



XP Power plc

2004 Preliminary Results



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Company Background

- All electronic equipment requires a power supply to convert the relatively high AC mains voltage into clean DC voltages
- Our customers are capital equipment manufacturers who generally lack in-house power supply skills and rely on external expertise
- Highly fragmented market as each OEM differentiates its equipment – leading to different power requirements
- Target market = hundreds of thousands of customers/circa 1,000 competitors
- Lambda (Invensys) is market leader with estimated market share of 7%
- XP is believed to be equal number two with a 6% share



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Strategy Points

- Geographic expansion in North America and Europe
- Target key customers in the Communications, Defence and Avionics, Industrial and Medical sectors
- Offer the largest array of products from one source
- Expand the content of our own IP in the product portfolio
- Partner with key third party suppliers to obtain product coverage



Financial Highlights

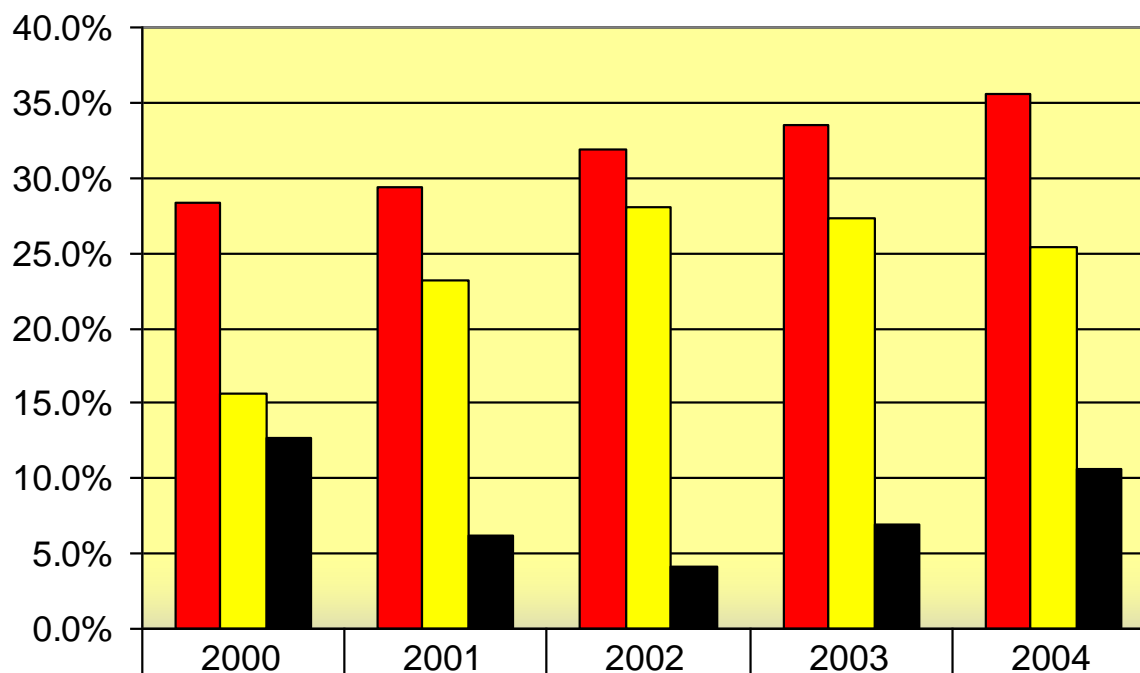
- Growth in adjusted earnings per share of 90%
- Revenue growth of 20% at constant exchange rates
- 55% of revenues are XP intellectual property
- Fifth successive year of gross margin improvement
- Strong free cash flow
- Dividend increased 17% to 14p per share

Profit and Loss Account

<u>£ Millions</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Turnover	64.0	59.4	66.8
Gross Margin	20.4	19.9	23.7
Gross Margin %	31.9%	33.5%	35.5%
Selling and administration expenses	16.2	14.1	14.7
Research and development	1.7	1.9	2.3
Goodwill amortisation	1.5	1.5	1.4
Share of associates' operating profit	0.1	0.3	0.4
Operating profit	1.1	2.7	5.7
Net interest (expense)/income	(0.4)	(0.6)	(0.6)
Profit on sale of own shares		0.4	
Profit before tax	0.7	2.5	5.1
Profit before tax, goodwill amortisation and gain on ESOP	2.2	3.6	6.5
Basic earnings per share	0.0p	7.0p	16.9p
Diluted earnings per share adjusted for goodwill amortisation and gain on ESOP	7.3p	12.4p	23.6p



Profit and Loss Metrics (% of revenue)



■ Gross margin	28.4%	29.4%	31.9%	33.5%	35.5%
■ Operating expenses	15.7%	23.2%	28.1%	27.3%	25.4%
■ Operating profit	12.7%	6.2%	4.1%	7.0%	10.6%

Profit and Loss Account by Geography

Year ended 31 December 2004

<u>£ Millions</u>	Corporate	USA	UK	Europe	Total
Revenues		39.3	18.1	9.4	66.8
Gross Margin		13.4	7.4	2.9	23.7
Gross Margin %		34.1%	40.9%	30.9%	35.5%
<i>Gross margin improvement on 2003</i>		<i>2.5%</i>	<i>1.7%</i>	<i>0.3%</i>	<i>2.0%</i>
Operating expenses	3.2	8.0	4.1	1.7	17.0
Share of associates' operating profit	0.4				0.4
Operating profit	(2.8)	5.4	3.3	1.2	7.1
Operating profit %		13.7%	18.2%	12.8%	10.6%
<i>Operating profit improvement on 2003</i>		<i>3.0%</i>	<i>1.7%</i>	<i>8.6%</i>	<i>3.5%</i>
Net interest (expense)	(0.3)	(0.1)	(0.2)		(0.6)
Profit before tax, goodwill amortisation and ESOP gain	(3.1)	5.3	3.1	1.2	6.5



Summary Balance Sheets

<u>£ Millions</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Fixed assets			
Goodwill	23.0	22.4	21.7
Tangible assets	3.4	2.9	2.5
Investments	0.8	1.1	1.3
Own shares	0.4	0.0	0.0
Total fixed assets	27.6	26.4	25.5
Current assets			
Stocks	7.7	6.6	7.5
Debtors	10.8	11.5	13.7
Cash at bank	4.4	4.5	2.7
Total current assets	22.9	22.6	23.9
Current liabilities			
Overdraft	(4.0)	(2.6)	(4.7)
Deferred consideration	(0.8)	(2.2)	(2.5)
Other creditors	(7.8)	(9.4)	(10.8)
Total current liabilities	(12.6)	(14.2)	(18.0)
Revolving credit facility	(8.2)	(8.4)	(8.1)
Net assets	29.7	26.4	23.3

Cash Flow Statements

<u>£ Millions</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Net cash flow from operations	8.3	5.3	4.9
Dividends received from associates	-	-	0.1
Net interest	(0.6)	(0.6)	(0.6)
Tax paid	(0.5)	(0.1)	(0.8)
Net capital expenditure	(0.6)	(0.3)	(0.2)
Free cash flow	6.6	4.3	3.4
Acquisitions	(5.7)	-	(1.3)
Share buy back	-	(0.5)	(3.5)
Sale of shares	-	-	0.1
Dividends paid	(2.5)	(2.5)	(2.5)
Increase/(decrease) in cash	(1.6)	1.3	(3.8)
Net debt	7.8	6.5	10.1

Achievements

- Signed a global supply agreement with Premier Farnell



- Awarded Best Supplier by Siemens Automation and Drives

SIEMENS

- Anaheim design team recognised by EE Times for ECM 40/60

EE TIMES



T H E X P E R T S I N P O W E R

Product Development and Engineering



Anaheim

- AC-DC Product design team and group safety approvals testing
- 19 Engineers



Boston

- Standard product design verification
- 3 Engineers



Sunnyvale

- Engineering services design team
- 9 Engineers



Sawbridgeworth, UK

- AC-DC Product design team
- 6 Engineers



Pangbourne

- Engineering services design team
- 5 Engineers

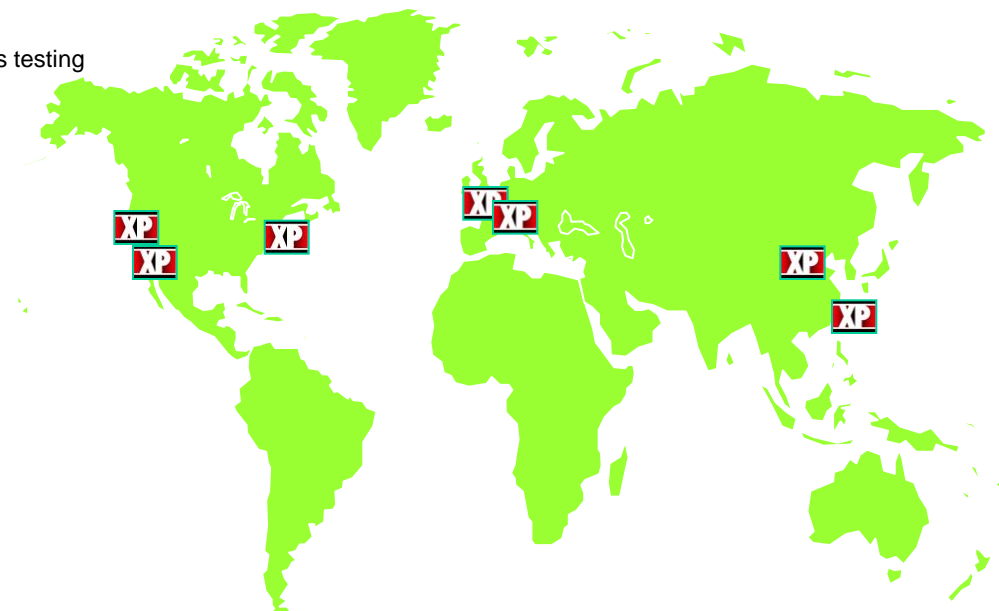


Waghausel, Germany

- Engineering services design team
- 2 Engineers



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Wenzhou

- AC-DC Product design team
- 4 Engineers



Chang Hua, Taiwan

- AC-DC and DC-DC Product design team
- 5 Engineers

Industry Sectors



Communications



Defence & Avionics



Industrial

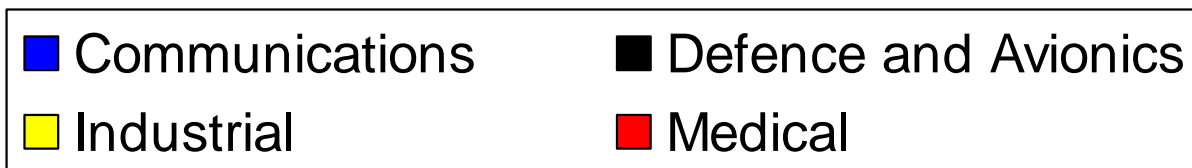
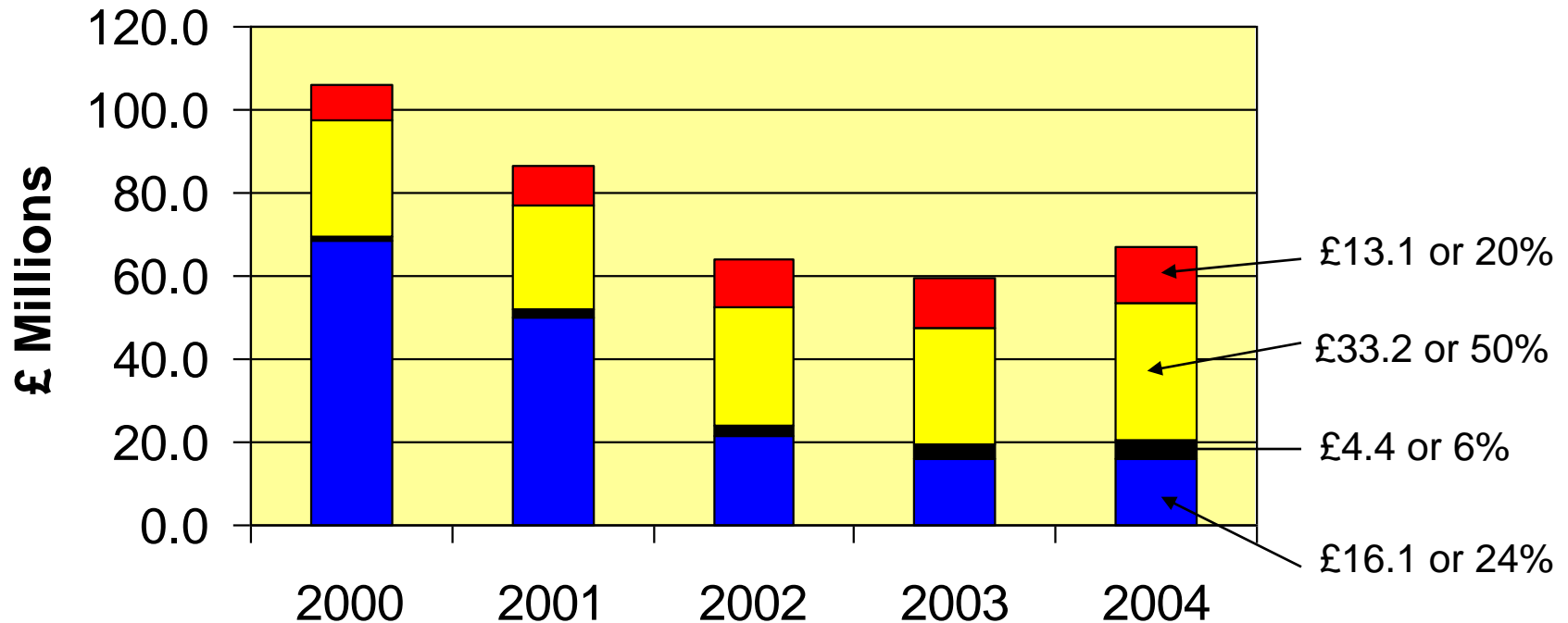


Medical

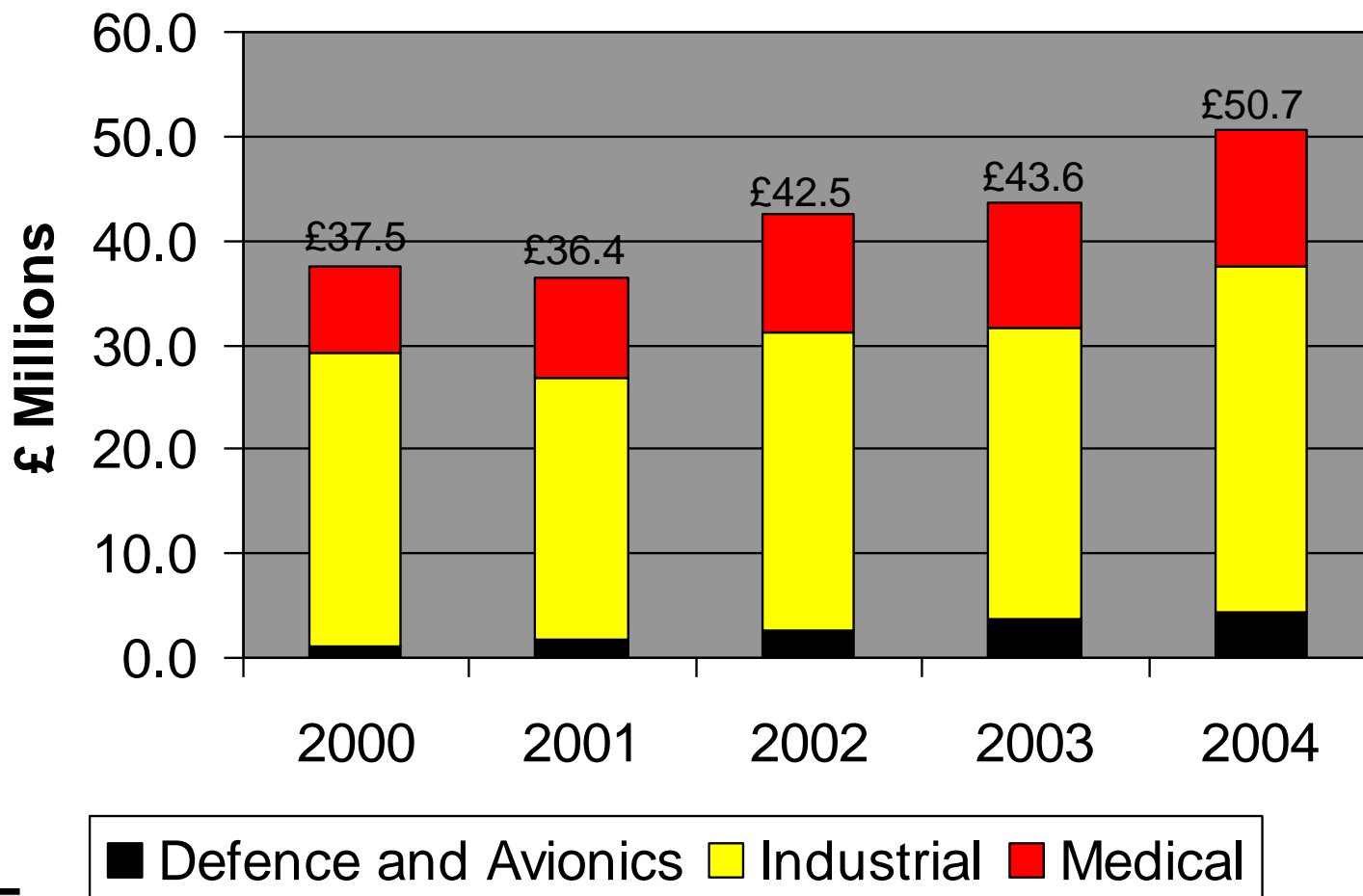


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Industry Segmentation Trend (£ Millions)



Industry Segmentation Trend (Excluding Communications)



Market Share and Growth Potential – North America

\$ Millions	Available market	XP Sales 2003	XP Sales 2004	XP Growth	XP Share
North west	354	22.9	26.9	17%	8%
South west	142	12.1	15.3	26%	11%
Central & south east	142	4.5	6.1	36%	4%
Mid west	142	7.1	7.5	6%	5%
East	142	5.5	5.8	5%	4%
North east	142	6.5	8.0	23%	6%
Canada	119	0.5	1.0	100%	1%
Total North America	1,181	59.1	70.6	19%	6%

Source: XP estimates/Micro-Tech Consultants



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Market Share and Growth Potential - Europe

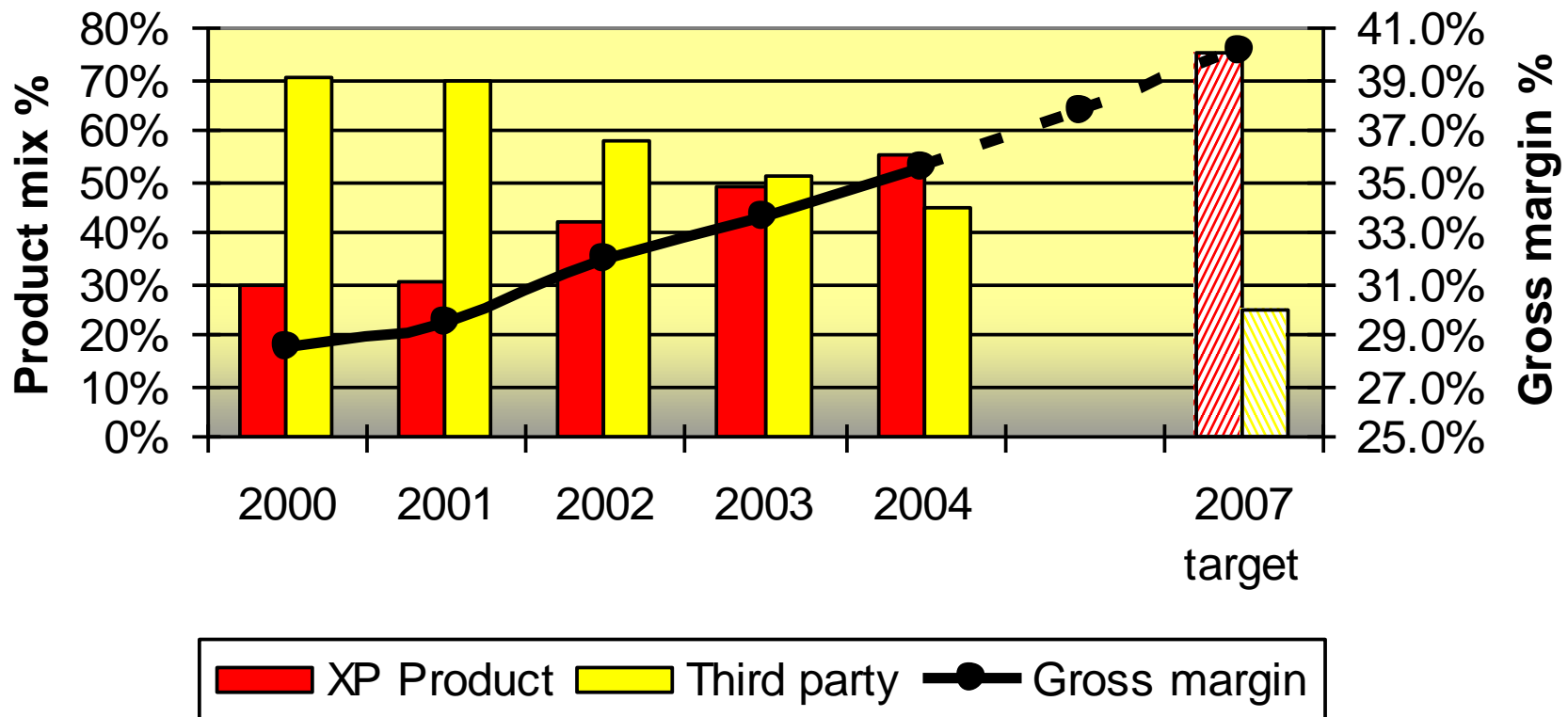
\$ Millions	Available market	XP Sales 2003	XP Sales 2004	XP Growth	XP share
Germany	147	2.1	4.7	121%	3%
UK	131	25.8	28.2	9%	21%
France	89	1.2	2.4	97%	3%
Nordic	68	3.2	3.1	-5%	5%
Italy	68	-	0.6		1%
Benelux	32	0.7	1.1	69%	4%
ROE	32	0.3	0.6	93%	2%
Switzerland	21	3.7	3.7	0%	18%
Total Europe	588	37.1	44.6	20%	8%

Source: XP estimates/Micro-Tech Consultants
 2003 and 2004 use a constant US dollar to sterling rate of 1.62



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Product Split and Gross Margin Trend



Outlook

- Weakness of the US dollar affects reported top line growth
- Market analysts expect good growth in capital equipment spend in 2005
- Expect further improvement in gross margin
- Will target R&D spend at 3.5% of revenue
- Expect to grow earnings in 2005
absent no external economic shocks



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