AUSTRALIAN
SHAREHOLDERS'
ASSOCIATION

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Austal – Australia's Strategic Shipbuilder

Company/ASX Code	Austal Limited (ASB)
AGM time and date	2pm AWST on Tuesday, 28 October
Location	Fremantle Sailing Club, 151 Marine Terrace, Fremantle
Registry	MUFG Corporate Markets
Type of meeting	Physical meeting with live webcast – viewing only, no questions or voting
Monitor	Ros Ferguson and John Campbell
Pre-AGM Meeting	At time of writing, we could not identify date & time with ASB.

Monitor Shareholding: The individuals and their associates involved in the preparation of this voting intention have some shareholding in this company.

1. How we intend to vote

No.	Resolution description	
1	Non-binding resolution to adopt the Remuneration Report	For
2	Election of Mr Richard Gibb	Against
3	Election of Ms Susan Murphy	For
4	Approval of Performance Rights Plan	For
5	Approval of the issue of Share Rights to Mr Lee Goddard CSC	For
6	Approval of the issue of Share Rights to Ms Kathryn Toohey AM CSC	For
7	Approval of the issue of Share Rights to Mr Brent Cubis	For
8	Approval of the issue of Share Rights to Mr Richard Gibb	Against
9	Approval of the issue of Share Rights to Ms Susan Murphy	For
10	Approval of the issue of LTI Rights to Mr Patrick Gregg	For
11	Ratification of issue of Placement Shares	Against

2. Summary of Issues and Voting Intentions for AGM

Founder retires
John Rothwell, founder and inaugural Chairman retired from his position as non-executive Director on 1 September 2025, after 38 years with the company. He handed over the CEO role to Richard Spencer mid 2024 ensuring the company's future was in competent hands.

In September 2025, Mr Rothwell sold 16.8m shares in a block trade reducing his holding to just under 2m shares.

Equity raising
On 11 March 2025, Austal announced an equity raising of $200 million institutional placement at A$3.80/share and up to $20 million Share Purchase Plan (SPP) for eligible shareholders. Proceeds are primarily for the FA2 infrastructure expansion to support delivery of large steel vessels in the USA. 52,631,579 Placement Shares were issued on 17 March 2025.

ASA believe that for fairness the SPP size should have been at least equal to the retail investors share proportion and that 10% of the Institutional placement was too low.

Hanwha
The success of the Company has not gone unnoticed and Austal has received interest from South Korean shipbuilding firm Hanwha. Hanwha has built a 9.9% stake in Austal with a request to Foreign Investment Review Board to increase this to 19.9%. The Federal Treasurer said he would decide by September but to date we are yet to hear the outcome.

Payment of related party transaction
As Mr Spencer is the Global Chairman for Bondi Partners, Austal disclosed (AR pg. 123) an expense of $5.4m to Bondi Partners in FY25. Bondi Partners was engaged to provide strategic advisory services in the USA related to the DOJ investigation, and prior to Mr Spencer's commencement with Austal.

3. Matters Considered

Accounts and reports

Financial performance

(As at FYE)	**2025**	**2024**	**2023**	**2022**	**2021**
NPAT ($m)	89.7	14.9	-13.8	79.6	81.06
EBIT ($m)	113.4	56.4*	-4.8	120.7	114.6
Share price ($)	6.28	2.49	2.37	1.8	2.05
Dividend (cents)	0	0	7	8	8
Simple TSR (%)	152.20	5.1	35.6	-8.3	-34
EPS (cents)	23.6	4.1	-3.8	22	22.6
CEO total remuneration, actual ($m)	2.375	1.701	1.009	1.673	0.989

** Underlying EBIT was reported for 2024 at $58.9m.*
Simple TSR is calculated by dividing change in share price plus dividend paid during the year, excluding franking, by the share price at the start of the year.

Austal typically enters into fixed price contracts for the construction of vessels, and the period of construction often spans more than one financial year. It is normal for there to be protracted negotiations with shipowners as to reimbursement for variations to contracts such that estimation of final revenue and costs to complete for each contract requires significant expertise and judgement, with frequent revisions. The risks involved in completing contracts profitably are accentuated by Austal's dependence on military contracts at both its Mobile USA and Henderson WA shipyards with political inputs to decisions on exercising options for further vessels in the same class.

That said, Austal has performed exceptionally well in all areas in FY25. In WA, it has seen the formalisation of the Strategic Shipbuilding Agreement for building Tier 2 surface ships and with it the intention to build up to 26 landing craft at the Henderson shipyard, and to have a major role in the building of Japanese-designed frigates in the 2030's. In the USA, Austal is constructing a new facility at Mobile to build component modules for nuclear attack and missile submarines as a contractor for General Dynamics. Recently, it concluded negotiations with the US Navy over the costs of building three T-ATS ocean-going tugs and salvage vessels which has taken 2 years to achieve. These represent Austal's first steel-hulled ships, this being a major step after previously building only aluminium hulls. The first T-ATS has been launched with the second due in FY26.

Austal has won a contract to build US Coastguard cutters with steel hulls as well as a variant of the T-ATS designated T-AGOS. Meanwhile in WA the company is completing contracts to build two classes of patrol boat, in the Philippines it has a new contract to build its largest ever vessel, a ferry for a Swedish client, and completed and delivered a new Rottnest ferry for the Hillary's service. The Vietnam shipyard is building a 71m roll-on-roll-off ferry and has been awarded a contract to build a large sail-powered freight-carrying catamaran.

Austal has had a year of transformational growth and financial strength. Improved ROE and ROCE show a positive trend demonstrating the company's enhanced capital efficiency and effective utilization of its invested capital. The improvement is attributed to increased profitability, strategic investments, and a robust order book, particularly in defence contracts.

Revenue for FY25 was $1823m compared to FY24 $1469m, and net profit before tax was $108.4m vs $41.3 in FY24. The US segment had revenue of $1388m and a profit before tax of $97.6m whereas in FY24 its revenue was $1174m and profit before tax $92.9m.

The Australasian segment, comprising Henderson operations in WA together with shipyards in Vietnam and the Philippines and various service facilities, had revenue of $438M (FY24 $303m) and a profit before tax of $36m (FY24 loss $12.5m) reflecting a significant improvement.

The USA segment, support operations contributed $76.3m and shipbuilding contributed $21.3m of the $97.6m profit before tax, and in Australasia support contributed a profit of $12.3m and shipbuilding a profit of $23.7m.

- Net assets increased from $1004m in FY24 to $1308m in FY25.
- ROE in FY25 improved to 7.5%.
- Debt at end of FY25 was $123m a decrease from $169m in FY24.
- Cash held at end on FY25 was $584m an increase from $173m in FY24.

Looking ahead, the Company's outlook focuses on US Navy and Australian Department of Defence contracts, expanding support and services, and pursuing new defence and commercial opportunities to drive long-term growth.

The segment disclosure (AR pg. 63) shows that support services generated greater earnings in the US in both FY24 and FY25 than shipbuilding. Hopefully now that losses on initial steel-hulled vessels have been absorbed, profits will flow from building current and future ships. With an order book stated to be $13.1bn if all contract options are executed, it is expected that revenue will increase substantially from the $1.8bn recorded in FY25. With a net profit margin of just 4.85% and return on equity of 7.8%, Austal needs to generate substantially more profits in FY26 and beyond to justify its PE ratio.

Governance and culture

We consider that both Mr Cubis and Mr Gibb, being nominees of Tattarang, are non-independent. This means that 4 of the 7-member Board are independent NEDs. On 30 June 2025 the 7-member board was made up of 6/1 gender mix with only 1 female NED. In September 2025 Ms Murphy joined the Board and Mr Rothwell retired, thereby changing the gender mix to 5/2. The Board includes one Executive Director, Mr Gregg MD/CEO.

There are 2 Board committees:

- Nomination & Remuneration, chaired by Ind NED Ms Toohey
- Audit & Risk, chaired by NED Mr Cubis

The skills matrix in the Corporate Governance Statement 2025 doesn't show which directors claim the skills set out in the matrix or the extent to which they have those competencies. **ASA would prefer to see a skills matrix that is individual Board member specific.**

There is no comment in the report as to when dividends may be paid in the future.

Safety

Austal recorded a slight decrease in Medical Treatment Injury Frequency Rate this reporting period, while Lost Time Injury Frequency Rate increased slightly. Austal USA's shipbuilding team once again demonstrated their commitment to safety in the workplace by earning the American Equity Underwriter's (AEU) Excellence in Safety Award for performance in 2024. This is the sixth AEU safety award earned by Austal USA over the last decade.

Key events and issues

Austal keeps the market well informed on new contracts won and vessels completed and handed over to their new owners.

Strategic Shipbuilding Agreement (SAA)
Austal has finalised its Strategic Shipbuilding Agreement (SSA) with the Commonwealth, appointing its new subsidiary, Austal Defence Australia, as the strategic shipbuilder for Tier 2 surface combatants at Henderson, WA. The SSA establishes Austal as prime contractor for the Landing Craft Medium and Heavy programs, with the first contract—18 Landing Craft Medium vessels valued at A$1–1.3 billion—expected in Q1 FY2026. The agreement underpins Australia's sovereign shipbuilding capability, providing long-term revenue visibility and reinforcing Austal's position as a key defence partner to the Commonwealth.

T-ATS onerous contract and REA
Austal has reached a satisfactory resolution with the US Navy over its Request for Equitable Adjustment on the T-ATS program. Construction will now be limited to three vessels (T-ATS 11–13), with work on T-ATS 14 and 15 permanently halted. The settlement aligns with Austal's existing provisions, with no further impact expected on revenue or earnings.

Key board or senior management changes
Board changes:

- NED Mr Cubis commenced October 2024
- NED Chris Indermaur resigned November 2024
- NED Sarah Adam-Gedge resigned February 2025
- NED Mr Gibb commenced June 2025
- NED Mr Rothwell retired September 2025
- NED Ms Murphy AO commenced in September 2025

The KMP consist of MD/CEO Mr Gregg, Austal US President Michelle Kruger, and CFO Christian Johnstone.

KMP changes:
- Ian McMillan COO Australasia resigned July 2024
- James Stokes commenced as President Australasia June 2025

Sustainability/ESG
For Austal's ESG Report 2025 visit the website at https://investor.austal.com/static-files/13ecc41b-f143-4b9a-9946-ebc4962c5458

Greenhouse gases emissions goals
- By 2030 50% reduction of embodied emissions (Scope 1,2 and 3 upstream) from a FY21 baseline
- By 2050 a net zero commitment consistent with science-based targets

Austal's FY2025 climate change highlights centre on new green vessel contracts, significant sustainability progress in its ship designs and manufacturing, and strategic investments in decarbonisation and future-ready shipbuilding technologies.

Key Climate transition highlights include:

- Commenced construction of a wind-powered 66-metre trimaran sailing cargo vessel for VELA, with delivery from Austal Philippines
- Awarded a contract for a revolutionary 130-metre “Horizon X” hydrogen-ready ROPAX catamaran ferry for Gotlandsbolaget, Sweden, which is designed for LNG combined cycle/hydrogen operation
- Delivered its first “Ocean Master” catamaran ferry to Rottnest Fast Ferries, WA showcasing increased efficiency for emission reduction.

FY25 GHG emissions:

- Scope 1 increased from 1500 to 3400 tonnes of CO_2e -
- Scope 2 decreased from 10,800 to 7000 tonnes of CO_2e -
- Scope 3 upstream increased from 42000 to 48600 tonnes of CO_2e -
- Scope 3 downstream – no report

Diesel and electricity consumption decreased.

Current actual emissions are above the normalised target line to achieve FY30 target. This will improve with the gradual change over to more steel vessels.

The majority of Austal’s GHG emissions relate to aluminium and steel used to build vessels, various equipment and materials incorporated into vessels, electricity used during construction, and fuel used during sea trials and delivery voyages. Scope 3 upstream emissions relating to the aluminium and steel purchased for vessel manufacture is the largest component of Austal GHG emissions.

The AR identifies initiatives to reduce GHG emissions:

- greater use of simulation to reduce duration of sea trials
- energy efficiency programs and purchasing renewable energy
- purchasing ‘green aluminium’ and increasing build of steel vessels
- selective sourcing of major equipment
- designing low emissions vessels and exploring the use of other fuels

ASA focus issues
We note that the AGM is not being held as a hybrid meeting to enable shareholders to attend remotely and to ask questions and vote on resolutions. A webcast is to be published on the company’s website but this falls short of our focus on fair treatment of shareholders.

4. Rationale for Voting Intentions

Resolution 1 Adoption of Remuneration Report (for)
Austal’s remuneration framework is designed to align executive and director interests with shareholder outcomes, balancing short-term performance with long-term value creation. Overall, Austal’s framework seeks to motivate executives and directors to deliver both short-term operational success and long-term strategic growth, while maintaining governance safeguards and shareholder alignment.

The remuneration framework is outlined in Appendix 1. The report is clear, comprehensive, and includes a take-home pay table. The main departure from ASA guidelines is the LTI measurement period of 3 years instead of 4, but this is not considered sufficient grounds to oppose the report.

For FY25 STI in cash and share rights totalling $1,616,791 were awarded to the CEO and other KMP executives. 969,645 LTI Performance Rights were granted to KMP in FY25. 100% of these Performance Rights have a 3-year measurement period from 1 July 2024 to 30 June 2027.

The actual results of the STI in FY25 are that the MD/CEO and the CFO both achieved 100% of their target award whilst the president USA Michelle Kruger achieved 58.7% of her target award. By comparison in FY24 the MD/CEO and the CFO both achieved 72% of their target award whilst the president USA Michelle Kruger achieved 50%. Group EBIT needs to be at least 85% of target for the STI to be awarded.

Take-home pay has been calculated by the company (AR pg. 43) for Mr Gregg at $2,375711 for FY25 but this uses the value at grant date for the vested LTI shares – **ASA would prefer to use the value at vesting which would be a significantly larger amount than above due to the share appreciation in 2025.**

External consultants (WTW) were engaged to benchmark NED and KMP remuneration across Austal Limited, its US subsidiary, and key executive roles. Fee increases for NEDs (except the Chair) and planned adjustments for senior executives were recommended to align with market benchmarks, with implementation phased over the next two financial years.

Resolution 2 Election of Mr Richard Gibb (against)
Mr Gibb was appointed as a Non-Executive Director on 2 June 2025. He brings over 35 years of international finance and investment banking experience, including five years as CEO of Credit Suisse Australia to 2024, and senior roles at Deutsche Bank, Merrill Lynch and Bankers Trust across Asia Pacific, the US and UK. Mr Gibb, along with fellow Director Mr Cubis, is a nominee of substantial shareholder Tattarang Ventures Pty Ltd.
ASA opposes the election of Mr Gibb as a second Tattarang Ventures Pty Ltd nominee and additional non-independent NED.

Resolution 3 Election of Ms Susan Murphy AO (for)
Ms Murphy was appointed as a Non-Executive Director on 1 September 2025. With over 40 years' leadership experience in engineering, infrastructure and governance, she was CEO of the Water Corporation of WA for ten years to 2018, following 25 years at Clough Engineering where she became the first female director. She currently serves on the boards of Monadelphous Group and Cape Dunstans Construction and recently completed her term as Pro Chancellor of the University of WA. Recognised with numerous honours, including Officer of the Order of Australia (2019) and Sir John Holland Civil Engineer of the Year (2013), Ms Murphy is a Fellow of Engineers Australia and the Australian Academy of Technological Sciences and Engineering. She is a member of both the Nomination & Remuneration and Audit & Risk Committees.

Resolution 4 Approval of Performance Rights Plan (for)
The Company set up the Austal Limited Rights Plan in 2019 to reward and retain employees by giving them equity through short and long-term incentive schemes. Under the Plan, eligible employees may be granted “Rights,” which give them the value of one Company share. At the Board’s discretion, this value may be delivered either as a share or as cash.

Shareholders previously approved the Plan at the 2019 and 2022 AGMs. Austal are now asking for approval again (Resolution 4) so that any new Rights issued under the Plan, and any shares issued when those Rights vest, do not count towards the 15% limit on share issues without shareholder approval under the ASX Listing Rules. Please note that if any Rights are to be issued to Directors or related parties, separate shareholder approval will still be required.

Resolution 5 to 9 Approval of the issue of Share Rights to Non-executive Directors (for)
The Board proposes to continue the incentive scheme for Non-Executive Directors, which allows them to progressively build a shareholding in the Company equal to one year’s base Board fees (excluding committee fees). The scheme is not performance-based, preserving Director independence, and has been approved by shareholders each year since 2018.

Under the scheme, participating Directors receive 75% of their base Board fees in cash and 25% in Share Rights until they reach their target shareholding, after which they may elect to receive full cash fees. Share Rights may not be sold until the target is reached (except in the case of a change of control).

Resolutions 5 to 9 seek approval for Mr Goddard, Ms Toohey, Mr Cubis, Mr Gibb, and Ms Murphy to receive Share Rights to the value of 25% of their base fees on a salary-sacrifice basis.

ASA supports this resolution with reservations in the case of Mr Gibb.

Resolution 10 Approval of the issue of LTI Rights to Mr Paddy Gregg (for)
Shareholder approval is sought to grant up to 245,661 Long Term Incentive (LTI) Rights to Mr Gregg for FY2026 under the Austal Limited Rights Plan (approved at the 2022 AGM). These Rights are subject to performance conditions measured over the three years from 1 July 2025 to 30 June 2028 and are intended to align Mr Gregg’s incentives with the Company’s long-term strategic and shareholder outcomes.

The LTI Rights will vest based on three equally weighted measures:
- Relative Total Shareholder Return (iTSR): vesting from 0% to 100% depending on TSR outperformance of the S&P/ASX 300 Industrials Index.
- Earnings Per Share Growth (EPSG): vesting from 25% to 100% if compound EPS growth is between 6% and ≥10% over the performance period.
- Return on Equity (ROE): vesting from 25% to 100% if average ROE is between 8% and ≥12%.

If thresholds are not met, the Rights will lapse.

Resolution 11 Ratification of issue of Placement Shares (against)

On 11 March 2025, Austal announced an equity raising:

- $200 million institutional placement at A$3.80/share
- Up to $20 million Share Purchase Plan (SPP) for eligible shareholders

Proceeds are primarily for the FA2 infrastructure expansion to support delivery of large steel vessels in the USA. 52,631,579 Placement Shares were issued on 17 March 2025. Joint Lead Managers were J.P. Morgan Securities Australia and Euroz Hartleys.

Purpose of Resolution 11: Ratify the issue of Placement Shares under Listing Rule 7.4.

- **If passed:** Placement Shares are excluded from the 15% placement capacity, allowing more flexibility to issue equity without shareholder approval over the next 12 months.
- **If not passed:** Placement Shares count toward the 15% limit, reducing the Company's capacity to issue further equity without approval.

As stated in paragraph 2 above, ASA believe that for fairness the SPP size should have been at least equal to the proportion of shares held by retail investors and that 10% of the Institutional placement was too low.

Appendix 1

Remuneration framework detail

The framework is the traditional mix of fixed and at-risk remuneration. A summary of the framework is as follows and sets out the exposure mix for the MD/CEO:

Fixed Remuneration (FR)

Short term incentive (STI) - awarded for the achievement of annual hurdles (set out in AR page 41), is paid equally in cash and indeterminate rights, with the equity component subject to a 12-month holding period (the USA President is paid wholly in cash). The STI key performance indicators determining the amount of the award are individually set for executives and variously comprise EBIT, free cash flow, new vessel orders Australasia, strategic growth US, and strategic growth Australasia.

Long term incentive (LTI) - awarded with performance rights against hurdles over a 3-year period, with a 12-month holding period. The 3 equally weighted hurdles are Indexed Total Shareholder Return, Earnings per Share Growth and Return on Equity.
The incentive awards are determined as a percentage of FR and share entitlements are calculated at market price.

MD/CEO remuneration Framework for FY25	Target $m	% of Total Target	Max. Opportunity $m	% of Max Opportunity
Fixed Remuneration	1.09	51.2%	1.09	37.3%
STI - Cash	0.25	11.7%	0.37	12.7%
STI – Indeterminate rights	0.25	11.7%	0.37	12.7%
LTI	0.54	25.4%	1.09	37.3%
Total	**2.134**	**100.0%**	**2.928**	**100.0%**

The amounts in the table above are the amounts that are envisaged in the design of the remuneration plan.

It is noted that the Remuneration Framework describes STI awarded to non-US KMP as being 50% cash and 50% Indeterminate Rights. In FY25 the MD/CEO received 100% cash STI. **ASA would prefer the STI be paid as 50% cash and 50% Share Rights.**