



ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

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22 August 2025

The Manager
Company Announcements Office
ASX Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000

Dear Sir or Madam,

Appendix 4D and Half-year Financial Report

The Appendix 4D and the Half-year Financial Report for the half-year ended 30 June 2025 is attached.

This announcement is authorised for release to the ASX by the Board of Directors.

Yours faithfully

Melanie Andrews
Company Secretary

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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 include 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 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 does not always disclose the identity of the customer. EOS confirms that:

1. 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
2. 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.

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.



Electro Optic Systems Holdings Limited

ACN 092 708 364

Consolidated financial statements for the half-year ended 30 June 2025

This half-year report is provided to the Australian Securities Exchange (ASX)
under ASX Listing Rule 4.2A.3.

Current Reporting Period: Half-year ended 30 June 2025

Previous Corresponding Period: Half-year ended 30 June 2024

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ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

Results for Announcement to the Market

REVENUE AND NET PROFIT

		Percentage Change %	Amount (\$'000's)
Revenue from ordinary activities	Down	(67%)	To 47,386
Attributable to Continuing Operations	Down	(58%)	To 44,070
Attributable to Discontinued Operations ¹	Down	(91%)	To 3,316
Profit after tax attributable to members			46,786
Attributable to Continuing Operations			(44,193)
Attributable to Discontinued Operations ¹			90,979
Net Profit attributable to members			46,786

¹Discontinued on 31 January 2025

DIVIDENDS (DISTRIBUTIONS)

	Amount per security	Franked amount per security
	Cents per security	Cents per security
Final dividend	Nil	Nil
Interim dividend	Nil	Nil
Record date for determining entitlements to the dividend:		
• Final dividend		N/A
• Interim dividend		N/A

NET TANGIBLE ASSETS

Net Tangible Assets (NTA) at 30 June 2025 *	\$235,784,460
Number of ordinary shares outstanding at 30 June 2025	192,952,099
NTA per ordinary share at 30 June 2025	122.20 cents per share
NTA per ordinary share at 30 June 2024	95.02 cents per share

* including Right of Use assets and lease liabilities recognised in accordance with AASB 16 Leases.

Brief Explanation of Revenue, Net Profit and Dividends (Distributions)

Refer to Review of Operations on pages 3 to 11.

No dividends have been declared or paid.

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Review of Operations

1. RESULTS FOR HALF-YEAR ENDED 30 JUNE 2025

Financial Results

The consolidated entity, consisting of Electro Optic Systems Holdings Limited ("Company") and the entities that it controls, ("Group" or "EOS") recorded revenue from continuing operating activities of \$44.1m, representing a \$61.4m or 58.2% decrease on the prior corresponding period (30 June 2024: \$105.5m).

The loss after tax from continuing operations was \$44.8m, compared to a loss of \$10.8m in the prior corresponding period.

Underlying earnings before interest, taxes, depreciation, and amortisation ("Underlying EBITDA")¹ from continuing operations was a loss of \$13.3m for the half-year, compared to an Underlying EBITDA loss of \$1.0m in the prior corresponding period.

Continuing operations does not include the financial results of EM Solutions Pty Limited and its subsidiary (together "EMS") for either the current or the comparative period. The activities of EMS are disclosed as a discontinued operation for the period ended 30 June 2025 and the previous corresponding period.

The divestment of EMS was completed on 31 January 2025, with gross divestment proceeds of \$160.0m received after final customary adjustments during the half-year ended 30 June 2025. The divestment of EMS resulted in a gain on sale of \$90.5m. Refer to Note 6 to the financial statements for details. On the same date, EOS repaid \$61.1m (inclusive of capital, interest and 'make whole' amounts) to its primary lender, Washington H. Soul Pattinson ('WHSP').

For the half-year ended 30 June 2025, the Group's total net profit before tax was \$46.1m (loss of \$45.2m from continuing operations, and profit of \$91.3m from discontinued operations), representing an increase of \$49.6m (June 2024: net loss of \$3.5m). The total Group's net assets position was \$268.0m at 30 June 2025, an increase of \$48.5m from the net assets position of \$219.5m at 31 December 2024.

The net cash outflow from operating activities (including EMS) totalled \$9.2m for the half-year, a decrease of \$21.4m on the prior corresponding period (30 June 2024: \$30.6m outflow). The key changes in cash flows during the half-year included receipt of approximately US\$40m from a longstanding customer in the Middle East, and the additional finance cost related to the 'make whole' payment of \$12.9m to WHSP on the early full repayment of borrowings.

At 30 June 2025, the Group held cash and term deposits totalling \$130.3m (consisting of cash at bank of \$90.3m and term deposits of \$40.0m). This compared to \$52.3m at 31 December 2024, consisting of \$41.1m from continuing operations, and \$11.2m from discontinued operations.

Key elements of financial performance of the Group are summarised below.

¹ Underlying EBITDA represents earnings before finance costs, depreciation, amortisation and taxation expense, discontinued operations, and foreign exchange movements. This is a non-IFRS and unaudited measure which the company believes provides useful financial information.

Review of Operations

Revenue

The Group recorded revenue from continuing operations of \$44.1m for the half-year, representing a decrease of \$61.4m or 58.2% from the \$105.5m in the corresponding period. The half-year results show an increase in gross margin on materials of 75.5% compared to 44.0% in the prior corresponding period.

The Defence segment generated revenue of \$38.8m in the half-year compared to \$101.4m in the corresponding period, a 61.8% decrease. Revenue in the Space segment (excluding discontinued operations) increased 28% to \$5.3m in the half-year compared to \$4.1m in the prior corresponding period.

The decrease in Defence revenue was predominantly driven by lower activity levels, following the completion of work related to a large longstanding contract with a customer in the Middle East.

Included in the 1H revenue is US\$8m (approximately A\$12m) of previously constrained revenue. The recognition of this revenue reflects the finalisation of a longstanding contract with a customer in the Middle East.

At 30 June 2025, the Group had a contracted backlog of approximately \$170m. This represents work secured under customer contracts, and is expected to be largely undertaken through the remainder of 2025 and throughout 2026.

In addition to the above, on 5 August 2025, the Group announced a new contract worth €71.4m (approximately A\$125m) for the delivery of High Energy Laser Weapon technology to a customer that is a European NATO member. The contract is expected to be fulfilled during 2025 to 2028 by EOS in Singapore. Following this, the Group contracted backlog at 22 August 2025 was \$307m.

Expenses

Expenses from continuing operations decreased to \$85.7m in the half-year from \$126.0m in the prior corresponding period. This movement was primarily driven by decreased materials costs of \$48.4m. Depreciation expense increased by \$3.1m compared to the prior corresponding period, primarily due to the deployment of a specialised asset for a Space project during the current period. The increase in finance costs of \$4.2m is mainly driven by the 'make whole' payment incurred in January 2025 upon the early full repayment of outstanding borrowings.

Review of Operations

Underlying EBITDA

Underlying EBITDA from continuing operations (prior to foreign exchange gains/losses) was a loss of \$13.3m, compared to a loss of \$1.0m in the prior corresponding period.

Continuing operations Period ended 30 June	1H2025 \$m	1H2024 \$m
(Loss) for the period	(44.8)	(10.8)
Income tax (benefit)	(0.4)	(3.7)
(Loss) before tax	(45.2)	(14.5)
Finance costs	16.6	12.4
Foreign exchange loss/ (gains)	5.8	(5.0)
Underlying EBIT (loss) (before foreign exchange gains/losses)	(22.8)	(7.1)
Depreciation and amortisation	9.5	6.1
Underlying EBITDA (loss) (before foreign exchange gains/losses)	(13.3)	(1.0)

Borrowings

All amounts borrowed from WHSP in 2022 were repaid in January 2025 and EOS currently has no borrowings.

Foreign Exchange

The results include a foreign exchange loss from continuing operations in the half-year of \$5.8m compared to a gain of \$5.0m in the prior corresponding period, which predominantly arose on the translation of US Dollar assets into Australian Dollars.

Contract Asset

The Group recognises a contract asset, being revenue recognised on projects that has not been invoiced to customers. The timing of the recognition of revenue is in accordance with the Australian Accounting Standards. Amounts are invoiced to customers in accordance with legal arrangements specified in customer contracts.

The Group has been closely managing the contract asset and been focussed on reducing this working capital investment over time. At 30 June 2025, the Group had a contract asset totalling \$5.1m (31 December 2024 \$57.4m), being revenue earned but not invoiced. The decrease of \$52.3m in contract asset is primarily due to invoicing and subsequent cash receipt during the period from a longstanding customer in the Middle East upon finalisation of the contract. The contract asset will continue to be monitored closely in the future to optimise working capital levels.

Contract Liabilities

The Group recognises contract liabilities for amounts that have been received from customers as advance payments on projects. During the half-year, contract liabilities have decreased by \$4.4m to \$19.7m at 30 June 2025 (31 December 2024: \$24.1m). This contract liability will continue to be recognised as revenue as contract work is completed.

Review of Operations

Cash Balances

The total cash balance including term deposits held by the Group at 30 June 2025 was \$130.3m (consisting of \$90.3m cash at bank and \$40.0m term deposits maturing in July and August 2025), representing an increase from \$52.3m (including \$11.2m held for sale) at 31 December 2024.

Cash Generated in Operating Activities

During the half-year, the Group had net cash outflow from operating activities of \$9.2m, compared to net cash outflow of \$30.6m in prior corresponding period, representing a net increase in cash flow of \$21.4m.

The net increase of \$21.4m in operating activities was caused predominantly by the lower customer receipts of \$19.5m from the prior period, and offset by a net decrease in payments to suppliers and employees of \$45.7m from the prior period as a result of lower production activities in the current period).

The cash outflow during the period also included interest paid and the make make-whole fee paid as part of the repayment of Term Loan facility which occurred on 31 January 2025.

Cash Flow Used in Investing Activities

The Group had net cash inflow of \$97.9m from investing activities during the half-year, a \$97.2m improvement from the net cash inflow in the comparative period of \$0.7m. The movement includes a net cash inflow of \$156.6m from the divestment of EMS, which is offset by transaction cost outflows of \$3.3m. Refer to Note 6 to the half-year financial statements for further information.

The net cash increase was offset by the placement of \$40.0m in term deposits maturing in July and August 2025, and payments for the acquisitions of property, plant and equipment, and intangibles of \$6.2m and \$4.0m respectively during the period.

The investing activities also includes a \$5.5m cash outflow for increased cash security on performance bonds.

Cash Flow Used in Financing Activities

Net cash outflows of \$50.8m from financial activities were incurred during the half-year, compared to a net inflow of \$12.4m in the prior period. The net inflow in the prior period was mainly driven by proceeds from a capital raising of \$36.9m, offset by the repayment of the Additional Working Capital facility of \$20.5m. The cash movement in the current period is driven by the principal repayment of the Term Loan facility of \$48.2m in January 2025.

Review of Operations

2. DETAILED SEGMENT UPDATE

DEFENCE SYSTEMS

In 1H 2025, Defence Systems had revenue of \$38.8m, compared to \$101.4m in the prior corresponding period. This \$62.6m decrease was predominantly driven by lower activity levels, following the completion of work related to a large longstanding contract with a customer in the Middle East.

The main activity during the half-year was the manufacture and delivery of remote weapon systems ("RWS") for several different customers.

Market Overview and Sales Activity – Defence Systems

EOS continues to experience an increase in counter-drone demand. As announced on 19 May 2025, a Western European government customer placed an order for EOS' flagship "Slinger" RWS valued at €31m (approx. A\$53m). The systems are intended to address urgent operational requirements in Europe and delivery is expected to occur during 2025 and 2026. This order represents the largest order to date for the EOS "Slinger" Counter-Drone RWS, and the largest ever EOS order for naval RWS.

The Group commenced delivery under a contract announced in December 2024 to supply €8m (approx. A\$13.6m) of counter-drone Container-Based RWS. Production of remaining systems is currently underway, and deliveries are expected to be completed in 2025.

EOS participated in a number of live-fire demonstrations and attended several trade shows in the period.

EOS entered into a number of MoU's as it looks to position itself to bid on significant contracts in various regions.

In February 2025, EOS launched its next-generation R500 RWS. As well as greater lethality, flexibility and capacity, the R500 will also include cutting-edge computing power and AI capabilities.

During the half-year, EOS has advanced the contract negotiations in relation to the supply of RWS to Hanwha for the Project Land 400 Phase 3 Project in Australia. Hanwha is the prime contractor to the ADF for this project. ADF product requirements have now been largely finalised and this contract is targeted for signing in the second half of 2025. The project is valued at approximately \$100m, with RWS targeted for delivery in 2026 and 2027. Subject to the outcome of these negotiations, it is anticipated that the Land 400 Phase 3 project has the potential to give rise to revenues for the Group from 2026 onwards. There is no certainty that any particular outcome or transaction will result from these discussions.

Defence Systems continues to be in active discussions and contract negotiations for the provision of RWS and related components with other potential customers. These opportunities have the potential to materially improve revenue and cash flow in future years. There is no certainty that any particular outcome or transaction will result from these discussions and negotiations.

The Defence Systems business continued to deliver products to key customers including in the Middle East and Australia. In addition, the Defence Systems business incurred costs and cash outflows in product manufacturing costs, operating costs and staff costs.

Review of Operations

High Energy Laser Weapons

As announced on 5 August 2025, EOS secured the world's first export sale contract to deliver a high-energy 100kW laser system. The order is valued at €71.4m (approx. A\$125m) and was placed by a European NATO Member State. It requires production and delivery of the capability, as well as spare parts, training and documentation. The order is expected to be fulfilled during 2025 to 2028 by EOS in Singapore.

We continue to deal with enquiries from several potential future customers for High Energy Laser Weapon products.

Product Research and Development – Defence Systems

Defence Systems continued to develop its intellectual property and commercialise its product range during the half-year:

- EOS continued discussions with potential customers for the R150 RWS (launched during 2023) and the R800 RWS (launched during 2023).
- Following the 2023 launch of the flagship Slinger counter-drone system, work continued to meet strong demand for counter-drone solutions. In addition to ongoing efforts to demonstrate the Slinger counter-drone system capabilities to customers during the period, The Group held discussions with customers about Laser Dazzler products. The EOS Laser Dazzler can be integrated into EOS' existing RWS, giving operators the flexibility to use either kinetic or non-kinetic electronic warfare measures against aerial threats.
- During the half year, EOS commenced the development of the first naval Slinger system under a customer contract. The systems will be supplied with a range of weapon configurations, and include some systems with cannons.
- EOS continued work for a large potential customer in North America to develop an autonomous capability for the Slinger counter-drone system.
- EOS reviewed emerging software and artificial intelligence technologies in the areas of counter-drone detection, identification, tracking and prioritisation.
- During the half year, EOS reviewed emerging laser technologies that have the potential to support High Energy Laser Weapons at power levels above 150kW.

SPACE SYSTEMS

Revenue from continuing operations in the Space Systems segment increased 28% to \$5.3m in the half-year from \$4.1m in the prior corresponding period.

Space Systems business delivers space domain services as well as designing, manufacturing and deploying telescope and observatory equipment. Space Systems also develops technologies that support Space Domain Awareness, and Space Control activities.

During 2025, Space Systems continued to grow and commercialise its technology. This included a continued focus on securing third party funding for product development in the area of Space Control.

During the half year:

- Work continued to deliver on existing contracts valued at \$14m with the ADF Joint Capabilities Division to develop space capabilities.
- EOS Space Systems installed and tested a new improved "guide star laser" system at Mt Stromlo in Australia. This technology was funded with customer support, and is aimed at delivering improved product and service capability to customers.

Review of Operations

Subsequent to the end of the half-year:

- Space Systems secured two contracts totalling \$11.0m with the Commonwealth of Australia to further collaborate on research priorities.
- EOS's KiwiOptics division secured a contract for precision optical equipment with a European customer, valued at €3.0m (approx. A\$5.3m).

KiwiStar Optics division continues to deliver against several contracted programs for a broad range of international customers.

During the period, discussions were held with various potential partners and customers to develop opportunities for Space Systems in the growing market for Space Control solutions. Discussions to date have focussed on the Group's unique capabilities and potential opportunities for the Group to secure product development funding. These discussions include parties in North America, Europe, the Middle East, Asia, and Australian region and are expected to continue. Typically, it can take a year or more for opportunities to be developed and converted to signed sales agreements.

EMS (Discontinued operation)

EMS designs, builds, deploys and maintains on-the-move satellite communication equipment systems for defence forces. EMS' main products include satellite communication terminals and antennae for naval vessels and other marine applications.

In November 2024, the Group announced its intention to divest 100% of EMS to Cohort plc, and as a result, EMS was classified as a disposal group held for sale and as a discontinued operation at 31 December 2024. On 31 January 2025, the transaction to sell 100% of the equity in EMS completed. Accounting for customary adjustments for working capital and net debt, consideration of \$159.9m was received during the period.

3. SECURITIES

During the half-year to 30 June 2025:

- 3,002,291 share options and 493,943 share rights were issued to employees, following approval at the AGM. These included 986,842 share options and 165,929 share rights issued to the Managing Director/CEO;
- 133,560 shares were issued to eligible employees under the Employee Tax-exempt Share Plan, as approved at the AGM; and
- 136,390 deferred shares were issues to the Managing Director/CEO and CFO/COO, as approved at the AGM.

There is no change in share capital as a result of these allocations and it is anticipated that upon vesting, these allocations will be funded, to the fullest extent possible, by shares already issued and held in trust as lapsed shares under the existing Loan-Funded Share Plan.

Review of Operations

4. OFFSET CREDIT OBLIGATION

The Group is obligated as part of its contract to supply a customer in the Middle East, to contribute to economic development in the country as an offset against purchases of its products and services ("Offset Program").

The detailed background to this obligation has been provided in previous announcements to the ASX, and the Financial Report for the year ended 31 December 2024 which was published on 25 February 2025.

The obligation commitment is secured by an offset bond of US\$16.9m (A\$25.9m) which is guaranteed by Export Finance Australia. In respect of this bond, a cash security amount of US\$16.9m (A\$25.9m) has been placed on deposit.

As part of the offset program, EOS is required to develop, agree and submit an approved business plan, which will generate offset credits, to the offset credit authority. On 20 February 2025, the Group received approval from the offset credit authority for the business plan.

The business plan envisages that EOS will enter into a 49% EOS owned JV with Shielders Advanced Industries ("Shielders") to set up local manufacturing and assembly of EOS' R150 Remote Weapon System product in the Middle East.

Under the approved business plan, EOS has from 1 July 2026 until 1 July 2033 to set up the JV and earn the relevant offset credits. This includes in kind contributions including the licensing of EOS owned IP, and providing technical data packages and manufacturing knowhow to the JV.

Under the approval from the offset credit authority, the final form of the JV agreement, along with other agreements necessary for the JV to manufacture and assemble EOS product in the Middle East, require the approval of the offset credit authority.

The draft JV agreement was reviewed and approved by the offset credit authority on 7 August 2025. The next step is expected to be the formal signing of a binding JV agreement by both EOS and Shielders.

Under the approved business plan and JV agreement, in order to earn offset credits EOS must contribute not less than AED 18.4m (approximately A\$7.7m) in cash to the JV in due course.

EOS considers that it is currently in compliance with its obligations.

In the event that EOS does not comply with its obligations in future, the Offset Credit authority is entitled to demand payment under the guarantee outlined above. EOS intends to continue to work to ensure it complies with its obligations.

5. SUBSEQUENT EVENTS

Other than noted above, there were no significant subsequent events arising after 30 June 2025 and up to the date of this report.

Review of Operations

6. OUTLOOK

As outlined above, work continues throughout the Group on several initiatives, to continue growth and improve profitability, cash flow outcomes, funding and returns.

Market and Customer Outlook

The global market demand for the Group's products remains positive. This is due to the conflicts in Ukraine, conflicts in the Middle East and tensions in other locations. In particular, the counter-drone market continued to be fast growing and represents a high-profile market opportunity for the Group.

The Group operates in an industry where it can typically take up to, and beyond, twelve months for new market opportunities to be converted into signed sales contracts. The Group continues to pursue a number of material opportunities in different markets, including Europe, the Middle East, North America, South East Asia and Australia.

Outlook for Revenue

EOS operates primarily in the defence industry and revenue can be lumpy. In addition, the EOS revenue outlook can be uncertain due to a range of factors, including uncertainties relating to (1) the timing of customer contract awards, (2) the achievement of customer contract milestones.

Changes in project timing, and the timing of the Group's revenue, can arise due to unplanned changes in circumstances. This can include delays at the customer, delays at the customer's other suppliers, delays at the Group and delays at the Group's suppliers.

EOS' primary focus is on growing the contract backlog further by securing new sales contracts, including opportunities with relatively short delivery timeframes. The company continues to work on a range of sales opportunities, noted in section 1 above. Some opportunities are in advanced stages of negotiation.

EOS currently expects full year 2025 revenue to be heavily biased to the second half. EOS expects that full year revenue will include the benefit of 2025 work performed under (1) the contract backlog (which was \$170m at 30 June 2025, as noted above) and, (2) new contracts signed between 30 June 2025 and 31 December 2025.

The Group will continue to provide regular updates during the year in line with its continuous disclosure obligations.

ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

Directors' Report

The Directors of Electro Optic Systems Holdings Limited (the "Company") submit herewith its half-year financial report of the Company and the entities it controlled ("Group" or "EOS") at the end of, or during, the half-year ended 30 June 2025.

In order to comply with the provisions of *the Corporations Act 2001*, the Directors report follows:

Directors

The names of the Directors of the Company during or since the end of the half-year are:

1. Mr Garry Hounsell (Chair)
2. Dr Andreas Schwer (Managing Director and CEO)
3. Mr Geoffrey Brown AO
4. Ms Kate Lundy
5. Mr David Black
6. Mr Robert Nicholson

Review of Operations

A detailed review of operations is included on pages 3 to 11 of this financial report.

Company Secretary

Ms Melanie Andrews, held the position of Company Secretary during and since the end of the half-year.

Rounding of amounts

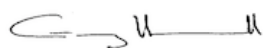
The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument, amounts in the financial report are rounded to the nearest thousand dollars, unless otherwise indicated.

Auditor's independence declaration

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included on page 13 of this half-year financial report.

Signed in accordance with a resolution of the Directors made pursuant to s.306 (3) of the *Corporations Act 2001*.

On behalf of the Directors



Garry Hounsell
Director and Chair

Canberra, 22 August 2025

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**Shape the future
with confidence**

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Auditor's Independence Declaration to the Directors of Electro Optic Systems Holdings Limited

As lead auditor for the review of the half-year financial report of Electro Optic Systems Holdings Limited for the half-year ended 30 June 2025, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review
- b. No contraventions of any applicable code of professional conduct in relation to the review; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

This declaration is in respect of Electro Optic Systems Holdings Limited and the entities it controlled during the financial period.

Ernst & Young

Ernst & Young

Ben Tansley

Ben Tansley
Partner
22 August 2025

ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half-year ended 30 June 2025

		30 June 2025	30 June 2024
Continuing operations	Note	\$(000's)	\$(000's)
Revenue	3(a)	44,070	105,521
Other income	3(b)	2,142	956
Foreign exchange (loss)/gain	3(c)	(5,784)	4,981
Raw materials and consumables used		(10,784)	(59,123)
Employee benefits expense	3(c)	(30,814)	(29,408)
Occupancy costs		(1,097)	(932)
Administrative and other expenses		(16,936)	(18,021)
Finance cost	3(c)	(16,593)	(12,375)
Depreciation of property, plant, and equipment	3(c)	(4,947)	(1,857)
Depreciation of right of use assets	3(c)	(1,956)	(1,971)
Amortisation of intangible assets	3(c)	(2,552)	(2,291)
(Loss) before tax from continuing operations		(45,251)	(14,520)
Income tax benefit	5	438	3,694
(Loss) for the period from continuing operations		(44,813)	(10,826)
Discontinued operations			
Profit after tax for the period from discontinued operations	6	90,979	7,306
Profit / (loss) for the period		46,166	(3,520)
Attributable to:			
Owners of the Company		46,786	(3,002)
Non-controlling interests		(620)	(518)
		46,166	(3,520)
Other comprehensive income			
Items that may be reclassified in future to profit and loss (net of tax)			
Exchange differences on translation of foreign operations		1,399	530
Total other comprehensive income		1,399	530
Total comprehensive profit/ (loss) for the period, net of tax		47,565	(2,990)
Attributable to:			
Owners of the Company		48,185	(2,472)
Non-controlling interests		(620)	(518)
Basic and diluted gain/ (loss) earnings per share	Note	cents per share	cents per share
From continuing operations	4	(24.3)	(6.3)
From discontinued operations	4	50.1	4.5
Total		25.8	(1.8)

Notes to the consolidated financial statements are included on pages 18 to 30.

ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

Consolidated Balance Sheet as at 30 June 2025

	Note	30 June 2025 \$(000's)	31 December 2024 \$(000's)
Current assets			
Cash and cash equivalents		90,289	41,078
Term deposits		40,000	-
Trade and other receivables		9,504	17,730
Security deposits		12,099	12,747
Contract asset	9	5,076	57,381
Inventories		73,538	62,685
Prepayments		18,166	18,127
Assets classified as held for sale	6	-	95,160
Total current assets		248,672	304,908
Non-current assets			
Deferred tax asset	5	9,481	7,927
Security deposits		39,801	36,729
Prepayments		1,676	2,175
Right of use assets		13,087	15,023
Goodwill		2,505	2,505
Intangible assets	8	20,234	18,702
Property, plant and equipment	8	13,420	13,045
Total non-current assets		100,204	96,106
Total assets		348,876	401,014
Current liabilities			
Trade and other payables		15,067	28,210
Contract liabilities		19,697	24,130
Borrowings	7	-	47,939
Lease liabilities		4,651	4,683
Tax payable		2,409	4,543
Provisions		15,147	19,036
Liabilities directly associated with assets held for sale	6	-	26,170
Total current liabilities		56,971	154,711
Non-current liabilities			
Lease liabilities		10,698	13,308
Provisions		13,203	13,486
Total non-current liabilities		23,901	26,794
Total liabilities		80,872	181,505
Net assets		268,004	219,509
Equity			
Issued capital	12	467,309	467,192
Reserves		20,022	17,810
Accumulated losses		(213,719)	(260,505)
Equity attributable to owners of the Company		273,612	224,497
Non-controlling interests		(5,608)	(4,988)
Total equity		268,004	219,509

Notes to the consolidated financial statements are included on pages 18 to 30.

ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

Consolidated Statement of Changes in Equity for the half-year ended 30 June 2025

	Accumulated losses	Issued capital	Foreign currency translation reserve	Employee equity settled benefits reserve	Attributable to owners of the parent	Non-controlling interests	Total Equity
	\$(000's)	\$(000's)	\$(000's)	\$(000's)	\$(000's)	\$(000's)	\$(000's)
2025							
Balance at 1 January 2025	(260,505)	467,192	1,602	16,208	224,497	(4,988)	219,509
Profit / (loss) for the period	46,786	-	-	-	46,786	(620)	46,166
Exchange differences on translation of foreign operations	-	-	1,399	-	1,399	-	1,399
Total comprehensive profit/(loss) for the period	46,786	-	1,399	-	48,185	(620)	47,565
Share options exercised	-	117	-	-	117	-	117
Recognition of share-based payments expense	-	-	-	813	813	-	813
Balance at 30 June 2025	(213,719)	467,309	3,001	17,021	273,612	(5,608)	268,004
2024							
Balance at 1 January 2024	(241,774)	432,248	(224)	12,857	203,107	(4,034)	199,073
(Loss) for the period	(3,002)	-	-	-	(3,002)	(518)	(3,520)
Exchange differences on translation of foreign operations	-	-	530	-	530	-	530
Total comprehensive (loss)/profit for the period	(3,002)	-	530	-	(2,472)	(518)	(2,990)
Issue of 20,588,235 equity shares at \$1.70 per share on 2 April 2024 – Share Placement	-	35,000	-	-	35,000	-	35,000
Issue of 1,127,858 equity shares at \$1.70 per share on 22 April 2024 - Share Purchase Plan	-	1,917	-	-	1,917	-	1,917
Equity raising transaction costs	-	(1,548)	-	-	(1,548)	-	(1,548)
Recognition of share-based payments expense	-	-	-	2,124	2,124	-	2,124
Balance at 30 June 2024	(244,776)	467,617	306	14,981	238,128	(4,552)	233,576

Notes to the consolidated financial statements are included on pages 18 to 30.

ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

Consolidated Statement of Cash Flows for the half-year ended 30 June 2025

	Note	30 June 2025 \$(000's)	30 June 2024 \$(000's)
Cash flows from operating activities			
Receipts from customers		100,779	120,316
Payments to suppliers and employees		(91,335)	(136,987)
Income tax paid		(3,564)	-
Interest and bill discounts received		1,089	833
Interest and other costs of finance paid		(16,182)	(14,734)
Net cash (outflows) from operating activities		(9,213)	(30,572)
Cash flows from investing activities			
Payments for property, plant, and equipment		(6,165)	(1,441)
Payments for Intangibles and other assets		(4,060)	-
Proceeds from disposal of subsidiary, net of cash	6	156,609	-
Transaction costs related to disposal of subsidiary	6	(3,294)	-
Placement of term deposits		(40,000)	-
Payments for security deposits		(5,505)	(6,196)
Proceeds from security deposits		334	8,315
Net cash inflows from investing activities		97,919	678
Cash flows from financing activities			
Proceeds from issue of new shares		-	36,917
Proceeds from exercise of options		117	-
Transaction costs related to issues of shares		-	(1,548)
Repayment of lease liabilities		(2,691)	(2,478)
Repayment of borrowings		(48,219)	(20,505)
Net cash (outflows)/inflows from financing activities		(50,793)	12,386
Net increase/(decrease) in cash and cash equivalents		37,913	(17,508)
Cash and cash equivalents at the beginning of the half-year		52,304	70,997
Effects of exchange rate changes on cash held in foreign currencies		72	(1,268)
Cash and cash equivalents at the end of the half-year		90,289	52,221

Notes to the consolidated financial statements are included on pages 18 to 30.

**Notes to the consolidated financial statements
for the half-year ended 30 June 2025**

1. Summary of Accounting Policies

a) Basis of preparation of consolidated financial statements

The half-year consolidated financial statements are a general-purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's most recent annual consolidated financial statements as at 31 December 2024.

The material accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's 2024 annual financial report for the financial year ended 31 December 2024. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The activities relating to EM Solutions Pty Ltd ("EMS") have been classified as a discontinued operation during the period in accordance with accounting standards. The prior year comparative in the financial statements and accompanying note disclosures have been restated as required to reflect the change in discontinued operations.

The half-year consolidated financial statements were authorised for issue by the Directors on 22 August 2025.

**Notes to the consolidated financial statements
for the half-year ended 30 June 2025**

1. Summary of Accounting Policies (continued)

b) Going concern

The financial report has been prepared on the going concern basis which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business and at amounts stated in the financial report.

For the half-year ended 30 June 2025, the Group incurred a loss before tax from continuing operations of \$45.2m (June 2024: loss of \$14.5m) and had a net cash outflow from operating activities of \$9.2m (June 2024: net outflows of \$30.6m) and had a net increase in cash and cash equivalents held of \$37.9m (June 2024: net decrease of \$17.5m).

For the half-year ended 30 June 2025, the Group's total net profit before tax was \$46.1m (loss of \$45.2m from continuing operations, and profit of \$91.3m from discontinued operations), representing an increase of \$49.6m (June 2024: net loss of \$3.5m). The total Group's net assets position was \$268.0m at 30 June 2025, an increase of \$48.5m from the net assets position of \$219.5m at 31 December 2024.

At 30 June 2025 the Group had a total balance of cash, cash equivalents and term deposits of \$130.3m (December 2024: \$52.2m) and net current assets of \$194.5m (December 2024: \$150.2m).

In 2022, the Group entered into binding agreements with a financier for three borrowing facilities. All of these facilities have now been repaid in full. The final \$52.1m facility was due to be repaid in October 2025, however it was repaid early in full on 31 January 2025, following the divestment of EMS.

As described in Note 11, EOS has offset credit obligations in the Middle East. As EOS expects to generate offset credits via economic activity and does not expect to settle the offset obligation in cash, either through the credit purchase program or the bank guarantee, the cash flow forecast to 31 December 2026 does not include cash outflows relating to this obligation.

The Group continues to closely monitor its cash flow outlook and compliance with financial covenants.

The Directors, in their consideration of the appropriateness of the going concern basis for the preparation of this half-year financial report, have caused to be prepared a cash flow forecast through to 31 December 2026 which supports the ability of the Group to continue as a going concern. The underlying assumptions of the forecast include acknowledgement of the intrinsic operational risks of the business, the existing cash position of the Group, the need to secure sufficient new cash flow positive contracts and to deliver against contracts on time, to the required specifications and within budgeted costs.

Whilst noting that in the medium to long term, the continued ability of the Group to continue as a going concern remains dependent on securing sufficient new cash flow positive contracts, including converting key opportunities within the Defence and Space sector pipelines, as at the date of signing this report, the Directors consider they have reasonable grounds to believe that the Group will continue as a going concern.

Notes to the consolidated financial statements for the half-year ended 30 June 2025

1. Summary of Accounting Policies (continued)

c) Critical accounting judgements

Management makes estimates and assumptions concerning the future. The resulting accounting estimates may not, by definition, equal the related actual results. The critical accounting estimates and judgements adopted, where stated below, are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2024.

Recoverability of goodwill and impairment of assets

The Group assesses each cash-generating unit (CGU), where possible, at period end, to determine whether there are any indications of impairment or reversal of impairment. Where an indicator of impairment or reversal exists, a formal estimate of the recoverable amount is made. Goodwill and indefinite life intangible assets are assessed at least on an annual basis.

Recoverable amount is the higher of the fair value less cost of disposal and value in use calculated in accordance with the Group accounting policy. These assessments require the use of estimates and assumptions such as pipeline of sales opportunities, discount rates applied to estimated free cash flows, and long-term growth rates applied in estimating the future value of our CGUs.

The Group performed an assessment for indicators of impairment at 30 June 2025 as required by the accounting standards and concluded no indicators exist that warrant a full impairment test at the half-year end.

Inventory net realisable value

The Group assesses the risks of inventory obsolescence, particularly for certain stock items experiencing slow market demand and potential technological obsolescence. During the period, an additional provision has been recognised this year to reflect the expected net realisable value of affected inventory. The provision estimate is based on forecasted demand, expected lifecycle changes and ageing of inventory. The Group will continue to monitor these factors and adjust the provision as necessary.

Capitalised development costs

A critical judgement exists in the decision to capitalise work in progress where the Group capitalises costs for product development projects. Initial capitalisation of costs is based on judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone. The Group applies judgement in estimating the useful life of capitalised development costs, considering the expected commercial life of the product, technological changes, and market demand. Useful lives are reviewed annually and adjusted as required. In determining the amounts to be capitalised, the Directors make assumptions regarding the expected future cash generation of the project. As at 30 June 2025, the carrying amount of capitalised development costs was \$20.2m (December 2024: \$18.7m).

d) New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the consolidated financial statements for the half-year are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the full year ended 31 December 2024, except for the adoption of new standards effective as of 1 January 2025. One amendment applied for the first time from 1 January 2025, which specify how an entity should assess and disclose foreign currencies with lack of exchangeability. The amendment did not have a material impact on the consolidated financial statements of the Group.

Notes to the consolidated financial statements for the half-year ended 30 June 2025

2. Segment Information – continuing operations

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker in order to allocate resources to the segment and to assess performance. EMS and Space Systems segments were merged to form an enlarged Space Systems segment until the Group classified EMS as a discontinued operation in 2024. The segment information reported in this note does not include any amounts for the discontinued operations (refer Note 6). The comparative information has been restated to reflect the change in segment reporting in accordance with the accounting standards.

As a result, the Group considers the business to have two reportable business segments, Space Systems and Defence Systems.

a) (i) Defence Systems

Defence Systems develops, manufactures and markets advanced fire control, surveillance, and weapon systems to approved military customers. These products either replace or reduce the role of a human operator for a wide range of existing and future weapon systems in the US, Australasia, Middle East, Europe and South-east Asia markets.

(ii) Space Systems

Space Systems has a range of ground products available to support the Australian and international space markets, including:

- significant investments into passive optical and laser sensing equipment at both its Mt Stromlo and Learmonth sites;
- manufacturing and supply of various telescopes and dome enclosures for customers around the world. Space Systems astrometric products provide reliable and high-quality optical systems under demanding environmental conditions; and
- specialisation in innovative optical and satellite products that help to deliver high speed, resilient and assured telecommunications anywhere in the world.

Developments in EOS laser technology has opened aligned markets in space optical communications, various high power laser applications, and space control domains.

b) Geographic Activity

The Group continues to operate in Australia, USA, Singapore, UAE, New Zealand, Netherlands and Germany in the development, manufacture and sale of telescopes and dome enclosures, laser satellite tracking systems, and the manufacture of remote weapon systems.

	30 June 2025	30 June 2024
Segment revenues – continuing operations	\$(000's)	\$(000's)
Space	5,307	4,147
Defence	38,763	101,374
Total of all segments	44,070	105,521
Segment results – continuing operations		
Space	(5,160)	(620)
Defence	(25,654)	1,578
Total of all segments	(30,814)	958
Unallocated holding company costs	(14,437)	(15,478)
Segment (loss) before tax	(45,251)	(14,520)
Income tax benefit	438	3,694
Segment (loss) for the period	(44,813)	(10,826)

The revenue reported above represents revenue from external customers.

ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

Notes to the consolidated financial statements for the half-year ended 30 June 2025

2. Segment Information – continuing operations (continued)

Segment results represent the (loss) earned by each segment without the allocation of some central administration and corporate costs, including director fees, finance costs, investment revenue and income tax.

The following table represents the Group's assets and liabilities by reportable operating segment:

	Assets*		Liabilities*	
	30 June 2025	31 Dec 2024	30 June 2025	31 Dec 2024
	\$(000's)	\$(000's)	\$(000's)	\$(000's)
Space	13,445	12,388	16,444	28,430
Defence	205,142	252,388	64,428	126,905
Total of all segments	218,587	264,776	80,872	155,335
Unallocated cash and term deposits	130,289	41,078	-	-
Total consolidated	348,876	305,854	80,872	155,335

* Segment assets and liabilities for prior year exclude those relating to discontinued operations and non-current assets held for sale. There are no assets or liabilities relating to discontinued operations or non-current assets held for sale at 30 June 2025.

3. (Loss) Before Income Tax – continuing operations

The loss before income tax from continuing operations comprises the following:

(a) Revenue from continuing operations	30 June 2025	30 June 2024
	\$(000's)	\$(000's)
Revenue from operations consisted of the following items:		
Revenue from sale of goods	38,182	98,023
Revenue from rendering of services	5,888	7,498
Total revenue	44,070	105,521

Disaggregation of revenue - continuing operations

The Group derives its revenue from the transfer of goods and services over time and at a point in time in the following segments:

Timing of revenue recognition:	30 June 2025	30 June 2024
	\$(000's)	\$(000's)
Revenue recognition over time		
Defence segment		
Sale of goods	33,823	57,190
Provision of services	-	1,277
Space segment		
Sale of goods	-	-
Provision of services	4,098	812
Total revenue recognised over time	37,921	59,279
Revenue recognition at a point in time		
Defence segment		
Sale of goods	4,148	40,833
Provision of services	792	2,074
Space segment		
Sale of goods	211	-
Provision of services	998	3,335
Total revenue recognised at a point in time	6,149	46,242
Total revenue recognised	44,070	105,521

ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

Notes to the consolidated financial statements for the half-year ended 30 June 2025

3. (Loss) Before Income Tax – continuing operations (continued)

(b) Other income – continuing operations	30 June 2025 \$(000's)	30 June 2024 \$(000's)
Grant income	8	6
Interest received	1,586	589
Other income	548	361
Total other income	2,142	956

(c) Expenses – continuing operations

Loss for the period from continuing operations includes the following expenses:

Employee benefit expense:

Share based payment (equity settled) expense (Note 10)	801	2,038
Contributions to defined contribution superannuation plans	2,335	2,009
Other employee benefits	27,678	25,361
Total employee benefits expense	30,814	29,408

Finance costs:

Interest on secured borrowings	973	6,580
Interest on lease liabilities	460	504
Other finance costs *	15,160	5,291
Finance costs	16,593	12,375
Amortisation of intangible assets	2,552	2,291
Depreciation of property, plant and equipment	4,947	1,857
Depreciation on right of use assets	1,956	1,971
Foreign exchange loss / (gain)	5,784	(4,981)

* Inclusive of 'make whole' fee as part of the repayment of Term Loan facility on 31 January 2025.

ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

Notes to the consolidated financial statements for the half-year ended 30 June 2025

4. Earnings Per Share

	30 June 2025 ¢ per share	30 June 2024 ¢ per share
Basic		
Continuing operations	(24.3)	(6.3)
Discontinued operations	50.1	4.5
Total	25.8	(1.8)
Diluted		
Continuing operations	(24.3)	(6.3)
Discontinued operations	50.1	4.5
Total	25.8	(1.8)

Calculation of basic and diluted earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

	Note	30 June 2025 \$(000's)	30 June 2024 \$(000's)
Earnings			
Earnings for the period attributable to equity holders of parent	(a)	46,786	(3,002)
Adjustments to exclude profit for the period from discontinued operations	6	(90,979)	(7,306)
Earnings from continuing operations for the purpose of basic and diluted earnings per share (excluding discontinued operations)		(44,193)	(10,308)

		30 June 2025 Number	30 June 2024 Number
Weighted average number of ordinary shares used in the calculation of basic earnings per share	(b) (c)	181,635,023	164,459,987

- (a) Profit attributable to the owners of the parent entity used in the calculation of basic earnings per share is the same as the profit in the statement of profit or loss and other comprehensive income.
- (b) Unlisted share options and share rights issued under the employee incentive plans are not considered dilutive as all the conditions of exercise have not been met at the reporting date and the Group made a loss from continuing operations in the period.
- (c) Shares issued under the Loan Funded Share Plan are not included in the weighted average number of ordinary shares as they are treated as in-substance options for accounting purposes. The options are not considered dilutive given the Group made a loss from continuing operations in the period.

ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

Notes to the consolidated financial statements for the half-year ended 30 June 2025

5. Income Tax

The Group calculates the period income tax benefit using the tax rate that would be applicable to the expected total annual earnings.

The major components of income tax benefit in the half-year consolidated statement of profit or loss are:

	30 June 2025 \$(000's)	30 June 2024 \$(000's)
Current income tax (benefit)	(6,007)	2,933
Deferred income tax expense relating to origination and reversal of temporary differences	(5,569)	(2,399)
Adjustment in respect of prior periods	(518)	(1,718)
Unused tax losses and temporary differences not recognised as deferred tax assets	11,955	1,149
Income tax (benefit) attributable to operating profit	(139)	(35)
- Attributable to continuing operations	(438)	(3,694)
- Attributable to a discontinued operation	299	3,659

6. Discontinued operations

On 21 November 2024, EOS entered into a binding share sale agreement to sell EM Solutions Pty Limited and its subsidiary ("EMS") to Cohort plc ("Cohort"). As at 31 December 2024, EMS was classified as a disposal group held for sale and as a discontinued operation.

The divestment of EMS was completed on 31 January 2025, with divestment proceeds of \$160.0m received after final customary adjustments during the half-year ended 30 June 2025.

The profit after tax of discontinued operations for the one month prior to divestment on 31 January 2025 was \$455,000. The divestment of EMS resulted in a pre-tax gain of \$90,524,000. The detailed results of EMS for the period are presented below:

	30 June 2025* \$ '000	30 June 2024 \$ '000
Revenue	3,316	37,114
Other income	121	251
Foreign exchange gain / (loss)	14	99
Raw materials and consumables used	(1,053)	(16,738)
Employee benefit expenses	(1,464)	(6,316)
Occupancy costs	(27)	(125)
Administrative and other expenses	(133)	(1,685)
Amortisation of intangible assets	-	(798)
Depreciation of property plant and equipment	-	(423)
Depreciation of right of use assets	-	(283)
Finance cost	(20)	(131)
Profit before tax of discontinued operations	754	10,965
Income tax (expense)	(299)	(3,659)
Profit after tax of discontinued operations	455	7,306
Gain on sale of the discontinued operations	90,524	-
Profit after tax from discontinued operations	90,979	7,306

ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

Notes to the consolidated financial statements for the half-year ended 30 June 2025

6. Discontinued operations (continued)

The net cash flows generated by EMS during the period were:

	30 June 2025*	30 June 2024
	\$ '000	\$ '000
Operating	(4,151)	(438)
Investing	(48)	(167)
Financing	(46)	(254)
Net cash outflow of discontinued operations	(4,245)	(859)

* Represents one month of activity prior to the sale settlement on 31 January 2025.

The net cash flows generated from the sale of EMS are, as follows:

	2025
	\$ '000
Cash received from sale of the discontinued operations	159,975
Cash disposed as a part of discontinued operations	(3,366)
Transaction and other directly attributable costs	(3,294)
Net cash inflow from disposal	153,315

As EMS was sold prior to 30 June 2025, the assets and liabilities classified as held for sale are no longer included in the consolidated balance sheet.

7. Borrowings

	30 June 2025	31 Dec 2024
	\$(000's)	\$(000's)
Secured borrowings		
Washington H. Soul Pattinson and Company Ltd ("WHSP")	-	47,939
Total secured borrowings	-	47,939
Current	-	47,939
Non-current	-	-
Total borrowings	-	47,939

Secured borrowings

On 31 January 2025, EOS repaid all remaining debt owing to WHSP. This amounted to \$61.1m which included a \$12.9m "make whole" fee as required under the facility agreement. Following this repayment, the Group no longer has any outstanding borrowings.

Following the Term Loan repayment to WHSP, the Group continues to be required to comply with quarterly covenants under bond facility agreements with Export Finance Australia. For the half year, and in the period up to the date of this announcement, the Group complied with its obligations under the various facility agreements.

Notes to the consolidated financial statements for the half-year ended 30 June 2025

8. Property, plant and equipment, and Intangibles

During the six months ended 30 June 2025, the Group acquired property, plant and equipment amounting to \$6.2m, and acquired \$4.1m of intangibles.

As part of the EMS disposal on 31 January 2025, the Group disposed of \$4.1m of property, plant and equipment and \$9.4m of intangible assets. These assets were previously classified as assets held for sale as at 31 December 2024.

9. Contract asset

At 30 June 2025, the Group had a contract asset totalling \$5.1m (31 December 2024 \$57.4m), being revenue earned but not invoiced. The decrease of \$52.3m in contract asset is primarily due to invoicing and subsequent cash receipt of approximately US\$40m during the period from the longstanding customer in the Middle East upon finalisation of the contract.

10. Share-based payments

There is no change in share capital as a result of the grants made during the half-year as it is anticipated that upon vesting, these grants will be funded, to the fullest extent possible, by shares already issued and held in trust as lapsed shares under the existing Loan-Funded Share Plan.

For the half-year ended 30 June 2025, the Group recognised a total of \$0.8m of share-based expense.

Grants made during the half-year are as follows:

Share Options

On 3 June 2025, 3,002,291 share options were granted under the Omnibus Equity Incentive Plan to eligible employees. Of these, 986,842 share options were issued to the Managing Director and CEO, Dr Schwer, following approval at the AGM. No other share options were issued to Directors.

The terms refer to an exercise price of \$1.13 which was equal to the 10-day VWAP following the release of the 2024 financial results on 25 February 2025. The options will be available to vest in 3 tranches at each testing date and are subject to a service period and the Company's performance compared to a Relative Total Shareholder Return hurdle over the performance period. Testing dates are 31 December 2026, 31 December 2027 and 31 December 2028.

The fair value at grant date is estimated using a Monte-Carlo option pricing model, taking into account the terms and conditions upon which the options were granted. The fair value of options granted during the half-year ended 30 June 2025 was calculated on the date of grant using the following assumptions:

- | | |
|----------------------------------|------------------|
| • Dividend yield | 0% |
| • Expected volatility | 65% |
| • Risk-free interest rate | 3.5% |
| • Expected life of share options | 4.6 years |
| • Exercise period expiry date | 31 December 2030 |

The fair value for each of the 3 tranches of share options granted at 3 June 2025 ranged between \$1.30-\$1.39.

**Notes to the consolidated financial statements
for the half-year ended 30 June 2025**

10. Share-based payments (continued)

Share Rights

On 3 June 2025, 493,943 share rights were granted under the Omnibus Equity Incentive Plan to eligible employees. Of these, 165,929 share rights were granted to the Managing Director and CEO, Dr Schwer, following approval at the AGM. No other share rights were issued to Directors.

The share rights vest and convert to ordinary shares upon the successful completion of service periods by the employees, staggered between 31 December 2026 and 31 December 2028.

As there are no market-based vesting conditions, the fair value at grant date is estimated using a Black-Scholes option pricing model, taking into account the terms and conditions upon which the rights were granted. Each share right converts to one ordinary share upon vesting and there is no exercise price required to be paid upon the conversion of the share right into an ordinary share.

The fair value of the rights granted during the half-year ended 30 June 2025 was calculated on the grant date and approximates the spot value on grant date. The fair value of each share right granted at 3 June 2025 was \$1.98.

Employee Tax-exempt Share Plan

On 30 May 2025, 133,560 shares were granted to eligible employees under the Employee Tax-exempt Share Plan, as approved at the AGM.

The shares are under a trading lock until the earlier of 3 years from the date of issue or cessation of employment. As there are no market-based vesting conditions, the fair value at grant date is estimated using a Black-Scholes option pricing model.

The fair value of the shares granted during the half-year ended 30 June 2025 was calculated on the date of grant and approximates the spot value on grant date. The fair value of each share grant at 30 May 2025 was \$1.85.

Deferred Shares

On 11 June 2025, 70,354 deferred shares were granted to the Managing Director and CEO, Dr Schwer, as approved at the AGM, and 66,036 deferred shares were granted to the CFO/COO.

The 136,390 shares relate to the equity component of the 2024 short-term incentive payment. As there are no market-based vesting conditions, the fair value at grant date is estimated using a Black-Scholes option pricing model.

The fair value of the shares granted during the half-year ended 30 June 2025 was calculated on the date of grant and approximates the spot value on grant date. The fair value of each share grant at 11 June 2025 was \$2.25.

**Notes to the consolidated financial statements
for the half-year ended 30 June 2025**

11. Contingent Liabilities and Commitments

- (a) The Group maintains cash deposits with banks and financial institutions as security for various performance and rental bonds. The detail of such cash deposits is as below:

		30 June 2025	31 Dec 2024
	Note	\$(000's)	\$(000's)
Offset bond for a Defence Systems contract	(c)	25,889	22,085
Performance bond for a Defence contract – overseas customers	(d)	24,198	25,494
Rental and related bonds		1,163	1,231
Deposit for credit card facility		650	666
		51,900	49,476

- (b) Entities within the Group are involved in contractual disputes in the normal course of contracting operations. The Directors believe that the entities within the Group can settle any contractual disputes with customers and should any customers commence legal proceedings against the Group, the Directors believe that any actions can be successfully defended. As at the date of this report no material legal proceedings have been commenced against any entity within the Group.
- (c) The Group is obligated as part of its contract to supply a customer in the Middle East, to contribute to economic development in the country as an offset against purchases of its products and services ("Offset Program").

The obligation commitment is secured by an offset bond of US\$16.9m (A\$25.9m) which is guaranteed by Export Finance Australia. In respect of this bond, a cash security amount of US\$16.9m (A\$25.9m) has been placed on deposit.

As part of the offset program, EOS is required to develop, agree and submit an approved business plan, which will generate offset credits, to the offset credit authority. On 20 February 2025, the Group received approval from the offset credit authority for the business plan.

The business plan envisages that EOS will enter into a 49% EOS owned JV with Shielders Advanced Industries ("Shielders") to set up local manufacturing and assembly of EOS' R150 Remote Weapon System product in the Middle East.

Under the approved business plan, EOS has from 1 July 2026 until 1 July 2033 to set up the JV and earn the relevant offset credits. This includes in-kind contributions including the licensing of EOS owned IP, and providing technical data packages and manufacturing knowhow to the JV.

Under the approval from the offset credit authority, the final form of the JV agreement, along with other agreements necessary for the JV to manufacture and assemble EOS product in the Middle East, require the approval of the offset credit authority. The draft JV agreement was reviewed and approved by the offset credit authority on 7 August 2025. The next step is expected to be the formal signing of a binding JV agreement by both EOS and Shielders.

Under the approved business plan and JV agreement, in order to earn offset credits EOS must contribute not less than AED 18.4m (approximately A\$7.7m) in cash to the JV in due course.

EOS considers that it is currently in compliance with its obligations.

In the event that EOS does not comply with its obligations in future, the Offset Credit authority is entitled to demand payment under the guarantee outlined above. EOS intends to continue to work to ensure it complies with its obligations.

**Notes to the consolidated financial statements
for the half-year ended 30 June 2025**

11. Contingent Liabilities and Commitments (continued)

- (d) The Group maintains a performance bond for US\$33.2m (A\$50.7m) in relation to an overseas defence sector contract. The performance bond is guaranteed by Export Finance Australia under a Bond Facility Agreement and is secured by a cash security deposit of US\$15.8m (A\$24.2m) and a fixed and floating charge over the assets of the Group. The Group is required to comply with borrowing covenants. During the half-year ended 30 June 2025, and in the period up to the date of this report, the Group complied with its covenants and other obligations under the facility agreement.
- (e) Electro Optic Systems Holdings Limited entered into a deed of cross guarantee on 6 April 2018 with two of its wholly-owned subsidiaries, Electro Optic Systems Pty Limited and EOS Defence Systems Pty Limited, pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 and was relieved from the requirement to prepare and lodge an audited financial report. On 28 November 2019, EM Solutions Pty Ltd entered into an Assumption Deed and became a party to the Deed of Cross Guarantee. On 31 January 2025, the Group completed the sale of EMS, and as a result of this transaction, EMS was removed from the Deed of Cross Guarantee.

12. Issuance of Securities

There were no new debt securities issued during this half-year or the previous corresponding period.

During the half-year ended 30 June 2025, employees exercised 234,508 share options at a weighted average exercise price of \$0.50, resulting in an increase in issued capital of \$117,254. No new shares were issued as a result of this option exercise due to shares being transferred from unallocated shares in the employee share trust. No options were exercised in the corresponding period.

13. Related Party Transactions

The Group pays director fees to non-executive directors or their nominated entity, for director services received by the Group on arm's length terms.

During the half-year, 165,929 share rights, 986,842 share options and 70,354 deferred shares were granted under the Omnibus Equity Incentive Plan to the Managing Director and CEO, Dr Schwer.

Apart from salaries, bonus and fees paid to Directors and other key management personnel, there were no other related party transactions outside the ordinary course of business.

14. Subsequent Events

On 4 August 2025, EOS finalised a contract to supply a 100kW High Energy Laser System to a customer for €71.4m (approximately A\$125m).

Under the terms of the contract, EOS is obliged to provide a performance bond of varying amounts during the contract to cover funds received in advance from the customer. The initial performance bond size is expected to be €0.7m (approximately A\$1.2m). The maximum size of the bond is expected to be €19.8m (approximately A\$34.7m), arising in the calendar year 2026 of the contract. As is customary with such bonds, EOS expects that a cash security deposit will be required for some or all of the bond amount. EOS expects to secure the necessary facilities in 2025.

There were no other significant subsequent events arising after 30 June 2025 and up to the date of this report.

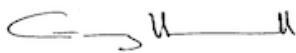
Directors' Declaration
for the half-year ended 30 June 2025

The Directors declare that, in the Directors' opinion:

- a) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- b) the attached half-year financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including:
 - i. compliance with accounting standards; and
 - ii. giving a true and fair view of the consolidated entity's financial position, as at 30 June 2025 and of the performance for the half-year ended on that date.

Signed in accordance with a resolution of the Directors made pursuant to s.303(5) of *the Corporations Act 2001*.

On behalf of the Directors



Garry Hounsell
Director and Chair

Canberra, 22 August 2025

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Independent Auditor's Review Report to the members of Electro Optic Systems Holdings Limited

Conclusion

We have reviewed the accompanying half-year financial report of Electro Optics Systems Holdings Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated balance sheet as at 30 June 2025, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2025 and of its consolidated financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2025 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Ernst & Young

Ernst & Young

Ben Tansley

Ben Tansley
Partner
Canberra
22 August 2025

ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

Information on Audit or Review

This half-yearly report is based on accounts to which one of the following applies.

- | | | | |
|--------------------------|--|-------------------------------------|---|
| ☐ | The accounts have been audited. | ☒ | The accounts have been subject to review. |
| ☐ | The accounts are in the process of being audited or subject to review. | ☐ | The accounts have not yet been audited or reviewed. |

Description of likely dispute or qualification if the accounts have not yet been audited or subject to review or are in the process of being audited or subjected to review.

Not applicable

Description of dispute or qualification if the accounts have been audited or subjected to review.

Not applicable

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