

Surface Transforms plc
("Surface Transforms" or the "Company")

Automotive Pre-Production Technology Development Agreement

Surface Transforms (AIM: SCE), manufacturers of carbon fibre reinforced ceramic brake discs, is pleased to announce that it has signed a pre-production technology development agreement ("Agreement") with a leading German performance car manufacturer which, if successfully concluded, is expected to lead to series supply of the Company's carbon ceramic brake discs in the financial year 2018-19.

The Agreement establishes that both companies will use best endeavours to collaborate to resolve the remaining product refinement and environmental durability requirements in addition to approving the internal Surface Transforms operating procedures to satisfy the customer's required industry quality standards, known as VDA 6.3.

The objective of the activities set out in the Agreement is to establish a product ready for series production that the customer intends to use on its car models, albeit this next stage is not contractually guaranteed. Nonetheless, both parties are currently testing on a specific known future model. Should a production contract be awarded to the Company, the Board expect that minimal additional revenue would be generated in the 2016/17 financial year and indeed, due to certain expected changes to the Surface Transforms operating procedures additional one-off overheads of £200k will also be incurred. Thereafter, expected revenues during production approval in calendar year 2018 would be approximately £3m with expected annualised revenues after start of production reaching approximately £10m-£12m on mature volumes.

Kevin Johnson CEO of Surface Transforms said: "We are delighted to formally announce this agreement, which provides a strong endorsement for our carbon ceramic brake technology and illustrates the deepening relationship with our OEM customer. As part of this agreement the customer continues to work with us on achieving their quality standards, whilst in parallel resolving the remaining product refinement and environmental requirements. The Company is confident that it can meet the customer's technical and timing requirements and is pleased to announce that the programme for resolving the requirements is on plan."

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014.

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