

15 May 2017

FY2017 UPDATE AND REVISED GUIDANCE

Future Fibre Technologies Limited (**ASX: FFT**) (“**FFT**” or the “**Company**”) today updated its guidance and outlook for financial year ending 30 June 2017 (FY2017) following a management review of the Company’s business development and procurement cycle.

Update

Over the past two years, FFT has made significant investments to build a robust foundation to enable the Company to grow and deliver on its global expansion.

FFT continues to focus on providing exceptional perimeter intrusion detection solutions and related services to our customers. We continue to expand our business through a targeted direct presence in key markets and growing our distribution channels globally. We are also actively exploring partnerships to utilise our technology in other applications.

While sales revenues generated within the first half of FY2017 was ahead of market guidance (\$6.4 million), as explained in the revised guidance below the Company advises that second half revenues will be lower than previously forecast.

The following information is provided subject to statements in the Notes below.

Revised Guidance

Revised guidance for FY2017 is for sales revenues of between \$11 million and \$14 million.

Total expenses (including cost of goods & services) for FY2017 are now expected to be in the range of \$20 million to \$22 million including one-time costs associated with operational cost reductions.

EBITDA for FY2017 is anticipated to be in a range of a loss of between \$6 million and \$9 million.

Delayed project starts primarily in the Americas and Europe, together with a slower than expected increase in spending in the utilities sector, have contributed to the revised forecast.

The value of projects forecast for FY2017 but delayed into FY2018 total approximately \$4.5 million in the Americas and over \$1.0 million in Europe and Sub-Sahara Africa (ESSA) region. Projects in the utilities sector make up half of the delayed orders, as the utility companies that have completed the security upgrades on large infrastructure are moving more slowly than anticipated to upgrade the large number of smaller sites within their distributed infrastructure. FFT has a number of active programs running in the utilities market and remains confident of renewed growth in this sector in FY2018.

In addition, we have also experienced further delays in the award of a major international network security program in which FFT is uniquely specified, and which revenue of \$1.5 million was expected in FY2017, from a total order value of in excess of \$10 million. FFT's position on this project, now well advanced in the deployment stage, is secure. Orders for FFT equipment are currently delayed by a review associated with other equipment that form part of this 57,000 km secure data network.

Outlook

Commercial release of the Aura Ai platform sees near term R&D investment slowing and the Company's focus shifting to incremental software development programs for product enhancements and adjacent applications.

In addition the Company is on track to deliver further operational savings through targeted back-office efficiencies and re-aligning its regional operating costs with current business development activities.

With the new product platforms and the global capabilities now well established, the Company is planning to reduce and align fixed overheads with its current growth trajectory. In FY2018, it is expected that total operating expenses will be reduced by at least \$3 million and currently capitalised product development investments will reduce by a minimum of \$1.5 million in comparison to FY2017.

Presently the company expects FY2018 revenues to be between \$16m and \$20m and with reduced operating costs, to be EBITDA positive for the FY2018 year.

FFT remains well positioned to continue to invest in its frontline sales and support capabilities along with initiatives to support growth in its Distribution and Network Security divisions.

Net Asset Position

The Company's financial position remains strong with Net Tangible Assets of \$15.9m including A\$7.5 million cash at bank, and no debt as at 31 March 2017.

FFT will release its *ASX Appendix 4E and Preliminary Final Report for the Full-Year Ended 30 June 2017* on or before 31 August 2017.

Note 1

The FY2017 financial information provided above is preliminary in nature, and subject to internal finalisation and auditor review.

Forward Looking Statements

Information in this release is for general information purposes only. Certain statements in this document regarding the Company's financial position, business strategy and objectives, contain forward-looking statements (rather than being based on historical or current facts) and as such, are not able to be verified.

All forward-looking statements are based on the current views of the Company's management as well as reasonable assumptions made by, and information currently available to the Company's management. Forward-looking statements are inherently uncertain and must be read accordingly. There can be no assurance that some or all of the underlying assumptions will prove to be valid. If assumptions are invalid this is likely to have an impact on the accuracy of the statement itself.

All data presented in this document reflects the current views of the Company with respect to future events. Forward-looking statements are subject to a variety of risks, uncertainties and assumptions relating to the operations, results of operations, growth strategy and liquidity of the Company. Forward looking statements are also subject to external matters outside the control of the Company.

To the maximum extent permitted by law, the Company, its officers, employees and agents do not assume any obligation to release any updates or revisions to the information (including any forward looking statements) in this presentation to reflect any change to expectations or assumptions; and disclaim all responsibility and liability for any loss arising from reliance on this presentation or its content.

Note 2

Whilst these revenues are currently expected, until such time as binding orders are received by the Company and ordered goods and services are delivered they remain uncertain.

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About FFT

FFT is a leading developer and manufacturer of fibre optic perimeter intrusion detection security systems. Deployed by some of the most security conscious industrial, military and government organisations in the world, FFT's advanced security systems:

- detect and locate **perimeter** intrusions;
- identify third-party interference on oil and gas **pipelines**; and
- protect sensitive **data network** communications cables.

With hundreds of installations in more than 60 countries, FFT has established a solid reputation for delivering highly intelligent, reliable, and award winning intrusion detection solutions. www.fftsecurity.com

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