



National Hire Group Limited  
PO Box 195  
Matraville NSW 2036  
A.B.N 61 076 688 938

Telephone: (02) 9582 7922  
Facsimile: (02) 9666 3701

21 November 2003

ASX Online  
Australian Stock Exchange Limited  
Level 4  
20 Bridge Street  
SYDNEY NSW 2000

Release by elodge

Please find attached the following:

Chairman's Address and Managing Director's presentation given today at the Annual General Meeting.

Should additional information be required please contact the writer on (02) 9582 7922.

Yours truly,

A handwritten signature in black ink, appearing to read "Stephen Donnelley", written in a cursive style.

STEPHEN DONNELLEY  
Managing Director



## **CHAIRMAN'S ADDRESS**

### **ANNUAL GENERAL MEETING 21 NOVEMBER 2003**

Thank you for your attendance at today's meeting. It is very important to our Company that we have a well informed shareholder body that participates in the affairs of the Company. In many respects the commitment of our existing shareholders was shown in the recently completed successful capital raising.

Shortly, I will review the past year, outline the Company's commitment and timeframe to implementing the Australian Stock Exchange "Principles of Good Corporate Governance and Best Practice Recommendations" and provide a brief overview of National Hire's executive incentive plan. Stephen Donnelley, the Company's Managing Director, will give a short presentation and introduce the group's executive management.

Let me start by introducing the Directors. On my right Mr John Star, Mr Philip Higginson & Mr Ray Kelsey. On my left Mr Stephen Donnelley and Mr Ray Harman who is acting Company Secretary in the absence of Mr Kevin Stanton. We welcome Mr Kelsey who joined the Board in August of this year.

Mr Kelsey has had a long and successful career in the hire industry and will strengthen the Board's hire industry knowledge and expertise.

Being resident in Victoria, Mr Kelsey will provide regional representation and will play a key role in assisting, developing and reviewing the Group's strategic plan and its implementation. In addition he will provide mentoring, hire industry experience, introduction to potential key clients and public relations assistance.

Mr Kelsey was the Chief Executive Officer of Wreckair Hire from 1978 to 1990. From 1994 through to 1996 he was Executive Chairman and CEO of the privatised VIC Roads that became AH Plant Hire. After 1996 Mr Kelsey continued to provide consulting services to the hire industry, including assisting National Hire with its strategic review earlier this year.

Mr Kelsey brings industry experience and change to our Board.

National Hire has a 5 member Board with hire industry, legal, accounting and professional board experience. Four of the Directors are independent, 3 of the Directors are non executives and there is an established process for dealing with issues when independence comes into question.

I am pleased to report the improved financial performance of the business during 2002 – 2003. All of our financial measures improved. Revenue grew by 4.9% to \$30,395,000. EBITDA grew 10.9% to \$5,791,000. Pre tax profit turned around by \$1,545,000 delivering a pre tax profit of \$111,000.

Importantly, the second half of the year proved to be stronger than the first half highlighting the momentum of the business due to economic activity and focused management.

This improvement in performance was suggested during my address at last years Annual General Meeting when I said "the immediate outlook for the Company is encouraging however I caution us to be conservative".

During the periods 2000 – 2001 and 2001 – 2002 National Hire faced a market slow down, delays in forecast infrastructure projects and the distractions and financial impact of the HIH settlement. This period is now behind us and has provided valuable lessons and experience in dealing with difficult market conditions as well as how to grow and move the business forward in these conditions. We acknowledge the cost cutting measures eventually implemented were not introduced quickly enough to minimise the impact of the difficult conditions on the financial performance of the business.

Capital expenditure in National Hire's business has been substantially limited from the 2000 – 2001 financial year until recently. During this period we were unable to optimize stock levels at branches and to replace all items of hire equipment which had reached the end of its useful life and had to rely on the high costs of sub hire to satisfy customer demand. We recognized that by expanding and rebuilding our equipment fleet, providing scale and volume, minimizing sub-hire and focusing on our core customer segment the Company would be well positioned to build on its 2003 profit improvement. Hence, the decision was made to undertake a capital raising that would both improve the balance sheet and provide funds to rebuild the equipment fleet, bringing benefits to the Company in 2004 and the years beyond.

The capital raising I refer to was the recently completed 6 for 5 renounceable rights issue raising \$6.3 million. An outstanding 92% of the offering was taken up by existing shareholders or by those who purchased the rights on market leaving only 8% for the underwriter to arrange to be taken up. The Board welcomes the ongoing support and confidence of our existing shareholders.

As a result of the renounceable rights issue the Company issued 39,381,299 fully paid ordinary shares on Friday 10 October 2003. Trading of these shares commenced on Monday 13 October 2003.

National Hire's capital expenditure programme will be significantly enhanced by \$3.8 million of the funds raised by the renounceable rights issue being earmarked to expand National Hire's equipment fleet to take advantage of the current buoyant market conditions and opportunities for growth.

I wish now to refer briefly to the Company's commitment and timeframe to implementing the Australian Stock Exchange's "Principles of Good Corporate Governance and Best Practice Recommendations". The Board endorses the Australian Stock Exchange's approach to Corporate Governance. There are some principles that will require further debate particularly for companies the size of National Hire. In circumstances where National Hire does not strictly meet a guideline we will, as the guidelines call for, answer the "if not why not" obligation. An implementation plan complete with timeframe has been prepared and is in the process of being rolled out. This will be published in next year's Annual Report and progressively posted on our website.

The Board respects and understands the impact that the National Hire team can have on the success of the business. The National Hire team is the ultimate strength of our business. The Company has faced a challenging business environment however the National Hire team has remained stable and committed. Rewards and incentives play an important role at National Hire in a number of forms. National Hire introduced an executive incentive plan and participants in the plan at this point in time are our senior executives Ray Harman, Greg Parfitt and Adrian Manning. The executive incentive plan provides both short term and long term incentives dependent upon satisfaction of short term and long term Company goals. The short term incentives are based on defined current financial year targets with key performance indicators being set for safety, financial measures and strategic plans. If the target is achieved then up to 25% of the executive's salary may be payable as a bonus. Long term incentives are provided by the grant of options issued at an exercise price equal to the prevailing market price with exercise being subject to Company and share price performance delivering to shareholders an annualized 15% return over a defined period, usually 2 years. Those 3 nominated executives will each receive 200,000 options per year for the next 4 years. We believe these incentives will assist in rewarding executives for performance, assist in retaining and recruiting executives and align shareholder and executive interests.

The outlook for the Company is promising. I am happy to announce unaudited financial results for the first four months to October for the current financial Year. Revenue is up 7.4% to \$11 million compared to the previous period of \$10.2 million an increase of \$754,000. Profit before tax is \$478,000 compared to the previous period's loss of \$33,000 an improvement of \$511,000. The corresponding period was affected by significant items of \$263,000 in costs. Therefore, a more direct comparison is the profit before tax and significant items being \$478,000 compared to the previous corresponding period of \$230,000, a \$248,000 or 108% improvement. It should be noted that this performance is prior to the impact of the recently completed capital raising. This performance underlines current demand and most importantly the efforts of the National Hire team. While the result is good but we can and need to do better. The recent capital raising allows us to purchase equipment that will assist in reducing sub hire and also grow our revenue. This will facilitate improved performance however, the results will be dependant on the timing of receipt of the equipment into our hire fleet and the seasonal patterns of the Christmas holidays. It is not appropriate to simply annualize the last four months performance.

We are strengthened by the experiences of the past few years, encouraged by our current performance and shareholder support and quietly confident about the future.

I would now like to ask Stephen Donnelley to provide us with a brief presentation.

Thank you Stephen

Before moving to the formal proceedings, I would like thank you our shareholders for your continuing loyalty and support. I also extend sincere appreciation to our staff and employees for their dedication.



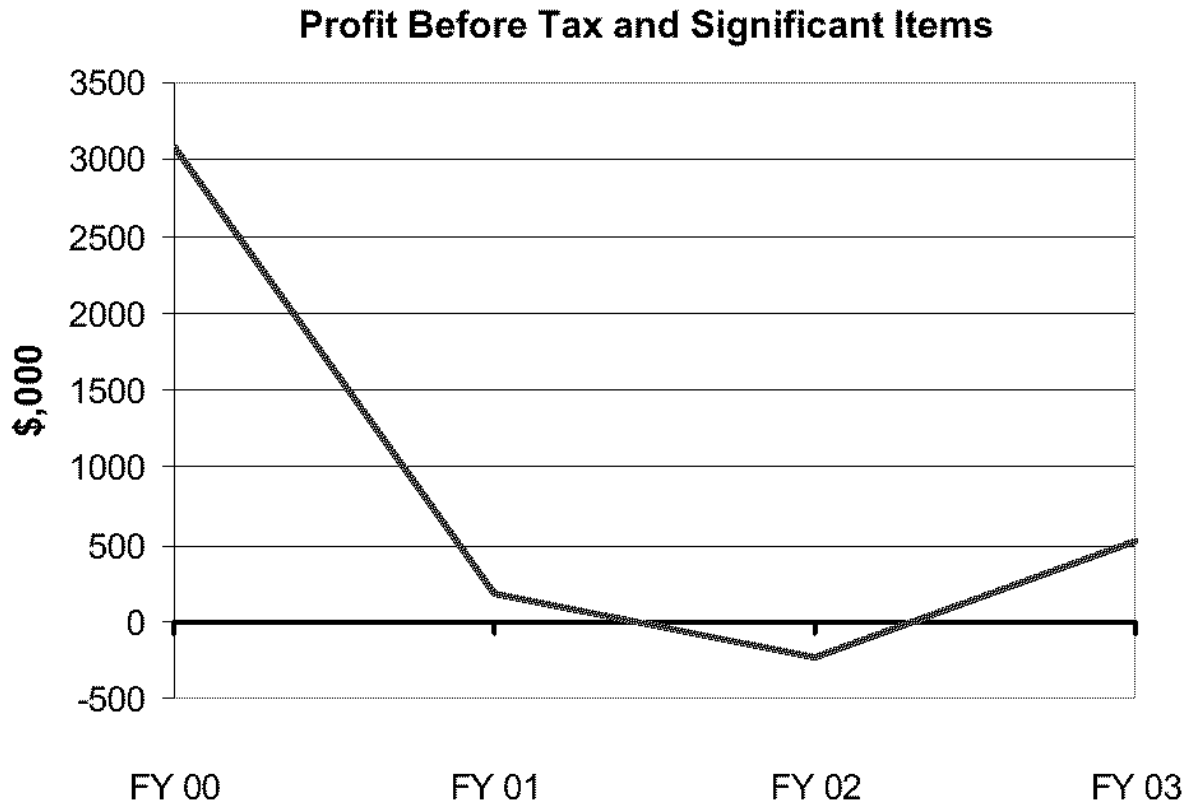
# Managing Director's Presentation

Annual General Meeting 21 November 2003

# Review



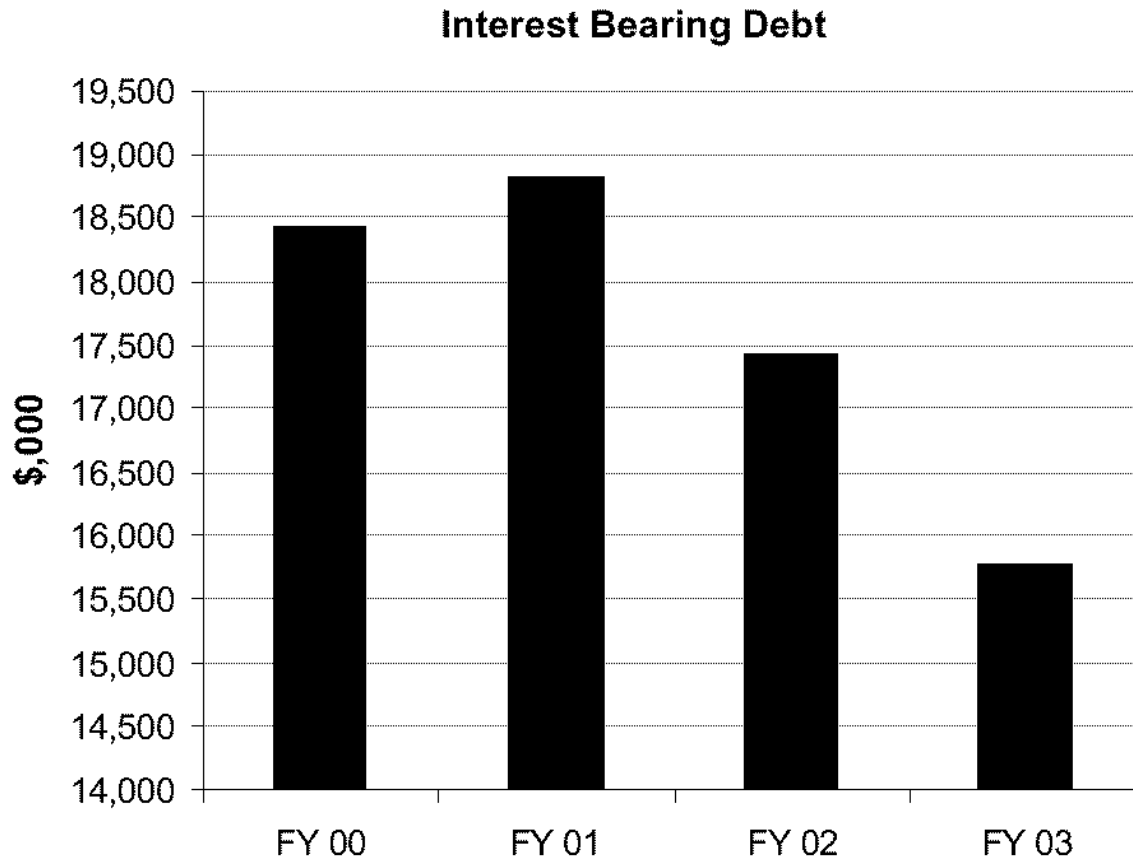
## ► Recovery in profitability



# Review



## ► Reduced debt & gearing



# Review



## POST BALANCE DATE

- ▶ Completed \$6.3M capital raising
- ▶ Appointment of Ray Kelsey to Board



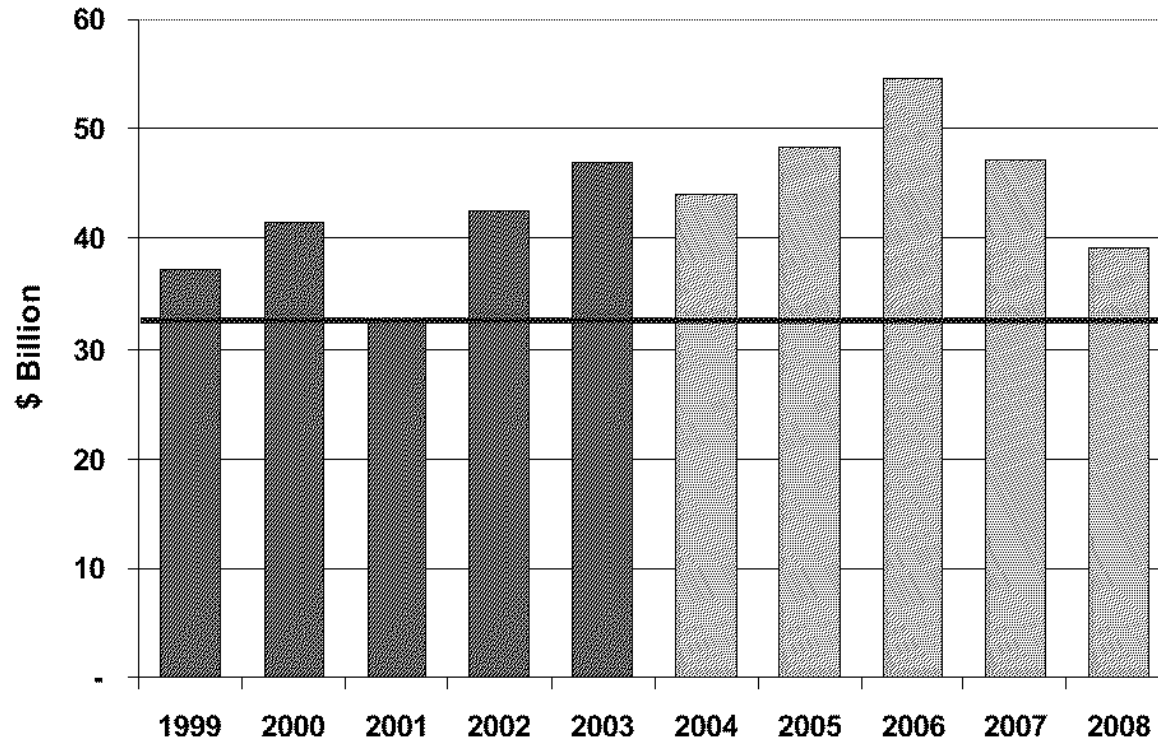
# Platform for Growth



## ► Strong industry outlook

### Building Commencement Forecast

Source BIS Shrapnell



# Platform for Growth



- ▶ Realignment of the business
  - Management changes
  - Focused positioning
  - Economies of scale

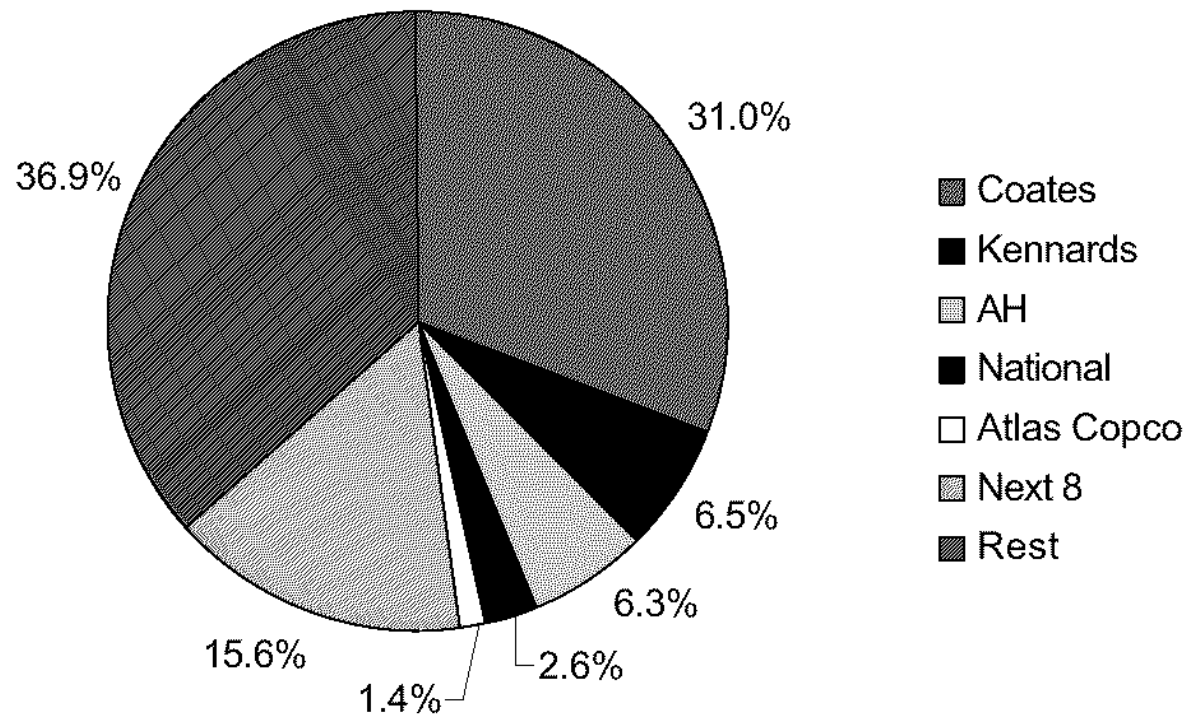
# Market Characteristics



## ► Fragmented market behind Coates

### Hire Industry Market Share

Source: National Hire Estimates 2003



# Market Characteristics

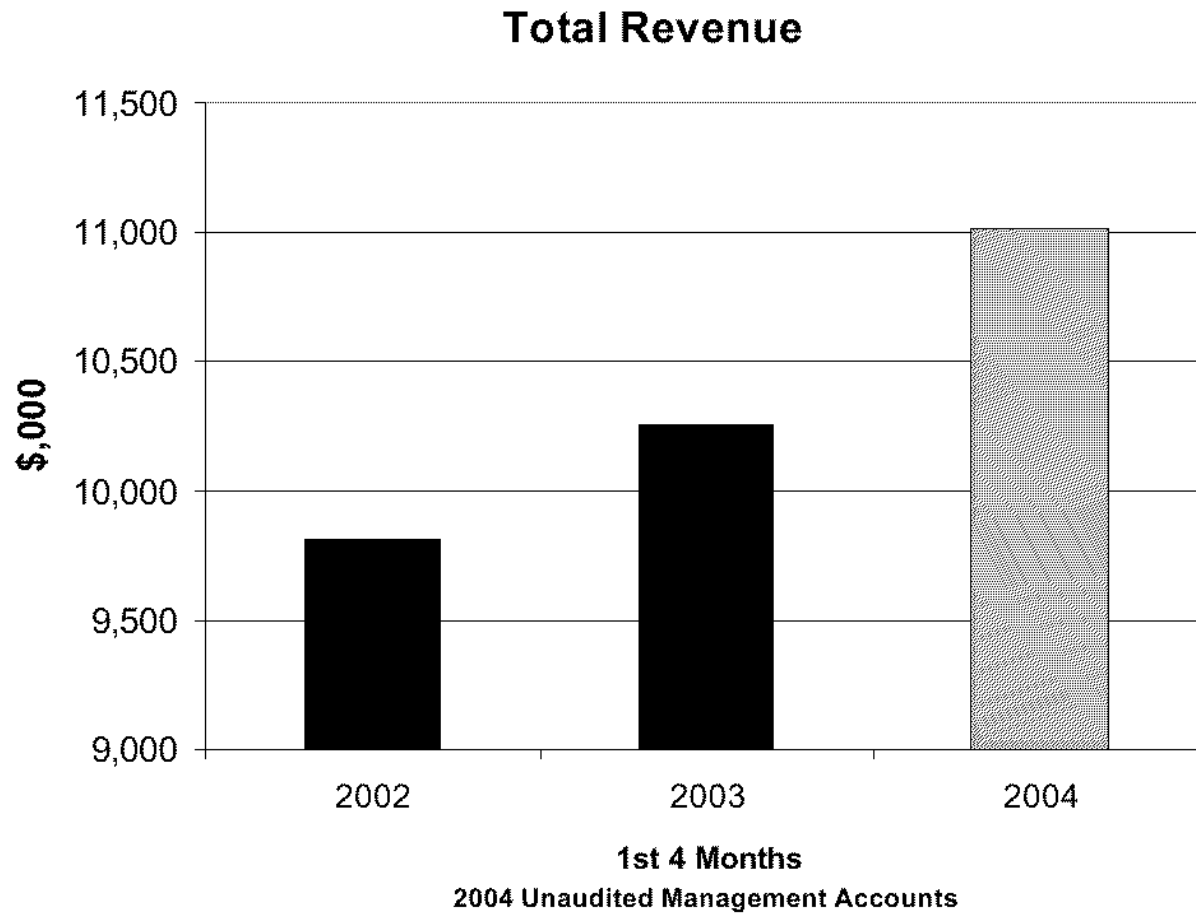


- ▶ Capital intensive business
- ▶ Cyclical industry
- ▶ Organic growth potential
- ▶ Strong cash flow

# Trading Update



- ▶ Sustained growth in volumes

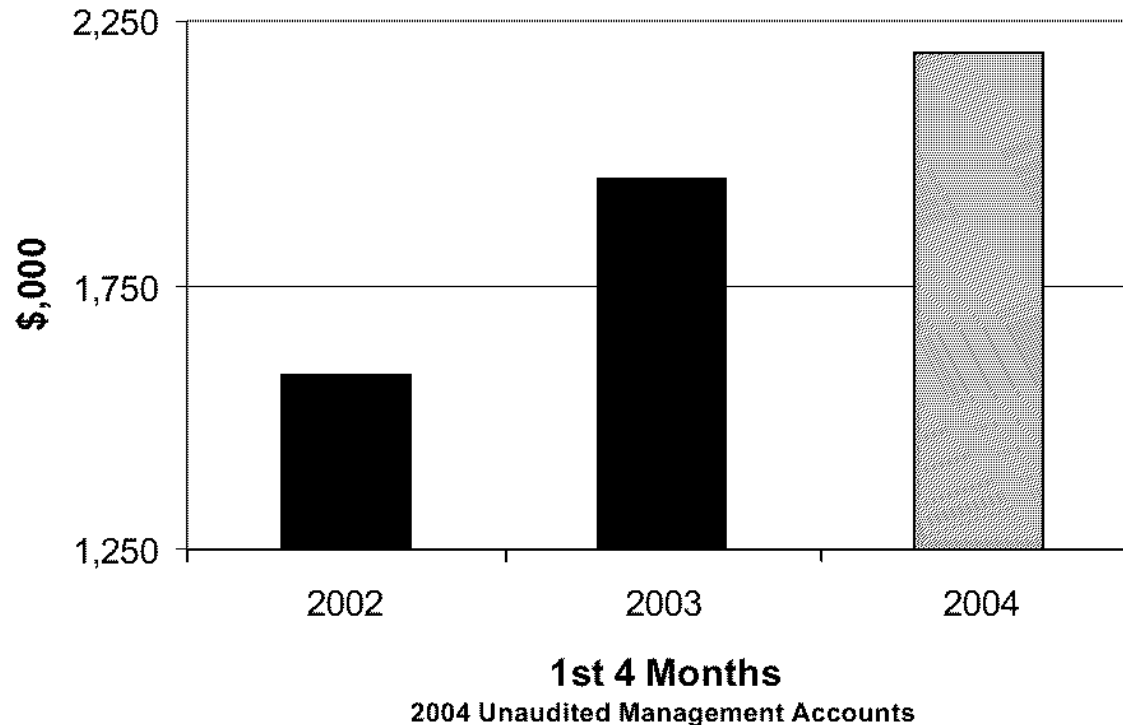


# Trading Update



- ▶ Supporting margin expansion and improved operating profit

## EBITDA & Significant Items

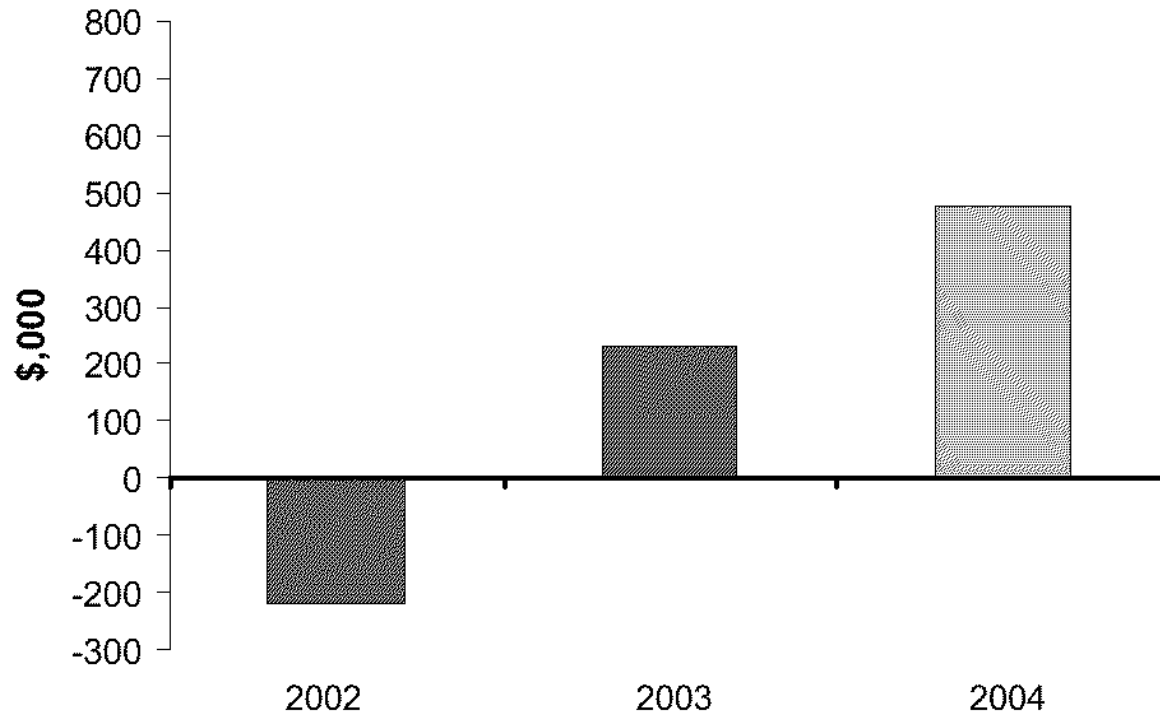


# Trading Update



- ▶ Underpinning continued recovery in pre tax profit

## Profit Before Tax & Significant Items



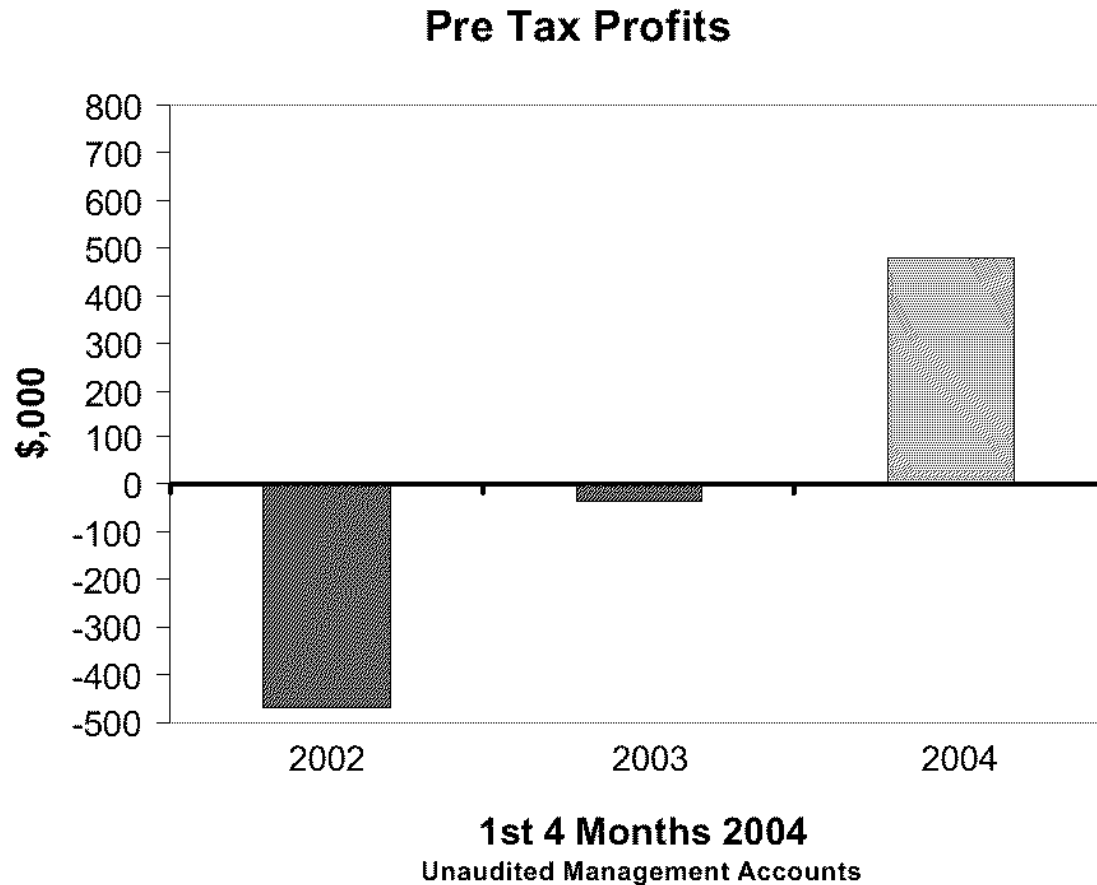
1st 4 Months

2004 Unaudited Management Account

# Trading Update



- ▶ Supporting strategy to increase investment in equipment





# Outlook



- ▶ Market growth
- ▶ Corporate strategy and positioning
- ▶ Continuation of profit performance
- ▶ Opportunities to grow in a \$1.2bn industry
- ▶ Improved return to shareholders