[22] September 2016

NEWMARK SECURITY PLC
("Newmark" or the "Group")

Trading Update

Newmark Security plc (AIM: NWT) provides the following trading update.

As announced in the Group's preliminary results for the year ended 30 April 2016 ("FY16"), the Board observed in the Outlook section that: "Operating profit for the current financial year ending 30 April 2017 ("FY17") would be significantly lower than FY16. This reflected the fact that the strategy of material investment in new products, new customer acquisition and new geographies has taken longer to be realised than originally anticipated. The opportunity pipeline continues to grow but the conversion in to sales has been slower than hoped."

The Board today announces that these delays and other operational difficulties persist and despite implementing a number of cost cutting measures, the Group now expects results for the current financial year to be materially below market expectations and now expect to report a loss for FY17.

Further details of current trading and outlook of the individual operating segments of the Group is set out below.

Asset Protection Division Review (FY16: Segment revenue of £14.1m; segment PBT £2.8m)

Historically revenue within the asset protection business has varied substantially from one year to the next due to the timing of major refurbishment programmes for long standing customers and, to date, we have not received details of any such programmes in this financial year. The revenue stream within this division during the last few years has included substantial sales of cash handling equipment to the Post Office as part of their Network Transformation Programme. As stated previously, this revenue stream was expected to reduce during FY17 and the Company has been seeking to replace this revenue stream by broadening its product range. Despite being appointed as UK distributor of an industry-leading manufacturer's doors and partitions range, new orders and sales have been considerably slower than anticipated in the first four months of the current financial year, and the pipeline and outlook for the rest of the year is not sufficient for the Board to have confidence the recent slowdown will be reversed in the immediate future.

Electronic Division Review (FY16: Segment revenue of £7.6m; segment PBT £(0.5m))

Continuing the trend observed during FY16, current trading has shown a clear divergence of revenue between the JANUS and SATEON product lines. Sales of JANUS continue to decline year-on-year, whilst SATEON revenues are increasing.

SATEON revenues have increased almost 100% compared with the corresponding period last year but this has been offset by the decline in JANUS revenue. While sales of SATEON enterprise level projects have outperformed expectations, penetration of the high volume mid-tier market has been limited, partly due to a delayed release of the new variant of SATEON. Significant revenues from this new release are now not anticipated until the next financial year. In addition, some national systems integrators, key clients of the electronic division, have recently issued profit warnings as projects have been delayed or postponed post Brexit.

Workforce management ("WFM") sales in the UK have remained flat following the completion of the programmes in the last two financial years of roll out programmes for one of the world's largest apparel retailers and one of the world's largest supermarket chains.

Further afield, performance in the APAC region continues to disappoint as the Hong Kong office tries to establish sales and distribution channels and conduct business development activities. However, the US office has shown 8% growth in WFM revenue compared to the corresponding period last year which is in line with expectations. Focus remains on growing both existing customers share of wallet and establishing new channel partners, as the company prepares to launch a new Android based WFM terminal next month, sales of which should benefit the Group in the next financial year.

There are significant opportunities for this Android device in new and adjacent sectors across all geographies in which the Group operates and these are being investigated to ensure revenues can be yielded form this upcoming product range in as short a lead time as possible.

Marie-Claire Dwek, Newmark CEO, commented:
"The results for the year to date have been very disappointing albeit in a period of investment and challenging markets. We have and continue however, to initiate programmes to cut costs which will improve our financial position going forward, whilst continuing with the launch of new products which the Board are optimistic will underpin future growth."

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon publication of this announcement, this information is now considered to be in the public domain.

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