

ASX Announcement

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September 2026 Quarterly Activities Report

Structural Monitoring Systems Plc (“SMS”, “the Group” or “the Company”) (ASX: SMN) provides its Quarterly Activities Report for the period ended 30 September 2026, being the first quarter of FY27.

Executive Summary

The Group remained profitable in Q1 FY27 and increased investment in product development while focusing on operating performance and cash generation.

During the quarter, the Group focused on operating performance and cash generation while increasing investment in two avionics development programs. Product introductions are targeted for late FY27 and early FY28, subject to development progress and certification.

Key financial highlights for the quarter included:

- **Revenue of A\$7.0m (C\$6.9m) for the quarter, compared with A\$8.1m (C\$7.3m) in Q1FY26⁽¹⁾.**
- **Net profit after tax of A\$0.7m, compared with A\$1.2m in Q1 FY26**
- **Adjusted EBITDA of A\$1.8m, compared with A\$2.1m in Q1 FY26.**
- **Free cash flow of A\$0.7m, compared with A\$1.6m in Q1 FY26.**
- **Group cash at bank at quarter end A\$5.2m, compared with A\$4.8m at 30 June.2026.**
- **Product development investment A\$0.8m, compared to A\$0.3m in Q1 FY26.**

⁽¹⁾ 1QFY26 revenue included \$1.4m carried over from June 2025 due to customs delay.

A 9% weakening of the Canadian dollar against the Australian dollar year-on-year adversely affects reporting from the Groups Canadian operations when compared with Q1FY26.

The quarter’s profitability reflected continued attention to continued operational performance, cost control and cash generation.

Mr Rick Freeman, AEM Chief Executive Officer commented:

“Our focus remains on growing avionics sales, maintaining operating margins and managing cash while progressing our product development programs.

“We continued to implement our domestic and international sales strategy and invest in two avionics development programs, both of which remain on schedule.”

Mr Neville Bassett AM, SMS Chairman, commented:

“AEM provides the Group with an established operating business and a platform for growth. Our focus is on converting that strength into sustainable shareholder value through disciplined investment in products, manufacturing capability and commercial opportunities. We recognise shareholders’ frustration with the CVM approval timetable and remain committed to providing clear updates as the process progresses.”

The Group recorded continued progress in the performance of its Canadian operations during the quarter notwithstanding a 9% weakening in the Canadian dollar against the Australian dollar year-on-year.

Financial results for the quarter (based on unaudited management accounts)

A\$ million	FY27	FY26	change %
Avionics revenue	3.8	5.1	-25%
CM revenue	3.1	3.0	3%
Net profit after tax	0.7	1.2	-42%
Adj EBITDA *	1.8	2.1	-14%
Free cash flow	0.7	1.6	-56%

* excludes share-based payments of \$0.1m (1QFY26: \$0.1m)

(Average CAD:AUD exchange rate for Q1 FY27: 1.0118 compared to 1.1096 for Q1 FY26)

Wholly-owned Canadian subsidiary, AEM recorded investment in product development of \$0.8m during the quarter up, from \$0.3m in Q1 FY26.

The Group continues to generate profit and free cashflow whilst investing in self-funded product development having repaid all borrowings.

Avionics

Q1 FY27 avionics revenue was 17% below the prior corresponding period (excluding fx movement). Management attributed part of the reduction to aircraft remaining in critical-mission operations for longer than expected, delaying maintenance and upgrades. We expect Radio sales to be at or above Q2 of prior corresponding period.

AEM will participate in European Rotors in France in December. The event will support engagement with international customers for its audio systems, radios and helicopter consoles.

Radio sales continue to be influenced by the timing of customer maintenance and upgrade programs, including the return of firefighting aircraft to base following seasonal operations.

International adoption of the MTP138 radio has begun and depends in part on supplemental type certificates (STCs) for relevant aircraft applications. AEM expects Transport Canada approval for the first targeted application at the beginning of Q3 FY27, with European Union Aviation Safety Agency (EASA) approval to follow.

Audio-system sales were partly affected by the extended deployment of critical-mission aircraft. AEM continues to support customers through its existing product offering and sales activity.

Loudspeaker-system sales during the quarter were 32% above prior corresponding year driven by international aircraft manufacturer customers.

Research and Development

AEM invested A\$0.8 million in product development during Q1 FY27, compared with A\$0.3 million in Q1 FY26. This increased investment is self-funded, with the Group continuing to generate profit and positive free cash flow while progressing its development programs to sustain future sales and market share growth.

Both new avionics development programs remain on schedule. These products will open opportunities in multiple market segments for both rotor craft and fixed wing aircraft.

The separate potential Airbus A320 Frame 16 CVM development opportunity is outlined in the CVM Smart Sensor Solutions section below.

Contract Manufacturing

Q1 FY27 contract manufacturing revenue was 15% above the prior corresponding period (excluding fx movements). AEM continues to pursue work suited to its high-quality, low-volume manufacturing capability and diverse product requirements, with a focus on margins and operational utilisation.

CVM™ Smart Sensor Solutions

During Q1 FY27, AEM hosted the biannual SAE Aerospace Industry Steering Committee on Structural Health Monitoring (AISC-SHM) conference in Kelowna, British Columbia. Approximately 50 attendees participated, including representatives of major aircraft manufacturers, airlines, EASA and the FAA.

Discussions held on the importance of shortening the time required to progress structural health monitoring technologies from technical feasibility through aircraft manufacturer validation, to regulatory approval and commercial deployment.

During the quarter, AEM recorded sales of CVM™ equipment, test products and sensors to the FAA. AEM also received a purchase order from a major defence aircraft manufacturer and submitted a quotation for similar equipment for another aircraft manufacturer. These activities relate to evaluation and research. Any subsequent commercial deployment remains subject to further development and regulatory processes.

Boeing has advised that the timing of the FAA's review of the service bulletin for the Boeing 737NG aft pressure bulkhead application has been affected by competing certification priorities. The approval pathway is taking longer than previously anticipated and remains outside the Company's control. SMS is not providing a revised completion date and continues to engage with Boeing on the approval process.

This ASX release has been approved for release by the Board of Directors.

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