



Earthmoving equipment solutions

2010 Full Year Results

Keith Gordon, Managing Director & Chief Executive Officer

Stephen Gobby, Chief Financial Officer



RENTAL | SALES | PARTS | ASSET MANAGEMENT

Presentation Overview

- ◆ Highlights
- ◆ Financials
- ◆ Strategy & Outlook
- ◆ Question & Answer
- ◆ Appendices





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Highlights

Keith Gordon
Managing Director & Chief Executive Officer



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Overview

Achievements during the year

- ◆ Idle fleet redeployed in all core markets
- ◆ Investment in large mining equipment
- ◆ Action taken on underperforming businesses
- ◆ Delivered strategic review

Performance in-line with guidance

- ◆ Operating NPAT of \$41.1M
- ◆ Successful exit from USA & Europe
- ◆ Gearing significantly reduced
- ◆ Safety performance improving above industry benchmarks

Looking forward...

- ◆ Clear strategic direction
- ◆ Strong opening utilisation in FY11
- ◆ Positive volume outlook for coal, iron ore, gold and oil sands
- ◆ Continued growth in Australia, Indonesia & Canada

Financial summary

Balance sheet flexibility restored while operating earnings improve

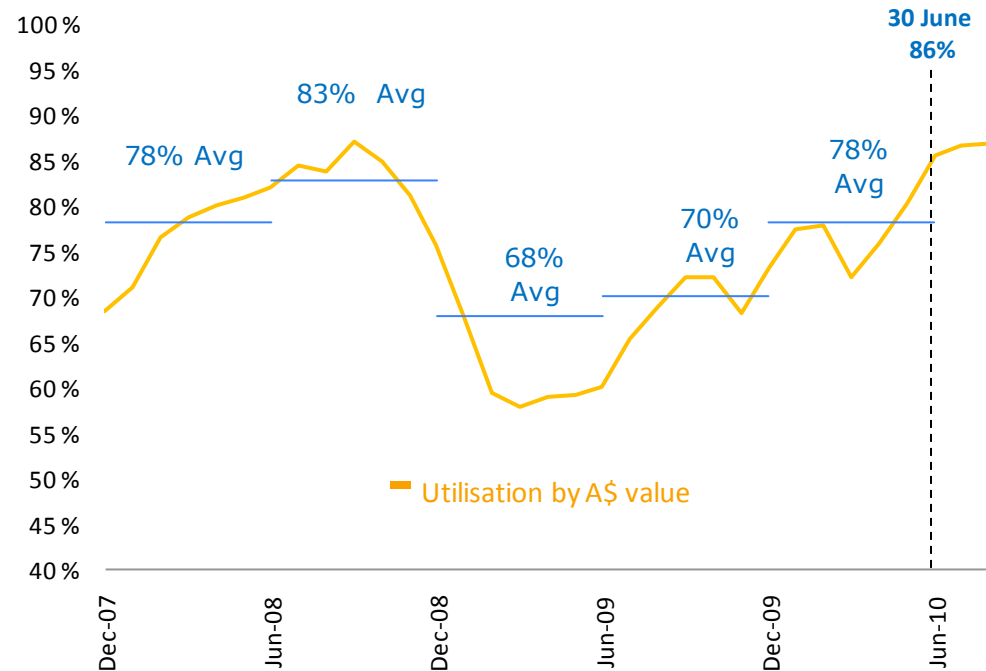
- ◆ Achievement of \$41.1M operating NPAT, in-line with guidance
- ◆ Significant one-off impairment and restructuring charges of \$90.4M after tax (\$74.9M non-cash) arising from business portfolio review leading to statutory NPAT of \$(49.3)M
- ◆ Liberation of underperforming capital has increased balance sheet flexibility
 - ✓ Gearing within target range
 - ✓ \$328.4M facilities headroom
- ◆ Migration of fleet towards large mining equipment
 - ✓ \$84.4M strategic investment in 39 large mining assets
 - ✓ Disposal of 245 underperforming civil construction assets
- ◆ Return on capital improved to 8.3% at June 2010 (6.0% at December 2009)
- ◆ Resumed dividends in June 2010 of 2.0c per share, fully franked

Rental Fleet Utilisation

Strong finish to the year - well placed to capitalise on increasing mining sector activity

- ◆ Strong demand for small and large mining equipment
- ◆ FY10 growth capex investments fully deployed
- ◆ Logistics of redeploying and commissioning large fleet dampened revenue in 2H10
- ◆ Trend toward large mining fleet will improve utilisation across cycle
- ◆ Customers continue to use Emeco model for many varied reasons

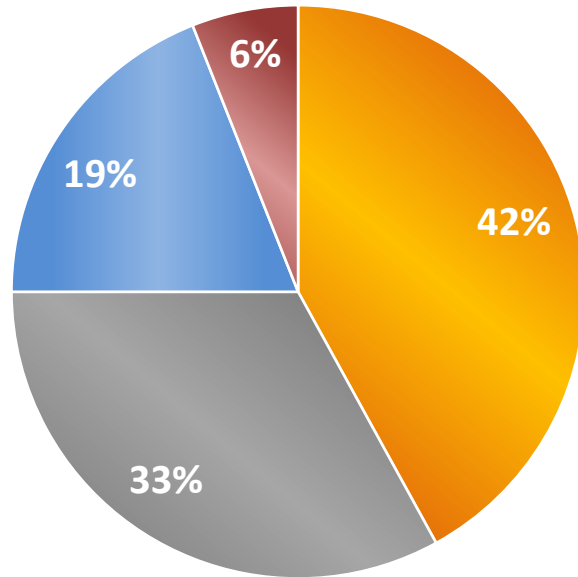
Average Equipment Utilisation by WDV



Customers

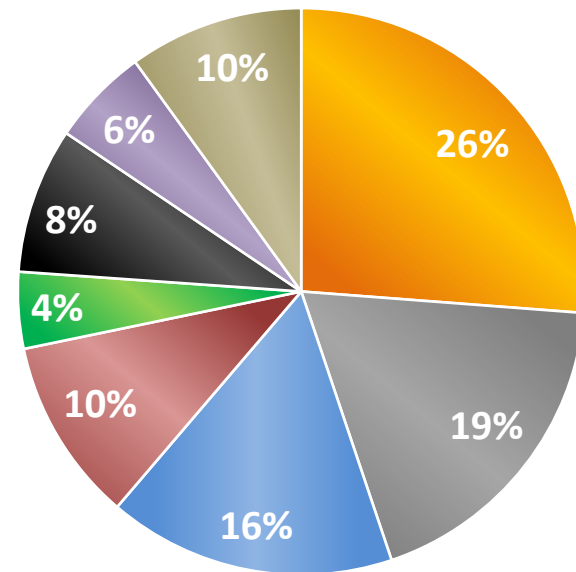
Leveraged to bulk commodities and gold with significant exposure to production cycle

Emeco's mining cycle exposure



- Core Production
- Overburden (Production)
- Mine Development
- Mine Construction

Commodity exposure

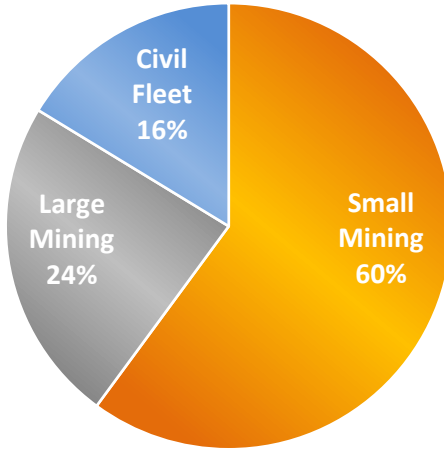


- Thermal Coal
- Coking Coal
- Gold
- Zinc
- Iron Ore
- Other
- Oil Sands
- Civil

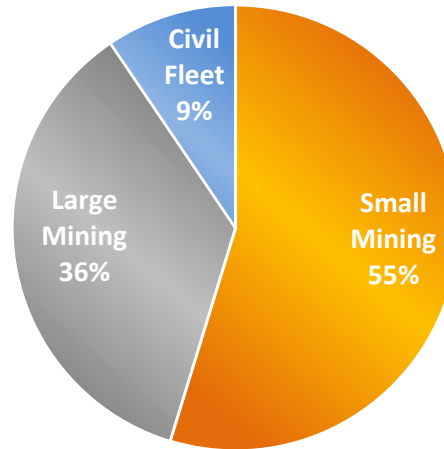
Equipment

Fleet strategy well developed

June 09



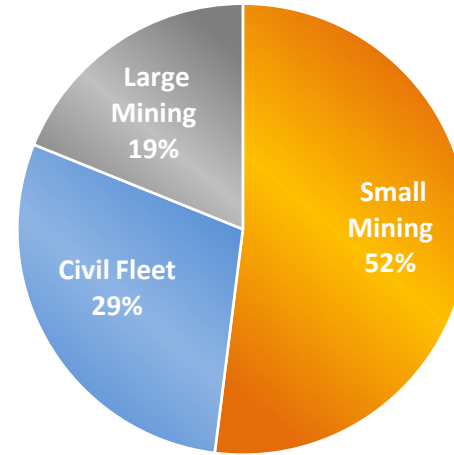
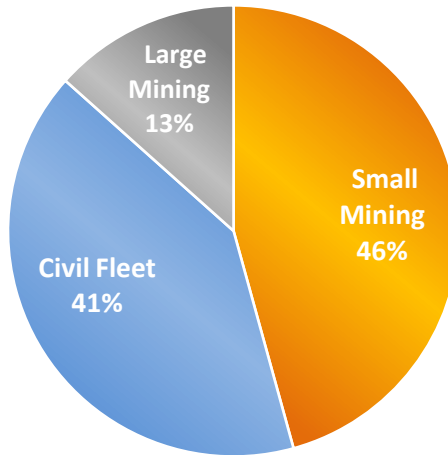
June 10



- ◆ Evolution of fleet towards larger mining equipment

- ◆ Strategic acquisition of 39 large assets \$84.4M in FY10, at bottom of cycle pricing

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



- ◆ Downsizing small civil equipment - exit USA, Europe & Victoria plus significant disposals in Canada

Notes:

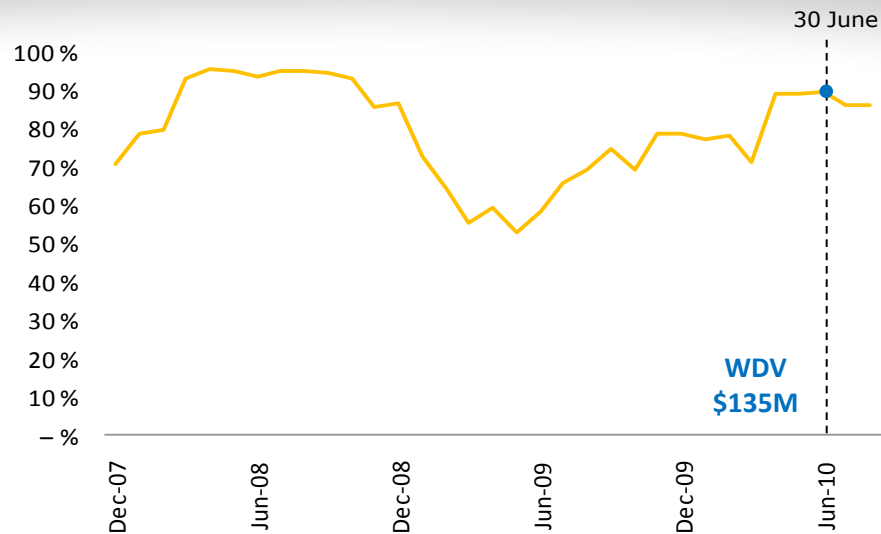
Civil defined as <70 tn artic trucks and related small ancillary equipment;
Small mining defined as <150 tn trucks and related mining equipment;
Large mining defined as 190+ tn trucks and related mining equipment.

Business Unit Performance

QLD and NSW closed FY10 at high utilisation levels with strong demand & enquiry levels

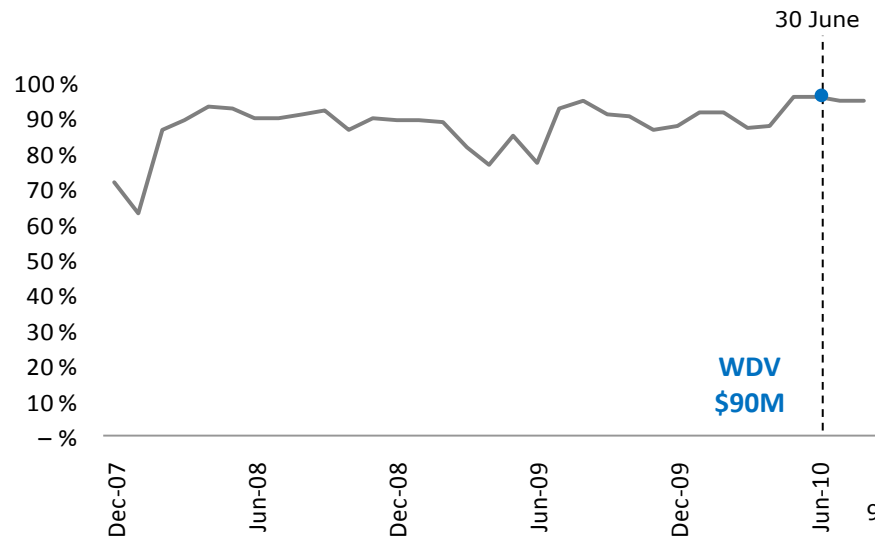
Queensland

- ◆ Global steel market volatility had short but severe impact on metaliferous coal activity
- ◆ Step change in utilisation in 2H10 as confidence returned to the coal sector
- ◆ Investment in 17 x 190 tonne trucks deployed in late 1H10



New South Wales

- ◆ Thermal coal activity remained at historically high levels underpinning consistent utilisation
- ◆ Redeployment of idle fleet from other regions into NSW highlighted benefits of market diversification

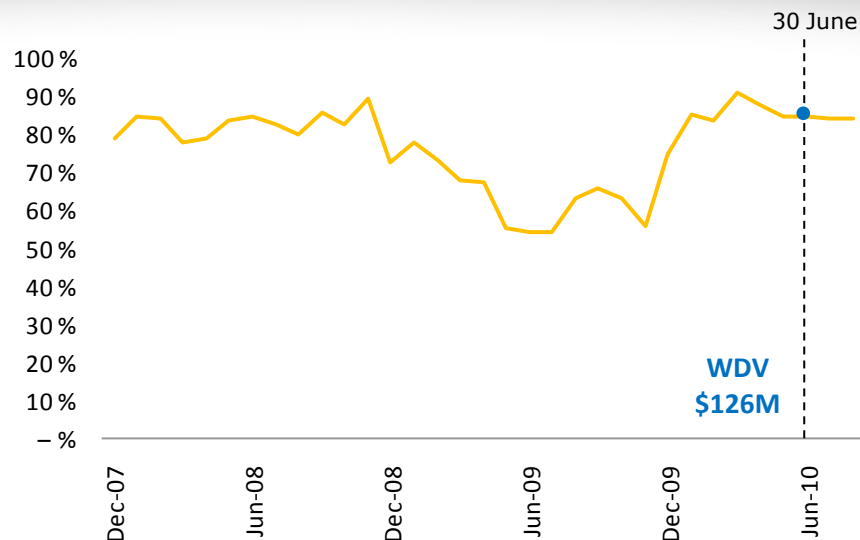


Business Unit Performance

Strong utilisation recovery in WA and Victoria

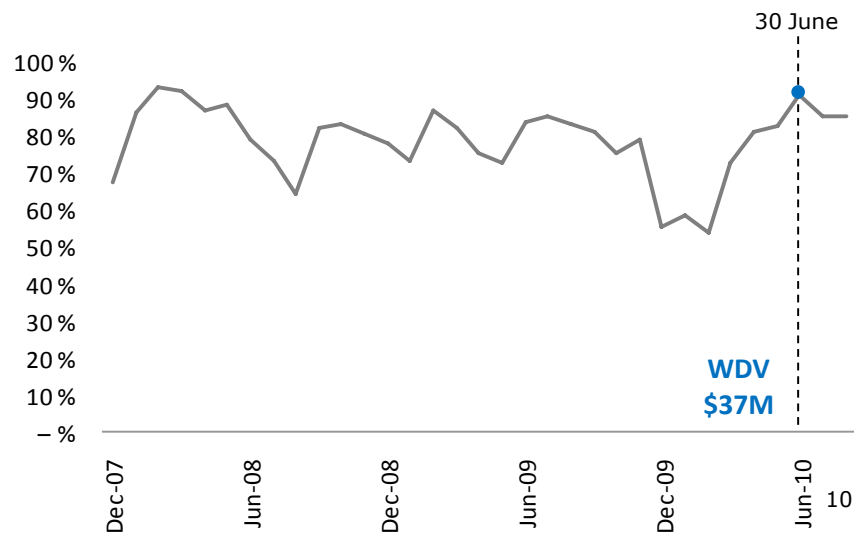
Western Australia

- ◆ Broad based recovery in activity across iron ore, gold and other commodities driving strong utilisation recovery
- ◆ Investment in 10 x 240 tonne trucks which were contracted in 2H10 to iron ore and coal customers



Victoria

- ◆ Utilisation volatility due to nature of civil infrastructure projects in Victorian market
- ◆ Business to be disposed in FY11 due to consistently low ROC
- ◆ Capital release contributing to balance sheet flexibility



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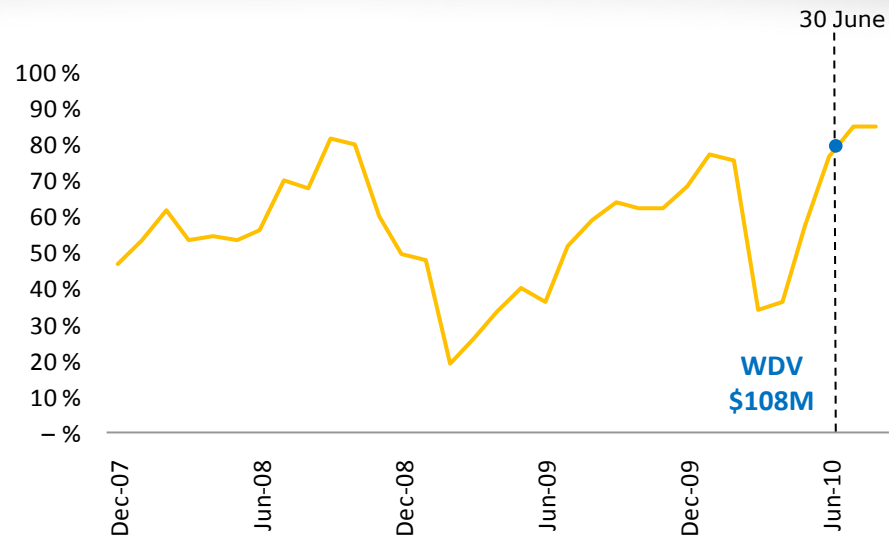
Note: Graphs reflect average equipment utilisation which is defined as % of fleet rented to customers (measured by written down value)

Business Unit Performance

Revised strategy and strong market fundamentals providing growth opportunities offshore

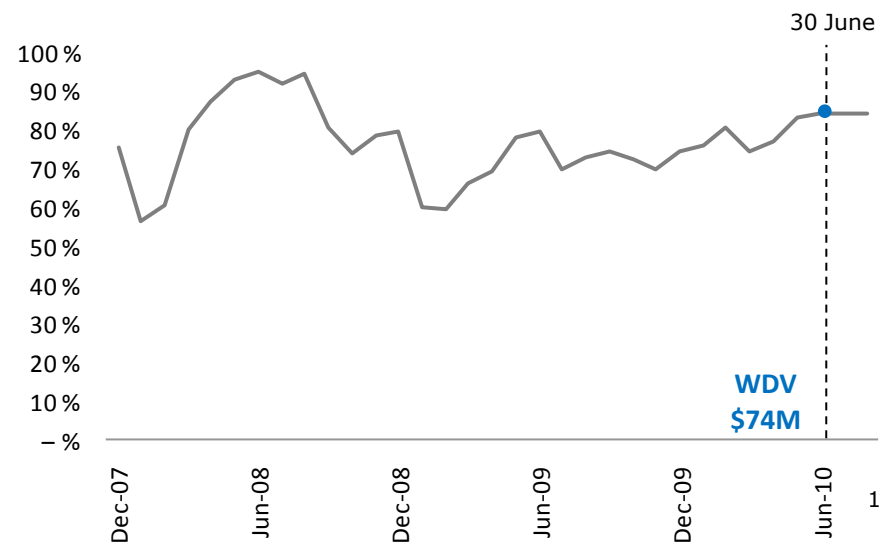
Canada

- ◆ Reconfigured mining fleet to participate in oil sands mining activity
- ◆ Strategy to diversify commodity exposure using project-based rental (similar to Australia and Indonesia)



Indonesia

- ◆ Robust thermal coal activity underpinning relatively consistent fleet utilisation
- ◆ Customer churn limited utilisation upside in FY10



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

Strategic Update

Performance in line with guidance across a range of metrics

Objective	Guidance (at Dec 09)	Delivered
Operating NPAT	\$40M - \$44M	◆ \$41.1M
Business Restructures	Exit USA & Europe by June 10	◆ Completed on time ◆ 2H10 charges of \$29.7M
Cashflow & Balance Sheet	Gearing to reduce significantly by June 10	◆ From 2.6x (Dec 09) to 1.6x (June 10)
Fleet configuration	Migrate fleet towards larger mining equipment	◆ 245 non-core assets sold (realising \$47.5M) ◆ \$84.4M investment successfully deployed ◆ 5 x 240 tn trucks acquired and deployed in Aug 11
Safety performance	LTIFR ¹ of 9.4 at Dec 09	◆ LTIFR ¹ down to 3.4 at June 10
Strategic Review	Complete and deliver to market within 6 months	◆ Strategy briefing delivered in July 10 ◆ Decisive action taken



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Financials

Stephen Gobby
Chief Financial Officer



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Earnings

Trough earnings in 1H10 with earnings momentum building through 2H10

A\$ Millions	FY09	FY10	Var	Var
	Operating	Operating	\$	%
Revenue	528.2	444.4	(83.8)	(15.9)
EBITDA	210.9	190.4	(20.5)	(9.7)
<i>margin (%)</i>	<i>39.9</i>	<i>42.8</i>	-	2.9
EBIT	105.9	83.6	(22.3)	(21.1)
<i>margin (%)</i>	<i>20.0</i>	<i>18.8</i>	-	(1.2)
NPAT	57.7	41.1	(16.6)	(28.8)
EPS (cps)	9.1	6.5	(2.6)	(28.4)
DPS (cps)	4.0	2.0	(2.0)	(50.0)
Invested Capital	1,170	1,005	(165.1)	(14.1)
ROC (%)	9.1	8.3	-	(0.8)

Notes:

Table represents operating results;

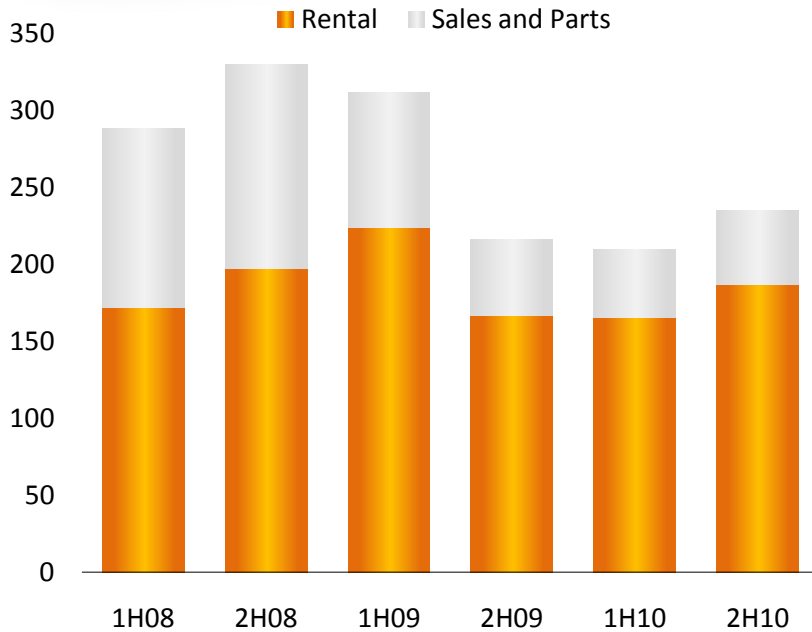
ROC calculated as EBIT divided by Invested capital for the period;

Invested capital defined as average 'Equity plus Net Debt' for the period.

Contrasting Halves

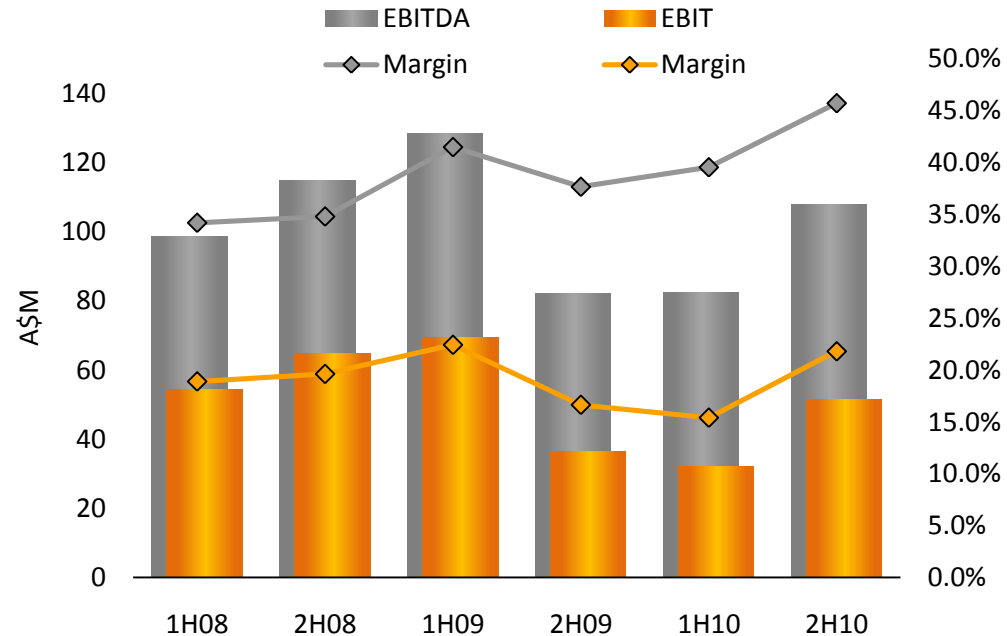
Earnings adversely impacted in CY09, but gathering momentum into FY11

Group Revenue



- ◆ Rental revenue returning to pre financial crisis levels
- ◆ Downsizing of Australian Sales and Parts will result in less volatile revenue in the future

Earnings & Margins



- ◆ EBITDA margin influenced by change in revenue mix (Rental vs Sales)
- ◆ Fixed cost depreciation charge providing operating leverage as utilisation improves
- ◆ POSA contributed \$2.9M post tax to FY10 operating EBIT

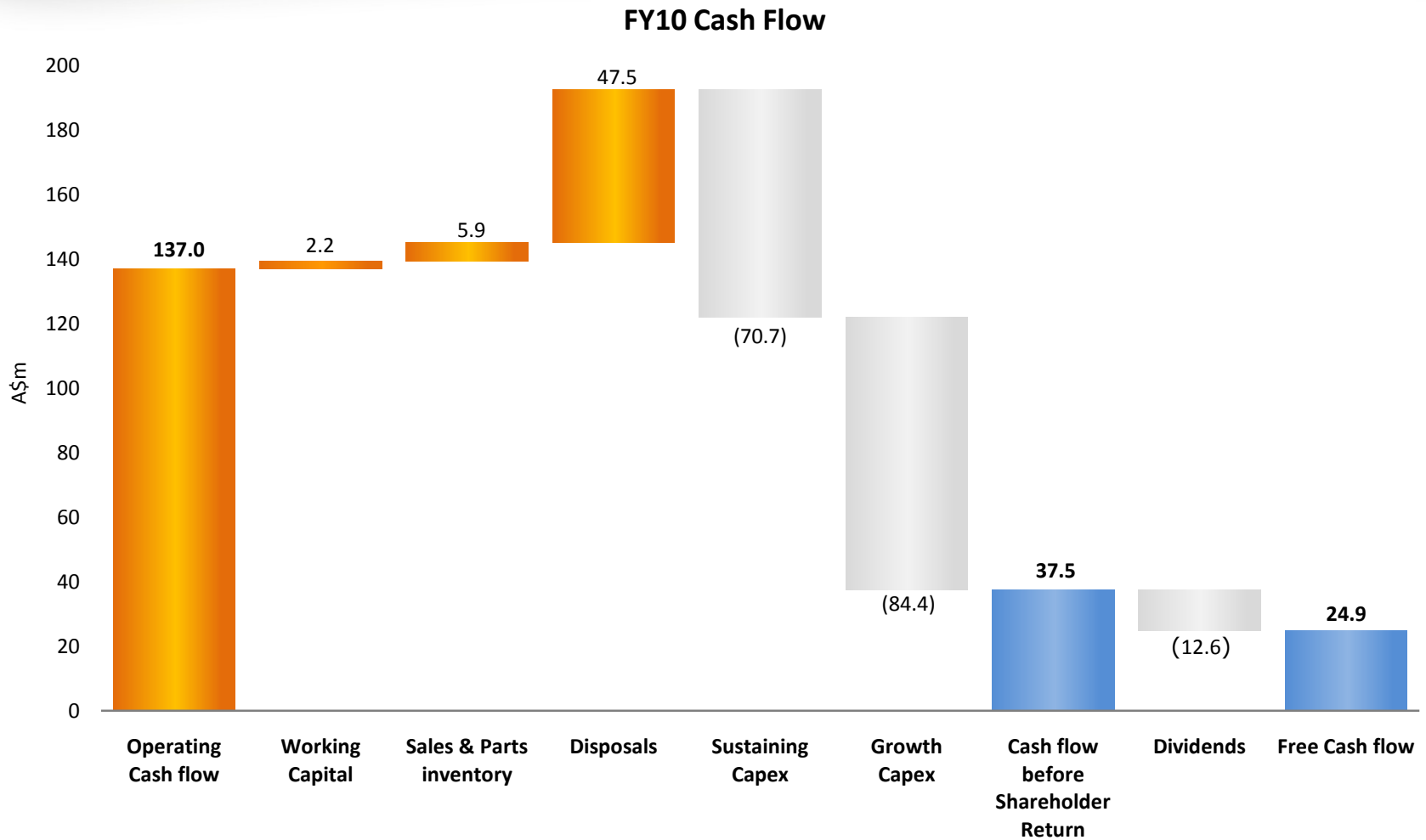
Significant Items

Previously announced impairment and restructuring charges arising from strategic review

A\$Millions	1H10	2H10				Tax effect	TOTAL (NPAT)
	Tangible impairment	Tangible impairment	Intangible impairment	Closure and Restructure charges	FCTR		
Operating NPAT							41.1
<i>Continued Operations:</i>							
Australia	(4.5)	(1.1)	(20.1)	(1.0)	–	2.0	(24.7)
Canada	(7.8)					2.2	(5.6)
<i>Discontinued Operations:</i>							
Australia		(3.1)	(16.9)	(0.7)		1.2	(19.5)
United States	(5.5)			(23.1)	(4.2)		(32.8)
Europe				(6.6)	(1.2)		(7.8)
Statutory NPAT	(17.8)	(4.2)	(37.0)	(31.4)	(5.4)	5.4	(49.3)

Cash Flow

Positive cash flow generation through the downturn demonstrates flexibility of the business model



Balance sheet & Borrowings

Cash flow focus & liberation of underperforming assets has resulted in a robust & flexible balance sheet

- ◆ Impairment of underperforming assets in FY10 resulting in NTA of \$0.70 at June 10
- ◆ Gearing comfortably back into target range (1.5-2.0x)
- ◆ Expected to refinance debt facilities in FY11 to meet medium term capital needs
- ◆ Robust balance sheet provides flexibility to pursue investment and/or capital management opportunities

Balance Sheet

A\$ Millions	Jun 09	Dec 09	Jun 10
Total Assets	1,120.0	1,119.9	1,014.8
Total Equity	682.9	663.5	622.7
Net Debt	331.3	352.4	300.2
Interest Cover	8.1	6.3	8.7
Net Debt: EBITDA	1.80	2.66	1.60
Net Debt: Equity	49%	53%	48%

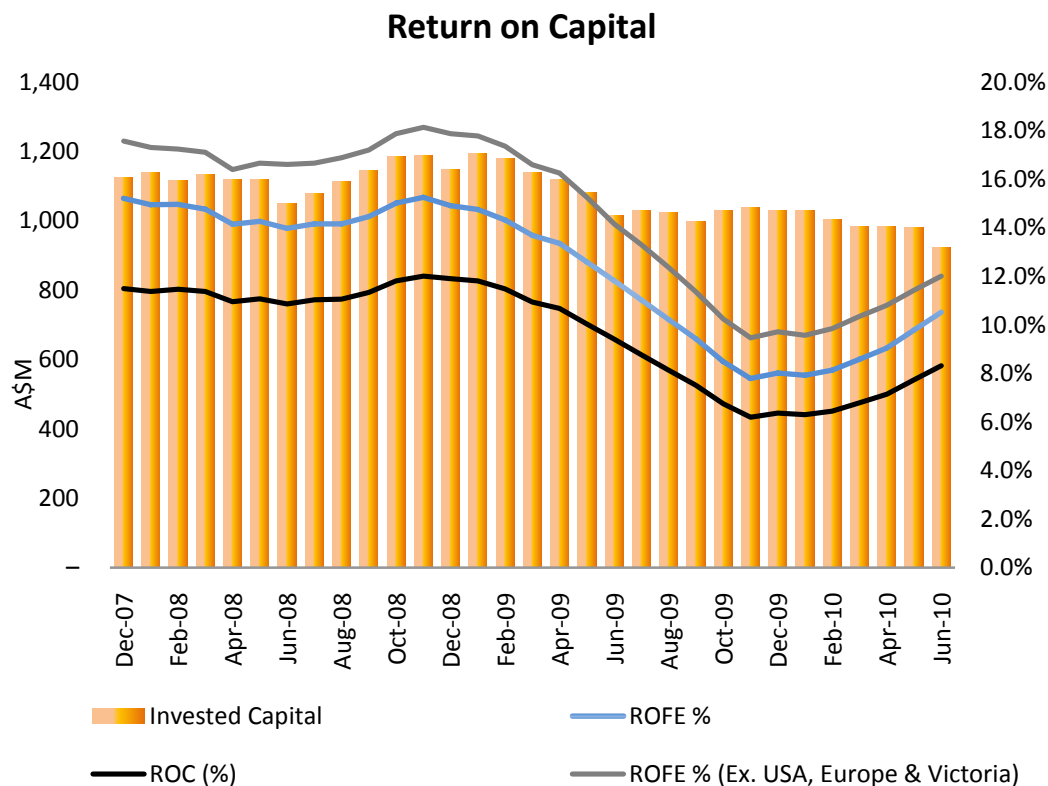
Debt facilities

A\$ Millions	Facility limit	Drawn	Headroom	Maturity
	(30 June 10)			
Senior Debt	595.0	300.0	295.0	Aug 2011
Working Capital	33.4	–	33.4	Range
Finance Lease	5.5	5.5	–	Aug 2011
Total	633.9	305.5	328.4	–

Return on Capital

Disposal of underperforming assets and incremental investment in core businesses will deliver returns above the cost of capital

- ◆ CY09 trough earnings more than a commodity down cycle
- ◆ Short-term reduction in invested capital through disposal of underperforming assets
- ◆ Earnings growth available from installed asset base
- ◆ Increased weighting of large mining fleet to achieve more consistent returns across the cycle
- ◆ Refocused strategy and strong market fundamentals to drive ROC improvements in Canada and Indonesia



Notes:

Graph represents operating results;
 ROC calculated as EBIT divided by Invested capital for the period;
 Invested capital defined as average 'Equity plus Net Debt' for the period;
 ROFE calculated as EBIT divided by Invested capital less Goodwill for the period.





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Strategy & Outlook

Keith Gordon
Managing Director & Chief Executive Officer

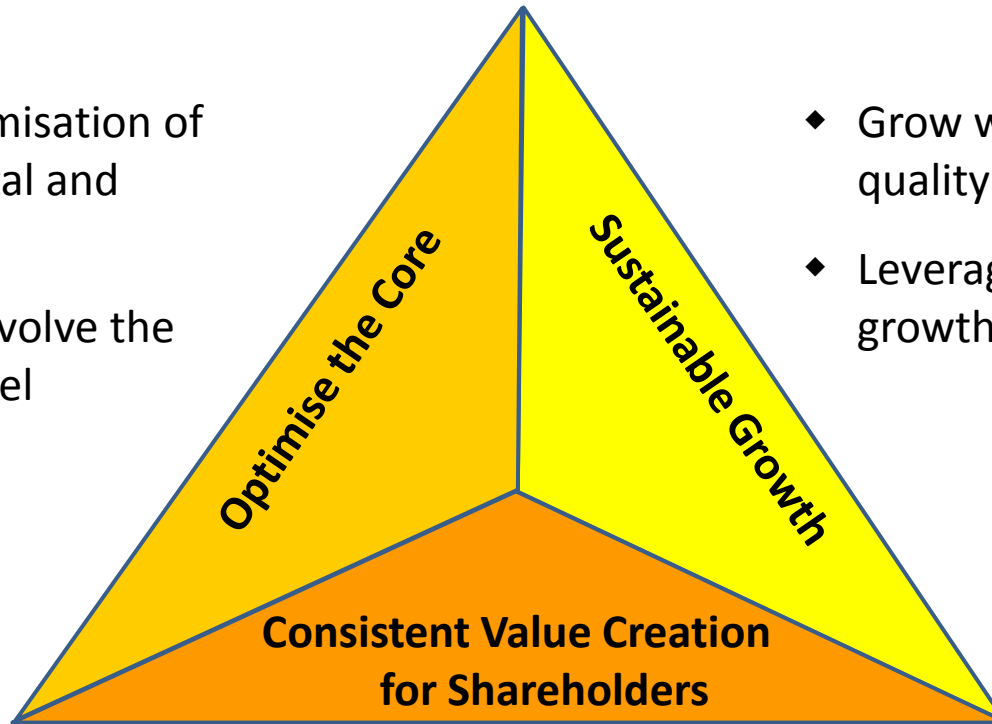


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The Emeco Strategy

Strategy developed to drive business performance and growth

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



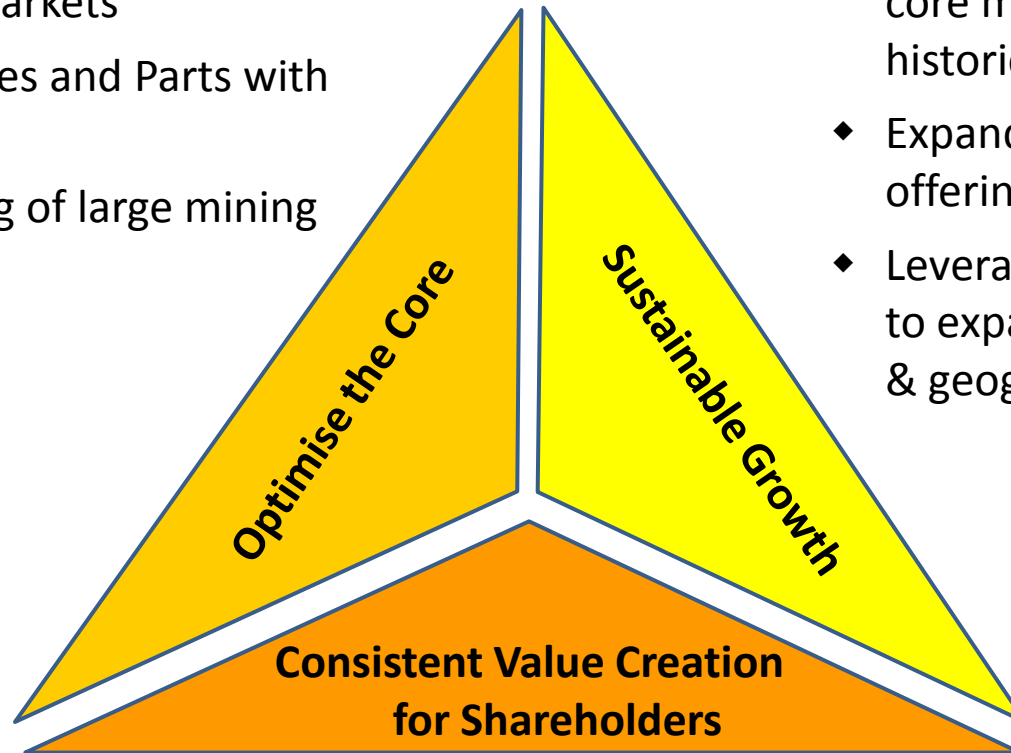
- ◆ Grow without sacrificing quality of earnings
- ◆ Leverage capabilities for growth

- ◆ Disciplined investment above WACC returns
- ◆ Optimise capital structure

Current Business Focus

Strategy execution is a key focus for management

- ◆ Embed “Customer Centric” model in growing mining markets
- ◆ Align Australia Sales and Parts with Rental (mining)
- ◆ Increase weighting of large mining equipment



- ◆ Incremental investment in core markets with quality historical returns
- ◆ Expand maintenance services offering
- ◆ Leverage core competencies to expand products/services & geographies

- ◆ Disciplined investment to achieve above WACC returns
- ◆ Ongoing optimisation of capital structure
- ◆ Building capability to deliver consistent returns

Market Outlook

Despite ongoing market volatility outlook for Emeco's core markets is positive

Dynamic	Outlook
Customer Activity	<ul style="list-style-type: none">◆ Production volumes have recovered rapidly over FY10◆ Mine development activity resuming, however market uncertainty slowing decisions◆ Forecast growth in bulk commodities in Asia Pacific region◆ Canadian oil sands stable with positive outlook
Equipment Dynamics	<ul style="list-style-type: none">◆ Lead times on new mining equipment from OEM's has significantly increased◆ Market value of mining equipment remains strong◆ Civil equipment experiencing improved liquidity but pricing remains soft
Emeco Focus	<ul style="list-style-type: none">◆ Evaluate profitable opportunities for further investment in large mining equipment◆ Evaluate maintenance services offering in NSW and Canada◆ In Canada, consolidate presence in the oil sands production cycle◆ Build capability to evaluate further growth opportunities◆ Finalise business disposal and restructuring strategies



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Questions



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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



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Detailed Financials

Profit & Loss

A\$ Millions	1H10	2H10	Var	Var
	Operating	Operating	\$	%
Revenue	208.5	235.9	27.4	13.1
EBITDA	82.5	107.9	25.4	30.8
<i>margin (%)</i>	39.6	45.7	-	6.1
EBIT	32.1	51.5	19.4	60.1
<i>margin (%)</i>	15.4	21.8	-	6.4
NPAT	13.6	27.5	13.9	101.7

Balance Sheet

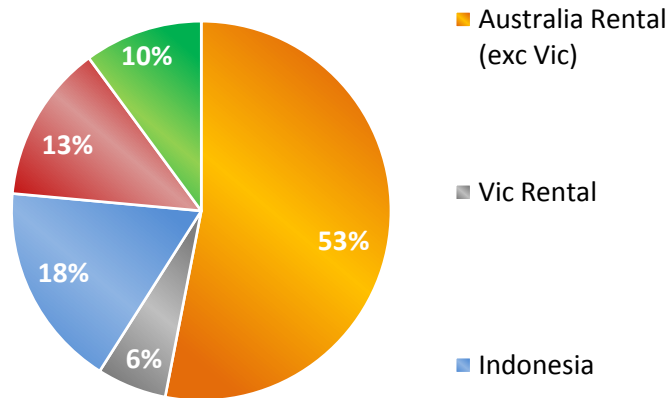
A\$ Millions	Jun 09	Dec 09	Jun 10
	A\$ m	A\$ m	A\$ m
General working capital	60.5	65.3	85.9
Sales & Parts inventory	134.5	110.2	77.7
Rental plant	623.3	610.0	572.1
Intangibles	215.8	213.7	178.2
Other assets	68.1	96.2	92.4
Net debt	(331.3)	(352.4)	(300.2)
Other liabilities	(88.1)	(79.6)	(83.3)
Net Assets	682.9	663.5	622.7
Facilities Headroom	331.2	291.0	328.4
Interest Cover	8.10	6.30	8.70
Net Debt: EBITDA	1.80	2.66	1.60
Net Debt: Equity	0.49	0.53	0.48

Cash flow

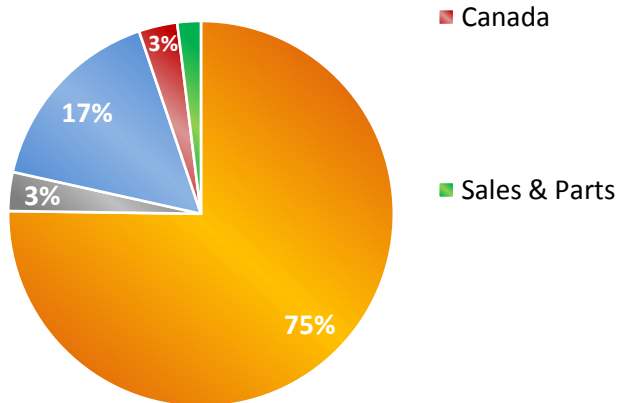
A\$ Millions	FY09	FY10	Var	Var
	A\$ m	A\$ m	A\$ m	%
Operating Cash flow	202.0	178.2	(23.8)	(11.8)
General Working Capital	15.7	2.2	(13.5)	(86.2)
Sales & Parts Inventory	16.1	5.9	(10.2)	(63.3)
Interest & Borrowing costs	(29.8)	(20.7)	9.1	(30.5)
Share purchases for LTI	(2.9)	(2.4)	0.5	(17.5)
Income tax payments	(33.1)	(18.1)	15.1	(45.5)
Cash flow from Operating Activities	167.9	145.1	(22.9)	(13.6)
Rental Capital Expenditure	(107.7)	(137.4)	(29.7)	27.6
Other Property, Plant & Equipment	(7.9)	(17.7)	(9.8)	124.4
Disposals	21.3	47.5	26.2	122.7
Cash flow from Investing Activities	(94.2)	(107.5)	(13.3)	14.2
Cash flow (before s/h return)	73.7	37.5	(36.2)	(49.1)
Dividends	(28.2)	(12.6)	15.6	(55.3)
Free Cash flow	45.5	24.9	(20.6)	(45.2)

Operating Segments

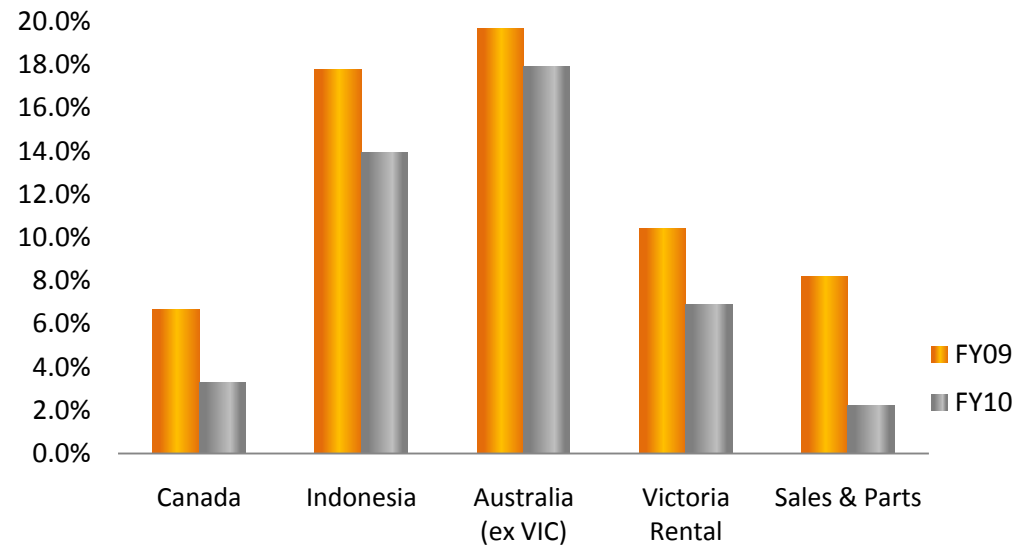
**Composition of Funds Employed
at 30 June 2010**



**Composition of EBIT
FY 10**



ROFE

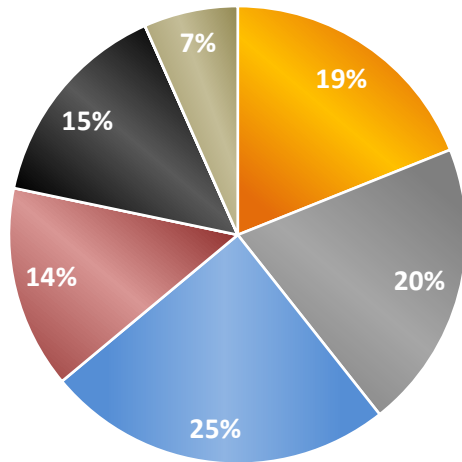


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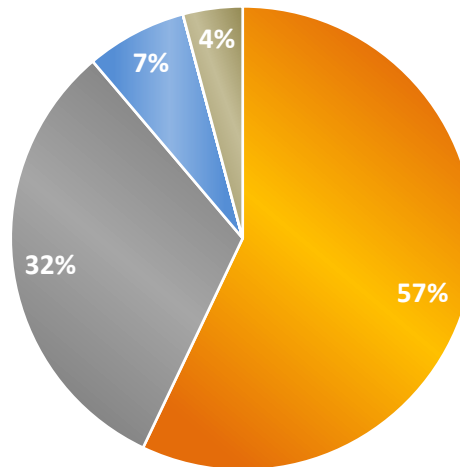
Graphs represent operating results;
 Funds Employed defined as average 'Equity plus Net Debt less Goodwill' ;
 ROFE calculated as 'EBIT less POSA' divided by average Funds Employed for the period.

Commodity Exposure

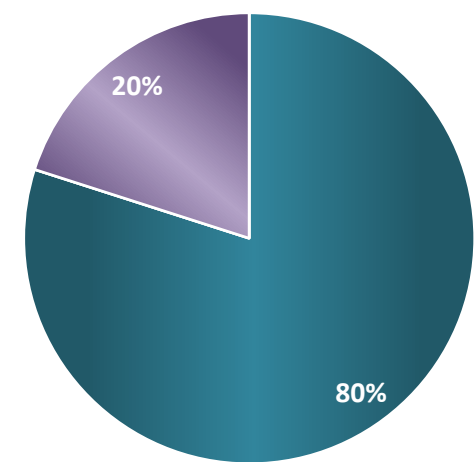
Australia Rental



Indonesian Rental



Canadian Rental



■ Thermal Coal ■ Coking Coal ■ Gold ■ Zinc ■ Oil Sands ■ Iron Ore ■ Civil ■ Other

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