



ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

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25 August 2026

ASX RELEASE

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

Dear Sir or Madam,

Appendix 4D, Half-year Financial Report and Revenue Update

Electro Optic Systems Holdings Limited (EOS or Company) (ASX: EOS) provides the attached Appendix 4D, Half-year Financial Report for the half-year ended 30 June 2026 and Revenue Update.

Authorised for release to the ASX by the Board of Directors.

Yours faithfully

Melanie Andrews
Company Secretary

Further information:

ir@eos-aus.com

ABOUT ELECTRO OPTIC SYSTEMS

(ASX: EOS)

EOS currently operates in two divisions:

DEFENCE SYSTEMS

Defence Systems specialises in technology for weapon systems optimisation and integration, as well as ISR (Intelligence, Surveillance and Reconnaissance) and C4 systems for land warfare. Its key products include next-generation remote weapon systems, vehicle turrets, high-energy laser weapons (directed energy), as well as fully integrated and modular counter-UAS and C4 systems.

SPACE SYSTEMS

Space Systems specialises in applying EOS-developed optical sensors and effectors to detect, track and characterise objects in space. It includes capabilities in the domain of space control.

EOS CUSTOMER IDENTITIES

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

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

FORWARD LOOKING STATEMENTS

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

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

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

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



Electro Optic Systems Holdings Limited

ACN 092 708 364

Consolidated financial statements for the half-year ended 30 June 2026

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 2026

Previous Corresponding Period: Half-year ended 30 June 2025

ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

Results for Announcement to the Market

REVENUE AND NET PROFIT/LOSS

	Percentage Change %	Amount (\$'000's)
Revenue from ordinary activities (continuing operations)	Up 283%	To 168,782
Loss after tax attributable to members (continuing operations)		(32,922)
Net loss attributable to members		(32,922)

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 2026 *	\$139,601,187
Number of ordinary shares outstanding at 30 June 2026	216,702,162
NTA per ordinary share at 30 June 2026	64.42 cents per share
NTA per ordinary share at 30 June 2025	122.20 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 12.

No dividends have been declared or paid.

Review of Operations

1. RESULTS FOR HALF-YEAR ENDED 30 JUNE 2026

Financial Results

The consolidated entity, consisting of Electro Optic Systems Holdings Limited ("the Company") and the entities that it controls, ("the Group" or "EOS") recorded revenue from continuing operating activities¹ of \$168.8m, representing a \$124.7m or 283% increase on the prior corresponding period (June 2025: \$44.1m).

Net loss before tax for the Group for the six months to 30 June ("1H") 2026 was \$28.9m, representing a decrease of \$74.2m (June 2025: net profit before tax of \$45.3m, with loss before tax of \$45.2m from continuing operations, and profit before tax of \$90.5m from discontinued operations). The loss after tax from continuing operations was \$33.7m, compared to a loss of \$44.8m in the prior corresponding period.

The result for the period includes a non-cash fair value remeasurement loss of \$34.0m relating to the contingent consideration liability recognised in connection with the MARSS Group ("MARSS") acquisition. As the number of EOS shares deliverable varies with the level of new unconditional contract orders secured prior to May 2027, and the arrangement contains cash-election and mandatory cash-settlement features, the earn-out is recognised at its acquisition date fair value as a financial liability, and is subsequently measured at fair value through profit and loss at each balance date. The \$34.0m remeasurement loss was driven by the increase in the EOS share price from \$7.91 at acquisition date to \$10.30 at 30 June 2026. This increased the fair value of the share-settled component and the value of the option to receive cash instead of EOS shares.

Further information regarding the acquisition is set out in Note 5 to the consolidated financial statements.

Underlying EBITDA

Underlying earnings before interest expense, taxes, depreciation, and amortisation ("Underlying EBITDA")² from continuing operations for 1H 2026 was \$21.6m, representing a \$36.5m increase compared to an Underlying EBITDA loss of \$14.9m in the prior corresponding period.

Continuing operations Period ended 30 June	1H2026 \$m	1H2025 \$m
Loss for the period	(33.7)	(44.8)
Income tax expense / (benefit)	4.8	(0.4)
Loss before tax	(28.9)	(45.2)
Net finance (income) / costs	(2.8)	15.0
Foreign exchange (gains) / loss	(1.2)	5.8
EBIT (loss) - before foreign exchange gains/losses	(32.9)	(24.4)
Depreciation and amortisation	10.3	9.5
Fair value remeasurement of MARSS contingent consideration ³	34.0	-
Other non-recurring non-trading adjustments ⁴	10.2	-
Underlying EBITDA profit/(loss) - before foreign exchange gains/losses, acquisition-related costs and other adjustments	21.6	(14.9)

¹ Continuing operations excludes the financial results of EM Solutions Pty Limited and its subsidiary (together "EMS") for the current and comparative period. The activities of EMS were disclosed as a discontinued operation for the year ended 31 December 2025 and in the previous corresponding period ended 30 June 2025. As a result, the discontinued operation did not contribute any revenue, expenses or cash flows to the Group's results during the period.

² Underlying EBITDA represents earnings before net finance costs, depreciation, amortisation and taxation expense, discontinued operations, foreign exchange movements, and other non-trading adjustments. This is a non-IFRS and unaudited measure which the company believes provides useful financial information.

³ The fair value remeasurement of the contingent consideration liability recognised in connection with the MARSS acquisition are excluded from Underlying EBITDA as it is considered acquisition-related and not reflective of the Group's underlying operational performance.

⁴ Adjustments include acquisition-related costs incurred for the MARSS acquisition. These have been excluded from Underlying EBITDA as they are considered acquisition-related and not reflective of the Group's trading activities.

Review of Operations

On 20 May 2026, the Group completed the acquisition of the assets and business of the MARSS Group, expanding EOS's capabilities and market presence in counter-drone and advanced defence technologies. From the acquisition date of 20 May to 30 June 2026, MARSS' results contributed to the Group's continuing operations. MARSS' financial results for the post acquisition period have been included within the Defence Systems segment.

The Group's net asset position was \$391.6m at 30 June 2026, an increase of \$153.6m from the net asset position of \$238.0m at 31 December 2025.

The Group's net cash outflow from operating activities for 1H 2026 was \$8.1m, an improvement of \$1.1m on the prior corresponding period (30 June 2025: \$9.2m outflow). The movement primarily reflects the timing of the completion of milestones on customer contracts during the half-year, offset by the increased investment in long-lead inventory for future deliveries.

At 30 June 2026, the Group held cash and cash equivalents totalling \$256.0m, representing an increase of \$149.1m compared to \$106.9m at 31 December 2025.

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

Revenue

The Group recorded revenue from continuing operations of \$168.8m for 1H 2026, representing an increase of \$124.7m or 283% from the \$44.1m in the corresponding period. The 1H 2026 results show a gross margin on materials of 57.5% compared to 75.5% in the prior corresponding period. The higher margin in the prior period was primarily due to a one-off \$12.0m reversal of late delivery penalties recognised.

The Defence Systems segment generated revenue of \$163.7m in the half-year compared to \$38.8m in the corresponding period, a 322% increase. Revenue in the Space Systems segment (excluding discontinued operations) decreased 4% to \$5.1m in the half-year compared to \$5.3m in the prior corresponding period.

The increase in Defence Systems segment revenue was largely driven by the additional contract wins across key customer markets, and the higher activity levels associated with the achievement of contractual milestones.

At 30 June 2026, the Group had a contracted order book of approximately \$846m (30 June 2025: \$170m). This represents work secured under customer contracts, and is expected to be largely undertaken through the remainder of 2026 and throughout 2027 and 2028.

Expenses

Expenses from continuing operations increased to \$206.4m in 1H 2026 from \$85.7m in the prior corresponding period. This movement was primarily driven by a \$60.9m increase in material costs and a \$22.5m increase in employee benefit expenses, reflecting higher delivery volumes under customer contracts.

The Group also recognised a non-cash fair value remeasurement loss of \$34.0m on the contingent consideration liability associated with the MARSS acquisition. The remeasurement reflects the change in the fair value of the liability between the acquisition date and 30 June 2026. Further information is set out in Note 5 to the consolidated financial statements.

Administration and other expenses increased by \$13.6m compared to the prior corresponding period, primarily related to costs incurred for the MARSS acquisition.

The decrease in finance costs of \$12.0m in 1H 2026 is mainly driven by the 'make whole' payment incurred in the corresponding period upon the early full repayment of outstanding borrowings.

Review of Operations

Borrowings

On 2 March 2026, the Group executed a \$100.0m two-year secured term loan facility with a subsidiary of Washington H. Soul Pattinson and Company Limited (“WHSP”). The facility is available to support growth across the EOS business and provide additional liquidity buffers. Further details are provided in the ASX announcement dated 2 March 2026.

During the half-year, the Group drew down \$70.0m under the facility. At 30 June 2026, and as at the date of this report, a further \$30m remains available for drawdown under the facility. The borrowings balance at 30 June 2026 is presented net of unamortised borrowing costs in Note 8 to the consolidated financial statements.

Foreign Exchange

The results include a foreign exchange gain from continuing operations in the half-year of \$1.2m compared to a loss of \$5.8m in the prior corresponding period, which predominantly arose on the translation of US Dollar assets into Australian Dollars.

Contract Asset

The Group recognises contract assets, being revenue recognised on projects that have 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.

At 30 June 2026, the Group had contract assets of \$7.1m (31 December 2025: \$9.8m). The \$2.7m decrease primarily reflects the invoicing and subsequent collection of amounts relating to contract deliveries following the achievement of relevant contractual milestones. The Group continues to closely monitor contract assets to optimise working capital levels.

Contract Liabilities

The Group recognises contract liabilities for amounts received or invoiced to customers in advance of the delivery of contracted goods and services.

At 30 June 2026, the Group had contract liabilities of \$163.8m (31 December 2025: \$42.4m), representing an increase of \$121.4m during the half-year. The increase primarily reflects amounts invoiced in advance of future contract deliveries. This contract liability will be recognised as revenue as contract work is completed. The increase is in line with the Group’s objectives of obtaining cash flow positive contracts.

The balance also includes the provisional fair value of contract liabilities of \$26.4m assumed in connection with contracts transferred as part of the MARSS acquisition. Further information is disclosed in Note 5 to the consolidated financial statements.

Contingent Consideration Liability

As part of the MARSS acquisition, the Group recognised a contingent consideration liability at its acquisition-date fair value. The liability is subsequently remeasured to fair value at each reporting date, with changes recognised in profit or loss.

At 30 June 2026, the contingent consideration liability was \$164.1m. The increase in fair value from the acquisition date resulted in a non-cash remeasurement loss of \$34.0m during the period, driven primarily by the increase in the EOS share price and the resulting impact on the share-settled and related option components of the arrangement. Further information is set out in Note 5 to the consolidated financial statements.

Review of Operations

Cash Balances

At 30 June 2026, the Group held cash and cash equivalents of \$256.0m, representing an improvement of \$149.1m from \$106.9m at 31 December 2025. In addition, the Group held \$70.2m of cash security deposits with banks to support bank guarantees, bonds and other contractual obligations. These security deposits are not included in cash and cash equivalents.

Cash Generated in Operating Activities

During 1H 2026, the Group had a net cash outflow from operating activities of \$8.1m, compared with a net cash outflow of \$9.2m in the prior corresponding period, representing a decrease in outflow of \$1.1m.

Customer receipts increased by \$38.1m to \$138.9m, reflecting higher activity levels and the completion of milestone achievements. This was offset by a net increase in payments to suppliers and employees of \$59.4m from the prior period as a result of increased production activity, customer deliveries and investment in long-lead inventory for future deliveries.

The cash outflow during the period also included interest paid on the new WHSP term loan facility, which was drawn down in May 2026.

Cash Flow Used in Investing Activities

The Group had a net cash outflow from investing activities of \$107.2m during the half-year, compared with a net cash inflow of \$97.9m in the prior corresponding period.

The movement included the \$51.2m in upfront consideration paid for the acquisition of MARSS and \$6.0m of associated transaction costs during the period. Investing cash flows also included net payments of \$28.9m for cash security deposits supporting bank guarantees and bonds, and payments for the acquisitions of property, plant and equipment, and intangibles of \$9.9m and \$11.2m respectively during the period.

The prior corresponding period included net proceeds of \$153.3m from the divestment of EMS, partly offset by the placement of \$40.0m in term deposits. Refer to Notes 7 to the consolidated financial statements for further information.

Cash Flow Used in Financing Activities

The Group had a net cash inflow from financing activities of \$262.5m during the half-year, compared with a net cash outflow of \$50.8m in the prior corresponding period.

The cash movement in the current period was primarily driven by inflows of \$200.0m from equity raisings and \$70.0m drawn under the new secured term loan facility. These inflows were partly offset by \$4.4m of equity raising transaction costs, \$1.7m of borrowing transaction costs and \$2.6m of lease liability repayments. The prior corresponding period primarily reflected the \$48.2m repayment of the previous WHSP term loan facility in January 2025.

Review of Operations

2. DETAILED SEGMENT UPDATE

DEFENCE SYSTEMS

In 1H 2026, Defence Systems generated revenue of \$163.7m, compared to \$38.8m in the prior corresponding period. The \$124.9m increase was driven by high activity levels, supported by the achievement of contractual milestones.

The main activity during the half-year was the manufacture and delivery of remote weapon systems (“RWS”) for several different customers. The Group also continued to develop a high-energy laser system for a customer during the period.

The Defence Systems segment was also expanded during the period through the acquisition of the assets and business of the MARSS Group, strengthening EOS’ position in counter-drone command and control and integrated defence solutions.

Market Overview and Sales Activity

RWS

Global demand for counter-drone solutions, including RWS, continued to increase during the 1H 2026, supported by ongoing conflicts and regional tensions in Europe and the Middle East. EOS experienced strong customer engagement across its product portfolio. The Group’s unconditional order book for Defence, excluding MARSS, reached approximately \$605m at 30 June 2026.

During the period, EOS announced new orders for RWS from customers around the world totalling over \$300m.

The largest order secured in the period was a US\$124m (~A\$175m) order for EOS’ Slinger Counter-Drone RWS, to be supplied to Generation 5 Holding L.L.C, a UAE defence technology company headquartered in Abu Dhabi. The contract represents one of the largest orders received by EOS to date and further validates increasing international demand for EOS’ counter-drone capabilities.

There were several other notable developments in the period including:

- Inaugural R800 RWS orders from customers in the Middle East and South Asia. EOS also delivered the first R800 integrated with the MARSS NiDAR command-and-control system, marking an important milestone in the deployment of combined EOS and MARSS counter-drone solutions.
- Ramp up in demand for naval RWS, demonstrated by the A\$23m order for Naval R400 RWS, to a new customer based in the Middle East.
- Award of a contract under Australia's Advanced Strategic Accelerator (“ASCA”) Program, Mission Syracuse to support ongoing development of the R400 Slinger capability, including enhancements designed to extend engagement range and effectiveness against evolving drone threats.

High-Energy Laser Weapons

During the period, EOS:

- Continued work on the execution of its previously announced high-energy laser weapon program.
- Formally opened its new facility in Singapore, which includes a RWS service and support centre and a High-Energy Laser Weapon manufacturing facility.
- Continued to engage with prospective customers regarding directed energy weapon capabilities and received ongoing enquiries from potential customers across several regions.

Review of Operations

Command and Control (MARSS)

The acquisition of MARSS was completed on 20 May 2026, expanding EOS' capabilities in command and control and integrated counter-drone systems. From acquisition to 30 June 2026, MARSS contributed to Defence segment operations and increased EOS' market presence in Europe and the Middle East.

During the period:

- MARSS secured a number of new orders, approximately A\$185m of new orders from an existing Middle Eastern customer to expand drone detection and mitigation capabilities, prior to the completion of the acquisition. As at 30 June 2026, the MARSS order book stood at approximately \$225m. As previously announced, EOS is in the process of novating these contracts to the relevant EOS entities.
- BAE Systems selected the MARSS NiDAR command-and-control platform as the "nerve centre" of its next-generation counter-drone system, BAE Systems Anti Threat System ("BATS"). The selection by one of the world's largest defence companies represents significant validation of the capability and maturity of the NiDAR platform.
- EOS officially launched the combined EOS-MARSS business at the Eurosatory Defence and Security Exhibition in Paris in June 2026. EOS also relocated the MARSS headquarters from Monaco to Nice, France, to strengthen engagement with the European defence ecosystem and support future growth opportunities in the region.
- Subsequent to the half-year, in July 2026, EOS secured a A\$15m contract with a new customer in the Middle East for an integrated counter-drone system with MARSS' NiDAR at its core.

Product Research and Development

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

- Ongoing development and enhancement of the Slinger counter-drone system to address increasing operational requirements and emerging threats.
- Development activities under the ASCA Mission Syracuse program to improve engagement range, lethality and survivability against evolving drone threats.
- Integration of EOS Remote Weapon Systems with the MARSS NiDAR command-and-control architecture, providing customers with a fully integrated counter-drone solution incorporating detection, command-and-control and kinetic defeat capabilities.
- Continued advancement of software, autonomy and artificial intelligence technologies to support detection, identification, prioritisation and engagement of aerial threats.
- Continued evaluation and development of technologies associated with future generations of high-energy laser weapon systems.

Review of Operations

SPACE SYSTEMS

Revenue from continuing operations in the Space Systems segment decreased 4% to \$5.1m in the half-year from \$5.3m in the prior corresponding period.

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

During 1H 2026, Space Systems continued to commercialise its technology portfolio while pursuing customer-funded research and development opportunities across defence and civil space markets. Focus remained on securing external funding for advanced Space Control technologies and sovereign Australian space capability initiatives

During the period:

- Work continued on existing contracts with the Commonwealth of Australia to develop and support sovereign space capabilities.
- KiwiStar Optics secured a contract to produce critical optical elements for the World's largest ever optical/infrared telescope: Europe's Extremely Large Telescope.
- 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 Australia and are expected to continue. Typically, it can take a year or more for opportunities to be developed and converted to signed sales agreements.

3. SECURITIES

During the half-year to 30 June 2026:

- 18,750,000 new ordinary shares were issued under the Share Placement;
- 5,000,063 new ordinary shares were issued under the Share Purchase Plan;
- 21 new performance rights were issued as consideration for the MARSS acquisition which may vest in up to 28,942,814 new shares;
- 275,357 share options and 71,561 share rights were issued to employees, following approval at the Annual General Meeting ("AGM"). These included 80,413 share options and 21,539 share rights issued to the Managing Director/CEO as approved at the AGM. 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; and
- 23,544 shares were issued to eligible employees under the Employee Tax-exempt Share Plan from the employee share trust.
- Prior to 30 June 2026, EOS had received \$10.0m of the \$40.0m strategic placement proceeds at \$8.00 per share. The proceeds received were unconditional and non-refundable. 5,000,000 strategic placement shares were subsequently issued on 3 July 2026, representing the full \$40.0m proceeds. Refer to section 5 for details.

Review of Operations

4. BUSINESS COMBINATION

On 20 May 2026, EOS completed the acquisition of the MARSS business, a Europe-based provider of AI-enabled command and control ("C2") systems which are critical for effectively countering drones.

As part of consideration paid for the MARSS business, the management shareholders of MARSS (the MARSS Management Shareholders) are entitled to an earn-out up to €140,000,000 via performance rights that are linked to the value of new contract orders during the earn-out period, which ends 12 months after completion, on 19 May 2027.

5. BORROWING AND EQUITY RAISING

On 2 March 2026, EOS announced that it had finalised a \$100.0m two-year secured term loan facility with WHSP. On 15 May 2026, prior to the completion of the MARSS acquisition, EOS drew down \$70m from this \$100m facility. At 30 June 2026, and as at the date of this report, a further \$30m remains available for drawdown under the facility.

During the half-year, EOS also completed the following equity raisings:

- A \$150.0m fully underwritten institutional placement through the issue of approximately 18.8m ordinary shares at \$8.00 per share; and
- A \$40.0m Share Purchase Plan through the issue of approximately 5.0m ordinary shares at \$8.00 per share.

EOS also secured commitments for a further \$40.0m strategic placement at \$8.00 per share. Shareholders approved the issue of the strategic placement shares at the Extraordinary General Meeting held on 26 June 2026.

At 30 June 2026, EOS had received \$10.0m of the strategic placement proceeds. The amount received was unconditional and non-refundable, with the subsequent issue of the related shares representing an administrative process. Accordingly, the \$10.0m was recognised within other contributed equity at the reporting date. Subsequent to the end of half-year, the remaining \$30.0m was received and 5.0m strategic placement shares were issued on 3 July 2026.

Further information is set out in Note 8 and 13 to the consolidated financial statements.

6. OFFSET CREDIT OBLIGATION

The Group is obligated as part of its contracts 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\$17.5m (A\$25.6m) which is guaranteed by Export Finance Australia ("EFA"). In respect of this bond, a cash security amount of US\$17.5m (A\$25.6m) has been placed on deposit.

As part of the offset program, EOS was required to develop, agree and submit an approved business plan, to 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.

Review of Operations

The approved business plan involves the establishment of a 49% EOS owned joint venture (“JV”) with Shielders Advanced Industries (“Shielders”). Both parties will establish a local manufacturing and assembly of EOS’ R150 Remote Weapon System product, and its variants, 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. The final form of the various agreements necessary for the JV to manufacture and assemble EOS product in the Middle East require the approval of the offset credit authority. These approvals were obtained in September 2025.

During the period, and in accordance with the relevant approvals from the offset authority, EOS continued to progress the formal establishment of the JV entity. These steps included the incorporation of the JV company and commencement of the execution of the Joint IP Development and Manufacturing Licence Agreements.

Under the approved business plan, in order to earn offset credits, EOS must contribute not less than AED 18.4m (approximately A\$7.5m) as a cash equity injection into the JV.

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.

7. SUBSEQUENT EVENTS

As a condition precedent to a proposed new contract on 12 August 2026, EOS provided a bank guarantee for British £37.1m (~A\$70.9m) to a prospective government customer in the Middle East. The guarantee is secured by a cash security deposit for British £40.3m (~A\$77.0m) that EOS has provided to a commercial bank. The contract is expected to be signed imminently, although there is no certainty that this will occur, or that revenue or activity will ultimately arise. Should the contract be signed the guarantee covers performance under the contract. In the event that the contract is not signed EOS expects to cancel the bank guarantee and return the security deposit amount to unrestricted funds.

On 20 August 2026, the vendors of MARSS agreed with EOS that the tranche 1 period of the earnout had been completed with €120.3m of qualifying orders received. (See additional details regarding the earnout in Note 5 to the financial report). In accordance with acquisition agreement the value of tranche 1 of the earnout is 0.2 times this amount, or €24.06m. Under the acquisition agreement, the vendors may elect to receive up to €20.0m in cash and the remainder in EOS shares, at a value of €4.25 (A\$7.40) (for the first €100.0m of earnout). As at the date of this report the vendors have not notified EOS as to whether they wish to take the €20.0m in cash and the balance in EOS shares or the full amount in EOS shares. Assuming the vendors elect to receive all shares, this would equate to approximately 5.7m EOS shares vesting in tranche 1. The relevant shares are expected to be issued to the vendors in the coming weeks along with any required cash transfers. Vested shares will be subject to the usual restrictions under the EOS’ Securities Trading Policy. Tranche 2 and 3 of the earn out are due to be determined at 210 days and 365 days after the completion of the acquisition being 16 December 2027 and 20 May 2027 respectively.

Other than noted above, there were no significant subsequent events arising after 30 June 2026 and up to the date of this report.

Review of Operations

8. 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.

During August, EOS has completed a detailed review of the outlook for the MARSS business that was acquired on 20 May 2026 and reassessed the outlook for the base EOS business. The review included an assessment of the order book and associated revenue recognition under IFRS / EOS group policies for the MARSS business as well as an updated assessment of the outlook for the base EOS business (in both cases excluding any potential future new customer orders and any conditional contracts). The review considered the status of MARSS contracts as at acquisition, as at 30 June 2026 and the outlook for the remainder of 2026 as well as the impact of updated information regarding global supply chains, production plans and other factors on both the base EOS business and the MARSS business. As normal with a portfolio of projects, a range of both positive and negative changes arose.

As a result of this review, EOS now expects 2026 full year revenue (including revenue from the MARSS business) to be in the range \$360m to \$400m. If secured, this would represent a record annual revenue for EOS.

The revenue outlook above assumes that there is no unforeseen significant deteriorations in global supply chains or other factors that could impact EOS' production activity, delivery to customers or other factors that impact revenue recognition by EOS.

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

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 (the "Group" or "EOS") at the end of, or during, the half-year ended 30 June 2026.

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
7. Ms Catherine Roberts AO (appointed 1 June 2026)
8. Ms Kathryn Toohey AM (appointed 1 June 2026)

Review of Operations

A detailed review of operations is included on pages 3 to 12 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

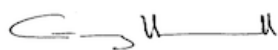
The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2026/183, dated 24 March 2016, and in accordance with that Corporations Instrument, amounts in the financial report are rounded to the nearest thousand dollars, unless otherwise indicated.

Auditor's independence declaration

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included on page 14 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, 25 August 2026



**Shape the future
with confidence**

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Canberra ACT 2600 Australia
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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 2026, 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.

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive, stylized script.

Ernst & Young

A handwritten signature in black ink that reads 'Ben Tansley' in a cursive, stylized script.

Ben Tansley
Partner
25 August 2026

ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half-year ended 30 June 2026

		30 June 2026	30 June 2025
Continuing operations	Note	\$(000's)	\$(000's)
Revenue	3(a)	168,782	44,070
Other income	3(b)	7,572	2,142
Foreign exchange gain/(loss)	3(c)	1,202	(5,784)
Raw materials and consumables used		(71,693)	(10,784)
Employee benefits expense	3(c)	(53,250)	(30,814)
Occupancy costs		(2,039)	(1,097)
Administrative expenses		(25,114)	(15,943)
Other expenses		(5,392)	(993)
Finance cost	3(c)	(4,642)	(16,593)
Depreciation of property, plant, and equipment	3(c)	(5,648)	(4,947)
Depreciation of right of use assets	3(c)	(2,728)	(1,956)
Amortisation of intangible assets	3(c)	(1,879)	(2,552)
Fair value loss on contingent consideration	5(b)(iii)	(34,038)	-
Loss before tax from continuing operations		(28,867)	(45,251)
Income tax (expense) / benefit	6	(4,790)	438
Loss for the period from continuing operations		(33,657)	(44,813)
Discontinued operations			
Profit after tax for the period from discontinued operations	7	-	90,979
(Loss) / profit for the period		(33,657)	46,166
Attributable to:			
Owners of the Company		(32,922)	46,786
Non-controlling interests		(735)	(620)
		(33,657)	46,166
Other comprehensive income			
Items that may be reclassified in future to profit and loss (net of tax)			
Exchange differences on translation of foreign operations		(11,896)	1,399
Total other comprehensive income		(11,896)	1,399
Total comprehensive (loss) / profit for the period, net of tax		(45,553)	47,565
Attributable to:			
Owners of the Company		(44,818)	48,185
Non-controlling interests		(735)	(620)
		(45,553)	47,565
Basic and diluted (loss) / earnings per share	Note	cents per share	cents per share
From continuing operations	4	(17.3)	(24.3)
From discontinued operations	4	-	50.1
Total		(17.3)	25.8

Notes to the consolidated financial statements are included on pages 19 to 38.

ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

Consolidated Balance Sheet as at 30 June 2026

	Note	30 June 2026 \$(000's)	31 December 2025 \$(000's)
Current assets			
Cash and cash equivalents		256,025	106,916
Trade and other receivables		155,823	31,125
Security deposits	12	5,405	6,925
Contract assets	10	7,072	9,767
Inventories		68,755	80,613
Prepayments		26,371	28,663
Total current assets		519,451	264,009
Non-current assets			
Deferred tax asset		14,242	14,631
Security deposits	12	64,790	34,661
Prepayments		1,676	1,873
Right of use assets		14,104	15,649
Goodwill	1(c), 5	147,439	2,505
Intangible assets	5, 9	96,043	22,830
Property, plant and equipment		42,590	18,579
Total non-current assets		380,884	110,728
Total assets		900,335	374,737
Current liabilities			
Trade and other payables		51,340	40,893
Contract liabilities	10	163,772	42,406
Lease liabilities		5,691	4,806
Tax payable		2,990	58
Provisions		22,291	24,672
Contingent consideration liability	5(b)(iii)	164,082	-
Total current liabilities		410,166	112,835
Non-current liabilities			
Deferred tax liability	5	5,761	-
Lease liabilities		10,009	12,336
Borrowings	8	69,405	-
Provisions		13,429	11,522
Total non-current liabilities		98,604	23,858
Total liabilities		508,770	136,693
Net assets		391,565	238,044
Equity			
Issued capital	13	655,582	467,479
Other contributed equity	13	10,000	-
Reserves		7,654	18,579
Accumulated losses		(274,816)	(241,894)
Equity attributable to owners of the Company		398,420	244,164
Non-controlling interests		(6,855)	(6,120)
Total equity		391,565	238,044

Notes to the consolidated financial statements are included on pages 19 to 38.

ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

Consolidated Statement of Changes in Equity for the half-year ended 30 June 2026

	Accumulated losses	Issued capital	Other contributed equity	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)	\$(000's)
2026								
Balance at 1 January 2026	(241,894)	467,479	-	486	18,093	244,164	(6,120)	238,044
Loss for the period	(32,922)	-	-	-	-	(32,922)	(735)	(33,657)
Exchange differences on translation of foreign operations	-	-	-	(11,896)	-	(11,896)	-	(11,896)
Total comprehensive loss for the period	(32,922)	-	-	(11,896)	-	(44,818)	(735)	(45,553)
Issue of 18,750,000 equity shares at \$8.00 per share on 22 May 2026 – Share Placement (Note 13)	-	150,000	-	-	-	150,000	-	150,000
Issue of 5,000,063 equity shares at \$8.00 per share on 16 June 2026 - Share Purchase Plan (Note 13)	-	40,001	-	-	-	40,001	-	40,001
Subscription proceeds for ordinary shares issued under the strategic placement on 3 July 2026 (Note 13)	-	-	10,000	-	-	10,000	-	10,000
Equity raising transaction costs, net of tax	-	(3,095)	-	-	-	(3,095)	-	(3,095)
Share options exercised	-	1,197	-	-	-	1,197	-	1,197
Recognition of share-based payments expense	-	-	-	-	971	971	-	971
Balance at 30 June 2026	(274,816)	655,582	10,000	(11,410)	19,064	398,420	(6,855)	391,565
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

Notes to the consolidated financial statements are included on pages 19 to 38.

ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

Consolidated Statement of Cash Flows for the half-year ended 30 June 2026

	Note	30 June 2026 \$(000's)	30 June 2025 \$(000's)
Cash flows from operating activities			
Receipts from customers		138,884	100,779
Payments to suppliers and employees		(150,748)	(91,335)
Income tax paid		(145)	(3,564)
Interest and bill discounts received		7,206	1,089
Interest and other costs of finance paid		(3,338)	(16,182)
Net cash outflows from operating activities		(8,141)	(9,213)
Cash flows from investing activities			
Payments for property, plant, and equipment		(9,899)	(6,165)
Proceeds from disposal of property, plant, and equipment		15	-
Payments for Intangibles and other assets		(11,217)	(4,060)
Proceeds from disposal of subsidiary, net of cash	7	-	156,609
Transaction costs related to disposal of subsidiary	7	-	(3,294)
Payments for business acquisition	5	(51,182)	-
Transaction costs related to business acquisition	5	(5,972)	-
Placement of term deposits		-	(40,000)
Payments for security deposits		(42,298)	(5,505)
Proceeds from security deposits		13,374	334
Net cash (outflows)/inflows from investing activities		(107,179)	97,919
Cash flows from financing activities			
Proceeds from issue of new shares	13	190,001	-
Proceeds from share subscriptions for shares to be issued	13	10,000	-
Transaction costs related to issues of shares	13	(4,420)	-
Proceeds from exercise of options		1,197	117
Repayment of lease liabilities		(2,599)	(2,691)
Repayment of borrowings		-	(48,219)
Proceeds from borrowings		70,000	-
Transaction costs related to borrowings		(1,700)	-
Net cash inflows/(outflows) from financing activities		262,479	(50,793)
Net increase in cash and cash equivalents		147,159	37,913
Cash and cash equivalents at the beginning of the half-year		106,916	52,304
Effects of exchange rate changes on cash held in foreign currencies		1,950	72
Cash and cash equivalents at the end of the half-year		256,025	90,289

Notes to the consolidated financial statements are included on pages 19 to 38.

**Notes to the consolidated financial statements
for the half-year ended 30 June 2026**

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 2025.

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 2025 annual financial report for the financial year ended 31 December 2025. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

During the half-year, the Group completed the acquisition of the MARSS Group business ("MARSS"). The acquisition has been accounted for as a business combination in accordance with AASB 3 *Business Combinations*, with the results of MARSS consolidated as a continuing operation from the date control was obtained. Further information is disclosed in Note 5.

The activities relating to EM Solutions Pty Ltd ("EMS") have been classified as a discontinued operation in the prior period in accordance with the accounting standards.

The half-year consolidated financial statements were authorised for issue by the Directors on 25 August 2026.

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 2026, the Group reported a loss before tax from continuing operations of \$28.9m (June 2025: loss of \$45.2m). The loss for the period was primarily driven by a \$34.0m non-cash fair value remeasurement loss on the contingent consideration liability arising from the MARSS acquisition, which is expected to be settled in equity in the future.

The Group had a net increase in cash and cash equivalents held of \$149.1m (June 2025: net increase of \$38.0m). The Group's net asset position was \$391.6m at 30 June 2026, an increase of \$153.6m from the net asset position of \$238.0m at 31 December 2025.

At 30 June 2026, the Group had cash and cash equivalents of \$256.0m (December 2025: \$106.9m) and net current assets of \$109.3m (December 2025: \$151.2m). The Group also had a \$100.0m secured term loan facility, of which \$70.0m had been drawn and \$30.0m remained available at 30 June 2026. The facility matures on 28 February 2028 and is not subject to financial covenants.

Subsequent to the end of the half-year, on 3 July 2026, the Group received an additional \$30.0m of cash proceeds from shares issued under the Strategic Placement.

The Group's future cash flow is also supported by its strong order book, new contracts expected to generate positive cash flows, and the addition of MARSS's contracted activities following the acquisition.

Based on the Group's financial position and available liquidity, as at the date of signing this report, the Directors consider that the Group will be able to meet its obligations as and when they fall due, and that it is appropriate to prepare the financial report on a going concern basis.

**Notes to the consolidated financial statements
for the half-year ended 30 June 2026**

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, are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2025. Additional judgements and estimates arising during the half-year, including those relating to business combinations and fair value measurements, are set out below.

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. For the purpose of the impairment assessment at 30 June 2026, the MARSS business was considered together with the broader Defence CGU. The goodwill arising from the MARSS acquisition remained unallocated at 30 June 2026 pending completion of the assessment of the CGUs expected to benefit from the acquisition synergies. Please refer to Note 5 for further details.

The Group performed an assessment for indicators of impairment at 30 June 2026 as required by the accounting standards and concluded no indicators exist that warrant a full impairment test at the half-year end.

At 30 June 2026, total goodwill was \$147.4m, comprising \$2.5m allocated to the Space CGU and \$144.9m of unallocated goodwill arising from the MARSS acquisition (refer to Note 5).

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, a reduction in the provision has been recognised 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 2026, the carrying amount of capitalised development costs was \$24.8m (December 2025: \$22.8m).

**Notes to the consolidated financial statements
for the half-year ended 30 June 2026**

1. Summary of Accounting Policies (continued)

Business combinations

In applying the Group's accounting policy and accounting for the Interceptor and MARSS acquisitions, management made significant judgements and estimates. The key areas are outlined below.

1. Definition of a business combination

The Group exercised judgement in determining that the Interceptor and MARSS acquisitions met the definition of a business combination under AASB 3, including an assessment of whether the acquired set of activities and assets constituted an integrated set capable of being conducted and managed for the purpose of providing goods or services.

2. Interceptor business and MARSS business as separate transactions

The Group exercised judgement in determining that the Interceptor acquisition and the MARSS acquisition should be accounted for as separate business combinations. This assessment considered the commercial substance of each transaction and completion dates, and the fact that the Interceptor acquisition was capable of completing independently of the MARSS acquisition. Based on this assessment, the transactions were not considered linked and were accounted for separately under AASB 3.

3. Contingent consideration

(i) Classification as consideration rather than remuneration

The Group applied judgement in concluding that the earn-out is contingent consideration forming part of the purchase price for the MARSS business, rather than remuneration for post-combination services. This conclusion reflects that entitlement to the earn-out vests solely by reference to the new contract orders during the earn-out period, and it is not forfeited if a holder's employment or consultancy engagement ends.

(ii) Nature of the estimation uncertainty

The amount payable under the earn-out arrangement is dependent on the value of new contract orders during the earn-out period. The timing and value of such orders are subject to customer procurement decisions, contract award timing and other factors that are outside the Group's control and are inherently uncertain. Accordingly, the fair value recognised is a probability-weighted best estimate determined at the acquisition date. It is not a forecast of the amount that will be paid in any single outcome. As the final earn-out amount payable is dependent upon uncertain future events not wholly within the Group's control, amounts payable may be materially different from the fair value estimated at the acquisition date.

(iii) Range of reasonably possible outcomes

The potential undiscounted amount payable under the earn-out arrangement ranges from nil to the contractual cap of €140,000,000. Management has identified qualifying contract opportunities which could result in payments up to the contractual cap, if secured within the earn-out period; however, the timing and outcome of these opportunities remain uncertain and contracts may be awarded after the earn-out period or not awarded at all.

ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

Notes to the consolidated financial statements for the half-year ended 30 June 2026

1. Summary of Accounting Policies (continued)

(iv) Method of assessment

The fair value of the earn-out at the acquisition date and reporting date was partly based on unobservable level 3 inputs, specifically the expected earn-out amount, determined by reference to qualifying contract amounts during the earn-out period. The earn-out is primarily share-settled with reference to a EUR-denominated conversion price, and a component that may be settled in cash or shares. The settlement alternatives were valued using discounted cash flow and option pricing techniques.

The following table summarises the key inputs used in measuring the earn-out, including the effect of reasonably possible changes.

Key input	Methodology	Reasonably possible change	Impact on contingent consideration liability at 30 June 2026
Qualifying contract amounts during the earn-out	Based on management's assessment of the identified opportunities and the probability of each being secured as a qualifying contract order within the earn-out period.	10% decrease / increase	Decrease / increase of approximately \$12.4m, respectively
Australian dollar/Euro exchange rate	Based on the exchange rate applicable to the euro-denominated earn-out liability at the reporting date.	10% increase / decrease	Increase of approximately \$17.3m / decrease of approximately \$13.9m, respectively.
EOS share price and cash-share settlement mix	The proportion settled in cash rather than shares depends on the holders' cash election and the Group's available placement capacity. The holder cash election is up to the capped amount of EUR 20,000,000.	10% decrease / increase	Decrease of approximately \$15.3m / increase of approximately \$15.5m, respectively.

(v) Fair value

The fair value of the contingent consideration was measured at acquisition date and remeasured at reporting date using a valuation model based on the present value of the future expected cash flows. At the reporting date, the fair value assessment of the MARSS acquisition remained provisional, as the valuation process was not complete. The Group applied judgement in determining that the provisional fair values recognised approximated the consideration transferred based on information available at the reporting date. These amounts may be adjusted during the measurement period, as permitted under AASB 3, should new information become available about facts and circumstances that existed at the acquisition date

4. Useful lives of identifiable assets acquired

As part of the provisional purchase price allocation for the acquisitions, the Group has identified and recognised the following classes of identifiable assets. In accordance with AASB 116 and AASB 138, each class has been assessed as follows:

Identifiable asset acquired	Estimated useful life
Technology and software	10 years
Customer contracts	10 years
Property, plant and equipment	3 to 10 years

**Notes to the consolidated financial statements
for the half-year ended 30 June 2026**

1. Summary of Accounting Policies (continued)

Useful lives have been determined by reference to the expected pattern of consumption of the future economic benefits, the technological obsolescence profile of the underlying software, and the legal protection afforded to the acquired intellectual property. Residual values, useful lives and amortisation and depreciation methods will be reviewed at each reporting date and adjusted prospectively where appropriate. The purchase price allocation, including the assessed useful lives, remains provisional at 30 June 2026 and will be finalised within the 12-month measurement period permitted under AASB 3.

5. Expected future economic benefits for the Interceptor business

Judgement was also applied in assessing the expected future economic benefits associated with the Interceptor business, including the timing of commercialisation and the ability of the acquired assets to generate future revenue. As at the reporting date, no revenue had been recognised from the Interceptor business, with revenue expected to be recognised upon commercialisation.

d) Material Accounting Policy - Business Combination and Contingent consideration

Business combinations are accounted for using the acquisition method in accordance with AASB 3 *Business Combinations*. Identifiable assets acquired and liabilities assumed are recognised at their acquisition date fair values, with any excess of the consideration transferred over the fair value of the identifiable net assets acquired recognised as goodwill. Acquisition-related transaction costs are expensed as incurred.

Contingent consideration arising from a business combination is recognised at fair value at the acquisition date. Where contingent consideration is classified as a financial liability, it is subsequently remeasured to fair value at each reporting date, with changes in fair value recognised in profit or loss, except for measurement period adjustments arising from new information about facts and circumstances that existed at the acquisition date. Changes in fair value arising from post-acquisition events are recognised in profit or loss and do not affect goodwill.

The fair value of the contingent consideration at acquisition date and reporting date is determined using a valuation model that considers the expected value and timing of qualifying new contract orders during the earn-out period, the applicable settlement terms, the EOS share price, foreign exchange rates and an appropriate risk-adjusted rate. The valuation is subject to significant judgement in estimating the probability and timing of qualifying contract orders. Further information is disclosed under Note 5.

e) 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 2025, except for the adoption of new standards effective as of 1 January 2026. The adoption of these new and amended standards and interpretations did not have a material impact on the consolidated financial statements of the Group.

ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

Notes to the consolidated financial statements for the half-year ended 30 June 2026

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. The segment information reported in this note does not include any amounts for the discontinued operations (refer Note 7) in accordance with the accounting standards. At 30 June 2026, the Group considers the business to have two reportable business segments, Defence Systems and Space Systems:

(i) Defence Systems

Defence Systems develops, manufactures and markets advanced fire control, surveillance, weapon systems, high-energy laser, and C2 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.

During the half-year ended 30 June 2026, the Group completed the acquisition of MARSS and continued to integrate the Interceptor business acquired in November 2025 (refer Note 5). The Group is assessing the future operating and reporting structure for these businesses. As at 30 June 2026, no change to the Group's reportable segments had been finalised or approved. The financial information of MARSS from the date of acquisition and the Interceptor business for the half-year have been included within the Defence Systems segment. Further financial information of MARSS's balance sheet composition at acquisition date and contribution to profit or loss for the half year period is provided at Notes 5 (b) and 5 (b)(vi).

(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 the Group's laser technology has opened aligned markets in space optical communications and various high power laser applications.

Geographic Activity

The Group continues to operate in Australia, USA, Singapore, UAE, New Zealand, and Europe in the development, manufacture and sale of telescopes and dome enclosures, laser satellite tracking systems, the manufacture of remote weapon systems, C2 systems and high-energy laser weapons.

	30 June 2026	30 June 2025
Segment revenues – continuing operations	\$(000's)	\$(000's)
Space	5,057	5,307
Defence	163,725	38,763
Total of all segments	168,782	44,070
Segment results – continuing operations		
Space	(8,909)	(5,160)
Defence	(6,370)	(25,654)
Total of all segments	(15,279)	(30,814)
Unallocated holding company costs	(13,588)	(14,437)
(Loss) before tax	(28,867)	(45,251)
Income tax (expense) / benefit	(4,790)	438
(Loss) for the period	(33,657)	(44,813)

ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

Notes to the consolidated financial statements for the half-year ended 30 June 2026

2. Segment information – continuing operations (continued)

The revenue reported above represents revenue from external customers. 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 2026	31 Dec 2025	30 June 2026	31 Dec 2025
	\$(000's)	\$(000's)	\$(000's)	\$(000's)
Space	37,288	19,090	66,212	31,076
Defence	462,088	248,731	442,558	105,617
Total of all segments	499,376	267,821	508,770	136,693
Unallocated cash and term deposits	256,025	106,916	-	-
Unallocated goodwill – Note 5	144,934	-	-	-
Total consolidated	900,335	374,737	508,770	136,693

* 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 2026 or 31 Dec 2025.

3. Profit/(loss) before income tax – continuing operations

The profit/(loss) before income tax from continuing operations comprises the following:

a) Revenue from continuing operations	30 June 2026	30 June 2025
	\$(000's)	\$(000's)
Revenue from operations consisted of the following items:		
Revenue from sale of goods	144,573	38,182
Revenue from rendering of services	24,209	5,888
Total revenue	168,782	44,070

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 2026	30 June 2025
	\$(000's)	\$(000's)
Revenue recognition over time		
Defence segment:		
Sale of goods	126,534	33,823
Provision of services	17,267	-
Space segment:		
Sale of goods	409	-
Provision of services	3,405	4,098
Total revenue recognised over time	147,615	37,921
Revenue recognition at a point in time		
Defence segment:		
Sale of goods	17,596	4,148
Provision of services	2,328	792
Space segment:		
Sale of goods	34	211
Provision of services	1,209	998
Total revenue recognised at a point in time	21,167	6,149
Total revenue recognised	168,782	44,070

ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

Notes to the consolidated financial statements for the half-year ended 30 June 2026

3. Profit/(loss) before income tax – continuing operations (continued)

b) Other income – continuing operations	30 June 2026 \$(000's)	30 June 2025 \$(000's)
Grant income	10	8
Interest received	7,451	1,586
Other income	111	548
Total other income	7,572	2,142

c) Expenses – continuing operations

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

Fair value loss on remeasurement of contingent consideration – Note 5	34,038	-
Employee benefit expense:		
Share-based payment (equity settled) expense - Note 11	971	801
Contributions to defined contribution superannuation	2,652	2,335
Other employee benefits	49,627	27,678
Total employee benefits expense	53,250	30,814
Finance costs:		
Interest on secured borrowings	416	973
Interest on lease liabilities	933	460
Other finance costs *	3,293	15,160
Total finance costs	4,642	16,593
Amortisation of intangible assets	1,879	2,552
Depreciation of property, plant and equipment	5,648	4,947
Depreciation on right of use assets	2,728	1,956
Foreign exchange (gain) / loss	(1,202)	5,784

* Comparative included '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 2026

4. Earnings Per Share

	30 June 2026 ¢ per share	30 June 2025 ¢ per share
Basic		
Continuing operations	(17.3)	(24.3)
Discontinued operations	-	50.1
Total	(17.3)	25.8
Diluted		
Continuing operations	(17.3)	(24.3)
Discontinued operations	-	50.1
Total	(17.3)	25.8

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 2026 \$(000's)	30 June 2025 \$(000's)
Earnings			
Earnings - net (loss) / profit for the period attributable to equity holders of parent	(a)	(32,922)	46,786
Adjustments to exclude profit for the period from discontinued operations	7	-	(90,979)
Earnings from continuing operations for the purpose of basic and diluted earnings per share (excluding discontinued operations)		(32,922)	(44,193)

		30 June 2026 Number	30 June 2025 Number
Weighted average number of ordinary shares used in the calculation of basic earnings per share		190,053,061	181,635,023
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	(b) (c) (d)	190,053,061	181,635,023

- (a) Loss attributable to the owners of the parent entity used in the calculation of basic earnings per share is the same as the loss 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 given 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.
- (d) A component of the consideration for the MARSS acquisition consisted of 21 performance rights issued on 20 May 2026. The potential shares arising from the performance rights of the contingent consideration are not included in diluted earnings per share as their inclusion would be anti-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 2026

5. Business Combinations

a) Acquisition of the Interceptor Business

On 25 November 2025, the Group acquired the Interceptor business assets which included the interceptor system and intellectual property, as well as the specialist engineering team that developed the system, for cash consideration of €3,500,000.

Details of the Interceptor business combination were disclosed in Note 6 of the Group's Financial Statements for the year ended 31 December 2025 announced 23 February 2026. At 31 December 2025, the accounting for the acquisition remained provisional. During the half-year ended 30 June 2026, the Group further progressed the purchase price allocation, and determined the provisional fair value of the identifiable assets acquired as follows:

	Fair value \$(000's)
Technology /In-process research and development	6,244
Net identifiable assets acquired	6,244

The €3,500,000 consideration had an acquisition-date fair value of \$6,244,000. The previously disclosed amount of \$6,281,000 represented the actual Australian dollar cash amount paid, with the difference arising from foreign exchange movements.

The acquisition did not give rise to goodwill, and no gain on a bargain purchase was recognised at the acquisition date. During the half-year ended 30 June 2026, the Interceptor business did not make a material contribution to the Group's revenue or profit before tax from continuing operations during the period.

b) Acquisition of the MARSS Business

On 20 May 2026, the Group acquired the assets and specified liabilities constituting the MARSS group business, a Europe-based defence and security technology provider focused on developing and marketing sensor-fusion technology and AI-enabled command and control systems. The acquisition was announced on 12 January 2026 and completed on 20 May 2026.

The Group's newly incorporated subsidiaries, MARSS Systems Limited UK, EOS MARSS France SAS and Electro Optic Systems MARSS Middle East Company are the legal entities that acquired and hold the MARSS business. Electro Optic Systems Holdings Limited is the acquirers' ultimate parent and primary obligor.

The Group believes that the acquisition of MARSS accelerates EOS' strategic intent to become a fully integrated counter-drone solution provider by combining EOS' effector and sensor capabilities with MARSS' proprietary NiDAR C2 technology and its AI-enabled decision-making and sensor-effector orchestration capability.

MARSS meets the criteria to be defined as a business as required by AASB 3 *Business Combinations* and has been treated as a business combination. The acquired assets and assumed liabilities, together with transferred employees, constituted an integrated set of activities capable of being conducted and managed as a business. The acquisition date has been determined as 20 May 2026, the date of completion.

Details of the purchase consideration are as follows:

Purchase consideration	\$(000's)
Cash paid	49,653
Contingent consideration – earn-out (<i>see (ii) and (iii) below</i>)	125,982
Other contingent consideration (<i>see (iv) below</i>)	4,061
Interceptor development advance (<i>see (v) below</i>)	3,249
Total purchase consideration	182,945

**Notes to the consolidated financial statements
for the half-year ended 30 June 2026**

5. Business Combinations (continued)

The accounting for the transaction has been provisionally determined as at 30 June 2026 using initial measurements which are subject to change during the measurement period. The independent valuations remain provisional, as the valuation process was not complete when the financial statements were authorised for issue. The amounts recognised are therefore provisional and may be adjusted within the measurement period (not exceeding 12 months from the acquisition date) to reflect new information obtained about facts and circumstances that existed at the acquisition date.

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value \$(000's)
Technology/software (<i>Intangible assets</i>)	52,035
Customer contracts (<i>Intangible assets</i>)	19,204
Property, plant and equipment	2,063
Inventories	25
Contract liabilities	(26,380)
Provisions	(3,100)
Trade and other payables	(75)
Deferred tax liability	(5,761)
Net identifiable assets acquired	38,011
Add: Goodwill	144,934
Total	182,945

Goodwill of \$144,934,000 represents the assembled workforce acquired, the future research, development and sales capabilities of the MARSS Business, and expected synergies with the Group's existing defence systems operations. At 30 June 2026, the goodwill arising from the MARSS acquisition had not yet been allocated to the Group's CGU for impairment testing purposes, as the purchase price allocation and assessment of the expected synergies from the acquisition remained provisional. The allocation of goodwill will be completed once these assessments are finalised and, in accordance with AASB 136, no later than the end of the annual reporting period in which the acquisition occurred.

(i) Acquisition-related costs

Acquisition-related costs of \$4,606,000 comprising legal, due-diligence and advisory fees have been expensed and are included in administrative expenses in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

(ii) Earn-out

As part of consideration paid for the MARSS business, the management shareholders of MARSS (the MARSS Management Shareholders) are entitled to an earn-out up to €140,000,000 via performance rights that are linked to the value of new contract orders during the earn-out period, which ends 12 months after completion. The 21 performance rights may result in the issue of up to 28,942,814 EOS ordinary shares.

The acquisition-date fair value of the earn-out was \$125,982,000, reflecting the probability-weighted expected value and timing of qualifying contract orders and the applicable settlement terms, and therefore differs from the maximum undiscounted earn-out amount of €140,000,000.

The performance rights are payable as a mix of cash or EOS shares in three tranches:

- For the first tranche occurs at 90 days after completion. Earn-out consideration is payable in EOS shares or cash (at the election of the MARSS management shareholders) after the conclusion of the first tranche period, with the cash component capped at €20,000,000.

Notes to the consolidated financial statements for the half-year ended 30 June 2026

5. Business Combinations (continued)

- For the second tranche occurs at 210 days after completion. Earn-out consideration is payable in EOS shares after the conclusion of the second tranche period.
- For the third tranche occurs at 12 months after completion. Earn-out consideration is payable in EOS shares after the conclusion of the third tranche period.

In the event that the issue of EOS shares would exceed the applicable share issue cap, the relevant portion is required to be settled in cash in accordance with the transaction terms. Refer to Note 12 (g) for further details.

(iii) Fair value remeasurement of contingent consideration

As the number of EOS shares deliverable varies with the new unconditional contract orders secured prior to May 2027, and the arrangement contains cash-election and mandatory cash-settlement features, the earn-out does not meet the fixed-for-fixed criteria for equity classification and is therefore recognised at its acquisition date fair value as a financial liability, and is subsequently measured at fair value through profit and loss.

Contingent consideration liability - Earn-out	\$(000's)
Fair value at acquisition date	125,982
Fair value remeasurement - loss / (gain)	34,038
Fair value at 30 June 2026	160,020

Between the acquisition date and 30 June 2026, a loss of \$34,038,361 was recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, reflecting an increase in the fair value of an EOS share price and changes in the exchange rates.

The fair value measurement is classified as Level 3 in the fair value hierarchy as noted in Note 1 (iv) and is determined using a probability-weighted valuation model incorporating the expected value and timing of qualifying new contract orders secured during the earn-out period, applicable settlement terms, the EOS share price, foreign exchange rate, and an appropriate risk-adjusted discount rate. The earn-out component of the contingent consideration liability at 30 June 2026 was \$160,020,480 (20 May 2026: \$125,982,119). The other contingent consideration is disclosed in (iv) below.

The subsequent fair value movement of \$34,038,361 does not form part of the consideration transferred at the acquisition date and therefore does not adjust goodwill, except to the extent that any adjustment represents a measurement-period adjustment arising from additional information about facts and circumstances that existed at the acquisition date.

(iv) Other contingent consideration

The Group agreed to fund the MARSS management shareholder tax liability up to €2,500,000 with no set expiry. As the arrangement formed part of the negotiated acquisition terms and represented an obligation incurred in connection with the acquisition, it was included as part of the consideration transferred. At the acquisition date, management assessed the provisional fair value of the tax liability arrangement being €2,500,000 (\$4,061,000).

(v) Interceptor development advance

The development advance of €2,000,000 (\$3,249,000) provided to MARSS as part of the Interceptor transaction was accounted for as an other debtor (Note 6 and 7 of the Group's Financial Statements for the year ended 31 December 2025) up to completion of the MARSS Transaction, at which point it was derecognised and formed part of the earn-out considerations under the transaction terms.

ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

Notes to the consolidated financial statements for the half-year ended 30 June 2026

5. Business Combinations (continued)

(vi) Revenue and profit contribution

The acquired MARSS business did not contribute revenue during the period due to the timing of revenue recognition. MARSS contributed a net loss of \$3,307,000 to the Group for the period from 20 May 2026 to 30 June 2026.

Had the acquisition occurred on 1 January 2026, management estimates that the contribution to revenue and net loss for the half-year would have been \$8,244,000, and \$7,814,000, respectively. These amounts are based on the actual pre-acquisition results of the MARSS business obtained from its respective financial records for the relevant period, and does not necessarily reflect the actual results that would have occurred had the acquisition actually taken place on that date.

(vii) Transactions accounted for separately from the business combination

Sign-on payments of USD\$1,500,000 (A\$2,097,000) were made to certain MARSS Management Shareholders subject to post-combination employment or consultancy engagements. As these payments were contingent on the individuals agreeing to provide post-combination services, they are not included in the consideration transferred for the MARSS business. As there was no explicit post-combination service period required, the sign-on payments were expensed immediately as an employee cost.

6. Income Tax

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the half-year Consolidated Statement of Profit or Loss and Other Comprehensive Income are:

	30 June 2026 \$(000's)	30 June 2025 \$(000's)
Current income tax expense / (benefit)	614	(6,007)
Deferred income (benefit) relating to origination and reversal of temporary differences	(2,230)	(5,569)
Adjustment in respect of prior periods	(70)	(518)
Unused tax losses and temporary differences not recognised as deferred tax assets	6,476	11,955
Income tax expense/(benefit) attributable to operating profit	4,790	(139)
- Attributable to continuing operations	4,790	(438)
- Attributable to a discontinued operation	-	299

ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

Notes to the consolidated financial statements for the half-year ended 30 June 2026

7. Discontinued operations – prior year

On 21 November 2024, EOS entered into a binding share sale agreement to sell EMS to Cohort plc (“Cohort”). EMS was classified as a disposal group held for sale and as a discontinued operation as at 31 December 2024. 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.

There were no results from discontinued operations during the half-year ended 30 June 2026. The comparative period includes one month of EMS trading prior to divestment, which resulted in a profit after tax from discontinued operations of \$455,000, and a pre-tax gain on divestment of \$90,524,000.

The detailed results of EMS for the period are presented below:

	30 June 2026 \$ '000	30 June 2025* \$ '000
Revenue	-	3,316
Other income	-	121
Foreign exchange gain	-	14
Raw materials and consumables used	-	(1,053)
Employee benefit expenses	-	(1,464)
Occupancy costs	-	(27)
Administrative and other expenses	-	(133)
Finance cost	-	(20)
Profit before tax of discontinued operations	-	754
Income tax expense	-	(299)
Profit after tax of discontinued operations	-	455
Gain on sale of the discontinued operations	-	90,524
Profit after tax from discontinued operations	-	90,979

The net cash flows attributable to EMS during the period were:

	30 June 2026 \$ '000	30 June 2025* \$ '000
Operating	-	(4,151)
Investing	-	(48)
Financing	-	(46)
Net cash outflow of discontinued operations	-	(4,245)

* 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:

	2026 \$ '000	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 in the prior period, no assets or liabilities relating to EMS are classified as held for sale in the consolidated balance sheet.

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Notes to the consolidated financial statements for the half-year ended 30 June 2026

8. Borrowings

	30 June 2026 \$(000's)	31 Dec 2025 \$(000's)
Secured borrowings		
Washington H. Soul Pattinson and Company Ltd ("WHSP")	69,405	-
Total secured borrowings	69,405	-
Current	-	-
Non-current	69,405	-
Total borrowings, net	69,405	-

Secured borrowings

On 2 March 2026, the Group finalised a \$100.0m two-year secured term loan facility with a subsidiary of WHSP. The facility is available to support growth across the EOS business and provide additional liquidity buffers. The average all-in interest rate on drawn amounts across the 24 months is 14.75%. Further details are provided in the ASX announcement dated 2 March 2026.

During the half-year, the Group has drawn down \$70.0m under the facility. At 30 June 2026, and as at the date of this report, a further \$30m remains available for drawdown under the facility. The borrowing balance recognised at 30 June 2026 is presented net of unamortised borrowing costs.

The facility matures on 28 February 2028. The Group may prepay and cancel the facility on ten business days' notice without penalty or fee. There are no financial covenants under the facility agreement.

The Group continues to be required to comply with monthly and quarterly covenants under bond facility agreements with Export Finance Australia ("EFA"). 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.

9. Property, plant and equipment, and Intangibles

During the six months ended 30 June 2026, the Group acquired property, plant and equipment amounting to \$9.9m, and acquired \$11.2m of intangibles. These amounts exclude assets acquired as part of the MARSS business combination.

The fair values of identifiable intangible assets, goodwill and property, plant and equipment recognised in relation to the MARSS and Interceptor acquisitions have been assessed. The Group will finalise the valuation and classification of provisional assets within 12 months of each respective acquisition date. Further information is disclosed in Note 5.

10. Contract asset and liability

At 30 June 2026, the Group had contract assets of \$7.1m (31 December 2025: \$9.8m), representing revenue recognised for goods and services transferred to customers but not yet invoiced. The \$2.7m decrease primarily reflects the invoicing and subsequent collection of amounts relating to contract deliveries following the achievement of the relevant contractual milestones.

At 30 June 2026, the Group had contract liabilities of \$163.8m (31 December 2025: \$42.4m), representing amounts invoiced in advance of the delivery of contracted goods and services. This contract liability will be recognised as revenue as contract work is completed. The increase is in line with the Group's objectives of obtaining cash flow positive contracts. This balance also includes the provisional fair value of contract liabilities of \$26.4m assumed in connection with contracts transferred as part of the MARSS acquisition. Further information is disclosed in Note 5 Business Combinations.

**Notes to the consolidated financial statements
for the half-year ended 30 June 2026**

11. Share-based payments

There is no change in share capital as a result of the grants made during the half-year. 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 2026, the Group recognised a total of \$1.0m of share-based expense.

Grants made during the half-year are as follows:

Share Options

On 19 May 2026, 257,928 share options were granted under the Omnibus Equity Incentive Plan to eligible employees. Of these, 80,413 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 \$9.01 which was equal to the 10-day VWAP following the release of the 2025 financial results on 23 February 2026. 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 2027, 31 December 2028 and 31 December 2029.

On 23 February 2026, 17,429 share options were granted under the Omnibus Equity Incentive Plan to an eligible employee at an exercise price of \$4.16, vesting over 3 tranches with testing dates on 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 2026 was calculated on the date of grant using the following assumptions:

	19 May 2026 issue	23 February 2026
Dividend yield	0%	0%
Expected volatility	65%	65%
Risk-free interest rate	4.7%	3.5%
Expected life of share options	4.6 years	4.6 years
Exercise period expiry date	31 December 2031	31 December 2030
Fair Value range	\$4.44-\$4.65	\$3.42-\$3.62

Share Rights

On 19 May 2026, 68,656 share rights were granted under the Omnibus Equity Incentive Plan to eligible employees. Of these, 21,539 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 2027 and 31 December 2029.

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 2026 was calculated on the grant date and approximates the spot value on grant date. The fair value of each share right granted at 19 May 2026 was \$8.82.

ELECTRO OPTIC SYSTEMS HOLDINGS LIMITED

Notes to the consolidated financial statements for the half-year ended 30 June 2026

11. Share-based payments (continued)

On 23 February 2026, 2,905 share rights were granted under the Omnibus Equity Incentive Plan to an eligible employee with a fair value assessed of \$6.46. The share rights vest and convert to ordinary shares upon the successful completion of service periods by the employee, staggered between 31 December 2026 and 31 December 2028.

Employee Tax-exempt Share Plan

On 19 May 2026, 23,544 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 2026 was calculated on the date of grant and approximates the spot value on grant date. The fair value of each share grant at 19 May 2026 was \$8.82.

12. 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 2026	31 Dec 2025
	Note	\$(000's)	\$(000's)
Offset bond for Defence contracts	(c)	25,559	25,335
Warranty bond for a Defence contract – overseas customer	(d)	8,148	13,850
Performance bond for a Defence contract – Australian customer	(e)	10,810	-
Performance bonds for Defence contracts – overseas customers	(f)	23,266	-
Rental and related bonds		1,740	1,721
Deposit for credit card facility		672	680
		70,195	41,586

- (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 contracts 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\$17.5m (A\$25.6m) which is guaranteed by Export Finance Australia. In respect of this bond, a cash security amount of US\$17.5m (A\$25.6m) has been placed on deposit.

As part of the offset program, EOS was required to develop, agree and submit an approved business plan, to 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.

**Notes to the consolidated financial statements
for the half-year ended 30 June 2026**

12. Contingent Liabilities and Commitments (continued)

The approved business plan involves the establishment of a 49% EOS owned joint venture (“JV”) with Shielders Advanced Industries (“Shielders”). The intention of both parties is that this JV will set up local manufacturing and assembly of EOS’ R150 Remote Weapon System product, and its variants, 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. The final form of the various agreements necessary for the JV to manufacture and assemble EOS product in the Middle East require the approval of the offset credit authority. These approvals were obtained in September 2025.

During the period, and in accordance with the relevant approvals from the offset authority, EOS continued to progress the formal establishment of the JV entity. These steps included the incorporation of the JV company and commencement of the execution of the Joint IP Development and Manufacturing Licence Agreements.

Under the approved business plan, in order to earn offset credits, EOS must contribute not less than AED 18.4m (approximately A\$7.5m) as a cash equity injection into the JV.

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.

- (d) The Group maintains a warranty bond in respect of a contract in Defence Systems of US\$16.0m (A\$23.3m). The warranty bond was provided by Export Finance Australia under a Bond Facility Agreement and is secured by a cash security deposit of US\$5.6m (A\$8.1m) and a fixed and floating charge over the assets of the Group.

The Group is required to comply with covenants under the facility agreement. During the half-year ended 30 June 2026, 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) On 14 January 2026, the Group entered into an agreement with Westpac Banking Corporation to issue a A\$10.8m bank guarantee for a performance bond to a customer in Australia. The bank guarantee was fully secured by cash deposits. The guarantee amount, together with the required cash security, reduces progressively as key contractual milestones are achieved during the contract period.
- (f) On 5 August 2025, EOS announced a contract to supply a 100kW High-Energy Laser System to a customer for €71.4m (A\$125m). Under the terms of the contract, EOS is required to provide a performance bond of varying amounts during the contract to cover funds received in advance from the customer. At 30 June 2026, a performance bond of €10.5m (A\$17.5m), was in place and was fully secured by cash deposits and an additional amount of \$4.2m to cover foreign exchange exposure. The performance bond value reduces progressively as key contract milestones are achieved during the contract period.

During the half-year ended 30 June 2026, the Group secured a customer contract in the Middle East to supply remote weapon systems. Under the terms of the contract, the Group was required to provide a performance bond of US\$1.1m (A\$1.6m). The bond was issued during the period by Citibank and is fully secured by cash. The bond is expected to be released upon completion of the relevant milestones in 2027.

Notes to the consolidated financial statements for the half-year ended 30 June 2026

12. Contingent Liabilities and Commitments (continued)

- (g) During the half-year, the Group completed the acquisition of the MARSS business. Under the amended transaction terms announced on 15 May 2026, the maximum contingent consideration payable to the MARSS management shareholders increased from €100.0m to €140.0m under the earn-out. The earnout is contingent on the acquired business achieving new order intake during the earnout period and may be settled through EOS shares and/or cash subject to a specified cap, at the election of the management shareholders and in accordance with the transaction terms. The holders can elect cash up to the capped amount of EUR 20,000,000, and a mandatory cash settlement for any amount above the capacity cap of 28,942,814 shares up to the maximum earn-out of €140.0m. At 30 June 2026, the earnout is valued at a provisional fair value basis as outlined in Note 5 (ii) & (iii). Contingent consideration associated with the acquisition is disclosed in Note 5.

EOS has also agreed, if desired by the vendors, to advance an amount of up to €12.0m to MARSS management shareholders and other MARSS vendors as advance earnout payments and to assist in settlement of liabilities of the business not transferring to EOS. These amounts will be set off against the earnout in the first tranche period and will reduce the amount of shares issued or cash paid. If the amount of earnout earned during the first tranche period is insufficient to set off these amounts, the amounts, or any unset off balance, will be repayable to EOS on demand. At 30 June 2026, and in the period up to the date of this report, no advance payment has been made.

- (h) During the half-year ended 30 June 2025, the Group completed the sale of EMS and, as a result, EMS was removed from the Deed of Cross Guarantee. There were no changes to the Deed of Cross Guarantee during the half-year ended 30 June 2026.

13. Issuance of Securities

During the half-year, the Group completed the following equity raising:

	Number of shares issued	Issue price	Proceeds \$(000's)
Institutional Placement	18,750,000	\$8.0	\$150,000
Share Purchase Plan	5,000,063	\$8.0	\$40,001
Total	23,750,063		\$190,001

The Group also secured commitments for a further \$40.0m Strategic Placement for the issue of 5,000,000 ordinary shares at \$8.00 per share. Shareholders approved the Strategic Placement at the Extraordinary General Meeting held on 26 June 2026 and the shares were issued on 3 July 2026.

At 30 June 2026, the Group had received \$10.0m of the Strategic Placement proceeds. The amount received was unconditional and non-refundable, with the subsequent issue of the related shares representing an administrative process. Accordingly, the \$10.0m was recognised within other contributed equity at the reporting date. Subsequent to the end of the half-year, the remaining \$30.0m was received and the 5,000,000 Strategic Placement shares were issued.

All new shares rank equally with existing fully paid ordinary shares from their date of issue. Transaction costs directly attributable to the issue of new shares have been recognised as a deduction from share capital, as presented in the Statement of Changes in Equity. Total issued capital as at 30 June 2026 was \$655.6m (31 December 2025: \$467.5m).

During the half-year ended 30 June 2026, employees exercised 4,366,196 (2025: 234,508) share options at a weighted average exercise price of \$0.63 (2025: \$0.50), resulting in an increase in issued capital of \$872,088 (2025: \$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.

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

**Notes to the consolidated financial statements
for the half-year ended 30 June 2026**

14. 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, Air Vice-Marshal (Ret'd) Catherine Roberts AO, CSC and Major General (Ret'd) Kathryn Toohey AM, CSC were appointed as non-executive directors of the Company, effective from 1 June 2026. Director fees for the period include amounts payable from the date of appointment.

During the half-year, 21,539 share rights and 80,413 share options were granted under the Omnibus Equity Incentive Plan to the Managing Director and CEO, Dr Schwer.

During the half-year, eligible Directors participated in the Company's Share Purchase Plan (Note 13) on the same terms as other eligible shareholders. Shares issued under the Share Purchase Plan were issued at \$8.00 per share and rank equally with existing ordinary shares from their date of issue.

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.

15. Subsequent Events

As a condition precedent to a proposed new contract on 12 August 2026, EOS provided a bank guarantee for British £37.1m (~A\$70.9m) to a prospective government customer in the Middle East. The guarantee is secured by a cash security deposit for British £40.3m (~A\$77.0m) that EOS has provided to a commercial bank. The contract is expected to be signed imminently, although there is no certainty that this will occur, or that revenue or activity will ultimately arise. Should the contract be signed the guarantee covers performance under the contract. In the event that the contract is not signed EOS expects to cancel the bank guarantee and return the security deposit amount to unrestricted funds.

On 20 August 2026, the vendors of MARSS agreed with EOS that the tranche 1 period of the earnout had been completed with €120.3m of qualifying orders received. (See additional details regarding the earnout in Note 5 to the financial report). In accordance with acquisition agreement the value of tranche 1 of the earnout is 0.2 times this amount, or €24.06m. Under the acquisition agreement, the vendors may elect to receive up to €20.0m in cash and the remainder in EOS shares, at a value of €4.25 (A\$7.40) (for the first €100.0m of earnout). As at the date of this report the vendors have not notified EOS as to whether they wish to take the €20m in cash and the balance in EOS shares or the full amount in EOS shares. Assuming the vendors elect to receive all shares, this would equate to approximately 5.7m EOS shares vesting in tranche 1. The relevant shares are expected to be issued to the vendors in the coming weeks along with any required cash transfers. Vested shares will be subject to the usual restrictions under the EOS' Securities Trading Policy. Tranche 2 and 3 of the earn out are due to be determined at 210 days and 365 days after the completion of the acquisition being 16 December 2027 and 20 May 2027 respectively.

There were no other significant subsequent events arising after 30 June 2026 and up to the date of this report.

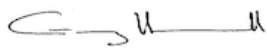
Directors' Declaration
for the half-year ended 30 June 2026

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 2026 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, 25 August 2026



**Shape the future
with confidence**

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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 Optic Systems Holdings Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated balance sheet as at 30 June 2026, 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 2026 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 review of the half-year 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 2026 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
25 August 2026

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