



XP Power plc

2006 Interim Results



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

Highlights

- Good revenue growth driven by strong performances in North American and Singapore
- Manufacturing Joint Venture now operational
- XP product now 58% of revenue (2005: 56%)
- Solid progress in cost efficiency
- Diluted adjusted earnings per share increases 23% to 16.9p (2005: 13.7p)
- Interim dividend increased to 8p (2005: 7p)



Profit and Loss Account

£ Millions	2004		2005		2006
	First half	Second half	First half	Second half	First half
Revenues	33.2	33.6	32.2	37.3	38.8
Gross margin	11.7	12.0	11.6	13.2	13.9
Gross Margin %	35.2%	35.7%	36.0%	35.4%	35.8%
Selling and administration expenses	7.5	7.3	7.0	7.9	8.1
Research and development	1.1	1.2	0.8	0.8	0.9
Restructuring costs	-	-	-	-	0.7
Amortisation of intangibles	-	-	-	0.1	0.1
Share of associates' operating profit	0.2	0.2	0.2	0.1	-
Operating profit	3.3	3.7	4.0	4.5	4.1
Net interest expense	0.3	0.3	0.3	0.5	0.6
Profit before tax	3.0	3.4	3.7	4.0	3.5
Profit before tax adjusted for amortisation of intangibles and restructuring	3.0	3.4	3.7	4.0	4.3
Basic earnings per share	10.5p	13.1p	14.0p	16.7p	14.0p
Diluted earnings per share	10.3p	12.8p	13.7p	16.4p	13.8p
Diluted earnings per share adjusted for the amortisation of intangibles	10.3p	12.8p	13.7p	16.4p	16.9p
Dividend per share	6.0p	8.0p	7.0p	9.0p	8.0p

NB: First half of 2006 research and development is after capitalising £0.5 million of development costs (2005: £0.5 million) 3

Profit and Loss Account by Geography

Six months ended 30 June 2006

£ Millions

	Corporate	USA	UK	Europe	Total
Revenues	-	20.9	11.5	6.4	38.8
Gross Margin		7.5	4.3	2.1	13.9
Gross Margin %	-	35.9%	37.4%	32.8%	35.8%
<i>Gross margin improvement on 2005</i>		<i>0.8%</i>	<i>-2.8%</i>	<i>0.7%</i>	<i>-0.2%</i>
Operating expenses	0.6	3.9	2.5	1.1	8.1
Research and development	0.9	-	-	-	0.9
Operating profit (clean)	(1.5)	3.6	1.8	1.0	4.9
Operating profit %		17.2%	15.7%	15.6%	12.6%
<i>Operating profit improvement on 2005</i>		<i>1.1%</i>	<i>-1.7%</i>	<i>1.3%</i>	<i>0.2%</i>
Net interest expense	0.3	0.1	0.2	-	0.6
Profit before tax (clean)	(1.8)	3.5	1.6	1.0	4.3

NB: Excludes restructuring costs of £0.7 million



Summary Balance Sheets

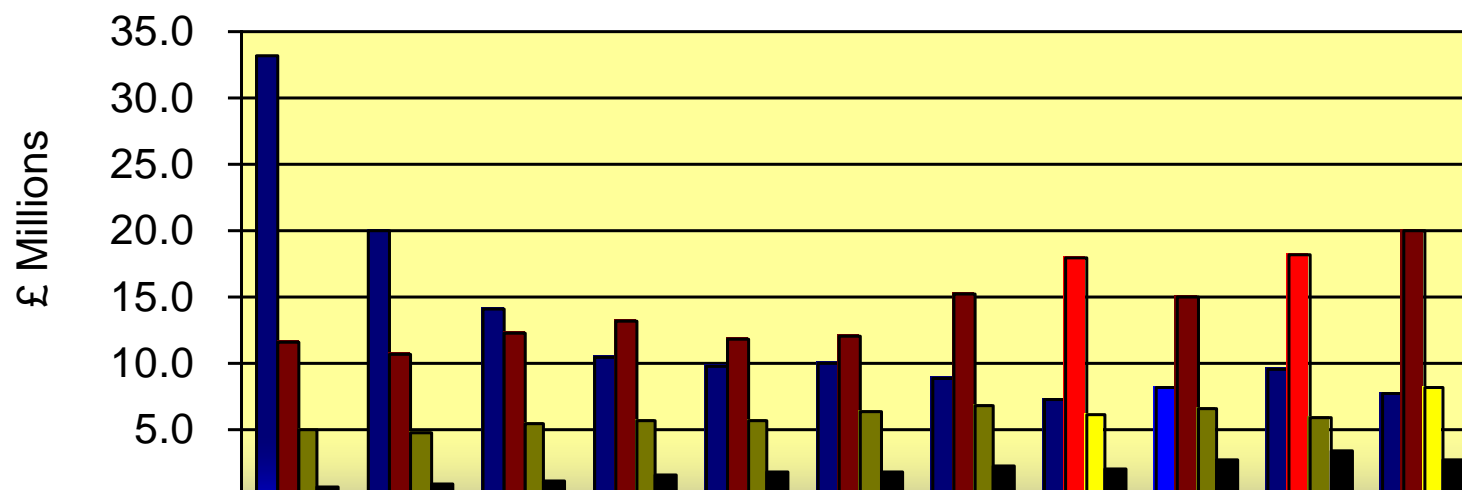
£ Millions

	June 2005 (unaudited)	December 2005	June 2006 (unaudited)
Non-current assets			
Goodwill	23.2	27.8	27.8
Other intangible assets	0.5	2.2	2.6
Property plant and equipment	2.6	3.0	3.4
Interests in associates	2.1	0.3	0.3
Deferred tax asset	-	0.3	0.3
Total non-current assets	28.4	33.6	34.4
Current assets			
Inventories	9.1	8.1	8.7
Receivables	14.0	17.2	18.6
Cash at bank	4.0	4.8	2.6
Total current assets	27.1	30.1	29.9
Current liabilities			
Overdraft and revolving credit facility	5.6	19.9	20.4
Deferred consideration	2.5	0.4	0.0
Other payables	11.5	11.7	11.6
Total current liabilities	19.6	32.0	32.0
Deferred consideration	-	3.3	3.4
Revolving credit facility	8.3	-	-
Deferred Taxes	-	1.2	1.3
Net assets	27.6	27.2	27.6

Cash Flow Statements

£ Millions	Six months to 30 June 2005	Six months to 30 June 2006
Operating profit (excluding associates)	3.8	4.1
Working capital movements	(1.2)	(3.1)
Net cash flow from operating activities	2.6	1.0
<u>Investing activities</u>		
Dividends received from associates/(paid) to minorities	0.2	-
Net capital expenditure	(0.3)	(0.6)
Product development capitalised	(0.5)	(0.5)
Acquisition of associate/subsidiary	(0.1)	(0.8)
Net cash used in investing activities	(0.7)	(1.9)
<u>Financing activities</u>		
Interest paid	(0.3)	(0.6)
Equity dividends paid	(1.5)	(1.7)
Sale of shares	0.1	0.4
Increase/(decrease) in bank loans	0.2	-
Increase/(decrease) in bank overdrafts	0.9	0.6
Net cash used in financing activities	(0.6)	(1.3)
Net (decrease)/increase in cash	1.3	(2.2)
Cash at the end of the period	4.0	2.6

Industry Sector Split



	1H01	2H01	1H02	2H02	1H03	2H03	1H04	2H04	1H05	2H05	1H06
■ Communications	33.2	19.9	14.1	10.5	9.7	10.0	8.9	7.2	8.2	9.6	7.8
■ Industrial	11.6	10.6	12.3	13.2	11.9	12.1	15.2	18.0	14.9	18.2	19.9
■ Medical	4.9	4.7	5.5	5.7	5.7	6.3	6.9	6.2	6.5	6.0	8.2
■ Defence and avionics	0.8	1.0	1.1	1.5	1.8	1.9	2.2	2.1	2.7	3.4	2.8

£ Millions



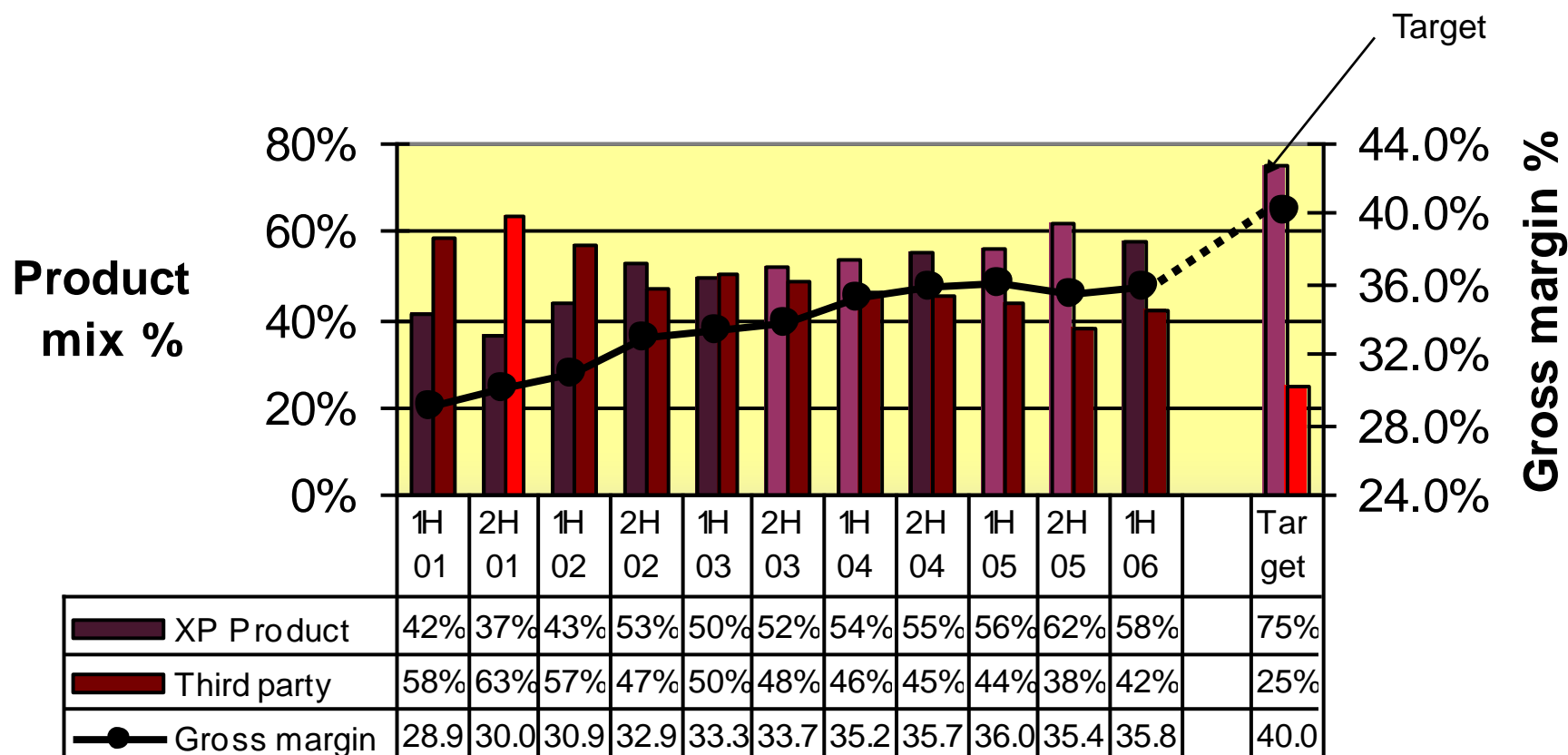
THE X P E R T S I N P O W E R

Manufacturing Joint Venture

- Customer driven
- 50:50 joint venture with Fortron
- Source
- Situated close to Shanghai, China
- Investment of US\$1.5 million
- In production since April
- Expect to break even in Q4



Product Split and Gross Margin Trend



Summary

- Terminated certain third party lines to focus on own product
- Good underlying growth
- Realigning the company as an Asia-centric designer and manufacturer
- Dividend raised to 8p per share
- Remain on track to reach 40% gross margin

