

EOS Market Update 12 March 2019





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Market Update

- 1. Financial Data**
- 2. Defence Sector**
- 3. Space Sector**
- 4. Outlook**

Financial Summary 2018



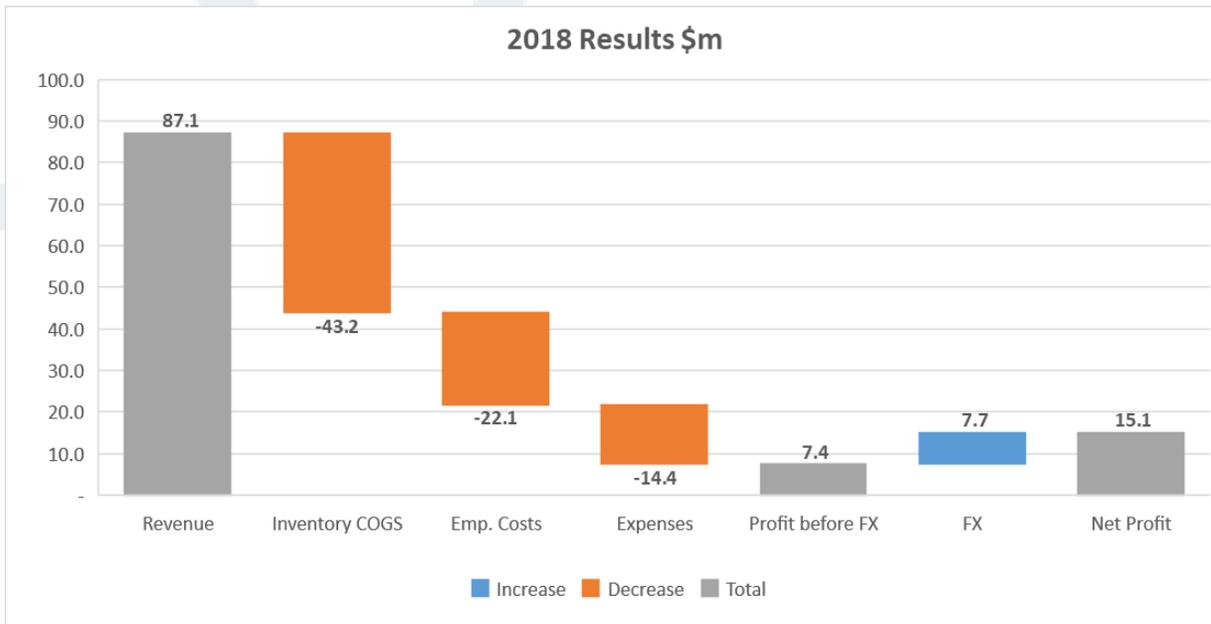
Outstanding year:

Excluding FOREX gains, profit was 50% above forecast [\$7.4M vs \$5.0M] achieved at 50% plant capacity

Profitability increasing on current volumes, and volumes increasing in parallel

At 31 December 2018 the group held cash totalling \$50M

Revenue and profit are expected to more-than-double in 2019



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

Financial Summary 2018



Costs overview	2018	2017
Revenue (\$m)	87.13	23.26
Inventory COGS	50%	48%
Emp. Costs	25%	63%
Other costs	17%	26%

Cash Flow	Amounts in \$m	
	2018	2017
Receipts from customers	63.87	22.25
Payments to suppliers & employees	-80.31	-48.36
Interest received	0.79	0.194
Interest and other costs of finance paid	-0.037	-0.035
Net cash flow from operation activities	-15.687	-25.951
Property, plant & equipment	-3.19	-1.14
Free Cash Flow	-18.877	-27.091

Cash utilisation in net working capital	Amounts in \$m		
	2018	2017	Cash +/-
Trade and other receivables	26.82	11.66	-15.16
Inventories	26.46	13.8	-12.66
Other (advances, prepayments etc.)	12.71	2.39	-10.32
Trade and other payables	-22.32	-18.08	4.24
Provisions	-6.37	-5.09	1.28
Total	37.3	4.68	-32.62

Profitability overview	2018	2017
Revenue (\$m)	87.13	23.26
Underlying profit/(loss)%	8.5%	(43.4%)
FX gain/(loss) (\$m)	7.72	(0.70)
Net Profit/(Loss) %	17.3%	(40.4%)

Defence Sector Status



R-400S Mk2 mounted on US Army JLTV Vehicle

EOS Defence Sector Strategy



EOS developed remote controlled weapon systems [RWS] for western armies, including an extended development program [1993-2003] for the US Army, resulting in over \$10 billion of RWS program awards globally. The lives of many have been saved by RWS technology.

EOS has developed a new generation of RWS technology, dramatically increasing lethality, mobility and intelligence. EOS has also extended the scale of application to all military vehicles regardless of size, including unmanned platforms.



The new technology directly addresses a **\$7 billion market** for next-generation, manned RWS. Here EOS has \$0.8 billion captured, \$2.2 billion tendered, \$2.1 billion in pre-tender qualification, and is ready for \$2 billion to come to market within 3 years. No competitor has captured any part of this new market.

EOS estimates a separate, additional market for unmanned RWS exploiting the full architecture of its new technology will exceed \$9 billion. EOS technology uniquely maintains human control of lethal force application over constrained communications links, as required for western armies.

Product Releases: Defining the Product Range



T2000 Turret on Redback Infantry Fighting Vehicle



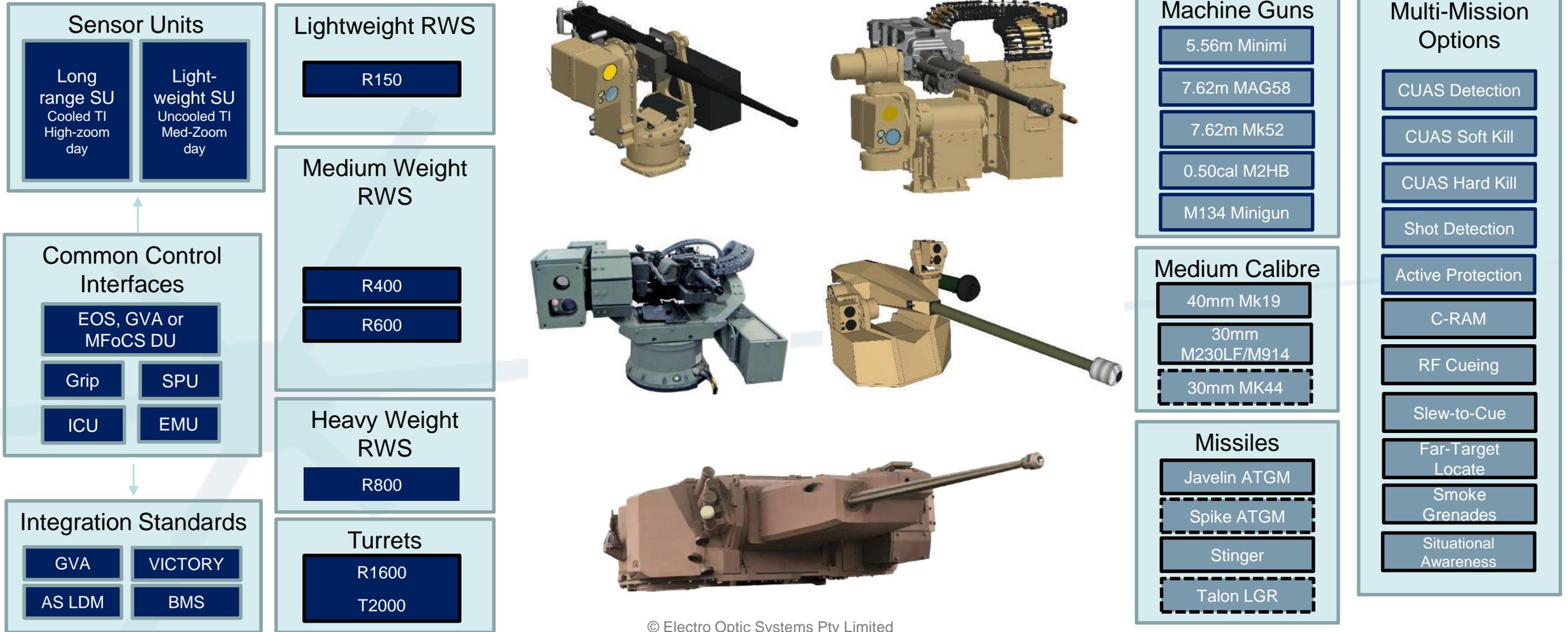
R-150 Remote Weapon System on ADF Hawkei



The new T2000 turret and R-150 RWS are define the extremes of the EOS defence product range.

1. T2000 turret has variants up to 5 tonnes in weight and is EOS' largest defence product.
2. R-150 weighs 150-200 kg and provides force protection to light vehicles and transport vehicles.

The Expanding EOS RWS Ecosystem



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The market reach of this range initially exceeds AU\$7 billion with strong penetration and market share

Defence Sector: Key Points



1. Operations

Production for 2018 exceeded forecasts in quantity, yield, quality, and profitability

Further improvements are expected as capacity utilisation moves from 50% to 80%

US plant is expected to transition to operation by Q3 2019

2. New Products

R-150 launched in Sep 2018 is expected to win orders from late in 2019

T-2000 turret launched Feb 2019 already submitted for over \$2 billion of tenders

3. Market and Pipeline

T-2000 and R-150 products have excellent traction and unique niches to accelerate sector growth

No competitor has made inroads into \$7 billion market or shown technology for unmanned platforms

EOS has secured \$0.8 billion in awards, submitted \$2.2 billion of tenders, will tender another \$2 billion by 2020, and fully address this \$7 billion market by 2022

Diversification to Americas, Asia, Europe and the Middle East is accelerating to reduce sovereign risk

Unmanned vehicle requirements align with EOS products, and this \$9 billion market is emerging

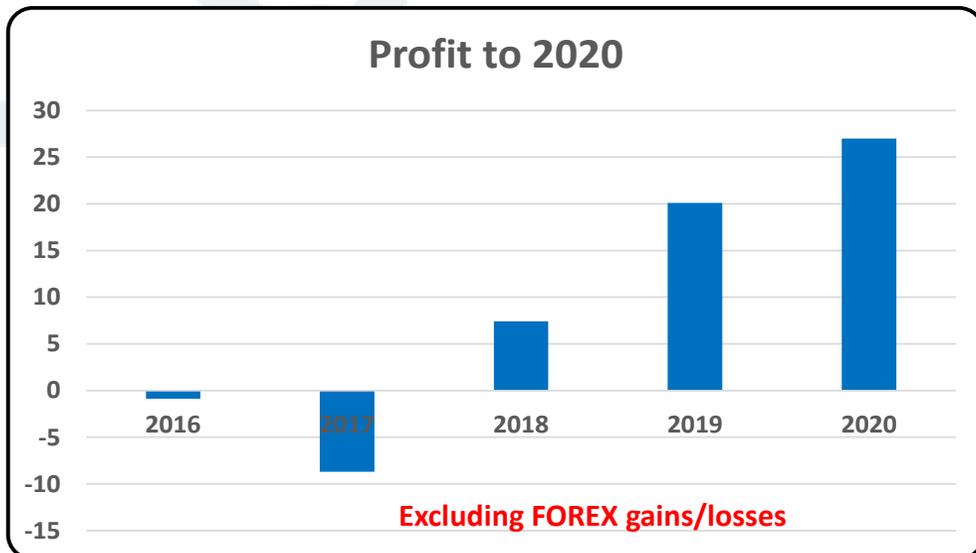
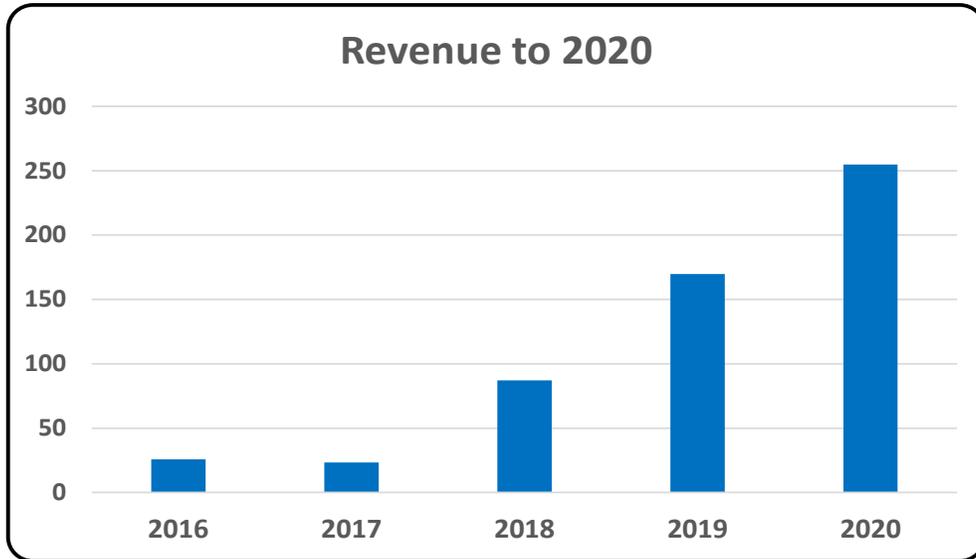
Space Sector Status

1. Long-term military and commercial space operations tests concluded in September 2018 with all performance metrics exceeded, including data volume, accuracy, capacity and cost
2. EOS operational output now exceeds 15,000 space tracks per week, or 10% of full-scale requirements, and long term space contracts now in negotiation with key customers
3. The outlook for Space Systems is positive, driven by market fundamentals, excellent technology and products, product momentum and performance
4. Space Systems expected to transition to profitability from H2 2019

The background image shows the EOS Learmonth SSA facility at dusk. It features several large, white, dome-shaped structures with illuminated interiors, and a large, white, rectangular building with a corrugated metal roof. The facility is situated in a dark, open field with a horizon line visible in the distance under a twilight sky. A sign with the EOS logo is visible on the side of the large building.

EOS Learmonth SSA facility is now fully operational and already performing customer missions.

Outlook: Revenue and Profit



Key points:

1. Revenue growth for 2019 is approximately **100%** over 2018
2. Current orders of \$670 million are already sufficient to further grow revenue in 2020 by **40%** to \$0.25 billion
3. Further strong growth in 2021 is expected
4. Profitability on revenue is improving as capacity is utilised and process improves
5. \$50 million in cash with no need to raise funds unless outlook improves beyond these forecasts
6. Pipeline has grown to exceed \$4 billion with over \$2 billion in submitted tenders and \$2 billion in current preparation
7. Growth underpinned by market fundamentals, excellent technology and products, and strong execution