Full-Year 10/11 Presentation

26 AUGUST 2011

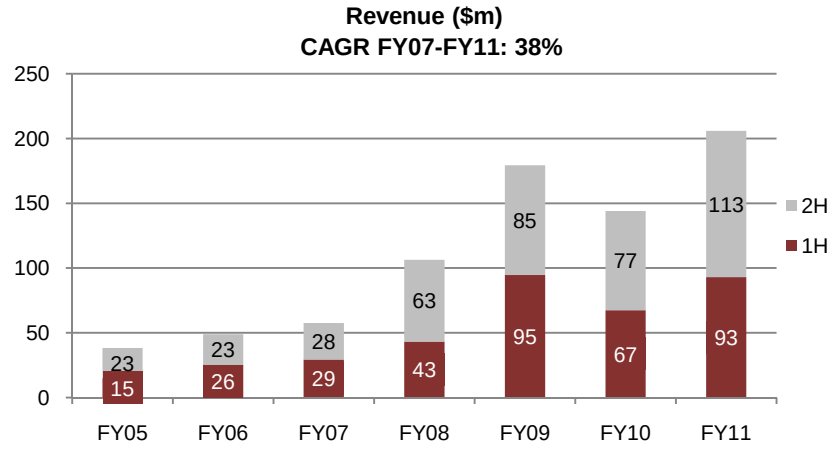
austinengineering LTD

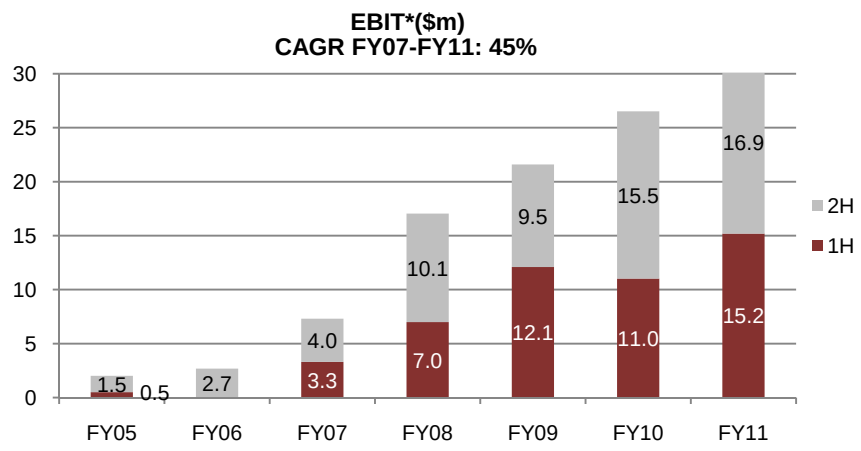
Overview of FY 10/11

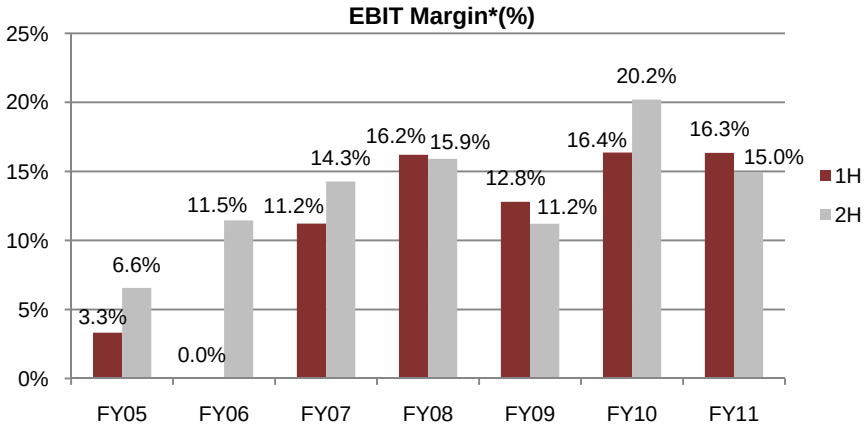
- Record revenue and profit result for the group despite some disappointing results from Chilean and Hunter Valley operations
- Higher overall activity levels across the group's operations during the year
- Expanded geographical, product and service revenue bases following the acquisition of Pilbara Hire Group, Phillips Engineering and COR Cooling during the first half of FY 10/11
- Total revenue of $206m for the year, up 43% on the previous year
- Adjusted* EBIT of $32.1m for the year, up 21% on the previous year
- Adjusted* NPAT of $22.0m for the year, up 14% on the previous year
- Final dividend increased to 8.5cps, up 13% from last year's final dividend and a total dividend for the year of 11.5cps, up 21% from the previous full year dividend

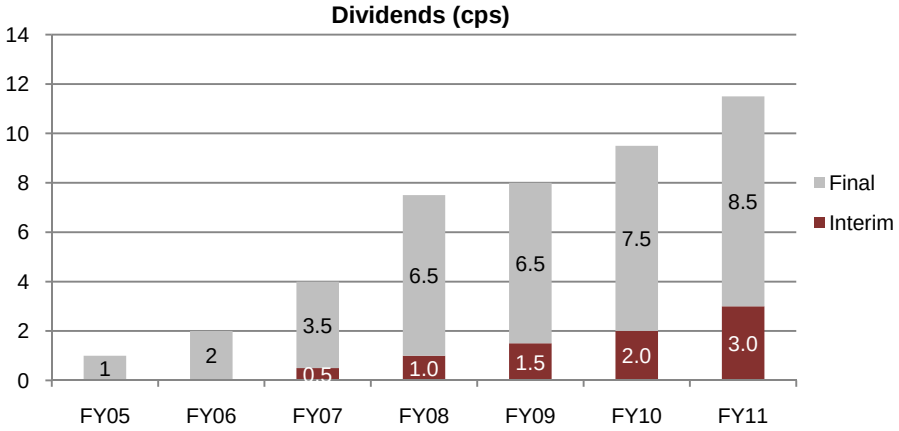
* Adjusted in the year to 30 June 2011 to exclude the effect of non-cash amortisation of intangibles

Revenue, EBIT* and Dividend Developments









*Excludes the gain on sale of properties in FY06 and non-cash amortisation of intangibles in FY11

Financial Results - FY 10/11

- Improved overall business conditions compared to the previous year
- Higher period-on-period activity levels across almost all of the group's operations, notably in Australia
- Middle East jv revenue down on previous year due to completion of two major projects in the previous period
- Addition of Pilbara Hire for the year, COR Cooling for six months and Hunter Valley operations for eight months
- Variation in EBIT volumes and margins experienced during the year due to various factors including:
  - Delay in the completion of the Chile facility, which led to minimal products delivered during the last four months of the year and a negative EBIT contribution during this period
  - $1.1m operating loss for the Hunter Valley facility due poorly-performing inherited projects and production management issues
  - Strong AUD/USD exchange rate, causing a dilution in earnings for North and South American translated results
  - Expensing of $0.8m of start-up and initial operating costs for the group's expansion into Indonesia and Colombia
  - Expensing of $0.5m of net costs for new product development
  - Less relative contribution from Middle East jv operations , which normally operate at above average EBIT margins, due to project delays and unrest in Oman
- NPAT continues to benefit from very low interest costs on USD-denominated debt and lower income tax rates in Chile and the Middle East

	FY10/11 $m	FY 09/10 $m	Change
Revenue	205.90	144.01	+43%
EBITDA	35.63	29.04	+23%
Adjusted EBIT*	32.09	26.52	+21%
Adjusted PBT*	30.83	26.47	+16%
Adjusted NPAT*	22.02	19.26	+14%
Adjusted Basic Earnings per Share (cents)*	31.15	28.25	+10%
Final Dividend per Share (cents)	8.5	7.5	+13%
EBITDA/Revenue	17.3%	20.2%	
Adjusted EBIT/Revenue*	15.6%	18.4%	
Adjusted NPAT/Revenue*	10.7%	13.4%	

*Adjusted to remove the effect of non-cash amortisation of intangibles in FY10/11

Balance Sheet and Cash Flow

- Balance sheet strength utilised in the period to support business growth plans
- Reduction in net working capital level due to receipt of $18m of advance progress payments from customers just before the year-end for orders to be completed in FY11/12 and beyond
- Period-end cash balances remained strong, after funding of significant capex program
- Acquisitions - Pilbara Hire Group, Phillips Engineering and COR Cooling - largely funded by bank debt during the period
- Increased gross debt level but net gearing ratio of 12% is well within industry averages and bank convenant requirements
- Strong AUD/USD exchange rate also continues to have a favourable impact on the value of USD-denominated debt
- 12-month rolling adjusted EBIT* interest cover of 19 times and net debt:EBITDA ratio of 0.39:1
- Solid underlying operating cash flow in the period with improved customer payment schedules and benefit of some significant advance payments from customers
- Total capex of $22m in the year, mainly comprising of investment in the new 'La Negra' workshop in Chile, the property and new workshop on Batam Island, initial payments for property and construction of the new workshop in Colombia and the Hunter Valley property and workshop

*Adjusted to remove the effect of non-cash amortisation of intangibles in FY11

	Jun 11 $m	Jun 10 $m	Change
Working capital	-3.76	13.86	
Property, plant and equipment	53.67	30.27	+77%
Total assets	219.90	139.71	+57%
Total liabilities	116.03	53.05	+119%
Net assets	103.87	86.59	+20%
Cash	37.42	21.13	+77%
Gross Debt	51.17	23.28	+120%
Net Debt	13.75	2.15	
Net Gearing % (net debt/net debt plus equity)	11.6%	2.4%	

	FY 10/11 $m	FY 09/10 $m	Change
Operating cash flow	43.72	13.28	+229%
Investing cash flow	-53.55	-29.23	+83%
Financing cash flow	28.30	11.99	+136%
Total cash flows	18.47	-3.97	

Business Update - Australia

Queensland:

Brisbane:

- Produced an excellent result significantly above previous years
- Continuing to service customers based in the Bowen Basin and Hunter Valley coal mining regions with both Westech and OEM-designed bodies and excavators
- Improved levels of operating performance being maintained
- Enters the new financial year with very high levels of work-loading
- Market continues to grow with a significant amount of orders on hand and tenders outstanding and expected.

Mackay:

- Also produced an excellent result
- Operating performance also improved due to the relatively continuous nature of the dump truck body manufacture program
- Good levels of activity in machine shop operations, largely continuing to service customers in the Bowen Basin
- Capital expenditure program has seen the replacement of a number of machines which will lead to increased revenue and margins
- Further business expansion plans will be considered

New South Wales:

Hunter Valley:

- Phillips Engineering business acquired at the beginning of November 2010
- Pre-tax operating loss of $1.1m due to poorly-performing projects and production management issues
- Management and systems changes implemented to improve operational result
- Marketing of the Austin brand and range of products and services now underway in order to broaden the customer base

Business Update - Australia

Western Australia:

Perth:

» Excellent operating result achieved despite a slow start to the year

» Continued acceptance of Austin's range of products and services

» The first of a series of bodies for a major Indonesian-based customer successfully completed and delivered in the period although at below average margins due to higher manufacture costs in Australia and higher shipping costs

» Award of a significant contract with a large iron ore producer which will lead to the production of over 50 bodies per year

» Award of a one -year contract with the world 's largest miner and an initial order for 10 bodies will position the operation for further potential significant orders in the future

» Introduction of new products with initial trials underway and proving to be very successful

» Slow start to the new financial year with subdued activity levels in July/August 2011 quiet leading into a subsequent heavy workload for the rest of the year (based on a significant number of orders already received)

Pilbara Hire:

» The acquisition of Pilbara Hire Group in July 2010 was an important and strategic move into the market for specialised repair and maintenance services (in particular for Austin-supplied products) in Western Australia and has proved crucial in the award of recent large contracts

» Produced a result ahead of expectations

» Excellent prospects for further revenue growth from an expansion of the existing customer base and pursuit of new areas of repair and maintenance services

» Current work levels excellent with long term contracts in place and new clients/contracts won

Business Update - Australia

COR Cooling:

Queensland (Mackay) and Western Australia (Perth and Kalgoorlie):

- Acquisition completed in December 2010, seven months of revenue and profit included within the Austin group result for the year
- Produced a result in line with expectations
- Introduces new and diversified revenue streams to the Austin group but it also shares common customers with Austin and its products are used on mining equipment such as dump trucks
- Expanded services and customer base being developed following the small acquisition of the Diecon Engineering in Brisbane after the end of the financial year
- Aggressive business expansion opportunities in Australia being pursued in the near-term with expansion into Austin's international areas of presence to follow
- Enters new year with good forward workload and new clients/products

Business Update - Americas

North America - Westech, Wyoming:

» Achieved a result ahead of expectations

» Overall activity levels picking up despite a stagnant North American economy

» Improved production efficiencies secured as workload levels increased and fixed overhead costs were recovered more effectively

» Enters the new year with a base workload stretching out to the second half of the year and tendering activity increasing

» Product development also a key focus with improved products having an positive effect with orders for new products from new geographical areas being received

South America - Chile:

» Very poor second half in FY 10/11 with delays in the completion of the new La Negra workshop due to construction and power installation issues

» Negative operating result produced in the last four months of the financial year with only minimal products delivered in the period , despite orders on hand, due to the late completion of the new workshop

» Gross margin levels still the best of the group

» Currently has a strong order book for November through to March, with a large order expected in the next few weeks to fill current year production capacity

» The new workshop facility became fully operational in the second week of July 2011

Business Update - Middle East

Oman - Masco joint venture, Sohar:

- EBIT contribution in volume terms below the previous corresponding period due to the completion of two major projects in the intervening period
- Revenue was mainly derived from the ongoing maintenance contract with Sohar Aluminium
- Received tenders for stage 2 of the Emal aluminium smelter project and we are expecting the next stage of the Sohar aluminium smelter in Oman early 2012
- Received orders for a number of smaller Emal projects commencing in October 2011

Expansion Plans Update

Chile - Calama:

» Calama-based repair and maintenance expansion still underway

» Currently in final discussions with a business that produces revenue of approximately $6.5m and EBIT of $3.3m per annum. Negotiations are expected to be complete by late August/early September 2011

Colombia:

» Setup of the operating company complete

» Purchase of 40,000m² block of land complete and construction has commenced. Completion of the plant is scheduled for October/November 2011

» Support for the establishment of operations in the country confirmed by customers

Indonesia - Batam Island:

» Setup of the operating company complete

» Construction of the facility on schedule for completion by the end of September 2011

» Temporary workshop being leased to complete current orders

» Awarded first contract for the supply of 60 dump truck trays from a major Indonesian-based mining contractor

» Very active coal market with a number of new multi-year mining contracts being awarded to our prospective Indonesian customers

» Mongolian market currently being assessed as an opportunity for the Indonesian business to supply mining equipment to the region

Peru:

» Following the award of a major contract with Xstrata, Austin has committed to having an operation to provide maintenance and other services in the region . Negotiations are currently underway with a potential acquisition target that could provide a platform for the provision of the necessary services

Brazil:

» Currently in discussions with Brazil's largest miner to consider the best way to service its requirements going forward

Outlook

- Business conditions across the mining services sector are continuing to improve over the previous year
- Higher sector activity already being reflected with an increased number of enquiries and tenders and growing workloads across most operations
- Austin enters the year with record levels of orders
- Benefits of the new 'La Negra' workshop in Chile will begin to be realised following its completion in July 2011
- Earnings in second half of FY 11/12 will benefit from the commencement of operations in Indonesia, Colombia, Calama , Peru and full year contributions for COR Cooling and Hunter Valley operations
- South American strategy behind schedule however all aspects of the plan are now coming together and Austin confirms its view that South American earnings will exceed that those of Australian operations once all operations and acquisitions are functional and established
- Investment in new and innovative product designs undertaken in FY10/11expected to lead to new revenue streams and market share in the mid-term
- Award of a contract from the world's largest miner a significant stepping stone for further large orders
- Further acquisitions planned
- Overall business conditions for Austin expected to remain very good for the full year with record levels of revenue and profit and further increases in dividends being forecast for FY11/12

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