Market Release
22 February 2011

EMECO DELIVERS STRONG UNDERLYING PROFIT IN FIRST HALF

KEY POINTS

- **Normalised operating NPAT of $29.5 million ahead of guidance (excludes $6.0 million one-off Indonesian debtor impairment)**
- **Focus on customers in core mining markets translating into improved shareholder returns (ROC at 11.2%, up from 6.4% at 31 December 2009)**
- **Demand for large mining equipment remains strong with global fleet utilisation averaging 87.6%**
- **On track to release $60 million of capital from underperforming businesses and inventories by 30 June 2011**
- **Interim ordinary dividend of 2.0 cents per share, fully franked**
- **Special dividend of 5.0 cents per share fully franked, funded from capital release**
- **Strong cash flow underpinning balance sheet capacity to fund value accretive growth opportunities**
- **Positive outlook in Emeco's core mining markets**

OVERVIEW

Emeco Holdings Limited (ASX: EHL) today reported operating net profit after tax (NPAT) of $29.5 million for the half-year ended 31 December 2010 after adjusting for the previously announced one-off Indonesia debtor impairment of $6.0 million (after tax). Statutory NPAT for the period was $24.1 million, including $0.6 million profit from discontinued operations. The strong earnings gave rise to an improvement in ROC to 11.2% from 6.4% at 31 December 2009.

The continued strong global commodity environment has translated into sustained equipment demand and high fleet utilisation in each of Emeco's core markets over the past six months (87.6% average). The Company continues to experience high enquiry levels from customers.

The disposal of non-core assets from the Victorian Rental, USA Parts, Europe and Australian Sales businesses has resulted in a capital release of $33.4 million in the first half.

The Directors declared an interim ordinary dividend of 2.0 cents per share, fully franked. The Directors also declared a special dividend of 5.0 cents per share, fully franked. This capital management initiative will return surplus capital from the capital release program and distribute some surplus franking credits to shareholders.

Managing Director and CEO of Emeco, Mr Keith Gordon, said; "The special dividend follows a successful sale of non-core assets in 1H11. We are still working hard towards our target of releasing $60 million of capital during the year, with the balance providing additional capacity to pursue growth opportunities."

"All up, today's result demonstrates that Emeco is on the right track, focusing on high utilisation of our expanding large mining fleet across the three key markets in which we operate.

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"The upward trend in return on capital is a good marker of Emeco's business health, which reflects a strong operating environment for our fleet and a disciplined approach to achieving above WACC returns for our large mining equipment."

Rental capital expenditure for the period was $85 million, of which approximately $35 million comprised growth capital investment. During the period Emeco took delivery of 25 large mining assets, including five new 240 tonne dump trucks which were deployed into a mine in Queensland owned by a global coal producer.

Strong operating cash flows and liberation of capital resulted in further debt reduction during the period, with $231 million of available headroom at 31 December 2010.

Emeco's global procurement capability continues to source quality used equipment in the wholesale market to meet growing customer demand. The Company has also commenced a structured forward order program of new equipment from OEM's for selected asset classes as part of a procurement strategy designed to enhance forward planning capability and deliver sustainable growth.

Group safety performance has improved from 7.2 lost time injuries per million man hours (LTIFR) at 31 December 2009 to 2.0 LTIFR at 31 December 2010. Emeco's goal remains zero harm.

FINANCIAL PERFORMANCE

A$ million	1H10	2H10	1H11	PCP %
Revenue	208.5	235.9	253.6	21.6
EBITDA	82.5	107.9	115.0	39.4
EBIT	32.1	51.5	54.7	70.4
Operating NPAT	**13.6**	**27.5**	**29.5^**	116.9
Statutory NPAT	**(0.6)**	**(48.7)**	**30.1^**	
R12 ROC (%)	**6.4%**	**8.3%**	**11.2%**	4.8

^ Excludes one-off impairment of Indonesian debtor ($6.0 million post tax)

Group operating revenue was $253.6 million in 1H11, 21.6% higher than the prior corresponding period (PCP). This was primarily due to higher average utilisation across the rental fleet. Operating rental revenue increased 40.8% from $152.4 million in 1H10 to $214.6 million in 1H11. Global fleet utilisation averaged 87.6% (versus 70.0% PCP) across the period.

Operating Maintenance revenue was up 51% to $25.3 million on a PCP basis as a result of securing contracts with on-site maintenance and an increased focus on external maintenance services in Queensland and Canada.

Operating EBITDA increased 39.4% PCP with operating EBIT up 70.4% PCP to $54.7 million. The increase in EBITDA and EBIT margins by 5.7% and 6.2% respectively on a PCP basis is due to fixed cost leverage within the business and the increased contribution from higher margin rental revenue relative to overall Group revenue.

During the period operating profit realised on sale of rental assets was $0.3 million compared to PCP of $1.6 million.

Interest costs in the period were broadly constant on a PCP basis due to the increased margins under the new facility being offset by a lower average debt level.

A post-tax impairment charge of $6.0 million ($7.9 million pre-tax), as announced on 14 February 2011, relating to the one-off impairment of an Indonesian debtor, impacted the Group's 1H11 statutory NPAT. Operating NPAT after normalising for this one-off impairment increased from $13.6 million in 1H10 to $29.5 million in 1H11.

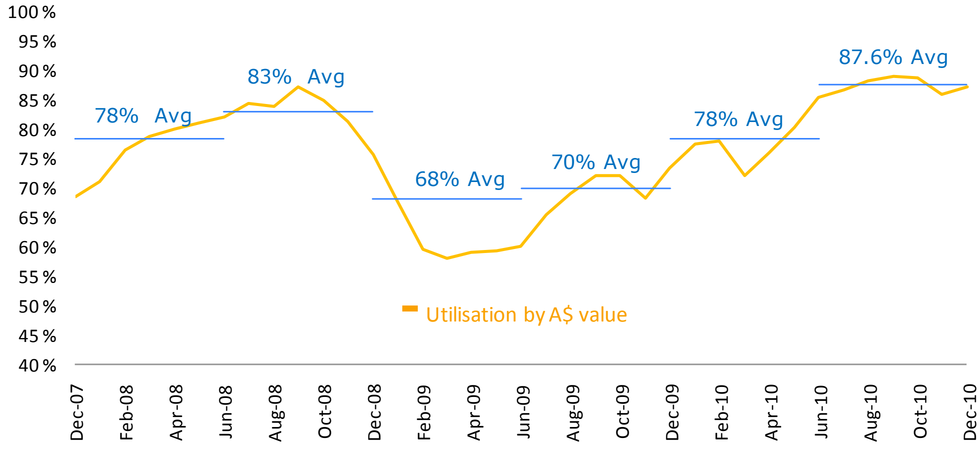
The trend in ROC remains positive due to a strong operating environment for Emeco's fleet, the release of underperforming capital from the USA, Europe and Victorian businesses and the disciplined investment in larger earthmoving equipment to achieve above WACC returns.

BUSINESS PERFORMANCE

Key features of the half year business performance were:

- Reconfiguration of the Canadian fleet successful with utilisation averaging 85.8%
- Sustained thermal coal activity supporting businesses in NSW and Indonesia
- Strong coking coal activity and limited impact from extreme weather resulted in solid performance in QLD
- Activity in gold and iron ore projects underpinning performance in WA
- Focus on disposal of non-core Sales and Parts inventories

Group Rental Equipment Utilisation by WDV



Emeco Canada had a positive half with fleet utilisation averaging 85.8% and EBIT contribution of $7.8 million up significantly on PCP operating EBIT of $0.6 million. This was achieved through an increase in oil sands activity, a reconfigured mining fleet and an increase in maintenance services to customers.

Canada's reconfigured mining fleet is more suited to mine production, overburden and reclamation works in the oil sands market. Utilisation of this mining fleet was maintained at high levels throughout the seasonal freeze period.

Emeco has recently placed an order for $22 million of new large mining equipment in Canada, which is due to be delivered in first quarter of FY12.

ROFE in Emeco Canada has improved from -1.9% at 31 December 2009 to 8.8% at the end of the period.

Emeco Indonesia continues to observe very strong thermal and metallurgical coal markets due to this region being a low cost producer in the global coal market and due to growing demand for electricity in the emerging markets in the Asia Pacific region.

Equipment fleet utilisation averaged 83.0% across the half with a number of customers requesting additional equipment to increase production targets. Indonesia contributed $7.4 million of EBIT before a one-off debtor impairment of $7.9 million (pre-tax).

Emeco continues to see growth opportunities in this region with a focus on increasing exposure to blue chip customers. ROFE improved from 14.7% at 31 December 2009 to 16.6% at the end of the period.

Emeco Australia continued its strong performance with fleet utilisation averaging 88.8%. Emeco's primary commodity exposures comprising metallurgical coal, thermal coal, iron ore and gold continue to have strong prospects with continued high enquiry levels for Emeco's customers operating in these commodities.

Although some parts of Queensland and New South Wales experienced extreme weather during the period, Emeco's earnings were not materially impacted. A combination of factors including limited fleet redeployments and Emeco's key sites resuming mining operations quickly ensured continuous high fleet utilisation. Wet weather in the region since 1 January 2011 is expected to impact 2H11 EBIT by approximately $1 - $2 million.

During the half, Emeco deployed five new Komatsu 240 tonne trucks in Queensland which adds to the strong position Emeco has in this market. In addition Emeco will take delivery of a further five new 240 tonne Komatsu trucks to the value of $21 million in late FY11. An order is in place for an additional five large mining trucks to the value of $18 million for delivery in mid FY12.

Australian rental contributed $49.0 million of EBIT with ROFE improving from 16.0% at 31 December 2009 to 23.4% at the end of the period.

BALANCE SHEET & CASH FLOW

Emeco executed a $450 million senior debt package with a syndicate of seven banks during the period, replacing a $595 million debt facility which was to mature in August 2011. The debt package comprises a 3 year $300 million and a 5 year $150 million revolving multi-currency facility, providing total debt facilities of $500 million, inclusive of a 5 year $25 million finance lease facility and a $27 million working capital facility.

At 31 December 2010 net debt was $256 million with available headroom of $231 million to fund future growth initiatives. Net debt reduced by $45 million during the half due to strong operating cash flows, release of working capital and sale of underperforming businesses. The Group's gearing is 1.2 times (Net Debt : EBITDA) at 31 December 2010, comfortably below the target range of 1.5 – 2.0 times.

The Group continued to generate strong cash flow, with operating cash flow contribution of $77.6 million, up from $62.2 million PCP. This reflected the improved EBITDA contribution across the group, partially offset by increased tax payments from improved earnings.

Asset disposals and inventory reductions totalled $57.8 million. This included $33.4 million released from non-core asset disposals from Australian Sales & Parts, Europe, Victorian Rental and US Parts.

Total capital expenditure for the period was $85 million which included growth capital investment of $35 million.

Free cash flow before dividends was $34.1 million for the period which places Emeco on a solid footing to pursue value accretive growth in the future.

DIVIDEND & CAPITAL MANAGEMENT

The Directors have declared an interim ordinary dividend of 2.0 cents per share, plus a special dividend of 5.0 cents per share, both fully franked.

This capital management initiative will return surplus capital from the capital release program and distribute some surplus franking credits to shareholders. Allowing for the special dividend, the Company maintains comfortable gearing levels and has significant balance sheet capacity available to pursue value accretive growth in the coming year.

All dividends will be paid on 31 March 2011 on shares registered at 5.00pm on 3 March 2011.

OUTLOOK

Emeco is well positioned to benefit from the continued growth in activity across the global mining sector. In this environment the Company expects to maintain high utilisation of its rental fleet while delivering earnings growth via disciplined investment in additional mining fleet across its three core markets.

The Company is observing some opportunities for growth in rental rates, however there is also increasing pressure on capital and operating costs, particularly in used equipment prices and labour rates.

Having largely completed the restructuring activities outlined to the market in its strategic review, Emeco is now well placed to pursue value accretive growth opportunities. The Company will continue to evaluate and pursue growth opportunities in its three core businesses. Acquisitions may also be considered where they are aligned with the strategy. Whether growth is delivered organically or by acquisition, disciplined investment of shareholders funds will remain central to the Emeco strategy.

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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.