Full-Year 11/12 presentation

23 AUGUST 2012

austinengineering LTD

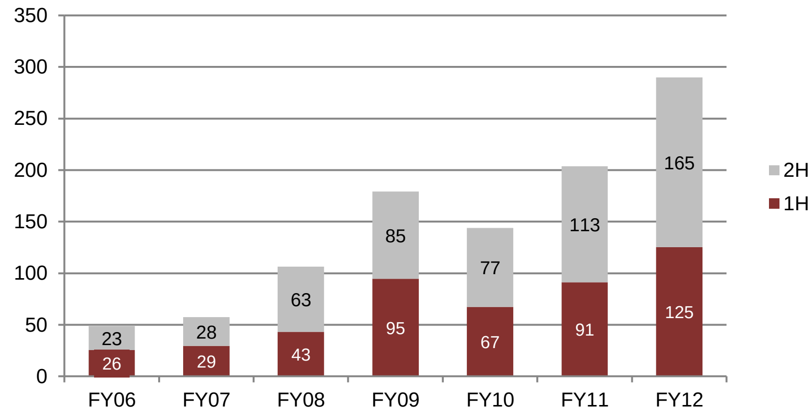
FY 11/12 Financial Highlights

- Record annual result as strong market conditions translated into high demand for Austin's products and services
- Very high levels of activity in the second half of the financial year with a distinct bias of revenue and earnings to this period as previously anticipated
- Additional revenue and earnings contributions from the new Indonesian workshop completed in October 2011 as well as the new business in Calama in Northern Chile acquired in early January 2012
- Total revenue of $290m for the year, up 42% on the previous year
- EBITDA of $50.1m for the year, up 40% on the previous year
- NPAT of $29.6m for the year, up 38% on the previous year
- EPS of 41.0cps for the year, up 35% on the previous year
- Final dividend increased to 10.5cps, up 24% from last year's final dividend of 8.5cps, bringing the total dividend for the year to 14.0cps, up 22%

FY 11/12 Revenue, EBITDA and Dividend Developments

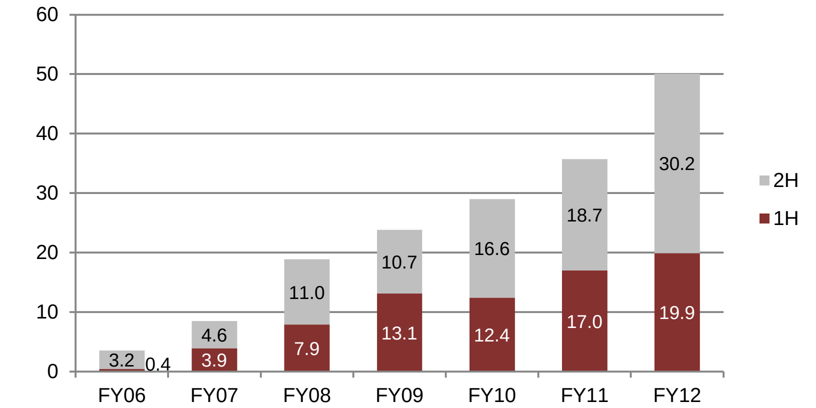
Revenue

CAGR FY07-FY12: 35%

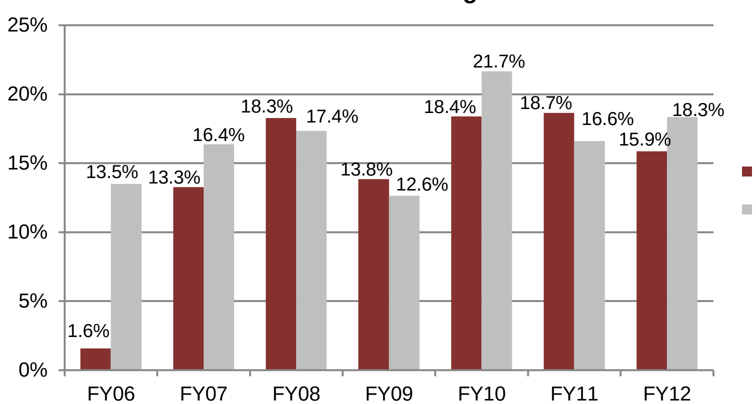


EBITDA* ($m)

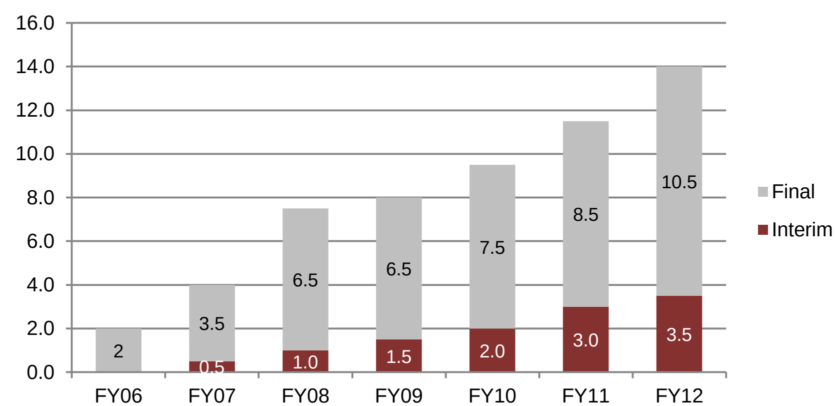
CAGR FY07-FY12: 38%



EBITDA Margin %*



Dividends (cps)



* Excludes gain on sale of properties in FY 06

FY 11/12 Financial Results - Summary

	1H 11/12 $m	2H 11/12 $m	Half-on-Half % Change	FY 11/12 $m	FY 10/11 $m	Year-on-Year % Change
Revenue	125.34	164.76	31%	290.10	203.71	42%
EBITDA	19.88	30.22	52%	50.10	35.71	40%
PBT	16.14	25.07	55%	41.21	30.28	36%
NPAT	11.68	17.90	53%	29.58	21.47	38%
EBITDA/Revenue	15.9%	18.3%		17.3%	17.5%	
PBT/Revenue	12.9%	15.2%		14.2%	14.9%	
NPAT/Revenue	9.3%	10.9%		10.2%	10.5%	
Basic Earnings per Share (cents)				41.00	30.37	35%
Final Dividend per Share (cents)				10.50	8.50	24%

FY 11/12 Financial Results - Segment Revenue and EBITDA

	1H 11/12 $m	2H 11/12 $m	Half-on-Half % Change	FY 11/12 $m	FY 10/11 $m	Year-on-Year % Change
Revenue:						
Australia	89.32	112.87	26%	202.19	153.06	32%
Americas	30.38	39.99	32%	70.37	48.42	45%
Middle East	0.98	1.41	44%	2.39	2.11	13%
Asia (Indonesia)	4.66	10.49	125%	15.15	0.12	12625%
	125.34	**164.76**	**31%**	**290.10**	**203.71**	**42%**
EBITDA :						
Australia	13.69	19.17	40%	32.86	29.10	13%
Americas	4.75	7.58	60%	12.33	6.05	104%
Middle East	0.34	0.62	82%	0.96	0.86	12%
Asia (Indonesia)	1.10	2.85	159%	3.95	-0.30	1517%
	19.88	**30.22**	**52%**	**50.10**	**35.71**	**40%**
EBITDA % Margin:						
Australia	15.3%	17.0%		16.3%	19.0%	
Americas	15.6%	19.0%		17.5%	12.5%	
Middle East	34.7%	44.0%		40.2%	40.8%	
Asia (Indonesia)	23.6%	27.2%		26.1%	-250.0%	
Total	**15.9%**	**18.3%**		**17.3%**	**17.5%**	

FY 11/12 Financial Results - Segment Review

Group Result:

- Strong business conditions across the mining services sector in the year with a bias of activity and earnings towards the second-half, as first highlighted in November 2011 and reiterated in February 2012
- High levels of capacity utilisation in the second half of the year across most operations resulted in overall increased levels of revenue and EBITDA and an improvement in EBITDA margins over the first-half
- Overall record $50.1m EBITDA result, up 40% from FY 11/12, with margins remaining relatively steady compared to the previous year
- NPBT and NPAT up 36% and 38% respectively, closely tracking EBITDA developments, after an extra $2.1m of depreciation in the year arsing from investment in the new Indonesia and Colombia workshops and an extra $1.1m of finance costs arising from the draw-down of a new bank loan to finance the V&V acquisition in Calama, Chile
- Net debt-to-EBITDA ratio of 1.25:1 and EBIT interest cover of 15 times, both well within bank covenant requirements and industry sector averages

Australia:

- Australian business units experienced a 26% lift in revenue in the second-half with the Perth operation in particular contributing significant levels of revenue and profit as workloads grew
- Solid contributions from the Brisbane and Mackay workshops throughout the year with COR Cooling operations contributing a full year of very good performance (seven months in the pcp)
- Disappointing $2m EBITDA loss for the Hunter Valley operation due to some lingering production efficiency issues that are taking longer to resolve than previously anticipated

Americas:

- Improved levels of revenue and EBITDA contribution from the business units based in the Americas, with activity for Westech in North America and the La Negra operation in Chile picking up markedly in the second half as further orders were received, workloads increased and workshop utilisation and efficiencies lifted
- The new operation in Calama, Northern Chile (the business of V&V acquired in January 2012) performed better than expected due to high levels of equipment utilisation in the six months and as new revenue streams from the repair of mining equipment came through

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FY 11/12 Financial Results - Segment Review

Americas:

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» Austin Ingenieros Peru became operational towards the end of April 2012 following the acquisition of two business divisions of Petroaceros S.A.C and provided some initial revenue and EBITDA contributions in the period as operations became fully established and workloads increased

» The new workshop in Barranquilla, Colombia was completed in the last quarter of the financial year and the group EBITDA result for the year includes $1.0m of initial start-up and operating costs for this new business unit

Oman:

» Joint venture operations largely concentrated on an ongoing contract for the repair and maintenance of aluminium smelter equipment

» Good levels of activity during the year with solid EBITDA contributions and margins in the second half of the year and an annual result higher than the previous financial year

Asia (Indonesia):

» New workshop on Batam Island, Indonesia completed in October 2011

» Excellent performance from the new operation with revenue above expectations as customers supported the new 'JEC' range of dump truck bodies and higher workload levels generated efficiency gains

FY 11/12 - Balance Sheet and Cash Flow

- Continuing balance sheet strength with net assets rising 21% in the period, with most of the net increase being attributable to the NPAT result for the year and the payment of dividends
- Net tangible assets per share up 38% in the year from 40.1c to 55.3c
- Increased working capital reflects high workload levels in the lead-up to the end of the year as well as the unwinding of advance progress payments received in June 2011
- Available cash resources of $15.8m at the end of the year are after the offset of $14.0m of cash against bank loans in order to reduce interest costs
- Increased property, plant and equipment includes $26.3m arising on the acquisition of businesses during the year and expenditure incurred on the new Indonesian and Colombian workshops
- Increase in the level of gross debt mainly due to the draw-down of a $24.4m bank loan to finance the acquisition of the V&V business in Calama
- Net gearing ratio of ~33% (including bank guarantees issued by the company's bank) remains well within bank covenant requirements
- Strong net operational cash inflows of $27.3m in the second half of the year to bring total operational cash flows for the year in at $24.6m
- Operational cash flows for the year reflect ~$18m of advance progress payments received in June 2011 for work to be completed in FY 11/12 and beyond (had these progress payments been received this financial year, operating cash flows would have been more closely correlated to NPAT adjusted for non-operational items and other working capital movements
- Investing cash flows include $33.3m expended on the acquisition of businesses during the year (V&V in Calama, Petroaceros in Peru and some smaller acquisitions in Australia by COR Cooling) and $18.8m of capital expenditure

	Jun 12 $m	Jun 11 $m
Working capital	9.08	-4.52
Property, plant and equipment	92.85	53.67
Total assets	286.22	223.78
Total liabilities	160.94	120.04
Net assets	125.29	103.74
Cash	15.75	37.42
Gross Debt	70.49	51.17
Net Debt	54.74	13.75
Net Gearing % (net debt/net debt plus equity)	33.4%	11.7%

	FY 11/12 $m	FY 10/11 $m
Operating cash flow	24.62	43.77
Investing cash flow	-52.12	-53.06
Financing cash flow	6.55	27.80
Total cash flows	-20.94	18.51

Business Update - Australia

Queensland:

Brisbane:

- Very good result for the financial year, ahead of the previous year and above internal budgets
- Good mix of work between mining products with a strong increase in the manufacture and supply of buckets to suit customer production and replacement cycle requirements
- Solid workload for the first 6 months of the new financial year, similar to normal historical forward workloads
- Increased operating result budgeted for the 2012/13 year as the business unit balances possible short-term coal industry issues with new revenue streams from an expanded customer base

Mackay:

- Results for both operations (the Austin Mackay fabrication workshop and the Austbore machining workshop) were good during the year and above internal budgets
- Manufacture of new mining products including dump truck bodies and buckets was particularly strong while repair activities continued to be largely price-driven and more competitive
- Investment in new machinery is providing improved efficiencies and new service capabilities
- Expansion of the Austbore workshop facility will be considered in order to increase capacity and introduce more modern machinery to enable the business to enter new markets

New South Wales - Hunter Valley:

- Disappointing $2m EBITDA loss for the year compared to a budgeted profit due to some lingering issues with production efficiencies which are continuing to be addressed
- The operation is still of strategic importance and new management, which has now been in place for 6 months, has implemented significant changes to work practices and the layout of the workshop
- A new heavy overhead crane has been installed in the workshop in order to improve efficiencies and to enable the manufacture of new products to be introduced
- The manufacture of the first complete bucket and dump truck body has now been completed with overall encouraging results which will add to the capabilities of the business unit and improve its operating result

Business Update - Australia

Western Australia:

Perth:

- Excellent result for the year with a significant increase against internal budgets and the result for the previous year
- Very good progress achieved on the expansion of the existing customer base which now includes all the major Australian mining companies
- Result for the financial year also reflects an increase in the mix of mining products other than dump truck bodies
- The replacement cycle of mining products such as dump truck bodies has commenced and key expansions in iron ore are set to continue
- Firm orders are now in place going into 2013 and customer schedules indicate ongoing requirements until at least 2015
- The business unit will remain heavily reliant on the iron ore market for the foreseeable future and an increased financial result for FY 12/13 is currently budgeted

Pilbara Hire:

- Produced a result in FY 11/12 below internal budgets and the previous financial year
- Challenging operating conditions during the period caused by tight labour supplies and accommodation and difficulties in retaining labour across the Pilbara region
- A number of existing contracts have been renewed and tendering activities are high
- Closer working relationships will be developed with Austin's other operations to secure new clients and revenue streams
- A block of land in Newman, Western Australia has been purchased to establish a base for the service and repair of equipment in the region
- Operating and financial performance is expected to be relatively flat in FY 12/13 due to ongoing labour and accommodation issues

COR Cooling (Qld - Mackay/Brisbane, WA - Perth/Kalgoorlie, SA- Adelaide, NSW - Hunter Valley):

- Result for the year was slightly below internal budgets although the revenue of the business has grown 40% over 12 months under Austin
- Further smaller acquisitions in the Hunter Valley and South Australia have given the business a national presence
- Further business development initiatives underway in Australia, South America and Indonesia
- An increase in profit for FY 12/13 is currently budgeted as the business matures and expands

Business Update - Americas

North America - Westech, Wyoming:

- Produced a strong result ahead of internal budgets and the previous financial year with very good workload levels and workshop efficiencies
- Capital expenditure on improving efficiencies and capacity now complete
- Developments in coal markets are a concern in the US with many mines cutting back production and purchases of equipment
- Despite the uncertainty in coal markets, an uplift in equipment purchases from iron ore, gold and tar sands (Canada) producers is being experienced
- Solid workloading for the first 6 months of FY 12/13, visibility for the second half will become more clear towards the end of the 2012 calendar year

South America:
Chile:

- Increased levels of revenue and profitability although behind budget due to a slow first six months in FY 11/12
- Strong second half financial performance with operating margins coming in on internal budget expectations
- The new Calama business produced a result in excess of internal budgets for the first six months of ownership
- Increased focus will be given to the introduction of Austin's JEC range of products
- The purchase of the Calama business has resulted in new revenue streams from the repair of mining equipment in the region and further capital expenditure is planned for the Calama facility in order to secure increased revenue streams and profits
- Solid forward six months of production with increases over the prior corresponding period expected for FY 12/13

Colombia:

- $1.0m of initial start-up and operating costs expensed during FY 11/12
- Greenfield facility now complete with the first product now successfully trialled
- Further orders have now been received following the trial success and the operation is expected to continue on its original path of significant growth in the region

Business Update - Americas

Peru:

- Acquisition of two of the mining services divisions of Petroaceros S.A.C was completed in the latter part of April 2012 to enable Austin to establish a direct operating presence in the region and also effectively service the ongoing Xstrata Peru contract awarded in June 2011
- The new operation, Austin Ingenieros Peru S.A.C, contributed two months of revenue and a modest operating result in FY 11/12 largely in line with expectations as workloads increased on the manufacture of dump truck bodies and buckets and on-site maintenance services
- Two major maintenance contracts are already in place and discussions are currently being held on increasing the scope of these contracts
- Further investment in new workshop facilities is being considered to enable the business to undertake the manufacture and repair of mining products as well as to efficiently service on-site activities

Business Update - Indonesia and Middle East

Indonesia - Batam Island:

» The new operation became fully operational during the year and achieved an excellent result ahead of internal budgets

» Customers readily accepted the new ‘JEC’ lightweight dump truck body concept and this led to an increased customer base

» Workshop efficiencies improved markedly over the year as the benefits of operating from the new purpose-built production facility were realised

» The second stage of the expansion of the workshop is now progressing and is expected to be complete by March 2013, leading to a 75%-100% increase in available capacity

» Significant opportunities exist to market and introduce the full range of Austin’s ‘JEC’ product range to the region and will be a business development priority over the course of the new financial year

» Opportunities also exist to export into Australia the smaller range of mining products that Austin cannot normally compete with due to the higher Australian costs

» Like most of the group’s other operations, a solid workload is in place for the first six months of FY 12/13 and an increase in profit is budgeted over the current year

Middle East - Masco joint venture, Sohar, Oman:

» Produced an annual result ahead of budget and the previous year with excellent operating margins

» Current maintenance contract for Sohar Aluminium extended for another six months to February 2013

» Currently engaged on aluminium smelter-related projects in Abu Dhabi into 2013 and a relatively flat financial result is expected for FY 12/13

Expansion Plans Update

Brazil:

- » Brazil's largest miner still remains a target customer and discussions are taking place on a tender for the supply of products over 3 years with the results of the tender process known by the beginning of October 2012
- » Success with whole or part of this tender will result in a significant increase in the workloading of Austin's Chilean production facility
- » The purchase of a business in Brazil to enable the assembly, maintenance and repair of both Austin's and other suppliers equipment will be considered if Austin is successful in securing the tender

Africa:

- » A consultant's report is currently being compiled and is expected to be ready in November/December 2012 on the opportunities to expand into Africa. This report will identify the most appropriate area or region to commence the manufacture of Austin's products for the African market
- » Tendering for opportunities is currently ongoing from Austin's business units in Indonesia, USA and Colombia depending on the location of the mining customer and operations in Africa

Russia and Mongolia:

- » A report is currently being compiled on the market opportunities in Russia and the course of action that should be undertaken to expand into this important and large mining region. The company should be in a position to make a decision by December
- » The company is currently supplying products for Mongolia from the Indonesian facility. This is expected to continue although the establishment of a maintenance and repair facility in the country will be considered as the Mongolian mining market develops and matures

COR Cooling:

- » The expansion of the COR Cooling business will continue as there are significant opportunities to consolidate existing other businesses and establish COR as a major player in the domestic and international industrial cooling products and services markets
- » Expansion possibilities are being actively considered and pursued in South America and Indonesia

Outlook

» Austin’s business model and expansion strategy is expected to continue to deliver long-term benefits due to macroeconomic fundamentals that will need to be addressed in coming years. World population could grow by up to another 1 billion by 2020 - this will mean that mining will have to increase as most things used in everyday life have an association with something that is taken from the ground

» Current industry concerns on the knock-on effect of uncertainty in Europe and world growth could stabilise over the course of 2013

» Whilst current market consensus is suggesting a slowdown in the mining sector, particularly for coal, Austin's products and services are strongly linked to production quantities and other metals, as against commodity prices, and these are expected to enable Austin to pursue and realise growth on an ongoing basis

» Demand for iron ore, copper and other metals and minerals is not currently showing any sign of a slowdown

» The replacement cycle for a significant number of dump truck bodies and buckets supplied by Austin to key customers in 2007-2008 has now commenced. This will continue to grow over the coming years and will alleviate some concerns on coal market developments

» The real potential of Austin’s expansion into South America has been slower to realise than originally planned but the management and operational teams are committed to securing the benefits intended at the outset of the investment program. Revenue and profit from the South American operations is expected to increase in FY 12/13 with full year contributions from Calama and Peru and a turnaround of the initial operating loss for Colombia

» Promotion of the full range of Austin’s products in South America and Indonesia will be a priority in the forthcoming financial year

» Revenue for the Australian operations is also budgeted to increase over the full FY 12/13 year

» Additional capital will be expended on increasing Austin’s current capabilities to enable it to enter new markets and products

» Business expansion opportunities through acquisitions, with the objective of widening the group’s revenue base and providing customers with additional and enhanced products and services, are being considered

» Further increases in revenue, profit and dividends are expected for FY 12/13

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