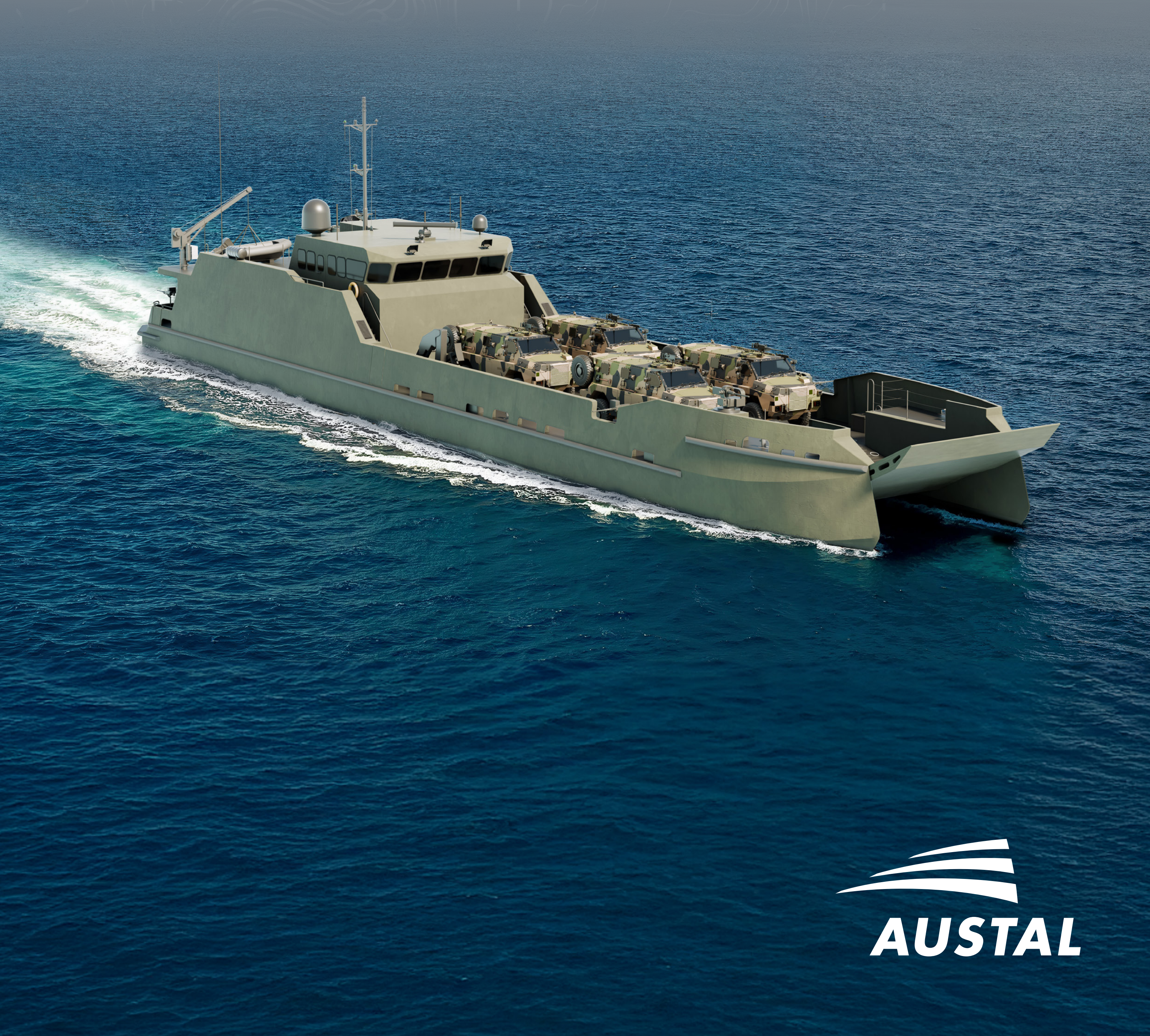
2026

Austal Limited
Half-Year Report



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Company Overview

The first half of FY2026 has seen Austal continue to make significant progress with shipbuilding operations and securing new opportunities, sustaining delivery of growth and value to customers, shareholders, partners and stakeholders.

The company has focused on operational performance through delivery of proven and reliable solutions to defence and commercial customers, investment in infrastructure to support future growth, innovative new capabilities to ensure customers stay ahead in an evolving maritime world and securing new opportunities which will provide decades of work and strengthen sovereign capabilities.

In Australia, Austal continued to work with the Australian Government to finalise the Strategic Shipbuilding Agreement (SSA) which was signed in August 2025 and, in December 2025, resulted in a subsequent $1.029 billion contract award for the design and build of Landing Craft Medium (LCM) vessels at the company's Henderson shipyard. The contract reaffirms Austal's position to be Australia's sovereign shipbuilder and will see construction of the first LCM commence this financial year.

Austal continued to demonstrate the delivery of proven and reliable solutions such as the Evolved Cape-class Patrol Boat (ECCPB) which saw ADV Cape Spencer, the ninth ECCPB delivered to the Royal Australian Navy; and a contract extension awarded for an additional two ECCPBs for the Australian Border Force (ABF). The two additional vessels, valued at over $135 million will be constructed at the company's Henderson shipyard in CY2026. Construction on the first two ECCPBs for the ABF, Hulls 1101 and 1102, progressed and are on schedule for launch in CY2026.

To continue to deliver value to customers, the company launched new autonomous solutions, including the AROS Platform Controller and Console, as well as the Vantage-class optionally crewed surface vessel, which will enhance our customer's missions to protect their nations. In short succession, the AROS Platform Controller received Approval in Principle (AiP) from classification society DNV.

Austal marked a significant step forward in strengthening Australia's sovereign capability and collaborations with industry, through a Memorandum of Understanding between the company's Australia and United States entities, and Australia's sovereign submarine partner, ASC, to work together on additive manufacturing (AM) technologies and workforce development.

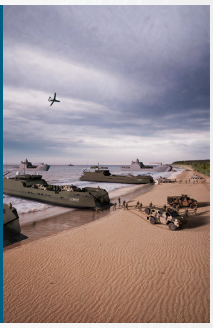
Supporting future growth, Austal Limited executed a loan agreement for US$100 million in funding from Export Finance Australia (EFA), which will enhance facilities that will allow the efficient construction of vessels for the US Navy and US Coast Guard at the company's Mobile, Alabama shipyard.

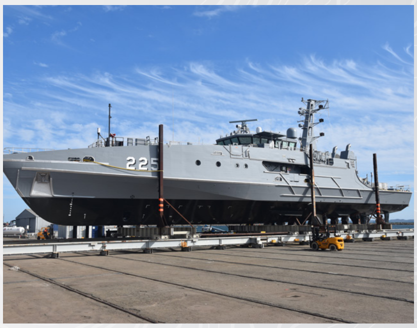
In the United States, a new legacy began with the delivery of the 19th and final Independence-variant Littoral Combat Ship (LCS 38) as well as the launch of the first Landing Craft Utility (LCU) vessel, both for the US Navy.

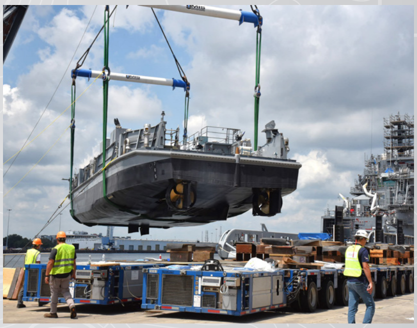
Austal USA commenced construction of the second (of eleven) US Coast Guard Offshore Patrol Cutters in August 2025 and continued construction on multiple shipbuilding projects, in both steel and aluminium; including three T-ATS vessels, the Auxiliary Floating Dock Medium (AFDM), the first of three Expeditionary Medical Ships, four LCU 1700-class landing craft, the Overlord Unmanned Surface Vessel – Vanguard (OUSV 3), five command modules for Virginia and Columbia-class nuclear powered submarines and four (of six contracted) aircraft carrier elevators for the US Navy.

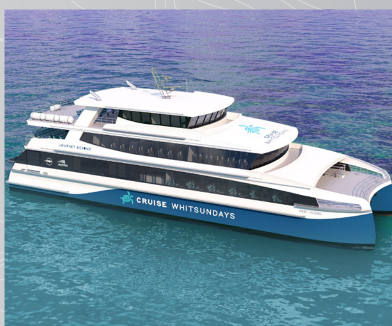
Austal Australasia secured new business within the commercial sector, receiving a contract award in the range of A$14-16 million to construct a new 36-metre catamaran for Cruise Whitsundays, with construction commencing at the company's Vietnam shipyard within the same reporting period.

Austal Vietnam continued construction on 'Dory 2', a 71-metre steel monohull ferry for The Degage Group of French Polynesia, and Austal Philippines delivered significant progress on the 130-metre hydrogen-ready catamaran, Horizon X (for Gotlandsbolaget of Sweden) and the 66-metre sailing trimaran (for VELA Transport of France); whilst also completing a more than $3 million maintenance and repairs contract for YWAM Medical Ships.









2026 H1 Highlights

$1.1B
Revenue

$17.7B
Order Book
(including options)

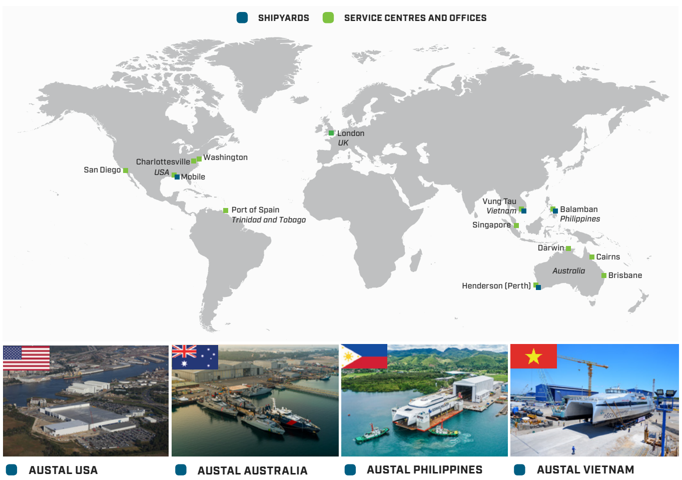
2
Ships delivered

22
Ships ordered

76
Ships scheduled or under construction

64
Vessels under sustainment

4,633
Employees



Directors' report

It is my pleasure to present the Financial Report for the half-year ended 31 December 2025 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)
- Patrick Gregg (Chief Executive Officer and Managing Director)
- John Rothwell (Non-Executive Director) (Resigned 1 September 2025)
- Lee Goddard (Non-Executive Director)
- Kathryn Toohey AM, CSC (Non-Executive Director)
- Brent Cubis (Non-Executive Director)
- Richard Gibb (Non-Executive Director)
- Susan Murphy (Non-Executive Director) (Appointed 1 September 2025)

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:

- FY2026 H1 revenue was $1.1 billion (FY2025 H1: $825.7 million).
- Earnings Before Interest and Tax (EBIT) was $60.3 million (FY2025 H1: $42.7 million).
- Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) was $93.9 million (FY2025 H1: $79.1 million).
- Profit Before Tax (PBT) was $58.2 million (FY2025 H1: $38.0 million).
- Net Profit After Tax (NPAT) was $30.5 million (FY2025 H1: $25.1 million).

Reconciliation of EBIT and EBITDA (unaudited)

	2026 H1 $'000	2025 H1 $'000
Profit Before Tax	58,207	37,976
Finance costs	9,755	9,199
Finance income	(7,616)	(4,477)
EBIT	60,346	42,698
Depreciation	32,703	35,372
Amortisation	873	1,070
EBITDA	93,922	79,140

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

- EBIT – earnings before interest and tax. EBIT is comprised of NPAT with finance income ($7.6 million) and finance costs ($9.8 million) added back.
- EBITDA – earnings before interest, tax, depreciation and amortisation. EBITDA is comprised of EBIT with depreciation and amortisation ($33.6 million) added back.

EBIT is used to understand segment performance and EBITDA is used by management 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 $801.4 million (FY2025 H1: $633.8 million), and EBIT was $38.9 million (FY2025 H1: $49.9 million).

Operational highlights of the reporting period include:

- The final (19th) Independence-variant Littoral Combat Ship, LCS 38 (the future USS Pierre) was delivered to the US Navy in July 2025.
- The first (of twelve) Landing Craft Utility (LCU) vessels for the US Navy was launched in August 2025; with construction commencing on the fourth vessel in December 2025.
- Construction of the second (of eleven) US Coast Guard Offshore Patrol Cutters, USCGC Icarus, commenced in August 2025; with the keel laying for the first OPC, USCGC Pickering, held in December 2025.
- Under contract to General Dynamics Electric Boat, Austal USA continued to deliver Command and Control Systems Modules (CCSM) and Electronic Deck Modules (EDM) for Virginia-class submarines; four Virginia-class modules and one Columbia-class submarine module are under construction.
- Austal USA continues to lead and operate the US Navy's Additive Manufacturing Center of Excellence (AM CoE) in Danville, Virginia, serving as a national hub for additive manufacturing (AM) capabilities targeted at naval and submarine components. The Centre encompasses multiple AM modalities and is building a qualified network of AM vendors to supply critical parts to the US Navy fleet.
- Construction continued on multiple, additional shipbuilding projects during the reporting period, including:
    - The final aluminium Expeditionary Fast Transport (EPF) ship for the US Navy – EPF16.
    - Three steel Towing, Salvage and Rescue (T-ATS) ships for the US Navy.
    - One steel Auxiliary Floating Dock – Medium (AFDM) for the US Navy.

- Four elevators (of six contracted) for two Gerald R. Ford-class Aircraft Carriers, under construction by HII Newport News Shipbuilding, for the US Navy.
- 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 in September 2024).
- Construction continues on new infrastructure projects at Mobile, Alabama, including:
  - Final Assembly 2 (FA2) to enable multiple large surface vessels such as OPC to be completed.
  - Module Manufacturing Facility 3 (MMF3) – for additional submarine module manufacturing.

Australasia Operations

Australasia segment revenue was $309.9 million (FY2025 H1: $193.0 million), and EBIT was $29.2 million (FY2025 H1: $1.9 million).

Operational highlights of the reporting period include:

- Austal Australasia was awarded a contract to construct a 36-metre catamaran ferry for Cruise Whitsundays, part of the Journey Beyond Group in Australia in August 2025, and construction commenced in December 2025.
- Austal and the Australian Government finalised the Strategic Shipbuilding Agreement (SSA), which was signed in August 2025.
- In December 2025, a A$1.029 billion contract was awarded to Austal Defence Shipbuilding Australia Pty Ltd (Austal Defence Australia) for the design and build of Landing Craft Medium (LCM) vessels at the company’s Henderson shipyard. The contract reaffirms Austal’s position as Australia’s strategic shipbuilder in Western Australia and will see the start of construction on the first LCM this financial year.
- The ninth (of ten) Evolved Cape-class Patrol Boats, ADV Cape Spencer, was delivered to the Royal Australian Navy in September 2025 and the final boat, ADV Cape Hawke, is scheduled for delivery in February 2026, at the time of writing.
- Austal Australia secured a US$100 million loan from Export Finance Australia to enhance construction of vessels at the company’s Mobile, Alabama shipyard.
- In December, Austal Australia was awarded a contract for two additional Evolved Cape-class Patrol Boats for the Australian Border Force, valued at over A$135 million.
- Key milestones were reached in developing autonomous vessel and technology capabilities;
  - Austal’s AROS Platform Controller was awarded Approval in Principle by maritime class society DNV.
  - The new Vantage-class autonomous vessel platform, and Austal’s AROS Platform Controller and Console were launched at the Indo Pacific 2025 International Maritime Exposition, in November 2025.
- A Memorandum of Understanding (MOU) between Austal’s Australian and United States entities, and Australia’s sovereign submarine partner, ASC, was signed at Indo Pacific 2025 – enabling collaboration on additive manufacturing (AM) technologies and workforce planning and development.
- Construction continued on multiple, additional shipbuilding projects throughout the Australasian shipyards during the reporting period, including:
  - The remaining two (of a total 24) Guardian-class Patrol Boats for the Commonwealth of Australia, in Henderson, Western Australia (Hulls 543 and 544).
  - Dory 2, a 71-metre steel hull ROPAX ferry for the Degage Group, at Austal Vietnam.
  - The 66-metre sailing trimaran for VELA of France, at Austal Philippines.
- Planning, design and pre-construction work continued on the 130-metre, hydrogen-ready Gotland ‘Horizon X’ at Austal Philippines. The ceremonial plate cutting for this vessel was held on 5 February 2026.

Cash management and dividends

The net cash position as per the balance sheet was $241.4 million at 31 December 2025 (30 June 2025: $453.1 million).

Austal has a cash balance of $371.6 million at 31 December 2025 (30 June 2025: $583.9 million).

No dividends were paid after the FY2025 results and no FY2026 interim dividend was declared post 31 December 2025.

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 auditor, Deloitte Touche Tohmatsu, which is on page 9 and forms part of the Directors' Report.

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

Richard Spencer

Chairman

23 February 2026

Auditor independence

Deloitte.

Deloitte Touche Tohmatsu
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23 February 2026

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

Dear Board Members,

Auditor's Independence Declaration to 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 2025, 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

David Newman
Partner
Chartered Accountants

Condensed consolidated statement of profit and loss and other comprehensive income for the half-year ended 31 December 2025

	Notes	2026 H1 $'000	2025 H1 $'000
Continuing operations			
Revenue	4	1,109,394	825,727
Cost of sales	4	(962,343)	(727,779)
Gross profit		147,051	97,948
Other income and expenses		7,753	20,991
Administration expenses		(86,509)	(69,275)
Marketing expenses		(7,949)	(6,966)
Finance income		7,616	4,477
Finance costs		(9,755)	(9,199)
Profit before income tax		58,207	37,976
Income tax expense	8	(27,711)	(12,863)
Profit after tax		30,496	25,113
Other comprehensive income (OCI)			
Amounts that may subsequently be reclassified to profit and loss:			
Cash flow hedges			
- Net loss		(197)	(5,571)
- Income tax benefit	8	51	1,369
- Total		(146)	(4,202)
Foreign currency translations			
- Net (loss) / gain		(11,120)	60,162
- Total		(11,120)	60,162
Total		(11,266)	55,960
Amounts not to be reclassified to profit and loss in subsequent periods:			
Asset revaluation reserve			
- Income tax benefit	8	-	98
- Total		-	98
Other comprehensive (loss) / income for the period		(11,266)	56,058
Total comprehensive income for the year		19,230	81,171

Earnings per share ($ per share)		$ / share	$ / share
Basic earnings per share		0.072	0.069
Diluted earnings per share		0.071	0.069

Condensed consolidated statement of financial position as at 31 December 2025

	Notes	31 December 2025 $'000	30 June 2025 $'000
Assets			
Current			
Cash and cash equivalents		371,575	583,933
Inventories and work in progress		728,448	601,389
Trade and other receivables		211,490	147,695
Prepayments		38,698	38,456
Derivatives		3,081	2,082
Income tax receivable		15,556	1,534
Total		1,368,848	1,375,089
Non - current			
Property, plant and equipment		1,281,273	1,170,790
Intangible assets and goodwill		36,851	37,826
Prepayments		25,563	38,579
Derivatives		4,759	6,774
Right of use lease assets		175,392	173,077
Other financial assets		16,671	14,138
Other non-current assets		8,751	7,897
Deferred tax assets		93,054	121,125
Total		1,642,314	1,570,206
Total		3,011,162	2,945,295
Liabilities			
Current			
Progress payments received in advance		(401,085)	(249,209)
Trade and other payables		(297,327)	(334,410)
Provisions		(84,146)	(100,882)
Derivatives		(1,317)	(2,012)
Income tax payable		(453)	(22,422)
Lease liabilities		(8,159)	(6,672)
Deferred grant income		(15,767)	(17,530)
Total		(808,254)	(733,137)
Non - current			
Interest bearing loans and borrowings	6	(130,150)	(130,821)
Progress payments received in advance		(474,317)	(502,497)
Provisions		(18,836)	(25,950)
Derivatives		(31)	-
Lease liabilities		(134,486)	(129,496)
Deferred grant income		(114,866)	(114,739)
Total		(872,686)	(903,503)
Total		(1,680,940)	(1,636,640)
Net assets		1,330,222	1,308,655
Equity attributable to owners of the parent			
Contributed equity	7	363,135	361,512
Reserves		403,823	414,375
Retained earnings		563,264	532,768
Total		1,330,222	1,308,655

Condensed consolidated statement of changes in equity for the half-year ended 31 December 2025

	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 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									
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**
Equity at 1 July 2025	**365,488**	**(3,976)**	**532,768**	**152,106**	**14,395**	**4,946**	**(17,594)**	**260,522**	**1,308,655**
Comprehensive income									
Profit for the period	-	-	30,496	-	-	-	-	-	30,496
Other comprehensive (loss) for the period	-	-	-	(11,120)	-	(146)	-	-	(11,266)
Total	-	-	30,496	(11,120)	-	(146)	-	-	19,230
Other equity transactions									
Shares issued for capital raising, net of transaction costs and tax	77	-	-	-	-	-	-	-	77
Share based payments expense	-	-	-	-	2,260	-	-	-	2,260
Shares issued to Employee Share Trust	7,060	(7,060)	-	-	-	-	-	-	-
Shares or proceeds transferred to beneficiaries	(2,210)	3,756	-	-	(1,546)	-	-	-	-
Total	4,927	(3,304)	-	-	714	-	-	-	2,337
Movement	**4,927**	**(3,304)**	**30,496**	**(11,120)**	**714**	**(146)**	**-**	**-**	**21,567**
Equity at 31 December 2025	**370,415**	**(7,280)**	**563,264**	**140,986**	**15,109**	**4,800**	**(17,594)**	**260,522**	**1,330,222**

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 2025

	Notes	2026 H1 $'000	2025 H1 $'000
Cash flows from operating activities			
Receipts from customers		1,168,772	1,300,734
Payments to suppliers and employees		(1,193,895)	(1,017,243)
Income tax paid		(35,631)	(40,445)
Interest paid		(9,755)	(9,199)
Interest received		7,616	4,477
Net cash (used in) / from operating activities		(62,893)	238,324
Cash flows from investing activities			
Purchase of property, plant and equipment		(154,724)	(50,362)
Payment for intangible assets		(37)	(439)
Proceeds from sale of property, plant and equipment		60	7
Receipts of government infrastructure grants		8,977	38,649
Proceeds for investment in United Submarine Alliance Qualified Opportunity Fund		-	216,982
Payment for investment in United Submarine Alliance Qualified Opportunity Fund		-	(216,982)
Net cash (used in) investing activities		(145,724)	(12,145)
Cash flows from financing activities			
Principal component of lease payments		(6,984)	(5,473)
Repayment of borrowings		-	(43,502)
Payment of borrowing costs		(940)	(75)
Proceeds from borrowings		-	4,460
Proceeds from issue of shares, net of transaction costs and tax		77	-
Net cash (used in) financing activities		(7,847)	(44,590)
Net (decrease) / increase in cash and cash equivalents		(216,464)	181,589
Cash and cash equivalents			
Cash and cash equivalents at beginning of period		583,933	173,510
Net (decrease) / increase in cash and cash equivalents		(216,464)	181,589
Net foreign exchange differences		4,106	(1,175)
Cash and cash equivalents at end of period		371,575	353,924

Notes to the condensed consolidated financial statements for the half-year ended 31 December 2025

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 2025 was authorised for issue in accordance with a resolution of the Directors on 23 February 2026.

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 2025 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 2025. 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 2025, including:

- AASB 2023-5 Amendments to Australian Accounting Standards – Lack of Exchangeability

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
2026 H1									
Revenue									
External customers	671,053	130,328	801,381	209,163	99,021	308,184	-	(171)	1,109,394
Inter-segment [1]	-	-	-	346	1,412	1,758	-	(1,758)	-
Total	671,053	130,328	801,381	209,509	100,433	309,942	-	(1,929)	1,109,394
Profit / (loss) before tax									
Earnings before interest and tax	16,987	21,922	38,909	10,044	19,163	29,207	(7,788)	18	60,346
Finance income	-	-	-	-	-	-	7,616	-	7,616
Finance expenses	-	-	-	-	-	-	(9,755)	-	(9,755)
Profit / (loss) before income tax	16,987	21,922	38,909	10,044	19,163	29,207	(9,927)	18	58,207
Depreciation and amortisation	(21,469)	(3,931)	(25,400)	(5,114)	(3,062)	(8,176)	-	-	(33,576)
Balance sheet at 31 December 2025									
Segment assets	1,951,255	279,270	2,230,525	325,261	101,614	426,875	340,957	12,805	3,011,162
Segment liabilities	(1,338,209)	(97,232)	(1,435,441)	(157,850)	(90,375)	(248,225)	(9,995)	12,721	(1,680,940)

	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 30 June 2025									
Segment assets	1,810,446	265,806	2,076,252	333,479	102,087	435,566	420,916	12,561	2,945,295
Segment liabilities	(1,221,342)	(125,273)	(1,346,615)	(175,858)	(90,075)	(265,933)	(36,496)	12,404	(1,636,640)

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 comprise Austal's Australia 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:

	2026 H1 $'000	2025 H1 $'000
Revenue and cost of sales disclosure		
Revenue		
Shipbuilding	880,045	630,881
Support	229,349	194,846
Total	1,109,394	825,727
Cost of sales		
Shipbuilding	(802,163)	(589,176)
Support	(160,180)	(138,603)
Total	(962,343)	(727,779)

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 2025 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.

Management exercises significant judgement in assessing whether it is highly probable that revenue from variable consideration will not result in a significant reversal in the future. This assessment considers factors such as the details of the contract, the amount of consideration is highly susceptible to factors outside the entity's influence, the uncertainty about the amount of consideration that is not expected to be resolved for a long period of time, and the entity's experience with similar contracts. Judgements are updated at each reporting date based on the latest available information, which may result in adjustments to the timing or amount of revenue recognised (see Note 10).

During the period significant judgement was applied with respect to the accounting for ongoing commercial discussions regarding applications for contractual relief on the T-ATS and AFDM Programs and the consequent impact on variable consideration recognised and the onerous contracts provisions associated with these contracts. Refer to Note 4ii3 *Contractual relief on T-ATS and AFDM Programs* below for further information.

As has been noted in prior annual reports, in developing and preparing its financial accounts, Austal is required to make various assumptions and forecasts related to progress on each shipbuilding program, referred to as Estimate At Completion (EAC). These EACs necessarily rely on a degree of judgment 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. Key assumptions, risks and opportunities can be impacted by numerous factors including actual costs and cash outflows differing from estimates (positively or negatively) as a result of inflationary cost increases, supply chain challenges, labour efficiencies, design and/or specification changes, incentives and structural complexities. Austal is in regular discussions and correspondence with its commercial partners and Defence customers on these and other factors; EACs are therefore not static and thus the estimated profitability of each programme individually and the business as a whole is necessarily subject to periodic review and (as set out herein), adjustment if necessary.

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.

First in class vessels can 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.

Future judgments 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 FY2026 and future reporting periods.

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.

Austal is completing a number of vessels under multi vessel contracts, as well as individual vessel projects.

USA

Contingencies held at 31 December 2025 for undelivered vessels in the USA business unit were $1.3 million (30 June 2025: $Nil). This was equivalent to 1.3% of ETC (30 June 2025: Nil). These contingencies, where applicable, formed part of the forecast costs which are taken into account when calculating the onerous loss provision.

Australasia

Contingencies held at 31 December 2025 for undelivered vessels in the Australasia business unit were $70.7 million (30 June 2025: $17 million). This was equivalent to 6.3% of ETC (30 June 2025: 4.5%).

3. Contractual relief on T-ATS and AFDM Programs

T-ATS

Austal was awarded its first steel construction contract by the United States Navy in September 2021, to build three Towing, Salvage and Rescue Ships (T-ATS 11,12 and 13).

Austal was successful in recovering additional incurred costs constructing those vessels through a Request for Equitable Adjustment (REA) process. Recently, Austal transitioned from a 'follow' yard to the 'lead' yard on the T-ATS program. This change required Austal to lead design implementation and modification, creating additional financial costs and therefore Estimates at Completion (EAC) growth.

Management have reviewed the EAC as part of the half year process and applied judgement in calculating the variable consideration in line with AASB 15. As detailed further in Note 10, management and the program office conducts regular reviews of costs contained within the EACs which comprises of historical cost and forecast cost to completion. Consistent with the Group's experience in FY2023, FY2024 & FY2025, this process identified a number of drivers of further increased forecast costs as a result of the immature detailed design for the vessels which led to an increase of material quantities, cost inflation on materials and labour hours growth. There were also increased forecast costs for testing, trials and delivery.

AFDM

Austal was awarded a detailed design and construction contract by the United States Navy in June 2022 for the build of an Auxiliary Floating Dry Dock (AFDM).

Management have reviewed the EAC as part of the half year process and applied judgement in calculating the variable consideration in line with AASB 15. As detailed further in Note 10, management and the program office conducts regular reviews of costs contained within the EACs. Consistent with the Group's experience in FY2023, FY2024 & FY2025, this process identified a number of drivers of further increased costs which included updated subcontractor and transportation costs, and labour hours growth.

Recognition of revenue in relation to contractual relief

Austal USA is in ongoing commercial discussions regarding applications for contractual relief on the T-ATS and AFDM Programs for the receipt of up to US$150 million. As such, the amount of this contractual relief that is deemed highly probable by the Directors of each of Austal USA and Austal Limited of US$105 million has been treated as variable consideration. This has resulted in incremental revenue of US$71.4 million (A$107.5 million) being recognised during the half-year based on the percentage completion of each vessel, and a partial reversal of the onerous contract provisions of US$30.7 million (A$46.2 million) as at 31 December 2025 associated with these contracts.

Austal's position on the accounting treatment of the variable consideration in relation to the contractual relief is considered highly probable based on a number of factors including:

- The accepted view that it is typical in the US Defense environment to seek additional contractual relief from the US Government, and that it is regularly granted by the US Government which has an appreciation for the US Defense industry's commercial requirements;
- US Navy representatives (who have authority to make binding determinations in this regard) have responded positively to Austal USA senior management's submission for relief, and indicated a willingness to work towards a mutually acceptable outcome;
- There are other management measures in place to recover forecast losses;

- In previous comparable circumstances that required judgement that were audited in prior reporting periods (such as the previous T-ATS REA), a position was taken that assumed at least the majority of the REA would be granted and was highly probable of recovery;
- There are live examples of other shipyards in the USA taking even more material action and either pacing their progress or suspending work on programs facing cost increases in order to activate contractual discussions with the US Navy.

4. Manufacturing facility for submarine modules (MMF3)

As detailed in the 30 June 2025 Annual Report, Austal USA was awarded a US$450 million contract by General Dynamics Electric Boat (GDEB) to expand the capacity through production hours available to perform submarine manufacturing, and to design, construct and outfit a new module manufacturing facility at its Mobile shipyard. An amount of US$350 million in milestone payments was received in FY2025.

The consideration received will be recognised over time as the Group provides labour and manufacturing capacity to GDEB. Future submarine module manufacturing consideration will be recognised as revenue as and when the construction of the modules is performed.

Revenue of $6.7 million in relation to this contract has been recognised during the half year to 31 December 2025 (half year to 31 December 2024: $Nil, full year to 30 June 2025: $6.2 million), as performance obligations have been partially satisfied, with the balance recorded as progress payments in advance as of the end of the half year.

Note 5 Dividends paid and proposed

	2026 H1	2025 H1
Dividends paid on ordinary shares	**$'000**	**$'000**
Unfranked final dividend for the prior year, 0 cps (2025 HY: 0 cps)	-	-
Dividend declared subsequent to the reporting period end (not recorded as liability)		
Unfranked interim dividend for the current year, 0 cps (2025 HY: 0 cps)	-	-

Note 6 Interest bearing loans and borrowings

	31 Dec 2025 $'000	30 Jun 2025 $'000
Non-current		
Go Zone Bonds	(130,150)	(130,821)
Total	(130,150)	(130,821)

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 2.6065% in H1 FY2026 (FY2025: 3.0203%). GZB bondholders are secured by letters of credit issued by Austal's banking syndicate with a maturity date of June 2030 for both Series 2011A and 2011B. The average cost of the letters of credit in H1 FY2026 was 1.7451% (FY2025: 1.771%).

Austal has redeemed (repaid) a cumulative amount of ~ US$137.5 million at 31 December 2025 (30 June 2025: US$137.5 million) of GZB funds and owes US$87.5 million at 31 December 2025 (30 June 2025: 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 2025 $'000	30 Jun 2025 $'000
Revolving credit facility - cash loans		
Total facility limit	483,630	333,750
Facilities used at reporting date	-	-
Facilities unused at reporting date	483,630	333,750

As of 31 December 2025, Austal holds debt facilities with a $831.4 million revolving credit facility, inclusive of a $483.6 million cash loan sublimit (of which $178.8 million can be utilised for contingent instruments). The debt facilities are with a group of Tier 1 financial institutions, including Australian and international banks, and comprises bilateral arrangements with each lender under a common terms deed. The facilities are secured and have a 5 year maturity date from establishment date of 27 June 2025. The interest rate is variable, based upon a drawn margin above BBSY and SOFR for AUD and USD principal borrowings respectively.

The facilities detailed above include the newly added Export Finance Australia (EFA) loan facility with a credit limit of up to US$100 million entered into on 12 December 2025. This facility is secured and has a 10 year maturity date from establishment date of 12 December 2025. The interest rate is variable, based upon a drawn margin above SOFR and BBSY for USD and AUD principal borrowings respectively.

Note 7 Contributed equity

	Shares		$'000	
	31 Dec 2025	30 Jun 2025	31 Dec 2025	30 Jun 2025
Ordinary shares on issue				
Opening	421,180,044	362,489,162	365,488	147,893
Shares issued to Employee Share Trust	870,177	796,145	7,060	2,555
Shares or proceeds transferred to beneficiaries	-	-	(2,210)	(193)
Shares issued for capital raising, net of transaction costs and tax	-	57,894,737	77	215,233
Closing	422,050,221	421,180,044	370,415	365,488
Reserved shares				
Opening	(1,576,957)	(1,267,695)	(3,976)	(2,828)
Shares issued to Employee Share Trust	(870,177)	(796,145)	(7,060)	(2,555)
Shares or proceeds transferred to beneficiaries	632,916	486,883	3,756	1,407
Closing	(1,814,218)	(1,576,957)	(7,280)	(3,976)
Net	420,236,003	419,603,087	363,135	361,512

Note 8 Income tax

	2026 H1 $'000	2025 H1 $'000
Major components of tax expense:		
Consolidated profit and loss		
Current income tax		
Current income tax charge	(1,064)	(133,457)
Adjustments in respect of current income tax of the previous year	3	(54)
Total	(1,061)	(133,511)
Deferred income tax		
Relating to origination and reversal of temporary differences	(26,713)	121,408
Adjustments in respect of deferred income tax of the previous year	63	(760)
Total	(26,650)	120,648
Total income tax (expense)	(27,711)	(12,863)
Other comprehensive income (OCI)		
Current and deferred income tax related items charged or credited directly to OCI		
Current and deferred gains and losses on foreign currency contracts and consolidation adjustments	51	1,369
Deferred gains on revaluation of property, plant and equipment	-	98
Total income tax benefit charged to OCI	51	1,467

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:

	2026 H1 $'000	2025 H1 $'000
Accounting profit before income tax from continuing operations	58,207	37,976
Income tax at the Group's statutory income tax rate of 30% (FY2025 H1: 30%)	(17,462)	(11,393)
USA combined federal and state income tax rate of 25.1% (FY2025 H1: 25.0%)	(2,142)	2,261
Philippines gross income tax (GIT) regime	217	145
Other foreign tax rate differences	53	26
USA revalue deferred balances for change in weighted average state rate	-	(183)
Recognition of prior year unrecognised Australian tax group losses	9,731	-
Carry forward tax losses not recognised - Australia	-	(2,226)
Carry forward tax losses not recognised - USA	(17,283)	-
Valuation of share based payments	(763)	(91)
Other non-assessable or non-deductible items	(128)	(588)
Adjustments in respect of current and deferred income tax of the previous year	66	(814)
Total adjustments	(10,249)	(1,470)
Income tax (expense) reported in the profit and loss	(27,711)	(12,863)

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 2025 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 2026 arising from legislation that has been enacted, or is expected to be enacted or substantially enacted before the end of the FY2026 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 $6.7 million
- Australasia Support – a carrying amount of $25.2 million

iv Assessment of impairment indicators

For the half-year ended 31 December 2025, 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. Furthermore, in September 2025, Austal USA was awarded contract options to fund long lead-time materials for the 4th, 5th and 6th OPCs.

In September 2024, Austal USA was awarded a US$450 million contract by General Dynamics Electric Boat. The contract fully funds 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.

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 late 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’. Following the signing of a Heads of Agreement (HOA) in November 2023 to establish the Strategic Shipbuilding Agreement (SSA), Austal and the Commonwealth of Australia formally entered into the SSA in August 2025. In December 2025, the first of the programs under the SSA was awarded, being a Design and Build Contract for Landing Craft Medium (LCM) for the Australian Army. Construction of the first LCM is scheduled to commence in 2026 with the 18th and final vessel scheduled for delivery in 2032. In addition, in December 2025, Austal was awarded a further contract extension for 2 additional Evolved Cape-class Patrol Boats. Austal has also been nominated as shipbuilder for the Australian Army’s Landing Craft 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 Boats (ECCPB), General Purpose Frigate (GPF) and Large Optionally Crewed Vessel (LOSV) contracts allocated to Henderson, Western Australia.

Commercial shipbuilding has also seen increased demand, with the award of five contracts. This includes a 71-metre roll-on-roll-off (RORO) passenger cargo vessel and a 32-metre catamaran during FY2024, a 66-metre sailing cargo trimaran and 130-metre combine cycle, ‘hydrogen-ready’ vehicle passenger ferry during FY2025, and a 36-metre catamaran during FY2026. 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 FY2025 and FY2026.

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

	T-ATS Program '000	AFDM Program '000	Total '000
Provision at 1 July 2025	(3,174)	(34,771)	(37,945)
Change in estimate of provision[1]	22,971	28,574	51,545
(Net of cost utilised and consideration recognised in the year) / Utilised[2]	(39,650)	(14,254)	(53,904)
Effects of foreign exchange	346	227	573
Movement	(16,333)	14,547	(1,786)
Provision at 31 December 2025	(19,507)	(20,224)	(39,731)

1. Change in estimate of provision comprises changes in expected costs, net of variable consideration expected to be received under incentives and contract modifications.
2. The amount comprises recognised revenue and costs based on underlying percentage completion achieved on delivering the Programs in the financial half year.

i T-ATS Program

Please refer to 30 June 2025 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 in line with AASB 137. The judgements applied are detailed below and are expected to result in a total contract loss of $136.2 million (30 June 2025: $158.7 million), inclusive of an REA recovery, and an onerous contract provision of $19.5 million at 31 December 2025 (30 June 2025: $3.2 million).

Forecast program EAC hours:

Management and the program office conduct regular reviews of costs contained within the EACs. During H1 FY2026, this process identified a number of drivers of further increased costs as a result of the immature detailed design for the vessels which led to an increase of material quantities and cost inflation on materials, and labour hours growth. There were also increased forecast costs for testing, trials and delivery.

Management evaluated various program office EAC scenarios and determined that one was a realistic scenario given the current stage of completion of the program as at 31 December 2025. Management has adopted this scenario to calculate the onerous contract provision. The program was 69% complete (weighted) at 31 December 2025 (30 June 2025: 64%).

Request for equitable adjustment:

In November 2024, a submission of a REA was made to the US Navy. During H1 FY2026, negotiations between the Company and the US Navy continued, with final settlement of the REA in October 2025. The successful resolution reached with the US Navy on the REA resulted in the previous pause on construction of T-ATS 14 and T-ATS 15 becoming permanent, with the construction contract now being limited to three vessels with only limited variation of the overall original contract value. The calculation of the onerous loss as at 31 December 2025 includes this settlement of the REA.

Variable consideration:

Variable consideration is included in the onerous contract provision based on the amount deemed probable of recovery. Revenue in relation to the variable consideration 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, with revenue of $125.4 million recognised during the half-year (30 June 2025: $168.7 million). Refer to Note 4 for further information on the significant accounting judgements and estimates in relation to variable consideration.

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 2025 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 in line with AASB 137. The judgements applied are detailed below and resulted in a total contract loss of $82.5 million (30 June 2025: $113.0 million) and an onerous contract provision of $20.2 million at 31 December 2025 (30 June 2025: $34.8 million).

Forecast program EAC hours:

Management and the program office conduct regular reviews of costs contained within the EACs. During H1 FY2026, this process identified a number of drivers of increased cost which included updated subcontractor and transportation costs, and labour hours growth.

Management evaluated various program office EAC scenarios and determined that one was a realistic scenario given the current stage of completion of the program as at 31 December 2025. Management has adopted this scenario to calculate the onerous contract provision. The program was 69% complete at 31 December 2025 (30 June 2025: 65%).

Variable consideration:

Variable consideration is included in the onerous contract provision based on the amount deemed probable of recovery. Revenue in relation to the variable consideration 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, with revenue of $37.1 million recognised during the half-year (30 June 2025: $Nil). Refer to Note 4 for further information on the significant accounting judgements and estimates in relation to variable consideration.

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 continuing up to FY2028 and FY2029 for the AFDM and T-ATS programs respectively 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 3.9% (30 June 2025: 3.9%) has been applied to the provision based on the time phasing of the estimate to complete / forecast costs.

Variable consideration / contractual relief: As noted above, variable consideration has been recognised during the period based on an estimate of the amount of the contractual relief that is deemed highly probable of recovery as at 31 December 2025. Management will continue to assess the quantum of the contractual relief that is deemed probable and highly probable of recovery, and consequently of the benefits expected to arise. Any significant change to the amount of the contractual relief ultimately recovered may have a material impact, positively or negatively, on the onerous loss, and future profitability of the T-ATS and AFDM Programs. Refer to Note 4 for further information on the variable consideration / contractual relief.

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.

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

T-ATS Program

		Increase / (decrease) in provision [1]	
Concept	**Change**	**$'000**	**$'000**
		+	-
Labour hours	20%	6,855	(6,377)
Materials	20%	11,848	(11,041)
Overhead rate	8%	2,687	(2,611)
Discount	1%	(284)	292

1. Decreases would impact program profitability in accordance with the Group's accounting policy for revenue recognition as disclosed in Note 4 of the 2025 Annual Financial Report.

AFDM Program

		Increase / (decrease) in provision [1]	
Concept	**Change**	**$'000**	**$'000**
		+	-
Labour hours	20%	1,409	(1,382)
Materials	20%	8,046	(7,576)
Overhead rate	8%	560	(556)
Discount	1%	(445)	460

1. Decreases would impact program profitability in accordance with the Group's accounting policy for revenue recognition as disclosed in Note 4 of the 2025 Annual Financial Report.

Note 11 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 12 Events after the reporting date

i Dividend proposed

No interim dividend per ordinary share has been declared for H1 FY2026 post 31 December 2025.

ii Other

On 5 January 2026, Austal Ships Pty Ltd completed a transaction with Edge Total Intelligence Inc. (EdgeTI) pursuant to a framework collaboration agreement under which Austal transferred certain software technology assets and related intellectual property licences to EdgeTI. A number of Austal employees also transitioned to Edge TI as part of the transaction.

As consideration, Austal received 6,075,459 subordinate voting shares of EdgeTI, representing approximately 9.9% of EdgeTI's issued and outstanding subordinate voting shares on a non-diluted basis at the date of issuance. The shares are subject to contractual lock-up provisions. The agreement also provides Austal with certain ongoing rights, including a right of first refusal to jointly pursue specified marine and maritime market opportunities using the transferred assets, a conditional right to nominate a director to EdgeTI's board, potential anti-dilution protection in connection with a future uplisting transaction to the NASDAQ or NYSE, and potential reversion protection rights under defined circumstances. Based on preliminary information available at the date of approval of these financial statements, the transaction will result in a gain on disposal of approximately $4.1 million.

The transaction was completed after the reporting date and did not exist at that date. Accordingly, this event has been treated as a non-adjusting subsequent event and no adjustments have been made to the amounts recognised in the consolidated financial statements as at the reporting date.

On 20 February 2026, the Group announced that Austal Defence Shipbuilding Australia Pty Ltd has been awarded a ~$4 billion contract for the construction of eight Landing Craft Heavy (LCH) vessels, under the Strategic Shipbuilding Agreement (SSA) with the Commonwealth of Australia.

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 2025 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 2025.

Richard Spencer

Chairman

on behalf of the Board

23 February 2026

Deloitte.

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

Qualified 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 2025, and the condensed consolidated statement of profit and 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 10 to 30.

Based on our review, which is not an audit, except for the effects of the matters described in the Basis for Qualified Conclusion paragraph, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the Corporations Act 2001, including:

(a) Giving a true and fair view of the Group's financial position as at 31 December 2025 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 Qualified Conclusion

As disclosed in Note 4 to the half-year financial report, the Group has experienced growth in realised and forecast costs across both the T-ATS and AFDM programs during the half-year and is in commercial discussions with the customer with respect to contractual relief to obtain compensation for this cost growth. We have been unable to obtain sufficient appropriate evidence with respect to the contractual relief, including the incremental variable revenue and partial reversal of the onerous contract provision recognised in relation to these contracts in the half-year financial report.
Accordingly, we have been unable to determine the reasonableness of the amount of variable revenue and the partial reversal of the onerous contract provision recognised in the half-year financial report in relation to these contracts.

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 APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Accounting Professional and Ethical Standards Board ("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.

Deloitte.

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 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.

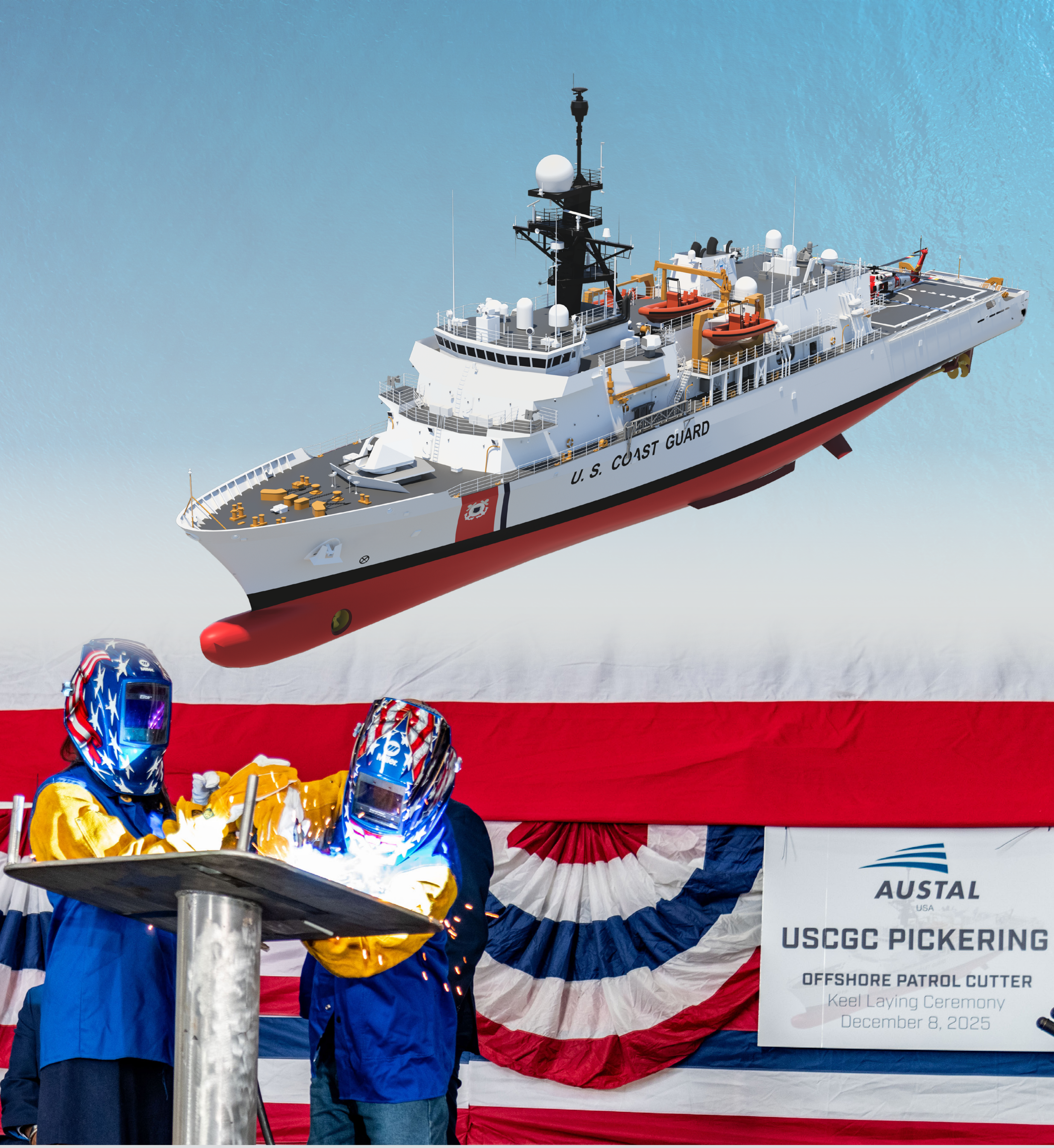
Auditor's Responsibilities for the Review of the Half-year Financial Report

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 2025 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

David Newman
Partner
Chartered Accountants
Perth, 23 February 2026



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