

IFX Power plc
("IFX" or "the Group")

Interim Results for the six months ended 30 June 2002

REPORT OF THE DIRECTORS

The Board presents its report on the performance of the Group for the six months to 30 June 2002. Trading conditions in the first half have remained difficult but against this background I am pleased to report that IFX has remained profitable and cash generative.

Description of the Group and its markets

The Group provides power supply solutions to the electronics industry and operates predominantly within the mid-tier of the market in Europe and North America. The mid-tier of the market is highly fragmented and made up of a large number of small to medium sized Original Equipment Manufacturers who source standard and modified standard power supplies from several hundred power supply companies.

Financial Performance

Like many other businesses operating in the technology markets, we saw a slowdown relative to the exceptionally good conditions experienced in 2000 and early 2001. The decline in revenues compared to the same period a year ago has had a significant effect on earnings. In the face of difficult trading conditions, particularly in the technology markets, the Group has remained profitable whilst at the same time aggressively expanding its sales force in both the US and Europe.

Despite the challenging economic backdrop gross margins continue to improve. Gross margin improved one percentage point compared to the second half of 2001 and two percentage points over the same period a year ago. This gross margin enrichment is due to the introduction of own-branded products which are gradually making up a higher proportion of our overall revenues.

European revenues were flat year on year, with £3.0 million of revenues from our new Continental European offices offsetting the decline in the UK telecom business.

Despite our lower profitability cash generation was positive. The Group generated £4.4 million of free cash flow in the period, illustrating the benefits of our cash generative business model and the continued focus on inventory reduction.

Profit before tax and goodwill was £0.9 million, down from £3.9 million in the same period a year ago. Earnings per share before goodwill were 2.9 pence per share compared with 13.0 pence per share in the same period a year ago. The 2001 earnings have been increased by £0.1 million due to the affect of implementing Financial Reporting Standard 19 relating to the accounting for deferred taxation. Implementation of the new Standard resulted in the recognition of a deferred tax asset of £0.2 million at 30 June 2002 but had no material effect on the earnings in that period.

Dividend

The Group has declared an interim dividend of 5.0p for the six months ended 30 June 2002 (2001: 5.0p). The interim dividend will be paid on 17 October 2002 to shareholders on the register at 6 September 2002.

Sales Organisation

The Group has taken advantage of difficult market conditions to expand geographically both by acquisition and organically through opening new sales offices. During 2001 new offices were opened in Benelux, Denmark, Italy, France, Norway, Sweden, and in the US (Colorado, Minnesota, North Carolina, Pennsylvania and Texas). The Board's expectations were that these offices would cover their costs within about one year from opening. While this has been true in the US we have found that many of the European offices are taking longer than expected to break even. As a result, expectations of the Continental European business reaching break even in 2002 have been revised to 2003. In the interim, we have already rationalised costs in Germany and Denmark and removed 20% of the Continental European sales force. The Board will continue to closely monitor the performance of the new offices and take action where appropriate.

In response to the current economic climate we have allocated our sales resource away from areas such as telecom and networking and refocused them in areas which are currently more productive such as medical, industrial and instrumentation.

Acquisitions and Moving up the Value Chain

On 30 April 2002, the Group acquired the business and certain assets of Switching Systems International ("SSI") for US\$8.5 million (approximately £5.6 million) plus expenses. US\$1.25 million of this consideration is deferred until July 2003.

Based in Anaheim, California, SSI operates in, and provides power supply solutions to, the mid-tier of the electronics industry. SSI has designed its own proprietary range of configurable power supplies using outsourcing partners as manufacturers. It also provides value added power supply solutions using these same products. Value added power solutions are modified standard devices that can be more easily integrated into the customer's system. Modifications can involve providing wiring harnesses, thermal management, custom enclosures and ensuring Electro Magnetic Compatibility. These enhancements aid the design-in process saving the customer time and therefore money.

SSI's traditional route to market was via manufacturing representatives in the US. Following the acquisition, these manufacturing representatives have been replaced by IFX's direct sales force. The acquired business has now been integrated into XPiQ, Inc., a wholly owned subsidiary of IFX.

The acquisition of SSI is an important step for the Group in that it continues our move higher up the value chain. With SSI we acquired our own proprietary configurable product line and a highly skilled design engineering team of some 20 engineers, capable of designing products which specifically meet the needs of the customers in the mid-tier of the market. The gross margins we are able to earn from our own proprietary products are significantly higher than if we only specify the product for our manufacturing partners to build.

Early signs from this acquisition are promising. The business is already profitable having lost money prior to its acquisition by the Group. Our existing customers are reacting very favourably to the product line and the cost reductions they can attain by designing it in.

As a consequence of moving up the value chain we are no longer dealing with certain of our historic suppliers where their product line conflicts with our own XP branded offering. We anticipate that this will have some negative effect on our short term revenues but after this any shortfall will be taken up by our own new branded products.

In June 2002 we launched our first XPiQ product catalogue. This 182 page catalogue exclusively contains our own XP branded product and is a significant milestone in the development of our business model. We continue to expand and refine our own proprietary product portfolio developing products aimed at the specific needs of our customers. As with the reallocation of our sales resource referred to above, greater emphasis has been placed on medical and industrial type applications, where market conditions are currently more favourable.

Cost Structure

Mindful of the costs of its geographic expansion the Group has continued to manage its costs closely. We have continued the process of evaluating new sales engineers we have recruited, rewarding those who are successful. The effects of reducing the number of senior management in the US in the previous financial year have now started to benefit the profit and loss account. Operating expenses including depreciation for the six months ended 30 June 2002 were £9.1 million, including £0.4 million relating to the SSI acquisition and £2.0 million relating to our new European businesses. For the corresponding period in 2001 operating expenses were £9.9 million, including £0.4 million relating to the new European businesses.

New Board Appointments

As the US represents the majority of our business I am strengthening the board by the appointment of three of our senior US managers as executive directors.

Paul Christiansen, who is responsible for the marketing of our own branded products, Mike Laver, responsible for the US sales organisation, and Frank Rene, responsible for the engineering team which designs our own branded products, have been appointed to the Board with effect from 20 August 2002. Each of these individuals has been a key contributor to the development of Group and their respective companies and I look forward to their future contribution.

Outlook

We have experienced a flat overall market since early in 2001. However, in recent months we have seen further deterioration in the technology sectors of the markets and we can see no immediate improvement in the general economic health of these end markets. Elsewhere, sectors such as medical, industrial and instrumentation are buoyant but these markets are not sufficient to offset the further deterioration we see in the telecom markets. We expect this continuing deterioration to have a detrimental effect on our base business in the second half of 2002, although we expect most of any revenue shortfall to be made up by the revenues from our new businesses in Europe and North America.

These difficult conditions notwithstanding, we expect to continue to generate free cash flow and to continue to improve gross margins in the second half of 2002 as we see benefits from designing in our expanded portfolio of XP branded product.

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Larry Tracey
Chairman and Chief Executive Officer
20 August 2002

Consolidated Profit and Loss Account (unaudited)
For the six months ended 30 June 2002

£ Millions	Note	Six months ended 30 June 2002	Six months ended 30 June 2001 Restated (Note 11)
Turnover	2	33.0	50.5
Cost of sales		(22.8)	(35.9)
Gross Profit		<u>10.2</u>	<u>14.6</u>
Operating expenses		(8.8)	(9.6)
Costs of exceptional re-organisation		-	(0.7)
Earnings before interest, tax and depreciation		<u>1.4</u>	<u>4.3</u>
Amortisation of goodwill		(0.7)	(0.5)
Depreciation		(0.3)	(0.3)
Group Operating Profit		<u>0.4</u>	<u>3.5</u>
Total Operating Profit		<u>0.4</u>	<u>3.5</u>
Other interest receivable and similar income		-	0.1
Interest payable and similar charges		(0.2)	(0.2)
Profit on ordinary activities before taxation	2	<u>0.2</u>	<u>3.4</u>
Tax on profit on ordinary activities	3	(0.3)	(1.2)
(Loss)/profit on ordinary activities after taxation		<u>(0.1)</u>	<u>2.2</u>
Minority interests		(0.1)	-
(Loss)/profit for the period attributable to IFX shareholders		<u>(0.2)</u>	<u>2.2</u>
Dividends payable	4	(1.0)	(1.0)
Retained profit for the period		<u>(1.2)</u>	<u>1.2</u>
Basic (loss)/earnings per share	5	(0.5)p	10.7p
Diluted (loss)/ earnings per share	5	(0.5)p	10.6p
Earnings per share adjusted for goodwill	5	2.9p	13.1p
Diluted earnings per share adjusted for goodwill	5	2.9p	13.0p
Statement of total recognised gains and (losses)			
Profit attributable to IFX shareholders		(0.2)	2.2
Currency translation differences		(0.9)	0.5
Total recognised (losses)/gains related to the period		<u>(1.1)</u>	<u>2.7</u>

Consolidated Balance Sheet (unaudited)
At 30 June 2002

£ Millions	At 30 June 2002	At 31 December 2001 Restated (Note 11)	At 30 June 2001 Restated (Note 11)
Fixed assets			
Intangible assets	23.6	20.0	20.1
Tangible assets	3.6	3.0	2.6
Own shares	0.5	0.5	0.5
Investments	0.4	1.5	1.2
Total fixed assets	28.1	25.0	24.4
Current assets			
Stock	9.3	10.1	15.6
Debtors	13.6	12.6	15.9
Cash at bank and in hand	4.3	1.5	2.1
Total current assets	27.2	24.2	33.6
Creditors: amounts falling due within one year	(14.3)	(13.0)	(23.4)
Net current assets/(liabilities)	12.9	11.2	10.2
Total assets less current liabilities	41.0	36.2	34.6
Creditors: amounts falling due after more than one year	(9.5)	(3.4)	-
Net assets	31.5	32.8	34.6
Capital and reserves			
Called up share capital	0.2	0.2	0.2
Share premium account	27.0	27.0	26.9
Merger reserve	0.2	0.2	0.2
Profit and loss account	3.8	5.9	7.3
Total equity shareholders' funds	31.2	33.3	34.6
Minority interests	0.3	(0.5)	-
Total capital and reserves	31.5	32.8	34.6

These financial statements were approved by the Board of Directors on 20 August 2002

Consolidated Cash Flow for the six months ended 30 June 2002 (unaudited)

£ Millions	Note	Six months ended 30 June 2002	Six months ended 30 June 2001
Net cash flow from operating activities	6	5.5	2.2
Returns on investments and servicing of finance			
Interest paid		(0.3)	(0.1)
Net cash outflow from returns on investments and servicing of finance		(0.3)	(0.1)
Taxation			
Tax paid		(0.4)	(1.8)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(0.4)	(1.4)
Sale of tangible fixed assets/ investments		-	0.1
Net cash outflow from capital expenditure		(0.4)	(1.3)
Free cash flow		4.4	(1.0)
Acquisitions and disposals			
Purchase of subsidiaries and associated undertakings		(5.4)	(7.0)
Equity dividends paid		(1.4)	(1.4)
Cash outflow		(2.4)	(9.4)
Decrease in cash	7	(2.4)	(9.4)

Notes to the Interim Results for the six months ended 30 June 2002

1. Basis of preparation

Accounting convention

The financial statements have been prepared under the historical cost convention.

Basis of consolidation

The Group has accounted for the acquisition of XP and Forx using the merger method of accounting and all other acquisitions have been accounted for using the acquisition method of accounting in accordance with Financial Reporting Standard 6, "Acquisitions and Mergers".

Goodwill and intangible fixed assets

For acquisitions of a business, where the acquisition method of accounting is adopted, purchased goodwill is capitalised in the year in which it arises and amortised over its estimated useful life up to a maximum of 20 years. The directors regard 20 years as a reasonable maximum for the estimated useful life of goodwill. Capitalised purchased goodwill in respect of subsidiaries is included within intangible fixed assets.

Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Plant and machinery	-	15-33%
Motor vehicles	-	25%
Office equipment	-	15-33%
Leasehold improvements	-	10%
Long leasehold land and buildings	-	Term of the lease

Investments

Investments held as fixed assets are stated at cost less provision for impairment if applicable.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost represents materials and appropriate overheads.

Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted. Prior year figures have been restated to reflect the requirements of Financial Reporting Standard 19, resulting in a tax credit of £0.1m in the 2001 comparatives.

Foreign exchange

Transactions denominated in foreign currencies are translated at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

The results of overseas subsidiary undertakings are translated in sterling at average rates for the period. The exchange differences arising as a result of restating retained profits to closing rates are dealt with as a movement on reserves.

Leases

Rental costs under operating leases are charged to the profit and loss account in equal instalments over the period of the leases.

2. Segmental analysis

The Group operates substantially in one class of business, the provision of power supply solutions to the electronics industry. Analysis of total Group operating profit, net assets, turnover and total Group operating profit by geographical region is set out below.

Segmental analysis

£ Millions

	Six months ended 30 June 2002	Six months ended 30 June 2001
Turnover		
Europe	11.0	11.0
United States	22.0	39.5
Total turnover	33.0	50.5
Group operating profit (before goodwill)		
Europe	(0.2)	1.4
United States	1.3	2.6
Total Group operating profit (before goodwill)	1.1	4.0
Net interest payable	(0.2)	(0.1)
Total Group profit before tax, goodwill and exceptional items	0.9	3.9
Amortisation of goodwill	(0.7)	(0.5)
Profit on ordinary activities before taxation	0.2	3.4

At 30 June 2002

At 30 June 2001

Net assets

Europe	2.5	3.6
United States	29.0	31.0
Total net assets	31.5	34.6

3. Taxation

£ Millions

	Six months ended 30 June 2002	Six months ended 30 June 2001
Europe	0.2	0.4
United States	0.1	0.8
Total taxation	0.3	1.2

4. Equity dividends

An interim dividend of 5p (2001: 5p) per share will be paid on 17 October 2002 to shareholders on the register of members on 6 September 2002.

5. Earnings per share

£ Millions	Six months to 30 June 2002	Six months to 30 June 2001
(Loss)/Profit attributable to IFX shareholders for the financial period for basic earnings per share	(0.1)	2.2
Amortisation of goodwill	0.7	0.5
Earnings for adjusted earnings per share	0.6	2.7
Weighted average number of shares (thousands) (basic)	20,514	20,630
Weighted average number of shares (thousands) (fully diluted)	20,632	20,706

6. Reconciliation of operating profit to net cash inflow from operating activities

£ Millions	Six months ended 30 June 2002	Six months ended 30 June 2001
Operating profit	0.4	3.5
Depreciation and amortisation	1.0	0.8
Decrease/(Increase) in stocks	2.2	(1.1)
Decrease in debtors	0.8	2.2
Increase/ (Decrease) in creditors	1.1	(3.2)
Net cash inflow from operating activities	5.5	2.2

7. Reconciliation of net funds

£ Millions	Six months ended 30 June 2002	Six months ended 30 June 2001
Net (debt)/cash at 1 January	(6.2)	1.9
Cash acquired with subsidiary undertakings	-	0.2
(Decrease)/increase in cash per cash flow statement	(2.4)	(9.4)
Net debt at 30 June	(8.6)	(7.3)
Represented by		
Cash at bank and in hand	4.3	2.1
Overdraft/ Revolving Credit Facility	(12.9)	(9.4)
Net debt at 30 June	(8.6)	(7.3)

8. Borrowings

In August 2001 the Group agreed a working capital facility of £10 million and a revolving credit facility for acquisitions of £20 million committed for three years from the Bank of Scotland.

9. Acquisitions

The Group acquired the operating assets of Switching Systems International (SSI). The Group also gained management control of MPI-XP Power AG, enabling the Group to consolidate this company. The net assets at the point at which control was gained were £907,000, the minority interest was £680,000. As stated in Note 10, the Group is committed to acquiring the remaining share capital in 2006.

Included in the Statement of Consolidated Cash Flows is £64,000 relating to the deferred consideration paid for Aston Technologies, Inc.

£ Millions	SSI
Balance sheets at acquisition	
Tangible fixed assets	0.6
Stock	1.6
Debtors	1.6
Creditors and Accruals	(1.6)
Net assets acquired	2.2
Goodwill	3.9
Purchase consideration	6.1
Satisfied by:	
Cash consideration	5.3
Deferred consideration	0.8
	6.1

10. Commitments

The Group is committed to acquiring the remaining 75% of the issued share capital of MPI-XP Power AG that it does not already own in 2006. The consideration will be a minimum of 4.9 million Swiss Francs (approximately £2.1 million).

11. Prior Year Adjustment

Included in the tax charge for the period ended 30 June 2001 is a credit of £0.1 million resulting from the change in the method of accounting for deferred tax assets and liabilities following the adoption of Financial Reporting Standard 19.

Independent Review Report to IFX Power plc

Introduction

We have been instructed by the Group to review the financial information for the six months ended 30 June 2002 which comprises the profit and loss, statement of recognised gains and losses, balance sheet, cash flow statement and related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2002.

Deloitte & Touche

Chartered Accountants and Registered Auditors
Blenheim House
Fitzalan Court
Newport Road
Cardiff
CF24 0TS

20 August 2002

Shareholder Information

Listing

Ordinary shares of IFX Power plc are listed on the Official List of the UK Listing Authority (symbol IXP).

Shareholder Enquiries and Information

Further copies of this report are available from the company's registered office:

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or from the company's website
<http://www.ifxpower.com>

Registrar

The company's share register is maintained by:

Capita IRG Plc
Balfour House
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Ilford
Essex
IG1 1NQ

Any enquiries about the administration of shareholdings, such as change of address, change of ownership or dividend payments, should be directed to the Company's registrars at the address above.

Directors and Advisers

Board of Directors

Larry Tracey
Chairman and Chief Executive

Roger Bartlett
Non-Executive

Paul Christiansen
Executive Director

John Dyson
Non-Executive

Mike Laver
Executive Director

Duncan Penny
Finance Director and Company Secretary

James Peters
European Managing Director

Frank Rene
Executive Director

Steve Robinson
e Business Director

Richard Sakakeeny
Non-Executive

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