

6 July 2016

NEWMARK SECURITY PLC
(“Newmark” or the “Group”)

Trading Update

Newmark Security plc (AIM: NWT), the leading provider of electronic and physical security systems, provides the following trading update.

Whilst the Group recently updated the market that trading for the year ended 30 April 2016 (“FY16”) was in line with market expectations, trading conditions have become increasingly difficult and the budgeted operating profit for the current year is expected to be significantly less than FY16.

The Board still expects to maintain the dividend at the time of the final results due for release in August 2016.

Current trading and outlook of the individual operating segments of the Group is set out below.

Access Control Review

During FY16 there was a clear divergence of revenue between the JANUS and SATEON product lines. Sales of JANUS declined more quickly than anticipated due in part to the retirement of older Microsoft platforms. SATEON revenues however increased significantly overall although revenue from the mid-tier customers has not grown as quickly as expected. The overall increase in SATEON sales has been partly attributable to the adoption of SATEON by new clients, but also to the migration of existing clients from the JANUS to SATEON product. Our migration campaign is helping to ensure that customers can migrate from JANUS to SATEON. As previously announced, the SATEON range was enhanced during FY16 and further enhanced with a new release in June 2016 that simplifies the installation and management of SATEON.

Also a new sales office was opened in Hong Kong last year and staff were hired locally and in greater China to support sales in the APAC region. Whilst the pipeline of opportunities in these countries has grown, meaningful revenues are yet to be generated. Sales in the US have also not matched expectations.

Workforce Management Review

Owing to a decline in sales of the legacy RS series of products and a slowdown of the rollout across the estate of one of the world’s largest apparel retailers, revenues in the UK business softened during last year.

In addition, sales in support of a Workforce Management contract (worth US\$6m over five years), previously announced on 18 September 2015, have been deferred due to the customer experiencing internal resource constraints. This will delay the delivery of the planned rollout and means that Grosvenor Technology will, in the short term, bear an increased proportion of the cost of developing its next generation workforce management product portfolio.

Asset Protection Review

The revenue stream within the asset protection 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 the current year. The company has been seeking to replace this revenue stream by

broadening its product range and has just been appointed as UK distributor of an industry-leading manufacturer's doors and partitions range. This will allow Safetell to meet the growing demands of their customers looking to protect their staff from the threat of terrorist attack and criminals. Safetell has also been expanding its market presence in new geographies, particularly the Middle East following the large sales of Ballistic Doors in the first half on FY 2016.

Marie-Claire Dwek, Newmark CEO, commented:

"Moving into exciting new markets inevitably comes with challenges. Though there have been setbacks over the past year in converting our pipeline into sales, I am confident that we are well-positioned to deliver the progress which we anticipate, with a host of new product launches to look forward to. Our strong investment in major new technology foundations and products looks set to spur growing revenues over the coming financial years, as we continue to deliver the solutions of tomorrow."

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For further information:

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