Market release
12 February 2010

REVIEW OF OPERATIONS

Emeco Chief Executive, Keith Gordon announced today the results of a broad ranging review of the company's operations completed since he joined the company in December 2009.

The key outcomes of the review are:

- An expected impairment charge of $14 – 15 million after tax on the carrying value of the global rental fleet and sales and parts inventories to be taken in 1H10. NPAT pre significant items for 1H10 is expected to be $13.5 million in line with previous guidance
- A decision to exit Emeco's European operations. This is expected to result in a restructuring charge of up to $9.5 million to be taken in 2H10
- A decision to significantly downscale its US presence and to consolidate the remaining assets there with its Canadian business which will lead to a restructuring charge of up to $20.0 million to be taken in 2H10
- An update of full year guidance. Management expects operating net profit after tax for the full year FY10 to be in the range of $40 - $44 million pre significant items
- The outlook for Emeco remains positive with increasing equipment utilisation and successful deployment of the large truck fleet acquired in 2009

Further work is under way on the future strategic direction for Emeco. However it is not expected to give rise to further restructuring or impairment charges.

EXPECTED RESULTS FOR 6 MONTHS TO DECEMBER 2009

Emeco expects to report operating net profit after tax for 1H10 before significant items of approximately $13.5 million which is broadly in line with previous guidance. Mr Gordon said "the operating environment in the first half has been challenging but we are seeing strong signs of recovery in our market. Although a number of new mining projects that will provide revenue for Emeco have incurred short term delays, momentum has been building towards the end of the half."

Following a review of the carrying value of its global rental fleet, sales and parts inventories at 31 December 2009, the Company also expects to announce impairment charges of $14 - $15 million after tax. These charges relate largely to the civil equipment fleet in Canada and the USA and to Australian Sales and Parts inventories. Net tangible assets per share, adjusting for the full impact of the expected significant items, as at 31 December 2009 is expected to be $0.71 per share subject to finalisation of audited accounts.

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Further detail in relation to the composition of the significant items will be detailed at Emeco's half year result presentation on 24 February 2010.

EUROPEAN OPERATIONS

In August 2009 Emeco announced that it was in the process of downsizing its European operations. Following continued underperformance, Emeco has now decided to exit this business. This decision has been taken after determining that the European operations were unlikely to meet the company's required rate of return in the foreseeable future and a presence in Europe offered no material advantage in terms of Emeco's international procurement activities. The closure of the European business will result in restructuring charges of up to A$9.5 million being incurred in the second half of FY10. These charges primarily relate to lease termination costs and employee redundancy entitlements. It is anticipated that the closure of the business will be completed prior to 30 June 2010.

NORTH AMERICAN OPERATIONS

Following a comprehensive review of its North American operations, Emeco will consolidate its USA and Canadian operations into a single North American business unit. Ian Testrow, previously President of Emeco Canada, has been appointed President of Emeco North America and he will continue to be based in Edmonton, Canada.

The current headquarters of Emeco's USA business in Houston Texas will be closed.

Emeco will also cease to operate from its facility in London Kentucky. Managing Director Keith Gordon said "the fundamentals of the Appalachian coal market do not support an ongoing presence by Emeco in this region. The long term outlook is for a steady decline in coal production in the region and customer support for the rental model is unlikely to be sustainable in the medium term. Rental and sales fleet located in Kentucky will either be sold or relocated to Canada if it can be employed productively in that business".

Restructuring charges of up to A$20.0 million will be incurred in the USA business in the second half of FY10 and the restructure will be completed by 30 June 2010.

Mr Gordon said "Emeco remains committed to pursuing profitable growth in North America which we see being achieved by complementing our presence in the Canadian oil sands with customer led projects in other geographies. While we continue to see opportunity in the US, we will only pursue these markets where we are confident that a low cost business model can be applied to deliver value".

EARNINGS GUIDANCE AND OUTLOOK

Notwithstanding reduced profit expectations for FY10, operating conditions remain reasonable with Western Australia and Queensland in particular continuing to evidence a sustained recovery. Utilisation continues to improve across all geographies, with asset utilisation across the group by value currently at 77%.

Mr Gordon said "Our full year NPAT guidance of $40 - $44 million prior to restructuring and impairment charges reflects a slower than expected ramp up of activity, particularly in the Australian market in recent months where a number of mining projects have incurred delays of several months."

"Nevertheless, the early benefits of the investment in three fleets of large mining trucks in 2009 are starting to flow through and we have seen steady improvement in fleet utilisation over the past few months."

"We have dealt with our underperforming businesses and now our remaining businesses in Australia, Indonesia and North America provide Emeco with a strong platform for growth as the market recovers. Management's attention will now turn to running our businesses well and completing our strategic planning which will be focused on delivering satisfactory returns to shareholders over the long term."

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About Emeco

Emeco is a leading global provider of heavy earthmoving equipment with offices in Australia, Indonesia, the Netherlands, Canada and the USA. Emeco has integrated rental, sales, parts, maintenance and procurement into a single business for high reliability, low-houred heavy earth moving equipment for the mining and civil construction sectors. Emeco is not aligned with any earthmoving equipment manufacturer and has a global fleet approaching 2,000 machines including equipment manufactured by Caterpillar, Hitachi, Komatsu, Liebherr and Volvo.

Emeco's ordinary shares are traded on the Australian Stock Exchange under ASX code EHL.