3 August 2004

XP Power plc
(“XP” or “the Group”)

Interim Results for the six months ended 30 June 2004

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 2004.

Highlights

Profit and loss (refer to page 5)	**Six months ended 30 June 2004 (Unaudited)**	Six months ended 30 June 2003 (Unaudited)	
Turnover	**£33.2M**	£29.1M	+14%
Gross profit	**£11.7M**	£9.7M	+21%
Gross margin	**35.2%**	33.3%	
Profit before tax	**£2.3M**	£0.9M	+156%
Profit before tax and goodwill amortisation	**£3.0M**	£1.7M	+76%
Basic earnings per share	**7.0p**	2.0p	+250%
Diluted earnings per share	**6.9p**	2.0p	+245%
Diluted earnings per share adjusted for goodwill amortisation	**10.3p**	5.9p	+75%
Interim dividend per share	**6.0p**	5.0p	+20%

- All industry sectors and geographies show growth producing an overall revenue increase of 14%
- Profit before tax and amortisation of goodwill up 76% to £3.0 million
- Acquisition of XP Electronics expands design engineering capability
- Fifth successive half year period of earnings per share improvement
- Eighth successive half year period of improvement in gross margin percentage due to further development of our own product range
- XP product now represents over 50% of Group revenues
- Free cash flow (cash flow before acquisitions and disposals, dividend payments and financing) of £3.2 million (2003 - £3.0 million) generated in the period (refer to page 7)
- Interim dividend raised to 6p per share

Larry Tracey, Executive Chairman commented: “With conditions in our key North American market showing sustained improvement for the first time in four years XP has reported a strong set of first half results, despite the well documented depreciation of the US Dollar. We expect our strategy of developing our own XP brand, in combination with an increasing focus on our core customers and industry sectors to continue to drive our performance in the remainder of the second half and beyond."

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Notes to editors:

XP 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

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CHAIRMAN’S STATEMENT

Trading conditions in the first half have improved significantly over those of 2003. I am pleased to report that XP has continued to grow its revenue, improve both its profitability and gross margin and generate significant free cash flow (cash flow before acquisitions and disposals, dividend payments and financing) in the period.

Financial Performance

We experienced a broad return of confidence across much of our customer base during the first half. General economic conditions, particularly in North America, are better than those our industry has experienced in recent years and this improvement is reflected in our financial performance for the period.

Our response to the depressed market conditions prevailing from 2001 through to 2003 was to seek out new geographic markets in both Europe and North America and to focus on gross margin enhancement through the development of products suited to our customer base and containing an ever increasing proportion of our own intellectual property. This strategy is beginning to manifest itself in our results as the design wins secured during this period filter through into our bookings and revenues.

Overall revenue growth of 14.1% for the six months ended 30 June 2004 compared to the same period a year ago has been achieved despite the significant weakening of the US dollar. The average US dollar to sterling exchange rate in the first half of 2004 has been approximately 1.80 which is 13% weaker than the same period a year ago.

Gross margins improved to 35.2% in the first half of 2004 compared with 33.3% in the same period a year ago. This is the eighth successive half-yearly report where we have demonstrated an improvement in the gross margin percentage, which is a result of our decision to reposition the business further up the value chain. In the first half of 2004 over 50% of our bookings and revenues came from our own XP branded product. The main driver of the Group’s gross margin performance has been its ability to deliver power supply solutions which meet the specific needs of our customers, either through our own XP branded products or our value added and design engineering capabilities. We expanded our design engineering capabilities during the period by the acquisition of XP Electronics which is discussed in more detail below.

The overall result is that profit before tax and £0.7 million of goodwill amortisation was £3.0 million from £1.7 million in the same period a year ago (refer to profit and loss account on page 5). Basic earnings per share were 7.0 pence compared with 2.0 pence in the same period a year ago. Diluted earnings per share before amortisation of goodwill were 10.3 pence compared with 5.9 pence in the same period a year ago (refer to note 5).

Dividend

Improved profitability has allowed us to increase the dividend payable to shareholders. The Group has declared an interim dividend of 6.0 pence per share for the six months ended 30 June 2004 (2003: 5.0 pence per share). The interim dividend will be paid on 6 October 2004 to shareholders on the register at 3 September 2004.

Geographic Markets

North American revenues for the period were $34.0 million (or £19.1 million) compared with $28.4 million (or £18.1 million) in the same period a year ago. Although this is a 20% increase in dollar terms, after translation to sterling for reporting purposes the increase is only 6% due to the depreciation of the US dollar. We have seen revenue growth across most industry sectors of North America.

Revenues from our European business also grew in the period. Revenues for the six months ending 30 June 2004 were £14.1 million compared with £11.0 million in the same period a year ago. This is 28% growth and has also been achieved across all industry sectors we service.

Acquisition of XP Electronics

In February 2004 we acquired the remaining 80% of the issued share capital of XP Electronics Limited which we did not already own, for £0.9 million.

XP Electronics is a designer and manufacturer of industrial power supplies based in Sawbridgeworth, Hertfordshire, in which we had taken a 20% shareholding in 2001. Since that time the majority of XP Electronics' revenues of £1.5 million have been derived through XP. Full acquisition of the business has enabled the Group to expand its proprietary product range, added a new low to medium volume manufacturing capability to our UK operation and expanded the Group's design engineering team.

The design team is now an integrated part of XP's product development group and is focused on providing new standard products that can be manufactured at low cost in the Far East by XP's existing manufacturing partners for volume applications. At the same time lower volume production runs and modified standard product will continue to be manufactured in Sawbridgeworth.

The acquisition is a further step up the value chain that will aid the continued expansion of our own intellectual property content within the XP product portfolio.

Customers and Industry Segmentation

As recognition of the XP brand and product portfolio has improved we are finding more partners who are willing to distribute our product. This is enabling the Group to free up resources handling the numerous small orders we receive and to focus our efforts on the larger customers in the market sectors we service.

Increasingly, we are focusing our resources on the higher value customers in our four market sectors; Communications, Defence, Industrial and Medical. This focus will ensure that we devote our engineering resources on the right customers and that our current and future product development is carefully targeted and above all customer driven.

The split of our business is closely aligned with that achieved in 2003. For the six months ended 30 June 2004 27% of our revenues came from Communications, 45% from Industrial, 21% from Medical and 7% from Defence.

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 XP product line. 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. These new products are gradually making up an ever-increasing proportion of our revenues and contributing to the consequent increase in our gross margins.

We continue to partner with other leading power supply providers where we have strong historic relations and complimentary product offerings so we can give the customer the best fit solution for their needs. The breath of product required means that it does not make sense to develop all product lines ourselves but to partner with other strategic power supply providers.

People

Our value proposition to our customers is a power specialist who can solve their power supply problems quickly and design a cost-effective solution into their system. This requires a high level of technical expertise. We continually train our people to ensure they have the required skills.

In June this year we were pleased to announce the appointment of Mickey Lynch as Finance Director. Mickey joined XP in April 2001 as Vice President of Finance in North America. Prior to joining the Group Mickey was Chief Financial Officer of Atari Games. Additionally, in June Paul Christiansen, who was responsible for North American Marketing, resigned for personal reasons.

Cash Flow and Share Buy Back

The Group generated £3.2 million of free cash flow in the period. The period under review is XP's sixth successive half-yearly period of free cash flow generation (cash flow before acquisitions and disposals, dividend payments and financing). The net cash outflow for the six months to June 2004 was £2.6 million compared with a net inflow of £0.7 million in the same period a year ago (refer to cash flow on page 7). This cash outflow is after returning £4.9 million to shareholders by way of the final dividend for 2003 and the share buy back referred to below.

In June we purchased 910,000 of our own shares in the market at an average price of 377.2 pence per share. These shares will be held in treasury and will be used to fund the Company's existing employee share option schemes or for other appropriate purposes such as small acquisitions.

Net debt was £9.1 million at the end of June 2004 compared to £6.5 million at the end of December 2003.

Outlook

XP has shown combined revenue and margin growth since the beginning of 2003. The current economic conditions, particularly in North America appear to be favourable. In the absence of any external economic shocks, we expect our revenue growth to continue in the second half of 2004. Furthermore we expect our gross margins to continue to improve on the back of further penetration of our own XP products.

We remain committed to our strategy of offering the broadest range of products to our customers through the largest and best trained sales force in the industry in order to deliver genuine value to our customers.

Larry Tracey
Executive Chairman
3 August 2004

XP Power plc
Consolidated Profit and Loss Account
For the six months ended 30 June 2004

£ Millions	Note	**Six months ended 30 June 2004 (Unaudited)**	Six months ended 30 June 2003 (Unaudited)
Turnover – continuing operations	2	**33.2**	**29.1**
Cost of sales		(21.5)	(19.4)
Gross profit		**11.7**	**9.7**
Operating expenses		(8.3)	(7.5)
Amortisation of goodwill		(0.7)	(0.8)
Depreciation		(0.3)	(0.3)
Total operating expenses		**(9.3)**	**(8.6)**
Group operating profit	2	**2.4**	**1.1**
Share of associates' operating profit		0.2	0.1
Total operating profit – continuing operations		**2.6**	**1.2**
Interest payable and similar charges		(0.3)	(0.3)
Profit on ordinary activities before taxation	2	**2.3**	**0.9**
Tax on profit on ordinary activities	3	(0.9)	(0.5)
Profit for the period attributable to shareholders		**1.4**	**0.4**
Equity dividends payable	4	(1.1)	(1.0)
Retained profit/(loss) for the period		**0.3**	**(0.6)**
Basic earnings per share	5	7.0p	2.0p
Diluted earnings per share	5	6.9p	2.0p
Basic earnings per share adjusted for goodwill	5	10.5p	5.9p
Diluted earnings per share adjusted for goodwill	5	10.3p	5.9p
Statement of total recognised gains and losses			
Profit attributable to XP Power shareholders		1.4	0.4
Dividends		(1.1)	(1.0)
Currency translation differences		-	(0.5)
Total recognised losses related to the period		**0.3**	**(1.1)**

The turnover and results of the acquired operations have not been shown on the face of the profit and loss account because they are not considered material. The third party sales and operating profits of acquired operations were £0.1m and £19,000 for the six months.

XP Power plc
Consolidated Balance Sheet
At 30 June 2004

£ Millions	Note	**At 30 June 2004 (unaudited)**	At 31 December 2003 (audited)	At 30 June 2003 As restated (refer to note 10) (unaudited)
Fixed assets				
Intangible assets		22.7	22.4	22.2
Tangible assets		2.7	2.9	3.2
Investments		0.6	1.1	0.8
Total fixed assets		**26.0**	**26.4**	**26.2**
Current assets				
Stock		7.5	6.6	7.4
Debtors		13.7	11.5	10.6
Cash at bank and in hand		4.0	4.5	5.1
Total current assets		**25.2**	**22.6**	**23.1**
Creditors: amounts falling due within one year		(17.6)	(12.0)	(13.0)
Net current assets		**7.6**	**10.6**	**10.1**
Total assets less current liabilities		**33.6**	**37.0**	**36.3**
Creditors: amounts falling due after more than one year		(10.5)	(10.6)	(8.6)
Net assets		**23.1**	**26.4**	**27.7**
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		(0.8)	(1.1)	0.1
Own shares		(3.5)	-	(0.4)
Total equity shareholders' funds		**23.1**	**26.3**	**27.1**
Minority interests		-	0.1	0.6
Total capital and reserves		**23.1**	**26.4**	**27.7**

These financial statements were approved by the Board of Directors on 2 August 2004.

XP Power plc
Consolidated Cash Flow
For the six months ended 30 June 2004

£ Millions	Note	**Six months ended 30 June 2004 (unaudited)**	Six months ended 30 June 2003 (unaudited)
Net cash flow from operating activities	6	**3.5**	**3.5**
Dividends received from associates and joint ventures		**0.2**	**-**
Returns on investments and servicing of finance			
Interest paid		(0.3)	(0.3)
Dividends paid to minority shareholders of subsidiaries		(0.1)	-
Net cash outflow from returns on investments and servicing of finance		**(0.4)**	**(0.3)**
Tax paid		**-**	**(0.1)**
Net cash outflow from capital expenditure and financial investment		**(0.1)**	**(0.1)**
Free cash flow		**3.2**	**3.0**
Net cash outflow from acquisitions and disposals		**(0.9)**	**-**
Equity dividends paid		**(1.4)**	**(1.4)**
Cash inflow before financing		**0.9**	**1.6**
Financing			
Share buyback		(3.5)	(0.5)
New borrowings		-	0.5
Repayment of borrowings		-	(0.9)
Net cash outflow from financing		**(3.5)**	**(0.9)**
(Decrease)/increase in cash	7	**(2.6)**	**0.7**

XP Power plc
Notes to the Interim Results for the six months ended 30 June 2004

1. Basis of preparation

The interim financial information has been prepared on the basis of the accounting policies set out in the 2003 Annual Report and Accounts except that Urgent Issues Task Force ("UITF") Abstracts 37 and 38 have been adopted. The interim financial information was approved by the Board of Directors and Audit Committee on 2 August 2004. The financial information set out above does not constitute statutory accounts within the meaning of the Companies Act 1985. Comparative figures in the balance sheet for the year ended 31 December 2003 have been taken from the Group's audited statutory accounts, which have been delivered to the Registrar of Companies and on which Deloitte & Touche LLP expressed an unqualified opinion. The results for the 26 weeks to 30 June 2004 are unaudited.

This statement of interim results will be sent to all shareholders. Copies will be available for members of the public upon application to the Company Secretary at 16 Horseshoe Park, Pangbourne, Berkshire, RG8 7JW.

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 it is amortised over its 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 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

Research and development

Research and development expenditure is charged to the profit and loss account as incurred.

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 into sterling 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 profit before taxation by geographical region is set out below.

£ Millions	**Six months ended 30 June 2004**	Six months ended 30 June 2003
Turnover		
Europe	14.1	11.0
United States	19.1	18.1
Total turnover	**33.2**	**29.1**
Profit on ordinary activities before taxation		
Europe	2.2	1.5
United States	0.9	0.1
Interest, parent company expenses and goodwill amortisation	(0.8)	(0.7)
Profit on ordinary activities before taxation	**2.3**	**0.9**
	At 30 June 2004	At 30 June 2003
Operating Net Assets		
Europe	8.8	7.5
United States	24.5	28.3
Total Operating Net Assets	**33.3**	**35.8**

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

Net Assets	**23.1**	**28.1**
Net Debt	9.1	6.7
Proposed dividend	1.1	1.0
Total Operating Net Assets	**33.3**	**35.8**

3. Taxation

£ Millions	**Six months ended 30 June 2004**	Six months ended 30 June 2003
Europe	0.4	0.2
United States	0.5	0.3
Total taxation	**0.9**	**0.5**

4. Equity dividends

An interim dividend of 6p (2003: 5p) per share will be paid on 6 October 2004 to shareholders on the register of members on 3 September 2004.

5. Earnings per share

	Six months to 30 June 2004		Six months to 30 June 2003	
	£millions	EPS	£millions	EPS
Profit attributable to shareholders for the financial period for basic earnings per share	1.4	7.0p	0.4	2.0p
Amortisation of goodwill	0.7	3.5p	0.8	3.9p
Earnings for adjusted earnings per share	**2.1**	**10.5p**	**1.2**	**5.9p**
Weighted average number of shares (thousands) (basic)	19,934		20,370	
Impact of share options	387		-	
Weighted average number of shares (thousands) (diluted)	20,321		20,370	

The weighted average number of shares excludes 676,451 ESOP shares (2003 -623,351) and 80,027 (2003 – nil) treasury shares.

Supplementary earnings per share figures are presented to exclude the effect of goodwill amortisation as the directors regard this as more meaningful.

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

£ Millions	**Six months ended 30 June 2004**	Six months ended 30 June 2003
Operating profit	2.4	1.1
Depreciation and amortisation	1.0	1.1
(Increase)/Decrease in stocks	(0.9)	0.3
(Increase)/Decrease in debtors	(2.2)	0.2
Increase in creditors	3.2	0.8
Net cash inflow from operating activities	**3.5**	**3.5**

7. Reconciliation of net debt

£ Millions	**Six months ended 30 June 2004**	Six months ended 30 June 2003
Net debt at 1 January	(6.5)	(7.8)
(Decrease)/Increase in cash	(0.5)	0.7
Decrease/(Increase) in debt	(2.1)	0.4
Net debt at 30 June	**(9.1)**	**(6.7)**
Represented by		
Cash at bank and in hand	4.0	5.1
Overdraft/Revolving Credit Facility	(13.1)	(11.8)
Net debt at 30 June	**(9.1)**	**(6.7)**

8. Borrowings

On 12 December 2003 the Group renewed its multi-currency revolving credit facility with Bank of Scotland. The new facility is £10 million and committed for three years at an interest rate of 1.5% above LIBOR and is provided for the purpose of financing acquisitions. In addition to this the Group has a working capital facility of £10 million which is repayable on demand. Both facilities are secured on the assets of the Group.

9. **Own shares**

Own shares includes 676,451 (December 2003 - 774,851 ; June 2003 - 623,351) shares in the Group's employee share ownership plan (ESOP). These shares are carried at the lower of cost and market value. The ESOP acquired 551,500 shares between June 2003 and December 2003 for I cent per share from a former employee, 400,000 shares were issued out of the ESOP in December 2003 on a FIFO basis.

The treatment of ESOP shares has changed following the adoption of Urgent Issues Task Force (UITF) Abstract 38 Accounting for ESOP trusts. (Refer to note 10 below).

Own shares also includes 910,000 treasury shares (refer to note 11 below).

10. **Shareholders funds**

	Share capital	**Share premium**	**Merger reserve**	**Own shares**	**Profit and loss**	**Total equity shareholders' funds**
At 30 June 2003						
- as previously reported	0.2	27.0	0.2	-	0.1	27.5
- prior year adjustment	-	-	-	(0.4)	-	(0.4)
As restated	0.2	27.0	0.2	(0.4)	0.1	27.1
Issue of ESOP shares	-	-	-	0.4	-	0.4
Retained loss for the period	-	-	-	-	(1.2)	(1.2)
At 31 December 2003	0.2	27.0	0.2	-	(1.1)	26.3
Purchase of own shares	-	-	-	(3.5)	-	(3.5)
Retained profit for the period	-	-	-	-	0.3	0.3
At 30 June 2004	0.2	27.0	0.2	(3.5)	(0.8)	23.1

The adoption of UITF 38 has required changes in the method of accounting for ESOP shares which are now dealt with as a deduction from shareholders' funds. As a result of this change in accounting policy the comparatives have been restated as follows:

£ Millions	**Investment in own shares**	**Shareholders' funds**
30 June 2003 – and previously reported	0.4	27.5
Reclassification of own shares to shareholders funds	(0.4)	(0.4)
30 June 2003 – as restated	-	27.1

11. Share buy back

During June 2004 the company repurchased 910,000 of its own shares at an average price of 377.2 pence per share. These shares will be held in treasury and will be used to fund the Company's existing employee share option schemes or for other appropriate purposes such as small acquisitions.

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 2004 which comprises the profit and loss, statement of recognised gains and losses, balance sheet, cash flow statement and related notes 1 to 11. 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 2004.

Deloitte & Touche LLP
Chartered Accountants
Cardiff

2 August 2004