Highlights

**Financial**
- **Revenue:** $1.1 billion, exceeding guidance
- **EBIT:** $56m ($65m underlying)
- **NPAT:** $32m ($39m underlying)
- **Net Debt:** Reduced by 50% in FY2014 to be below $70m

**Operational**
- **Diversity:** Stronger earnings contribution across the business reducing reliance on any one vessel program, with group underlying EBIT margin growing to 5.8%
- **Maturity of programs:** Supported by further operational improvements and strong asset utilisation
- **Order book:** $2.8bn, securing work through CY2018

**Outlook**
- **Strategy:** Margin growth, securing vessel pipeline for long-term revenue, and expand service and systems
- **Growth opportunities:** Targeting the Middle East
- **Cash:** Payment profile on long-term programs expected to provide strong cashflow and near term dividend
Exceeded revenue guidance, driven by contribution from major vessel programs

Underlying earnings in line with expectations – EBITDA $89.1m after removing impacts of profit on sale of land at Henderson and WIP write down

Underlying NPAT grew 39% year on year from $27.8m to $38.7m

Total shareholder return of more than 70% in FY2014
Objectives for sustained growth

**Restructure balance sheet**
- Simplified debt structure
- Used strong cash flow to target reduction of infrastructure-related debt
- Sold non-core assets

**Improve operations**
- Achieved targeted EBIT margin at US operation
- Profitable at Australian and Philippines shipyards
- Restructured service division into Australia operations to increase utilisation

**Ongoing delivery**
- Maturing vessel programs to deliver consistent earnings and cash
- Growing shipbuilding margins across the group
- Reaching new markets through additional vessel programs

**Pursue opportunities**
- Continue building on success in winning opportunities for additional variant-style defence vessels and commercial ships
- Ongoing scope for service work with deployment of defence vessels in Asia-Pacific

**DEVELOPED**

**FOCUS**

**UPSIDE**
Financials
Underlying earnings summary

<table>
<thead>
<tr>
<th>Income statement</th>
<th>FY2014 (A$m)</th>
<th>FY2013 (A$m)</th>
<th>Change (A$m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>1,122.9</td>
<td>899.5</td>
<td>+223.4</td>
</tr>
<tr>
<td>EBITDA</td>
<td>89.1¹</td>
<td>67.0²</td>
<td>+22.1</td>
</tr>
<tr>
<td>EBIT</td>
<td>65.3¹</td>
<td>42.5²</td>
<td>+22.8</td>
</tr>
<tr>
<td>NPAT</td>
<td>38.7³</td>
<td>27.8⁴</td>
<td>+10.9</td>
</tr>
</tbody>
</table>

- Underlying EBITDA grew 33% to $89.1m from $67.0m in FY2013
- **USA:** EBIT margin was 8.3% in FY2014 after excluding Systems and Support activities.
- **Australia:** Strong improvement in EBIT margin from 0.0% FY13 to 6.9% FY2014 through maturing of Cape Class program and consolidation of service division
- **Philippines:** Remains sensitive to throughput – productivity improvements at shipyard and scope to support other divisions

¹ FY2014 underlying EBIT and EBITDA excludes write down of WIP ($13.4 million) and profit on sale of Henderson facility ($3.6 million).
² FY2013 underlying EBIT and EBITDA excludes the loss on the stock yacht ($4.4 million).
³ FY2014 underlying NPAT excludes write down of WIP ($9.4 million) and profit on sale of Henderson facility ($2.5 million).
⁴ FY2013 underlying NPAT excludes research and development tax benefit ($11 million) and loss on stock yacht ($3.1 million).
## Segment breakdown

<table>
<thead>
<tr>
<th></th>
<th>($m)</th>
<th>Ships</th>
<th>Systems</th>
<th>Support</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>USA</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>744.3</td>
<td>144.9</td>
<td>44.4</td>
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<td>933.6</td>
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<tr>
<td>EBIT</td>
<td>61.5</td>
<td>(0.8)</td>
<td>1.0</td>
<td></td>
<td>61.7</td>
</tr>
<tr>
<td>EBIT Margin%</td>
<td>8.3</td>
<td>-</td>
<td>2.3</td>
<td></td>
<td>6.6</td>
</tr>
<tr>
<td><strong>Australia</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>192.9</td>
<td>1.0</td>
<td>48.0</td>
<td></td>
<td>241.9</td>
</tr>
<tr>
<td>EBIT</td>
<td>9.2</td>
<td>(1.1)</td>
<td>8.6</td>
<td></td>
<td>16.7</td>
</tr>
<tr>
<td>EBIT Margin%</td>
<td>4.8</td>
<td>-</td>
<td>17.9</td>
<td></td>
<td>6.9</td>
</tr>
<tr>
<td><strong>Philippines</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>33.4</td>
<td>-</td>
<td>0.4</td>
<td></td>
<td>33.8</td>
</tr>
<tr>
<td>EBIT</td>
<td>2.7</td>
<td>-</td>
<td>0.0</td>
<td></td>
<td>2.7</td>
</tr>
<tr>
<td>EBIT Margin%</td>
<td>8.1</td>
<td>-</td>
<td>0.0</td>
<td></td>
<td>8.0</td>
</tr>
</tbody>
</table>

- **Ships**: strong revenue growth and margin improvement across the group
- **Systems**: pass through of systems integration work – low margin, but low risk
- **Support**: increasing revenue and efficiencies; current cost-plus model impacts margin
• $44.6m cash generated from operations in FY2014
• Net debt reduced by $68.5m in FY2014 increasing balance sheet strength
• Higher EBITDA and lower net debt has significantly reduced the leverage ratio
• Surplus asset sales generating additional cash
  o Sale of satellite service base in Henderson – funds reduced debt by $17.1m in FY2014
  o Sale of stock boat completed in August 2014. Net proceeds (after tax) will be used to pay down debt
• Capex limited to $13.2m in FY2014
Discipline in long-term debt reduction

Gross debt ($millions)

- Dec 2012: 19 AUD, 248 USD
- Jun 2013: 9 AUD, 211 USD
- Dec 2013: 4 AUD, 154 USD
- Jun 2014: 1 AUD, 135 USD
Order book of $2.8 billion secures revenue through CY2018, including:

- **10 Littoral Combat Ships for US Navy**
  x8 funded (out of 10 vessel contract)

- **10 Joint High Speed Vessels for US Navy**
  Fully funded, with x3 delivered (out of 10 vessel contract)

- **8 Cape Class Patrol Boats for Australian Customs and Border Protection**
  Fully funded, with x2 delivered (out of 8 vessel contract), plus through-life support

- **2 High Speed Support Vessels for Royal Navy of Oman**
  Fully funded, construction commencing this year

- **Commercial vessels**
  x2 45 metre high speed catamaran ferries
  x1 21 metre wind farm support catamaran
Progress across the business

- Awarded $30 million contract to design and construct two 45m high speed catamaran ferries for Abu Dhabi National Oil Company
  - Contract for two HSSV for Royal Navy of Oman
  - Funding for Austal’s seventh and eighth LCS appropriated
  - *USNS Millinocket* (JHSV 3) delivered to US Navy

- LCS & JHSV participated in RIMPAC
  - *Cape Byron* (CCPB 2) delivered early to the Australian Customs and Border Protection Service

- Sale of Hull 270 stock boat
  - *USNS Fall River* (JHSV 4) completes acceptance trials ahead of delivery
  - Keel laid on *Cape Wessel* (CCPB 7)
US Navy – Littoral Combat Ship

- 10 ship contract awarded as prime contractor, worth US$3.5 billion – 8 fully funded, with at least 1 more expected to be funded in Q1 CY15
- 2 x LCS constructed and delivered by Austal for GD (LCS 2 and LCS 4)
- Program maturing well:
  - LCS 6 launched and christened – first vessel as prime contractor
  - LCS 8, 10, 12, and 14 under construction
- LCS program expected to be 52 ships-acquisition plan to become clear in medium term
US Navy – Joint High Speed Vessel

- 10 ship award to Austal valued at US$1.6 billion (fully funded), securing work through to CY2017
- Program progressing well – matured into a phase of efficient production and predictable delivery:
  - JHSV 1, 2 & 3 – delivered
  - JHSV 4 – completed acceptance trials
  - JHSV 5 & 6 – under construction
- Austal well placed to secure a role supporting the JHSV program
- Performance is generating interest in the US (strong potential for program expansion), while variants are gaining traction in Middle East
Austal strongly positioned in US

- Austal-built vessels have continued to be funded and programs are maturing well.
- US Foreign Policy remains focused on Asia-Pacific defence strategy, with Austal-built LCS and JHSV involved in 2014 US Rim of the Pacific naval exercise.
- Additional opportunities for through-life support on LCS and JHSV (e.g. support contract on LCS 6) Planning Yard Contract.
- LCS program expected to be 52 ships – speed and quantum will be decided by Congress.
- US Navy examining upgrade to LCS that enhance capability of vessel.
- LCS variants attractive to US Navy and international market.
$330 million contract for 8 Cape Class Patrol Boats, including $50 million support work

Delivered CCPB 1 & 2; remaining vessels all under construction

Program has matured significantly, with efficient production expected to drive margin growth

Targeting export opportunities for defence vessel variants

Early replacement of Australian and Pacific patrol boats continues to be explored

Opportunity for service work with deployment of vessels in Asia Pacific

“[Austal’s] a competitive outfit that knows about product and knows about service, and they know about partnership in working together with government to deliver up these major programs.”

Scott Morrison
Minister for Immigration and Border Protection
Australia – High Speed Support Vessels

- US$124.9 million contract for the design, construction and integrated logistics support of two 72 metre High Speed Support Vessels
- Construction has commenced at Henderson shipyard
- Final vessel to be delivered in CY2016
- Deployed with a similar mission to the JHSV
- Strategy demonstrated of leveraging Austal’s intellectual property and technology to new defence markets
$30 million contract from the Abu Dhabi National Oil Company to design and construct two 45 metre high speed catamaran ferries

Construction has commenced; delivery expected in CY2015

Contract for customisation of Hull 270

Small components supply to Australian operations

21 metre windfarm vessel to be delivered in H1 FY2015

Enhancing capability at shipyard through upskilling workforce to improve productivity

Pursuing further opportunities, particularly in wind farm and oil & gas vessel markets
Systems and Support

- Austal has established a global footprint, strategic partnerships and the IP to provide through life support for defence vessels such as the LCS, JHSV and CCPB

- Integration of service division in Australia and sale of product line to Thales has increased efficiencies, asset utilisation and margins

- US support business growing profitably and will benefit from Planning Yard agreement with General Dynamics
  - Planning Yard contract awarded to GD/Austal team in August 2014 with potential value of US$100 million
**Strategy**

<table>
<thead>
<tr>
<th>United States</th>
<th>Australia</th>
<th>Philippines</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Progressive growth in margins with vessel programs maturing</td>
<td>• Consolidating and maturing of Cape Class Patrol Boats program</td>
<td>• Continue to build commercial shipbuilding capability to position Austal for market opportunities</td>
</tr>
<tr>
<td>• Augment contracts with service and support work</td>
<td>• Continue targeting construction and support opportunities in defence vessels, including in Australia and variants for export markets</td>
<td>• Upskilling of workforce to be more productive and remain flexible according to market potential</td>
</tr>
<tr>
<td>• Extend pipeline beyond existing contract awards</td>
<td>• Progress made in integration of supply chain with Philippines – opportunity to develop further</td>
<td>• Explore further integration of supply chain with other divisions, including providing small components</td>
</tr>
</tbody>
</table>

Operational improvements, diversity of vessel programs, and longevity of contracts providing strong cash generation and increasing return on capital
Austal pursuing opportunities to grow order book and secure additional long-term revenue – focus on medium-term shipyard capacity

**Target markets**

- **US**: potential to extend existing LCS and JHSV programs
- **Australia**: replacement of Navy and Pacific and patrol boats
- **Middle East**: opportunity for small frigates, support vessels and patrol boats
- **Europe and Asia Pacific**: Commercial vessels and work boats

**Vessels**

- Small frigate evolved from modified Littoral Combat Ship
- Patrol boats developed from experience with Bay, Armidale and Cape class
- High speed support vessels developed from Westpac Express and JHSV
- Commercial vessels: potential new market for LNG-powered ferries
Austal’s design of a smaller frigate-size multi-mission combatant that has significant capability and lethality.
Cape-variant patrol boat for Australian Navy
Outlook

$1.2bn revenue guidance for FY2015

Continue progressive growth in profit margins on ship construction, augmented by an increase in support work

Diversity and long-term nature of vessel programs provides visibility on earnings and strong cash outlook

Research and development to increase platform capability to drive new demand for current ships and variant models

Prudent cash management to ensure appropriate financial structure – ongoing strong cashflow provides dividend potential in near-term

Pursuing variant-style defence vessel contracts in export markets, with particularly strong opportunities in the Middle East
Disclaimer

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