KEY POINTS H1 2018

OPERATIONAL ISSUES HIGHEST PRIORITY IN H1

SIGNIFICANT PROGRESS MADE → READY FOR Q4 DEMAND SPIKE → REDUCE LEAD TIMES TO NORMAL LEVELS

TRANSITION FROM RECOVERY TO GROWTH
OPERATIONAL HIGHLIGHTS

**REDUCED LATE ORDERS BY 60%**

**SIGNIFICANT INCREASE IN Q4 PRODUCTION CAPACITY**
FINANCIAL SUMMARY – H1 AS EXPECTED

Revenue

<table>
<thead>
<tr>
<th></th>
<th>H1 2017</th>
<th>H1 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>£92.7m</td>
<td>£80.1m</td>
</tr>
</tbody>
</table>

Underlying EBIT

<table>
<thead>
<tr>
<th></th>
<th>H1 2017</th>
<th>H1 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underlying EBIT</td>
<td>£6.5m</td>
<td>£2.9m</td>
</tr>
</tbody>
</table>

Net cash

<table>
<thead>
<tr>
<th></th>
<th>H1 2017</th>
<th>H1 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash</td>
<td>£12.7m</td>
<td>£7.3m</td>
</tr>
</tbody>
</table>

35%
Underlying gross margin

£2.8m
Underlying profit before tax

6.4p
Underlying basic EPS
Impact of revenue decrease

Dual running costs

Operating costs

Foreign exchange
<table>
<thead>
<tr>
<th>Lighting</th>
<th>Reported currency</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>£m</td>
<td>H1 2018</td>
<td>H1 2017</td>
</tr>
<tr>
<td>Revenue</td>
<td>59.3</td>
<td>72.4</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>22.0</td>
<td>30.6</td>
</tr>
<tr>
<td>Gross margin</td>
<td>37%</td>
<td>42%</td>
</tr>
<tr>
<td>Overheads</td>
<td>(18.7)</td>
<td>(23.1)</td>
</tr>
<tr>
<td>EBIT</td>
<td>3.3</td>
<td>7.5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Reported currency</th>
<th>H2 2017</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>65.1</td>
<td>(9%)</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>23.7</td>
<td>(7%)</td>
</tr>
<tr>
<td>Gross margin</td>
<td>36%</td>
<td>+100bps</td>
</tr>
<tr>
<td>Overheads</td>
<td>(20.0)</td>
<td>7%</td>
</tr>
<tr>
<td>EBIT</td>
<td>3.7</td>
<td>(11%)</td>
</tr>
</tbody>
</table>

**Gross margin bridge**

- Duplicate plant running costs (220bps)
- Skilled labour force retention (120bps)
- Raw material handling fees (110bps)
- Increased freight charges (50bps)
Order intake

<table>
<thead>
<tr>
<th>Region</th>
<th>H1 2017</th>
<th>H1 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Americas</td>
<td>£71m</td>
<td>£64m</td>
</tr>
</tbody>
</table>

The Americas
- Operational issues impacted lead times
- Large projects not bid for
- Lower distributor inventory
- Continued strength of sales team

EMEA
- Narrow product range served from inventory on hand
- New sales team
- Increased distribution partners

APAC
- Narrow product range served from inventory on hand
- Strong sales team
- Increased distribution partners
Revenue

- **Revenue**
  - H1 2017: £20.3m
  - H1 2018: £20.8m

- **Revenue growth**
  - 2% at constant currency

Gross margin

- **Gross margin**
  - H1 2017: 28%
  - H1 2018: 30%

- **Improvement in gross margin**
  - 200 bps

Underlying EBIT

- **Underlying EBIT**
  - H1 2017: £1.6m
  - H1 2018: £2.2m

- **Improvement in EBIT**
  - 38% at constant currency
### CASH BRIDGE

**Operating cash**

- **2017**: £12.8m
- **H1 2018**: £7.3m
- **£3.5m**
- **(£9.0m)**

**Inventory increase**

- Raw material increase due to Ensenada commencing High Bay production

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Private and confidential
H2 2018 PLANNING ASSUMPTIONS

**INCOME STATEMENT**
- Net interest: Broadly in line with 2017
- Tax rate: c.25%

**CASH FLOW**
- Capex: c.£7m for plant upgrades, IT & product development
- Working capital: Increased inventory levels as Ensenada ramps up production

**Private and confidential**
BUSINESS REVIEW
MARTY RAPP
OPERATIONAL HIGHLIGHTS

60% % improvement in level of late orders

83% On time delivery at Ensenada

35% % increase in total lighting production volumes

Currently producing, 37% lighting volume at Ensenada; available capacity to move all remaining assembly operations if required
MANUFACTURING PARTNER PERFORMANCE

Weekly production units
H1 2018

Production units remains flat over H1 2018

Overdue units
H1 2018

Product lines transferred early 2017 returning to normal on time delivery

High Bay line overdues increasing, improvement in June from transfer to Ensenada

On time delivery

2017: 48%

H1 2018: 51%

H1 2018: 3% improvement
Production units

Capacity for all lighting assembly
Multiple suppliers of sub assemblies

Overdue units

High Bay production commenced in June 2018
Overdue orders transferred from manufacturing partner in April 2018

On time delivery

H1 2018: 8% improvement

* On time delivery for June 2018
UPGRADES AT OUR ENSENADA FACILITY

PEOPLE

- Upgraded operations leadership
- Labour force skilled in complex assembly process
- Enhanced sustaining engineering on site

PROCESSES

- Improved shop floor controls – upgraded manufacturing practices
- Improved Sales and Operations Planning process
- Improved visibility and response to Key Performance Indicators
**Initial assumptions**

- **Labour efficiencies**
  Reduce assembly times by 45%

- **Material cost savings**
  Reduction of 10%

**Outsourcing**

- Increased assembly time by 20%
- Dialight material cost reductions only

**Hybrid**

- Increased on time delivery targeted at 90%
- Improved gross margins >40%
HYBRID MANUFACTURING MODEL

External

- Cable harness
- PCBAs
- Machining & Painting

Internal

- Final assembly and supply chain management

Customers

- Reduced lead times
- Improved on time delivery
- Competitive pricing

Finished goods

- Internal capacity for assembly of all lighting products
- Qualified sub assembly suppliers for Ensenada and Penang facilities
- Complete control of supply chain
- Operational recovery to be completed by Q4 2018
FROM RECOVERY TO GROWTH

From

Current Business
- Inwardly focused
- Centralised functions
- Move to contract manufacturing impacted product leadership position
- Strong market dynamics
- Leader in small profitable niche

To

Future Direction
- Strongly positioned for fast growth
- Leaders in innovation
- Adjacent products to enhance customer offering
- Regional approach
- Leader in larger market
REGIONAL EMPHASIS — TO SUPPORT LOCAL EXPANSION

OPERATIONS
• Regional assembly facilities
• Global purchasing with local delivery
• Fulfilment from regional hubs
• Regional customer service

ENGINEERING
• Global technology leadership deployed regionally
• Dialight design rules
• Increase speed to market

SALES
• Outstanding customer experience
• Global coordination for global customers
• Continued regional teams

PRODUCT MANAGEMENT
• Globally coordinated
• Regionally focused
• Regionally specified products
OPPORTUNITY — EXTEND PRODUCT RANGE TO OUR EXISTING CUSTOMERS

Core product offering in hazardous environments of the heavy industrial space

Expand our offering to provide a more competitive product for the lighter industrial areas of our existing customers

Global LED Lighting market

- Current market: £0.5bn
- Potential expanded market: £2bn
- Global market potential: £50bn

Source: Internal analysis
Per annum
• Corrective actions yielding results, benefits in H2
• Transfer to own facilities running efficiently - good on time delivery
• Reliance on manufacturing partner significantly reduced
• As previously guided, 2018 results heavily weighted to H2
• Industrial LED market opportunity largely untapped
• Compelling market proposition with sustainability benefits
• Aggressive approach from recovery to growth
Questions
We have taken targeted actions to improve our operational performance, reducing late orders significantly since the start of the year. This improvement is primarily due to moving an increasing proportion of our product assembly back in-house. On-time delivery and cost performance of our internal assembly are both excellent. I am now confident that as we move toward our traditionally heavy fourth quarter we will be able to deliver our products on time and in the quantities needed. As previously guided, our results for 2018 will be heavily weighted to H2 reflecting the continued resolution of our operational issues.

Our market proposition remains compelling with the sustainability benefits of reduced energy usage, lower carbon emissions, reduced maintenance and improved safety offering real value to our customers. We are now resuming a more aggressive approach to delivering growth, as we transition from recovery to growth. We remain excited by the Group’s prospects for the future.
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## INCOME STATEMENT

<table>
<thead>
<tr>
<th>£m</th>
<th>Variance</th>
<th>Constant</th>
<th>Currency</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>H1 2018</td>
<td>H1 2017</td>
<td>Reported</td>
</tr>
<tr>
<td>Revenue</td>
<td>80.1</td>
<td>92.7</td>
<td>92.7</td>
</tr>
<tr>
<td>Cost of goods sold</td>
<td>(51.8)</td>
<td>(56.5)</td>
<td>(56.5)</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>28.3</td>
<td>36.2</td>
<td>36.2</td>
</tr>
<tr>
<td>Distribution costs</td>
<td>(15.0)</td>
<td>(17.4)</td>
<td>(17.4)</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>(10.4)</td>
<td>(12.3)</td>
<td>(12.3)</td>
</tr>
<tr>
<td>Underlying EBIT</td>
<td>2.9</td>
<td>6.5</td>
<td>6.5</td>
</tr>
<tr>
<td>Non-underlying costs</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Finance expense</td>
<td>(0.1)</td>
<td>(0.1)</td>
<td>(0.1)</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>2.8</td>
<td>4.0</td>
<td>4.0</td>
</tr>
<tr>
<td>Tax</td>
<td>(0.7)</td>
<td>(1.4)</td>
<td>(1.4)</td>
</tr>
<tr>
<td>Profit after tax</td>
<td>2.1</td>
<td>2.6</td>
<td>2.6</td>
</tr>
<tr>
<td>Underlying EPS</td>
<td>6.4p</td>
<td>12.8p</td>
<td>12.8p</td>
</tr>
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</table>
## Market Segments

<table>
<thead>
<tr>
<th>Segment</th>
<th>H1 2018</th>
<th>H1 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Obstruction</td>
<td>14%</td>
<td>13%</td>
</tr>
<tr>
<td>Food &amp; Beverage</td>
<td>8%</td>
<td>7%</td>
</tr>
<tr>
<td>Heavy industrial</td>
<td>13%</td>
<td>14%</td>
</tr>
<tr>
<td>Mining</td>
<td>11%</td>
<td>9%</td>
</tr>
<tr>
<td>Oil &amp; Gas</td>
<td>20%</td>
<td>18%</td>
</tr>
<tr>
<td>Power</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>Pulp &amp; Paper</td>
<td>10%</td>
<td>8%</td>
</tr>
<tr>
<td>Other industrials</td>
<td>16%</td>
<td>23%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>
## Signals and Components

<table>
<thead>
<tr>
<th>Signal &amp; components</th>
<th>Actual currency</th>
<th>Constant currency</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>H1 2018</td>
<td>H1 2017</td>
</tr>
<tr>
<td>Revenue</td>
<td>20.8</td>
<td>20.3</td>
</tr>
<tr>
<td>Direct costs</td>
<td>(14.5)</td>
<td>(14.7)</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>6.3</td>
<td>5.6</td>
</tr>
<tr>
<td>Gross margin</td>
<td>30%</td>
<td>28%</td>
</tr>
<tr>
<td>Overheads</td>
<td>(4.1)</td>
<td>(4.0)</td>
</tr>
<tr>
<td>EBIT</td>
<td>2.2</td>
<td>1.6</td>
</tr>
</tbody>
</table>
### CASH FLOW

<table>
<thead>
<tr>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net cash at 31 December 2017</strong></td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
</tr>
<tr>
<td><strong>Net working capital excluding inventory</strong></td>
</tr>
<tr>
<td><strong>Increase in inventory</strong></td>
</tr>
<tr>
<td><strong>Capex</strong></td>
</tr>
<tr>
<td><strong>Taxes</strong></td>
</tr>
<tr>
<td><strong>Provisions and other movements</strong></td>
</tr>
<tr>
<td><strong>Net cash at 30 June 2018</strong></td>
</tr>
</tbody>
</table>