H1 FY14 results presentation

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Highlights

Financial

- **Revenue:** $507.6m, a 30.4% increase on H1 FY13
- **NPAT:** $9.5m, a 76.4% uplift on H1 FY13
- **Net Debt:** Reduced by $32.8 million H1 FY13 to $113.7m
- **Cash flow:** Strong conversion of earnings to cash – $37.8m cash flow from operating activities

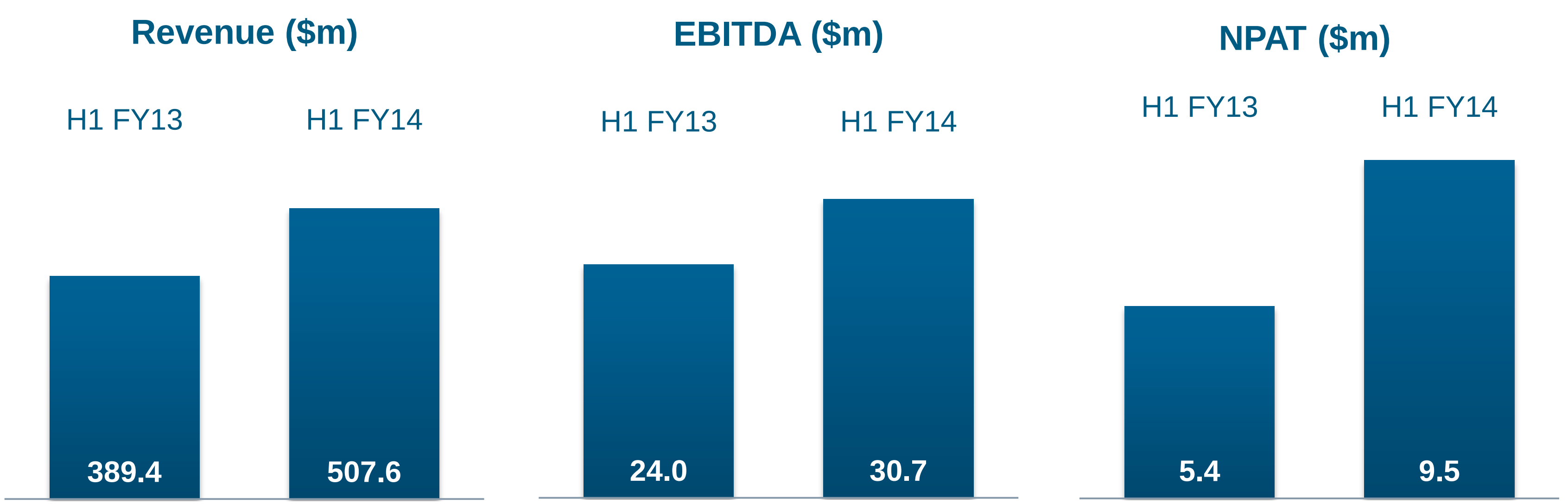
Operational

- **Group EBIT margin:** Increased to 3.7% (H1 FY13: 3.2%)
- **US operations:** EBIT margin increased to 6.4% (H1 FY13: 5.5%)
- **Australia operations:** EBIT margin of 4.1%, improvement on loss in H1 FY13
- **Order book:** $2.4 billion, securing work through to CY18

People & Strategy

- **Management:** Stable team delivering results
- **Defence pipeline:** Potential for variant-style defence vessel exports and support work in Asia Pacific with the deployment of US and Australian defence vessels

Delivered on record amount of work in hand



- Ongoing improvement in earnings and revenue from H1 FY13 to H1 FY14
- Revenue growth driven by record amount of work in hand, particularly US Navy vessels
- Margin growth at US operations and profit contribution from Australia operations

Objectives for sustained growth

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Restructure balance sheet

- Simplified debt structure
- Used strong cash flow to continue reducing infrastructure-related debt

Improve operations

- Achieved targeted +6% EBIT margin at US operation
- Profitable at Australia and Philippines operations
- Restructured service division into Australia operations to increase utilisation

Ongoing delivery

- Management stable and cost structures implemented to deliver on record amount of work in hand
- Targeting 8% EBIT margin in US by end FY16

Pursue opportunities

- Continue to target opportunities for additional variant-style defence vessels and commercial ships
- Scope for service work with deployment of defence vessels in Asia-Pacific

DELIVERED | **FOCUS** | **UPSIDE**

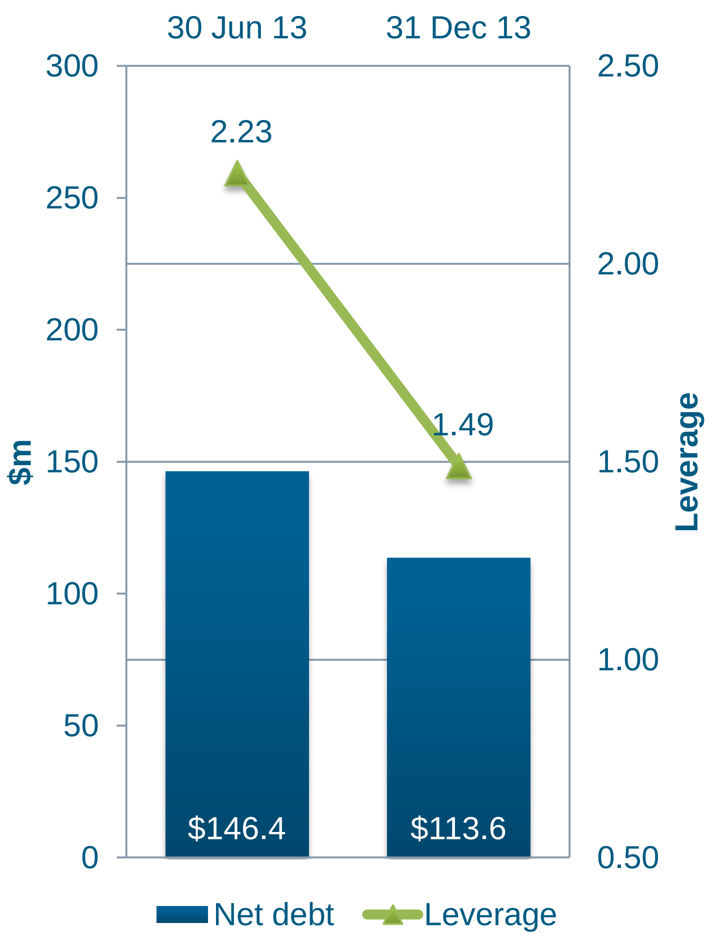
Financials

Earnings summary

Profit & Loss	H1 FY14 ($m)	H1 FY13 ($m)	Increase ($m)
Revenue	507.6	389.4	118.2
EBITDA	30.7	24.0	6.7
EBIT	18.7	12.6	6.1
NPAT	9.5	5.4	4.1
EPS	2.71¢	2.14¢	0.57¢

- Underlying EBITDA was $37.7m (H1 FY13: $28.4m) after removing one off impacts:
  - $3.3m profit on sale of land at Henderson
  - $10.2m WIP write down
- **US:** EBIT margin improved from 5.5% H1 FY13 to 6.4% H1 FY14
- **Australia:** Margin improvement from maturity of Cape Class program and increased utilisation through consolidation of service & support division
- **Philippines:** Revenue growth but margin deterioration because a vessel was delivered late

Significant progress in debt reduction



Leverage = Net Debt / Last 12 months EBITDA

- Cash generated from operating activities was used to reduce Net Debt by $32.8m
- Higher EBITDA and lower Net Debt has significantly reduced the Leverage ratio
- Proceeds from the sale of the satellite service base in Henderson were used to reduce debt by a further $17.1m in January 2014
- Strong focus on cash management has restricted capital expenditure to less than $2.0m

Operations update

Ongoing progress across the business

August
- Keel laid on third Cape Class vessel
- New wind farm vessel contract awarded

September
- USS *Coronado* (LCS 4) delivered to the US Navy

October
- JHSV 1 successfully completed US Navy operational testing and evaluation – ready to undertake missions

November
- 16 vessels under construction

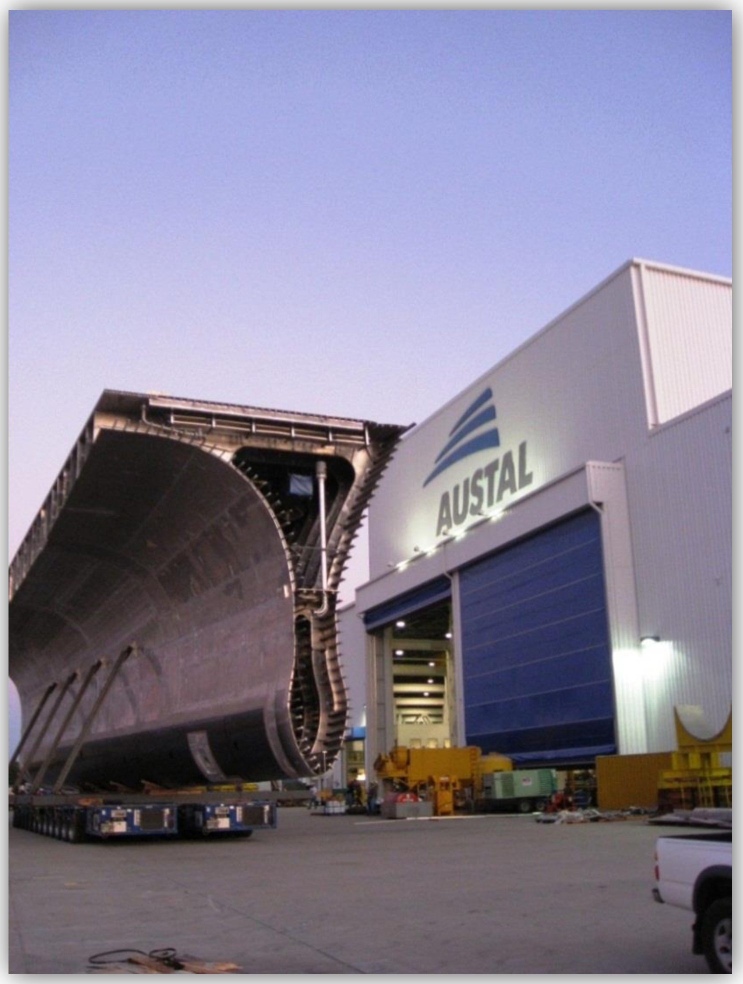
December
- Agreement to sell surplus facility at Henderson for $21 million
- Delivered 80 metre commercial ferry
- USS *Jackson* (LCS 6) launched

2013 | **2014**

January
- Option to Purchase contract with European ferry operator for 102-metre stock boat
- JHSV 3 completed acceptance trials
- Second Cape Class Patrol Boat launched

Order book

- Order book of $2.4 billion secures revenue until CY18, including:
  - **Littoral Combat Ships for US Navy**
    x6 funded (out of 10 vessel contract)
  - **Joint High Speed Vessels for US Navy**
    Fully funded, with x2 delivered
    (out of 10 vessel contract).
  - **Cape Class Patrol Boats for Australian Customs and Border Protection**
    Fully funded, with x1 delivered (out of 8 vessel contract), plus through-life support.
  - **Commercial vessels**
    x3 27 metre wind farm support catamarans
    x1 21 metre wind farm support catamaran



US – Littoral Combat Ship

- 10 ship contract awarded as prime contractor, worth US$3.5 billion.
  - 6 fully funded
  - Funding for two more (LCS 18 & 20) expected by end March 2014, final two in Q3 FY15.
- 2 LCS constructed and delivered by Austal for GD (LCS 2 and LCS 4).
- Program progressing well:
  - LCS 6 launched before end CY13 – first vessel as prime contractor
  - LCS 8, 10, 12 under construction

US – Joint High Speed Vessel

- 10 ship award to Austal valued at US$1.6 billion (fully funded), securing work through to CY17
- Maturing program progressing well:
  - JHSV 1 & 2 – delivered.
  - JHSV 3 – completed acceptance trials
  - JHSV 4 – launched
  - JHSV 5 & 6 – under construction
- Austal well placed to secure a role servicing the JHSV program
- Performance is generating interest – potential for Austal to penetrate new markets with variant

Austal's position in the US remains strong

Austal-built vessels have continued to be funded.

LCS 18 & 20 expected to be appropriated by end Q3 FY14

LCS program expected to continue beyond current block contracts – speed and quantum is uncertain and will be decided by Congress

US Foreign Policy remains focused on Asia-Pacific defence strategy

Additional opportunities for through-life support on LCS and JHSV, particularly with Asia-Pacific policy

Australia

- $330 million contract for 8 Cape Class Patrol Boats, including $50 million support work – through to H1 FY16.
- CCPB program maturing with 6 vessels under construction
- Efficiency improvements expected to increase margins in H2 FY14
- Targeting export opportunities for defence vessel variants
- Early replacement of RAN vessels less likely in short term
- Opportunity for service work with deployment of vessels in Asia Pacific

Philippines

- Delivered 80 metre commercial ferry in December 2013
- Ongoing technology transfer to improve competitive position
- Working capital largely retired
- Demand for commercial ferries remains subdued
- Pursuing further opportunities in wind farm and oil & gas vessel markets

Outlook

Strategy

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United States	Australia	Philippines
• Progressive growth in margins as vessel programs mature • Augment contracts with service and maintenance work • Extend pipeline beyond existing contract awards	• Further increase efficiencies on Cape Class Patrol Boats, following first-in-class vessel • Target construction and support opportunities in defence vessels to sustain the shipyard, particularly in Middle East • Extract further synergies from integration of shipbuilding and service operations	• Continue to build commercial shipbuilding capability to position Austal for market opportunities • Remain flexible according to market potential • Integrate Philippines and Australia supply chain to increase competitiveness

Reduced debt, improved efficiencies from first-in-class ships, and stable management delivering on vessel programs

Outlook

Meet guidance of $1 billion revenue in FY14

Continue progressive growth in profit margins, augmented by an increase in service and systems work

Use strong cash flow from operations and complete sale of stock boat to pay down infrastructure-related debt

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

Stable management and strengthened Board delivering results

Pursuing variant-style defence vessel contracts in export markets

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