



COMPANY ANNOUNCEMENT
26 OCTOBER 2023

CHAIRMAN'S ADDRESS TO SHAREHOLDERS
2023 ANNUAL GENERAL MEETING

Chairman: John Rothwell AO

Venue: Fremantle Sailing Club, Fremantle Western Australia

Date: Thursday, 26 October 2023, 2.00pm (Perth time)

Good afternoon shareholders and guests, and welcome to Austal's 2023 Annual General Meeting.

Prior to Paddy's detailed presentation, I will take a few moments to provide my brief overview of Austal's performance for the year and outline the Company's pathway forward.

If ever there was a year full of highs and lows, financial year 2023, provided it.

I will address the highs – and there are lots of them – first, before also discussing the low – which was the writedown of the T-ATS contract and its impact on our FY2023 earnings.

Moments that have made me incredibly proud at Austal are many and extensive. But the commissioning of the Austal-built Littoral Combat Ship, USS Canberra, in Sydney – with the Harbour Bridge and Opera House looming large in the background – was an experience that I will never forget. I could not have envisaged some 35 years back that Austal would, not only be building war ships for US Navy but, that one named USS Canberra would sail through Sydney heads.

It was the first-time ever that a US naval vessel had been commissioned outside of the US, which is testament of the relationship that exists between our two countries.

Austal epitomises that relationship, now working on eleven different vessel programs for the US Navy and Coast Guard....an amazing feat for an Australian shipbuilder.

There was a nice moment in the ceremony where the Captain of the USS Canberra was presented with a large kangaroo silhouette to adorn each side of the vessel's superstructure. It was painted in the US red white and blue and affectionately bestowed the moniker of the Star Spangled Kangaroo.

On a more business focused front, there are three things that stood out to me in FY2023, all of which are related.

First and foremost was the growth in Austal's order book to \$11.6 billion, if all contract option agreements are exercised.

\$11.6 billion is a tremendous and unprecedented orderbook and would set Austal up as part of the US defence industrial landscape for the next decade and longer.

There were two programs which contributed to the substantial growth in our order book, the Offshore Patrol Cutter program for the US Coast Guard and the Ocean Surveillance vessels, better known as T-AGOS, for the US Navy.

We are contracted to build up to 11 of the OPCs and up to seven T-AGOS vessels, if these options are exercised.

The second major business highlight was the commissioning of Austal's new steel manufacturing facilities in Mobile. The decision to move into steel was critical enabler to secure steel vessel construction programs, including the OPC and T-AGOS vessels I just mentioned.

While our US heritage is building aluminium vessels, and we will continue to do so, steel vessel capability provides Austal with the ability to tender on a much larger array of vessels and therefore win more contracts.

When the US Government offered to fund half of the US\$100 million capital investment required to move into steel, we were confident the Government and Navy saw a future for Austal in steel, and to date that confidence has been well placed.

The third business highlight has been the diversification of revenue.

When I stood here at the 2021 AGM, Austal had an order book of \$2.5 billion and was building two vessels in the US, the Littoral Combat Ships and EPFs.

Now, in addition to being contracted on 11 distinct vessel programs in the USA, we are also working in the areas of autonomy and construction of submarine modules.

And our Support business, which hit a bump during Covid-19, has resumed its upwards growth trajectory with \$227 million in revenue recorded in the USA and \$144 million in Australia.

We are well on the way to hitting our \$500 million target for this segment.

So, onto the downside.

Paddy will provide more information on this but it's important that as Chairman I also address the downgrade of the T-ATS program and its impact on our earnings and profit.

Prior to our profit downgrade in June 2023, we had previously told shareholders that the program had encountered changes in specification and general cost inflation pressures. However, as the build progressed, it became clear that the efficiency assumptions for the newly commissioned steel manufacturing line, such as labour hours and consequentially, recovery of overheads, did not meet forecasts and therefore required revision.

The exercise of the option to construct the fifth and final vessel in the contract has also added in the associated cost issues to the onerous contract.

Austal USA has submitted Requests for Equitable Adjustment (REAs) to seek recoveries for some of the additional costs incurred in the T-ATS project, but the precise timing and success of those claims remains uncertain and any successful REA will benefit Austal's FY2024 results.

However, accounting standards require the Company to bring all project losses forward and encompass the entire program, including the updates I mentioned earlier, in FY2023 reporting.

In response to this issue, we have made some changes to our reporting structures and processes, and we are looking to fast track learnings from the first-in-class vessel to the remaining vessels.

One question I have been asked, is whether this type of issue is likely to occur on other vessel programs the Company has won. The answer to that question is: Other steel shipbuilding programs in the portfolio included substantial cost-escalation protections, giving us confidence that the T-ATS issues are isolated and the learnings from T-ATS will benefit the future programs.

ESG

In 2022, we published our first ESG report, which we followed up with this year.

Our 2023 ESG report adopts one of the widely accepted international standards, the Global Reporting Initiative. Accordingly, we have now set our targets for 2030 to reduce our embodied emissions by 50%.

And we have also outlined a 2050 Net Zero commitment, consistent with Science-Based Targets.

The 2023 ESG report also contains a target of 30% female directors by the end of FY2024. We genuinely wanted to achieve that figure in FY2023, and although we were focused on achieving it, changing circumstances prevented us from doing so.

You will notice when it comes to the vote on my re-election later this afternoon that more shareholders than I would have liked voted against it. That's because two proxy advisers recommended against my re-election based on Austal's failure to meet that board diversity target, and several of our institutional investors are mandated to follow those recommendations.

Regardless of what they recommend, I am determined for Austal to meet this target in the coming year.

Back to the financials -

Our balance sheet is healthy, and along with capital investment in the Mobile shipyard Austal was able to declare a final FY2023 unfranked dividend of 3.0 cents per share, adding to the 4.0 cents a share interim dividend.

Finally, on behalf of the Board I would like to thank all members of our 5,000-strong team for their collective efforts in helping build the bridge towards a new phase of growth for Austal.

I would once again like to sincerely thank you, our shareholders, for your continued loyalty.

We have established an amazing platform for growth in the past two years, and we are now focused on safely and efficiently delivering the construction projects we have won while keeping our eyes fixed on future opportunities.

I'm going to invite Paddy Gregg to provide a more detailed overview of our performance in the financial year and the Company's outlook in a minute – but before he does that, I'd like to show you a video of the commissioning of our LCS ship, USS Canberra, in Sydney earlier this year...

This ASX announcement has been approved and authorised for release by John Rothwell, Austal Limited's Chairman.

-ENDS-

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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.

For more than 30 years Austal has contracted more than 340 vessels for over 121 commercial and defence operators in 59 countries, worldwide.

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

Austal delivers iconic monohull, catamaran and trimaran commercial vessel platforms – including the world's largest trimaran ferry and multiple defence programs such as the Littoral Combat Ship (LCS) and Expeditionary Fast Transport (EPF) for the United States Navy.

Austal is the only foreign-owned prime contractor designing, constructing and sustaining ships for the US Navy.

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