COMPANY ANNOUNCEMENT
26 FEBRUARY 2015

AUSTAL DELIVERS REVENUE AND EARNINGS GROWTH; RETURNS TO DIVIDENDS

Summary of results:

- Revenue of $680.2 million (FY2014 H1: $505.8 million)
- EBIT of $45.0 million (FY2014 H1: $18.7 million) positively impacted by $11.3 million of non-cash foreign exchange benefit from revaluation of intercompany loans
- NPAT of $28.9 million (FY2014 H1: $9.5 million)
- Ended the year with $15.6 million net cash (30 June 2014: $68.6 million net debt), although Austal does not expect to consistently maintain a net cash position due to timing differences between progress payment profiles on vessel contracts and cash costs of construction
- Fully franked interim dividend of 1.0 cent per share declared, supported by a stronger financial position and better visibility on revenue and cash flows
- Australian segment exceeded margin expectations due to significant cost and productivity improvements in the Cape Class Patrol Boat program
- Order book $2.6 billion, with funding of LCS 22 expected in March

Austal Limited (**Austal**) (ASX:ASB) is pleased to announce a Net Profit After Tax (NPAT) of $28.9 million for the six months ended 31 December 2014, with a significant contribution from Austal's Australia business adding to US earnings. The result was enhanced by non-cash foreign exchange mark-to-market revaluation of intercompany loans.

Austal's Board of Directors has declared a fully franked interim dividend of 1.0 cent per share. The last dividend declared by the Company was in August 2011.

Austal recorded revenue of $680.2 million for the half, a 34 per cent increase on the Prior Corresponding Period (PCP – half year ended 31 December 2013). The growth in revenue was driven by Austal's four main vessel programs – the Littoral Combat Ship (LCS) and Joint High Speed

Vessel (JHSV), being constructed at Austal's USA shipyard, and the Cape Class Patrol Boat (CCPB) and High Speed Support Vessel (HSSV), being constructed at Austal's Henderson shipyard.

Group EBIT margin grew from 3.7 per cent in FY2014 H1 to 6.6 per cent in FY2015 H1. This was driven by Austal's strong performance on the CCPB program, with efficiencies identified in the early stages of the $330 million contract translating into the efficient production of the vessels. Margins were also enhanced by foreign exchange benefits from intercompany loans.

Austal continued to generate strong cash flow from operations, which has remained a key focus given the high amount of work in progress across the Group. Cash from operating activities increased 170 per cent from the PCP to $118.0 million (FY2014 H1: $43.6 million). In part, this was fuelled by the receipt of the final $54.1 million in relation to the sale of Hull 270. The strong cash flow enabled Austal to repay $38.4 million in infrastructure-related debt and achieve a $15.6 million net cash position at 31 December 2014.

Austal Chief Executive Officer Andrew Bellamy said he was pleased with the Company's performance in the half, particularly the greater diversity of earnings.

"We have put a lot of effort into driving efficiencies at the Australian business and it is great to see that translate into enhanced earnings for the company," Mr Bellamy said.

"Austal has always had long-term visibility of revenue from our major defence contracts but the key has been ensuring we deliver the best operational outcomes from those contracts to improve margins."

"We are demonstrating success in achieving higher margins and have continued to support the business by paying down debt and attaining an appropriate balance sheet structure."

"Austal is now in a strong financial position by delivering on these objectives."

"While margins are always a core focus, a key priority is to expand our $2.6 billion order book, pushing our pipeline of work beyond CY2018 to grow Austal further."

Operational review

Revenue at Austal's USA operations was $498.3 million (FY2014 H1: $418.1 million), with segment EBIT of $27.4 million at an EBIT margin of 5.5 per cent (FY2014 H1: $26.9 million, 6.4 per cent).

Earnings from Austal USA were impacted by challenges on LCS 6, the first constructed by Austal as prime contractor under the 10-ship contract. Based on experiences from LCS 2 and LCS 4 – which Austal constructed under contract to General Dynamics – a significant number of design changes were made to LCS 6 onwards which effectively required Austal to build a variant of the original design. In addition, Austal has experienced some schedule challenges in completing the ship as prime contractor. Austal is addressing these issues and applying the learnings from LCS 6 to the construction of subsequent Littoral Combat Ships. Austal has six LCS (6, 8, 10, 12, 14) at various stages of construction under the 10-ship, US$3.5 billion contract.

Meanwhile, the JHSV program is maturing well, with major milestones in the half including delivery of USNS *Fall River* (JHSV 4) to the US Navy in September. USNS *Trenton* (JHSV 5) was christened in January, subsequent to the half. Austal currently has three JHSV (5, 6 and 7) under construction out of its 10-ship, US$1.6 billion contract.

Austal's **Australia** segment continued its trend of delivering improved earnings, driven by the mature Cape Class Patrol Boat (CCPB) program. Revenue in FY2015 H1 was $110.0 million (FY2014 H1: $72.8 million), with EBIT of $14.5 million at an EBIT margin of 13.2 per cent (FY2014 H1: $3.0 million, 4.1 per cent). Austal has benefited significantly from implementing lessons learnt on the first CCPB, delivered in April 2013, and has entered an efficient production and delivery phase for the program.

Austal delivered Cape *Nelson* (CCPB 3) and Cape *Sorell* (CCPB 4) during the half. The remaining four vessels are at various stages of construction and are expected to be delivered by August 2015, in line with the $330 million construction and sustainment contract. Meanwhile, Austal commenced construction of two 72 metre High Speed Support Vessels at the Henderson shipyard during the half, under a US$124.9 million contract for the Royal Navy of Oman.

Austal's **Philippines** shipyard reported revenue of $20.3 million for the half (FY2014 H1: $18.5 million), with EBIT of $1.9 million at an EBIT margin of 9.3 per cent (FY2014 H1: $0.3 million, 1.5 per cent). Key work included customisation of Hull 270 for $6.0 million prior to delivery to Condor Ferries and continuing construction of two 45 metre high speed catamaran ferries under a $30.0 million contract from the Abu Dhabi National Oil Company. The shipyard also continued to provide small components for Australian operations, providing efficiencies across the Group. Austal delivered a 21 metre windfarm vessel to Turbine Transfers in the half.

Cash and capital management

Austal reduced its debt position in the half from net debt of $68.6 million at 30 June 2014 to net cash of $15.6 million at 31 December 2014. This was driven by strong cash flow from ongoing operating activities combined with proceeds from the sale of Hull 270, the 102 metre trimaran stock vessel sold to ferry operator Condor. Austal does not expect to consistently maintain a net cash position due to timing differences between progress payment profiles on vessel contracts and cash costs of construction. The greater diversity of work and maturity of vessel contracts provides greater visibility on cash than Austal has historically experienced.

Austal continued to focus on paying down its gross debt, with $38.4 million in debt repayments in the half. The reduction in gross debt has been masked in Austal's balance sheet, principally due to the falling AUD-USD rate and Austal's infrastructure-related debt being denominated in US dollars (total debt at 31 December 2014: $138.0 million; 30 June 2014: $155.5 million). Austal's debt reduction strategy continues to have a direct impact on the bottom line though; net interest costs have fallen from $4.9 million in FY2014 H1 to $2.1 million in FY2015 H1.

Austal's long-term debt (Go-Zone Bonds) is secured by Letters of Credit with the Company's Australian banking syndicate. The Go-Zone Bonds have been classified as a current liability on Austal's balance sheet because the facility matures within 12 months (31 December 2015). Refinancing activities are underway and a new syndicated facility agreement will be finalised during CY2015.

Interim dividend

Austal announced a fully franked, interim dividend of 1.0 cent per fully paid ordinary share. Details of key dates regarding the dividend are:

- Ex-dividend date: Thursday, 12 March 2015
- Record date: Monday, 16 March 2015
- Payment date: Thursday, 26 March 2015

Austal has established a Dividend Reinvestment Plan (DRP) which will apply to this dividend. Further details are set out in Appendix 1 .

Outlook

Austal's priorities for the remainder of FY2015 are to:

- Meet record revenue guidance of $1.2 billion.
- Target opportunities for defence vessel contracts for the US and Australian shipyards, and commercial vessels in the Philippines.
- Develop and invest in the service business to improve its performance, particularly in the US.
- Prudent capital management, including further reduction of infrastructure-related debt and extend maturity of Austal's debt profile through refinancing the Letters of Credit.

In the short-term, Austal expects its $2.6 billion order book to grow through the appropriation of funds by the US Congress for Austal's ninth LCS (LCS 22) by the end of March 2015, in line with the contract. Meanwhile, Austal is optimistic that the existing JHSV program will be extended with one or more additional vessels ordered.

The falling Australian dollar in recent months has assisted in improving the Australian construction facility's cost competitiveness for global defence vessel contracts. Austal will continue to target opportunities for its variant-style defence vessels in FY2015 H2, particularly in the Middle East. There are also opportunities within the Australian market for defence vessel contracts that are being actively pursued. Meanwhile, the Philippines shipyard is targeting new commercial vessel contracts, required in FY2015 H2 to sustain the shipyard in FY2016.

Austal Chief Executive Officer Andrew Bellamy said the focus would be to leverage off Austal's intellectual property and shipbuilding efficiencies as the Company targets new vessel contracts.

"We have developed considerable know-how and efficiencies on our current defence vessel programs which I believe places Austal in a strong position to win additional work," Mr Bellamy said.

"Austal is in an enviable position where we have a $2.6 billion order book that is delivering record revenue and solid margins, and is supported by a strong balance sheet."

"Our aim is to enhance the earnings from Austal's considerable order book and grow the backlog through securing opportunities that will underpin future construction activity at our shipyards."

-Ends-

Appendix 1- Dividend Reinvestment Plan (DRP)

Austal invites all eligible shareholders to participate in the DRP subject to the DRP rules. The DRP will be available for the dividend payable on 26 March 2015 and apply for subsequent dividends unless notice is given of its suspension or termination.

The DRP 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.

For the 26 March 2015 dividend, ordinary shares will be issued to participants to satisfy any ordinary shares to be issued 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 16 March 2015. No discount shall apply to the allocation price. Shares will be issued on 9 April 2015 following the payment of the dividend.

Participation in the DRP is open to all shareholders who have a registered address in Australia or New Zealand. A summary of the DRP rules and an application form for participation (**Participation Notice**) will be emailed to all shareholders. Shareholders who wish to participate in the DRP must return the Participation Notice to Austal's share registry, Advanced Share Registry by 5:00pm (WST) on 17 March 2015. Details for Advanced Share Registry are:

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

Shareholders may obtain a copy of the Participation Notice by contacting Advanced Share Registry. 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, 17 March 2015
- 5 trading day pricing period for DRP: Wednesday, 18 March 2015 to Tuesday, 24 March 2015
- Date for issue of shares under DRP: Thursday, 9 April 2015

Conference call

Austal Limited Chief Executive Officer Andrew Bellamy and Chief Financial Officer Greg Jason will hold an analyst and investor conference call on 26 February 2015 to discuss the Company's results for the six months ended 31 December 2014 at the time listed below.

Conference call details:

Date: 26 February 2015.
Time: 8am Perth time (AWST) / 11am Sydney time (AEDT) – participants are requested to dial in 5-10 minutes prior to the start time.

Conference ID:

7622 0753

Dial-in details:

Domestic participants can dial either of the numbers below to join the call. Participants will need to quote the conference ID provided above.

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

International toll

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 985 190		

Archived Call: An archived copy of the call will be available shortly after the conclusion of the call via http://www.openbriefing.com/OB/1700.aspx.

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 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, the Caribbean and the Middle East together with partner shipyards worldwide.

For further information contact:

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