



SMS Group Update – Summary of Exceptional Annual Results and Further Material Progress to Pivotal STC

Structural Monitoring Systems Plc (“**SMS**” or “**the Company**”) (**ASX: SMN**) is pleased to provide a further detailed, and full year-to-date, Group performance summary - as achieved through the 2019/20 Financial Year. As previously detailed, and despite historically unprecedented global headwinds and operational adversity, the SMS Group has not only achieved remarkable financial results, but has concurrently logged substantial progress towards the Company's near-term aim of realising full commercial, and global, capability for the CVM™ technology platform via the attainment of FAA Supplemental Type Certificate (“**STC**”) status in 2020.

AEM Full-Year Financial Performance:

- Full-year 2020 Sales at \$A18.961 million (+10.7% vs FY-2019)
- Normalised full-year EBITDA at circa-\$A4.400 million (+24.6% vs FY-2019)
- June-20 records \$A1.850 million in revenue to close the 2020 financial year
- Very strong cash generation realized for 2019/20, and during Q2-2020 especially

Wholly-owned SMS subsidiary, Anodyne Electronics Manufacturing Corp (“**AEM**”), logged another very solid month in June, recording \$A1.850 million in revenue to close the 2020 financial year at \$A18.961 million total revenue, an increase of 10.7% over FY-2019.

AEM achieved normalised EBITDA of approximately \$A4.400 million for the full year, an increase of 24.6% over FY-2019.¹ Cash generation through the final quarter was also extremely pleasing, with AEM's closing cash on-hand balance registering \$A1.399 million, *(i.e. \$A1.213 million in net cash generated in Q2-2020 alone)*. **Total year-end SMS Group cash-at-bank thus stood at \$A2.113 million – an extraordinary outcome given the extreme global environment.**

¹ These standout preliminary results are based on unaudited management accounts, and are calculated after eliminating inter-company sales and adjusting for SMS R&D costs carried by AEM together with an adjustment to account for the implementation of IRFS 16 Leases in July 2019.

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The 2020 revenue and profitability achieved by AEM is a remarkable accomplishment - particularly in light of the unprecedented challenges present in the global aviation market together with the operating impact imposed by COVID-19 on holistic commercial platforms. The outcomes achieved by AEM duly reflect the combined and sustained efforts of a very experienced, professional and dedicated personnel team in Kelowna, BC, Canada.

Looking forward, AEM will continue to focus on the development of new-generation product solutions - primarily focused on the global rotorcraft markets. R&D spend (currently circa-10% of sales) will thus rise to circa-13% of sales over the upcoming financial year, as AEM continues to add to its pipeline of new products under development - targeting several of the largest global aerospace OEMs. The SMS Board and executive management are highly optimistic in regards to the significant growth opportunities these new product solutions will provide - particularly given the scale of the addressable markets for these products globally.

Further, AEM's actual sales orders for the full forthcoming Q3-2020 (i.e. Q1-FY2020/21) are already very firm, and measurably ahead of forward orders recorded at the same time last year. These early indications, together with the launching of an exciting suite of new AEM-developed products (referred to above) later in this calendar year, provides the Company with genuine optimism concerning the broad Group outlook over the coming financial year, and beyond.

CVM™ Commercialisation Update and Outlook:

The Company's direct FAA contacts have indicated that the required official feedback to Delta Engineering's ("**DE**") initial response pack related to the approved Issue Paper ("**IP**") has already been prepared and internally submitted within the FAA. Additional required FAA personnel responses, if any, have also been gathered - and these will go back to the FAA's New York Aircraft Certification Office ("**ACO**"). This is expected to be completed within the next two weeks.

Personnel from the Company's strategic partners, DE and Sandia National Laboratories ("**Sandia**"), are fully prepared and ready for testing to commence in the coming month, despite current COVID-19 restrictions, and a 14-day quarantine requirement after any public transportation is utilised prior to arrival at the USAF base in Albuquerque, adjacent to Sandia's New Mexico testing facility. As SMS will require key personnel to witness and oversee all testing regimes, the Company has already planned to have our key personnel travel to NM via private transport, to avoid this 14-day quarantine requirement.

Concurrently, the required pre-validation CVM™ installation on a Delta Air Lines ("**Delta**") aircraft has been discussed in detail (a requirement for the completed STC), and the necessary production of CVM™ installation kits is already underway. Similarly, several Delta aircraft have

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already been short-listed for the installation, and a final decision for the selected aircraft will be made during the month of July.

Additionally, Sandia and SMS/AEM technical staff continue work on preparing supporting data and further analysis of past SMS CVM™ program data to satisfy some of the data requirements in the IP. To this end, technical focus is on additional accumulated B737-NG center wing-box data (derived from the Company's prior multi-aircraft Delta B737-NG CVM installation Program). This data has now been collected, collated and provided up to, and including, 2020 collection points all the way from the Programme's inception date.

2ku Wi-Fi Program Specifics:

All necessary work requirements are proceeding as planned along the STC approval path for the 2ku Wi-Fi system. The program is on-schedule, and is currently well into Stage III - while some of the Stage IV effort has already been submitted to the FAA.

Over the past month, SMS and DE personnel have completed all required documents and analyses, and submitted all information required by the FAA to proceed, as planned, through the STC process. SMS is now awaiting routine feedback from the FAA re the Certification Plan, the Issue Paper, and the Test Plan. SMS has already submitted the important *Failure Modes and Effects Analysis ("FMEA")*, and continues to compile supporting historical data for the Organisation Designation Authorisation ("**ODA**") and the FAA, as required.

SMS, Sandia and DE have acquired, and collaborated on, the preliminary fatigue testing results of test specimens, and utilized those results to further align the stress loads and decision thresholds for the upcoming formal performance testing that will begin once the FAA approves the Test Plan.

As mentioned above, production of CVM™ sensors and associated peripheral parts has already begun, in anticipation of the inaugural 2ku Wi-Fi installation on a Delta B737-800 aircraft. A number of potential installation facilities have been identified throughout the USA, and with all candidate aircraft conveniently parked at present, the current timeframe presents an opportunity to efficiently complete this pivotal first installation, and the required subsequent STC inspection process.

**CVM™ Commercialisation Summary:**

As communicated in prior Releases, and despite the extraordinarily arduous global operating environment, SMS - and the Company's key strategic counterparties - remain well on-track to deliver a highly significant commercial milestone within the time parameters that have been previously communicated, pending a reasonable (and expected) response time from the FAA. This would see Stage IV of the IP - and full required ancillary testing - completed in Q3-2020, with full STC-approval expected shortly thereafter in Q4-2020.

This announcement is authorised by the Board.

Disclaimer

This announcement contains certain forward-looking statements with respect to the financial condition, operations and business of the Group and certain plans and objectives of the management of SMS. Forward-looking statements can be identified by the use of forward-looking terminology, including, without limitation, the terms "believes", "estimates", "anticipates", "expects", "predicts", "intends", "plans", "goals", "targets", "aims", "outlook", "guidance", "forecasts", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts.

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