Updates since H1
Full year guidance for revenue is now in the range $1.8bn to $1.9bn.
2 EPF vessels worth A$369m awarded since the half year.
Mols 109m ferry and 2 Braveline 50m ferries delivered on time.
Additional orders for EPF since H1 means 14 total orders with 10 delivered. Austal has won all three competitions for LCS over the last 3 US Government financial years demonstrating the strong cost competitiveness that we have.

Guardian deliveries on time and quality going well. Program is profitable.

Breadth and quality of commercial customers in Japan, Taiwan, Korea and Europe shows strength of business given all have strong shipbuilding industries of their own.
Austal is highly differentiated in the shipbuilding world and is the world leader in high speed low weight aluminium vessels for both the military and commercial applications.

Constant innovation has meant Austal has kept ahead with many technical firsts including the trimaran hull which provides the best combination of the benefits of the carrying capacity and efficiency of catamarans with the seakeeping of monohulls.

Significant R&D investment over the past 3 years has led to the ultra efficient catamarans sold to Denmark, Norway and Trinidad, the Trimarans for Spain (Canary Islands) and Japan and a range of smaller vessel designs focused on the fast growing Asian market.

We are now working on the digitisation of our control systems to improve fuel efficiency, ride and reliability amongst other things and are fitting these systems to ships right now. We are also working on new low emission fuels including LNG and battery powered vessels.
There are ferries.
Don’t think of Austal as a normal ferry builder, think of Austal as building the most sophisticated high speed vessels in the world. The Ferraris of the shipbuilding world.

Austal is the only designer and builder of large high speed trimarans in the world.
Innovation has led to our newest class of vessels, more efficient in the water and lighter for its speed and size than anything that has gone before it.
Another range of unique Austal products are our Auxillary Transport vessels.

These were originally based on commercial catamaran design, one of which Westpac Express has been operating from Okinawa in Japan for 14 years.

Based on this success the US Navy ordered 10 EPF and have since added 4 more EPF vessels, which are under construction in our Alabama shipyard.

It is our view that the announced expansion of the US Navy to 355 ships (Congress Law) could see a significant expansion of the program. This could come as additional EPF added to the current build sequence, although numbers unclear, the use of EPF as a candidate for the US Large Unmanned Surface Vessel (LUSV) of which there is a stated requirement of 1 in 2022 and 2 pa from 2023 and potentially a larger version of EPF for other roles.

There significant interest in this type of vessel from Navies around the world, due to the speed, carrying capacity and low cost.
LCS. Designed in Australia, built in the US.

127m Littoral Combat Ship (US Navy)
Successful US Navy shock trials demonstrates aluminium capability.
“I am a huge fan of the LCS. It has a capacity to do modernization and add capability like no other warship we’ve ever built.”

Admiral Philip Davidson, Commander, U.S. Fleet Forces Command
November 2017
EPF variants being proposed in foreign Navies.

72m HSSV for RNO
Austal has received schedule protection funding from Trinidad and Tobago for 2 Cape vessels for delivery in mid 2020. Contract is not finalised and therefore provides no certainty that these vessels will be completed.
1 additional Guardian Class patrol boat delivered on time program & stable (now 2 of 21 delivered).
3rd vessel has been launched and is approaching user training. Program is profitable.
We have been pursuing a strategy of building highly quality and low cost manufacturing centres to service our key markets in the USA, Australia, Europe and Asia whilst maintaining our technological lead based in our home base in Western Australia.
This year we will celebrate 20 years of ship building in the USA. Today we have the largest most efficient aluminium shipyard in the USA a significant competitive advantage.
Asian expansion fundamentally changes our business.
Never before been able to produce large vessel in Asia.
Now 2 large vessels at a time (Philippines and Vietnam together).
Reduces yard concentration issues.
Asia expansion is creating new ‘home’ markets.
Philippines operators prefer local build but international quality standards. Over 7000 islands.
New Assembly Hall would fit 3x Boeing 737

*Aircraft shown are Boeing 737-200
Shipyard officially commenced production in November 2018 and now employs circa 230 people. We expect this to rise to over 400 by mid year.

Yard is currently building the 94m catamaran for Trinidad. Program is on schedule for the planned delivery date.
China. Aulong JV is nearly 3 years old and fast becoming the local market leader.
Strategy and Outlook
Defence Market Overview

1. LCS and EPF consistent and profitable.
2. Order book and outlook is strong.
3. Sustainment and support work growing as fleet grows.
4. Important non-USA opportunities.
The FFG(X) program represents a major growth opportunity for Austal in the USA with a bigger and more sophisticated ship that the Navy budget suggests could be around US$800m each with a requirement for 2 per annum. (see US Navy plan and budget statements)
We are seeing increasing interest in variants of EPF for other mission types that could continue to extend its life. EPF 13 and 14 contracted in March this year are likely to have a medical capability. Other vessel types are also possible.

In addition the Navy has published plans for a Large Autonomous Vessel class to be built from 2022 which could be based on a developed version of EPF. Navy’s plan shows one vessel in 2022 and 2 per year from 2023. A larger version of EPF is also possible.
Commercial Ferry Market Overview

1. Austal’s core market of commercial ferries has entered a period of likely sustained growth based on the need to replace old vessels and the growth of new routes.

2. Austal has invested in major capacity expansion and new modern vessel designs early in the cycle and is in a position to deliver into this market.

3. Austal remains highly differentiated in its core aluminium high speed market.
Conventional large ferry construction market is running at record levels of activity, globally.

New build orders per year [Vessels >70m]

30 year historic peak
Global high speed ferry replacement market is now underway. Market research indicates it is yet to hit its peak.

Age of global high speed ferry fleet (vessels >70 metres)

Source: Fast Ferry International, Shippax
New build activity in the large ferry market is tracking to forecast levels, with a mix of new capacity and replacement vessel.
The MARPOL 2020 regulation on sulphur dioxide emissions requires all vessels globally to operate with no more than 0.5% sulphur in fuel content.

This means vessels will no longer be able to burn (low cost) high sulphur fuel oil (HSFO) without fitting an exhaust scrubbing system.

Alternative is to switch to cleaner fuels such as Marine Gasoil/Diesel (MGO) or even LNG.

High speed ferries like those built by Austal already use MGO due to the performance requirements of their engines.

Therefore there is no direct impact on Austal built vessels.

The 2021 Baltic & N.Sea ECA is a shift in this region from NOx Tier II, the current global level, to NOx Tier III, which amounts to a 75% reduction in NOx emissions.

It is only applicable to new vessels with keels laid after Jan 2021.

A diesel (MGO) fuelled vessel will not be compliant with NOx Tier III unless fitted with a urea catalytic reduction unit (SCR) to treat exhaust gases. This adds weight, capital cost and operating cost to the vessel.

The alternative is to switch to cleaner fuels such as LNG, Hydrogen fuel cells or Battery-Electric propulsion.

In all cases the incentive for operators of large fast vessels to invest in lighter, more energy efficient designs, such as Austal specialises in, will only grow as operating costs increase. We expect a rise in interest for new vessels before new regulations come into effect in 2021 as vessels built post this date will not meet rules.
Financials & Operational Highlights
Update
- EPF long lead has now converted to 2 contracts.
- 2nd Guardian Class vessel delivered.
## Earnings

<table>
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<tr>
<th>$m</th>
<th>FY2019 H1</th>
<th>FY2018 H1</th>
<th>Change</th>
</tr>
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<tbody>
<tr>
<td>Revenue</td>
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<td>EBITDA</td>
<td>60.7</td>
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<td>EBIT</td>
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<td>NPAT</td>
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<tr>
<td>EPS (cents)</td>
<td>6.7</td>
<td>6.7</td>
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1. FY2018 H1 restated for adoption of AASB 15 Revenue accounting standard

- Operating Revenue increased across all shipyards [pre positive FX impact in USA and Asia].
- Significant EBIT & EBITDA increase, driven by strength of USA earnings and recovery of Austronesia.
- FY2018 H1 NPAT benefited from the downward revaluation of deferred tax liabilities following tax reform in USA.
- Effective accounting tax rate – 35%.
- Cash tax rate for FY2019 H1 estimated to be lower than 10%.
- USA support margins strong and should stay in current 7-8% range but volatile given timing of award fee’s which can affect single half results.
- Australasia support margin continues to be subdued due to the onerous Cape ISS contract (as previously advised).
- US shipbuilding margin is in the 7-8% range previously advised.
  - Margin can increase in the range and potentially above it over next 1-2 years based on LCS improvements and new EPF builds.
- Australasia margin of 1.8% pleasing given previous years losses and is predicted to grow in H2 and in FY2020.

### Segment breakdown

<table>
<thead>
<tr>
<th>Concept</th>
<th>Shells</th>
<th>Support</th>
<th>Other</th>
<th>Total</th>
</tr>
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<tbody>
<tr>
<td><strong>USA</strong></td>
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<td></td>
<td></td>
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<td>Revenue</td>
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<tr>
<td><strong>Australasia</strong></td>
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<td>Revenue</td>
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<td>EBIT</td>
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<td>1.6</td>
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<td>EBIT Margin %</td>
<td>1.8%</td>
<td>5.1%</td>
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<td>2.4%</td>
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<table>
<thead>
<tr>
<th>Concept</th>
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<tbody>
<tr>
<td><strong>USA</strong></td>
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<td>Revenue</td>
<td>$405.3</td>
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<td>EBIT</td>
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<td>EBIT Margin %</td>
<td>8.3%</td>
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<td>12.0%</td>
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<tr>
<td><strong>Australasia</strong></td>
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<tr>
<td>Revenue</td>
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<td>EBIT Margin %</td>
<td>(6.8%)</td>
<td>8.6%</td>
<td></td>
<td>(1.1%)</td>
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</tbody>
</table>
Net Cash / (Debt)¹

¹ Excludes CCP & $10 debt
Guidance Update – Group

The following slides are an update on public guidance statements made in the FY2018 full year results announcement.

Revenue $1.3 – 1.4 billion increased $1.8 - $1.9 billion
USA Margin 7-8%
Effective tax rates similar to FY2018
Cash generation similar to FY2018
- **Defence**
  - dominated by USA but exports featuring again.
  - EPF 13 and 14 now awarded. (Post H1 2019)
  - See separate note on T&T contract status.
  - Philippines OPV is at Request for Information stage.
- Commercial
  - strongly positive based on major product revamp.
  - Some start up risks largely in the Philippines.

Guidance Update - Commercial

Continuing to pursue opportunities for further orders
Capacity expansion in Asia fully functional in FY2019 H2
8 vessels in construction excluding China
Australasia shipbuilding revenue to double
Australasia return to profit (EBIT)
- Austal recently lost the ‘Planning Yard’ contract in the USA however support is still likely to grow rapidly due to a larger LCS fleet (only 9 of 19 ships on order delivered) and greater proportion of total spend being won (eg. recent dry docking awards).
Disclaimer

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