

5 August 2003

XP Power plc
(“XP” or “the Group”)

Interim Results for the six months ended 30 June 2003

XP, one of the world’s leading providers of power supply solutions to the mid-tier of the electronics industry, today announces its interim results for the six-month period ended 30 June 2003.

Highlights

	Six months ended 30 June 2003	Six months ended 30 June 2002
Profit and loss (refer to page 4)		
Turnover	£29.1M	£33.0M
Gross profit	£9.7M	£10.2M
Gross margin	33.3%	30.9%
Profit before tax	£0.9M	£0.2M
Profit before tax and goodwill amortisation	£1.7M	£0.9M
Basic and diluted earnings per share	2.0p	(1.0)p
Diluted earnings per share adjusted for goodwill amortisation	5.9p	2.9p
Interim dividend per share	5.0p	5.0p
Cash flow (refer to page 6)		
Cash inflow	£0.7M	£2.8M
Free cash flow	£3.0M	£4.4M

- Profit before tax and amortisation of goodwill up 89% to £1.7 million
- Third successive half year period of earnings per share improvement
- Sixth successive half year period of improvement in gross margin percentage due to further development of XP own brand product range
- Continental European operations now at break even
- Free cash flow of £3.0 million generated in the period

Larry Tracey, Executive Chairman commented: “XP is soundly positioned in this tough environment. Costs have been vigorously managed and efficiency gains achieved whilst we have simultaneously expanded our geographical sales presence and product offering. Our expectation is for the current challenging market conditions to persist for the immediate future. However, we continue to outperform the competition and we believe that the benefits of focusing on our own XP brand will put us in a strong position to further increase gross margins and benefit from an upturn.”

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Enquiries:

XP Power plc

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Notes to editors:

XP Power plc, formerly IFX Power plc, provides power supply solutions to the mid-tier market of the electronics industry.

All electronic equipment needs a power supply. Power supplies convert the incoming AC supply into various levels of DC voltages to drive electronic components and sub-assemblies within the end user's equipment. By servicing this market XP Power provides investors with access to technology and industrial markets through its 8,000 strong customers in the profitable, high margin, mid-tier sector of the North American and European markets.

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.

For further information, please visit www.xppower.com

XP Power plc
(“XP” or “the Group” formerly IFX Power plc)

Interim Results for the six months ended 30 June 2003

CHAIRMAN’S STATEMENT

Trading conditions in the first half have remained difficult but against this background I am pleased to report that XP has once again improved its profitability and gross margin as well as generated free cash flow.

Financial Performance

Like many other businesses operating in the electronics industry, we continue to experience weak demand in the end markets we serve. Our response to this prolonged period of depressed market conditions has been to seek out new geographic markets in both Europe and North America and a continued focus on gross margin enhancement.

The development of our own XP branded products has been crucial to the process of generating higher gross margins on product sales. Gross margins improved to 33.3% in the first half of 2003 compared with 30.9% in the same period a year ago. This is the sixth successive half yearly report where we have demonstrated an improvement in the gross margin percentage and has been achieved during a period of unprecedented price pressure in the industry. The improvement in gross margins is the result of our strategy of moving up the value chain. In the first half of 2003 49% of our revenues came from our own branded product compared to 43% in the same period a year ago. The main driver of the Group’s gross margin performance has been its ability to deliver power supply solutions which meet the needs of our customers, either through our own XP branded products or our value added and design engineering capabilities.

As we rapidly expanded our own XP branded product offering certain manufacturers who we had traditionally represented in the market place as a distributor increasingly began to see XP as a competitor. As expected, implementation of this strategy has brought a number of these relationships to an end in the past year. This factor, as well as the further decline in demand from the technology end markets in the second half of 2002, contributed to a decline in revenues compared to the same period a year ago, particularly in the US. However, despite reduced revenues, I am pleased to report our third successive period of increased earnings per share resulting from an improvement in gross margins and the cost reductions which were made in Continental Europe during the second half of 2002.

European revenues were flat at £11.0 million compared to the same period a year ago, however our Continental European operations are now making a small operating profit compared with an operating loss of £0.8 million in the same period a year ago. Again, this is due to cost reduction initiatives which were taken in the second half of 2002 together with improved gross margins in that region.

The overall result is that profit before tax and £0.8 million of goodwill amortisation was £1.7 million, up from £0.9 million in the same period a year ago (refer to profit and loss account on page 4). Basic earnings per share were 2.0 pence compared with a loss of 1.0 pence in the same period a year ago. Earnings per share before amortisation of goodwill were 5.9 pence compared with 2.9 pence in the same period a year ago.

Dividend

The Group has declared an interim dividend of 5.0 pence per share for the six months ended 30 June 2003 (2002: 5.0 pence per share). The interim dividend will be paid on 8 October 2003 to shareholders on the register at 5 September 2003.

Cash Flow and Share Buy Back

The net cash inflow for the six months to June 2003 was £0.7 million compared with £2.8 million in the same period a year ago (refer to cash flow on page 6). The period under review is XP's fourth successive half yearly period of free cash flow generation (cash flow before acquisitions, dividends and financing). The Group generated £3.0 million of free cash flow in the six months to June 2003, illustrating the benefits of our cash generative business model.

In early May we purchased 470,000 of our own shares in the market at an average price of 108.5 pence per share. In view of the high yield on our own shares and the absence of suitable acquisition targets, we considered a share buy back to be the best use of the cash resources available to us at this time.

Net debt was £6.7 million at the end of June 2003 compared to £7.8 million at the end of December 2002. It is pleasing to report a £1.1 million improvement in our net debt position despite returning £1.9 million pounds to shareholders in the same period in the form of our final dividend for 2002 of £1.4 million and a share buy back of £0.5 million.

Change of Name

Having standardised on "XP" as the Group's global brand, the Group changed its name to XP Power plc with effect from 2 May 2003. The change gives greater consistency between the parent and the operating businesses and eliminates confusion when interfacing with our customers and manufacturing partners.

New Product Development and Moving up the Value Chain

Over the past two years the Group has placed great emphasis on the release of new products to expand its own XP branded product line. A record 37 new product families were introduced during 2002 in addition to the 30 new product families introduced in 2001. We consider that the Group now has the broadest product offering of any company in the industry. Furthermore, these products have been specifically developed to meet the needs of the customers we serve in the mid-tier of the market. In June this year we launched our new 219 page XPiQ catalogue in the US. These new products are gradually making up an ever increasing proportion of our revenues and contributing to the consequent increase in our gross margins.

Having rapidly expanded our own product line we are now focusing our engineering resources on the development of the next generation of our configurable power supply offering.

Outlook

The electronics market remains a tough environment in which to operate. Many of our customers still lack the business confidence to launch new programmes into which our power supplies are designed. Furthermore, some customers are continuing to manage their inventory levels very tightly, such that they will often only place orders when they have orders from their customers.

Against this backdrop I am pleased that XP Power has remained profitable, one of the few power supply companies in the world to do so, while at the same time expanding its geographical sales presence and product offering. The Group's resilient performance comes at a time when many of our competitors face financial difficulties and are cutting back both their sales forces and product development capabilities. These actions can only strengthen XP's relative market position in the medium term.

While we can see no quantum change in the underlying markets XP serves, we believe that the strategy we have adopted should result in gradually improving revenues and margins in the medium term.

Larry Tracey
Executive Chairman
5 August 2003

XP Power plc
Consolidated Profit and Loss Account (Unaudited)
For the six months ended 30 June 2003

£ Millions	Note	Six months ended 30 June 2003	Six months ended 30 June 2002
Turnover	2	29.1	33.0
Cost of sales		(19.4)	(22.8)
Gross Profit		<u>9.7</u>	<u>10.2</u>
Amortisation of goodwill		(0.8)	(0.7)
Depreciation		(0.3)	(0.3)
Other operating expenses		(7.5)	(8.8)
Total operating expenses		<u>(8.6)</u>	<u>(9.8)</u>
Group operating profit	2	1.1	0.4
Earnings before interest, tax, depreciation and amortisation		2.2	1.4
Share of associates' operating profit		0.1	0.0
Total operating profit		<u>1.2</u>	<u>0.4</u>
Interest payable and similar charges		(0.3)	(0.2)
Profit on ordinary activities before taxation		<u>0.9</u>	<u>0.2</u>
Tax on profit on ordinary activities	3	(0.5)	(0.3)
Profit/(loss) on ordinary activities after taxation		<u>0.4</u>	<u>(0.1)</u>
Equity minority interests		-	(0.1)
Profit/(loss) for the period attributable to XP shareholders		<u>0.4</u>	<u>(0.2)</u>
Dividends payable	4	(1.0)	(1.0)
Retained loss for the period		<u>(0.6)</u>	<u>(1.2)</u>
Basic and diluted earnings/(loss) per share	5	2.0p	(1.0)p
Basic and diluted earnings per share adjusted for goodwill amortisation	5	5.9p	2.9p
Statement of total recognised gains and losses			
Profit attributable to XP shareholders		0.4	(0.2)
Dividends		(1.0)	(1.0)
Currency translation differences		(0.5)	(0.9)
Total recognised losses related to the period		<u>(1.1)</u>	<u>(2.1)</u>

XP Power plc
Consolidated Balance Sheet (Unaudited)
At 30 June 2003

£ Millions	At 30 June 2003	At 31 December 2002	At 30 June 2002
Fixed assets			
Intangible assets	22.2	23.0	23.6
Tangible assets	3.2	3.4	3.6
Own shares	0.4	0.4	0.5
Investments	0.8	0.8	0.4
Total fixed assets	26.6	27.6	28.1
Current assets			
Stock	7.4	7.7	9.3
Debtors	10.6	10.8	13.6
Cash at bank and in hand	5.1	4.4	4.3
Total current assets	23.1	22.9	27.2
Creditors: amounts falling due within one year	(13.0)	(12.6)	(14.3)
Net current assets/(liabilities)	10.1	10.3	12.9
Total assets less current liabilities	36.7	37.9	41.0
Creditors: amounts falling due after more than one year	(8.6)	(8.2)	(9.5)
Net assets	28.1	29.7	31.5
Capital and reserves			
Called up share capital	0.2	0.2	0.2
Share premium account	27.0	27.0	27.0
Merger reserve	0.2	0.2	0.2
Profit and loss account	0.1	1.7	3.8
Total equity shareholders' funds	27.5	29.1	31.2
Minority interests	0.6	0.6	0.3
Total capital and reserves	28.1	29.7	31.5

These financial statements were approved by the Board of Directors on 4 August 2003.

XP Power plc
Consolidated Cash Flow (Unaudited)
For the six months ended 30 June 2003

£ Millions	Note	Six months ended 30 June 2003	Six months ended 30 June 2002
Net cash flow from operating activities	6	3.5	5.5
Returns on investments and servicing of finance			
Interest paid		(0.3)	(0.3)
Net cash outflow from returns on investments and servicing of finance		(0.3)	(0.3)
Taxation			
Tax paid		(0.1)	(0.4)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(0.1)	(0.4)
Net cash outflow from capital expenditure		(0.1)	(0.4)
Free cash flow		3.0	4.4
Acquisitions and disposals			
Purchase of subsidiaries and associated undertakings		-	(5.4)
Share buy back		(0.5)	-
Cash outflow from acquisitions and disposals		(0.5)	(5.4)
Equity dividends paid		(1.4)	(1.4)
Cash inflow/(outflow) before financing		1.1	(2.4)
Financing			
New borrowings		0.5	5.2
Repayment of borrowings		(0.9)	-
Net cash (outflow)/inflow from financing		(0.4)	5.2
Cash inflow	7	0.7	2.8

1. Basis of preparation

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

Basis of consolidation

The Group has accounted for the acquisition of XP PLC and Forx Inc. 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	-	25-33%
Motor vehicles	-	25%
Office equipment	-	25-33%
Leasehold improvements	-	10% or over the life of the lease if shorter
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 based on the normal levels of activity.

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.

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.

£ Millions	Six months ended 30 June 2003	Six months ended 30 June 2002
Turnover		
Europe	11.0	11.0
United States	18.1	22.0
Total turnover	29.1	33.0
Group operating profit		
Europe	1.0	(0.2)
United States	0.1	0.6
Total Group operating profit	1.1	0.4
	At 30 June 2003	At 30 June 2002
Operating Net Assets		
Europe	7.5	8.2
United States	28.3	32.9
Total Operating Net Assets	35.8	41.1

Operating net assets are defined as net assets adjusted for net borrowings and the proposed dividend.

3. Taxation

£ Millions	Six months ended 30 June 2003	Six months ended 30 June 2002
Europe	0.2	0.2
United States	0.3	0.1
Total taxation	0.5	0.3

4. Equity dividends

An interim dividend of 5p (2002: 5p) per share will be paid on 8 October 2003 to shareholders on the register of members on 5 September 2003.

5. Earnings per share

£ Millions	Six months to 30 June 2003	Six months to 30 June 2002
Profit/(loss) attributable to XP shareholders for the financial period for basic earnings per share	0.4	(0.2)
Amortisation of goodwill	0.8	0.7
Earnings for adjusted earnings per share	1.2	0.5
Weighted average number of shares (thousands) (basic)	20,370	20,514
Weighted average number of shares (thousands) (diluted)	20,370	20,632

Supplementary earnings per share figures are presented to exclude the effect of goodwill amortisation as the board regards this to be more meaningful.

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

£ Millions	Six months ended 30 June 2003	Six months ended 30 June 2002
Operating profit	1.1	0.4
Depreciation and amortisation	1.1	1.0
Decrease in stocks	0.3	2.2
Decrease in debtors	0.2	0.8
Increase in creditors	0.8	1.1
Net cash inflow from operating activities	3.5	5.5

7. Reconciliation of net debt

£ Millions	Six months ended 30 June 2003	Six months ended 30 June 2002
Net debt at 1 January	(7.8)	(6.2)
Increase in cash	0.7	2.8
Cash outflow/(inflow) from decrease/(increase) in debt	0.4	(5.2)
Net debt at 30 June	(6.7)	(8.6)
Represented by		
Cash at bank and in hand	5.1	4.3
Overdraft/Revolving Credit Facility	(11.8)	(12.9)
Net debt at 30 June	(6.7)	(8.6)

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. 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 £2.2 million).

10. Share buy back

During May 2003 the company repurchased 470,000 of its own shares at an average price of 108.5 pence per share. These shares were cancelled and accordingly a transfer of £0.5 million was made from retained earnings.

Independent Review Report to XP Power plc

Introduction

We have been instructed by the Group to review the financial information for the six months ended 30 June 2003 which comprises the profit and loss account, the balance sheets, the cash flow statement and related notes 1 to 10. 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.

This report is made solely to the company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

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 2003.

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
Cardiff

5 August 2003

Shareholder Information

Listing

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

Shareholder Enquiries and Information

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

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Directors and Advisers

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Executive Chairman

James Peters
Deputy Chairman

Duncan Penny
Chief Executive

Roger Bartlett
Non-Executive

Paul Christiansen
Executive Director

John Dyson
Non-Executive

Mike Laver
Executive Director

Frank Rene
Executive Director

Steve Robinson
European Managing Director

Richard Sakakeeny
Non-Executive

Registrar

The company's share register is maintained by:

Capita IRG Plc
The Registry
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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.

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