

Market Release
15 November 2011

EMECO CONFIRMS FAVOURABLE OPERATING CONDITIONS AND GROWTH OUTLOOK

Key Points

- ◆ **Global fleet utilisation averaged 84% year to date, and currently at 90%**
- ◆ **Australian fleet utilisation averaging 94% year to date**
- ◆ **Low activity in Canadian oilsands during Q1, with utilisation now at 72% as winter commences**
- ◆ **Indonesian major fleet redeployment recently completed with utilisation up to 83%**
- ◆ **FY12 growth capital of \$165m to contribute earnings uplift in 2H12**
- ◆ **Investing \$30 million into Indonesian business in FY13 to benefit from coal volume growth**
- ◆ **Undertaking due diligence on geographic step-out in Chile**

Keith Gordon, Managing Director and CEO of Emeco Holdings Limited (ASX: EHL) today gave shareholders an operating update during the Company's sixth Annual General Meeting held in Sydney, New South Wales.

Mr Gordon said "We are focused on meeting the growing needs of our core mining customers while delivering improved returns to our shareholders. With demand for mining equipment at very high levels we believe Emeco is well placed to benefit from these market conditions in the future. With the business restructure activities now complete Emeco is also in good shape to explore sensible growth opportunities."

"Our focus at present is on improving returns through organic growth in our three existing markets and also through a potential step-out into Chile, to take advantage of the high demand for equipment which is underpinned by a positive outlook for volume growth."

Review of Operations

The operating conditions in the first four months of FY12 have been very positive in Australia and Indonesia; however activity in the Canadian oilsands has been low during the first quarter, with activity significantly ramping up in recent weeks.

The **Australian** business has led the way in performance with unprecedented high utilisation averaging 94% year to date. The growth in production activity across the Australian resource sector is translating into strong demand for Emeco's equipment and maintenance services. The business continues to experience some cost pressures, particularly in the area of labour. This is particularly prevalent in Western Australia and Queensland which will have a minor short term impact on margins.

The **Indonesian** business has successfully redeployed most of the fleet which was off-hired towards the end of FY11. While the lower revenue and higher maintenance cost from this off-hired fleet limited the

financial performance of the Indonesian business in the first quarter, utilisation has now improved to 83% indicating a strong pick up in earnings in the months ahead. Given the Company's positive view on volume growth in this thermal coal market, supported by high enquiry levels, the Company has recently committed to an additional \$30 million in organic growth capital for delivery in the first half of FY13.

Canada has experienced a slow start to the financial year with limited activity in the oilsands summer works programme, however in recent weeks utilisation has increased to 72% with the commencement of preparations for the winter programme. The Company expects utilisation to trend higher in the next month and equipment to achieve strong operating hours.

Capital Investment

The previously announced \$165 million organic growth investment in FY12 is progressing well with \$95 million of this fleet allocated to Australia now under contract and expected to be fully productive by early in calendar year 2012. The balance of \$70 million is expected to be fully deployed in Canada by the start of the fourth quarter FY12. A significant amount of this equipment was sourced in the global used equipment market which means capital is tied up without commensurate earnings for a matter of months as the equipment is relocated internationally and prepared for rent. As a result of this, group returns are expected to be dampened in the first half of the year. However, returns will recover quickly as equipment commences working through 2H12. Further benefits to earnings and returns are expected to be realised from this investment in FY13.

We anticipate 2H12 earnings to be higher than those in 1H12 with full year earnings to be approximately 60% weighted to the second half. This is due to investment of growth capital in FY12 in Australia and Canada being skewed to 2H12, and the increase in utilisation in Canada from November 2011.

Geographic step-out

In addition to organic growth in existing markets, the Company is alert to opportunities in other growing mining geographies. In particular Emeco has identified the copper-rich mining region of Chile as having strong market fundamentals which are well suited to its strategy. Preliminary due diligence has been carried out and further work will be conducted over the coming months to ascertain whether acceptable and sustainable returns can be achieved.

The final decision to enter the Chilean market will not be made until early 2012 with any entry being based on a low infrastructure, low cost approach commencing with a fleet of large mining equipment aligned to Emeco's core markets. If Emeco proceeds with this strategy, the initial investment is expected to be approximately \$50 million in FY13.

Mr Gordon added "We have monitored the Chilean market for some time given its attractive fundamentals as a major producer of global copper supply, high quality mining customers, and forecasts for increasing earthmoving volumes over time. This is an exciting opportunity for Emeco to further diversify its commodity exposure and leverage its operations to another growing mining market. We will continue our due diligence on this opportunity and inform the market as the decision progresses."

Emeco will release its first half financial results on Tuesday 21st February 2012 via webcast and teleconference.

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About Emeco

Emeco is a leading global provider of heavy earthmoving equipment with offices in Australia, Indonesia and North America. Emeco has integrated rental, sales, parts, maintenance and procurement into a single business for high reliability, low-houred heavy earth moving equipment for the mining and civil construction sectors. Emeco is not aligned with any earthmoving equipment manufacturer and has a global fleet approaching 1,000 machines including equipment manufactured by Caterpillar, Hitachi, Komatsu, Liebherr and Volvo.

Emeco's ordinary shares are traded on the Australian Stock Exchange under ASX code EHL.