ASX Announcement **31 January 2025**

Annual 2024 & Q4 Report & Business Update

2024 Annual and Q4 Performance Highlights

Elsight is pleased to report an annual 32% revenue increase (approximately USD $0.5M) reaching over $2 million in 2024 over 2023. As projected, the proportion of the revenue derived from the defence sector which soared to 51% in contrast to only 37% in 2023.

Q4 2024 revenue exceeded Q3 2024 slightly by 5%, primarily due to the single order received from a defence contractor that slanted the Q3 results.

Annually, 2024 recurrent revenue increased over 2023 by 83% (USD $340K). Seven new Design-Win customers were acquired in Q4. Significant orders from recurring customers included two defence EMEA contractors and others such as Farada (Poland), one multinational group based in Southeast Asia, and CenSys (US). Also significant was a distributor agreement signed with Tukom, a defence-focused company in the DACH region.

News Highlights:

- **Repeating multinational technology customer in Southeast Asia** in the aerospace, defence and public security sectors was the first to receive BVLOS certification in its home country for its drones used in surveillance, inspection and delivery.
- **Tukom,** a major defence distributor in the DACH region, signed with Elsight to provide regional representation in this quarter. Elsight will be presented in Tukom's booth at several European exhibitions.
- **Customer Phoenix Air Unmanned** (PAU) announced the successful completion of a 320-mile pipeline patrol in just 7.6 flight hours using a single unmanned aircraft system (UAS) empowered by the Halo. Conducted for giant Shell Pipeline Company (SPLC) in Louisiana, the achievement surpasses the project's goal of patrolling 300 miles in a single flight day. The flights were performed under PAU's nationwide beyond visual line of sight (BVLOS) regulatory approval, showcasing advancements in critical infrastructure inspection.

Main Metrics

Market penetration

During Q4 the Company added seven new design wins and signed with Tukom, an active defence distributor in the DACH region. Over 2024, Elsight added major defence contractors to its customer portfolio, two in EMEA, one (Lockheed Martin) in the U.S. in addition to its 50 other recurring customers.

It is worth noting that the sales cycle in the Government/Defence sector is significantly more demanding and longer (1-2 years), while the long-term revenue potential is significantly larger.

2024 can be characterized as a year of deal incubation and development that will see its fruits materializing during 2025, e.g. our ASX Announcement ("ELS Wins Largest Order with Leading Defense Contractor"), after an R&D development effort, as planned, will start delivering revenues toward the end of Q1/2025.

Convertible notes conversion

The Company completed the conversion of all convertible notes, eliminating the debt previously accrued.

Split between defence and commercial revenues

The year 2024 ended with 51% of the total revenue from the defence sector, in contrast to 37% in 2023.

Elsight Limited (ASX: ELS) (Elsight or **the Company)**, the carrier agnostic, AI-powered connectivity solutions company, is pleased to provide the following **Business Update**, outlining the Company's achievements throughout the year 2024 and those of Q4 to date.

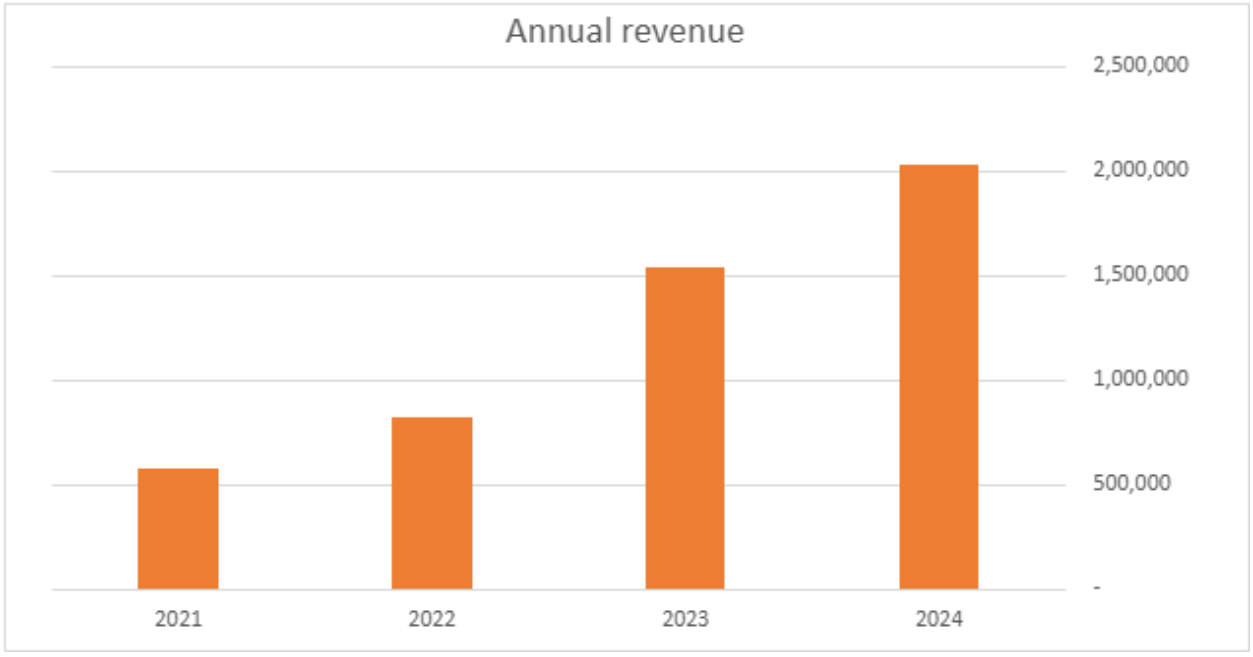

Table 1 This chart sets out the unaudited annual revenue

Major milestones in 2024 and Q4

The 2024 annual revenue of the Company is $2M, an increase of 32% (approximately USD $0.5M) over the 2023 annual revenue. This achievement may be primarily attributed to the Company's refocus on the defence sector which soared to 51% of total revenue this year from 37% in 2023. As the year unfolded with world conflict constantly in the headlines, both the use of unmanned aerial and ground vehicles was on the uptake, making it clear to Elsight that the fit and the high potential of the Halo remain on the rise.

Furthermore, the Company is experiencing a growing interest from large and small global players for its solution in the defence sector, resulting in a **promising sales pipeline** that is expected to translate into **material revenues during 2025**. This includes exposure to US, European and Asian markets.

It is worth noting that the sales cycle in the Government/Defence sector is significantly more demanding and longer (1-2 years), while the long-term revenue potential is significantly larger. So, in some respects, 2024 was a year of deal incubation and development that will see its fruits materializing during 2025. For example, our ASX announcement ("ELS Wins Largest Order with Leading Defense Contractor"), after an R&D development effort, as planned, will start delivering revenues toward the end of Q1/2025 (This project is not included in 2024 revenue results).

Since September, the Company has continued its development of the new product which is an evolution of the Halo. It leverages cellular and other communication technologies to support various applications of both portable and stationary sensors for high-scale deployments in large quantities. This new product is close to completion, and another version is due for release to support new customers in various commercial industries.

Recurrent revenues

Annually, 2024 recurrent revenue increased over 2023 by 83%.

First sales of the Company's new product, DroneCommX, for the HLS/public safety sector

Elsight's new after-market product DroneCommX which is designed to give owners of the popular DJI Matrice 30 and 350 major upgrades to more secured BVLOS flights among others was sold to its first customer in Q4. These multiple units will be used by a U.S. drone service provider in the field of law enforcement and security and are expected to create significant growth in 2025.

New customers and re-orders from existing customers

Seven new Design-Win customers were acquired in Q4, and significant orders were received from several recurring customers including the two defence EMEA contractors and other commercial customers such as Farada (Poland), one in Southeast Asia, **Airobotics** (U.S.), **CenSys Technologies** (U.S.) and **Phoenix Air Unmanned** (U.S.). The customer in Southeast Asia is the first to receive BVLOS certification in its country for its drone services in surveillance, inspection, and delivery.

Our customer **Phoenix Air Unmanned** announced the successful completion of a 320-mile pipeline patrol of the giant Shell Pipeline Company (SPLS) in just 7.6 flight hours using a single unmanned aircraft system (UAS), an achievement empowered by the Elsight Halo. The flights were performed under PAU's nationwide beyond visual line of sight (BVLOS) regulatory approval, showcasing advancements in critical infrastructure inspection.

The **Farada Group**, based in Poland, which focuses on the design, production and implementation of unmanned aerial vehicles (UAVs) in both the defence and medical delivery markets has passed the 140 Halo unit mark this year.

As announced during the quarter, **DroneUp**, one of the Company's clients, has ended its contract with Walmart. This development was influenced by market dynamics, including competitive pressures (offering free-of-charge deliveries) that were beyond DroneUp's control and not related to the Company's products and services. Considering the significant and successful shift toward the defence market, this loss is not expected to have a material impact on Elsight's 2025 financial performance. Elsight's annual plan for 2025 incorporates only minimal revenue contributions from new orders related to this client (less than US$15K in new orders during 2025).

Conversion of convertible notes eliminating Company debt

During the quarter, the Company announced the completion of the conversion of ~$7.35 million of convertible notes into ordinary shares.

Burn rate

The Company decreased its Burn rate from 2022 to 2023 by 36%. This past year, the annual Burn Rate was further decreased from 2023 to 2024 by an additional 27% (USD $661K), reflecting tighter financial planning and management. This cost reduction together with the increased move toward the defence sector and revenue increase places the Company in an excellent position and solid foundation toward 2025.

Elsight Webinar Presentation on 10 February at 5.00 pm AEST.

Elsight plans to hold its Q4/24 webinar presentation on 10 February at 5.00 pm AEST, to provide a business update and go through the October quarter results.
Please register in advance HERE.

This will be an opportunity to hear from the CEO, Yoav Amitai, and the other Directors. The Company looks forward to meeting with our shareholders at this presentation where you will also be given the opportunity to participate in a Q&A session.

Corporate

Cash at the bank on 31 December 2024 totalled USD $874K. Payments to related parties and their associates during the quarter totalled US$29K, comprising Directors' fees.

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

-**ENDS**-

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About Elsight

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

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity	
ELSIGHT LIMITED	
ABN	**Quarter ended ("current quarter")**
98 616 435 753	31 December 2024

Consolidated statement of cash flows		**Current quarter $US'000**	**Year to date (12 months) $US'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	629	2,359
1.2	Payments for		
	(a) research and development	(424)	(1,511)
	(b) product manufacturing and operating costs	(122)	(683)
	(c) advertising and marketing	(243)	(886)
	(d) leased assets	-	-
	(e) staff costs	(175)	(740)
	(f) administration and corporate costs	(96)	(570)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	4	39
1.5	Interest and other costs of finance paid	(3)	(13)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	122	236
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(308)**	**(1,769)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(8)	(17)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-

2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**(8)**	**(17)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	64	166
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other – principal elements of lease payments	(54)	(204)
3.10	**Net cash from / (used in) financing activities**	**10**	**(38)**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	1,185	2,704
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(308)	(1,769)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(8)	(17)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	10	(38)

4.5	Effect of movement in exchange rates on cash held	(5)	(6)
4.6	**Cash and cash equivalents at end of period**	**874**	**874**

5.	**Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	**Current quarter $US'000**	**Previous quarter $US'000**
5.1	Bank balances	824	734
5.2	Call deposits	50	451
5.3	Bank overdrafts	-	-
5.4	Other	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**874**	**1,185**

6.	**Payments to related parties of the entity and their associates**	**Current quarter $US'000**
6.1	Aggregate number of payments to related parties and their associates included in item 1 – Payment to directors for their salaries and fees.	29
6.2	Aggregate number of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $US'000**	**Amount drawn at quarter end $US'000**
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other – Convertible Notes	-	-
7.4	**Total financing facilities**	-	-
7.5	**Unused financing facilities available at quarter end**		-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8.	Estimated cash available for future operating activities	$US'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(308)
8.2	Cash and cash equivalents at quarter end (item 4.6)	874
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	874
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	2.8

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: 31 January 2025

Authorised by: The Board of Directors
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been

prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.