



**COMPANY ANNOUNCEMENT
24 FEBRUARY 2012**

AUSTAL LIMITED HALF YEAR RESULTS

Summary of results:

- Total revenue of \$267.4 million, up 6.5%
- Earnings before interest and tax (\$4.0 million)
- Net loss after tax (\$3.0 million)
- Net assets \$246.0 million
- Order book \$1.87 billion
- Contract wins totalling approximately \$650 million during the half including:
 - Two Joint High Speed Vessels
 - The eight vessel Cape Class Patrol Boat fleet including eight years in-service support
 - Three wind farm catamarans,
 - Two service contracts for the US Navy
 - Extension of the *WestPac Express* charter for Military Sealift Command into its eleventh year

Austal Limited today released its half yearly results, which included a nearly 50% increase in revenue from its United States operations compared to the corresponding period last year. This growth is anticipated to continue, with further large contracts expected to substantially boost the existing order backlog which stands at approximately \$2 billion.

Overall revenue increased by \$16.3 million over the corresponding prior half year period to \$267.4 million, with US growth offset by reduced revenues from the Australian business. The operating loss before tax for the first half was \$6.3 million compared with the \$19.4 million profit for the corresponding prior half.

The operating loss was driven by low activity levels in the Australian business and a weak operating result from the US operation. The operating loss resulted in the breach of a banking covenant which, pursuant to applicable accounting standards, required the reclassification of the Group's long term

debt to current debt. The breach was waived by the Group's banks paving the way for the reversal of the reclassification in the next reporting period.

The operating result from the US operation, which currently accounts for approximately 85% of Austal's revenue, was impacted by the start up challenges of producing the first Joint High Speed Vessel (JHSV) which will be delivered later this year.

"As is common with new, complex naval vessel designs, first of class effects adversely impacted productivity resulting in the vessel being well behind budget," said Andrew Bellamy, Austal's Chief Executive Officer.

"With the design now mature, and lessons learned from the first vessel being successfully applied, productivity on subsequent hulls has improved by approximately 35%. This has resulted in substantial cost savings, which bodes well for the ships to follow."

Austal currently has confirmed orders from the US Navy for seven JHSVs and three Littoral Combat Ships (LCSs). Contract options for three JHSVs and eight LCSs are still to be exercised.

"We anticipate that four of those options, two for each program, will be exercised during the current quarter. That will grow what is already a record order book by approximately \$1 billion," Mr Bellamy said.

"Both the LCS and JHSV programs are now into series production, which will really enable us to derive schedule and cost efficiencies from our facilities investments including the purpose-built Module Manufacturing Facility which brings assembly line techniques to aluminium shipbuilding."

Mr Bellamy said that the company was successfully executing key strategies that had been rigorously developed over a long period to counter long term changes in economic and market conditions affecting other parts of the business.

"It was clear to us for some time that continuing to build commercial vessels in Australia was not a viable long term strategy and we took the difficult decision to move production of those vessels to the Philippines."

"We have recently been successful in winning commercial vessel work for the Philippines shipyard operation, and this facility will continue to be instrumental in regaining our competitiveness in international commercial markets."

"We have focussed the Australian operations on the manufacture and support of defence vessels and had early success, winning the \$330 million contract for eight new Cape Class Patrol Boats for the Australian Customs and Border Protection Service in August last year," Mr Bellamy said.

"We are currently pursuing other defence opportunities around the world that would be built in Henderson."

The Cape Class Patrol Boat contract, which includes options to support the fleet for up to 20 years, is also central to growing Austal's international service business. Compared to the corresponding previous half year period, that sector's pre-tax profit rose by 20% with revenue from external customers increasing by 13%.

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.

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