

13 July 2015

Sprue Aegis plc
("Sprue" or the "Company")

Trading and business update

Trading update

Sprue (AIM: SPRP), one of Europe's leading home safety products suppliers, today issues a trading update ahead of its unaudited interim results for the six months ended 30 June 2015 ("H1 2015"), which are expected to be announced in mid-September 2015. All figures set out in this announcement are subject to review by the Group's auditors.

H1 2015 was another record period of trading for Sprue. The Board expects the sales for H1 2015 to be approximately £56.5 million (H1 2014: £23.8 million), more than double H1 2014, and operating profit (before share-based payments charge) of approximately £9.0 million (H1 2014: £2.7 million*), more than triple H1 2014.

H1 2015 gross margin (before the BRK distribution fee) declined to around 29.0% (H1 2014: 37.4%) primarily due to:

- the adverse impact of the strength of Sterling against the Euro with an average exchange rate in the period of 1.38 (H1 2014: 1.22) which significantly reduced the Sterling value of gross profit and sales into Continental Europe; and
- the adverse impact of the weakness of Sterling against the US Dollar with an average exchange rate in the period of 1.53 (H1 2014: 1.67) which increased the cost of US Dollar sourced products (being carbon monoxide detectors from Pace Technology and from DTL, smoke detectors and accessories until 1 April 2015 at which point the Group commenced purchasing these products in Sterling under the revised BRK Distribution Agreement terms).

At H1 2014 like-for-like exchange rates, H1 2015 operating profit reported above would have been approximately £15.1 million or £6.1 million / 68% higher than indicated and return on sales would have been 26.7%.

Net cash increased significantly during the period to £29.0 million as at 30 June 2015 (H1 2014: £11.7 million) helped in particular by the extension in credit terms in April 2015 from DTL, the Group's principal smoke detector supplier, £2.9 million (excluding VAT) of cash received from a West Midlands Fire and Rescue Services' tender funded by DCLG** in March 2015 and continued tight financial controls over working capital. Sprue remains debt free (H1 2014: £nil).

The growth in revenue in H1 2015 was primarily attributable to trade and retail sales into France which were significantly ahead of both H1 2014 and management expectations. The deadline for landlords in France to fit at least one working smoke alarm in each rented property was extended from 15 March 2015 to 31 December 2015 which continued to drive sales. As expected, the value of the Company's future order book for France has softened considerably compared to the start of the year, but still provides good visibility of potential earnings in H2 2015.

Factory relocation

Sprue has been notified by Jarden that the current CICAM facility is scheduled to close by 31 December 2015 and detailed planning is underway to transfer production to a nearby new factory. Subject to CICAM's available production capacity in the remainder of 2015, the Board proposes to increase inventory above normal levels to invest the equivalent of around 2 months' sales to mitigate the risk of potential supply chain disruption from the proposed relocation of CICAM. Stock levels are expected to normalise by the end of H1 2016.

Sprue's mains powered range of products

Sprue's new mains powered range of products, branded "SONA" went into production in December 2014, however, due mainly to a number of production set up delays, full scale production has been hampered. Customer feedback on the product range has been very positive and with a strengthened UK sales team, Sprue remains well placed to grow its UK Trade sales with its new range of products.

Technical update

The Group is continuing to invest in connected home solutions ("CHS") and a trial to connect Sprue's home safety products to the internet is still ongoing. The commercialisation of CHS is still in its infancy and whilst no significant revenue is expected during 2015, potential sales opportunities from this technology are highly encouraging.

The Board has decided to significantly strengthen the Group's technical and engineering team by recruiting around 12 additional engineers to provide greater certainty to, and potentially accelerate, the Group's future new product revenue streams. With HMRC encouraging UK companies to invest in intellectual property through Patent Box and the R&D tax credit regime, part of the cash cost of the additional engineers is effectively funded by the Government.

Outlook

We continue to invest in product innovation and technology to expand and improve our product range, improve margins and enhance our competitive position in each of the markets that we serve.

Subject to there being no further net adverse foreign exchange rate movements, the Board expects Sprue's results for the year ending 31 December 2015 to be significantly ahead of market expectations.

The Board is also pleased to confirm that the Company's progressive dividend policy remains unchanged and that following another record first half performance, in the announcement of its interim results for H1 2015, the Board intends to declare an interim dividend of 2.5 pence per share (2014 maiden interim dividend 2.0 pence per share).

A further update on trading will be provided at the time of the release of the Company's H1 2015 results, which are expected to be announced in mid-September 2015.

**2014 operating profit of £2.7m is stated before exceptional AIM costs of £0.5 million and share based payments charge of £0.04 million*

***DCLG is the Department for Communities and Local Government which provided the West Midlands Fire and Rescue Service and other brigades with funding of approximately £3.2 million (excluding VAT) in total to install smoke and carbon monoxide alarms in rented properties (of which Sprue secured approximately £2.9 million)*

- Ends -

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Notes to Editors

About Sprue Aegis plc

Sprue's mission is to protect, save and improve our customers' lives by making innovative, leading edge technology simple and accessible.

Sprue is one of the market leaders in the European home safety products market. Its principal products are smoke alarms and CO alarms and accessories and the Group has an extensive portfolio of patented intellectual property. The introduction of new products and new safety products legislation in Europe, and increasing levels of awareness of the dangers of smoke and CO, continue to drive sales.

Sprue manufactures CO sensors at its subsidiary, Pace Sensors for use in all its CO alarms. All other manufacturing and product assembly is outsourced to two principal third party contract manufacturers in China.

Sprue enjoys a leading footprint in UK Retail and the UK's Fire & Rescue Services. The Group also supplies the UK's Utility and Leisure sector which includes customers such as British Gas and Scottish Gas and has a well-established but relatively low market share of the UK Trade sector. Sprue has a rapidly growing business in Continental Europe mainly selling through a network of independently owned third party distributors.

The Group has won a number of prestigious Sunday Times *Virgin Fast Track 100* Awards, which recognises the 100 fastest growing companies in the UK.

Sprue's head office is in Coventry and it has a second office and warehousing in Gloucester.

Patented technology

Sprue has patented its technology in Europe, the US and other selected territories. For further product information, please visit: www.sprue.com or www.fireangel.co.uk or www.pacesensors.co.uk or www.firstalert.co.uk or www.brk.co.uk or www.sonasafety.com

Company ethos

Sprue makes products that save lives. It is a simple philosophy. We design and sell market-leading smoke and CO alarms that achieve this objective.

Sprue is serious about CO and smoke detection and believes everyone should be properly protected with affordable and reliable home safety products from a company with brands you can trust.

Our people work with passion and enjoy being part of a business that designs and sells products that save lives. We encourage our staff to "make a difference" to our business every day.

Our brands

Sold under complementary brands, Sprue's range of products is comprehensive, allowing the Group to tailor the range of smoke alarms, CO alarms and accessories to suit the needs of each customer group across its target market segments.

FireAngel

A market-leading and innovative battery operated alarm principally targeted at UK Retail and UK F&RS customers.

AngelEye

Launched in 2012 to sell, market and distribute Sprue engineered smoke alarms and CO detectors principally into the French market, AngelEye has become a leading brand targeted at the DIY channel in France, which the Directors estimate represents approximately 90% of the French market by value.

SONA

A mains powered range of smoke, and heat alarm products plus CO detection that are market leading and which can be wirelessly interconnected with up to 50 products on a single network.

FireAngel Pro

Mains-powered smoke alarm with a 10 year, sealed for life lithium battery back-up. Modern design, quick fitting, tamper-proof mounting plate which locks the alarm head securely in place. Mounting plate has wide, easily accessible connection to the mains feed. Cable knock-out allows for compatibility with YT2 cable trunking.

Pace Sensors

CO sensors used within Sprue's CO products are developed by Sprue and Pace Sensors, Sprue's wholly owned subsidiary in Canada. Pace Sensors' CO sensors are used within all FireAngel, AngelEye and Pace Sensors CO detectors and certain First Alert branded CO detectors.

First Alert

With over 40 years' experience in manufacturing safety products, First Alert is a known global brand in home safety, selling approximately 14 million smoke alarms annually worldwide. First Alert is a BRK Brands' brand and the range of First Alert products also includes ancillary safety products, including fire extinguishers, fire blankets and fire safes. First Alert is marketed as a 'heritage' brand due to its long-term presence in the fire safety market.

BRK

Targeted at wholesalers, specifiers and electrical installation professionals, BRK offers a comprehensive range of 230V mains powered smoke, heat and CO alarms.

Dicon

A BRK brand targeted at customers focused on value.