MEDIA/ASX RELEASE

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Titan Energy Services Exceeds Full Year Guidance

www.titanenergyservices.com.au
ASX ticker: TTN

Highlights

- <u>Full year result to June 2013 (unaudited) above guidance</u>
    - Full year earnings before interest and tax (EBIT) of $14.5million
    - Unaudited EBIT result is 272% higher than the FY12 EBIT of $3.9million and $1.0million higher than the most recent earnings guidance of $12.5 - $13.5million
    - Profit before tax (PBT) of $13.3million, is a 303% improvement over FY12
    - A full year dividend will be announced with the release of audited results, however, it is expected to be consistent with the company's dividend payout ratio of 25% of annual net profit after tax, less interim dividend of 2 cents per share (cps)

- <u>Operations</u>
    - All business units performing solidly and trading ahead of last year
    - Atlas - Strong rig utilisation – 91% for FY13 (82% in FY12). Deployment of 4th rig on contract with APLNG in June
    - RCH – room capacity increased to 674 (186% on June 2012). Room utilisation of 84%, in-line with the previous financial year. Demand remains strong
    - Nektar – start up business delivering EBIT of $1.9million in first year of trading
    - Hofco acquired in the second half for $21.7million and achieved EBIT of $2.9million
    - Investment in key leadership roles throughout the group
    - Generated cashflow for Hofco deferred payment of $5.8million (to be paid in August 2013)

- <u>Outlook</u>
    - FY14 is expected to be a solid year of growth and further diversification of earnings
    - RCH number of rooms starting July 2013 at 674, up 45% on 465 weighted average rooms in FY13
    - Full year Hofco contribution in FY14 (only half year in FY13)
    - Atlas Rig 4 operating a full year in FY14 (1+1 contract), compared to 8 days in FY13
    - Nektar aligned to RCH growth and growth in new markets
    - FY14 earnings guidance will be provided when audited results released on 6 August 2013

Results summary

Results (million unless stated otherwise)	FY13 (2)	FY12 (1)	Growth
Revenue	$73.2	$33.5	**119%**
EBIT Margin	$14.5 19.8%	$3.9 11.6%	**272%** **8.2%**
Profit before tax	$13.3 18.2%	$3.3 9.9%	**303%** **8.3%**

Note 1: Audited FY12 Full Year Results

Note 2: Unaudited FY13 results

Results overview

Titan Energy Services ('Titan' or 'the company', ASX code: TTN) today announced that it has exceeded its earnings guidance for the FY13 financial year.

Based on unaudited trading results for the full year to 30 June 2013, Titan has achieved an EBIT of $14.5million. This represents a 272% increase on the $3.9million EBIT recorded during FY12.

The Queensland-based diversified energy and infrastructure service business traded solidly through the second half to exceed its most recent EBIT guidance of between $12.5million and $13.5million.

Today's results follows three earnings upgrades for FY13 – its first full year since listing in December 2011 – and is almost double the company's initial target for the year (EBIT of $7million - $8million).

"By all measures FY13 has been a successful year for the Titan group," Managing Director Jim Sturgess said.

"The company built on the foundations established during FY12 by delivering solid shareholder returns, while continuing to grow and diversify for the future.

"At the start of the year, strategies were in place to drive future growth within each of Titan's businesses and, pleasingly, these businesses delivered strong bottom-line returns to drive Titan's overall growth."

"A fourth core business was added during FY13, with the company acquiring Hofco Oilfield Services in March for $21.7million (on a cash and debt free basis). Hofco has also delivered at the top end of expected returns during the integration phase."

TTN's business units now include:

- Atlas Drilling, which owns three production rigs and operates a fourth under a Rental Agreement;
- RCH (Resources Camp Hire), a full service portable accommodation specialist servicing CSG construction and production projects;
- Nektar, an organic start-up business launched in April 2012 to deliver catering and camp services to remote sites; and

- Hofco, a leading CSG drilling rental equipment provider with a 33-year track record of success.

Atlas delivered record results, with utilisation increasing from 82% during FY12 to 91% during FY13 and all rigs are currently operating with blue-chip customers. Rig 1 will come off contract in September and early discussions with potential clients have generated interest and positive feedback. Atlas's fourth rig was built during the second half of the year and mobilised and deployed in June 2013.

RCH also delivered a record result and improved utilisation during a period of significant expansion. Room numbers almost tripled during the year, from 236 at June 2012 to 674 at June 2013 while achieving utilisation of 84%.

Nektar outperformed initial expectations, with eight contracts secured and $1.9million in EBIT generated during its first full year.

Hofco's earnings to date exceeded expectations at the time of purchase and growth opportunities have been identified for the future.

Safety

Titan places its people first and continues to focus on safety. Titan's rolling 12 month total recordable incident frequency rate per million hours worked (TRIFR) as at 30 June 2013 was 16.9. While this is an improvement on the FY12 result of 17.9, Titan was disappointed with this result and will continue to work hard to improve safety outcomes across the business in FY14.

Balance Sheet & Cashflow

Net Debt was $12.4million as at 30 June 2013 (unaudited) including the Hofco deferred payment, compared to $10.3million as at 31 December 2012. The increase is due to funding investment capital expenditure to build Rig 4 and deferred consideration payable on the Hofco acquisition of $5.8million. Titan has sufficient cash and funding available to meet the Hofco deferred consideration payment.

Capital expenditure for FY13 (unaudited) was $9.8million of which the majority was for investments in Rig 4, growth of the RCH business, and additional rental equipment within Hofco.

Dividend

A full year dividend will be considered prior to the release of the audited results on 6 August 2013. The final dividend is expected to be consistent with the company's payout ratio of 25% of annual net profit after tax, less the interim dividend of 2 cps.

Outlook

Looking ahead, Mr Sturgess said the Titan group had developed strong business platforms – including extensive industry knowledge and contacts – in a sector that is expanding rapidly.

"Within the Queensland CSG sector, activity continues to grow as the major projects move closer to production," he said.

"Titan is well placed to maximise exposure to this growth during the development phase and service the industry once in full production.

"In addition to this, the group has a well defined diversification strategy that will underpin its expansion into new geographies and segments in the medium term.

"Diversification opportunities include:

- New CSG opportunities outside Queensland – drilling, camps, catering, rental and other;
- New geographies within Queensland, the Northern Territory, South Australia and elsewhere;
- New industry segments, including non-Qld CSG, Oil and Gas infrastructure, rail, road and pipeline; and
- Examine new opportunities to grow organically and through acquisition.

"While there are always challenges, Titan has solid future growth prospects overall and within each of its business units.

"RCH is expanding rapidly, delivering a quality service to blue-chip clients – the business is now a preferred supplier with APLNG and QGC– and is ready to target new locations and sectors. RCH also continues to expand its capacity, starting the next financial year 45% ahead of the weighted average number of rooms held in FY13.

"Atlas's four rigs are operating, with Rig 4 set to contribute to earnings for a full year and Rig 2 upgraded during FY13.

"Hofco will also contribute a full year's earnings in FY14. Integration into the Titan group is well and truly underway and growth opportunities are being identified.

"Despite being little more than 12 months old, Nektar has become a profitable business and has good growth potential."

TTN expects to release audited accounts for FY13 on 6 August 2013.

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For investor or media inquiries:
Mr Jim Sturgess
Managing Director
Tel: 0402 890 654

About Titan

Titan Energy Services Limited (ASX: TTN) provides diversified energy and infrastructure services to the oil and gas, mining, pipeline, rail, road and infrastructure sectors.

Through its operating businesses Atlas Drilling, Hofco Oilfield Services, Resources Camp Hire (RCH) and Nektar Remote Hospitality, Titan provides expertise in CSG drilling, drilling equipment hire, camp hire and camp management and catering services.

Titan operates four drilling rigs, is a leading provider of oilfield down-hole tool rental in Australia and overseas, operates and rents remote self-contained camps, and manages catering and camp management contracts.