AUSTIN ENGINEERING LTD (ABN 60 078 480 136) AND CONTROLLED ENTITIES

REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Results

	Half-Year to 31 December 2013 $000		Half-Year to 31 December 2012 $000
Revenue	**106,414**	**down 32% from**	**156,982**
Net Profit after Tax for the Half Year	**860**	**down 95% from**	**17,209**

Brief Explanation of Movements in Revenue and Net Profit

The movements in revenue and net profit after tax for the half-year ended 31 December 2013 over the comparative period are due to a combination of factors including:

- The October acquisition of Servigrut which has provided a positive contribution to the Group and is in line with the expected return
- Lower levels of activity due to changed business conditions, predominantly brought about by reduced expenditure by mining customers
- Setup costs for new repair and maintenance contracts in South America, which will start to produce revenue in the second half

A review of the operations of the group and the results of these operations for the half-year is set out in the media statement released to the market on 26 February 2014, a copy of which is attached herewith on pages 15 to 16. Please also refer to the associated presentation that was released to the market on 26 February 2014.

Dividends and Dividend Reinvestment Plans

	Amount per Security	Franked Amount per Security
Final dividend paid on 11 October 2013 for the financial year ended 30 June 2013	10.5c	10.5c
Interim dividend payable for the financial year ended 30 June 2014 (same as 2013 interim dividend)	4.5c	4.5c
Record date for determining entitlement to the interim dividend	7 March 2014	
Date for payment of interim dividend	28 March 2014	

There were no dividend reinvestment plans in operation during the period.

Net Tangible Assets per Security

	Half-Year to 31 December 2013	Half-Year to 31 December 2012
Net tangible asset backing per ordinary security (cents)	94.7	67.5

Control Gained Over Entities Having a Material Effect

On 7 October 2013, effective 1 October 2013, Austin Arrendamientos Chile Ltda, a 100% subsidiary company of Austin Engineering Ltd, acquired the business and assets of Servigrut in northern Chile.

Associates or Joint Ventures

The company has a 50% interest in the Majan Aluminium Services Company, which had previously undertaken a number of projects related to the aluminium smelter industry in the Middle East. This joint venture is in the process of being wound up.

Audit

This report is based on financial statements that have been reviewed. A copy of the reviewed financial statements is attached.

AUSTIN ENGINEERING LTD (ABN 60 078 480 136) AND CONTROLLED ENTITIES

REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity consisting of Austin Engineering Ltd and the entities it controlled during and at the end of the half-year ended 31 December 2013.

Directors
The Directors of the company who held office during and up to the date of this report are:

Paul Reading (Non-Executive Chairman)
Michael Buckland (Managing Director)
Eugene Fung (Non-Executive Director)
Peter Pursey (Non-Executive Director)

Financial Highlights

	Change	Half-Year 13/14	Half-Year 12/13
	%	$000	$000
Revenue	-32%	106,414	156,982
EBITDA (refer note 3)	-73%	8,221	30,054
Profit before tax	-95%	1,154	23,949
Net profit after tax	-95%	860	17,209
Net assets	+27%	172,664	135,609
Basic earnings per share (cents)	-95%	1.17cps	23.80cps
Interim dividend per share (cents)	-	4.5cps	4.5cps

Review of Operations
A review of the operations of the group during the half-year and the results of these operations is set out in the media statement released to the market on 26 February 2014, a copy of which is attached herewith on pages 15 to 16.

Lead Auditor's Independence Declaration
A copy of the auditor's independence declaration as required by section 307C of the Corporations Act 2001 is set out on page 3.

Rounding of Amounts
The company is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars.

Signed in accordance with a resolution of the Directors

Michael Buckland
Managing Director

Brisbane
26 February 2014

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DECLARATION OF INDEPENDENCE BY CRAIG JENKINS TO THE DIRECTORS OF AUSTIN ENGINEERING LTD

As lead auditor for the review of Austin Engineering Ltd for the half-year ended 31 December 2013, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Austin Engineering Ltd and the entities it controlled during the period.

Craig Jenkins
Director

BDO Audit Pty Ltd

Brisbane, 26 February 2014

AUSTIN ENGINEERING LTD (ABN 60 078 480 136) AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

		Consolidated Entity	
		Half-Year	
	Note	2013	2012
		$000	$000
Revenue	2,5	106,414	156,982
Expenses			
Raw materials and consumables used	5	(28,596)	(51,911)
Change in inventories and work-in-progress		(1,566)	1,683
Employment expenses		(47,075)	(53,963)
Subcontractor expenses		(1,820)	(5,063)
Occupancy and utility expenses		(3,893)	(3,342)
Depreciation expense		(5,127)	(4,342)
Amortisation expense - customer relationships and other intangibles		(420)	(427)
Other expenses		(15,215)	(14,236)
Finance costs		(1,548)	(1,432)
Profit before income tax		1,154	23,949
Income tax expense		(294)	(6,740)
Net profit for the half-year		**860**	**17,209**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Foreign currency translation differences		(3,046)	534
Other comprehensive income for the half-year, net of tax		(3,046)	534
Total comprehensive income for the half-year		(2,186)	17,743
Profit for the half-year is attributable to:			
Owners of Austin Engineering Limited		860	17,209
Total comprehensive income for the half-year is attributable to:			
Owners of Austin Engineering Limited		(2,186)	17,743
Earnings per share attributable to owners of Austin Engineering Limited:			
Basic earnings per share (cents per share)	4	1.17	23.80
Diluted earnings per share (cents per share)	4	1.17	23.36

The Consolidated Statement of Profit or Loss and other Comprehensive Income should be read in conjunction with the accompanying notes.

AUSTIN ENGINEERING LTD (ABN 60 078 480 136) AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

		Consolidated Entity	
	Note	31 December 2013	30 June 2013
		$000	$000
Current Assets			
Cash and cash equivalents	5	39,915	6,337
Trade and other receivables	5	39,055	34,857
Inventories		29,223	30,789
Other receivables and other assets		5,012	5,555
Total Current Assets		**113,205**	**77,538**
Non-Current Assets			
Property, plant and equipment	5	137,291	106,561
Investments accounted for using the equity method		849	1,334
Intangible assets	5	94,540	88,468
Deferred tax assets		6,101	4,337
Total Non-Current Assets		**238,781**	**200,700**
Total Assets		**351,986**	**278,238**
Current Liabilities			
Trade and other payables	5	46,324	38,994
Financial liabilities	5	11,128	5,200
Current tax liabilities		586	3,333
Provisions		5,935	5,753
Total Current Liabilities		**63,973**	**53,280**
Non-Current Liabilities			
Financial liabilities	5	106,141	62,063
Deferred tax liabilities		9,208	9,447
Total Non-Current Liabilities		**115,349**	**71,510**
Total Liabilities		**179,322**	**124,790**
Net Assets		**172,664**	**153,448**
Equity			
Contributed equity	6	81,833	52,749
Reserves		1,883	4,929
Retained earnings		88,948	95,770
Total Equity		**172,664**	**153,448**

The Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

AUSTIN ENGINEERING LTD (ABN 60 078 480 136) AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Contributed Equity	Retained Earnings	Options Reserve	Foreign Currency Translation Reserve	Total
	$000	$000	$000	$000	$000
Consolidated Entity					
Opening balance at 1 July 2012	48,938	78,182	1,563	(3,398)	125,285
Total comprehensive income for the half-year:					
Profit for the half-year	-	17,209	-	-	17,209
Other comprehensive income:					
Currency translation differences	-	-	-	534	534
Total comprehensive income for the half-year	-	17,209	-	534	17,743
Transactions with owners in their capacity as owners:					
Issue of share capital	-	-	-	-	-
Share issue costs	-	-	-	-	-
Dividends paid	-	(7,593)	-	-	(7,593)
Share-based payment	-	-	174	-	174
	-	(7,593)	174	-	(7,419)
At 31 December 2012	**48,938**	**87,798**	**1,737**	**(2,864)**	**135,609**
Total comprehensive income for the half-year:					
Profit for the half-year	-	11,233	-	-	11,233
Other comprehensive income:					
Currency translation differences	-	-	-	6,174	6,174
Total comprehensive income for the half-year	-	11,233	-	6,174	17,407
Transactions with owners in their capacity as owners:					
Issue of share capital	3,825	-	-	-	3,825
Share issue costs	(14)	-	-	-	(14)
Dividends paid	-	(3,261)	-	-	(3,261)
Share-based payment	-	-	(118)	-	(118)
	3,811	(3,261)	(118)	-	432
At 30 June 2013	**52,749**	**95,770**	**1,619**	**3,310**	**153,448**
Total comprehensive income for the half-year:					
Profit for the half-year	-	860	-	-	860
Other comprehensive income:					
Currency translation differences	-	-	-	(3,046)	(3,046)
Total comprehensive income for the half-year	-	860	-	(3,046)	(2,186)
Transactions with owners in their capacity as owners:					
Issue of share capital	30,000	-	-	-	30,000
Share issue costs	(916)	-	-	-	(916)
Dividends paid	-	(7,682)	-	-	(7,682)
Share-based payment	-	-	-	-	-
	29,084	(7,682)	-	-	21,402
At 31 December 2013	**81,833**	**88,948**	**1,619**	**264**	**172,664**

The Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

AUSTIN ENGINEERING LTD (ABN 60 078 480 136) AND CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

		Consolidated Entity	
		Half-Year	
	Note	2013	2012
		$000	$000
Cash flows from operating activities			
Receipts from customers		108,654	175,407
Payments to suppliers and employees		(106,418)	(154,287)
Interest received		89	98
Finance costs		(565)	(1,540)
Income tax paid		(4,997)	(6,452)
Net cash provided by operating activities		**(3,237)**	**13,226**
Cash flows from investing activities			
Payments for acquisitions of businesses/subsidiaries, net of cash acquired	7	(11,062)	(1,879)
Payments for property, plant and equipment		(14,025)	(8,233)
Distribution from joint venture entity		511	1,002
Net cash used in investing activities		**(24,576)**	**(9,110)**
Cash flows from financing activities			
Proceeds from issue of shares, net of transaction costs		28,680	-
Proceeds from borrowings		45,290	14,000
Repayment of borrowings		(4,358)	(8,210)
Dividend paid		(7,682)	(7,593)
Net cash provided by/(used in) financing activities		**61,930**	**(1,803)**
Net (decrease)/ increase in cash and cash equivalents		**34,117**	**2,313**
Cash and cash equivalents at the beginning of the period		6,337	15,748
Effects of exchange rate changes on cash and cash equivalents		(539)	510
Cash and cash equivalents at the end of the period		**39,915**	**18,571**

The Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Note 1: Basis of preparation of half-year financial statements

These general purpose consolidated financial statements for the half-year reporting period ended 31 December 2013 have been prepared in accordance with the Corporations Act 2001 and Accounting Standard AASB 134: *Interim Financial Reporting.*

These half-year financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2013 and any public announcements made by Austin Engineering Ltd during the half-year reporting period in accordance with the continuous disclosure requirements of the Australian Securities Exchange and Corporations Act 2001.

The accounting policies and methods of computation applied in these half-year financial statements are the same as those applied by the company in the annual financial statements for the year ended 30 June 2013, except as set out below:

Changes in accounting policy

Austin Engineering Limited had to change some of its accounting policies as the result of new or revised accounting standards which became effective for the annual reporting period commencing on 1 July 2013.

The affected policies and standards are:

- Principles of consolidation – new standard AASB 10 *Consolidated Financial Statements*, and
- Interests in Joint Ventures – new standard AASB 11 *Joint Arrangements*.

Other new standards that are applicable for the first time for the December 2013 half-year report are AASB 13 *Fair Value Measurement*, AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities* and AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle*. These standards have introduced new disclosures for the interim report but did not affect the consolidated entity's accounting policies or any of the amounts recognised in the financial statements.

(i) Principles of consolidation

AASB 10 was issued in August 2011 and replaces the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements* and in Interpretation 112 *Consolidation – Special Purpose Entities*. Under the new principles, the group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The group has reviewed its investments in other entities to assess whether the consolidation conclusion in relation to these entities is different under AASB 10 than under AASB 127. No differences were found and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 10.

(ii) Interests in Joint Arrangements

Under AASB 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement. Austin Engineering Limited has assessed the nature of its joint arrangements and determined to have only joint ventures.

The accounting for the group's joint venture has not changed as a result of the adoption of AASB 11. The group continues to equity account for its interest in the joint venture. Under this method, the interest is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses and movements in other comprehensive income in profit or loss and other comprehensive income respectively.

Note 2: Revenue and other income

	Half-Year 2013	**Half-Year 2012**
Revenue	$000	$000
Sales revenue:		
Sale of goods	61,073	111,740
Services	44,997	44,630
Other revenue:		
Interest - bank deposits	28	96
Other	316	516
Total revenue	106,414	156,982

Note 3: Segment information

Management has determined that the strategic operating segments comprise of Australia (for mining equipment, other products and repair and maintenance services), Americas (for mining equipment and other products, comprising of North America and South America), Asia (currently Indonesia for mining equipment and other products) and the Middle East (for aluminium smelter equipment and products). These reporting segments also provide a more balanced view of cross-operational performance across business units, recognising and compensating for inter-regional differences in relation to technical methodologies, production facilities and processes, the cost of key inputs such as labour and steel, the existence of competition and differing customer requirements that may affect product pricing.

Executive management monitors segment performance based on EBITDA (earnings before interest, tax, depreciation and amortisation). Segment information for the half-years ended 31 December 2013 and 31 December 2012 is as follows:

	Australia		Americas		Middle East		Asia		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Total segment revenue - from external customers	61,850	107,855	42,797	42,307	391	1,285	1,376	5,535	106,414	156,982
EBITDA	3,565	19,713	4,671	8,329	29	433	(44)	1,579	8,221	30,054
Total segment assets										
31 December 2013	141,515		194,523		849		15,099		351,986	
30 June 2013	112,404		145,820		1,334		18,680		278,238	
Total segment liabilities										
31 December 2013	117,258		60,702		-		1,362		179,322	
30 June 2013	89,585		32,864		-		2,341		124,790	

Corporate expenses are included in the Australian reporting segment for decision-making purposes as this represents the area within which they are mostly incurred. Asset amounts are measured in the same way that they are measured in the financial statements. Segment assets are allocated based on the operations of the segment and the physical location of the assets.

The reconciliation of EBITDA to profit before income tax is as follows:

	Half-Year 2013	Half-Year 2012
	$000	$000
EBITDA	8,221	30,054
Depreciation	(5,127)	(4,342)
Amortisation	(420)	(427)
Interest revenue	28	96
Finance costs	(1,548)	(1,432)
Profit before income tax	1,154	23,949

Note 4: Earnings per share

	Half-Year 2013	Half-Year 2012
	$000	$000
Earnings used in basic and diluted earnings per share calculation	860	17,209
	No.(000)	No.(000)
Weighted average number of ordinary shares used in calculating basic earnings per share	73,215	72,315
Effect of dilutive securities - options	406	1,350
Weighted average number of ordinary shares used in calculating diluted earnings per share	73,621	73,665

Note 5: Significant movements

Business conditions and the associated workload for the period to the end of December 2013 were much quieter than anticipated. This resulted in lower sales as detailed in Note 2 and a corresponding decline in raw materials and consumables used from $51.9m for the half year to 31 December 2012 to $28.6m for the corresponding 2013 period.

Intangible assets have increased by $6.1m. $6.6m of this was due to the Servigrut acquisition incorporating identifiable intangible assets and goodwill that was partially offset by a decrease from foreign currency translation on historical intangible assets acquired. The difference predominantly relates to the amortisation of goodwill.

Cash and cash equivalents were higher at 31 December 2013 due to cash received of $28.7m (net of transaction costs) from the capital raising in December 2013.

Property, plant and equipment increased in the period. This was due to property, plant and equipment assets purchased in the Servigrut acquisition of $23.0m and further investment in the Chilean operations, resulting in an increase of Chile's assets of $7.0m.

Trade and other receivables were higher at 31 December 2013 due to delays in some customer payments. Trade and other payables were higher at 31 December 2013 due to the deferred consideration of $11.9m for the Servigrut acquisition.

On 24 December 2013, the Group restructured its principal banking arrangements into a new syndicated facility for $155.0m. The new syndicated facility has similar financial covenants to the previous arrangements and expires in December 2016. The increase in Financial Liabilities of $50.0m following the debt restructure, is due a combination of factors including:

- New bank loans drawn down to finance the acquisition of Servigrut in the period
- New bank loans drawn down to finance investment in properties and new production facilities
- The pullback of available cash, previously offset against debt in June 2013, in order to fund operational cash flow needs

Note 6: Contributed equity - ordinary shares

	Half-Year 2013		Half-Year 2012	
	No.(000)	$000	No. (000)	$000
Balance at beginning of the period	73,165	52,749	72,315	48,938
Share placement	9,375	30,000	-	-
Cost of share issues	-	(916)	-	-
Balance at end of half-year	82,540	81,833	72,315	48,938

Note 7: Business combinations

(a) Current period

On 7 October 2013 Austin Arrendamientos Chile Ltda, a 100% subsidiary company of Austin Engineering Ltd, acquired the property, plant and equipment and the associated finance obligations for these assets, of Servigrut in northern Chile, effective 1 October 2013. No other assets or liabilities were included in the acquisition. Servigrut is based in Antofagasta close to Austin's existing operations. Servigrut is a significant and successful supplier of heavy lifting equipment, transportation and site services to the mining and industrial markets in Chile. Servigrut's services are complementary to those provided by Austin's similar business in Calama and the acquisition will enable Austin to become the major provider of such services throughout the region. The total acquisition cost was USD 21.0m and was funded by existing bank loan facilities. USD 10.5m was paid in October 2013, whilst the remaining USD 10.5m was paid in January 2014.

Details of provisional net assets acquired and provisional intangible assets are as follows:

	Total
	$000
Details of net assets and intangibles acquired are as follows:	
Purchase consideration	23,004
Fair value of net tangible assets acquired	(16,379)
Intangible assets and goodwill	6,625
The fair value of net tangible assets from the acquisitions is as follows:	
Property, plant and equipment	23,049
Equipment related-finance lease commitments	(6,670)
Net identifiable tangible assets acquired	16,379
The intangible assets and goodwill acquired, net of deferred tax, arising from the acquisition are as follows:	
Goodwill	6,625
Total intangible assets and goodwill acquired	6,625
Purchase consideration – cash outflow:	
Outflow of cash to acquire business, net of cash acquired	
Total purchase consideration	23,004
Less: deferred consideration recognised in trade and other payables	(11,942)
Cash consideration/outflow of cash – investing activities	11,062

Note 7: Business combinations (continued)
It is not practicable to determine the profit and revenue for this acquisition as though the acquisition date was 1 July 2013 for the half year ended 31 December 2013, given only certain assets and liabilities of the business were acquired.

(b) Prior period
On 6 July 2012 COR Cooling Pty Ltd, a 100% subsidiary company of Austin Engineering Ltd, acquired the business and assets of Beltrax Pty Ltd (trading as Bells Radiator Services), a specialised manufacturer and repairer of cooling products based in Toronto, Hunter Valley, Australia. Details of this business combination were disclosed in note 31 in the group's annual financial statements for the year ended 30 June 2013.

Note 8: Contingent liabilities and contingent assets
Bank guarantees are issued to third parties arising out of dealings in the normal course of business.

Note 9: Dividends
The company paid a fully-franked final dividend of 10.5 cents per share on 11 October 2013 in relation to the financial year ended 30 June 2013 (2012: 10.5 cents per share).

Note 10: Events subsequent to reporting date

Contracts
On 13 January 2014 the company announced that its subsidiary Austin Ingenieros Chile Ltda had been awarded a further, and to-date its largest Chilean maintenance contract, by Codelco's El Tesoro mine. Codelco is the largest copper miner in the world and the El Tesoro mine is located in the Calama district of Chile and is one of Codelco's largest copper mines. The contract is for the on-site supply of 30-40 people for the maintenance of mobile equipment and the major repair of all mobile equipment off-site. The contract is due to commence in mid-February 2014 and will be for a period of three years.

On 14 January 2014, the company announced the signing of a significant contract with Vale, the Brazilian-based international miner. The contract, which is in the form of a supply agreement, is for three years. Although the precise value of this contract is not predetermined, Vale has informed the company that the previous contract was for a total of USD200m and that the current contract will be split between two companies, with Austin receiving the larger part of the contract.

Share purchase plan (SPP)
On 17 January 2014 the company opened its share purchase plan, under which shareholders could apply for up to a maximum amount of $5,000 in shares at $3.20 per share, free of brokerage and transaction costs. The offer closed on 7 February 2014 and the Board has accepted applications for $5.55 million (before all offer costs). On 14 February 2014, the company allotted 1,734,601 shares which commenced trading on 17 February 2014.

Interim dividend
On 26 February 2014, the Directors declared an interim fully-franked dividend of 4.5 cents per share (2012: 4.5 cents per share) for the financial year 2013/14, payable on 28 March 2014. The aggregate amount of the dividend to be paid out of retained profits at 31 December 2013, but not recognised as a liability at the half-year, is (rounded) $3,792,000 (2012: $3,254,000).

Note 11: Fair value measurement of financial instruments

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:
(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

At 31 December 2013 the group did not have any financial instruments that were measured used the fair value measurement hierarchy.

The aggregate fair values of all financial assets and liabilities approximate their carrying values at the balance date.

DIRECTORS' DECLARATION

FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

In the Directors' opinion:

a) The financial statements and notes set out on pages 4 to 11 of this report are in accordance with the Corporations Act 2001, including:

   i) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
   ii) giving a true and fair view of the financial position as at 31 December 2013 and of the performance for the half-year ended on that date for the consolidated entity; and

b) There are reasonable grounds to believe that Austin Engineering Limited will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors

Michael Buckland
Managing Director

Brisbane
26 February 2014

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Austin Engineering Ltd

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Austin Engineering Ltd, which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Austin Engineering Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Austin Engineering Ltd, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Austin Engineering Ltd is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO Audit Pty Ltd

Craig Jenkins
Director

Brisbane, 26 February 2014

austinengineering LTD
ABN 60 078 480 136

Austin Engineering – Half Year Results to December 2013

Financial Highlights

	HY 13-14	HY 12-13	%
	$m	$m	Change
Revenue	**106.41**	**156.98**	**- 32%**
EBITDA	**8.22**	**30.05**	**- 73%**
NPBT	**1.15**	**23.95**	**- 95%**
NPAT	**0.86**	**17.21**	**- 95%**
Net assets	**172.66**	**135.61**	**+ 27%**
Basic earnings per share	**1.17cps**	**23.80cps**	**- 95%**
Interim dividend per share	**4.5cps**	**4.5cps**	**-**

Brisbane, 26 February 2013: Austin Engineering Limited (ASX trading code: ANG) has today announced half-year EBITDA of $8.2m and NPAT of $0.86m consistent with guidance provided in December 2013. The result was due to very subdued business conditions in the period. Net assets increased 27% due to the successful capital raising in December 2013.

A much improved performance commencing in March 2014 is expected due to contribution from Servigrut, new maintenance contracts secured in the first half, the Vale contract and anticipated new contracts.

Underlying productive performance was solid and existing operations have maintained margins in difficult conditions, with the overall Group margin in the period increasing to 35% (up from 31% in the prior corresponding period) as a result of new business in South America. The Company overall has maintained its market share and has made some important gains in key South American markets.

Review of Operations

Business conditions and the associated workload for the period to the end of December 2013 were much quieter than anticipated for Austin. This reflected constrained capital spending in the mining sector which delayed expenditure on new and replacement equipment and maintenance programs. This in turn resulted in much lower utilisation of productive capacity and directly impacted results.

Revenue for the Australian business units decreased by 43% over the previous year. The main workshop facilities in Perth, Western Australia experienced lower demand in the period due to the slow-down in equipment capital expenditure and the deferral of the truck body replacement cycle. The business units on the eastern seaboard of Australia, which mainly service coal mining operations, also had reduced levels of activity due to cost reduction initiatives by miners and contractors. The COR Cooling business produced a result in line with expectations for the period.

The Americas generated a very similar level of revenue to the previous year. The Westech business in North America produced a relatively consistent result against a background of flat market conditions. The La Negra manufacturing operation in Chile produced a lower than expected result due to reduced expenditure on equipment by miners as well as a delay in the award of the Vale contract (since won as announced in January 2014). The Calama operations in Chile, comprising of on and off site repair and equipment lifting services, produced a satisfactory result. The Servigrut business, which was acquired in October 2013, performed very well in the three month period to December 2013. The Peru operation produced a result below budget due to a number of expected maintenance contracts not eventuating as expected. However in December 2013 this operation completed the company's first shovel dipper which was an important milestone as a significant market for this product exists throughout South America. The Colombian workshop facility in Barranquilla produced a result below budget with clients holding off purchases due to lower than expected coal pricing.

The group's Indonesian business unit on Batam Island experienced very low revenue contribution from mining products. This was due to difficult market conditions in the regional mining sector; however the operation was successful in securing more oil and gas-related manufacturing work.

The company has a 50% interest in the Majan Aluminium Services Company, which had previously undertaken a number of projects related to the aluminium smelter industry in the Middle East. These projects have now ceased and this joint venture is in the process of being closed.

EBITDA was lower than the previous corresponding period with reduced activity levels, inconsistent workloads and an associated reduction in overhead recoveries impacting the result. However gross margins showed solid growth to around 35%, reflecting the above average margin contributions from the new business acquisitions in South America and a general improvement in internal efficiencies.

NPBT of $1.2m and NPAT of $0.9m were both down on the prior corresponding period, reflecting the movements in the underlying EBITDA result. The depreciation expense of $5.1m for the period was up on the prior period level of $4.3m due to additional depreciation charges from investment in new facilities in Indonesia and South America. Additional interest costs were incurred on the draw-down of bank loans to finance the acquisition of the new Servigrut operation in October 2013.

CEO Michael Buckland commented on the half-year result saying "The group's performance for the first half of FY 13-14 was lower than anticipated but was still within the earnings guidance range communicated to the market in December 2013. The result was primarily impacted by well-publicised expenditure reductions by large miners, despite elevated and in some cases increased levels of production."

"Underlying productive performance remained good in the period and an encouraging improvement in gross margins was realised which will be of benefit when business conditions return to normal. It was also pleasing that there was no loss of available market share and some important gains in market share were realised in various regions."

"Business conditions in the first six months of the current financial year were much quieter for the group's operations. Further investment in South America has caused some higher costs in the first half of this year in the form of setup costs for new contracts and projects. The benefits of these will start to be seen from March 2014 onwards" he said.

Net Assets
Net assets of $172.7m at the December 2013 half-year end were up by 27% from $135.6m at December 2012. The increase reflects the proceeds from the $30m equity raising undertaken in December 2013, partially offset by the FY 12/13 final dividend payment of $7.7m. At December 2013 the net tangible asset backing per share of 94.7c rose by 40% from 67.5c for the December 2012 half-year period.

Cash Flow, Liquidity and Debt
Operating cash flows for the half-year to December 2013 were a net negative $3.2m. This was due to the utilisation of advance payments from customers obtained in prior periods for work done in this period, the short term deferral of some customer receipts and higher than normal steel stocks in South America in anticipation of new orders that have now been won.

Non-operational cash flows for the half-year included $14.0m spent on capital expenditure projects, the most notable of which were the purchase of a new workshop facility in Calama Chile and a 43,000m² block of land in Peru for future expansion. Other non-operating cash flows included $11.1m on the acquisition of the Servigrut business in Chile, a $0.5m distribution from the joint venture in Oman and $7.7m expended on the final dividend payment for FY 12/13. $45.3m of new net borrowings consisted of the funding of the acquisition of Servigrut and the pullback of cash previously offset against debt in June 2013.

The net gearing ratio (net debt/net debt plus equity, including the value of issued bank guarantees) of 32.3% was up from 30.9% at June 2013 but was comfortably within bank covenant requirements.

Dividends
A fully-franked interim dividend of 4.5c per share has been declared, consistent with the previous year's interim dividend of 4.5cps. The record date for determining entitlement to the interim dividend is 7 March 2014 with payment being made on 28 March 2014.

Outlook
CEO Michael Buckland said that the second half of FY 13/14 will see a continuation of the challenging business conditions facing the industry. However Austin is expected to have a significantly better second half due to the level of current and expected orders as well as a full period of contributions from Servigrut.

"The curtailment of expenditure by miners on equipment and maintenance services may be justified in the short term to improve profitability. However the deferral of such expenditure is not believed to be sustainable as equipment wears out and begins to impact operational productivity and output. Accordingly demand for Austin's products and services, which are closely linked to the mining production phase, is expected to become more normalised as miners continue to operate at high levels of production."

"Additionally, Austin is now winning multi-year contracts with key mining customers as confirmed by the Vale contract announced in January 2014. It is also broadening its revenue base by securing more on and off-site maintenance work such as the Gaby, Ministro Hales and El Tesoro contracts for Codelco and Antofagasta Minerals announced over the past six months. All of these contracts together with further contracts to be secured in the coming months will lead to sustainable earnings for multiple years."

"Full-year EBITDA guidance has been adjusted down to a range of $37m-$41m, compared to the previous full-year EBITDA guidance provided of $40m-$50m. This is due to delays in the commencement of a number of orders Austin has on hand as well as delays in the confirmation of a number of major projects previously included in the forecast. To maintain the adjusted full-year EBITDA guidance Austin needs to win a number of current tenders by the end of March 2014. Due to this uncertainty, the full-year EBITDA guidance may be subject to variation depending on the commencement, award and size of these projects."

"Expansion of the business, through the establishment of operations in emerging mining markets such as Africa and by adding new complimentary products and services to the existing range, will also continue to be actively pursued to realise revenue and profit growth in the future" he said.

End

For further information, contact Managing Director 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, 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 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. The Middle East operation principally services the aluminium smelter industries in the region. 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.