

XPpower

Powering the World's Critical Systems

Interim Results
Six months ended 30 June 2014



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- Order intake increased 2% to £51.1 million (9% constant currency)
- Revenues increased 2% (9% constant currency) to £50.2 million
- Continuing to grow market share
- Gross margins improve due to factory utilisation
- Own design products reached a new record and grew 9% to £33.0 million or 66% of revenues (2013: 62%)
- Earnings per share grew 21% to 50.5p (2013: 41.8p)
- First half dividend increased 9% to 25.0p per share (2013: 23.0p)
- Net debt falls to £1.5 million - £1.8 million in constant currency (2013: £8.5 million)



- Target key Blue Chip customer accounts
- Increase penetration of existing key accounts
- Further expansion of high efficiency ("Green") product offering
- Increase contribution of high margin own designed/manufactured products
- Extend manufacturing capacity outside China
- Lead our industry on environmental issues

Estimated market size and XP share 2013

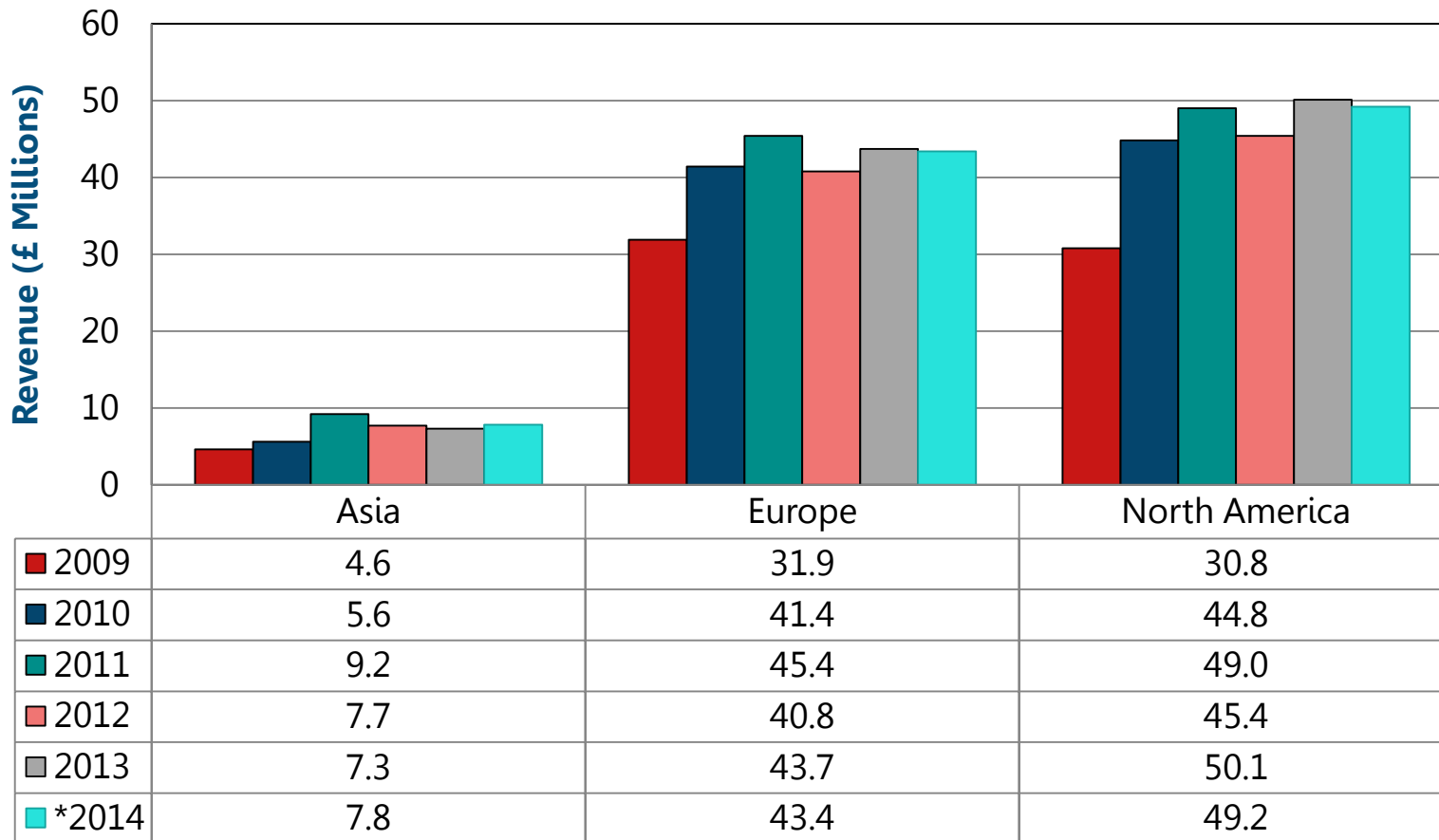
£ Million	Size	Share	Rank
Asia	669	1%	-
Europe	399	11%	1 st (Equal)
North America	620	8%	1 st
Total	1,688	6%	

Source: Micro-Tech Consultants

XP Power's revenue mix – First half 2014

£ Millions	Asia	Europe	North America	Total	%
Healthcare	0.8	4.8	9.7	15.3	31%
Industrial	1.7	13.3	9.8	24.8	49%
Technology	1.4	3.6	5.1	10.1	20%
Total	3.9	21.7	24.6	50.2	100%
	8%	43%	49%	100%	

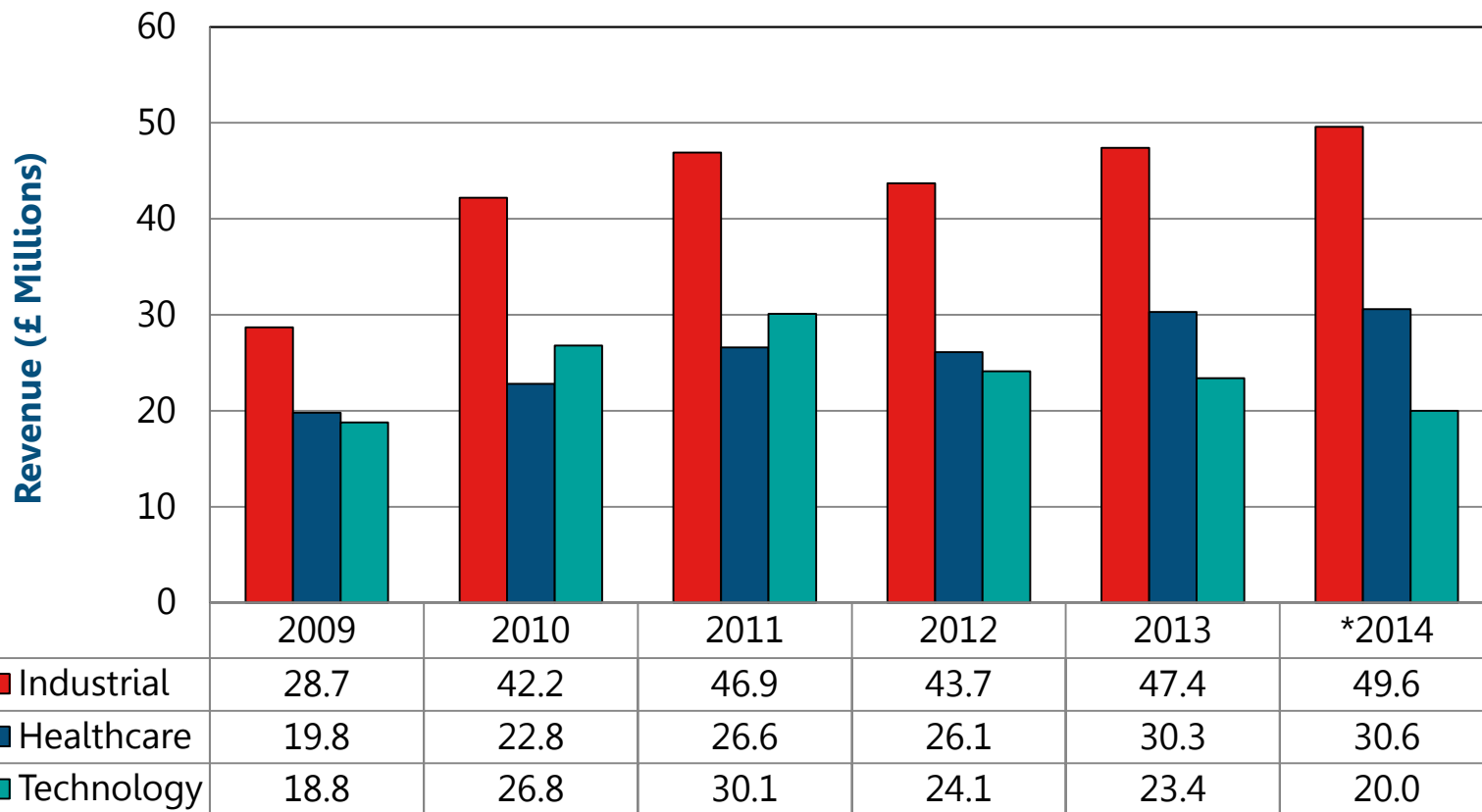
Geographic Split



Note: 2014 is six months to 30 June 2014 annualised



Sector Split



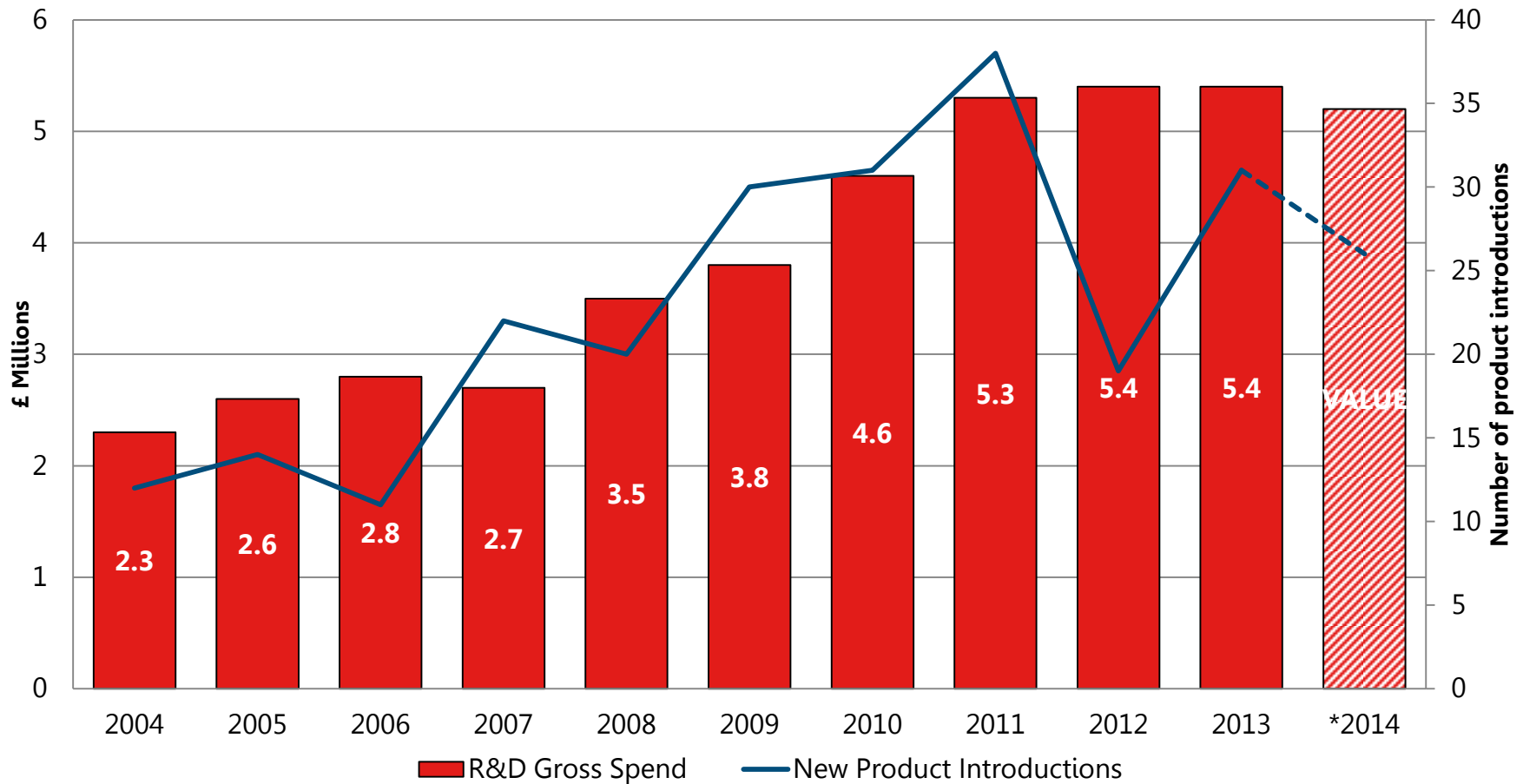
Growth

Industrial	-21%	+48%	+11%	-7%	+8%	+5%
Healthcare	+31%	+15%	+17%	-2%	+16%	+1%
Technology	+4%	+42%	+12%	-20%	-3%	-17%

Note: 2014 is six months to 30 June 2014 annualised



- We do business with over 70% of the S&P 500 Equipment Manufacturers
- Top 30 customers account for 43% (2013: 40%) of revenue (largest customer <5%)

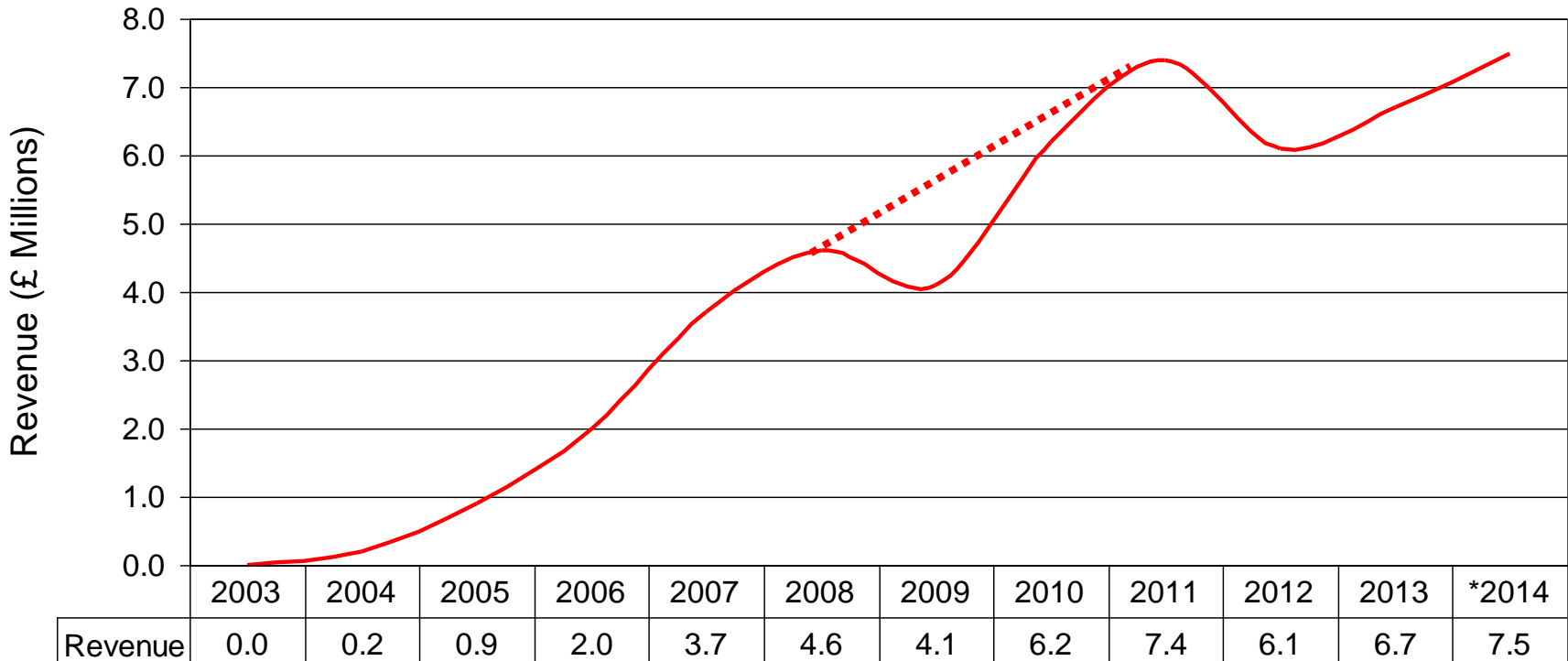


- The success of our new products has led directly to significant gains in new programs
- Greater focus on modified standards in recent years following a wave of new product family launches
- Gross R&D spend represents 7.9% of own design revenue



Note: 2014 is six months to 30 June 2014 annualised

Typical Product Life Cycle



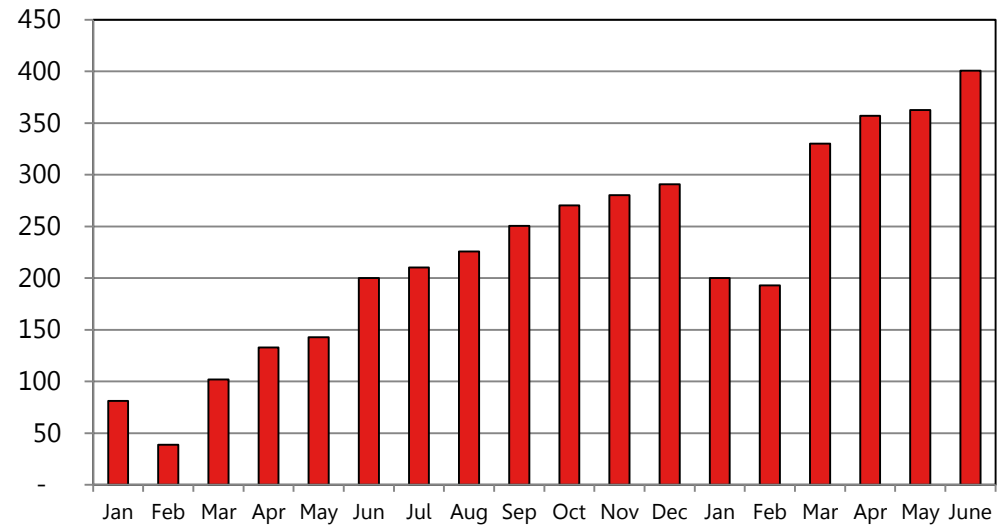
- Substantial revenue annuity
- Design in cycle typically 18 months
- 2009 and 2012 dips due to market downturn and not typical



ECM40/60

- Primarily a magnetics manufacturing facility – a critical component
- Further vertical integration offers an additional value proposition to customers - control of manufacturing, flexibility and lead times
- Currently producing ~70% of overall magnetics demand
- Sufficient area to add an additional factory when demand dictates
- Contributing to margins from June 2013
- Expect to start power converter manufacturing in second half of 2014

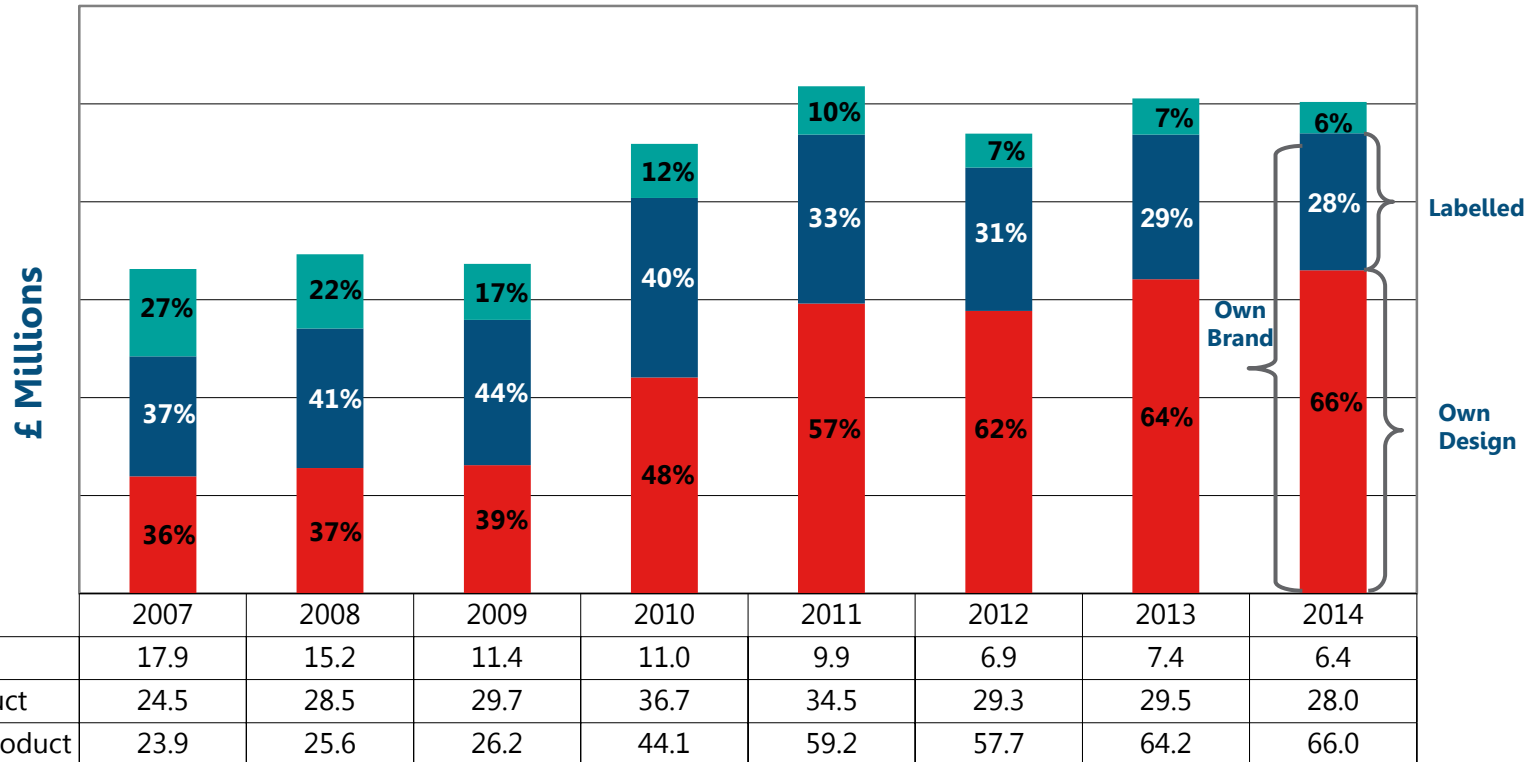
Units produced (thousands)



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



Own Design Revenue Trend

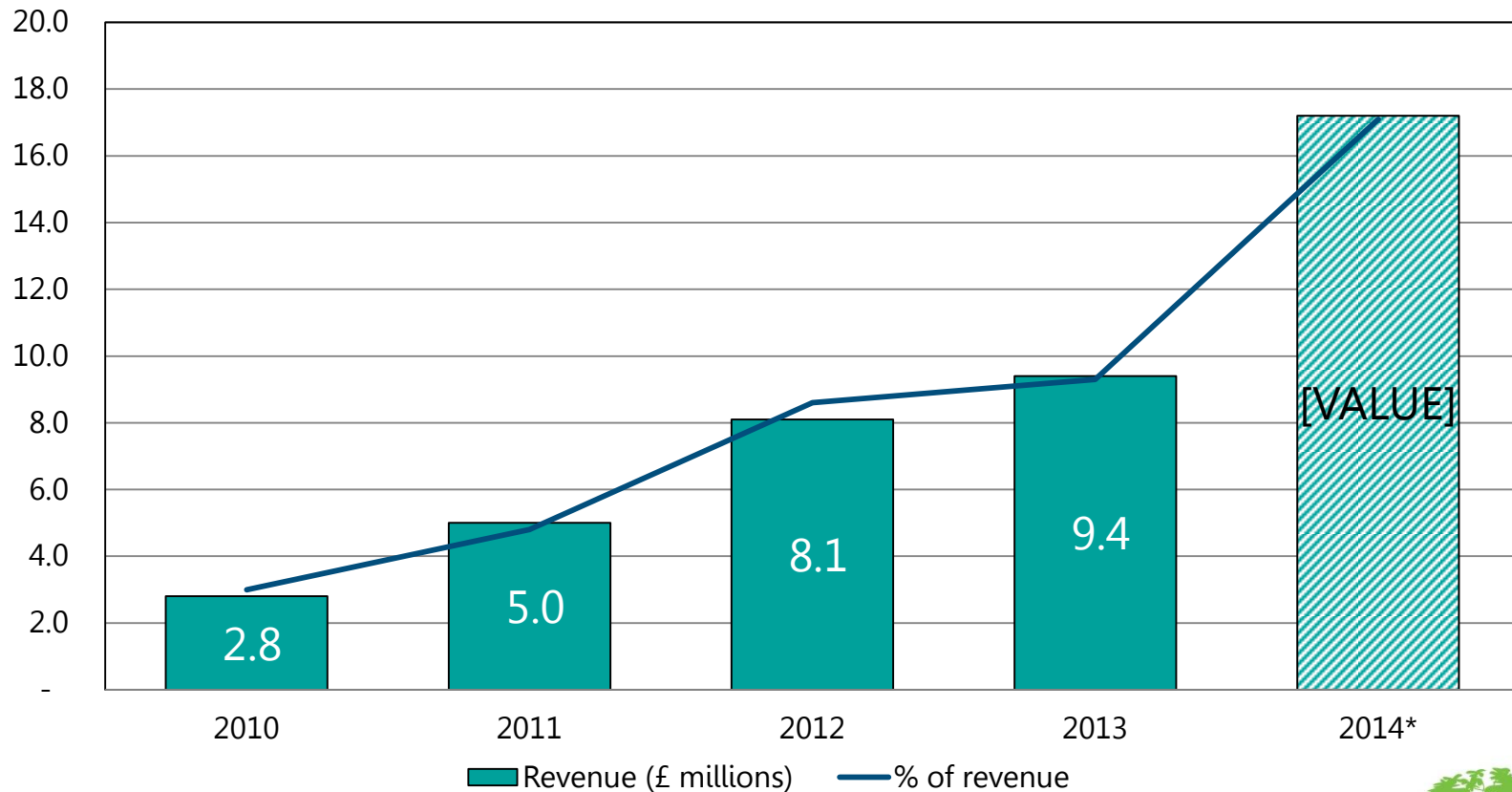


Average compound annual growth rate of 12% for own brand revenue to 2013 (own design 18%)

Note: 2014 is six months to 30 June 2014 annualised



Revenue from "Green" Products



- "Green" products are continuing to gain traction
- Reliability has been the key demand driver for these products
- Green products remain a major market opportunity



Note: 2014 is six months to 30 June 2014 annualised



Income and Expenditure Statement

£ Millions	2014	% revenue	2013	% revenue	Change
GBP/USD exchange rate	1.67		1.54		8%
Orders	51.1		49.9		+2%
Revenue	50.2	100.0%	49.0	100.0%	+2%
Gross margin	25.0	49.8%	23.8	48.6%	+5%
Research and development (net)	2.1		2.4		-13%
Other operating expenses	10.6		10.8		-2%
Operating profit	12.3	24.5%	10.6	21.6%	+16%
Net interest expense	0.1		0.2		-
Profit before tax	12.2	24.3%	10.4	21.2%	+17%
Taxation and minority interest	2.5		2.4		+4%
Profit after tax	9.7	19.3%	8.0	16.3%	+21%
Diluted earnings per share	50.5p		41.8p		+21%
Dividend per share	25.0p		23.0p		+9%

Summary Balance Sheets

£ Millions	June 2014	December 2013	June 2013
GBP/USD exchange rate	1.69	1.64	1.52
Cash	5.6	5.0	4.2
Trade and other receivables	15.9	16.8	17.1
Inventories	22.6	20.4	20.5
Total current assets	44.1	42.2	41.8
Property, plant and equipment	12.5	12.7	13.8
Other non-current assets	41.1	40.6	40.0
Total non-current assets	53.6	53.3	53.8
Trade and other current payables	14.6	13.9	14.2
Short term borrowings	7.1	8.5	6.8
Total current liabilities	21.7	22.4	21.0
Non-current provisions and liabilities	3.8	3.7	3.3
Long term borrowings	-	-	5.9
Net assets	72.2	69.4	65.4
Net debt	1.5	3.5	8.5



Cash Flow Statement

£ Millions	2014 First Half	2013 First Half
Operating Profit	12.3	10.6
Amortisation of development costs	0.7	0.6
Depreciation	0.7	0.7
Currency translation losses / (gains)	(0.5)	0.8
Change in working capital	(0.5)	(0.9)
Income tax paid	(2.3)	(2.5)
Cash provided by operating activities	10.4	9.3
Capitalised development costs	(1.2)	(1.0)
Interest paid	(0.1)	(0.2)
Free cash flow	9.1	8.1
Opening net debt	(3.5)	(10.6)
Purchase of property and equipment (net of disposals)	(0.9)	(0.5)
Dividends	(6.3)	(5.5)
Effects of currency translation on cash / ESOP flows	0.1	-
Closing net debt	(1.5)	(8.5)



Product Pipeline

Fresh portfolio of leading edge ultra high efficiency products

Revenue Annuity

Ongoing revenue annuity from existing and new design wins and penetration of blue chip customers

Attractive margins

Attractive operating margins sustained through customer support and design in assistance

Strong Cash Flow

Attractive margins and low capital requirements result in strong free cash flow

Progressive Dividend

Business model allows for a progressive dividend policy – paid quarterly

- Capital goods markets remain subdued
- Continued success in winning new customer programs
- Broad up to date product portfolio and excellent service and support should continue to generate market share gains
- Vietnam now positively contributing to margins
- Actively looking for appropriate bolt-on acquisitions
- Should show good underlying growth in 2014 (offset by translation impact)

