Austin Engineering Ltd

1H16 Results Presentation

Summary – Highlights

- Austin generated Sales Revenue of $108.0m, up 7.8%, and Normalised EBITDA of $3.8m in 1H16. Although earnings were down on the prior corresponding period, Austin expects a stronger 2H16 than was delivered in 1H16

- Raised $51.6m in new capital, comprising $31.6m in equity and $20m in subordinated debt, reducing overall debt and providing financial flexibility

- Completed the first phase of a strategic review to refocus the company to drive revenues and enhance earnings. The strategic review:
  - Confirmed the belief that Austin has a compelling business value proposition which can deliver productivity benefits to its customers through its specialised high performance products and services
  - Identified as competitive advantages Austin's strong design IP, engineering capability, market acceptance by blue chip customers and end users and customer-proximate physical facilities, that can be leveraged on a global scale; and
  - Identified changes to refocus on and more effectively leverage its competitive advantages and to achieve operational efficiencies
  - Implementation to occur progressively

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Summary – Highlights

- Implemented changes in senior executive leadership which will facilitate this strategic refocus. Experienced General Managers at operational levels ensure “business as usual” throughout the period of the strategic refocus

- Continued with initiatives to reduce costs (e.g. Brisbane site closure) with further initiatives to be implemented

- Progressed strategies to further refinance and retire senior debt to strengthen the balance sheet, which remains a continued focus for Austin

- Some encouraging signs for new orders, with tray replacement cycle expected shortly given installed product base of 2010-2013 vintage. Approximately 4,000 Austin trays in use, with typical 5-6 year life

- Revised Normalised EBITDA guidance for the full year 2016 to between $8m and $12m

Summary – Results

Austin has been able to win new business and grow its revenue in 1H16, with sales growth of 7.8%, however mix has changed to include more lower margin work and this has impacted short term profitability ahead of a recovery in orders in the workshops

	1H15 $m	1H16 $m	Half on Half % Change
Sales Revenue*	100.2	108.0	7.8%
Gross Margin %	37%	32%	(13.5%)
Normalised EBITDA	9.0	3.8	(58.0%)
Normalised EBIT	3.4	(2.2)	nmf
Normalised PBT	1.8	(4.8)	nmf
Operating Cash Flow	5.2	1.2	(77.3%)
Normalised EPS (cents)	1.9	(2.9)	nmf

	Jun-15 $m	Dec-15 $m	$ Change
Net Assets	119.4	123.9	4.5
Net Tangible Assets	60.1	68.8	8.6
Net Debt	94.0	65.4	(28.6)
Working Capital	22.1	11.4	(10.7)
NTA per share (cents)	81.4	44.5	(36.9)

**Excluding other revenue*

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Summary – Normalisations

Reported results lower than normalised results due to non-recurring unusual items and impairments of intangibles taken in the period

	EBITDA $m	NPAT $m
Reported Results	(17.9)	(22.0)
Restructuring Costs[(1)]	10.6	7.4
Impairment Charges[(2)]	9.1	9.1
Legal costs[(3)]	2.0	1.3
Underlying Results	**3.8**	**(4.1)**

Notes (in respect of EBITDA):

(1) Relates to Brisbane closure ($7.6m), corporate restructuring and consultancy costs ($2.7m) and divisional legal, consultancy and other charges ($0.3m)

(2) Impairment of intangibles for Westech ($3.5m), La Negra ($2.7m) and Indonesia ($2.9m)

(3) Settlement of Westech litigation and debt restructuring

Contents

1H16 Results - Group

	1H15 $m	1H16 $m	Half on Half % Change
Sales Revenue*	100.2	108.0	7.8%
EBITDA**	5.6	(8.8)	nmf
Normalised EBITDA	9.0	3.8	(58.0%)
Depreciation	(5.2)	(5.5)	7.2%
Amortisation / Impairment	(41.4)	(9.5)	(77.0%)
EBIT	(41.0)	(23.9)	(41.8%)
Net interest expense	(1.6)	(2.7)	64.2%
PBT	(42.6)	(26.5)	(37.7%)
Tax credit (expense)	1.0	4.6	nmf
NPAT	(41.6)	(22.0)	(47.2%)

**Excluding other revenue*

***Excluding impairment*

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1H16 Results – Segments

	1H15 $m	1H16 $m	Half on Half % Change
Revenue:			
Australia	58.8	63.0	7%
Americas	37.5	44.1	18%
Asia (Indonesia)	5.8	1.7	(71%)
Normalised EBITDA*:			
Australia	3.4	2.2	(35%)
Americas	3.8	1.6	(57%)
Asia (Indonesia)	1.8	(0.0)	nmf
EBITDA % Margin:			
Australia	5.8%	3.5%	(39%)
Americas	10.1%	3.7%	(63%)
Asia (Indonesia)	31.1%	(2.8%)	nmf

**Excluding impairment/one-off costs*

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1H16 Results – Operational Review

Australia:

- Overall mine production levels continued to be maintained or increased but clients continued to defer major capital replacement programs
- East Coast operations results reflect continuing difficult market conditions in the coal industry
- Closure of the Brisbane facility due to over capacity in the current market
- Hunter Valley and Mackay to benefit with Brisbane work being transferred
- East Coast Site Service operations commenced (further expansion planned)
- Perth operations produced an improved result with repairs of equipment in the work shop at record levels
- WA Site Services operation produced a result ahead of forecast with important short-term contracts in Zambia for specialised services and market gains in the Pilbara
- COR Cooling produced a result as per forecast and was successful with two long term contracts in WA and NSW
- A continuation of new product offerings has enhanced Austin's range of products which will increase revenue going forward

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1H16 Results – Operational Review

Americas:

- Overall numbers in the Americas were down on the prior period due to low commodity prices resulting in deferral of capex
- The La Negra operation has a base loading with the long-term Collahausi contract but other manufacturing remains subdued due to the copper price
- The Calama maintenance operation continued with the long term contracts on hand
- Additionally the Calama operation was successful in a further long-term maintenance contract for Antofagasta Minerals and is expecting further wins during the second half
- Servigrut produced a result below previous periods with clients deferring scheduled maintenance due to the copper price
- Servigrut has long-term contracts which provide an important base level of activity
- Westech produced a weak normalised result due to very soft demand in the USA
- The resolution of the patent legal case in Westech has removed a time consuming impediment to management sales efforts.
- Westech continues to grow into the Mexican market and the Canadian Oil Sands continue to be a major client

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1H16 Results – Operational Review

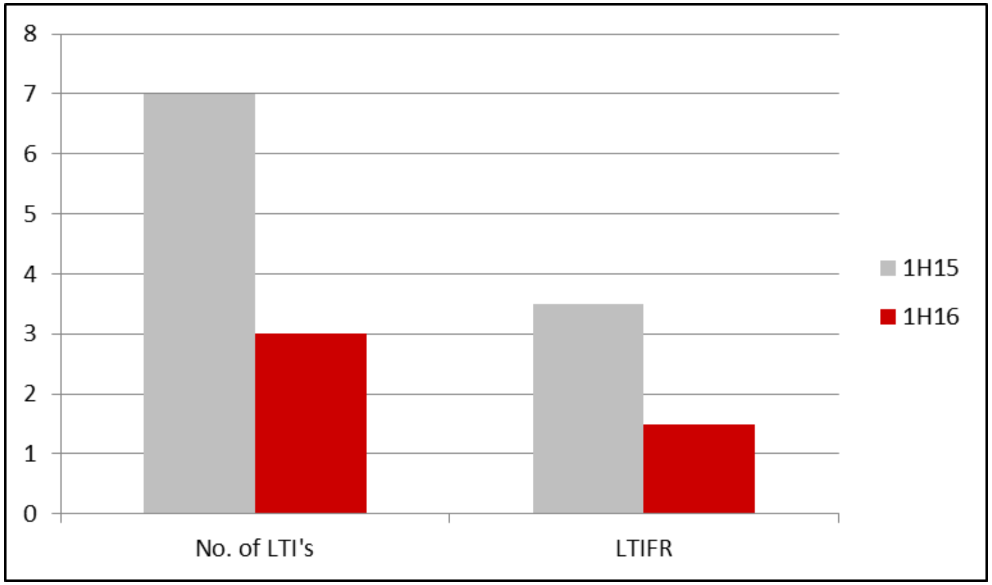
Americas (con't):

- The Colombian operation reported a positive result based on an onsite/offsite maintenance/repair contract and a small number of manufacturing orders
- The Company's first tray order from Cerrejon is now on trial at the mine and following the trial the operation is very confident of further orders
- The Peru operation produced a result below forecast with delays in orders and parts having a significant effect
- Peru were successful in being awarded a major maintenance contract from Las Bambas which provides an important base over 2 years

Asia:

- The Indonesian operation had a slow start to the year with a number of significant tenders/projects being delayed until FY16/17

1H16 Results – Safety



- LTIFR reduced from 3.5 to 1.5 on the PCP

Strategic Refocus – Mining Industry Conditions

- Most of Austin's current products and services are directly linked to the mining industry
- Austin's key products are consumables necessary for production – which inevitably wear out
- Importantly, major miners – that represent the focus of Austin's work – have maintained high levels of production volume

Commodity	Key geography	Comments
Iron Ore	▪ Australia ▪ South America	• RIO iron ore production guidance 350mt for 2016, up on 330mt for 2015 • Vale iron ore production for 2016 marginally up on 340mt for 2015
Copper	▪ South America	• Copper production forecast increase 4% in 2016 (International Copper Study Group) • Vale increased production guidance to 459kt for 2016
Coal	▪ Australia ▪ South America ▪ USA	• Australia coal production forecast at 400mtpa, 5th largest miner in world • USA coal production Jan-16 59MMst, down 7% from Dec-15 (EIA estimates)

- To minimise capex, miners have stretched the useful lives of equipment but this cannot occur indefinitely

Source: Company announcements

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Strategic Refocus – Findings

- In light of challenging industry conditions and Austin’s recent financial performance, Austin has undertaken a strategic review of its business with a view to identifying ways to make operations more effective, to enhance revenues, reduce costs and improve earnings
- The review has been conducted by an experienced, independent consultant, and has been evaluated by the Board and the Chief Strategy Officer. Work on further analysis and implementation is ongoing

Key findings so far include:

- **Market conditions**
  - Production volumes continue: Austin is focused on providing consumables to major miners. These major miners continue to produce at similar levels in aggregate notwithstanding depressed commodity prices
  - Replacement cycle inevitably linked to production volumes: Austin has a substantial number of units which were deployed in 2010 to 2013, which are due for replacement, plus opportunities to replace OEM trays
- **Competitive advantage**
  - Strong design IP: Austin has strong engineering design IP and a strong brand. Its core value proposition is to design, manufacture, commission, monitor, repair and replace its specialised high performance products on a global scale. Its products lead to productivity benefits and cost savings for its customers
  - Regional footprint: Austin is present in major mining regions in Australia, Southeast Asia and the Americas. While this presence is a competitive advantage, the benefits of Austin's global expertise is yet to be fully leveraged

Strategic Refocus – Findings

- **Strategic refocus**
  - Customer centric: The industry now demands a much stronger, customer centric strategic marketing and service function and Austin will move its approach to better match this need
  - Leverage global engineering expertise: Austin can better leverage its engineering design IP through better global co-ordination and unlock further cost efficiencies
  - Site efficiencies: Austin will better integrate and access efficiency improvements in its operations, and be more consistent with global purchasing behaviours in light of subdued industry conditions at an individual site level
  - Implementation of initiatives will occur throughout calendar 2016 and beyond
    - Actions will be consultative, planned and progressively implemented
    - Underway with all General Managers involved

Strategic Refocus – Action Items

	Organisational Redesign	Leverage Fabrication	Whole of Life Services	Production Efficiencies
What is the scope?	▪ Central coordinated functions – Marketing – Engineering ▪ Emphasis on sale of client production efficiency through Austin products and services	▪ Develop new products ▪ Increase throughput ▪ Reduce operating costs	▪ End to end from design, delivery, services, repair and replacement ▪ Client services and efficiency culture	▪ Better utilise certain facilities ▪ Supply different regions ▪ Improving workflows
What is the primary outcome?	▪ Increased revenue ▪ Better and more cohesive customer service	▪ Cost efficiencies ▪ Improved overhead recoveries ▪ Better use of capital	▪ Base sustainable revenues ▪ Extend range of revenue ▪ Customers “lock in” ▪ Whole of value chain service	▪ Improve margins ▪ Improve competitiveness
How significant could it be for Austin’s profitability?	▪ High	▪ Medium / high	▪ Medium	▪ Medium

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Strategic Refocus – Cost Savings

- Austin continues to actively seek opportunities to reduce costs in order to align with current market activity levels and to be better positioned for the upturn

- **Cost cutting measures being implemented:**
  - The Brisbane operation is in the process of being closed, which is expected to result in $2.8m p.a. in annualised cost savings. Activities are being moved to the Hunter Valley workshop
  - Austin has reduced headcount by 43 people since June 2015. This has resulted in annualised cost savings of $3.2m p.a.
  - The Chile division is implementing general cost cutting initiatives and process optimisation which is expected to save $0.4m p.a.
  - The Perth business is implementing a manufacturing reprocess using reticulated gas piping which will reduce man hours in the manufacturing process. This is expected to save $0.2m p.a.

- **Further cost cutting measures:**
  - The strategic review is in the process of evaluating other manufacturing efficiencies which will improve throughput and margins

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Strategic Refocus – Management Changes

- Austin announced changes to its executive leadership on 17 February 2016

- Specific changes in senior positions comprise:
  - **Executive Chairman:** Mr Peter Pursey AM has been made permanent Chairman and, on an interim basis, will assume executive responsibilities
  - **Transition of Chief Executive Officer (CEO):** Mr Michael Buckland tendered his resignation and will cease duties on 30 June 2016. Michael will ensure an orderly transition to a new CEO within that timeframe. The Board thanks Michael for his strong contribution to driving the global expansion and growth of the company over the last decade
  - **Appointment of a Chief Strategy Officer (CSO):** Mr Charles Rottier has been appointed as CSO. The appointment allows Austin to implement changes arising out of its strategic refocusing

- Commencement of process for appointment of a new CEO
  - The Board has appointed Spencer Stuart to undertake an executive search
  - The Board is confident of identifying and confirming the appointment of a strong CEO candidate within the next three months and to commence work on positioning for the 'new Austin'

- Austin notes that it has a talented pool of General Managers which manage all aspects of individual site marketing and operations at facilities around the globe, with the company operating on a 'business as usual' basis in all locations

Strategic Refocus – Timeline

	Calendar 2016	Calendar 2017	Mid / Long Term
Mining Market Conditions	▪ Mining production levels maintained ▪ Limited new projects ▪ Miners deferring capex where able	▪ Expect production levels to be maintained ▪ Expect some miners to need capex	▪ Ultimately sector returns to improve and drive new capital investment – 3 to 5 year view
Strategic Refocus Initiatives	▪ Customer centric realignment ▪ Brisbane closure ▪ Leverage design IP globally ▪ Appoint new CEO	▪ Focus on increasing throughput through facilities ▪ Site optimisation to improve efficiency	▪ Continued improvement in global and local integration
Resulting Profitability	▪ Forecast better 2H16 than 1H16, with expected better order rate	▪ Benefits of strategic review initiatives start to flow	▪ Higher throughput allows production efficiencies that return Austin to significantly higher margins ▪ Services revenues deliver higher base profit potential than in the past

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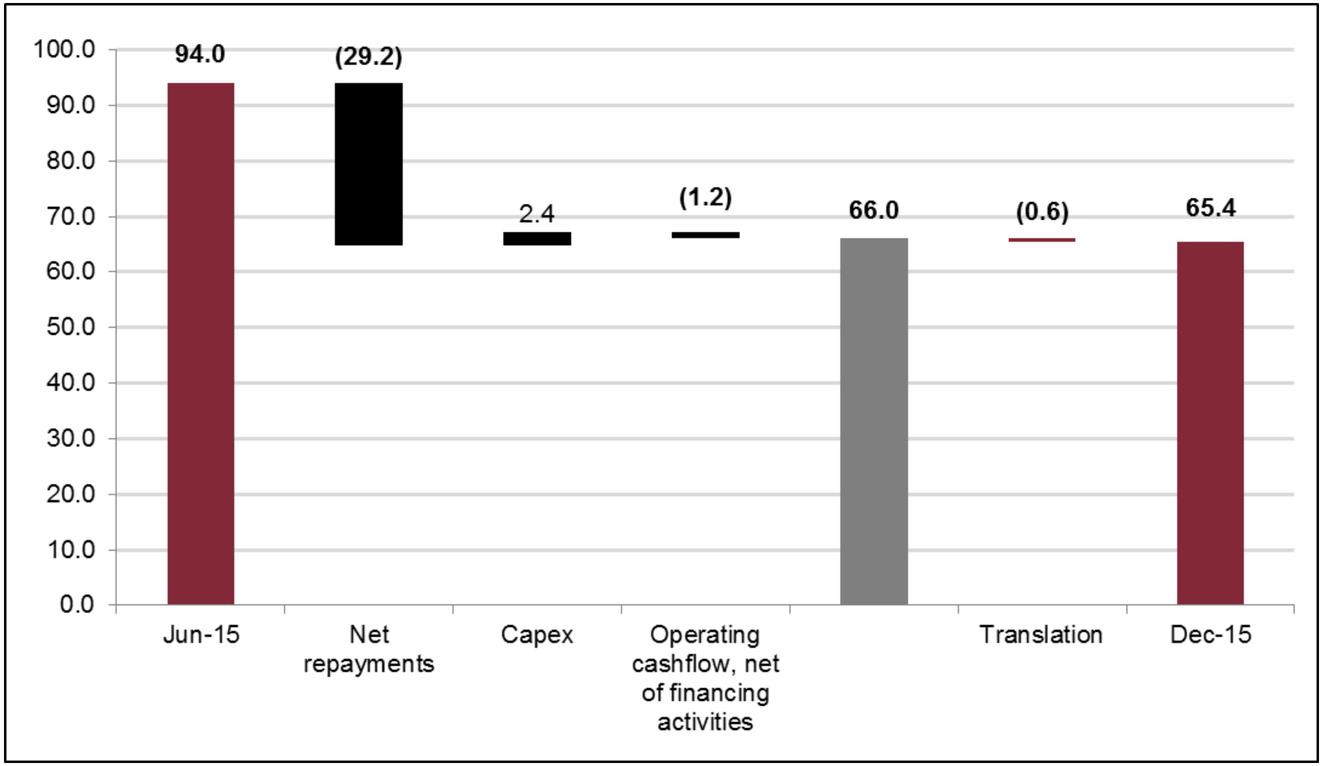
Capital Management – Net Debt

Debt was significantly reduced during the period following on from the capital raising in July 2015



- Net Debt excluding FX translation reduced to $66.0m over the last 6 months. Currency movements affected this positively by $0.6m to arrive at a final value of $65.4m
- Net capital raising proceeds of $30.4m (after costs) used to pay down debt

Capital Management – Material Reduction in Working Capital

	$m
Working Capital at 30 June 2015	22.1
Receivables	(4.8)
Payables	(3.2)
Inventories	(2.7)
Working Capital at 31 December 2015	**11.4**

- $11m (48%) reduction in working capital since June 2015

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Capital Management – Continued Focus on Debt Reduction

- Austin had a sustained focus on debt reduction through 1H16, which continues. Current initiatives are focused on further reducing debt

	As at 30-Jun-15 $m	Jul-15 capital raising $m	1H16 movements $m	As at 31-Dec-15 $m	Bond and land sales $m	Proforma current[1] $m
Syndicated debt	82.2		(45.2)	37.0	(7.7)[2]	29.3
Other debt	15.1	20.0	(3.6)	31.5	- [3]	31.5
Total debt	**97.3**	**20.0**	**(48.8)**	**68.5**	**(7.7)**	**60.8**
Cash	3.3	51.6	(51.8)	3.1		3.1
Net debt	**94.0**	**(31.6)**	**3.0**	**65.4**	**(7.7)**	**57.7**

Notes:

(1) Proforma debt and cash balance post $6m bond and assuming $8.7m land sales completed

(2) Assumes $5m repaid using bond proceeds and additional $2.7m repaid using land sale proceeds assuming land sales completed

(3) Assumes $6m bond repaid using $6m of land sale proceeds assuming land sales completed

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Capital Management – Bank Borrowings and Capital Structure

- Austin, in conjunction with external advisers, has been evaluating options to extend the tenor of its syndicated bank debt, to improve the terms of that debt, and to access new and additional sources of capital to strengthen its balance sheet

- The strategy has involved a number of components:
  - Existing debt
    - Revision of terms of syndicated debt
  - Consideration of new sources of debt
    - Corporate bonds
    - Asset based financing
  - Consideration of methods of debt reduction
    - Operating cash flow
    - Surplus asset sales
    - Sale and leaseback of properties
    - New equity

- Austin is of the view that its level of debt should be, in an orderly fashion, reduced from current levels in light of subdued industry conditions. Austin is committed to ensuring that its balance sheet be in a sustainable position as soon as practicable during 2016

Capital Management – Status of Existing Syndicated Debt

- Prior to the end of December 2015, Austin negotiated terms of an extension in the due date for its existing syndicated senior debt facilities until 20 March 2017

- Austin is undertaking initiatives to retire and refinance the existing senior syndicated debt facility
  - In January 2016, Austin secured corporate bonds of an aggregate c. $6m from external investors, with proceeds used to retire a portion of the senior syndicated debt
  - Following this repayment, the current balance of the senior syndicated debt is $32m

- Austin had also agreed with the syndicate for other revisions to the terms of the debt facilities in December 2015 in light of strategies in relation to debt reduction and financial performance
  - The syndicate relaxed gross debt to earnings covenants which it would have otherwise been unable to satisfy
  - Austin satisfied a repayment request due by 31 January 2016
  - Austin continues to work collaboratively with the syndicate and its advisers to implement strategies to progressively strengthen its balance sheet, however will potentially need further accommodation from the syndicate in respect of financial covenants through 2016, commencing from the end of March

Capital Management – New Sources of Debt

- Austin has had discussions with a number of new potential providers of debt
- Conditional term sheets were obtained in late 2015 and early 2016 in respect of potential corporate bond investors and in respect of asset backed financiers
- Austin does not presently intend to draw on these sources of funding. However, they do provide an option as potential refinancing and liquidity sources for Austin in the future

Capital Management – Debt Reduction Strategies

- Austin has been exploring and capitalising on ways of strengthening its balance sheet

- Operating cash flow
  - Austin has used its operating cash flow to reduce debt by $3m, through principal repayments due under its South American loan facilities since June 2015

- Surplus / non-core asset sales
  - Austin has received two approaches in respect of assets which it may consider non-core and potentially able to be sold to refocus operations
  - Austin is currently evaluating its preparedness to pursue these potential sales

- Sale or surplus land / sale and lease back of properties
  - Austin has reached agreement in respect of the sale / sale and lease back of two properties, namely in Peru and Colombia
  - The gross sale proceeds from the sale of these properties is $8.7m
  - Further details are provided on the following page

- New equity
  - Austin has appointed Blue Ocean to evaluate potential access to new equity investors
  - Austin has also had discussions with certain large shareholders about ways to strengthen its balance sheet, with shareholders being supportive of these initiatives

Capital Management – Sale of Land Assets

- Austin has a substantial portfolio of property assets, leasehold improvements and equipment
  - Carrying value of $113.2m
- Austin has been progressing the sale of certain of these assets
- Austin has reached agreement in respect of the following sales:

Location	Gross sale price $m	Carrying value $m	Status	Expected completion
Colombia	2.6	4.4	Final contract negotiations	2H16
Peru	6.1	6.7	Letter exchange Final contract negotiations	2H16

- The proceeds of completion of these asset sales will be used to retire debt and to override further cash liquidity in 2H16

Outlook – Summary

- Austin enters the second half of the year with a much higher base load than the first half
- Several sites have encouraging order and tender book profiles, which are expected to result in solid revenues and earnings in 2H16 (discussed on the following pages)
- As a finding of the strategic review, Austin will look to develop opportunities to engage on a more strategic basis with its major global customers through
  - Improved and co-ordinated global marketing and engineering design functions
  - Positioning services on a “whole of life” basis
- As the lead global producer of non-OEM trays, Austin remains competitively well positioned to replace its core products with its customers as replacements are needed
- Cost saving benefits will be progressively realised

Outlook – Encouraging Recent Contract Wins

Austin has recently secured a number of new contract wins and orders. These are encouraging signs for 2H16 profitability and beyond

Americas:

- 3 year contract, with a 3 year extension option, with Chilean state copper producer Codelco at its Chuquicamata mine. The contract is for 6 cranes and is expected to generate in excess of A$1m per annum in EBITDA contribution. The contract commenced in late January 2016
- 3 year on-site maintenance in Chile for Antofagasta Minerals, involving 80 people
- 8 tray bodies for local mining companies ZAMine Service Peru, Minera Chinalco and Southern Peru Copper
- 3 year maintenance contract with Prodeco in Colombia, involving 180 people. Austin has also delivered 2 tray bodies to Prodeco, which is the first order it has placed for this type of product

Outlook – Encouraging Recent Contract Wins

Australia:

- West Coast operations have received 22 tray body orders from major miners in the Pilbara. It has also secured inaugural orders for a new product line with an order for a bucket for a 6060 Hydraulic Face Shovel for a WA gold miner
- COR Cooling has secured a 5 year contract from a major miner in the Pilbara for radiator repair for its mobile fleet and a 2 year contract extension for repair services for a major miner in the Hunter Valley

Asia:

- Indonesia operations have secured an order for 5 trays for a large miner in Mongolia, 2 trays for Africa and 2 large dragline buckets for an Australia client

Outlook – Update to Full Year FY16 Guidance

- In light of current and expected trading conditions and first half performance, Austin has revised its expectations of Normalised EBITDA for the full year to 30 June 2016

- Austin advises that it now expects to deliver an Normalised EBITDA of between $8m and $12m for FY16

- Austin does expect stronger orders in 2H16 and higher volume will lift productivity in its manufacturing facilities. Should this eventuate, earnings would be towards the top of the guidance range
  - Recent contract wins are set out earlier in this presentation
  - Austin further notes it has strong tender books for its Australian and US business. While conversion of tenders in the USA have been delayed, Austin has seen significantly more active tenders over the past 6 months

- However, should conditions similar to 1H16 eventuate, earnings would be towards the bottom of the revised guidance range

APPENDIX

Austin's Principal Products

Off-highway dump truck bodies

Buckets

Water tanks

Service modules

Tyre handlers

Ancillary attachments

Industrial cooling and heat transfer systems (COR Cooling)

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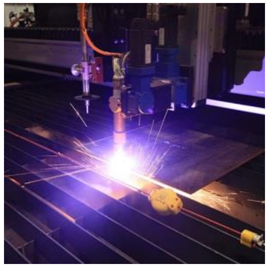
Austin Principal Services

Equipment repair and maintenance



Specialised fabrication

Painting and blasting

Specialised machining and line boring

On-site maintenance and shutdown services (Austin Engineering Site Services)

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Austin Brands

The Austin Engineering brand encompasses design and manufacture of mining and earthmoving equipment, along with the provision of support services, from four Australian operations (Brisbane, Hunter Valley, Mackay, Perth), an Indonesian operation and Peruvian operation.

The Austin Ingenieros brand represents the company's operations in Chile and Colombia, providing design and manufacture of mining and earthmoving equipment, along with the provision of support services.

Austbore's core capabilities include general machining services, the overhaul of track frames and other mining equipment and mobile line-boring services. Austbore work closely with the Austin Engineering Mackay operation in supply of their services.

As the only national service provider and manufacturer of industrial cooling and heat transfer equipment, COR Cooling is a market leader working closely with some of the world's largest companies in the mining, marine, transport and associated industries.

Perth-based John's Engineering & Cranes Pty Ltd (JEC), was one of Australia's longest established manufacturers of Mining and Earthmoving attachments and off highway truck bodies. The JEC branded range of products are now designed and manufactured by Austin Engineering operations globally.

Austin Engineering Site Services (formerly Pilbara Hire Group) provide full turnkey, on-site repair and maintenance services throughout Western Australian mine sites, with a particular focus on mobile mining and fixed plant equipment.

Servigrut is a significant and successful supplier of heavy equipment lifting, transportation and site services to the mining and industrial markets in Chile.

Western Technology Services, or Westech, is one of the world's largest non-OEM designer and manufacturer of off highway dump truck bodies. Based in Wyoming USA, the Westech branded range of products are now designed and manufactured by the Austin Engineering Group globally.