factors that could affect Pason's operations or financial results are included in Pason's reports on file with the Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com) or through Pason's website (www.pason.com). Furthermore, any forward looking statements contained in this news release are made as of the date of this news release, and Pason does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as expressly required by securities law.