emeco **ASX Release**

31 August 2017

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

Transformational year for Emeco and a strong platform for growth

- **Improved safety performance:** 61% reduction in total recordable injury frequency rate over FY17, zero long-term injury frequency rate
- **Enhanced financial performance:**
  - Operating EBITDA of $83.5 million (up 54% vs FY16)
  - Operating EBITDA margin of 36% (up from 26% in FY16)
- **Growth in Australia:** Driven by the merger with Andy's and Orionstone, and Canadian and Chilean asset swaps resulting in an additional 500 pieces in the Australian fleet
- **Continuous deleveraging:** Net debt / Operating EBITDA reduced to 3.9x[1] in FY17 (down from 6.7x in FY16). Emeco is targeting long-term leverage ratio of 2x by FY20 to facilitate refinancing and significant reduction in interest costs

Emeco today released its financial results for FY17 highlighting significantly improved operating EBITDA up 54% to $83.5 million and increased operating EBITDA margins at 36% from 26% compared to FY16.

Over FY17, Emeco saw a 61% reduction in total recordable injury frequency rate, down from 5.6 to 2.2, and a zero long-term injury frequency rate.

Managing Director, Ian Testrow, said: "FY17 was a transformational year for Emeco, with substantially increased operating EBITDA and EBITDA margins and delivering its first year of positive operating EBIT since FY13. This improved financial performance was driven by our continuous focus on operational excellence, cost discipline and increased utilisation as we capitalised on improving market conditions and our greater scale following the merger with Andy's and Orionstone."

"The safety of Emeco's people remains our number one priority. I am very pleased with how our teams have maintained a strong commitment to safety through the integration of the three businesses and that we have been able to reduce our long-term injury frequency rate to zero.

"During FY17, Emeco also reduced its exposure in Canada and Chile and is now an Australian focused market leading equipment solutions provider, with a fleet of approximately 800 machines, a stronger balance sheet and a more diversified customer base across commodities.

"Emeco continues to deliver on its strategic objectives of improving financial and operational performance, strengthening its customer value proposition through innovation, with an additional EOS project recently secured, and reducing our costs.

"The outlook for Emeco is positive for FY18 and beyond. The merger and asset swaps resulted in an additional 500 pieces of equipment for Emeco in Australia, boosting our potential to take advantage of increasing mine site production levels due to stronger commodity prices and stronger demand for equipment. We have a strong pipeline of projects coming to market in thermal coking coal, base metals and gold. We will continue to grow our market share in Australia through stronger and longer-term customer relationships and a greater value proposition, while selectively pursuing strategic consolidation opportunities. We are

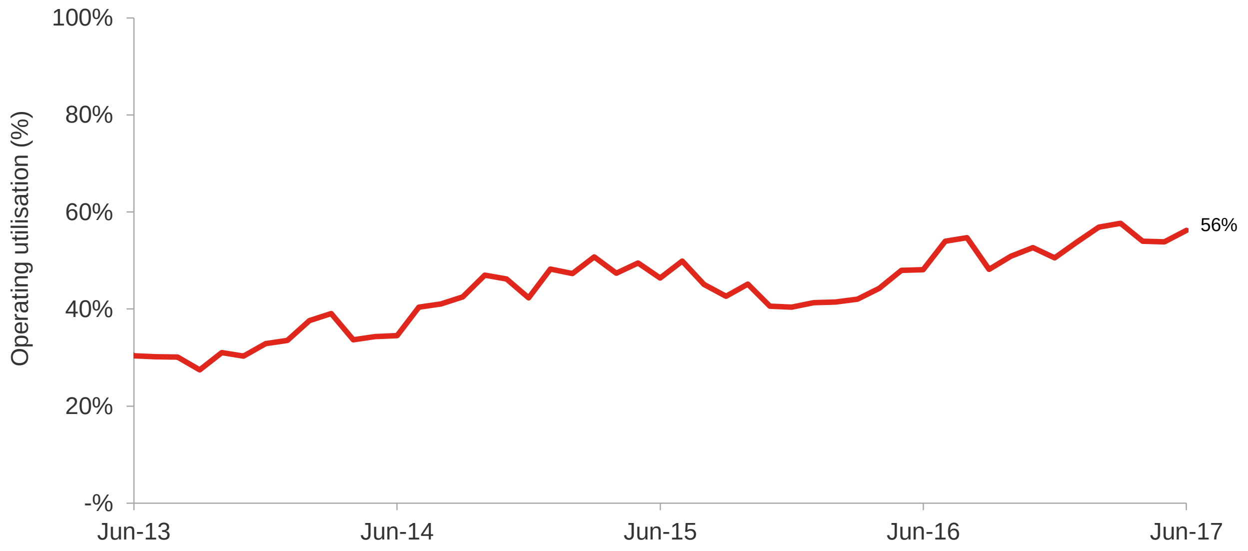
[1] Net debt / Operating EBITDA (on an annualised 4Q17 basis)

committed to delivering further improvement in EBITDA margins by building on our asset management capabilities to become the lowest cost equipment provider and increasing utilisation.

“Emeco remains on track to achieve a run-rate of $15 million of merger cost synergies by the end of FY18, optimising cash flow and further deleveraging our balance sheet. Emeco is committed to its long-term leverage ratio target of 2.0x by FY20, which will provide Emeco with a sustainable capital structure through the mining cycle. We are confident that we will deliver strong and sustainable shareholder returns.

“I would like to thank all of our employees, shareholders, noteholders and wider stakeholders for their continued support of Emeco.”

GROUP UTILISATION



OPERATING FINANCIAL RESULTS

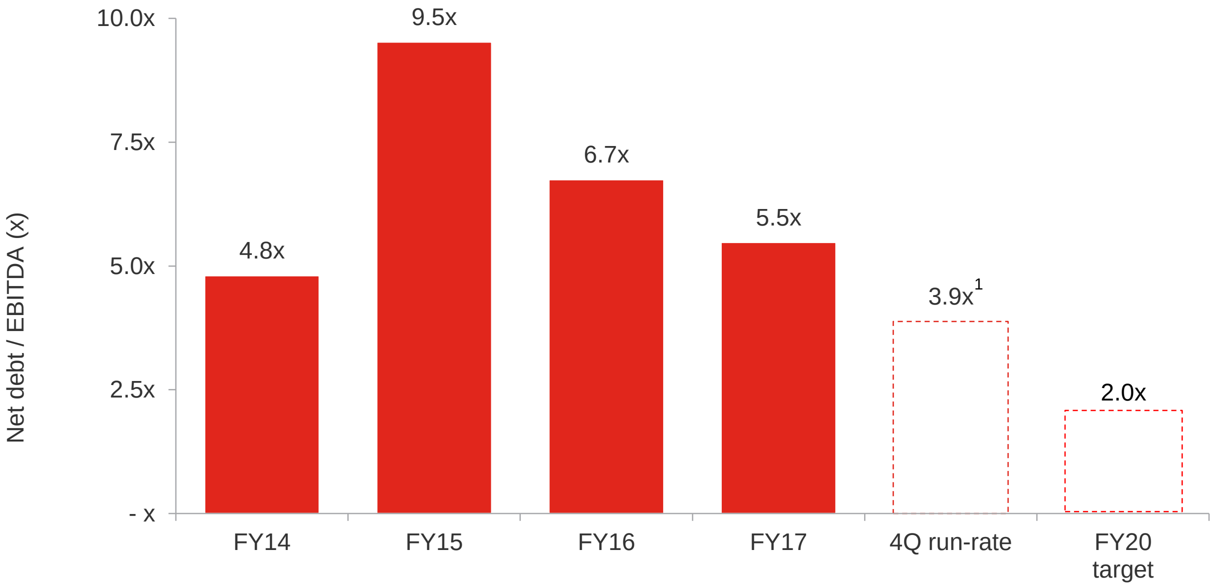
	FY16	FY17	Change
Operating revenue	$208.0m	$233.0m	▲12.0%
Operating EBITDA	$54.2m	$83.5m	▲54.1%
Operating EBITDA margin	26.1%	35.8%	▲9.7pts
Operating EBIT	($14.2m)	$12.0m	▲$26.2m
Net debt / Operating EBITDA	6.7x	5.5x[2]	▲ 1.2x

BALANCE SHEET AND CASH FLOW

In FY17, Emeco generated operating free cash flow of $36.9 million.

Emeco also released $15.2 million from the closure of the remaining cross-currency interest rate swaps. The $20 million raised from the rights issue was used to pay part of the recapitalisation and merger transaction costs.

Emeco's debt structure consists of US$356m of bonds due March 2022 and the A$65m revolving credit facility expiring in March 2020 which remains undrawn. At 30 June 2017 Emeco had net debt of $457.1 million and leverage ratio of 5.5x (based on Operating EBITDA of three quarters of pre-merger and one quarter post-merger). Emeco's adjusted leverage using annualised 4QFY17 EBITDA is 3.9x, representing a significant reduction on FY16 leverage of 6.7x.



[1] Net debt / Operating EBITDA (on an annualised 4Q17 basis)

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Investor enquiries
Thao Pham
Chief Strategy Officer
+61 8 9420 0222

Media enquires
Consiglio
Hayley Morris +61 407 789 018
Emily Blyth +61 401 601 044

Level 3, 71 Walters Drive, Osborne Park WA 6017, Australia
PO Box 1341, Osborne Park DC WA 6916, Australia
Emeco Holdings Limited ACN 112 188 815
emecogroup.com

T +61 (0) 8 9420 0222
F +61 (0) 8 9420 0205
E corporate@emecogroup.com