



austinengineering LTD

half-year 2008 presentation

16 February 2009

overview - another period of growth

- Record half-yearly result, with results for the period to December 2008 reflecting high business-sector activity and further customer recognition and support of Austin's capabilities and product lines
- Benefits of expanded and improved production facilities realised and demonstrated to key customers
- Strong growth in revenue volumes, up from \$43m to \$95m over the comparative half-year periods, including a full six months of contribution from Westech
- Earnings before interest and tax up from \$7.0m to \$12.1m
- Operational cash flow up from \$6.3m to \$13.3m
- Interim dividend of 1.5c per share, up 50% from last year's interim dividend

financial highlights and results for 1H 2008-09

	HY2008 \$m	HY2007 \$m	Increase %
Revenue	94.59	43.21	119%
EBITDA	13.12	7.86	67%
EBIT	12.09	7.00	73%
PBT	11.64	6.82	71%
NPAT	8.13	4.66	75%
Basic Earnings per Share (cents)	17.26cps	10.05cps	72%
Interim Dividend per Share (cents)	1.5cps	1.0cps	50%
Net Assets	35.53	24.90	43%
EBITDA/Revenue	13.9%	18.2%	
EBIT/Revenue	12.8%	16.2%	
NPAT/Revenue	8.6%	10.8%	

- Strong increases in revenue in the period flowing from a high level of activity in the mining and resources business sector
- Full six months contribution from Westech, adding \$25m to revenue over the comparative period
- Growing customer acceptance and corresponding increased market penetration and sales of Westech dump truck bodies in Australia - 49 delivered in the six months to December 2008 against 7 in the corresponding period
- Solid \$12.1m EBIT result achieved against a background of significant cost pressure and availability of the key productive inputs - labour and steel
- Underlying solid business unit performance with high levels of activity and labour utilisation
- Some dilution in EBIT % margin in the period caused by:
 - \$0.8m of provisions being made for unpaid variations in relation to two projects, recovery of which is being pursued
 - lower than average margins on a newly-introduced, innovative product line which was the first of-its-kind manufacture
 - increased labour costs due to critical shortages in the availability of skilled labour
 - no external licence income being recognised
 - low interest costs despite the disturbances in the credit markets - average interest rate of 3.7% (including bank margin) on the Westech loan in the period

balance sheet development

	31 Dec 2008 \$m	30 June 2008 \$m	Increase %
Working capital	14.99	12.14	23%
Property, plant and equipment	25.85	21.85	18%
Intangible assets	18.72	16.75	12%
Total assets	98.20	82.82	19%
Total liabilities	62.67	51.20	22%
Net assets	35.53	31.62	12%
Debt	29.20	21.84	34%
Net debt (debt less free cash resources)	19.80	16.03	24%
Gearing % (net debt/net debt plus equity)	35.8%	33.6%	
Interest cover (EBIT/interest cost)	21.2	20.5	
NTA per share (\$)	0.36	0.32	

- Continued strong, positive cash balances as a result of solid underlying operational cash flow
- \$2m of capex in the period, almost exclusively on productivity/capacity-enhancing equipment
- Debt mostly comprised of USD19m bank loan to fund Westech acquisition in November 2007
- Increase in AUD equivalent value of USD19m loan caused by the decline of the AUD over the period
- Increase in debt value supported by increased AUD equivalent value of Westech's USD net assets
- USD19m bank loan extended to late October 2010 on an interest-only basis with no change to covenants
- Relatively low gearing with capacity to accommodate further growth and acquisitions
- EBIT interest cover of over 21 times for the December 2008 half-year

operational review - australian operations

Brisbane:

- Productive capacity heavily-focussed on the manufacture of mining products; consistent productivity gains achieved on the manufacture of dump truck bodies and very good productive performance on bucket manufacture
- The busiest period of activity in history for the operation with demand for dump truck bodies and buckets outstripping available capacity
- Manufacture of a series of dump truck bodies and water tank products re-assigned to the company's newly-developed workshop in Mackay in order to meet customer delivery schedules
- Significantly improved performance in second half of the period, result above budgeted expectations

Perth:

- Very high levels of activity throughout the period with corresponding high levels of revenue and profit contribution
- Benefits of second workshop realised, enabling additional products to be manufactured and customer delivery schedules to be satisfied
- Manufacture of Westech dump truck bodies now fully-integrated into marketing and production operations with productivity gains now being realised upon repeat manufacture
- New product lines introduced during the period in order to expand capabilities and meet customer requirements
- Initial margins on these products lower than expected due to the effect of first-time manufacture

operational review - australian operations

Mackay:

- Extremely high levels of activity in the Mackay area, resulting in acute shortages of skilled labour
- New expanded workshop proven to be invaluable in meeting increased customer demand for dump truck bodies
- Dump truck body and mining products manufacture introduced to the operation during the period in response to customer demand
- Productive performance on bodies and mining products initially below expectations due to the learning-curve effect of first-time manufacture, but significant gains made over a very short period with products being made under budget by the end of December 2008
- Repair and maintenance activities still a key and important feature of operations with good workloads and performance throughout the period

Austbore:

- High levels of activity throughout the period, concentrating on the repair and maintenance of mining products for the Bowen Basin area in Queensland and Indonesia
- Customer base successfully expanded in the period, generating alternative and wider sources of income
- Financial performance in the period above expectations

operational review - international operations

Westech, USA:

- Very high level of activity throughout the period, despite the economic difficulties in the North American economy
- One of the busiest-ever periods for the operation, which had to deal with operational issues similar to Australia - skilled labour shortages and tight steel supplies
- Productive performance during the period lower than average due a number of operational factors, but performance is expected to improve again and could be further enhanced by the introduction of automated welding systems

Oman, Middle East:

- Two follow-on projects to the Sohar Aluminium Smelter already underway
- One of the projects, for the ongoing repair of anode stems, is expected to last four years and generate good levels of profitability due to the repetitive nature of the work involved
- The other project, for the installation of rectifiers for an aluminium smelter in Abu Dhabi, will last for one year and is also expected to generate good profitability
- Further projects also in the process of being pursued including busbar installations for a project similar to the Sohar project completed in FY 2008

strategic international expansion

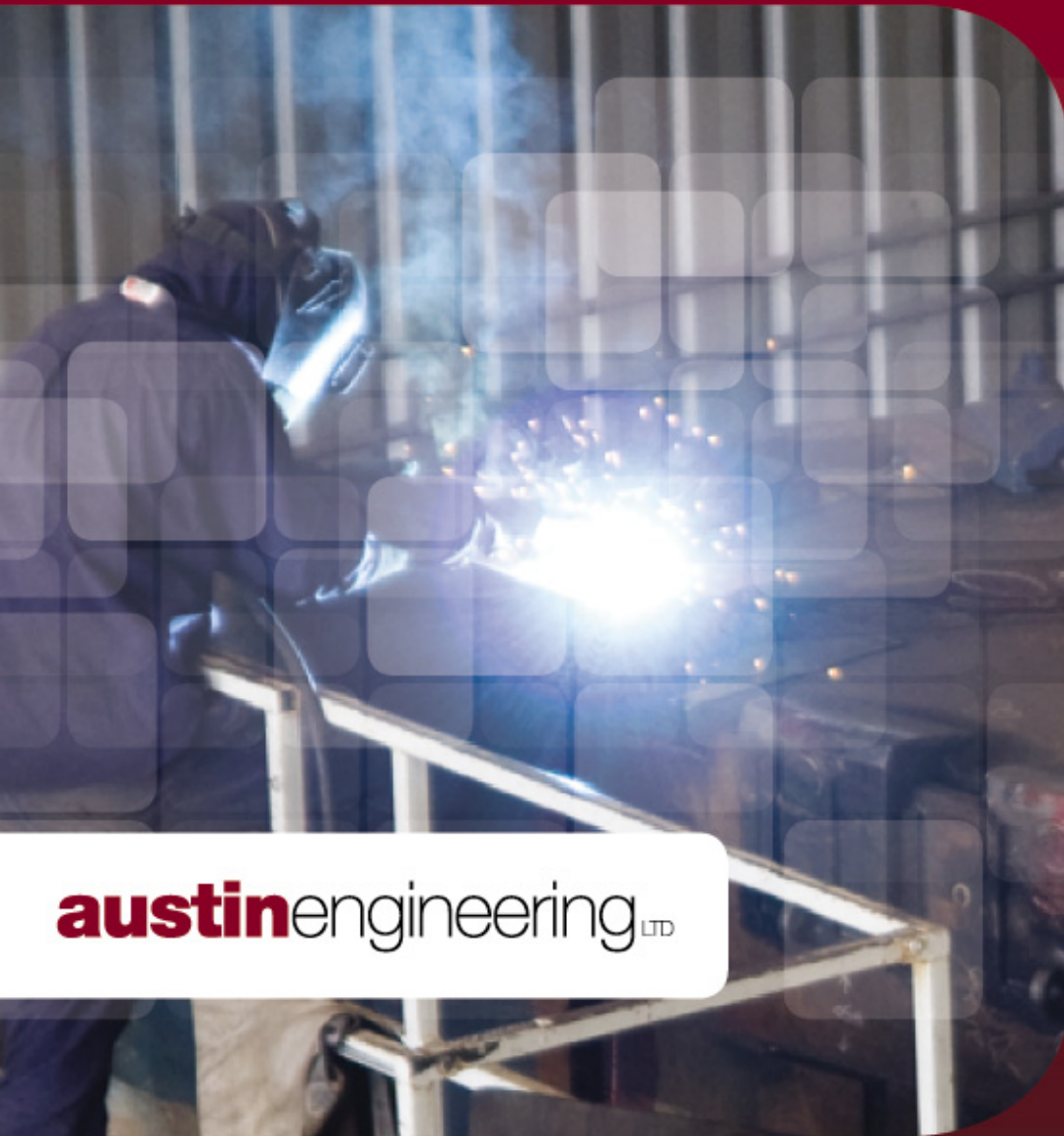
- Expansion into the South American market for specialised mining products still actively being pursued and remains a key focus
- Significant market opportunities exist, even with reduced levels of activity within the major mining houses
- Identification of suitable businesses or engineering partners to enable a platform to be established for manufacturing operations currently underway
- Support from major mining houses for the set-up of operations a key and very important driver behind the expansion program

market developments

- Significant and well-publicised adjustment by the major miners in response to dramatically-changed market conditions
- Some deferment of orders being experienced as customers adjust to uncertain and changing conditions
- Some orders have been cancelled by customers, but the numbers and values have been of a relatively minor nature
- New mine developments or significant expansions to existing mines are likely to decline in the short to medium term but may not completely stop
- Despite the cuts in production, the level of activity in the industry is still reasonably high compared to two or three years ago
- Miners and mining contractors will seek to reduce operating costs in response to changing market conditions and will seek solutions to improve underlying productivity
- This may include changing existing key operating equipment for newer, more efficient and contribution-enhancing equipment - including dump truck bodies

outlook

- Challenging economic environment to remain in the near-term, effective marketing to secure workload a key feature of activity during this period
- Some relief to be gained from increased labour availability and reduced costs of steel
- Strategic positioning of the company in recent years with major mining houses, OEMs and contractors, together with the promotion and customer acceptance of the Westech and JEC product ranges, expected to continue to serve the company well
- Orders totalling \$32m for 75 dump truck bodies received, or in the process of being completed, over the course of January and February 2009. 24 of these bodies are to be completed in FY 08/09, 51 in FY 09/10
- Whilst not completely insulating the company from the effects of the economic slowdown, these orders position the company for a good second half in the current financial year and provide a solid underlying base workload for the start of FY 09/10
- Based on the foregoing, the second half of the current financial year is expected to be slightly below that of the first half, but EBIT for the full year is forecast to be within the range of \$20-23 million, an increase of 18%-35% over the previous financial year



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World's largest non-OEM designer and manufacturer of mining dump truck bodies

For more information please visit www.austineng.com.au