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Austin Engineering Ltd – Half Year Results to December 2015

Financial Overview

	HY 15-16	HY 14-15	%
	\$m	\$m	Change
Revenue	108.7	102.05	+6.5%
EBITDA*	3.8	9.04	-58.0%
NPBT*	(4.8)	1.80	-366.7%
NPAT**	(22.0)	(41.6)	+47.1%
Net assets	123.9	128.31	-3.4%
Basic earnings per share	(15.58)cps	(49.36)cps	+68.4%

*Excluding impairment/one-off costs

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Brisbane, 29 February 2016: Austin Engineering Limited (ASX trading code: ANG) has today announced half-year revenue of \$108.7m (increase on the prior corresponding period of \$102.05m) and normalised EBITDA of \$3.8m (decrease on the prior corresponding period of \$9.04m). The result was impacted by continuing subdued capital spending in the mining industry.

Review of Operations

Conditions remained subdued within the mining industry despite increases in production levels from all the major miners.

Capital spending has continued to be deferred and although our customers repair and maintenance budgets have been increased, there is a continuing focus on cost reduction. This is despite current equipment now reaching a point where it becomes uneconomical not to replace.

The last two years have seen Austin Engineering put more emphasis on the repair and maintenance side of the business and have established specific repair and maintenance operations around the world to cater for this shift. This has a number of benefits which include:

- securing base load work for the Company,
- providing a higher base when throughput increases, and
- permitting the Company to form strategic alliances with miners to gain market intelligence and create productivity improvements for these customers.

It is also pleasing (and important) to note that Austin Engineering has continued to add new clients and now has a larger client base than previous years.

Revenue for the Company increased over the PCP reflecting the increased revenue from repair and maintenance revenue, albeit at a lower margin than the traditional business lines.

The Australian operations produced a small normalised EBITDA profit led by the Perth, COR Cooling and Austin Engineering Site Services divisions. It is pleasing to note orders from the major miners are starting to now be received for replacement products. The Eastern States operations are continuing to be effected by the depressed state of the coal industry. The Company took the decision during the half to close the Brisbane facility and transfer orders to the Hunter Valley and Mackay facilities.

Indonesia after a record year of profit in FY15 had a subdued half with a number of major orders being deferred.

The Americas produced a normalised EBITDA result below that of the PCP due mainly to deferral of orders. Westech produced a result significantly below any previously recorded half, despite having a very high tender book. The Chilean and Peruvian operations were affected by the slide in Copper prices with all miners looking at deferring orders and cutting costs in these regions. Colombia produced a fair result with the awarding of the 3 year maintenance contract for a large Miner.

Normalised NPBT of (\$4.8m) was down on the prior corresponding period. NPAT of (\$22.0m) was higher than the prior corresponding period, with the prior corresponding period reflecting \$40.9m of impairment charges and \$3.5m of one-off charges, as a result of subdued capital expenditure in the mining industry.

CEO Michael Buckland commented on the half-year result saying “The last six months have seen the toughest period in the life of Austin Engineering with the Miners deferring everything they can regarding capital equipment replacement and costs.

Austin Engineering – Half-Year Results to December 2015 (cont'd)

Review of Operations (continued)

While the result is the poorest recorded over a six month period, the Company has addressed this by the closing of the Brisbane facility, increased focus on offsite and onsite repairs and maintenance, as well as new product offerings to the market.

The Company has continued to address the current situation through the closure of over capacity, introduction of new products, innovative finance packages, increased focus on repairs and maintenance and working to become our clients strategic partner in relation to our products.

The Company is positioned to increase revenue and market share in the current depressed conditions and gives a higher base when the market does recover to any increased level.”

Net Assets

Net assets of \$123.9m at December 2015 were down by 3% from \$128.3m at December 2014. The decrease reflects the proceeds from equity raising undertaken, offset by impairment combined with foreign currency translation differences relating to balance day adjustments on foreign equity balances. At December 2015 the net tangible asset backing per share of 44.5c reduced by 45% from 81.4c for the December 2014 half-year period.

Cash Flow, Liquidity and Debt

Operating cash flows for the half-year to December 2015 were \$1.2m.

Non-operational cash flows for the half-year included \$2.4m spent on capital expenditure projects, the most notable of which was equipment for a new contract in Peru. Other non-operating cash flows included net proceeds from the issue of shares of \$30.4m, offset by net repayments of borrowings of \$29.2m.

Dividends

Since the end of the half-year, the Directors have not declared an interim dividend for the financial year ending 30 June 2016 (2015 – no dividends paid).

End

For further information, contact Chief Executive Officer Michael Buckland or Chief Financial Officer Scott Richardson on +61 7 3271 2622.

About Austin Engineering: Austin Engineering Limited is an engineering company with manufacturing facilities in Australia, the USA, South America, and Indonesia. 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 and Canadian mining markets and is an industry-leading designer and manufacturer of high-efficiency dump truck bodies. The operations located in Chile, Peru and Colombia manufacture, repair and maintain dump truck bodies and other mining products for their respective markets and, in Chile, also provide specialised heavy equipment lifting and transportation services for mining and industrial markets. The Indonesian production facility on Batam Island serves the equipment and service needs of mining and oil and gas-related customers in Indonesia and Asia. Austin also own rights to innovative and automated welding processes and these have been introduced into operations in order to improve production efficiencies. For more information visit www.austineng.com.au.