Dialight plc

Half Year results 2016

Resilient performance and good progress with strategy implementation

Financial highlights	2016 £m	2015 £m
Revenue	**79.8**	80.6
Gross profit	**28.8**	27.1
Underlying[1] operating profit	**4.2**	1.7
Underlying basic EPS	**7.8p**	5.4p
Statutory (loss)/profit before tax	**(7.1)**	0.0
Statutory EPS	**(14.4)p**	(0.1)p
Non-underlying items	**(11.1)**	(1.5)
Underlying operating margin %	**5.3%**	2.1%
Net cash/(debt)	**7.2**	(8.0)

Strategic and operating headlines

- Good progress on implementing Dialight's strategy to rebuild, lead and grow
- Initial focus on improving our operating model, to support scalable and cost efficient production
  - First two product lines moved to outsourced manufacturing partner, Sanmina
  - Three product groups moved to platform engineering; nine further groups identified for switch
  - Two automation partnerships in progress, broadening our channels to market and value proposition
- Order intake[2] up 10% from H1 2015 (6% at constant currency)
- Initiatives underway to drive long term, sustainable growth
  - Investment in product roadmap to maintain technological lead: 34 new products introduced in first half
  - More strategic global accounts: 34% of sales now direct to corporate clients (H1 2015: 23%)
  - Revenues diversified, both by sector and geography

Financial headlines

- Group revenue broadly in line with last year
- Profit increase, driven by management action
  - Profit growth in Lighting and Signals & Components, up 132% and 27% respectively
- Operating model changes progressing well, incurring further non-underlying items of £11.1m
- Exit European Traffic business resulting in goodwill impairment of £4.0m
- Working capital improvements deliver net cash position at half year

Michael Sutsko, Group Chief Executive, said:

"Dialight made encouraging progress in the first half of 2016. We grew profit and free cash flow, in spite of soft industrial market conditions. This shows the early benefits of our improvements to Dialight's operating model. It is particularly pleasing to see greater visibility on second half revenues, with orders up 10% compared to the prior year.

We are making progress with our plan to seek to drive long term profit growth and cash generation. Dialight maintains its strong customer relationships and distribution channels, global footprint, differentiated technical capability and highly engaged leadership team. The Board remains confident of making progress this year and beyond; our expectations for the second half of 2016 remain unchanged, before any potential currency tailwinds."

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.

Contacts:
Dialight Plc
Michael Sutsko - Group Chief Executive
Tel: +44 (0)203 058 3542
Fariyal Khanbabi - Group Finance Director
Tel: +44 (0)203 058 3542
MHP Communications
Tim Rowntree / Jamie Ricketts / Tom Horsman
Tel: +44 (0)20 3128 8100

About Dialight:
Dialight (LSE: DIA.L) is a global leader in energy efficient LED lighting for industrial and hazardous applications**.** Dialight's LED products and solutions enable our customers to lower their energy usage and carbon dioxide emissions, reduce maintenance requirements and improve safety.
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 the Loss from continuing operations of £6.9m excluding non-underlying items of £11.1m giving an Underlying operating profit of £4.2m (2015: Profit from continuing operations of £0.2m excluding non-underlying items of £1.5m giving an Underlying operating profit of £1.7m)
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

Our results show the early benefits of our clear plan to capture the large growth market in LED lighting. The need for enhanced light and energy management – via controls and sensors – drives demand for our products. Dialight differentiates itself through proven technology and a market leading position in hazardous and industrial markets built over a decade as a pure play in LED lighting.

We delivered an increase in profit and cashflow on broadly flat revenues, in challenging market conditions. Group revenue was £79.8m (2015: £80.6m), including a favorable currency exchange impact of £4.8m. Excluding the impact of currency, Group revenue was down 6% as growth in Australia and Brazil was offset by softness in the US and Europe which generate the majority of our revenues. Underlying operating profit increased to £4.2m (2015: £1.7m), including a relatively small favorable exchange impact of £0.2m. Our order intake for the first half of 2016 was up 10% over the order intake for the first half of 2015, reflecting early signs of progress in our strategic initiatives.

We have a clear plan to rebuild, lead and grow in our markets:

- Build scalable and efficient operations
- Develop common product platforms
- Lead the markets in products and technology
- Advance our sales approach through strategic global accounts and automation partnerships
- Grow into new sectors and geographies

We are making good progress. Initially we have focused on improving our operating model, to support scalable and cost efficient production. To reduce inventory and focus on our design capability, we have secured an outsourced manufacturing partnership with Sanmina, (a Fortune 500 company with 44,000 employees worldwide based in 25 countries). The transfer of the first two product lines to Sanmina is on track for the second half of 2016. This is the first step in our incremental, phased approach to outsourced partnerships. We have continued to take steps to improve supply chain management and streamline our operations through a shift to 'platform engineering', standardising the design of some of our product parts to be used as the foundation for all of our finished products. In the period, three product groups moved to platform engineering, and nine further groups have been identified to be completed by the end of the year. As part of our drive to broaden Dialight's channels to market and value proposition, two automation partnerships are now underway with Rockwell Automation (a global automation and information firm with more than 22,000 employees worldwide) and INEM (controls and maintenance system for Obstruction Lighting). By integrating with building facility systems Dialight brings additional benefits to customers, reducing energy consumption and cost, increasing efficiency through automation and enabling businesses to collect data on operational performance.

Further initiatives are underway to support long term, sustainable growth. We have invested in our product roadmap, to maintain our technological lead and remain committed to platform engineering. 34 new products were introduced in first half. Our commercial teams have been refocused to diversify our sector and geographic exposure and increase the sales to strategic accounts. 34% of our sales are now direct to corporate clients (H1 2015: 23%). We have continued to diversify revenues achieving good growth in Australia and Brazil. We have increased market penetration within Pulp and Paper with revenues increasing from 2% to 7%. The shift from upstream to downstream Oil & Gas has continued with lower input prices promoting investment by the petrochemical market.

The anticipated effective tax rate on underlying earnings is 34% (2015: 37.1%). Non-underlying items are taxed using relevant rates.

The Group continues to generate healthy cash flow and delivered cash from operations of £13.4m (2015: £2.3m). There were net tax recoveries of £0.7m (2015: £3.9m payment) and net investment in capital expenditure was £3.2m (2015: £3.3m). This resulted in net cash of £7.2m at June 2016, an improvement of £11.0m compared to the net debt position at December 2015. The improvement was primarily due to continued focus on working capital management.

The Group moved to a net cash position at 30 June 2016 and is fully compliant with the net debt to EBITDA covenant. The interest cover ratio was 66x, comfortably above the Group's bank covenant level of 4x. The Group is financially strong and is able to fund future organic and acquisitive growth.

As expected, there were significant non-underlying costs, reflecting the fundamental transition in our operating model to outsource manufacturing, streamline our product portfolio and develop common production platforms to reduce inventory levels. This is a critical part of our strategy to rebuild towards long-term growth. It resulted in costs of £11.1m, which is detailed in the Financial Review.

Board changes
As previously announced David Thomas and Martin Rapp joined the Dialight board on 26 April 2016.

Outlook
Dialight made encouraging progress in the first half of 2016. We grew profit and free cash flow, in spite of soft industrial market conditions. This shows the early benefits of our improvements to Dialight's operating model. It is particularly pleasing to see greater visibility on second half revenues, with orders up 10% compared to the prior year.

We are making progress with our plan to seek to drive long term profit growth and cash generation. Dialight maintains its strong customer relationships and distribution channels, global footprint, differentiated technical capability and highly engaged leadership team. The Board remains confident of making progress this year and beyond; our expectations for the second half of 2016 remain unchanged, before any potential currency tailwinds.

FINANCIAL REVIEW

Group revenues reduced 1% compared to the previous year; however, underlying operating profit improved by 147% to £4.2m.

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	2016 £m	2015 £m	Variance %
Revenue	**59.0**	60.8	(3%)
Gross profit	**23.9**	23.6	1%
Gross profit %	**41%**	39%	2%
Overheads	**(18.8)**	(21.4)	12%
Underlying EBIT	**5.1**	2.2	132%

The Lighting segment represents 74% of the Group's revenue and 78% of the Group's segmental operating profit.

Revenues were 3% down compared to the prior period in challenging industrial market conditions. However we have seen a rise in order intake in Q2 2016 which was 21% ahead of Q2 2015. There was continued growth in non-US markets with Australia up 17% and Brazil up 150% compared to the prior period. We have increased market penetration within Pulp and Paper with revenues increasing from 2% to 7%. The shift from upstream to downstream Oil & Gas has continued with lower input prices promoting investment by the petrochemical market.

Gross margin increased by 169bps to 41% with certain operational inefficiencies from the first half of the prior year being eliminated. This was partially offset by increased costs in the UK production facility as trained temporary staff were retained in Q2 in order to provide the labour capacity for enhanced production in Q3 to build buffer stock for sales to the end of the year, ahead of the planned Newmarket plant closure in September as announced in March 2016.
Overheads reduced by £2.6m compared to 2015. The headcount reductions implemented in August 2015 were the main driver with most other cost movements being neutral.

Overall profit in the Lighting segment more than doubled from the prior year due to eliminating production inefficiency and savings from headcount reductions, as part of our longer term plan to rebuild our operating model and lay a foundation for longer term profitable growth.

Signals and components

Signals and Components	2016 £m	2015 £m	Variance %
Revenue	20.8	19.8	5%
Gross profit	4.9	3.5	40%
Gross profit %	24%	18%	6%
Overheads	(3.5)	(2.4)	(46%)
Underlying EBIT	1.4	1.1	27%

Signals and Components are high volume businesses operating within highly competitive markets. There is significant competition from low cost producers but margins improved by 6% as production inefficiencies were removed. There was some increases in overheads which partly offset the gross margin improvements and resulted in an overall EBIT improvement of £0.3m (27%).

Central overheads

Central overheads are not allocated to these segments. In 2016 they amounted to £2.3m, an increase of £0.7m from 2015. The main increases were in share option costs and Board recruitment fees.

Non-underlying costs

We expect non-underlying costs in 2016 relating to the closure and the other strategic initiatives to be around £13m with cumulative cost savings of approximately £12m over the next three years. In addition there will be non-underlying costs relating to goodwill impairment of £4m.

In the Strategic Review on 27 October 2015, it was announced that the Group is embarking on a programme of product platform re-engineering and a commencement of outsourced manufacturing. As part of the implementation of this review, it was announced in March 2016 that the UK production facility will close in the current year. It has also been announced that the Mexican production facility will be reduced in scale over the next year as production is transferred to our manufacturing partner. The £5.1m costs of redundancy relating to staff at both of these plants have been recognised at the half year.

The product lines that were manufactured exclusively in the UK production facility were reviewed to assess the viability of transfer to our manufacturing partner. The review concluded that the European Traffic business was no longer viable and production would cease. This has resulted in a goodwill impairment of £4.0m. This is a non cash cost and is incremental to the non-underlying cost estimate provided at December 2015. In addition the fixed assets at the facility were assessed for their useful life and residual value resulting in an impairment charge of £1.1m.

As part of the transfer to our manufacturing partner there have been a number of set up costs incurred relating to project management, legal cost, and dedicated engineering time, this amounted to £0.7m.

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

Non-underlying costs	2016 £m	2015 £m
Employee severance and restructuring costs	5.1	0.8
Goodwill and asset write-down	5.1	
Executive director replacement costs	-	0.6
Production transfer costs	0.7	-
Other	0.2	0.1
Non-underlying costs recorded in administrative expenses	11.1	1.5

In the prior year there were £0.8m of severance costs incurred in the first half. The Group also incurred costs in the recruitment of a new CEO and the incremental costs of an interim CEO. The excess costs over and above those relating to one CEO were classified as non-underlying.

The Group is not proposing an interim dividend for 2016.

Michael Sutsko, Group Chief Executive
Fariyal Khanbabi, Group Finance Director
2 August 2016

Condensed consolidated income statement

For the period ended 30 June 2016

	Note	**6 months ended 30 June 2016 (unaudited)**	6 months ended 30 June 2015** (unaudited)	12 months ended 31 December 2015 (audited)
	Note	**Total £'m**	Total £'m	Total £'m
Continuing operations				
Revenue	2	**79.8**	80.6	161.4
Cost of sales		**(51.0)**	(53.5)	(111.2)
Gross profit		**28.8**	27.1	50.2
Distribution costs		**(14.3)**	(16.5)	(30.7)
Administrative expenses		**(21.4)**	(10.4)	(22.9)
Underlying profit from continuing operations*		**4.2**	1.7	6.1
Non-underlying cost of sales & administrative expenses	3	**(11.1)**	(1.5)	(9.5)
(Loss)/Profit from continuing operations	2	**(6.9)**	0.2	(3.4)
Financial income	4	**-**	-	-
Financial expense	4	**(0.2)**	(0.2)	(0.5)
Net financing expense	4	**(0.2)**	(0.2)	(0.5)
Underlying profit before tax*		**4.0**	1.5	5.7
Non-underlying cost of sales & administrative expenses	3	**(11.1)**	(1.5)	(9.5)
Non-underlying finance expense	4	**-**	-	(0.1)
(Loss) before tax		**(7.1)**	-	(3.9)
Income tax income/(expense)	5	**2.4**	-	1.9
(Loss) for the period		**(4.7)**	-	(2.0)
(Loss) for the period attributable to:				
Equity owners of the Company		**(4.7)**	-	(2.0)
Non-controlling Interests		**-**	-	-
		-	-	(2.0)
Earnings per share				
Basic	6	**(14.4p)**	(0.1p)	(6.4p)
Diluted	6	**(14.4p)**	(0.1p)	(6.4p)

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

** The definition of cost of sales, gross profit, distribution costs and administrative expenses were changed in the 2015 Annual Report. The half year comparative numbers for 2015, previously reported, have been amended to be consistent with the full year 2015 comparatives.

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

Condensed consolidated statement of comprehensive income
For the period ended 30 June 2016

	6 months ended 30 June 2016 (unaudited) £'m	**6 months ended 30 June 2015 (unaudited) £'m**	12 months ended 31 December 2015 (audited) £'m
Other comprehensive income			
Exchange difference on translation of foreign operations	**6.5**	**(1.7)**	2.2
Income tax on exchange differences on transactions of foreign operations	**(2.2)**	**-**	(0.4)
Remeasurement of defined benefit liability	**(1.2)**	**0.3**	0.7
Income tax on remeasurement of defined benefit liability	**0.4**	**-**	(0.1)
Other comprehensive income for the period, net of tax	**3.5**	**(1.4)**	2.4
(Loss) for the period	**(4.7)**	**-**	(2.0)
Total comprehensive income for the period	**(1.2)**	**(1.4)**	0.4
Attributable to:			
- Owners of the parent	(1.2)	(1.4)	0.4
- Non-controlling interest	-	-	-
Total comprehensive income for the period	**(1.2)**	**(1.4)**	0.4

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 2016 (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	-	-	-	-	(4.7)	(4.7)	-	(4.7)
Other comprehensive income:								
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**
Balance at 1 January 2015	**0.6**	**1.4**	**3.2**	**2.2**	**65.5**	**72.9**	**(0.1)**	**72.8**
Loss	-	-	-	-	(2.0)	(2.0)	-	(2.0)
Other comprehensive income:								
Foreign currency translation differences, net of taxes	-	-	1.8	-	-	1.8	-	1.8
Remeasurement of defined benefit liability, net of taxes	-	-	-	-	0.6	0.6	-	0.6
Total other comprehensive income	-	-	1.8	-	0.6	2.4	-	2.4
Total comprehensive income for the period	-	-	**1.8**	**-**	**(1.4)**	**0.4**	**-**	**0.4**
Transactions with owners, recorded directly in equity:								
Share–based payments, net of tax	-	-	-	-	0.1	0.1	-	0.1
Dividends	-	-	-	-	(3.2)	(3.2)	-	(3.2)
Total contributions by and distributions to owners	-	-	-	-	(3.1)	(3.1)	-	(3.1)
Balance at 31 December 2015	**0.6**	**1.4**	**5.0**	**2.2**	**61.0**	**70.2**	**(0.1)**	**70.1**

Condensed consolidated statement of changes in equity continued

For the period ended 30 June 2015 (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 2015	**0.6**	**1.4**	**3.2**	**2.2**	**65.5**	**72.9**	**(0.1)**	**72.8**
Profit	-	-	-	-	-	-	-	-
Other comprehensive income:								
Foreign currency translation differences, net of taxes	-	-	(1.7)	-	-	(1.7)	-	(1.7)
Remeasurement of defined benefit liability, net of taxes	-	-	-	-	0.3	0.3	-	0.3
Total other comprehensive income	-	-	(1.7)	-	0.3	(1.4)	-	(1.4)
Total comprehensive income for the period	-	-	**(1.7)**	**-**	**0.3**	**(1.4)**	**-**	**(1.4)**
Transactions with owners, recorded directly in equity:								
Dividends	-	-	-	-	(3.2)	(3.2)	-	(3.2)
Share–based payments, net of tax	-	-	-	-	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-	(3.2)	(3.2)	-	(3.2)
Balance at 30 June 2015	**0.6**	**1.4**	**1.5**	**2.2**	**62.6**	**68.3**	**(0.1)**	**68.2**

Condensed consolidated statement of total financial position

As at 30 June 2016 (Unaudited)

	30 June 2016 (unaudited) £'m	30 June 2015 (unaudited) £'m	31 December 2015 (audited) £'m
Assets			
Property, plant and equipment	**16.2**	15.4	16.1
Intangible assets	**17.1**	20.4	20.0
Deferred tax asset	**3.8**	0.2	0.1
Total non-current assets	**37.1**	36.0	36.2
Inventories	**32.0**	36.5	26.9
Trade and other receivables	**28.5**	27.9	35.5
Cash and cash equivalents	**7.2**	5.2	5.5
Total current assets	**67.7**	69.6	67.9
Total assets	**104.8**	105.6	104.1
Liabilities			
Trade and other payables	**(25.0)**	(21.4)	(22.9)
Provisions	**(5.9)**	(0.7)	(0.8)
Tax liabilities	**(2.7)**	(0.7)	(0.3)
Borrowings	**-**	(13.2)	(9.3)
Total current liabilities	**(33.6)**	(36.0)	(33.3)
Employee benefits	**(1.1)**	(0.8)	(0.1)
Provisions	**(0.8)**	(0.6)	(0.6)
Total non-current liabilities	**(1.9)**	(1.4)	(0.7)
Total liabilities	**(35.5)**	(37.4)	(34.0)
Net assets	**69.3**	68.2	70.1
Equity			
Issued share capital	**0.6**	0.6	0.6
Merger reserve	**1.4**	1.4	1.4
Other reserves	**11.5**	3.7	7.2
Retained earnings	**55.9**	62.6	61.0
	69.4	68.3	70.2
Non-controlling interests	**(0.1)**	(0.1)	(0.1)
Total equity	**69.3**	68.2	70.1

Condensed consolidated statement of cash flows

For the period ended 30 June 2015 (Unaudited)

	6 months ended 30 June 2016 (unaudited) £'m	6 months ended 30 June 2015 (unaudited) £'m	12 months ended 31 December 2015 (audited) £'m
Operating activities			
(Loss) for the period	**(4.7)**	-	(2.0)
Adjustments for:			
Financial expense	**0.2**	0.2	0.5
Income tax expense	**(2.4)**	-	(1.9)
Share–based payments	**0.4**	-	0.1
Depreciation of property, plant and equipment	**1.5**	1.4	2.8
Amortisation of intangible assets	**1.4**	1.4	3.1
Impairment losses on intangible assets and goodwill	**4.0**	-	1.0
Impairment losses on tangible assets	**1.1**	-	-
Legal settlement	**1.3**	-	-
Operating cash flow before movements in working capital	**2.8**	3.0	3.6
Decrease / (increase) in inventories	**(3.0)**	(4.6)	6.4
Decrease / (increase) in trade and other receivables	**8.1**	9.0	3.1
(Decrease) / Increase in trade and other payables	**0.4**	(5.0)	(4.1)
Increase in provisions	**5.3**	0.1	0.2
Pension contributions in excess of the income statement charge	**(0.2)**	(0.2)	(0.5)
Cash generated from operations	**13.4**	2.3	8.7
Income taxes received / (paid)	**0.7**	(3.9)	(3.9)
Interest paid	**(0.1)**	-	(0.4)
Net cash from operating activities	**14.0**	(1.6)	4.4
Contingent consideration	**-**	(0.3)	(0.3)
Capital expenditure	**(1.4)**	(1.8)	(3.3)
Capitalised expenditure on development	**(1.8)**	(1.5)	(2.5)
Net cash used in investing activities	**(3.2)**	(3.6)	(6.1)
Financing activities			
Dividends paid	**-**	(3.2)	(3.2)
(Repayment) / Drawdown of bank facility	**(9.5)**	5.8	2.4
Payment of upfront loan facility costs	**-**	-	-
Net cash from / (used in) financing activities	**(9.5)**	2.6	(0.8)
Net increase / (decrease) in cash and cash equivalents	**1.3**	(2.6)	(2.5)
Cash and cash equivalents at 1 January	**5.5**	7.9	7.9
Effect of exchange rates on cash held	**0.4**	(0.1)	0.1
Cash and cash equivalents at end of period	**7.2**	5.2	5.5

Notes to the financial statements

For the period ended 30 June 2015 (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 2016 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 2015 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 2015 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 2016 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 2015.

This condensed set of financial statements was approved by the Board of Directors on 02 August 2016.

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 three reportable operating segments are:

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

There is no inter-segment revenue.

All revenue relates to the sale of goods. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated expenses comprise corporate costs including share-based payments.

There are no individual customers representing more than 10% of revenue.

2. Operating segments continued

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 / (loss)	5.1	1.4	**6.5**
Unallocated expenses			**(2.3)**
Underlying operating profit			**4.2**
Non-underlying income / (expense)			**(11.1)**
Operating (loss)			**(6.9)**
Net financing income / (expense)			**(0.2)**
(Loss) before tax			**(7.1)**
Income tax expense			**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
Employee severance costs	4.6	0.5	5.1
Impairment losses on intangible asset write-down	-	4.0	4.0
Impairment losses on tangible asset	0.8	0.3	1.1

6 months ended 30 June 2015	Lighting £'m	Signals and Components £'m	Total £'m
Revenue	60.8	19.8	80.6
Gross Profit	23.6	3.5	27.1
Overhead costs	(21.4)	(2.4)	(23.8)
Segment operating profit	2.2	1.1	3.3
Unallocated expenses			(1.6)
Underlying operating profit			1.7
Non-underlying income / (expense)			(1.5)
Operating (loss)			0.2
Net financing income / (expense)			(0.2)
Profit before tax			-
Income tax expense			-
Profit for the period			-

Other segmental data	Lighting £'m	Signals and Components £'m	Total £'m
Depreciation	1.0	0.4	1.4
Amortisation	1.1	0.3	1.4
Impairment losses on intangible asset write-down	-	-	-
Impairment losses on tangible asset	-	-	-

2. Operating segments continued

Year ended 31 December 2015	Lighting £'m	Signals and Components £'m	Total £'m
Revenue	120.6	40.8	161.4
Gross Profit	48.3	7.9	56.2
Overhead costs	(41.5)	(5.2)	(46.7)
Segment operating profit	6.8	2.7	9.5
Unallocated expenses			(3.4)
Underlying operating profit			6.1
Non-underlying income / (expense)			(9.5)
Operating (loss)			(3.4)
Net financing income / (expense)			(0.5)
(Loss) before tax			(3.9)
Income tax expense			1.9
(Loss) for the period			(2.0)

Other segmental data	Lighting £'m	Signals and Components £'m	Total £'m
Depreciation	2.2	0.6	2.8
Amortisation	2.5	0.6	3.1
Impairment losses on intangible asset write-down	0.7	0.3	1.0
Impairment losses on tangible asset	-	-	-

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 2016 £'m	6 months ended 30 June 2015 £'m	12 months ended 31 December 2015 £'m
North America	**56.0**	56.2	107.6
UK	**5.4**	5.9	11.8
Rest of Europe	**8.3**	7.2	15.6
Rest of World	**10.1**	11.3	26.4
Consolidated revenue	**79.8**	80.6	161.4

3. Non-underlying items

The Group incurs costs and earns income that is non-recurring in nature or that is otherwise considered to be not 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. The results of discontinued operations are also considered to form part of the non-underlying operations.

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

	6 months ended 30 June 2016 £'m	6 months ended 30 June 2015 £'m	12 months ended 31 December 2015 £'m
Inventory Provision	**-**	-	(6.0)
Non-underlying costs recorded in cost of sales	**-**	-	(6.0)

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

	6 months ended 30 June 2016 £'m	6 months ended 30 June 2015 £'m	12 months ended 31 December 2015 £'m
Intangible asset write-down	**(4.0)**	-	(1.0)
Fixed asset impairments	**(1.1)**	-	-
Production transfer and start up	**(0.7)**	-	-
Contingent consideration	**-**	-	(1.8)
Employee severance costs	**(5.1)**	(0.8)	(0.8)
Executive director replacement costs	**-**	(0.6)	0.5
Other	**(0.2)**	(0.1)	(0.4)
Non-underlying costs recorded in administrative expenses	**(11.1)**	(1.5)	(3.5)

In the Strategic Review on 27 October 2015, it was announced that the Group is embarking on a programme of product platform re-engineering and a commencement of outsourced manufacturing. As part of the implementation of this review, it was announced in March 2016 that the UK production facility will close in the current year. It has also been announced that the Mexican production facility will be reduced in scale over the next year as production is transferred to our manufacturing partner. The £5.1m costs of redundancy relating to staff at both of these plants have been recognised at the half year.

The product lines that were manufactured exclusively in the UK production facility were reviewed to assess the viability of transfer to our manufacturing partner. The review concluded that the European Traffic business was no longer viable and production would cease. This has resulted in a goodwill impairment of £4.0m. In addition the fixed assets at the facility were assessed for their useful life and residual value resulting in an impairment charge of £1.1m.

As part of the transfer to our manufacturing partner there have been a number of set up costs incurred relating to project management, legal cost, and dedicated engineering time, this amounted to £0.7m. In the prior year there were £0.8m of severance costs incurred in the first half. The Group also incurred costs in the recruitment of a new CEO and the incremental costs of an interim CEO. The excess costs over and above those relating to one CEO were classified as non-underlying.

4. Net financing expense

	6 months ended 30 June 2016 £'m	6 months ended 30 June 2015 £'m	12 months ended 31 December 2015 £'m
Interest on bank deposits	**-**	-	-
Fair value profit on financial instruments recognised at fair value through the income statement	**-**	-	-
Net interest on net defined benefit liability	**-**	-	(0.1)
Financial expense	**-**	-	(0.1)
Interest expense on financial liabilities	**(0.2)**	(0.2)	(0.4)
Financial expense	**(0.2)**	(0.2)	(0.4)
Net financing (expense) / income	**(0.2)**	(0.2)	(0.5)

5. Income tax expense

The tax benefit of £2.4m for the half year to 30 June 2016 reflects the anticipated effective tax rate of 33.8% for the year ending 31 December 2016. 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 at the period ended 30 June 2015 was 33.7% and for the year ended 31 December 2015 was 47.5%.

6. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 30 June 2016 was based on loss for the period of £4.2m (2015: £nil) and a weighted average number of ordinary shares outstanding during the six months ended 30 June 2016 of 32,503,258 (2015: 32,503,258).

Weighted average number of ordinary shares

	6 months ended 30 June 2016 Number '000	6 months ended 30 June 2015 Number '000	Year ended 31 December 2015 Number '000
Weighted average number of shares	**32,503**	32,503	32,503
Dilutive effect of share options	**229**	164	229
Diluted weighted average number of shares	**32,732**	32,667	32,732

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

	6 months ended 30 June 2016 Per share	6 months ended 30 June 2015 Per share	12 months ended 31 December 2015 Per share
Basic earnings	**(14.4p)**	(0.1p)	(6.4)p
Underlying basic earnings*	**7.8p**	5.4p	13.3p
Diluted earnings	**(14.4p)**	(0.1p)	(6.4)p
Underlying diluted earnings*	**7.8p**	5.4p	13.2p

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

7. Dividends

During the period the following dividends were paid:

	6 months ended 30 June 2016 £'m	6 months ended 30 June 2015 £'m	12 months ended 31 December 2015 £'m
Final – nil (2015: nil) per ordinary share	**-**	3.2	3.2
Interim – nil (2015: nil) per ordinary share	**-**	-	-
	-	3.2	3.2
Final dividend – 9.8p (2015: nil) on shares award not yet vested *	**-**	-	-
Interim dividend – nil (2015: nil) on shares awarded not yet vested*	**-**	-	-
Dividends accrued on shares awarded but not yet vested*	**-**	-	-
Dividends paid on shares awarded under the PSP vested during the period	**-**	-	-
Total (amount shown in the statement of changes in equity)	**-**	3.2	3.2

* Relates to shares awarded under the PSP and deferred share bonus plan.

The Directors have not declared an interim dividend (2015: nil).

8. Debt facilities

On 30 April 2014, the Company signed a 4-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 2016, there were no borrowings against the facility.

9. Principal exchange rates

	6 months ended 30 June 2016	6 months ended 30 June 2015	12 months ended 31 December 2015
Average for the period			
US dollar	**1.43**	1.52	1.53
Euro	**1.28**	1.36	1.38
Mexican Peso	**25.88**	24.02	24.28

	30 June 2016	30 June 2015	31 December 2015
Spot rate			
US dollar	**1.34**	1.57	1.48
Euro	**1.21**	1.42	1.36
Mexican Peso	**25.25**	24.60	25.66

10. Related party transactions

There have been no changes in the nature of related party transactions to those described in the 2015 Annual Report that could have a material effect on the financial position or performance of the Group in the period to 30 June 2016.

11. Principal risks and uncertainties

The principal risks and uncertainties affecting the business activities of the Group for the next six months of 2016 remain as listed on pages 22 to 24 of the Annual Report for the year ended 31st December 2015 (which can be found at www.dialight.com). In addition, the principal risk in the first half of 2016 has primarily been identified as the impact of the closure of the Groups' UK manufacturing plant.

The result of the EU referendum has been evaluated. The main impact on the first half of 2016 was on discount rates used to value the pension deficit at the balance sheet date, there was minimal impact on the income statement.

In the second half, if the US dollar continues to strengthen against Sterling there will be a positive impact on results.

This and the other principal risks will continue to be evaluated, monitored and managed through the remainder of 2016.

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

02 August 2016

Independent review report to Dialight plc

Introduction

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 2016 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. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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 Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("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.

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 IFRSs as adopted by the EU. 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.

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.

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. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) 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.

Conclusion

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 2016 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Graham Neale
Senior Statutory Auditor
for and on behalf of KPMG LLP
Statutory Auditor

Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

02 August 2016

About Dialight

Dialight (LSE: DIA.L) is a global leader in energy efficient LED lighting for industrial and hazardous applications. Dialight's LED products and solutions enable our customers to lower their energy usage and carbon dioxide emissions, reduce maintenance requirements and improve safety.

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.