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 2017

Results	**Half-Year to 31 December 2017 $000**			**Half-Year to 31 December 2016 $000**
Revenue	**154,692**	***up***	*69.8* ***% from***	**91,124**
Net profit/(loss) after tax for the year attributable to owners	**4,019**	***up***	*170.6* ***% from***	**(5,693)**

Brief explanation of movements in revenue and net profit

Revenue and earnings for the half-year ended 31 December 2017 significantly improved from the corresponding period due to a marked increase in the sale of new products, while maintaining repairs and maintenance services, and continued improvement in cost reduction, relative to revenue.

A review of the group operations and results for the half-year is set out in the media statement released to the market on 26 February 2018. A copy of which is attached herewith on page 13. Please also refer to the associated presentation that was released to the market on 26 February 2018.

Dividends and dividend reinvestment plans

An interim dividend has not been declared for the half-year ended 31 December 2017 (2016: Nil).

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

Net tangible assets per security

	31 December 2017	**30 June 2017**
Net tangible asset backing per ordinary security (cents)	17.52	16.50

Control gained or lost over entities having a material effect

There were no acquisitions undertaken during the half year ended 31 December 2017.

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

Financial report
for the half-year ended 31 December 2017

Austin Engineering Limited and controlled entities
Financial report for the half-year ended
31 December 2017

Contents

Basis of preparation of half-year financial report

These general purpose consolidated financial statements for the half-year reporting period ended 31 December 2017 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 2017 and any public announcements made by Austin Engineering Limited 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 adopted are consistent with those of the previous financial year and corresponding interim reporting period.

New, revised or amended Accounting Standards and interpretations adopted

The consolidated entity has adopted all of the new, revised or amended 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 amended Accounting Standards or interpretations that are not yet mandatory have not been early adopted.

Austin Engineering Limited
Directors' report
31 December 2017

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 2017. 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:

Peter Forsyth	(appointed as Managing Director on 18 August 2017 and Chief Executive Officer from 12 October 2016)
Jim Walker	(appointed as Non-Executive Director 8 July 2016 and Non-Executive Independent Chairman from 25 November 2016)
Charlie Sartain	(appointed 1 April 2015)
Chris Indermaur	(appointed 8 July 2016)
Sy Van Dyk	(appointed 19 February 2018)
Peter Pursey	(resigned 1 November 2017)

Financial highlights

	Change %	Consolidated Entity Half-Year 17/18 $000	Half-Year 16/17 $000
Revenue	69.8	154,692	91,124
Normalised EBITDA*	174,100.0	12,194	7
EBITDA	2,191.3	10,082	440
Profit/(Loss) before tax	115.5	1,395	(8,995)
Profit/(Loss) after tax	170.6	4,019	(5,693)
Net assets	(15.7)	117,967	139,968
Basic earnings/(losses) per share (cents)	166.1	0.69	(1.05)

*Excludes $2.112m restructuring 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 26 February 2018, a copy of which is attached herewith on page 13.

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 2.

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. Amounts in the Directors' report have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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

J L Walker

Jim Walker
Non-Executive Chairman
Brisbane
26 February 2018

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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 2017, 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, 26 February 2018

Austin Engineering Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2017

	Notes	Consolidated Entity Half-Year 2017 $'000	Consolidated Entity Half-Year 2016 $'000
Revenue	2	154,692	91,124
Raw materials and consumables used		(40,557)	(27,134)
Changes in inventories and work in progress		(7,301)	5,248
Employment expenses		(59,899)	(45,365)
Subcontractor expenses		(10,666)	(4,986)
Occupancy and utility expenses		(4,474)	(1,901)
Depreciation expense		(5,198)	(5,108)
Amortisation expense		(216)	(474)
Production operational expenses		(8,395)	(4,235)
Other expenses		(13,267)	(12,188)
Finance costs		(3,324)	(3,976)
Profit/(Loss) before income tax		**1,395**	**(8,995)**
Income tax benefit		2,624	3,302
Profit/(Loss) for the period		**4,019**	**(5,693)**
Other comprehensive income			
Foreign currency translation differences, net of tax		1,770	713
Total comprehensive income/(loss) for the period		**5,789**	**(4,980)**
Profit/(loss) is attributable to:			
Owners of Austin Engineering Limited		4,019	(5,693)
Total comprehensive income/(loss) for the period is attributable to:			
Owners of Austin Engineering Limited		5,789	(4,980)
		Cents	**Cents**
Earnings per share for profit/(loss) attributable to Owners of the Company:			
Basic earnings/(losses) per share	3	0.69	(1.05)
Diluted earnings/(losses) per share	3	0.69	(1.05)

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 2017

	Notes	Consolidated Entity 31 December 2017 $'000	30 June 2017 $'000
Current assets			
Cash and cash equivalents		5,718	3,923
Trade and other receivables		47,148	45,312
Inventories		25,506	31,617
Current tax assets		-	545
Other receivables and other assets		16,380	14,814
Total current assets		**94,752**	**96,211**
Non-current assets			
Property, plant and equipment		102,712	105,327
Intangible assets		16,542	16,768
Deferred tax assets		14,579	13,242
Other non-current assets		1,418	-
Total non-current assets		**135,251**	**135,337**
Total assets		**230,003**	**231,548**
Current liabilities			
Trade and other payables		47,336	55,661
Financial liabilities	6	30,950	17,045
Current tax liabilities		1,401	1,931
Provisions		5,879	5,927
Total current liabilities		**85,566**	**80,564**
Non-current liabilities			
Financial liabilities	6	21,323	32,446
Deferred tax liabilities		3,926	5,862
Provisions		1,221	498
Total non-current liabilities		**26,470**	**38,806**
Total liabilities		**112,036**	**119,370**
Net assets		**117,967**	**112,178**
Share capital		153,927	153,927
Reserves		(9,690)	(11,249)
Retained earnings		(26,270)	(30,500)
Total equity		**117,967**	**112,178**

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 2017

Consolidated Entity	Contributed equity $'000	Other reserve $'000	Foreign currency translation reserve $'000	Retained earnings $'000	Total $'000
Opening balance at 1 July 2016	**145,829**	**3,401**	**(7,614)**	**(4,595)**	**137,021**
Total comprehensive income for the period:					
Loss for the half-year	-	-	-	(5,693)	(5,693)
Other comprehensive income, net of tax:					
Currency translation differences	-	-	713	-	713
Total comprehensive income for the period	**-**	**-**	**713**	**(5,693)**	**(4,980)**
Transactions with owners in their capacity as owners:					
Issue of share capital	8,416	-	-	-	8,416
Share issue costs	(310)	-	-	-	(310)
Share-based payments	-	(179)	-	-	(179)
	8,106	**(179)**	**-**	**-**	**7,927**
Balance at 31 December 2016	**153,935**	**3,222**	**(6,901)**	**(10,288)**	**139,968**
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	-	-	-	4,019	4,019
Other comprehensive income, net of tax:					
Currency translation differences	-	-	1,770	-	1,770
Total comprehensive income for the period	**-**	**-**	**1,770**	**4,019**	**5,789**
Transactions with owners in their capacity as owners:					
Transfers	-	(211)	-	211	-
Balance at 31 December 2017	**153,927**	**1,289**	**(10,979)**	**(26,270)**	**117,967**

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 2017

	Consolidated Entity Half-Year 2017 $'000	Consolidated Entity Half-Year 2016 $'000
Cash flows from operating activities		
Receipts from customers	170,392	96,790
Payments to suppliers and employees	(165,692)	(105,234)
Interest received	9	123
Finance costs	(3,333)	(3,976)
Income tax refund	1,075	-
Income tax paid	(1,902)	-
Net cash inflow/(outflow) from operating activities	**549**	**(12,297)**
Cash flows from investing activities		
Proceeds from sale of assets held for sale	-	5,959
Proceeds from sale of property, plant and equipment	1,206	3,038
Payments for property, plant and equipment	(1,267)	(1,592)
Payments for intangibles	(45)	(32)
Net cash (outflow)/inflow from investing activities	**(106)**	**7,373**
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities	-	7,962
Proceeds from borrowings	44,335	14,390
Repayment of borrowings	(43,015)	(20,971)
Net cash inflow from financing activities	**1,320**	**1,381**
Net increase/(decrease) in cash and cash equivalents	1,763	(3,543)
Cash and cash equivalents at the beginning of the financial year	3,923	12,832
Effects of exchange rate changes on cash and cash equivalents	32	-
Cash and cash equivalents at end of period	**5,718**	**9,289**

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

Note 1. 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, other products and 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 to the operating segments since the 30 June 2017 Annual Report.

Executive management monitors segment performance based on EBITDA. Segment information for the period ended 31 December 2017 and 2016 is as follows:

	Australia		Americas		Asia		Total	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Total segment revenue	**64,180**	**42,823**	**82,466**	**46,155**	**11,090**	**2,848**	**157,736**	**91,826**
Less: Inter-segment revenue	**-**	**-**	**-**	**-**	**(3,045)**	**(702)**	**(3,045)**	**(702)**
Total segment revenue - from external customers	**64,180**	**42,823**	**82,466**	**46,155**	**8,046**	**2,146**	**154,692**	**91,124**
EBITDA	**3,690**	**240**	**3,851**	**754**	**2,541**	**(554)**	**10,082**	**440**
Total segment assets								
31 December 2017	**71,030**		**141,398**		**17,575**		**230,003**	
30 June 2017	**71,759**		**139,023**		**20,766**		**231,548**	
Total segment liabilities								
31 December 2017	**51,900**		**56,026**		**4,110**		**112,036**	
30 June 2017	**57,922**		**54,398**		**7,050**		**119,370**	

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.

The reconciliation of EBITDA to profit/(loss) before income tax is as follows:

	Consolidated Entity	
	Half-Year 2017 $'000	Half-Year 2016 $'000
Reported EBITDA	**10,082**	**440**
Depreciation expense	(5,198)	(5,108)
Amortisation expense	(216)	(474)
Interest revenue	51	123
Finance costs	(3,324)	(3,976)
Profit/(Loss) before income tax	**1,395**	**(8,995)**

Note 2. Revenue

	Consolidated Entity	
	Half-Year 2017 $'000	Half-Year 2016 $'000
Sale of goods	92,913	40,101
Services	61,579	50,750
Interest and other income	200	273
Total revenue	**154,692**	**91,124**

Note 3. Earnings per share

	Consolidated Entity	
	Half-Year 2017 $'000	**Half-Year 2016 $'000**
Earnings used in basic and diluted earnings per share calculation	4,019	(5,693)

	Number	**Number**
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	578,833,756	540,934,000

Note 4. Dividends

Recognised amount
There was no interim dividend paid in relation to the financial half-year ended 31 December 2017 and 2016.

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 2017 (2016: Nil).

Note 5. Significant changes in the current reporting period

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 2017:

Revenue increased by 69.8% on the prior corresponding period due to a marked increase in the sale of new products, while maintaining repairs and maintenance services, in particular in the America’s sector. Net profit after tax increased by 170.6% on the prior corresponding period due to a marked increase in the sale of new products and continued improvement in cost reduction, relative to revenue.

The Group’s working capital cycle, represented by a combination of trade and other receivables, inventories and trade and other payables, decreased by $4.051m predominantly as a result of the reduction in inventory trade and other payables from the corresponding period due to improved inventory management and expedited payments to suppliers, in particular in North Americas where steel supply arrangements have changed.

During the period, Austin refinanced its core debt resulting in an increase in available facilities. Refer Note 6 for further details.

An impairment review was performed as at 30 June 2017 and at 31 December 2017 the Group considered whether there were indicators of impairment of its assets. After reviewing and updating the assessment of the recoverable amount of the consolidated entity’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 2017 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 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.

Assumptions applied in impairment tests for reviewing cash generating units at 31 December 2017 were reconsidered. No significant changes in assumptions were required from the impairment test undertaken at 30 June 2017.

Note 6. Financing facilities

	Consolidated Entity	
	31 December 2017 $'000	**30 June 2017 $'000**
Total facilities		
Bank facilities	32,618	25,902
Non-bank core debt	39,254	20,080
Other	-	10,327
	71,872	**56,309**
Utilised facilities		
Bank facilities	20,560	20,083
Non-bank core debt	31,713	20,080
Other	-	9,328
	52,273	**49,491**
Unused		
Bank facilities	12,058	5,819
Non-bank core debt	7,541	-
Other	-	999
	19,599	**6,818**

Banking facilities

The banking facilities relate to bank guarantees, leases and bank loans in various jurisdictions within the group totalling $32.618m (30 June 2017: $25.902m). Of these facilities, $5.671m relates to a property mortgage in Chile which bears interest of 9.36% per annum, expiring 2 December 2024.

At 31 December 2017, a subsidiary of the Company did not meet its Debt position and Debt : EBITDA covenants of a bank facility. The lender agreed to waive this non-compliance prior to the end of the reporting period.

Non-bank core debt

In November 2017, Austin's Australian debt, being the LIM Asia Special Solutions Master Fund Limited (LIM) financing facility of $20.080m, was refinanced and replaced by the new financing facility provided by Australian-based financier Assetsecure Pty Limited (Assetsecure) and Bibby Financial Services Inc (Bibby) in North America. The facility comprises of $12.500m term loan and trade receivable facility of up to $17.0m trade receivables in Australia and up to US$8.0m trade receivables in the United States of America. The facility is secured by Austin's Australian assets, US debtors and land.

Other

In the corresponding period, the Group had a working capital facility drawn of $9.328m. This facility was replaced by new Non-bank core debt in November 2017.

Note 7. 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.

Note 8. Events occurring after the reporting period

In the opinion of the Directors there have been no material matters or circumstances which have arisen between 31 December 2017 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.

Austin Engineering Limited
Directors' declaration
31 December 2017

In the Directors' opinion:

(a) the financial statements and notes set out on pages 3 to 9 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 2017 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.

J L Walker

Jim Walker
Non-Executive Chairman
Brisbane
26 February 2018

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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 2017, 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 2017 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 2017 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

BDO

Paul Gallagher

P A Gallagher
Director

Brisbane, 26 February 2018

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ASX ANNOUNCEMENT (ASX Code: ANG) **26 February 2018**

Austin Engineering Limited – 1H2018 Financial Results

Revenue of $154.7 million - increase of 69.8% on 1H2017

Normalised EBITDA $12.2 million - above the upper level guidance range

Positive Net Profit After Tax of $4.0 million – a significant improvement over 1H2017 Net Loss After Tax of $5.7m

Refinance of Australian debt facilities completed in November 2017

Full year (to 30 June 2018) normalised EBITDA guidance of $22 million to $25 million

Current order book and committed work represents 70% of expected revenues for 2H2018

Austin Engineering Limited (Austin) has today announced its results for the half year to 31 December 2017 (1H2018) with revenue of $154.7 million (an increase of 69.8% in comparison to 1H2017) and normalised EBITDA (EBITDA) of $12.2 million (an increase from break even EBITDA in 1H2017). This result is above the upper level of the guidance range issued in August 2017 ($10 million to $12 million).

Chairman, Mr Jim Walker, commented on the result saying *"Austin has delivered a first half 2018 EBITDA of $12.2 million, that exceeded market guidance. The result was achieved despite facing challenges including the restructure of operations in South America, and supply chain disruptions during a period of rapid growth in the USA."*

Financial Results	1H2018	1H2017	Change
	$m	$m	%
Revenue	**154.7**	91.1	69.8%
EBITDA*	**12.2**	0.0	n/a
Net Profit Before Tax	**1.4**	(9.0)	n/a
Net Profit After Tax	**4.0**	(5.7)	n/a
Basic earnings per cents per share	**0.69**	(1.05)	n/a

*Excluding impairment/one-off costs

Review of Operations

Market conditions improved during the first half of FY2018 in line with increases to the commodity markets. Major mining companies continued the reinvestment phase in replacement components for mining fleets with further release of capital expenditure.

Austin's Australian segment produced revenue of $61.1 million, which was 45% higher than 1H2017 ($42.1 million). The first half of the year was profitable with 1H2018 EBITDA of $4.3 million (including corporate overhead), compared to 1H2017 EBITDA of $0.5 million.

The Americas achieved 1H2018 EBITDA of $5.4 million, compared to 1H2017 EBITDA of $0.1 million. Results improved in the region, with higher contributions from USA, Chile and Peru, while Colombia delivered earnings consistent with the previous period. Austin's USA 1H2018 revenue increased significantly in comparison to 1H2017, driven by both local demand and deliveries to customers in Canada and Mexico. Profitability in USA was impacted by additional cost from substantial import steel tariffs applied to key suppliers. Austin's Chile and Peru facilities delivered material cost reductions during the first half of 2018.

The Indonesia business achieved positive 1H2018 EBITDA of $2.5 million compared to 1H2017 EBITDA loss of $0.6 million. This flagship facility fabricated a range of Austin products and non-Austin mining products during the period, leveraging Indonesia's geographical location and highly competitive cost structure.

Review of Operations (continued)

Reported 1H2018 PBT of $1.4 million was a significant improvement over the loss of $9.0 million in 1H2017. The first half result includes non-recurring restructuring and legal costs of $2.1 million, including expenses incurred in achieving cost savings in Chile and Peru, as well as the refinance of the Australian debt facilities finalised in November 2017.

Cash Flow, Liquidity and Debt

1H2018 cash inflows from operations of $0.6 million after an investment in working capital of $4.0m to support the additional trading volumes.

Net cash outflows on investing activities of $0.1 million for 1H2018 reflect a period where capital investment consisted of small replacement items. Austin is evaluating and prioritising capital expenditure for growth and maintenance expected to commence in 2H2018 and FY2019.

Financing cash inflows for 1H2018 were $1.3 million with an overall net cash inflow of $1.8 million.

Capital Management

LIM and other non-bank loans in Australia were repaid in November 2017. The new facilities include a term loan in Australia ($12.5 million), and working capital facilities in both USA (US$8 million limit) and Australia ($17 million limit). This refinancing of debt increases capital stability and reduces the overall cost of debt.

The remaining Austin finance facilities in South America are under review. Austin continues to assess any opportunities that may be available with respect to non-core asset and business sales, including the sale and/or leaseback of specific assets.

Dividends

No interim dividend has been declared for the period.

FY2018 Outlook

Austin has experienced a significant increase in tender activity and other identified opportunities compared to recent reporting periods, reflecting an increased interest in Austin's products and industry activity. The Group's current order book and committed work represents c.70% of expected revenues to 30 June 2018. As a result Austin is in a position to provide EBITDA guidance for 2H2018 of $10m to $13m, a full year EBITDA guidance of $22 million to $25 million.

Austin is pleased to announce the appointment of David Pichanick as the Global Manager Market Development and Innovation, commencing 28 February 2018. David has extensive senior executive experience with major OEM's including Hitachi and Liebherr, assignments in Australia and internationally, as well as senior sales and marketing roles within the industry. David will lead the business development and engineering teams to increase Austin's market penetration and improve relationships with the OEM's, global mining clients and mining contractors.

Mr Peter Forsyth, Managing Director said, *"With the current industry conditions, and positive management and operational changes made to the business over the last twelve months, Austin is well positioned to further penetrate its market, supported by engineering and manufacturing excellence, delivering improved productivity returns to its clients and enhance shareholder returns."*

End

For further information contact:

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