

EOS

Company Update

30 May 2016

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ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

PROXY SUMMARY FOR ANNUAL GENERAL MEETING ON FRIDAY 30 MAY 2016 AT 9.30 AM

RESOLUTION	MATTER FOR CONSIDERATION	TOTAL	FOR	AGAINST	DISCRETION	ABSTAIN
2	RE-ELECTION OF BEN GREENE	13,168,149	13,165,409	2,740	0	0
		100.00%	99.98%	0.02%	0.00%	0.00%
3	RE-ELECTION OF IAN DENNIS	13,168,149	13,168,149	0	0	0
		100.00%	100.00%	0.00%	0.00%	0.00%
4	RE-ELECTION OF GEOFF BROWN	13,168,149	13,165,409	2,740	0	0
		100.00%	99.98%	.02%	0.00%	0.00%
5	REMUNERATION REPORT	13,168,149	7,686,149	3,000	0	5,479,000
		100.00%	58.37%	.02%	0.00%	41.61%
6	GEOFF BROWN OPTIONS	13,168,149	7,686,409	2,740	0	5,479,000
		100.00%	58.37%	.02%	0.00%	41.61%

Tasks

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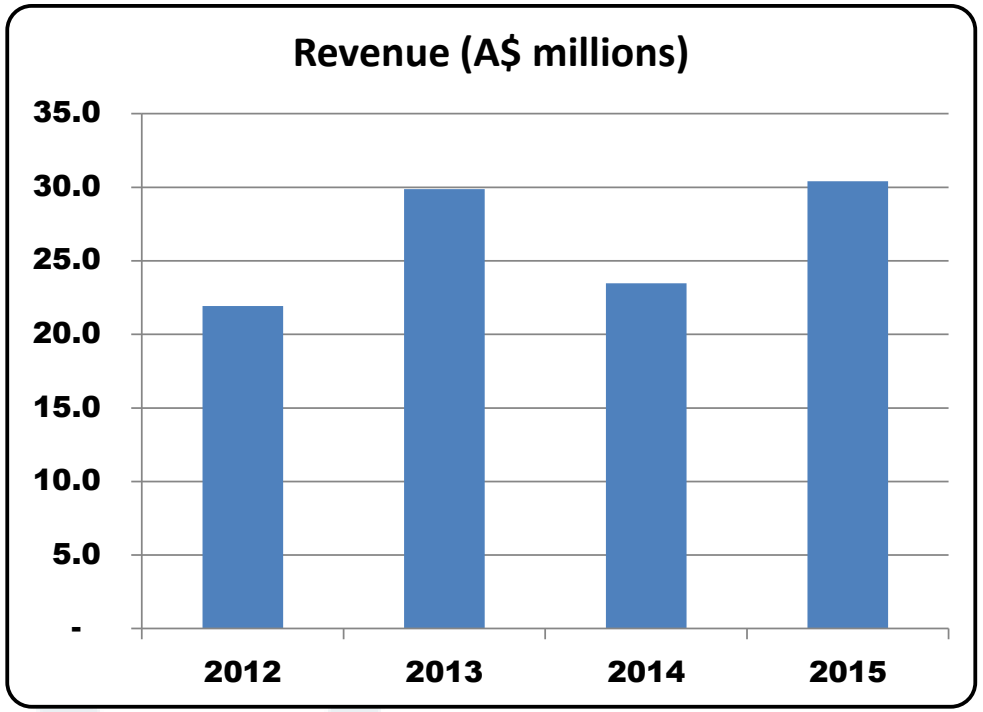
SUMMARY

1. Results for 2015
2. Defence Systems Sector
3. Space Systems Sector
4. Outlook

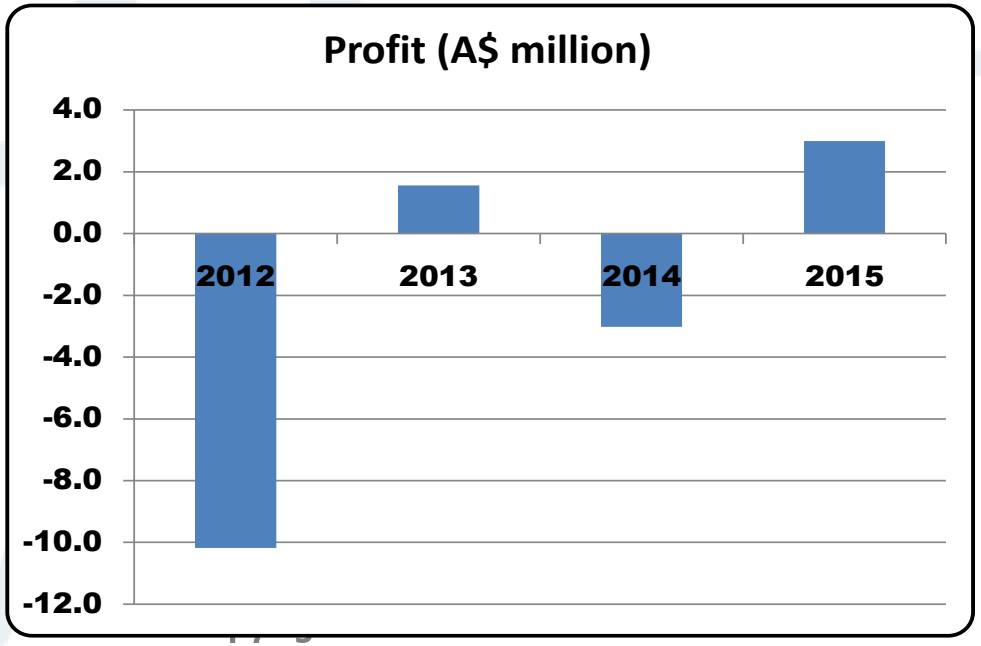
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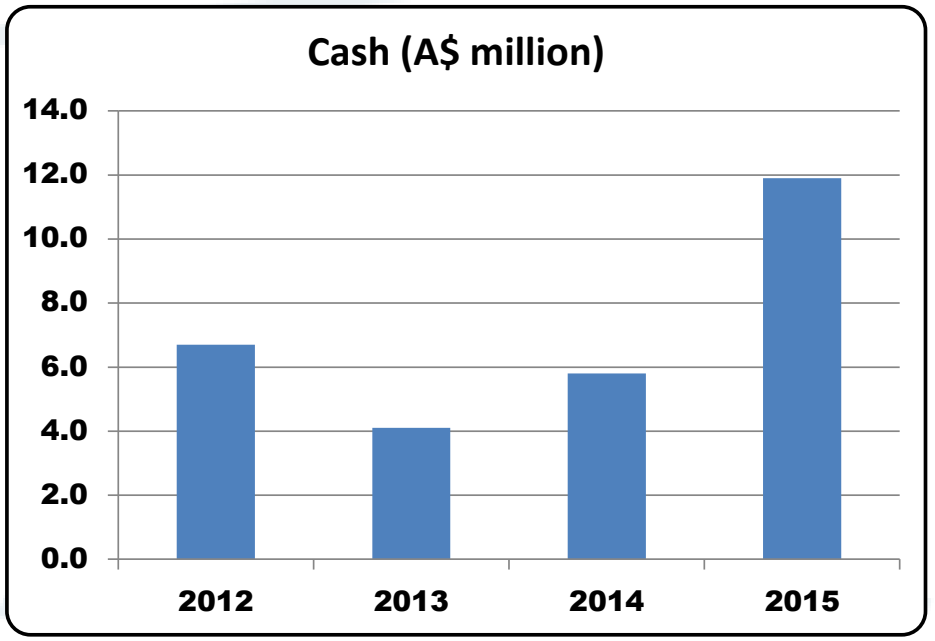
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FINANCIAL SUMMARY



1. Profitable as forecast
2. Cash at 2x 4-year average
3. Stable revenue (ca. $27M) excludes product impact
4. Margin improved to 10% net in 2015





Defence Sector: Status and Outlook

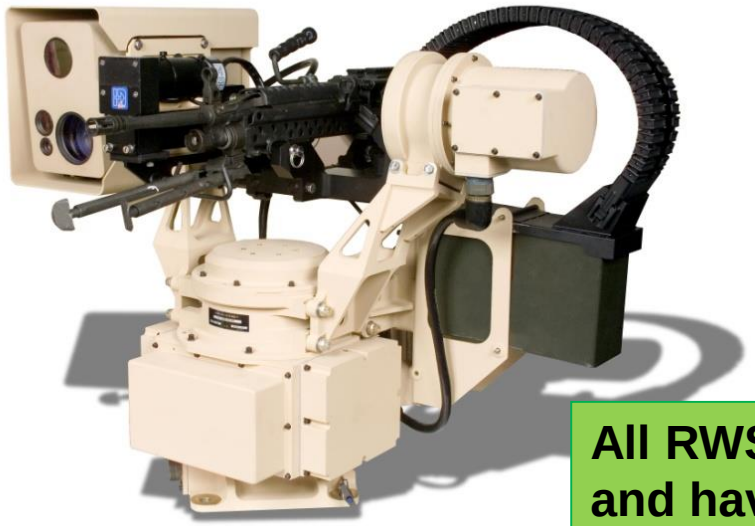


EOS RWS Product Family



- R-1600 Turret [1600 kg]
- R-600 Dual [400 kg]
- R-400 [CROWS 1] [200 kg]
- R-200 [100 kg]







All RWS are plug-and-play compatible and have common LRU and training

R-400S firing on M-ATV



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Key Developments and Trends: Defence

1. Profitable and at full capacity with current facilities
2. Diversified customer base in Europe, Asia and Australia
3. New licensed production site in Asia came on line
3. Unprecedented product inquiry rates and demonstration bookings
4. New products have strong prospects in major programs globally
5. Support revenue growing as more units deploy and age
6. Production output and quality increased through 2015 in an initial response to long-term programs for continuous improvement

Global trends suggest the business environment will improve thru 2016



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R-400S firing on NIMR

Space Sector: Status and Outlook



Key Developments and Trends: Space

1. Space Network Expansion

EOS capacity in the ACT will increase by 50% in 2016 with a new telescope installation.

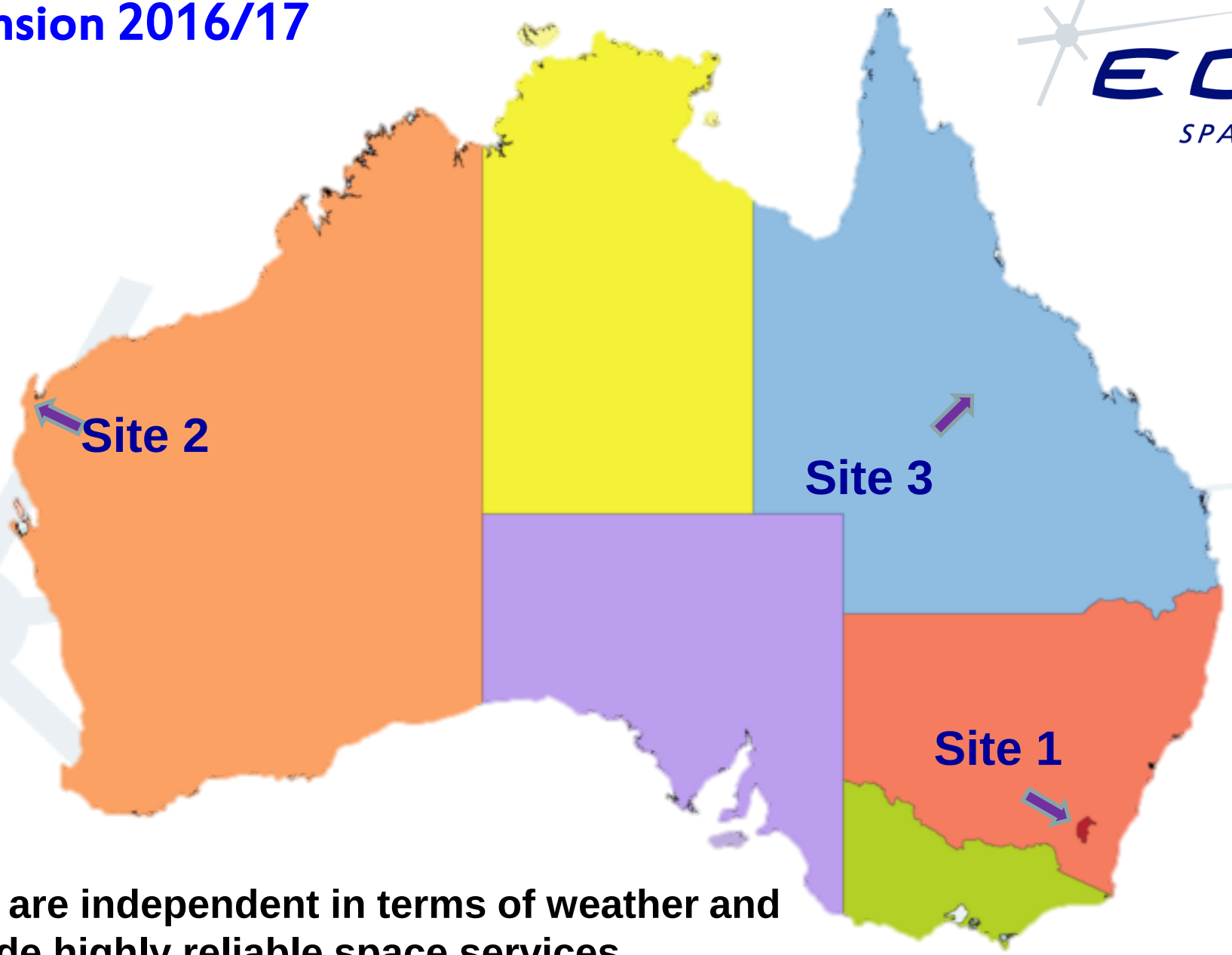
A new site in Western Australia is expected to achieve initial operations in Q3 2016.

An additional **new site in Queensland** is expected to be operational in Q3-2017. This expansion is funded and will establish a fully resilient EOS tracking network for key space data customers.

The network will establish EOS as the **largest provider of space data** in this hemisphere by Q4 2017.

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Network Expansion 2016/17



These three sites are independent in terms of weather and collectively provide highly reliable space services.

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EOS Space Research Centre: Mount Stromlo ACT

- This site is undergoing upgrade of 50% in capacity



EOS Space Tracking Facility: WA



With sites in WA, QLD and ACT, EOS will be the largest provider of space data in this hemisphere

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Key Developments and Trends: Space

1. **Space Network Expansion**
2. **Defence White Paper**

   The Commonwealth of Australia's Defence White Paper, Industry Policy and Infrastructure Investment Plan were released early in 2016. These indicate outlays of up to $2 billion over 20 years for space data by Australia.

   EOS capabilities will be vigorously competing for contracts which apply those funds.

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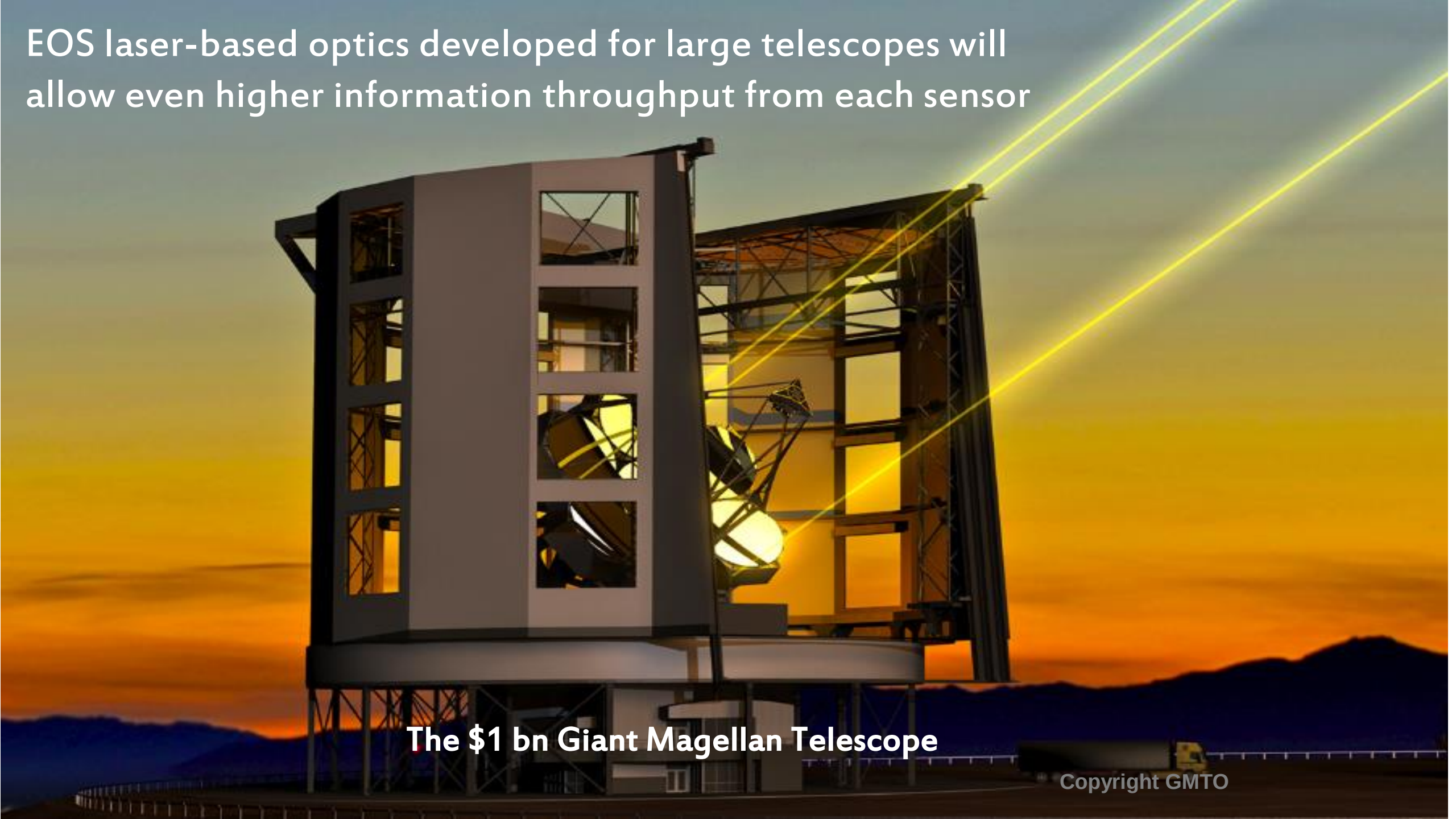
Key Developments and Trends: Space

1. Space Network Expansion
2. Defence White Paper
3. New Technology

   EOS developments in adaptive optics will soon allow EOS sensors to improve data acquisition efficiency and accuracy, as well as increase data transmission and receiving capacity, beyond all expectations up to now.

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EOS laser-based optics developed for large telescopes will allow even higher information throughput from each sensor



The $1 bn Giant Magellan Telescope

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Key Developments and Trends: Space

1. Space Network Expansion
2. Defence White Paper
3. New Technology
4. **Space Data Agreements**

   Negotiations with parties for space data access are ongoing. The key requirement of having available capacity is rapidly being met by EOS deploying its tracking network, which reaches critical mass and resilient operational status in 2017.

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OUTLOOK

Market requirements for EOS weapon systems across Asia, Europe and the Middle East are growing due to escalation of threats, confrontation and actual conflict. EOS is well placed in all those markets because its advanced products provide cost-effective defence capability.

However drastic falls in the price of oil and other resources have reduced defence funding in ***developing*** economies, even as regional conflicts escalate. At the same time there has also been a deterioration of government revenue and consequently defence funding in ***developed*** economies, even as strategic threats escalate. These conflicting pressures have caused delays in order placement, and have added uncertainty to EOS revenue forecasts.

However overall the outlook for defence systems sector remains positive. Growth is expected to continue, but with significant disruption to contract award processes.

The outlook for space sector is also positive. EOS is rapidly building its space infrastructure to achieve critical mass of capability to meet customer demand for reliable and accurate space data. Customer contract negotiations are building momentum as EOS capacity expands.

EOS expects to be profitable in the first half of 2016, and to hold in excess of $6 million in cash at 30 June 2016.

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