30 January 2017

PhotonStar LED Group Plc

Trading Update

PhotonStar LED Group Plc (AIM: PSL, "PhotonStar" or "the Group"), the British designer and manufacturer of intelligent lighting and building control solutions, announces a trading update for the year ended 31 December 2016.

PhotonStar experienced challenging trading conditions in the second half of 2016 and as such the Group's results for the year ended 31 December 2016 are expected to be below current market expectations.

The audit for the year ended 31 December 2016 is underway. The Group's unaudited full year revenue for 2016 was approximately £5.4m (2015: £6.9m). This reduction in revenue, when compared with the previous year, is due to the continued price pressure in the more traditional area of the Group's business (light fixtures), the on-going emphasis by the Group on transitioning itself away from light fixtures and into intelligent lighting solutions and building control systems and market uncertainty following the UK's "Brexit" referendum which has had a negative impact on existing and potential customers.

These factors impacted Group revenues strongly during Q4 of 2016 and have also impacted revenues during January 2017. The Group made an unaudited EBITDA loss in 2016 of approximately £0.6m and unaudited loss after tax for the year of £1.3m. Included in the loss after tax is an investment by the Group into its halcyon™ system of approximately £0.6m, whilst revenue generated by the installation of halcyon™, primarily as trial systems that are expected to result in much larger projects, was approximately £0.5m. Overheads for the year 2016 were £2.5m, which compares favourably to £3.5m for 2015, and is a reflection of the cost saving measures that the Group implemented during the year. At 31 December 2016 the Group held unaudited cash balances of approximately £0.23m and the Group had drawn down £0.83m of invoice financing debt out of its total maximum facility of £1.65m.

The paid for trials for halcyon™ and halcyon cloudBMS™, are still under evaluation by customers, with several new trials being installed during Q4 2016. Overall halcyon revenues slowed slightly and were lower than management had forecast, as the trials indicated that certain software features and upgrades were needed to improve the performance of large systems. Additional features have now been identified and will need to be added before further roll outs can be considered.

We are pleased to report that we completed the development work on hardware and Internet of Things ("IoT") device firmware for lighting control during Q4 2016, which will reduce R&D expenditure by approximately £150k/pa from Q1 2017. The focus of the R&D effort by the Group is now on platform and cloud software development for the halcyon™ platform and halcyon cloudBMS™.

The Group's key strategic focus for 2017 is the further development of halcyon^{TM} into the roll out stage and the completion of its transition into becoming a designer and manufacturer of intelligent lighting and building control solutions.

PhotonStar expects to release its full year results for the year ended 31 December2016 before the end of May 2017.

James McKenzie, Chief Executive of PhotonStar, said:

"In 2016, we made good progress in transitioning the Group into becoming a retrofit connected lighting and building management business and we have installed a number of trials in a variety of different industry sectors. We are therefore very pleased with the progress in this area of the business. We are currently evaluating additional trial sites in conjunction with our customers and look forward to providing shareholders with further updates regarding the trials in due course.

The traditional lighting business continues to be affected by significant competitor price reductions, resulting in a decline in revenues and increased pressure on profit margins. Specifically in Q4 we had anticipated growth in lighting but unfortunately this did not materialise due to significant delays in construction projects due to uncertainty caused by Brexit and margins were also affected due to increasing costs associated with buying many key components in USD, Euros and RMB. In Q4 we further restructured the Group in order for this area of the business to be profitable at the lower revenue levels we are now experiencing and to position the Group to deliver on the growth opportunities afforded by halcyon^{TM} IoT projects and paid for trials, which could lead to the roll out of significant new contracts.

Key technical demonstrations of halcyon^{TM} and cloudBMS^{TM} products at IBM interconnect 2016 highlight the future of the Group and its future growth prospects."

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) 596/2014.

For further information:

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About PhotonStar LED Group Plc

PhotonStar LED Group Plc is a leading British designer and manufacturer of intelligent

lighting and building control solutions. The Group's proprietary technology halcyon™ is a scalable, secure wireless IoT platform for retrofit into commercial buildings, for energy reduction, asset monitoring & control, and real time environmental, behavioural and energy insights.

PhotonStar is based in Romsey, Hampshire with a manufacturing facility in Wales.