emeco **ASX Release**

28 February 2017

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

Operational excellence drives improved financial performance

- **1HFY17 operating EBITDA of $33.6 million up 45% from $23.2 million in 1HFY16**
- **Improved operating EBITDA margin of 38% up from 21% in 1HFY16**
- **First half of positive EBIT for Emeco since 2HFY13**
- **Positive net cash flow of $9.0 million for 1H17**
- **33% reduction in total recordable injuries compared to previous 6 months**
- **Recapitalisation and merger integration planning well advanced ahead of completion expected on 31 March 2017**

Emeco today released its financial results for 1HFY17 highlighting significantly improved operating EBITDA and operating EBITDA margins, up 45% and 78% respectively from 1HFY16. Emeco's 1HFY17 improved financial performance also represented Emeco's first half of positive EBIT since 2HFY13.

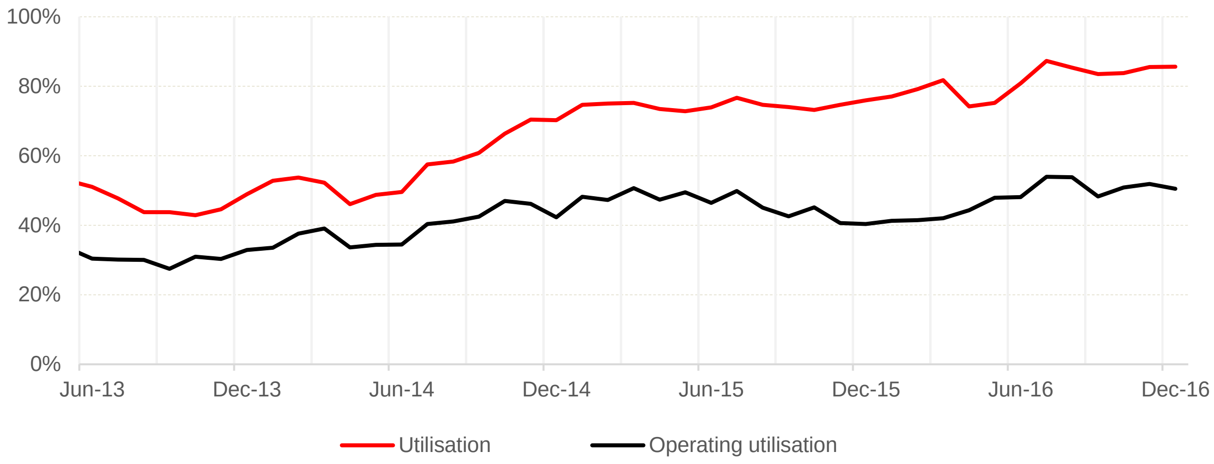
Emeco's improved 1HFY17 financial results was extensively driven by its operational excellence initiatives and strategic partnerships with RML, HMER and The Red Button Group. These facilitated improved operating performance and efficiencies, resulting in a sustainable reduction in Emeco's operating costs by 34.4% compared to pcp, whilst still reducing the number of total recordable injuries by 33% compared to 2HFY16.

Managing Director, Ian Testrow, said, "We have improved our operational and financial performance in the first half through our operational excellence and cost discipline initiatives. Notwithstanding 1HFY17 operating revenue of $87.8 million was down when compared to 1HFY16 primarily as a result of the repositioning of the Canada business, we have generated significant improvement in our EBITDA margins which has helped us to deliver our first half of positive EBIT since 2013."

Mr Testrow added, "With increased levels of customer activity, the team aims to accelerate these positive results through the second half, particularly through an improvement in our operating utilisation with our 'customer first' approach. We continue to work with our existing and potential customers to widen our value proposition and deliver innovative equipment solutions, focusing on customer productivity and cost efficiencies over the long term, which will be facilitated by our strategic partnerships with industry peers and our EOS technology."

"We are also working towards the completion of the recapitalisation and mergers with Orionstone and Andy's. This transaction will significantly strengthen Emeco's balance sheet and extend our debt maturity, reduce the average life of our fleet and enhance our market position. This will provide Emeco with a sustainable platform for growth over the immediate and long term. Our integration plans are well advanced ahead of completion expected in the second half of the financial year, so that we can combine the strengths of all three businesses bringing an enhanced range of services and improved value proposition to our customers," Mr Testrow said.

GROUP UTILISATION



OPERATING FINANCIAL RESULTS

A$ million	1HFY16	1HFY17	Change on pcp
Revenue	109.1	87.8	▼19.5%
Operating EBITDA	23.2	33.6	▲44.8%
Operating EBITDA margin	21.3%	38.3%	▲17.0%
Operating EBIT	(12.9)	3.5	*na*
Statutory NPAT	(107.2)[1]	(31.3)[2]	*na*
Net cash flow	(3.3)	9.0	*na*

1 *Includes tangible asset impairments ($100.7m), one-off redundancies ($2.4m), borrowing costs ($1.2m), corporate development costs ($0.1m) and the related tax impact of $1.4m.*

2 *Includes the reversal of asset impairments of previously impaired assets sold during the period of $1.2m, one-off redundancy expenses ($0.4m) and costs associated with the acquisition of Andy's and Orionstone ($2.8m).*

Refer to Emeco's 1HFY17 interim financial report for further information.

BALANCE SHEET AND CASH FLOW

Emeco's total debt increased from $390.2 million at 30 June 2016 to $396.7 million at 31 December 2016 driven by a depreciation of the Australian dollar against the US dollar denominated 144A notes.

Nevertheless, net debt decreased over this period from $365.4 million to $362.9 million due to an increase in cash held by the Group. Net debt comprises $396.7 million of total debt less cash of $33.8 million.

The ABL remained undrawn as at 31 December 2016 with bank guarantees totalling $11.8 million utilised against the facility.

During 1HFY17, Emeco closed out its remaining swap facilities generating $15.2m in cash flow and, as a result, the company is now unhedged against its FX exposure on its US denominated 144A notes.

OUTLOOK

Emeco expects operating utilisation to improve in the second half as customers increase equipment usage in response to improved commodity markets, particularly in Queensland and New South Wales coal markets. Emeco's focus on operational excellence, enhanced productivity and innovation will continue.

Subject to approval from Emeco's shareholders and noteholders at the respective meetings scheduled for 13 March 2017, the recapitalisation and mergers are expected to complete on 31 March 2017. Integration plans are well advanced with target levels of capital and operational synergies identified.

RESULTS BRIEFING WEBCAST

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