Emeco Holdings Limited

Managing Director's Address
to the
2007 Annual General Meeting

The year has been an exciting period with a number of significant challenges for us in our first full year as a public company and we feel we have successfully completed the transition from private to public ownership.

While our markets presented a number of opportunities throughout the year, we also experienced a number of operating challenges. Management has addressed each of them as they emerged and we delivered a result which exceeded prospectus forecast performance. For us, the forecasts were a commitment to you, our new shareholders and other Emeco stakeholders. We believe we have delivered on that commitment.

Building for the long term

Notwithstanding our responsibility to achieve the forecasts, we had to ensure our business plans were achieved in a manner which built upon our existing foundations, ensuring the further development of a sustainable future for the Company. During the year, with this long term vision in mind, we succeeded in continuing to grow our business in a commercially sustainable manner.

Investing in the business

We invested a total of $243.2 million during the year. This comprised $182.9 million in growth capital of which $135.2 million was invested in organic growth and $47.7 million was invested in acquisitions. In addition, we invested $60.3 million in maintenance capital and $71.7million in additional tyre and sales inventories. This expenditure was financed predominantly from operating cashflow ($93 million), from disposal proceeds ($47.3 million) and further drawdown of our debt facilities. Our fleet of rental machines increased by 199 machines to a total of 1013. We have also commenced constructing new custom built maintenance facilities at two branches this year in Fort McKay, in Alberta province, Canada and in London, Kentucky, USA, with the latter now being operational. These new facilities will enhance our maintenance capability and enable us to improve on our international reputation as a supplier of reliable and highly productive machines, which we are renowned for in Australia.

Major achievements during the year

We completed four strategically important acquisitions during the year.

- In July 2006, we completed the acquisition of the Bevans business based in Orange NSW.

- In the same month, we acquired a large package of assets from TSM North America Inc. deployed under short term rental contracts in Kentucky and West Virginia in the USA. This acquisition has provided us with a platform to take advantage of growth opportunities and pursue our strategy to expand our business model throughout the Appalachian coal mining region in South-Eastern USA.

- In January 2007 we acquired the Euro Machinery businesses based in the Netherlands and fulfilled our strategic vision of establishing a truly global presence to support our procurement and distribution capabilities. Following the acquisition we transferred the business to a new state of the art machinery workshop, sales yard and office facility in Hardenberg, which is located 1½ hours by road from Amsterdam and Rotterdam and in close proximity to key port facilities in the Netherlands and Germany.

- In late June 2007 we completed the acquisition of JK Mining's earth moving fleet and immediately put it to work at Kagara Zinc's Balcooma mine in Queensland. The acquisition of the JK Mining assets and their deployment with Kagara Zinc are important strategic developments for Emeco and further advanced our strategy of diversifying our resources sector exposure by pursuing opportunities to hire our machines and provide our services to base metal producers.

As mentioned at the full year results presentation, in anticipation of an emerging global tyre shortage we established a long term supply contract with a major global tyre manufacturer which will ensure supply of our existing and growing tyre requirements into the future. This will eliminate a potentially significant growth constraint for years to come.

We have continued to reinforce our global procurement capability by establishing relationships with many independent, regionally located brokers who now deal directly with us as their main distribution channel.

Another significant achievement has been the area of our corporate and administration support. We have institutionalized many of our core processes and have established first class reporting systems and moved significantly to real time reporting. This provides operational management with increased information to assist in managing the individual businesses. While we have some way to go before being totally satisfied, we have made a significant improvement in this area.

Our people

Despite the labour shortages faced in all of our major markets, we significantly stepped up our level of recruitment both in Australia and in our offshore operations during the year. We have recruited a number of very senior experienced leaders which has reinforced the quality of our leadership and enables us to continue pursuing our growth ambitions both in Australia and around the world. We now have over 800 employees spread around the world.

We have always been committed to ensuring the safety of our employees, contractors and visitors. However, during the year we reviewed our safety performance and decided we could do better. We set about embedding in our culture the importance of excellent safety management. We committed additional people, resources and senior management attention to safety across the group. The results so far have been pleasing, however, the process of developing and improving safety systems is a continuous one which does not have an end date. My fellow directors and I will continue to take a direct and personal interest in this area.

Our business model

In the past 12 months we have continued to experience an increasing level of demand for our rental fleet, particularly in Australia and Canada. Our dry hire model continued to gain acceptance amongst the end users of heavy earth moving equipment and we continued to refine our product offering.

We now offer a range of rental alternatives to our customers, from simple dry equipment hire to a full asset maintenance service. This enhancement of our value proposition has resulted in the deepening of relationships with some existing customers and is one of the primary drivers of the increased level of enquiry we are experiencing. We are continuing to embed ourselves deeply into the core production processes of many of our customers and in doing so, we are building a more secure and sustainable future. We are especially focusing on major blue chip customers who are culturally aligned to partnering and who are seeking secure long term relationships.

Our markets

Conditions in our major mining and construction markets around the world generally remain strong; however we are seeing weakness in the US which will continue to impact our business in the short to medium term.

Our Current Performance and Outlook

We expect FY2008 earnings to exceed FY2007 earnings, however, the bulk of the uplift will occur in the second half of FY2008, with earnings in the first half of FY2008 expected to come in roughly in line with earnings in the first half of FY2007.

The Australian Rental business and our European business are both tracking strongly in line with expectations, but our Australian Sales business and our other international businesses have experienced some weakness, particularly the US. However, we are optimistic about the prospects of our offshore businesses and believe the investment we have made in the US will ultimately prove to be a significant contributor to group earnings.

Australia

In Australia, our Rental and Parts businesses, representing the substantial majority of our earnings (76% of FY2007 EBITDA) continue to trade in line with expectations. Although strong prevailing market conditions support our Australian Rental business, rail and port constraints in QLD and NSW remain a significant offsetting influence restricting some organic growth opportunity in the coal industry. However, these constraints are expected to ease as major capacity expansion projects at the Dalrymple Bay Coal Terminal in Queensland and at Newcastle in New South Wales are completed in 2008 and 2009 respectively.

In contrast, our Sales business has struggled, with international shipping constraints delaying the receipt of inventory from overseas, particularly the US, resulting in our Sales business performing below expectations. A strong pick up in Sales has already occurred in October and this positive trend is expected to continue into the second half as overseas inventory is delivered for sale. We currently have forward sales commitments of $35 million on inventory due to be delivered in the second half.

International

The outlook for Indonesia is very promising with the weakness flagged at the full year result presentation beginning to subside. Although low utilization levels continued to characterize the first quarter, looking forward, we are experiencing a major recovery in demand - 38 pieces of equipment were re-deployed during October lifting current utilisation levels to circa 80+%.

Canada has tracked a little below expectations because of low utilization of some of the larger sized equipment we acquired during the later part of FY07 and the first quarter of FY2008. We are now witnessing the emergence of a major new phase of construction and pre-stripping in the Oil Sands patch which is creating new demand for our equipment, particularly our larger sized equipment. In addition, our marketing push into neighbouring British Colombia and Saskatchewan appears to be delivering and we expect momentum to improve significantly upon our first quarter’s result as we move forward.

The US remains challenging and whilst investment continues to drive capability improvement, the emergence of the US business remains a slow process. Broader market conditions are contributing to this, with weakness in the civil construction markets expected to continue into the near term. A welcome feature on the horizon is improving Appalachian Coal prices which are now up 20% compared with prices one year ago. This is leading to the emergence of a number of new rental opportunities. Also the strengthening of the Australian $ against the US$ and the high level of availability of equipment that is idle in the US, is providing an exceptional opportunity to acquire very good quality, competitively priced used equipment for arbitrage around the Emeco global network.

While we expect the US to remain challenging in the short term, we are committed to continuing our strategy of building increased operational capability for the future given the benefits that will be forthcoming when activity levels inevitably recover. In addition to building upon our existing presence, our focus is to increase revenue from our current installed capacity whilst constraining costs to a minimum. We expect a marked improvement in our US business in the 2nd half of the year as we are well advanced towards securing a number of significant rental opportunities.

Europe has delivered above expectations during the first quarter of the new financial year. The existing Procurement and Sales businesses continue to enjoy a healthy outlook for the future. We are currently exploring a number of opportunities to further expand our market presence within the region.

Acquisition opportunities

M&A remains a key component of our growth strategy and we continue to explore opportunities that meet our financial and strategic objectives. Across all regions, we are actively pursuing a significant number of acquisition opportunities with a reasonably high probability of closure. Whilst our goal is to complete acquisitions which satisfy our investment criteria in the shortest possible timeframes, we do not expect to see a material contribution to our earnings from completed acquisitions until the second half of FY2008. To ensure we successfully secure additional growth through sustainable acquisition endevours, we recently announced the appointment of Robin Adair, our current CFO to a newly created role of Corporate Strategy and Development. We are now conducting a global search to fill our vacant CFO role.

In summary, we expect to experience a relatively flat first half year, but with a number of new organic growth opportunities secured, the completion of some acquisition opportunities, a recovery in Australian Sales, Indonesia, and US improvement, the second half of the year is shaping up to be a much stronger six months. We are continuing to vigorously pursue our vision of building a globally based platform to establish a secure future earnings capability. Significant progress has been made over the last twelve months. Whilst this is having some impact to our profitability in the short term, substantial benefits from this strategy will emerge in the medium term.

We anticipate providing further guidance at our half year results presentation in February 2008, when we will have better visibility on the market drivers and their likely impact in our full FY2008 performance.

I would like to thank our shareholders for their continuing support and I look forward to reporting further progress to our shareholders at the first half results briefing in February, 2008.

Thank you.