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EOS Teams with Northrop Grumman for CROWS

Canberra, 20 May 2010

Electro Optic Systems Holdings Limited (ASX "EOS") today announced it had executed an exclusive agreement with Northrop Grumman Corporation to jointly pursue the market for remote weapon systems in the United States through programs such as the US Army's Common Remotely Operated Weapon Station 3 [CROWS 3] program.

CROWS 3 is the third phase of the CROWS program. EOS and Recon Optical Inc. were the providers to Army for CROWS 1 up to 2007 when CROWS 2 was awarded to a competitor. In 2009 EOS acquired all the remote weapon systems business of Recon Optical Inc., including all rights to CROWS technology and products not already owned by EOS. In its own right EOS currently has in production a weapon system which is fully compliant with both CROWS 1 and CROWS 2 requirements.

The US Army is expected to release a request for proposals [tenders] for approximately 10,000 CROWS 3 in late 2010.

EOS' Chief Executive Officer Dr Ben Greene said:

"EOS is very pleased to team with Northrop Grumman. While we are proud of our own products in this market Northrop Grumman leadership and technology will significantly enhance our competitiveness.

The pooling of Northrop Grumman and EOS technology will provide both better product performance and more options to the customer, as well as easier integration of CROWS into the increasingly complex information and control systems used for weapon system deployment.

Northrop Grumman's proven, scalable production technology will deliver the demand responsiveness that (the US) Army is seeking while simultaneously enhancing product quality and endurance. Moreover, Northrop Grumman's vast global supply chain provides efficient and economical access to large volumes of qualified materiel for production while its proven capability to provide weapon system support to US forces globally will clearly enhance EOS' own capabilities.

We are proud to combine our unmatched experience in remote weapons stations with Northrop Grumman's complementary capabilities to deliver this important system to our forces in combat."

Northrop Grumman will serve as the prime contractor in this partnership with EOS. With US\$33.8 billion in revenue, it is the fourth largest defence contractor in the world. It has a long history of delivering complex integrated platforms to the US Army, having fielded more than 1000 platforms over the last 10 years.

Northrop Grumman will operate in this partnership through its Northrop Grumman Information Systems [NGIS] sector. The sector which employs more than 24,000 employees at its operations in 50 states and 18 countries specialises in advanced solutions that deliver timely, enabling information.

Joe G. Taylor, Jr., Northrop Grumman Information Systems sector vice president for Ground Combat Systems said:

"The Northrop Grumman-EOS team looks forward to working side by side with the Army to deliver this critical capability to soldiers. Collectively, we bring the proven experience, the latest technology and cultures of innovation and large-scale production to the Army's effort to ensure that soldiers at all levels of the Army are able to operate effectively on the modern battlefield."

The teaming arrangements were concluded after an extensive assessment to ensure that the technology and processes of the two partners were compatible, and appropriate for future CROWS requirements. Consequently the Northrop Grumman-EOS CROWS team is already staffed and operational, with new product offerings to be available for CROWS in the near term.

Under the teaming arrangements substantial CROWS production capability will now move from EOS to state-of-the-art Northrop Grumman plants in the USA for manufacture under license from EOS. This manufacturing license includes substantial up-front license fees paid to EOS. The balance of production will be allocated to existing EOS plants that will immediately be consolidated and upgraded for CROWS.

The parties have jointly committed to substantial investment in technology, training, production and support for CROWS, as appropriate for a major US defence program.

In addition to CROWS the Northrop-EOS team is also focussed in the near term on other weapon system requirements that can benefit from the same team capabilities and synergies. These opportunities are also substantial.

Further information:

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