



## ASX Release

19 November 2015

ASX:EHL ('EMECO' OR 'THE COMPANY')

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### 2015 MANAGING DIRECTOR'S ANNUAL ADDRESS TO SHAREHOLDERS

Firstly, I'd like to thank the board for the opportunity to lead Emeco. I have been with Emeco for over ten years and am proud to be here today as the Managing Director and Chief Executive Officer. Since commencing, I have travelled to each of our regions to speak to our teams and customers. I have also met with our investors throughout Australia, Asia and North America. From these discussions, I am confident our business model can deliver value to our stakeholders.

We have been working hard to drive operational improvements. I am pleased to say that our hard work has resulted in increased utilisation. We are, however, facing challenges that have existed for some time now with the low commodity price environment. There is limited opportunity to improve rental rates. Therefore, we have focused internally on how we can best position Emeco to withstand these conditions and have set in place a number of improvements that will help build a more resilient business.

#### PROJECT FIT

With the implementation of Project Fit over the second half of FY15 we've been able to reduce our cost base. As Alec mentioned, we expect to see savings of \$14 million this financial year as a result. The continuous improvement culture this project has instilled in our workforce is creating further cost reduction initiatives throughout the business.

#### EMECO OPERATING SYSTEM (EOS)

A key highlight for FY15 was our development of the Emeco Operating System (or EOS).

The core strategy behind EOS is to reduce our customers' mining costs per ton, while also improving the performance of our equipment. Access to real time data helps mine operators proactively manage production performance and provides Emeco access to asset health data to identify machine defects before they become a problem.

I'd like to now show you a testimonial from Alkane Resources, outlining the benefits EOS has delivered to their operations which can be viewed on our website.

[Testimonial video displayed at Annual General Meeting and can be viewed at

<http://www.emecogroup.com/view/equipmentsolutions/emeco-operating-system>]

## REGIONAL REVIEW AND OUTLOOK

I will now move on to the regional review and outlook of our operations.

Although New South Wales, Queensland and Chile have had solid starts to FY16, this has been partially offset by tougher conditions in Western Australia and Canada.

### Canada

In response to lower oil prices in Canada, oilsand producers have delayed works to reduce their operating costs. This has negatively impacted our utilisation.

We have restructured the Canadian business to reduce costs and minimise the impact on our earnings.

The team has worked hard to diversify rental outside of oilsands. We now have fleet working at Canadian iron ore and coal mines. We also expanded our mine site services offering and now provide fuel and lubricants dispensing services.

### Chile

The Chilean business has significantly improved operating utilisation in the first quarter of FY16 since partnering with Thiess at the Encuentro site. We have also entered into a wet hire arrangement with Antofagasta Minerals at their Esperanza project. The outlook for Chile looks promising with a number of opportunities being explored with copper miners.

Given our underlying capital structure, we are focused on expanding our US dollar denominated Chilean business.

### New South Wales

The New South Wales business continues to build on its existing customer base. We have deployed additional fleet at various Whitehaven Coal projects and implemented EOS at Alkane's Tomingley operation. We will aim to improve margins in New South Wales through operational efficiencies.

### Queensland

This time last year, utilisation in Queensland was under 50%. I am extremely pleased to say that over the past 12 months our Queensland team has deployed most of its fleet and is now operating with utilisation levels of over 90%.

### Western Region

As mentioned in our first quarter operational update, our Western Region has had a significant drop in utilisation with the conclusion of a number of contracts. We anticipated the difficulties in redeploying this fleet in a timely manner and have significantly reduced costs by rightsizing the business. The team is focused on business development and creating value for our customers, particularly through the use of EOS.

## CONCLUSION

In summary, Emeco is focused on improving its core business. We will do this by tailoring rental solutions to market conditions, widening our value proposition through the implementation of EOS and reducing our costs through operational efficiencies. I am pleased to see an innovative culture emerging throughout the business, where our people are focused on working smarter and exploring new ways to add value for our customers. Emeco's people, together with their safety, remains our top priority.

I'd like to thank Emeco's board, shareholders and financiers, customers and employees, for their support. I look forward to making further progress on our path back to profitability in FY16, and into the future.

Thank you.

Mr Ian Testrow  
Managing Director and CEO  
Emeco Holdings Limited

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### **Investor and media enquiries**

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### **About Emeco**

Established in 1972, Emeco is the world's largest, independent mining equipment rental business and currently services major resource projects across Australia, Canada and Chile. 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).

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