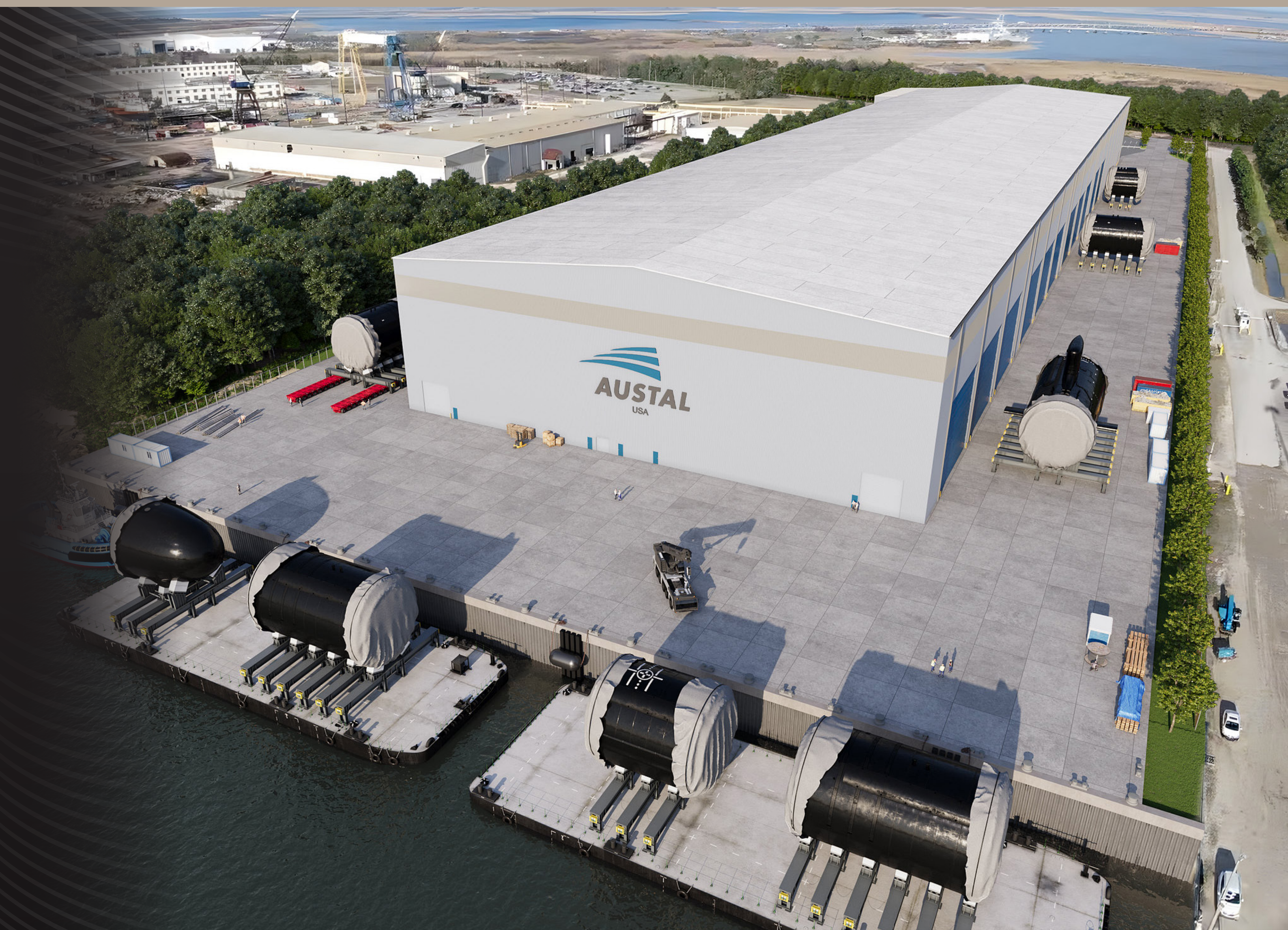
Austal Limited
Half Year Report

2025



AUSTAL

Contents

Operations **Overview**

Groundbreaking Ceremony for the new Submarine Module Manufacturing Facility at Austal USA

In the first half of FY2025, Austal entered a truly transformative year, with the company commencing or progressing toward several significant and exciting shipbuilding programs that will grow sovereign capability in Australia and the USA, provide decades of work and career opportunities for our teams around the world, and deliver long term growth and value for shareholders.

In Australia, Austal continues to work with the Australian Government to finalise the Strategic Shipbuilding Agreement (SSA) announced in November 2023, and is proactively engaging with stakeholders and industry to prepare for the Landing Craft Medium (LC-M) and Landing Craft Heavy (LC-H) programs, for the Australian Army. When finalised, the SSA will initially enable 18 LC-M and 8 LC-H steel hull vessels to be constructed by Austal in Henderson, Western Australia, commencing CY2025.

The Australian Department of Defence awarded two additional Evolved Cape-class Patrol Boats (ECCPB's) to Austal during the reporting period, bringing the total number of ECCPB's under contract to 12. These additional two vessels are to be constructed for the Australian Border Force and follow ten vessels for the Royal Australian Navy, eight of which have been delivered.

Continuing to demonstrate industry-leading productivity and efficiency, the Austal Australia team delivered two ECCPB's and three Guardian-class Patrol Boats (GCPB's) during the first half of FY2025. At the time of reporting, two ECCPB's are under construction at the Henderson shipyard, and the last two of the twenty four GCPB's currently under contract for the Department of Defence are being constructed at Austal's Naval Base (Hope Valley Road) shipyard.

Austal's service centres in Cairns and Darwin continue to provide in-service support to the Royal Australian Border Force and Royal Australian Navy, operating Capes and Evolved Capes, and to Pacific Island nations operating Guardians.

In the United States, Austal USA celebrated 25 years of shipbuilding in December 2024, following an eventful six months that included breaking ground for a new final assembly facility (July), the launch of the final Independence-variant Littoral Combat Ship (LCS 38), the start of construction of the first of eleven US Coast Guard Offshore Patrol Cutters and the delivery of the first of ten submarine command modules contracted in August, the launch of EPF 15 and the keel laying of EPF 16 in September, and finally, a US$450 million contract (and subsequent ground breaking ceremony) for a new submarine module manufacturing facility at the Mobile, Alabama shipyard.

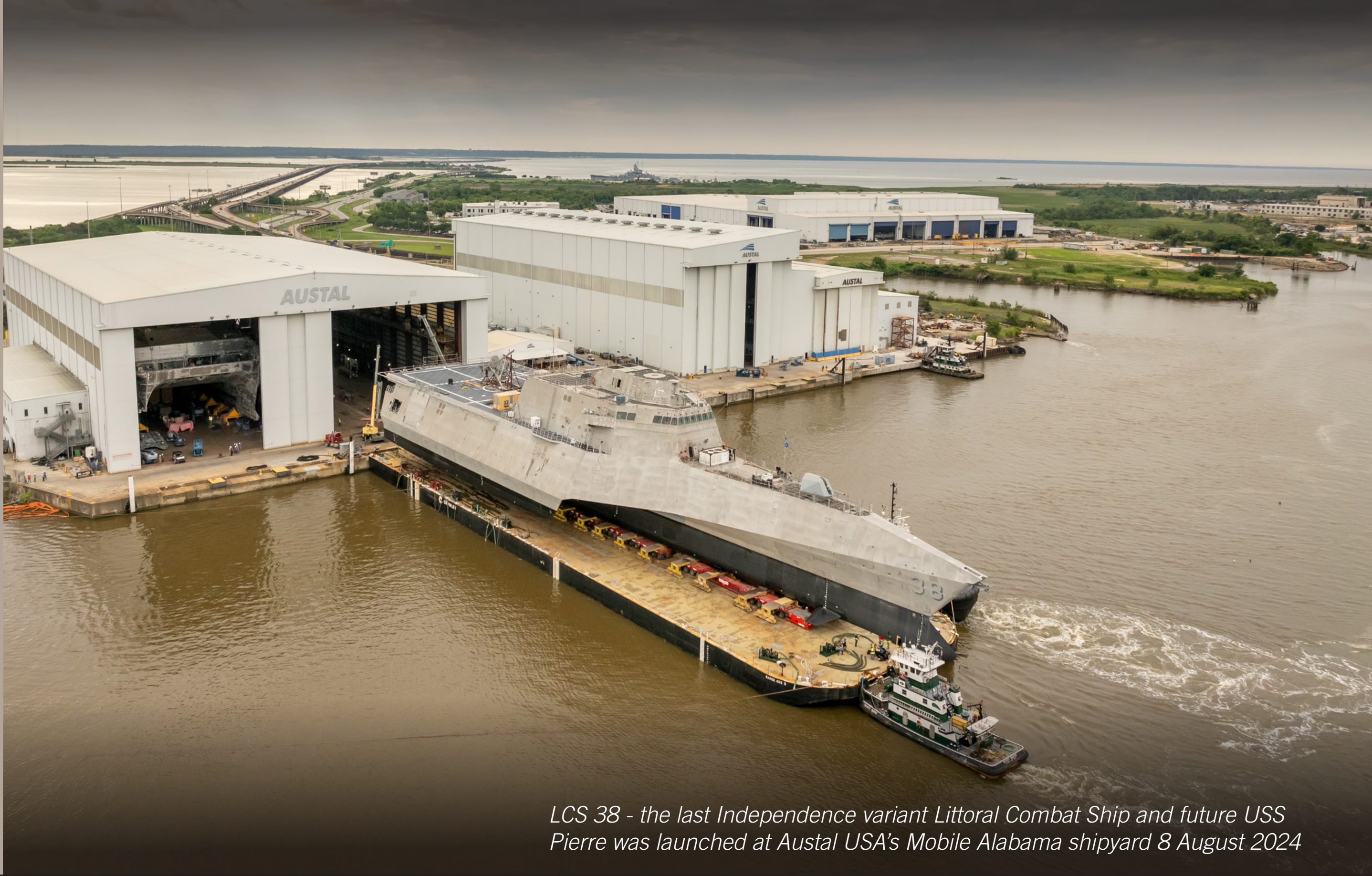
Further, the Austal USA team continued to construct multiple steel and aluminium shipbuilding projects during the reporting period, including three (of five contracted) T-ATS vessels, the Auxiliary Floating Dock Medium (AFDM), one (of three contracted) Expeditionary Medical Ships, five (of twelve contracted) LCU 1700-class landing craft, the Overlord Unmanned Surface Vessel - Vanguard (OUSV 3) and five command modules for Virginia and Columbia-class nuclear powered submarines. Work also continued on six aircraft carrier elevators for the Gerald R. Ford-class Aircraft Carriers, the future USS Enterprise (CVN 80) and future USS Doris Miller (CVN 81). Construction of the first of seven T-AGOS ships for the US Navy is due to commence in the second half of CY2025.

Austal added to the commercial portfolio during the period, with the delivery of a 32-metre catamaran ferry to Rottnest Fast Ferries by Austal Philippines in December 2024, less than 12 months since the start of construction in January 2024. The Austal Vietnam team continued construction on the 71 metre, steel hull passenger cargo ferry 'Dory 2' for the Degage Group of French Polynesia and is on track to deliver the vessel in CY2025.

In summary, the Austal group of companies delivered six ships during the first six months of FY2025, received firm orders for another six ships, and has a commitment from Defence customers in Australia and the United States for a further 49 vessels - pending the execution of the Strategic Shipbuilding Agreement and existing US Navy contract options being exercised.

The Austal teams from around the world would like to formally acknowledge the incredible dedication, effort and tireless commitment by John Rothwell AO, who retired from his role as Chairman of Austal Limited on 30 June 2024, after 37 years. The entire Austal team extends a thank you to John for his vision, leadership and governance in establishing and growing a successful global shipbuilder, of which we can all be proud.

2025 H1 Highlights



LCS 38 - the last Independence variant Littoral Combat Ship and future USS Pierre was launched at Austal USA's Mobile Alabama shipyard 8 August 2024

$825.7m
Revenue

$14.2b
Order Book (including options)

51
Ships scheduled or under construction

6
Ships ordered

6
Ships delivered

72
Vessels under sustainment

8 Service Centres

4,324 Employees

Directors' report

It is my pleasure to present the financial report for the half-year ended 31 December 2024 to you on behalf of the Board of Austal Limited.

Directors

The Directors in office during the half-year and until the date of this report were:

- Richard Spencer (Non-Executive Chairman) (Appointed 1 July 2024)
- Patrick Gregg (Chief Executive Officer and Managing Director)
- John Rothwell (Non-Executive Director)
- Sarah Adam-Gedge (Non-Executive Director)
- Chris Indermaur (Non-Executive Director) (Resigned 1 November 2024)
- Lee Goddard (Non-Executive Director)
- Kathryn Toohey AM, CSC (Non-Executive Director)
- Brent Cubis (Non-Executive Director) (Appointed 21 October 2024)

Principal Activities

The principal activities of entities within the consolidated entity during the reporting period were the design, manufacture and support of high performance vessels for commercial and defence customers worldwide. These activities are unchanged from the previous reporting period.

Results

Austal reported key financial results as follows:

- FY2025 H1 revenue was $825.7 million (FY2024 H1: $717.7 million).
- Earnings Before Interest and Tax (EBIT) was $42.7 million (FY2024 H1: $32.1 million).
- Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) was $79.1 million (FY2024 H1: $65.3 million).
- Profit Before Tax (PBT) was $38.0 million (FY2024 H1: $27.4 million).
- Net Profit After Tax (NPAT) was $25.1 million (FY2024 H1: $12.0 million).

Reconciliation of EBIT and EBITDA (unaudited)

	2025 H1 $'000	2024 H1 $'000
Profit Before Tax	37,976	27,415
Finance costs	9,199	6,565
Finance income	(4,477)	(1,912)
EBIT	42,698	32,068
Depreciation	35,372	32,028
Amortisation	1,070	1,185
EBITDA	79,140	65,281

Austal uses a number of non-IFRS measures to assess performance which are defined as follows:

- EBIT – earnings before interest and tax.
- EBITDA – earnings before interest, tax, depreciation and amortisation.

EBIT is used to understand segment performance and EBITDA is used to understand cashflows within the Group.

The information is unaudited but is extracted from the financial statements which have been reviewed by the auditor of the Group.

Review of Operations

USA Operations

USA total segment revenue was $633.8 million (FY2024 H1: $581.4 million), and EBIT was $49.9 million (FY2024 H1: $49.0 million).

Operational highlights of the reporting period include:

- In July 2024, Austal USA commenced construction of a new Final Assembly facility (FA2) at the Mobile, Alabama shipyard that will enable the erection of large steel modules for Navy and Coast Guard vessels, including the Offshore Patrol Cutter (OPC) and T-AGOS programs. The infrastructure expansion includes a new assembly building, waterfront improvements and a new ship lift system. The project is scheduled to be complete and fully operational in 2026.
- The final (19th) Independence-variant Littoral Combat Ship, LCS 38 (the future USS Pierre) was launched in August 2024 and is preparing for sea trials.
- Construction on the United States Coast Guard Heritage-class Offshore Patrol Cutter (OPC), USCGC Pickering (WMSM 919), started at the Austal USA shipyard in August 2024; the first of up to 11 steel OPC's with a potential value of US$3.3 billion.
- Austal USA was awarded a US$54,997,317 (A$84,455,364) fixed-priced incentive (firm-target) contract modification for the construction of two additional Landing Craft Utility (LCU) 1700-class vessels for the US Navy in August 2024; bringing the total number of steel hull vessels contracted to five (with options for a further seven).
- Under contract to General Dynamics Electric Boat, Austal USA delivered the first of 10 Command and Control Systems Modules (CCSM) and Electronic Deck Modules (EDM) modules for Virginia-class submarines in August 2024. Four additional Virginia-class modules and one Columbia-class submarine module are under construction.
- In support of the US Navy's additive manufacturing program, Austal USA opened an expanded advanced technology centre in Charlottesville, Virginia in August 2024. The centre enables further development of additive manufacturing solutions and advanced shipbuilding practices that are revolutionising the US Navy's

supply chain. Austal USA operates the US Navy's Additive Manufacturing Center of Excellence in Danville, Virginia and recently celebrated the printing of the 100th part in support of the Navy's submarine and surface fleet. This milestone is on the path to creating a build-to-print capability in the submarine industrial base (SIB) and Navy supply-chain at large.

- The Expeditionary Fast Transport (EPF) program celebrated a number of milestones in the first half of FY2025, with EPF 15 (the future USNS Point Loma) christened in August and then launched in September 2024. The keel laying for EPF 16, the future USNS Lansing and last EPF contracted to the US Navy, was also held in September 2024. The two EPF 'Flight II' vessels provide a Role 2E (enhanced) medical capability which includes a basic secondary health care built around primary surgery, an intensive care unit, a medical with beds as well as x-ray, laboratory and dental support.
- Austal USA was awarded a US$450 million contract from General Dynamics Electric Boat in September 2024 to expand production capacity in support of the US Navy SIB. Specifically, the award provides funding for Austal USA to design, build, and outfit a new module fabrication and outfitting facility at the Mobile, Alabama shipyard. When fully operational in 2026, the building will support approximately 1,000 new jobs and deliver Virginia and Columbia-class submarine components. A ground-breaking ceremony for this new facility was held on 23 October 2024.
- Further, Austal USA entered into a separate US$152 million (approx. A$220 million) agreement with the US Navy to invest in infrastructure that supports the US Navy's goal of annually delivering one Columbia-class and two Virginia-class submarines. The agreement required Austal USA to invest as a limited partner in the United Submarine Alliance Qualified Opportunity Fund - a private investment fund with the objective of supporting expansion of the production capacity of the US SIB. The fund will invest in enhancing ancillary infrastructure and facilities adjacent to Austal USA's facilities and around the Mobile, Alabama shipyard. All risks and rewards associated with the investment in the Fund reside with the US Navy.
- Construction continued on nine shipbuilding projects, of a total 14 contracted projects during the reporting period, including;
  - One aluminium Independence-variant Littoral Combat Ship, the future USS Pierre (LCS 38)
  - Two aluminium Expeditionary Fast Transport (EPF) ships – EPF 15 and 16
  - One steel Offshore Patrol Cutter (of eleven contracted for the US Coast Guard)
  - Three steel Towing, Salvage and Rescue (T-ATS) ships (of five contracted for the US Navy). Austal USA submitted its Request for Equitable Adjustment to the US Navy, and confidential discussions are ongoing to resolve this matter.
  - One steel Auxiliary Floating Dock – Medium (AFDM) for the US Navy
  - One steel Landing Craft 1700-class vessel (of 5 contracted and a further seven options)
  - Five submarine modules (of ten under contract from General Dynamics Electric Boat)
  - Six elevators for two Gerald R. Ford-class Aircraft Carriers, under construction by HII Newport News Shipbuilding for the US Navy
  - Five 20 metre Saildrone Surveyor uncrewed surface vehicles for the US Navy
- Planning, design and pre-construction works continue for a number of projects contracted, including;
  - Up to seven steel, multi-hull Ocean Surveillance (T-AGOS) ships for the US Navy
  - Three Expeditionary Medical Ships under a US $867.6 million contract for the US Navy
  - Large Unmanned Surface Vessels (LUSV) for the US Navy (concept design completed September 2024)
- Finally, in December 2024, the Austal USA team celebrated 25 years of shipbuilding in the United States, having commenced operations in Mobile, Alabama in December 1999.

Australasia Operations

Australasia segment revenue was $193.0 million (FY2024 H1: $141.6 million), and EBIT was $1.9 million (FY2024 H1: loss of ($6.4) million).

Operational highlights of the reporting period include:

- Austal Australia continued to negotiate the Strategic Shipbuilding Agreement (SSA) with the Australian Government throughout the first half of FY2025, following the Heads of Agreement (HoA) announced in November 2023. When finalised, the SSA will see Austal established as the Australian Government's naval shipbuilder in Western Australia, with opportunities to deliver multiple shipbuilding projects announced in the Continuous Naval Shipbuilding and Sustainment Plan, including pilot programs - Landing Craft Medium and Landing Craft Heavy for the Australian Army.

  The Landing Craft (Medium) project (LAND8710-1a) comprises eighteen 50 metre steel-hulled landing craft designed by Birdon, for the Australian Army; while the Landing Craft (Heavy) project (LAND8710-1b) includes eight, 100 metre steel-hulled landing craft for the Australian Army. The Australian Government announced during the reporting period that the Landing Craft (Heavy) vessel will be based on the Damen LST100 design.

  Austal Australia has engaged (and continues to work with) with stakeholders for both Landing Craft projects in anticipation of the successful finalisation of the SSA in the second half of FY2025.

- Austal Australia delivered two Evolved Cape-class Patrol Boats (ECCPB's) to the Royal Australian Navy in the first six months of FY2025; ADV Cape Solander (August 2024) and ADV Cape Schanck (October 2024), bringing the total number of vessels delivered under SEA1445-1 to eight. The Henderson, Western Australia shipyard is currently completing the construction of a further two Evolved Cape-class Patrol Boats (Hulls 819 and 820) for the Royal Australian Navy, and was contracted in December 2024 to deliver another two Evolved Cape-class Patrol Boats for the Australian Border Force, bringing the total number of vessels contracted under SEA1445-1 to twelve.
- Concurrently, during the reporting period Austal Australia delivered three Guardian-class Patrol Boats (GCPB's) to the Australian Department of Defence under the Pacific Patrol Boat Replacement Project (SEA3036-1). Austal has now delivered 22 of the total 24 vessels contracted, since 2018.
- In total, Austal Australia has now delivered an impressive 30 patrol boats in approximately seven years (since 2017, when the Pacific Patrol Boat Replacement Project commenced construction).
- Forty one maintenance (service) availabilities were conducted on Capes, Evolved Capes and Guardians at Austal's Cairns and Darwin service facilities over the period.
- In the commercial market, Austal Australasia announced a new contract for a unique, 66 metre sailing cargo trimaran, to be constructed by Austal Philippines. The first of class, 100% wind-powered vessel commenced construction in the second half of FY2025 and is scheduled for delivery to VELA Transport, of France in mid CY2026.
- Austal Philippines delivered the 32-metre catamaran 'Ocean Master' to Rottnest Fast Ferries of Hillary's Western Australia in December 2024 – less than 12 months after commencing construction at the Balamban, Cebu shipyard. The vessel is the first new ferry to operate between Perth and Rottnest Island in 25 years and commenced services upon arrival in December 2024.
- Significant progress was made on the construction of a new 71 metre steel monohull ROPAX cargo ferry in Vietnam, for repeat customer The Degage Group of French Polynesia.

Cash management and dividends

The net cash position as per the balance sheet was $212.6 million at 31 December 2024 (30 June 2024: $3.9 million).

Austal has a cash balance of $353.9 million at 31 December 2024 (30 June 2024: $173.5 million).

No dividends were paid after the FY2024 results and no FY2025 interim dividend was declared post 31 December 2024.

Rounding of Amounts

The amounts contained in this half-year Financial Report are presented in Australian dollars and have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the Company under ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016 / 191. The Company is an entity to which the instrument applies.

Auditor's Declaration of Independence

Austal has obtained an independence declaration from its auditors, Deloitte Touche Tohmatsu, which is on page 10 and forms part of the Directors' Report.

This report has been made in accordance with a resolution of Directors.

Richard Spencer

Chairman

21 February 2025

Auditor independence

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Brookfield Place, Tower 2
123 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

Tel: +61 8 9365 7000
Fax: +61 8 9365 7001
www.deloitte.com.au

The Board of Directors
Austal Limited
100 Clarence Beach Rd
Henderson
WA 6166, Australia

21 February 2025

Dear Board Members,

Austal Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Austal Limited.

As lead audit partner for the review of the half year financial report of Austal Limited for the half-year ended 31 December 2024, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely,

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

David Newman
Partner
Chartered Accountants

Condensed consolidated statement of profit and loss and other comprehensive income for the half-year ended 31 December 2024

	Notes	2025 H1 $'000	2024 H1 $'000
Continuing operations			
Revenue	4	825,727	717,657
Cost of sales	4	(727,779)	(624,533)
Gross Profit		97,948	93,124
Other income and expenses		20,991	13,493
Administration expenses		(69,275)	(65,959)
Marketing expenses		(6,966)	(8,590)
Finance income		4,477	1,912
Finance costs		(9,199)	(6,565)
Profit before income tax		37,976	27,415
Income tax (expense)	8	(12,863)	(15,391)
Profit after tax		25,113	12,024
Other comprehensive income (OCI)			
Amounts that may subsequently be reclassified to profit and loss:			
Cash flow hedges			
- Net (loss)		(5,571)	(1,336)
- Income tax benefit	8	1,369	299
- Total		(4,202)	(1,037)
Foreign currency translations			
- Net gain / (loss)		60,162	(14,399)
- Total		60,162	(14,399)
Total		55,960	(15,436)
Amounts not to be reclassified to profit and loss in subsequent periods:			
Asset revaluation reserve			
- Income tax benefit / (expense)	8	98	(256)
- Total		98	(256)
Other comprehensive income / (loss) for the period		56,058	(15,692)
Total comprehensive income / (loss) for the year		81,171	(3,668)
Earnings per share (cents per share)		cents / share	cents / share
Basic earnings per share		6.9	3.3
Diluted earnings per share		6.9	3.3

Condensed consolidated statement of financial position as at 31 December 2024

	Notes	31 December 2024 $'000	30 June 2024 $'000
Assets			
Current			
Cash and cash equivalents		353,924	173,510
Inventories and work in progress		586,404	401,455
Trade and other receivables		283,065	171,641
Prepayments		37,456	33,160
Derivatives		976	551
Income tax receivable		4,552	4,553
Total		1,266,377	784,870
Non - current			
Property, plant and equipment		1,145,774	1,045,830
Intangible assets and goodwill		39,545	39,148
Prepayments		44,240	45,989
Derivatives		203	349
Right of use lease assets		186,019	154,620
Other financial assets		15,196	13,458
Deferred tax assets		119,354	8,963
Total		1,550,331	1,308,357
Total		2,816,708	2,093,227
Liabilities			
Current			
Interest bearing loans and borrowings	6	(1,338)	(39,999)
Progress payments received in advance		(259,551)	(223,769)
Trade and other payables		(212,405)	(253,184)
Provisions		(99,021)	(116,327)
Derivatives		(2,232)	(620)
Income tax payable		(152,424)	(56,157)
Lease liabilities		(7,017)	(4,832)
Deferred grant income		(17,992)	(14,681)
Total		(751,980)	(709,569)
Non - current			
Interest bearing loans and borrowings	6	(140,012)	(129,609)
Progress payments received in advance		(540,976)	-
Provisions		(29,604)	(36,279)
Derivatives		(3,664)	(195)
Lease liabilities		(136,910)	(106,618)
Deferred grant income		(127,135)	(92,735)
Deferred tax liabilities		-	(13,557)
Total		(978,301)	(378,993)
Total		(1,730,281)	(1,088,562)
Net assets		1,086,427	1,004,665
Equity attributable to owners of the parent			
Contributed equity	7	146,058	145,065
Reserves		472,264	416,608
Retained earnings		468,105	442,992
Total		1,086,427	1,004,665

Condensed consolidated statement of changes in equity for the half-year ended 31 December 2024

	Issued Capital $'000	Reserved Shares [1] $'000	Retained Earnings $'000	Foreign Currency Transl'n Reserve $'000	Employee Benefits Reserve $'000	Cash Flow Hedge Reserve $'000	Common Control Reserve $'000	Asset Reval'n Reserve $'000	Total Equity $'000
Equity at 1 July 2023	**147,775**	**(3,257)**	**435,153**	**142,641**	**10,788**	**597**	**(17,594)**	**232,715**	**948,818**
Comprehensive income									
Profit for the period	-	-	12,024	-	-	-	-	-	12,024
Other comprehensive (loss) for the period	-	-	-	(14,399)	-	(1,037)	-	(256)	(15,692)
Total	-	-	12,024	(14,399)	-	(1,037)	-	(256)	(3,668)
Other equity transactions									
Dividends declared	-	-	(10,751)	-	-	-	-	-	(10,751)
Share based payments expense	-	-	-	-	365	-	-	-	365
Shares issued to employee share trust	-	-	-	-	-	-	-	-	-
Shares or proceeds transferred to beneficiaries	(12)	303	-	-	(291)	-	-	-	-
Total	(12)	303	(10,751)	-	74	-	-	-	(10,386)
Movement	**(12)**	**303**	**1,273**	**(14,399)**	**74**	**(1,037)**	**-**	**(256)**	**(14,054)**
Equity at 31 December 2023	**147,763**	**(2,954)**	**436,426**	**128,242**	**10,862**	**(440)**	**(17,594)**	**232,459**	**934,764**
Equity at 1 July 2024	**147,893**	**(2,828)**	**442,992**	**142,956**	**12,598**	**729**	**(17,594)**	**277,919**	**1,004,665**
Comprehensive income									
Profit for the period	-	-	25,113	-	-	-	-	-	25,113
Other comprehensive income for the period	-	-	-	60,162	-	(4,202)	-	98	56,058
Total	-	-	25,113	60,162	-	(4,202)	-	98	81,171
Other equity transactions									
Dividends declared	-	-	-	-	-	-	-	-	-
Share based payments expense	-	-	-	-	591	-	-	-	591
Shares issued to employee share trust	2,555	(2,555)	-	-	-	-	-	-	-
Shares or proceeds transferred to beneficiaries	(179)	1,172	-	-	(993)	-	-	-	-
Total	2,376	(1,383)	-	-	(402)	-	-	-	591
Movement	**2,376**	**(1,383)**	**25,113**	**60,162**	**(402)**	**(4,202)**	**-**	**98**	**81,762**
Equity at 31 December 2024	**150,269**	**(4,211)**	**468,105**	**203,118**	**12,196**	**(3,473)**	**(17,594)**	**278,017**	**1,086,427**

1. Reserved shares are held in relation to an employee share trust.

Condensed consolidated statement of cash flows for the half-year ended 31 December 2024

	Notes	2025 H1 $'000	2024 H1 $'000
Cash flows from operating activities			
Receipts from customers		1,300,734	774,334
Payments to suppliers and employees[1]		(1,017,243)	(702,950)
Income tax paid		(40,445)	(33,120)
Interest paid		(9,199)	(6,565)
Interest received		4,477	1,912
Net cash from operating activities		238,324	33,611
Cash flows from investing activities			
Purchase of property, plant and equipment		(50,362)	(39,686)
Payment for intangible assets		(439)	(3,278)
Proceeds from sale of property, plant and equipment		7	53
Receipts of government infrastructure grants		38,649	6,119
Proceeds for investment in United Submarine Alliance Qualified Opportunity Fund	13	216,982	-
Payment for investment in United Submarine Alliance Qualified Opportunity Fund	13	(216,982)	-
Net cash (used) in investing activities		(12,145)	(36,792)
Cash flows from financing activities			
Dividends paid		-	(10,751)
Principal component of lease payments		(5,473)	(5,381)
Repayment of borrowings		(43,502)	-
Payment of borrowing costs		(75)	(445)
Proceeds from borrowings		4,460	-
Net cash (used) in financing activities		(44,590)	(16,577)
Net increase / (decrease) in cash and cash equivalents		181,589	(19,758)
Cash and cash equivalents			
Cash and cash equivalents at beginning of period		173,510	179,201
Net increase / (decrease) in cash and cash equivalents		181,589	(19,758)
Net foreign exchange differences		(1,175)	(4,319)
Cash and cash equivalents at end of period		353,924	155,124

1. Payments to suppliers and employees includes instalments of $9.8 million in accordance with the settlement arrangements in relation to the US Department of Justice (DoJ) and Securities Exchange Commission (SEC) penalty.

Notes to the condensed consolidated financial statements for the half-year ended 31 December 2024

Note 1 Corporate information

The half-year Financial Report of Austal Limited and its controlled entities (the Company, Group or consolidated entity) for the period ended 31 December 2024 was authorised for issue in accordance with a resolution of the Directors on 21 February 2025.

Austal Limited is a company limited by shares, incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. Its registered office and principal place of business is at 100 Clarence Beach Rd, Henderson, WA 6166, Australia.

Note 2 Basis of preparation

The half-year Financial Report is a general purpose condensed financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*.

The half-year Financial Report does not include all of the notes normally included within the Annual Financial Report and therefore cannot be expected to provide as full an understanding of the financial performance and financial position of the consolidated entity as the Annual Financial Report.

The half-year Financial Report should be read in conjunction with the 2024 Annual Financial Report and considered together with any public announcements made by Austal Limited and its controlled entities up to the release date of this report in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001* and Australian Securities Exchange Listing Rules.

The half-year Financial Report has been prepared using the same accounting policies as used in the Annual Financial Report for the year ended 30 June 2024. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

i New and amended accounting standards adopted by the Group

The Group has applied all new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective from 1 July 2024, including:

- AASB 2022-5 Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback
- AASB 2022-6 Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants
- AASB 2023-1 Amendments to Australian Accounting Standards – Supplier Finance Arrangements

The adoption of these standards did not have any effect on the financial position or performance of the Group.

ii Impact of accounting standards issued but not yet applied by the Group

The Group has not yet early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Note 3 Operating segments

	USA			Australasia			Unallocated	Elimination / Adjustments	Total
	Ships $'000	Support $'000	Total $'000	Ships $'000	Support $'000	Total $'000	$'000	$'000	$'000
2025 H1									
Revenue									
External customers	517,121	116,640	633,761	113,697	78,206	191,903	-	63	825,727
Inter-segment [1]	-	-	-	459	637	1,096	-	(1,096)	-
Total	517,121	116,640	633,761	114,156	78,843	192,999	-	(1,033)	825,727
Profit / (loss) before tax									
Earnings before interest and tax	26,881	22,972	49,853	(1,933)	3,837	1,904	(9,054)	(5)	42,698
Finance income	-	-	-	-	-	-	4,477	-	4,477
Finance expenses	-	-	-	-	-	-	(9,199)	-	(9,199)
Profit / (loss) before income tax	26,881	22,972	49,853	(1,933)	3,837	1,904	(13,776)	(5)	37,976
Depreciation and amortisation	(22,765)	(5,500)	(28,265)	(5,060)	(3,117)	(8,177)	-	-	(36,442)
Balance sheet at 31 December 2024									
Segment assets	2,019,005	229,447	2,248,452	274,220	146,406	420,626	149,751	(2,121)	2,816,708
Segment liabilities	(1,281,692)	(97,061)	(1,378,753)	(115,455)	(86,069)	(201,524)	(163,661)	13,657	(1,730,281)

	USA			Australasia			Unallocated	Elimination / Adjustments	Total
	Ships $'000	Support $'000	Total $'000	Ships $'000	Support $'000	Total $'000	$'000	$'000	$'000
2024 H1									
Revenue									
External customers	454,538	126,821	581,359	67,339	68,997	136,336	-	(38)	717,657
Inter-segment [1]	-	-	-	4,033	1,221	5,254	-	(5,254)	-
Total	454,538	126,821	581,359	71,372	70,218	141,590	-	(5,292)	717,657
Profit / (loss) before tax									
Earnings before interest and tax	24,529	24,464	48,993	(9,092)	2,715	(6,377)	(10,722)	174	32,068
Finance income	-	-	-	-	-	-	1,912	-	1,912
Finance expenses	-	-	-	-	-	-	(6,565)	-	(6,565)
Profit / (loss) before income tax	24,529	24,464	48,993	(9,092)	2,715	(6,377)	(15,375)	174	27,415
Depreciation and amortisation	(18,934)	(5,062)	(23,996)	(5,853)	(3,364)	(9,217)	-	-	(33,213)
Balance sheet at 30 June 2024									
Segment assets	1,416,207	250,014	1,666,221	253,332	145,192	398,524	29,016	(534)	2,093,227
Segment liabilities	(721,141)	(101,153)	(822,294)	(73,233)	(84,632)	(157,865)	(121,499)	13,096	(1,088,562)

1. Inter-segment revenues, investments, receivables and payables are eliminated on consolidation.

i Identification of reportable segments

The Group is organised into four business segments for management purposes. This is based on the location of the production facilities, related sales regions, and types of activity.

The Chief Executive Officer, who is the Chief Operating Decision Maker (CODM), monitors the performance of the business segments separately for the purpose of making decisions. Segment performance is evaluated based on EBIT. Finance costs, finance income and income tax are managed on a Group basis (i.e. Unallocated).

The CODM monitors the tangible, intangible and financial assets attributable to each segment for the purposes of monitoring segment performance and allocating resources between segments. All assets are allocated to reportable segments with the exception of financial instruments, deferred tax assets and income tax refunds. Goodwill has been allocated to reportable segments as described in Note 9.

ii Reportable segments

The reportable segments are:

1. **USA Shipbuilding**

   The USA manufactures high performance defence vessels, primarily for the US Navy and Coast Guard.

2. **USA Support**

   The USA provides on-going support and maintenance of Austal and non-Austal vessels to the US Navy, principally in the USA and other international jurisdictions.

3. **Australasia Shipbuilding**

   The Australasia Shipbuilding segment comprises Austal's Australia, Philippines and Vietnam shipbuilding operations. These operations act as a single business unit for tendering, scheduling, resource planning and management accountability.

   Australasia manufactures high performance vessels for markets worldwide, excluding the USA.

4. **Australasia Support**

   The Australasia Support segments comprises Austal's Australia, Oman and Trinidad & Tobago operations. These locations act as a single business unit for allocation of resources, training, on-going support and maintenance for high performance vessels.

iii Accounting policies, inter-segment transactions and unallocated items

The accounting policies used for reporting segments internally are the same as those utilised for reporting the accounts of the Group. Inter-entity sales are recognised based on an arm's length pricing structure in accordance with the Group's transfer pricing policy.

Certain unallocated items are not considered to be part of the core operations of any segment.

Note 4 Revenue and Cost of Sales

Profit before income tax expense includes the following revenues and cost of sales whose disclosure is relevant in explaining the performance of the entity:

Revenue and cost of sales disclosure	2025 H1 $'000	2024 H1 $'000
Revenue		
Shipbuilding	630,881	521,839
Support	194,846	195,818
Total	825,727	717,657
Cost of sales		
Shipbuilding	(589,176)	(489,260)
Support	(138,603)	(135,273)
Total	(727,779)	(624,533)

i Recognition and measurement

Revenue represents income derived from contracts for the provision of goods and services by the Company and its subsidiary undertakings to customers in exchange for consideration in the ordinary course of the Group's activities.

The Group derives the following types of revenue:

1. Vessel construction

Vessel construction / shipbuilding revenue includes the design and construction of both defence and commercial vessel platforms. Defence vessels include advanced naval and other defence vessels and commercial vessels include passenger ferries, vehicle passenger ferries, cargo vessels, offshore and windfarm vessels.

2. Vessel support

Vessel support revenue includes through-life capability management and vessel support services, including crew training and instruction, vessel servicing, repairs and maintenance, integrated logistics support, vessel sustainment and information management systems support. Austal also provides comprehensive refit services and management of annual dockings to naval, government and commercial operators.

Full disclosure of the Group's accounting policy in relation to AASB 15 *Revenue from Contracts with Customers* can be found in Note 4 of the 2024 Annual Financial Report.

ii Significant accounting judgements and estimates

1. Contract revenue and expected construction profits at completion

The assessment of contract revenue in accordance with the Group's accounting policies requires significant estimates to be made for total contract revenues, total contract costs and the current percentage of completion. Estimates were made by management with respect to total contract revenues, and total contract costs, which had a resulting impact on the percentage of completion, in line with the Group's accounting policy for contract revenue.

2. Contingencies

Significant judgement is required in relation to the determination of cost contingencies that are included within the estimated total contract costs for each vessel project at balance date.

Examples of risks

The Group includes contingencies in individual vessel projects to allow for risks associated with estimates of material volumes and costs, labour hours including productivity improvements from ship to ship in multi vessel programs, labour rates, future overhead rates, liquidated damages for contractual commitments and other risks that may be identified for each individual project on a case by case basis such as the incorporation and development of novel technologies and production methods and achievement of key milestones.

Consumption and release of contingencies

Contingencies will either be consumed or released as progress is made on each vessel, and the risks are either realised or retired and / or certain milestones are achieved. Successful mitigation of the risks and / or successful achievement of the milestones can be estimated with greater certainty in the latter stages of the completion of each particular vessel. The profit recognised on relevant vessels will decrease in future reporting periods in the event that initial contingency estimates do not adequately cover unplanned cost increases. The profit recognised on relevant vessels will increase in future reporting periods in the event that initial contingency estimates exceed any unplanned cost increases that may eventuate.

USA

T-ATS

Austal was awarded its first steel construction contract by the United States Navy in September 2021, a build of two Towing, Salvage and Rescue Ships (T-ATS 11 and 12). Three additional T-ATS vessels were awarded in July 2022 (T-ATS 13 and 14) and in June 2023 (T-ATS 15) respectively. These vessels are the first to be constructed in the Company's new steel panel line and risks exist for the remaining vessels until future events become known such as continued achievement of productivity improvements, future overhead rates which are directly impacted by the volume and timing of future contract awards and other vessel specific risks (further detail is provided in Note 10). Contingencies or unidentified risk held at 31 December 2024 for undelivered vessels for the T-ATS program were $30.7 million (US$19.0 million) (30 June 2024: $121.1 million (US$80.8 million)). These contingencies form part of the forecast costs which are taken into account when calculating the onerous loss provision.

Other programs

Future judgements about the appropriate level of contingencies to be held for each new vessel could result in an increase or decrease in the profit recognised on relevant vessels in FY2025 and future reporting periods.

Australasia

Australasia is completing a number of vessels under multi vessel contracts.

First in class vessels carry heightened cost risk associated with vessel performance, schedule adherence and material consumption and labour productivity.

Multi vessel contracts provide the opportunity for efficiency improvements from vessel to vessel which are typically built into customer pricing and hence achievement of improvements from vessel to vessel (i.e. a learning curve) represents additional cost risk.

Contingencies held at 31 December 2024 for undelivered vessels in the Australasia business unit were $6.7 million (30 June 2024: $7 million). This was equivalent to 2.9% of ETC (30 June 2024: 6.5%).

Note 5 Dividends paid and proposed

Dividends paid on ordinary shares	2025 H1 $'000	2024 H1 $'000
Unfranked final dividend for the prior year, 0 cps (2024 HY: unfranked, 3 cps)	-	10,751
Dividend declared subsequent to the reporting period end (not recorded as liability)		
Unfranked interim dividend for the current year 0 cps (2024 HY: 0 cps)	-	-

Note 6 Interest bearing loans and borrowings

	31 Dec 2024 $'000	30 Jun 2024 $'000
Current		
Revolving credit facility - cash loans	-	(39,999)
Insurance premium funding	(1,338)	-
Total	(1,338)	(39,999)
Non-current		
Go Zone Bonds	(140,012)	(129,609)
Total	(141,350)	(169,608)

i Go Zone Bonds

The Gulf Opportunity Zone Bonds (Go Zone Bonds or GZB) are a form of indebtedness that was authorised by the US Federal Government to incentivise private investment in infrastructure in geographical areas that were affected by Hurricane Katrina in 2005. Austal qualified to borrow US$225 million with a 30-year maturity to invest in the development of shipbuilding infrastructure in Austal USA between FY2008 and FY2013.

Go Zone Bonds are tax-exempt municipal bonds in the United States and attracted an average coupon rate of 3.2729% in H1 FY2025 (FY2024: 3.4926%). GZB bondholders are secured by letters of credit issued by Austal's banking syndicate with a maturity date of 3 April 2026 for both Series 2011A and 2011B. The average cost of the letters of credit in H1 FY2025 was 1.5354% (FY2024: 1.5312%). In December 2024, Austal extended the Syndicated Facility and the letters of credit securing the GZB to April 2026.

Austal has redeemed (repaid) a cumulative amount of ~ US$137.5 million at 31 December 2024 (FY2024: US$137.5 million) of GZB funds and owes US$87.5 million at 31 December 2024 (30 June 2024: US$87.5 million).

Austal has the option of redeeming the outstanding GZB balance, in whole or in part, at any time during the term of the indebtedness with a 30-day notice to bondholders.

ii Revolving credit facility – cash loans

	31 Dec 2024 $'000	30 Jun 2024 $'000
Revolving credit facility - cash loans		
Total facility limit	65,000	65,000
Facilities used at reporting date	-	(39,999)
Facilities unused at reporting date	65,000	25,001

The Syndicated Facility Agreement has a $280 million revolving credit facility (RCF). In December 2024, Austal extended the Syndicated Facility to 3 April 2026. The RCF has a $65 million (30 June 2024: $65 million) cash loan sub limit, of which $Nil million has been drawn down at balance sheet date (30 June 2024: $40 million - the tenor of these was a period of 1 month). The interest rate is variable, based upon a drawn margin above BBSY and SOFR for AUD and USD principal borrowings respectively.

Note 7 Contributed equity

	Shares		$'000	
	31 Dec 2024	30 Jun 2024	31 Dec 2024	30 Jun 2024
Ordinary shares on issue				
Opening	362,489,162	362,441,875	147,893	147,775
Shares issued to Employee Share Trust	796,145	47,287	2,555	114
Shares or proceeds transferred to beneficiaries	-	-	(179)	4
Closing	363,285,307	362,489,162	150,269	147,893
Reserved shares				
Opening	(1,267,695)	(1,456,775)	(2,828)	(3,257)
Shares issued to Employee Share Trust or sold	(796,145)	(47,287)	(2,555)	(114)
Shares or proceeds transferred to beneficiaries	392,991	236,367	1,172	543
Closing	(1,670,849)	(1,267,695)	(4,211)	(2,828)
Net	361,614,458	361,221,467	146,058	145,065

Note 8 Income tax

	2025 H1 $'000	2024 H1 $'000
Major components of tax (expense) are:		
Consolidated profit and loss		
Current income tax		
Current income tax charge	(133,457)	(35,900)
Adjustments in respect of current income tax of the previous year	(54)	(5,669)
Total	(133,511)	(41,569)
Deferred income tax		
Relating to origination and reversal of temporary differences	121,408	24,796
Adjustments in respect of deferred income tax of the previous year	(760)	1,382
Total	120,648	26,178
Total income tax (expense)	(12,863)	(15,391)
Other comprehensive income (OCI)		
Current and deferred income tax related items charged or credited directly to OCI		
Current and deferred gains on foreign currency contracts	1,369	299
Deferred gains / (losses) on revaluation of property, plant and equipment	98	(256)
Total income tax benefit charged to OCI	1,467	43

A reconciliation between tax (expense) and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

	2025 H1 $'000	2024 H1 $'000
Accounting profit before income tax from continuing operations	37,976	27,415
Income tax at the Group's statutory income tax rate of 30% (FY2024 H1: 30%)	(11,393)	(8,225)
USA combined federal and state income tax rate of 25.0% (FY2024 H1: 25.0%)	2,261	2,349
Philippines gross income tax (GIT) regime	145	50
Other foreign tax rate differences	26	(86)
USA revalue deferred balances for change in weighted average state rate	(183)	(170)
Withholding tax leakage due to losses	-	(649)
Non-assessable R&D credits in cost of sales	-	1,241
Carry forward tax losses not recognised	(2,226)	(5,327)
Valuation of share based payments	(91)	(207)
Other non-assessable or non-deductible items	(588)	948
Foreign income taxes	-	(1,028)
Adjustments in respect of current and deferred income tax of the previous year	(814)	(4,287)
Total adjustments	(1,470)	(7,166)
Income tax (expense) reported in the profit and loss	(12,863)	(15,391)

i Audits by tax authorities

The Group establishes a provision based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile of the Group companies.

ii Tax planning

Austal seeks to manage its business in a tax-efficient manner, compliant with the tax laws, rules and regulations of the jurisdiction it operates in. Transactions are undertaken for commercial and economic business reasons; Austal will not knowingly participate in, facilitate nor promote artificial or contrived tax planning arrangements for the purposes of tax avoidance.

iii OECD Pillar Two Model Rules

Austal Limited is part of a global consolidated group that may be subject to additional taxation under the OECD Pillar Two tax reforms. These reforms apply to multinational entities which revenues exceeding EUR 750 million and aim to ensure that large multinational groups pay a minimum amount of tax on income in each jurisdiction in which they operate and would apply a ‘top up’ tax to profits in low taxing jurisdictions representing at least the minimum rate of 15%.

The Austal Limited group is now subject to Pillar Two legislation in various jurisdictions. Austal Limited has assessed its tax liability in these jurisdictions as at 31 December 2024 and concluded that no Pillar Two top-up tax is required to be accrued.

In addition, we do not expect that there will be a material impact on current tax for the year ending 30 June 2025 arising from legislation that has been enacted, or is expected to be enacted or substantially enacted before the end of the FY2025 annual reporting period for any other jurisdictions that Austal Limited operates. The impact of the Pillar Two income tax legislation will continue to be assessed.

In accordance with the mandatory exception introduced into AASB 112 Income Taxes, the Austal Limited group has not recognised any deferred taxes arising from the Pillar Two reforms.

Any impact arising from the Pillar Two top-up tax will be presented as current tax in the period when it is incurred.

Note 9 Impairment testing of non-current assets

i Review cycle

Cash generating units (CGUs) within the Group are assessed for impairment at least annually where they hold goodwill or indefinite life intangible assets. In addition to this, all CGUs are assessed for impairment when impairment indicators are identified. Non-current assets are reviewed on an annual basis in accordance with the Group’s accounting policies to determine whether there is an impairment indicator. An estimate of the recoverable amount is made where an impairment indicator exists.

ii Cash generating units (CGU)

The recoverable amounts are assessed at the CGU level as identified below:

- USA Shipbuilding
- USA Support
- Australasia Shipbuilding
- Australasia Support

iii Allocation of assets to CGU

Corporate assets and corporate overheads have been allocated to CGUs to the extent that they are used to support the operations of the CGU.

Goodwill acquired through business combinations has been allocated to the following segments:

- USA Support – a carrying amount of $7.2 million
- Australasia Support – a carrying amount of $25.2 million

iv Assessment of impairment indicators

For the half-year ended 31 December 2024, management assessed whether there were any indicators of impairment. The Company concluded that no triggers were present within the CGUs.

USA Shipbuilding

During FY2023 and FY2024 there were multiple shipbuilding awards replenishing the order book. The Offshore Patrol Cutter (OPC), T-AGOS Surveillance Ships, Expeditionary Medical Ships (EMS) and Landing Craft Utility (LCU) awards evidence continued demand from the US Coast Guard and US Navy respectively.

USA Support

Expected throughput is based on long term defence sustainment contracts (Littoral Combat Ships (LCS), Expeditionary Fast Transport (EPF) and future shipbuilding programs mentioned above). Throughput has been enhanced by the expansion of the San Diego operations which were established in December 2021 with the dry dock expected to commence dockings in early FY2026, and increased capacity to conduct support activities in Singapore post COVID-19.

Australasia Shipbuilding

Austal has been announced as the ‘Sovereign Shipbuilder of Western Australia’. A Heads of Agreement (HoA) has been signed between Austal and the Commonwealth of Australia to establish a Strategic Shipbuilding Agreement (SSA), with specific awards of 2 additional Evolved Cape-class Patrol Boats and Austal being nominated as shipbuilder for both the Australian Army’s Landing Craft Medium and Heavy (Littoral Manoeuvre Vessels) under the Commonwealth’s LAND 8710 project. The likelihood of further defence contracts is expected to be solidified by the SSA mentioned above which may arise following the Navy’s Surface Combatant Fleet Review, with potential future Evolved Cape-class Patrol Boat (ECCPB), general purpose frigate and Large Optionally Crewed Vessel (LOSV) contracts allocated to Henderson.

Commercial shipbuilding has also seen increased demand, with the award of four contracts, being a 71-metre roll-on-roll-off (RORO) passenger cargo vessel and a 32-metre catamaran during FY2024 and a 66-metre sailing cargo trimaran and 130-metre combine cycle, ‘hydrogen-ready’ vehicle passenger ferry during FY2025. Further commercial shipbuilding awards are expected to arise as a result of the increased demand in the commercial shipbuilding market which has been observed from order enquiries and independent market assessments.

Australasia Support

Throughput and profitability is expected to remain consistent based on long term defence sustainment contracts, assuming current contracts continue to be extended. Two such contracts were renewed or extended in FY2024.

Note 10 Onerous contracts provision (T-ATS and AFDM Programs)

	T-ATS Program '000	AFDM Program '000	Total '000
Provision at 1 July 2024	-	(29,239)	(29,239)
Change in estimate of provision[1]	28,086	(20,892)	$ 7,194
Utilised	(28,086)	21,156	(6,930)
Effects of foreign exchange	-	(2,246)	(2,246)
Movement	$ -	$ (1,982)	$ (1,982)
Provision at 31 December 2024	-	(31,221)	$ (31,221)

1. Change in estimate of provision comprises changes in expected costs, net of expected REA recovery (in relation to T-ATS Program).

i T-ATS Program

Please refer to 30 June 2024 Annual Report for further background information.

Management have reviewed the Estimates at Completion (EACs) as part of the half-year end process and applied judgement in calculating an onerous contract provision using a probability weighted approach in line with AASB 137. The judgements applied are detailed below and are expected to result in a total contract loss of $174.8 million (30 June 2024: $187.4 million), inclusive of an assumed REA recovery, and an onerous contract provision of $Nil million at 31 December 2024 (30 June 2024: $Nil million).

Forecast program EAC hours:

Management conducts regular reviews of costs contained within the EACs. During H1 FY2025, this process did not show any significant changes or drivers of further increased costs, for example, no significant increase of material quantities, cost inflation on materials and labour hours growth.

Various independent third parties (including the independent third-party expert used in estimating the recoverable amount of the REA), an internal management expert not involved in the Program and the program office performed reviews of the EACs in FY2024. Further program office reviews were performed in H1 FY2025. With the Program experiencing stability in forecast EAC growth as detailed above, management evaluated various scenarios and determined that 2 were realistic scenarios given the current position of the Program as of 31 December 2024. Management has adopted a probability weighted approach to calculate the onerous contract loss considering the various program office EACs.

Request for equitable adjustment:

During H1 FY2025, further work was performed by management's independent third-party expert, working alongside a dedicated team at AUSA, to prepare the quantum of the REA claim. The certainty of the estimate increased as Austal made progress on ship construction, completing more tasks enabling more cases of productivity measurements to be factored into the analysis. In November 2024, a submission of a REA was made to the United States Navy.

The independent expert's work included developing ranges of potentially recoverable amounts for the REA, with the ranges based on generally accepted approaches with respect to the quantification of REAs. Management considered the REA recoverability ranges that were calculated by the independent expert when determining the probable amount of the REA that is recoverable as at 31 December 2024.

The submitted REA claim is currently under review as confidential discussions between the Company and the United States Navy continue as at the date of approval of these interim financial statements, in advance of the REA being finalised. The United States Navy has requested the T-ATS 14 and T-ATS 15 ship's construction are paused for a brief window while discussions continue. The calculation of the onerous loss as at 31 December 2024 includes an estimate of the amount of the REA that the Company believes is probable of recovery.

Contract asset:

Variable consideration, such as the REA, is included in the onerous contract provision based on the amount deemed probable of recovery. However, revenue in relation to the REA is only recognised to the extent that it is highly probable that there will not be a significant reversal in the amount of revenue recognised. Revenue of $78.0 million has been recognised during the current half year (30 June 2024: $Nil), with a corresponding contract asset (included in work in progress).

Management has performed sensitivities of certain key assumptions in the onerous contract provision calculation which are discussed below.

ii AFDM Program

Please refer to 30 June 2024 Annual Report for further background information.

Management have reviewed the EACs as part of the half-year end process and applied judgement in calculating an onerous contract provision using a probability weighted approach in line with AASB 137. The judgements applied are detailed below and resulted in a total contract loss of $79.0 million (30 June 2024: $54.1 million) and an onerous contract provision of $30.7 million at 31 December 2024 (30 June 2024: $29.2 million).

Forecast program EAC hours:

Management conducts regular reviews of costs contained within the EACs. During H1 FY2025, this process identified a number of drivers of increased cost which included updated material quantities and cost inflation on materials, and labour hours growth.

An independent third party performed a review in H1 FY2024 of the EACs and overall construction strategy, in addition to program office reviews performed in H1 FY2025. Management evaluated various scenarios and determined that 5 were realistic scenarios given the current position of the Program as of 31 December 2024. Management has adopted a probability weighted approach to calculate the onerous contract provision considering the various program office and independent third-party EACs.

Management has performed sensitivities of certain key assumptions in the onerous contract provision calculation which are discussed below.

iii Significant accounting judgement and estimates relating to the T-ATS and AFDM Programs onerous contract provision

The onerous contract provision assessment requires management to make certain estimates regarding the unavoidable costs and the expected economic benefits of the T-ATS and AFDM contracts. These estimates require significant management judgment, given the time period over which the various vessels will be constructed, with construction forecast to FY2029 for the T-ATS Program and FY2028 for the AFDM Program, and are subject to risk and uncertainty and accordingly changes in economic conditions can affect these assumptions. The critical assumptions applied when estimating the present value of the provision are set out below:

Labour costs: Represent the forecast cost of labour which can vary depending on market labour rates, the mix of skilled labour required as the program progresses and the productivity achieved especially as the vessel program matures. The forecast labour rate takes account of inflationary increases. The labour hour sensitivity includes the impact of direct labour costs and also overheads related to contract fulfilment.

Overhead forecast rate: The overhead rate reflects estimated costs directly related to contract fulfilment (in addition to direct costs of production), divided by forecast labour hours taking into account historic and forecast production hours of the current facility.

Materials costs: Forecast materials costs takes into account inflationary increases and are based on latest supplier quotations. Increases or decreases can arise with movements in materials costs over time.

Cost performance index (CPI): CPI is a measure of the program cost efficiencies and is determined by a number of factors, but primarily the structural and labour hour components of construction which would be expected to be more variable in first in class vessel builds.

Learning curve: The learning curve reflects the improved efficiencies that are expected as the learnings from the construction of the first vessel are applied to subsequent vessel / module construction. Learning curve assumptions are based on the actual learning curves experienced on other programs run by the Company.

Incentives: Where incentives exist within a program that are dependent on future performance, an estimate is made at each reporting date as to the economic benefits that are expected to be received under the contract. This assessment takes into account historic performance with respect to similar incentives, and also performance on the specific program to date.

Discount rate: A risk free rate of 4.5% (30 June 2024: 4.5%) has been applied to the provision based on the time phasing of the estimate to complete / forecast costs.

Requests for Equitable Adjustment (REA): As noted above, with respect to the T-ATS Program, management have assessed the estimated REA recovery ranges provided by the independent third party expert as submitted in the REA claim to the United States Navy to calculate the amount of REA that is deemed probable and highly probable of recovery at 31 December 2024. The certainty of the estimate will increase over time as Austal and the US Navy continue to discuss and assess the key drivers of the REA and the United States Navy completes their review. The calculation of the onerous loss as at 31 December 2024 includes an estimate of the amount of the REA that the Company expects to recover based on the probable assessment of EAC's at 31 December 2024. Additionally, variable consideration has been recognised during the period based on an estimate of the amount of the REA that is deemed highly probable of recovery as at 31 December 2024. Management will continue to assess the quantum of the REA that is deemed probable and highly probable of recovery, and consequently of the benefits expected to arise. As confidential discussions between the Company and the United States Navy progress the ultimate amount that may be recovered under the REA may increase or decrease compared to the amounts assumed as being probable and highly probable of recovery as at 31 December 2024. Any significant change to the amount of the REA ultimately recovered may have a material impact, positively or negatively, on the onerous loss, and future profitability of the T-ATS Program, for example 10% change of the recovered amount of the REA could result in an impact of more than tens of millions of dollars. Further profit recognition, and ultimately the future profitability of the T-ATS program is therefore dependent on the outcome of confidential discussions between the Company and the United States Navy, and consequently the ultimate resolution of the REA claim.

The forecast EAC, as noted above, is an estimate based on various inputs including expected future year productivity, cost inflation, forecast overhead rates (which is dependent on future production throughput for the facility), forecast efficiency improvements and realisation (or not) of cost contingencies.

Reasonably possible changes to key assumptions: Actual costs and cash outflows can materially differ from the current estimate, positively or negatively, as a result of inflationary cost increases, supply chain challenges, labour efficiencies, design and / or specification changes and structural complexities, and the ultimate amount recoverable under the REA claim.

Sensitivity analysis performed: The impact to the onerous contract provision of reasonably possible changes in the labour hours, materials costs, discount rates and amounts ultimately recoverable under the REA claim have been displayed in the sensitivity table below.

T-ATS Program

		Increase / (decrease) in provision [1]	
Concept	**Change**	**$'000**	**$'000**
		+	-
Labour hours	5%	9,222	(9,222)
Materials	5%	8,518	(8,502)
Overhead rate	2%	2,979	(2,973)
Discount	1%	(1,174)	1,237
Settlement of REA	US$20 million	(31,622)	31,622

1. Decreases would impact program profitability in accordance with the Group's accounting policy for revenue recognition as disclosed in Note 4 of the 2024 Annual Financial Report.

AFDM Program

Concept	Change	Increase / (decrease) in provision [1] $'000	$'000
		+	-
Labour hours	5%	593	(593)
Materials	5%	1,732	(1,709)
Overhead rate	2%	(341)	342
Discount	1%	(555)	576

1. Decreases would impact program profitability in accordance with the Group's accounting policy for revenue recognition as disclosed in Note 4 of the 2024 Annual Financial Report.

Note 11 Corporate investigations and other legal claims

i US Department of Justice (DoJ) and Securities Exchange Commission (SEC)

As described in previous annual and half-year reports and ASX announcements, in FY2024 the Group agreed to resolve the investigation by the US Department of Justice (DoJ) and Securities Exchange Commission (SEC) alleging fraudulent conduct during 2013 – 2016 concerning Austal USA's Littoral Combat Ship (LCS) program on the following terms:

1. Austal USA will pay a financial penalty of US$24 million in agreed instalments over a period of 12 months from the date of Court approval of the settlement (December 2024).
2. Austal USA entered into a plea agreement with the DoJ to resolve criminal charges of fraud. As part of the plea agreement Austal USA entered a guilty plea in relation to one count of securities fraud and one count of obstructing a federal audit. Austal Limited was not charged in this matter but has agreed to participate in certain compliance and reporting obligations to the DoJ.
3. Austal Limited and Austal USA have settled with the SEC by consenting to the entry of a final judgment that permanently restrains and enjoins them from violating certain provisions of the US federal securities laws. As part of the SEC resolution, Austal Limited does not admit or deny the allegations set out in the SEC's allegations.
4. Austal USA has agreed to engage an independent monitor, at its own cost, for a period of three years to assess and monitor compliance with the DoJ plea agreement and confirm the effectiveness of its compliance programme and associated internal controls.

Judgement formally confirming the above terms was entered in the US District Court in Mobile, Alabama on 2 December 2024.

A $29.7 million payable (30 June 2024: $37.3 million provision) based on the agreed and ordered penalties remaining and a $4.1 million provision (30 June 2024: $10.9 million) based on the best estimate of the incremental professional services costs to be incurred has been recorded relating to this matter.

ii Other legal claims

Various legal claims have been asserted against the Company. At 31 December 2024, these matters are still pending and no settlement has been reached. A provision has been booked for the estimated aggregate settlement value of all pending legal claims at 31 December 2024, however, the quantum of the provision has not been disclosed, as its disclosure could prejudice the Company's legal position.

Note 12 Manufacturing facility for submarine modules (MMF3)

In September 2024, Austal USA was awarded a US$450 million contract by General Dynamics Electric Boat. The contract will fully fund Austal USA to expand production capacity at its US shipyard dedicated to manufacturing submarine modules in support of the US Navy Submarine Industrial Base (SIB). This contract award will enable Austal USA to complete a new dedicated construction facility by designing, constructing and outfitting a new module fabrication and outfitting facility at its Mobile shipyard to support the US Navy production goal of delivering one Columbia-class and two Virginia-class submarines annually.

The first two contract milestones, amounting to US$250 million and US$100 million respectively, were invoiced in H1, FY2025 and are recorded as progress payments in advance as of the end of the period. The first milestone was received in the H1, FY2025 and significantly boosted the cash balance at the end of the period and the second milestone, which was outstanding at 31 December 2024, is included in trade and other receivables as of the end of the period. The payment for the second milestone was received in early January 2025.

No revenue has been recognised in relation to this contract during the period to 31 December 2024, as performance obligations have not been met. The Group is evaluating the timing of the performance obligations under the contract which will determine the revenue recognition profile in subsequent periods, however, an estimate of the satisfaction of these performance obligations over the next 12 months has been determined to enable the categorisation between current ($24.7 million) and non-current ($541.0 million) progress payments in advance.

Note 13 United Submarine Alliance Qualified Opportunity Fund investment

In September 2024, Austal USA entered into an agreement with the US Navy to the value of US$150 million to invest in infrastructure that supports the US Navy's goal of annually delivering one Columbia-class and two Virginia-class submarines. The agreement required Austal USA to invest as a limited partner in the United Submarine Alliance Qualified Opportunity Fund (the Fund), a private investment fund with the objective of supporting expansion of the production capacity of the US Navy SIB through enhancing ancillary infrastructure and facilities adjacent to Austal USA's facilities and around the Mobile area. Ownership of facilities acquired by the Fund will remain with the Fund, in which Austal USA is a Limited Partner (LP) but is not part of the Austal Group. There are restrictions on Austal's ability to transfer, sell, dispose of, assign or encumber its interest in the Fund without prior written approval of the US Navy, additionally any economic benefits or losses of the LP investment reside with the US Navy.

The Group has evaluated the transaction, and in line with the rights and obligations contained in the agreement with the US Navy and the economic substance of the agreement, has concluded that no asset or corresponding liability is recognised in accordance with Australian Accounting Standards, for reasons including that all of the benefits or losses associated with the investment in the Fund reside with the US Navy. In addition, Austal USA or the Group is not subject to income tax on the transaction or from future operations of the Fund based on the rights and obligations contained in the agreement with the US Navy.

Note 14 Contingencies

The Group occasionally receives claims and writs for damages and other matters arising from its operations in the course of its normal business. The Group entities may also have potential financial liabilities that could arise from historical commercial contracts. No material losses are anticipated in respect of any of those contingencies.

A specific provision is made where it is deemed appropriate in the opinion of the directors, otherwise the directors deem such matters are either without merit or of such kind or involve such amounts that would not have a material adverse effect on the results or financial position of Austal if disposed of unfavourably.

Note 15 Events after the reporting date

i Dividend proposed

No interim dividend per ordinary share has been declared for H1 FY2025 post 31 December 2024.

ii Other

On 2 January 2025, the Group received the second milestone of US$100 million under the MMF3 contract. Refer to Note 12 for details.

On 13 February 2025, the Group announced that Austal Australasia has been awarded a contract valued at between A$265 and A$275 million by Gotlandsbolaget of Sweden, for the design and construction of a 130-metre combined cycle, 'hydrogen-ready' vehicle passenger ferry.

The Directors are not aware of any other matters or circumstances that have arisen since the reporting date which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

Directors' declaration

I state in accordance with a resolution of the Directors of Austal Limited, that:

In the opinion of the Directors:

- The financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
  - Giving a true and fair view of the consolidated entity's financial position at 31 December 2024 and of its performance for the half-year ended on that date; and
  - Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.
- There are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable at the date of this declaration.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 303(5) of the *Corporations Act 2001* for the financial period ending 31 December 2024.

Richard Spencer

Chairman

on behalf of the Board

21 February 2025

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Tower 2, Brookfield Place
123 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

Tel: +61 8 9365 7000
Fax: +61 8 9365 7001
www.deloitte.com.au

Independent Auditor's Review Report to the members of Austal Limited

Conclusion

We have reviewed the half-year financial report of Austal Limited (the "Company") and its subsidiaries (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2024, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes to the financial statements, including material accounting policy information and other explanatory information, and the directors' declaration as set out on pages 11 to 30.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2024 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 Review of a *Financial Report Performed by the Independent Auditor of the Entity.* Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) ("the Code") that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.
We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Directors' Responsibilities for the Half-year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control

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as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Half-year Financial Report

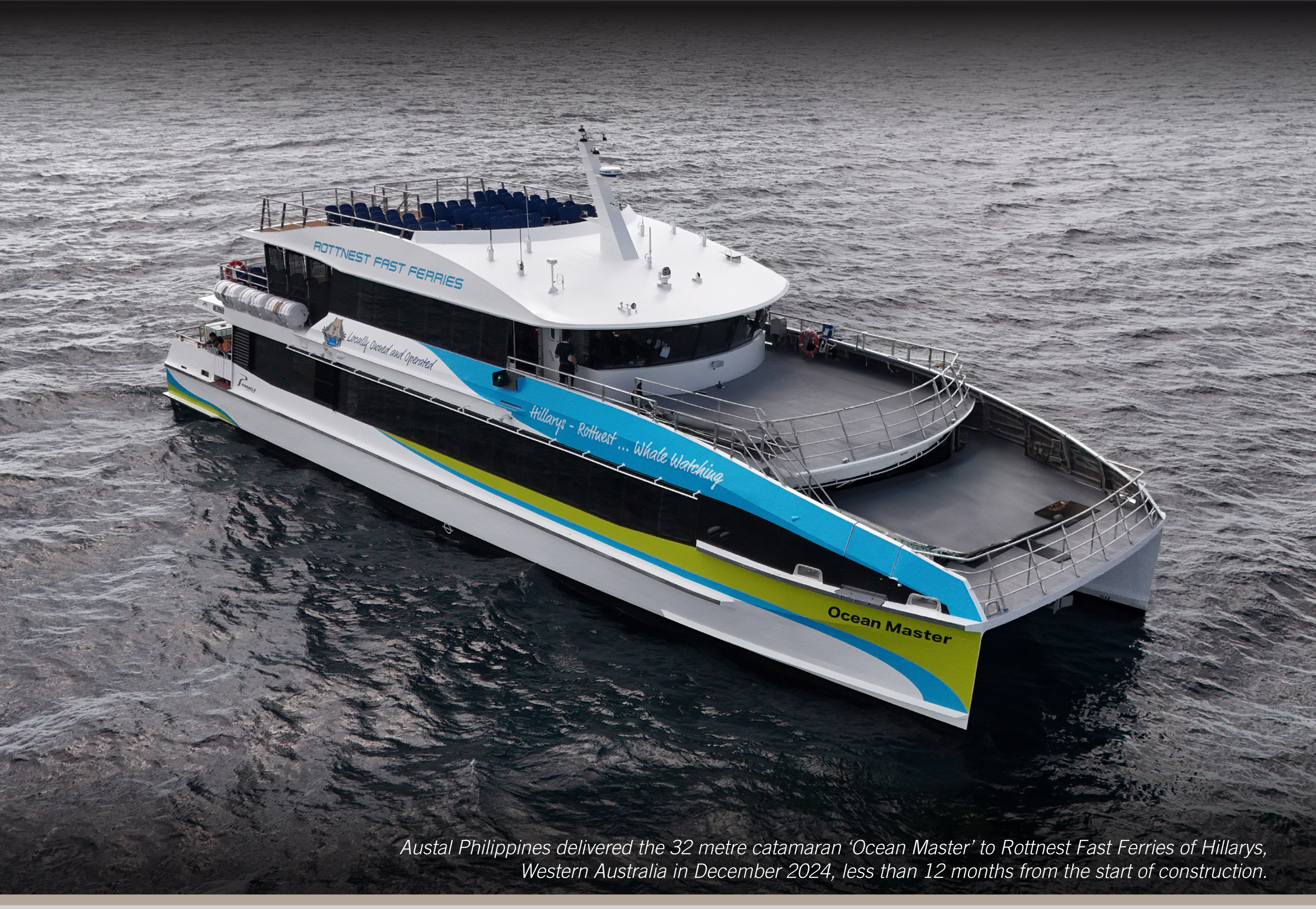
Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2024 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB *134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

David Newman
Partner
Chartered Accountants
Perth, 21 February 2025



Austal Philippines delivered the 32 metre catamaran 'Ocean Master' to Rottnest Fast Ferries of Hillarys, Western Australia in December 2024, less than 12 months from the start of construction.

Email: info@austal.com

Tel: +61 8 9410 1111

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