Austin Engineering Limited
ABN 60 078 480 136
and controlled entities

Results for announcement to the market
Report for the half-year ended 31 December 2018

Results

	Half-Year 18/19 $000		Half-Year 17/18 $000
EBITDA from continuing operations	**11,446**	**up 19.3% from**	**9,598**
Net profit before tax for the year from continuing operations attributable to members	**6,873**	**up 157.4% from**	**2,670**
Net profit after tax for the year from continuing operations attributable to members	**4,846**	**up 10.3% from**	**4,395**
Revenue from continuing operations	**122,146**	**down 16.8% from**	**146,893**

Brief explanation of results

A review of the group operations and results for the half-year is set out in the media statement released to the market on 27 February 2019. A copy of which is attached herewith on pages 17-19. Please also refer to the associated presentation that was released to the market on 27 February 2019.

Dividends and Dividend Reinvestment Plans

An interim dividend has not been declared for the half-year ended 31 December 2018 (2017: Nil).

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

Net Tangible Assets per Security

	31 December 2018	30 June 2018
Net tangible asset backing per ordinary security (cents)	16.53	16.13

Control Gained or Lost Over Entities Having a Material Effect

There were no acquisitions undertaken during the half year ended 31 December 2018.

Associates or Joint Ventures

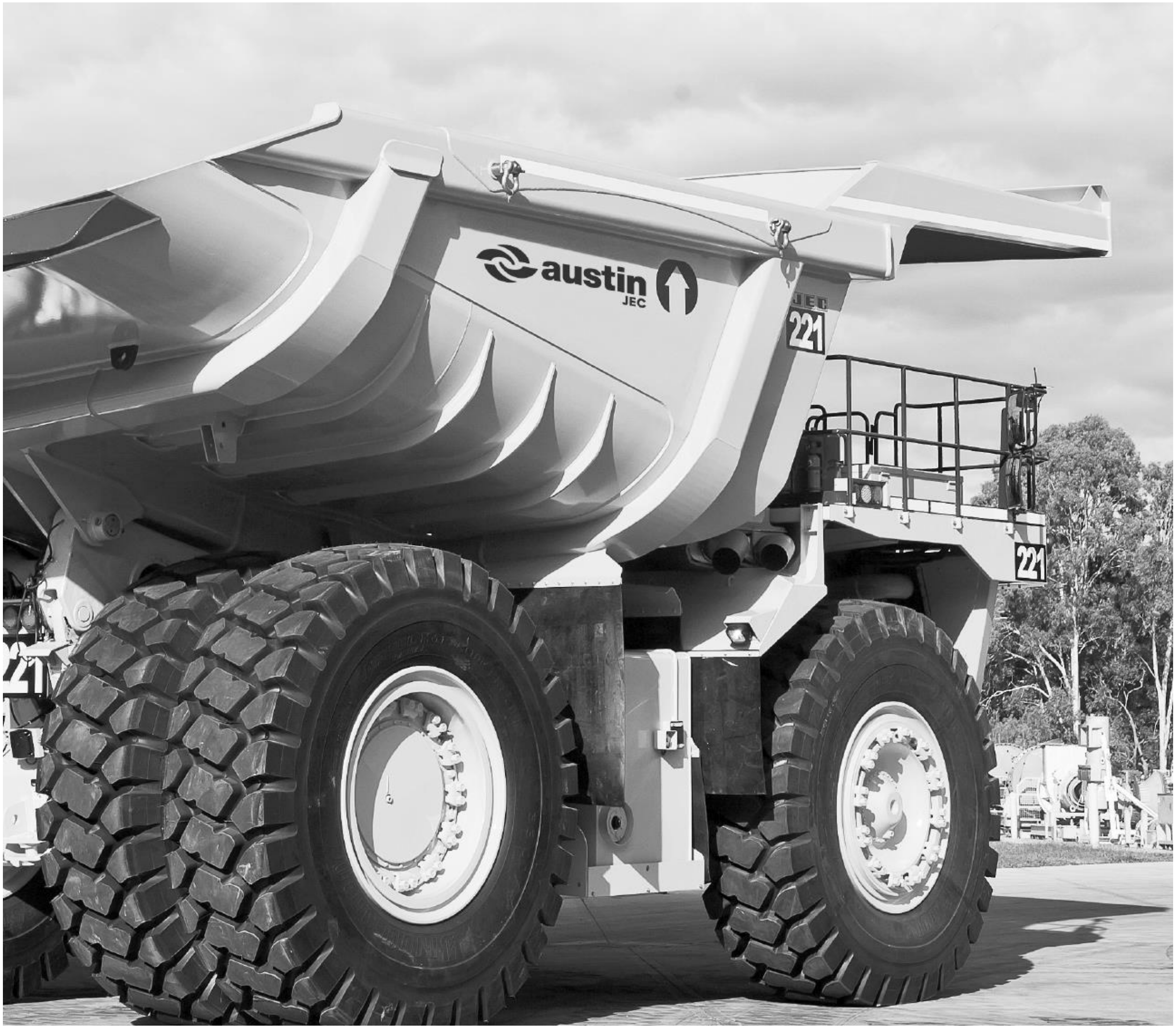
There were no associates or joint ventures.

Audit

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

Austin Engineering Limited
ABN 60 078 480 136
and controlled entities

Austin Engineering Limited
Financial report
for the half-year ended 31 December 2018
ABN 60 078 480 136



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DECLARATION OF INDEPENDENCE BY P A GALLAGHER TO THE DIRECTORS OF AUSTIN ENGINEERING LIMITED

As lead auditor for the review of Austin Engineering Limited for the half-year ended 31 December 2018, 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 Limited and the entities it controlled during the period.

P A Gallagher
Director

BDO Audit Pty Ltd

Brisbane, 27 February 2019

Austin Engineering Limited
Directors' report
31 December 2018

Your Directors present their report on the Consolidated entity consisting of Austin Engineering Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2018. Throughout the report, the Consolidated entity is referred to as the Group.

Directors

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

Jim Walker	Peter Forsyth
Chris Indermaur	Sy Van Dyk

Financial highlights

		Consolidated Entity	
	Change %	Half-Year 18/19 $'000	Half-Year 17/18 $'000
Continuing operations			
Revenue	(16.8)	122,146	146,893
Reported EBITDA	19.3	11,446	9,598
Normalised EBITDA*	(3.8)	11,014	11,455
Profit before tax	157.4	6,873	2,670
Profit after tax	10.3	4,846	4,395
Basic earnings per share (cents)	10.5	0.84	0.76
Net assets	2.4	106,708	104,208

* Excludes $0.432m net non-recurring gains (31 December 2017: $1.857m net non-recurring charges).

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 27 February 2019, a copy of which is attached on pages 17-19.

Going concern basis for preparation

The Directors have prepared the financial report on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Directors confirm that at the date of signing the financial statements, there are reasonable and supportable grounds to believe the Group will have sufficient funds to meet their obligations as and when they fall due and are of the opinion that the use of the going concern basis remains appropriate.

Lead Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 1.

Rounding of amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the Directors' report and financial report. Amounts in the Directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with the instrument.

This report is made in accordance with a resolution of Directors.

Jim Walker
Non-Executive Chairman
Brisbane
27 February 2019

Austin Engineering Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2018

	Notes	Consolidated entity Half-Year 18/19 $'000	Half-Year 17/18(1) $'000
Revenue from continuing operations	3	122,146	146,893
Raw materials and consumables used		(37,237)	(41,528)
Changes in inventories and work in progress		(4,127)	(7,306)
Employment expenses		(44,162)	(55,493)
Subcontractor expenses		(9,729)	(10,666)
Occupancy and utility expenses		(3,346)	(4,036)
Depreciation expense		(2,777)	(3,475)
Amortisation expense		(26)	(216)
Production operational expenses		(4,050)	(5,640)
Other expenses		(8,049)	(12,626)
Finance costs		(1,770)	(3,237)
Profit before income tax		**6,873**	**2,670**
Income tax (expense)/benefit		(2,027)	1,725
Profit from continuing operations		**4,846**	**4,395**
Loss from discontinued operation	4	(2,541)	(377)
Profit for the period		2,305	4,018
Other comprehensive income			
Item that may be reclassified to profit or loss			
Foreign currency translation differences, net of tax		179	1,770
Total comprehensive income for the period		**2,484**	**5,788**
Profit is attributable to:			
Owners of Austin Engineering Limited		2,305	4,018
Total comprehensive income for the period is attributable to:			
Owners of Austin Engineering Limited		2,484	5,788

		Cents	Cents
Earnings per share from continuing operations attributable to the owners of the Austin Engineering Limited:			
Basic earnings per share	5	0.84	0.76
Diluted earnings per share	5	0.84	0.76
Earnings per share from continuing and discontinued operations attributable to owners of the Austin Engineering Limited:			
Basic earnings per share	5	0.40	0.69
Diluted earnings per share	5	0.40	0.69

(1) Balances for the prior period have been re-presented to exclude results from discontinued operation. Refer to Note 4.

The above Consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Austin Engineering Limited
Consolidated statement of financial position
As at 31 December 2018

		Consolidated entity	
	Notes	31 December 2018 $'000	30 June 2018 $'000
Current assets			
Cash and cash equivalents		8,317	5,580
Trade and other receivables		41,339	50,379
Inventories		32,889	37,071
Current tax assets		570	914
Other receivables and other assets		11,141	17,844
		94,256	**111,788**
Assets classified as held for sale	4	19,481	18,713
Total current assets		**113,737**	**130,501**
Non-current assets			
Property, plant and equipment		62,873	66,681
Intangible assets		11,001	10,831
Deferred tax assets		11,173	13,256
Other non-current assets		3,853	2,564
Total non-current assets		**88,900**	**93,332**
Total assets		**202,637**	**223,833**
Current liabilities			
Trade and other payables		44,662	58,013
Financial liabilities	8	22,114	23,938
Current tax liabilities		1,955	1,329
Provisions		6,622	7,688
		75,353	**90,968**
Financial liabilities directly associated with assets classified as held for sale	4, 8	11,224	15,210
Total current liabilities		**86,577**	**106,178**
Non-current liabilities			
Financial liabilities	8	8,459	12,335
Deferred tax liabilities		229	565
Provisions		664	547
Total non-current liabilities		**9,352**	**13,447**
Total liabilities		**95,929**	**119,625**
Net assets		**106,708**	**104,208**
Equity			
Share capital		153,927	153,927
Retained earnings		(38,641)	(42,226)
Reserves		(8,578)	(7,493)
Total equity		**106,708**	**104,208**

The above Consolidated statement of financial position
should be read in conjunction with the accompanying notes.

Austin Engineering Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2018

Consolidated entity	Contributed equity $'000	Other reserve $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total $'000
Opening balance at 1 July 2017	**153,927**	**1,500**	**(12,749)**	**(30,500)**	**112,178**
Total comprehensive income for the period:					
Profit for the half-year	–	–	–	4,018	4,018
Other comprehensive income, net of tax:					
Currency translation differences	–	–	1,770	–	1,770
Total comprehensive income for the period	**–**	**–**	**1,770**	**4,018**	**5,788**
Transactions with owners in their capacity as owners:					
Transfers	–	(211)	–	211	–
Balance at 31 December 2017	**153,927**	**1,289**	**(10,979)**	**(26,271)**	**117,966**
Opening balance at 1 July 2018	**153,927**	**1,280**	**(8,773)**	**(42,226)**	**104,208**
Total comprehensive income for the period:					
Profit for the half-year	–	–	–	2,305	2,305
Other comprehensive income, net of tax:					
Currency translation differences	–	–	179	–	179
Total comprehensive income for the period	**–**	**–**	**179**	**2,305**	**2,484**
Transactions with owners in their capacity as owners:					
Share-based payments	–	16	–	–	16
Transfers	–	(1,280)	–	1,280	–
	–	**(1,264)**	**–**	**1,280**	**16**
Balance at 31 December 2018	**153,927**	**16**	**(8,594)**	**(38,641)**	**106,708**

The above Consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Austin Engineering Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2018

	Consolidated entity	
	Half-Year 18/19 $'000	**Half-Year 17/18 $'000**
Cash flows from operating activities		
Receipts from customers	135,400	170,392
Payments to suppliers and employees	(123,008)	(165,692)
Interest received	11	9
Finance costs	(1,781)	(3,333)
Income tax refund	876	1,075
Income tax paid	(846)	(1,902)
Net cash provided by operating activities	**10,652**	**549**
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	4,190	1,206
Payments for property, plant and equipment	(2,389)	(1,267)
Payments for intangibles	(39)	(45)
Net cash provided by/(used in) investing activities	**1,762**	**(106)**
Cash flows from financing activities		
Proceeds from borrowings	17,351	44,335
Repayment of borrowings	(27,077)	(43,015)
Net cash (used in)/provided by financing activities	**(9,726)**	**1,320**
Net increase in cash and cash equivalents	2,688	1,763
Cash and cash equivalents at the beginning of the financial year	5,580	3,923
Effects of exchange rate changes on cash and cash equivalents	49	32
Cash and cash equivalents at end of period	**8,317**	**5,718**

The above Consolidated statement of cash flows
should be read in conjunction with the accompanying notes.

1 Basis of preparation of half-year financial statements

These general purpose consolidated financial statements for the half-year reporting period ended 31 December 2018 have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

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 2018 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.

Except for the new, revised or amended Accounting Standards and Interpretations adopted during the period (see below), the accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Going concern basis of preparation

The Directors have prepared the financial report on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Directors believe that at the date of signing the financial statements, there are reasonable and supportable grounds to believe the Group will have sufficient funds to meet their obligations as and when they fall due and are of the opinion that the use of the going concern basis remains appropriate.

New, revised or amended Accounting Standards and Interpretations adopted

AASB 15 Revenue from Contracts with Customers

The Group have adopted AASB 15 Revenue from Contracts with Customers from 1 July 2018 which resulted in changes in accounting policies. In accordance with the transition provisions in AASB 15, the Group have elected to adopt the new standard with the modified retrospective method that would require the Group to recognise the cumulative effect of any adjustments on adoption to retained earnings at 1 July 2018.

The current revenue recognition practices by the Group are in line with the requirements under the AASB 15. Therefore, the adoption has not resulted in any adjustments to the opening retained earnings at 1 July 2018.

AASB 9 Financial Instruments

The Group have adopted AASB 9 which replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Group do not have available-for-sale financial assets or any hedging arrangements, therefore the changes have had no impact to the financial statements.

With regards to AASB 9's new expected credit loss model on financial assets, the Group has applied the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on credit risk characteristics and the days past due. There was no material difference between the expected credit loss calculated under AASB 9 and AASB 139.

The Group have adopted all other new, revised or amending Accounting Standards and interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. These have had no significant impact to the financial statements.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

2 Segment information

Management has determined that the strategic operating segments comprise of Australia (for mining equipment, other products, repair and maintenance services and corporate activities), Americas (for mining equipment, other products, repair and maintenance services comprising of North America and South America) and Asia (currently Indonesia for mining equipment and other 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. There has been no change to the operating segments since the 30 June 2018 Annual Report.

Executive management monitors segment performance based on EBITDA. Segment information for the period ended 31 December 2018 and 2017 is as follows:

	Australia		Americas		Asia		Total	
	2018 $'000	**2017* $'000**	**2018 $'000**	**2017* $'000**	**2018 $'000**	**2017* $'000**	**2018 $'000**	**2017* $'000**
Continuing operations								
Total segment revenue	58,966	65,691	56,866	74,344	21,323	11,088	137,155	151,123
Less: Inter-segment revenue	(429)	(646)	(1,243)	(539)	(13,337)	(3,045)	(15,009)	(4,230)
Total segment revenue from continuing operations - from external customers*	58,537	65,045	55,623	73,805	7,986	8,043	122,146	146,893
Normalised EBITDA/(LBITDA) from continuing operations*	4,746	3,485	3,897	5,428	2,371	2,542	11,014	11,455
Profit/(loss) before tax	2,385	799	2,563	(226)	1,925	2,097	6,873	2,670
Other segment information								
Depreciation and amortisation*	1,197	1,260	1,157	1,986	449	445	2,803	3,691
Continuing and discontinued operations								
Total segment assets – 31 December 2018	51,846	–	123,388	–	27,403	–	202,637	–
Total segment assets – 30 June 2018	70,770	–	128,535	–	24,528	–	223,833	–
Total segment liabilities – 31 December 2018	38,970	–	49,762	–	7,197	–	95,929	–
Total segment liabilities – 30 June 2018	54,330	–	54,183	–	11,112	–	119,625	–

* Balances for the prior period have been re-presented to exclude results from discontinued operation. Refer to Note 4.

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 and liability amounts are measured in the same way that they are measured in the financial statements. Segment assets and liabilities are allocated based on the operations of the segment and the physical location of the assets and liabilities.

2 Segment information (continued)

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

	Continuing and discontinued operations		Continuing operations	
	Half-Year 18/19 $'000	**Half-Year 17/18 $'000**	**Half-Year 18/19 $'000**	**Half-Year 17/18 $'000**
Normalised EBITDA used for segment reporting	10,222	12,194	11,014	11,455
Non-impairment one-off items	(18)	(2,112)	432	(1,857)
Reported EBITDA	**10,204**	**10,082**	**11,446**	**9,598**
Depreciation expense	(3,074)	(5,198)	(2,777)	(3,475)
Amortisation expense	(26)	(216)	(26)	(216)
Finance costs	(2,123)	(3,273)	(1,770)	(3,237)
Profit before income tax	**4,981**	**1,395**	**6,873**	**2,670**

3 Revenue

	Consolidated entity	
	Half-Year 18/19 $'000	**Half-Year 17/18* $'000**
Sale of goods	92,935	92,913
Services	28,909	53,831
Other income	302	149
Total revenue from continuing operations	**122,146**	**146,893**

* Balances for the prior period have been re-presented to exclude results from discontinued operation. Refer to Note 4.

A five-step model under AASB 15 to determine the timing and quantum of revenue to be recognised is applied to contracts with customers. Under the model, revenue is recognised for transfer of promised goods or services to customers at an amount that reflects the fair value of consideration to which the entity expects to be entitled, after taking into account any trade discounts and volume rebates allowed, in exchange for those goods or services. Specifically, revenue is recognised either:

(a) over time, in a manner that depicts the completion of performance obligations under the contract with customers; or

(b) at a point in time, when the control of the goods or services is transferred to the customer

Sale of goods
Manufacture and sale of a single unit or a series of truck bodies, buckets or ancillary products represent a single or a series of performance obligations to sell produced goods and accordingly, revenue is recognised when control over the corresponding goods is transferred to the customer by observing the agreed point of sales with the customer.

Services
On and off-site repair and maintenance services revenue is recognised and measured by observing the progress completion of performance obligations for the repair and maintenance under the contract to determine whether the customer obtains control of the promised services over time or at a point in time.

4 Discontinued operation

(a) Discontinued operation

The Group has been actively seeking a buyer for its cranes business assets in Chile. The sale process is expected to be completed within the next six months. Property, plant and equipment of the business was reclassified as a held for sale at 31 December 2018. The results of the cranes business in Chile has been disclosed as a discontinued operation. The comparative profit and cash flows from discontinued operations for the period are set out below.

	Consolidated entity	
	Half-Year 18/19 $'000	**Half-Year 17/18 $'000**
Revenue	6,253	7,799
Expenses	(8,145)	(9,075)
Income tax expense	(649)	899
Loss from discontinued operation	**(2,541)**	**(377)**
Net cash inflow/(outflow) from operating activities	(1,962)	22
Net cash inflow/(outflow) from investing activities	223	–
Net cash inflow/(outflow) from financing activities	1,542	(313)
Net (decrease)/increase in cash generated by the subsidiary	**(197)**	**(291)**

The assets and associated liabilities relating to the cranes business in Chile are presented as held for sale. See (b) below.

(b) Assets and liabilities classified as held for sale and discontinued operation

The Group intends to dispose properties and equipment that it no longer requires in the next twelve months. The properties and equipment are located in Chile, Australia and Peru. The properties available for sale in Chile are related to discontinued operations in Chile.

	Consolidated entity	
	31 December 2018 $'000	**30 June 2018 $'000**
Plant and equipment	12,463	13,068
Land and buildings	1,933	1,960
Discontinued cranes business operation in Chile	**14,396**	**15,028**
Land and buildings in Hunter Valley	1,571	1,571
Land and building in Aust Bore	2,627	–
Land and buildings in Peru	887	1,829
Plant and equipment in Peru	–	285
Other properties held for sale	**5,085**	**3,685**
Total assets classified as held for sale	**19,481**	**18,713**
Financial liabilities associated with discontinued cranes business operation in Chile	**11,224**	**15,210**

5 Earnings per share

	Consolidated entity	
Basic earnings/(loss) per share	**Half-Year 18/19 Cents**	**Half-Year 17/18 Cents**
From continuing operations	0.84	0.76
From discontinued operations	(0.44)	(0.07)
Total basic earnings per share	**0.40**	**0.69**
Diluted earnings/(loss) per share		
From continuing operations	0.84	0.76
From discontinued operations	(0.44)	(0.07)
Total diluted earnings per share	**0.40**	**0.69**
Reconciliation of earnings to profit/(loss)		
From continuing operations	4,846	4,395
From discontinued operation	(2,541)	(377)
Profit attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings/(loss) per share	**2,305**	**4,018**

Weighted average number of shares used as the denominator	**Number**	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	578,833,756	578,833,756
Effect of dilutive securities - share based performance rights	631,742	–
Used to calculate diluted earnings/(loss) per share	**579,465,498**	**578,833,756**

6 Dividends

Recognised amount
There was no interim dividend paid in relation to the financial half-year ended 31 December 2018 (2017: Nil).

Dividends not recognised at the end of the reporting period
Since the end of the half-year period the Directors have not declared a half-year dividend for the financial period ended 31 December 2018 (2017: Nil).

7 Significant changes in the current reporting period

The financial position and performance of the Group was particularly affected by the following events and transactions during the six months to 31 December 2018:

Revenue from continuing operations decreased by 16.8% on the prior corresponding period due to the closure of Hunter Valley and restructuring in Australian Site Services, Peru and Chile businesses to increase the Group focus on the core products and services to customers.

Net profit before tax from continuing operations increased by 157.4% on the prior corresponding period due to the reduction of costs following the restructure of loss-making business operations, in particular employment expenses and other expenses reduced markedly following the termination of low margin site contracts in South America.

7 Significant changes in the current reporting period (continued)

Tax expense of $2.027m from continuing operations gives an effective tax rate of 29.5% on profit before tax. This compares to a tax credit of $1.725m that arose due to the recognition of previously unrecognised tax losses in the corresponding period.

Net profit after tax increased by 10.3% on the prior corresponding period.

Net debt reduced by $12.423m to $33.480m, largely due to net cash provided from operating activities of $10.652m and sales of surplus assets totalling $4.190m.

The Group's working capital balances, represented by a combination of trade and other receivables, inventories and trade and other payables all decreased from the prior corresponding period as a result of improved cash flow management and some timing differences.

Other receivables and other assets reduced by $6.703m to $11.141m mainly as a result of timing differences in the delivery of products, reducing the level of accrued revenue at 31 December 2018.

Impairment review

Impairment review was performed as at 30 June 2018 and December 2018 where the Group considered whether there were indicators of impairment of its assets. After reviewing and updating the assessment of the recoverable amount of the Group's cash generating units that presented indicators of impairment, as a result of forecast cash flows based on a mix of committed work and reasonable growth assumptions, no impairment has been recorded for the period ended 31 December 2018 as all reviewed cash generating units had a positive difference between their recoverable amounts and carrying value.

Key assumptions used for value in use calculations

The recoverable amount of the cash generating units is based on value-in-use calculations. These calculations use cash flow projections based on financial forecasts prepared by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using perpetual growth rates.

The calculation of value in use for the generating units at 31 December 2018 were reconsidered. No significant changes in assumptions were required from the impairment test undertaken at 30 June 2018.

8 Financing facilities

	31 December 2018		30 June 2018	
	Current $'000	**Non-current $'000**	**Current $'000**	**Non-current $'000**
Secured liabilities				
Facilities associated with continuing operations				
Bank facilities	803	646	1,750	1,397
Non-bank core debt	21,311	7,813	22,188	10,938
	22,114	**8,459**	**23,938**	**12,335**
Facilities associated with discontinued operations				
Finance liabilities associated with assets held for sale in cranes business	11,224	–	15,210	–
	33,338	**8,459**	**39,148**	**12,335**

Financial liabilities associated with assets held for sale
Financial liabilities due from Austin Arrendamientos Chile Ltda are secured against assets classified as held for sale. On the basis that the Group intends to dispose of the secured assets within twelve months, the financial liabilities have been classified as current.

9 Contingent liabilities

There are no contingent liabilities other than bank guarantees that are issued to third parties arising out of dealings in the normal course of business.

10 Events occurring after the reporting period

Subsequent to 31 December 2018, the Group have sold Chile crane assets with a combined carrying value of $7.080 million for $7.715 million recording a net gain of sale of $0.635 million. Of these proceeds, $4.446 million were utilised to repay finance leases. In addition, the Group entered into a sale and leaseback transaction of its Aust Bore operating facility for gross proceeds of $3.012 million, on a ten year leaseback with an annual rental of $0.249 million, plus outgoing expenses. A repayment of Australian term debt was made of $2.916 million from net sale proceeds.

In the opinion of the Directors there have been no other material matters or circumstances which have arisen between 31 December 2018 and the date of this report, that have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial periods.

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Austin Engineering Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Austin Engineering Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, 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 then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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 the Group is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

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 Group's financial position as at 31 December 2018 and its financial 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 the Group, 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 the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit Pty Ltd

P A Gallagher
Director

Brisbane, 27 February 2019

Austin Engineering Limited
Directors' declaration
31 December 2018

In the Directors' opinion:

(a) the financial statements and notes set out on pages 2 to 13 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards *AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001,* and

  (ii) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the financial period ended on that date, 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 Directors.

Jim Walker
Non-Executive Chairman

Brisbane

27 February 2019

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ASX ANNOUNCEMENT (ASX Code: ANG) **27 February 2019**

Restructuring and Productivity Gains lift Margins and Profit

Austin Engineering Limited (ASX: ANG - "Austin") has delivered a net profit after tax, before one-off charges, of $4.5 million. This represents a 16% increase on the previous corresponding period (pcp) on a reduced asset base as the Company continued to restructure and sell non-core assets. Statutory profit before tax increased 157% to $6.8 million as Austin reduced the level of one-off restructuring costs from prior periods.

Summary of Business Performance

- EBITDA of $11.4 million, up 19% from $9.6 million in the first half of 2018, reflecting a significant improvement in margins from 6.5% to 9.3%.
- Group revenue of $122.1 million, a 17% decline on pcp.
- One-off restructuring costs in the two prior reporting periods were replaced in this half by a $0.4 million one-off net gain from the sale of assets and the payment of redundancy and other costs.
- EBITDA from Australia increased 34% on pcp to $4.7 million as margins improved from 5.4% to 8.0% on reduced revenue of $58.5 million.
- Earnings and revenue from the Americas were impacted by restructuring activities in Peru and Chile. Overall earnings (EBITDA) fell 28% on pcp to $3.9 million, however operations in the USA delivered a material improvement in earnings through production efficiency gains.
- Asian operation continues to generate the highest profit margins, maintaining revenue at $8.0 million and EBITDA at $2.4 million on pcp.
- Net debt and gearing continued to decline as proceeds from asset sales and increased operating cash flows were directed towards the repayment of debt. Net debt reduced by $12.4 million to $33.5 million.
- Significant improvement in cash flow from operations which generated $10.7 million in cash compared to $0.6m in pcp. $8.3 million net cash position at 31 December 2018.

Financial Summary	1H19	1H18 Statutory	Change	1H19	1H18 Normalised*	Change
	$m	$m	%	$m	$m	%
Revenue	**122.1**	146.9	(17%)	**122.1**	146.9	(17%)
EBITDA	**11.4**	9.6	19%	**11.0**	11.5	(4%)
Net Profit Before Tax	**6.8**	2.7	157%	**6.4**	5.5	16%
Net Profit After Tax	**4.8**	4.4	10%	**4.5**	3.9	16%
EPS (cents)	**0.84**	0.76	11%	**0.78**	0.67	16%
Cash from operations	**10.7**	0.6	↑	**10.7**	0.6	↑
Net debt	**33.5**	46.6	(28%)	**33.5**	46.6	(28%)
Net debt (continuing operations)	**22.3**	n/a		**22.3**	n/a	

*Excluding impairment/one-off costs

Results Commentary

Austin's Managing Director Peter Forsyth commented that this half year result is significant, not only for the fact that it demonstrates the strong underlying performance of our core business but also because it is confirmation that after two years of restructuring and laser-like focus on debt reduction, that the strategy is delivering.

"We have seen a significant increase in cash flow which has supported our ability to reduce net debt by $12.4 million since 30 June 2018. Further reductions are expected during the second half with the majority of $13.2 million already raised from asset sales going towards debt repayment."

While Group revenue fell 17% on pcp, normalised EBITDA margins lifted from 7.8% to 9.0%, highlighting the strong improvement in productivity in our Australian and North American operations and reflecting the benefits from revisiting business arrangements that were not delivering as expected"." Mr Forsyth said.

Australia

While Australia's revenue fell 10% on pcp to $58.5 million, the efficiency gains from the extensive restructuring activity undertaken over the past 12-18 months led to the 48% lift in margins from 5.4% to 8.0%. This underpinned the 34% increase in EBITDA from $3.5 million in pcp to $4.7 million. Austin's Perth operations improved EBITDA on the pcp on increased revenue.

On the east coast, Austin's operations in Mackay improved with increased sales from new product into the Bowen Basin. The Aust Bore machining business delivered consistent earnings on pcp and in February 2019 a sale and leaseback was completed on its operating facility for $2.9 million.

Americas

This region now rivals Australia in terms of revenue and profit contribution to the Group. However overall performance in this half was impacted by the ongoing work in Chile and Peru to restructure those businesses. EBITDA (normalised) fell 28% from $5.4 million to $3.9 million on revenue of $55.6 million which fell 25% on pcp as underperforming operations were restructured or closed and unprofitable site contracts exited.

The crane hire business in Chile was closed leaving Austin to focus on its two main facilities in Antofagasta and Calama. Timing differences associated with the deferral of deliveries into the second half also impacted the profitability of Chile which reported an EBITDA loss.

Colombia maintained revenue and profitability consistent with 1H18 while Peru made a marginal EBITDA loss.

Operations in the USA delivered the highest contribution to EBITDA in the region, despite a reduction in revenue due to a significant order being fulfilled in the pcp. Earnings improved significantly through a management team refresh and intense focus by the Production Efficiency Group on improving workshop efficiencies.

Asia

The Indonesian facility has assumed a role of increased strategic importance as a key manufacturing plant for distribution into the Australian market following closure of the Hunter Valley operation in Muswellbrook. During the half it supplied $13.3 million of product to Austin Australia in addition to maintaining its existing revenue ($8.0 million) to external clients in Indonesia and Africa.

Asia contributes around 7% of group revenue (excluding sales to Austin Australia) but operates on high margins (30%) and delivered EBITDA of $2.4 million, consistent with the pcp.

Cash Flow and Working Capital

During the first half cash flow generated from operations was $10.7 million, a significant turnaround from the $0.6 million in the pcp. This was due to a reduction in non-recurring expenditure and unlocking accrued income from long term contracts.

Discipline in relation to management of working capital, resulted in Austin finishing the half with a net cash balance of $8.3 million.

Balance Sheet and Gearing

“Continuing to pay down debt and reduce our gearing remains our primary focus in FY19 as we work through the final stages of the restructuring program. Net debt was reduced by $12.4 million during the half to $33.5 million and this will be further reduced as the majority of the $13.6 million in proceeds from the recent sale of the Chile crane assets and property together with the Aust Bore sale and leaseback are applied to the repayment of debt.”

“We are confident that the majority of the remaining assets for sale, with a combined book value of $7.9 million will be sold before the end of FY19, giving us the option to reduce debt further or allocate the funds to other capital management activities. Regardless the Group now has a strong balance sheet, is financially stable and is ready for growth opportunities” Mr Forsyth said.

Outlook

The outlook for capital expenditure among Austin’s client base remains positive as new surface mining equipment deliveries continue to trend upwards and projections for spending by mining companies indicate sustained growth in capex budgets over the next 2 years.

All key commodities, including those that Austin’s operations currently have greatest exposure to, namely iron ore, copper and coal, are expected to remain in strong demand over the next 2-3 years.

Based on our current order book, committed work and tender opportunities, Austin’s guidance of an EBITDA (normalised) of $25–$28 million for FY19 remains unchanged. Around 80% of our projected revenue for the year relates to firm orders and committed work which is in line with the same time last year. Austin has a large number of opportunities in the pipeline that we are confident of converting based on our strengthening client relationships combined with market ready key innovation products.

End

For further information contact:

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About Austin Engineering: An Australian based engineering company, headquartered in Brisbane, with operations in Australia, Asia, North and South America. In Australia Austin manufactures, assembles, repairs and maintains (on and off-site) products used in the mining and resources sector. Key product lines include dump truck bodies, water tanks, excavator buckets and materials handling equipment. In Australia and South America specialised field services to the mining industry are provided by Austin’s site services divisions. The equipment and service needs of mining and oil and gas-related customers in Asia are delivered through a world class production facility on Batam Island in Indonesia. Austin’s facility in the USA is based in Casper, Wyoming and is an industry-leading designer and manufacturer of high-efficiency dump truck bodies and water tanks. It services the North American, Mexican and Canadian mining markets. In South America, Austin has operations located in Chile, Peru and Colombia that manufacture, repair and maintain dump truck bodies and other mining products for their respective markets. For more information visit www.austineng.com.au