



ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

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2024 Annual General Meeting – Chair’s Address

Canberra, 21 May 2024

Electro Optic Systems Holdings Limited (**EOS** or **Company**) (ASX: EOS) provides the attached Chair’s address to be delivered at today’s Annual General Meeting commencing at 10.00am AEST at the offices of MinterEllison, Constitution Place, Level 11, 1 Constitution Avenue, Canberra ACT 2601.

Authorised for release by the Chair of the board of Electro Optic Systems Holdings Limited.

Further information:

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ABOUT ELECTRO OPTIC SYSTEMS (ASX: EOS)

EOS operates in two divisions: Defence Systems and Space Systems

Defence Systems specialises in technology for weapon systems optimisation and integration, as well as ISR (Intelligence, Surveillance and Reconnaissance) and C4 systems for land warfare. Its key products are next-generation remote weapon systems, vehicle turrets, high-energy laser weapons (directed energy), as well as fully integrated and modular counter-UAS and C4 systems.

Space Systems includes all EOS space and communications businesses, and operates as two entities – Space Technologies and EM Solutions. Space Technologies specialises in applying EOS-developed optical sensors and effectors to detect, track and characterise objects in space. It includes capabilities in the domain of space control and space warfare. EM Solutions delivers world-leading RF and optical space communications technology. Its core product range centres around the development and production of high-end, broadband radio transceivers for satellite communications as well as satellite communications-on-the-move terminals for defence and government customers.

Electro Optic Systems Holdings Limited
Annual General Meeting - 2024

Chair's Address – Mr Garry Hounsell

Thank you and good morning.

I welcome you all to this meeting, where I am pleased to address shareholders in the wake of a positive 12-month period for EOS.

The year saw the business taking significant strides in our multi-year program to secure a profitable and sustainable long-term future for EOS and its shareholders.

That program of change began in 2022, when the Company found itself in financial distress – and drastic action was required to 'right the ship'.

As you heard last year, we initiated a whole-of-organisation turnaround program that included:

- cutting costs;
- ceasing several capital-intensive activities and programs; and
- embedding new senior personnel as well as a new business philosophy – one based on fiscal, commercial and strategic discipline.

I am glad to report that thanks to these hard decisions, the business is operating on a much more stable footing than this time last year.

Evidence of this can be seen in the improvements to our financial performance and position over the course of 2023. Specifically, 2023 saw us deliver record revenue and cash receipts since our inception. Pleasingly, our earnings before interest, tax, depreciation and amortisation also returned to profitability in the 2023 year.

In 2023 the business also significantly expanded its product range and diversified its customer base, particularly in Europe.

I and the Board wish to thank the many and varied stakeholders who have shown continued faith in the Company throughout this period – particularly to those long-term investors who have continued to support us.

I would also like to acknowledge the continued support from our lender and largest shareholder Washington H Soul Pattison. Washington H Soul Pattison supported the company in difficult times, by way of both debt and equity, and we are now in the process of paying them back. As of today, we have now repaid 50% of the original principal amount borrowed in 2022.

While much good work has been done, we are by no means finished and we need to look to the future and to ensure that we consolidate and build upon the progress we have made to date.

We are positioning EOS for a future in which it is a truly global enterprise that is recognised as operating at the very top of its field.

Much remains to be done before we can say that we have achieved that long-term goal and I and the Board certainly do not see this meeting as an occasion for triumphalism or a premature ‘victory lap’.

It is right to acknowledge, though, the achievements of the past 12 months.

Our businesses are making tangible progress in many areas, both in Australia and internationally.

In 2023 our Defence Systems business released several new products, most notably the “Slinger”, counter-drone solution. While it is still early days, we have already seen commercial success with orders from the US- and German government. We also launched our light-weight R150 weapon system, which is highly versatile and meets the needs of the growing Uncrewed Ground Vehicle market.

Our satellite communication business, EM Solutions, continues to go from strength-to-strength and in 2023 secured a multi-year \$202 million contract with the Royal Australian Navy.

Andreas will talk to our commercial and operational successes in more detail shortly.

We are demonstrably reducing our reliance on individual product lines and customers – and the Board sees this diversification as a highly positive development for the Group as a whole.

I consider the commercial successes of the past 12 months confirmation that the Company is heading in the right direction.

EOS has never lacked ambition, talent or vision.

Ours is a business that has been defined – over 40-plus years – by a standing commitment to innovation.

As we move into a new chapter in EOS’ history, our aim is to preserve those admirable characteristics – and to counterbalance/fortify them through an increased emphasis on:

- commercial excellence; and
- strategic and fiscal discipline.

Given the troubling geopolitical events we continue to see around the world, the markets we operate in are strong and we see this strength continuing in the medium and longer terms. While the market backdrop is strong, the nature of our business means that it can take months or even years to convert the opportunities in our pipeline into contract orders, and as such our revenue profile will remain lumpy for the foreseeable future.

Having said that, the industries our group of businesses operate in can be complex, competitive and to a large extent defined by uncertainty and risk.

Therefore we must be solely focussed on executing our strategies and remain extremely disciplined.

Rather than marvel at how far we have come, we must now ensure that the foundations of the Group are durable enough to capitalise on the commercial tailwinds ahead of us.

Our key strategic imperatives include:

- Leveraging our clear technical advantages in the domains of remote weapon systems, counter-drone products and naval satellite communications
- Increasing our activity in new and previously untapped global markets
- Continuing to innovate and plan for the future, to remain ‘one step ahead’ – space control and space warfare, high-energy lasers

At the core of our business, is the superb performance, accuracy and low operating cost of our remote weapon systems. EOS’ long-standing pedigree in this area is arguably unmatched globally and we are proud that our systems are supporting allied efforts and protecting troops in Ukraine.

This breadth of our product portfolio and intellectual property means we are able to provide commercial offerings covering the land, sea and space battlespaces. Our enviable IP portfolio has been developed over many years, and we are now determined to commercialise this IP in order to generate economic value for our shareholder.

The conflict in Ukraine and recent events in the Middle East have highlighted the changing nature in warfare; particularly the rise of drone warfare. While electronic warfare systems have a role to play, there is currently no substitute for kinetic defeat systems. We are extremely privileged to have unique IP, both in our traditional remote weapon systems as well as high energy lasers which will be invaluable for modern warfare.

The growing global reputation of EM Solutions, demonstrates the hard work that that team has put in to developing best-in-class solutions for its customers.

Without doubt the space domain will be, if not is already, the most important and contested domain for militaries. As such we consider our Space Technologies business to have great commercial potential and we recently announced a contract with the Australian Defence Force's Joint Capabilities Group which we see as an acknowledgment of our unique capabilities in this domain .

We continue to make progress in our work with directed energy and high-powered lasers. We are one of very few international movers in this domain – where our IP has been created and refined over decades – and it is an important pillar of our long-term growth strategy.

EOS has a significant number of shareholders with very small unmarketable parcels. These holdings create an administrative burden for the company and extra costs. As such the Board is currently considering implementing an Unmarketable Parcel Share Sale Facility to provide eligible shareholders the opportunity to sell their shares free of brokerage charges, if they wish to do so. If shareholders have any comments about this proposal, please do not hesitate to make us aware.

The Board considers that there are significant and diverse future growth opportunities for EOS as a whole. Our challenge, now, is to seize them.

Strategic discipline and a clear understanding of our commercial strengths will be required.

The Board is guardedly optimistic and has confidence in the ability of our group of businesses to achieve the goals I have outlined in this address.

I thank investors for their support as we continue that journey.