



**COMPANY ANNOUNCEMENT
10 DECEMBER 2015**

US SHIPBUILDING PROGRESS UPDATE

Austal Limited (**Austal**) (ASX:ASB) wishes to provide the following update on its international shipbuilding programs and financial update on its US operations.

As detailed in its FY2015 results, Austal was experiencing schedule and margin pressure on Littoral Combat Ship (LCS) 6, Austal's first as the prime contractor. Austal is building multiple LCS in parallel, with the impact of cost and schedule performance on LCS 6 continuing to impact LCS 8 and LCS 10 – both of which are in an advanced state of completion.

Austal's ability to apply lessons learnt and productivity enhancements from LCS 6 to vessels in advanced construction, namely LCS 8 and LCS 10, has been more limited than anticipated. As a result, FY2016 earnings from Austal's US shipyard are expected to be lower than in FY2015, with US shipbuilding EBIT margin expected to be in the range of 4.5% to 6.5%.

Austal's other major vessel program at its US shipyard, the Expeditionary Fast Transport program (formerly called the Joint High Speed Vessel), has reached construction program maturity, with shipbuilding margin stable.

Austal Chief Executive Officer Andrew Bellamy said while there were flow on effects from LCS 6 onto LCS 8 and 10, vessels at earlier stages of construction would benefit from the lessons learnt on LCS 6 to increase future US shipbuilding margin.

"The LCS program is maturing more slowly than we had expected, however we are working hard to manage the risks and expect an improvement across the program after delivery of LCS 10," Mr Bellamy said.

"The ongoing strong performance of the US\$1.6 billion Expeditionary Fast Transport program at our US shipyard is a great illustration of the efficiencies we can deliver once a vessel program reaches the mature production phase and we are confident the LCS program will be no different."

“Austal has a strong balance sheet and is generating good cash flow, which is enabling further investment in the business during the 2016 financial year to best position the Company to win additional contracts and service work to build our order book, revenue, and earnings into the future.”

-Ends-

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 Expeditionary Fast Transports (EPF) formerly 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 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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