Positioning for long term growth

Equity raising presentation

11 March 2025

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Chief Financial Officer

AUSTAL

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This investor presentation (**Presentation**) is dated 11 March 2025 and has been prepared by Austal Limited ACN 009 250 266 (**Austal** or the **Company**).

This Presentation has been prepared in connection with:

- a proposed placement of new fully paid ordinary shares in Austal (**New Shares**) to eligible institutional investors in accordance with section 708A of the Corporations Act 2001 (Cth) (**Corporations Act**), to raise up to approximately A$200 million (before costs) (**Placement**); and
- an offer to eligible Austal shareholders to apply for New Shares under a share purchase plan in accordance with ASIC Corporations (Share and Interest Purchase Plans) Instrument 2019/547 (**SPP**) to raise up to a maximum of A$20 million (the Placement and SPP together, the **Offer**).

In conjunction with the Placement, Austro Pty Ltd (an entity associated with John Rothwell) (**Austro**) will be conducting a non-underwritten Sell down of approximately A$50 million subject to the Placement being fully subscribed (**Sell down**)

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The JLM Group may also receive and retain other fees, profits and financial benefits in each of the above capacities and in connection with the above activities, including in its capacity as a Joint Lead Manager to the Placement (or, in the case of Euroz Hartleys Limited only, as the lead manager to the Sell down).

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Furthermore, Austal reserves the right to vary the timetable for the Offer and the Sell down (with the consent of the Joint Lead Managers) including by closing the bookbuild early or extending the bookbuild closing time (generally or for particular investors), without recourse to them or notice to any participant in the Offer or the Sell down. Moreover, communications that the Placement, the Sell down or bookbuild is "covered" (i.e. aggregate demand indications exceed the amount of the New Shares and / or the Existing Shares) are not an assurance that the Placement or the Sell down will be fully distributed

This Presentation has been authorised for release to ASX by the Austal Board of Directors.

Agenda

1. Executive summary
2. Rationale and investment opportunity
3. Capital raising and Sell down
4. Appendix
   A: Key risks
   B: International selling restrictions

1. Executive Summary

Executive summary

Attractively positioned, growing defence prime	• Through successful execution, Austal has grown to become an ASX listed, global shipbuilder and defence prime contractor with a highly strategic footprint across the US and Asia Pacific • Austal plays an increasingly key role as a leading player in the naval industrial complex in the US and Australia • Recent tender wins have delivered a record order book of A$14.2 billion including options (as at 31 December 2024), which provides strong earnings visibility and an extended pipeline of work • Group focus on further program wins, including in Australia pursuant to the proposed Strategic Shipbuilding Agreement (SSA) with the Commonwealth, and successful execution and delivery of the current order book • Shipbuilding complemented by an ongoing focus on growing the support business, including the commissioning of the San Diego dry dock; remains on track to deliver the A$500 million support revenue target by FY27
Expanding Austal's highly strategic US shipyard in Mobile Alabama	• Austal's Mobile shipyard is being increasingly recognised as a key, highly strategic site for the US Navy • Austal is continuing to invest in Mobile to ensure the shipyard is well placed to successfully deliver current programs as well as expected future opportunities • This includes ongoing opportunities to further invest in onsite infrastructure to expand both steel shipbuilding and submarine capabilities • Two major expansion projects currently underway: 1. Module Manufacture Facility 3 (MMF): A US$450 million infrastructure expansion project for a new module fabrication and outfitting facility to support the US Navy Submarine Industrial Base (SIB) (funded by a US$450 million contract awarded to Austal from General Dynamics Electric Boat) 2. Final Assembly 2 (FA2): A US$300 million infrastructure expansion project that includes a new assembly building, waterfront improvements and a new ship lift system
FA2 expansion program	• Will facilitate the delivery of current and future steel hulled ships for the US Navy and US Coast Guard once constructed – enabling the assembly, lift/launch and docking of large vessels • The design was announced during FY24, construction has commenced and FA2 is expected to be operational in FY26 and completed in FY27 • Total capital investment of approximately US$300 million, to be phased over FY25 – FY27

Executive summary (cont'd)

Equity raising to ensure a prudent financial profile and position Austal for growth	• Proposing to fund FA2 through a combination of the planned equity raising and new debt facilities • Austal is launching a non-underwritten Institutional Placement (**Placement**) to raise up to A$200 million • Austal will also undertake a non-underwritten Share Purchase Plan (**SPP**) to eligible shareholders to raise up to a maximum of A$20 million • The balance of the FA2 investment program is intended to be funded through new debt facilities. As previously announced, Austal has received a letter of support from an Australian Government financing agency for an amount that is approximately 50% of the financing required for the FA2 project for a period of up to 10 years (subject to final terms) • The combination of this equity raising together with the new debt financing (once finalised) will ensure Austal is appropriately funding the FA2 expansion while maintaining a prudent balance sheet • Pro forma cash balance at 31 December 2024 is expected to be A$547 million[1]
John Rothwell share sale	• In conjunction with the Placement, Austro Pty Ltd (an entity associated with John Rothwell) (**Austro**) will be conducting a non-underwritten Sell down of approximately A$50 million subject to the Placement being fully subscribed (**Sell down**) • No further shares held by Austro in Austal will be sold at any time in the 6 months following allotment of the Sell down (the moratorium)
Guidance reaffirmed for FY25	• Austal reaffirms its guidance for FY25 EBIT of not less than A$80 million • Attractive strategic outlook underpinned by a record order book and potential future projects based on Government announcements

Austal and Austro are engaging in the joint activities outlined in the first two rows of this slide relating to the Placement and Sell down and have entered into a Joint Activities Agreement that reflects this position

Note: (1) Pro forma cash balance reflects cash balance as reported at 31 December 2024, plus net proceeds of the Institutional Placement of A$200 million, excluding any proceeds from the SPP and excluding milestone payments received since 31 December 2024

2. Rationale and investment opportunity

Austal is an attractively positioned, growing defence prime

- Global shipbuilder and defence prime with industry leading capabilities
- Strategically located and highly valuable shipyards and service centres in the US, Australia and Asia
- Successful transition in recent years, with diversification of build programs and a return to growth
- Strong execution leading to record order book of A$14.2bn (incl. options), providing long-term earnings visibility
- Established and growing support and technology businesses; on track to reach A$500m revenue for support in 2027
- Leveraged to highly favourable industry tailwinds for the government and defence sectors

Strong global platform, well positioned for growth

$826M
1H FY25 Revenue

$14.2B
Orderbook
(Incl. options)

4,324
Employees

5 Shipyards in **4** countries

6 Ships Ordered
6 Ships Delivered

51
Ships under construction or scheduled

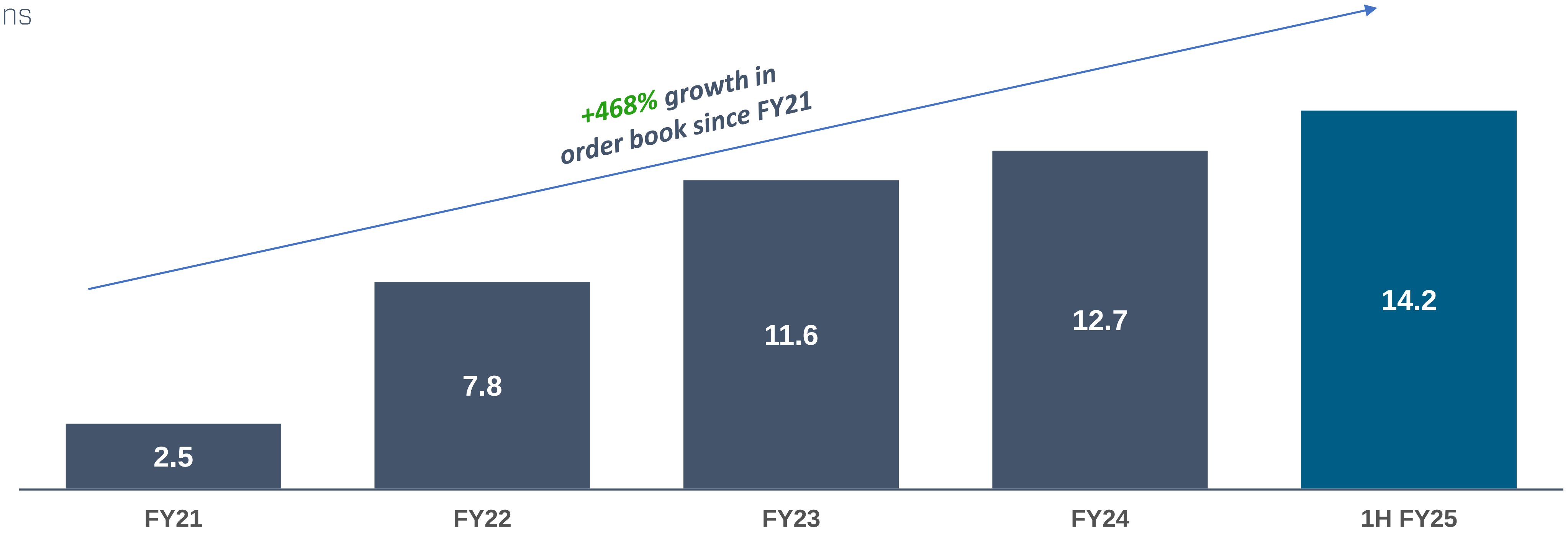
72
Vessels under Sustainment Contracts

8 Service Centres in **4** countries

Strong execution leading to a record order book and diversified build programs

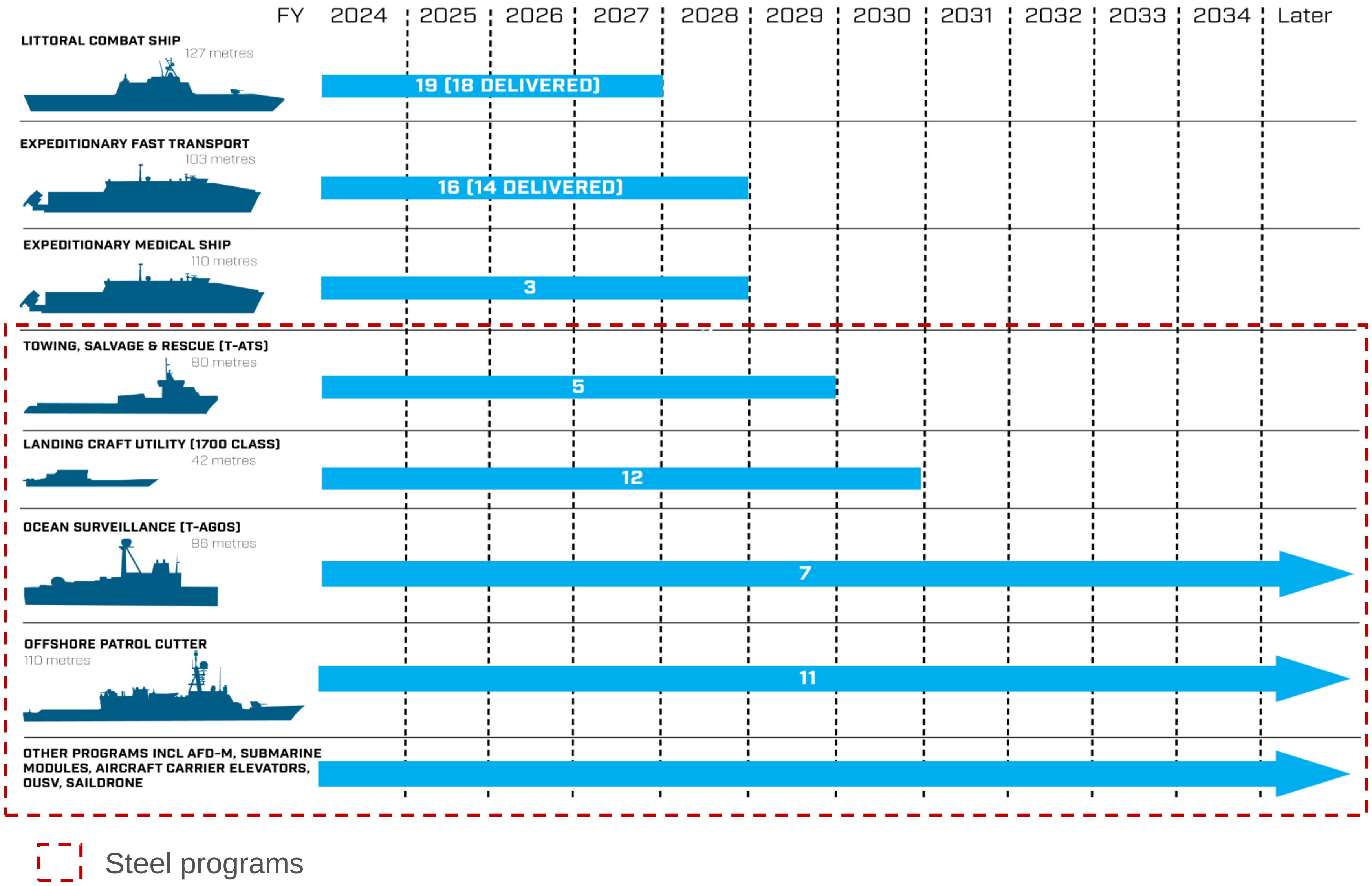
Order book A$bn

Including Options



	FY21	FY22	FY23	FY24	1H FY25
Key program wins		• OPC • AFDM	• T-AGOS • T-ATS	• EMS • LCU • GCPBs • Vela	• Gotland • 2x ECCPBs

Significant contract wins and potential program extensions underpinning USA business for the next decade

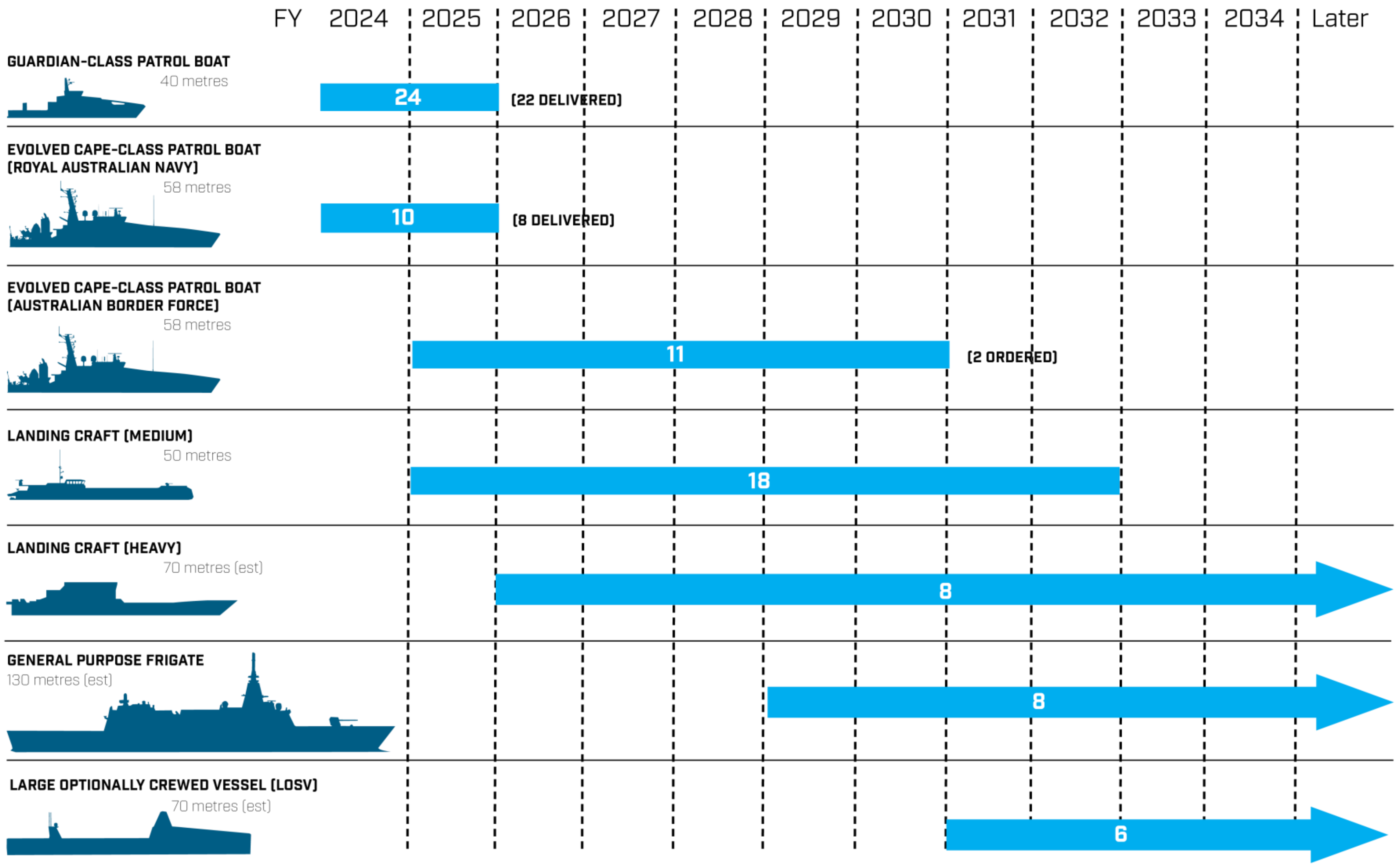


Provides certainty of revenue (assuming all options exercised)

- Potential expansion of current programs:
  - EMS, OPC, AFDM, LCU, OUSV, T-AGOS
- Continue to invest on the back of order book (up to A$14.2bn incl. options) and future opportunities

Positive momentum from SSA expected to well position the Australasia business

AUSTAL



Continued negotiations on the SSA

- Austal is in continued negotiations with the Australian government on the Strategic Shipbuilding Agreement (SSA), which when finalised will see Austal established as the Australian Government's naval shipbuilder in WA
- Current order book excludes Australia defence future programs
- LC-M, LC-H, GPF and LOSV are currently subject to the conclusion of the SSA

Final Assembly 2 (FA2) in Mobile, Alabama will significantly enhance Austal's steel capability

Project overview

- Infrastructure expansion includes new assembly building, waterfront improvements and a new ship lift system enabling Austal to assemble and service large vessels
- New assembly bay will enable erection of large steel modules for the Navy and Coast Guard ships including the Offshore Patrol Cutter (OPC) and T-AGOS programs
- Expansion includes a ship lift system which will provide a reliable and safe system to launch ships from the assembly buildings
- Shift lift system will be the largest on the Gulf Coast and the widest in the United States
- Will enable large ships such as Constellation class Frigates, OPC and LCS to be docked at the land-side facility for repairs and maintenance
- Construction of FA2 began in July 2024, with preliminary site preparation well underway
- Project is expected to be operational in FY26 and completed in FY27
- Will support both existing and expected new program awards

FA2 Ground-breaking Ceremony – July 2024

Rendering of FA2 facility

Capex funding and timeline for FA2

- Total capex currently estimated to be approximately US$300 million (A$475 million)[1]
- To be funded through combination of equity and debt
- Equity raised will be used to partly fund the FA2 infrastructure expansion project. Together with debt financing, ensures that Austal is appropriately funding the FA2 expansion
- Debt funding well supported by Australian Government financing agency letter of support for approximately 50% of the funding required for the FA2 project for a period of up to 10 years (subject to final terms)
- Funding mix for FA2 positions Austal strongly for future growth and will enhance financial flexibility over the next two years as the company it enters into a period of growth and execution

Indicative milestone dates

July 2025	Milestone 1 – GC Mobilisation
November 2025	Milestone 2 – Final permitting
November 2026	Milestone 3 – Upland completion
December 2026	Milestone 4 – Marine completion
April 2027	Milestone 5 – NAVSEA certification

Indicative phasing of capex

% of capex spend	FY25E	FY26E	FY27E
Total	**25%**	**60%**	**15%**

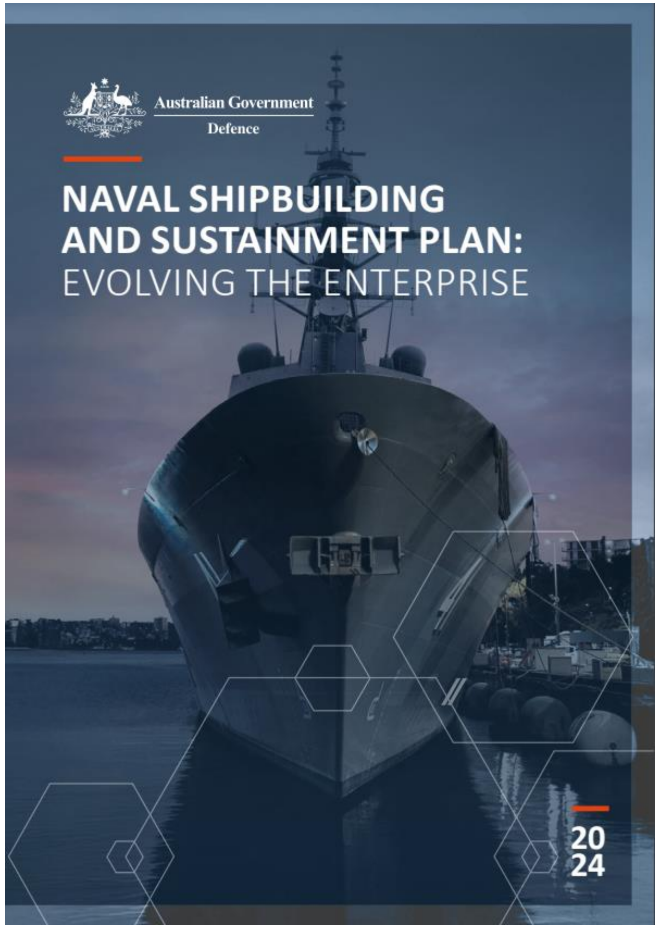
Notes: (1) Calculated using AUD/USD exchange rate 1.5839 as at 9 March 2025

Guidance for FY25

EBIT Guidance for FY25 of not less than $80m

Key drivers include:

- Record order book of A$14.2 billion (incl. options)
- Increased orders anticipated through the proposed SSA; with expected SSA defence orders in 2H FY25
- Increased volume of work in Asia
- We are still working to finalise the accounting treatment for the timing of revenue and EBIT recognition of the US$450m contract with EB for the submarine module building, which may provide EBIT upside this FY



3. Capital raising and Sell down

Equity raising details

Placement Size and Structure	• Non-underwritten institutional placement (**Placement**) of new fully paid ordinary shares (**New Shares**) to raise up to A$200 million • Approximately 52.6 million New Shares to be issued under the Placement representing ~14.5% of issued share capital under Austal's existing placement capacity under ASX listing rule 7.1 • Austal will also be undertaking a follow on Share Purchase Plan (**SPP**) targeting to raise up to A$20 million

Offer price	• The Placement will be conducted at a price of A$3.80 per New Share (**Placement Price**), representing a:
	  • 15.6% discount to closing share price of A$4.50 on 10 March 2025
	  • 5.5% discount to 30 day trading VWAP to 10 March 2025 of A$4.02

Share Purchase Plan	• A non-underwritten SPP will be offered to eligible shareholders, subject to an aggregate cap of A$20 million, free of any brokerage, commission and transaction costs • The SPP will be conducted at the Placement Price per share • The SPP offer period will commence on Tuesday, 18 March 2025 and conclude on Tuesday, 1 April 2025 • An Offer Booklet containing further details about the SPP will be made available to eligible shareholders on Tuesday, 18 March 2025
Use of proceeds	• To partly fund FA2 and provide enhanced financial flexibility to execute on growth opportunities
Sell down	• In conjunction with the Placement, Austro Pty Ltd (an entity associated with John Rothwell) (**Austro**) will be conducting a non-underwritten Sell down of approximately A$50 million subject to the Placement being fully subscribed (**Sell down**)[1] • The first A$200 million of equity raised will go to Austal for the purposes of the Placement, after which additional shares allocated in the offering will be used to facilitate the proposed Sell down by Austro • No further shares held by Austro in Austal will be sold at any time in the 6 months following allotment of the Sell down (the moratorium)

Austal and Austro are engaging in the joint activities outlined in this slide relating to the Placement and Sell down and have entered into a Joint Activities Agreement that reflects this position

Note: (1) Jointly engaging in respect of the concurrent transactions will aim to help meet Austal's funding needs and John Rothwell's desire to reduce his Austal shareholding in a way that seeks to provide certainty to existing shareholders and potential investors, as well as seeks to increase the free float and liquidity of Austal shares generally

Equity raising details

Ranking	• New Shares issued under the Placement and the SPP will rank equally with existing Austal shares from the date of issue
Joint Lead Managers	• J.P. Morgan Securities Australia Limited (**J.P. Morgan**) and Euroz Hartleys Limited (**Euroz Hartleys**) have been appointed as Joint Lead Managers to, and will provide settlement support for, the Placement • Euroz Hartleys has been appointed as the Lead Manager to, and will provide settlement support for, the Sell down

Austal and Austro are engaging in the joint activities outlined in this slide relating to the Placement and Sell down and have entered into a Joint Activities Agreement that reflects this position

Offer timetable

Indicative capital raising timetable	Date
Record date for SPP (5:00pm AWST / 8:00pm AEDT)	Monday, 10 March 2025
Trading Halt, Announcement of Placement, SPP and Sell down	Tuesday, 11 March 2025
Placement and Sell down bookbuild	Tuesday, 11 March 2025
Announcement of Placement and Sell down completion	On or before Thursday, 13 March 2025
Trading halt lifted	On or before Thursday, 13 March 2025
Settlement of New Shares issued under the Placement and settlement of the Sell down	Monday, 17 March 2025
Allotment and normal trading of New Shares issued under the Placement	Tuesday, 18 March 2025
Despatch of SPP information booklet and open of SPP offer	Tuesday, 18 March 2025
Expected SPP offer closing date (5:00pm AWST / 8:00pm AEDT)	Tuesday, 1 April 2025
Issue and allotment of New Shares under the SPP	Tuesday, 8 April 2025
Normal trading of New Shares under the SPP	Wednesday, 9 April 2025
Despatch of holding statements	Wednesday, 9 April 2025

These dates are indicative only and are subject to change without notice. All times and dates refer to times and dates in Sydney, Australia unless otherwise stated. Subject to the requirements of the Corporations Act, the ASX Listing Rules and any other applicable laws, Austal reserves the right to amend the timetable, including extending the SPP offer period or accepting late applications (either generally or in particular cases) without notice.

Sources and uses of funding

Sources

	A$m[1]	US$m[1]
Gross proceeds from Placement[2]	200	126
Debt facilities and existing cash	282	178
Total sources	**482**	**304**

Uses

	A$m[1]	US$m[1]
FA2 Facility capex	475	300
Offer costs and fees	7	4
Total uses	**482**	**304**

Notes: (1) Calculated using AUD/USD exchange rate 1.5839 as at 9 March 2025. (2) Excludes any proceeds from the SPP

Appendix A: Key risks

Key risks

Austal is subject to a variety of risk factors. This section discusses some of the key risks associated with an investment in Shares in Austal. Some of these are specific to its business activities, while others are of a more general nature. Individually, or in combination, these risk factors may adversely affect the operating and financial performance or position of Austal, which in turn may affect the value of Austal Shares and the value of an investment in Austal.

The risks outlined below are not intended to be an exhaustive list of the risks associated with an investment in Austal, either now or in the future, and this information should be considered in conjunction with all other information in this Presentation. Additional risks and uncertainties that Austal may be unaware of, or that it currently considers to be immaterial, may also become important factors that adversely affect Austal's operating and financial performance or position. Many of the risks described below are outside the control of Austal, its directors and management. There is no guarantee that Austal will achieve its stated objectives or that any forward-looking statements or forecasts will eventuate.

Austal depends heavily on the U.S. Navy and the Commonwealth of Australia for a substantial portion of its current and future business	Austal derives over 90% of its current consolidated revenue from the U.S. Government and the Commonwealth of Australia, including approximately 70% from the U.S. Navy and U.S. Coast Guard. Austal intends to derive most of its sales from work performed under U.S. Government and Australian Government maritime defence contracts. A reduction in overall U.S. or Australian maritime defence spending, on an absolute or inflation-adjusted basis, because of shifting priorities, budget compromises or otherwise could adversely affect Austal's business. In relation to Austal USA, budget uncertainty, the potential for U.S. Government shutdowns, the use of continuing resolutions, and the federal debt ceiling can adversely affect Austal USA's industry and the funding for Austal USA's programs. If appropriations are delayed or a government shutdown were to occur and continue for an extended period, Austal USA could face the risk of reduced orders, program cancellations and other disruptions and non-payment. When the U.S. Government operates under a continuing resolution, new contract and program starts are restricted and funding for Austal's programs may be unavailable, reduced or delayed. Failure to fund or the termination of significant programs or contracts by the U.S. Government or Australian Government could adversely affect Austal's business and financial performance. Changes in U.S. or Australian maritime defence funding priorities also could reduce opportunities in existing programs and in future programs or initiatives where Austal intends to compete and where Austal has made investments.
Austal may incur additional losses delivering the remainder of the T-ATS programme and the AFDM	In April 2022 Austal announced completion of its new steel shipbuilding facilities, in Mobile, Alabama. Since opening the facility, Austal has commenced work on its initial steel vessel program, the Navajo class towing, salvage and rescue Ships (**T-ATS**). Austal has been awarded contracts for construction of five of these vessels and one Auxiliary Floating Dry Dock (Medium) (**AFDM**). As disclosed in previous announcements, the T-ATS program and AFDM have experienced significant performance hurdles which have resulted in forecasts of earnings losses. The program has encountered changes in specification and general cost inflation pressures and the efficiency assumptions that Austal made for the newly commissioned steel manufacturing line, such as labour hours and consequentially, recovery of overheads, did not meet forecasts and have been subsequently revised. 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 on resolution of this matter continue. Whilst these efficiency issues are expected to increasingly improve as Austal progresses construction of the T-ATS vessels and completes the AFDM, the programme's forecast returns have been materially impacted and Austal may be unable to realise the anticipated efficiency gains as its progresses the construction of subsequent T-ATS vessels. This may result in Austal continuing to incur losses on the T-ATS programme and completion of the AFDM beyond those losses previously forecast (i.e. the current Estimates at Completion), which have been the subject of an onerous contract provision in Austal's financial reporting. As previously disclosed, whilst Austal USA has submitted Requests for Equitable Adjustment (**REAs**) in relation to T-ATS from the Department of Navy to seek recoveries for some of the additional costs incurred in the T-ATS programme, but the precise timing of those REA claims is uncertain and Austal USA may not be successful in recovering all or part of its REA claims.

Key risks

Delivery of the T-AGOS and OPC programme to U.S. Navy and U.S. Coast Guard	Austal has been awarded contracts for the production design and construction of potentially up to 11 OPCs for the U.S. Coast Guard and potentially up to 7 T-AGOS for the U.S. Navy. The first OPC vessel has been confirmed and the U.S. Coast Guard has an option for a further 10 OPC vessels. As the OPC programme will be the first programme Austal has delivered for the U.S. Coast Guard, there is a risk that differences in policies or approach between the U.S. Navy (where Austal has a longstanding and constructive relationship) and U.S. Coast Guard may result in unexpected delays or issues in the performance of the works under the contract and the delivery of the OPC programme, which may impact the profitability of the OPC programme. Austal intends to construct the OPC and T-AGOS vessels in the new FA-2 Facility located in Mobile, Alabama. As noted below, there is a risk that delays in the construction of the facilities (or difficulties in the operation of those facilities, once constructed) could impact the delivery schedule of the OPC and T-AGOS vessels. As the OPC and T-AGOS vessels will be initial builds for Austal, there is a risk that Austal will not realise assumed costs and efficiencies for the initial vessels in the programme, which may result in Austal incurring higher than anticipated costs on those initial vessels, which may result in the contracts to complete those vessels becoming loss-making or onerous. Whilst Austal has sought to mitigate this risk by including appropriate mechanisms in the contracts, these mechanisms may not allow Austal to completely pass-through increased costs and expenses to the customer. Austal may also be able to mitigate any losses incurred on the initial vessels in the OPC and T-AGOS programme by improving the efficiency and performance of subsequent builds in the OPC and T-AGOS programme (based on lessons learned from the initial vessels).
Risks associated with the construction of FA2 and MMF	As announced in September 2024, ASB has been awarded a US$450 million contract by General Dynamics Electric Boat to expand production capacity as Austal's Mobile, Alabama shipyard, in support of the U.S. Navy Submarine Industrial Base. The contract award will fund Austal USA to enhance its existing infrastructure by designing, constructing and outfitting a new module fabrication and outfitting facility (**MMF**) at its Mobile shipyard to support the U.S. Navy goal of delivering one Columbia-class and two Virginia-class submarines annually. In addition, as noted in this Presentation, Austal is constructing Final Assembly 2 Facility (**FA2**) to enable the erection of large steel modules for the U.S. Navy and U.S. Coast Guard ships, including the OPC and T-AGOS programmes. As also noted in this Presentation, the construction of FA2 requires Austal to obtain debt funding. Whilst Austal has received a letter of support from an Australian Government financing agency for up to US$150 million, to be directed towards FA2 capital expenditure requirements (with the balance to be funded from the Placement proceeds together with Austal's existing cash), Austal will be required to negotiate and execute binding debt documentation with the Australian Government financing agency prior to draw-down. If Austal is unable to secure a binding agreement for the debt funding, Austal will be required to seek alternative funding for this portion of the FA2 capital expenditure requirements. Similarly, if the Placement raises less than the full amount A$200m sought, then a greater portion of the total FA2 capital expenditure requirements will need to be funded from Austal's existing cash or debt. The construction of the MMF and FA2, have a number of key risks including: (i) the escalation of development costs beyond those originally projected and accounted for in the contract for the construction of the MMF with General Dynamics Electric Boat or Austal's indicative capital expenditure requirements for FA2 (particularly where Austal does not currently have firm or contractually committed pricing for the key inputs / contracts required for the delivery of these capital projects); (ii) unforeseeable project delays beyond the control of Austal (including, in relation to FA2, delays in obtaining debt funding); (iii) any delay or disruption to Austal's supply chain for critical infrastructure components, which significantly delays or impacts the construction of those facilities; and (iv) non performance/breach of contract by a contractor or sub contractor. The failure or significant delay of the MMF or FA2, may have a material adverse effect on Austal's future financial position and operating and financial performance results and therefore the value of its securities, by impairing Austal's capability to undertake the OPC and T-AGOS programmes (in relation to FA2) or exposing Austal to potential contractual claims (in relation to MMF) and in both cases, having a negative impact on Austal's commercial reputation.

Key risks

Austal's business has concentrated exposure to the U.S.	As noted above, approximately 70% Austal's revenue was generated in the U.S., derived from contracts with the U.S. Navy. Therefore, Austal faces significant risk in earnings if the programs with the U.S. Navy are cancelled or scaled back or future projects from the U.S. Navy are not awarded to Austal. Austal has limited operational focus outside of the U.S. Whilst Austal has the Henderson Shipyard in Western Australia (primarily servicing the Commonwealth of Australia), the Austal Vietnam Shipyard in Vung Tau, Vietnam, the Austal Philippines Shipyard in Balamban Cebu, Philippines, and its service and support business (both which primarily service the commercial ferry sector), these operations do not currently have a sufficient project pipeline to maintain Austal's current and expected financial performance if the Austal USA business was to face adverse conditions.
Formation of the Strategic Shipbuilding Agreement with the Commonwealth of Australia	Austal has signed a Heads of Agreement with the Commonwealth of Australia to establish a Strategic Shipbuilding Agreement between Austal and the Commonwealth (**the SSA**), which contemplates Austal being selected as the Commonwealth's strategic shipbuilder at Henderson, Western Australia. Negotiations with the Commonwealth on the SSA are ongoing, the SSA has not been executed and there is therefore a risk that the negotiation and execution of the SSA is delayed (including as a result of the upcoming Federal election), which may have a flow-on impact for revenue for Austal's Australasian business. The SSA may include terms which impose productivity and process or content requirements which Austal may not be able to achieve without further investment in the business or incurring additional costs and expenses. A failure to execute the SSA may have a material impact on Austal's position to win future contracts from the Commonwealth of Australia and may have a negative impact on Austal's brand and reputation.
Austal's order book may not be realised and government customers may elect not to exercise purchase options	A majority of Austal's major contracts are with the U.S. Navy, U.S. Coast Guard and the Royal Australian Navy. The government body typically "awards" a specified number of vessels to be constructed by the successful tenderer over a specified time under an overarching contract award. The awarded vessels are then "contracted" over time, via the exercise of purchase options and execution of individual detailed contracts. There is no guarantee that awarded vessels will be converted into contracted vessels. The relevant government may elect not to exercise options for additional vessels or seek to cancel the construction of vessels after they have been awarded or contracted. In those cases, Austal may seek a right of economic adjustment, though there is no guarantee that such an economic adjustment would be obtained or, if obtained, would fully compensate Austal. Austal's financial performance may be materially adversely affected should any of these events occur.
Austal's business exposes it to commercial contracting risks	Austal's contracts with the U.S. Navy, U.S. Coast Guard and Royal Australian Navy are typically fixed price lump-sum contracts (or contain fixed price components). Where Austal enters into a contract with a fixed price (or fixed price components) there is a pricing risk in respect of Austal's current and future contracts, which may result in contracts being less profitable than anticipated or loss making. If future fixed price contracts are priced incorrectly, or costs increase above those anticipated at the time of entering the contracts, then this may adversely affect Austal's financial performance and/or financial position. This is risk can be amplified in a higher inflationary environment, where supply chain challenges and inflationary pressures may result in Austal incurring increased material and component prices, labour rates and supplier costs which it is unable to pass through (either at all, or only in part) under fixed price contracts. In the ordinary course of Austal's business, Austal has ongoing contracts which are at risk of becoming (or anticipated to be) loss-making, in which case Austal (together with its external auditors) undertakes an assessment to determine to what extent (if any) those contracts should be treated as onerous contracts and recognised and measured as a provision in accordance with applicable accounting standards. Austal may be subject to claims for defective works, which may expose Austal to obligations to re-perform works or carry additional rectification works (either at Austal's sole cost and expense or with only a limited scope to recover costs from the customer, with no overhead or profit component). Any obligation to carry out substantial re-performance or rectification of works may result in contracts being less profitable than anticipated or loss making. Delays to project timetables may result in Austal's revenue being deferred, increases in costs which are not recoverable (or only partly recoverable) under customer contracts, and (in some circumstances) liability to pay liquidated damages to the customer for late delivery.

Key risks

Austal's business exposes it to commercial contracting risks (cont'd)	The nature of certain Austal contracts is that scope may vary after the contract is entered into, or Austal may experience delays which have a cost implication. Variation orders, claims for extensions of time and claims for additional costs incurred may be issued by Austal throughout the project execution process. These variations under the contract may require customer approval before they are paid, which may only take place on completion of the works. The approval of variations and claims may be subject to contractual processes and commercial considerations which may impact the timing and extent of customer approvals. If not approved, variations and claims may result in a commercial negotiation or may lead to the declaration of a dispute under the contract. The timing and / or extent of customer approvals of variations and claims may impact Austal's financial performance and cash flows in a particular reporting period. In certain instances, the assessment of claims and variations may be complex and subject to differing interpretations until resolution. For financial reporting purposes, Austal is required to form a view as to the likelihood and quantum of revenue in relation to variations and claims which have not yet been approved. Final resolution of variations and claims may vary from Austal's expectations and may materially impact Austal's financial performance, cash flow and financial position.
Austal is exposed to a potential risk of U.S. audits and government investigations	Austal may be subject to U.S. government investigations relating to its U.S. government contracts. Such U.S. government investigations often take years to complete and could result in administrative, civil, or criminal liabilities, including repayments, fines, and other damages, forfeitures, restitution, or penalties, or could lead to suspension or debarment of U.S. government contracting. For instance, if Austal is charged with wrongdoing in connection with a U.S. government investigation (including fraud, or violation of certain environmental, FCPA, and other anti-bribery and anti-corruption laws), the U.S. government could suspend Austal from bidding on or receiving awards of new U.S. government contracts pending the completion of legal proceedings. As announced on 27 August 2024, Austal reached a global settlement with both the Department of Justice and U.S. Securities and Exchange Commission to resolve previously disclosed investigations into the events leading up to the write back of work in progress (WIP) in July 2016. As part of the settlement, Austal USA has agreed to engage an independent monitor for a period of three years to assess and monitor compliance with the DOJ plea agreement and confirm the effectiveness of its compliance program and internal controls.
Austal operates in a competitive industry	Austal operates in a highly competitive industry and its competitors may have more extensive or more specialised engineering, manufacturing, servicing, and marketing capabilities than Austal does. Austal's contracts are typically awarded on a competitive basis. Austal's bids are based in part upon the cost to provide the products and services. If Austal fails to accurately estimate these costs, the profitability of its contracts may be adversely affected. In addition, Austal may face customer-directed cost reduction targets that could have a material adverse effect on the profitability of its contracts if these targets are not achieved when required. Moreover, in the context of the U.S. business, bid protests from unsuccessful bidders on new program awards are frequent with respect to the U.S. Navy and U.S. Coast Guard awards. Generally, a bid protest will delay the start of contract activities, delay earnings, and could result in the award decision being overturned and require a re-bid of the contract.
Ongoing compliance requirements of Austal USA's Special Security Agreement and FOCI Requirements	As part of its U.S. Government-mandated measures to mitigate the impact of foreign ownership, control and influence (FOCI), pursuant to a Special Security Agreement between Austal Limited, its subsidiary Austal USA and the United States Department of Defence, Austal USA is managed and controlled by a separate Board of Managers and executive group, although it remains a wholly-owned subsidiary of Austal Limited. The Group CEO and Non-executive Chairman each sit on the Board of Austal USA, along with 3 other experienced Austal USA board members who are required to be US citizens and who are all selected and appointed by Austal Limited (FOCI Requirements). The requirement for Austal to comply with the FOCI Requirements on an ongoing basis may result in additional compliance costs being incurred by the Austal Group and restrict the extent to which Austal USA can be integrated into to the Austal Group from a management and financial reporting perspective. The FOCI Requirements may expose Austal to the risk that the parent company is not aware of material information relating to Austal USA and its business or that material information relating to the Austal USA business is not reported to the parent company in a timely manner. This in turn may have adverse regulatory consequences for Austal in the context of its Australian reporting requirements.

Key risks

Austal may be unable to secure expanded capacity within the Henderson Defence Precinct	Execution of the SSA and selection of Austal as the Commonwealth of Australia's strategic shipbuilder at Henderson, Western Australia, may require Austal to expand its capability at Henderson to meet the future work requirements contemplated by the SSA. Given the intention for the Henderson Defence Precinct to service both the shipbuilding activities contemplated by the Commonwealth SSA, as well as the Commonwealth's proposed submarine programme, there is a risk that Austal may be required to re-locate its current Henderson shipyard to a new location within the Henderson Defence Precinct (or refurbish and expand its existing Henderson shipyard). The presence of multiple companies carrying out shipbuilding and ship maintenance activities within the Henderson Defence Precinct may require a framework for co-operation and co-ordination to be established between entities operating within the precinct. Such a framework would need to be developed and commercially agreed between the relevant parties and the Commonwealth of Australia and may adversely impact Austal's ability to operate unilaterally within the Henderson Defence Precinct.
Cyber security	Austal's production of vessels for the U.S., Australian and other governments means that it handles sensitive information regarding people and vessels. This information may be used in vessel operation. Austal has established information handling policies and standards and cyber security measures that seek to prevent the disclosure and theft of such information and retains its ISO27001 accreditation, which further enhances Austal's cyber security framework. As a defence provider to the Commonwealth of Australia, Austal Australia is certified under the Department of Defence's Defence Industry Security Program (DISP), and as a prime contractor to the U.S. Department of Defence, Austal USA complies with the National Institute of Standards and Technology SP800-171 Standard (NIST 800-171). However, Austal's technology systems could still be exposed to the potential risk of computer hackers, unauthorised users, computer viruses, malicious codes and cyber-attacks. Any disruption in Austal's computer and communications systems could adversely impact Austal's operating results, its ability to comply with the terms of its customer contracts or maintain the certifications outlined above (and may negatively impact Austal's reputation with customers) . Austal's IT security precautions may be unable to prevent attacks, which could directly impair Austal's operations and necessitate increased expenditure on technology protections in the future.
Downturn in demand for commercial ferries	The commercial high speed aluminium ferry business is a significant market for Austal and provides a significant workload to the Philippines and Vietnam shipyards. The new build ferry industry can be adversely affected by economic, political, social, security and other factors which delay or eliminate future orders for vessels or even cause cancellations of current vessels. Closure or contraction of this market, or substantial contraction of the order book generally, could force a closure of shipyards or severe curtailment of operations. The commercial ferry industry continues to be depressed due to a range of factors, including ongoing uncertainty regarding how ferry operators should respond to newly legislated requirements for more environmentally-friendly operations, which has materially impacted the future pipeline for Austal's operations on commercial vessels. Resources in Austal Philippines and Austal Vietnam have been significantly reduced to reflect the reduced pipeline of work, and although Austal continues to pursue alternative opportunities without further material shipbuilding commitments, Austal may need to consider closure or re-orientation of its Asian shipyards in the near term.
Employee claims and industrial disputes	Austal has a large workforce and Austal's workforce may be members of trade unions or other forms of organised labour. Industrial actions such as strikes, work stoppages, slowdowns, grievances, complaints, claims, etc. impacting any of these labour groups may impact operations or result in increased costs, which may impact individual projects/operations and have a material adverse impact on Austal's financial performance and position. In addition, Austal may be subject to claims from employees (or groups of employees) in relation to non-compliance with the terms of employment laws or relevant employment contracts, underpayments or wrongful termination. This may include in circumstances where Austal has taken action (including termination of employees) to comply with legal directives or requirements which apply to Austal (such as those which applied to Austal during the COVID-19 pandemic).

Key risks

Employee misconduct may adversely impact Austal's reputation and financial position	Austal's activities are carried out by numerous personnel, including employees or other agents acting on behalf of Austal. Whilst there are controls in place governing their conduct, there is no guarantee that they will comply with all laws and regulations (internal and external). The failure to comply with all laws and regulations could subject Austal to fines and penalties, including loss of contracts, which could adversely impact the Group's reputation, financial performance or position.
Austal's construction and delivery of ships may expose it to legal claims and disputes	The laws in some countries hold the shipbuilder liable for damages or losses to property and life arising from negligence in design or construction. Not every risk or liability can be protected against by insurance or making provision for warranty works, and, for insurable risks, the limits of coverage reasonably obtainable in the market may not be sufficient to cover all actual losses or liabilities incurred. Additionally, disputes with insurers over coverage may affect the timing of cash flows, and, if these disputes lead to litigation, an outcome unfavorable to Austal may have a material adverse effect on Austal's financial position, results of operation or cash flows. Austal is also exposed to potential legal and other claims or disputes in the course of its business, including contractual disputes and warranty claims. Austal may take legal advice in respect of such claims, and where relevant, make provisions in its financial statements. Although Austal seeks to minimise the risk of such claims arising, and their impact if they do arise, such claims may arise from time to time and could adversely affect Austal's business, operational results or financial condition and performance.
Austal may be unable to secure its intellectual property rights and may subject to intellectual property rights claims by others	Austal relies on proprietary technology, information, processes and know-how, some of which is protected by patents and other forms of intellectual property protection. Although Austal is not currently aware of any challenges to or infringements of its intellectual property rights, these may be subject to challenge, invalidation, misappropriation or circumvention by third parties. Austal seeks to protect intellectual property through trade secrets or confidentiality agreements with employees, consultants, subcontractors and other parties, as well as through other security measures. However, these agreements may not provide meaningful protection for any unpatented proprietary information. In the event that intellectual property rights are infringed, Austal may not have adequate legal remedies to maintain its rights in its intellectual property. Litigation in relation to any intellectual property disputes could be costly and be a diversion of management's attention away from the core purpose of the business. In addition, trade secrets may otherwise become known or independently developed by competitors.
Access to capital	To maintain operations and meet its growth objectives, Austal may, in the future, require access to debt and/or equity capital markets. Austal may be unable to access debt or equity capital at competitive rates, on commercially reasonable terms or in sufficient amounts. Access to capital markets may be impacted by a variety of factors, including Austal's existing levels of financial indebtedness, general changes in global capital markets and changes in lending criteria in relation to sustainability and ESG performance. Many of these factors are outside of Austal's control, and an inability to access additional funding, either through debt or equity capital markets, may limit Austal's flexibility in planning for, or reacting to, changes in Austal's industry, increase its vulnerability to general adverse economic, industry and regulatory conditions, limit its ability to fund future working capital, capital expenditure, general corporate requirements, to engage in future development activities, or place Austal at a competitive disadvantage compared to its competitors that have less debt or fewer financial commitments. The occurrence of any of the above factors may have a material adverse effect on the financial and operating performance of Austal.
Climate change risk	Austal's business may be impacted by climate change and governmental and industry actions taken in response, which present short, medium, and long-term risks to Austal's business and financial condition. Current and emerging environmental and climate-related laws, regulations, or other policies, including regulations on greenhouse gas emissions, carbon pricing, energy taxes, product efficiency standards, mandatory disclosure obligations, and U.S. or Australian government procurement requirements, could increase Austal's operational and compliance expenditures and those of its suppliers. This may include increased energy and raw materials costs, and costs associated with manufacturing changes, and lead to new or additional investments in product designs and facility upgrades. Austal's reputation may also be damaged if Austal or the industry in which it operates fails, or is perceived to fail, to achieve sustainability goals or commitments or to comply with evolving climate-related regulations.

Key risks

Extreme weather events and natural disasters	Austal has operations located in regions around the world that have been in the past (and may be in the future) exposed to acute extreme weather events including damaging storms, hurricanes, tornadoes, floods, fire, heat waves and mud slides, as well as long-term changes in weather patterns, such as rising temperature, drought and rising sea levels. The frequency and severity of such events is attributable to climate change risk (as outlined above). Although preventative measures may help to mitigate damage, the damage and disruption resulting from natural and environmental disasters may be significant. Should insurance or other risk transfer mechanisms be unavailable or insufficient to recover all costs, Austal could experience a material adverse effect on its financial position, results of operations or cash flows.
Environmental regulation and liability	Austal operates in a marine environment and any release of hazardous substances or environmental incident resulting from Austal's activities could have an adverse impact on the marine environment and result in Austal being potentially exposed to significant liability, fines and penalties. Austal may also be required to incur significant remediation costs and expenses in connection with any such incident. Changes in environmental laws and regulations occur frequently, and any changes that impose additional requirements or restrictions on Austal's operations could result in substantial costs and could have a material adverse effect on Austal's business, reputation and financial performance. New regulations and legislation, as well as evolving practices, particularly in Australia and the U.S., where the majority of Austal's operating assets are located, with respect to environmental, health and safety controls and increased regulator oversight could increase Austal's cost of regulatory compliance.
Changes in offshore taxation or trade policy	Austal's international operations are subject to risks associated with local government laws, regulations, and policies, including with respect to investments, taxation, exchange controls, capital controls, employment regulations, repatriation of earnings, and tariffs. Changes in international taxation or trade policy (particularly as it relates to the U.S.) may have an adverse impact on Austal's operations, given its significant U.S. presence.
Foreign exchange risk	Austal is an Australian company that reports in Australian dollars. However, substantially all of Austal's major sales contracts are, and have historically been, denominated in USD and its operating costs and development expenses are predominately denominated in USD. Some expenses, comprised primarily of the salaries of Australian employees, rent, and payments to other local contractors, are normally paid in Australian dollars. Accordingly, movements in the exchange rates of any of these currencies relative to the USD can adversely affect Austal's operational results and financial condition. Appreciation of currencies, particularly the Australian dollar, against the USD for prolonged periods, or exchange rate volatility, could negatively affect Austal's business and financial performance and increase its effective costs. Fluctuations in foreign currencies may also make period-on-period comparisons of Austal's financial performance difficult. Where Austal is materially exposed to fluctuations in foreign exchange rates, it may seek to offset this exposure through the use of appropriate financial instruments, such as hedging or forward rate contracts. However, there may be circumstances where Austal is unable to sufficiently minimise its exposure to foreign exchange rate movements where the cost of financial products is not commercially viable.
Dividends	No assurances can be given in relation to the payment of future dividends. Future determinations as to the payment of dividends by Austal will be at the discretion of the Austal Board and will depend upon the availability of distributable earnings, the operating results and financial condition of Austal, future capital requirements, covenants in relevant financing agreements, general business and financial conditions, franking capacity and other factors considered relevant by the directors. No assurances can be given in relation to the level of franking capacity of future dividends. Franking capacity will depend upon the amount of Australian tax paid in the future, the existing balance of franking credits and other factors.

Appendix B: International offer restrictions

International offer restrictions

This document does not constitute an offer of new ordinary shares ("New Shares") of the Company in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

European Union (excluding Austria)

This document has not been, and will not be, registered with or approved by any securities regulator in the European Union. Accordingly, this document may not be made available, nor may the New Shares be offered for sale, in the European Union except in circumstances that do not require a prospectus under Article 1(4) of Regulation (EU) 2017/1129 of the European Parliament and the Council of the European Union (the "Prospectus Regulation").

In accordance with Article 1(4)(a) of the Prospectus Regulation, an offer of New Shares in the European Union is limited to persons who are "qualified investors" (as defined in Article 2(e) of the Prospectus Regulation).

Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). Accordingly, this document may not be distributed, and the New Shares may not be offered or sold, in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "FMC Act").

The New Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

International offer restrictions

Norway

This document has not been approved by, or registered with, any Norwegian securities regulator under the Norwegian Securities Trading Act of 29 June 2007 no. 75. Accordingly, this document shall not be deemed to constitute an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act. The New Shares may not be offered or sold, directly or indirectly, in Norway except to “professional clients” (as defined in the Norwegian Securities Trading Act).

Singapore

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part 13 of the Securities and Futures Act 2001 of Singapore (the “SFA”) or another exemption under the SFA.

This document has been given to you on the basis that you are an “institutional investor” or an “accredited investor” (as such terms are defined in the SFA). If you are not such an investor, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party in Singapore. On-sale restrictions in Singapore may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

Switzerland

The New Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange or on any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the New Shares constitutes a prospectus or a similar notice, as such terms are understood under art. 35 of the Swiss Financial Services Act or the listing rules of any stock exchange or regulated trading facility in Switzerland.

No offering or marketing material relating to the New Shares has been, nor will be, filed with or approved by any Swiss regulatory authority or authorised review body. In particular, this document will not be filed with, and the offer of New Shares will not be supervised by, the Swiss Financial Market Supervisory Authority (FINMA).

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Glossary

AFDM	Auxiliary Floating Dock Module	LCS	Littoral Combat Ship (Independence-variant)
AS(X)	Submarine tenders	LCU	Landing Craft Utility
CCPB	Cape Class Patrol Boat	LUSV	Large Unmanned Surface Vessel
DDG(X)	Next Generation Guided Missile Destroyer	MAST 13	High-speed, autonomous surface vehicle
ECCPB	Evolved Cape Class Patrol Boat	MUSV	Medium Unmanned Surface Vessel
EMS	Expeditionary Medical Ships, a special medical version of EPF	NGLS	Next Generation Logistics Ship
EPF	Spearhead Class Expeditionary Fast Transport (*formerly Joint High-Speed Vessels)*	OCSV	Optionally Crewed Surface Vessel
EPF VLS	Expeditionary Fast Transport Vertical Launch System	OPC	Offshore Patrol Cutter
FFG FY	Constellation Frigate follow yard	OUSV	Ghost Fleet Overlord Unmanned Surface Vessels
GCPB	Guardian Class Patrol Boat	T-ATS	Navajo class Towing and Salvage Ships
GPF	General Purpose Frigate	T-AGOS	Discovery class Ocean Surveillance Vessel
LCH	Landing Craft (Heavy)	MMF3	Module Manufacturing Facility #3 (for submarine modules)
LCM	Landing Craft (Medium)	FA2	Final Assembly Hall #2 (for completion of large steel vessels)

Further information

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