AUSTAL
LIMITED

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AUSTAL LIMITED HALF YEAR RESULTS

Austal Limited today announced its half yearly results revealing a profit of $3 million after income tax and outside equity interests. The figures show a substantial improvement on the corresponding period last year.

Revenue for the half year was $153 million, down 6.7 per cent on the previous corresponding period. This is attributed to the reduction in luxury motor yacht production, though it has been partly offset by the increase in production at Austal USA.

Austal Managing Director Bob McKinnon said, "The completion of unprofitable luxury motor yachts continued to adversely affect group earnings during the first half, however the impact was significantly lower than for the corresponding period last year. Increased productivity at Austal USA has resulted in a marked improvement in performance compared with 2003."

Commercial and defence operations undertaken by Austal Ships and Image Marine recorded earnings which are ahead of budget and an improvement on the same period last year.

Orders announced during the first half of the 2004 financial year amount to approximately $350 million. These orders include 12 patrol boats for the Royal Australian Navy, a commercial cruise yacht to replace the current "True North" (a luxury charter vessel operating out of the Kimberley region of Western Australia), a repeat order for two passenger ferries for Hong Kong and a military technology demonstrator for the US Navy.

Outlook

The improved performance is expected to continue into the second half of the financial year with commercial and defence contracts accounting for virtually all the revenue.

Revenue still to be recognised for contracts on hand as at 31 December 2003 amounted to \$515 million and provides a steady base for the immediate future. All group companies are actively pursuing opportunities and Austal Defence in particular is leveraging off the profile provided by the RAN and other military contracts to access defence business globally.

The United States Army has confirmed its intention to proceed with the Theatre Support Vessel (TSV) programme, which could require up to 12 vessels, commencing with a contract for a prototype vessel in 2005.

The final proposal for the US Navy's Littoral Combat Ship (LCS) bid was submitted at the end of January, with a decision on the final design selection due in June 2004. It is expected that this will be followed by a construction contract for two of the three short listed teams by December 2004 for up to two vessels each. The program, for which Austal USA is teamed with General Dynamics, calls for nine vessels by 2009 and up to 57 over a 15 year period. Austal's submission is based on the Fred. Olsen trimaran currently under construction at the Henderson WA yard.

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