austinengineering LTD
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Continued Growth and a Record Result for Austin Engineering in FY11-12

Financial Highlights

	FY 11-12	FY 10-11	%
	$m	$m	Increase
Revenue	**290.10**	**203.71**	**+42%**
EBITDA	**50.10**	**35.71**	**+40%**
NPBT	**41.21**	**30.28**	**+36%**
NPAT	**29.58**	**21.47**	**+38%**
Net assets	**125.29**	**103.74**	**+21%**
Basic earnings per share	**41.00cps**	**30.37cps**	**+35%**
Final dividend per share	**10.5cps**	**8.5cps**	**+24%**
Total annual dividend per share	**14.0cps**	**11.5cps**	**+22%**

Brisbane, 23 August 2012: Austin Engineering Limited (ASX trading code: **ANG**) has today announced another record annual financial result, with FY 11-12 EBITDA of $50.1m up 40% on last year and NPAT of $29.6m up 38%. Earnings per share of 41.0cps are also up by 35%.

Review of Operations

Market and operating conditions were very strong for the mining and mining services business sectors during the year as demand for commodities increased. This resulted in elevated levels of activity for the sectors which translated into high demand for equipment. Austin was able to take advantage of these conditions through its growing market presence in key mining regions globally and its ability to provide customers with a wide range of products and services.

Austin's Australian operations were very busy for most of the year. The group's main workshop facilities in Perth experienced very high workload levels, particularly in the second half of the year, as major mining customers in Western Australia expanded their fleets of equipment and standardised existing fleets with Westech custom-designed dump truck bodies. The Brisbane and Mackay facilities also operated at high levels of capacity utilisation with a large number of buckets as well as dump truck bodies being delivered to an expanded customer base. The COR Cooling business units in Queensland and Western Australia provided a full year of revenue contribution to the group, compared to seven months in the previous year following acquisition in December 2010, and also strengthened their market position.

Business conditions were very buoyant across the Americas in the year, particularly for Westech in North America, with increased revenues from the sale of products in the USA, Canada and West Africa. The group's operations in Chile enjoyed more consistent workload levels in the second half of the year as the benefits of expanded capacity of the new La Negra workshop were realised. The acquisition of the V&V business in Calama in Northern Chile in early January 2012 resulted in new revenue streams from the hire of heavy lifting equipment to large mining customers in the region as well as the repair of mining equipment. The set-up of operations in Peru was achieved through the acquisition of two business divisions of Petroaceros S.A.C in mid-April 2012 which resulted in some revenue streams coming through from this important and growing market. The new workshop in Barranquilla, Colombia was completed in the last quarter of the financial year and the manufacture of the first dump truck bodies for Colombian mining customers commenced in June 2012.

The group's expansion into Indonesia became fully established during the year following the completion of the new workshop facility on Batam Island in October 2011. The first eight months of operation were very successful with a significant number of the new 'JEC'-branded lightweight dump truck bodies being delivered to very supportive customers in the region. The joint venture in Oman continued to provide alternative sources of revenue for the group through the supply of services and products to the aluminium smelter industries in the region.

EBITDA increased by 40% to $50.1m at a margin of 17.3% which was broadly similar to last year. Underlying performance across most of the group's operations was largely satisfactory as high workloads led to above-average levels of capacity utilisation. The Australian business units provided around $33m of total EBITDA, up 13% on the previous year, although overall margins of 16.3% were impacted by a $2.0m operating loss for the Hunter Valley operation. The business unit did not perform to expectations due to some lingering issues with production efficiencies which are continuing to be addressed.

The EBITDA contribution from the business units based in the Americas doubled to $12.3m in the year at a margin of 17.5% which reflected the robust business conditions, the associated lift in productive performance and above-average margins from the new Calama operation. The result for this sector included the expensing of approximately $1.0m of start-up and initial operating costs for the Colombian operation.

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The Indonesian operation performed very well, generating EBITDA of $4.0m at a margin of 26.1%. The solid workload base during the year, together with the enhanced production efficiencies derived from the purpose-built workshop facilities, resulted in a very satisfactory EBITDA contribution and showed the earnings potential from this strategically important business unit. The Oman joint venture also provided a solid EBITDA contribution of $1.0m at a margin of 40.2%, similar to the previous financial year.

The increases in NPBT and NPAT were mainly influenced by EBITDA, with some additional depreciation charges arising from investments in the new Indonesian and Colombian facilities and additional interest costs on bank loans drawn-down to finance the acquisition of the new Calama operation during the year.

Commenting on the result for the year, CEO Michael Buckland said "FY 11-12 was a milestone year in the development of Austin Engineering as a global supplier of mining products and services. The record EBITDA result of $50.1m confirms Austin's leading position in existing and emerging mining markets as well as the successful implementation of its expansion strategy over the past few years."

"The group was able to further expand products and services to its existing and new customers across major mining regions. In addition, the result for the year only partly reflects the full earnings potential for the group. The principal Calama, Indonesia and Peru acquisitions only provided contributions for part of the year and the Hunter Valley operation, which remains of important strategic value to the group, is set to become profitable" he said.

Net Assets

Net assets increased by 21% over the year to $125.3m. The increase from the end of the previous financial year mainly reflected the $29.6m NPAT result for the year as well as $8.7m of dividend payments. Net tangible asset backing per share rose by 38% to 55.3c at the end of June 2012.

Cash Flow, Liquidity and Debt

Operating cash flows for the year were $24.6m, with particularly strong flows coming through in the second half of the year, but down on $43.8m of operating cash flows in the previous year. The reported net operational cash flow for the year must be recognised in light of the $18m of advance payments that were received just before the end of the FY 10-11 financial year for products to be manufactured in the current financial year and beyond. Had these payments been received in the current financial year, operating cash flows would have been more closely correlated to NPAT adjusted for non-operational cash flows and other working capital movements.

Non-operational cash flows in the year included $33.3m expended on the acquisition of the V&V and Petroaceros businesses in South America and some smaller business acquisitions by COR Cooling in Australia. $18.8m was expended on capital investment programs, mainly in relation to the new workshop facilities in Indonesia and Colombia. New net borrowings during the year of $14.5m included $24.4m of bank debt drawn-down for the purchase of V&V, offset by approximately $14m of available cash at the end of the financial year.

Available cash at the end of the year was $15.8m ($29.8m including $14m offset against bank debt), down from $37.4m at the end of the previous financial year, which included $18m of advance progress payments from customers.

Gross debt at the end of the financial year was $70.5m, up from $51.1m at June 2011. Net debt (gross debt less available cash) of $54.7m, whilst up on the previous year's level of $13.8m, was higher due to the funding of business expansion initiatives. The net gearing ratio (net debt/net debt plus equity) of 33.4% at the end of the financial year was well within bank covenant requirements. The company was in compliance with bank covenants throughout the year and continues to be so.

Dividends

In recognition of the group's financial performance during FY 11-12, a fully-franked final dividend of 10.5c per share has been declared, up 24% from the previous year's final dividend. This brings total dividends for the financial year to 14.0c, an increase of 22%, and a dividend payout ratio of approximately 34%. The record date for determining entitlement to the final dividend is 3 September 2012 with payment being made on 12 October 2012.

Outlook

CEO Michael Buckland said that FY 12-13 provided Austin with a number of opportunities and challenges as it continued on its path of domestic and international growth.

"Global commodity markets have experienced some volatility in recent periods due to ongoing and well-publicised macroeconomic issues, particularly in Europe, which has led to some perceived short-term uncertainty for miners and the mining services business sector" he said.

"From Austin's perspective, whilst developments in coal-related markets are of some concern in the near-term, there is the equal possibility that conditions could improve over 2013 as wider economic issues are addressed more effectively and growth continues on its longer-term upward trend. Demand for iron ore and other metals and minerals is not currently showing any sign of a slowdown".

"Over the course of the coming year the group will benefit from the full-year contribution of the acquisitions and business expansion initiatives completed in 2011 and 2012".

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Austin Engineering Ltd Full Year 2011-12 Financial Results
Outlook (Cont'd)

"The replacement cycle for a significant number of mining products such as dump truck bodies and buckets supplied by Austin to key customers in 2007-2008 has also now commenced. This will continue to grow over the coming years and will alleviate some concerns in coal markets as product demand continues. Significant opportunities still exist with the promotion and rollout of the full range of the group's products and services to existing and new customers based in South America and Indonesia as well as pursuing a long-term relationship with Brazil's largest miner. These, together with the development of African, Russian and Mongolian markets, are priorities for the business and its management team in FY 2012/13".

"The group is also continuing to consider further business acquisitions with the objective of widening its revenue base and providing customers with additional and enhanced products and services. In the meantime, business conditions over the first-half of FY 12-13 are expected to be solid and an increase in profit over the prior corresponding period is currently forecast. The stabilisation of business conditions in the second half of the year will benefit Austin and increased revenue, profit and dividends are envisaged over the full year" he said.

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