

Market Release
20 November 2012

2012 ANNUAL GENERAL MEETING – MANAGING DIRECTOR'S ADDRESS

The objective of our business strategy since 2010 has been clear: *deliver acceptable and sustainable returns to our shareholders*. During FY12, Emeco's 40th year of operation, we continued to strive to deliver on this fundamental objective and achieved our third consecutive year of growth.

The decisions we have made and the effort we have put into strengthening the foundation of the business is translating into stronger return on capital.

Some of the highlights of our FY12 performance were:

- ◆ Third consecutive year of growth – operating ROC improved to 13.2% from 11.3% in FY11 and 8.3% in FY10.
- ◆ Strong earnings growth with operating NPAT increasing 27.0% from \$56.0 million in FY11 to \$71.1 million in FY12.
- ◆ Generated operating cashflow less net sustaining CAPEX of \$114 million.
- ◆ Sustainable growth was demonstrated further through our geographic step-out to Chile.
- ◆ Large mining equipment increased to 62% of our total fleet from 49% a year ago further leveraging Emeco to the production phase of the mining cycle.
- ◆ Average global fleet utilisation was maintained (86% in FY12, 85% in FY11).
- ◆ \$165 million investment in growth capital during FY12 was deployed into contracts and began generating accretive returns immediately.
- ◆ Gearing was maintained below our target range and the successful US Private Placement funding of US\$140 million in May provided further funding certainty. The October 2012 refinancing of our A\$450 million syndicated bank debt facility further secured our long term funding profile.

Solid Foundation for Future Success

Globally, we remained focused on strengthening our customer profile and diversifying our commodity mix during the FY12 period by targeting customers who aligned with our strategic objectives and those who deliver broad commodity exposure in each region.

We secured a number of new customers in Indonesia based on our quality maintenance offering. In Australia, we continued to support our blue-chip mining customers with large mining fleets while working with smaller miners to provide “whole-of-mine” fleets complemented by onsite maintenance services.

In Canada, our increased exposure to the oil companies, indigenous contractors and coal miners is providing increased visibility on demand.

Mine production activity also increased across each of our markets over FY12 which translated into strong demand for our equipment and maintenance services. Despite a slow start in the first quarter in our Canadian and Indonesian businesses, utilisation improved over the remainder of FY12 to complement the strong performance of our Australian business.

The strategy to increase the weighting of large mining equipment in our global fleet also continued to add value during the period. Average contract tenure increased and we were able to work with our customers on other contractual terms such as minimum monthly hours to provide greater visibility of future equipment utilisation. Larger equipment is utilised in the core production phase of mining operations which is more stable than the construction phase of the mining cycle.

Our geographic step-out into Chile, announced in February 2012, directly aligned with our strategy and bodes well for the future success of Emeco. Chile represents a high quality organic growth opportunity for Emeco into a low cost copper producing region. Emeco committed an initial \$50 million investment into this market with a view to increase this further over the next 12 months, subject to the success of the initial investment.

Keeping our People Safe and Engaged at Work

Safety remains a top priority for the Board and Executive Leadership Team. During the year we introduced a behavioural based safety approach and continued to improve Emeco's safety management systems. Pleasingly, we saw a further reduction in the Lost Time Injury Frequency Rate (LTIFR) to 2.2 per million man hours for the twelve months to 30 June 2012 (30 June 2011: 2.4).

During the year, as part of Empower (our strategy for Emeco people), we progressed a number of improvement projects centred around leadership development, training, career planning and performance management. I firmly believe that investment in our people is key to Emeco's future success and we continue to see the benefit of our investment in people through the results of our employee culture surveys.

Looking Ahead

Two weeks ago, Emeco released an operating update to the market. As stated in the update we now expect Group operating net profit after tax for the first half of FY13 to be \$23-\$26 million, which is somewhat lower than our previous internal estimates. Our lower profit forecast is primarily due to a drop in equipment utilisation in the Australian business, which currently sits at an average around 66%.

The Australian team continues to work on business development opportunities for idle fleet as well as fleet which may be subject to potential off-hiring. Discussions are underway with a number of potential customers regarding rental opportunities in the second half.

The competitive nature of the Australian equipment market, along with some reductions in production volumes and deferral of mine expansions, is leading to competitive pricing on new and re-tendered contracts. Emeco will ensure that it is competitive in these situations while maintaining our disciplined focus on returns.

However, as I said in the update, while we are seeing utilisation challenges in Australia as a result of lower commodity prices and subdued mining activity, strong trading conditions in Canada and Chile, together with a solid customer base in the Indonesian business, is expected to help offset some of this softness.

Furthermore, the Company has been focused on adjusting operating cost and capital expenditure plans to maintain strong cashflow in this challenging market environment and throughout the economic cycle.

Operating cashflow is expected to remain strong through FY13 despite utilisation volatility and free cashflow is expected to be positive in 2H13 as capital expenditure significantly reduces. Emeco's cashflow will provide flexibility to maintain an appropriate capital structure while maintaining capacity to capture value creating opportunities that may arise. Emeco will also continue with its share buyback program.

The recent refinancing of Emeco's bank debt facilities and the US Private Placement provides good visibility on the Company's long term funding profile and there is sufficient available headroom to pursue opportunities that may arise through the challenging conditions that now face all market participants.

We understand that shareholders will be disappointed with the current share price given the decline we have seen in recent months. The management team remains focussed on continuing to build the business and creating long term shareholder value. We have appreciated the support we have had from our shareholders in the past and look forward to that support continuing.

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About Emeco (ASX: EHL)

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Established in 1972, Emeco provides safe, reliable and maintained equipment solutions to the global mining industry. Operating out of Australia, Indonesia, Canada and Chile, Emeco's experienced teams provide the highest levels of customer service and maintenance capabilities to safely deliver best-in-class equipment to the go line for mining companies. Emeco is not aligned with a single original equipment manufacturer (OEM), instead it operates a global fleet of OEM machines to deliver the most suitable equipment rental solutions for customers.