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ASX RELEASE

MARSS BUSINESS AND TRANSACTION UPDATE

Electro Optic Systems Holdings Limited ("EOS" or the "Company") (ASX:EOS), today announces (1) that it has agreed revised agreement terms for its acquisition of the assets of the MARSS group business ('MARSS'), (2) that the Company has drawn A$70m of its term loan facility, (3) that the upfront payment of US$36m for MARSS is being made today and (4) that receipt of the funds by the MARSS vendors and completion of the acquisition is expected in the coming days.

EOS also provides an update on the MARSS group business, including recent order intake. Details of the update and the amendments to the transaction terms previously announced on 12 January 2026 are set out below and in the appendix, respectively.

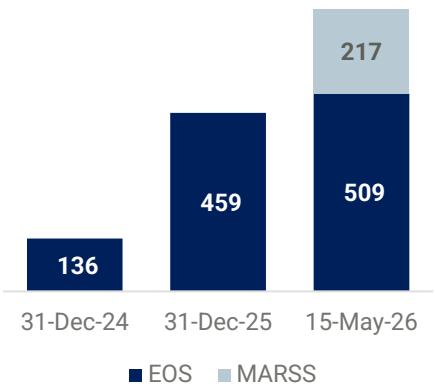
SUMMARY

- → MARSS has secured new orders in May 2026 totalling €102m (~A$165m) from an existing customer in the Middle East.
- → MARSS' order book is €135m (~A$217m) as at the date of this announcement.
- → In light of additional contracted orders, a strengthening outlook for MARSS and increased industry interest, EOS and the vendors have agreed certain amendments to the transaction terms previously announced on 12 January 2026, including an increase to the maximum earnout cap to €140m (from €100m).
- → Completion is subject to receipt of funds being transmitted today by EOS and other customary steps. There is no guarantee regarding the timing of completion.

MARSS BUSINESS UPDATE

- → MARSS' NiDAR Command and Control ("C2") systems are used to detect, track and defeat drone attacks.
- → In the Middle East the NiDAR system has successfully protected critical targets infrastructure. Multiple attacks with Shahed drones and missiles have been defeated and customers have expressed deep satisfaction. The NIDAR system is now battle proven.
- → Due to the performance of MARSS' NiDAR system in an active conflict zone MARSS is seeing accelerated customer enquiry and interest in its integrated and turn-key counter-drone capabilities.

Order Book
Illustrative Post-Completion
(A$m)



NEW CONTRACTS AND ILLUSTRATIVE ORDER BOOK

- → EOS is pleased to advise that MARSS has recently entered into a £85m (~A$160m) contract with an existing Middle Eastern military customer.
- → The contract expands MARSS' existing installations to deliver a country-wide drone detection and mitigation capability, with NiDAR C2 software at its core.
- → Given the urgent operational need for the system, the contract is expected to be substantially implemented during 2026 and 2027, with approximately 70% of revenue and cash expected to be earned in that period and the balance recognised over the following three years through support services.
- → The contract is with the national defence force of a country in the Middle East.
- → Subject to transaction completion, the addition of MARSS' $217m order book to EOS' existing $509m order book (at 15 May 2026), would illustratively increase EOS' total order book to $726m.

IMPACT OF ACQUISITION

- → MARSS is a turnkey provider of counter-drone systems, including custom design of high performance systems incorporating third-party OEM equipment such as sensors and effectors.
- → MARSS' current order book of $217m includes a mix of one-off installation revenue, typically earned over 1-2 years and ongoing support revenue, recognised over contracts that run for 3-5 years.
- → In addition to the current order book, MARSS has several additional potential future opportunities with contract values exceeding $100m.
- → Assuming EOS' acquisition of MARSS completes, and in exchange for the consideration, EOS expects to receive the full economic benefit of all current MARSS contracts under the agreed transaction arrangements. Formal novation of the contractual rights and obligations of all contracts is expected to occur, where required, following completion and subject to applicable processes and consents.

AMENDED TRANSACTION TERMS

Due to the recent conflicts in the Middle East, where MARSS already has an installed and operational footprint, MARSS has seen a demonstrable increase in customer enquiry for its systems and increased interest from other industry participants.

This increased enquiry, together with MARSS established footprint, has increased the likelihood and size of contracts that could be signed during the earn out period and hence increased the value of MARSS. There is however no guarantee that any further contracts will be signed during the earn out period.

This acceleration of potential demand and increased interest in the MARSS products and business has led to certain amendments to the transaction terms previously announced on 12 January 2026

The key items are:

- → The upfront consideration amount of US$36m payable on completion will remain unchanged.
- → The maximum earnout cap will be increased to €140m (from €100m). This increase in potential acquisition consideration is entirely contingent upon the acquired business achieving new order intake in the period between 12 January 2026 and 12 months from completion. The new contract referred to above is included in the earn out new order intake.

Details of the amendments are set out in the Appendix to this announcement.

FINANCE FACILITY DRAWDOWN

EOS advises it has drawn A$70m from the secured term loan facility provided by Washington H. Soul Pattinson (WHSP). A$50m of the drawdown will be used to fund the upfront cash consideration being paid today.

The terms of this facility were detailed in ASX announcements made on 12 January 2026 and 2 March 2026.

This announcement has been authorised for release by the Board of Directors.

DR. ANDREAS SCHWER

Managing Director and Chief Executive Officer

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APPENDIX – DETAIL OF AMENDED TRANSACTION TERMS

The key amendments, which were made to the asset transfer agreement and terms of the performance rights referenced in the announcement on 12 January 2026, are as follows:

- → Up-front consideration of €36m in cash remains unchanged.
- → The maximum contingent consideration ('earnout') payable to the MARSS management shareholders has been increased from €100m to €140m.
- → The conversion ratio of new MARSS contracts during the earnout period remains €20m for each €100m of order intake value (with pro-rated amounts being earned for order intake values of lower than €100m). As such, MARSS would need to achieve €700m of new order intake in the earnout period (which runs from 12 January 2026 until 12 months from the completion date), in order to achieve the maximum earnout of €140m.
- → The maximum earnout is capable of being earned by the MARSS management shareholders as follows:
    - The first €500m of order intake will earn contingent consideration of €100m. This consideration is payable in EOS shares at the previously agreed conversion price of $7.40 per EOS share and an exchange rate of 0.57. The maximum number of shares to be issued is 23,529,411. As previously announced, the vendors can elect to receive up to €20m of this first tranche in cash.
    - A further €200m of order intake can earn additional contingent consideration of €40m. This consideration is payable in EOS shares, at a new conversion price equal to the volume weighed average of EOS's share price in the 5 trading days (converted into euros at the exchange rate on the day) prior to completion of the acquisition of MARSS ("New Conversion Price"). The maximum number of shares that may be issued in respect of this element of the earnout is 5,413,403 and any earnout amount earned in excess of the value of those EOS shares is payable in cash (as described below).
- → The maximum total number of EOS shares that could be issued if MARSS achieves €700m of order intake by the date that is 12 months after completion is now 28,942,814 (previously 23,529,411) ("Maximum Shares"). The Maximum Shares of 28,942,814 potentially issuable represent 15% of EOS' currently issued share capital (meaning that the payment of the earnout in EOS shares is subject to this 'placement capacity cap'). Accordingly, if the aggregate amount payable under the MARSS performance rights exceeds the value of the 23,529 411 Shares at A$7.40 per Share and 5,413,403 Shares at the New Conversion Price per Share, the balance (up to the earnout cap) will be payable in cash.
- → The previous earnout was payable in two separate tranches (under two classes of performance rights), one at 90 days from completion and one after the end of the earnout period (after 31 May 2027). The amended terms now split the payment into three tranches (under three classes of performance rights), one at 90 days from completion, one after 270 days from completion and one after the end of the earnout period (31 May 2027). If sufficient contracts are signed during a tranche period, the entire earnout payment of €140m could be earned in that tranche period (provided that the cap on all earnout payments is €140m).

- → EOS shareholder approval is not required for the issuance of these additional performance rights or the EOS shares which may be issuable on vesting of the performance rights, because of the placement capacity cap referred to above, the amounts fall within the placement capacity available to EOS under ASX listing rule 7.1.
- → EOS has agreed to, if desired by the vendors, advance an amount of up to €12m to MARSS management shareholders and other MARSS vendors as advance earn-out payments and to assist in settlement of liabilities of the business not transferring to EOS. These amounts will be set off against the earnout in the first tranche period and will reduce the amount of shares issued (at $7.40) or cash paid. If the amount of earnout earned during the first tranche period is insufficient to set off these amounts, the amounts (or any unset off balance) will be repayable to EOS on demand.
- → Subject to the nomination of a suitable candidate, the board has agreed to appoint a nominee of MARSS management shareholders as a director to the EOS Board if at any time the MARSS management shareholders collectively hold shares in excess of 15% of EOS issued share capital. Any director nominated by the MARSS management shareholders will fill a casual vacancy and will be required to stand for reappointment by shareholders at the first AGM following their appointment to the casual vacancy.
- → If a director nominated by the MARSS management shareholders is appointed, the MARSS management shareholders agree to vote their EOS shares (up to a 19.99% cap, when aggregated with any other relevant interest EOS has in its own shares) at meetings of EOS' shareholders in line with the recommendation of the EOS Board of Directors.

ABOUT ELECTRO OPTIC SYSTEMS

(ASX: EOS)

EOS operates in two divisions

DEFENCE 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 include next-generation remote weapon systems, vehicle turrets, high-energy laser weapons (directed energy), fully integrated and modular counter-UAS and C2 and C4 systems. C2 Systems include Command and Control Systems such as MARSS' software-led counter-drone and critical infrastructure protection capabilities, centred on the NiDAR platform.

SPACE SYSTEMS

Space Systems 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.

EOS CUSTOMER IDENTITIES

EOS deals with a number of customers in the defence and security industries and in some instances has not disclosed the identity of all of these customers in this announcement. EOS confirms that:

- it does not consider the identity of such customers to be information that a reasonable person would expect to have a material effect on the price or value of EOS securities; and
- this announcement contains all material information relevant to assessing the impact of the matters referred to in this announcement on the price or value of EOS securities and is not misleading by omission.

FORWARD LOOKING STATEMENTS

This announcement may contain certain "forward-looking statements" including statements regarding EOS' intent, belief or current expectations with respect to EOS' business and operations, market conditions, results of operations, financial condition, and risk management practices. The words "likely", "expect", "aim", "should", "could", "may", "anticipate", "predict", "believe", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings, financial position and performance, establishment costs and capital requirements are also forward-looking statements.

Forward-looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance.

This announcement may contain such statements that are subject to risk factors associated with an investment in EOS. Forward-looking statements involve known and unknown risks, uncertainties and assumptions and other important factors that could cause the actual results, performances or achievements of EOS to be materially different from future results, performances or achievements expressed or implied by such statements.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this announcement