



**COMPANY ANNOUNCEMENT  
30 NOVEMBER 2012**

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**AUSTAL ANNUAL GENERAL MEETING  
CHAIRMAN'S ADDRESS**

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Chairman: John Rothwell

Venue: South Fremantle Yacht Club

Date: 3pm, Friday November 30, 2012

- Good afternoon ladies and gentlemen, on behalf of the board I would like to welcome you to the 2012 Annual General Meeting of Austal Limited.
- As a result of the implementation of our strategic review, Austal is now better positioned to cope with the changed dynamics of the civil ferry market and to capitalise on international demand for defence vessels, and I look forward to the next 12 months.
- That said, there is no doubt that our FY 2012 results have not been as good as the Board, management and shareholders, would have preferred. Our US business has been impacted by the substantial new business it has secured in recent years:
  - The business has grown enormously: employment increased nearly 25% last year alone and recently reached 3000 people – three times what it was five years ago;
  - In the Joint High Speed Vessel, we have been building the first of a new class of ship;
  - This brings with it the dual challenges of having staff who are inexperienced in our specific type of shipbuilding building an entirely new product;

- However, we are now employing the learning's from the first in class vessel on subsequent vessels so we can continue to build vessels that perform for the US Navy while providing earnings and profit performance for Austal shareholders.
- Our Australian shipbuilding business has been impacted by global financial circumstances:
  - As is well recorded, the global economy took a particularly sharp downward turn in September 2008;
  - The effect of this is ongoing, especially in the European ferry market, which had been the core source of income for the Australian shipbuilding operation – accounting for approximately 33% of Austal's Australian contracts in the five years between July 2004 and June 2009;
  - Global fast ferry market activity has contracted about 40% since the financial downturn – with only three orders for large car ferries since 2008, two of them secured by Austal;
  - While we achieved a couple of good sales in the early part of the crisis, it has made it difficult to sell the stock vessels which we began prior to the severe downturn. Notably we committed to build the 102m trimaran in the first half of 2008 in order to maintain our workforce capability through a period of low activity;
  - On top of the reduced demand, we have been impacted by a 60% appreciation of the Australian dollar against both the Euro and US dollar since November 2008.
- These challenging, long-term macro conditions have necessitated change; I am very pleased with the strategic direction that Andrew and the executive management team has put in place:
  - The acquisition of the Philippines shipyard just over a year ago has made us more competitive in the commercial vessel market, including the new wind farm vessel market;
  - It has also enabled us to focus the Australian business on the international defence market, and securing the Customs and Border Protection contract shows we are internationally competitive;
  - Growing the Systems and Support business is another initiative that is also beginning to generate growth and positive returns, as well as making us a more effective defence prime contractor;

- Further, we have started to see improvements in the US business, with the second half result substantially better than the first, as the benefits of lessons learned and increased throughput began to be realised.
- As you will be aware, last week we announced an Entitlement Offer to raise up to \$86 million, as well as new banking facilities.
  - As Austal's largest shareholder I support this.
  - The improvement to our balance sheet and financial flexibility these measures provide will enable us to deliver our order book and pursue our strategic initiatives.
  - While I accept this has come as a surprise for many shareholders, you can rest assured that the board assessed a range of capital measures before deciding to proceed with the capital raising.
- To conclude, as you will see from the guidance contained in the capital raising documents, Austal is expecting the growth in earnings and profit achieved in the 2012 financial year to gather pace in the 2013 financial year.
- Obtaining this platform for growth has required some restructure and some investment, and we have experienced some growing pains associated with those changes.
- However, as I said at the beginning of my address today, as result of the implementation of our strategic review, Austal is now better positioned to cope with the changed dynamics of the civil ferry market and to capitalise on international demand for defence vessels, and I look forward to the next 12 months.

**END**

### **About Austal**

Austal is a global defence prime contractor. The Company designs, constructs and maintains revolutionary platforms such as the Littoral Combat Ship (LCS) and the Joint High Speed Vessel (JHSV) for the United States Navy, as well as an extensive range of patrol and auxiliary vessels for defence forces and government agencies globally. Austal also designs, installs, integrates and maintains sophisticated communications, radar and command and control systems.

Austal benefits from its position as a world leader in the design, construction and support of customised, high performance aluminium vessels for the commercial high speed ferry market, an achievement gained over a period of nearly 25 years.

Austal's primary facilities comprise a combined defence and commercial shipyard in Henderson, Western Australia; a dedicated defence shipyard in Mobile, Alabama; and a dedicated commercial shipyard in Balamban, Philippines. The Company also provides vessel support services from its facilities in Australia, the United States, Asia, Europe, the Caribbean, and the Middle East. Systems development, sales and support are coordinated from Austal's facility in Canberra, Australia.

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