

ASX ANNOUNCEMENT (ASX Code: ANG)

26 March 2020

Trading Update, Withdrawal of Earnings Guidance and Interim Dividend Deferral

Austin Engineering Limited ("Austin") provides the following trading update on its response to the COVID-19 pandemic ("the pandemic") and its impacts on earnings guidance and the interim dividend.

The Board and Executive Management Team have put in place a number of initiatives aimed at keeping employees safe such as increased hygiene standards, longer breaks between shifts, creating discrete teams where possible within shifts and working from home protocols for support staff. At this time, there are no confirmed cases of COVID-19 among our employees that we are aware of.

Trading Update

Austin operates manufacturing facilities across Australia, Indonesia, USA, Chile, Colombia and Peru. Each of these countries is being impacted differently depending on the rate of spread of the virus through the population and the actions being taken by their respective governments.

Our largest facilities are located in Perth, the USA, La Negra (Chile) and Indonesia. These are the facilities that drive the majority of Austin's earnings.

- Activity levels in Perth are at the highest they have been in many years with up to five truck bodies being completed per week, as we work to fulfil a large order book that runs well into the 2021 financial year. This order book is a reflection of our strong relationships with key iron ore clients in Western Australia
- In early March 2020, Austin secured an additional truck body order in the USA that is expected to support this facility's production levels to the end of the financial year
- The La Negra, Chile facility is operating at high capacity levels as it supports additional demand following the withdrawal of a competitor from the market in 2019
- The facility in Indonesia is on track to meet its manufacturing targets on orders already received, however two large orders that were expected to be received are still waiting final approval. There is a risk that workloads in Indonesia in the final quarter of FY2020 will be subdued if purchase decisions are deferred

In relation to Austin's other facilities, Colombia and Peru are currently closed until at least 13 April 2020, and 30 March 2020, respectively as a result of government mandated closures. This is not currently expected to have a material impact on earnings guidance due to the relatively low contribution from these businesses to the overall group result. The two Mackay operations, Austin Mackay and Aust Bore, are operating as usual.

Withdrawal of Earnings Guidance

Whilst there has not yet been a material direct impact from COVID-19 to group earnings for the 2020 financial year, Austin's expectations for current year earnings include a materially higher fourth quarter as operations ramp up to meet increased demand levels. Our guidance includes earnings connected to expected orders for the Indonesian business which the group remains confident of converting but the window for delivering goods in the 2020 financial year is closing.

As we monitor developments in countries at more advanced stages of the pandemic, it is becoming increasingly apparent that further disruptions are likely to occur within the business before 30 June 2020 and into the 2021 financial year. With the virus expected to peak in Australia and the USA during the next three months and a rapidly escalating state of emergency in Indonesia, due to the high degree of global volatility and unpredictability, Austin is withdrawing its FY2020 earnings guidance of \$24-\$28 million Normalised EBITDA.

Managing Director Peter Forsyth said, "Austin is engaging with its employees, customers and suppliers to best isolate the business from disruption to ensure that the group continues to supply quality products to our customers for them to meet their production goals."

Interim Dividend Deferral

Austin's balance sheet is at its strongest level for many years with a marginal net cash position, before leasing liabilities, at 31 December 2019. As at 20 March 2020, Austin had cash on hand, including drawings on financing facilities, of \$13 million (unaudited) globally. Discussions with current finance partners and proposed refinance partners have been positive and the group is analysing capacity for additional facilities to increase debt availability.

In order to preserve cash to fund any future potential disruptions from the pandemic, Austin has elected to defer payment of its interim dividend of 0.2 cents per share (totalling \$1.2 million) until 30 September 2020.

Chairman Jim Walker said, "It is the Board's responsibility to make the best decision for shareholders and we believe that deferring payment of the dividend at this time to conserve cash is the correct decision".

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For further information contact:

Peter Forsyth – Managing Director on +61 7 3723 8600
Sam Cruickshank – Chief Financial Officer on +61 7 3723 8600

Media – Giles Rafferty, FIRST Advisers on +61 481 467 903

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

This announcement was authorized for release to the market by the Board of Directors.