



**COMPANY ANNOUNCEMENT
26 AUGUST 2015**

AUSTAL DELIVERS RECORD PROFIT, INCREASES DIVIDEND

Highlights:

- Revenue of \$1.41 billion (FY2014: \$1.12 billion)
- EBIT of \$84.8 million (FY2014: \$55.6 million)
- NPAT of \$53.2 million (FY2014: \$31.9 million)
- Underlying EBIT of \$73.2 million, removing an \$11.6 million non-cash foreign exchange benefit from the revaluation of intercompany loans
- Net debt reduced to \$6.1 million (30 June 2014: \$71.5 million)
- Declared a fully franked final dividend of 3.0 cents per share, following an interim dividend of 1.0 cents per share paid in March 2015
- Order book of \$3.1 billion, securing construction work through CY2020
- Austal well placed to enhance returns to shareholders through delivering on long-term order book and pursuing growth initiatives

Austal Limited (**Austal**) (ASX:ASB) is pleased to announce it has delivered record revenue and record earnings for the year ended 30 June 2015, with Net Profit After Tax (NPAT) of \$53.2 million, a 66.8 per cent increase on FY2014.

Austal's best result in its 27-year history was generated from revenue of \$1.41 billion, a 26.0 per cent increase on FY2014, achieved from multiple vessel programs, including major navy defence and patrol boat programs for the US Navy, Australian Border Force (formerly Australian Customs and Border Protection), and the Royal Navy of Oman.

The financial result has enabled Austal's Board of Directors to declare a fully franked final dividend of 3.0 cents per share, following the resumption of dividends earlier this year with a 1.0 cent per share interim dividend paid in March 2015.

Austal Chief Executive Officer Andrew Bellamy said the result reflected how Austal has evolved in recent years to have the capacity to deliver major defence vessel programs profitably as prime contractor.

“Austal reported record revenue and record earnings by delivering on major vessel programs across our three shipyards in the USA, Australia, and the Philippines,” Mr Bellamy said.

“Austal performed well on our US Joint High Speed Vessel contract, and we were able to generate strong earnings from our Australian operations through efficiency improvements on the Cape Class Patrol Boat program. This offset the anticipated margin pressure on Littoral Combat Ship 6, which was the result of the lack of design maturity on our first vessel as prime contractor.”

“We generated strong cash flow with \$110.4 million in operating cash flow for the year, growing our cash holdings and underpinning the resumption and increase in dividends.”

“With LCS 6 now delivered, we are applying our experience from that vessel to the remaining nine ships being constructed under the US\$3.5 billion contract. We expect this to drive further efficiencies and margin growth, similar to the improvement in financial performance on the Joint High Speed Vessel and Cape Class Patrol Boat programs as those contracts matured.”

Financial Results

Austal reported record revenue of \$1.41 billion (FY2014: \$1.12 billion), exceeding guidance of \$1.35 billion. The growth in revenue reflects the increased scale of Austal’s vessel programs, while the Company also benefitted from a weakening Australian dollar (average FY2015 exchange rate of \$0.8379 USD/AUD). Austal’s earnings are summarised in the below table:

		FY2015		FY2014	
(\$m)		Headline	Underlying ¹	Headline	Underlying ²
EBITDA	\$m	109.1	97.4	79.3	89.1
EBIT	\$m	84.8	73.2	55.6	65.3
NPAT	\$m	53.2	45.0	31.9	38.7
EBIT margin	%	6.0	5.2	4.9	5.8

¹ FY2015 underlying earnings removes the benefit from the foreign exchange mark-to-market revaluation of intercompany loans. These loans were converted to equity in FY2015 H2 and will not impact future results.

² FY2014 underlying earnings removes the following one-off items: the profit on the sale of Austal’s former satellite service base and a write down on the carrying value of inventory.

The reduction in Austal's underlying % EBIT margin in FY2015 reflects the previously announced schedule and margin pressure experienced on Littoral Combat Ship (LCS) 6. Austal's performance on the Joint High Speed Vessel (JHSV) contract and, in particular, strong margin improvement from its Australia operations driven by efficiency gains on the Cape Class Patrol Boat (CCPB) program, supported the group's EBIT margin in FY2015.

Operational Review

Austal USA delivered revenue of \$1,119.7 million (FY2014: \$933.6 million), with segment EBIT of \$58.4 million (FY2014: \$61.7 million) at an EBIT margin of 5.2 per cent (FY2014: 6.6 per cent). Austal experienced schedule and margin pressure on LCS 6, the first LCS Austal constructed as prime contractor under a 10-ship, US\$3.5 billion contract. Austal delivered LCS 6 in August 2015 and is applying the experience from this vessel to the subsequent vessels, which will deliver incremental margin improvement as the program matures. Austal has six LCS at various stages of construction (LCS 8, 10, 12, 14, 16, 18), with production of LCS 20 scheduled to commence later in CY2015.

Austal's 10-ship, US\$1.6 billion JHSV program continues to progress well. With the program now well advanced, Austal has entered an efficient production and delivery phase on this contract. Two vessels were delivered in the financial year (JHSV 4 in September 2014 and JHSV 5 in April 2015) and a further four are currently at various stages of construction (JHSV 6, 7, 8, 9).

In **Australia**, Austal delivered significantly improved earnings because improved efficiencies on the \$330 million design, build and in-service support CCPB contract were realised. Segment revenue was \$211.8 million (FY2014: \$241.9 million), with EBIT of \$31.8 million (FY2014: \$16.7 million) at an EBIT margin of 15.0 per cent (FY2014: 6.9 per cent).

Austal delivered four CCPB in FY2015 (CCPB 3, 4, 5, and 6), with an additional vessel (CCPB 7) delivered in July 2015. The final CCPB will be delivered to Border Force at the end of this month. Meanwhile, Austal made good progress in the year on a US\$124.9 million contract for two 72-metre High Speed Support Vessels from the Royal Navy of Oman, with the keel laid for both vessels in December 2014. The second vessel will be delivered in late CY2016.

Austal's **Philippines** shipyard reported revenue of \$38.7 million (FY2014: \$33.8 million), with segment EBIT of \$1.0 million (FY2014: \$2.7 million) at an EBIT margin of 2.6 per cent (FY2014: 8.0 per cent). In the year, the shipyard delivered a 21 metre windfarm vessel to Turbine Transfers, performed customisation work on Hull 270 prior to delivery to Condor Ferries, and continued

construction work on two 45 metre high speed catamaran ferries under a \$30.0 million contract for the Abu Dhabi National Oil Company, which were delivered in August 2015. The shipyard also commenced work on a 58m high speed catamaran crew boat being constructed for an undisclosed operator based in South East Asia under a US\$20 million contract. Delivery is scheduled for Q3 CY2016.

Cash and Capital Management

Austal's net debt position reduced from \$71.5 million at 30 June 2014 to \$6.1 million at 30 June 2015. The improvement in Austal's net debt reflected strong cash flow from operations of \$110.4 million (FY2014: \$41.6 million), which included a \$54.1 million contribution from the sale of Hull 270, the 102 metre trimaran stock vessel sold to ferry operator Condor. Austal ended FY2015 with cash at bank of \$148.5 million (30 June 2014: \$84.0 million) and a leverage ratio of 0.06 (30 June 2014: 0.90).

Austal's net debt position improved despite a devaluation of the AUD during FY2015 – with Austal's infrastructure-related, long-term debt held in US dollars (Go Zone Bonds) – as well as consumption of cash from progress payments paid in advance in FY2015 H1 and consumed in FY2015 H2, as highlighted in Austal's FY2015 H1 results.

Looking forward, Austal expects to be in a net cash position by the end of FY2016, driven by cash generation from Austal's diverse and maturing long-term vessel programs. The anticipated further improvement in Austal's cash position will enhance the Company's ability to pursue growth opportunities, enable continued repayment of debt, and support ongoing dividends.

Furthermore, discussions on a new banking facility have progressed and Austal expects to complete a refinancing in the coming months. Austal's long-term debt is secured by Letters of Credit with its Australian banking syndicate, which matures on 31 December 2015 and resulted in the Go-Zone Bonds being classified as a current liability on Austal's balance sheet at 30 June 2015.

Austal Limited held US\$65.3 million in inter-company loans made to its subsidiary, Austal USA. These loans were recorded in US dollars in the subsidiary company but were recorded in Australian dollars in the group company, Austal Limited. This resulted in mark-to-market revaluations being required to reflect currency movements, with changes impacting Austal's headline earnings. Austal completed the process of converting these loans to equity in May 2015 to remove further impact and simplify the Company's balance sheet.

Final Dividend

Austal announced a fully franked final dividend of 3.0 cents per fully paid ordinary share. Details of key dates regarding the dividend are:

- Ex-dividend date: Thursday, 10 September 2015
- Record date: Monday, 14 September 2015
- Payment date: Thursday, 1 October 2015

Shareholders may reinvest dividends in accordance with the dividend reinvestment plan established in February 2015. Further details are set out later in this announcement.

Outlook

Austal's strategic initiatives to further build on its \$3.1 billion order book, grow earnings, and enhance returns to shareholders are:

1. Sustain the business by securing further contracts for existing ship designs
2. Strengthen the business through cost and productivity levers
3. Diversify the business by increasing annuity style revenues from sustainment work
4. Scale the business by pursuing industry consolidation in Australia

Commenting on the outlook, Chief Executive Officer Andrew Bellamy said: "In the US, we expect to see incremental margin improvement as we apply lessons learnt from the recently delivered LCS 6, our first as prime contractor, to the remaining nine vessels, particularly those that are at earlier stages of production. In addition, we expect the JHSV program will continue to perform well."

"We also think there is strong potential for additional work beyond the current block-buy contracts, with Austal already granted an option for LCS 26 that can be exercised by the US Navy in CY2016. An order for an additional JHSV, JHSV 11, has been funded by Congress but not yet contracted.

"In Australia, we are making good progress on the two High Speed Support Vessels for the Royal Navy of Oman and will continue to target new domestic and export defence vessel contracts to expand our order book."

"This includes extension of the Cape Class Patrol Boat program – where Austal's efficiency gains on the vessels could be realised by the customer should the program be extended – opportunities for

new vessels under the Australian Government's continuous shipbuilding program, and variant-style defence vessels, particularly for navies in the Middle East."

"Work at our Philippines shipyard is progressing on a US\$20 million, 58 metre high speed catamaran crew boat and we will continue to target new commercial vessel contracts to sustain the shipyard. We are noting growing interest from the European ferry market of late and will be seeking to convert that interest into work orders."

"Austal also expects to grow its support business in the coming years through organic and inorganic growth to leverage off its vessel construction and seek additional higher margin work."

"With Austal's large order book, maturing vessel programs, and strong financial position, the Company is well placed to deliver on the strategic initiatives to further grow the business and enhance returns to shareholders."

-Ends-

Conference Call

Austal's Chief Executive Officer Andrew Bellamy and Chief Financial Officer Greg Jason will hold an analyst and investor conference call on 26 August 2015 to discuss the Company's results for year ended 30 June 2015 at the time listed below.

Conference call details:

Date: Wednesday, 26 August 2015
Time: 8:30am Perth time (AWST) / 10:30am Sydney time (AEST) – participants are requested to dial in 5-10 minutes prior to the start time
Conference ID: 4614 303

Dial-in details:

Domestic participants can dial either of the numbers below to join the call.

Toll free: 1800 123 296 or Toll: +61 2 8038 5221

International toll-free numbers are listed below. For countries not listed below, the Australian Toll number can be dialled.

Canada	1855 5616 766	New Zealand	0800 452 782
China	4001 203 085	Singapore	800 616 2288
Hong Kong	800 908 865	United Kingdom	0808 234 0757
India	1800 3010 6141	United States	1855 293 1544
Japan	0120 477 087		

Archived Call:

An archived copy of the call will be available shortly after the conclusion of the call via <http://www.openbriefing.com/OB/1908.aspx>.

Dividend Reinvestment Plan (DRP)

Austal operates a DRP which allows eligible shareholders to elect to invest dividends in shares which rank equally with Austal ordinary shares. It provides a convenient and cost effective way for eligible investors to invest part or all dividends into new Austal ordinary shares, without incurring brokerage charges or commission. Participation in the DRP is open to all shareholders who have a registered address in Australia or New Zealand.

For the 1 October 2015 dividend, ordinary shares will be issued to participants to satisfy any ordinary shares to be allocated under the DRP. The allocation price for the shares to be issued under the DRP will be calculated as the volume weighted average market price of Austal shares traded on the ASX over a period of 5 business days beginning on (and including) the second business day after the dividend record date of 14 September 2015. No discount shall apply to the allocation price. Shares will be issued on 15 October 2015 following the payment of the dividend.

The last date for receipt of applications to participate or cease participation in the DRP is 5:00pm (WST) on 15 September 2015.

Shareholders may obtain a Participation Notice by contacting Advanced Share Registry:

Advanced Share Registry Services
110 Stirling Highway
Nedlands, WA, Australia 6009
Enquiries: (618) 9389 8033

A summary of the DRP rules and the rules are available on Austal's website at www.austal.com.

Key dates to note for the application of the DRP to the upcoming dividend are:

- Last date for receipt of elections to participation in DRP: Tuesday, 15 September 2015.
- 5 trading day pricing period for DRP: Wednesday 16 September 2015 to Tuesday 22 September 2015.
- Date for issue of shares under DRP: Thursday 15 October 2015.

About Austal

Austal is a global defence prime contractor and a designer and manufacturer of defence and commercial ships. For more than 25 years Austal has been a leader in the design, construction and maintenance of revolutionary ships for Governments, Navies and Ferry operators around the world. More than 250 vessels have been delivered in that time.

Ships

Defence vessels designed and built by Austal include multi-mission combatants, such as the Littoral Combat Ship (LCS) for the United States Navy and military high speed vessels for transport and humanitarian relief, such as the Joint High Speed Vessel (JHSV) for the United States Navy and High Speed Support Vessel (HSSV) for the Royal Navy of Oman. Austal also designs, constructs, integrates and maintains an extensive range of patrol and auxiliary vessels for government agencies globally, including the Cape Class Patrol Boat Program for Australian Border Force (formerly Australian Customs and Border Protection). Defence vessels are designed and constructed in Mobile, Alabama and in Henderson, Western Australia.

Austal has been at the forefront of the high speed ferry market since the early days of the industry. Our market leading designs of high performance aluminium vessels have long been at the heart of Austal's research and development. Today, commercial ship construction is centred on our shipyard in Balamban, Philippines.

Systems

Austal has expertise in integrating complex systems into its ships, including ride control, ship management, and communication, sensors and weapon systems.

Support

Austal provides a wide range of support services, including through life support, integrated logistics support, vessel sustainment and systems support. These services are delivered through our global support network in the USA, Australia, Asia and the Middle East together with partner shipyards worldwide.

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