



**COMPANY ANNOUNCEMENT
23 FEBRUARY 2016**

AUSTAL DELIVERS STRONG CASHFLOW, DOUBLES INTERIM DIVIDEND

Summary:

- Revenue of \$747.4 million (FY2015 H1: \$680.2 million)
- EBIT of \$29.0 million (FY2015 H1: \$45.0 million, FY2015 H1 Underlying: \$33.7 million)
- NPAT of \$16.8 million (FY2015 H1: \$28.9 million, FY2015 H1 Underlying: \$21.0 million)
- Earnings impacted by reduced shipbuilding margins in USA and lower throughput and margin in Australia, compared to the prior comparative period
- USA Shipbuilding EBIT margin of 5.5% was in the middle of the guidance range (4.5% - 6.5%)
- Continued strong cash generation resulting in a net cash position of \$30.6 million at the end of the half (30 June 2015: \$(4.2) million net debt)
- Fully franked interim dividend of 2.0 cents per share (FY2015 H1: 1.0 cps)
- Order book of \$2.8 billion across six vessel programs, securing construction work through CY2020
- Grew support business in the half, with US\$51.7 million Littoral Combat Ship (LCS) Sustainment contract was awarded with options up to US\$198.4 million

Austal Limited (**Austal**) (ASX:ASB) is pleased to announce its results for the six months ended 31 December 2015, delivering a Net Profit After Tax of \$16.8 million (FY2015 H1: \$28.9 million). Underlying NPAT in FY2015 H1 was \$21.0 million¹.

Despite a reduction in earnings from Austal USA and Australia, Austal continued to generate strong cash from operations, enabling Austal's Board of Directors to declare an increased fully franked interim dividend of 2.0 cents per share (FY2015 H1: 1.0 cps). Austal also continued to pay down gross debt and ended the half with net cash of \$30.6 million (30 June 2015: \$(4.2) million net debt).

¹ FY2015 H1 earnings benefited from \$11.3 million (\$7.9 after tax) in non-cash, non-recurring gains recognised on the revaluation of USD inter-company loans that were converted to equity in FY2015 H2

Earnings were impacted by reduced shipbuilding margins in the USA due to cost and schedule performance on first-in-class Littoral Combat Ship 6 continuing to impact on LCS 8 and 10 due to a concurrent build program, as previously announced. Austal also experienced lower throughput and margin in Australia following the completion of the Cape Class Patrol Boat (CCPB) Program, and investment to prepare for the future Federal Government shipbuilding programs.

Austal Chief Executive Officer Andrew Bellamy said that the Company had 21 vessels under construction which contributed to the first half result, demonstrating the increased diversity of the business.

“Austal was able to deliver solid earnings , strong cash flow, a further reduction in debt, and higher dividends for shareholders,” Mr Bellamy said.

“The speed at which the Littoral Combat Ship program has matured since delivery of LCS 6 – our first as prime contractor – has been slower than we initially expected as flagged in December, driving lower earnings from our US shipyard in the half.”

“The Expeditionary Fast Transport continued to perform well and our Australian operations delivered a solid result following completion of the initial Cape Class program”.

“We were also awarded more than \$100 million in work for our growing support division in the six months, largely in the USA, which is in line with our strategy of growing Austal’s naval sustainment capabilities.”

“I am proud of what Austal has delivered in the half despite some challenges and believe this is a reflection on the quality and depth of the team across the business.”

Financial Results

Austal reported revenue of \$747.4 million in FY2016 H1, a 9.9% increase on the prior corresponding period (PCP – half year ended 31 December 2015) (FY2015 H1: \$680.2 million). The increase principally reflected the benefit of a further weakening of the Australian dollar, with an average USD / AUD exchange rate for FY2016 H1 of \$0.7305 (FY2015 H1: \$0.8974). The balance was driven by increased production activity on US Navy vessel programs.

Austal’s FY2016 H1 financial results are summarised in the below table:

		FY2016 H1		FY2015 H1	
		Headline	Underlying	Headline	Underlying ¹
EBITDA	\$m	41.8	41.8	56.2	44.9
EBIT	\$m	29.0	29.0	45.0	33.7
NPAT	\$m	16.8	16.8	28.9	21.0
EBIT margin	%	3.9	3.9	6.6	5.0
Dividend	cps	2.0	N/A	1.0	N/A
Net cash	\$m	30.6	N/A	12.7	N/A

¹ FY2015 underlying earnings removed the benefit from the foreign exchange mark-to-market revaluation of intercompany loans. Those loans were converted to equity in FY2015 H2 and have not impacted the FY2016 H1 result.

Division results

Revenue from **Austal USA** was \$638.4 million (FY2015 H1: \$498.3 million), with segment EBIT of \$26.9 million (FY2015 H1: \$27.4 million) at an overall EBIT margin of 4.2 per cent (FY2015 H1: 5.5 per cent). The overall EBIT margin is a weighted average of shipbuilding, systems and sustainment activities.

EBIT margin from ship building activities was 5.5%, which is in the middle of the guidance band of 4.5% - 6.5%. Shipbuilding EBIT margin has been impacted by ongoing cost pressure in the 10-ship, US\$3.5 billion LCS program. Austal has been applying lessons learnt from LCS 6 which was delivered in August 2015 to enhance productivity in subsequent vessels. The ability to apply those enhancements to vessels in advanced construction, namely LCS 8 and LCS 10, was more limited than initially expected due to LCS 6, 8 & 10 being built concurrently. Austal currently has six LCS (LCS 8, 10, 12, 14, 16, & 18) at various stages of construction and Austal anticipates EBIT from shipbuilding activities will remain within the guidance range for the remainder of FY2016.

Austal's 10-ship, US\$1.6 billion Expeditionary Fast Transport program continued to progress well in the half. Austal delivered EPF 6 in January following acceptance trials in November and construction of the remaining vessels has progressed well. Austal continues to work closely with the US Navy to enhance the capability of the fleet which was supported by the award of fully funded contract variations to make minor upgrades. Austal was awarded a US\$53.5 million contract for long-lead time materials on EPF 11 in October which extends the program beyond the original 10-ship contract.

Australia delivered revenue of \$105.6 million (FY2015 H1: \$110.0 million), with segment EBIT of \$11.3 million (FY2015 H1: \$14.5 million) at an EBIT margin of 10.7 per cent (FY2015 H1: 13.2 per cent). The reduction in revenue reflected a decrease in throughput following conclusion of the original 8-ship Cape Class Patrol Boat program in August which delivered strong margin through FY2015 as the program reached maturity. Significant progress was made with the US\$124.9 million High Speed Support Vessel (HSSV) contract for the Royal Navy of Oman, with the first vessel launched in October. The two 72 metre vessels remain on track for delivery in CY2016. Austal was awarded an expansion of the Cape Class program to construct two additional ships for \$63 million in December, with delivery scheduled for mid CY2017.

Austal's **Philippines** shipyard reported revenue of \$16.3 million (FY2015 H1: \$20.3 million), with segment EBIT of \$0.6 million (FY2015 H1: \$1.9 million) at an EBIT margin of 3.5 per cent (FY2015 H1: 9.3 per cent). Revenue and earnings were lower due to a reduction in production activities between construction contracts. The shipyard delivered two 45 metre high speed catamaran ferries to the Abu Dhabi National Oil Company in August under a \$30 million contract and continued the construction of two fast crew boats, a 70 metre catamaran under a US\$34 million contract and a 58 metre catamaran under a US\$20 million contract. Both vessels are due for delivery in CY2016.

Austal was awarded major support contracts in the half, in line with the Company's strategy to increase its experience and capability in sustainment. This included a US\$51.7 million contract related to design services for upgrades to the LCS and preliminary design for the US Navy's future frigate in December, which is expected to increase to US\$198.4 million over three years if all options are exercised. Austal was also awarded five cost-plus contracts by Naval Sea Systems Command in the US for post-delivery programs on LCS worth ~ US\$22 million. Austal has been performing sustainment works on the eight Cape Class Patrol Boats delivered to the Australian Border Force.

Cash and Capital Management

Austal generated \$51.8 million cash from operations in the half (FY2015 H1: \$118.0 million, which included a one-off \$54.1 million contribution from the sale of Hull 270). The strong free cash flow saw Austal end the half in a \$30.6 million net cash position (30 June 2015: \$(4.2) million net debt), with cash at bank of \$181.5 million and gross debt of \$150.9 million. Austal continued to reduce long-term, infrastructure-related, US-denominated debt with another reduction of US\$7.2 million .

Austal concluded a three year financing agreement with a syndicate of four banks during the half. The high quality syndicate includes two major Australian and two major US banks with significant US Defense contracting experience. The new financing agreement is on more favourable and flexible terms than Austal's previous facility, including a lower interest rate.

Interim Dividend

Austal's board has declared a fully franked interim dividend of 2.0 cents per fully paid ordinary share.

Details of key dates regarding the dividend are:

- Ex-dividend date: Tuesday, 8 March 2016
- Record date: Wednesday, 9 March 2016
- Payment date: Tuesday, 29 March 2016

The Dividend Reinvestment Plan (DRP) established in CY2015 will apply to this interim dividend.

Further details are set out later in this announcement.

Outlook

Austal's strategic initiatives to enhance returns to shareholders remain unchanged:

1. Sustain the business by securing further contracts for existing ship designs
2. Strengthen the business through cost and productivity improvement
3. Diversify the business by increasing annuity style revenues from sustainment work
4. Scale the business by pursuing industry consolidation in Australia
5. Sustain modest dividends and continue to repay US infrastructure related debt with cash generated from US operations

Austal has also commenced a management transition that will see David Singleton assume the role of CEO from Andrew Bellamy on 4 April 2016.

Austal Chief Executive Officer Andrew Bellamy said Austal's multi-year, \$2.8 billion order book, strong cash generation and balance sheet, and depth of the management team ensured the Company was well placed to pursue its growth initiatives, sustain ongoing dividends, and enable further pay down in debt.

"There are significant opportunities for Austal to build on our improved trajectory over the past few years," Mr Bellamy said.

"Our focus in the US is on delivering quality vessels that meet the US Navy's requirements and ensuring that we do so as efficiently and effectively as possible. Our team in the US is working hard on LCS 8 and LCS 10 to deliver within the schedule and we recognise that there is significant work to be done to drive improvements across the program for subsequent vessels."

"All major military programs have been and will continue to be a source of debate amongst US lawmakers, with the LCS and future frigate not immune. We know that Austal has nine LCS still to deliver that are fully funded and sustain our US shipyard out to CY2020, there is a one ship option on top of that initial block contract, the EPF program has been well supported with Congress appropriating funds for two more vessels and it is in a phase of efficient production, our sustainment business is growing, and we are well positioned for additional work."

"The defence shipbuilding opportunity in Australia is significant and we believe that our credentials as Australia's only global prime defence contractor and export competitiveness ensure that we are well placed to win a share of the future programs."

"Projects for some Middle East customers have been impacted by the lower oil price, yet the fall in energy prices has lowered the operating cost of vessels and we are fielding growing interest from the European ferry market."

-Ends-

Conference Call

Chief Executive Officer Andrew Bellamy and Chief Financial Officer Greg Jason will hold an analyst and investor conference call today to discuss the Company's results for the half year ended 31 December 2015 at the time listed below.

Conference call details:

Date: Tuesday, 23 February 2016

Time: 8am Perth time (AWST) / 11am Sydney time (AEDT) – participants are requested to dial in 5 minutes prior to the start time

Conference ID: 4743 0480

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/2089.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 29 March 2016 interim 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. No discount shall apply to the allocation price. Shares will be issued on 12 April 2016 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 10 March 2016.

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 interim dividend are:

- Last date for receipt of elections to participation in DRP: Thursday, 10 March 2016.
- 5 trading day pricing period for DRP: Friday, 11 March 2016 to Thursday, 17 March 2016.
- Date for issue of shares under DRP: Tuesday, 12 April 2016.

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 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.

For further information contact:

Austal Public Relations

Tel: +61 8 9410 1111

Fax: +61 8 9410 2564

Email: pubrel@austal.com

Website: www.austal.com