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ASX RELEASE

ACQUISITION OF MARSS COUNTER-DRONE C2 SYSTEM PROVIDER

Electro Optic Systems Holdings Limited ("EOS" or the "Company") (ASX: EOS) today announces that it has entered into an agreement to acquire the MARSS group business ("MARSS"). MARSS is a Europe-based provider of command and control ("C2") systems, which are critical for effectively countering drones.

MARSS' proprietary C2 technology, NiDAR, provides advanced AI-enabled decision making and sensor-effector orchestration to rapidly counter asymmetric drone threats.

By combining its best-in-class effector and sensor capabilities with MARSS' C2 technology, EOS is transforming from a component supplier to an integrated counter-drone systems provider, with strong software and AI capabilities.

HIGHLIGHTS

- → Established in 2006, MARSS is a defence and security technology provider focused on developing and marketing sensor-fusion technology and AI-enabled C2 systems primarily for counter-drone use
- → The acquisition includes MARSS' NiDAR C2 technology, sensor-fusion and AI software platform and hardware offering, along with associated customer contracts, intellectual property and personnel
- → Creates an integrated, end-to-end solution for countering drones i.e. Detect → Identify → Decide → Defeat - allowing EOS to act as a true counter-drone system provider and to compete for larger, higher-value programs as a Prime Contractor. This includes the delivery and operation of turn-key solutions for the protection of critical infrastructure in the military, homeland security and civil domain, such as airports or power plants
- → Expands EOS' geographic footprint and broadens its end market presence, with scope to leverage MARSS' defence, homeland security and civil relationships
- → Significantly strengthens EOS' in-house AI/software development capability
- → EOS plans to embed the AI-enabled NiDAR technology into its existing remote weapon system product range. It is envisaged that this will create the ability for the systems to form a mesh-network, providing the client's vehicle fleet hemispherical coverage against drone attacks – a new feature in today's market.
- → Transaction structured as an asset acquisition, with consideration consisting of an upfront cash payment and an earnout, being additional contingent consideration tied to new MARSS sales:
    - → Upfront cash payment of US$36m (~A$54m); plus

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- → Potential earnout amount of up to €20m for each €100m (or part thereof) of certain new MARSS third party contract orders (up to €500m) secured prior to the end of the earnout period. The earnout payment is capped at €100m (~A$174m), subject to adjustments and is payable in a combination of cash (capped at €20m) and EOS shares. More details are below.

→ Acquisition cash consideration, primarily intended to be funded from existing cash reserves (~$107m at 31 Dec 2025), see further details below.

→ Acquisition anticipated to be broadly neutral for earnings and operating cashflow in 2026.

→ Completion expected in 2026, subject to customer, regulator and other approvals

C2 & NiDAR

C2 refers to "Command and Control" and the means by which military and security forces exercise authority, make decisions, and direct operations in real time. Modern C2 combines physical command structures with a digital systems layer that connects decision-makers to the operational environment. This digital layer integrates data from multiple sensors and platforms—such as radars, cameras, and unmanned systems—into a single operational picture, enabling rapid threat assessment and coordinated tasking of assets.

C2 systems have a range of applications including traditional missile defence and are increasingly needed to defend against drones.

The importance of C2 has increased markedly as the drone threat evolves from isolated systems to coordinated, autonomous, and swarm-based attacks. The speed, scale, and complexity of these threats exceed human capacity to manage manually, making AI-enabled C2 essential for data fusion, threat prioritisation, and effective human decision-making.

Within counter-drone operations, MARSS' NiDAR platform functions as the central C2 system layer. As distinct from and in addition to EOS' sensors and effectors, NiDAR integrates multiple systems, correlates threats, and orchestrates coordinated responses across domains, delivering faster detection, decision-making, and action through a single interface. To cope with attack situations with large swarms of drones, the NiDAR system can be configured to operate autonomously.

As threats become increasingly asymmetric and multi-domain, software-defined C2 platforms such as NiDAR are mission-critical capabilities.



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COMPELLING STRATEGIC RATIONALE

The MARSS acquisition accelerates EOS' strategic intent to become a fully integrated counter-drone solution provider and represents a major step towards becoming the worldwide leader in counter-drone systems. EOS' will be able to offer a broader range of customers both individual components and integrated, modular solutions e.g. software-only, hardware-only, or fully integrated systems across fixed, mobile, and expeditionary environments.

Key benefits of the MARSS acquisition are anticipated to include:

→ **Closing the capability gap caused by the evolving threat environment**

The drone threat continues to outpace existing countermeasures, necessitating advanced AI-enabled C2 solutions such as NiDAR.

→ **Proven, world class technology**

MARSS brings a proven, in-market, installed C2 and sensor fusion capability, together with associated intellectual property and people, accelerating EOS' offerings across detection, decision support and engagement. The acquisition delivers tried and tested counter-drone C2 and autonomy capability without a risky multi-year internal development program.

→ **Moving EOS up the value chain, with stronger tender positioning and cross sell**

Positions EOS as an integrator of counter-drone and autonomous systems, combining sensors, C2, AI, and effectors, rather than simply a component supplier.

→ **Enhanced go-to-market proposition**

EOS' reputation, program delivery discipline and financial strength are anticipated to significantly improve conversion of MARSS' opportunities into contracted wins.

→ **Expanded international footprint**

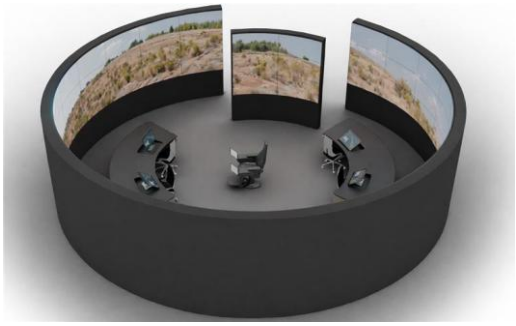
Expands EOS' European operations, including France and the United Kingdom, adds delivery, sustainment and customer facing capability, and consolidates EOS' position in the Middle East, supporting priority defence market growth and AUKUS aligned opportunities.

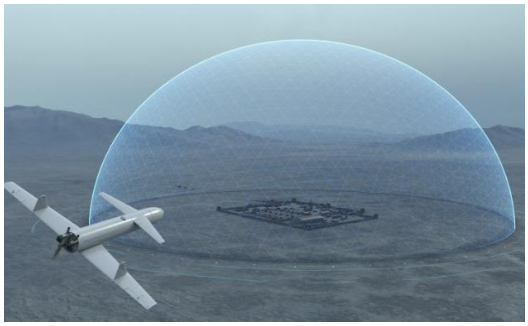
→ **Wider end market access**

Increases EOS' capability to serve non-military markets, including homeland security and civil market demand for counter-drone solutions.

→ **Future development opportunities**

Addition of a significant number of technology and product development experts will allow EOS to be at the forefront of advances in counter-drone systems as the threat environment continues to evolve.





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TRANSACTION OVERVIEW

The transaction is structured as an asset acquisition, with consideration consisting of an upfront cash payment and an earnout, being additional contingent consideration tied to new MARSS orders.

The maximum earnout of €100m can only be achieved if €500m of new MARSS orders are secured during the earnout period.

Upfront Cash Consideration

→ Upfront cash payment of US$36m (~A$54m) payable at completion to the MARSS vendors.

Earnout

→ Additional contingent consideration via the earnout is payable (under performance rights issued at completion to MARSS management shareholders (as described below)) pro rata based on new orders achieved in the earnout period.

→ The earnout period begins on 11 January 2026 and ends on the earlier of 12 months from completion or 31 May 2027.

→ The earnout value is €20m per €100m of the contract price of certain new MARSS third party contract orders signed before the end of the earnout period, calculated with the total potential earnout capped at €100m (~A$174m), subject to adjustments, ("Base Earnout Amount"). The value of new MARSS contract orders excludes uncommitted amounts and certain items beyond three years and is subject to other customary conditions.

→ The earnout consideration is payable in two tranches, based on the new MARSS contract orders signed in the period starting at the beginning of the earnout period and ending:

(i) for the first tranche, 90 days after completion and

(ii) for the second tranche, at the end of the earn-out period.

→ The first tranche of earnout 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 €20m (~A$35m). The second tranche of earnout consideration is payable in EOS shares after the conclusion of the second tranche period.

Funding for Consideration

The consideration for the transaction is primarily expected to be funded from:

→ EOS' existing cash reserves. As at 31 December 2025, EOS cash reserves were approximately A$107m; and

→ The issuance of performance rights to vendors for earnout consideration.

The terms and mechanics of the issuance of performance rights are as follows:

→ Performance rights will be issued to the MARSS management shareholders at completion. Each will receive two classes of performance rights (corresponding to the first and second tranches of earnout payments). These will be issued within EOS' existing placement capacity under ASX Listing Rule 7.1.

→ The performance rights vest into EOS shares to the extent of the Base Earnout Amount reduced by (in respect of the first tranche) any earn-out consideration paid in cash, and certain adjustments (for any agreed claims and other matters), the ("Earnout Amount").

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- → The performance rights vest into a number of EOS Shares calculated by dividing the Earnout Amount by an agreed EOS share price. The agreed share price was based on the 25-day volume weighed average price of EOS shares traded on ASX up to 9 January 2026 which equates to €4.25 or A$7.40 per share.
- → EOS shareholder approval is not required for the issuance of either the performance rights or the EOS shares which may be issuable on vesting of the performance rights.
- → The maximum earnout consideration of €100m, using the agreed issue price for EOS shares of €4.25 or A$7.40 yields a maximum number of issued shares of 23,529,411. The actual earnout consideration arising and actual number of shares issued may vary from these amounts, depending on the level of new orders received during the earn out period and other factors outlined above.
- → The performance rights are otherwise on customary terms, including as to voting (none), accelerated vesting in the event of EOS control transactions and other items.

Other Details

- → The agreements for the transaction, which include an asset transfer agreement and a subscription deed for the performance rights, contain customary representations, warranties and undertakings.
- → Completion is subject to customary conditions precedent, including relevant customer, regulatory, export and other approvals, expected during 2026. There is no guarantee that the acquisition of MARSS will be completed.
- → This transaction is in addition to the acquisition of MARSS Interceptor business (for €5.5m), which was announced on 19 November 2025.
- → EOS was supported by Oaklins as its financial adviser and Hogan Lovells and Minter Ellison as its legal adviser on this transaction.

FINANCIAL IMPACT ON EOS

The acquisition of the MARSS business is anticipated to be broadly neutral for earnings and operating cash flow for EOS in 2026 and expected to positively contribute to results from 2027 onwards.

COMMITTED OPTIONAL LOAN FACILITY

In addition, EOS has secured a commitment to a $100m two year secured term loan facility. The commitment has been made in EOS favour and is exercisable at EOS' option.

The facility is subject to the finalisation of legal agreements, which will contain representations, warranties and covenants (but will not include any financial ratio covenants), as well as other customary terms and conditions. Further details of the loan facility will be announced when the legal agreement is finalised.

The facility is intended to be available if required to support growth and provide liquidity buffers, including working capital, across the expanded business and if required to support payments for the acquisition of MARSS. Entry into the facility will require the consent of existing funding providers to EOS, including Export Finance Australia and the Group's bankers.

Additional information on MARSS and the transaction is set out in the associated investor presentation.

WEBINAR DETAILS

Dr. Andreas Schwer will discuss the highlights of this transaction in an online webinar.

Details of the webinar are below:

Time: 11:00am AEDT on Monday 12 January 2026

Registration. https://investorhub.eos-aus.com/webinars/NPw9pe-marss-acquisition

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

Further information:

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Questions relating to this announcement can be posted on our Investor Hub at the link below:

https://investorhub.eos-aus.com/link/rLwLRe

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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.

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

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