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Market Update

1. Defence Systems Sector
2. Space Systems Sector
3. Company Outlook
Defence Sector Status

R-400S Mk2 mounted on US Army JLTV Vehicle
EOS RWS: Correcting the Lethality Imbalance

- **Problem.** Current vehicles are generally fitted with only 12.7mm/0.50cal HMGs. These are outranged by threat HMGs & cannons.
- **Answer.** 30x113mm cannons are light enough to be fitted to any vehicle, delivering capability overmatch due to unprecedented accuracy of weapon system.
Production

- Production tracking to the EOS schedule and contractual requirements
- Production for 2018 should meet or exceed upgraded forecast of 264 units
- All metrics meet or exceed expectations including yield, quality and cost
- A strong platform for further expansion
Introducing the R-150 RWS

Minister for Defence the Hon. Christopher Pyne MP announcing the release of the R-150 lightweight RWS from EOS. This new product delivers more than double the firepower previously available at this weight class. The R-150 was developed with significant funding support from the Commonwealth Department of Defence.
Defence: Key Points

1. Production capacity, yield, quality and margins all meet or exceed expectations. Profits going forward are trending above earlier forecasts.

2. $620 million of cumulative contracts from 4 customers [at Q1] extended to $800 million from 7 customers [at Q3]. This is on track.

3. No competitor has won an award against EOS. The cumulative sales target for 31 December 2018 is now $900 million.

4. Accelerated expansion to reinforce success has been funded:
   1. US activities have been accelerated with new Huntsville plant, expanded marketing and multiple demonstrations already executed
   2. GCC expansion accelerated thru new subsidiary and facilities in Abu Dhabi
   3. New products. R-600DE, SHORAD, EOS turret, R-150

5. Very strong fundamentals support current and future profitability
Outlook: Defence Systems

- $0.9 billion in RWS sales expected across 2017 and 2018 with 90% [$810M] already secured
- Production risks rapidly receding as new production facilities achieve all milestones for performance and cost
- Market is developing as expected and customer liquidity going forward is strong
- New products are being released as funded customer requirements emerge
- The outlook for Defence Systems is for strong growth in both revenue and profit, underpinned by market fundamentals, excellent technology and products, and strong execution
Space Sector Status

EOS Learmonth SSA facility. This $30M site is now fully operational and already performing customer missions.
Space Sector Key Points

- Learmonth WA site fully operational
- Long-term military and commercial space operations tests concluded in September 2018
- All performance metrics exceeded, including data volume, accuracy, capacity and cost
- EOS output now exceeds 15,000 space tracks per week, or 10% of full-scale requirements
- Both performance and costs can now be accurately forecast for full scale applications
- Long term space contracts now in negotiation on a sole source basis with key customers
- Missile defence, optical communications and directed energy will leverage infrastructure
Outlook: Space Systems

- Space Systems expected to transition to profitability from H2 2019
- The outlook for Space Systems is for strong profit growth driven by market fundamentals, excellent technology and products, product momentum and performance
Outlook: Revenue and Profit

Key points:

1. Revenue for 2018 is as forecast in Q1 but profit will be **double original estimates** despite $1 million increase in business development costs targeting new orders.

2. New accounting standards will push 25% of 2019 revenue to 2020 however forecast profit for 2019 is unchanged, due to **improving profitability** in all EOS sectors.

3. Order intake is **already** sufficient to sustain revenue and profit growth beyond 2020.

4. The company currently has $58 million in cash and will not need to raise funds unless very large new orders are received.