



COMPANY ANNOUNCEMENT
5 AUGUST 2025

AUSTRALIAN GOVERNMENT APPROVES LANDMARK STRATEGIC SHIPBUILDING AGREEMENT WITH AUSTAL

Austal Limited (ASX: ASB) is pleased to announce that it has finalised its Strategic Shipbuilding Agreement (**SSA**) with the Commonwealth of Australia ("**CoA**" or "**the Commonwealth**"), which will appoint a newly created Special Purpose Vehicle and Austal subsidiary, Austal Defence Shipbuilding Australia ("**Austal Defence Australia**"), as the Commonwealth's strategic shipbuilder for Tier 2 surface combatants at Henderson, Western Australia.

The Commonwealth Government has now approved the terms of the SSA. Following this approval, the formal SSA and related contract documentation are currently being prepared and will be executed imminently. This follows Austal's announcement to ASX of the Heads of Agreement to establish the SSA on 23 November 2023.

Under the SSA, Austal Defence Australia will become the prime contractor for the build and delivery for the LAND8710 - Landing Craft Medium (expected to be 18 vessels) and Landing Craft – Heavy (expected to be 8 vessels) programs previously announced as the pilot shipbuilding programs under the SSA. Austal and the Commonwealth are currently in discussions to finalise contractual arrangements for each of the two pilot programs and, subject to conclusion of those discussions, details of each pilot program will be announced separately.

Austal CEO Paddy Gregg said: "The government's approval of the SSA is a defining moment for Austal. It will establish Austal Defence Australia as the Commonwealth of Australia's strategic shipbuilder for Tier 2 vessels in Western Australia and reflects both Austal's excellent defence shipbuilding record and the capabilities that Austal possesses to help the Australian Government to achieve its defence objectives.

"The Commonwealth seeks to ensure Australia's Defence procurement possesses sovereignty and greater certainty and resilience across the naval ship supply chain in an increasingly complex strategic environment and in alignment with the Commonwealth's continuous naval shipbuilding policies. Through the SSA, Austal is committed to helping the CoA meet these objectives while establishing Austal Defence Australia as the CoA's shipbuilder of choice in WA."

The SSA will establish a management framework and common terms through which Austal Defence Australia will deliver the Commonwealth's key Tier 2 surface shipbuilding programs in Western Australia under shipbuilding contracts, using a variety of key contractors and suppliers including, but not limited to, Austal's other shipbuilding entities. Shipbuilding programs under the SSA will generally be structured on a 'Target Cost Incentive' basis which will provide reimbursement of the SSA entity's allowable costs plus a profit margin, which will be subject to 'painshare/gainshare' adjustments. The SSA will also seek to develop a robust supply chain in the Henderson shipbuilding precinct to deliver the Commonwealth's continuous naval shipbuilding capability in Western Australia and meet strategic objectives for the development of Australian sovereign shipbuilding capability ("**Strategic Objectives**").

Although details of the SSA pilot programs are still being determined, Austal anticipates that Austal Defence Australia will generate significant revenue from the SSA (for its management and delivery of the Landing Craft-Medium program) over the 8-year term of the proposed Landing Craft-Medium contract, in addition to the construction revenue that will be accrued by Austal Ships. The revenue earned by Austal Defence Australia for management and delivery of the Landing Craft – Heavy project, if awarded, remains to be determined although it is noted that this would be a substantially larger project than the Landing Craft – Medium project.

Other Strategic Objectives include the provision of timely and efficient capability acquisition to ensure Defence readiness; to deliver a sovereign and continuous naval design and shipbuilding capability that consistently supports the delivery of schedule and budget targets; and to develop the involvement of the local Supply Chain in design, build and through-life support.

"Utilising our decades of experience, Austal can contribute significant expertise to Australia's sovereign shipbuilding base to reduce costs and improve the performance of vessels for the Australian men and women who work tirelessly to protect our shores," Mr Gregg said.

The design and construction of the Landing Craft Medium ("**LCM**") is intended to be the first program to be awarded and delivered under the SSA. The CoA and Austal expect contracts for the LCM program to be finalised in Q1 FY2026 and that these will provide for the construction of 18x LCMs for the Australian Army over eight years for a price of A\$1-1.3 billion. The final vessel is expected to be scheduled for delivery in 2032.

Subject to resolution of contractual discussions, delivery of the 8 x Damen-designed LST100 Landing Craft Heavy vessels for the Australian Army, announced by the Commonwealth in November 2024, is expected to follow the Landing Craft – Medium, with the Commonwealth and Austal expected to be under contract by the end of the 2025 calendar year.

Operation of the SSA

As the prime contractor, Austal Defence Australia will be ultimately responsible for all aspects of the design and integration, construction, installation, integration, testing, delivery & acceptance of the nominated Commonwealth vessel programs, while ensuring that each is conducted in a cost-effective manner while implementing progressive cost reductions and efficiency improvements in the build process.

The Conditions of Deed establishing the SSA will have an initial maximum term of 15 years.

Austal Defence Australia will be established and resourced to be fully committed to defence shipbuilding for the Australian government, however Austal Limited and its other subsidiaries will continue to carry out other shipbuilding and sustainment activities across Australia, Asia and the USA.

Austal Defence Australia will employ its own workforce, primarily transferred from existing Austal corporate group entities or recruited as needed. It will be responsible for activities such as design assurance, design engineering, strategic procurement, supplier engagement, construction management, design integration and testing & delivery. It will conduct these activities in a manner that is aligned with other existing Defence programs, such as sustainment of Collins Class submarines and the surface fleet in Western Australia.

Austal Defence Australia will retain ownership of any intellectual property it produces, and the Austal Group will grant a perpetual, non-exclusive licence over certain intellectual property rights to ensure that Austal Defence Australia is able to fulfil its Strategic Objectives.

Sovereign Share

To protect its interest in continuous shipbuilding and to preserve its right to ensure Austal Defence Australia continues to deliver Commonwealth programs, the Commonwealth will be issued a single 'Sovereign Share' in Austal Defence Australia and will enter into a Shareholders Deed with Austal to regulate the affairs of Austal Defence Australia. Under these arrangements, Austal (as the holder of all ordinary shares) will have day-to-day management control of Austal Defence Australia, and will derive all the economic rewards and bear the economic risks of owning it. The Commonwealth will have information and veto rights (and in limited circumstances, an ability to give directions to Austal Defence Australia), which rights will be directed towards protecting the Commonwealth's position in relation to the Strategic Objectives.

The Shareholders Deed will provide the Commonwealth with a call option over Austal's shares in Austal Defence Australia that can be exercised in limited circumstances, including where the

SSA is terminated or there is a 'Relevant Event'. The Relevant Event concept includes where a third party acquires control of Austal Limited or acquires all or a substantial part of Austal's business or assets; or where a third party acquires a relevant interest or other interest (including synthetic interest) in more than 20% of Austal Limited (subject to certain qualifications including Commonwealth consent and acceptances under a takeover bid that remains conditional). The Commonwealth has agreed to consent to higher thresholds applying to Austal's existing substantial shareholders.

If the call option is exercised, Austal will transfer all of its ordinary shares in Austal Defence Australia to the Commonwealth for fair market value (as determined by an independent accountant having regard to agreed valuation principles and methodologies aligned with relevant Australian Accounting Standards). As part of any such share transfer, Austal will transfer its Henderson shipyard (plus other related physical assets), and its production-focused workforce, to Austal Defence Australia so that it is able to continue to operate at Henderson as a standalone entity and fulfil the Strategic Objectives. The fair market value calculation will take this restructure into account.

As an alternative (or precursor) to exercising the call option in the event of a potential change of control transaction, the Commonwealth will be able to require Austal Defence Australia to implement additional governance or security measures to ensure that any national security concerns are addressed.

Austal will confirm to the market once execution of the agreed form SSA, Shareholders Deed and related transaction documents is completed.

This ASX announcement has been approved and authorised for release by Paddy Gregg, Austal Limited's Chief Executive Officer.

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About Austal:

Austal is Australia's global shipbuilder and defence prime contractor designing, constructing and sustaining some of the world's most advanced commercial and defence vessels.

In its 35 years of operations, Austal has built more than 350 vessels for 122 commercial and defence operators in 59 countries.

Austal is Australia's largest defence exporter and first ASX-listed shipbuilder. The Company has industry-leading shipyards in Australia, the United States of America, Philippines and Vietnam, and service centres worldwide.

Austal delivers iconic monohull, catamaran and trimaran commercial and defence vessel platforms.

Although the Company's roots are in aluminium shipbuilding – it is the world's largest aluminium shipbuilder – Austal builds conventional and autonomous ships in both steel and aluminium, as well as a range of other bespoke maritime build programs such submarine modules.

Austal was the first, and remains one of only two, foreign-owned prime contractors designing, constructing and sustaining ships for the US Navy.

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