austinengineering LTD
ABN 60 078 480 136

Another Year of Strong Growth for Austin Engineering

Financial Highlights

	FY2011	FY2010	%
	$m	$m	Change
Revenue	**205.90**	**144.01**	**+43%**
Earnings before interest and tax*	**32.09**	**26.52**	**+21%**
Profit before tax*	**30.83**	**26.47**	**+16%**
Net profit after tax*	**22.02**	**19.26**	**+14%**
Net assets	**103.88**	**86.66**	**+20%**
Basic earnings per share*	**31.15cps**	**28.25cps**	**+10%**
Final dividend per share	**8.5cps**	**7.5cps**	**+13%**
Total annual dividend per share	**11.5cps**	**9.5cps**	**+21%**

*** Adjusted in FY 2011 to reflect the exclusion of $0.55m non-cash amortisation of intangible assets**

Brisbane, 26 August 2011: Austin Engineering Limited (ASX trading code: **ANG**) today announced an annual adjusted net profit after tax of $22.02m, up 14% on the previous year, as the group expanded its worldwide operations and experienced improved business conditions in the markets in which it operates.

The mining services sector strengthened during the year as global economic conditions stabilised and demand for commodities increased. This resulted in higher demand for mining equipment and services and corresponding higher levels of activity and capacity utilisation for a number of Austin's existing operations.

The result also reflects the addition of new revenue sources following the acquisition of the Pilbara Hire Group, Phillips Engineering and COR Cooling during the year. These operations added new and important service capabilities and opportunities to both Austin and its key customer base in the key mining regions of Western Australia, Queensland and New South Wales. In addition, the group pursued its expansion plans into the important and developing Indonesian mining market and initial manufacturing operations commenced on Batam Island from rented premises in the second half of the year. These were underpinned by the award of a significant contract by a major Indonesian-based mining contractor for the supply of dump truck bodies.

Whilst the existing Chilean operation contributed a full year's worth of activity to the group, overall activity levels for it were lower due to delays in the completion of the new 'La Negra' workshop. The level of activity for the group's joint venture operation in Oman in the Middle East was also lower due to the completion of two key projects in the prior year.

Adjusted earnings before interest and tax (EBIT) increased by 21% to $32.1m. Underlying productive performance was satisfactory across most of the existing business units as capacity utilisation and productive activity increased. The profit contribution from Oman was lower than before due to reduced activity levels whilst the delay in the completion of the new workshop in Chile presented significant capacity and throughput challenges. The financial performance of the newly-acquired Pilbara Hire and COR Cooling businesses surpassed expectations but the Phillips Engineering operation in the Hunter Valley performed poorly and recorded an operating loss, primarily due to poor existing contracts (which have since been exited), production management and efficiency issues. The adjusted EBIT result also includes start-up costs associated with the establishment of operations in Indonesia and Colombia as well as costs relating to the development of new 'JEC'-branded underground and lightweight above-ground dump truck bodies. The relative strength of the Australian dollar during the year also adversely impacted the translated earnings of North and South American operations.

Other highlights include a 20% increase in net assets and an operating cash flow of $43.7m during the year following the receipt of some significant progress payments from customers just before the end of the financial year. Adjusted basic earnings per share of 31.15c were up 10% on the previous year.

The Board has declared a fully-franked final dividend of 8.5c per share, bringing the full-year dividend to 11.5c, an increase of 21% over the previous year's total dividend. The record date for determining entitlement to the final dividend is 9 September 2011 with payment being made on 7 October 2011.

Commenting on the result for the year, Austin's CEO Michael Buckland said "The solid underlying financial result for the year continued to reflect the significant efforts that have been made in recent years to expand Austin's market share and international presence."

(Cont'd)

Austin Engineering Ltd Full Year 2010-11 Financial Results (Cont'd)

"The result was achieved against a background of difficult operating conditions in Chile where the delay in the completion and commissioning of the new workshop until the middle of July 2011 led to the operation running at a small operating loss over the last four months of the financial year. The $1.1m pre-tax operating loss incurred by the new Hunter Valley operation was also very disappointing and steps have been taken to address the management and operational issues that resulted in this poor result. Notwithstanding this, the importance of a direct manufacturing and service presence in the region is not to be underestimated from a customer relationship point of view."

"The underlying EBIT result for the year also included around $0.8m of start-up and initial operating costs for new operations in Indonesia and Colombia and approximately $0.5m of net costs for new product development. Whilst these had an adverse impact on the result for the year, the expansion of operations into Indonesia and Colombia are an important step in the progress of Austin's international expansion plans. The development of new, innovative and market-leading products is also essential in order to retain Austin's competitive advantage and preferred supplier of choice status with key mining customers" he said.

The group finished the year with $103.9m of net assets, 20% up from $86.7m at June 2010, whilst available free cash resources were $37.4m, up from $21.1m in the previous year. Gross debt totalled $51.1m, up from $23.3m at June 2010, which largely reflected the drawdown of new bank loans to finance the acquisitions completed during the year as well the construction of the new workshop in Chile. The net gearing ratio at the end of the financial year was 12% and comfortably within bank convenant requirements.

Outlook

CEO Michael Buckland said that the 2011/2012 financial year was shaping-up to be an important development year for the Austin group as it pursued its international growth plans.

"Over the course of the coming year the benefits of the new workshop in Chile will be realised and it is expected that this will provide significant increases in productivity and throughput capability as anticipated at the outset of the facilities redevelopment program. Market conditions in South America remain very strong and we are anticipating further orders for dump truck bodies and other products. The construction of the new greenfield site workshops in Barranquilla, Colombia is underway and this will enable Austin to gain an early and strategic market position for the supply of mining products to this developing market. We are still confident that our fully-developed South American operations will provide significant and growing earnings contributions for the group" he said.

"Further growth opportunities in South America will be progressed including the setup of manufacturing and maintenance operations in Calama in Northern Chile and the acquisition of a suitable business in this region is currently being pursued to enable operations to commence in the near future. The recent award of the multi-year equipment supply contract by Xstrata in Peru is also an important step in developing a lasting presence for Austin in South America and this will involve the establishment of manufacturing operations in the country in the second half of the year to service this particular contract."

"The completion of the new workshop on Batam Island in Indonesia over the course of the first half of the new financial year will be an important milestone in establishing a long-term market presence to service Indonesian-based miners and mining contractors. In addition, significant growth opportunities have been identified for COR Cooling's products and services and further investment will be undertaken in the development of this business in the 2011/2012 financial year and beyond".

"Market conditions for the group's other geographical and customer bases are showing further signs of steady improvement and a number of operations are entering the new financial year with excellent workload levels particularly from September 2011 until the end of the financial year. Whilst North American economic conditions are expected to remain uncertain for the foreseeable future, it is encouraging that Westech operations in Wyoming currently have a committed base workload level for the next six months, which is mostly due to market repositioning and product development over the past few years. The benefits of Westech custom-built dump truck bodies are expected to deliver considerable benefits in the years to come, as evidenced by the recent 'Guinness Book of Records' award for the largest payload-carrying capacity dump truck body for a major mining customer in North America".

"At this stage in the development of the financial year, it is expected that overall business conditions will produce another year of record growth for the company with increases in revenue, EBIT and dividends".

End

For further information, contact Managing Director Michael Buckland or Chief Financial Officer Colin Anderson on +61 7 3271 2622.