COMPANY ANNOUNCEMENT
14 MAY 2018

AUSTAL INVESTS IN MAJOR COMMERCIAL SHIPBUILDING EXPANSION

Austal Limited (Austal) (ASX: ASB) is pleased to announce that it has finalised the details of its previously announced investment of up to US$30 million for capacity expansion. This investment will be focused in the Company’s commercial shipbuilding facilities in Western Australia and Asia.

Austal first noted potential plans to expand its existing commercial shipbuilding facilities in mid-CY2017, following a significant increase to its order book at that time. This growth has continued with Austal’s current commercial vessel order book now extending out until early 2021, including five large vessels (over 80 metres in length) which are collectively worth more than $400 million.

After conducting an extensive analysis, Austal has selected its existing Philippines and Henderson shipyards for the capacity expansion. Works have commenced and will be funded from Austal’s ongoing cash reserves. Completion of the works are expected during CY2018 at Henderson and in early CY2019 in the Philippines.

Austal CEO David Singleton said the investment was primarily focused on the large ferry market where Austal holds a competitive advantage through its advanced design, high-speed vessels, and modular construction approach.

“The capital investment in the commercial operation will increase Austal’s ability to secure and deliver large high speed aluminium vessel contracts in highly cost effective shipyards,” Mr Singleton said.

“The demand outlook in the market for large high speed aluminium vessels underpins Austal’s decision to focus its investment in this sector.”

The facility investments are as follows:

Henderson, Western Australia

Austal’s Henderson operation is currently constructing a $100 million, 109-metre high speed catamaran ferry for Mols Lines of Denmark and will shortly commence construction of the first of two, 117-metre trimarans for Fred Olsen Lines, worth a combined $190 million, destined for the Canary Islands.

The A$6 million capital investment to upgrade the facilities at Henderson will include enhanced launch facilities to support large vessel construction and infrastructure upgrades to support improved efficiency across the operations.

The investment is in addition to last year’s expansion of capacity with the establishment of a Pacific Patrol Boat shipyard in a new facility in Naval Base. This facility is primarily focused on steel ship construction and will deliver the first of 21 vessels later this year. Production of the last vessel is due for
completion in FY2024, under construction and sustainment contracts worth approximately $335 million.

Cebu, Philippines

Austal will invest circa US$18 million to more than double the capacity of its existing Philippines shipyard. The upgrades to the facilities will include a new assembly hall that will be 120 metres long, 40 metres wide, and 42 metres high. This will enable the shipyard to assemble the largest commercial vessels, based on Austal’s existing order book and tender pipeline.

The facility upgrades will also include additional assembly bays, material storage and accommodation facilities to allow the workload at the site to increase to more than twice its historic peak. These facilities are due for successive completion through 2018, with all construction complete by early 2019.

Mr Singleton said the new assembly hall would enable Austal to construct two large (100+ metre long) vessels in parallel in Henderson and the Philippines.

Austal Philippines currently has in production:

- x1 109-metre high speed catamaran for Fjordline of Norway, worth $108 million
- x2 50-metre high speed vessels for Braveline (a subsidiary of Wisdom Marine), worth $44 million
- x1 49-metre vessel for SNC Aremiti, worth $30 million
- x1 30-metre vessel for VS Grand Tours, worth $5 million

As a result of the increased investment it is expected that revenue in Cebu will double in FY19 and FY20, compared to the recent average.

Vung Tau, Vietnam

In addition to the investment outlined above, Austal has recently commenced a small commercial shipyard operation in Vietnam. The new location is located in the highly industrialised shipbuilding and marine support precinct to the south of Ho Chi Minh City. The location was selected to provide additional high quality aluminium construction support to Austal’s commercial operations both for modules for larger ships (supporting Austal Philippines) and to build smaller high speed aluminium vessels.

Austal Vietnam operations are operating in a leased facility requiring only minimal capital investment. The operations are currently completing registration and qualification from both the Vietnam authorities and from DNV GL classification society.

Vietnam was selected for this expansion due to the immediate availability of a highly experienced management team and support personnel. Several of the senior personnel in the new operations were originally Austal trained and have extensive and successful experience in high quality aluminium shipbuilding.

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Further Information:

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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.