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EMECO OPERATING UPDATE

In April, Emeco Holdings Limited (ASX:EHL) ('Emeco' or 'the Company') advised that it expected Operating Net Profit after Tax (NPAT) for FY13 to be in the range of $40m to $44m. The Company today provided an update on operating conditions and outlook.

Operating Net Profit after Tax (NPAT) for FY13 is now expected to be in the range of $35m to $36m. A number of factors have contributed to the revised FY13 earnings outlook:

- In Australia, utilisation has declined slightly to 42.5% since the last operating update in April. An expected uplift in utilisation towards the end of FY13 through the deployment of equipment has not occurred due to project delays;
- In Indonesia, the Company anticipated the receipt of a number of payments associated with a contract that ended during 2H13. Although the Company believes it has an entitlement to these payments and continues to pursue them, a conservative view has been adopted such that their receipt has not been accrued;
- In Canada, the intensity of activity in the early stages of the summer work program in oil sands has been subdued. Although Canadian utilisation at 55% is consistent with expectations at this time of year, operating hours are lower than normal leading to lower than expected revenues in late FY13.

Activity in Chile remains robust with full fleet utilisation and an encouraging business development pipeline. Global fleet utilisation is currently 52%.

Operational Focus

As outlined in April, the Company continues its disciplined approach to managing operating costs and capital expenditure in order to maintain strong cashflow generation.

The Australian and Indonesian businesses continue to closely manage costs with employee numbers being reduced where possible and discretionary maintenance programs being strictly controlled and prioritized.

Sustaining capex and growth capex will be in line with previous guidance.

The Company expects its gearing to be around 2.2 – 2.3x Net Debt:EBITDA at the end of FY13.

Non-Cash Impairment

Following a review of carrying values the Company now anticipates non-cash impairments of approximately $10.5m (post-tax $7.5m) will be incurred in the 30 June 2013 financial statements. These non-cash impairments are in connection with the Company's Guildford facility in Western Australia, and legacy inventory from the discontinued Sales and Parts business.

These impairments are in addition to $3.9m (post-tax $2.8m) of one-off expenses primarily incurred and previously announced in 1H13, relating to write off of borrowing costs, redundancies and settlement of legal action in Indonesia.

Outlook

"We are managing our Australian and Indonesian businesses in anticipation of the current challenging conditions continuing well into FY14." Managing Director Keith Gordon said. "We expect these businesses to continue to deliver strong free cash flow through this period and we will continue to work closely with our customers to identify opportunities where Emeco can add value to their operations."

"In Canada, we have had recent success in developing our maintenance services business and we are looking forward to another busy winter season commencing in late 1H14. Our progress in developing a strong presence in Chile continues and is in line with our expectations."

"Further to previous announcements we have recently appointed Ian Testrow, formerly President of our Americas business to lead our new and developing businesses. Ian will continue reporting directly to me on this important strategic initiative with geographic expansion being an important part of our plans over the next few years."

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About Emeco (ASX: EHL) **emecogroup.com**

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.