Emeco Holdings Limited

Managing Director's Address
to the
2008 Annual General Meeting

The 2008 year was a challenging period for Emeco with a number of significant events which impacted our profit performance relative to 2007; however we are very pleased with how these short term challenges were managed culminating in a strong finish to the year which has continued into the first quarter of 2009.

Emeco has successfully continued its evolution as a public company operating in the international market place. Particular areas of focus include enhanced senior management capability, asset management efficiencies, establishment of brand equity in new markets and improved disclosure of business performance for the equity market. Most importantly, we are now seeing the benefits of our strategy to roll out the dry hire rental model internationally with Indonesia, Canada and USA all starting to materially contribute to group earnings and provide valuable diversification of markets which will deliver stable but growing earnings for our shareholders into the future.

As highlighted at the full year presentation in August, we indicated a positive outlook for Emeco's performance in 2009. Having now completed the first 4 months of trading for 2009, I'm pleased to report that the business has performed as expected with utilisation and earnings tracking positively.

We are not immune to the recent volatility in global financial markets and we continue to closely monitor changes in our respective operating environments. However, we remain encouraged by current levels of activity and confident that Emeco is well placed with its relatively defensive business model and financial position to deliver quality earnings for shareholders in 2009 and beyond. I will provide you more insight into our outlook for earnings further in the presentation.

2008 - The year in review

The Company entered the 2008 financial year having invested $182.9 million in incremental growth capital in FY 07 in anticipation of continued high utilisation across all business units, with the aim of delivering earnings growth for shareholders. As was explained to the market at length in August, there were a range of factors which adversely impacted utilisation across all business units resulting in a decline in year-on-year net profit after tax of 9.6% from $74.7 million to $67.5 million. These factors included unforseen weather events in Australia, continuing infrastructure constraints which limited mine output, subdued mining activity in our international markets and limited brand awareness in Canada and USA.

While the full year earnings result was over all a disappointing outcome, it is important to highlight the strong recovery in the second half of 2008 with our net profit after tax increasing by 21.3% in the second half to $37.0 million from $30.5 million. Utilisation rebounded strongly across all business units following a return to more normal weather patterns, increased levels of mining activity in all our major markets, and increased market penetration of our rental offering in Canadian and US markets.

Complimenting our rental business was the strong performance of Australian Sales, particularly in the second half as sales inventory purchased at competitive prices was subsequently disposed of at favourable prices. We believe the combination of strong underlying activity in our respective market places, our quality financial position and greater diversification in customer and end markets, has significantly reduced the risk of earnings volatility experienced in 2008.

We have made some significant in roads into enhancing the quality of our balance sheet. We invested an additional $106.8 million in growth capital during 2008 in pursuit of building scale in our international operations and ensuring Emeco is well positioned in all markets to capture demand for our services which are expected to grow. On a go forward basis growth capital expenditures will return to more conservative levels as we focus on significantly improving group return on funds employed (**ROFE**).

In addition to the investment of capital, the board and management also continued their focus on efficient capital management by targeting working capital reductions to more appropriate levels. We undertook at the February 2008 results presentation to reduce working capital by $50m at 30 June 2008 and this was delivered as promised. We continue to focus on managing our working capital as efficiently as possible.

A key pillar of Emeco's strong financial position is the newly established $630 million senior debt facility. This facility provides absolute funding certainty to September 2011 and more importantly, positions the Company to potentially benefit from this current environment of limited available capital by supporting capital constrained customers with equipment solutions and potentially acquiring re-priced assets in the market place. However, we are currently remaining prudent in deploying and managing our capital in the short term whilst we observe the changing macro economic landscape.

In addition to the financial performance of Emeco in 2008, we are pleased to have our new custom built maintenance facility operating in London, Kentucky and construction of the Fort McKay facility in Alberta province well progressed which will underpin our ability to deliver a high quality service to our customers in the Oil Sands market in Canada.

Our people

In line with our capital investment program during 2007 and 2008, we continued to grow our employee base both domestically and internationally as we targeted scale for our international business and developed the depth and breadth of our management team. We now have over 900 employees globally and we expect to remain at this level over the coming 12 to 18 months.

We have continued to recruit a number of very senior experienced leaders which has further enhanced our ability to pursue our strategic objectives and execute them effectively. As announced at last years AGM, Robin Adair has changed roles from CFO to a newly created role of Director Corporate Strategy and Development where he has continued to make a significant contribution to the organisation. In March of this year, Steve Gobby joined Emeco as our new CFO.

Safety of our employees, contractors and visitors continues to remain a core focus of our daily business. The investment we have made in additional people, resources and senior management attention to safety has seen a significant improvement in our safety culture across the organisation. 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 last 12 months, the Emeco dry hire model continued to gain acceptance in our newer markets of Canada and USA whilst in Australia and Indonesia we continued to deepen our relationships with existing customers.

A key driver of this positive trend is the result of Emeco working with its customer to develop equipment solutions which add significant value to their operations. To illustrate this point, Emeco has a range of mining engineers globally who understand the production cycles of an operating mine and can work with mine managers to configure the most appropriate fleet of equipment in order to maximize our customers' productivity and minimize their unit production costs.

The other key elements of the Emeco business model at work in the past 12 months which have underpinned the demand for our product offering include fleet flexibility, ease of access to equipment via our global procurement network, offering a capital management solution for our customers, effectively managing asset residual risk and providing high quality equipment through our world class asset management capability.

A particular element of our business model I would like to highlight is that of offering a capital management solution to our customers. In light of the global credit squeeze we are all currently observing, we firmly believe the Emeco dry hire rental model will exhibit its counter cyclical nature. What I mean by that is that as capital availability remains extremely problematic for our customers and their uncertainty delays capital investment decisions, we will see customers choosing to rent rather than buy.

Our markets & customers

Over the past 3 to 6 months, we have seen a range of commodities significantly decline in price. In particular base metals such as nickel, zinc and copper. Coupled with this trend has been the evaporation of available capital from debt and equity markets, which appears to be having an adverse impact on smaller operations and those projects in development phase which require external funding to progress.

Against this backdrop of declining commodity prices and tight capital availability, Emeco has continued to achieve utilization above 85% across its global fleet up until the end of October. Firstly, this reflects the fact that Emeco is leveraged to earthmoving volumes rather than commodity prices. We continue to observe significant volume demand in all the markets we operate. Secondly, the capital constrained nature of our customers is leading them to continue renting rather than electing to purchase equipment for their operations.

Coming back to our overarching strategy of creating a global dry hire rental business, this strategy is now providing us diversity across commodities and regions which provides greater certainty for our earnings outlook. To illustrate this point, our revenues for the first quarter of 2009 comprised 35% coal, 20% gold, 11% zinc, 10% oil, 9% civil infrastructure, 7% iron ore, with the balance a combination of other commodities. Whilst having a larger weighting to coal is a positive, we remain buoyed about the level of activity by our customers in all of these commodities which is once again evidenced with the high utilization we are experiencing today. Furthermore, these commodities are across various regions with varying market dynamics which we expect to support activity levels in those regions.

Just touching briefly on our customer profile, over the past few years we have successfully developed a quality customer profile which includes Rio Tinto, Anglo Coal, BHP Billiton, Xstrata, Newcrest and Newmont. 57% of revenue for first quarter 2009 was derived from our top 20 customers of which 50% have market capitalizations greater than A$1bn. This profile demonstrates the credit quality and sustainability of mining volumes in our markets.

Our Current Performance and Outlook

At our full year results presentation in August 2008, we provided 2009 full year net profit after tax guidance of $75m to $81m representing double digit earnings growth. Emeco is not entirely immune from external global influences which create some uncertainty about the future economic outlook but we remain confident that we can deliver earnings within this range based on our performance in the first quarter and the general outlook across our businesses in the short term.

In addition to my comments on 2009 earnings, I would like to reiterate our focus on improving the Company's return on capital. We remain diligent in liberating cash by disposing of rental plant or sales/parts inventory which is underperforming or does not add strategic value to the business. Furthermore, given the uncertain outlook in the short term we are being particularly prudent and cautious in investing additional capital, although some compelling organic growth opportunities continue to arise which may be pursued. We expect the combination of solid earnings together with conservative capital deployment will contribute to a strong free cashflow in 2009 which will further strengthen Emeco's financial position.

The recent substantial fall in Emeco's share price is disappointing for all shareholders. In light of this recent share price trend, I feel it is important to make some comment. I would emphasize that, relative to our peers, the decline in our share price has not been as dramatic, which suggests that the underlying reasons for the decline is due to broader market sentiment rather than anything specific to Emeco. This is supported by the underlying performance of our business and the general outlook provided today. To illustrate this point and using the most conservative measure of net tangible assets, the current share price is trading at a discount to our current net tangible assets of $0.78/share, notwithstanding the values observed in the market today for our equipment are at a premium to the carrying value of our net tangible assets.

To provide some further context of our current performance and the outlook for Emeco, I will briefly discuss each of our regions.

Australia

In Australia, our Rental, Sales and Parts businesses, representing a significant component of our group earnings (83% of FY2008 EBITA) have performed in line with expectations in the first quarter of 2009.

The Australian Rental business has seen particular strength and out performance in the QLD and NSW operations largely off the back of continued strength in coal activity. We are observing some easing of the rail and port constraints as capacity expansion projects are progressing. The WA business experienced some frustrating redeployment constraints early in 2009 due to limited police escort availability which has resulted in slightly lower earnings than expected. However, on balance the Australian Rental business is performing particularly well. Looking forward, we expect activity to remain strong across all regions as the Australian business remains leveraged to coal, gold and iron ore.

The Australian Sales and Parts business maintained their performance from the end of 2008 and have delivered in line with expectations in the first quarter. The recent devaluation of the Australian Dollar is limiting offshore inventory procurement opportunities in the short term; however this is being offset by improved margins on inventory purchased at higher currency rates in 2008.

Indonesia

After experiencing low utilisation at the end of 2007 and early into 2008, the Indonesian business in the past 6 to 9 months has returned to its historical best. Utilisation has trended up above 90% over recent times with general activity across the mining sector in Kalimantan remaining positive. This uptick in demand has largely been driven by expanding coal production in the region which is underpinned by a positive medium term outlook for this commodity.

Canada

The combination of repositioning our Canadian fleet away from smaller civil gear towards traditional mining sized gear, establishing brand equity in the market place and the emergence of a major new phase of construction and development in the Oils Sands is driving the improved performance in Canada. Similar to the story in Indonesia, utilization has continued to increase over the past 9 months with it currently at +80%.

Notwithstanding the recent decline in oil prices, we expect the overall development activity over the next 3 to 4 years to remain strong in the Oil Sands region as most committed projects have long lead times with significant capital already invested. Furthermore, due to the geopolitical dimension of this oil producing region we expect sustained activity beyond the medium term. We continue to remain focused on liberating the smaller plant from the fleet to reinvest in mining equipment with the aim to grow the Canada business in the same way the Australian rental business has evolved.

United States

The US business has presented a challenge for us over the past few years, however we are pleased to be gaining traction and delivering profits having now established quality business infrastructure, brand equity in the region and sustained mining activity in the Appalachian Coal region due to improved prices. In particular, the rental and parts business is performing well with rental remaining at +80% utilization in the first quarter; however further improvements to our return on capital is required.

Whilst a very small contributor to Emeco’s earnings, the US Sales business remains slow due to the broader economic malaise in the US. We will continue to limit inventory levels in this business whilst we focus on growing our profitable rental and parts businesses.

Looking forward, we believe the rental business requires some further incremental scale to deliver earnings quality commensurate with our other regions. Furthermore, the medium term outlook for Appalachian Coal activity remains positive which is key to any further investment in the existing business. However, any increased level of investment will be assessed against our financial hurdles and strategic filters.

Europe

As highlighted at the full year results presentation, the performance of our trading business in Western Europe is being challenged by low economic activity domestically and the relative strength of the Euro which is limiting export opportunities. We are continuing to refine the trading business to ensure we maximize opportunities whilst reducing costs to maintain profitability. Whilst the investment of A$34 million in Europe is small relative to the overall group, we remain focused on improving the performance of this business in 2009.

Medium Term Strategy

We fully understand and accept the expectations of the equity markets with respect to short term results, however we continue to balance those expectations with our aspiration to build a truly world class global business which capitalizes on its first mover advantage in our current global businesses over the longer term. Emeco has pursued this strategy over the past 3 to 4 years through acquisitions to gain first mover advantage in our respective markets.

Having now established our position in Australia and internationally, our over riding strategic and operational focus will be on extracting more from our existing geographic footprint and installed asset base. The medium term focus will be on organic growth rather than via acquisitions to extract value from our established market presence with a view to growing the international businesses to a size commensurate with Australia. We will continue to refine our product offering and further embed ourselves in our customers businesses to ensure we deliver consistent and stable earnings growth over the medium to long term. We will pursue this strategy in a conservative and prudent manner taking account of the current uncertainty surrounding the macro economic environment. Furthermore, during this volatile period we expect to demonstrate to the public markets the sustainability of the Emeco business model . We firmly believe our stakeholders will be rewarded by this strategy.

In summary, our first quarter performance in 2009 is tracking in line with expectations and current activity across our business supports our earnings guidance of $75 million to $81 million. Given the immediate future remains somewhat uncertain in the resources sector the downside risks cannot be discounted, however we have not seen any material evidence to date that is adversely impacting our underlying business and therefore we remain comfortable with the guidance provided. We anticipate providing further guidance at our half year results presentation in February 2009, when we will have better visibility on the market drivers and their likely impact in our full year 2009 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, 2009.