

EOS Market Update

30 May 2019



Disclaimer



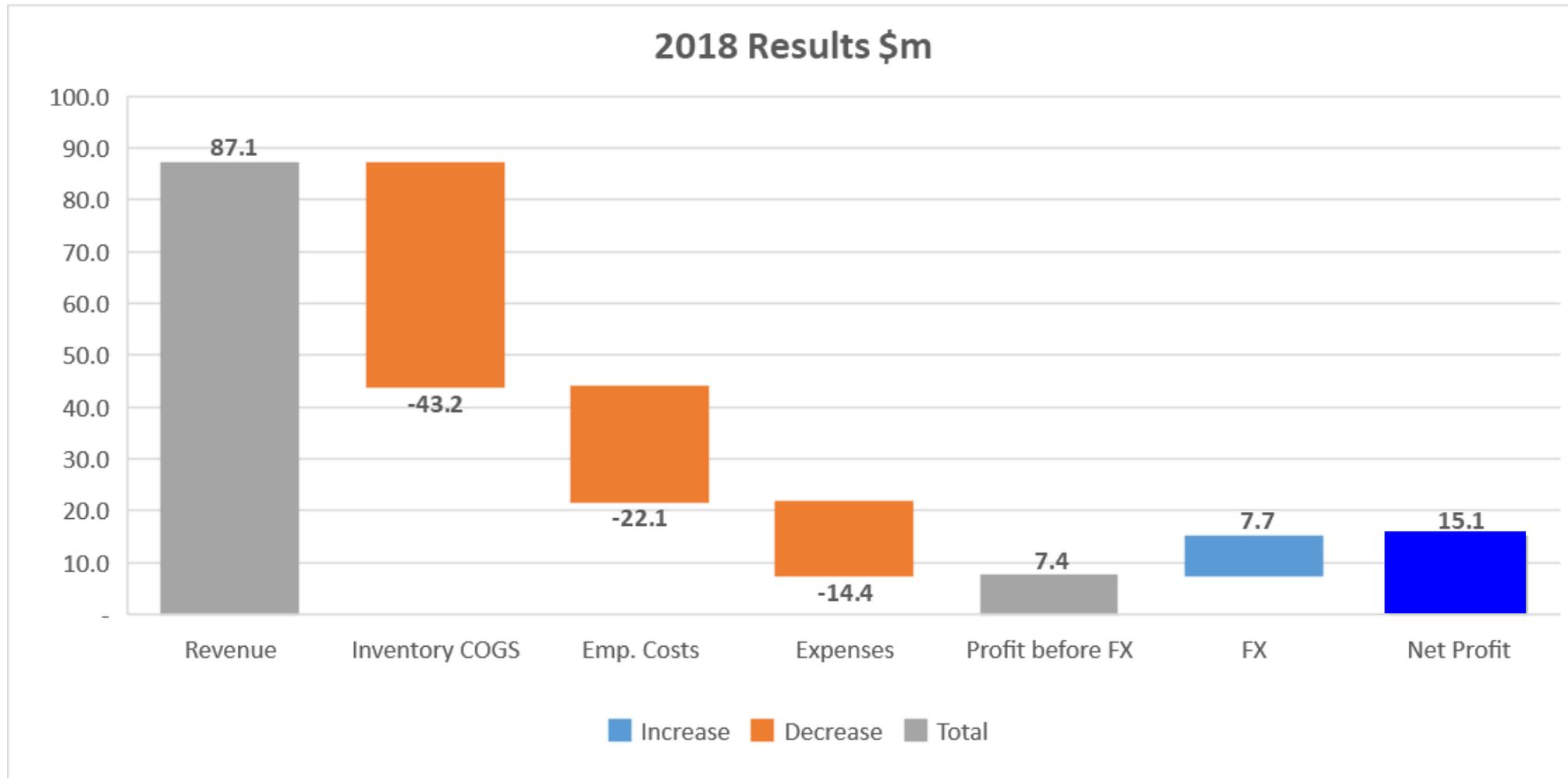
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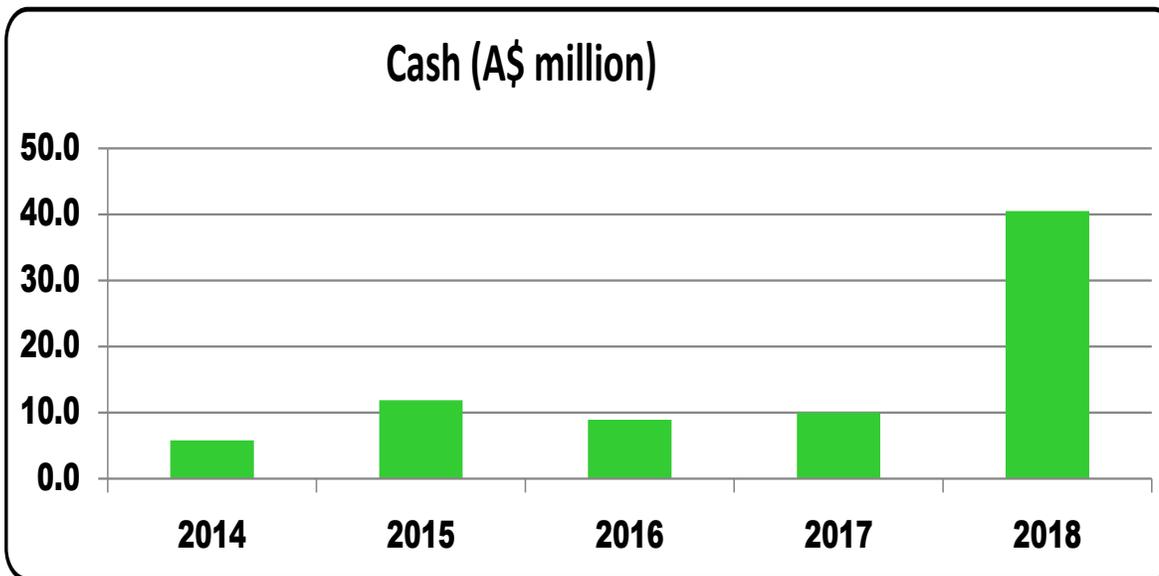
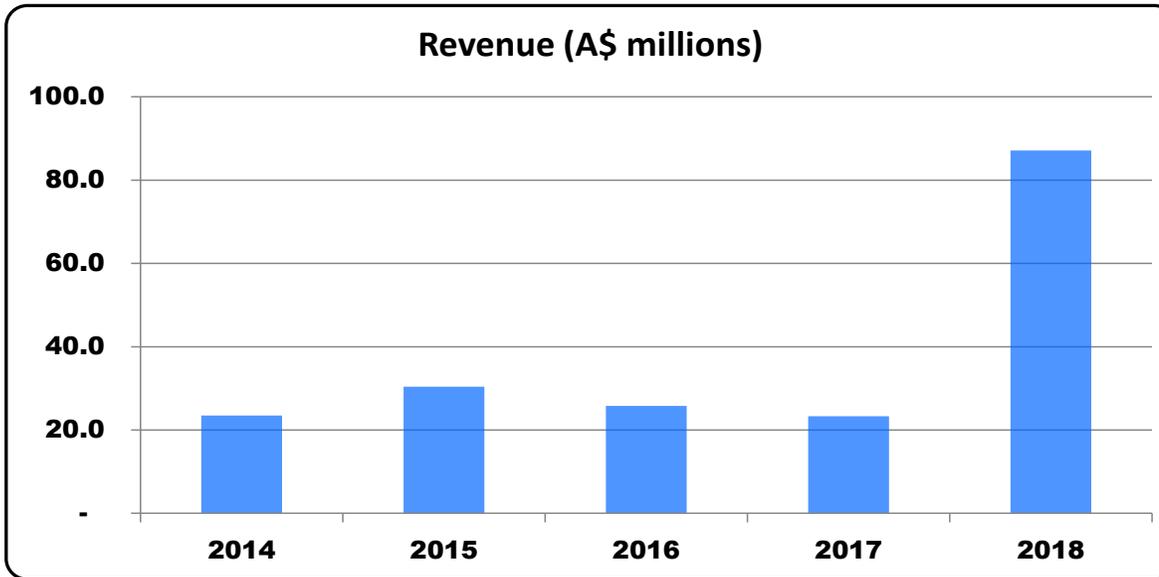
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Financial Summary 2018



An excellent year: EBIT was 50% above forecast [\$7.4M vs \$5.0M] achieved at 50% plant capacity

Financial Summary 2018



Financial Results \$m	2018	2017	Change
Gross Margin	43.9	12.1	31.8
Emp. costs	(22.1)	(14.7)	(7.5)
G&A	(14.4)	(6.1)	(8.3)
FX	7.7	(0.7)	8.4
Net Profit/(Loss)	15.1	(9.4)	24.5

2018 results were in line with management expectations

Corporate Operations



During 2018, 10 key operational functions collected under COO:

- Plant and Facilities
- Export Licenses
- Risk Management Plan
- OH&S
- Governance
- Human Resources
- Regulatory and Compliance
- Legal Counsel
- Security
- Public, Government and Investor Relations Resourcing

Control of these risk items is critical in managing high growth



Defence Sector Status

Defence Systems Sector: Key Points 2018



- Production: Capacity, yield and quality all improved to plan
- Staff: Expansion from 110 to 160 staff
- New facilities: Huntsville and Abu Dhabi facilities initiated
- New products: T-2000 turret, R-150 RWS
- Revenue: >400% increase from \$20M in 2017 to \$85M in 2018
- EBIT: >\$10M (sector) EBIT in 2018
- Backlog*: >\$580M at 1/1/2019 provides strong basis for growth

* Backlog includes only executed contracts and selections as preferred tender



Facilities



**Hume [ACT] plant with completed RWS.
Output is now passing 30 units/month**

Facilities



EOS [UAE] plant with vehicles for RWS installation

Facilities



EOS [USA] plant

MILITARY TECHNOLOGY

€ 16,00
US \$ 27,00



INCORPORATING DEDICATED
COUNTER TERROR SECTION



STOPPING DRONES



AIRBORNE ELECTRONIC
WARFARE
SPECIAL SUPPLEMENT



COMBAT AIRCRAFT
REPORT



ISDEF FOCUS —
SPOTLIGHT ON ISRAEL



Media Recognition

EOS is increasingly recognized as an industry leader in counter-drone technology. This is a new \$2-3 billion market with priority funding from most customers.

New Products: R-150



- Low cost and lightweight (150 kg) RWS mounting 7.62 mm and 12.7 mm weapons
- Developed in collaboration with Australian Defence Department
- Provides force protection to light vehicles and transport vehicles



New Products: T-2000

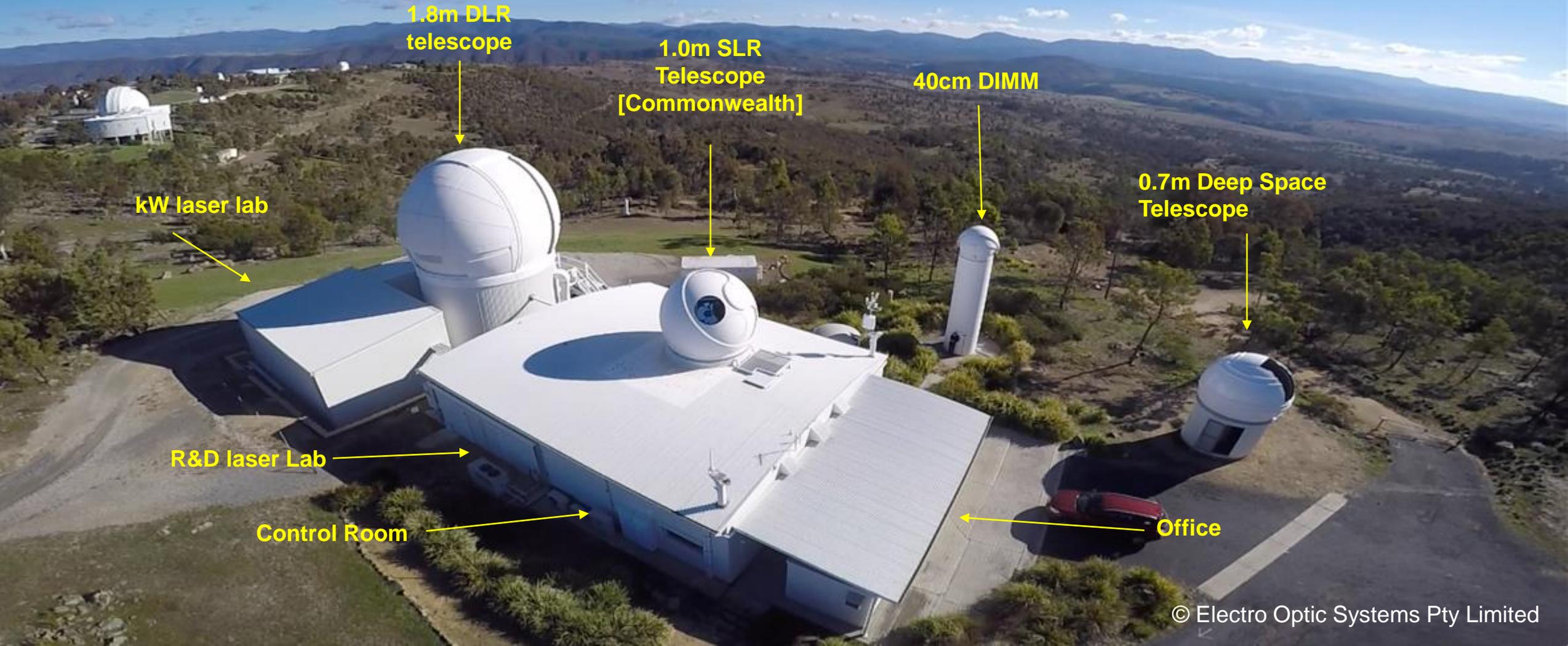


T2000 Turret on Redback Infantry Fighting Vehicle
The most advanced turret in deployment today



Space Sector Status

The EOS \$35M space Research Centre at Mt Stromlo is the largest and most capable optical space capability in private ownership world-wide



1.8m DLR
telescope

1.0m SLR
Telescope
[Commonwealth]

40cm DIMM

0.7m Deep Space
Telescope

kW laser lab

R&D laser Lab

Control Room

Office

Space Sector Status



- Learmonth and Mt Stromlo sites now operational with credible capacity and performance
- Space operating loss trending down through 2018 and 2019 despite ongoing investment
- Mission management and data enrichment capabilities moving to operational status
- Increasing support for EOS Defence sector programs for directed energy capability
- US activities in missile defence and directed energy through Huntsville plant



Space Sector Outlook



A: Space Debris Mitigation

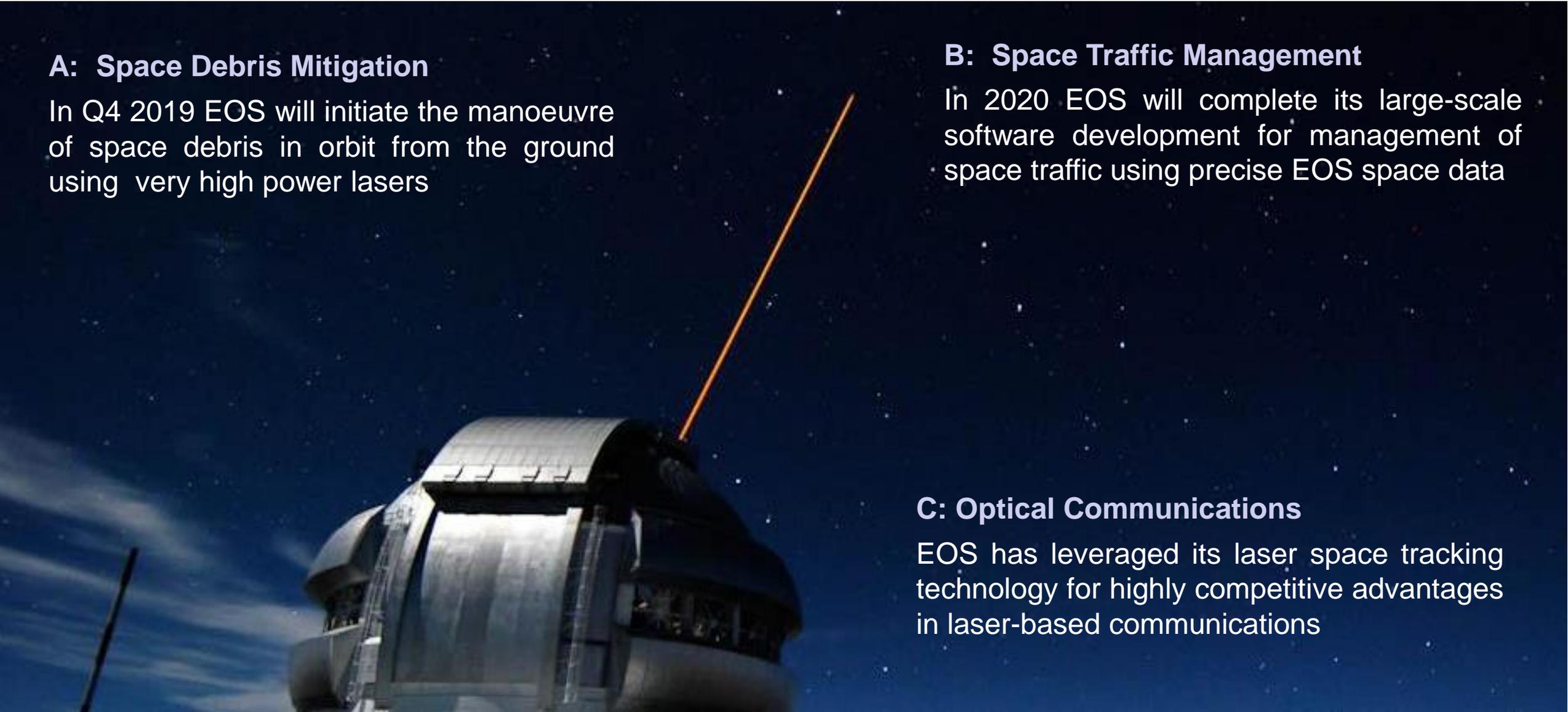
In Q4 2019 EOS will initiate the manoeuvre of space debris in orbit from the ground using very high power lasers

B: Space Traffic Management

In 2020 EOS will complete its large-scale software development for management of space traffic using precise EOS space data

C: Optical Communications

EOS has leveraged its laser space tracking technology for highly competitive advantages in laser-based communications



Space Sector Outlook



- Tenders submitted are in lengthy negotiation with outcomes likely from late 2019
- EOS expects to produce a commercial return on its substantial investments in this sector
- Operating losses are unlikely beyond 2019 but profitability levels cannot yet be determined
- The outlook for space sector is positive, both in its own right and in its support roles for Defence

Defence Sector Outlook

- Results to 30 April 2019 are in line with a 2019 EBIT of around \$20 million. Tax shelter will be fully utilised during 2019. Margins rising thru 2019 due to better process and capacity utilisation.
- Backlog of \$600 million at 31 December 2019 supports **>45% compounding growth** in revenue and profit for 2020 and 2021 with **no** new contracts. 2020 EBIT expected around \$28 million.
- Next-gen remote weapon systems market is \$16 billion. EOS has expanded its product range to address the entire \$16 billion market. EOS expects market share to be around 35% to 2030.
- Over \$3 billion of tenders will be submitted by EOS in 2019, with \$2.4 billion already submitted. All of these tenders are with **existing customers** where EOS is performing well. Awards for 50% of these tenders will be made by 2021. Significant new awards are expected.
- There is scope for stronger EBIT growth than forecast if new contracts are achieved, with offsetting downside profit risk associated with discretionary outlays to secure further growth.
- Full spectrum risk management in process to allow high growth strategies to be managed.
- The outlook for Defence sector is **very strong** in terms of both growth and profit.

Outlook: Revenue and Profit

Key points:

1. Profitability improves as capacity is better utilised, EOS processes improve, and space sector contributes
2. EOS EBIT for 2019 is expected to increase **180%** over 2018 [\$20M vs \$7.4M] on a revenue increase of **80%** [\$156M vs \$87M]
3. Backlog supports compound growth of revenue by **45%** to \$230M [2020] and \$350M [2021] with EBIT growth matching revenue growth
4. Higher growth is possible from Q2 2020 with new orders, expected across both sectors
5. Lower EBIT growth is also possible if significant new outlays to secure even higher growth are made
6. Growth is underpinned by market needs, stronger risk management, excellent technology and products, and strong execution

