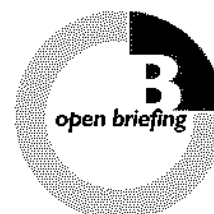


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Emeco Holdings Limited released results for the half year ended 31 December 2006 on 22 February 2007. The financial figures show significant growth in the business. Revenues were up 45% to \$251.6 million, EBITA was up 54.0% to \$61.3 million on a margin expansion of 150 basis points, and NPAT reached \$34.8 million. How much of the growth was driven by utilization of new assets, and how much by price, volume, currency or other effects? What were the macro trends affecting the result?

Managing Director Laurie Freedman

We set ourselves significant prospectus growth forecasts which, following publication of our 2006 results last September, represent financial year 2007 revenue growth of 37% and EBITA growth also of 36.2%. We're delighted that we've been able to report we're tracking in line with those forecasts.

During the reporting period, despite a small currency impact, we did not see any substantial shift in overall prices. The EBITA margin was modestly enhanced by a slight shift in product mix away from lower yielding businesses such as Sales and towards the more profitable Rental activities.

The bulk of our growth was driven by the deployment of additional equipment, including those purchased in recent acquisitions such as Bevans. At the end of the reporting period we had 969 rental machines on our books, which was 56% higher than at the end of the comparable reporting period. The trend to move ever greater volumes of earth remains firm, which provides us with good asset deployment opportunities, both now and into the foreseeable future.

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There is a limited comparable historic financial track record for Emeco in its current form. What seasonality would you expect the new look businesses to demonstrate, both in revenue and margin terms?

Managing Director Laurie Freedman

From 2003 through to our 2007 prospectus forecast we expect 29% compound annual growth in revenues. The business has, and continues, to grow very strongly but such growth doesn't always bring with it perfect clarity on the timing of revenue recognition. It's hard to say what a steady state, or normal, year might look like.

Having said that, in recent years, we have seen a substantial amount of asset deployment benefits accruing to us in the second half of the financial year. This financial year may be a little different. The IPO funds enabled us to accelerate our fleet growth rate which may lead to a slight change in recent seasonality patterns. We are expecting that the first and second half of this financial year will be pretty even in profit terms.

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You have declared an interim dividend of one cent per share. This represents a payout ratio of 39% of NPAT. Is this a reasonable indicator of your ongoing dividend policy?

Managing Director Laurie Freedman

Our dividend policy, subject to continuous review, is to pay between 35 and 45% of statutory profit.

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You have stated that you are on track to meet prospectus earnings forecasts for the financial year 2007. These forecasts include an annual EBITA margin of 23.2% against the 24.4% reported for the first half. Surely if you maintain this margin you will outperform your forecasts significantly?

Managing Director Laurie Freedman

At the time of issuing our prospectus, in July 2006, we set some significant growth targets. Having already achieved those we set for 2006 we are very focussed on doing the same for the 2007.

Our first half results give us a good chance of achieving them, and our modelling continues to suggest that our targets are realistic and achievable. We see great

opportunities for our activities in the short, medium and long term, but recognise that the business world carries some uncertainties. Despite some supply side constraints and challenges in Indonesia, we remain committed to our prospectus earnings forecast for the 2007 year.

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You have not released financial details at the divisional level. Qualitatively, how have the divisions, Rental, Sales and Parts and Maintenance fared against your expectations in revenue and profit terms?

Managing Director Laurie Freedman

The Rental and Parts and Maintenance divisions have delivered results very close to our expectations both in revenue and margin terms. The Sales division revenues were slightly below expectations, driven by a slightly slower than expected build up of sales capability in Canada and the US. Margins in this division were down very slightly. Overall, however, there was no material variation from our forecasts.

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What trends have you witnessed in fleet utilization rates? How does this compare to historical levels?

Managing Director Laurie Freedman

As we expand overseas from Australia and Indonesia, and on to Canada, the USA and most recently Europe, we believe utilisation rates are most meaningful on a country by country basis.

In Australia these rates have tracked in line with historical levels, even with our larger equipment fleet. Indonesia has seen a small drop in demand and utilisation rates have fallen accordingly. In Canada we get a seasonality in utilisation as the seasons change from the warm summer to the freezing winter. As such Canadian rates currently are low, but this is nothing unexpected.

The US is a new and emerging business for us. We're moving from start up phase into a phase of developing reliable profitability. As such we don't yet have consistent data to report. In Europe our activities are largely procurement and sales and so we don't have any significant rental activities to report utilization rates on.

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You refer to declining utilization rates in Indonesia and challenges to make the USA consistently profitable. Against the background of strong earthmoving volumes, what are the causes of these challenges? What is Emeco doing to manage them?

Managing Director Laurie Freedman

We've been operating in Indonesia since early 2002, and we've seen explosive growth in that time as coal output has soared. What we are now seeing is a consolidation period, where the mining focus has shifted to maintenance of overburden removal rather than the dramatic output growth of previous years.

There is also some strategic repositioning in some mining houses that has limited the work opportunities. Some contractors have even been stood down, and we're therefore finding that some of our gear is idle. We are in the process of exploiting one of the benefits of our unique business model, and are redeploying some of these units to Australia and North America.

With respect to the US we believe there is a correction in economic outlook taking place. For example, with the reduction of the coal price some of the more marginal coal players have become less viable. This has dampened our expectations of the rate of opening of opportunities. This applies particularly to our sales business but also to our rental business which has only very recently been established in Kentucky. In the longer term we remain convinced that the extremely modest rental model penetration rate will grow substantially. In other words we believe we're facing short term issues. We have recruited a substantial number of very capable new management to our Atlanta, Houston and Kentucky businesses, and we're endeavouring to move from the establishment phase into a more predictable and less volatile mainstream business environment. In many ways our experiences there replicate the early experiences we had in Australia and Indonesia.

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You have referred in your results release to experiencing some "challenging supply side conditions" in your operations. What are they?

Managing Director Laurie Freedman

This is a continuation of the trends we spoke about at our AGM. Historically we have typically seen a 4 month delay between our commitment to spend capital to revenue and earnings contributions. This essentially represents the time between agreeing to buy a unit, and actually getting it delivered to us, redeployed and back on site generating rental income.

Across our portfolio that delay has recently increased to a 6 to 9 month lag. Of course this is being driven by infrastructure bottlenecks, particularly at Australian ports, and the very strong demand for earthmoving equipment across the globe. This means that capital committed in the second half of 2007 will only meaningfully contribute to earnings through the first half of 2008. Whilst minimising this time lag is an ongoing challenge, we continue to believe that our global sourcing network provides a competitive advantage that still enables us to react to market demand more quickly than that our competitors.

Another example of the challenges is the shortage of earthmoving tyres. This is a major challenge for our industry. Fortunately we realised this shortage was emerging two to three years ago. We are carrying commitments and physical stock of rubber that sees us very well positioned for at least another year.

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You are exploring organic growth and acquisition opportunities which you state would require further capex commitments in the second half of the financial year, on top of the \$154.2 million already committed in the first half. Your prospectus forecasts only \$168 million capex in the full financial year. What level of capex do you now expect?

Managing Director Laurie Freedman

At the time of the IPO we structured our funding arrangements to allow the company to commit to capital expenditure of \$300 million per annum in each of the next two years without resorting to increases in our funding facilities. We are constantly screening for opportunities that would allow us to make that level of investment. We cannot be precise about what we will spend since these opportunities come and go, but our expectations are that we will be operating within the boundaries set by our existing arrangements.

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What flexibility will that leave in your balance sheet? What represents an efficient balance sheet structure for Emeco?

Managing Director Laurie Freedman

We consider EBITDA to net interest to be a key balance sheet management ratio. We are currently at 11.1x. We intend to maintain that ratio at above 8.0x. This would keep us well inside our banking covenants.

Our debt to equity ratio currently stands at 48%. If we were to fully exploit our current financing agreements we estimate we'd be close to 70%. In the longer term 70% is the upper limit of our comfort range, with 60% our longer term target level.

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Australia represents over 70% of EBITDA contribution to group earnings. Do you have any plans to develop overseas operations to bring more balance to this?

Managing Director Laurie Freedman

Our current geographic profit split reflects our origins as an Australian business. However, we now have operations in Australia, Indonesia, Canada, the USA and the Netherlands. We now have a truly global presence and it is our intention to take advantage of that. This is a significant and unique factor of our business model that we believe will enable us to build substantial businesses around those five different geographies.

In the longer term we have additional strategic targets in new regions such as Africa, India and maybe some Central and South American countries. In the meantime we will focus on the existing five regions to build substantial, defensible businesses. The focus is to ensure we get to critical mass in these more recent theatres such as the USA and the Netherlands which both hold terrific prospects in the medium term.

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Your Rental division dominates your earnings stream. Do you have plans to increase the weighting of the Sales and Parts operations?

Managing Director Laurie Freedman

We are primarily a rental company. The Sales and Parts and Maintenance divisions support that primary activity. We of course keep an eye open for opportunities to develop those businesses but we've found that focussing on the rental businesses contributes the best value add for our stakeholders.

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Emeco supplies rental earthmoving equipment on a dry hire basis to the mining and construction industry. Both of these are cyclical businesses. What margin cyclicality has Emeco historically shown? What cyclicality do you expect for the foreseeable future?

Managing Director Laurie Freedman

From the introduction of our dry hire rental model we haven't seen any cyclicality in our margins. The success, or otherwise, of our model is driven more by the volume of earth moved rather than the price of the commodity an operator is mining. Whilst commodity prices fluctuate greatly, earth moving volumes tend to be pretty stable. Indeed, when prices fall that can actually enhance the argument for miners using our services as they attempt to manage their capital more efficiently and with more flexibility.

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What opportunities exist for Emeco beyond the mining industry? Coal mining contributes your biggest single revenue stream. What implications for Emeco may flow from the current media focus on the greenhouse gas contribution of the coal industry?

Managing Director Laurie Freedman

We are mindful of our concentration on particular geographies and particular product offerings and customer segments. In all of our strategic developments, we consider those factors carefully. A good example of this is how we managed our move into Canada. Our operations in Alberta Province revolve around the huge Canadian oil sands business, thus diversifying our exposure. Domestically, some years ago we decided to expand into iron ore in the Pilbara in Western Australia, and we are currently looking at sectors in Queensland to diversify away from coal and into base metal activities.

Beyond mining opportunities, the Australian construction industry is operating at all time highs levels of activity, and this is anticipated to continue well into the next five years. Large civil construction jobs are ideally suited to utilise our range of large earth moving equipment. We believe this provides us with growth and diversification opportunities.

With respect to the media attention on greenhouse gas emissions, we believe it is unlikely in the medium term that coal will be usurped as the primary source of energy. We believe that there may be scope for additional energy contributions from other sources on the margin. However, economic rationalism will see the technical focus move to ways to make the combustion of coal cleaner. This still means coal will need to be mined, and earth be moved, which suggests no foreseeable impact on our activities.

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What are the advantages to both Emeco and its customers of your equipment rental business model?

Managing Director Laurie Freedman

We believe we have 3 key advantages that we bring to the market place.

Firstly, we offer availability of equipment. We have a large fleet, almost 1,000 units, and we have a first class global procurement team. In many instances we have the ability to deploy gear much more quickly than some of our competitors and sometimes even faster than manufacturers like Caterpillar or Komatsu. Our procurement team gives us the advantage of being able to source quality low houred second hand machines from around the globe at below full capital cost for an equivalent new machine.

Secondly, we offer flexibility. The dry hire model allows customers to vary their fleet. Mines have fluctuations in equipment requirements over time, such as unplanned work that requires increased short term production. We provide mine owners the flexibility to quickly match machines to needs.

Thirdly, we offer capital management options. Our business model allows miners to better deploy their capital into their areas of expertise, such as exploration and development. As a subset of this, we remove residual value risk management, which is important when a project finishes. We can manage this risk for ourselves because of our ability to redeploy gear throughout the globe. Many mining companies do not have this option.

Additionally we have a significant asset maintenance capability with some of the best technicians and asset managers across the world. Our systems allow us to pursue preventative maintenance programs to optimise the use of our fleet. This enables us to minimise plant operating costs in the long term, which is a benefit we can pass on to our customers.

We believe our model is unique, not just in Australia, but around the world. No one can offer the same services as we do in as many regions as we do. We benefit from significant barriers to entry in both the capital required to offer a fleet to rival ours, and also in the reputation and relationships that we have established over several years.

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Thank you Laurie.

For more information about Emeco, please visit www.emecoequipment.com or contact Michael Kirkpatrick, General Counsel and Company Secretary, Emeco Group, telephone + 61 8 9420 0222.

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