



**COMPANY ANNOUNCEMENT
4 OCTOBER 2012**

**ACQUISITION TO EXPAND AUSTAL'S DEFENCE
SUPPORT CAPABILITY IN ASIA PACIFIC**

Recognising the growing significance of Asia Pacific to United States and Australian defence forces, Austal has entered into agreements to substantially expand its capability in Darwin, Australia through the acquisition of Hydraulink NT and its associated business KM Engineering ("HKME").

HKME is a leading engineering service provider in northern Australia with well-established operations supporting the Royal Australian Navy (RAN) and Australian Customs and Border Protection Service. HKME also has strong relationships with oil and gas sector participants.

Austal and HKME have shared a close and complementary relationship that has benefited these core customers for many years. This relationship underpins the expected synergies and value unlocked through the acquisition.

Austal Chief Executive Officer Andrew Bellamy said the acquisition signals Austal's commitment to supporting RAN and Customs and Border Protection operations. "Supporting the Royal Australian Navy and Australian Customs and Border Protection Service is core to Austal's long-term success. With HKME, Austal presents a robust capability tailored to supporting the Austal-built Armidale Class Patrol Boat fleet and the forthcoming Cape Class Patrol Boat fleet," he said.

Mr Bellamy added that the acquisition directly addresses the needs of the US Navy, with whom Austal has contracts to build Littoral Combat Ships (LCS) and Joint High Speed Vessels (JHSV).

"Darwin is critical to Austal's long-term strategy of supporting US Navy operations, particularly as it relates to LCS and JHSV operations. We expect to see these vessels in the region and want the Navy to know an experienced, professional and competent team is waiting for them. With HKME, Austal can address the unique logistics, maintenance, training and manning requirements of these ships," he said.

Mr Bellamy said annuity style income from service contracts was becoming an increasingly important component of Austal's revenue, complementing the company's manufacturing business.

“There is also potential for significant growth as a result of HKME’s relationships with oil and gas sector participants. Resource projects, most notably INPEX’s \$33 billion Ichthys LNG development, are forecast to generate considerable demand for our skills both afloat and ashore,” he said.

Stuart Kenny, Managing Director of HKME, also believes the transaction unlocks significant value. “The acquisition brings world class hydraulics, welding, machining, electrical, fabrication and high-level design / engineering capability together under one roof,” he said. “There’s no question this will be good for our customers, our employees and for the community.”

Mr Kenny will assume the role of General Manager – Northern Australia and will have responsibility for Austal’s support business throughout northern Australia, including Darwin, Cairns and northern Western Australia.

As part of the transaction, Austal’s existing operations in Darwin will merge with HKME. Austal will acquire an 80 per cent stake in the resulting business for A\$8.0 million split between cash and restricted equity, with further deferred entitlements of up to A\$2.0 million available to the vendors subject to satisfaction of agreed performance-based conditions. Completion of the acquisition will occur today (Thursday 4 October 2012).

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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. Systems development, sales and support are coordinated from Austal’s facility in Canberra, Australia.

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