

27 November 2020

Managing Director's Address

Good morning ladies and gentlemen and thank you for joining us today for our 2020 Annual General Meeting either in person or via our first ever AGM video link.

Let me start off this morning looking back over the 2020 financial year. For a more detailed look at our results please refer to our Annual Report and results presentation released in August.

Our results have continued to improve as we have moved through a number of rationalisations across the business over the last few years. Importantly, our net profit after tax has improved, as have our operating cash flows – two key measures for us.

Austin restructured its debt facilities during the year, this was an important step for Austin as it signifies the end of the balance sheet restructure process that needed to happen to protect the business and ensure that no further equity raises would be required to support working capital needs of the business. What was really pleasing in 2020 was the strength of our cash flow led to a net cash position for the business by the end of the year of \$8 million, supported by significant prepayments from customers.

This improved position of course led to capital management decisions such as the reinstatement of dividends, which I see as a positive step for the Austin, particularly in light of the \$26 million of franking credits held by the Company.

I am conscious that the revenue line in our P&L has remained at the \$230 million level over the last two years and we are resolute in our focus to growth this revenue with quality earnings that will drive further increases in profitability, I'll talk more on that shortly.

The strength of any organisation resides in its people, Austin is no different – we have some exceptional people at Austin throughout the organisation.

We have seen a decrease in personnel of around 27% to 1,248 staff and labour hire contractors working on Austin sites, the majority of this decrease was in Colombia where historically Austin has operated a large site-based repair and maintenance contract for one of the major mines there. Following COVID-19, together with some other local community issues the mine site suspended operations for an undetermined period of time. Ultimately this led to the mutual termination of that contract and subsequent retrenchment of over 300 people in Colombia. We also saw personnel decreases in Peru and North America due to demand reductions late in the financial year, I'd like to thank all of these staff members for their service and wish them well for the future.

During the year we made the decision to restructure the leadership team and created three Executive General Manager positions to lead each of our three geographic regions. We wanted to ensure there was executive leadership at the coalface in, or close to, each of our key operations around the globe to enhance our client coverage and also day-to-day business management at a local level. Over the last few years, we have worked hard to drive a common "One Austin" mindset throughout the organisation and believe we have enacted sufficient cultural change and togetherness to allow this regional structure to prosper.

We have a mantra at Austin about safety, that "it's in your hands", we've made great strides in fostering a safe environment for our employees in an industry that is inherently risky.

It is therefore a source of pride of the company that we have seen reductions in key statistics of both Total Recordable Injury Frequency Rates, and Lost Time Injury Frequency Rates over the course of the 2020 year, falling by 13% and 29%, respectively.

COVID-19 has had a profound impact on all of our lives, we've been fortunate that in the majority of countries that we operate in, mining has been considered an essential service and the impacts have not been as severe as many other sectors.

As I mentioned earlier, our Colombia business was badly impacted by COVID-19 with \$4.3 million of related losses during the 2020 financial year both in regard to operating losses sustained whilst negotiating an exit from suspended site-based contracts, and the ultimate retrenchment costs of in excess of 300 employees from our business.

We also experienced large falls in demand throughout North and South America as businesses in those locations delayed capital replacement decisions.

Fortunately, our order book was already fairly strong in Chile, which has seen the least impact in this region.

We also experienced falls in demand from our Indonesian facility with minimal workflows in the second half of the year, although this has since recovered strongly.

Finally, whilst we did utilise government support to retain our entire workforce in the US up until the end of the financial year, we did not qualify for the Australian Government JobKeeper support package.

The global mining equipment market has been impacted by the recession; this has impacted Caterpillar's earnings – traditionally a bellwether for mining equipment outlook, and has led to reduced capital expenditure guidance issued by large global miners.

Whilst this is a concern for Austin, there isn't a linear relationship between OEM equipment sales, or even mining capex projections to Austin's own outlook for a few reasons.

Firstly, Austin's products are wear items and increasingly we are seeing demand for light-weight bodies that would usually last for between two and four years, a much shorter timeframe for replacement than 10 years ago. This means that unless our clients elect to continue repairing products instead of replacing them, or materially alter production plans in their mines, there is only so much they can do to delay purchase decisions.

One of the tactics that has proven effective is to leverage our innovation to continually deploy improved product into the marketplace to encourage clients to upgrade their equipment to optimise production ahead of scheduled replacements.

Secondly, we understand that typically large decreases in miners' capital budgets usually translate to deferred development capital, rather than maintenance capital, which is needed to sustain their operations. Our longer-term success is dependent on a healthy level of

development capital and new mines coming on stream, so we would like to see a reversal of these current downward trends.

Guidance issued in August 2020 of an underlying net profit after tax in excess of \$9 million remains in place, our expectations are for a stronger second half in this financial year, principally due to results in North America.

We have two thirds of our projected FY2021 revenue locked into earned revenue, order book and other committed work which is similar to the level last year.

Performance will be led by the Asia-Pacific region, which we expect to be strong in the first and second half of the financial year. North America has had a slow start to the year and will likely record a loss in the first half of the year, however, the level of quoting and market activity suggests a materially stronger second half. South America has also had a relatively flat start to the year and is expected to improve in the second half.

There remain a number of uncertainties, including of course COVID-19 spread, but also the transition of power in the USA, and how a Democratic leadership will impact on mining outlook in the country, together with securing further orders across all facilities, particularly North America.

Given the quantum of potential business that we are aware of and the macro conditions as we currently understand them, we remain confident in our earnings guidance. If the potential work being tendered upon now was won and delivered in this financial year, earnings would be well in excess of current guidance.

Our vision is to be the market leader in providing loading and hauling solutions to mining companies, contractors and original equipment manufacturers.

Key to this vision is placing the needs of our client, and innovation, at the forefront of everything we do. We believe this will drive returns for our stakeholders.

If we look at where Austin is today, we have now advanced towards the end of restructuring activities that have taken a good deal of executive attention over the last few years. Most of our revenue in new products relates to truck bodies and in this market, we estimate we have around

a 10% market share globally. This, together with our current suite of high-quality products and a market leadership in customised product solutions, gives us a great platform for organic growth.

Over the next three years, we have a plan to materially increase revenue from further penetration into emerging markets for us such as Africa, Eastern Europe and Brazil, together with increasing our market share in our already mature markets.

We also believe we can achieve strong growth in underground products, buckets and other attachments such as water tanks and tyre handlers as we already have great designs for these products but only have a small market share, as our predominant focus has been truck bodies for above-ground applications.

We see a material growth to not only be achievable but also vital to the Company's aspirations to more effectively leverage its already established global footprint and drive increased returns. The operating leverage of our business is such that if we kept all of our facilities full, the earnings potential of the business far exceeds current run rate, and that is before considering outsourced manufacturing through global partners.

I look forward to leading Austin on this growth journey over the next few years and I am confident we can achieve a number of our goals without the need to deploy significant new capital in the business.

I'd like to take this opportunity to thank our Chairman, Jim Walker, and the Board for their support as well as the leadership team and beyond within Austin. Also, to our shareholders, thank you for your continued belief in the company.

End

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About Austin Engineering

Austin is a global engineering company. For over 50 years, Austin has partnered with mining companies, contractors and original equipment manufacturers to create innovative engineering solutions that deliver productivity improvements to their operations.

Austin is a market leader in the design and manufacture of loading and hauling solutions, including off-highway dump truck bodies, buckets, water tanks and related attachments, supporting both open-cut and underground operations. Complementing its proprietary product range are repair and maintenance services performed in our workshops and on clients' mine sites, complimented by spare parts sales.

The company is headquartered in Brisbane and has operations around Australia as well as in Asia, North and South America with two key engineering hubs operating from Perth, Australia and Casper, Wyoming USA, with strategic partnerships and representation in South Africa and Brazil.

For more information visit www.austineng.com

Announcement Authorisation

This announcement was authorised by the Board of Directors.