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

HALF- YEAR REPORT FOR THE PERIOD ENDED 31 DECEMBER 2008

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Results

	Half-Year to 31 December 2008 $000		Half-Year to 31 December 2007 $000
Revenue	**94,592**	**up 119% from**	**43,212**
Net Profit After Tax Attributable to Members	**8,128**	**up 75% from**	**4,657**

Brief Explanation of Movements in Revenue and Net Profit

The increase in revenue and net profit after tax for the half-year ended 31 December 2008 over the comparative period is due to a combination of factors including:

- Continued strong demand for the company's products and services due to elevated levels of activity within the mining and resources business sectors in Australia and North America
- A full six months of revenue and profit contribution from Western Technology Services Inc. ("Westech") which was acquired in late November 2007 and contributed only one month of revenue and profit in the comparative period
- Successful expansion of the Westech dump truck body range into the Australian market over the period.

Dividends and Dividend Reinvestment Plans

	Amount per Security	Franked Amount per Security
Final dividend paid on 10 October 2008 for the financial year ended 30 June 2008	6.5	6.5
Interim dividend payable (up from 1.0c in the previous period)	1.5	1.5
Record date for determining entitlement to the interim dividend	27 February 2009	
Date for payment of interim dividend	27 March 2009	

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

Net Tangible Assets per Security

	Half-Year to 31 December 2008	Half-Year to 31 December 2007
Net tangible asset backing per ordinary security (cents)	35.7	19.5

Control Gained Over Entities Having a Material Effect

None

Associates or Joint Ventures

The company has a 50% interest in the Majan Aluminium Services Company, which is undertaking a number of projects related to the aluminium smelter industry in the Middle East.

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

HALF-YEAR REPORT FOR THE PERIOD ENDED 31 DECEMBER 2008

DIRECTORS' REPORT

The Directors present their report, together with the financial report for the half-year ended 31 December 2008 and the review report thereon.

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

Peter Fitch (Non-Executive Chairman)
Michael Buckland (Managing Director)
Eugene Fung (Non-Executive Director)
Peter Pursey (Non-Executive Director)

Paul Reading was appointed as a Non-Executive Director on 1 January 2009.

Financial Highlights

	Increase	Half-Year 2008	Half-Year 2007
	%	$m	$m
Revenue	119%	94.59	43.21
EBIT	73%	12.09	7.00
PBT	71%	11.64	6.82
NPAT	75%	8.13	4.66
Net assets	43%	35.53	24.90
Basic earnings per share (cents)	72%	17.26cps	10.05cps
Interim dividend per share (cents)	50%	1.5cps	1.0cps

Review of Operations
Over the course of the half-year to December 2008, the company continued to experience strong demand for its products and services both domestically and overseas. This increased demand was driven by elevated levels of activity within the mining and resources sector as well as by growing customer acceptance, and corresponding sales, of the Westech dump truck body product range. All of the company's operations experienced full or close-to-full capacity utilisation in the period and the newly-developed workshop in Mackay provided valuable additional workspace to enable customer demand for the manufacture of Westech dump truck bodies and JEC water tanks to be met.

During the period, the company also successfully managed a number of difficult operational challenges in order to meet customer delivery requirements, including an acute shortage of skilled labour across all operations, tightening steel supplies and associated increased costs for both of these key inputs.

Result for the Half-Year
Revenue for the half-year to December 2008 included six months of contribution from Westech, against one month in the corresponding half-year. This accounted for around $25m of the revenue growth over the comparative period. Revenue across the company's Australian operations, based on the volume of products manufactured and sold, increased significantly in the period with most of the products being sold to customers in the Pilbara region in Western Australia and the Bowen Basin in Queensland.

The 73% growth in earnings before interest and tax from $7.0m to $12.1m largely followed the increased level of operational activity in the period. The EBIT margin for the six months to December 2008 over the corresponding period was down, reflecting provisions being made against unpaid variations for two projects and lower than average initial margins on a newly-introduced product line in the early part of the period.

Profit before tax of $11.64m, up 71% from the previous period, followed the increase in underlying EBIT. PBT included six months of interest costs associated with the US$19m bank loan that was drawn-down upon the acquisition of Westech in November 2007. Underlying US dollar interest costs associated with this loan were very favourable in the period as the company was able to take advantage of low US interest rates.

Financial Position
Net assets increased by 43% over the corresponding period, with the increase reflecting the additional profit contribution over the period. The levels of working capital at the end of the period were consistent with the level of activity throughout and leading up December 2008. Net tangible asset backing per share increased to 35.7c from 19.5c over the period.

Cash Flow and Liquidity
$13.3m of operational cash flow was generated in the period to December 2008, which emphasised the strong operational result as well as the benefit of advance progress payments obtained from customers. Collections from customers remained strong over the period, with the company's trading terms being observed.

The company undertook a number of capital expenditure programs during the period, with $2m being expended on initiatives to increase productive throughput and profitability. $0.7m was invested in a new plasma cutting system in the company's Western Australia operation which will generate significant savings associated with the processing and handling of steel. The remainder of capital expenditure largely comprised of investment in new welding equipment systems across all operations, which are also expected to improve productivity and profitability.

Debt
At the end of December 2008, the principal component of debt on the balance sheet was the US$19m loan for the purchase of Westech. The value of this loan was AU$27.5m, up from AU$21.6m at December 2007 and AU$19.9m at June 2008 due to the decline in the value of the Australian dollar over these periods. Whilst the Australian dollar value of the loan has increased, the underlying value of Westech's associated US dollar-denominated net assets has increased correspondingly.

The annual review of the company's bank facilities was completed towards the end of December 2008 and the US$19m loan facility has been extended until the end of October 2010. The loan continues to be an interest-only facility attracting US interest rates which are currently at very low underlying levels. The company's other bank facilities for working capital, guarantee and asset finance requirements were also renewed.

DIRECTORS' REPORT

Debt (Cont'd)
The covenants associated with the company's overall bank facility - none of which are related to the company's share price or market capitalisation - remain unchanged and the company continues to be in compliance with them.

EBIT interest cover for the six months to December 2008 was just over 21 times, well above industry averages, and the gearing ratio (defined as net debt/net debt plus equity) was relatively low at just under 36%.

Dividends
The company paid a fully-franked final dividend of 6.5c per share on 10 October 2008 in relation to the financial year ended 30 June 2008. An interim fully-franked dividend of 1.5 cents per share has been declared on 16 February 2009. The record date for determining entitlement to the interim dividend is 27 February 2009 with payment being made on 27 March 2009.

Outlook
The industry is experiencing a noticeable slowdown with mining companies delaying or deferring major project expansions and cutting production levels. However, even with the cuts in production, the level of activity in the industry is still reasonably high compared to two or three years ago.

Over the past few years Austin has positioned itself as the largest non-OEM supplier of new and replacement mining equipment within its product range and we are looking to further consolidate this position on a world-wide basis with further acquisitions in South America. The Westech and JEC product ranges have also gained significant and increased customer acceptance across the regions currently served by Austin.

This has resulted in the company receiving, or in the process of completing, orders totalling $32m for 75 bodies over the course of January and February 2009. These orders are for the delivery of 24 bodies in the current financial year and 51 in the 09/10 financial year. The company is also confident of receiving another significant order in the coming months for our Perth operation which will further consolidate the order book for the 09/10 financial year. Whilst not completely insulating the company from the effects of the economic slowdown, these orders do position the company for a good second half in the current financial year and provide a solid underlying base workload for the start of the 09/10 financial year.

Lead Auditors' Independence Declaration
A copy of the auditors' independence declaration as required by section 307C of the Corporations Act 2001 is set out on page 4.

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
16 February 2009

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DECLARATION OF INDEPENDENCE BY PAUL GALLAGHER TO THE DIRECTORS OF AUSTIN ENGINEERING LIMITED

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.

BDO Kendalls (QLD)

Paul Gallagher
Partner

Brisbane : 16 February 2009

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

INCOME STATEMENT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

		Half-Year 2008		Half-Year 2007	
	Notes	Consolidated Entity	Parent Entity	Consolidated Entity	Parent Entity
		$000	$000	$000	$000
Revenues from continuing operations	2	94,592	60,530	43,212	33,117
Raw materials and consumables expenses		(40,182)	(29,075)	(15,133)	(11,990)
Employment expenses		(31,357)	(17,313)	(13,281)	(10,359)
Subcontractor expenses		(785)	(707)	(1,559)	(920)
Occupancy and utility expenses		(1,690)	(1,341)	(1,280)	(1,076)
Depreciation and amortisation expense		(1,030)	(580)	(857)	(579)
Other expenses from ordinary activities		(7,336)	(3,578)	(4,006)	(3,397)
Finance costs		(569)	(515)	(281)	(198)
Profit before income tax		11,643	7,421	6,815	4,598
Income tax expense		(3,515)	(2,226)	(2,158)	(1,364)
Profit for the full year attributable to members of the parent entity		**8,128**	**5,195**	**4,657**	**3,234**
Earnings per Share:					
Basic earnings per share (cents)	4	17.26		10.05	
Diluted earnings per share (cents)	4	16.28		9.56	

The accompanying notes form part of this income statement.

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

BALANCE SHEET

AS AT 31 DECEMBER 2008

		31 December 2008		30 June 2008	
	Notes	Consolidated Entity	Parent Entity	Consolidated Entity	Parent Entity
		$000	$000	$000	$000
Current Assets					
Cash Assets		9,398	8,783	5,810	4,535
Trade and other receivables		25,839	14,273	22,695	16,074
Inventories		12,275	3,645	11,500	5,233
Other		630	13,047	1,172	18,897
Total Current Assets		48,142	39,748	41,177	44,739
Non-Current Assets					
Property, plant and equipment		25,846	11,094	21,846	10,176
Available for sale financial assets		3,585	25,013	1,717	20,135
Intangible assets		18,717	2,706	16,752	2,706
Deferred tax assets		1,912	333	1,329	333
Total Non-Current Assets		50,060	39,146	41,644	33,350
Total Assets		98,202	78,894	82,821	78,089
Current Liabilities					
Trade and other payables		29,429	21,812	26,044	29,279
Interest-bearing liabilities		570	142	548	120
Current tax liabilities		1,222	1,303	1,124	1,088
Provisions		2,505	1,181	1,867	887
Total Current Liabilities		33,726	24,438	29,583	31,374
Non-Current Liabilities					
Interest-bearing liabilities		28,625	27,930	21,291	20,379
Deferred tax liabilities		323	5	324	5
Total Non-Current Liabilities		28,948	27,935	21,615	20,384
Total Liabilities		62,674	52,373	51,198	51,758
Net Assets		**35,528**	**26,521**	**31,623**	**26,331**
Equity					
Contributed equity	5	13,050	13,050	13,000	13,000
Retained profits		24,522	15,080	18,361	12,946
Reserves		(2,044)	(1,609)	262	385
Total Equity		**35,528**	**26,521**	**31,623**	**26,331**

The accompanying notes form part of this balance sheet.

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

STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Contributed Equity	Retained Profits	Reserves	Total
	$000	$000	$000	$000
Consolidated Entity				
Opening balance at 1 July 2007	9,694	8,918	-	18,612
Profit for the half-year	-	4,656	-	4,656
Issue of shares	3,113	-	-	3,113
Dividends paid	-	(1,624)	-	(1,624)
Options reserve movement	-	-	140	140
Foreign exchange reserve movement	-	-	2	2
Closing balance at 31 December 2007	12,807	11,950	142	24,899
Opening balance at 1 July 2008	13,000	18,361	262	31,623
Profit for the half-year	-	8,128	-	8,128
Issue of shares	50	-	-	50
Dividends paid	-	(3,061)	-	(3,061)
Adjustment to value of available for sale financial assets	-	-	(2,180)	(2,180)
Options reserve movement	-	-	186	186
Foreign exchange reserve movement	-	1,094	(312)	782
Closing balance at 31 December 2008	13,050	24,522	(2,044)	35,528
Parent Entity				
Opening balance at 1 July 2007	9,694	8,276	-	17,970
Profit for the half-year	-	3,234	-	3,234
Issue of shares	3,113	-	-	3,113
Dividends paid	-	(1,624)	-	(1,624)
Options reserve movement	-	-	140	140
Closing balance at 31 December 2007	12,807	9,886	140	22,833
Opening balance at 1 July 2008	13,000	12,946	385	26,331
Profit for the half-year	-	5,195	-	5,195
Issue of shares	50	-	-	50
Dividends paid	-	(3,061)	-	(3,061)
Adjustment to value of available for sale financial assets	-	-	(2,180)	(2,180)
Options reserve movement	-	-	186	186
Closing balance at 31 December 2008	13,050	15,080	(1,609)	26,521

The accompanying notes form part of this statement of changes in equity.

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

CASH FLOW STATEMENT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Half-Year 2008		Half-Year 2007	
	Consolidated Entity	Parent Entity	Consolidated Entity	Parent Entity
	$000	$000	$000	$000
Cash flows from operating activities				
Receipts from customers	101,504	70,257	49,325	38,682
Payments to suppliers and employees	(84,951)	(54,951)	(40,343)	(30,281)
Interest received	123	115	91	84
Dividends received	217	217	-	-
Finance costs	(569)	(515)	(280)	(198)
Income tax paid	(2,998)	(2,012)	(2,474)	(1,613)
Net cash provided by operating activities	13,326	13,111	6,319	6,674
Cash flows from investing activities				
Purchase of business and company	-	-	(20,611)	(21,911)
Purchase of property, plant and equipment	(2,003)	(1,456)	(4,818)	(4,109)
Investments in other financial assets	(4,347)	(4,347)	-	-
Net cash used in investing activities	(6,350)	(5,803)	(25,429)	(26,020)
Cash flows from financing activities				
Proceeds from issue of shares	50	50	3,113	3,113
Proceeds from borrowings	52	52	22,378	21,744
Repayment of borrowings	(318)	(101)	(6,344)	(6,118)
Dividend paid	(3,061)	(3,061)	(1,624)	(1,624)
Net cash provided/(used) by financing activities	(3,277)	(3,060)	17,523	17,115
Net increase/(decrease) in cash held	3,699	4,248	(1,587)	(2,231)
Cash at the beginning of the year	5,810	4,535	6,311	6,095
Currency exchange movements	(111)	-	-	-
Cash at the end of the period	**9,398**	**8,783**	**4,724**	**3,864**

The accompanying notes form part of this statement of cash flows.

Note 1: Basis of preparation of half-year financial statements
This general purpose financial report for the half-year ended 31 December 2008 has been prepared in accordance with the Corporations Act 2001 and Accounting Standard AASB 134: *Interim Financial Reporting*, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. The half-year report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the Annual Report for the year ended 30 June 2008 and public announcements made by Austin Engineering Ltd during the half-year in accordance with any continuous disclosure obligations arising under the Corporations Act 2001.

The accounting policies applied in this financial report are the same as those applied by the company in the financial report as at and for the year ended 30 June 2008. The principal accounting policies have been consistently applied to the periods presented, unless otherwise stated.

The preliminary report has been prepared on an accruals basis and is based on historical costs modified, where appropriate, by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Note 2: Revenue

	Half-Year 2008		**Half-Year 2007**	
	Consolidated Entity	**Parent Entity**	**Consolidated Entity**	**Parent Entity**
	$000	$000	$000	$000
Revenue from operating activities:				
Mining equipment manufacture and repair and steelwork fabrication	94,211	60,179	43,083	33,033
Interest received	123	115	90	84
Other revenue	258	236	39	-
	94,592	60,530	43,212	33,117

Note 3: Segment information
The company derives its revenue principally from the manufacture of products, including dump truck bodies, excavator buckets and equipment as well as the repair and overhaul of components used in the mining and resources industry.

The geographical origination of revenue of the consolidated entity is as follows:

	Half Year 2008 $000	**Half Year 2007** $000
Australia	64,682	34,824
North America and Canada	28,829	3,252
Indonesia	939	3,064
Africa	142	1,676
South America	-	396
	94,592	43,212

Note 4: Earnings per share

	Half Year 2008 $000	**Half Year 2007** $000
Earnings used in basic and diluted earnings per share calculation	8,128	4,657
	No.	No.
Weighted average number of ordinary shares used in calculating basic earnings per share	47,083	46,325
Effect of dilutive securities - options	2,842	2,366
Weighted average number of ordinary shares used in calculating diluted earnings per share	49,925	48,691

Note 5: Contributed equity

	Half-Year 2008		Half-Year 2007	
	No.	$000	No.	$000
Ordinary shares, fully paid, net of transaction costs:				
Balance at beginning of year	46,991	13,000	43,269	9,694
Issue of shares on exercise of options	100	50	2,172	917
Issue of performance-related shares	50	-	-	-
Issue of shares on completion of placement	-	-	1,500	2,295
Cost of share issues	-	-	-	(99)
Balance at end of half-year	47,141	13,050	46,941	12,807

Ordinary shares issued in the half-year to 31 December 2008 comprised of the following, as previously announced to the market:
1 August 2008 - 100,000 shares at 50c ($50,000) on the exercise of employee options
5 December 2008 - 50,000 shares at nil cost on the grant of performance-related shares to the managing director

Note 6: Acquisition of business
On 30 November 2007, the company, through its newly-formed 100% owned subsidiary Austin Engineering USA Inc., acquired all of the issued shares in Western Technology Services Inc. for a cash consideration of US$19 million. Details of the fair value of net assets that were acquired in the period ending 31 December 2007 were as follows:

	Half Year 2008 $000	Half Year 2007 $000
Cash	-	1,787
Receivables	-	8,090
Inventories	-	4,810
Deferred tax assets	-	1,672
Other assets	-	194
Property	-	7,528
Plant and equipment	-	1,203
Payables	-	(3,836)
Bank overdraft	-	(522)
Other liabilities and provisions	-	(4,676)
		16,250
Goodwill on acquisition	-	5,341
	-	21,591

There were no business combinations in the period ended 31 December 2008.

Note 7: Contingent liabilities and contingent assets
There are no contingent liabilities or assets that have a material impact on the financial statements at 31 December 2008.

Note 8: Dividends
The company paid a fully-franked final dividend of 6.5c per share on 10 October 2008 in relation to the financial year ended 30 June 2008.

Note 9: Events subsequent to reporting date
No material event subsequent to the end of the interim period has arisen that has not been recognised in the interim financial statements. On 16 February 2009, the Directors declared an interim fully-franked final dividend of 1.5 cents per share for the financial year 2008/09, payable on 27 March 2009.

DIRECTORS' DECLARATION

In the director's opinion:

a) The financial statements and notes set out on pages 5 to 10 are in accordance with the Corporations Act 2001, including:
   i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
   ii) giving a true and fair view of the financial position as at 31 December 2008 and of the performance for the half-year ended on that date for the consolidated and parent entities; 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.

This declaration is made in accordance with a resolution of directors.

Michael Buckland
Managing Director
16 February 2009

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INDEPENDENT REVIEW REPORT

TO THE MEMBERS OF AUSTIN ENGINEERING LIMITED

Report on the Half-Year Interim Financial Report

We have reviewed the half-year interim financial report of Austin Engineering Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half year end or from time to time during the half year in order to lodge the half-year interim financial report with the Australian Securities exchange.

Directors' Responsibility for the Half-Year Interim Financial Report

The directors of the disclosing entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim 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 interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the disclosing entity's financial position as at 31 December 2008 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 Limited, 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 interim 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* would be in the same terms if it had been given to the directors at the time that this auditor's review report was made.

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 interim financial report of Austin Engineering Limited 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 2008 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 Kendalls (QLD)

BDO Kendalls

Paul Gallagher
Partner

Brisbane
16 February 2009