



25 November 2008

Annual General Meeting

Chairman's Address

Before commencing the business of the meeting today, I would like to provide a brief overview of Coote Industrial's performance for the 2007-8 financial year and will make some comments regarding the effect of extraordinary world financial situation on the company. I will also summarise briefly the resolutions to be considered by shareholders at today's meeting.

I will then ask the managing director, Mike Coote, to provide a more comprehensive review of the company's performance and strategy, and to update shareholders on the outlook for the remainder of the year.

Company Performance

At the annual general meeting last year, the board outlined Coote Industrial's strategy relating to the integration of five acquisitions which had been completed since listing in December 2006. In broad terms, this developed in four strategic directions. First was the development of a strong presence in locomotives and rolling-stock maintenance, through the integration of Gemco and existing diesel engine maintenance facilities. Second was the integration of South Spur Rail Services (with particular emphasis on track maintenance, rail labour hire, and certified rail training). Third was the acquisition of two businesses, Drivetrain and Industrial Powertrain, in the industrial power transmission market which were complementary to Coote Industrial's existing large diesel engine business. And fourth was the acquisition of FCD Container Logistics to strengthen Coote Industrial's position in supply chain services. These four strategic initiatives took place against a backdrop of Coote's ongoing business in rail, resources, maritime, defence, and power generation, all of which have continued to develop in the last 12 months.

Early this year, the company entered into a distribution and service agreement with Progress Rail Services, a subsidiary of Caterpillar Inc, which gives Coote Industrial exclusive access to various technologies relating to large diesel engines. In addition, the option to purchase Rail Technical Support Group and a number of locomotives in need of refurbishment added significant potential value to Coote Industrial's business.

The strategy is now well advanced and has delivered significant financial benefits to the group, with EBIT increasing threefold and earnings per share increasing 20%, compared to last financial year.

A significant part of Coote Industrial's strategy for developing the rail maintenance business was the sale of locomotives to Greentrains Pty Ltd. Greentrains, which was established at Coote Industrial's initiative, is an independent company from Coote Industrial and provides leased locomotives to rail operators. There has been some speculation regarding the Greentrains transaction which was addressed in a recent release to the ASX and which I will comment upon further here.

The Greentrains transaction, initiated early this calendar year, supports the intention to expand Coote Industrial's rolling-stock and locomotive rebuilding capability carried out by Gemco Rail. It also establishes a significant "maintenance annuity". This initiative required significant funding and it was intended that this funding arrangement would be temporary while Greentrains Pty Ltd was established. The expectation was that the transaction could be completed by the end of the first quarter of this financial year. Early in the year, discussions were initiated with four major banks and a number of other financial institutions, and were proceeding satisfactorily until the international banking crisis unfolded over the last couple of months. Settlement of the transaction is taking longer than anticipated but is expected to be completed within the next few weeks. I





would like to acknowledge the support given to Coote Industrial recently by our bankers, the CBA – they have been most constructive in assisting Coote Industrial through this difficult period.

The global financial situation has deteriorated sharply in recent weeks and the significant reductions in global resources prices suggest that Australia will be by no means immune to global economic circumstances. Precisely how this will play out in the Australian economy over the next couple of years is difficult to predict. However, Coote Industrial's order-book, particularly in its key markets, remains relatively strong at this stage. Historically, the second half has been significantly stronger than the first and we expect this to be the case this year. We anticipate being able to give clearer guidance regarding the full-year results at the half-year result release in February 2009.

Governance

As noted in the annual report, Coote Industrial currently has only one non-executive director. Having a board consisting of a majority of executive directors was considered appropriate in the early stages of Coote Industrial's development as a listed entity, particularly given the strategic initiatives which were under way at the time. The board believes that the time has come for there to be a greater representation of independent, non-executive directors and intends to appoint additional non-executive directors within the next few months. The board will use an independent, transparent process in order to make these appointments.

Resolutions

I would now like to outline briefly the resolutions to be considered at the meeting today. They can be considered to be in three groups:

- First, is the Remuneration Report. It is a requirement of the Corporations Act that this be voted upon at the AGM but it should be noted that this resolution is not binding upon directors;
- Second, are two resolutions to elect directors who have retired in accordance with the company's constitution; and
- Third, is a resolution relating to the company's auditors.

Under the leadership of Mike Coote and Don Patterson, the staff of the company, many of whom are new to their roles, have worked energetically and enthusiastically in making Coote Industrial's first two years as a listed public company very successful. I would like to thank them for their continued commitment and enthusiasm.

Mike Coote will now make a presentation on the performance of the business and the outlook for the remainder of 2008/9.

