



EOS CONSOLIDATES AND EXPANDS DEFENCE BUSINESS

Canberra 15 June 2018

Electro Optic Systems, (ASX: EOS) has further consolidated and expanded its defence business, with significant developments in production, financing and marketing.

1. Production

At 31 May 2018 EOS had shipped 80 new remote weapon systems on schedule from its new Hume [ACT] plant in 2018. The Hume plant output for 2018 is on track to meet or exceed current forecasts of 240 units.

Product yield and quality both meet or exceed prior expectations. Input costs and applicable currency exchange rates are tracking well to the company's models.

EOS is working closely with its component suppliers to smoothly lift production from 20 units/month currently, to 40 units/month by Q1 2019. This is the production ceiling originally planned for the Hume plant.

On 15 March 2018 the company announced it had selected Huntsville, Alabama, for US expansion of capacity. This selection was in part based on agreement with local and state governments relating to employment incentives. On 6 June 2018, following execution of an agreement with the State of Alabama, the plant was inaugurated with a formal launch attended by senior EOS and government figures.



EOS' CEO of Defence Systems, Grant Sanderson, at the Huntsville plant launch.

Alabama Governor Kay Ivey said: “EOS’ decision to locate its new manufacturing center in Alabama is a reflection of the state’s attractive business climate and its skilled workers, who prove their capabilities each and every day.”

Alabama Commerce Secretary Greg Canfield warmly welcomed EOS to Huntsville and said: “We look forward to building a strong partnership with the company and seeing it grow both its business and its workforce in coming years.”

EOS has installed a management team to establish and operate the facility. The facility is already functional for marketing, business development, RWS testing support, staff training and system-level integration for US Army vehicles.

During the second half of 2018 a production workforce will be recruited and trained, and a supplier network established. The company intends to be in production in Huntsville by early 2019. The plant capacity will initially be 50 units/month with substantial scope for expansion once the supply chain is fully established.

2. RWS Project Finance.

In Q1 2018 EOS raised \$61.4 million through the issuance of new shares for working capital for its expanding defence business. An initial use of these funds was to timely establish performance guarantees for delivery contracts pending the fulfillment of normal commercial requirements for those guarantees to be placed by financial institutions on EOS’ behalf.

During Q1 2018 the company placed performance bonds in the amount of US\$31,635,146.70 for RWS contracts. During June 2018 this was reduced to US\$6,327,029.34 as performance bonds from Efic replaced EOS funds. The liberated funds are restored to available working capital as planned.

3. EUROSATORY 2018



EOS' R-400S displayed on Arqus VAB Mark 3 French Vehicle at EUROSATORY

EUROSATORY 2018 is the largest military trade show in the world in 2018, and is being held in Paris, France from 11-15 June. It is a very large gathering of defence companies, suppliers and customers and EOS was well represented.

EOS has used the 2018 show to initiate expansion of its supply chain, with new relationships established and two supply memoranda executed with new, large-scale vendors which have been in a qualification process for many months.

Current EOS customers attended the EOS stand, and there was strong interest from potential future customers who use this trade show to compare products.

The Minister for Defence Industry, Christopher Pyne, attended the EOS product display at EUROSATORY.



Minister for Defence Industry, Christopher Pyne with EOS Group CEO Dr Ben Greene at Eurosatory

4. Outlook

EOS has previously issued forecasts of \$88 million of revenue and profit exceeding \$5 million for the full year to 31 December 2018. EOS expects 2018 performance to meet or exceed those forecasts.

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

EOS operates in two sectors: Defence Systems and Space Systems.

- EOS Defence 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 weapons systems.
- EOS Space sector 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.