austinengineering LTD
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Ongoing Growth for Austin Engineering

Financial Highlights

	HY 12-13	HY 11-12	%
	$m	$m	Increase
Revenue	**156.98**	**125.38**	**+25%**
EBITDA	**30.05**	**19.88**	**+51%**
NPBT	**23.95**	**16.14**	**+48%**
NPAT	**17.21**	**11.68**	**+47%**
Net assets	**135.61**	**109.28**	**+24%**
Basic earnings per share	**23.80cps**	**16.23cps**	**+47%**
Interim dividend per share	**4.5cps**	**3.5cps**	**+29%**

Brisbane, 21 February 2013: Austin Engineering Limited (ASX trading code: **ANG**) has today announced half-year EBITDA of $30.1m, up 51% from the prior corresponding period and NPAT of $17.2m, up 47%. Earnings per share of 23.8cps also reflect the increases in underlying profitability and are up by 47%.

Review of Operations

Compared to the corresponding period in FY 11/12, business conditions and associated workload for the period to the end of December 2012 were generally more consistent for some of Austin's larger business units, which resulted in a better utilisation of productive capacity and increased revenues.

Revenue for the Australian business units increased by 21% over the previous year. The main workshop facilities in Perth, Western Australia experienced elevated demand in the period as major mining customers used custom-designed Westech dump truck bodies for their existing and new fleets of equipment. This resulted in high levels of activity for the business unit and an associated lift in revenues. The business units on the eastern seaboard of Australia, which mainly service coal mining operations, had a consistent but less intense level of activity in the six months to December 2012. This was due to mining customers adjusting production and equipment requirements in response to quieter market conditions. Revenue increased for the COR Cooling business following expansion into South Australia and the Hunter Valley region of New South Wales.

The Americas returned a 39% increase in revenue over the previous year. The Westech business unit in North America continued to expand its product range, market exposure and customer base and operated with solid activity levels in the period despite subdued market conditions in coal-related markets. The La Negra workshop in Antofagasta, Chile saw a significant increase in activity over the prior corresponding period as it progressed through the manufacturing program of dump truck bodies for Chilean and Peruvian mining customers. Important revenue contributions were made by the new business unit in Calama, which was acquired in early January 2012 to provide heavy lifting equipment and mining equipment repair services to large mining customers in the copper-producing regions of northern Chile. The new Austin Engineering Peru business, comprising of workshop manufacturing operations in Lima and onsite repair and maintenance services for two large mines in regional Peru, also provided new revenue streams from this developing mining market. The Colombian workshop facility in Barranquilla began manufacturing operations in the period to December 2012 and generated revenue from the manufacture of dump truck bodies for key and supportive mining customers in the region.

The group's Indonesian business unit on Batam Island was fully operational in the six months to December 2012 following its completion in October 2011 and revenue for the period was up 19% on the prior period. Market conditions across the region were notably muted in the quarter to December 2012 as, like coal markets in Australia, customer demand for equipment and services declined due to a challenging business environment. As with previous periods, the joint venture in Oman continued to provide a steady and alternative source of revenue from the supply of equipment and services to the aluminium smelter industries in the Middle East and saw revenue rise by 31% over the prior corresponding period.

Overall group EBITDA for the six months to December 2012 increased by 51% to $30.1m with the average margin rising from 15.9% to 19.1%. The Australian business units contributed $19.7m of total EBITDA, up 44% on the previous year, with increased revenue levels and improved efficiencies helping to lift productive performance whilst the Hunter Valley operation returned a near-breakeven result compared to a previous $0.8m loss.

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Review of Operations (Cont'd)

The EBITDA contribution for the Americas was up 75% period-on-period to $8.3m, with the average margin increasing 4% to 19.7%. This was mainly due to a combination of better productivity for Westech, more consistent workloads for La Negra and strong margins for the Calama-based operation. The Peru business unit returned good margins and performed above expectations whilst the close-to-breakeven result for Colombia reflected the normal learning experience of new manufacturing operations.

The Indonesian operation's EBITDA contribution in the period was $1.6m, up 44% on the previous half-year at an average margin of 28.5% although this was tempered in the quarter leading up to December 2012 as workloads declined due to market conditions. The Oman joint venture continued to provide a good underlying EBITDA result, which at $0.4m was up 26% at a satisfactory margin of 33.6%.

NPBT of $24.0m and NPAT of $17.2m were up 48% and 47% respectively, with the main reason for the increase being the underlying improved operational performance and EBITDA result. The depreciation expense of $4.3m for the half-year to December 2012 was up on the prior period level of $2.5m due to additional depreciation charges from investments in the new Indonesian and Colombian production facilities. Additional interest costs were incurred on the draw-down of bank loans to finance the acquisition of the new Calama operation in January 2012.

CEO Michael Buckland commented on the half-year result saying "The group's performance for the first half of FY 12/13 was very satisfactory and within the earnings guidance range communicated to the market at the Company's AGM in November 2012. The result reflects the success of a number of business expansion initiatives undertaken over the past few years, despite the effect of some disturbance in commodities markets experienced towards the end of the 2012 calendar year".

"Business conditions in the first six months of the current financial year were resilient for the group's operations not exposed to coal markets. Further development of the group's activities into these markets was undertaken, including the increased sale of Westech bodies for replacement and new requirements to a wider customer base. Aggressive marketing of the group's full capabilities to customers across South America was also undertaken and performance by operations in these business sectors was very solid in the period."

"The softening in global coal markets in the period led to lower than expected activity levels for some of the group's business units. The result for the half-year only partly reflects the real potential of the group's capabilities and revenue and profit levels would have been higher had more normalised business conditions prevailed in coal markets" he said.

Net Assets

Net assets of $135.6m at the December 2012 half-year end were up 24% from the prior corresponding period and by 8% from $125.3m at 30 June 2012. The increase from the end of FY 11/12 reflects the $17.2m NPAT result for the half-year as well as the $7.6m final dividend payment for FY 11/12. Net tangible asset backing per share of 67.5c rose by 45% from 46.5c for the previous half-year period.

Cash Flow, Liquidity and Debt

Operating cash flows for the half-year to December 2012 were a net positive $13.2m. Cash flows, which would normally be correlated to NPAT adjusted for non-cash flow items such as depreciation and amortisation, included the effect of the utilisation of advance progress payments received before the end of FY 11/12 for work to be undertaken in FY 12/13.

Non-operational cash flows for the half-year included $8.2m expended on capital expenditure projects, the most notable of which were a second new workshop for Indonesia, a new plasma cutting machine for Brisbane and a new office in Peru. Other non-operating cash flows included $1.6m on the acquisition of the Bells Radiators business in the Hunter Valley by COR Cooling, a $1.0m distribution from the joint venture in Oman, $7.6m expended on the final dividend payment for FY 11/12 and a net $5.8m of new borrowings, mainly in relation to the recall of available cash previously offset against debt.

The net gearing ratio (net debt/net debt plus equity, including the value of issued bank guarantees) of 32.7% was down from 33.4% at June 2012. The company was in compliance with bank covenants throughout the year and continues to be so.

Dividends

A fully-franked interim dividend of 4.5c per share has been declared, up 29% from the previous year's interim dividend of 3.5c per share. The record date for determining entitlement to the interim dividend is 4 March 2013 with payment being made on 22 March 2013.

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Austin Engineering Ltd Half Year 2012-13 Financial Results

Outlook

CEO Michael Buckland said that the second half of FY 12/13 will see a continuation of business conditions from the first half, with a number of operations having excellent forward workloads and others requiring further orders over the next two months to meet internal targets.

“While the company is continuing to see an improvement in enquiries and tendering activities, it is too early to categorically say the market is now in an upward trend. We expect conditions to remain stable and, in addition to the recent extension of a contract for the supply of dump truck bodies and other equipment for a major customer, are confident of a number of major tender wins which will increase company workloads, especially in FY 13/14”.

“The diversity of our locations and markets is providing the company with solid foundations for further increases in profit, earnings per share and dividends in FY 12/13 and beyond. Despite the recent contractions in coal markets, the wider Austin business has continued to gain market presence and new customers. Further organic growth can be achieved from all of our operations domestically and overseas through the sale of our entire product range to an even wider customer base. The company is also continuing with its acquisition strategy and a number of these plans are expected to be realised over the next six months or so. These, together with the company’s plans for expansions into new regions globally, will see sustained growth” he said.

End

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

About Austin Engineering: Austin Engineering Limited is an engineering company with manufacturing facilities in Australia, the USA, South America, Indonesia and the Middle East. The Australian facilities manufacture, assemble, repair and maintain (on and off-site) products used in the mining and resources sector. Key product lines include dump truck bodies, large service vehicles, excavator buckets, materials handling equipment, mineral processing equipment, industrial radiator and cooling products as well as large structural steel projects. The USA facility (Westech) based in Casper, Wyoming, services the North American mining markets and is an industry-leading designer and manufacturer of specialised lightweight dump truck bodies. The Chile and Indonesian operations manufacture dump truck bodies and other mining products for the South American and Indonesian markets. The Middle East operation principally services the aluminium smelter industries in the region. Austin also own rights to innovative welding processes which have been introduced to improve welding productivity. Robotic welding systems are also used for product lines, general fabrications and repetitive production processes. For more information visit www.austineng.com.au.