



EOS Confirms Earnings and Growth Guidance after Closing Acquisition

Canberra, 17 October 2019

Electro Optic Systems (ASX:EOS) is pleased to announce the closing of its acquisition of space communications company EM Solutions Pty Limited (EMS) first announced on 1 October 2019.

EMS is now a wholly-owned subsidiary of EOS, forming part of EOS Communications Systems.

Pursuant to this closure, further information is available as follows:

A. EBIT Guidance

On 1 October 2019, EOS advised that the acquisition would be accretive in terms of earnings per share. The acquisition cost, in terms of shareholder dilution, represents less than 5% of the issued capital of EOS after the acquisition, and the EBIT contribution of EMS for the 12 month period ending 31 December 2020 will be 10% of the company's total EBIT.

Specifically:

- i. For the 12 months ending 31 December 2019, EOS has previously offered guidance that EBIT would be around \$20 million. This guidance has not changed as EMS will enter EOS accounts only from 11 October 2019.
- ii. For the 12 months ending 31 December 2020, EOS has previously offered guidance that EBIT would be around \$28 million, or 45% above 2019 levels. This figure is now revised to \$31 million based on a 10% uplift from EMS contribution to EBIT.

The revision to 2020 EBIT guidance is not reflective of any change in prior guidance other than to accommodate the EBIT contribution from EMS operations.

B. Backlog of Sales

EOS confirms that its sales backlog of executed contracts is sufficient to maintain prior guidance on EBIT for 2019, 2020 and 2021, amended as stated above, without further sales. EOS expects substantial new sales to occur during 2020 and 2021.

C. Forecast Growth and Cash

EOS confirms its prior guidance for EBIT growth of 45% for each of 2020 and 2021 over the corresponding prior period. This is notwithstanding the inclusion from 2020 of EMS EBIT which is presently growing at a lower rate.

D. Escrow Shares

EOS acquired 100% of all issued shares in EMS in exchange for 4,271,357 new EOS ordinary shares and a cash payment of \$1.485 million. Eighty four percent (84%) of these new ordinary shares are now subject to a six month voluntary escrow period.

E. Markets and Customers

EOS is moving rapidly to merge its customer base in space communications with those of EMS, and to crystallise synergies between the two previously independent technology streams in space communications.

The combined customer set of EOS and EMS extends the market reach for both EOS and EMS space communication products by over 50%. Both sets of customers will now have access to a larger range of world-leading technologies, implemented through high quality products.

The expanded EOS customer set for communications products or services now includes Australian and foreign armed forces, security agencies, space agencies, global aerospace primes, major corporations and commercial space companies.

Also, a combination of EMS and EOS technologies fills a significant void in the current market for space communications. EOS can now market technical solutions not accessible to other companies. For example, the EOS space tracking sites will be employed to provide new capabilities to existing EMS customers, and EMS communications terminals now allow EOS to offer 24x7 operations to its customers.

The process of product range expansion and customer consultations has already begun and is being well received.

EOS expects growth in its Communications Systems segment to exceed current guidance.

Further information:

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ABOUT ELECTRO OPTIC SYSTEMS (ASX: EOS; OTC: EOPSY)

EOS operates in three sectors: Defence, Space and Communications

- **EOS Defence Systems** specialises in technology for weapon systems optimisation and integration, as well as ISR (Intelligence, Surveillance and Reconnaissance) for land warfare. Its key products are next-generation vehicle turrets and remote weapon systems.
- **EOS Space Systems** specialises in applying EOS-developed optical sensors to detect, track, classify and characterise objects in space. This information has both military and commercial applications, including managing space assets to avoid collisions with space debris, missile defence, and space control.
- **EOS Communication Systems** specialises in innovative optical, microwave and on-the-move radio and satellite products that help to deliver high speed, resilient and assured telecommunications anywhere in the world.