

Market release
16 November 2010

Chairman's Address to the 2010 Annual General Meeting

This is our fifth Annual General Meeting and the first outside Sydney. Given our headquarters are in Perth it is an important milestone that this Meeting is being held here.

There have been some changes in our board and management team since our last AGM and after I have introduced the team to you I will talk briefly about the Company's performance in 2010 before asking our Managing Director and Chief Executive Officer, Keith Gordon to provide some further insights into Company's performance and the outlook for the business.

Board and Management

So firstly let me introduce the board starting with our new director Peter Richards.

Peter Richards joined the board as an independent Non-Executive Director in June 2010. Peter, who is standing for election today, has extensive global experience in the resources and broader industrial sectors including at CEO level. We are very pleased that Peter has agreed to join the Emeco board. His background is well suited for Emeco's range of activities and this has enabled him to make an immediate, valuable contribution to Emeco.

Bob Bishop joined the Emeco board in June 2009. Bob is based in NSW and also has an extensive background in the resources industry having previously been CEO of a global mining and tunnelling business. His international experience is particularly valuable for Emeco.

John Cahill joined the Emeco Board in 2008. John who is Perth based brings CFO and CEO experience with Alinta and Alinta Infrastructure to the board as well as a leadership role in CPA. John chairs our audit committee.

Peter Johnston who joined the board in 2006, brings significant industry experience as CEO of Minara Resources as well as his membership on the Mineral Council of Australia board. Peter is able to inject the very useful and relevant views of a current CEO to our debates.

Lastly, I joined the Emeco board in 2005 prior to its IPO. I am based in Sydney, spent most of my executive career with CSR Limited and retired as its CEO in 2007. I have been a public company director for more than twenty years. In addition to my role as Chair of Emeco, I currently chair one other private company, and have a range of unpaid and not for profit activities.



The Emeco board is a small, hard-working board that I believe has the mix of skills and experience necessary to cost effectively monitor the performance of the company on behalf of shareholders.

I would like to thank all of my non-executive director colleagues for their contribution to the company over the past year.

At our last AGM we had the opportunity to farewell and thank our then CEO Laurie Freedman who stepped down in December 2009 after 10 eventful and productive years as CEO of Emeco.

Given that this is his first Annual General Meeting, I should formally welcome our current CEO and Managing Director, Keith Gordon though I would point that he has now been in the CEO role since December last year.

Prior to joining Emeco Keith spent the previous 11 years in senior roles at Wesfarmers and he has brought to Emeco a valuable mix of strategic and operational skills and financial discipline that have already been used to good effect in the Emeco CEO role.

The global environment in which Emeco operates has changed quite dramatically over the past two years and the management team led by Keith has made excellent progress over the past 12 months on a range of important strategic and operational issues that will allow Emeco to adapt and succeed in this new environment.

Performance

Emeco's financial performance continued to be influenced by the uncertainty and fragility in the global economy during the first half of the year. However we saw much improved activity in the second half and this resulted in net profit after tax (**NPAT**) for the year before significant items of \$41.1 million.

Despite FY10 earnings being impacted by the lingering effects of the financial crisis, Emeco continued its focus on balance sheet flexibility and cash flow. We maintained a disciplined approach to capital expenditure and working capital and this resulted in positive cash flow and further debt reduction over the year. As a result of this, we started the 2010/2011 financial year with a comfortable gearing level and the balance sheet capacity to pursue growth opportunities.

In July 2010, following a major strategic review of our activities in the current global environment, we announced a refocusing of Emeco around its core mining customers in Australia, Indonesia and Canada including a focus on moving into larger mining equipment.

The logical outcome of this is that we needed to exit our operations in Europe, USA and Victoria. While we still have some remaining assets to dispose of in Australia, we are very pleased with the significant progress already made to implement this strategy.

The strategy has given rise to impairment and restructuring charges of \$90.4 million in FY10. While these significant items are disappointing, the board believes that this necessary refocussing is a key step in allowing Emeco to deliver superior shareholder returns in the future.

Dividend

The dividend policy of the Board is to distribute to shareholders approximately 35% to 45% of annual NPAT and to frank dividends to the fullest extent possible.

In February 2010, the Board resolved not to pay an interim dividend in order to preserve cash and maintain balance sheet flexibility until it was satisfied that the recovery in the resources industry was flowing through to the mining services sector. The Board stated it would resume payment of dividends if earnings recovered over the balance of FY10.

The Group's operating NPAT of \$41.1 million, which excludes the significant one-off impairment and restructuring charges given they are largely non-cash in nature, satisfied the Board that the expected earnings recovery had been delivered. In considering an appropriate dividend, the Board also considered the extent of available retained profits and franking credits, the robust operating cash flow and strong balance sheet.

Accordingly, the Directors declared a final dividend of 2.0 cents per share, fully franked which has recently been paid to shareholders.

Our people

I would now like to take a moment to talk about Emeco's most important asset, our People. Emeco's talented and dedicated employees are key to the future success of the Company. On behalf of the board, I want to take this opportunity to thank everyone for their significant contribution in positioning Emeco as a world class service provider to the global mining industry.

We remain focused and committed to ensuring the safety of our employees, contractors and visitors. During the year, we devoted considerable time and attention to improving the safety performance of all our operations around the world.

Whilst this is an area that requires constant vigilance and continuous improvement, I believe Emeco made significant progress in FY10 toward ensuring its safety management practices are uniformly world class. Our ultimate safety objective remains "zero harm" and this objective continues to guide us in how we manage and think about safety in the workplace.

The future for Emeco

The growth dimension of our current strategy has been around investment in large mining equipment and despite lingering uncertainty in the global economy in late 2009, we made the strategic decision to invest approximately \$90 million in three large truck fleets, which was then followed more recently with further investments in 240 tonne trucks. We are confident that these investments, which are central to our strategy, will deliver quality returns for our shareholders.

You would have noted earlier this month that we announced the successful completion of negotiations on a new debt facility for Emeco to replace our current facility that was due to expire in 2011. I would like to make special mention of the critical role that our CFO Steve Gobby played in achieving this excellent outcome. I might add that our previous facility also negotiated by Steve allowed us to weather the GFC in much better shape than many other companies. The new debt facility, together with the much stronger focus on liberating underperforming capital and stronger operating cashflows will provide Emeco with significant balance sheet flexibility to pursue growth opportunities while remaining focused on delivering improved returns on capital for shareholders.

So, while some uncertainty remains around the global economic outlook, we believe the momentum of our core businesses in the second half of FY10 provides a solid foundation for continued improvement in financial performance into the future.

The board is confident that Emeco can deliver steady and sustainable growth for shareholders over the coming years.

Finally, I would like to thank you – our shareholders for your support of the Company over the past year.

Further enquiries can be directed to:

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About Emeco

Emeco is a leading global provider of heavy earthmoving equipment with offices in Australia, Indonesia and North America. 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 sector. Emeco is not aligned with any earthmoving equipment manufacturer and has a global fleet of approximately 1,000 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.