



Major CVM™ Installations on Multiple Aircraft, Multiple Fleets and Progress re 2KU WiFi Programme Approval

Highlights

- **Delta Air Lines and SMS formally agree to enter final “Implementation Stage” for B737-NG fleet**
- **SMS to install two (2) full CVM™ kits on twenty (20) Delta B737 aircraft in 2019, beginning immediately**
- **Groundbreaking CVM™ 2KU WiFi approval expected in Q3-2019, via Supplemental Type Certificate (“STC”)**
- **Multi-operator, multi-aircraft WiFi installations expected to commence thereafter in H2-2019/2020**

Structural Monitoring Systems Plc (“SMS” or “the Company”) (ASX: SMN) is pleased to provide a brief Company update:

Delta Air Lines and SMS initiate B737-NG Aff Pressure Bulkhead (“APB”) Implementation Stage Programme

Delta Air Lines (“DAL”) and SMS have agreed to initiate a new programme to install CVM™ kits on twenty (20) B737-NG aircraft related to APB Service Bulletins (“SB”). The first installs are targeted for mid-April, and will continue through to the end of the year. This represents a significant progression for the technology, and a major new milestone for the Company and DAL.

This Implementation Stage programme marks yet another key installation of CVM™ sensors on-board civil aircraft (noting that CVM™ remains the only SHM technology that has ever been so installed on any commercial aircraft type). The programme sends a clear message to the industry that CVM™ has matured even further to a true, stand-alone commercial status, and the only SHM technology at NASA Technology Readiness Level (“TRL”) 9. Importantly, DAL has agreed to initiate the installations *prior* to formal OEM approval, reflecting DAL's confidence in the technology, as well as the ability of SMS and DAL, working in close partnership, to achieve the appropriate OEM certification for the technology in an expedited timeframe. SMS and DAL, with valuable assistance from the FAA Airworthiness and Assurance Center (overseen by Dr. Dennis Roach at Sandia Labs), will continue to work diligently to achieve the requisite approvals for the APB SBs, and other applications currently under consideration, with OEMs and global Regulators.

Dr. Roach commented: *“This new, large-scale APB installation program on DAL aircraft provides further validation that CVM™ has clearly established itself as a ‘commercial-ready technology’ that is available now for routine use on aircraft. SMS, with its unique and proven CVM™ technology, has successfully*

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managed the transition from the R&D workbench to formal commercialization. Sandia Lab's FAA Airworthiness Assurance Center will continue to work closely with SMS, and it's industry partners, to secure further approvals for CVM™ on the multiple applications now under consideration by the global aerospace industry."

Given the significant importance of the B737-NG aircraft globally, and the number of operators now approaching the critical cycle threshold that triggers the required initial hangar-based mandatory inspection, SMS believes all parties are fully aligned to review, develop and formally approve a CVM™ solution - a solution which will materially benefit future compliance with these burdensome APB inspections, across a very large total addressable global market.

Anticipating the initiation of the Programme, SMS engineers have already designed and built CVM™ kits for the initial five (5) aircraft installations. These kits have been delivered to DAL in Atlanta for installation at their MRO facility in El Salvador, beginning next week. Further, SMS is working with multiple airlines to determine the demand and installation timetable for significantly more APB installations, both in relation to potential pre-, and post-, OEM approval installs. Initial analysis, utilizing proprietary industry software showing global fleet utilization, indicates that over 1,500 aircraft over the next 3-4 years will be directly impacted by the SBs affecting the B737-NG APB.

The commercial terms for the Programme will be finalized by the Parties in the near term. However, due to DAL's (fully finalized) 2018 calendar year allocated budgets set for the remainder of 2019, it has been mutually agreed that at this juncture DAL will contribute their labor costs required for the twenty installs and SMS will contribute the initial twenty (20) CVM™ kits for the Programme. Present discussions, and a pending modification to the Aircraft Component Purchase Agreement ("ASCPA") executed previously by DAL and SMS, are underway to permit SMS to claw-back the value of the kits in 2020.

The benefits of initiating the Implementation Stage Programme is overwhelmingly positive for the commercial progression of CVM™ technology - both within DAL, and across the rest of the civil airline industry. The Programme provides the entire DAL organization - management, engineering, maintenance and commercial divisions - with critical operational feedback gained from the first large scale implementation of CVM™ on DAL aircraft. The Programme also allows SMS to gain further commercial traction with other major operators of B737-NG aircraft seeking to engage with SMS with respect to the APB, or other applications in the future. This will become even more apparent once formal approval to install CVM as an alternative inspection method for the APB is secured, providing a "carte blanche" for all B737-NG to utilize the technology unabated.

Pivotal CVM™ 2KU WiFi approval expected in Q3-2019, via Supplemental Type Certificate ("STC")

Delta Engineering ("DE") and SMS are continuing the engineering and critical testing work in order to seek the pivotal issuance of an STC. Final CVM™ kit design and installation data are expected to be finalized in the next 4 weeks. The initial CVM™ kit has been designed for installation on the B737-NG aircraft family - however, kits will ultimately be designed for a range of both Boeing and Airbus aircraft families. The final step in the approval process, prior to submission of the data package to the FAA, will be to complete a prototype install on a Delta aircraft (at this juncture, this is actually likely to be a B757 aircraft, as this Delta

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fleet is expected to hit the initial inspection threshold ahead of the B737-NG fleet). Given the substantial progress made by SMS and DE to date, the Company now estimates that the issuance of an STC by the FAA is likely to be received in Q3-2019, followed by multiple STCs thereafter, notwithstanding any FAA issues related to recent events.

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