24 July 2017

Dialight plc
("Dialight" or "the Group")

Half year results for the six months ended 30 June 2017

Platform for long-term sustainable growth

Dialight plc (LSE: DIA.L), the leading LED lighting technology company, announces its interim results for the six months ended 30 June 2017.

	2017	2016
	£m	£m
Revenue	**92.7**	79.8
Underlying gross profit	**36.2**	28.8
Underlying[1] operating profit	**6.5**	4.2
Underlying basic EPS	**12.8p**	7.8p
Statutory profit/(loss) from operating activities	**4.1**	(6.9)
Statutory profit/(loss) before tax	**4.0**	(7.1)
Statutory EPS	**8.0p**	(14.4)p
Net cash	**12.7**	7.2

Financial highlights *Strong balance sheet supported by good working capital management*	• Revenue up 16% (3% at constant currency) • Gross profit increased to £36.2m (2016: 28.8m) • Profit growth in Lighting and Signals & Components up 47% and 14% respectively • Lighting revenues up 23%, order intake[2] up 15% (9% and 2% respectively at constant currency) • Net Cash of £12.7m (2016: £7.2m) • Operating model changes reflected in non-underlying items charge of £2.4m (2016: £11.1m)
Operational highlights *Scalable production platform*	• Platform Engineering completed • Final product lines in transfer to manufacturing partner • Increased distributors, expanded sales team, progress with strategic accounts and automation initiatives
Transition from rebuild, lead and grow *Shifting focus to grow, optimise and invest*	• Pivot to growth • Optimise operational platform • Invest in growth opportunities

Michael Sutsko, Group Chief Executive, said:

"We are focused on executing the Group's ambitious growth strategy as we seek to capture the opportunity in the industrial LED lighting market. The transformation to a robust and scalable manufacturing platform has advanced significantly in the period. We have completed platform engineering, and nine out of twelve product lines have transferred to our manufacturing partner with the final three lines to be completed by the end of the year. We remain excited by the Group's prospects and remain confident of delivering continued growth and shareholder value. Our expectations for the second half of 2017 remain unchanged."

Results presentation:

A presentation to analysts and investors will be held today at 09.00 GMT at Investec Bank Plc's offices at, 2 Gresham Street, London EC2V 7QP, United Kingdom. The presentation and an audiocast will be made available on the company's website, www.dialight.com.

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About Dialight:

Dialight (LSE: DIA.L) is a global leader in sustainable LED lighting for industrial applications. Dialight's LED products are providing the next generation of lighting solutions that deliver reduced energy consumption and create a safer working environment. Our products are specifically designed to provide superior operational performance, reliability and durability, reducing energy consumption and ongoing maintenance and achieving a rapid return on investment.

The company is headquartered in the UK with operations in the USA, UK, Denmark, Germany, Malaysia, Singapore, Australia, Mexico and Brazil. www.dialight.com.

Notes:

1. Defined as excluding non-underlying items of £2.4m (2016: £11.1m).
2. Order intake is the value of orders received in a given period.
3. Cautionary Statement: This announcement contains certain statements, statistics and projections that are or may be forward-looking. The accuracy and completeness of all such statements, including, without limitation, statements regarding the future financial position, strategy, projected costs, plans and objectives for the management of future operations of Dialight Plc and its subsidiaries is not warranted or guaranteed. These

statements typically contain words such as ‘intends’, ‘expects’, ‘anticipated’, ‘estimates’ and words of similar import. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Although Dialight Plc believes that the expectations will prove to be correct. There are a number of factors, many of which are beyond the control of Dialight Plc, which could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. This announcement contains inside information on Dialight Plc.

OVERVIEW

We are focused on executing our plan to capture the industrial LED market opportunity. The shift in the Group's operating model strategically positions us to focus on long term sustainable growth. The strategy gives the organisation agility, allowing us to respond quickly to changing customer and market dynamics.

During the period, we have delivered an increase in underlying profit as well as growth in cash generation. Group revenue was £92.7m (2016: £79.8m), including a favourable currency impact of £10.0m. The US, which generates the majority of our revenues, was up 10% on a constant currency basis. The European business was down 25%. This was partly due to certain product lines within the Signals and Components segments being discontinued. Additionally, Europe represents a significant lighting opportunity where we are rebuilding our capabilities, developing our sales force and expanding our distribution network. Our new product road map includes the breadth of product features and certification requirements needed to capture these European opportunities.

Lighting order intake grew 2% year on year at constant currency despite the impact of the transition delays, discussed below. Our customers have delayed placing orders pending new product launches. This has been partly mitigated by encouraging new business wins. Underlying operating profit increased to £6.5m (2016: £4.2m), including a favourable currency impact of £1.1m. Non-underlying costs totalled £2.4m (2016: £11.1m); further details are provided in the Financial Review section.

Platform engineering, a key pre-requisite of the transition of our manufacturing footprint has been successfully completed. The move to a platform concept allows Dialight to deliver solutions to customers that better match their specific requirements while being configured from a greatly reduced set of sub-assemblies. This has improved forecast accuracy for manufacturing planning and will result in reduced inventory once the transition to our manufacturing partner has been completed. We have fundamentally improved supply chain management and streamlined our operations. This is clearly demonstrated in the gross margin expansion we have achieved in the period.

Completion of the transition is taking slightly longer than expected. We have experienced delays in the certification of some of the products being transferred, but we expect to complete the transition by the end of the year. To ensure continuity of supply to our customers, we decided to keep our own facility running in parallel and this will lead to a short period of dual running costs.

As we finalise the foundations of a robust and scalable manufacturing platform, we pivot our attention to driving revenue growth in the industrial lighting market. Purchase decisions are driven by payback and risk, our value proposition continues to ensure that Dialight products provide the best cost of ownership to heavy industrial customers with paybacks based on energy savings, maintenance cost avoidance backed by a ten year warranty.

There has been progress in integrating Dialight lighting with leading factory automation solutions. Dialight and its strategic customers continue to explore new ways to use these solutions to enhance factory safety and productivity.

Dialight's sales model is direct specification sale to end users, transacting through distributors. Direct sale allows for the value proposition to be articulated, distributor inclusion enables simplified contracting and support for larger supply contracts. We have added 22 new distributors with a key focus on expanding the distribution network in Europe.

Market conditions

The main barrier to LED conversion is capex budget constraints. There are three key approaches to proactively drive accelerated market adoption by changing spending paradigms:

1. Enable maintenance spend - target a one year payback
2. Access different budgets - the corporate sustainability and safety budget, design engineering budgets and process productivity budgets
3. Promote market awareness of advantages of LEDs

Dialight recognises the opportunity to drive focus on corporate wide LED conversion programmes. The majority of Dialight's targeted strategic customers have a public commitment to sustainability, including carbon footprint reduction and energy savings programmes. Additionally, customers place a premium on work place safety. Driving awareness of the economic benefits as well as the sustainability and safety benefits of our lighting at the corporate level can change the perception of lighting away from just maintenance cost savings. We target corporate energy, sustainability and EHS directors and maintain a team focused on serving large new build projects.

Current quoting activity remains favorable with a strong pipeline and both short and long-term drivers of the markets we serve remain positive. We expect to grow in the markets we serve by executing our strategy focused on opportunities in underpenetrated geographies and industries, and growth from the continued introduction of new lighting and building management solutions as part of our integrated, solutions strategy. Based on various leading indicators and our focused investments in key strategic areas, we remain confident regarding the Company's prospects for long term profitable growth.

Outlook

We are focused on executing the Group's ambitious growth strategy as we seek to capture the opportunity in the industrial LED lighting market. The transformation to a robust and scalable manufacturing platform has advanced significantly in the period. We have completed platform engineering, and nine out of twelve product lines have transferred to our manufacturing partner with the final three lines to be completed by the end of the year. We remain excited by the Group's prospects and remain confident of delivering continued growth and shareholder value. Our expectations for the second half of 2017 remain unchanged.

FINANCIAL REVIEW

In the half year, we delivered an increase in underlying profit and cash flow on revenue growth of 16% (3% at constant currency). Group revenue was £92.7m (2016: £79.8m), including a favourable currency exchange impact of £10.0m. The US, which generates the majority of our revenue was up 10% on a constant currency basis. The European business was down 25%. This was partly due to certain product lines within the Signals and Components segments being discontinued. We also continued our efforts to develop outside of the US with Australian revenues up 19% at constant currency.

Underlying operating profit increased to £6.5m (2016: £4.2m), including a favourable exchange impact of £1.1m. The increase in the Group's underlying profit was a result of the fundamental shift in Dialight's operating model, which has reduced costs and enabled scalable, efficient production:

- Procurement programmes resulting in £1.3m improvement in cost of sales
- The closure of the UK facility has delivered savings of £1.4m and further efficiencies of £1.2m at our Mexico plant
- Offset partly by an increase of £0.9m in the cost base due to continued investment in the sales and product management teams

Currency impact

Dialight reports its results in Sterling. Our major trading currency is the US Dollar with 70% of revenue denominated in US Dollars. The Group has both translational and transactional currency exposure. Translational exposures arise on the consolidation of overseas company results into Sterling and this is the major currency exposure. Transactional exposure is more limited with natural hedging on revenue and purchases mitigating the majority of the currency risk.

The strengthening of the US dollar compared to the first half of 2016 has been the main driver for the currency impact. The average rate for the US Dollar against Sterling has moved from 1.43 in first half of 2016 to 1.26 in the first half of 2017.

The performance of each business segment is reviewed individually below. Allocation of overheads in each segment is based on directly attributed costs plus an allocation based on segmental revenue.

Lighting segment

Lighting	**2017 £m**	2016 £m	Variance %
Revenue	**72.4**	59.0	+23%
Gross profit	**30.6**	23.9	+28%
Gross profit %	**42%**	41%	+100bps
Overheads	**(23.1)**	(18.8)	(23%)
Underlying EBIT	**7.5**	5.1	+47%

The Lighting segment represents 78% of the Group's revenue and 82% of the Group's segmental operating profit.

Revenues were 23% higher than the prior period (9% at constant currency). Year on year order intake increased by 2%. We have seen growth in order intake in the US and Australia but this was offset by reduced orders in Europe. Transition delays have impacted the Group's order intake as certain customers have delayed placing orders pending new product launches. We continue to diversify our end markets and geographies, reducing our exposure to individual vertical markets. Oil and gas as a percentage of total lighting revenue was 300bps lower than the previous half year at 18%. This was offset by growth in Mining, Power and Pulp & Paper.

Gross margin has increased to 42% due to the focus on commodity management delivering material costs savings of £1.3m. Last year we closed our manufacturing plant in the UK and relocated the majority of production activity to Mexico. The strategic relocation and further production efficiencies at the Mexico plant resulted in a saving of £2.6m. The delays in the transition will defer expected savings from our manufacturing partner to Q1 2018.

Overheads increased by £4.3m compared to 2016, with £2.2m due to currency movements. The remainder of the increase relates to additional headcount to enhance our product development capabilities and expand our sales team. We have invested in training for the existing team and continue to be heavily focused on our HR initiatives.

The overall impact of the above was that profit in the Lighting segment increased by 47% (28% at constant currency).

Signals and components

Signals and Components	2017 £m	2016 £m	Variance %
Revenue	**20.3**	20.8	(2%)
Gross profit	**5.6**	4.9	+14%
Gross profit %	**28%**	24%	+400bps
Overheads	**(4.0)**	(3.5)	(14%)
Underlying EBIT	**1.6**	1.4	+14%

Signals and Components are high volume businesses operating within highly competitive markets. There is significant competition from low cost producers but margins improved as a result of the transfer of traffic production from the US to Mexico in 2016. We continue to target further cost reduction measures to combat pricing pressure. There was a marginal increase in overheads due to foreign exchange movements, but the gross margin expansion resulted in an overall EBIT improvement of £0.2m (14%).

Central overheads

Central overheads are not allocated to these segments. In 2017 they amounted to £2.6m, an increase of £0.3m over the prior year.

Non-underlying costs

The Group incurs costs and earns income that is non-underlying in nature or that is otherwise considered to not be reflective of the underlying performance of the business. In the assessment of performance of the components of the Group, management examines underlying performance, which removes the impact of non-underlying costs and income.

Over the past two years the Group has been implementing our strategic plan to transform to a robust and scalable manufacturing platform. As we come to the end of this process we are incurring the final tranche of costs relating to transition to our manufacturing partner.

The table below presents the components of non-underlying profit or loss recorded within cost of sales and administrative expenses.

Non-underlying costs	2017 £m	2016 £m
Employee severance and restructuring costs	**-**	5.1
Goodwill and asset write-down	**-**	5.1
Production transfer costs	**2.4**	0.7
Other	**-**	0.2
Non-underlying costs recorded in administrative expenses	**2.4**	11.1

In the first half, we incurred costs of £2.4m relating to the transfer of lighting assembly to our manufacturing partner. These related to set-up costs, project management and dedicated engineering time. This transition has suffered some delays due to the quantum of the transfer but is still expected to be completed in the year. We expect further costs of up to £2m to be incurred in the second half.

In the prior year, non-underlying costs related to the closure of the UK manufacturing facility, expected redundancy costs at the Mexican production facility, goodwill impairment on the European Traffic business and initial production transfer costs to our manufacturing partner.

Finance arrangements

We continue to have a strong balance sheet supported by good working capital management, finishing the six months with net cash of £12.7m. The Group has a revolving credit facility with HSBC Bank plc for £25m with a further £25m "accordion" feature and has a five-year term ending in 2021. The Group has no borrowings against the facility at the balance sheet date and is fully compliant with its covenant requirements.

As the Group generates higher levels of cash there is increased focus on capital allocation, ensuring it is aligned to our long term strategic goals. Our capital allocation strategy is firstly to ensure investment in operating capex and product development. We seek to maintain a strong balance sheet with significant financial flexibility. We will be good stewards of capital with strong capital discipline. Any excess capital will be utilised to invest in compelling (organic and acquisitive) growth or will be returned to shareholders.

The Board is not proposing an interim dividend payment for 2017 (2016: nil).

Michael Sutsko, Group Chief Executive
Fariyal Khanbabi, Group Finance Director
24 July 2017

Condensed consolidated income statement

For the period ended 30 June 2017

	Note	**6 months ended 30 June 2017 (unaudited)**	6 months ended 30 June 2016 (unaudited)	12 months ended 31 December 2016 (audited)
	Note		Total £'m	Total £'m
Revenue	2	**92.7**	79.8	182.2
Cost of sales	3	**(56.5)**	(51.0)	(116.4)
Gross profit		**36.2**	28.8	65.8
Distribution costs		**(17.4)**	(14.3)	(32.7)
Administrative expenses	3	**(14.7)**	(21.4)	(36.4)
Underlying profit from operating activities *		**6.5**	4.2	13.1
Non-underlying cost of sales & administrative expenses	3	**(2.4)**	(11.1)	(16.4)
Profit/(Loss) from operating activities	2	**4.1**	(6.9)	(3.3)
Financial income	4	**-**	-	-
Financial expense	4	**(0.1)**	(0.2)	(0.5)
Net financing expense	4	**(0.1)**	(0.2)	(0.5)
Underlying profit before tax *		**6.4**	4.0	12.6
Non-underlying cost of sales & administrative expenses	3	**(2.4)**	(11.1)	(16.4)
Profit/(Loss) before tax		**4.0**	(7.1)	(3.8)
Income tax (expense)/income	5	**(1.4)**	2.4	1.0
Profit/(Loss) for the period		**2.6**	(4.7)	(2.8)
Profit/(Loss) for the period attributable to:				
Equity owners of the Company		**2.3**	(4.7)	(2.8)
Non-controlling Interests		**0.3**	-	-
		2.6	(4.7)	(2.8)
Earnings per share				
Basic	6	**8.0p**	(14.4p)	(8.4p)
Diluted	6	**7.9p**	(14.4p)	(8.4p)

* Underlying profit measures exclude non-underlying items, which are analysed in note 3.

The accompanying Notes form an integral part of these interim financial statements.

Condensed consolidated statement of comprehensive income

For the period ended 30 June 2017

	6 months ended 30 June 2017 (unaudited) £'m	6 months ended 30 June 2016 (unaudited) £'m	12 months ended 31 December 2016 (audited) £'m
Other comprehensive income			
Exchange difference on translation of foreign operations	**(3.5)**	6.5	11.3
Income tax on exchange differences on transactions of foreign operations	**1.3**	(2.2)	(0.9)
Remeasurement of defined benefit liability	**1.5**	(1.2)	(1.5)
Income tax on remeasurement of defined benefit liability	**(0.5)**	0.4	0.3
Other comprehensive income for the period, net of tax	**(1.2)**	3.5	9.2
Profit/(Loss) for the period	**2.6**	(4.7)	(2.8)
Total comprehensive income for the period	**1.4**	(1.2)	6.4
Attributable to:			
- Owners of the parent	**1.1**	(1.2)	6.4
- Non-controlling interest	**0.3**	-	-
Total comprehensive income for the period	**1.4**	(1.2)	6.4

The accompanying Notes form an integral part of these interim financial statements.

Condensed consolidated statement of changes in equity

For the period ended 30 June 2017 (Unaudited)

	Share capital £'m	Merger reserve £'m	Translation reserve £'m	Capital redemption reserve £'m	Retained earnings £'m	Total £'m	Non-controlling interests £'m	Total Equity £'m
Balance at 1 January 2017	**0.6**	**1.4**	**15.4**	**2.2**	**57.6**	**77.2**	**(0.1)**	**77.1**
Profit	-	-	-	-	2.3	2.3	0.3	2.6
<u>**Other comprehensive income**</u>**:**								
Foreign currency translation differences, net of taxes	-	-	(2.2)	-	-	(2.2)	-	(2.2)
Remeasurement of defined benefit liability, net of taxes	-	-	-	-	1.0	1.0	-	1.0
Total other comprehensive income	-	-	(2.2)	-	1.0	(1.2)	-	(1.2)
Total comprehensive income for the period	-	-	**(2.2)**	**-**	**3.3**	**1.1**	**0.3**	**1.4**
Transactions with owners, recorded directly in equity:								
Dividends	-	-	-	-	-		-	
Share–based payments, net of tax	-	-	-	-	0.4	0.4	-	0.4
Total contributions by and distributions to owners	-	-	-	-	0.4	0.4	-	0.4
Balance at 30 June 2017	**0.6**	**1.4**	**13.2**	**2.2**	**61.3**	**78.7**	**0.2**	**78.9**

	Share capital £'m	Merger reserve £'m	Translation reserve £'m	Capital redemption reserve £'m	Retained earnings £'m	Total £'m	Non-controlling interests £'m	Total Equity £'m
Balance at 1 January 2016	**0.6**	**1.4**	**5.0**	**2.2**	**61.0**	**70.2**	**(0.1)**	**70.1**
Loss	**-**	**-**	**-**	**-**	(4.7)	(4.7)	**-**	(4.7)
<u>**Other comprehensive income**</u>**:**								
Foreign currency translation differences, net of taxes	**-**	**-**	4.3	**-**	**-**	4.3	-	4.3
Defined benefit plan actuarial losses, net of taxes	**-**	**-**	**-**	**-**	(0.8)	(0.8)	-	(0.8)
Total other comprehensive income	-	-	4.3	-	(0.8)	3.5	-	3.5
Total comprehensive income for the period	**-**	**-**	**4.3**	**-**	**(5.5)**	**(1.2)**	**-**	**(1.2)**
Transactions with owners, recorded directly in equity:								
Dividends	-	-	-	-	-	-	-	-
Dividends on shares awarded to employees	-	-	-	-	-	-	-	-
Share–based payments, net of tax	-	-	-	-	0.4	0.4	-	0.4
Total contributions by and distributions to owners	**-**	**-**	**-**	**-**	**0.4**	**0.4**	**-**	**0.4**
Balance at 30 June 2016	**0.6**	**1.4**	**9.3**	**2.2**	**55.9**	**69.4**	**(0.1)**	**69.3**

Condensed consolidated statement of changes in equity

For the period ended 30 June 2017 (Unaudited)

	Share capital £'m	Merger reserve £'m	Translation reserve £'m	Capital redemption reserve £'m	Retained earnings £'m	Total £'m	Non-controlling interests £'m	Total Equity £'m
Balance at 1 January 2016	**0.6**	**1.4**	**5.0**	**2.2**	**61.0**	**70.2**	**(0.1)**	**70.1**
Loss	-	-	-	-	(2.8)	(2.8)	-	(2.8)
<u>**Other comprehensive income**</u>**:**								
Foreign currency translation differences, net of taxes	-	-	10.4	-	-	10.4	-	10.4
Defined benefit plan actuarial losses, net of taxes	-	-	-	-	(1.2)	(1.2)	-	(1.2)
Total other comprehensive income	-	-	10.4	-	(1.2)	9.2	-	9.2
Total comprehensive income for the period	**-**	**-**	**10.4**	**-**	**(4.0)**	**6.4**	**-**	**6.4**
Transactions with owners, recorded directly in equity:								
Dividends	-	-	-	-	-	-	-	-
Dividends on shares awarded to employees	-	-	-	-	-	-	-	-
Share–based payments, net of tax	-	-	-	-	0.6	0.6	-	0.6
Total contributions by and distributions to owners	**-**	**-**	**-**	**-**	**0.6**	**0.6**	**-**	**0.6**
Balance at 31 December 2016	**0.6**	**1.4**	**15.4**	**2.2**	**57.6**	**77.2**	**(0.1)**	**77.1**

Condensed consolidated statement of total financial position

As at 30 June 2017 (Unaudited)

	30 June 2017 (unaudited) £'m	30 June 2016 (unaudited) £'m	31 December 2016 (audited) £'m
Assets			
Property, plant and equipment	**15.4**	16.2	15.9
Intangible assets	**15.2**	17.1	15.4
Deferred tax asset	**4.7**	3.8	3.5
Total non-current assets	**35.3**	37.1	34.8
Inventories	**26.2**	32.0	31.4
Trade and other receivables	**32.0**	28.5	40.0
Asset held for sale	**-**	-	2.0
Cash and cash equivalents	**12.7**	7.2	8.0
Total current assets	**70.9**	67.7	81.4
Total assets	**106.2**	104.8	116.2
Liabilities			
Trade and other payables	**(24.4)**	(25.0)	(31.3)
Provisions	**(2.0)**	(5.9)	(3.8)
Tax liabilities	**(0.3)**	(2.7)	(1.9)
Total current liabilities	**(26.7)**	(33.6)	(37.0)
Employee benefits	**0.4**	(1.1)	(1.3)
Provisions	**(1.0)**	(0.8)	(0.8)
Total non-current liabilities	**(0.6)**	(1.9)	(2.1)
Total liabilities	**(27.3)**	(35.5)	(39.1)
Net assets	**78.9**	69.3	77.1
Equity			
Issued share capital	**0.6**	0.6	0.6
Merger reserve	**1.4**	1.4	1.4
Other reserves	**15.4**	11.5	17.6
Retained earnings	**61.3**	55.9	57.6
	78.7	69.4	77.2
Non-controlling interests	**0.2**	(0.1)	(0.1)
Total equity	**78.9**	69.3	77.1

Condensed consolidated statement of cash flows

For the period ended 30 June 2017 (Unaudited)

	6 months ended 30 June 2017 (unaudited) £'m	6 months ended 30 June 2016 (unaudited) £'m	12 months ended 31 December 2016 (audited) £'m
Operating activities			
Profit/(Loss) for the period	**2.6**	(4.7)	(2.8)
Adjustments for:			
Financial expense	**0.1**	0.2	0.5
Income tax expense	**1.4**	(2.4)	(1.0)
Share–based payments	**0.4**	0.4	0.6
Depreciation of property, plant and equipment	**1.7**	1.5	3.1
Amortisation of intangible assets	**0.9**	1.4	4.0
Impairment losses on intangible assets and goodwill	**-**	4.0	5.1
Impairment losses/(gains) on tangible assets	**-**	1.1	(0.2)
Legal settlement	**-**	1.3	1.3
Operating cash flow before movements in working capital	**7.1**	2.8	10.6
Decrease/(increase) in inventories	**4.1**	(3.0)	(0.2)
Decrease/(increase) in trade and other receivables	**6.7**	8.1	(1.5)
(Decrease)/Increase in trade and other payables	**(6.0)**	0.4	5.0
(Decrease)/Increase in provisions	**(1.8)**	5.3	2.9
Pension contributions in excess of the income statement charge	**(0.2)**	(0.2)	(0.5)
Cash generated from operations	**9.9**	13.4	16.3
Income taxes (paid)/received	**(3.4)**	0.7	0.3
Interest paid	**(0.1)**	(0.1)	(0.5)
Net cash from operating activities	**6.4**	14.0	16.1
Capital expenditure	**(1.9)**	(1.4)	(3.9)
Sale of fixed assets	**2.0**	-	0.9
Capitalised expenditure on development	**(1.3)**	(1.8)	(2.1)
Net cash used in investing activities	**(1.2)**	(3.2)	(5.1)
Financing activities			
Repayment of bank facility	**-**	(9.5)	(9.5)
Net cash from / (used in) financing activities	**-**	(9.5)	(9.5)
Net increase in cash and cash equivalents	**5.2**	1.3	1.5
Cash and cash equivalents at 1 January	**8.0**	5.5	5.5
Effect of exchange rates on cash held	**(0.5)**	0.4	1.0
Cash and cash equivalents at end of period	**12.7**	7.2	8.0

Notes to the financial statements

For the period ended 30 June 2017 (unaudited)

1. Basis of preparation and principal accounting policies

Dialight Plc (the "Company") is a company domiciled in the UK. The condensed set of financial statements as at, and for, the six month period ended 30 June 2017 comprises the Company and its subsidiaries (together referred to as the "Group"). The Directors have a reasonable expectation that the Group has sufficient resources to continue in existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing financial statements.

The Group financial statements as at, and for, the year ended 31 December 2016 prepared in accordance with IFRSs as adopted by the EU and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, are available upon request from the Company's registered office at Leaf C, Level 36 Tower 42, 25 Old Broad Street, London, EC2N 1HQ.

The comparative figures for the year ended 31 December 2016 are not the Company's statutory accounts for that year. Those accounts have been reported on by the Company's auditors and delivered to the registrar of companies. The report of the auditors was (i) unqualified (ii) did not include any reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

The condensed set of financial statements for the six month ended 30 June 2017 is unaudited but has been reviewed by the auditors. The Independent review report is set out at the end of this report.

Statement of compliance

The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU. The condensed set of financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the Group's financial statements as at, and for the year ended 31 December 2016.

This condensed set of financial statements was approved by the Board of Directors on 24 July 2017.

Adoption of new and revised standards

No changes to new or revised accounting standards have had a material impact on the consolidated financial statements of the Group.

Estimates and judgements

The preparation of a condensed set of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

2. Operating segments

The Group comprises two reportable operating segments. These segments have been identified based on the internal information that is supplied regularly to the Group's Chief Operating Decision Maker for the purposes of assessing performance and allocating resources. The Chief Operating Decision Maker is considered to be the Group's Chief Executive.

The two reportable operating segments are:

a) Lighting, which develops, manufactures and supplies highly efficient LED lighting solutions for hazardous and industrial applications in which lighting performance is critical and includes anti-collision obstruction lighting; and
b) Signals and Components, which develops, manufactures and supplies status indication components for electronics OEMs, together with niche industrial and automotive electronic components and highly efficient LED signalling solutions for the traffic and signals markets.

All revenue relates to the sale of goods. Segment gross profit is revenue less the costs of materials, labour, production and freight that are directly attributable to a segment. Overheads comprise operations management, selling costs plus corporate costs, which include share-based payments.
There are no individual customers representing more than 10% of revenue and there is no inter-segment revenue.

2. Operating segments continued

6 months ended 30 June 2017	Lighting £'m	Signals and Components £'m	Total £'m
Revenue	72.4	20.3	**92.7**
Gross Profit	30.6	5.6	**36.2**
Overhead costs	(23.1)	(4.0)	**(27.1)**
Segment operating profit	7.5	1.6	**9.1**
Unallocated expenses			**(2.6)**
Underlying operating profit			**6.5**
Non-underlying expenses			**(2.4)**
Operating profit			**4.1**
Net financing expense			**(0.1)**
Profit before tax			**4.0**
Income tax expense			**(1.4)**
Profit for the period			**2.6**

Other segmental data	Lighting £'m	Signals and Components £'m	Total £'m
Depreciation	1.3	0.4	1.7
Amortisation	0.8	0.1	0.9

6 months ended 30 June 2016	Lighting £'m	Signals and Components £'m	Total £'m
Revenue	59.0	20.8	79.8
Gross Profit	23.9	4.9	28.8
Overhead costs	(18.8)	(3.5)	(22.3)
Segment operating profit	5.1	1.4	6.5
Unallocated expenses			(2.3)
Underlying operating profit			4.2
Non-underlying expenses			(11.1)
Operating loss			(6.9)
Net financing expense			(0.2)
Loss before tax			(7.1)
Income tax income			2.4
Loss for the period			(4.7)

Other segmental data	Lighting £'m	Signals and Components £'m	Total £'m
Depreciation	1.1	0.4	1.5
Amortisation	1.1	0.3	1.4
Impairment losses on intangible asset write-down	-	4.0	4.0
Impairment losses on tangible asset	0.8	0.3	1.1

2. Operating segments continued

Year ended 31 December 2016	Lighting £'m	Signals and Components £'m	Total £'m
Revenue	136.6	45.6	182.2
Gross Profit	57.4	12.1	69.5
Overhead costs	(43.9)	(7.2)	(51.1)
Segment operating profit	13.5	4.9	18.4
Unallocated expenses			(5.3)
Underlying operating profit			13.1
Non-underlying expense			(16.4)
Operating loss			(3.3)
Net financing expenses			(0.5)
Loss before tax			(3.8)
Income tax expense			1.0
Loss for the period			(2.8)

Other segmental data	Lighting £'m	Signals and Components £'m	Total £'m
Depreciation	2.3	0.8	3.1
Amortisation	3.3	0.7	4.0
Gain on disposal of tangible assets	(0.2)		(0.2)
Impairment losses on intangible asset write-down	1.1	4.0	5.1

Geographical segments

The Lighting, Signals and Components segments are managed on a worldwide basis, but operate in four principal geographic areas, North America, UK, Europe and Rest of World. The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods. All revenue relates to the sale of goods.

Sales revenue by geographical market

	6 months ended 30 June 2017 £'m	6 months ended 30 June 2016 £'m	12 months ended 31 December 2016 £'m
North America	**69.9**	56.0	129.7
UK	**4.0**	5.4	11.3
Rest of Europe	**6.3**	8.3	17.4
Rest of World	**12.5**	10.1	23.8
Consolidated revenue	**92.7**	79.8	182.2

3. Non-underlying items

The Group incurs costs and earns income that is non-underlying in nature or that is otherwise considered to not be reflective of the underlying performance of the business. In the assessment of performance of the components of the Group, management examines underlying performance, which removes the impact of non-underlying costs and income.

Over the past two years the Group has been implementing our strategic plan to transform to a robust and scalable manufacturing platform. As we come to the end of this process we are incurring the final tranche of costs relating to transition to our manufacturing partner.

The table below presents the components of non-underlying profit or loss recorded within cost of sales.

	6 months ended 30 June 2017 £'m	6 months ended 30 June 2016 £'m	12 months ended 31 December 2016 £'m
Inventory Provision	**-**	-	(3.7)
Non-underlying costs recorded in cost of sales	**-**	-	(3.7)

The underlying cost of sales for the year ended 31 December 2016 was £112.7m and the underlying gross profit was £69.5m.

The table below presents the components of non-underlying profit or loss recorded within administrative expenses

	6 months ended 30 June 2017 £'m	**6 months ended 30 June 2016 £'m**	12 months ended 31 December 2016 £'m
Intangible asset write-down	**-**	(4.0)	(5.1)
Fixed asset impairments	**-**	(1.1)	0.2
Production transfer and start up	**(2.4)**	(0.7)	(2.4)
Employee severance costs	**-**	(5.1)	(5.3)
Other	**-**	(0.2)	(0.1)
Non-underlying costs recorded in administrative expenses	**(2.4)**	(11.1)	(12.7)

In the first half, we incurred costs of £2.4m relating to the transfer of lighting assembly to our manufacturing partner. These related to set-up costs, project management and dedicated engineering time. This transition has suffered some delays due to the quantum of the transfer but is still expected to be completed in the year. We expect further costs of up to £2m to be incurred in the second half.

In the prior year, non-underlying costs related to the closure of the UK manufacturing facility, expected redundancy costs at the Mexican production facility, goodwill impairment on the European Traffic business and initial production transfer costs to our manufacturing partner.

Administrative costs contain items treated as underlying and non-underlying.

	6 months ended 30 June 2017 £'m	6 months ended 30 June 2016 £'m	Year ended 31 December 2016 £'m
Underlying costs	**12.3**	10.3	23.7
Non-underlying costs	**2.4**	11.1	12.7
Total administrative expenses	**14.7**	21.4	36.4

4. Net financing expense

	6 months ended 30 June 2017 £'m	6 months ended 30 June 2016 £'m	12 months ended 31 December 2016 £'m
Net interest on net defined benefit liability	**-**	-	(0.2)
Interest expense on financial liabilities	**(0.1)**	(0.2)	(0.3)
Net financing (expense) / income	**(0.1)**	(0.2)	(0.5)

5. Income tax expense

The tax charge of £1.4m for the half year to 30 June 2017 reflects the anticipated effective tax rate of 35.3% for the year ending 31 December 2017. Non-underlying items have been taxed using the relevant tax rates. The effective tax rate is higher than the current UK tax rate of 20.0% due to the level of Group profits in the US which has an effective tax rate of 38.0%. The effective tax rate credit for the period ended 30 June 2016 was 33.8% and for the year ended 31 December 2015 was 24.9%.

6. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 30 June 2017 was based on a profit for the period of £2.6m (2016: loss of £4.7m) and a weighted average number of ordinary shares outstanding during the six months ended 30 June 2017 of 32,511,298 (2016: 32,503,258).

Weighted average number of ordinary shares

	6 months ended 30 June 2017 Number '000	6 months ended 30 June 2016 Number '000	Year ended 31 December 2016 Number '000
Weighted average number of shares	**32,511**	32,503	32,503
Dilutive effect of share options	**589**	229	275
Diluted weighted average number of shares	**33,100**	32,732	32,778

Underlying earnings per share are highlighted below as the Directors consider that this measurement of earnings gives valuable information on the performance of the Group.

	6 months ended 30 June 2017 Per share	6 months ended 30 June 2016 Per share	12 months ended 31 December 2016 Per share
Basic earnings	**8.0p**	(14.4p)	(8.4)p
Underlying basic earnings*	**12.8p**	7.8p	26.9p
Diluted earnings	**7.9p**	(14.4p)	(8.4)p
Underlying diluted earnings*	**12.5p**	7.8p	26.7p

* Underlying earnings excludes non-underlying items as explained in note 3 and allocates tax at the appropriate rate (see note 5)

7. Dividends

There were no dividends declared or paid in the 12 months ended 31 December 2016. The Directors have not declared an interim dividend for 2017 (2016: nil).

8. Debt facilities

On 12 December 2016, the Company signed a 5-year unsecured £25m multi-currency Revolving Credit Facility with HSBC Bank plc. Under the terms of the facility, the Group also has a £25m "accordion" facility, by which further facilities may be made available by HSBC under the current terms to support significant investment opportunities that may arise. At 30 June 2017, there were no borrowings against the facility.

9. Principal exchange rates

	6 months ended 30 June 2017	6 months ended 30 June 2016	12 months ended 31 December 2016
Average for the period			
US dollar	**1.26**	1.43	1.36
Euro	**1.16**	1.28	1.22
Mexican Peso	**24.42**	25.88	25.25

	30 June 2017	30 June 2016	31 December 2016
Spot rate			
US dollar	**1.30**	1.34	1.23
Euro	**1.14**	1.21	1.17
Mexican Peso	**23.07**	25.25	25.56

10. Related party transactions

There have been no changes in the nature of related party transactions to those described in the 2016 Annual Report that could have a material effect on the financial position or performance of the Group in the period to 30 June 2017.

11. Principal risks and uncertainties

The principal risks and uncertainties affecting the business activities of the Group for the next six months of 2017 remain as listed on pages 36 to 37 of the Annual Report for the year ended 31st December 2016 (which can be found at www.dialight.com).

This and the other principal risks will continue to be evaluated, monitored and managed through the remainder of 2017.

Responsibility statement of the directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;
- the interim management report includes a fair review of the information required by:

(a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board

Michael Sutsko Group Chief Executive	**Fariyal Khanbabi** Group Finance Director

24 July 2017

Independent review report to Dialight Plc

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2017 which comprises the Condensed consolidated income statement, Condensed consolidated statement of comprehensive income, the Condensed consolidated statement of changes in equity, the Condensed consolidated statement of financial position, the Condensed consolidated statement of cash flows and the related explanatory notes and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2017 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. .

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1 the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Graham Neale
Senior Statutory Auditor
for and on behalf of KPMG LLP
Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
24 July 2017

About Dialight

Dialight (LSE: DIA.L) is a global leader in sustainable LED lighting for industrial applications. Dialight's LED products are providing the next generation of lighting solutions that deliver reduced energy consumption and create a safer working environment. Our products are specifically designed to provide superior operational performance, reliability and durability, reducing energy consumption and ongoing maintenance and achieving a rapid return on investment.

The company is headquartered in the UK with operations in the USA, UK, Denmark, Germany, Malaysia, Singapore, Australia, Mexico and Brazil. www.dialight.com.

Cautionary statement

This announcement contains certain statements, statistics and projections that are or may be forward-looking. The accuracy and completeness of all such statements, including, without limitation, statements regarding the future financial position, strategy, projected costs, plans and objectives for the management of future operations of Dialight plc and its subsidiaries is not warranted or guaranteed. These statements typically contain words such as 'intends', 'expects', 'anticipated', 'estimates' and words of similar import. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Although Dialight plc believes that the expectations will prove to be correct. There are a number of factors, many of which are beyond the control of Dialight plc, which could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements.