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ASX Announcement **22 July 2026**

Q2 2026 Business Update

Record H1 Revenue, Sustained Profitability, and Accelerating Global Market Position

Elsight Limited (ASX: ELS) ("Elsight" or "the Company"), the global provider of enablement technologies for uncrewed systems, is pleased to provide its Quarterly Activity Report for the quarter ended **30 June 2026**.

H1 2026 Highlights

Financial

- **Sixth consecutive quarter of record revenue** - **US$11.83 million** (~A**$17.1** million[1]), a ~**3-fold increase** over Q2 2025 pcp (prior corresponding period) and the highest quarterly revenue in the Company's history.
- **H1 2026 unaudited revenue of approximately US$23.4 million** (~A**$33.8** million), **387%** higher than H1 2025 pcp, already exceeds full-year CY2025 revenue (US**$22.8** million)
- **H1 2026 unaudited non-GAAP net profit is expected to exceed US$10 million** (~A**$14.45** million), confirming sustained profitability and operating leverage as the business scales.
- Recurring revenue (software licenses, cloud services, connectivity subscriptions) reached **~US$1.6 million in Q2**, representing approximately **14% of quarterly revenue**, up from **11%** in Q1 2026. H1 2026 recurring revenue of ~US**$2.9** million already exceeds full-year CY2025 recurring revenue (~US**$2.6** million).

Contract Execution & Order Visibility

- Received a **follow-on purchase order of approximately US$2 million** (~A**$2.8** million) from a U.S.-based public safety customer (announced 29 May 2026) - more than **4 times** the value of the initial US$460K order placed in January 2026, signaling operational validation of Halo platform and progression toward scaled deployment.
- Continued strong order flow across defense and commercial customers, with the Company observing **growing demand across the United States, Europe, and the Middle East**, reflecting the impact of the expanded direct sales team and favorable sector tailwinds.
- The Company's **Stealth Initiative business unit secured its first paying customer** — a western government — validating product-market fit in a new market segment targeting a TAM of over US**$20 billion**.

U.S. Defence Footprint

- Halo determined to be **non-ITAR**, simplifying allied partner deployments; advancing through **multiple U.S. Special Forces procurement pathways**.
- **Halo approved on the DCMA Blue UAS Cleared List** - the U.S. Department of War's primary directory of NDAA-compliant unmanned systems and components pre-approved for rapid military procurement, positioning Halo to capture market share. The FY2027 budget allocates approximately **US$75 billion** to drone and counter-drone capabilities.
- Continued engagement with the U.S. DoW's **Drone Dominance Program**, including participation in the program's second capability assessment phase. The Company views this as a long-term positioning opportunity, with material revenue contribution expected from CY2027 onwards.
- SOCOM OTA contracting vehicle remains active, providing an accelerated procurement pathway for U.S. Special Operations Command programs.

Product Portfolio

- Continued progress on the **soft launch of the Company's patent-allowed GNSS-denied positioning capability** with selected design partners. A broader commercial launch is planned for late CY2026, broadening the Company's addressable market. This software-based capability leverages existing Halo hardware, extending Elsight's value proposition beyond connectivity.
- Additional product capabilities released during the quarter, consistent with the Company's strategic direction to become the **backbone Tier 1 technology provider for the unmanned systems industry** - delivering connectivity, positioning, video, and autonomy from a single platform.

Stealth Business Unit progress

- The Company's new **Stealth Initiative business unit** secured its **first paying customer** - a western government. While the initial order is modest in scale (~US$230K), the win is strategically significant and marks a critical proof point for expansion into a market opportunity exceeding US**$20 billion**.

Financial and Operational Highlights

The Company's H1 2026 cash flow performance was consistent with internal expectations and is summarised below:

- **Receipts from customers:** US**$13.6 million**
- **Net cash generated from operating activities:** US**$3.8 million**
- **R&D investment:** US$**2.3 million**
- **Product manufacturing, marketing, administration, and staff costs (combined):** US$**8.8 million**

Cash and cash equivalents at 30 June 2026: ~US**$63.3 million** (vs ~US**$64.2** million at 31 March 2026).

No material variances, cost overruns, or adverse operational events were recorded during the quarter.

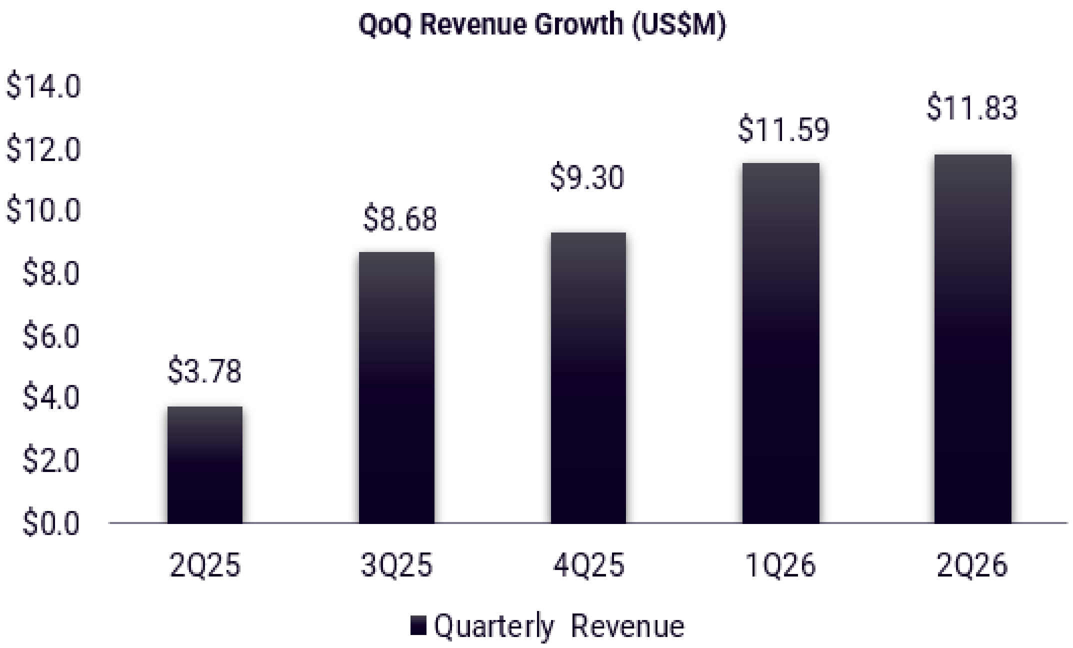

Table 1 Unaudited Quarterly QOQ numbers

Business Update

Momentum continues across key markets

Elsight delivered its **sixth consecutive quarter of record revenue**, with Q2 2026 revenue of approximately US**$11.83** million (~A**$17.1** million), bringing H1 2026 unaudited revenue to approximately US**$23.4** million (~A**$33.8** million), nearly five times pcp. H1 2026 unaudited non-GAAP net profit is expected to exceed US**$10** million (~A**$14.45** million), demonstrating the operational leverage embedded in the Company's business model, with profitability sustained as the Company continues to invest in sales, marketing, product development, and geographic expansion.

The Company continues to observe growing demand and engagement across its key geographic markets driven by structural defence spending increases, expanding uncrewed systems adoption, and the impact of Elsight's direct sales team, which was established in the prior year and is now contributing to both pipeline growth and order conversion.

U.S. Defence Presence and Commercial Momentum

The Company continued to deliver and execute across multiple funded programs with the U.S. Department of War (DoW), supported by the Blue UAS Cleared List approval received during the quarter.

Blue UAS Cleared List: In April 2026, the Company announced that Halo had been approved for inclusion on the DCMA Blue UAS Cleared List, the Department of War's primary directory of NDAA-compliant unmanned systems and components. The Blue List enables U.S. military units to procure Halo directly through a rapid acquisition marketplace, bypassing traditional multi-year procurement cycles. This approval positions Elsight within the largest-ever U.S. defence drone procurement cycle, with the FY2027 budget allocating approximately US**$75 billion** to drone and counter-drone capabilities.

Drone Dominance Program: The Company continued its engagement with the U.S. DoW's Drone Dominance Program ("DDP") and allied initiatives. During the quarter, the program advanced to its second capability assessment phase. The Company views the DDP as a significant long-term positioning opportunity that reinforces its visibility across fleet-level drone procurement programs, with a material revenue contribution expected from CY2027 onwards.

U.S. Commercial Momentum: The US**$2** million follow-on order from a U.S. public safety customer announced in May 2026 - more than four times the initial US$460K order placed in January - provides early evidence of commercial adoption patterns ahead of expected FAA Part 108 BVLOS rulemaking.

U.S. Export Classification: Elsight has completed the U.S. export classification process, with the Halo determined to be non-ITAR. This classification simplifies international operations and enables U.S. forces to deploy the Halo alongside allied partners without the administrative burden of ITAR restrictions. A key U.S. combatant command has selected the Halo for inclusion in a major exercise with partner forces - Elsight's participation will be streamlined due to the non-ITAR classification for Halo.

U.S. Special Forces Procurement: Elsight is advancing through several procurement pathways with U.S. Special Forces. These engagements originated from operational evaluations where the Halo was assessed against clearly defined mission requirements and determined to meet them. The Company expects to provide further updates as these procurement processes progress.

101st Airborne Integration: The Halo has been integrated into the ABE 1.01 (Attritable Battlefield Enabler), a small, soldier-built first-person view (FPV) drone developed in-house by the U.S. Army's 101st Airborne Division (Air Assault). This integration further validates Halo's alignment with the direction of the market: advanced, modular, and attributable unmanned systems designed for rapid, large-scale deployment.

European and Middle East Market Traction

The Company continues to observe growing demand across European and Middle East markets, driven by structural increases in defence spending and expanding uncrewed systems' procurement programs. NATO member state defence budgets continue to rise materially, with the European Union's ReArm Europe Readiness 2030 plan mobilising up to **€800 billion** (~US**$870** billion) in additional defence capacity, Germany's €100 billion Bundeswehr special fund plus its "Drohnenwall" drone-wall initiative, and the United Kingdom's 20-40-40 force-structure doctrine prioritising unmanned systems.

Elsight's expanded European and Middle East sales presence, with senior hires now established in the UK, Germany, and the Middle East, is supporting deeper engagement with both government end-users and OEM partners in these regions. The Company sees substantial revenue opportunity across these markets as defence modernisation programs accelerate.

Product Portfolio Expansion - Building the Full Mission Stack

The Company's soft launch of its patent-allowed GNSS-denied positioning capability continued to progress during the quarter with selected design partners. This software-based product leverages existing Halo hardware's multi-link radio capabilities combined with proprietary machine learning algorithms to deliver reliable positioning in GNSS-denied environments - where satellite-based navigation signals are unavailable or contested.

A broader commercial launch is planned for later in CY2026. The positioning product leverages existing Halo deployments and customer relationships, creating upselling and cross-sell opportunities within the Company's installed base and active pipeline.

Additional product capabilities were released during the quarter, consistent with Elsight's strategic evolution from a connectivity-focused company to a multi-product platform enabling the full mission stack for uncrewed systems. These new capabilities included connectivity, positioning, video, and autonomy. This direction positions the Company as the backbone Tier 1 technology provider for the unmanned systems industry.

Stealth Initiative Unit - First Paying Customer Secured

The Company's new Stealth Initiative business unit, established in September 2025, achieved a significant milestone during the quarter with the securing of its **first paying customer** - a Western government. The initial order of approximately US$230K, while modest in scale, represents important product-market validation and establishes a foundation for scaling within the target market segment.

The Company continues to view this initiative as a long-term strategic opportunity with an addressable market of more than US$20 billion. Near-term revenue contribution is expected to remain modest, with the Company focused on expanding its design partner network and demonstrating operational capability to support broader adoption.

Recurring Revenue Trajectory

Recurring revenue (software licenses, cloud services, and connectivity subscriptions) reached approximately US**$1.6** million in Q2 2026, representing approximately **14%** of quarterly revenue, up from **11%** in Q1 2026 and **12%** for full-year CY2025. H1 2026 recurring revenue of approximately US$**2.9** million already exceeds full-year CY2025 recurring revenue of approximately US**$2.6** million, reflecting the compounding effect of the growing installed base.

These high-margin revenue streams strengthen financial visibility and are expected to form an increasingly material component of future performance as the installed base continues to grow.

Elsight Webinar Presentation

Elsight will hold its Q2/26 webinar presentation on 3 August 2026 at 4:00pm AEST, providing a business update and a review of the Company's quarterly results.

This session comes at a significant moment, with record quarterly performance, an expanding U.S. defence footprint, and the Company's first steps into new product categories including non-GNSS positioning. CEO Yoav Amitai and CFO Dan Hilerowitz will discuss how these developments position Elsight for its next phase of growth and will be available for a live Q&A session.

Please register in advance **HERE**.

Authorised for release by the Board of Directors of Elsight Limited.

-ENDS-

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About Elsight

Elsight (ASX:ELS) (www.elsight.com) — Elsight's flagship product, the Halo, uses multi-link bonding to provide the most robust connectivity for drones and other unmanned systems. By adding cellular communications aggregated with satellite and RF communications, the Halo is 99.99% reliable and cyber-secured. With options for less than a 100-gram card or a boxed ground version, the Halo provides continuous connectivity even in the most challenging areas for stationary, portable, or actively mobile situational requirements. Elsight's products serve many vertical markets leveraging UAV and UAS technologies, including defence, HLS, public safety, delivery, medical, oil and gas, utilities, inspections, surveillance, and others. Elsight was founded in 2009.

Forward-looking statements

This announcement contains forward-looking statements, including statements regarding Elsight Limited's (the "Company") expected commercial and operational performance, customer pipeline, product development, and market positioning. Forward-looking statements are based on the Company's current expectations and assumptions as at the date of this announcement and are subject to risks and uncertainties, including customer purchasing decisions, government procurement cycles, regulatory changes, geopolitical developments, supply chain conditions, and foreign exchange movements, that could cause actual outcomes to differ materially. Readers should not place undue reliance on forward-looking statements. Except as required by the ASX Listing Rules and applicable law, the Company does not undertake to update any forward-looking statement. Past performance is not indicative of future performance.