COMPANY ANNOUNCEMENT
11 AUGUST 2026

MARKET & TRADING UPDATE AND RECEIPT OF NON-BINDING CONDITIONAL PROPOSAL TO ACQUIRE THE BUSINESS OPERATIONS OF AUSTAL USA

SUMMARY:

Market & Trading Update

- Austal's Australasia business continues to deliver strong performance and is expected to record FY2026 EBIT of approx. $62 million (unaudited).
- Austal USA has reassessed recoverability of contractual claims after determining it will not receive accelerated contractual relief for certain legacy contracts, resulting in an expected non-cash provision and an Austal USA EBIT loss of approx. $(175) million (unaudited) in FY2026. This provision reflects a timing and accounting outcome, not an impairment of Austal USA's underlying operational capability or long-term contract portfolio.
- Austal USA has commenced the formal contractual process to recover value on these contracts, having submitted Notices of Change and requests for a Contracting Officer's Final Decision, with formal Requests for Equitable Adjustment to follow. Austal USA's position is supported by a documented factual and contractual record.
- FY2026 Group EBIT is expected to be a loss of approx. $(113) million (unaudited), with the variance from prior guidance of EBIT of approx. $110 million attributable solely to the Austal USA accounting provisions, which are non-cash in nature and do not affect the Group's strong liquidity or operational trajectory.

Receipt of Non-binding Conditional Offer to Acquire Austal USA

- Austal has received an indicative, non-binding and conditional offer from Hanwha Defence USA, Inc. ("Hanwha") to acquire the business entities and operations of Austal USA for an indicative enterprise value of US$1.05 – 1.20 billion on a cash and debt-free basis, subject to a normalized level of working capital and other customary transaction adjustments ("Proposal").

- The Proposal was received prior to this Market and Trading Update and is subject to Hanwha undertaking due diligence on the Austal USA business, including on the terms and economic details of Austal's US contracts.
- Neither the acquisition of any publicly traded shares in Austal nor Austal's core Australasia operations are included in the Proposal, ensuring that Austal's sovereign shipbuilding mandate and high-performing Australasian business remain fully intact and continue to generate value for shareholders.
- The Austal Board and its advisers have carefully assessed the Proposal and determined that it merits further evaluation, approving Hanwha to undertake due diligence related to Austal USA to improve the certainty of any proposal.

Austal Limited (ASX:ASB) provides the following market and trading update for its Austal USA business and Austal Group earnings guidance for FY2026 and confirms the receipt of an indicative, non-binding conditional offer from Hanwha to acquire the business operations of Austal USA.

All FY2026 figures contained in this announcement are unaudited and are subject to change before Austal's accounts are finalised.

Market & Trading Update

Austal's Australasian operations have delivered strong profit growth and cashflow generation with an expected Earnings Before Interest and Tax (EBIT) of approximately $62 million (unaudited) for FY2026, demonstrating the resilience and quality of Austal's sovereign shipbuilding platform.

Austal is currently building its highly successful Evolved Cape Class vessels for Australian Border Force, before moving to execute the remainder of its large and growing Australian order book under its Strategic Shipbuilding Agreement with the Commonwealth Department of Defence, consisting of 8 x Landing Craft Heavy vessels and 18 x Landing Craft Medium vessels, in addition to potential from the General Purpose Frigate program.

In Austal's 1H 2026 report released on 23 February 2026, the Company advised it expected FY2026 group EBIT to be approximately $110 million. The Company also indicated it was negotiating contractual relief in respect of certain legacy contracts at its Austal USA operations and was in active discussions with the US Navy to resolve these matters.

These discussions continued in the second half, with constructive engagement between Austal USA and the US Navy and Coast Guard towards a mutually acceptable, accelerated resolution.

Discussions were subsequently extended to include the United States Department of War. Those discussions continued throughout the second half of FY2026, and based on their progress and Austal's experience in resolving comparable matters, Austal considered a negotiated resolution reasonably achievable.

Based on communications with the Department of War in the USA last week, Austal USA concluded that accelerated contractual relief will not be provided at this time. Austal USA has applied the appropriate accounting treatment to reflect this revised recoverability position. This is a non-cash accounting outcome and does not alter Austal USA's legal rights or its entitlement to pursue recovery through formal channels.

Austal USA has advised Austal Limited its expectation of a revised EBIT loss of approximately $(175) million, reflecting the revised estimates on the recovery of these forecast non-cash contract provisions on its Towing, Salvage & Rescue Ship (T-ATS), Auxiliary Floating Dry Dock Medium (AFDM) and Landing Craft Utility (LCU) programs.

The change in expected EBIT was largely driven by the requirement to book all forecast losses across all onerous programs through to their completion in the current reporting period.

In preparing its FY2026 accounts and booking this provision, Austal USA has applied the required accounting treatment to its LCU program, in addition to legacy items previously identified with T-ATS and AFDM, and has recognised estimated cost provisions for all contracted vessels in these programs (including those to be delivered through to 2028) in the current reporting period, in accordance with applicable accounting standards.

Based on USA and Australasian contributions, overall Austal Group EBIT guidance for FY2026 is now expected to be a loss of $(113) million (unaudited and subject to further change).

Austal USA will continue to engage with the US Government with a view to reaching a mutually acceptable resolution, if possible. In parallel, Austal USA has commenced the formal contractual process available to it, having submitted Notices of Change and requests for a Contracting Officer's Final Decision, and will submit formal Requests for Equitable Adjustment in relation to the legacy contracts.

Austal USA's position is supported by a documented contractual and factual record, including its transition from a 'follow' yard to a 'lead' yard for LCU and T-ATS, together with changes in customer requirements and deficiencies in design specifications provided to Austal USA. Austal USA intends to strongly pursue the claims available to it, although the timing and outcome of that process remain uncertain.

These matters relate only to certain surface shipbuilding contracts. Other support and module manufacturing activities continue to operate with strong profitability, including the submarine modules Austal USA is building for the US Navy's critical nuclear submarine programs.

Austal retains a robust balance sheet and liquidity position with cash at bank of $312 million at 30 June 2026 and a net cash position of $185 million. The position at 31 July 2026 was cash at bank of $366 million and a net cash position of $240 million. In addition, Austal also has undrawn debt facilities of $435 million, which provides sufficient liquidity to support the ongoing operations and growth embedded in its record $17 billion order book.

Non-binding Conditional Offer to Acquire Austal USA

Austal Limited advises that it has received an indicative, non-binding and conditional offer from Hanwha to acquire the business operations of Austal USA.

The proposed purchase would be achieved through the acquisition of 100% of the shares in the relevant Austal USA holding entities or such other agreed transaction structure.

The Proposal does not contemplate the acquisition of any publicly traded shares in Austal or Austal's core Australasia operations based in Australia, the Philippines and Vietnam. The Strategic Shipbuilding Agreement entered into with the Commonwealth of Australia in August 2025, which appointed Austal as the Commonwealth's sovereign strategic shipbuilder for key defence vessels at Henderson, Western Australia, under a 15-year framework agreement, is fully preserved and unaffected by the Proposal, ensuring continuity of Austal's sovereign shipbuilding mandate and the long-term value it delivers to Australian shareholders and the Commonwealth.

Under the Proposal, Hanwha has offered to acquire Austal USA for an indicative enterprise value of US$1.05 – 1.20 billion on a cash and debt-free basis, subject to a normalised level of working capital and other customary transaction adjustments.

The Proposal is subject to several key conditions, including:

- Satisfactory completion of due diligence by Hanwha,
- Regulatory approvals including, as required, Committee on Foreign Investment in the United States ("CFIUS"), Defense Counterintelligence and Security Agency ("DCSA"), Hart-Scott-Rodino Antitrust Improvements Act ("HSR"),
- Agreeing definitive transaction agreements, and
- Other customary transaction conditions.

The Proposal is not subject to a financing condition.

The Austal Board and its advisers have carefully assessed the Proposal including the net cash proceeds expected to be delivered to Austal after allowing for tax and other transaction leakage. The Austal Board has determined to provide Hanwha a four-week period, commencing from the date that due diligence information requested by Hanwha is made available, to:

- Undertake due diligence related to Austal USA (including a review of Austal USA contracts and the announced trading update),
- Engage with key counterparties including the United States Department of War and US Navy/US Coast Guard, and if required, the Australian Department of Defence, and
- Progress transaction documentation to enable Hanwha to present a more certain proposal.

Should a more certain proposal be received from Hanwha, that proposal will be assessed by the Austal Board, having regard to the inherent value of Austal USA, and acting in the best interest of all Austal shareholders.

The Proposal was received prior to this Market and Trading Update. There is no certainty that a further proposal will be received, or that if a further proposal is received, it will result in a definitive agreement. Austal will continue to update the market in accordance with its continuous disclosure obligations.

Austal is being advised by Jefferies Australia as financial adviser and Herbert Smith Freehills Kramer as legal adviser.

Austal is currently in a trading halt, having requested that trading halt pending an announcement in relation to a trading and market update. This announcement is the announcement referred to in the trading halt request, hence Austal now requests an end to the trading halt.

This ASX announcement has been approved and authorised for release by the Austal Limited Board.

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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 November 2024 the Australian Commonwealth Government appointed Austal as its Strategic Shipbuilder for the construction of key Defence vessels in Western Australia.

For almost 40 years Austal has contracted more than 360 vessels for over 122 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.

Austal manufactures and delivers large, complex vessels to the United States Department of Defense, United States Coast Guard, Australian Department of Defence and Australian Department of Home Affairs and other defence and border force agencies around the world.

Having designed, manufactured and delivered 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's capability has expanded to include the delivery of Offshore Patrol Cutters for the United States Coast Guard, nuclear submarine modules for US *Virginia* and *Columbia* class submarines, auxiliary vessels for the United States Navy and landing craft and patrol boats for the Australian Department of Defence.

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