Q1 trading in line, Q2 significantly impacted by COVID-19

Operating loss reflects lower revenue due to COVID-19, impact offset by cost savings

Maintained un-interrupted supply to our customers

Net debt increase of £1.5m since year-end

Inventory reduced by £7.0m, at constant FX

£10.0m of additional bank finance secured

Appointment of Wai Kuen Chiang as CFO, start date in Q4 2020
OUR COVID-19 RESPONSE

Prioritising safe work environment

Agility: rapid decision-making

Central and regional support groups

Focus on cash and liquidity

Focus on key investment priorities

Balancing impact across key stakeholder groups

We have continued to ensure delivery of critical safety and environment solutions
COVID-19 MITIGATIONS

- Salary reductions across the Group ranging from 5% to 20%
- Utilised government incentives of furloughs and payroll tax deferral
- Deferral of rents and capex
- Additional £10m of liquidity with existing covenant waivers to Q3-21
- Costs relating to factory shutdowns estimated to be £3.6m
**FINANCIAL RESULTS**

- **Revenue reduction**: 26%
  - Revenue: £76.1m (H1-19), £56.3m (H1-20)

- **Gross margin %**: 34%
  - Gross margin: 30% (H1-19), 28% (H1-20)

- **Debt facilities**: £18.0m
  - Net debt (FY-19: £16.5m, FY-19: £25.0m, H1-20: £35.0m)
EBIT BRIDGE

Revenue reduction of 26%

COVID-19 costs

Reduced travel

Furlough and salary reductions

Underlying EBIT H1 2019

EBIT H1 2020

0.9

(5.3)

(3.6)

1.0

1.5

(5.5)
### Lighting

<table>
<thead>
<tr>
<th>£m</th>
<th>Reported</th>
<th>H1-20</th>
<th>H1-19</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td>40.7</td>
<td>56.4</td>
<td>(28%)</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td></td>
<td>11.7</td>
<td>19.6</td>
<td>(40%)</td>
</tr>
<tr>
<td><strong>Gross margin</strong></td>
<td></td>
<td>29%</td>
<td>35%</td>
<td>-600bps</td>
</tr>
<tr>
<td><strong>Overheads</strong></td>
<td></td>
<td>(14.4)</td>
<td>(17.7)</td>
<td>19%</td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td></td>
<td>(2.7)</td>
<td>1.9</td>
<td>(242%)</td>
</tr>
</tbody>
</table>
**Revenue**

- H1-19: £19.7m
- H1-20: £15.6m

**Gross margin**

- H1-19: 31%
- H1-20: 24%

**Orders**

- H1-19: £21.3m
- H1-20: £20.1m

- **21%** Revenue reduction
- **100 bps** Improvement in gross margin (excluding impact of COVID-19)
- **6%** Reduction in orders
• Distribution centres key to order fulfilment during COVID-19 enforced plant shutdowns

• H1 2020 position includes £2.5m of advanced raw materials purchases

• Expecting further inventory reduction by full year

* Constant currency basis, adjustment of £2.4m of FX to get balance sheet value of £41.1m
# NET DEBT

<table>
<thead>
<tr>
<th>Description</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net debt at 31 December 2019</strong></td>
<td>(16.5)</td>
</tr>
<tr>
<td><strong>Inflows</strong></td>
<td></td>
</tr>
<tr>
<td>EBITDA (before COVID-19-costs)</td>
<td>0.8</td>
</tr>
<tr>
<td>Unwind of inventory</td>
<td>7.0</td>
</tr>
<tr>
<td><strong>Outflows</strong></td>
<td></td>
</tr>
<tr>
<td>Working capital (excl. inventory)</td>
<td>(1.8)</td>
</tr>
<tr>
<td>Investment in new products</td>
<td>(2.2)</td>
</tr>
<tr>
<td>COVID-19 related costs</td>
<td>(3.6)</td>
</tr>
<tr>
<td>Maintenance capex/other</td>
<td>(0.6)</td>
</tr>
<tr>
<td>FX</td>
<td>(1.1)</td>
</tr>
<tr>
<td><strong>Net debt at 30 June 2020</strong></td>
<td>(18.0)</td>
</tr>
</tbody>
</table>

- **£7.0m** – Unwind in inventory
- **£3.6m** - COVID-19 related costs
- **£2.2m** - Investment in R&D

Bank facilities increased from £25m to £35m, cash on hand £15.8m
FY 20 PLANNING ASSUMPTIONS

INCOME STATEMENT
- Net Interest
  Broadly in line with FY-19
- Tax Rate
  c.26% (before any one-off tax credits)

CASH FLOW
- Capex
  c.£1m operational capex
c.£5m product development
- Working capital
  Expecting further H2 improvement

Revenue performance dependent on impact of COVID-19 on end markets and any enforced factory shutdowns
IMPROVING OPERATIONAL PERFORMANCE

- On time delivery %: 84%
- Lead time: 3 weeks
- Additional capacity: 60%
- 200 people unavailable to work due to health restrictions
- Additional shift capacity
- Strong H&S record
HEALTH & SAFETY MEASURES

- All facilities have implemented safety and hygiene measures to minimise infection risk.
- 1.5m distance between employees maintained resulting in layout changes to production lines.
- Dialight is supporting employees with additional benefits such as lunch and groceries.
- Increased employee engagement.
SUPPLY CHAIN

Order fulfilment → Robust sales and operation planning (S&OP) process

Management of critical components → Focus on long lead time components

Supplier Relationship Management → Re-negotiated supplier terms

Cost reductions → Strong focus on achieving lower prices

Local sourcing → Reduce lead times
PRODUCT DEVELOPMENT

Quick wins
- Specification lock with customers

Protecting our core products
- Cost reductions
- Performance upgrades

New products
- Filling portfolio gaps

New technologies
- For the next generation of luminaires
- Integrated controls
LIGHTING ORDER INTAKE

**AMERICAS (31%)**
- US market impacted by customer site closures and soft end markets
- US well positioned despite these headwinds, recovering MRO market share

**EMEA (37%)**
- Positive start to year before COVID-19
- Heavily project reliant
- Geographical focus under review

**APAC (1%)**
- Australia grew due to mining recovery
- Rest of Asia weak, largely project based, plans in place to drive recovery

**OBSTRUCTION (31%)**
- Reduced customer capex budgets
- Focus on broadening customer base
SALES INITIATIVES

• Sales teams – most have been on “lockdown” since end of March
• Orders stabilised in June and in some regions starting to increase
• MRO business has grown – recapturing lost share
• Pivoted to electronic selling techniques
• Conducted over 250 sales calls over Zoom
• Conducted hundreds of technical training sessions
• Full rollout of a customer retention programme
• Retooled search engine optimisation to drive traffic to website
ENVELOPMENTAL, SOCIAL & GOVERNANCE

Enhanced health and safety culture and training

Increased support to workforce during COVID-19, including establishing Dialight Foundation

Strong Board diversity – when new CFO joins Board will be gender balanced

Core product drives:
  • energy savings
  • reduces carbon footprint
  • provides better working environment

Localisation of supply chain reduces carbon emissions
SUMMARY

Q1 started positively, Q2 impacted by COVID-19

Operational performance continues to improve

Balance sheet strengthened in H1, expecting further inventory unwind in H2
In the remainder of 2020, the impact of COVID-19 on the economies in which we operate is likely to continue to impact demand from industrial customers and add to operating costs. With the current economic uncertainty, we continue to focus on our employees, our customers, our communities and on our operating efficiency and cash generation and stopping non-essential expenditure. We continue to expect FY 2020 net debt to be at a similar level to FY 2019.

As we enter H2 2020, we have seen an improvement in quoting activity but it is too early to tell whether this is sustainable and there are a range of possible outcomes for the full year.

In the longer-term, the growth drivers of LED lighting and sustainability are as strong as ever. The COVID-19 crisis is also expected to accelerate the structural drivers for LED lighting and our scale and innovation led customer offering positions us well and gives us confidence for the future.
INVESTMENT CASE

POSITIONED FOR GROWTH
- Diverse customer base

DIFFERENTIATED
- Technological leadership

INTELLIGENT
- Integrated controls

TRusted
- Long term track record

SUSTAINABLE
- Environmentally friendly

SCALABLE
- Significant capacity
### VERTICAL SEGMENTS

<table>
<thead>
<tr>
<th>Segment</th>
<th>H1 2020</th>
<th>H1 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Obstruction</td>
<td>4%</td>
<td>9%</td>
</tr>
<tr>
<td>Food &amp; Beverage</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Heavy industrial</td>
<td>18%</td>
<td>17%</td>
</tr>
<tr>
<td>Mining</td>
<td>12%</td>
<td>10%</td>
</tr>
<tr>
<td>Oil &amp; Gas</td>
<td>23%</td>
<td>21%</td>
</tr>
<tr>
<td>Power</td>
<td>12%</td>
<td>10%</td>
</tr>
<tr>
<td>Pulp &amp; Paper</td>
<td>11%</td>
<td>14%</td>
</tr>
<tr>
<td>Other industrials</td>
<td>14%</td>
<td>13%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
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