



**COMPANY ANNOUNCEMENT
27 OCTOBER 2017**

**CHAIRMAN'S ADDRESS TO SHAREHOLDERS
2017 ANNUAL GENERAL MEETING**

Chairman: John Rothwell AO

Venue: Austal Ltd, Annual General Meeting, Fremantle Sailing Club, Marine Terrace Fremantle WA

Date: Friday 27 October 2017, 3.00pm (Perth time)

Good afternoon shareholders and guests, and welcome to Austal's 2017 Annual General Meeting (ASX: ASB).

Before David Singleton provides his detailed presentation, I would like to take a few moments to provide a brief overview of our business.

The 2017 fiscal year has been very pleasing for me both as Chairman and as a substantial shareholder. While our financial performance was generally in line with our forecasts, the year has positioned Austal for a stronger future.

USA

While the demands of the LCS program were not fully appreciated at the time of bidding and the program has therefore underperformed financially, the ship is a success and is well liked by our customer, the US Navy. Profits are improving and more importantly, we have won orders for a further two ships at much improved margins.

The EPF program (formally called JHSV) has done very well both financially and as an operational ship, performing a wide range of non-combatant roles around the world. 8 Ships of this class have now been delivered and a further 4 are on order or under construction.

I have used the backdrop picture to demonstrate what our facility looked like only a few weeks back when David Singleton and I attended a Board meeting in Mobile. A total of 5 Austal ships at our facility with a combined value approaching 2 billion dollars. Not many people in Australia truly understand the size of our US business and what is being achieved there.

We are the first and only foreign US Defence, Prime Contractor shipyard in the last couple of centuries.

Philippines

David has restructured management in our Cebu shipyard which is performing much better and is set up for growth. The quality of the product now matches what we do in Australia and efficiency has

improved substantially ensuring that we will be highly competitive building commercial vessels for the global market.

China

Our joint venture in China has now completed its first vessel and while the business is small at this stage, there is great potential for gaining a good share of the commercial ferry and patrol boat markets. We were forced to manufacture in China as the import tax for ships effectively locked us out of this country.

Australia

Western Australia was selected by the Commonwealth Government as one of only two States to form the centrepiece of the nation's shipbuilding plan and support the Government's initiative to substantially re-equip the Australian Navy. This, combined with our track record of delivering defence programs on time and to budget as *the* Australian Shipbuilder positions us well to win our share of this work.

Pacific Patrol Boat project

This is a contract for 19 steel patrol vessels which are being constructed in leased premises in Naval Base, Henderson. The fabrication of the first vessel is now well advanced and is proceeding on time and is of good quality. It has broadened Austal's skill base and we are now able to include steel ships in various defence applications.

Australian Government Off-shore Patrol Vessels (OPV)

Austal has teamed with German ship designer and builder Fassmer for the Navy's \$3 billion OPV program. While it is still too early to report on the outcome of this 12 vessel bid, we are a strong contender and, if successful, will grow our operation including the construction of the first two vessels in Adelaide.

Order book

Never has the Austal order book looked as good as it does today. Most notably, a 109 metre car ferry for Denmark is now under construction at Henderson, we have another on order for Norway. Most recently an order was won for two 117 metre trimarans for a longstanding Austal customer in the Canary Islands. The above are additional to a raft of smaller vessels we have on order.

Other highlights

1. We maintained a strong cash position which enabled a dividend to be paid to our shareholders.
2. We have grown our vessel maintenance business in the US and Australia.
3. We completed an extensive global search for a COO and were fortunate to be able to appoint Patrick Gregg to this position. Patrick not only looks after the Australian business but also has the Philippines under his control.
4. In the US we have appointed Rusty Murdaugh as CFO who is making a quality difference to that operation.
5. More recently we conducted an Australia-wide search for an additional Non Executive Board member and consequently engaged Sarah Adam-Gedge who has outstanding business

credentials and vast knowledge in the technology development and digital transformation fields.

The Austal team

I would like at this time to acknowledge the current Austal senior management team led by our CEO, David Singleton. Greg Jason, CFO, Paddy Gregg, COO, Ben Marland, VP Sales, Adrian Strang, General Counsel, Andrew Malcolm, VP Strategy & Commercial Development, Davyd Thomas, VP Defence, Wayne Murray the President of our Philippines operation, Craig Perciavalle the President of our USA operations and all of their support managers and workforce. Thank you.

Our Board

May I also acknowledge our Non-Executive Board Members for their input. Jim McDowell and Giles Everist and I again welcome our newly appointed member Sarah Adam-Gedge.

And last but certainly not least our shareholders.

Thank you for your continuing support.

-Ends-

About Austal

Austal is a global defence prime contractor and a designer and manufacturer of defence and commercial ships. For more than 27 years Austal has been a leader in the design, construction and maintenance of revolutionary ships for governments, navies and ferry operators around the world. More than 255 vessels have been delivered in that time.

Ships

Defence vessels designed and built by Austal include multi-mission combatants, such as the Littoral Combat Ship (LCS) for the United States Navy and military high speed vessels for transport and humanitarian relief, such as the Expeditionary Fast Transport (EPF) ships for the U.S. Navy and High Speed Support Vessel (HSSV) for the Royal Navy of Oman. Austal also designs, constructs, integrates and maintains an extensive range of patrol and auxiliary vessels for government agencies globally, including the Cape Class Patrol Boat Program for Australian Border Force. Defence vessels are designed and constructed in Mobile, Alabama and in Henderson, Western Australia.

Austal has been at the forefront of the high speed ferry market since the early days of the industry. Our market leading designs of high performance aluminium vessels have long been at the heart of Austal's research and development. Today, commercial ship construction is centred on our shipyard in Balamban, Philippines.

Systems

Austal has expertise in integrating complex systems into its ships, including ride control, ship management, and communication, sensors and weapon systems.

Support

Austal provides a wide range of support services, including through life support, integrated logistics support, vessel sustainment and systems support. These services are delivered through our global support network in the USA, Australia, Asia, and the Middle East together with partner shipyards worldwide.

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