2012 – Full Year Results

September 2012

SHIPS • SYSTEMS • SUPPORT

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Contents

Financial Year 2012 Results

A$MM	FY12	FY11	Change
Revenue	653.0	503.8	29.6%
EBIT	16.6	22.1	(24.9%)
Net profit after tax	11.0	21.9	(49.7%)
EPS	6.01 cents	11.9 cents	(49.5%)

- Revenue grew by $149M, driven by the growth in throughput in the US. Headcount in the US grew by ≈ 500 FTEs
- This growth was offset by well publicised first in class issues on the first JHSV and low activity levels in the Henderson Shipyard Operation resulting in a drop in EBIT to $16.6M and a drop in NPAT to $11M
- Manufacturing footprint in the US doubled to meet the schedule requirements of both vessel programs
- Substantial operational changes made in the US operation contributing to a significant improvement in second half results - second half revenue up by 49% and EBIT up by 136%
- Established Strategic Business Units to more closely align the cost base with the revenue base and to enhance transparency in operational performance.
- Opened commercial vessel manufacturing facility in the Philippines to enhance competitiveness
- Strategic new contract awards:
  - LCS 10 and 12 – US$691M
  - JHSV 8 and 9 – US$321.7M
  - Cape Class Patrol Boats - AUD$330M
- Backlog sits at $2.6B – 4 years of future work

Balance Sheet Summary

A$MM	FY12	FY11	Change
Total Assets	**826.0**	**674.6**	**22.4%**
Cash	51.8	42.3	22.4%
Restricted Cash	52.9	128.8	(58.9%)
Receivables	96.2	22.0	337.3%
Inventories	193.5	177.9	8.7%
Property, plant and equipment	370.4	208.3	77.8%
Total Liabilities	**548.9**	**400.4**	**37.1%**
Trade Creditors	128.6	52.8	143.5%
Go Zone Bonds	219.4	209.7	4.6%
Other interest bearing	46.0	16.8	173.8%
Government Grants	52.3	45.5	14.9%
Net Assets	**277.0**	**274.2**	**1.0%**

- Strong growth in asset base reflecting increasing scale of the US business
- PP&E growth reflects the investment in US facilities and the Philippines expansion. Land and buildings revalued by $42M reflecting substantial unrecognised growth in the value of the underlying asset base
- GZB remains the principal source of long term debt funding for the US operation
- US Government grant funding continues to be an important source of capital investment funding

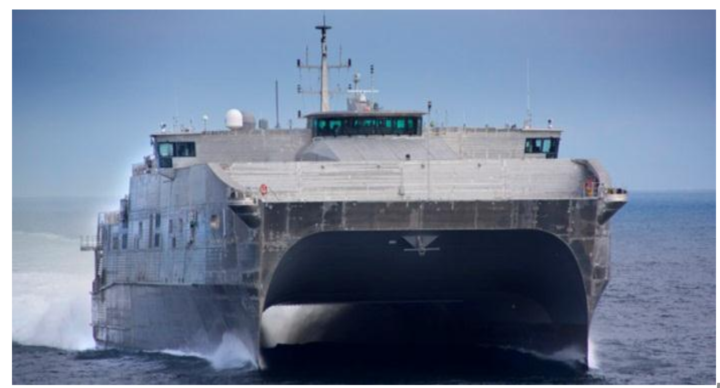
USA segment

A$MM	FY12	FY11	Variance
Revenue	570.3	343.9	65.8%
EBIT*	20.8	30.1	(30.9%)
EBIT %*	3.6%	8.7%	(58.6%)
PBT*	13.5	25.9	(47.9%)

* Adjusted for training grant reimbursement

Highlights

- Substantial YOY revenue growth reflecting increasing size and scale of the US operations
- Earnings impacted by “first in class” issues. Lessons learned are being applied and indications are positive:
  - H2 v H1, revenue up 49%, EBIT up 136%
  - Labour hours per vessel reducing in line with expectations
- Capex works of $100M completed on time and to budget providing the foundations for improving levels of efficiency



Henderson Shipyard Operation segment

A$MM	FY12	FY11	Variance
Revenue	49.0	133.9	(63.4%)
EBIT	(13.6)	(10.1)	(34.6%)
EBIT %	n/a	n/a	
PBT	(9.2)	(8.6)	(7.0%)

Highlights

- Macro environment remains extremely challenging
- Stratgically repositioned as a defence focused facility and commercial activity relocated to the Philippines
- Workforce and overheads right sized to deliver current order book
- Results reflect the completion of 5 commercial vessels at low margins and the commencement of the first Cape Class vessel and associated design work
- Rationalised manufacturing footprint and realised surplus assets in Group earnings

Philippines Shipyard Operation segment

A$MM	FY12	FY11	Variance
Revenue	1.9	-	-
EBIT	(0.8)	-	-
EBIT %	n/a	-	-
PBT	(0.8)	-	-

Highlights

- Established to allow Austal to be competitive in global commercial vessel market
- Commenced operations in February 2012
- Full order book through Q3 2013, with prospects of further awards
- Current labour force of 200, less than 10% expatriates
- Additional 100 employees required over the next 6 months to complete contracted projects

Service & Systems segment

A$MM	FY12	FY11	Variance
Revenue	19.4	16.3	19%
EBIT	1.6	0.9	77.8%
EBIT %	8.2%	5.5%	49%
PBT	1.6	1.8	(0.1%)

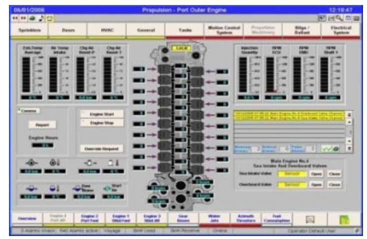
Results exclude WestPac Express charter

Highlights

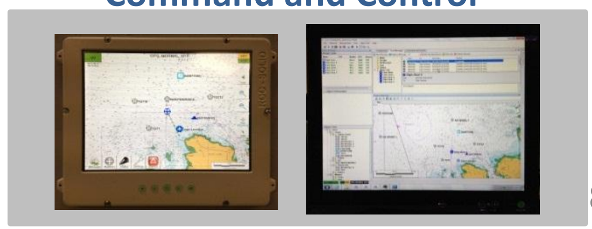
- Growth in revenue and improvement in bottom line performance reflects enhanced focus on quality of business. Service business generated a standalone EBIT of $3.35M at a margin of 18.6%
- Secured initial 5 year maintenance contract for the Cape Class Patrol Boat program of $50M. Two options for two further terms of 5 years each are included in the contract
- Strategic focus on the development of the Orion command and control system will provide a further source of future growth with the system to be deployed on the first Cape Class Patrol Boat

Support

Systems



Command and Control



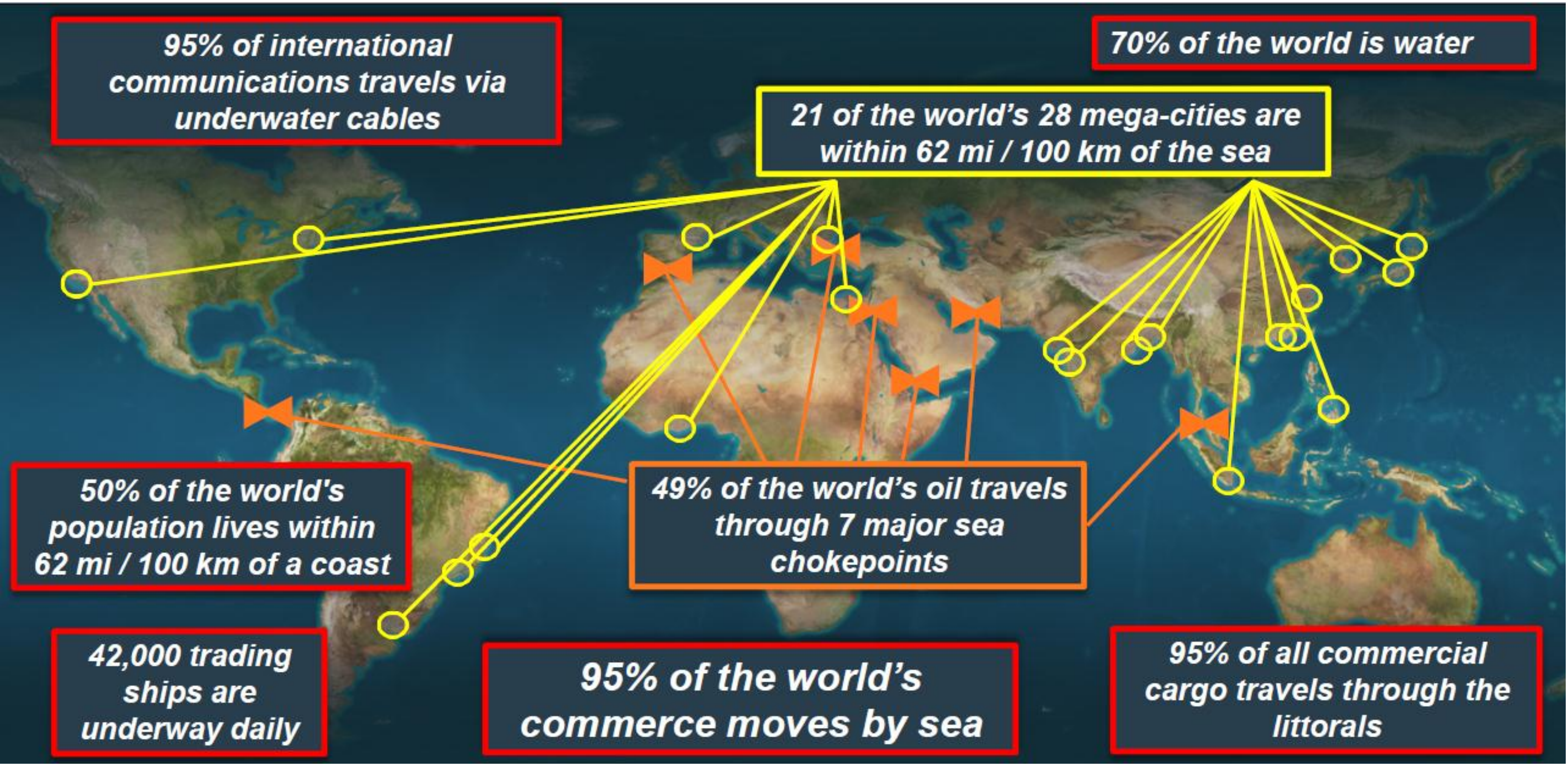
Capital Expenditure

A$MM	2012 actual		Forecast 2013			
			USA	HSO	PSO	Service & Systems
Production plant and equipment	24.6		16.7	-	0.4	-
Buildings/Facilities	92.2		11.0	-	6.3	-
IT	1.1		1.1	-	0.6	0.2
Other	-		-	0.3	0.1	0.1
Total	**117.9**		**28.8**	**0.3**	**7.4**	**0.3**

Key projects for 2013:

- PSO
  - Land reclamation to facilitate eventual expansion of manufacturing footprint
  - Continued expansion of production tooling to deliver contracted projects
- USA
  - Stage 1 of Outfit yard
  - Completion of office complex , U.S. Navy building
  - Production tooling to complete fitout of new production facilities

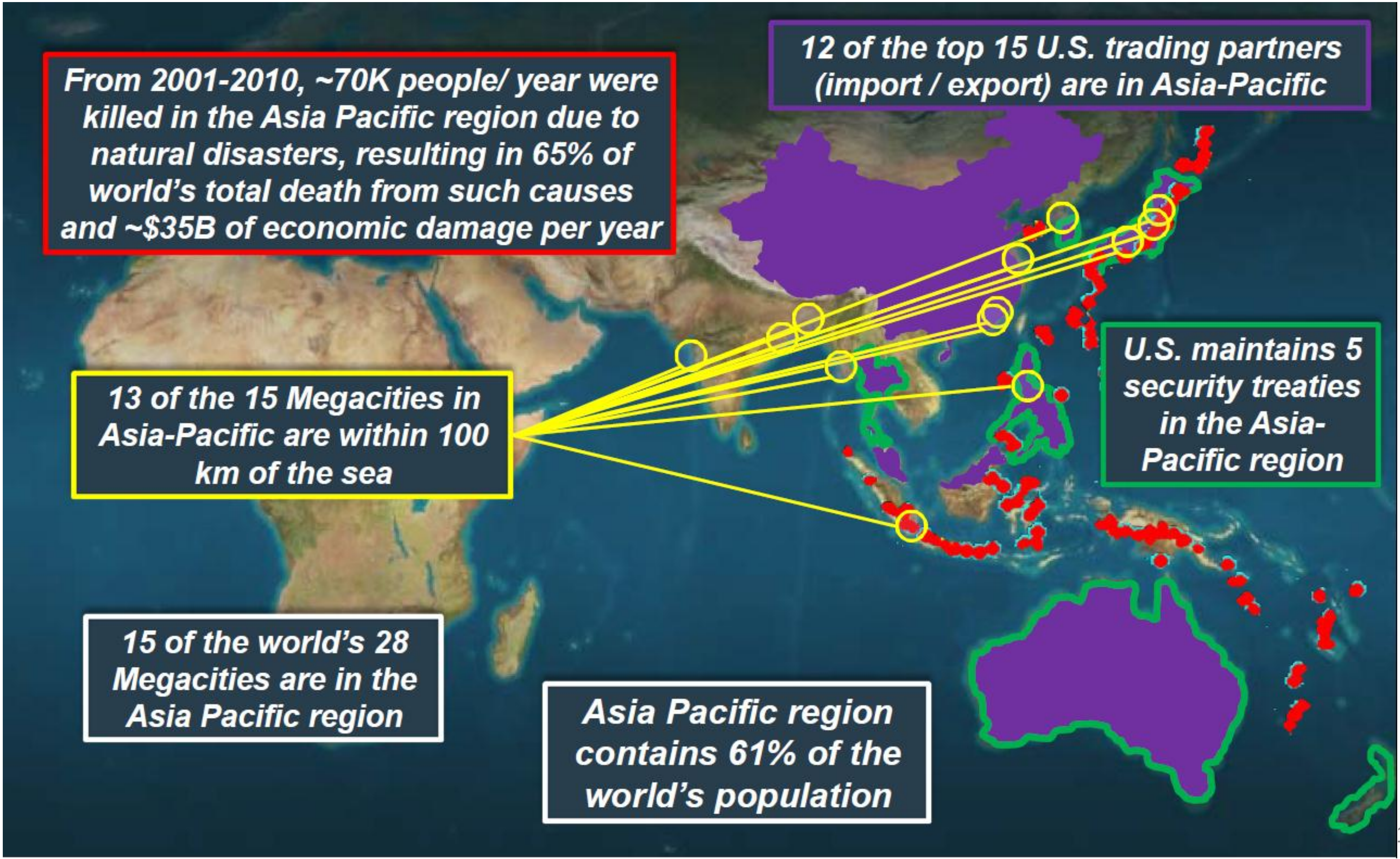
US Defence Outlook – US Strategic Assessment



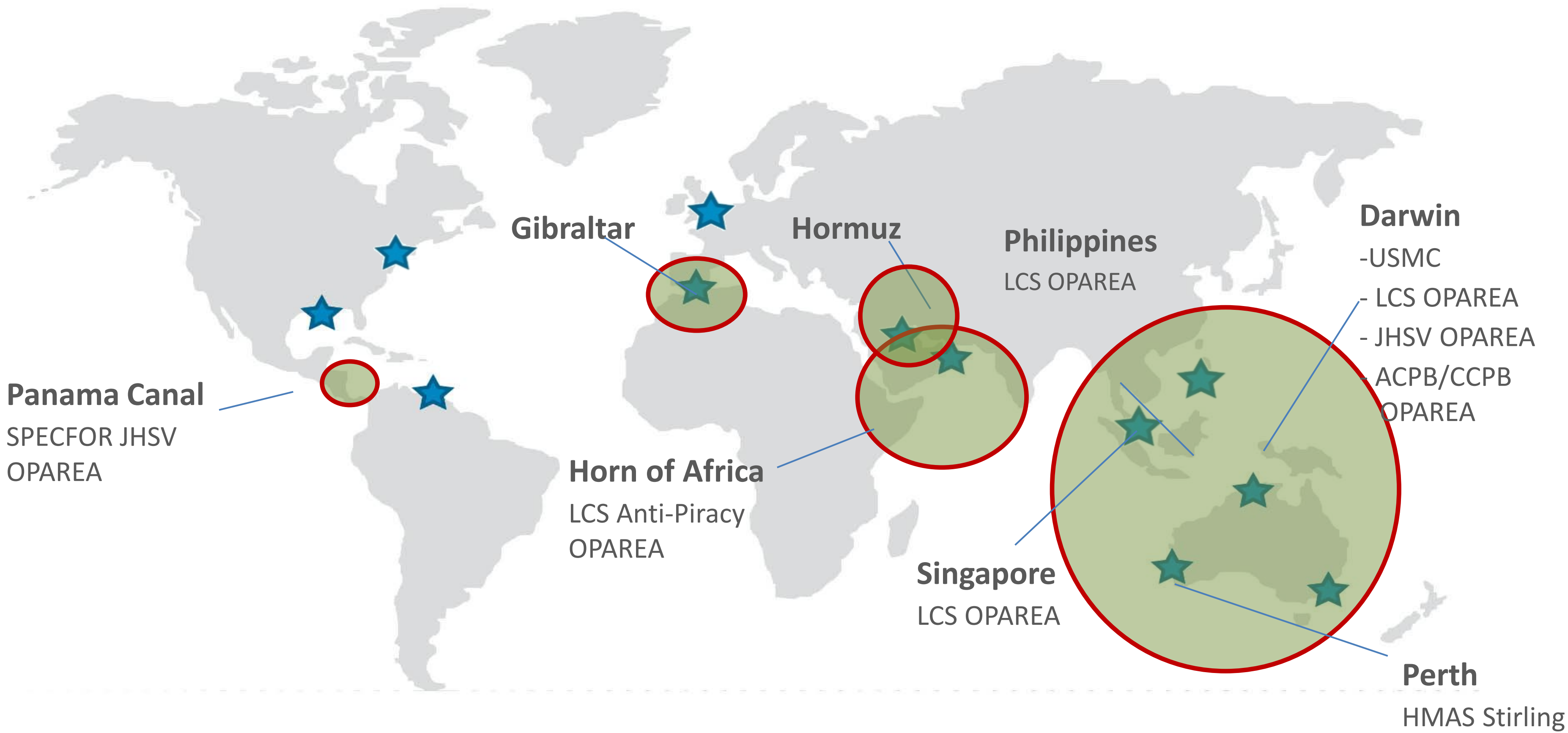
"At the Geo-Strategic level, it's all about the littorals"

General James F. Amos, Commandant of the Marine Corps, April 2012

US Defence Outlook – US Strategic pivot to Asia- Pacific



US Defence Outlook – strategic implications for Austal



Legend
OPAREA: Operating Area
SPECFOR: Special Forces

US Defence Outlook – short term risks, medium term impact

- U.S. Presidential election in November 2012
  - Re-election of President Obama or the election of the Republican candidate Romney and the extent of eithers mandate will have ramifications for US fiscal policy and specifically the defense budget
- Budget Control Act 2011
  - Mandates US$1.2 trillion of expenditure cuts between 2013 and 2021 across all areas of US Government expenditure. The Defense budget will wear circa 50% of these cuts
  - Strong bi-partisan views that this blunt instrument will harm US industry and the economic recovery – but as yet there is no agreement as to how to avoid the commencement of the Act in January 2013
- Could take 12 months or more before this situation is clarified
- Austal's US backlog of $2.27 B (9 JHSVs and 5 LCSs) provides contracted income to 2016. Current pressure on the defense budget does not have an immediate impact on Austal as the contracted revenue is under contract from previous budgets. Any impact of current uncertainty will be in the medium term

US Defence Outlook – strategic implications for Austal

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Ships:

- LCS and JHSV vessels specifically designed for the mission requirements of the littorals
- U.S. Navy reaffirmed commitment to 57 ship LCS fleet
- Strategy to forward deploy ships to Singapore and the Middle East announced by US Department of Defense

<u>Conclusion</u>

- 4 ships out of the 10 ship LCS block buy contract secured today, funding for the next two awards in Q1 2013 is expected
- High likelihood that build out to 57 LCS will occur

Support:

- U.S. Navy is continuing to develop the Through Life Support strategy for the vessel classes. Complicated by forward deployment mode. Series of smaller contracts coming to market now
- Austal's existing global Service Centre footprint closely aligns with potential forward deployment locations. Currently undertaking some work in this space to enhance credibility with Navy's maintenance function

<u>Conclusion</u>

- Opportunity is substantial. Dependent on ship deliveries

Short term outlook for U.S. Navy support work

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Work completed this year

- FSF - 1 Sea Fighter refit – Mobile, Alabama
- Technical Support data for USNS Guam and USNS Puerto Rico - Mobile, Alabama
- Logistical support for U.S. Navy research vessel Roger Revelle - Perth, Western Australia

Current opportunities

- JHSV control system maintenance support
- JHSV post delivery refit works
- JHSV operation and manning
- LCS Crew training
- LCS Mission Bay Simulator
- LCS Life Cycle Support
- Hawaiian Superferry (USNS Guam) reclassification and rehabilitation
- USNS Guam conversion and refit
- USNS Guam and USNS Puerto Rico operations and maintenance

Summary

- 2012 result reflects difficulties experienced in ramping up operations in the US and low levels of activity at the Henderson Shipyard Operation
- Application of lessons learned appear to be delivering results in the US programs. Improvement will be progressive due to overlapping production and consistency of performance is the key
- Outlook to 2016 for Austal’s US defense ship building business is solid. Medium term outlook is clouded by short term political uncertainty
- Cape Class Patrol Boat contract underwrites activity at Henderson until 2015 and thereafter is dependent on securing future defence sales contracts
- Relocation of commercial construction to the Philippines has increased the size of the addressable market
- Success in the Philippines will be determined by the ability to efficiently ramp up local production in line with market demand
- Market opportunities for smaller commercial vessels presently appears to be reasonable, but is still patchy. Clients’ ability to access long term finance is critical
- Through Life Support of Austal built products will become a key part of the business in the future and early stage opportunities are emerging. Timing will be dependent on the Client determining their support strategy and the ramp up of the delivered fleet

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