



COMPANY ANNOUNCEMENT / NEWS RELEASE
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**AUSTAL WINS MAJOR
PATROL BOAT EXPORT CONTRACT**

Austal Limited subsidiary, Austal Ships has won a contract to supply a fleet of patrol boats to the Republic of Yemen, Ministry of Defence, further enhancing the shipbuilder's profile as a highly capable designer and builder of patrol craft.

With a total value of approximately AUD\$90 million the contract involves the construction of ten 37.5 metre patrol boats and includes Austal training 60 crew in vessel operation techniques.

According to Austal's Managing Director, Mr Bob McKinnon, the contract was won against intense international competition.

Australia's Ambassador to Yemen, Mr Bob Tyson, said the Austal patrol boats would assist the Yemeni Government in its efforts to combat terrorism and illegal trafficking.

"We recognise the challenges faced by the Yemeni Government in securing the country's borders, and have been impressed by its determination to meet those challenges," he said.

"We strongly support this project, and congratulate Austal Ships on its successful bid. Austal has an excellent and well-deserved worldwide reputation for design, quality, training and ongoing support."

Mr Tyson added that the Australian Government greatly valued its bilateral relationship with Yemen, which in two-way trade terms alone was worth around AUD\$160 million per annum, and saw Austal's patrol boat project as an opportunity to expand into new areas of co-operation.

Mr McKinnon said the contract was testament to Austal's expertise in designing and manufacturing patrol boats and was a positive sign for the company's bid, in conjunction with Defence Maritime Services, to construct patrol boats for the Royal Australian Navy.

"This order reflects Austal's ability to supply customer-specific patrol boats that compare favourably to anything available in the global marketplace," Mr McKinnon said.

"The same world-class ship design and construction capabilities are also encompassed in our bid for the RAN's SEA 1444 project and they can only benefit from the experience of building these 10 patrol boats for Yemen."

Importantly, the production timetable for the Yemeni vessels does not adversely affect Austal's ability to meet the RAN project's construction and delivery schedule.

The initial batch of four vessels will be finished by June 2004, around the same time construction of the first RAN patrol boat would begin if Austal is awarded the contract. The remaining six Yemeni vessels will be delivered in pairs at two monthly intervals, meaning the entire project will be completed well before the first RAN boat would be finished.

"This production timing would allow for a smooth transition between projects and the process of building the Yemeni vessels would only add further experience to Austal's existing production and management techniques which can then be applied to the RAN project," Mr McKinnon said.

The Austal group already has an impressive track record in patrol boat design and construction having delivered eight 38 metre Bay Class vessels for Australian Customs and nine police boats for New South Wales.

Mr McKinnon said the successful completion of these domestic orders, and the international recognition provided by Austal's short-listing for the RAN contract, had all been critical in Austal subsequently securing export orders for patrol vessels.

In other defence-related projects, Austal is also currently building three Coast Guard vessels for Kuwait and has partnered with BAE Systems for the Royal New Zealand Navy's "Project Protector" vessel acquisition programme. In the United States, Austal USA is part of a General Dynamics-led team bidding for the Littoral Combat Ship (LCS) project.

Commenting on other group activities, Mr McKinnon announced that the contract for a 58 metre Oceanfast motoryacht, ordered in August last year, had been terminated today because the buyer has so far been unable to raise the finance necessary to complete the project.

"Austal has received full payment for the work done to date and is now negotiating with interested parties including the original purchaser," Mr McKinnon said.

Mr McKinnon also said that although operating changes at Oceanfast and Austal USA were having a positive effect, their benefits would not be realised to the extent previously anticipated during this financial year.

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To download a high resolution image of the Yemen patrol boat please go to MEDIA section of the Austal website at <http://www.austal-ships.com/media/index.cfm>.