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Earthmoving equipment solutions

2011 Interim Results

Keith Gordon, Managing Director & Chief Executive Officer

Stephen Gobby, Chief Financial Officer

Emeco 2011 Interim Results

- Overview
- Financials
- Strategy & Outlook
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Picture: Komatsu 830E-AC 240 tonne dump truck being prepared for rent in Mackay, Queensland

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Overview

Keith Gordon
Managing Director & Chief Executive Officer

Summary

Strong activity in all core markets driving improved financial performance

Highlights

- Strong operating performance in all regions (87.6% average utilisation)
- New debt facility established with extended maturities
- Further investment in large mining fleet
- Refocusing business on 3 core mining markets now largely complete

Improving financial performance

- Normalised operating NPAT of $29.5M
- ROC (R12) 11.2% at Dec-10 (Dec-09: 6.4%, Jun-10: 8.3%)
- One-off special dividend of 5.0c funded from capital release

Looking forward…

- Balance sheet capacity supports value accretive growth
- Positive commodity fundamentals in key operating regions
- Procurement strategy to meet organic growth opportunities

Financial summary

Maintaining focus on shareholder returns

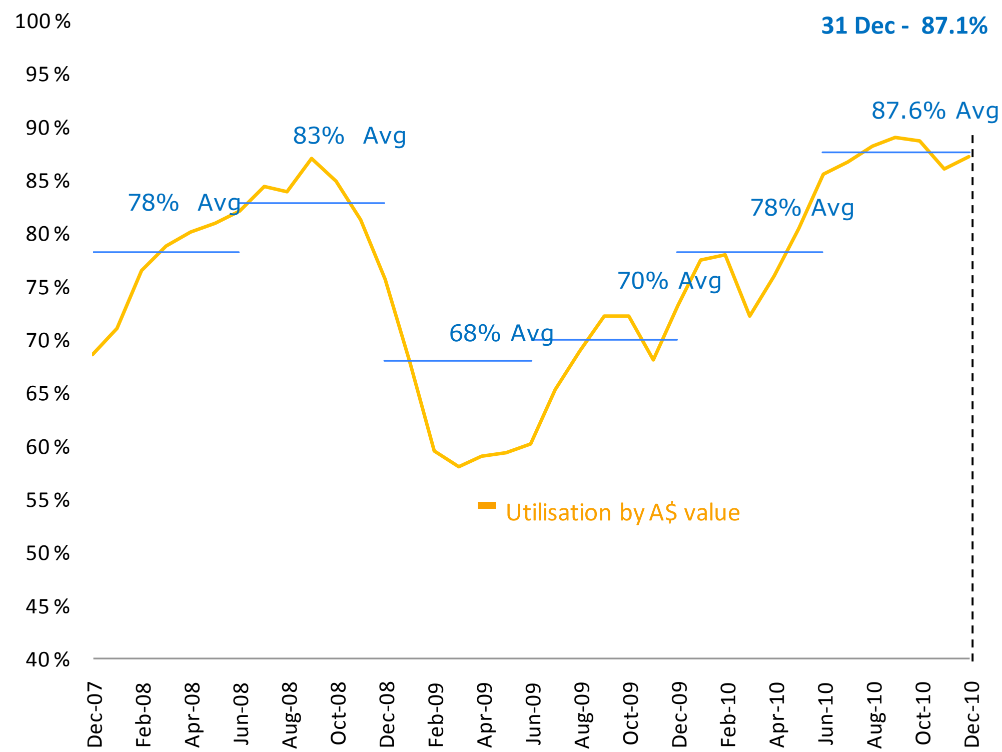
- Normalised NPAT of $29.5M, up 116.9% PCP
- Statutory NPAT of $24.1M
  - Discontinued operations delivered $0.6M profit
  - One-off impairment of Indonesian debtor $6.0M
- Significant balance sheet capacity to pursue growth
  - $231.0M facilities headroom
- Improving earnings quality - ROC 11.2% (Dec-10)
- Interim dividend of 2.0c per share, fully franked, in line with policy
- Special dividend of 5.0c per share, fully franked funded from capital release

Rental fleet utilisation

Consistently high fleet utilisation in all regions

- High enquiry levels from customers
- High utilisation of existing fleet providing opportunities to further invest
- Queensland fleet was not materially affected by extreme weather events
- Major fleet redeployments in NSW successfully completed
- Canadian mining fleet achieved high utilisation through the freeze period
- Customers continue to use Emeco's rental model for many varied reasons

Average Equipment Utilisation by WDV



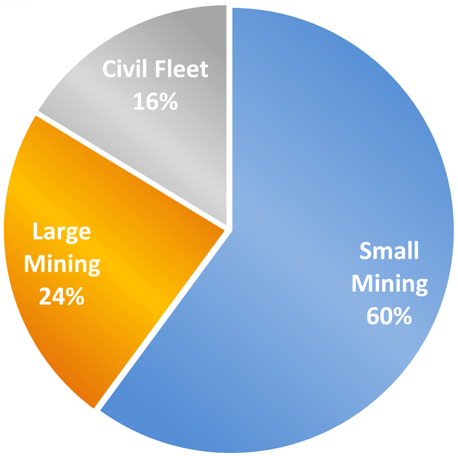
Note: Utilisation defined as % of fleet rented to customers (measured by written down value)

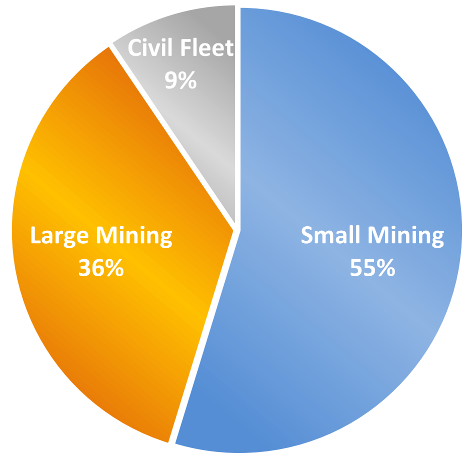
Equipment

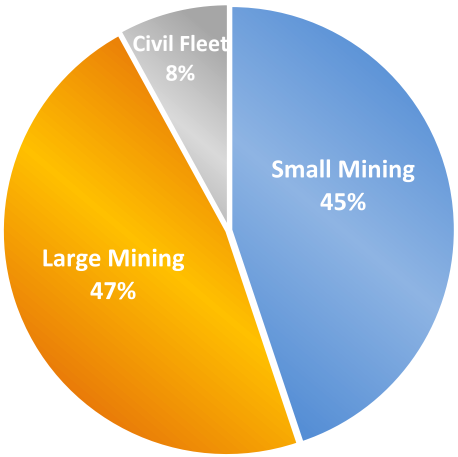
Continuing to grow the large mining fleet

June 09 → **June 10** → **Dec 10**

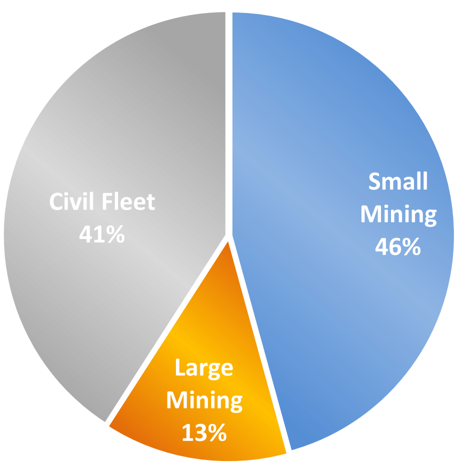
WDV:
Jun-09: $623M
Jun-10: $572M
Dec-10: $557M

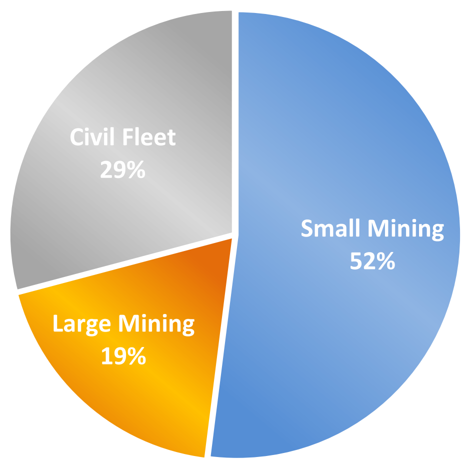


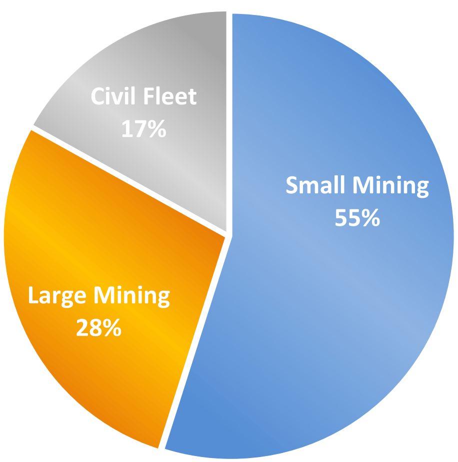




Number of Machines:
Jun-09: 1,120
Jun-10: 927
Dec-10: 909





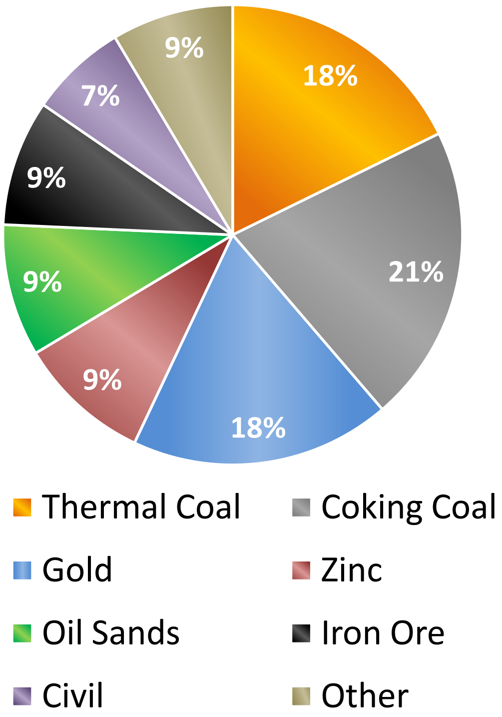


Notes:
Civil defined as <70 tn artic trucks and related small ancillary equipment;
Small mining defined as <150 tn trucks and related mining equipment;
Large mining defined as 190+ tn trucks and related mining equipment.

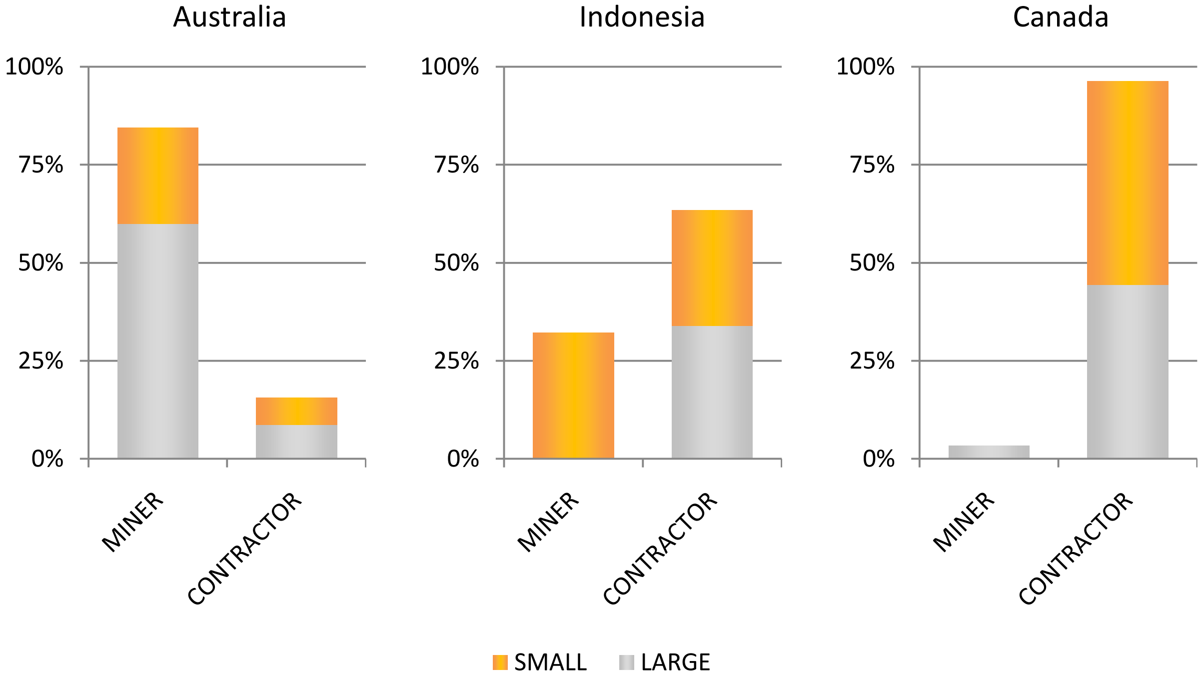
Customers

Leveraged to bulk commodities and gold with significant exposure to production cycle

Diversified global commodity exposure



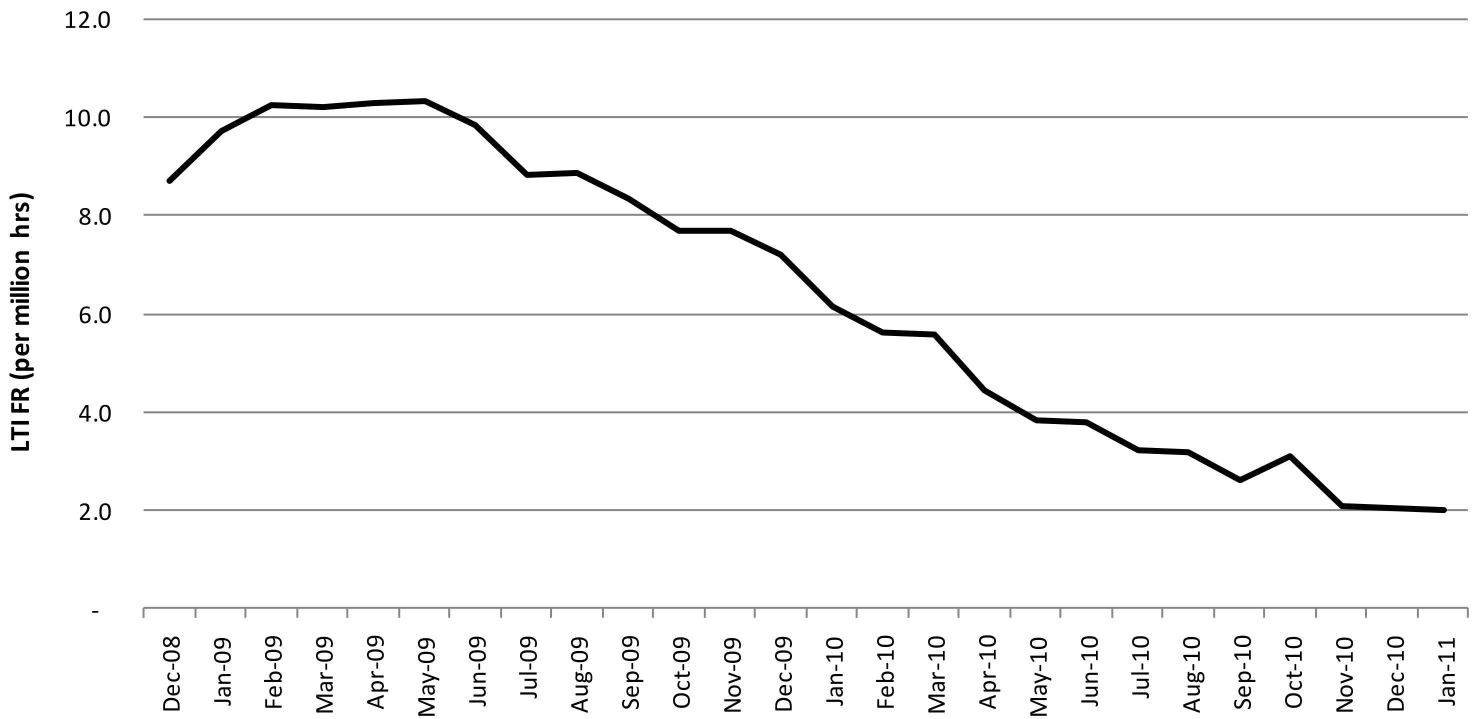
Customer composition differs by market



Note: Commodity percentages and customer composition based on 1H11 revenue

Safety performance

Our customers value Emeco's OH&S systems & practices

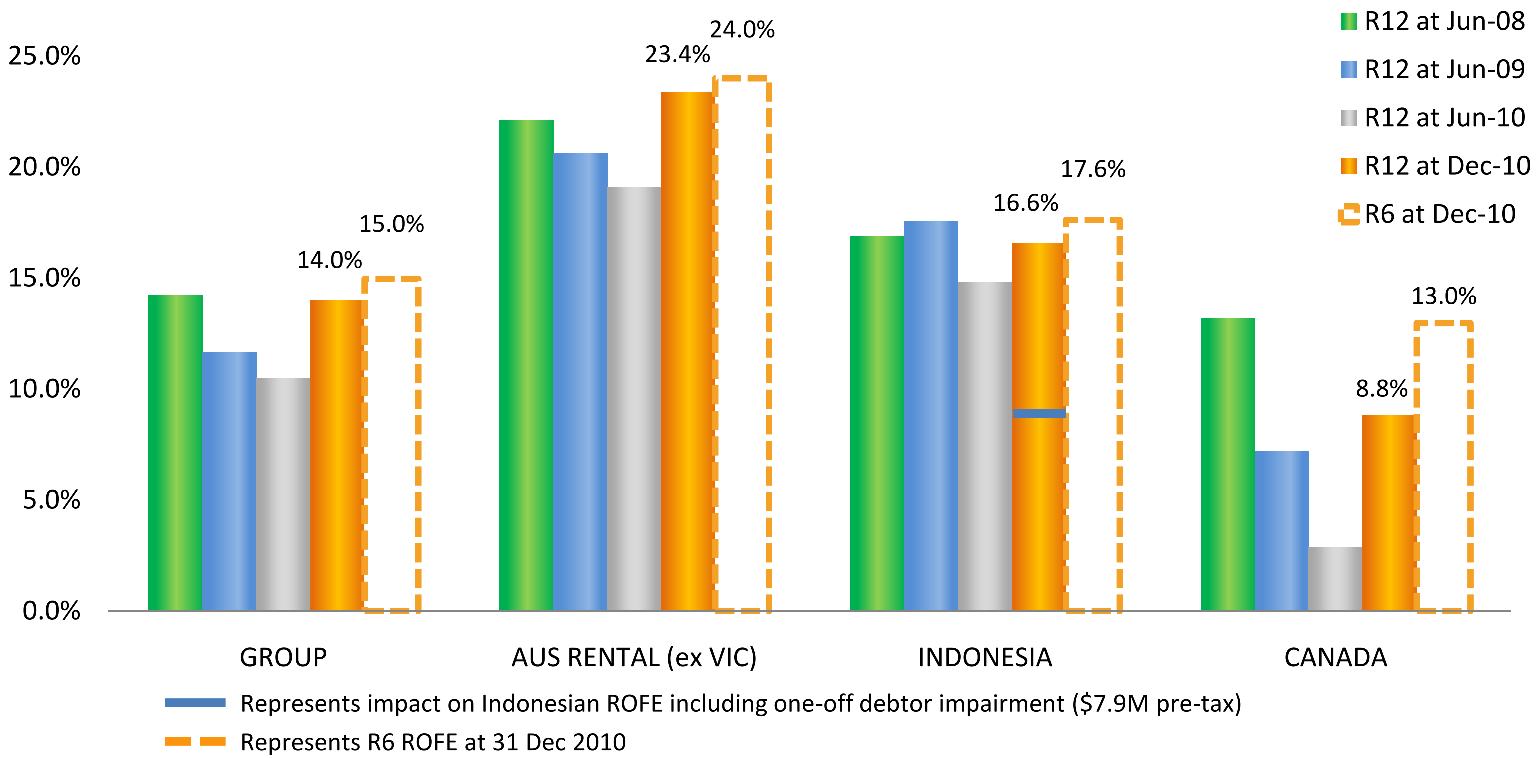


Note: LTIFR measured as number of LTI incidents per million man hours

Business unit returns

Positive trend in ROFE across all core markets

Investment of incremental capital can deliver acceptable returns



Notes:
Graph represents operating results;
ROFE calculated as R12 EBIT divided by Funds Employed for the period (except where stated R6);
Funds Employed defined as average 'Equity plus Net Debt less Goodwill' for the period;
Group ROFE includes total corporate costs, business unit EBIT excludes corporate cost allocation.

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Financials

Stephen Gobby
Chief Financial Officer

Earnings

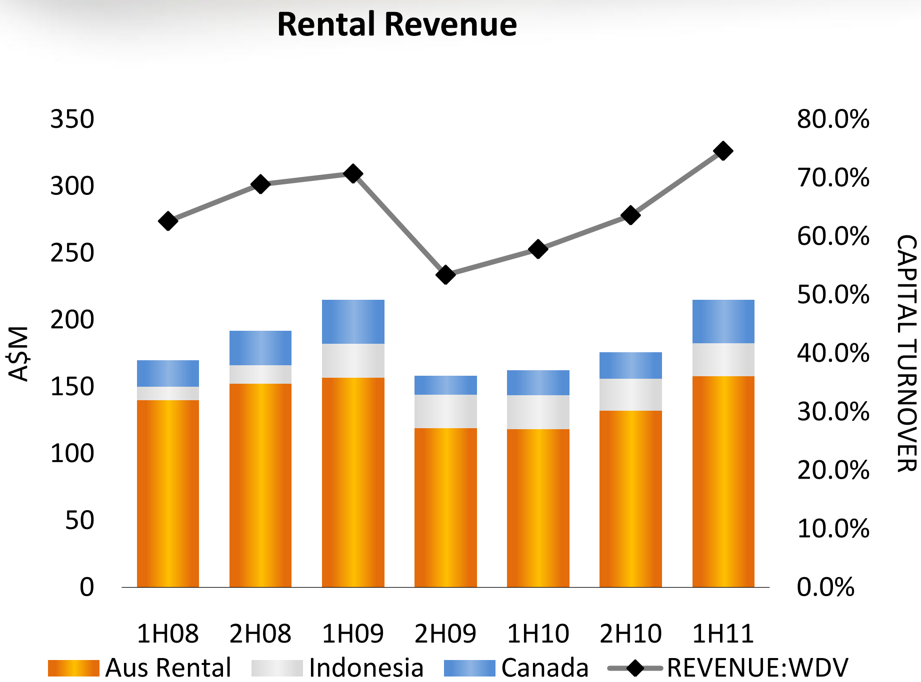
Trough earnings in 1H10 with earnings momentum continuing from 2H10 into 1H11…

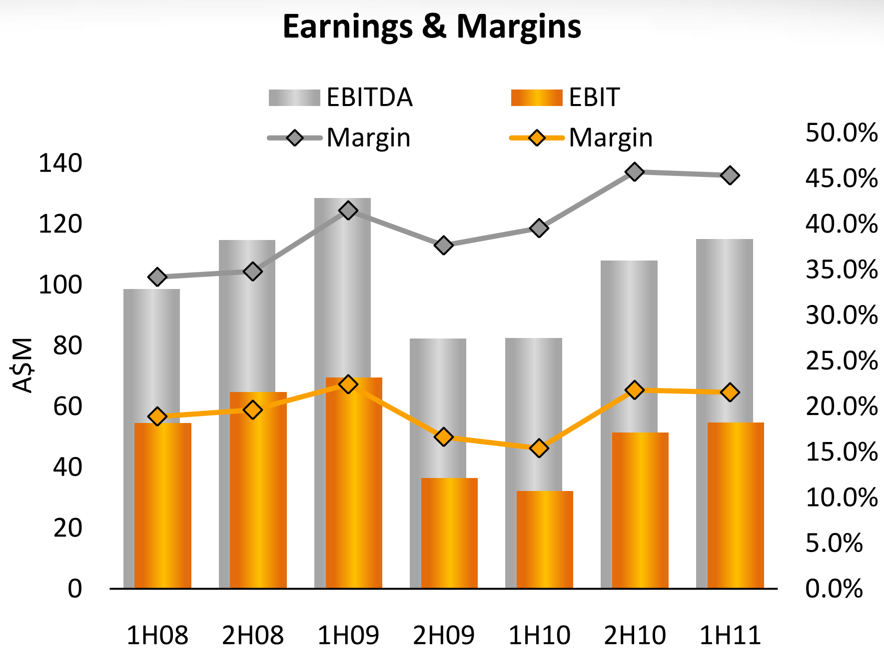
A$ Millions	1H10 Operating	2H10 Operating	1H11 Normalised	Var $	Var %
Revenue	208.5	235.9	253.6	45.1	21.6
EBITDA	**82.5**	**107.9**	**115.0**	**32.5**	**39.4**
margin (%)	*39.6*	*45.7*	*45.4*	-	5.8
EBIT	**32.1**	**51.5**	**54.7**	**22.6**	**70.1**
margin (%)	*15.4*	*21.8*	*21.6*	-	6.2
NPAT	**13.6**	**27.5**	**29.5**	**15.9**	**116.6**
Avg. Invested Capital	1,023.2	1,005.0	950.9	(72.3)	(7.1)
R12 ROC (%)	**6.4%**	**8.3%**	**11.2%**	**-**	**4.8**

Notes:
Table represents operating results;
P&L “1H11 Normalised” excludes one-off Indonesian debtor impairment $6.0M post tax;
ROC calculated as R12 EBIT divided by average Invested Capital for the period;
Invested Capital defined as average ‘Equity plus Net Debt’ for the period.

Earnings composition

Improving capital turnover and consolidation of margins





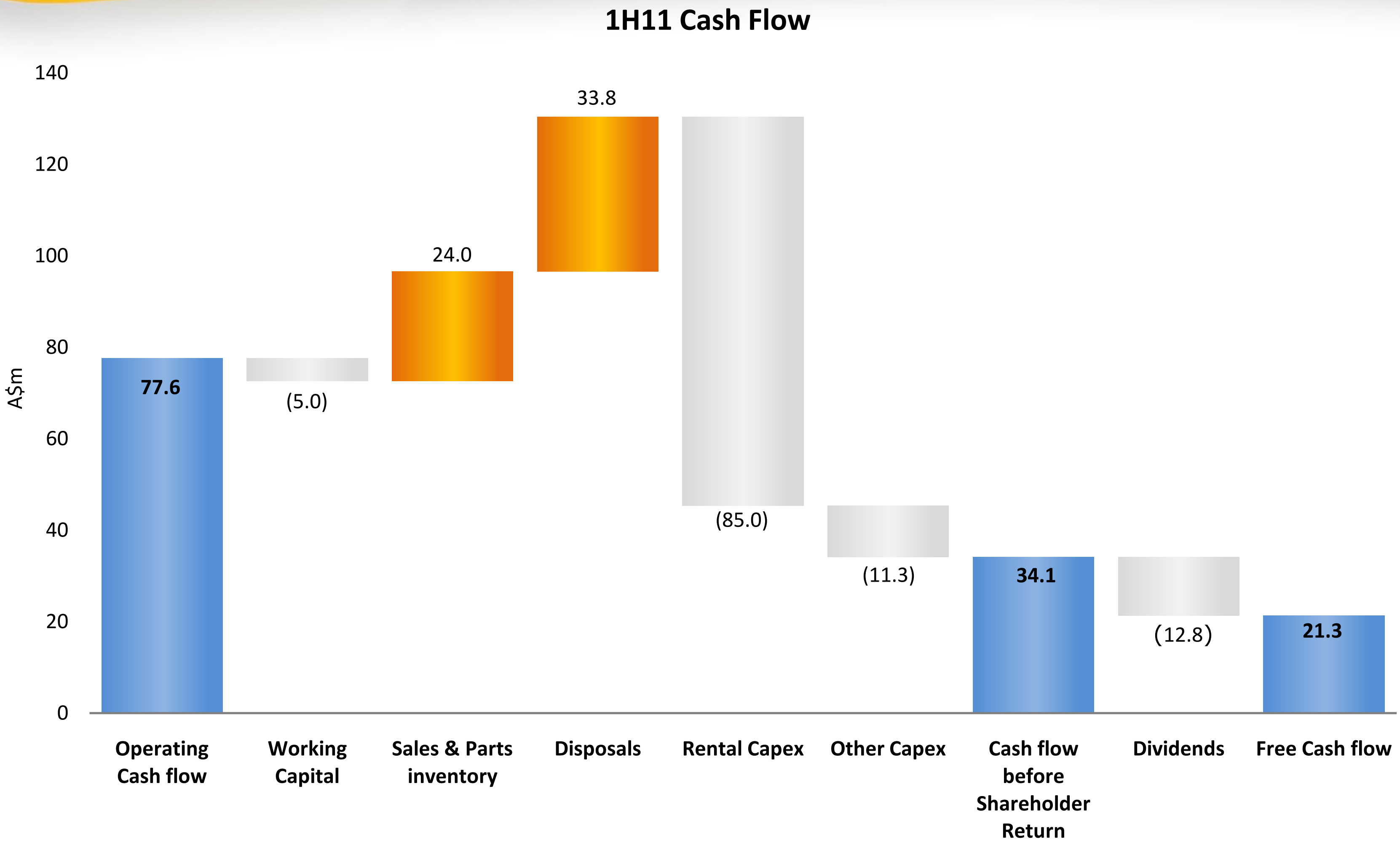
- Rental revenue returning to pre financial crisis levels on smaller invested capital base
- Focus on orientating the fleet to deliver consistent revenue across the cycle
- Growth in maintenance revenue

- Long term positive trend in EBITDA margin due to increased rental contribution and growth in large mining fleet
- Higher R&M, labour costs and used equipment pricing was somewhat offset by improving rental rates
- Building capability to support organisational and strategic initiatives increasing corporate costs

Note: Graphs represent operating results

Cash flow

$57.8M capital released through inventory reductions and civil fleet disposals

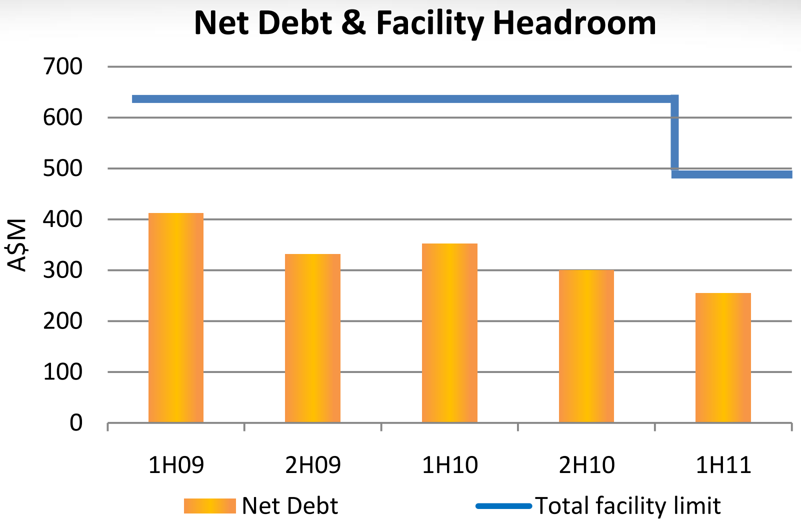


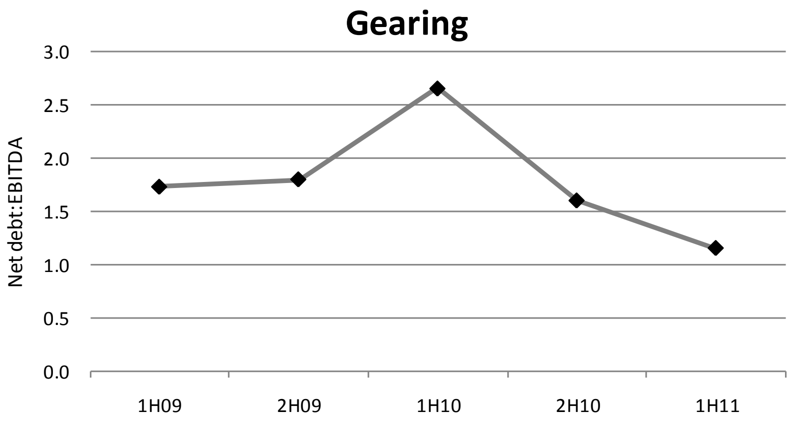
Note: Cash flow includes rental capex funded by finance lease totalling $21.2M which is excluded in statutory cash flow.

Balance sheet & borrowings

Balance sheet capacity positions Emeco for growth

- Reducing debt profile given strong operating cash flow & capital release
- Conservative gearing of 1.15x (Net Debt:EBITDA) below target range of 1.5x – 2.0x
- Blended maturity profile (3 and 5 year) provides flexibility and reduces refinance risk
- Facilities headroom and strong operating cash flow provides capacity to invest in growth opportunities





Notes:
Net debt comprises senior debt plus finance leases less cash;
Gearing defined as Net debt:R12 EBITDA.

Capital management

Capital release program and excess franking credits supports one-off fully franked special dividend

- Returning $31.6M to shareholders by way of special dividend
  - Funded from $33.4M capital released in 1H11 from underperforming assets
  - Balance of $60.0M capital release target to be reinvested for growth in 2H11

- 21.7% of surplus franking credits at Dec-10 to be distributed via special dividend

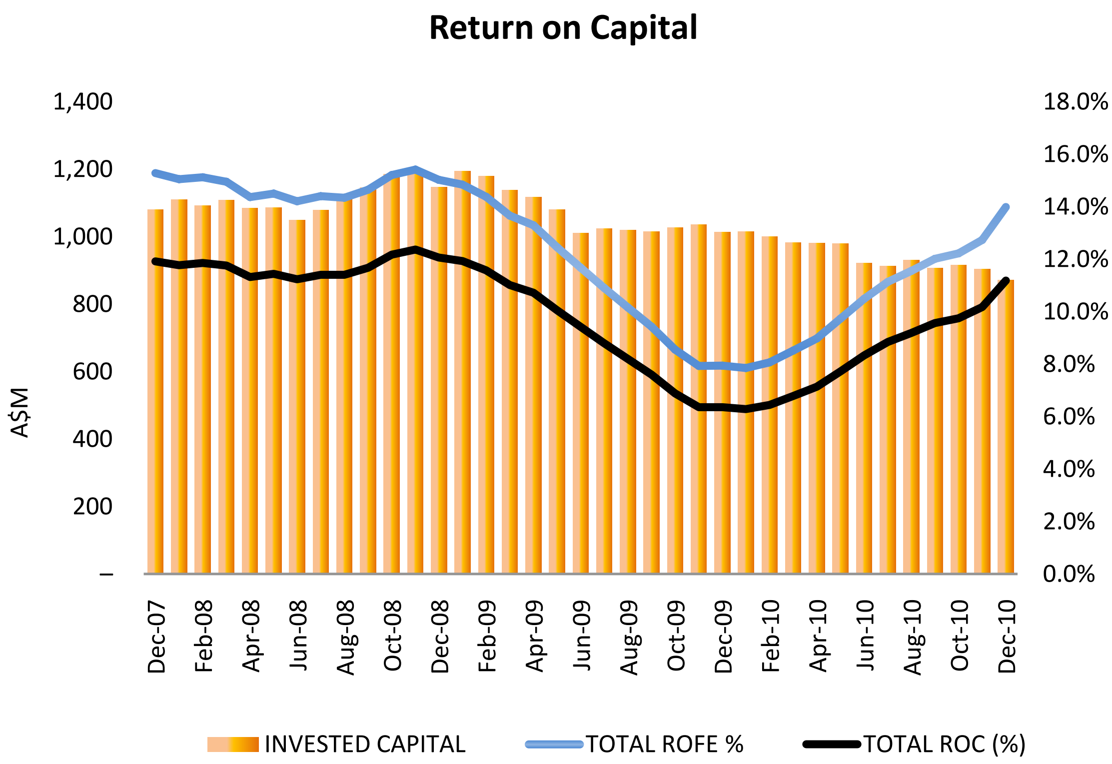
- Special dividend has negligible impact on gearing at Dec-10 on a pro-forma basis, moving from 1.15x to 1.28x (Net debt:EBITDA)

- Capital return does not limit future growth prospects given balance sheet capacity and strong operating cash flows

Return on capital

Improving shareholder returns

- ROC of 11.2% at 31 Dec-10
- ROC improvement the combination of strong earnings from mining assets and liberation of underperforming capital
- Additional earnings growth available from installed asset base
- Further ROC improvement opportunities in Canada and Indonesia



Notes:
Graph represents operating results, excludes 1H11 Indonesian debtor impairment;
ROC calculated as R12 EBIT divided by Invested Capital for the period;
Invested capital defined as average 'Equity plus Net Debt' for the period;
ROFE calculated as R12 EBIT divided by Invested Capital less Goodwill for the period.

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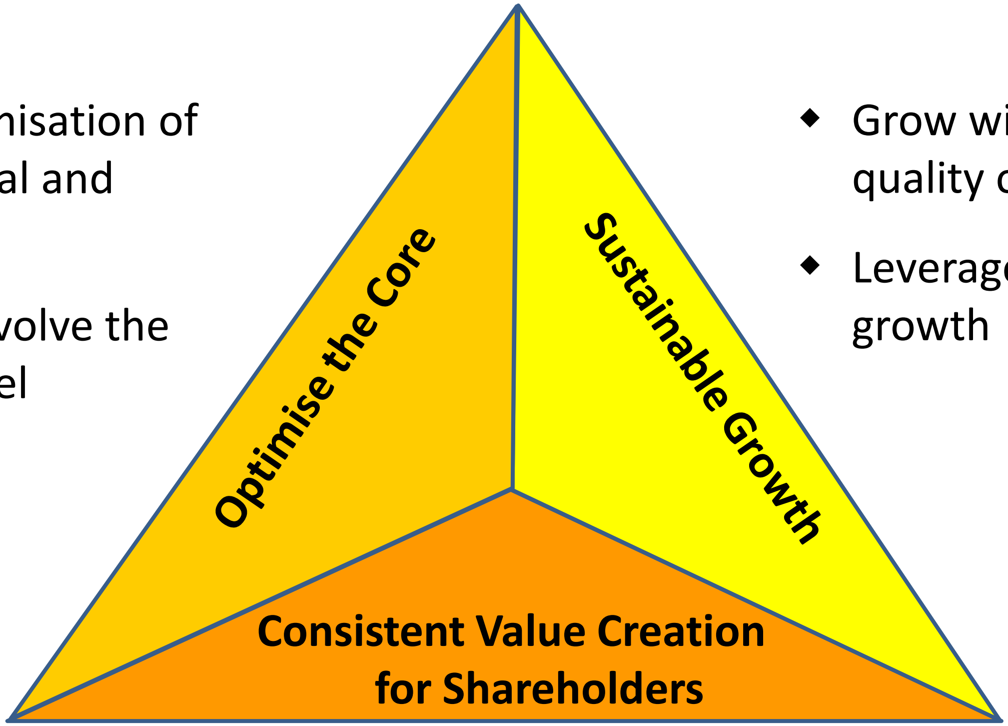
Strategy & Outlook

Keith Gordon
Managing Director & Chief Executive Officer

The Emeco Strategy

Strategy developed to drive business performance and growth

- Ongoing optimisation of invested capital and earnings
- Continue to evolve the business model



- Grow without sacrificing quality of earnings
- Leverage capabilities for growth

- Disciplined investment above WACC returns
- Optimise capital structure

Focus on Growth

Full utilisation and robust demand outlook supports further organic growth investment

Organic Growth

Procurement Strategy

- Target large mining fleet to enhance portfolio returns
- Global procurement capability to source quality used equipment
- Securing forward orders on new equipment for selected asset classes

Capital Investment

- FY11 estimated capex
  - Sustaining: $100-110M (1H11 $50M)
  - Growth: $65-75M (1H11 $35M)
- FY12 estimated capex
  - Sustaining: $100-120M
  - Growth: $80-100M ($43M committed)

Acquisition Growth

- Business now positioned to consider acquisitions
- Strategic logic and return hurdles paramount

Summary

- Strong operating result delivering improved financial performance
- Positive commodity fundamentals in key operating regions
- Committed capex resulting from procurement strategy to meet further growth opportunities
- Balance sheet to support value accretive growth

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Questions

Company Contact Details

Thank you for your interest in Emeco

Further investor enquiries should be directed to:

- **Keith Gordon** CEO
- **Stephen Gobby** CFO
- **Graham Borgerson** Investor Relations

emecogroup.com

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Appendix

Detailed Financials

Profit & Loss

A$ Millions	1H10 Operating	2H10 Operating	1H11 Normailsed	Var $	Var %
Revenue	208.5	235.9	253.6	45.1	21.6
EBITDA	**82.5**	**107.9**	**115.0**	**32.5**	**39.4**
Dep'n & Amort.	(50.4)	(56.4)	(60.3)	(10.0)	19.8
EBIT	**32.1**	**51.5**	**54.7**	**22.6**	**70.4**
Interest	(11.1)	(10.8)	(13.1)	(1.9)	17.1
PBT	**21.0**	**40.6**	**41.6**	**20.6**	**98.2**
Taxation	(7.4)	(13.1)	(12.1)	(4.7)	64.2
NPAT	**13.6**	**27.5**	**29.5**	**15.9**	**116.9**
EPS (cents)	2.2	4.3	4.8	2.6	122.4
DPS (cents)	–	2.0	2.0	2.0	100.0
Payout Ratio %	–	45.9	42.8		42.8
EBITDA Margin	39.6	45.7	45.4	5.8	14.6
EBIT Margin	15.4	21.8	21.6	6.1	39.9
Avg. Invested Capital	1,023.2	1,005.0	950.9	(72.3)	(7.1)
R12 ROC %	**6.4**	**8.3**	**11.2**	**-**	**4.8**

Cash flow

A$ Millions	1H10 A$ m	2H10 A$ m	1H11 A$ m	PCP $	PCP %
Operating Cash flow	81.1	97.1	106.7	25.6	31.6
General Working Capital	2.1	0.1	(5.0)	(7.1)	(338.1)
Sales & Parts Inventory	1.8	4.1	24.0	22.2	1,233.3
Interest & Borrowing costs	(9.2)	(11.5)	(14.0)	(4.8)	(52.2)
Share purchases for LTI	–	(2.4)	(4.5)	(4.5)	(100.0)
Income tax payments	(9.7)	(8.3)	(10.6)	(0.9)	(9.3)
Cash flow from Operating Activities	66.1	79.1	96.6	30.5	46.1
Rental Capital Expenditure	(97.8)	(39.6)	(85.0)	12.8	13.1
Other Property, Plant & Equipment	(7.4)	(10.3)	(11.3)	(3.9)	(52.7)
Disposals	14.6	32.9	33.8	19.2	131.5
Cash flow from Investing Activities	(90.6)	(17.0)	(62.5)	28.1	31.0
Cash flow (before s/h return)	**(24.5)**	**62.1**	**34.1**	**58.6**	**239.2**
Dividends	(12.6)	–	(12.8)	(0.2)	(1.6)
Free Cash flow	**(37.2)**	**62.1**	**21.3**	**58.5**	**157.3**

Notes:
1H11 cash flow includes rental capex funded by finance lease totalling $21.2M which is excluded in statutory cash flow;
P&L “1H11 Normalised” excludes one-off Indonesian debtor impairment $6.0M post tax

Detailed Financials

Balance Sheet

A$ Millions	Dec 09 A$ m	Jun-10 A$ m	Dec-10 A$ m
General working capital	65.3	85.9	73.2
Sales & Parts inventory	110.2	77.7	56.3
Rental plant	610.0	572.1	557.2
Intangibles	213.7	178.2	174.2
Other assets	96.2	92.4	90.2
Net debt	(352.4)	(300.2)	(255.6)
Other liabilities	(79.6)	(83.3)	(75.6)
Net Assets	**663.5**	**622.7**	**620.0**

Facilities Headroom	291.0	328.4	231.0
Interest Cover	6.30	8.70	8.79
Net Debt: EBITDA	2.66	1.60	1.15
Net Debt: Equity	0.53	0.48	0.41

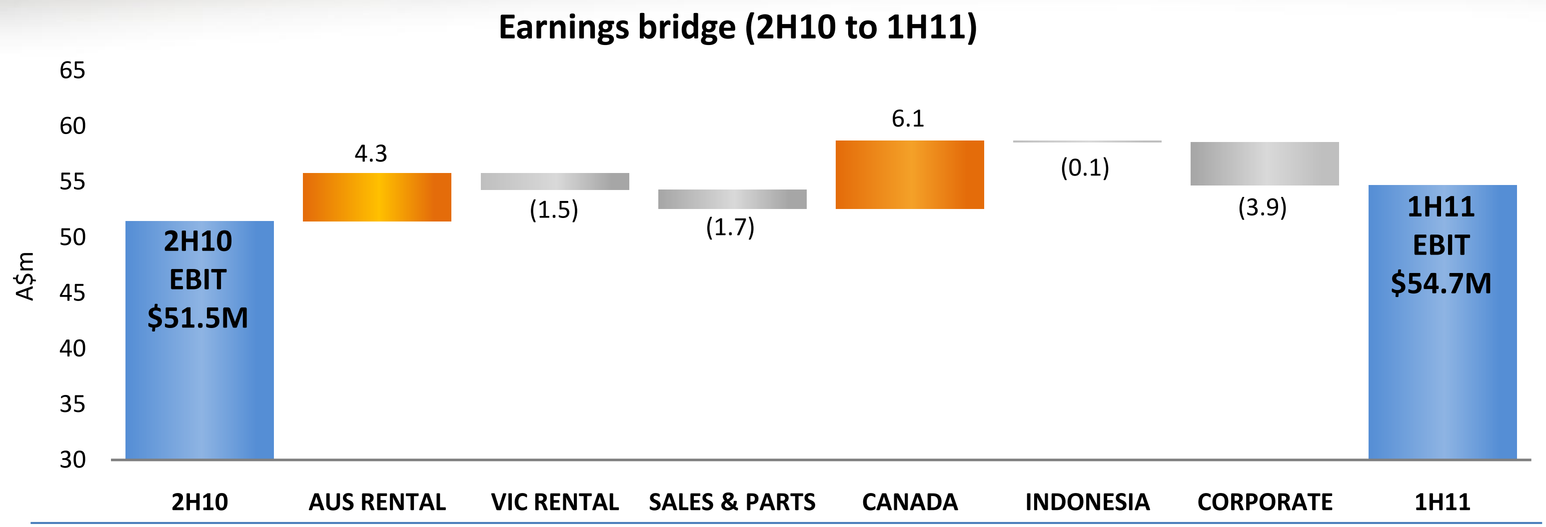
Debt Facilities

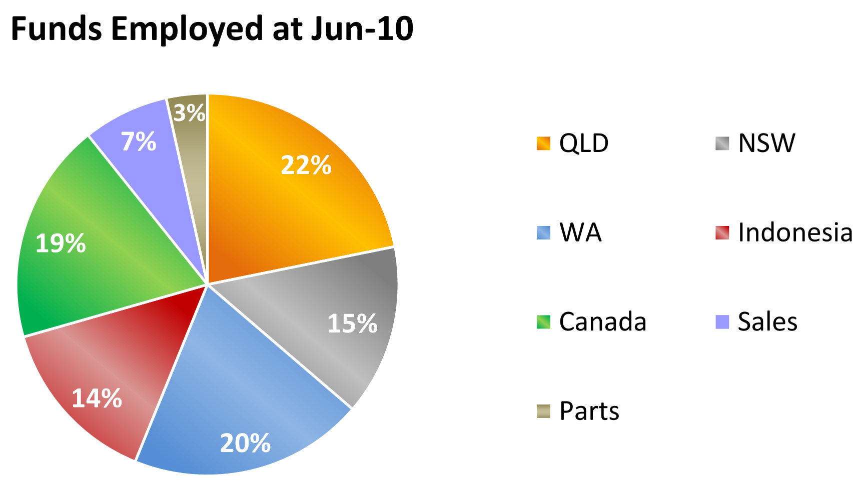
A$ Millions	Facility limit	Drawn (31 Dec 10)	Headroom	Maturity
Senior Debt (3-year)	300.0	242.7	57.3	Nov 2013
Senior Debt (5-year)	150.0	–	150.0	Nov 2015
Finance Lease	22.6	22.6	–	Range
Working Capital	27.0	3.3	23.7	Range
Total	**499.6**	**268.6**	**231.0**	**–**

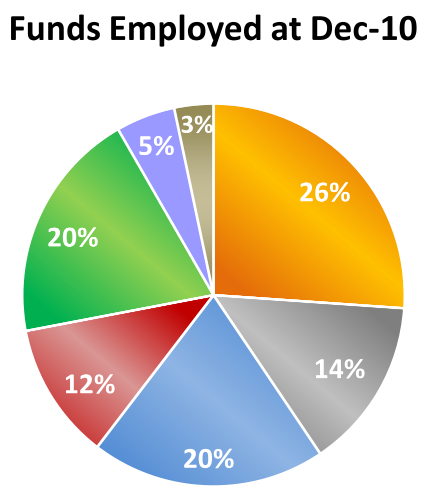
Net Debt position

A$ Millions	Drawn Jun-10	Drawn Dec-10	Var $
Senior Debt	300.0	242.7	(57.3)
Finance Lease	5.5	22.6	17.1
Cash	(5.2)	(9.7)	(4.4)
Net Debt	**300.2**	**255.6**	**(44.7)**

Operating Segments







Notes:
Graphs represent operating results;
Funds Employed defined as average 'Equity plus Net Debt less Goodwill'.

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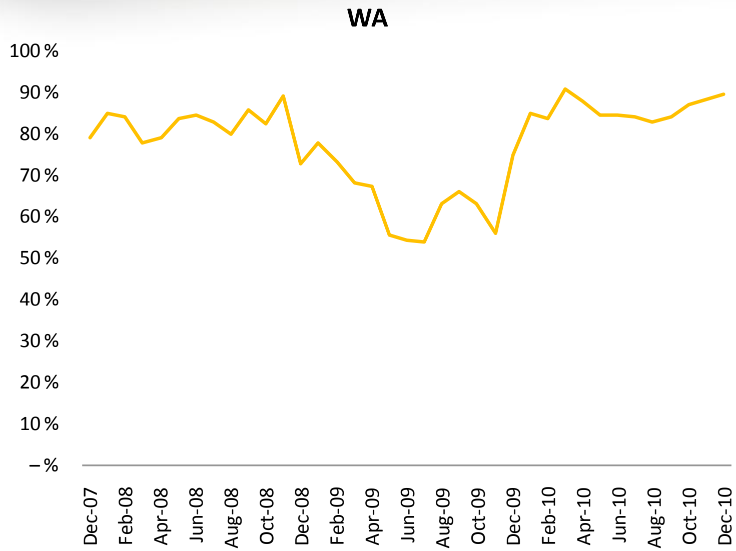
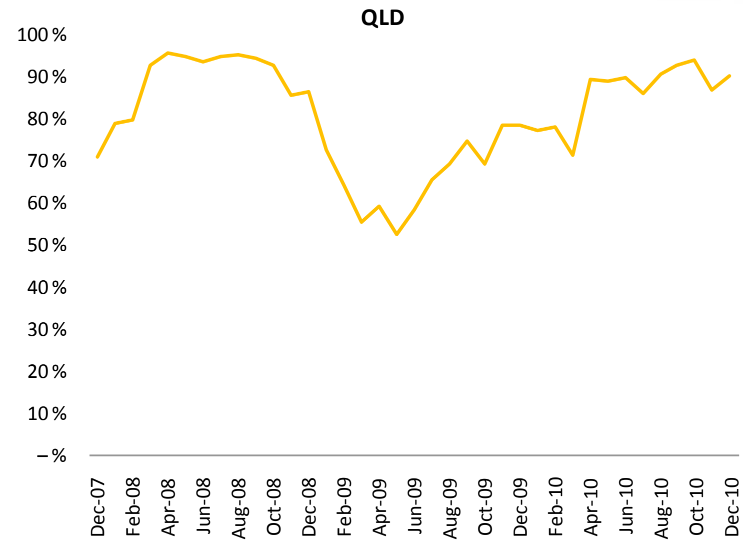
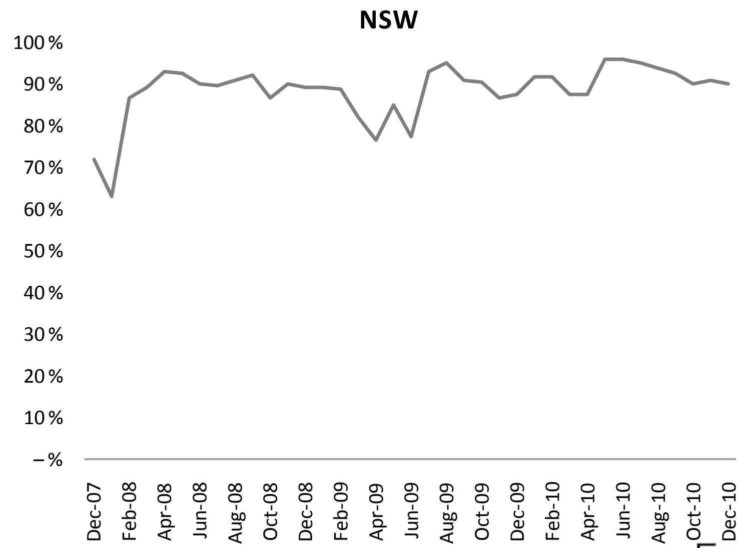
Australian Business Unit Utilisation

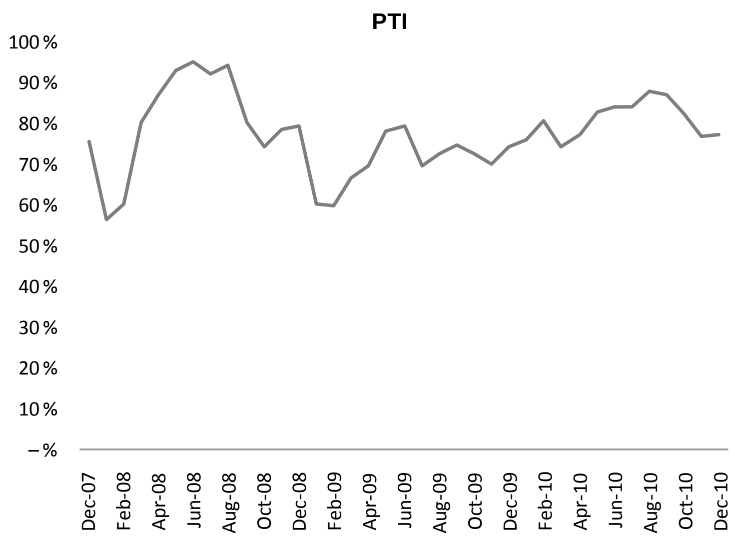


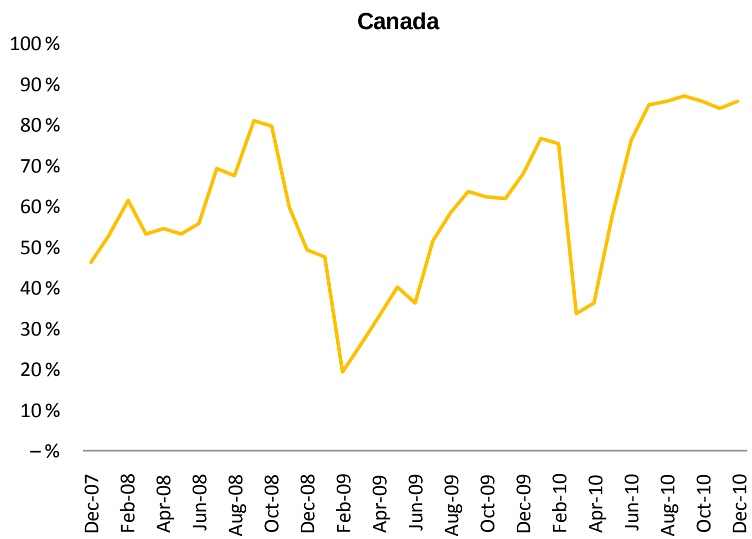




Note: Graphs reflect equipment utilisation which is defined as % of fleet rented to customers (measured by written down value)

International Business Unit Utilisation





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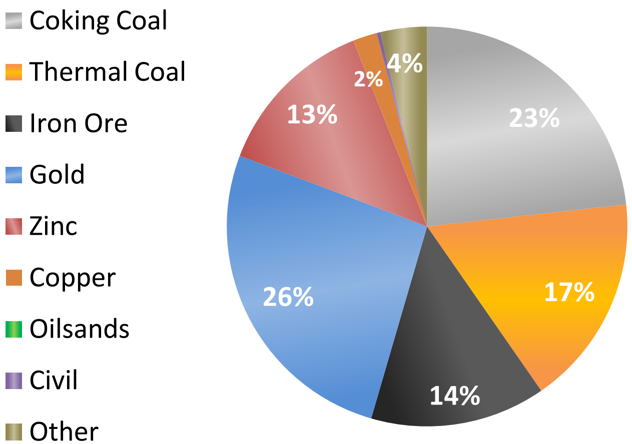
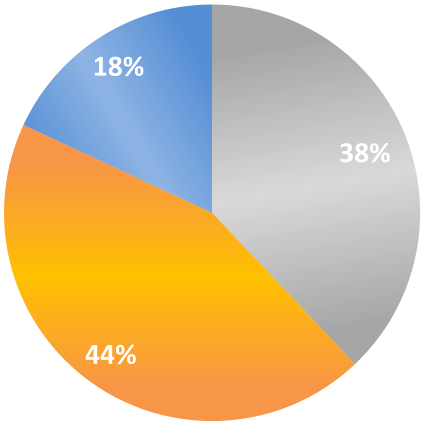
Note: Graphs reflect equipment utilisation which is defined as % of fleet rented to customers (measured by written down value)

Commodity Exposure

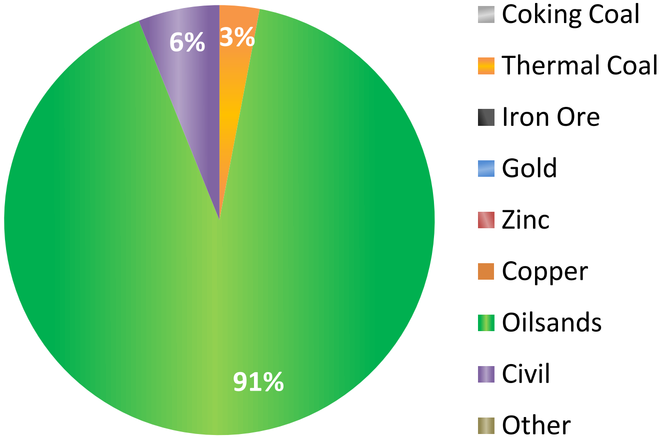
Australian Rental



Indonesian Rental



Canadian Rental



Note: Percentages based on rental revenue for 1H11

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