



**COMPANY ANNOUNCEMENT  
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## **AUSTAL LIMITED ANNUAL RESULTS**

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### **Summary of results:**

- Record revenue of \$653.0 million, up 29.7%
- Operating profit after tax: \$11.0 million
- Order book: \$2.57 billion, up 72.5%
- Earnings before interest and tax: \$16.6 million
- New shipbuilding contracts totalling approximately \$1.3 billion during the year
- Net assets: \$277.0 million

Austal Limited today released its full year results, reporting a modest profit and record revenue.

Commenting on the company's performance, Chief Executive Officer Andrew Bellamy said: "While the growth in revenue and order backlog are pleasing, the bottom line result is certainly below our expectations.

"Importantly, Austal has identified where and how it can improve, and is taking appropriate action. The second half performance, which saw an \$18.9 million turnaround from a first half pre-tax operating loss of \$6.3 million, shows those initiatives are working," he said.

Austal's results were adversely impacted by rapid growth and first-in-class issues at the US operation, sustained economic downturn in key markets, and the strong Australian dollar.

"Austal's success in securing two major US Navy prime contracts has brought with it the dual challenges of expanding operations to deliver on those commitments while overcoming the issues producing revolutionary, first in class ships inevitably bring," Mr Bellamy said.

"While the US operation was profitable, those factors certainly influenced the results. Improvements will come as workforce experience grows; as the new facilities we have recently completed come online; and as the programs move into series production of follow on ships," he said.

The US operation's second half performance showed clear signs of recovery with revenue and EBIT increasing between halves by 49.1% and 136.2% respectively.

"This reflects the efficiency benefits of increased throughput and the successful application of lessons learned on the first Joint High Speed Vessel to subsequent ships," Mr Bellamy said.

In contrast to the US, the Australian shipbuilding operation was unprofitable due to low activity levels stemming from a sustained economic downturn in historically important commercial vessel markets; a strong local currency; and the scheduled low rate of initial production on the Cape Class Patrol Boat program.

The Cape Class project underwrites activity at the Australian shipyard through to September 2015, and Austal is using it to facilitate its strategy of refocusing its operations in Western Australia towards the manufacture and support of defence vessels. The company anticipates improved financial results for the Australian operation in 2012/13, with further improvement in the following year as Cape Class manufacturing activity ramps up significantly.

"With the acquisition of the Philippines shipyard last November, Austal has successfully implemented a transformational strategy that has enhanced its long term competitiveness and profitability in commercial vessel shipbuilding," said Mr Bellamy.

"Combining that manufacturing capability with the Austal's world-leading technology has already proved instrumental in securing contracts that the company could not otherwise have executed profitably."

"The progress made at the shipyard is very pleasing. It is currently at full capacity, with work running well into the second half of 2013. We expect it to be profitable in its first full year of operation," he said.

Orders for five commercial vessels were secured during the year, including Austal's first for the European offshore wind farm support industry. These, along with the \$330 million, eight ship Cape Class order formed part of new contracts worth approximately \$1.3 billion during the year. This included additional US Navy contracts for two Littoral Combat Ships (LCSs) and two Joint High Speed Vessels (JHSVs) as part of existing awards for 10 ships in each class.

Mr Bellamy said a total order book backlog of \$2.57 billion would underpin a predictable revenue stream for a number of years, with support contracts in place to 2019 and shipbuilding work running through to 2016.

“The work primarily involves serial production of stable vessel designs, which enables the operations to focus on increasingly efficient and profitable project delivery. This is especially true in the US, where the facilities expansion is now essentially complete. That means Austal now has the highly advanced shipyard we need to efficiently produce the highly advanced ships we are building,” he said.

Mr Bellamy said Austal had also made good progress towards implementing other strategies developed from an operational review completed in July 2011.

“Austal has improved revenue and profitability in the core vessel support business and is starting to leverage its systems capabilities in the defence market with a view to delivering significant recurrent income. This is in perfect alignment with the strategy,” he said.

That strategy includes expanding capabilities to support deployed LCS, JHSV and Cape Class fleets.

“Austal’s role as prime contractor for those programs, and the company’s existing support capabilities in the anticipated theatres of operation, means Austal is well positioned to secure meaningful ongoing revenue streams as the ships deploy,” Mr Bellamy said.

The \$50 million in-service support component of the Austal Cape Class contract provides work through to at least 2019, and provides a basis for further growth. The Cape Class program also provided the catalyst for the development of a new command and control system that Austal expects will be of interest to similar agencies worldwide.

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#### **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 defence 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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