



INTERIM REPORT
For the six months ended 30 June 2013
Stock code: XPP

The XPerts in Power

XPpower is a leading international provider of essential power control solutions. Power direct from the electricity grid is unsuitable for the equipment which it supplies.

XPpower designs and manufactures power converters — components which convert power into the right form for our individual customers' needs, allowing their electronic equipment to function.

XPpower supplies the healthcare, industrial and technology industries with this mission critical equipment. Significant, long term investment into research and development means that XP Power's products frequently offer significantly improved functionality and efficiency.

Our Value Proposition

XP Power reduces the production and running costs of our customers' equipment enabling them to gain a competitive advantage.

Our Mission

Inspiring our people to be **The Experts in Power** delivering genuine value to our customers.

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Revenue
£49.0m

six months ended
30 June 2012: £46.5m

Gross Profit
£23.8m

six months ended
30 June 2012: £21.8m

Gross Margin
48.6%

six months ended
30 June 2012: 46.9%

Operating Margin
21.6%

six months ended
30 June 2012: 21.3%

Profit Before Tax
£10.4m

six months ended
30 June 2012: £9.6m

Profit After Tax
£8.0m

six months ended
30 June 2012: £7.7m

Diluted Earnings
Per Share

41.8p

six months ended
30 June 2012: 40.4p
(See Note 9)

Interim Dividend
Per Share

23.0p

six months ended
30 June 2012: 21.0p
(See Note 8)

- Revenue increased by 5% to £49.0 million (+4% in constant currency)
- Gross margin increased to 48.6% (2012: 46.9%) due to higher factory loading and reduction of Vietnam start-up costs together with improved product mix
- New production facility in Vietnam breaking even from June 2013
- Own-design XP products now 62% of revenues (2012: 61%)
- Order intake for first half of 2013 flat year on year but sequential improvement of 7% over the second half of 2012
- New product introductions and the development of an industry leading in-house manufacturing capability continue to generate new program wins to drive future growth and market share gains

“We are encouraged by the progress we are making despite the continued challenging global environment for capital spending. Our first half performance, particularly in the healthcare and industrial markets, was pleasing and we believe that we are continuing to take market share.”

“Global capital goods markets remain subdued and we have yet to see any sign of improvement in the outlook but our greater penetration of a Blue Chip customer base and significant design win success bode well for the future of XP.”

Larry Tracey - Chairman

Overview

XP Power made encouraging progress during the first half, despite the global environment for capital spending remaining challenging throughout the period. The Group continued to benefit from its well-established strategy of moving up the value chain and establishing its own manufacturing capability, resulting in further increases in market share.

Revenues increased by 5% over the prior year and our new Vietnam magnetics manufacturing facility has benefited from further volume growth and is now breaking even. These factors, together with better factory loading and an improved product mix, led to an increase in our gross margins to 48.6% from 46.9% in the first half of 2012.

Strategy

The Group has applied a consistent strategy of moving up the value chain, powered by:

- Development of a strong pipeline of leading-edge products
- Provision of industry-leading levels of service and support

- Targeting new key accounts and increasing the penetration of existing key accounts
- An established pipeline of new class-leading "Green" products which operate at high efficiency
- Enhancing its value proposition to customers by the addition of a manufacturing capability
- Increasing the proportion of high margin own designed/manufactured products within its revenue mix

Our value proposition to customers is to reduce their overall costs of design, manufacture and operation. We achieve this by providing excellent sales engineering support and producing new products that consume less power, take up less space, reduce installation times and which are highly reliable in service.

Trading and Financial Review

XP Power supplies power control solutions to original equipment manufacturers ("OEMs") who supply the healthcare, industrial and technology markets with high value, high reliability products. The increasing importance of energy efficiency



for environmental, reliability and economic reasons; the necessity for ever smaller products; the accelerating rate of technological change; and the increasing proliferation of electronic equipment, have all set a strong foundation for medium term growth in demand for XP Power's products.

Revenues for the period increased by 5% (4% in constant currency) to £49.0 million, compared with £46.5 million in the same period a year ago. Revenues in Europe were £22.1 million up 9%; those in North America were £23.7 million, up 8%, and those in Asia were £3.2 million, down 26% largely due to a particular customer program coming to the end of its life as anticipated. As we sell to Original Equipment Manufacturers who in turn sell to their end customers it is difficult to accurately assess whether this geographic split is representative of the ultimate end destination of our equipment. However, we believe a significant proportion of the equipment we sell into the industrial sector is likely to end up in emerging markets.

In terms of sector split revenues from healthcare grew 14% to £14.5 million as new program wins from larger accounts where we have gained approved or preferred supplier status began to enter production. Industrial also showed some growth based on new program wins and grew 11% to £23.5 million. The technology sector proved to be the most challenging and declined 14% to £11.0 million. In terms of overall revenue for the first half of 2013 healthcare represented 30% (2012: 27%), industrial 48% (2012: 45%) and technology 22% (2012: 27%).

Our customer base continues to be highly diversified with the largest customer accounting for only 4% of revenue, spread over 90 different programs/part numbers.

Margins

Gross margin in the first half of 2013 increased to 48.6% (2012: 46.9%), with improved factory loading at our Kunshan facility contributing an improvement of £0.2 million over the same period a year ago. Losses at the new Vietnamese manufacturing facility reduced the gross margin by approximately

£0.2 million in the first half (2012: losses of £0.3 million) but the facility has reached breakeven in June this year. The remainder of the increase in gross margin is due to improvements in product mix.

Operating expenses were £13.3 million (2012: £11.9 million). The increase came from a number of different areas, including the effects of currency translation, but product development expenses including amortisation were the most significant contributor, increasing by £0.4 million from the same period in 2012.

Despite challenging market conditions we continue to achieve excellent operating margins of 21.6% (2012: 21.3%) highlighting the strength of our business model. We expect further improvement in this metric when market conditions improve.

Financial Position

Strong margins and modest capital requirements have resulted in a continued strong cash flow and a reduction in net debt. Net debt reduced significantly to £8.5 million

Chairman's Statement

at 30 June 2013 compared to £15.0 million at 30 June 2012. Using the exchange rates prevailing at 30 June 2012, net debt at 30 June 2013 would have been £8.1 million.

Product Development

New products are fundamental to driving our revenue growth. The broader our product offering, the more opportunity we have to increase our revenues by expanding our available market. As expected, the number of new product families introduced over the last three years is yet to have a significant impact on our revenues, given the time lag from launch to them entering production. This is due to the lengthy design-in cycles required by customers to qualify the power converter in their equipment and then gain the necessary safety agency approvals.

We launched 17 new product families in the first half of 2013 (2012: 10). In response to customer requirements for improved efficiency and environmental performance, our design teams are focusing on developing new products that reduce power wastage, reduce heat, consume less

raw material and incorporate low stand-by power operation. Gross product development spending increased by 4% to £2.8 million in the first half from £2.7 million in the first half of 2012.

With larger customers continuing to reduce the number of vendors they deal with, XP Power's broad product offering, excellent global engineering support, in-house manufacturing capability and industry-leading environmental credentials leave the Group well-placed to secure further preferred supplier agreements.

Manufacturing

XP Power's move into manufacturing in 2006 has been instrumental in enabling the Group to win approved and preferred supplier status with new Blue Chip customers, who demand that their suppliers have complete control over their supply chain and product manufacture to ensure the highest levels of quality.

In June 2009, production commenced at our first manufacturing facility at Kunshan, close to Shanghai, China. The facility, which is certified under the

ISO14001 Environmental Management Standard, delivers manufacturing capabilities which match or exceed the best of our competitors. The number of customer audits from key accounts has steadily increased over recent years and all of these audits have been successful.

Our Vietnamese manufacturing facility, located in Ho Chi Minh City, began production of its first magnetic components during March 2012 and is currently producing approximately half of the monthly requirement for magnetic components at our Chinese factory. The quality of the Vietnamese output has been very pleasing surpassing that of our third party suppliers.

Producing our own magnetic components in Vietnam is helping us mitigate the continued rise of Chinese labour costs and the appreciation of the Chinese Renminbi. In addition, extending vertical integration to the critical magnetic components used in power converters is seen as an additional value proposition by many of our customers, notably in the healthcare and high reliability industrial sectors.



Dividend

Since April 2010 the Company has been making quarterly dividend payments. Our strong cash flow and confidence in the Group's prospects have enabled us to increase total dividends for the first half by 10% to 23.0 pence per share (2012: 21.0 pence per share).

The first quarterly payment of 11 pence per share was made on 10 July 2013. A second quarterly dividend of 12 pence per share will be paid on 10 October 2013 to shareholders on the register at 6 September 2013.

Dividend growth over the past ten years has exceeded a compound average growth rate of 15%.

Environmental Impact and "Green XP Power" products

XP Power has placed improved environmental performance at the heart of its operations both in terms of minimising the impact its activities have on the environment and, as importantly, in its product development strategy. These practices and initiatives not only resonate with our customers and employees; they also make significant commercial

sense as countries legislate to reduce power wastage, improve recyclability of manufactured goods and ban the use of harmful chemicals.

We have developed a class leading portfolio of green products with efficiencies up to 95% and many of these products also have low stand-by power (a feature to reduce the power consumed while the end equipment is not operational but in stand-by mode). We now apply our own "Green XP Power" logo to the products we designate ultra-high efficiency. During the first half of 2013, 11% of our revenues were generated by "Green XP Power" products compared to 6% in 2012, 5% in 2011 and 3% in 2010. At present, the uptake of these products by customers is primarily driven by their improved reliability and the ability to dispense with mechanical fans to dissipate waste heat, rather than the fact that they consume less energy in operation. However, we expect this to change as lower energy consumption becomes a higher priority to end users of capital equipment and more legislation is introduced.

Outlook

Global capital goods markets remain subdued and we have yet to see any sign of improvement in the outlook. Against this backdrop, our first half performance, particularly in the healthcare and industrial markets, was encouraging, and we believe that we are continuing to take market share.

A broad, up to date product portfolio and the development of an industry leading in-house manufacturing capability are at the core of our strategy and, when combined with excellent service and support, are leading to continued new program wins which should drive our future growth. This greater penetration of a Blue Chip customer base and significant design win success bode well for the future of XP.



Larry Tracey

Chairman

29 July 2013

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2013

£ Millions	Note	Six months	Six months
		ended 30 June 2013 (Unaudited)	ended 30 June 2012 (Unaudited)
Revenue	5	49.0	46.5
Cost of sales	6	(25.2)	(24.7)
Gross profit		23.8	21.8
Operating expenses	6	(13.3)	(11.9)
Other operating income	6	0.1	-
Operating profit		10.6	9.9
Finance cost	6	(0.2)	(0.3)
Profit before income tax	5	10.4	9.6
Income tax expense	7	(2.3)	(1.8)
Net profit		8.1	7.8
Other comprehensive income:			
Fair value gains/(losses) on cash flow hedges		0.1	0.1
Exchange differences on translation of foreign operations		1.3	(0.1)
Other comprehensive income, net of tax		1.4	-
Total comprehensive income		9.5	7.8
Profit attributable to:			
- owners of the parent		8.0	7.7
- non-controlling interest		0.1	0.1
		8.1	7.8
Total comprehensive income attributable to:			
- owners of the parent		9.4	7.7
- non-controlling interest		0.1	0.1
		9.5	7.8
Earnings per share attributable to owners of the parent (pence per share)			
Basic	9	42.1	40.6
Diluted	9	41.8	40.4



Consolidated Balance Sheet



At 30 June 2013

£ Millions	Note	At 30 June 2013 (Unaudited)	At 31 December 2012	At 30 June 2012 (Unaudited)
ASSETS				
Current assets				
Cash and cash equivalents	11	4.2	4.1	4.5
Trade receivables		16.1	14.2	14.6
Other current assets		1.0	1.2	1.5
Inventories		20.5	19.8	22.0
Total current assets		41.8	39.3	42.6
Non-current assets				
Interests in associates		-	-	0.1
Property, plant and equipment		13.8	13.2	14.0
Goodwill		30.6	30.5	31.4
Intangible assets	10	8.0	7.6	7.1
ESOP loans to employees		1.1	1.2	1.2
Deferred income tax assets		0.3	0.3	0.3
Total non-current assets		53.8	52.8	54.1
Total assets		95.6	92.1	96.7
LIABILITIES				
Current liabilities				
Trade and other payables		12.5	11.1	13.3
Current income tax liabilities		1.4	1.6	0.9
Derivative financial instruments		0.3	0.2	-
Borrowings	12	6.8	7.3	10.0
Total current liabilities		21.0	20.2	24.2
Non-current liabilities				
Borrowings	12	5.9	7.4	9.5
Deferred income tax liabilities		1.8	1.7	2.1
Provision for deferred contingent consideration		1.5	1.5	2.2
Total non-current liabilities		9.2	10.6	13.8
Total liabilities		30.2	30.8	38.0
NET ASSETS		65.4	61.3	58.7
Capital and reserves attributable to equity holders of the Company				
Share capital		27.2	27.2	27.2
Merger reserve		0.2	0.2	0.2
Treasury shares		(1.1)	(1.2)	(0.8)
Share option reserve		0.1	-	-
Hedging reserve		(0.1)	(0.2)	0.1
Translation reserve		(6.4)	(7.7)	(7.2)
Retained earnings		45.2	42.8	39.1
		65.1	61.1	58.6
Non-controlling interest		0.3	0.2	0.1
TOTAL EQUITY		65.4	61.3	58.7

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013 (Unaudited)

£ Millions	Attributable to			
	Share capital	Company treasury shares	Share option reserve	Merger reserve
Balance at 1 January 2012	27.2	(1.0)	-	0.2
Sale of treasury shares	-	0.2	-	-
Dividends paid	-	-	-	-
Total comprehensive income for the period	-	-	-	-
Balance at 30 June 2012	27.2	(0.8)	-	0.2
Balance at 1 January 2013	27.2	(1.2)	-	0.2
Sale of treasury shares	-	0.1	-	-
Employee share option scheme	-	-	0.1	-
Dividends paid	-	-	-	-
Total comprehensive income for the period	-	-	-	-
Balance at 30 June 2013	27.2	(1.1)	0.1	0.2



equity holders of the company

Hedging reserve	Translation reserve	Retained earnings	Total	Non-controlling interest	Total Equity
-	(7.1)	36.3	55.6	0.2	55.8
-	-	-	0.2	-	0.2
-	-	(4.9)	(4.9)	(0.2)	(5.1)
0.1	(0.1)	7.7	7.7	0.1	7.8
0.1	(7.2)	39.1	58.6	0.1	58.7
(0.2)	(7.7)	42.8	61.1	0.2	61.3
-	-	(0.1)	-	-	-
-	-	-	0.1	-	0.1
-	-	(5.5)	(5.5)	-	(5.5)
0.1	1.3	8.0	9.4	0.1	9.5
(0.1)	(6.4)	45.2	65.1	0.3	65.4

Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

£ Millions	Note	Six months ended 30 June 2013	Six months ended 30 June 2012
		(Unaudited)	(Unaudited)
Cash flows from operating activities			
Total profit		8.1	7.8
Adjustments for			
- Income tax expense		2.3	1.8
- Amortisation and depreciation		1.3	1.2
- Finance cost		0.2	0.3
- Loss/(gain) on fair valuation of derivative financial instruments		0.2	(0.1)
- Unrealised currency translation losses/(gains)		0.6	(0.1)
Change in the working capital			
- Inventories		(0.7)	-
- Trade and other receivables		(1.7)	2.5
- Trade and other payables		1.5	1.0
Income tax paid		(2.5)	(2.0)
Net cash provided by operating activities	11	9.3	12.4
Cash flows from investing activities			
Acquisition of a subsidiary, net of cash acquired		-	(1.0)
Purchases and construction of property, plant and equipment		(0.5)	(2.2)
Research and development expenditure capitalised		(1.0)	(1.2)
Proceeds from disposal of property, plant and equipment	6	-	0.4
ESOP loan repaid		0.1	0.4
Net cash used in investing activities		(1.4)	(3.6)
Cash flows from financing activities			
Repayment of borrowings		(1.2)	(2.0)
Sale/(purchase) of treasury shares by ESOP		0.1	0.2
Interest paid		(0.2)	(0.3)
Dividends paid to equity holders of the Company		(5.5)	(4.9)
Dividends paid to non-controlling interest		-	(0.2)
Net cash used in financing activities		(6.8)	(7.2)
Net increase/(decrease) in cash and cash equivalents		1.1	1.6
Cash and cash equivalents at start of period		0.5	(3.3)
Effects of currency translation on cash and cash equivalents		(0.2)	-
Cash and cash equivalents at the end of the period	11	1.4	(1.7)



£ Millions	Note	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)
Reconciliation of changes in cash and cash equivalents to movements in net debt			
Net increase/(decrease) in cash and cash equivalents		1.1	1.6
Repayment of borrowings		1.2	2.0
Effects on currency translation		(0.2)	-
Movement in net debt		2.1	3.6
Net debt at start of period		(10.6)	(18.6)
Net debt at end of period		(8.5)	(15.0)

Notes to the Interim Results

For the six months ended 30 June 2013

1. General information

XP Power Limited (the "Company") is listed on the London Stock Exchange and incorporated and domiciled in Singapore. The address of its registered office is 401 Commonwealth Drive, Lobby B #02-02, Haw Par Technocentre, Singapore 149598.

The nature of the Group's operations and its principal activities is to provide power supply solutions to the electronics industry.

These condensed consolidated interim financial statements are presented in Pounds Sterling (GBP).

2. Basis of preparation

The condensed consolidated interim financial statements for the period ended 30 June 2013 have been prepared in accordance with the Listing Rules of the Financial Services Authority and with IAS 34, Interim Financial Reporting as adopted by the European Union.

The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2012 which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

3. Going Concern

The directors, after making enquiries, are of the view, as at the time of approving the financial statements, that there is a reasonable expectation that the Group will have adequate resources to continue operating for the foreseeable future and therefore the going concern basis has been adopted in preparing these financial statements.

4. Accounting policies

The condensed consolidated interim financial statements have been prepared under the historical cost convention except for the fair value of derivatives in accordance with IFRS 9, "Financial Instruments".

The same accounting policies, presentation and methods of computation are followed in these condensed consolidated interim financial statements as were applied in the presentation of the Group's financial statements for the year ended 31 December 2012.

5. Segmented analysis

The Group operates substantially in one class of business, the provision of power control solutions to the electronics industry. Analysis of total Group operating profit, total assets, revenue and total group profit before taxation by geographical region is set out below.



5. Segmented analysis (continued)

£ Millions	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)
Revenue		
Asia	3.2	4.3
Europe	22.1	20.3
North America	23.7	21.9
Total revenue	49.0	46.5

£ Millions	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)
Total assets		
Asia	30.1	30.9
Europe	26.0	26.3
North America	39.2	39.2
Segment assets	95.3	96.4
Unallocated deferred tax	0.3	0.3
Total assets	95.6	96.7

Reconciliation of segment results to profit before tax:

£ Millions	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)
Asia	0.1	0.5
Europe	3.8	3.6
North America	6.0	5.2
Segment result	9.9	9.3
Corporate recovery from operating segment	1.2	2.6
Research and development cost	(0.5)	(2.0)
Finance income and cost	(0.2)	(0.3)
Profit before taxation	10.4	9.6
Tax	(2.3)	(1.8)
Total profit	8.1	7.8

Notes to the Interim Results

For the six months ended 30 June 2013

5. Segmented Analysis (continued)

The Group's three business segments operate in the following countries:

£ Millions	Six months ended 30 June 2013	Six months ended 30 June 2012
	(Unaudited)	(Unaudited)
United States	23.7	21.9
United Kingdom	11.9	11.0
Singapore	3.2	4.3
Germany	4.6	4.5
Switzerland	1.9	1.4
Other countries	3.7	3.4
Total revenue	49.0	46.5

6. Expenses by nature

£ Millions	Six months ended 30 June 2013	Six months ended 30 June 2012
	(Unaudited)	(Unaudited)
Profit for the period is after charging/(crediting):		
Amortisation of other intangible assets	0.6	0.5
Depreciation of property, plant and equipment	0.7	0.7
Foreign exchange loss	0.2	0.2
Foreign exchange (gains) on forward contracts	(0.2)	(0.1)
Purchase of inventories	23.3	23.5
Changes in inventories	0.7	0.1
Fees paid to auditors:		
- Audit	0.2	0.2
- Other services - tax	0.1	0.1
All other charges	13.0	11.7
Total	38.6	36.9



6. Expenses by nature (continued)

Included in the above is net research and development expenditure as follows:

£ Millions	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)
	Gross research and development expenditure	2.8
Development expenditure capitalised	(1.0)	(1.2)
Amortisation of development expenditure capitalised	0.6	0.5
Net research and development expenditure	2.4	2.0

7. Taxation

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax expected for the full financial year. The estimated effective annual tax rate used for 2013 is 22% (2012: 19%).

£ Millions	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)
	Singapore	0.6
Other overseas taxation	1.7	1.2
Total taxation	2.3	1.8

8. Dividends

Amounts recognised as distributions to equity holders of the Company in the period:

	Six months ended 30 June 2013 (Unaudited)		Six months ended 30 June 2012 (Unaudited)	
	Pence per share	£ Millions	Pence per share	£ Millions
Prior year 3 rd quarter dividend paid	12.0	2.3	11.0	2.1
Prior year final dividend paid	17.0	3.2	15.0	2.8
Total	29.0	5.5	26.0	4.9

The dividends paid recognised in the interim financial statements relate to the third quarter and final dividends for 2012.

Notes to the Interim Results

For the six months ended 30 June 2013

8. Dividends (continued)

The first quarterly dividend of 11 pence per share was paid on 10 July 2013. A second quarterly dividend of 12 pence per share [2012: 11 pence] will be paid on 10 October 2013 to shareholders on the register at 6 September 2013.

9. Earnings per share

Earnings per share attributable to equity holders of the company arise from continuing operations as follows:

£ Millions	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to equity shareholders of the company)	8.0	7.7
Earnings for earnings per share	8.0	7.7
Number of shares	'000	'000
Weighted average number of shares for the purposes of basic earnings per share (thousands)	18,993	18,977
Effect of potentially dilutive share options (thousands)	136	87
Weighted average number of shares for the purposes of dilutive earnings per share (thousands)	19,129	19,063
Earnings per share from operations		
Basic	42.1p	40.6p
Diluted	41.8p	40.4p
Diluted adjusted	41.8p	40.4p

10. Other intangible assets

Other intangible assets comprises development expenditure capitalised when it meets the criteria laid out in IAS 38, "Intangible Assets", trademarks and non-contractual customer relationships.

11. Cash and cash equivalents

For the purpose of presenting the consolidated cash flow statement, the consolidated cash and cash equivalents comprise the following:

£ Millions	Six months ended 30 June 2013 (Unaudited)	Six months ended 30 June 2012 (Unaudited)
	Cash and bank balances	4.2
Less: Bank overdrafts	(2.8)	(6.2)
Cash and cash equivalents per consolidated cash flow statement	1.4	(1.7)
Reconciliation to free cash flow:		
Net cash inflow from operating activities	9.3	12.5
Development expenses capitalised	(1.0)	(1.2)
Net interest expense	(0.2)	(0.3)
Free cash flow	8.1	11.0

12. Borrowings, bank loans and overdraft

£ Millions	30 June 2013 (Unaudited)	31 December 2012	30 June 2012 (Unaudited)
Non-Current	5.9	7.4	9.5
Current	6.8	7.3	10.0
Total	12.7	14.7	19.5

13. Currency Impact

We report in Pounds Sterling (GBP) but have significant revenues and costs as well as assets and liabilities that are denominated in United States Dollars (USD). The table below sets out the prevailing exchange rates in the periods reported.

	First half 2013 Average	First half 2012 Average	% Change	30 June 2013 Period end	31 December 2012 Period end	30 June 2012 Period end
USD/GBP	1.55	1.57	-1.5%	1.52	1.63	1.57
EUR/GBP	1.18	1.21	-2.6%	1.17	1.23	1.24

Notes to the Interim Results

For the six months ended 30 June 2013

13. Currency impact (continued)

Approximately 70% of the Group's revenues are invoiced in USD so the change in the USD to GBP exchange rate has a significant effect on reported revenue in GBP. However, as the majority of our cost of goods sold and operating expenses are also denominated in USD the change in profit before tax with the USD to GBP exchange rate is relatively minor. The impact of changes in the key exchange rates from the first half of 2012 to the first half of 2013 are summarised as follows:

£ Millions	USD	EUR
Impact on revenues	0.5	0.1
Impact on profit before tax	0.1	-
Impact on net debt	(0.4)	-

14. Risks and uncertainties

Like many other international businesses the Group is exposed to a number of risks and uncertainties which might have a material effect on its financial performance. These include:

Fluctuations in foreign currency

The Group has an exposure to foreign currency fluctuations. This could lead to material adverse movements in reported earnings.

Dependence on key personnel

The future success of the Group is substantially dependent on the continued services and continuing contributions of its Directors, senior management and other key personnel.

Loss of key customers/suppliers

The Group is dependent on retaining its key customers and suppliers. However, for the six months ended 30 June 2013, no one customer accounted for more than 5% of revenue.

Shortage, non-availability or technical fault with regard to key electronic components

The Group is reliant on the supply, availability and reliability of key electronic components. If there is a shortage, non availability or technical fault with any of the key electronic components this may impair the Group's ability to operate its business efficiently and lead to potential disruption to its operations and revenues.

Fluctuations of revenues, expenses and operating results

The revenues, expenses and operating results of the Group could vary significantly from period to period as a result of a variety of factors, some of which are outside its control.



14. Risks and uncertainties (continued)

Information Technology Systems

The business of the Group relies to a significant extent on information technology systems used in the daily operations of its operating subsidiaries. Any failure or impairment of those systems or any inability to transfer data onto any new systems introduced could cause a loss of business and/or damage to the reputation of the Group together with significant remedial costs.

Risks relating to taxation of the Group

The Group is exposed to corporation tax payable in many jurisdictions. The effective tax rate of the Group is affected by where its profits fall geographically. The Group effective tax rate could therefore fluctuate over time. This could have an impact on earnings and potentially its share price. Further, the Group's tax position includes judgments about past and future events and relies on estimates and assumptions.

15. Directors' responsibility statement

The interim financial statements were approved by the board of directors on 29 July 2013.

The directors confirm that to the best of their knowledge that:

- This unaudited condensed financial information has been prepared in accordance with IAS 34 "Interim Reporting" as adopted by the European Union; and
- The interim management report includes a fair view of the information required by DTR 4.2.7 (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year) and DTR 4.2.8 (disclosure of related party transactions and changes therein).

The directors of XP Power Limited are as listed in the Company's 2012 Annual Report.

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