

**For immediate release to the market**  
(to be read in conjunction with Appendix 4E)

**INDUSTREA Limited**

**ASX Code IDL**

**19 August 2010**

**Industrea grows scale, reach and profit**

- Full year revenue of \$313.2m, EBITDA of \$112.1m, adjusted NPAT\* of \$49.1m
- Strong second half performance with positive momentum for FY11
- China export sales at record average of \$10m per month with further growth opportunities through acquisition of manufacturing capability in China
- Senior debt refinance provides funding certainty for further 3 years to August 2013
- Final fully franked dividend of 1 cent, total dividend payout for the year of 1.3 cents (2009: 1.25 cents)
- Strong outlook for FY11, with 'decade of Asia' to drive profit and revenue growth

**Record result**

Global mining products and services provider, Industrea Limited (ASX: IDL), today announced a record adjusted net profit after tax (adjusted NPAT\*) of \$49.1m for the year to 30 June 2010 (2009: \$45.4m) driven by strong sales of mining products to China and an expanded mining services client base.

Export sales from Industrea's Diesel Equipment and Technology divisions almost doubled to \$136.0m, coupled with the continued diversification of the Huddy's Mining Services business which added significant new long term contracts in the Hunter Valley and Bowen Basin regions; operating revenue increased 21% over the prior year to \$313.2m while EBITDA increased 11% to \$112m (2009: \$100.6m).

Reported net profit attributable to members for FY10 was \$62m (FY08 \$15.3m). Reported profit after tax was inclusive of a benefit of \$20.2m following clarification of taxation provisions relating to contractual assets acquired with the Huddy's Mining Services business. This benefit has not been included in adjusted NPAT\* for the year due to its one-off, non-recurring nature. The directors believe that the inclusion of an adjusted net profit after tax result for the period provides a clearer indication of the underlying earnings of the Company during the year.

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## **Increased dividends**

The directors resolved to amend the Company's dividend policy increasing the ability to declare dividends up to 25% of adjusted NPAT\* (up from 20%). As a result the directors declared a final fully franked dividend of 1 cent per share lifting the full year ordinary dividend to 1.3 cents per share (25% increase over the total paid in FY09). The record date for the dividend is 14 October 2010 with payment scheduled for 5 November 2010.

## **Review of Operations FY10**

### **First 5 year business plan completed**

Industrea's Managing Director and CEO, Robin Levison, reported that Industrea's strategy of moving into new markets in mining products and services, underpinned by continued investment in China, the world's biggest and most resilient resources market, delivered another highly successful year for all group businesses.

Mr Levison said that the current year had also marked the successful conclusion of the company's first five-year growth strategy, and consolidation of a platform to accelerate expansion both in Australia and globally in the years ahead.

"Over this period Industrea has significantly expanded our scale and reach and built a diversified and recurring revenue base across multiple export channels."

He said that Industrea had delivered a particularly strong trading performance in the second half of FY10, building on the recovery made earlier in the year.

"We are confident that the momentum achieved across all our businesses will be sustained in the year ahead, resulting in an even stronger trading performance in FY11."

### **China growth fuels exports**

Mr Levison described Industrea's export performance in FY10 as exceptionally robust, and one which clearly reinforced the significant impact China's sustained growth would continue to have on the company's future fortunes.

"China's expansionary coal sector, which is growing at around 9% or 300m tonnes per annum, and the government's mandate to significantly lift underground mine productivity and safety drove another outstanding performance by our Diesel Equipment and Technology businesses."

"Our position as a supplier of choice to an increasingly diverse group of China's leading coal producers for specialist longwall roof support carriers, methane gas drainage and collision avoidance systems generated on average around \$10m per month in new contract wins throughout the year, via Beijing based subsidiary, Wadam Industries."

He said the Diesel Equipment division had successfully leveraged off the prior year's investment in boosting manufacturing capacity, and reach of the company's China subsidiary, Wadam Industries, to boost revenue 97% above the prior year to \$113.0m.

“The Technology division, on the back of recurring and new customer contracts in China, Russia, South Africa and Australia also posted a strong year with revenue increasing over FY09 to \$70.6m.”

“Both divisions are well positioned to increase sales into China, with demand for coal mining equipment in China forecast to increase by 30% in 2010, 40% in 2011 and 20% in 2012 based on the aggressive mechanisation and mine consolidation programs continuing throughout the country’s deep and gassy coal mines.”

Mr Levison said the Chinese Government-led consolidation of underground coal mines was creating a larger pool of customers demanding Industrea’s state-of-the-art longwall diesel equipment and methane gas drainage equipment.

“We are strengthening our competitive position in the Chinese marketplace through establishing a diesel equipment manufacturing facility in Hebei Province, to supplement our existing marketing, distribution and servicing arm.”

“Plans are on track to commence the manufacture of a flameproof and explosion proof personnel and materials vehicle designed exclusively for China’s underground coal mining market by mid-2011.”

Mr Levison said a highlight of Industrea’s export performance in FY10, was not only the increased number of recurring export sales to existing customers, but the substantial lift in revenue from after market sales sources, including equipment spare parts and servicing.

“Our spare parts and service revenue in FY10 was up 45% on the prior year to \$48m. The company signed its largest single after sales order to date of \$7.8m for drill guidance system spare parts in July 2010.”

“By the close of FY10 Industrea had over 3,500 collision avoidance units, 115 methane gas drainage and direction drilling systems and over 600 diesel mining vehicles in operation in various global locations.”

“The continued growth of our new business pipeline will trigger increasingly higher levels of recurring revenue from this source over coming years.”

### **Other markets**

Mr Levison said while China remained a critical part of the company’s forward growth strategy, Industrea was also pursuing additional export opportunities in other rapidly emerging markets including India, Indonesia and Russia.

“Similar to China, India is also undertaking a vigorous modernisation and urbanisation program. Accordingly, we are targeting India’s rapidly expanding underground coal sector’s demand for mechanised safety and productivity equipment.”

“We are also receiving increasing enquiry levels from Indonesia and we view this market as a primary target with its domestic thermal coal production increasing rapidly to fuel escalating domestic consumption and exports to Asia.”

“Over the past year we strengthened our foothold into South Africa by winning several new contracts, and are confident of increasing our sales channels into this established resource market in the year ahead.”

“We are also currently pursuing new business leads in North and Latin America, with expectations that an improved resource sentiment will present additional opportunities in FY11.”

### **Mining services expands**

Mr Levison said the continued diversification of Huddy’s Mining Services into new markets and a corresponding improvement in equipment utilisation rates in FY10 delivered strong monthly cash flows and yields which progressively improved through the year.

He said Huddy’s had successfully secured new long term contracts in FY10, including those with Cockatoo Coal’s Baralaba Coal Mine near Moura in Queensland, Rio Tinto’s Mount Thorley Warkworth Mine in the Hunter Valley and Xstrata subsidiary, Ernest Henry Mining for its Tailings Storage Facility Earthworks in Mt Isa.

“Based on expansion plans announced by the owners of Baralaba Coal Mine, Mt Thorley Warkworth and Handlebar Hill, along with a new contract with CST for its Lady Annie Mine, we are confident of achieving steady growth for the Huddy’s mining services business.”

### **Management strengthened**

Mr Levison said that the company’s management capability had been further strengthened in FY10 to facilitate Industrea’s next five year growth strategy.

“In January 2010 David White was appointed as Group Human Resources Manager to ensure global recruitment and retention strategies keep pace with Industrea’s expansion plans both in Australia and overseas.”

“A new manager was also appointed to direct our overall group business development in the increasingly important Hunter Valley region and two new senior managers were added during the year to bolster the executive resources at Huddy’s Mining Services and Wadam Industries in China.”

### **Funding future growth**

Mr Levison said that in July 2010 Industrea capitalised on the opportunity to refinance senior debt facilities with the existing lending syndicate of National Australia Bank, Commonwealth Bank and Caterpillar Finance.

“As a result Industrea’s senior debt now extends to August 2013, providing working capital to fund future growth and a revolving hire purchase facility to maintain Huddy’s category leading fleet modernisation rate.”

“Huddy’s competitive position in the Bowen Basin, Mt Isa and Hunter Valley regions is underpinned by its utilisation of one of Australia’s most up-to-date fleets of heavy mine vehicles and equipment.”

“As part of our on-going fleet renewal process and to increase forward contracting capacity, an additional 10 new vehicles were purchased in FY10 via a mix of hire purchase facilities, equity and operational cash flow.”

Mr Levison said that while full year cash flows from operations were up on the prior year to \$80.5m, the net cash position of the Group was effected by the repayment of convertible bonds of \$29.6m, the investment in upgrading Huddy’s fleet and the successful Share Purchase Plan which raised \$21.3m in October 2009.

Net debt (inclusive of the convertible bond) decreased to \$181m. The balance sheet was strengthened, with net assets increasing to \$240m, up from \$162m, the prior year.

“In relation to the outstanding convertible bonds of \$40.4m maturing in March 2011, we are well advanced with plans to redeem the bonds through a mix of additional debt, use of our existing facilities and cash flow from operations.”

## **Outlook**

Mr Levison said the next phase of Industrea’s growth strategy would open a new wave of opportunities under the ‘decade of Asia’, with the company and its market-leading mine productivity and safety products firmly established in the right markets at the right time.

“China remains the world’s economic powerhouse, with GDP already standing at US\$1.339 trillion and growing by 9% annually, and forecasts it will overtake Japan as the world’s second largest economy by the end of 2010.”

“The country’s massive urbanisation drive, its position as the world’s biggest exporter, auto-maker and steelmaker, continue to be driven by its immense coal reserves, of which 95% are underground.”

“The Chinese Government’s stringent measures to lift safety standards, mechanisation and mine consolidation targets will continue to drive increasing demand for Industrea’s longwall support products, methane gas drainage systems and collision avoidance systems.”

“Both our Diesel Equipment and Technology products are tailored specifically for use in larger underground mines, and with a number of key coal mining provinces including Shanxi, Inner Mongolia and Henan all having announced aggressive mine expansion plans, sustained demand for these products over coming years is assured.”

Mr Levison said Industrea’s export pipeline had started FY11 on a robust footing following contract wins in July and August 2010 with Chinese coal miners for approximately \$30m of technology and diesel equipment products.

He said the company was better positioned than ever to win recurring orders from its swelling existing customer base, secure additional new customers in existing markets and

unlock additional opportunities in largely untapped markets including India, Indonesia and Russia.

“A vast majority of our established and emerging markets are experiencing major economic growth cycles, and our focus on providing world leading safety and productivity gains to mining customers in these markets will continue to expand our new business pipeline.”

“Based on these fundamentals and our plans to extend our global export reach, we are confident of delivering strong growth in revenue and operating profit in the year ahead.”

“While our focus will remain squarely on driving organic growth through these widening market opportunities, we are continuing to investigate opportunities where ‘bolt-on’ acquisitions can add immediately accretive value to our proven business model.”

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\* Adjusted NPAT - Net profit after tax pre non-cash amortisation, unrealised movements on interest rate hedging instruments and significant non-recurring items.

### **About Industrea Limited**

Industrea Limited is a diversified mining products and services group based in Australia. Industrea provides integrated mining products and services, including open cut earthmoving and equipment hire, asset management, contracting and engineering services. Industrea's range of mining products includes open cut Collision Avoidance Systems, Underground Directional Drilling and Methane Gas Drainage, Aboveground Directional Drilling, Contractor Management, Mobile Asset Tracking and Driver Safety Performance Index, along with a range of flame-proof and explosion-proof underground diesel vehicles for the transportation of people and longwall mining equipment.

The company's products and services are distributed on a wide geographical footprint that includes Australia, USA, South America, South Africa, South East Asia, Russia and China. The company's customers include major mining companies BHP Billiton, BMA, Anglo American, Rio Tinto, Xstrata, Barrick, Vale and the major Chinese mining groups, including China Shenhua Energy Company, Jincheng Anthracite Mining Group and Shanxi Asian American Daning Co.

The company also acts as distributor for numerous original equipment manufacturers including Valley Longwall, Sandvik Voist Alpine (Scandinavia), Tagor (Poland), Filter Technology Australia, Hydco International, Inbye Mining Services and Marathon Tyres.

Headquartered in Brisbane, Industrea is listed on the Australian Securities Exchange (ASX) under the ASX stock code of IDL and on the OTCQX in the US under ticker code IULTY. For more information about Industrea Limited, visit [www.industrea.com.au](http://www.industrea.com.au).