



**COMPANY ANNOUNCEMENT
26 OCTOBER 2018**

**CHAIRMAN'S ADDRESS TO SHAREHOLDERS
2018 ANNUAL GENERAL MEETING**

Chairman: John Rothwell AO

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

Date: Friday 26 October 2018, 3.00pm (Perth time)

Good afternoon shareholders and guests, and welcome to Austal's 2018 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.

This year Austal celebrated its 30th year since commencement. What an amazing journey it has been and the ride continues. In 1988 I invited 4 young men to join me to achieve my vision of becoming a major aluminium shipbuilder targeting the world market.

Initial successes were for high speed passenger ferries, followed by large vehicle ferries and vessels for military purposes.

Today we have a workforce of around 5000 people, shipyards in 4 countries as well as a Joint Venture shipyard in China.

To reflect on the past 30 years I will share with you a 2 minute video of some of the many highlights.

[video is shown]

Now for a reflection on the past financial year.

The 2018 fiscal year has been another pleasing one for me, both as Chairman and as a substantial shareholder. In the year we saw both of Austal's US Navy shipbuilding programs mature and important new contracts won across the business. Austal's very important "ship support" business also continued to grow and will provide earnings for many years to come.

The large ferry market has continued to pick up and our order book for these vessels is healthier than I remember it to have ever been.

Austal also delivered much improved financial performance in the year, with strong growth in our earnings and a substantial turnaround in cash generation. Headline numbers include FY2018 EBITDA of \$102.319 million, up approximately one-third on FY2017 and the second time it has reached the

\$100 million mark. We reported a \$65.6 million operational cash inflow in FY2018 compared to a \$37.9 million outflow in FY2017. This strong cash flow, combined with the Company's cash position, enabled the Board to increase Austal's final dividend to shareholders to 3.0 cents per share.

Austal also maintained momentum right across the business in FY2018, with significant operational production and other improvements as well as progressing our strategic milestones. I have just returned from visits to the Philippines, Vietnam and China and am encouraged by what I have seen. Our new buildings in Cebu are nearing completion and preparations are underway to commence the assembly of the very first large vehicle ferry in that facility.

A new, leased facility is being completed in Vietnam which will accommodate the construction of large vehicle ferries for this growing market. And our Joint Venture in China launched its second passenger ferry with several more under construction and on order.

Order Book

Austal ended the financial year with a \$3 billion order book, with 16 new vessels ordered in the year. We have also grown diversity in our order book, with 30 non-US Navy ships providing work out to 2023.

USA highlights

Austal's largest business unit, the US defence shipyard, delivered relatively stable revenue in the year of \$1.63 billion.

We are now well into our two shipbuilding programs for the US Navy, the Littoral Combat Ship (LCS) and Expeditionary Fast Transport (EPF), and therefore the significant risk during the start-up of a new vessel class of this magnitude is now largely behind us. Pleasingly, the LCS program is now stable and reliable.

Operational performance at our Mobile, Alabama shipyard has continued to improve to a point where we now have consistent and highly predictable production with ever increasing levels of efficiency.

Australia highlights

In Australia we reported a loss in the year, however the combination of a significant increase in throughput as well as efficiency improvements should result in the Henderson shipyard delivering positive earnings in FY2019.

On the ground, a \$335 million contract to design, construct and sustain twenty-one, 40-metre steel Guardian Class Patrol Boats for the Commonwealth of Australia is well underway. The first vessel was launched in May 2018 and we are welcoming the crew to Austal next Monday, with delivery expected before the end of this calendar year. This program is well managed and the vessels are of great quality that demonstrate Austal's ability to produce steel patrol boats.

In addition, the largest ferry ever to be built at Austal in Henderson – a 109-metre high speed aluminium ferry for Mols Linien of Denmark – was launched last week and is on schedule.

Asia highlights

We implemented a major expansion of our Asian based shipbuilding facilities which will increase our capacity in the region fourfold.

Austal is tripling our capacity in the Philippines, where we have been building high speed catamarans since 2012. This yard will be able to build the biggest vessels currently planned at Austal, and do so at a cost base that is internationally competitive.

A new purpose build facility in Vietnam is nearing completion and we are two years into a promising joint venture in China.

The Austal team

I would like at this time to acknowledge the current Austal senior management team led by David Singleton, CEO, 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, and Craig Perciavalle, the President of our USA operations.

And, of course, I'd like to thank all our support managers and Austal's entire workforce across five separate shipyards and four service centres across the globe.

Our Board

May I also acknowledge our Non-Executive Board Members Sarah Adam-Gedge and Giles Everist for their input, and extend a warm welcome to our newly appointed member Chris Indermaur. I also wish to thank Jim McDowell for his contribution to the Board over the past three years and wish him well in his new role.

And last but certainly not least to Austal shareholders, thank you for your continuing support.

- ENDS -

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About Austal

Austal is an Australian shipbuilder and global defence prime contractor which designs constructs and sustains some of the world's most advanced commercial and defence vessels.

Austal successfully balances commercial and defence projects and celebrates 30 years of success in 2018. Austal has designed, constructed and delivered more than 300 commercial and defence vessels for more than 100 operators in 54 countries worldwide.

Austal is Australia's largest defence exporter and the only ASX-listed shipbuilder. Austal has industry leading shipyards in Australia, the United States of America and Philippines and service centres worldwide.

Austal delivers iconic monohull, catamaran and trimaran commercial vessel platforms – including the world’s largest trimaran ferry and multiple defence programs such as the Littoral Combat Ship (LCS) and Expeditionary Fast Transport (EPF) for the United States Navy. Austal has grown to become the world’s largest aluminium shipbuilder.