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

REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Results

	Half-Year to 31 December 2014 $000		Half-Year to 31 December 2013 $000
Revenue	**102,051**	**down 4% from**	**106,414**
Net Profit/(Loss) after Tax for the Half Year	**(41,598)**	**down 4,937% from**	**860**

Brief Explanation of Movements in Revenue and Net Profit

Revenue and net profit after tax for the half-year ended 31 December 2014 were adversely impacted by a combination of factors including:

- Lower utilisation of productive capacity due to reduced capital expenditure in the mining sector. The decrease in the sale of capital items was partially offset by an increase in services revenue.

- Impairment charges of $40.880 million.

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 27 February 2015, a copy of which is attached herewith on pages 16 to 17. Please also refer to the associated presentation that was released to the market on 27 February 2015.

Dividends and Dividend Reinvestment Plans

	Amount per Security	Franked Amount per Security
An interim dividend has not been declared for the financial year ended 30 June 2015	-	-

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

Net Tangible Assets per Security

	Half-Year to 31 December 2014	Half-Year to 31 December 2013
Net tangible asset backing per ordinary security (cents)	81.4	94.7

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 2014

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 2014.

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 14/15	Half-Year 13/14
	%	$000	$000
Revenue	-4%	102,051	106,414
Unadjusted EBITDA (refer note 3)	-530%	(35,312)	8,221
Normalised EBITDA	+10%	9,044	8,221
Profit/(loss) before tax	-3791%	(42,597)	1,154
Net profit/(loss) after tax	-4937%	(41,598)	860
Net assets	-26%	128,313	172,664
Basic earnings per share (cents)	-4319%	(49.36)cps	1.17cps
Interim dividend per share (cents)	-100%	-	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 27 February 2015, a copy of which is attached herewith on pages 16 to 17.

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.

For the half-year ended 31 December 2014, the Group realised a net loss after tax of $41.6 million (2013: profit after tax of $860,000). This loss was largely due to the impairment of goodwill, work in progress and trade receivables of $40.9 million (refer note 5) and the impact of subdued business conditions on associated workloads.

The adverse business conditions resulted in the Group not meeting its net debt:EBITDA and EBIT:interest expense covenants under its multi-currency syndicated facilities agreement. The senior lenders agreed to waive these non-compliances prior to 31 December 2014 and agreed that compliance with the financial covenants from the existing facility agreement not be tested for the period 31 December 2014 to 30 March 2015 (refer note 8). In consideration of granting the waiver, certain additional covenants to 30 March 2015 were agreed to and subsequently complied with.

New covenants have been agreed effective from 31 March 2015 (subject to formal documentation), which reflect the Company strategy and include a debt reduction strategy that is principally based around realising existing surplus assets and meeting forecast trading results and cash flows over the next 12 months. These forecasts are necessarily based on best-estimate assumptions that may or may not occur as expected and are subject to influences and events outside the control of the Group. The forecasts, taking into account reasonably possible changes in trading performance, show that the Group will comply with the terms of the revised facilities agreement for at least the next 12 months.

The Directors are of the opinion that the use of the going concern basis of accounting is appropriate as they are satisfied that the Group will be able to implement the debt reduction strategy.

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
27 February 2015

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DECLARATION OF INDEPENDENCE BY C R 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 2014, I declare that, to the best of my knowledge and belief, there have been:

- No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- 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.

C R Jenkins
Director

BDO Audit Pty Ltd

Brisbane, 27 February 2015

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 2014

		Consolidated Entity	
		Half-Year	
	Note	2014	2013
		$000	$000
Revenue	2,5	102,051	106,414
Expenses			
Raw materials and consumables used	5	(20,049)	(28,596)
Change in inventories and work-in-progress		(2,910)	(1,566)
Employment expenses		(49,423)	(47,075)
Subcontractor expenses		(1,801)	(1,820)
Occupancy and utility expenses		(4,025)	(3,893)
Depreciation expense		(5,163)	(5,127)
Amortisation expense - customer relationships and other intangibles		(506)	(420)
Other expenses		(16,914)	(15,215)
Finance costs		(2,977)	(1,548)
Impairment expense		(40,880)	-
Profit/(loss) before income tax		(42,597)	1,154
Income tax credit/(expense)		999	(294)
Profit/(loss) for the half-year		**(41,598)**	**860**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Foreign currency translation differences, net of tax		4,190	(3,046)
Other comprehensive income for the half-year, net of tax		4,190	(3,046)
Total comprehensive income for the half-year		(37,408)	(2,186)
Profit for the half-year is attributable to:			
Owners of Austin Engineering Limited		(41,598)	860
Total comprehensive income for the half-year is attributable to:			
Owners of Austin Engineering Limited		(37,408)	(2,186)
Earnings per share attributable to owners of Austin Engineering Limited:			
Basic earnings per share (cents per share)	4	(49.36)	1.17
Diluted earnings per share (cents per share)	4	(49.36)	1.17

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 2014

		Consolidated Entity	
	Note	31 December 2014	30 June 2014
		$000	$000
Current Assets			
Cash and cash equivalents	5	10,139	7,385
Trade and other receivables		34,104	30,756
Inventories		21,565	29,501
Current tax assets		779	447
Other assets		9,416	6,703
Total Current Assets		**76,003**	**74,792**
Non-Current Assets			
Property, plant and equipment		129,602	131,772
Intangible assets	5	59,719	91,599
Deferred tax assets		10,583	7,734
Total Non-Current Assets		**199,904**	**231,105**
Total Assets		**275,907**	**305,897**
Current Liabilities			
Trade and other payables		32,631	26,331
Financial liabilities	8	6,522	7,520
Current tax liabilities		425	521
Provisions		6,352	6,238
Total Current Liabilities		**45,930**	**40,610**
Non-Current Liabilities			
Financial liabilities	8	90,880	90,206
Deferred tax liabilities		10,784	9,440
Total Non-Current Liabilities		**101,664**	**99,646**
Total Liabilities		**147,594**	**140,256**
Net Assets		**128,313**	**165,641**
Equity			
Contributed equity	6	87,344	87,344
Reserves		(2,625)	(6,895)
Retained earnings		43,594	85,192
Total Equity		**128,313**	**165,641**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Contributed Equity	Retained Earnings	Options /Performance Rights Reserve	Foreign Currency Translation Reserve	Total
	$000	$000	$000	$000	$000
Consolidated Entity					
Opening balance at 1 July 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**
Total comprehensive income for the half-year:					
Profit for the half-year	-	36	-	-	36
Other comprehensive income:					
Currency translation differences	-	-	-	(8,778)	(8,778)
Total comprehensive income for the half-year	-	36	-	(8,778)	(8,742)
Transactions with owners in their capacity as owners:					
Issue of share capital	5,551	-	-	-	5,551
Share issue costs	(40)	-	-	-	(40)
Dividends paid	-	(3,792)	-	-	(3,792)
Share-based payment	-	-	-	-	-
	5,511	(3,792)	-	-	1,719
At 30 June 2014	**87,344**	**85,192**	**1,619**	**(8,514)**	**165,641**
Total comprehensive income for the half-year:					
Profit for the half-year	-	(41,598)	-	-	(41,598)
Other comprehensive income:					
Currency translation differences	-	-	-	4,190	4,190
Total comprehensive income for the half-year	-	(41,598)	-	4,190	(37,408)
Transactions with owners in their capacity as owners:					
Issue of share capital	-	-	-	-	-
Share issue costs	-	-	-	-	-
Dividends paid	-	-	-	-	-
Share-based payment	-	-	80	-	80
	-	-	80	-	80
At 31 December 2014	**87,344**	**43,594**	**1,699**	**(4,324)**	**128,313**

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 2014

		Consolidated Entity	
		Half-Year	
	Note	2014	2013
		$000	$000
Cash flows from operating activities			
Receipts from customers		115,861	108,654
Payments to suppliers and employees		(109,309)	(106,418)
Interest received		1,361	89
Finance costs		(2,299)	(565)
Income tax paid		(409)	(4,997)
Net cash provided by/(used in) operating activities		**5,205**	**(3,237)**
Cash flows from investing activities			
Payments for acquisitions of businesses/subsidiaries, net of cash acquired	7	-	(11,062)
Payments for property, plant and equipment		(1,706)	(14,025)
Release of funds from Escrow in relation to Calama land		4,251	-
Distribution from joint venture entity		-	511
Net cash provided by/(used in)used in investing activities		**2,545**	**(24,576)**
Cash flows from financing activities			
Proceeds from issue of shares, net of transaction costs		-	28,680
Proceeds from borrowings		2,000	45,290
Repayment of borrowings		(7,344)	(4,358)
Dividend paid		-	(7,682)
Net cash (used in)/provided by financing activities		**(5,344)**	**61,930**
Net increase in cash and cash equivalents		**2,406**	**34,117**
Cash and cash equivalents at the beginning of the period		7,385	6,337
Effects of exchange rate changes on cash and cash equivalents		348	(539)
Cash and cash equivalents at the end of the period		**10,139**	**39,915**

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 2014 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 2014 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 2014.

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.

For the half-year ended 31 December 2014, the Group realised a net loss after tax of $41.6 million (2013: profit after tax of $860,000). This loss was largely due to the impairment of goodwill, work in progress and trade receivables of $40.9 million (refer note 5) and the impact of subdued business conditions on associated workloads.

The adverse business conditions resulted in the Group not meeting its net debt:EBITDA and EBIT:interest expense covenants under its multi-currency syndicated facilities agreement. The senior lenders agreed to waive these non-compliances prior to 31 December 2014 and agreed that compliance with the financial covenants from the existing facility agreement not be tested for the period 31 December 2014 to 30 March 2015 (refer note 8). In consideration of granting the waiver, certain additional covenants to 30 March 2015 were agreed to and subsequently complied with.

New covenants have been agreed effective from 31 March 2015 (subject to formal documentation), which reflect the Company strategy and include a debt reduction strategy that is principally based around realising existing surplus assets and meeting forecast trading results and cash flows over the next 12 months. These forecasts are necessarily based on best-estimate assumptions that may or may not occur as expected and are subject to influences and events outside the control of the Group. The forecasts, taking into account reasonably possible changes in trading performance, show that the Group will comply with the terms of the revised facilities agreement for at least the next 12 months.

The Directors are of the opinion that the use of the going concern basis of accounting is appropriate as they are satisfied that the Group will be able to implement the debt reduction strategy.

New, revised or amending Accounting Standards and Interpretations adopted

A number of new or amended standards became applicable for the current reporting period, however, the consolidated entity did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. There will be some changes to the disclosures in the 30 June 2015 annual report as a consequence of these amendments.

Note 2: Revenue and other income

	Half-Year 2014	Half-Year 2013
Revenue	$000	$000
Sales revenue:		
Sale of goods	52,425	61,073
Services	47,807	44,997
Other revenue:		
Interest - bank deposits	1,361	28
Other	458	316
Total revenue	102,051	106,414

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 2014 and 31 December 2013 is as follows:

Note 3: Segment information (continued)

	Australia		Americas		Middle East		Asia		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
Total segment revenue - from external customers	58,803	61,850	37,466	42,797	-	391	5,782	1,376	102,051	106,414
EBITDA	2,373	3,565	1,376	4,671	-	29	1,819	(44)	5,568	8,221
Total segment assets										
31 December 2014	99,080		158,185		-		18,642		275,907	
30 June 2014	110,632		180,478		-		14,787		305,897	
Total segment liabilities										
31 December 2014	105,279		38,499		-		3,816		147,594	
30 June 2014	103,165		36,129		-		962		140,256	

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 used by the reporting segments to profit before income tax is as follows:

	Half-Year 2014	Half-Year 2013
	$000	$000
EBITDA used for segment reporting*	5,568	8,221
Impairment expense	(40,880)	-
Reported EBITDA	(35,312)	8,221
Depreciation	(5,163)	(5,127)
Amortisation	(506)	(420)
Interest revenue	1,361	28
Finance costs	(2,977)	(1,548)
Profit/(Loss)before income tax	(42,597)	1,154

*Includes one-off costs of $3.476 million.

Note 4: Earnings per share

	Half-Year 2014	Half-Year 2013
	$000	$000
Earnings used in basic and diluted earnings per share calculation	(41,598)	860
	No.(000)	No.(000)
Weighted average number of ordinary shares used in calculating basic earnings per share	84,274	73,215
Effect of dilutive securities - options	-	406
Weighted average number of ordinary shares used in calculating diluted earnings per share	84,274	73,621

Note 5: Significant movements

The financial position and performance of the consolidated entity was particularly affected by the following events and transactions during the six months to 31 December 2014:

Business conditions and the associated workload for the period to the end of December 2014 continued to be subdued, resulting in lower sales and a decline in raw materials and consumables used.

Cash and cash equivalents were higher at 31 December 2014 due to funds released from escrow in relation to land purchased in Chile.

The continued adverse business conditions have resulted in an impairment expense of $40.880 million. This has been allocated against goodwill ($32.913 million), identifiable intangible assets ($1.906 million), work in progress ($4.892 million), property, plant and equipment ($0.153 million) and trade and other receivables ($1.016 million). The impairment expense was allocated against the following cash generating units (CGUs):

Note 5: Significant movements (continued)

Austin Ingenieros Chile	$25.767 million
Austin Engineering Peru	$10.298 million
Austin Engineering Hunter Valley	$ 3.298 million
Austin Mackay	$ 1.517 million

Impairment
The company reassessed the recoverable amount of its cash generating units which resulted in a total impairment charge of $40.880 million. The impairment testing was performed on all cash generating units. Approximately 88% of the impairment was in respect of two South American cash generating units. The impairment was the result of the company reassessing the recoverable values of its cash generating units in light of subdued business conditions and associated workloads.

The carrying amounts of goodwill disclosed in the statement of financial position are $0 million for Austin Ingenieros Chile (30 June 2014: $23.357 million), $0 million for Austin Engineering Peru (30 June 2014: $3.949 million), $0 million for Austin Engineering Hunter Valley (30 June 2014: $1.757 million) and $1.189 million for Austin Mackay (30 June 2014: $2.706 million).

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 cash generating units is most sensitive to the following assumptions:

(a) EBITDA margins
(b) Discount rates
(c) Growth rates used to extrapolate cash flows beyond the forecast period.

The Company has determined the assumptions based on past performance and expectations for the future.

In performing value-in-use calculations, the Company has applied a pre-tax discount rate to discount the forecast future cash flows. Discount rates represent the current market assessment of the risks specific to each cash generating unit, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowings the Group is obliged to service. Specific risk premiums have been incorporated into the calculation of the discount rates where appropriate.

The pre-tax discount rates used for the Australian based cash generating units, including Austin Engineering Hunter Valley and Austin Mackay is 13.4% (30 June 2014: 12.44%). The pre-tax discount rates used for the Chilean based cash generating units, including Austin Ingenieros Chile is 14.5% (30 June 2014: 12.01%). The pre-tax discount rates used for the Peruvian based cash generating unit, including Austin Engineering Peru is 19.6% (30 June 2014: 16.51%).

The perpetual growth rates used for the cash generating units are 3% (30 June 2014: 3%).

Impact of reasonably possible changes in key assumptions
Austin Ingenieros Chile, Austin Peru, Austin Engineering Hunter Valley and Austin Mackay are all written down to recoverable values at 31 December 2014. Therefore any future adverse changes in key assumptions may result in future impairments.

The company believes there is a reasonably possible change in assumptions for the cash generating units of Austin Colombia, Austbore, Austin Ingenieros Calama and COR Cooling that could possibly result in future impairment. These changes are listed below. There is no reasonably possible change in assumptions that would result in impairment for goodwill allocated to the other cash generating units.

The difference between the carrying value and recoverable amount of these cash generating units as at 31 December 2014 is as follows:

(a)	Austin Colombia:	$0.500 million
(b)	Austbore:	$0.279 million
(c)	Austin Ingenieros Calama:	$0.312 million
(d)	COR Cooling:	$0.657 million

The implications of the key assumptions for the recoverable amount are discussed below:

EBITDA Margin
The following changes in the EBITDA margin would result in impairment for the following cash generating units.
Austin Colombia: a reduction of 0.63% in the EBITDA margins used would result in impairment.
Austbore: a reduction of 0.33% in the EBITDA margins used would result in impairment.
Austin Ingenieros Calama: a reduction of 0.31% in the EBITDA margins used would result in impairment.
COR Cooling: a reduction of 0.26% in the EBITDA margins used would result in impairment.

Discount rates
The following changes in the pre-tax discount rate would result in impairment for the following cash generating units.
Austin Colombia: an increase of 0.74% in the pre-tax discount rate would result in impairment.
Austbore: an increase of 0.19% in the pre-tax discount rate would result in impairment.
Austin Ingenieros Calama: an increase of 0.24% in the pre-tax discount rate would result in impairment.
COR Cooling: an increase of 0.28% in the pre-tax discount rate would result in impairment.

Note 5: Significant movements (continued)

Growth rate

The following changes in the long term growth rate would result in impairment for the following cash generating units.
Austin Colombia: a reduction of 1.32% in the long term growth rate would result in impairment.
Austbore: a reduction of 0.27% in the long term growth rate would result in impairment.
Austin Ingenieros Calama: a reduction of 0.34% in the long term growth rate would result in impairment.
COR Cooling: a reduction of 0.39% in the long term growth rate would result in impairment.

Note 6: Contributed equity - ordinary shares

	Half-Year 2014		Half-Year 2013	
	No.(000)	$000	No. (000)	$000
Balance at beginning of the period	84,274	87,344	73,165	52,749
Share placement	-	-	9,375	30,000
Cost of share issues	-	-	-	(916)
Balance at end of half-year	84,274	87,344	82,540	81,833

Note 7: Business combinations

(a) Current period

There were no acquisitions undertaken during the half-year to 31 December 2014.

(b) Prior 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. Details of this business combination were disclosed in note 30 in the group's annual financial statements for the year ended 30 June 2014.

Note 8: Bank facilities

During the half year ended 31 December 2014, the Group did not meet its net debt: EBITDA and EBIT:interest expense covenants under its multi-currency syndicated facilities agreement. The senior lenders agreed to waive these non-compliances prior to 31 December 2014 and agreed that compliance with the financial covenants not be tested from the existing facility agreement for the period 31 December 2014 to 30 March 2015. In consideration of granting the waiver, certain additional covenants to 30 March 2015 were agreed to and subsequently complied with.

New covenants have been agreed effective from 31 March 2015 (subject to formal documentation), which reflect the Company strategy and include a debt reduction strategy that is principally based around realising existing surplus assets and meeting forecast trading results and cash flows over the next 12 months.

The new financial covenants comprise the following:

- Gross Debt*:EBITDA** must not exceed 4.0:1 from 30/9/15 to 30/12/15
- Gross Debt*:EBITDA** must not exceed 3.5:1 from 31/12/15 to 30/3/16
- Gross Debt*:EBITDA** must not exceed 3.0:1 from 31/3/16 and thereafter
- EBITDA** covenants which reflect internal forecasts for the next 12 months trading including appropriate headroom
- Restrictions on payment of dividends until the relevant Gross Debt:EBITDA ratio is less than 3:1 for at least two consecutive quarters and provided that the payment of the proposed dividend is not likely to cause the ratio to equal or exceed 3:1
- Other fixed debt reduction payments reflecting Board's debt reduction strategy

*Gross Debt means Gross Debt per the Balance Sheet.
**EBITDA means normalised last 12 month EBITDA.
***Dividend EBITDA means EBITDA without normalisation adjustments.

The existing gearing ratio is suspended until 1 July 2016 and all other financial covenants suspended until 31 March 2016.

Note 9: Contingent liabilities and contingent assets

Bank guarantees are issued to third parties arising out of dealings in the normal course of business.

Note 10: Dividends

Dividends recognised at the end of the half-year

No final dividend was declared in relation to the financial year ended 30 June 2014. In the comparative half-year period, a final fully franked ordinary dividend of 10.5 cents per share was declared for the financial year ended 30 June 2013.

Dividends not recognised at the end of the half-year

Since the end of the half-year the Directors have not declared an interim dividend for the financial year ending 30 June 2015 (2014 – 4.5 cents per share).

Note 11: Events subsequent to reporting date

Subsequent to reporting date, the Group agreed new covenants with the bank as disclosed in Note 8. Otherwise, no other matters subsequent to reporting date have occurred that would require disclosure of or recognition in the half year financial report.

Note 12: Fair value measurement of financial instruments

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement 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 2014 the group did not have any material financial instruments that were measured using the fair value measurement hierarchy.

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

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

DIRECTORS' DECLARATION

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

In the Directors' opinion:

a) The financial statements and notes set out on pages 4 to 12 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 2014 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
27 February 2015

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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 2014, 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 2014 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 2014 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

BDO

C R Jenkins

Director

Brisbane, 27 February 2015

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austinengineering LTD

Austin Engineering Ltd – Half Year Results to December 2014

Financial Overview

	HY 14-15	HY 13-14	%
	$m	$m	Change
Revenue	102.05	106.41	-4%
EBITDA*	9.04	8.22	+10%
NPBT*	1.80	1.15	+57%
NPAT**	(41.6)	0.86	-4,937%
Net assets	128.31	172.66	-26%
Basic earnings per share	(49.36)cps	1.17cps	-4,319%
Interim dividend per share	-	4.5cps	-100%

*Excluding impairment/one-off costs
**Including impairment/one-off costs

Brisbane, 27 February 2015: Austin Engineering Limited (ASX trading code: ANG) has today announced half-year revenue of $102.1m and normalised EBITDA of $9.0m, which is consistent with the two prior comparative periods (1H FY14 and 2H FY14). The result was impacted by subdued capital spending in the mining industry.

Review of Operations

Conditions remained subdued within the mining industry despite increases in production levels across the commodity bases. The current half reflects the two prior comparative periods which shows a stabilisation of the bottom of the market, for the range of services Austin supply. Miners' increasing operating expenditure budgets are now playing a major part in the Company's base revenue model.

Revenue for the Australian business units decreased slightly over the previous period. The main workshop facilities in Perth, Western Australia experienced lower demand in the period due to a continuation of the deferral of truck body replacement cycles by major clients although maintenance revenue picked up considerably. Both the Perth and Pilbara hire operations performed as per budget and were able to add new clients to the Company. The business units on the eastern seaboard of Australia, which mainly service coal mining operations, suffered reduced and inconsistent levels of activity due to cost reduction programs by miners and contractors, although recent major tenders suggest some uplift may be forthcoming.

The Americas produced a result below that of the previous corresponding period with revenue down across the board. Westech produced a good normalised result with market conditions similar to the last 18 months. Westech continues to enjoy significant success with its products sold into all parts of the USA, Canada and delivery of its first products into Mexico during January. Westech's result was affected by abnormal legal costs incurred in its vigorous defence of patent infringement claims in the US which it considers cynical and unmeritorious. The Servigrut operation produced an excellent result ahead of budget and has long term contracts in place. The Calama maintenance operation, in its first full 6 month period, performed well winning a number of long-term contracts and is confident of further success within the next 3 months. The La Negra operation produced a result below budget with delays in the placement of orders. The recently announced Collahausi contract has only just commenced to provide the vital base load needed and the operation has been profitable over the last 2 months. A significant amount of tenders are outstanding.

The group's Indonesian business unit on Batam Island produced an excellent result. The operation has a number of contracts which provide work loading well into the first half of the next financial year and will produce a record result for the current financial year.

Normalised NPBT of $1.8m was slightly up on the prior corresponding period. NPAT of ($41.6m) was down on the prior corresponding period, reflecting $40.9m of impairment charges and $3.5m of one-off charges, which is a result of subdued capital expenditure in the mining industry.

CEO Michael Buckland commented on the half-year result saying "The group's performance for the half was on par with the prior periods and reflects a stabilisation of Austin's market. Despite the industry continuation of reduced expenditure while increasing production levels, the Company was able to increase its gross margin percentage versus prior years".

Review of Operations (continued)

"Austin is very well positioned to capitalise on any increase by miners in replacement and new expenditure within a recovery cycle. We anticipate that customers will continue to be seeking productivity gains from their capital allocations for equipment that has exceeded its life cycle. Austin's range of customised products is designed specifically to customer specification to achieve productivity advantages."

Net Assets

Net assets of $128.3m at December 2014 were down by 26% from $172.7m at December 2013. The decrease reflects the impairment recorded during the period, dividends paid in March 2014 and foreign currency translation differences relating to balance day adjustments on foreign equity balances, offset by shares issued in February 2014 in relation to a share purchase plan. At December 2014 the net tangible asset backing per share of 81.4c reduced by 14% from 94.7c for the December 2013 half-year period.

Cash Flow, Liquidity and Debt

Operating cash flows for the half-year to December 2014 were positive $5.2m. This was due to stock reduction initiatives, extended payment terms with suppliers and improved operational efficiencies.

Non-operational cash flows for the half-year included $1.7m spent on capital expenditure projects, the most notable of which was equipment for a new contract in Colombia. Other non-operating cash flows included net repayments of $5.3m, partially offset by $4.3m funds released from escrow in relation to land in Calama.

Dividends

Since the end of the half-year, the Directors have not declared an interim dividend for the financial year ending 30 June 2015 (2014 – 4.5 cents per share).

Outlook

CEO Michael Buckland said that mining companies are continuing to highlight cost cuts and increased usage of equipment and productivity gains, despite increases in production levels.

Maintenance expenditure has increased under operating expenditure budgets and Austin is uniquely positioned to be able to provide services for this, as well as offer solutions for increases in productivity. The Company has a number of long term contracts in place and this is allowing us to converse directly with clients regarding how to optimise their fleet. These types of contracts will continue to provide an excellent revenue base for the Company and in turn lead to further replacement products manufactured in our workshops.

The Company has been able to maintain its gross margin despite offering clients further decreases in the prices of our products. This has been achieved through design changes and reductions in the major components of our products.

New products are continually being developed and during the past 6 months the Company has released another two products that once proven, have the potential to add significant revenue to the Company.

We are also seeing for the first time in 18 months major tenders for the coal industry of Australia and should the Company be successful with any of these, a significant increase in EBITDA levels on the East Coast will follow.

New covenants have been agreed effective from 31 March 2015, which reflect the Company's debt reduction strategy (principally based around realising existing surplus assets) and internal forecast trading results and cash flows over the next 12 months.
Austin enters the second half of the financial year with forward orders above that of the prior three (1H FY14, 2H FY14 and 1H FY15) comparative periods and with a significant amount of tenders outstanding. Should the current tenders convert to orders at the current rate, the Company will see an improved result in the second half of the 2014/15 financial year.

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, and Indonesia. The Australian facilities manufacture, assemble, repair and maintain (on and off-site) products used in the mining and resources sector. Key product lines include dump truck bodies, large service vehicles, excavator buckets, materials handling equipment, mineral processing equipment, industrial radiator and cooling products as well as large structural steel projects. The USA facility (Westech) based in Casper, Wyoming, services the North American and Canadian mining markets and is an industry-leading designer and manufacturer of high-efficiency dump truck bodies. The operations located in Chile, Peru and Colombia manufacture, repair and maintain dump truck bodies and other mining products for their respective markets and, in Chile, also provide specialised heavy equipment lifting and transportation services for mining and industrial markets. The Indonesian production facility on Batam Island serves the equipment and service needs of mining and oil and gas-related customers in Indonesia and Asia. Austin also own rights to innovative and automated welding processes and these have been introduced into operations in order to improve production efficiencies. For more information visit www.austineng.com.au.