Seeing Machines Limited

Fleet Business Unit Update

4 September 2018

Seeing Machines Limited (AIM: SEE) ("**Seeing Machines**" or the "**Company**"), the advanced computer vision technology company that designs AI-powered operator monitoring systems to improve transport safety, provides an update on its current trading.

In May 2018, the Company announced delays to the manufacture and shipping of its second-generation Fleet hardware, Guardian, owing to a global shortage in certain traditionally short lead-time components. As subsequently announced in August 2018, these initial delays, coupled with the higher-than-anticipated costs of the second-generation product, adversely impacted the Company's gross profit margin for FY2018. Having now conducted an initial review, the Board recognises that the impact of the production delays will have an ongoing adverse effect on growth of its connected base in FY2019. Furthermore, the Board has concluded that the cost reductions previously anticipated to be delivered by the updated Guardian product are unlikely to be achieved in the short to medium-term in the absence of further redesign, optimisation and improvements in the production cycle.

The ongoing issues identified in relation to the Guardian product, and the significance of the contribution of the Fleet division to the financial performance of the Company in the short-term, have led the Board to conclude that the Company's revenues for FY2019 will be materially below current market expectations.

Whilst the performance of the Fleet business is disappointing, the Board is increasingly excited about the opportunities available to the Company in the larger and fast-evolving Automotive sector, where it expects regulatory-driven demand to materialise over an accelerated timeframe. The FOVIO chip, the Company's embedded software product for the Automotive and Truck OEM markets, was introduced in 2018 with two automotive program wins and its lower cost allows the Company to deploy into, and scale up in, this high-volume market. The real world, on-road data captured through the Company's Guardian product has already played an integral role in the development of the FOVIO driver monitoring engine and remains critical to the Company's ongoing software development.

Seeing Machines is currently engaged in active automotive programs with five OEMs in North America, Europe and China and is working with a growing number of leading automotive Tier 1 customers globally, with numerous new vehicle models launching in the 2019-2022 timeframe. Based on the initial vehicle models included in the corresponding agreements, these programs have a total expected revenue value of over US$100 million, with the potential addition of further vehicle models and volumes currently in discussion. The Company is also working on several proposals with a number of new automotive and aviation customers with an expectation that further business will be awarded to the Company over the coming months.

In light of the above, the Board has initiated a detailed internal review of the Fleet business unit to ensure the most effective deployment of the Company's capital, leadership and engineering resources to enhance value for shareholders over the medium-to long-term. As part of this review, the Board will look carefully at the steps necessary within the Fleet business to remove cost and guarantee inventory availability with improved manufacturing arrangements while also streamlining ongoing distribution, service and support in the best interest of existing customers.

The internal review is expected to be concluded shortly and its key outcomes and revised guidance will be announced in conjunction with the Company's audited results for the year to 30 June 2018 on 19 September 2018.

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The information communicated in this announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No. 596/2014.

About Seeing Machines

Seeing Machines (LSE: SEE), a global company headquartered in Australia, is an industry leader in computer vision technologies which enable machines to see, understand and assist people. The Company's machine learning vision platform has the know-how to deliver real-time understanding of drivers through Artificial Intelligence (AI) analysis of heads, faces and eyes. This insight enables Driver Monitoring Systems (DMS), which monitor driver/operator attention and can identify drowsiness and distraction across multiple transport sectors.

Seeing Machines develops DMS for the Automotive, Commercial Fleet, Aviation, Rail and Off-Road markets. The Company has offices in Australia, USA, Europe and Asia, and delivers multi-platform solutions ranging from embedded software and processors to aftermarket system and service solutions to industry leaders in each vertical.

DMS is now considered a core safety technology for the Automotive industry, particularly with the development of semi-autonomous and self-driving cars. DMS is also increasingly seen to be an integral safety feature across the Commercial Transport & Logistics industry globally.

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