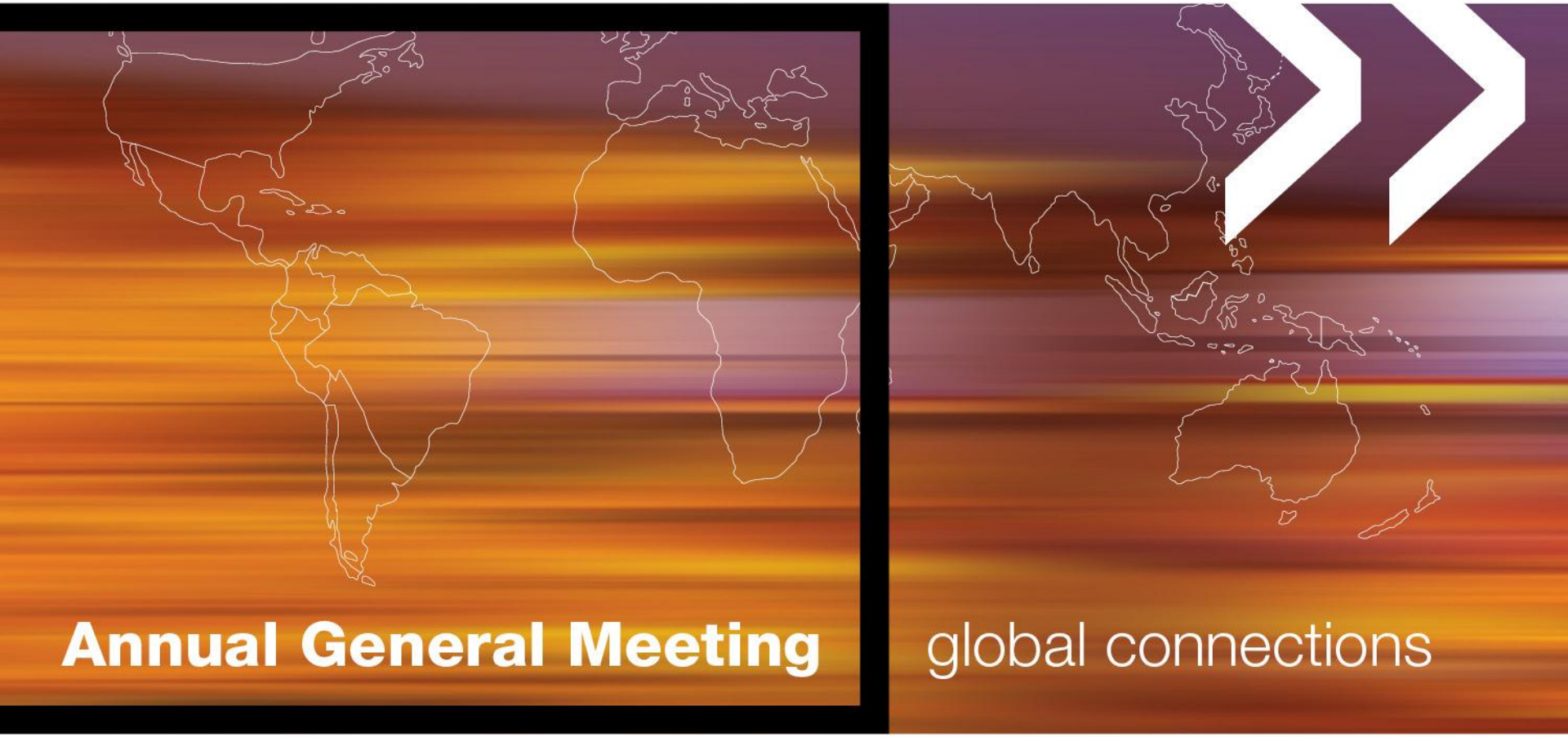


Annual General Meeting

global connections

12

austinengineering LTD

Melbourne, 23 November 2012

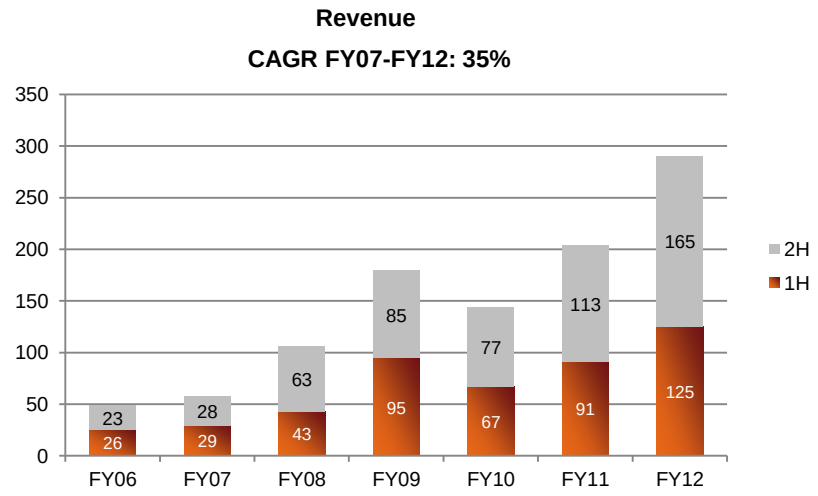
2012 Annual General Meeting Agenda

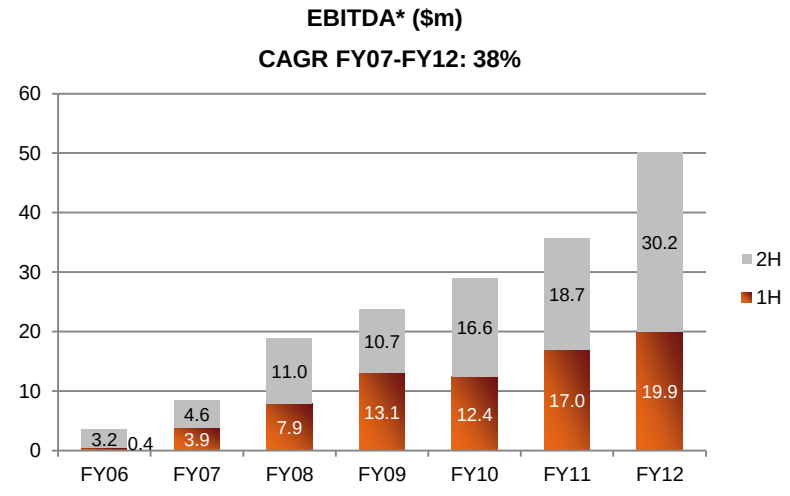
- Commencement of meeting at 10:30am
- Chairman's address
- Managing Director's address and presentation
- Questions on Managing Director's address and presentation
- AGM formalities
- Close and opportunity to meet over refreshments

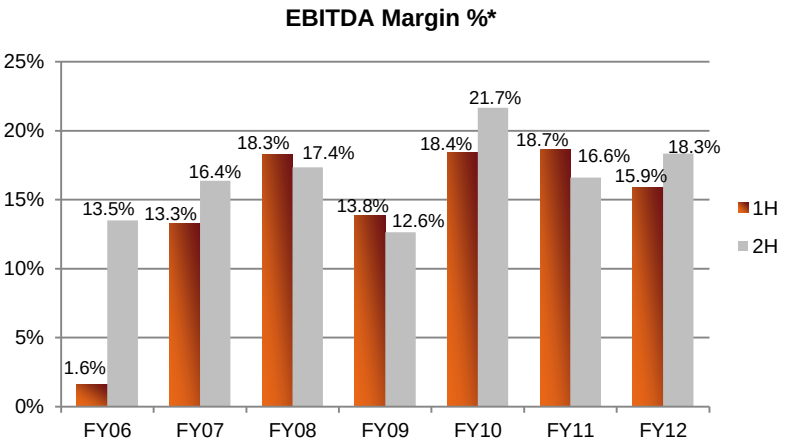
FY 11/12 Global Highlights

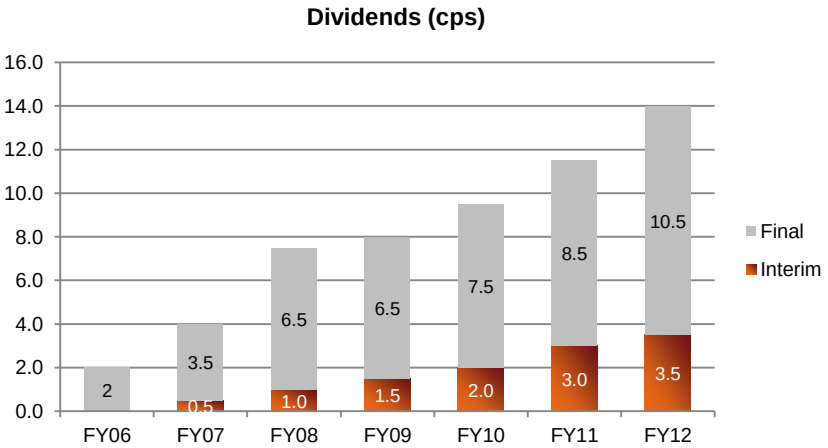
- Record annual result as strong market conditions translated into high demand for Austin's products and services
- Completion of new workshops on Batam Island, Indonesia and Barranquilla, Colombia
- Further strategic business expansions into Northern Chile in January 2012 (acquisition of VyV business) and Peru in April 2012 (acquisition of business divisions of Petroaceros S.A.C)
- 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%

FY06-FY12 Financial Highlights and Developments









* Excludes gain on sale of properties in FY 06

FY 11/12 Financial Results

- Overall record $50.1m EBITDA result, with margins remaining relatively steady compared to the previous year
- Strong business conditions across the mining services sector in the year with a bias of activity and earnings towards the second-half
- 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
- Addition of COR Cooling for a full year, with solid business growth achieved in the post-acquisition period under Austin ownership
- 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
- Improved levels of revenue and EBITDA contribution from the Americas, with activity for Westech in North America and the La Negra operation in Chile picking up markedly in the second half of the year
- Very good performance from the new operation in Calama, Northern Chile due to high levels of equipment utilisation and new repair and maintenance revenue streams
- New workshop in 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
- Excellent performance from the Indonesian operation with revenue above expectations as customers supported the new 'JEC' range of dump truck bodies and higher workload levels generated efficiency gains
- Good levels of activity during the year for the Oman joint venture as it concentrated on an ongoing repair and maintenance contract, generating an annual result higher than the previous financial year

	FY11/12 $m	FY 10/11 $m	Change
Revenue	290.10	203.71	+42%
EBITDA	50.10	35.71	+40%
PBT	41.21	30.28	+36%
NPAT	29.58	21.47	+38%
Basic Earnings per Share (cents)	41.00	30.37	+35%
Final Dividend per Share (cents)	10.5	8.5	+24%
Total Annual Dividend per Share (cents)	14.0	11.5	+22%

EBITDA/Revenue	17.3%	17.5%	
PBT/Revenue	14.2%	14.9%	
NPAT/Revenue	10.2%	10.5%	

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:

» Forecast to be slightly behind internal budget at the half-year

» Fair work-loading of around 50% of capacity currently in-hand for the second half of the year

» Enquiry and tendering activities have increased

» Need to secure a couple of the outstanding tenders to finish the year on or ahead of budget

Mackay:

» Targeted to be on internal budget at the half-year

» Fair work-loading for fabrication activities until the end of March 2013

» Mackay and Bowen Basin mining regions are experiencing a slow-down due to the current price of coal

» Bias towards repair and maintenance activities in FY12/13, unlike previous years which was mostly fabrication and manufacture activities

» Completion of a study to increase the product range offering of Austbore, by way of new machinery and expended facilities, to be completed in the first quarter of 2013

New South Wales - Hunter Valley:

» Increased focus on management, procedures and costs have seen an improvement in results

» Still not at the required level of performance in terms of cost control, revenue and profit

» Capital has been expended during the year to increase capabilities and efficiencies

» Expected to be behind internal budget for the half-year

Business Update - Australia

Western Australia:

Perth:

» Will be ahead of internal budget for the half-year

» Firm orders and full workload until the end of April 2013 and client schedules/deposits out to 2014

» Pressure on prices being exerted by clients but this has been passed-on and accepted by suppliers

» Replacement cycle of mining products such as dump truck bodies has commenced and key expansions in iron ore are set to continue

» Repair market is stable but is limited due to internal capacity

» At this stage a result ahead of internal budget is forecast for the full financial year

Pilbara Hire:

» On target to meet internal budget for the half-year

» Renewal of an existing contract with a large miner has been signed recently

» New clients brought on board

» Coordination of activities with other Austin operations is opening up new markets

» A block of land in Newman has been purchased and Pilbara Hire will use this as a base to increase client coverage and revenue (a 12 month construction period is expected for a new workshop on the land)

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

» Will be behind internal budget for the first-half of the year (the FY12/13 budget was significantly above the previous year's actual result)

» Inconsistent results due to very unstable market conditions on a monthly basis in Queensland and Western Australia

» Further business development initiatives underway in Australia, South America and Indonesia

Business Update - Americas

North America - Westech, Wyoming:

» Targeted to meet internal budget for the first half of the year

» Definite slowdown in the USA-based coal market although the diverse locations of clients and commodities gives Westech some stability from recurring income

» Budgets for mining customers operate on a calendar year and new orders are expected to be released January 2013 onwards

» Softer second half expected although this could change if the USA experiences a cold winter

South America:
Chile:

» Increased levels of revenue and profitability will see the operation on or above internal budget for the first half of the year

» Waiting on a number of significant contracts which will increase workload levels in the second half of the year

» Calama business progressing well with a 2 year agreement signed for the supply of equipment to a major mining customer

» More focus to be directed towards selling the complete range of Austin's products

» Enquiries for repair services growing

» Decision on the expansion of the Calama facilities to target the repair and maintenance services market expected by March 2013

Colombia:

» Expected to be slightly behind internal budget for the first half of the year

» Workshop facility complete and now generating revenue with positive earnings contributions expected from November 2012 onwards

» Workload is increasing as products are trialled successfully and clients gain confidence on Austin's capabilities

Business Update - Americas

Peru:

» Expected to meet internal budget performance for the first half of the year

» Success in securing additional scope for existing maintenance contracts and orders have been received for newly introduced/designed products

» Orders for the manufacture of Austin's existing product range are expected to increase as our presence becomes known and accepted

» Further investment in new workshop facilities is being considered to enable the business to increase the level of manufacture and repair of mining products as well as to service on-site activities efficiently

» Focus on increasing markets and services to clients by transferring some equipment from Austin's Calama business

Business Update - Indonesia and Middle East

Indonesia - Batam Island:

- Will be behind internal budget for the first half of the year, with November and December 2012 seeing a downturn in production
- Significant slowdown in the Indonesian coal industry being experienced
- Waiting on a number of orders for Mongolia which will increase workload levels in the second half of the year
- 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
- Manufacturing of parts for Austin's WA operations has commenced in order to address capacity issues
- Opportunities also exist to export the smaller range of mining products to Australia that Austin cannot normally compete with due to higher Australian costs
- Increased effort on marketing Austin's other products and repair services has commenced

Middle East - Masco joint venture, Sohar, Oman:

- Will be ahead of internal budget for the first half of the year
- Current maintenance contract for Sohar Aluminium has been extended for another six months to February 2013
- Currently engaged on aluminium smelter-related projects in Abu Dhabi into 2013

Expansion Plans Update

Brazil:

» Awaiting the outcome of a significant tender for Vale over a 3 year period for a number of Austin's products; decision expected before the end of December

» A portion of this tender will result in a significant increase in the workload for Austin's Chilean production facility

» Purchase of a business in Brazil will be pursued to enable the assembly, maintenance and repair of both Austin's and other supplier's equipment if Austin is successful in securing the tender

Africa:

» A report is currently being completed on the possibility of expansion into the continent and a number of target companies have been identified

» Completion of the African expansion strategy is expected over January to June 2013

Russia and Mongolia:

» A report is expected by the end of December 2012 on a strategy for accessing the Russian market

» Products for Mongolia are currently being supplied by the Indonesian facility and this is expected to continue

» 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 other businesses and establish COR as a major player in the domestic and international industrial cooling products and services markets

» Expansion discussions with target companies are underway in South America and Indonesia

Outlook

- Currently experiencing variable conditions across our businesses, with some operations having good workload levels and others needing to win tenders and secure more orders over the next 4 months to meet internal budgets
- Industry reputation and product range is continuing to place Austin ahead of the competition
- Positioned to facilitate an increase in repair and maintenance and replacement-cycle revenue streams over new manufacture
- Notable slowdown in coal markets but gold, iron ore and copper markets and proving to be resilient
- Tenders and enquiries for new equipment is still good
- Pressure on product pricing is beginning to be experienced but this is being passed onto suppliers wherever possible
- Growth of the business is set to continue with a number of discussions currently taking place on potential acquisitions
- South America is expected to grow and the full potential of revenue and profit streams from this market are still to be realised
- Full second-half visibility is still uncertain with the outlook for some of Austin's operations being able to change very quickly
- 45%-55% increase in first-half FY 12/13 EBITDA expected compared to the prior corresponding period
- Increased revenue, profit and dividends forecast for FY 12/13 year compared to the previous year

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