Austal Limited
Half Year Report

2023

AUSTAL

Contents

ADV Cape Naturaliste

Operations **Overview**

From day one of FY2023, Austal has celebrated a series of landmark operational and contractual wins that positioned the company for future growth and sustainability. The positive impact of these wins was offset by challenges faced in the early stages of the Towing, Salvage and Rescue Ship (T-ATS) program.

In 2023, Austal's 35th year of operations, the company is diversifying product lines, introducing new service offerings and expanding infrastructure and facilities that better serve our evolving defence and commercial vessel markets, that will set up Austal for years to come.

While delivering three ships to defence customers in the US and Australia in FY2023 H1, Austal also received orders for up to 14 new ships, including the 11 Offshore Patrol Cutters for the United States Coast Guard, a Guardian-class Patrol Boat (GCPB) for the Commonwealth of Australia and two T-ATS ships for the United States Navy.

On the 1st of July, Austal USA announced a contract for up to 11 Offshore Patrol Cutters for the United States Coast Guard, worth up to US$3.3 billion, of which one vessel has been contracted with an option for a further ten vessels.

Austal USA commenced construction on the shipyard's first steel ship T-ATS 11 and is contracted to build a further three vessels (T-ATS 12-14) for the United States Navy. There is a further option for the United Sates Navy to exercise for T-ATS 15 (bringing the total program to five vessels). The company has assessed the T-ATS program to be loss-making and has recognised an onerous contract provision. Austal has submitted Requests for Equitable Adjustments (REAs) which if successful could mitigate the impact of these losses.

The Mobile, Alabama team delivered LCS 32, the future USS Santa Barbara, during the reporting period. Santa Barbara is the 16th Independence-variant Littoral Combat Ship delivered to the Navy since 2010. It will be homeported in San Diego, where Austal USA has established new service and sustainment facilities to support the fleet.

Austal USA also completed acceptance trials of the Expeditionary Fast Transport USNS Apalachicola (EPF13), the largest vessel in the United States Navy that will have autonomous capability for unmanned missions, and entered a strategic partnership with Saildrone to build autonomous uncrewed surface vessels.

Some of the more strategic and diverse non-Prime contracts commenced by Austal USA in FY2023 H1 were the construction of aircraft carrier elevators for Huntington Ingalls and submarine modules for General Dynamics Electric Boat; demonstrating Austal's skills and capabilities in advanced manufacturing and the company's trusted position in the United States' defence industrial base.

In Australia, the company delivered two Evolved Cape-class Patrol Boats (ECCPBs) to the Royal Australian Navy, bringing the total to four delivered ECCPBs out of eight ordered. The award of an additional GCPB in FY2023 H1 brings the total number of Guardians ordered to 22, on schedule for delivery to Defence Australia over CY 2023-24.

The Australian team continued work on the Patrol Boat Autonomy Trial (PBAT) for the Royal Australian Navy, taking possession of the decommissioned HMAS Maitland, an Armidale-class Patrol Boat to test, trial and prove autonomous technology for application to naval vessels.

Austal shipyards in South-East Asia continued to be utilised, with the Philippines team completing the construction of Express 5, a 115 metre high speed catamaran ferry for Molslinjen of Denmark, while construction continues on the 66 metre Apetahi Express for The Degage Group of French Polynesia, at Austal Vietnam. Express 5 is the largest vessel, by volume, to be built by any Austal shipyard.

With the continuing intent to become the Indo-Pacific's leading naval defence prime contractor, and a clear capacity to play an active role in the AUKUS partnership and development of defence assets for the US and Australia, Austal is delivering quality and innovation in shipbuilding, systems and support – guided by the company values of excellence, integrity, teamwork and customer focus.

2023 H1 **Highlights**

USS Santa Barbara (LCS 32)

$775m
Revenue

$2.6b
Order Book

27
Ships scheduled or under construction

3
Ships delivered

56
Vessels under sustainment

9 Service Centres

4,982 Employees

Directors' report

It is my pleasure to present the financial report for the half-year ended 31 December 2022 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:

- John Rothwell (Chairman)
- Patrick Gregg (Chief Executive Officer and Managing Director)
- Giles Everist (Non-Executive Director) (Resigned 9 December 2022)
- Sarah Adam-Gedge (Non-Executive Director)
- Chris Indermaur (Non-Executive Director)
- Michael McCormack (Non-Executive Director)
- Lee Goddard (Non-Executive Director) (Appointed 1 January 2023)

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. These activities are unchanged from the previous reporting period.

Results

Austal reported key financial results as follows:

- FY2023 H1 revenue was $775.0 million (FY2022 H1: $722.4 million).
- Earnings Before Interest and Tax (EBIT) was a loss of ($2.0) million (FY2022 H1: $71.1 million).
- Profit Before Tax (PBT) was a loss of ($7.0) million (FY2022 H1: $67.5 million).
- Net Profit After Tax (NPAT) was a loss of ($7.3) million (FY2022 H1: $45.1 million).

Reconciliation of EBIT and EBITDA (unaudited)

	2023 H1 $'000	2022 H1 $'000
(Loss) / Profit Before Tax	(7,038)	67,458
Finance costs	5,810	3,694
Finance income	(777)	(72)
EBIT	(2,005)	71,080
Depreciation	28,513	22,371
Amortisation	872	882
EBITDA	27,380	94,333

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

- EBIT – earnings before interest and tax.
- EBITDA – earnings before interest, tax, depreciation and amortisation.

The information is unaudited but is extracted from the financial statements which have been reviewed by the auditor of the Group. EBIT and EBITDA are used to understand operating performance of the Group.

Review of Operations

USA Operations

USA total segment revenue was $569.6 million (FY2022 H1: $531.9 million), and EBIT was a loss of ($4.1) million (FY2022 H1: $76.7 million).

Operational highlights of the reporting period include:

- Austal was awarded a US$395.5 million contract in July 2022 to design and build a 110 metre Offshore Patrol Cutter vessel (OPC) for the United States Coast Guard (USCG). This is the first of up to 11 OPC vessels for the USCG with a potential contract value of $US3.3 billion (AUD $4.4 billion).

- Austal delivered the USS Santa Barbara (LCS 32) to the United States Navy in July 2022. The USS Santa Barbara is the 16th Independence-class Littoral Combat Ship (LCS) delivered to the US Navy since 2010.

- Three LCS are presently under various states of construction. LCS 34, the future USS Augusta was launched in May 2022, whilst LCS 36, the future USS Kingsville and LCS 38, the future USS Pierre are under construction.

- Austal was awarded a further US$156.2 million fixed price incentive contract option for the construction of an additional two Towing, Salvage, and Rescue Ships (T-ATS). This was an additional award from the US$145 million contract awarded in October 2021 to build the first two T-ATS vessels. As indicated in the Company's FY2022 Annual Report, an onerous provision of US$7.0 million was recognised in relation to T-ATS 11 & 12. The provision was subsequently adjusted to US$11.6 million and is primarily due to changes in specification and material quantities from the initial award and some cost inflation. It was also noted that Austal USA has submitted Requests for Equitable Adjustments (REAs) in respect of these underlying factors, seeking to recover as much of these amounts as possible. These REAs remain outstanding and hence the extent of the forecast loss remains uncertain as it is substantially dependent on their determination.

More recently, the Company conducted a review of forecasts for later vessels in the T-ATS program and applied the same forecasting methodology to those vessels. Using that methodology, the forecast loss arising from this program, assuming the REAs are not resolved during FY2023 was US$(41.2) million. If the REAs are successfully resolved, the extent of the loss will be reduced.

- USNS Apalachicola (EPF-13) successfully completed acceptance trials for the United States Navy in September 2022. EPF-13 is the United States Navy's largest ship with the capability to operate as an unmanned surface vessel (USV) and is a significant achievement for Austal being the first surface vessel constructed by Austal USA with autonomous capability.

Australasia Operations

Australasia segment revenue was $208.7 million (FY2022 H1: $196.7 million), and EBIT was $14.4 million (FY2022 H1: $5.0 million).

Operational highlights of the reporting period include:

- Austal was awarded a $15.2 million contract in November 2022 to build an additional Guardian-class Patrol Boat (GCPB) for the Royal Australian Navy. This brings the total GCPB program to 22 vessels of which 15 have been delivered to date.

- Austal continued to progress the construction of the remaining seven GCPBs during the period. Twelve Pacific Island nations including Papua New Guinea, Fiji, the Federated States of Micronesia, Tonga, Solomon Islands, Cook Islands, Kiribati, Marshall Islands, Palau, Samoa, Tuvalu, Vanuatu and Timor Leste will receive the 22 vessels through to 2024.

- Austal delivered the second and third Evolved Cape-class Patrol Boats (ECCPB's) to the Royal Australian Navy. The vessels, ADV Cape Peron (delivered in August 2022) and ADV Cape Naturaliste (delivered in November 2022), are 58-metre aluminium monohull patrol boats. The first ECCPB, ADV Cape Otway, was delivered in March 2022. Austal has delivered the three ECCPBs to the RAN since the contract was signed in May 2020. A further 5 ECCPB vessels are in various stages of production at Austal's West Australian, Henderson shipyard and deliveries are scheduled progressively through to 2024.

- Austal Vietnam continued progress on the construction on the 66-metre high-speed catamaran ferry for the Degage Group of French Polynesia. Delivery is scheduled for May 2023.

- Austal is scheduled to deliver the 115-metre high-speed vehicle-passenger catamaran in February 2023 to the Danish ferry operator Molslinjen. The new 'Auto Express 115' is the largest ferry (by volume) ever built by Austal and is a further design evolution of the distinctive 109 metre high-speed catamaran delivered to Molslinjen in January 2019.

Cash management & dividends

The net cash position as per the balance sheet was $58.1 million at 31 December 2022
(30 June 2022: $115.6 million).

Austal has a cash balance of $184.9 million at 31 December 2022 (30 June 2022: $240.1 million). An unfranked interim dividend of 4 cents per share was declared post 31 December 2022.

$14.5 million cash was returned to shareholders following the declaration by the Board of a 4 cents per share unfranked dividend on 26 August 2022. The dividend was paid to shareholders on 13 October 2022.

COVID-19 impact

Austal has not been immune to the ongoing disruption from the impacts of the COVID-19 pandemic, and has continued to experience some inefficiencies, restrictions, and delays as a direct result of the global pandemic.

In particular, many global commercial ferry operators remain uncertain about their short-term route requirements and are holding off on orders for replacement vessels, with the result that no new vessel orders were received during the half year.

Rounding of Amounts

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Group 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 auditors, 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.

John Rothwell

Chairman

24 February 2023

Auditor independence

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Brookfield Place, Tower 2
123 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

Tel: +61 8 9365 7000
Fax: +61 8 9365 7001
www.deloitte.com.au

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

24 February 2023

Dear Board Members,

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 2022, 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

DELOITTE TOUCHE TOHMATSU

David Newman
Partner
Chartered Accountants

Consolidated statement of profit and loss and other comprehensive income for the half-year ended 31 December 2022

	Notes	2023 H1 $'000	2022 H1 $'000
Continuing operations			
Revenue	4	775,022	722,378
Cost of sales	4	(725,849)	(604,744)
Gross Profit		49,173	117,634
Other income and expenses		10,673	5,454
Administration expenses		(50,959)	(41,842)
Marketing expenses		(10,892)	(10,166)
Finance income		777	72
Finance costs		(5,810)	(3,694)
(Loss) / Profit before income tax		(7,038)	67,458
Income tax expense	8	(257)	(22,398)
(Loss) / Profit after tax		(7,295)	45,060
Other comprehensive income (OCI)			
Amounts that may subsequently be reclassified to profit and loss:			
Cash flow hedges			
- Net (loss) / gain		(3,397)	999
- Income tax benefit / (expense)	8	970	(331)
- Total		(2,427)	668
Foreign currency translations			
- Net gain		8,517	20,337
- Total		8,517	20,337
Total		6,090	21,005
Amounts not to be reclassified to profit and loss in subsequent periods:			
Asset revaluation reserve			
- Income tax benefit	8	638	209
- Total		638	209
Other comprehensive income for the period		6,728	21,214
Total comprehensive (loss) / income for the year		(567)	66,274

(Loss) / earnings per share (cents per share)	cents / share	cents / share
Basic (loss) / earnings per share	(2.0)	12.5
Diluted (loss) / earnings per share	(2.0)	12.5

Consolidated statement of financial position as at 31 December 2022

	Notes	31 December 2022 $'000	30 June 2022 $'000
Assets			
Current			
Cash and cash equivalents		184,940	240,113
Inventories and work in progress		302,869	263,070
Trade and other receivables		82,728	132,085
Prepayments		55,737	13,012
Derivatives		3,436	5,835
Income tax refundable		19,136	16,955
Total		648,846	671,070
Non - current			
Property, plant and equipment		820,720	799,364
Intangible assets and goodwill		36,936	37,525
Prepayments		3,556	3,959
Derivatives		23	64
Right of use lease assets		161,087	152,513
Other financial assets		15,549	14,933
Deferred tax assets		10,000	10,017
Total		1,047,871	1,018,375
Total		1,696,717	1,689,445
Liabilities			
Current			
Progress payments received in advance		(137,547)	(99,084)
Trade and other payables		(91,373)	(151,726)
Provisions		(93,317)	(98,325)
Derivatives		(1,111)	(1,734)
Income tax payable		(3,736)	(195)
Lease liabilities		(4,752)	(4,198)
Deferred grant income		(12,745)	(9,728)
Total		(344,581)	(364,990)
Non - current			
Interest bearing loans and borrowings	6	(126,795)	(124,515)
Provisions		(42,323)	(2,182)
Derivatives		(511)	(584)
Lease liabilities		(105,347)	(105,406)
Deferred grant income		(100,324)	(93,306)
Deferred tax liabilities		(66,176)	(74,177)
Total		(441,476)	(400,170)
Total		(786,057)	(765,160)
Net assets		910,660	924,285
Equity attributable to owners of the parent			
Contributed equity	7	144,310	143,932
Reserves		310,220	302,454
Retained earnings		456,130	477,899
Total		910,660	924,285

Consolidated statement of changes in equity for the half-year ended 31 December 2022

	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 2021	142,558	(892)	427,108	66,131	7,989	2,075	(17,594)	146,663	774,038
Comprehensive income									
Profit for the period	-	-	45,060	-	-	-	-	-	45,060
Other comprehensive income	-	-	-	20,337	-	668	-	209	21,214
Total	-	-	45,060	20,337	-	668	-	209	66,274
Other equity transactions									
Dividends declared	-	-	(14,396)	-	-	-	-	-	(14,396)
Share based payments expense	-	-	-	-	1,552	-	-	-	1,552
Shares issued to employee share trust	3,675	(3,675)	-	-	-	-	-	-	-
Shares or proceeds transferred to beneficiaries	12	2,052	-	-	(2,064)	-	-	-	-
Total	3,687	(1,623)	(14,396)	-	(512)	-	-	-	(12,844)
Movement	3,687	(1,623)	30,664	20,337	(512)	668	-	209	53,430
Equity at 31 December 2021	146,245	(2,515)	457,772	86,468	7,477	2,743	(17,594)	146,872	827,468
Equity at 1 July 2022	146,236	(2,304)	477,899	119,811	8,878	3,781	(17,594)	187,578	924,285
Comprehensive income									
Loss for the period	-	-	(7,295)	-	-	-	-	-	(7,295)
Other comprehensive income	-	-	-	8,517	-	(2,427)	-	638	6,728
Total	-	-	(7,295)	8,517	-	(2,427)	-	638	(567)
Other equity transactions									
Dividends declared	-	-	(14,474)	-	-	-	-	-	(14,474)
Share based payments expense	-	-	-	-	1,416	-	-	-	1,416
Shares issued to employee share trust	1,459	(1,459)	-	-	-	-	-	-	-
Shares or proceeds transferred to beneficiaries	21	357	-	-	(378)	-	-	-	-
Total	1,480	(1,102)	(14,474)	-	1,038	-	-	-	(13,058)
Movement	1,480	(1,102)	(21,769)	8,517	1,038	(2,427)	-	638	(13,625)
Equity at 31 December 2022	147,716	(3,406)	456,130	128,328	9,916	1,354	(17,594)	188,216	910,660

1. Reserved shares are held in relation to an employee share trust.

Consolidated statement of cash flows for the half-year ended 31 December 2022

	Notes	2023 H1 $'000	2022 H1 $'000
Cash flows from operating activities			
Receipts from customers		833,029	745,546
Payments to suppliers and employees		(830,765)	(687,631)
Income tax paid		(5,273)	(12,520)
Interest paid		(5,810)	(2,327)
Interest received		777	72
Net cash (used in) / from operating activities		(8,042)	43,140
Cash flows from investing activities			
Purchase of property, plant and equipment		(35,159)	(43,397)
Payment for intangible assets		(104)	(374)
Payment for right-of-use asset		-	(45,455)
Proceeds from sale of property, plant and equipment		141	70
Proceeds from disposal of assets held for sale		-	4,383
Receipts of government infrastructure grants		15,641	11,182
Net cash used in investing activities		(19,481)	(73,591)
Cash flows from financing activities			
Dividends paid		(14,474)	(14,396)
Principal component of lease payments		(3,189)	(5,011)
Payment of borrowing costs		(98)	(688)
Net cash used in financing activities		(17,761)	(20,095)
Net decrease in cash and cash equivalents		(45,284)	(50,546)
Cash and cash equivalents			
Cash and cash equivalents at beginning of period		240,113	346,899
Net decrease in cash and cash equivalents		(45,284)	(50,546)
Net foreign exchange differences		(9,889)	10,469
Cash and cash equivalents at end of period		184,940	306,822

Notes to the consolidated financial statements for the half-year ended 31 December 2022

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 2022 was authorised for issue in accordance with a resolution of the Directors on 24 February 2023.

Austal Limited is a company limited by shares, incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange.

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 2022 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 2022. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Note 3 Reporting segments

	USA			Australasia			Unallocated	Elimination / Adjustments	Total
	Ships $'000	Support $'000	Total $'000	Ships $'000	Support $'000	Total $'000	$'000	$'000	$'000
2023 H1									
Revenue									
External customers	451,109	118,530	569,639	129,425	76,043	205,468	-	(85)	775,022
Inter-segment [1]	-	-	-	1,415	1,774	3,189	-	(3,189)	-
Total	451,109	118,530	569,639	130,840	77,817	208,657	-	(3,274)	775,022
Profit / (loss) before tax									
Earnings before interest and tax	(11,952)	7,855	(4,097)	10,812	3,564	14,376	(12,596)	312	(2,005)
Finance income	-	-	-	-	-	-	777	-	777
Finance expenses	-	-	-	-	-	-	(5,810)	-	(5,810)
(Loss) / profit before income tax	(11,952)	7,855	(4,097)	10,812	3,564	14,376	(17,629)	312	(7,038)
Depreciation and amortisation	(17,319)	(3,542)	(20,861)	(5,627)	(2,897)	(8,524)	-	-	(29,385)
Balance sheet at 31 Dec 2022									
Segment assets	1,079,702	137,162	1,216,864	301,539	126,249	427,788	54,355	(2,290)	1,696,717
Segment liabilities	(509,866)	(63,335)	(573,201)	(77,509)	(76,138)	(153,647)	(72,992)	13,783	(786,057)

	USA			Australasia			Unallocated	Elimination / Adjustments	Total
	Ships $'000	Support $'000	Total $'000	Ships $'000	Support $'000	Total $'000	$'000	$'000	$'000
2022 H1									
Revenue									
External customers	457,038	74,859	531,897	148,645	41,836	190,481	-	-	722,378
Inter-segment [1]	-	-	-	3,543	2,692	6,235	-	(6,235)	-
Total	457,038	74,859	531,897	152,188	44,528	196,716	-	(6,235)	722,378
Profit / (loss) before tax									
Earnings before interest and tax	72,869	3,785	76,654	4,917	36	4,953	(10,489)	(38)	71,080
Finance income	-	-	-	-	-	-	72	-	72
Finance expenses	-	-	-	-	-	-	(3,694)	-	(3,694)
Profit / (loss) before income tax	72,869	3,785	76,654	4,917	36	4,953	(14,111)	(38)	67,458
Depreciation and amortisation	(9,773)	(2,055)	(11,828)	(8,536)	(2,889)	(11,425)	-	-	(23,253)
Balance sheet at 30 Jun 2022									
Segment assets	1,025,103	186,937	1,212,040	291,595	111,504	403,099	76,895	(2,589)	1,689,445
Segment liabilities	(467,017)	(71,081)	(538,098)	(93,830)	(66,119)	(159,949)	(81,280)	14,167	(765,160)

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, operating results 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, and deferred tax assets. Goodwill has been allocated to reportable segments.

ii Reportable segments

The reportable segments are:

1. **USA Shipbuilding**

   The USA manufactures high performance defence vessels 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 comprises Austal's Australia, Oman 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 expenses

(Loss) / profit before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the performance of the entity:

	2023 H1 $'000	2022 H1 $'000
Revenue and expenses disclosure		
Revenue		
Shipbuilding	580,449	605,683
Support	194,573	116,695
Total	775,022	722,378
Cost of sales		
Shipbuilding	(574,197)	(513,043)
Support	(151,652)	(91,701)
Total	(725,849)	(604,744)

i Recognition and measurement

1. Vessel construction

Revenue from contracts with customers is recognised in the profit and loss when the performance obligations are satisfied as control of the goods and services is transferred to the customer. Revenue is recognised at an amount that reflects the consideration the Group expects to be entitled to receive, net of goods and services tax or similar tax.

2. Vessel support

Revenue from support contracts is recognised in the Profit and Loss statement when the performance obligations are considered met. Revenue is recognised at an amount that reflects the consideration the Group expects to be entitled to receive, net of goods and services tax or similar tax.

Full disclosure of the Group's approach to AASB 15 *Revenue from Contracts with Customers* can be found in Note 4 of the 2022 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 certain estimates to be made of 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 accounting policy for contract revenue.

2. Onerous contract provisions

Expected losses are recognised immediately as an expense when it is probable that total contract costs will exceed total contract revenue (i.e. the contract has become onerous). Further detail of onerous contracts provided for are contained in Note 10.

3. 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.

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, 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.

USA

USA shipbuilding cost performance on the mature LCS and EPF programs has continued to improve, however risks exist for the remaining vessels until future events become known such as continued achievement of productivity improvements, future overhead rates which are directly impacted by the volume and timing of future contract awards and other vessel specific risks. Vessel specific risks include vessel weight and associated financial penalties, achievement of progress milestones, adherence to launch schedules, sea trials performance and remediation of trial issues, and adherence to delivery schedules.

USA applies a consistent methodology for setting a contingency for each vessel which includes allocating the contingency to these risks and milestones.

The T-ATS program has been deemed onerous and the assumptions are detailed in Note 10.

LCS

Contingencies after shareline (risk sharing mechanism) held for LCS vessels at 31 December 2022 was $79 million (30 June 2022: $98 million). This was equivalent to 8.5% of the Total Cost Estimate to Completion (ETC) (30 June 2022: 11.8%).

EPF

Contingencies after shareline held for EPF vessels at 31 December 2022 was $19 million (30 June 2022: $16 million). This was equivalent to 2.6% of the ETC (30 June 2022: 4.5%).

The above contingencies held take into account the potential for reductions in vessel prices that may arise through the risk sharing mechanism embedded in those U.S. Navy shipbuilding programs if the cost contingencies are ultimately not consumed or required.

Australasia

Australasia is completing a number of vessels under both single vessel and multi vessel contracts.

First in class vessels 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.

Contingencies held at 31 December 2022 for undelivered vessels in the Australasia business unit were $9 million (30 June 2022: $16 million). This was equivalent to 6.2% of ETC (30 June 2022: 3.1%).

Note 5 Dividends paid and proposed

Dividends paid on ordinary shares	2023 H1 $'000	2022 H1 $'000
Unfranked final dividend for the prior year, 4 cps (2022 HY: unfranked, 4 cps)	14,474	14,396
Dividend declared subsequent to the reporting period end (not recorded as liability)		
Unfranked interim dividend for the current year 4 cps (2022 HY: unfranked, 4 cps)	14,498	14,474

Note 6 Interest bearing loans and borrowings

	31 Dec 2022 $'000	30 Jun 2022 $'000
Non - current		
Go Zone Bonds	(126,795)	(124,515)
Total	(126,795)	(124,515)

i Go Zone Bonds

Go Zone Bonds (GZB) are tax-exempt municipal bonds in the United States and attracted an average interest rate of 1.97% in FY2023 H1 (FY2022 H1: 0.05%). The interest rates on GZB are reset on a weekly basis. GZB holders are secured by letters of credit issued under Austal's Syndicated Facility Agreement which matures in December 2024. The average cost of the letters of credit was 1.54% in FY2023 H1 (FY2022 H1: 1.54%).

Austal has redeemed a cumulative amount of US$137 million and owed US$87.5 million ($126.8 million) at 31 December 2022 (30 June 2022: US$87.5 million ($118.1 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.

Note 7 Contributed equity

	Shares		$'000	
	31 Dec 2022	30 Jun 2022	31 Dec 2022	30 Jun 2022
Ordinary shares on issue				
Opening	361,858,154	359,894,288	146,236	142,558
Shares issued to Employee Share Trust	583,721	1,963,866	1,459	3,675
Shares or proceeds transferred to beneficiaries	-	-	21	3
Closing	362,441,875	361,858,154	147,716	146,236
Reserved shares				
Opening	(1,088,675)	(278,528)	(2,304)	(892)
Shares issued to Employee Share Trust or sold	(583,721)	(1,963,866)	(1,459)	(3,675)
Shares or proceeds transferred to beneficiaries	150,259	1,153,719	357	2,263
Closing	(1,522,137)	(1,088,675)	(3,406)	(2,304)
Net	360,919,738	360,769,479	144,310	143,932

Note 8 Income tax

Major components of income tax expense were:

	2023 H1 $'000	2022 H1 $'000
Consolidated profit and loss		
Current income tax		
Current income tax charge	(4,930)	(17,177)
Adjustments in respect of current income tax of the previous year	(2,682)	(1,424)
Total	(7,612)	(18,601)
Deferred income tax		
Relating to origination and reversal of temporary differences	7,574	(2,378)
Adjustments in respect of deferred income tax of the previous year	(219)	(1,419)
Total	7,355	(3,797)
Total income tax expense	(257)	(22,398)
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	970	(331)
Deferred gains on revaluation of property, plant and equipment	638	209
Total income tax expense charged to OCI	1,608	(122)

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:

	2023 H1 $'000	2022 H1 $'000
Accounting (loss) / profit before income tax from continuing operations	(7,038)	67,458
Income tax at the Group's statutory income tax rate of 30% (FY2022 H1: 30%)	2,111	(20,237)
USA combined federal and state income tax rate of 25% (FY2022 H1: 25.3%)	515	3,701
Philippines gross income tax (GIT) regime	139	248
Other foreign tax rate differences	19	(60)
USA revalue deferred balances for change in weighted average state rate	697	(552)
Withholding tax leakage due to losses	(1,119)	(412)
Non-assessable R&D credits in cost of sales	694	772
Recognition of prior year unrecognised Australian tax group losses	229	-
Recognition of prior year unrecognised Australian R&D credits	1,674	-
Carry forward tax losses in other jurisdictions not recognised	(67)	(1,702)
Recognition of current year USA tax losses	(61)	-
Transfer pricing adjustments in respect of intercompany royalties	(2,101)	(954)
Valuation of share based payments	19	577
Other non-assessable or non-deductible items	(105)	(1,085)
Non-deductible capital expenses	-	149
Adjustments in respect of current and deferred income tax of the previous year	(2,901)	(2,843)
Total Adjustments	(2,368)	(2,161)
Income tax expense reported in the profit and loss	(257)	(22,398)

i Revenue authority audits

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.

The Competent Authorities of Australia and the United States of America have accepted Austal into the Mutual Agreement Procedures (MAP) and Bilateral Advance Pricing Arrangement (BAPA) programs in relation to the double taxation of intercompany royalties on intellectual property deployed from Australia to the USA.

Austal is currently engaging with the Competent Authorities on these programs and responding to the information requests issued by both Competent Authorities.

Austal has accounted for and paid tax in Australia based on the ATO's position and the outcomes of the MAP and BAPA processes may generate tax refunds or tax payable in either jurisdiction. Austal is currently unable to determine what the outcomes of these processes may be nor the timeline to resolution.

The total additional tax relating to royalties up to 31 December 2022 was $(24.0) million (30 June 2022: $(22.0) million).

$(7.6) million (30 June 2022: $(7.6) million) of this has already been paid in cash in periods up to and including FY2023 H1. The remaining $(16.4) million (30 June 2022: $(14.4) million) has not had a cash impact up to 31 December 2022, because the additional royalty income arose in loss-making years or in years when tax losses or R&D credits were utilised to offset the additional tax liability.

The negative cash impact will be realised in future tax years if no double tax relief is realised because less carry forward tax losses and / or R&D credits will be available to offset future tax liability.

Note 9 Impairment testing of non-current assets

i Impairment assessment

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.

At 31 December 2022, management have assessed the impairment indicators for each CGU and determined that the Australasia Shipbuilding CGU has an impairment indicator present and subsequently performed a detailed assessment. See below for the assessment of each CGU and the key assumptions used in the recoverable amount calculations for the Australasia Shipbuilding CGU. Consideration has also been given to the sensitivity of the Australasia Shipbuilding CGU and reasonable change scenarios have been applied to key assumptions.

USA Support

The Company performed an assessment for indicators of impairment and concluded that there were none present from an internal or external perspective. The recoverable amount will be assessed at 30 June 2023 under the accounting standards because goodwill has been allocated to the USA Support CGU.

USA Shipbuilding

The Company performed an assessment for indicators of impairment and concluded that there were none present from an internal or external perspective. The award of the first Offshore Patrol Cutter on 30 June 2022 (with options for a further 10 vessels) demonstrates strong growth in the USA Shipbuilding CGU. There is no goodwill in the USA Shipbuilding CGU.

Australasia Support

The Company performed an assessment for indicators of impairment and concluded that there were none present from an internal or external perspective. The recoverable amount will be assessed at 30 June 2023 under the accounting standards because goodwill has been allocated to the Australasia Support CGU.

Australasia Shipbuilding

The Company performed an assessment for indicators of impairment as at 31 December 2022, and concluded that a trigger was present within the Australasia Shipbuilding CGU, namely the lack of commercial vessel awards in FY2023 H1.

The recoverable amount of the Australasia Shipbuilding CGU was assessed using a value-in-use impairment model, and the Company concluded that the recoverable amount of the CGU is greater than its carrying value, and consequently no impairment charge is required as a result of this analysis. However, it was identified that the recoverable amount of the CGU is dependent upon the successful award of both future commercial and defence contracts.

Should no new commercial awards be made in a manner which would allow construction to commence no later than FY2024, an impairment would likely arise in relation to the Asian shipbuilding operations.

Additionally, failure to secure further defence shipbuilding contracts in FY2024 beyond completion of the Guardian–class Patrol Boats and Cape-class Patrol Boats 11 – 18 would likely result in an impairment.

Further disclosure in relation to the Australasia Shipbuilding CGU impairment assessment is shown below in the significant accounting judgement and estimates section.

ii Significant accounting judgement and estimates relating to Australasia Shipbuilding

i. Recoverable amount of the CGU

The following table sets out the key assumptions used to assess the recoverable amounts in the Australasia Shipbuilding CGU:

Concept	Assumption
Growth assumptions	Contract awards
Perpetuity growth rate	0.0%
Post tax discount rate	9.8%
Average inflation on costs	4.0%

ii. Growth assumptions and sensitivity

Growth assumptions are based on future vessel construction projects not yet awarded.
The assumptions are based on historical experience of the size of the vessel that customers typically contract and the corresponding average tender pricing.

The Company has considered the sensitivity in gross margin on uncontracted future awards in the Australasia Shipbuilding CGU and notes that a reduction in actual margin compared to expected tender margin of approximately 10-14% would likely result in an impairment.

iii. Perpetuity growth rate

Austal has taken a conservative view and included a 0% perpetuity growth rate in calculation of the terminal value.

iv. Post tax discount rate

Discount rates are determined with regards to the risks specific to each CGU, taking into consideration the location, time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates.

Austal has adopted a post tax discount rate of 9.8% for the Australasia Shipbuilding CGU. This has updated from the 9.3% used in the FY2022 Annual Impairment Assessment (see Note 23 of the FY2022 Annual Report).

v. Inflation on costs

Estimates are obtained from published indices for the countries from which materials are sourced, as well as data relating to specific commodities. Forecast figures are used if data is publicly available, otherwise historical material price movements are used as an indicator of future price movements.

Note 10 Onerous contract provision (T-ATS Program)

Austal was awarded its first steel construction contract by the United States Navy in September 2021, a build of two Towing, Salvage and Rescue Ships (T-ATS 11 and 12). The contract also provided options for up to three additional T-ATS vessels. Two of the options were exercised on 25 July 2022 (T-ATS 13 and 14), and the Company is committed to a fixed price option, which has yet to be exercised, for the construction of an additional vessel, T-ATS 15, which expires 30 September 2023. These vessels are the first to be constructed in the Company's new steel panel line.

Management conducts quarterly reviews of costs contained within the Estimates at Completion (EACs) of each vessel. During FY2022, this process identified a number of drivers of increased cost that resulted in the program being declared onerous, resulting in the recognition of a provision of $10.1 million at 30 June 2022. The drivers of the onerous contract provision recognised during FY2022 included cost inflation on materials and labour, as well as cost impacts relating to design specifications and increased bills of material.

Following the completion of updated EACs for the T-ATS program, for which the percentage completion was at very early stages as at 31 December 2022, the onerous provision has increased to $59.6 million (30 June 2022: $10.1 million) due to a range of factors similar to those identified during the FY2022 EAC review, including forecast increases in labour hours and costs.

The Company is responding to the cost impacts of the changes in specification and material quantities from the initial award through submission of Requests for Equitable Adjustments (REAs), however no value has been taken into account related to the REA's as at 31 December 2022 given the uncertainty with respect to their outcome. If the REAs are successfully resolved, the extent of the loss will be reduced in future periods.

i Significant accounting judgement and estimates relating to the T-ATS Program 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 contract. These estimates require significant management judgment, given the time period over which the vessels will be constructed, being FY2023 – FY2025, and are subject to risk and uncertainty. Therefore, changes in economic conditions can affect the assumptions. Critical assumptions applied when estimating the present value of the provision are set out below:

Labour rates: represent the forecast cost of labour which can vary depending on market labour rates and the mix of skilled labour as the program progresses. The forecast labour rate takes account of inflationary increases.

Materials costs: forecast materials costs 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 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.

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.

Note 11 Corporate investigations

i Regulatory Investigations

As described in previous annual and half year reports and ASX announcements, the Group has been assisting the Australian Securities and Investments Commission (ASIC) and US regulatory authorities (notably, the Department of Justice (DoJ) and the Securities Exchange Commission (SEC)) in their investigations into historical matters concerning Austal's Littoral Combat Ship (LCS) program before July 2016.

As announced to the ASX in September and October 2022, the Company determined it was in the best interests of shareholders to resolve the matter without recourse to litigation, and reached a settlement with ASIC whereby the Company agreed to pay a penalty of $650,000. That settlement was formally endorsed by the Federal Court in October 2022 and the proceedings with ASIC are now closed.

The investigations by US regulatory authorities have been focussed primarily on Austal's USA operations, including the write back of work in progress (WIP) attributable to the LCS program in July 2016, the procurement of certain ship components for use in connection with US Government contracts and charging and allocation of labour hours.

The Company and its wholly owned subsidiary Austal USA, LLC (Austal USA) have been cooperating with the US regulatory authorities in relation to these investigations and engaged external lawyers in the US to conduct their own detailed investigation in relation to what they understand to be the focus of the US regulatory investigations.

The Company provides the following updates to prior reporting on these issues:

- In relation to the investigation of potential misallocation of labour hours across different projects at Austal USA, in FY2021 the Company completed its internal investigations and determined that there has not been any misallocation of labour hours or incorrect attribution of costs codes on its projects. The Company has made the DoJ aware of this and is not aware of the DoJ looking to take this matter further.

- In relation to the procurement and installation of butterfly valves on board certain LCS vessels, the Company and the DoJ have now formally agreed to resolve this issue on confidential terms which include the payment by the Company of a settlement sum that is proportionate to the value of the valves. The exact sum cannot be disclosed.

- In relation to the remaining issue regarding the investigation of the overstatement of profits during 2012 – 2016, the Company continues to work with the DoJ and the SEC to assist them in closing out their respective investigations. The Company has not been advised when either of these investigations will be complete or what the outcome will be.

Austal USA has continued with its review of current compliance programs and practices, and the development and implementation of a significantly enhanced compliance regime to ensure this kind of issue does not arise again.

Nevertheless, it is still possible that the US regulatory investigations could lead to civil or criminal proceedings resulting in the application of penalties, damages, and/or possibly suspension or debarment from future US Government contracts. The Group has not been advised whether such proceedings will be commenced against it in the US, or whether any fines or penalties may be levied (or if so, their likely magnitude). Hence the Group is not in a position to make any provision for such fines, penalties or other adverse outcomes at this stage. Any of these potential outcomes could have a material adverse effect on the Group's consolidated financial position, results of operations, or cash flows.

ii Provision for professional services costs

A provision of $3.7 million was recorded as at 31 December 2022 (30 June 2022: $8.2 million) based on a best estimate of the probable incremental professional services costs relating to ongoing US regulatory investigations. Legal proceedings in Australia were resolved through a court-approved settlement in November 2022 regarding ASIC's investigation into historical matters concerning the Company's market disclosures with respect to Austal's LCS program on 4 July 2016, hence this provision largely relates to the US element of the investigation, which has not yet been resolved. It is possible that this provision could change depending on the outcome of the Group's ongoing discussions with the relevant US regulatory authorities. In light of uncertainty around the potential outcome, the Group has had to apply significant judgement when considering whether, and how much, to provide for costs. As a result of the high level of estimation uncertainty, the provision could change substantially over time as new facts emerge and the investigations progress.

$3.7 million of professional services costs has also been recovered up to 31 December 2022. $0.6 million relating to Directors' & Officers' insurance and $3.1 million relating to Company insurance was recovered prior to 30 June 2022. No additional insurance has been recovered in the current period.

iii Closure of ACLEI Investigation into Australian Border Force Personnel

On 22 October 2020, Austal made an announcement to the ASX indicating that the Australian Commission for Law Enforcement Integrity (ACLEI) was conducting an investigation into allegations of corruption by Australian Border Force officials relating to construction milestone payments payable under the Cape-class Patrol Boats contract. The ASX announcement was made in order to correct statements and implications in the media that Austal or its personnel may have somehow been the subject of those investigations.

The ACLEI investigation has been concluded. The ACLEI found no evidence of corrupt conduct on the part of Austal or Border Force personnel. It also made clear that the investigation did not pertain to either Austal or any of its personnel.

Note 12 Contingencies

i 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.

1. Vessel delivery postponement

The delay to a vessel's scheduled delivery has triggered a potential claim for liquidated damages for the period from the revised contracted delivery date of 6 February 2023 to the date of anticipated delivery.

The customer retains the right to cancel the contract if Austal does not deliver the vessel within an extended agreed period after the revised agreed delivery date. The parties are working towards delivery of the vessel as close as possible to the revised delivery date.

2. Other

The Directors are not aware of any other material contingent liabilities in existence as at 31 December 2022 requiring disclosure in the financial statements.

Note 13 Events after the reporting date

i Dividend proposed

The Directors declared an unfranked interim dividend for FY2023 H1 of 4 cents per ordinary share on 24 February 2023. The dividend has not been provided for in the half-year financial report.

ii Other

The Directors are not aware of any other significant events since the reporting date.

Directors' declaration

In accordance with a resolution of the Directors of Austal Limited, I state 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 financial position as at 31 December 2022 and the performance for the half-year ended on that date of the consolidated entity.
  - Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.
- There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

John Rothwell

Chairman

24 February 2023

Independent Auditor's review report

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Brookfield Place, Tower 2
123 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

Tel: +61 8 9365 7000
Fax: +61 8 9365 7001
www.deloitte.com.au

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

Conclusion

We have reviewed the half-year financial report of Austal Limited (the "Company") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 10 to 28.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2022 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 Conclusion

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 ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (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.

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.

Deloitte.

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 2022 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

DELOITTE TOUCHE TOHMATSU

David Newman

Partner

Chartered Accountants

Perth, 24 February 2023

Email: info@austal.com
Tel: +61 8 9410 1111

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