



**COMPANY ANNOUNCEMENT  
28 OCTOBER 2016**

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**CHAIRMAN'S ADDRESS TO SHAREHOLDERS  
2016 ANNUAL GENERAL MEETING**

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**Chairman:** John Rothwell AO

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

**Date:** 28 October 2016, 3.00pm (Perth time)

Good afternoon shareholders and guests, and welcome to Austal's 2016 Annual General Meeting.

I would like to take a few moments to reflect on what has been a mixed 12 months for the Company since our last AGM.

In July 2016 Austal announced a one-off downward adjustment to the Littoral Combat Ship program to its FY2016 accounts, reflecting the costs of implementing design modifications across the LCS program to meet shock testing requirements and US Naval Vessel Rules. This was disappointing, but we importantly now have a much clearer understanding of the design required and margins that will be generated from the remaining LCS vessels.

On the other hand the year saw significant positive developments across the business. Winning the \$305 million contract to build a fleet of Pacific patrol boats for the Australian government was a positive step towards our goal of taking a bigger role in future Australian Defence shipbuilding. It reinforces our position as the only Australian owned shipbuilder with substantial Defence experience and capability to build modern warships in Australia.

New commercial contracts were won, existing US Navy military programs were extended and significant cash was generated throughout the 2016 year.

Some of the highlights from the past 12 months were:

- Reporting revenue of \$1.3 billion in FY2016, which demonstrates the significant scale entrenched across the business
- Moving from a net debt position in FY2015 to a strong net cash position in FY2016, with ongoing cash generation from operations supporting further debt reduction and dividends
- Delivery of LCS 6, the *USS Jackson*, after successfully completing 'Full Ship Shock Trials', as well as LCS 8
- Stable and predictable returns from our mature 10 ship, US\$1.6 billion Expeditionary Fast Transport (EPF) program, with two ships delivered in the year

- Winning a US\$326 million contract to design and construct two further EPF vessels, EPF 11 and EPF 12, for the US Navy
- Delivering two High Speed Support Vessels from our Henderson shipyard to the Royal Navy of Oman under a US\$124.9 million contract
- Securing \$468 million in new work for our Australia shipyard across multiple vessel contracts, including Pacific Patrol Boats for the Commonwealth of Australia, two additional Cape Class Patrol Boats that will be chartered to the Royal Australian Navy, and a 109 metre vehicle passenger ferry for a Danish ferry operator.

During the year we announced a change of leadership at Austal in January, with Andrew Bellamy electing to take a career sabbatical after five years as Managing Director and CEO. The Board and I were sorry to lose Andrew and I would like to take this opportunity to thank him for his efforts and achievements at Austal. At the same time, it was pleasing to be able to announce a strong internal successor in David Singleton. Having previously been on the Austal board, David has brought a strong working knowledge of our operations to the role, as well as extensive expertise in civil and defence contracting, a broad knowledge of the defence sector, and CEO experience at ASX-listed companies. David has fitted in seamlessly as CEO and I look forward to working with him in the years to come. In addition, Austal also strengthened its executive management team with key appointments to our operations in Australia and the Philippines.

Looking ahead, I am excited about the prospects for the business:

- We ended the year with a an order book of \$3.4 billion across our three shipyards, securing construction work to CY2021
- We expect to report earnings before interest and tax of \$45 - 55 million EBIT in FY2017 and continued cash generation from operations
- We are seeing further improvement in our LCS program as it continues to mature, while the EPF program is expected to continue its strong performance
- We are seeing a clear change in the new build international ferry market after several poor years, as lower oil prices and higher passenger numbers have increased operator profitability and also the commencement of new routes
- We will continue to progress with our strategy of:
  - sustaining the business by securing further export contracts;
  - strengthening the business through cost and productivity improvements;
  - diversifying the business by increasing annuity style revenues from sustainment work;
  - scaling the business – particularly in Australia; and
  - delivering dividends and continue to repay US infrastructure related debt with cash generated from US operations.

I would like to close by thanking my fellow Board members for their counsel in this transitional year. I would also like to thank David, the executive management team, and Austal staff for their hard work during the year. And lastly, to Austal shareholders, thank you for your ongoing support. I appreciate it has not been a smooth year for shareholders but we have learnt from these challenges and have a strong platform in place to grow the business and enhance shareholder returns.

Thank you all for attending today.

-Ends-

## **About Austal**

Austal is a global defence prime contractor and a designer and manufacturer of defence and commercial ships. For more than 27 years Austal has been a leader in the design, construction and maintenance of revolutionary ships for governments, navies and ferry operators around the world. More than 255 vessels have been delivered in that time.

### ***Ships***

Defence vessels designed and built by Austal include multi-mission combatants, such as the Littoral Combat Ship (LCS) for the United States Navy and military high speed vessels for transport and humanitarian relief, such as the Expeditionary Fast Transport (EPF) ships for the U.S. Navy and High Speed Support Vessel (HSSV) for the Royal Navy of Oman. Austal also designs, constructs, integrates and maintains an extensive range of patrol and auxiliary vessels for government agencies globally, including the Cape Class Patrol Boat Program for Australian Border Force. Defence vessels are designed and constructed in Mobile, Alabama and in Henderson, Western Australia.

Austal has been at the forefront of the high speed ferry market since the early days of the industry. Our market leading designs of high performance aluminium vessels have long been at the heart of Austal's research and development. Today, commercial ship construction is centred on our shipyard in Balamban, Philippines.

### ***Systems***

Austal has expertise in integrating complex systems into its ships, including ride control, ship management, and communication, sensors and weapon systems.

### ***Support***

Austal provides a wide range of support services, including through life support, integrated logistics support, vessel sustainment and systems support. These services are delivered through our global support network in the USA, Australia, Asia, and the Middle East together with partner shipyards worldwide.

### **For further information contact:**

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