

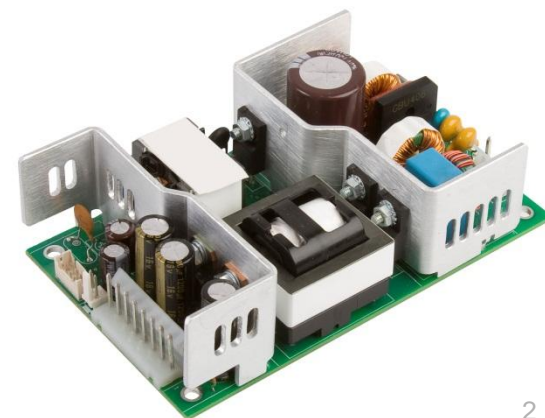


# XP Power - Investor Presentation

2012 Annual Results

## Highlights

- Two key manufacturing initiatives completed:
  - Vietnam operational and producing high quality magnetics
  - 100% of own design products now manufactured in house
- Gross margins reduced to 47.8% (2011: 49.1%) due to Vietnam start up and costs of transferring third-party manufacturing in house. This is expected to be margin enhancing in 2013
- Own design revenue 62% of total sales (2011: 57%) despite challenging market conditions
- Chinese manufacturing facility continues to secure new approved vendor agreements
- Resilient earnings and continued strong cash flow provide basis for increased total dividend of 50p (2011: 45p) and reduction of net debt



# Income and Expenditure Statement

£ Millions	2012	Margin	2011	Margin	Growth
<i>GBP/USD average exchange rate</i>	1.58		1.60		
<b>Orders</b>	<b>96.6</b>		<b>98.3</b>		<b>-2%</b>
<b>Revenue</b>	<b>93.9</b>	<b>100.0%</b>	<b>103.6</b>	<b>100.0%</b>	<b>-9%</b>
<b>Gross margin</b>	<b>44.9</b>	<b>47.8%</b>	<b>50.9</b>	<b>49.1%</b>	<b>-12%</b>
Research and development (net)	4.1		4.2		-2%
Other operating expenses	19.8		21.4		-7%
<b>Operating profit</b>	<b>21.0</b>	<b>22.4%</b>	<b>25.3</b>	<b>24.4%</b>	<b>-17%</b>
Net interest expense	0.8		1.0		-20%
<b>Profit before tax</b>	<b>20.2</b>	<b>21.5%</b>	<b>24.3</b>	<b>23.5%</b>	<b>-17%</b>
Taxation (Effective tax rate 22.3%/14.8%)	4.5		3.6		+25%
Minority interest	0.2		0.4		-50%
<b>Profit after tax</b>	<b>15.5</b>	<b>16.5%</b>	<b>20.3</b>	<b>19.6%</b>	<b>-24%</b>
Adjusted diluted earnings per share	81.3p		106.4p		-24%

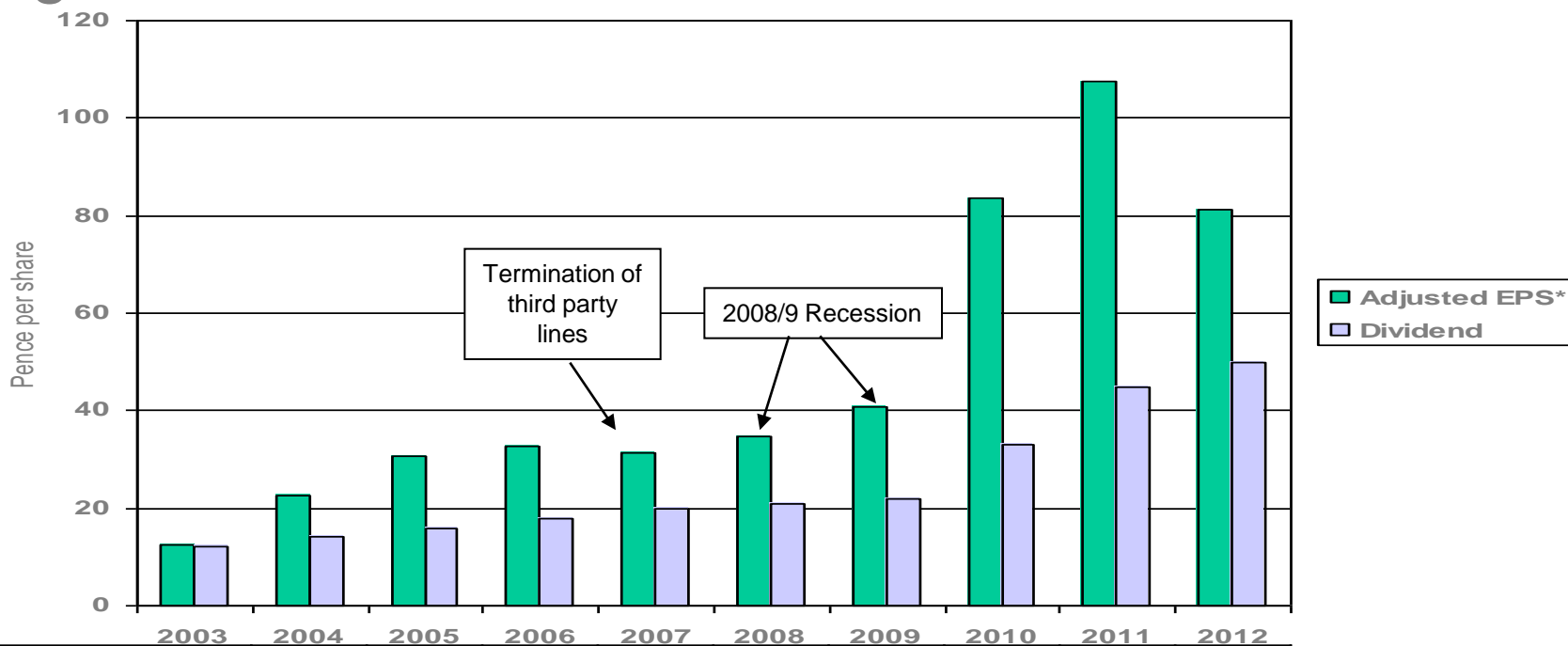
## Summary Balance Sheets

£ Millions	2012	2011
<i>GBP/USD year end exchange rate</i>	1.59	1.57
Cash	4.1	6.3
Trade and other receivables	15.4	18.7
Inventories	19.8	22.0
<b>Total current assets</b>	<b>39.3</b>	<b>47.0</b>
Property, plant and equipment	13.2	12.9
Other non-current assets	39.6	39.7
<b>Total non-current assets</b>	<b>52.8</b>	<b>52.6</b>
Trade and other current payables	12.9	14.8
Short term borrowings	7.3	13.4
<b>Total current liabilities</b>	<b>20.2</b>	<b>28.2</b>
Non-current provisions and liabilities	3.2	4.1
Long term borrowings	7.4	11.5
<b>Net assets</b>	<b>61.3</b>	<b>55.8</b>
<b>Net debt</b>	<b>10.6</b>	<b>18.6</b>

# Cash Flow Statements

£ Millions	2012	2011
<b>Earnings Before Interest and Tax</b>	<b>21.0</b>	<b>25.3</b>
Amortisation of development costs	1.0	0.9
Depreciation	1.3	1.3
Unrealised currency translation losses	0.5	0.2
Change in working capital	4.1	(6.5)
Income tax paid	(4.3)	(5.0)
<b>Cash provided by operating activities</b>	<b>23.6</b>	<b>16.2</b>
Capitalised development costs	(2.2)	(2.0)
Interest paid	(0.5)	(0.8)
<b>Free cash flow</b>	<b>20.9</b>	<b>13.4</b>
Opening net debt	(18.6)	(18.4)
Purchase of property and equipment (net of disposals)	(2.1)	(5.7)
Acquisition of subsidiary/payment of deferred consideration	(2.0)	(0.1)
Dividends	(9.1)	(7.8)
Effects of currency translation on cash	0.3	-
<b>Closing net debt</b>	<b>(10.6)</b>	<b>(18.6)</b>

# Earnings and Dividend Trend



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Earnings growth		88%	20%	7%	(4%)	11%	17%	105%	28%	-24%
Dividend growth		17%	14%	12%	11%	5%	5%	50%	36%	+11%

- Cash generative business model allows consistent dividend growth
- Dividend CAGR 20% over last 5 years and 15% over the last 10 years
- Quarterly dividend payment cycles
- Earnings CAGR 21% over last 5 years and 27% over the last 10 years

\*Diluted and adjusted for amortisation of intangibles, non-cash foreign exchange gain, and reorganisation costs

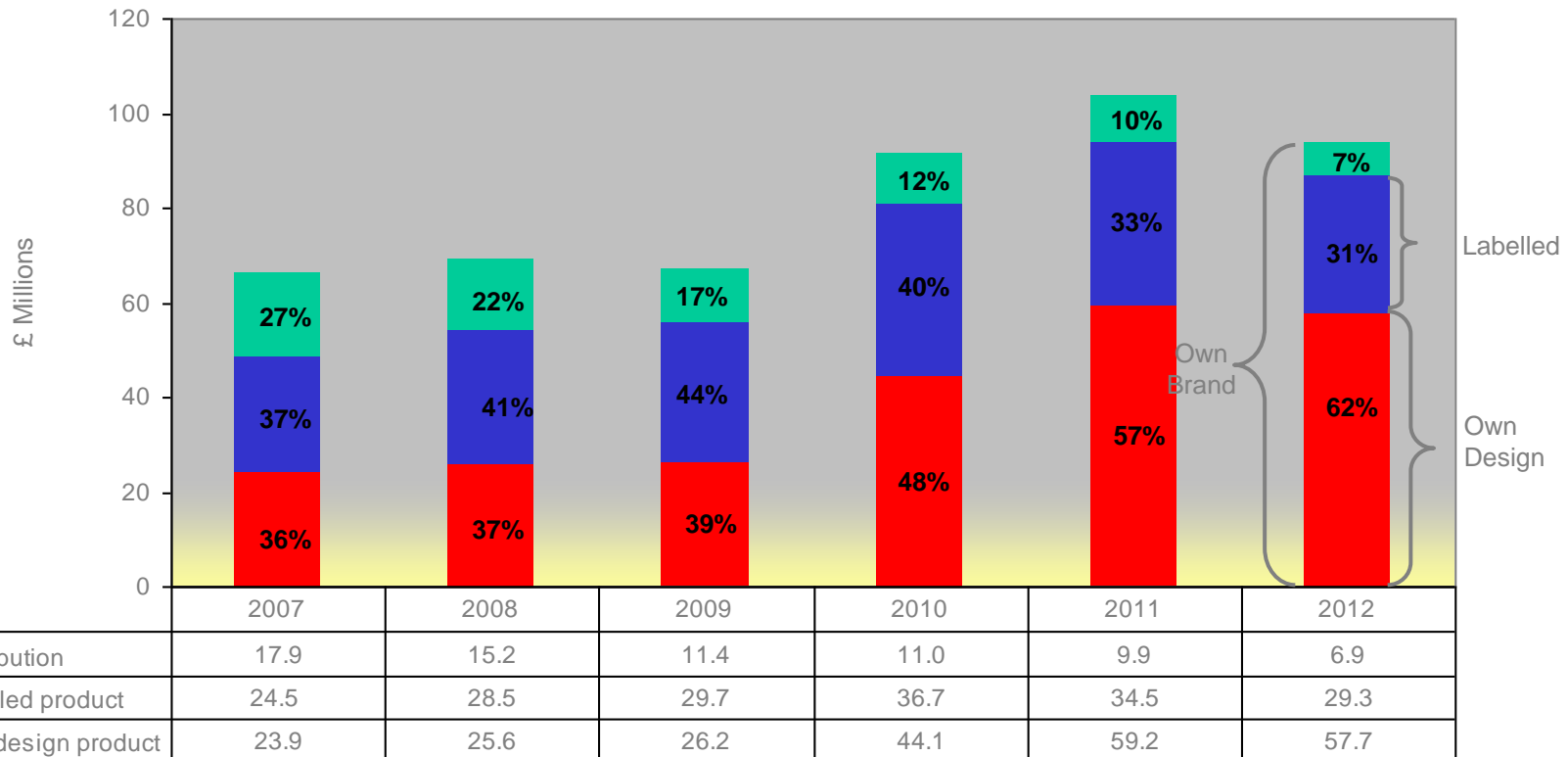
# Strategy

- Target key blue chip accounts
- Increase penetration of existing key accounts
- Further expansion of high efficiency (“Green”) product offering
- Extend manufacturing capacity outside China
- Increase high margin contribution of own designed/manufactured products

Continue to gain market share



# Own Design Revenue Trend



Average compound annual growth rate of 12% for own brand revenue to 2012 (own design 19%)



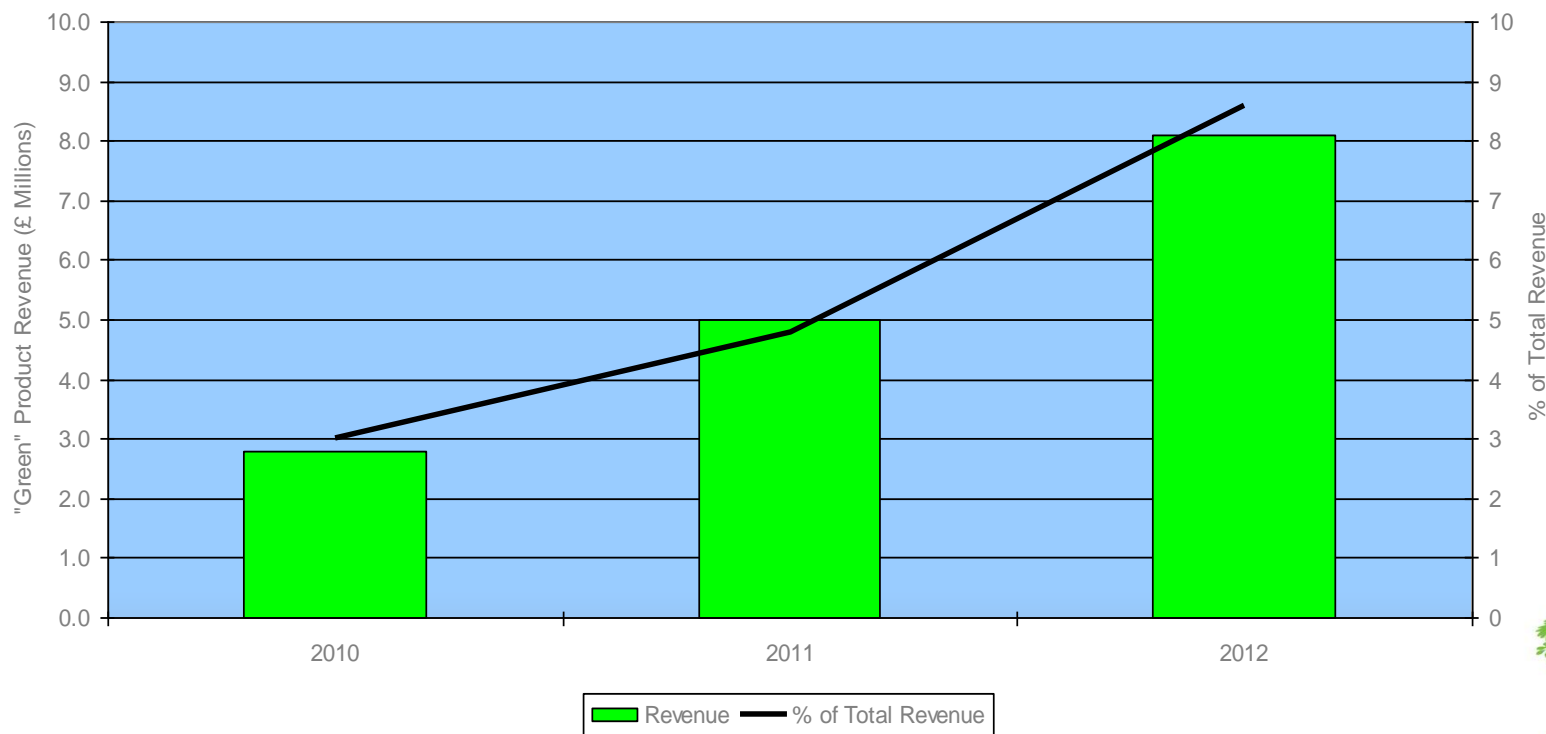
## Vertical Integration – Vietnam Magnetics Facility

- Operations started in Q1 2012 on target
- Primarily a magnetics manufacturing facility
- Further vertical integration offers an additional value proposition to customers - control of manufacturing, flexibility and lead times
- Magnetics are labour intensive - Vietnam helps mitigate high wage inflation in China
- Space for an additional facility
- Start up losses in 2012 of £0.5M
- Break even in 2013

Mitigates continued rises in China costs from salary inflation and currency appreciation and spreads geopolitical risk



# Revenue from "Green" Products

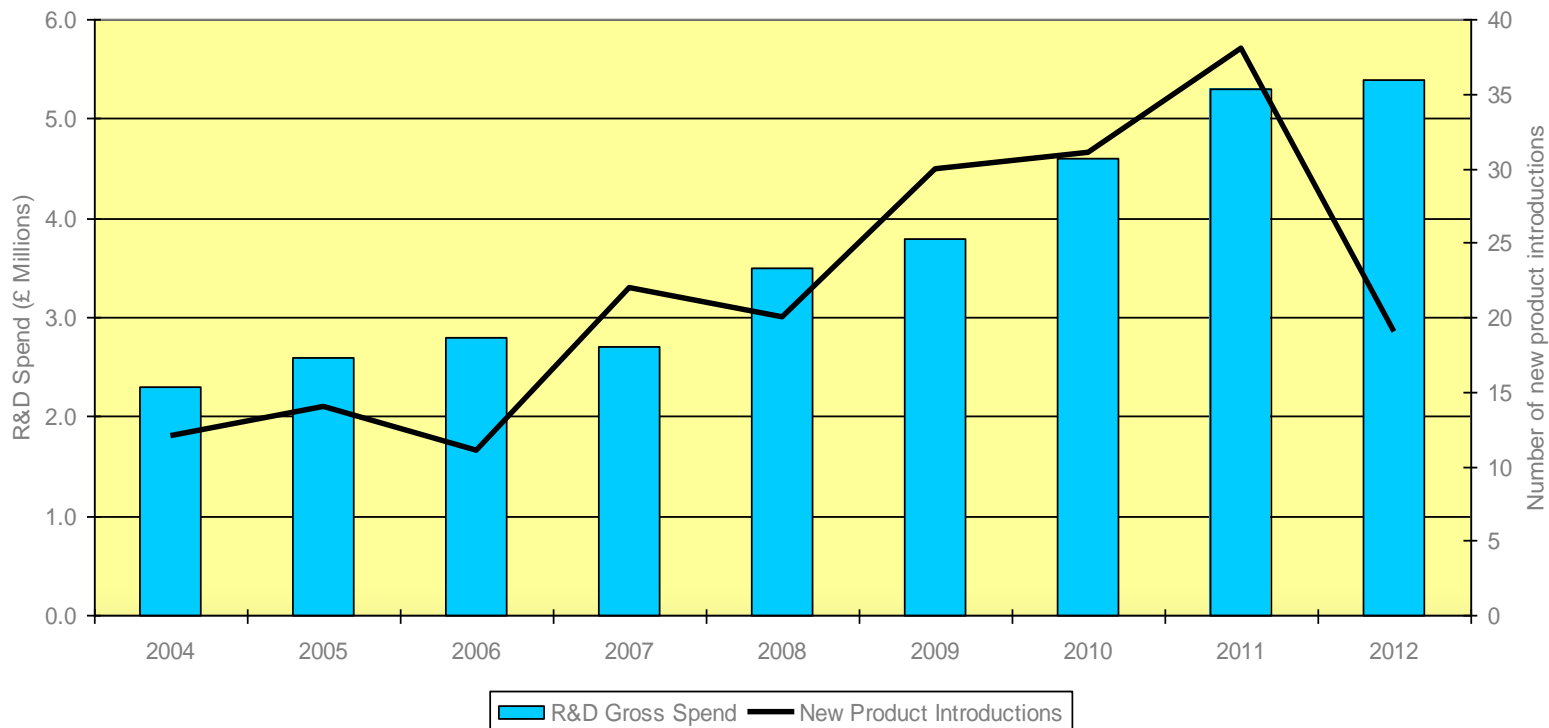


- "Green" products are starting to show traction
- Reliability is currently the key demand driver for these products
- Green products remains a major market opportunity



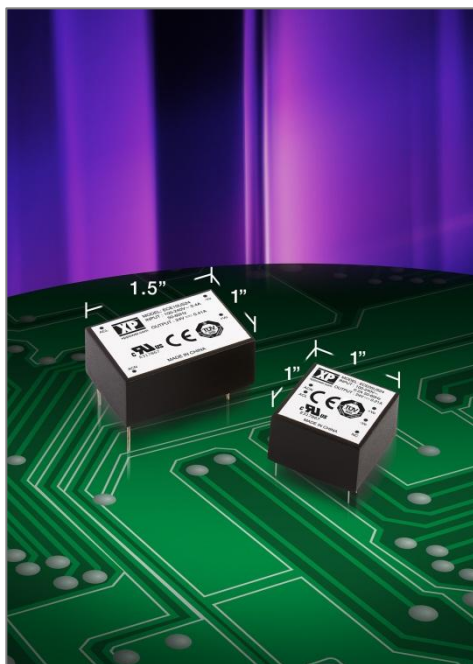
**GREEN XP POWER**

## Gross R&D Spend and New Product Introductions



- The success of our new products has led directly to significant gains in new program wins
- Market's largest and freshest product portfolio established by 2011
- Greater focus on modified standards thereafter to address specific customer requirements

## Selected New Product Introductions



**ECE05/10** – board mounted power - smallest 5/10 Watt AC-DC converter in the market



**GCS150** – low cost convection for industrial and medical



**CCH400/600** – base plate cooled for harsh environments

# Market Data

## Market size and XP share

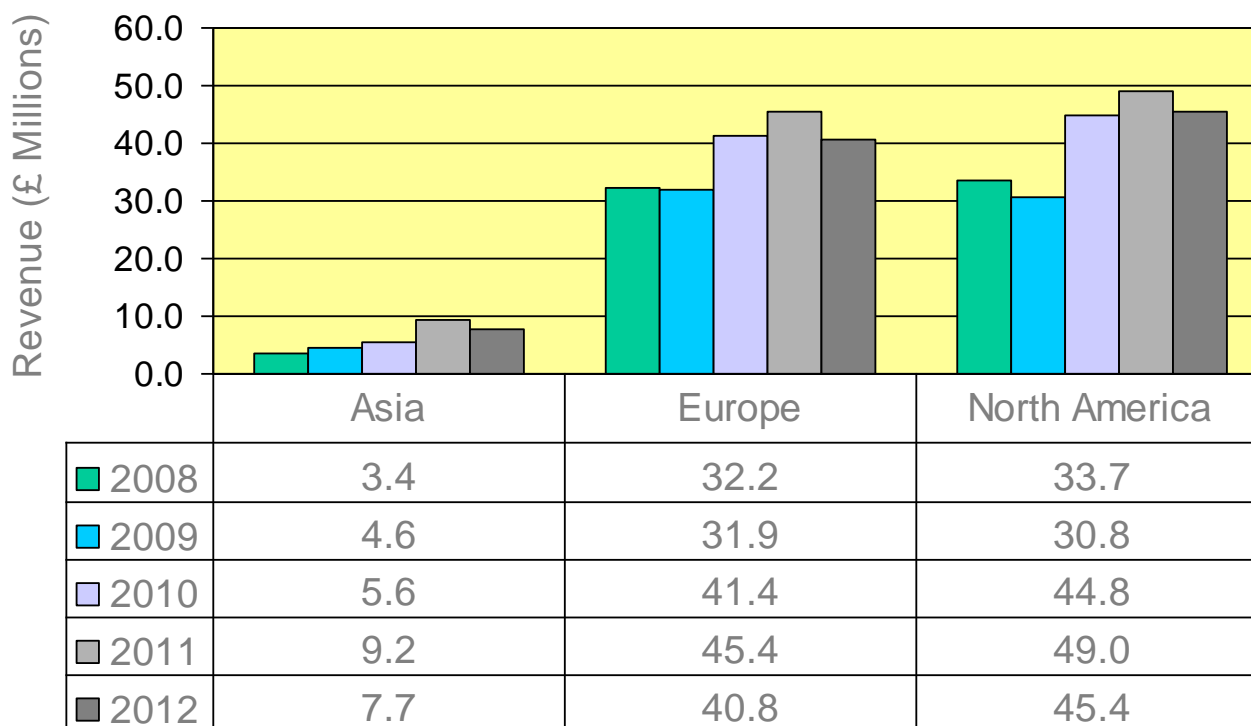
£ Millions	Size	Share	Rank
Asia	555	2%	-
Europe	330	12%	1 <sup>st</sup> (Equal)
North America	435	10%	1 <sup>st</sup>
<b>Total</b>	<b>1,320</b>	<b>7%</b>	

Source: Micro-Tech Consultants 2011 figures – assumed to be 12% lower in 2012 from public company data

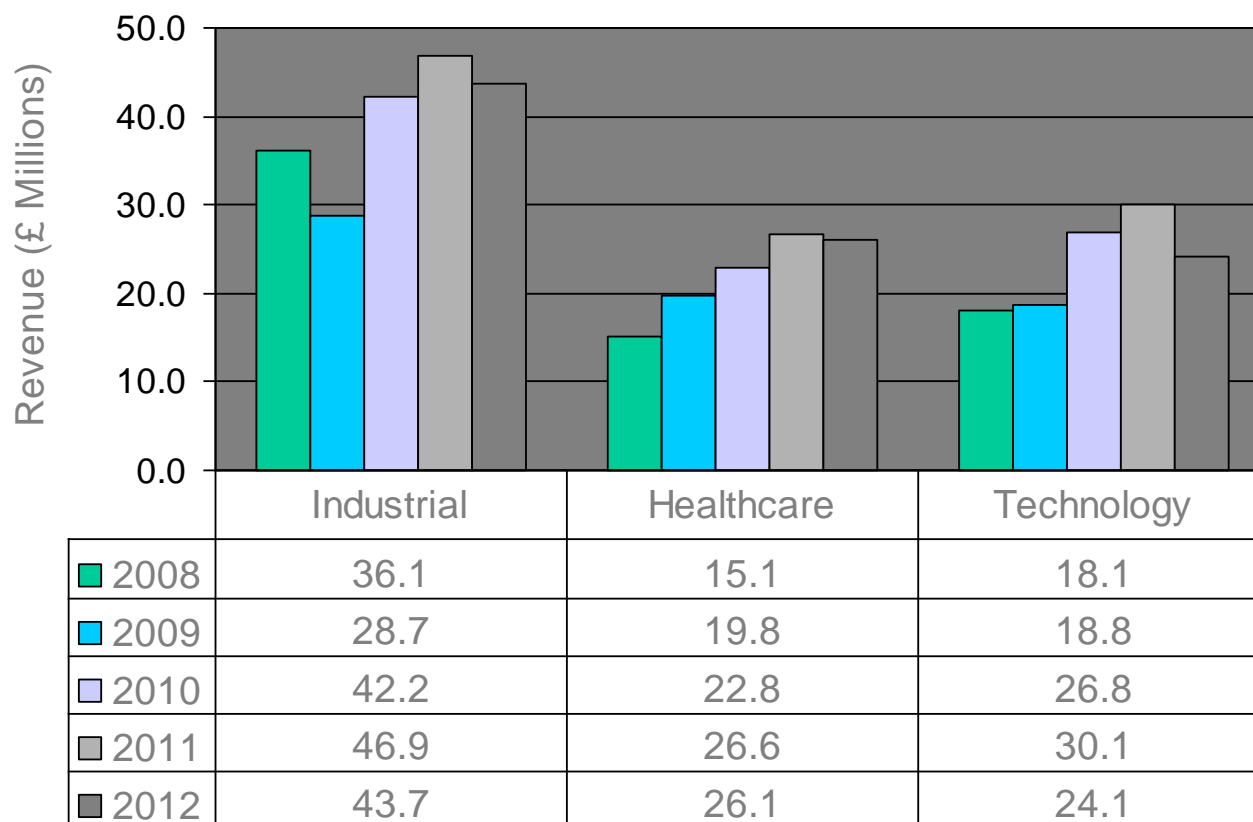
## XP Power's revenue mix

£ Millions	Asia	Europe	North America	Total	%
Healthcare	1.1	8.4	16.6	<b>26.1</b>	28%
Industrial	2.8	22.0	18.9	<b>43.7</b>	47%
Technology	3.8	10.4	9.9	<b>24.1</b>	25%
<b>Total</b>	<b>7.7</b>	<b>40.8</b>	<b>45.4</b>	<b>93.9</b>	<b>100%</b>
	8%	44%	48%	<b>100%</b>	

# Geographic Split



## Sector Split



## Case Study – Major Healthcare Company

- Multi-parameter patient monitor
- Lifetime and reliability critical so heat is important
- Compact design with no fans
- Designed in collaboration with the customer
- Custom heat sinking for the power converter separated from the heat sinking for other components
- Flexibility to modify the standard product to meet exact requirements

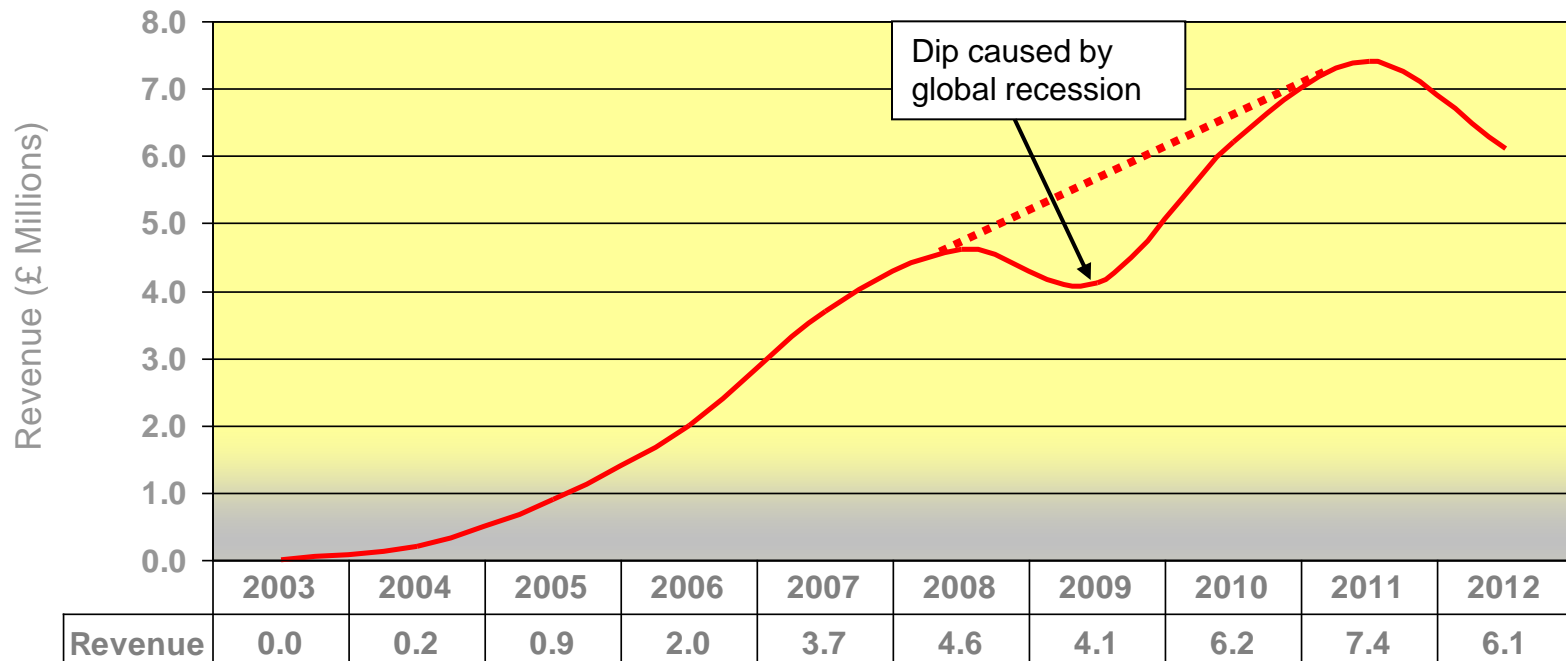




## Customers – Selection of Top 30

- We do business with over 70% of the S&P 500 Equipment Manufacturers
- Top 30 customers account for 40% (2011: 39%) of revenue (largest customer <5%)

# Typical Product Life Cycle



- Substantial revenue annuity
- Design in cycle typically 18 months
- Bodes well for future revenue growth



ECM40/60

## Summary and Outlook

- Resilient earnings and continued strong cash flow allow dividend increase
- Cautious regarding the markets and therefore revenue outlook for 2013
- Manufacturing initiatives taken in 2012 are expected to lead to improved gross margins in 2013
- Expect to continue to take market share



# XP Power



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