Emeco

Earthmoving equipment solutions

2010 Interim Results

Keith Gordon

CEO & Managing Director

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CFO

RENTAL | SALES | PARTS | ASSET MANAGEMENT

Presentation Overview

- Highlights
- Financials
- Strategy & Outlook
- Question & Answer

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Highlights

Keith Gordon

CEO & Managing Director

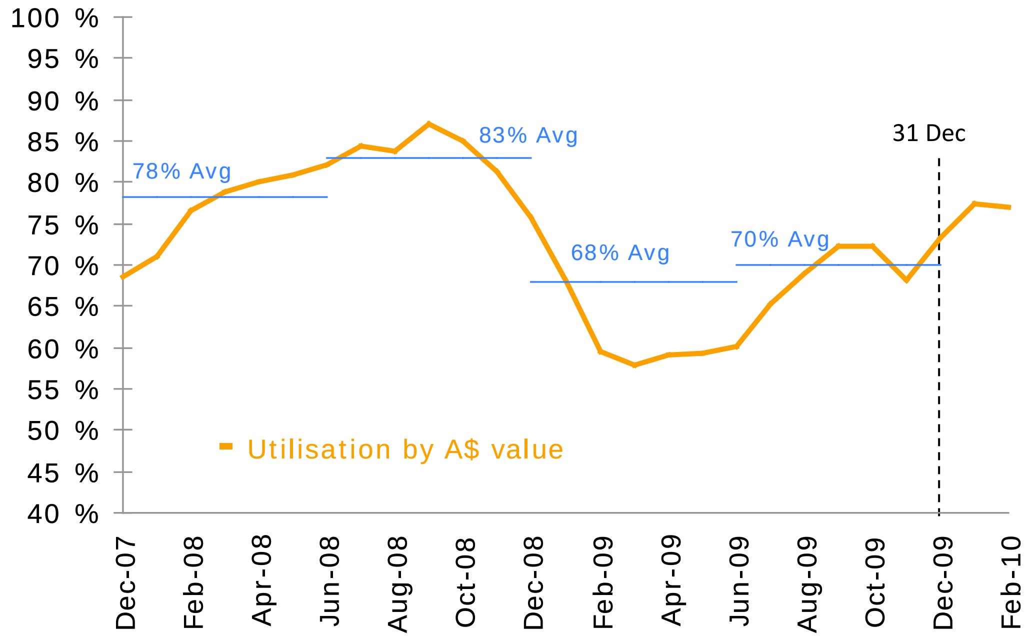
Overview

- **1H recovery…**
  - Ramp-up in customer activity slower than anticipated
  - Utilisation hours per machine lower than historical average
- **Decisive action taken to reposition business…**
  - European business to be closed
  - Restructure of North American businesses including exit from Central Appalachian coal region
  - Impairments of $14.3m in 1H10 with further one-off charges of up to $29.5M in 2H10
- **Looking forward…**
  - Activity increasing across all key commodities
  - Liberation of underperforming capital – first steps to improve ROC
  - Migrate fleet further toward larger mining equipment
  - Immediate growth opportunities in Australia, Indonesia & Canada
  - Long-term strategic planning underway

Rental Fleet Utilisation

Asset utilisation recovering through 1H...

- Recovery underway however slower than anticipated
- Larger equipment for blue chip mining has been redeployed faster than smaller mining and civil equipment
- 1H capex fully utilised as at December 09 (190t and 240t dump trucks)
- Utilisation in Western Australia, Queensland and Canada steadily improved across the half



✓ USA idle assets to be disposed of or relocated within Emeco

✓ Focus on recycling idle capital and reconfiguring fleet

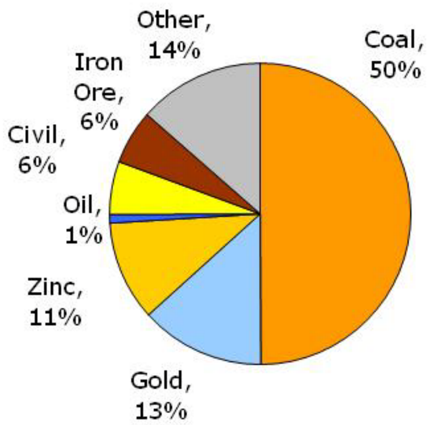
Leveraged to the mining cycle

All major commodities wound back hard in FY09 due to price uncertainty and GFC

Global recovery underway

- Majors targeting production capacity growth - Emeco 's large equipment fleet meeting needs of coal, iron ore, gold and oil sands majors
- Smaller metals projects recommencing however capital remains tight creating pull through for smaller mining fleet

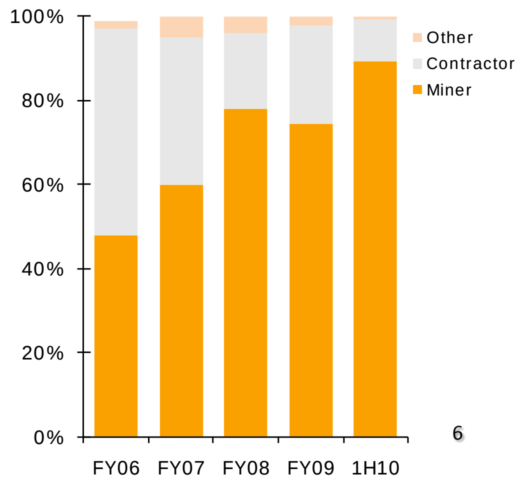
1H10 Commodity exposure (Group)



Adding-value across operations

- Emeco provides various fleet size solutions across multiple phases of mine site operations from the tailings dams development to base production
- Emeco's maintenance facilities and expertise are increasingly used by miners for own fleet

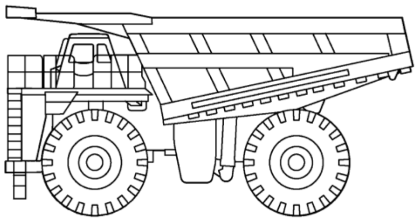
Customer composition (Australia)



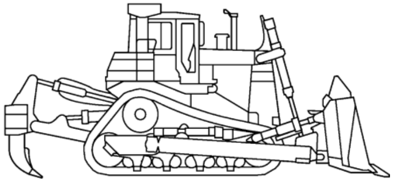
Equipment

Continue reorientation of the fleet mix toward large mining equipment

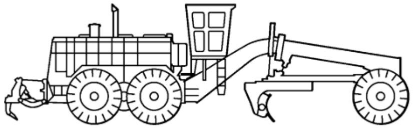
Small Equipment Fleet



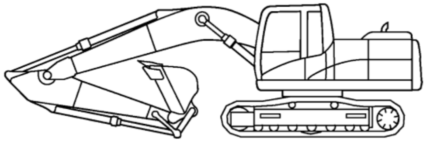
- Impairments taken in 1H10 on small construction equipment due to over supply
- Disposal of this equipment in 2H10 will improve cash generation and ROC
- Continue to downsize exposure to this equipment class



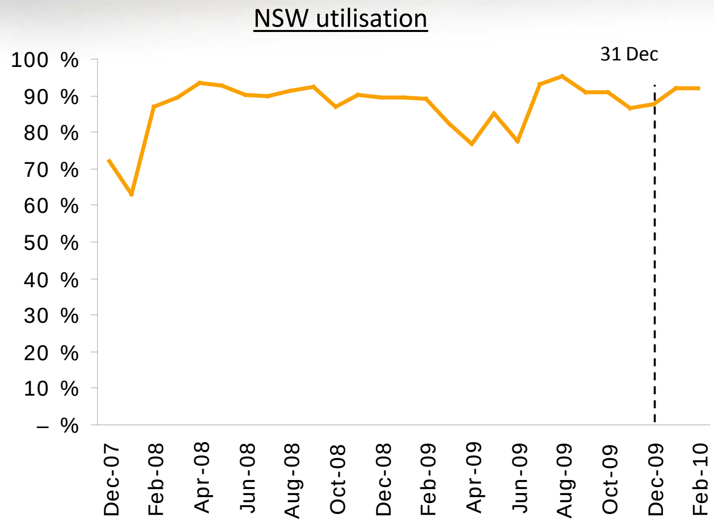
Core Fleet (medium & large)

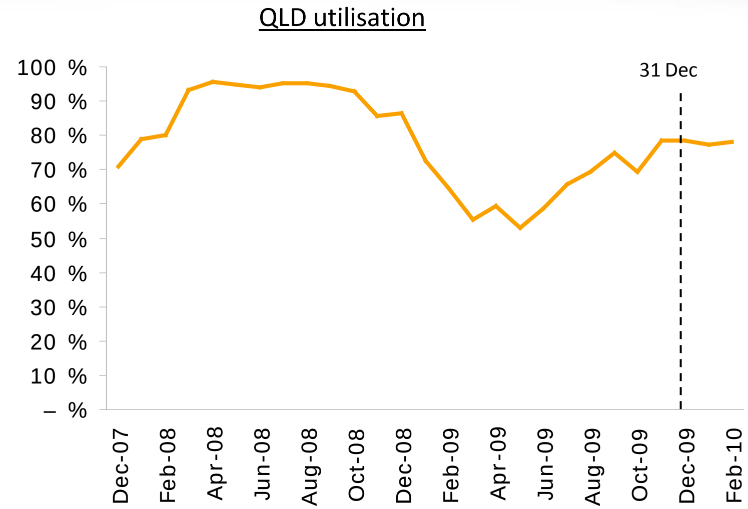


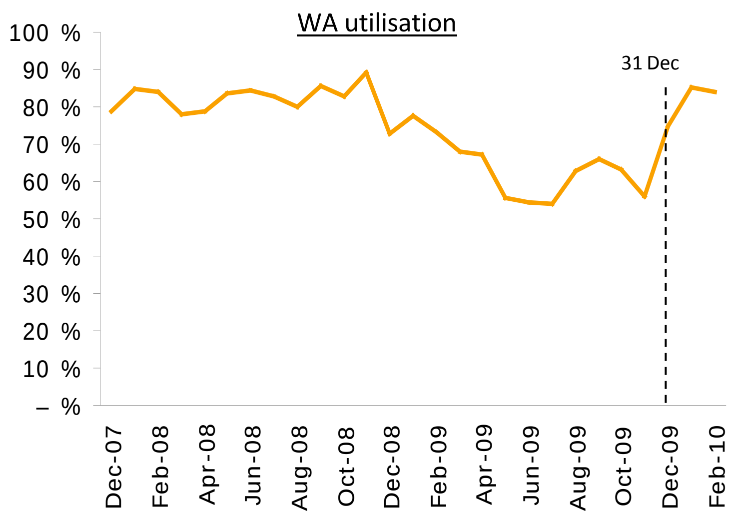
- Recent investment has increased leverage to majors in coal, iron ore and oil sands
- Tightening new equipment supply increasing Emeco's market opportunities
- Continue to evaluate opportunities for investment in large equipment but remain disciplined on capex

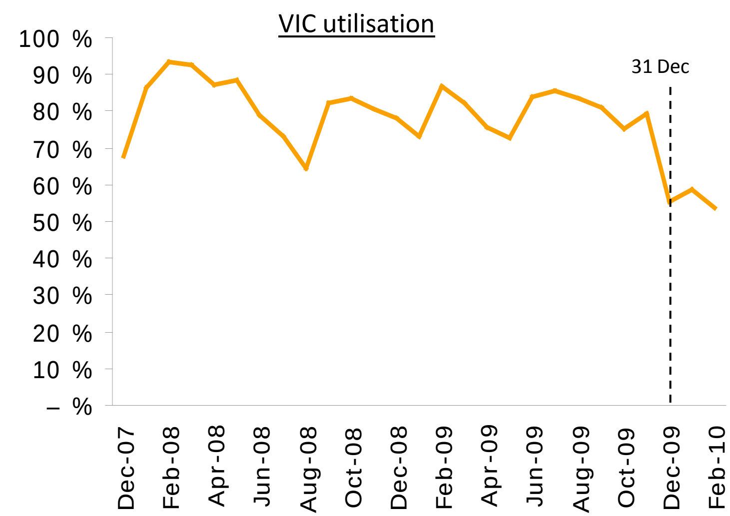


Business Unit Performance









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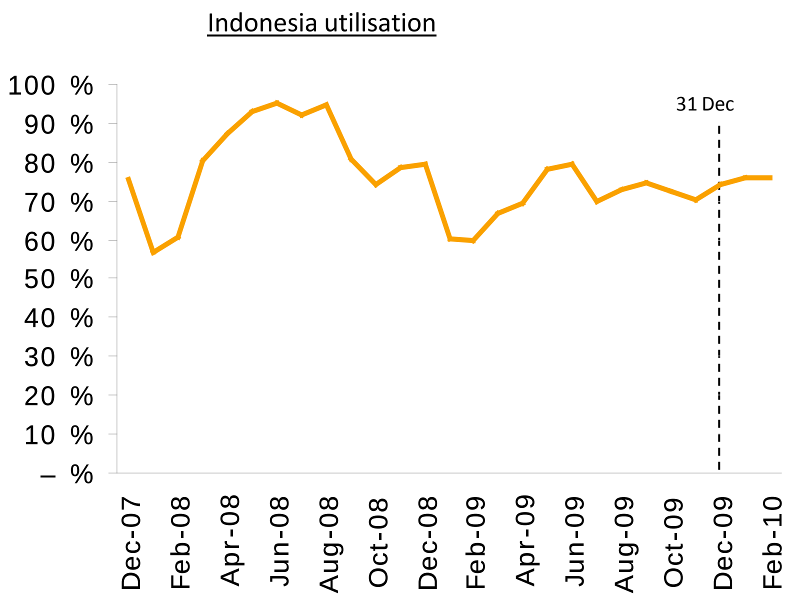

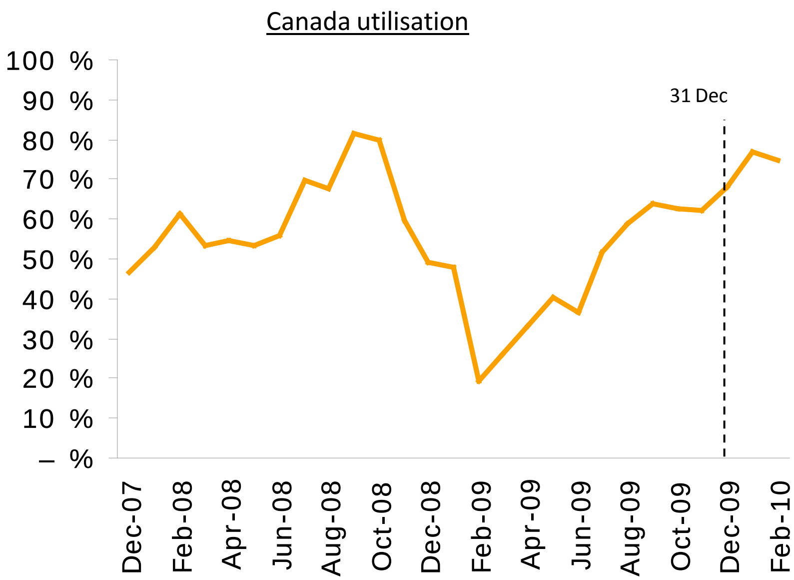

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Financials

Stephen Gobby
CFO

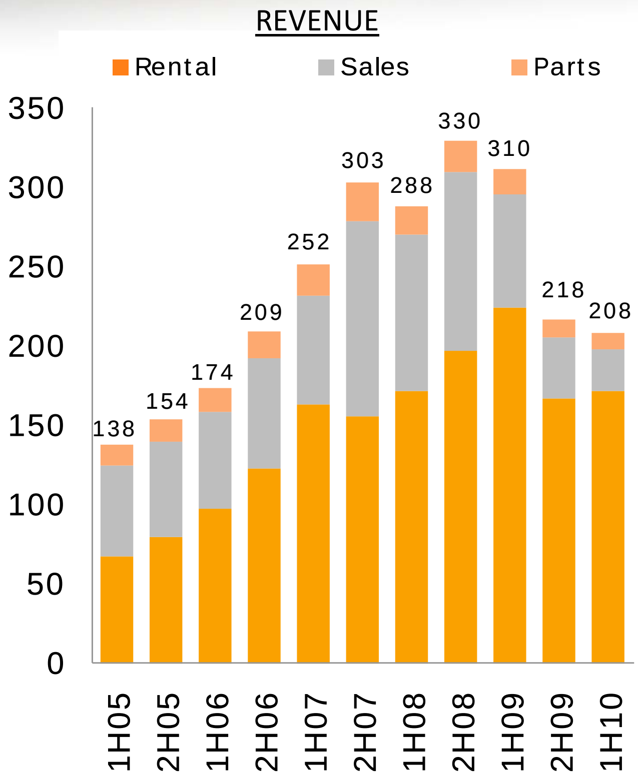
Financial Performance

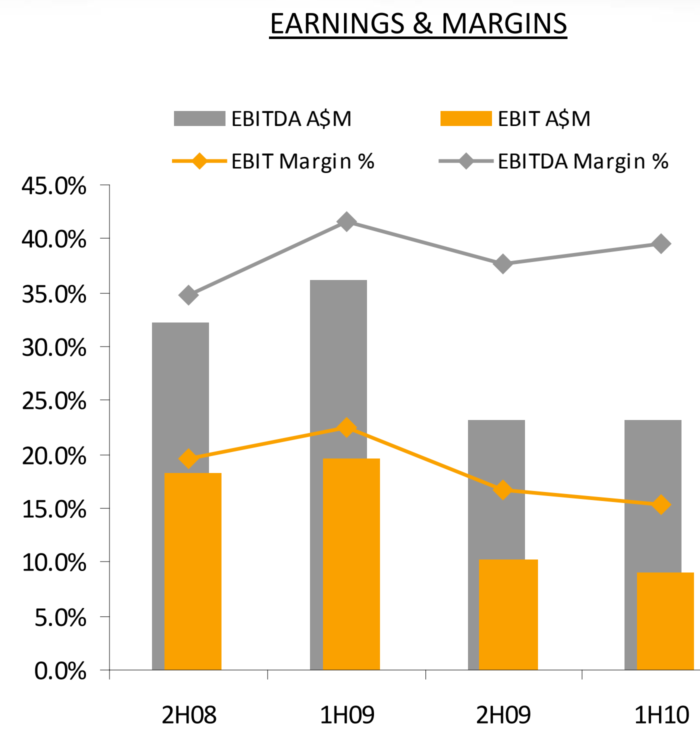
$13.6M Operating NPAT in 1H10, in-line with guidance

	1H09 Operating	2H09 Operating	1H10 Operating	PCP Var A$ m	PCP Var %
Revenue	309.8	218.4	208.5	(101.3)	(32.7)%
EBITDA	**128.6**	**82.3**	**82.5**	**(46.1)**	**(35.8)%**
margin (%)	*41.5*	*37.7*	*39.6*		
EBIT	**69.7**	**36.4**	**32.1**	**(37.6)**	**(53.9)%**
margin (%)	*22.5*	*16.7*	*15.4*		
NPATA	39.2	18.7	13.8	(25.4)	(64.8)%
NPAT	**39.0**	**18.6**	**13.6**	**(25.4)**	**(65.1)%**
EPS (cps)	6.2	2.9	2.2	(4.0)	(65.1)%
DPS (cps)	2.0	2.0	0.0	(2.0)	(100.0)%
Invested Capital	1,147.9	1,170.3	1,128.3	(19.6)	(1.7)%
ROC (%)	11.7%	9.1%	6.0%	(5.6)%	-

ROC % = 12 month rolling EBIT divided by average Invested Capital of that period

Earnings Composition





- Revenue growth from increased productivity across the fleet, plus contribution from the large truck investment in 1H
- Ongoing reconfiguration of fleet will further enhance revenue

- EBITDA margins remain robust
- However, EBIT margin highly leveraged to utilisation due to minimum hour depreciation policy

One-off Significant Items

One-off, largely non-cash items impacting NTA by 4%

A$ Millions	1H10 Operating	North America	Australia Inventory	1H10 Statutory
Revenue	208.5			208.5
EBITDA	82.5	(13.3)	(4.5)	64.7
EBIT	32.1	(13.3)	(4.5)	14.3
NPAT	**13.6**	**(11.1)**	**(3.2)**	**(0.6)**

1H10 Impairment charges

- $13.3m (pre-tax) impairment of North American civil construction equipment. Intend to accelerate the disposal of these assets and generate cash flows in 2H10 which can be reinvested or used to reduce debt
- $4.5m (pre-tax) impairment of Australian Sales and Parts inventory due to AUD appreciation

2H10 Restructure of operations

- Up to $29.5m in business closure and restructure charges for European and North American businesses
- Idle capital and combined EBIT loss for Europe and USA of $2.6m in 1H10

First steps towards acceptable ROC

- Reengaging core fleet, disposing of non core assets and reconfiguring fleet into larger asset classes are the first steps

Cash Flow

Balance sheet used for long term capex investment in large truck fleets

A$ Millions	2H09	1H10
Operating Cash flow (exc WC)	53.0	58.7
Working Capital	22.2	7.3
Capex	(35.0)	(105.2)
Disposals	12.4	14.6
Dividends	(12.5)	(12.6)
Free Cash flow	**40.1**	**(37.2)**

- Operating cash flow strong despite lower earnings
- +$60m long term capex investment ahead of the recovery – free cash flow positive prior to investment
- Continued focus on working capital release
- Improving cash flow in 2H10 via increased EBITDA and anticipated $20M of disposals
- 2H10 capex forecast of approx. $60M, including delivery of balance of large truck fleet
- 1H10 interim dividend on hold

Balance Sheet & Borrowings

- Short-term gearing increased due to:
  - Low historical 12 month EBITDA
  - ~$60m strategic investment in 1H10

A$ Millions	Dec 08	Jun 09	Dec 09
Total Assets	1,266	1,121	1,120
Total Equity	736	683	663
Net Debt	412	331	352
Interest Cover	9.7	8.1	6.3
Net Debt: EBITDA	1.70	1.80	2.66
Net Debt: Equity	56%	49%	53%

Net debt comprises senior debt plus finance leases less cash

- Gearing to reduce rapidly by 30 June:
  - ✓ Strong EBITDA generation
  - ✓ Limited growth capex
  - ✓ Asset disposal strategy

Funding Facility	Facility limit (A$M)	Drawn (31 Dec 09)	Headroom (A$M)	Maturity
Multi-Currency Debt Facility	595	355	240	Aug 2011
Working Capital Facility	33	–	33	Range
Finance Lease	26	8	18	Range
Total	**654**	**363**	**291**	

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Return on Capital

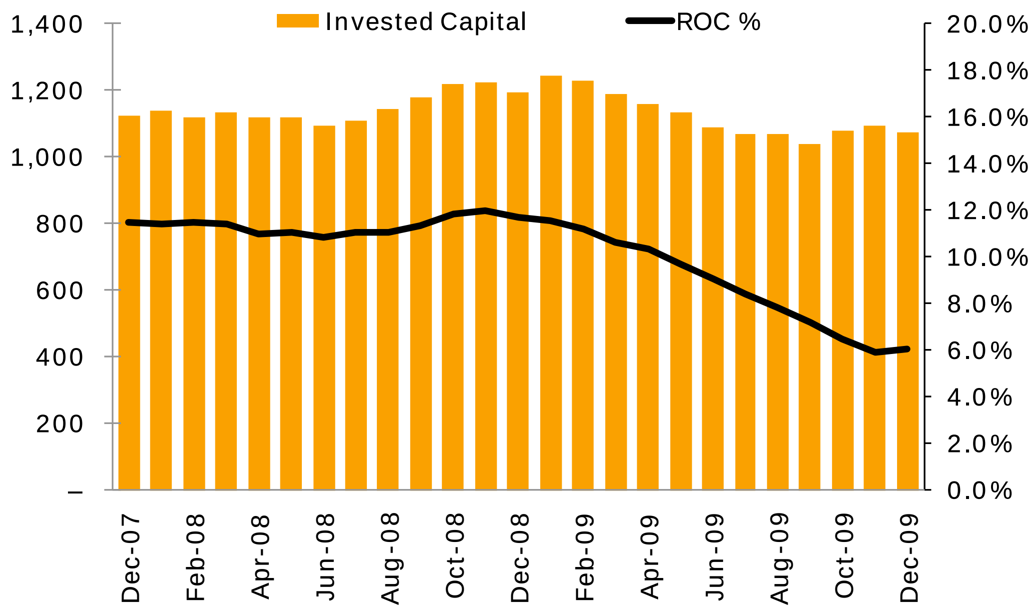
Focused on improving ROC and delivering satisfactory returns to shareholders

Current Situation

- CY09 low point of earnings cycle
- Surplus/ idle fleet abnormally high

Going forward

- Strong earnings future with installed asset base
- Disposal strategy underway to release underperforming capital



✓ Improving utilisation profile to drive earnings from installed asset base

✓ Strategy to liberate cash from underperforming assets will reduce invested capital

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Strategy & Outlook

Keith Gordon
CEO & Managing Director

Strategy

Immediate focus to improve core business while long-term strategic plan is finalised

Short-Term

- Exit Europe
- Exit Central Appalachian coal and restructure North America
- Liberate cash from underperforming assets
- Reduce debt
- Leverage earnings growth from installed asset base
- Evaluate investments in specific equipment asset classes
- Reposition fleet away from small civil to large mining fleet

Medium to Long-Term

- Long term strategic plan under development
- Focus will be on long term returns to Shareholders and improving ROC
- Further communication with the market as plan completed

Outlook

Business is highly leveraged to mining recovery currently underway

Volumes	◆ Both mining development and production activity undergoing positive step-change as business confidence improves ◆ Thermal coal, coking coal and iron ore volumes growing rapidly in Asia Pacific ◆ Canadian oil sands development activity has recommenced ◆ Other commodities undergoing resurgence
Equipment Capacity	◆ Short term excess capacity is now returning to work as activity recommences over FY10 ◆ Market availability of larger mining equipment now tightening ◆ Small civil equipment market in North America & Europe remains in oversupply – continually reducing exposure
Capital Availability	◆ General recovery of credit flows expected to take longer than resource recovery ◆ Some customers likely to remain cautious on capex in medium term

Forecasting NPAT of $40 million to $44 million in FY10

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Questions

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