ASX Release
20 November 2013

Level 3, 71 Walters Drive
Osborne Park WA 6017, Australia
PO Box 1341, Osborne Park DC WA 6916, Australia
T +61 (0) 8 9420 0222 **F** +61 (0) 8 9420 0205
E corporate@emecogroup.com
emecogroup.com
Emeco Holdings Limited ACN 112 188 815

2013 ANNUAL GENERAL MEETING – CHAIRMAN'S ADDRESS

Since I spoke at last year's Annual General Meeting, Emeco has experienced a number of operational challenges across our key regions as a result of lower commodity prices and our customers' focus on reducing their operational costs. Following a period of strong mining activity in the 2012 financial year, there was a sharp slowdown in the 2013 financial year as miners responded to the broader environment. Emeco was particularly affected by reduced activity in the gold and thermal coal sectors in Australia and thermal coal in Indonesia. This impacted on the Group's ability to grow earnings for shareholders in the year.

The Board and senior executive team have ensured the Group has been responsive to these broader market challenges.

For example, we have adapted to the shift in the global mining market through our geographic and commodity diversification in Canada and Chile.

We have also worked closely with our customers in current markets and continued to seek organic growth opportunities in new markets.

Underpinning this has been a disciplined approach to the management of Emeco's balance sheet. We have maintained an ongoing focus on cash flow generation, asset sales, working capital release, and lower capex to reduce Emeco's debt profile, ensuring we remain in a robust position in the current environment to respond to customers' needs.

Emeco's operating update released to the market on Monday outlined how the broader challenging conditions have continued in the current year and impacted on the Group's performance. However, there is some evidence of improvement in our key markets which I will go into further detail later in this address.

Performance in FY2013

As Ken Lewsey only commenced as CEO earlier this month, I will be providing an overview of the Group's performance for the year.

As I mentioned, there were a number of challenges in the broader mining sector in FY2013 that impacted on Emeco. While production volumes were relatively stable in the year, a combination of lower commodity prices and higher costs, including the high Australian dollar, meant there was less overburden removal and an intensive cost management program by miners in our key sectors. Our customers in the gold and thermal coal sectors were most affected. These factors saw a reduction in the demand and utilisation of our equipment, particularly in Australia and Indonesia.

Emeco delivered on a number of positive developments over the year despite the challenging environment, including:

- 40.2 per cent revenue growth at our Canadian business. This was driven by the full year benefit of the fleet investments we made in FY2012 and our strategic customer relationships, particularly with oil and coal producers.
- A successful first year of operations in Chile, which contributed revenue of $17.4 million and EBIT of $6.4 million. It is worth noting that the Chilean copper market has provided both geographical and commodity diversification to the Group.
- Providing a strong asset base at our Chile operations for the 2014 financial year through investing $100 million in the business, including redeploying $40 million of fleet from our other businesses.
- Demonstrating flexibility by reducing operating expenses by 13.2 per cent from the previous year in response to lower operating activity.
- Generating free cash flow of $60 million in the second half of FY2013, which was used to reduce our net debt position.
- Refinancing the Group's A$450 million bank debt facility, extending the average maturity profile of our long-term debt.

Our achievements in FY2013 have been important in positioning Emeco as we concentrate on diversifying the Group's earnings base across geographies and commodities in the broader challenging conditions.

Safety

The safety of our employees and those we work with is a key priority of the Board and business, with our ultimate objective to achieve "zero harm". During the year we continued to invest in Emeco's safe work practices and initiatives to further entrench a culture of "safety first" across the Group.

Pleasingly, Emeco recorded a 39 per cent improvement in the Group's Total Reportable Injury Frequency Rate in FY2013, reflecting the ongoing safety focus across the Group. Emeco's Lost Time Injury Frequency Rate did, disappointingly, increase marginally in the year to 3.5 from 1.7 in FY2012.

We expect initiatives launched in FY2013 – such as our Global Health, Safety and Environment Forum, which provides the structured sharing of information across our four businesses – will drive further improvements across the business as we continue to invest in the safety of our people.

People and sustainability

A key factor for Emeco's future success is our ability to attract and retain high calibre people. Despite the challenging conditions over the past 12 months, the Group has continued to focus on critical training and development of staff, with individual training needs identified through our annual performance management process.

Due to the downturn in the market during the year resulting in reduced workload, particularly across our Australian and Indonesian sites, the Company had to make a number of employee positions redundant. This was a difficult decision and has unfortunately been a consistent theme across the resources sector in FY2013.

Emeco produced its third Sustainability Report in the year, which highlighted a noticeable and broadly positive shift at the local and regional level in relation to our performance in the areas of safety, people, community and environment. We continue to focus on building the long term sustainability of our business operations for the benefit of our various stakeholders.

Executive leadership

At the senior executive level there has been a change in leadership at Emeco since the last AGM. In July, it was announced that Keith Gordon had decided to step down from the role of Managing Director and Chief Executive Officer, remaining in the position until a replacement was found.

We subsequently announced in October that Ken Lewsey would take over the role, and he commenced earlier this month. Ken has demonstrated a strong track record in the industry of achieving value and creating growth, and we think he is ideally suited to Emeco. I would like to welcome Ken here today and will introduce him at the conclusion of my address to provide you with an overview of his background and priorities.

I would also like to take this opportunity to acknowledge and thank Keith for his outstanding contribution to the Group over the past four years. Keith displayed a strong commitment to Emeco, our employees and shareholders during his tenure, and oversaw a period of significant transformation at the Group. On behalf of the Board I would like to wish him well in his future endeavours.

Looking ahead

Earlier this week Emeco released an operating update to the market. The update stated that the Group expects to report FY14 earnings before interest, tax depreciation and amortisation (EBITDA) in the range of $90 million to $105 million.

An internal review of Emeco's first quarter performance for FY2014 has shown the impact of ongoing difficult market conditions. Customers have continued to exercise caution with capital allocation and are strongly focused on reducing operating expenditure in light of the decline in the global commodity cycle, particularly in the gold and thermal coal sectors in Australia. These broad challenges have affected many companies servicing the mining sector, including Emeco.

The Group's strategy has been to continue working closely with our customers in current markets and seek organic growth opportunities consistent with our business strategy in new markets. This strategic approach, coupled with evidence of an improvement in market conditions, has provided some confidence that the Group will deliver improved performance in the second half of FY2014.

The Group has seen improvement in performance to date in the second quarter of FY2014. For example, in Canada, utilisation rates have increased as the northern hemisphere moves into winter, in line with the seasonal trends we have traditionally experienced in that market. We expect these improvements in Canada will continue in the second half of FY2014.

In Australia, there has been a higher level of inquiry from potential clients in recent months. Despite an increased level of competition in the local market, we are optimistic that Emeco will win new contracts, and that the Group is well positioned to benefit from a steady improvement in the Australian market as the mining sector begins to tackle the backlog of activities that have built up over the past 12 months.

Emeco's performance in Chile remains positive. Looking forward we will be seeking renewal of some contracts in the second half of FY2014 and will continue to progress with our business development opportunities in Chile and Latin America.

Utilisation remains low in Indonesia but the Group will continue to reduce the capital base of the business and progress our cost reduction strategy in that market. The Board will work with the executive leadership team in considering our long-term strategy for the Indonesian business.

Meanwhile, Emeco has continued to remain vigilant in regard to the Group's cash flow, balance sheet, and gearing given the ongoing challenging conditions to date in FY2014.

A disciplined approach to balance sheet management has been a core focus at Emeco in order to ensure we remain in a robust position to respond to customers' needs. Over the calendar year 2013 to date, Emeco's net debt position has been reduced by $78 million from $455 million to $377 million, driven by a combination of cash flow, working capital release, asset disposals and lower capex. We have had particular success with asset sales at our Indonesian business, for example, with favourable sale prices being realised. The Group also obtained additional financial flexibility through the amendment of two covenants in our debt facilities, as announced to the market on October 22.

The Board appreciates that it has been a tough year for the company and its shareholders since the last AGM. While the broader market factors have clearly impacted on the Group, Emeco has responded as well as it can to these challenges, including benefiting from our relationships with customers and signs of an improvement in sentiment. Looking forward we will continue to focus on delivering on opportunities and maintaining our disciplined approach to balance sheet management to maximise returns for shareholders.

- END -

General enquiries
Alec Brennan
Chairman
+61 8 9420 0222

Media enquiries
Adrian Watson
FTI Consulting
+61 8 9485 8888

About Emeco **emecogroup.com**

Established in 1972, Emeco is the world's largest, independent mining equipment rental business and services major resource projects across Australia, Canada, Chile and Indonesia. Emeco pursues a best in class asset management strategy and operates a global fleet of equipment from a range of original equipment manufacturers to deliver the most effective equipment rental and maintenance solutions for its customers. Emeco is a publicly listed company on the Australian Securities Exchange (ASX:EHL).