INTERIM REPORT

for the six months ended 30 June 2014

stock code: XPP

POWERING
THE WORLD'S
CRITICAL SYSTEMS

Powering the world's critical systems

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.

Business Review

Financial Statements

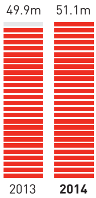
Visit us online
For more information on XP Power please visit our website at **www.xppower.com**

Financial and Operational Highlights

Order Intake
(£ millions)

+2%

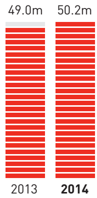
[+9% in constant currency]



Revenue
(£ millions)

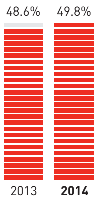
+2%

[+9% in constant currency]



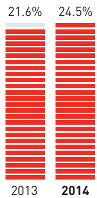
Gross Margin
(%)

+120bp



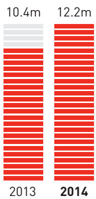
Operating Margin
(%)

+16%



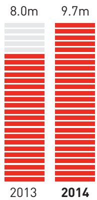
Profit Before Tax
(£ millions)

+17%



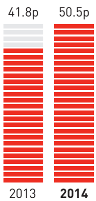
Profit After Tax
(£ millions)

+21%



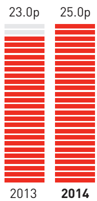
Diluted Earnings Per Share
(Pence)

+21%



Interim Dividend Per Share
(Pence)

+9%



"While the markets for capital equipment that we serve remain subdued, we have again taken market share and delivered strong underlying growth in both orders and revenues. Stronger margins, due to improved factory utilisation, combined with robust underlying revenue growth resulted in a 21% increase in earnings.

We anticipate growing revenues again in 2014, although this underlying growth is expected to be impacted by the translation effects of the US Dollar relative to Sterling."

James Peters
Chairman

- Further market share gains deliver strong underlying improvements in revenues and earnings
- Order intake increased by 2% to £51.1 million (+9% in constant currency)
- Revenue increased by 2% to £50.2 million (+9% in constant currency)
- Gross margin increased to 49.8% (2013: 48.6%) due to higher factory loading at both our Chinese and Vietnamese manufacturing facilities
- Own-design XP product revenues increased by 9%, setting a new record, and now represent 66% of total revenues (2013: 62%)
- New product introductions and the development of an industry leading in-house manufacturing capability continue to generate new programme wins to drive future growth and market share gains

Interim Statement

Overview

While the underlying market for capital equipment remained somewhat tepid during the period, the Group produced another robust performance in the first half. Underlying order and revenue growth was strong and, when combined with higher margins and cost control, produced diluted earnings per share of 50.5 pence, up 21% from the same period a year ago. The execution of our strategy continues to drive market share gains.

Revenues increased by 2% over the prior year. The strength of Sterling versus the US Dollar, the Group's principal trading currency, had a significant translation effect in the period, masking strong underlying revenue growth of 9% in constant currency.

Our new Vietnam magnetics manufacturing facility has benefited from further volume growth and is now contributing to margins. While the translation effect from the weaker US Dollar negatively impacts the revenue line it has a corresponding positive impact on cost of sales and the combination of these two factors acts to increase the gross margin percentage. These factors, together with better factory loading and an improved product mix, led to an increase in gross margin to 49.8% (2013: 48.6%).

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
- The addition of a manufacturing capability, enhancing its value proposition to customers by greater control of the manufacturing process
- An increased 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 and 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.

Revenue grew to £50.2 million in the six months to 30 June 2014 compared to £49.0 million in the same period a year ago. This 2% increase has been significantly affected by the weakness of the US Dollar compared to Sterling. When adjusting to constant currency the underlying growth is 9% in the first half of the year, which we believe clearly demonstrates the Group's success in continuing to steadily take market share.

Order intake of £51.1 million in the first half showed similar strength, growing 2% over the same period a year ago. The order intake was also significantly impacted by the foreign exchange translation impact discussed above and after adjusting to constant currency the growth was 9%.

Revenues in Europe were £21.7 million (2013: £22.1 million), down 2%; those in North America were £24.6 million (2013 £23.7 million), up 4% despite the strong translation headwind, and those in Asia were £3.9 million (2013: £3.2 million), up 22% again despite the translation effect. 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.

Revenues split by sector also reflected the foreign exchange translation headwinds described above. Revenues from healthcare grew 6% to £15.3 million (2013: £14.5 million) as new programme wins from larger accounts where we have gained approved or preferred supplier status began to enter production. Industrial also benefited from new programme wins and grew 6% to £24.8 million (2013: £23.5 million). The technology sector proved to be the most challenging; having shown some recovery in the second half of 2013, technology revenues declined by 8% in the period to £10.1 million (2013: £11.0 million). In terms of overall revenue for the first half of 2014, healthcare represented 31% (2013: 30%), industrial 49% (2013: 48%) and technology 20% (2013: 22%).

Our customer base continues to be highly diversified with the largest customer accounting for only 5% of revenue, spread over 100 different programmes/part numbers.

Margins

We continue to generate industry leading margins. Gross margin in the first half of 2014 increased to 49.8% (2013: 48.6%), driven by improved factory loading at both our Chinese and Vietnamese manufacturing facilities. We expect to start production of our first power supplies in Vietnam in the second half of this year which will incur some start-up costs but we do not expect these to be material.

Operating expenses were £12.7 million (2013: £13.3 million). Again there is a significant translation effect from the weakening of the US Dollar versus Sterling which we estimate reduced operating expenses by some £0.3 million. The remainder of the decrease came from tight cost control and timing of the capitalisation of product development expenses. Gross product development spend was £2.6 million (2013: £2.8 million), £1.2 million of which was capitalised (2013: £1.0 million), and £0.7 million amortised (2013: £0.6 million).

Despite the sluggish end-market conditions we continue to achieve excellent operating margins of 24.5% (2013: 21.6%) highlighting the strength of our business model. We expect further improvement in this metric when market conditions improve.

Financial Position

Higher gross and operating margins and modest capital requirements have resulted in continued strong cash flow and a reduction in net debt. Net debt reduced significantly to £1.5 million at 30 June 2014 compared to £8.5 million at 30 June 2013. Using the exchange rates prevailing at 30 June 2013, net debt at 30 June 2014 would have been £1.8 million.

Product Development

New products are fundamental to our revenue growth. The broader our product offering, the more opportunity we have to increase revenues by expanding our available market. As expected, the significant number of new product families introduced over the last three years is yet to have a material 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.

Interim Statement

We launched 13 new product families in the first half of 2014 (2013: 17). Response from customers to these new launches has been very encouraging. The products launched include some flagship convection cooled products and ultra-high efficiency units for high performance applications, as well some very cost competitive mainstream products suitable for multiple applications. Our design teams are focusing on developing new products that reduce power wastage, reduce heat, consume less raw material and incorporate low standby power operation.

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 ISO 14001 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 of similar components.

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.

Following the successful scale-up of magnetics production in Vietnam, we expect to begin manufacturing power supplies at the factory during the second half, establishing the facility as the second full manufacturing site for the Group.

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 9% to 25.0 pence per share (2013: 23.0 pence per share).

The first quarter dividend payment of 12 pence per share was made on 10 July 2014. The second quarter dividend of 13 pence per share will be paid on 10 October 2014 to shareholders on the register at 5 September 2014.

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 standby power (a feature to reduce the power consumed while the end equipment is not operational but in standby mode). We now apply our own "Green XP Power" logo to the products we designate ultra-high efficiency. During the first half of 2014, 17% of our revenues were generated by "Green XP Power" products compared to 11% in 2013, 6% in 2012 and 5% in 2011. 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.

Board Changes

On 30 June 2014 Larry Tracey retired from the Board, with James Peters (previously Deputy Chairman) becoming Chairman. Larry made an outstanding contribution to the Company over a fourteen year period, in both Executive and Non-Executive capacities overseeing its transition from a distributor of third party products to a designer and manufacturer of its own market-leading range of power supplies. He leaves with our thanks and best wishes for a happy retirement.

Outlook

While global capital goods markets remain subdued overall, our order intake remains encouraging and we believe that we continue to take market share. We expect to grow revenues in 2014, although this underlying growth is expected to be impacted by the currency translation effects discussed above. Predicting the likely performance of the US Dollar relative to Sterling in the coming period is difficult but the high proportion of our costs that are also Dollar-denominated will mitigate the impact on earnings.

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 programme 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.

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2014

£ Millions	Note	**Six months ended 30 June 2014 (Unaudited)**	Six months ended 30 June 2013 (Unaudited)
Revenue	5	**50.2**	49.0
Cost of sales	6	**(25.2)**	(25.2)
Gross profit		**25.0**	23.8
Operating expenses	6	**(12.7)**	(13.3)
Other operating income	6	**—**	0.1
Operating profit		**12.3**	10.6
Finance cost	6	**(0.1)**	(0.2)
Profit before income tax	5	**12.2**	10.4
Income tax expense	7	**(2.4)**	(2.3)
Profit after income tax		**9.8**	8.1
Other comprehensive income:			
Fair value gains on cash flow hedges		**0.3**	0.1
Exchange differences on translation of foreign operations		**(0.8)**	1.3
Other comprehensive income, net of tax		**(0.5)**	1.4
Total comprehensive income		**9.3**	9.5
Profit attributable to:			
– owners of the parent		**9.7**	8.0
– non-controlling interest		**0.1**	0.1
		9.8	8.1
Total comprehensive income attributable to:			
– owners of the parent		**9.2**	9.4
– non-controlling interest		**0.1**	0.1
		9.3	9.5

Earnings per share attributable to owners of the parent		**Pence per Share**	Pence per Share
Basic	9	**51.1**	42.1
Diluted	9	**50.5**	41.8

Consolidated Balance Sheet

At 30 June 2014

£ Millions	Note	**At 30 June 2014 (Unaudited)**	At 31 December 2013	At 30 June 2013 (Unaudited)
Assets				
Current assets				
Cash and cash equivalents	11	**5.6**	5.0	4.2
Trade receivables		**14.7**	15.4	16.1
Other current assets		**1.2**	1.4	1.0
Inventories		**22.6**	20.4	20.5
Total current assets		**44.1**	42.2	41.8
Non-current assets				
Property, plant and equipment		**12.5**	12.7	13.8
Goodwill		**30.6**	30.6	30.6
Intangible assets	10	**9.0**	8.5	8.0
ESOP loans to employees		**1.0**	1.0	1.1
Deferred income tax assets		**0.5**	0.5	0.3
Total non-current assets		**53.6**	53.3	53.8
Total assets		**97.7**	95.5	95.6
Liabilities				
Current liabilities				
Trade and other payables		**13.4**	12.7	12.5
Current income tax liabilities		**1.2**	1.1	1.4
Derivative financial instruments		**—**	0.1	0.3
Borrowings	12	**7.1**	8.5	6.8
Total current liabilities		**21.7**	22.4	21.0
Non-current liabilities				
Borrowings	12	**—**	—	5.9
Deferred income tax liabilities		**2.1**	2.0	1.8
Provision for deferred contingent consideration		**1.7**	1.7	1.5
Total non-current liabilities		**3.8**	3.7	9.2
Total liabilities		**25.5**	26.1	30.2
NET ASSETS		**72.2**	69.4	65.4
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		**(1.2)**	(1.0)	(1.0)
Hedging reserve		**—**	(0.3)	(0.1)
Translation reserve		**(8.8)**	(8.0)	(6.4)
Retained earnings		**54.7**	51.1	45.2
		72.1	69.2	65.1
Non-controlling interest		**0.1**	0.2	0.3
Total equity		**72.2**	69.4	65.4

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2014 (Unaudited)

	Attributable to		
£ Millions	**Share capital**	**Treasury shares**	**Merger reserve**
Balance at 1 January 2013	27.2	(1.2)	0.2
Sale of treasury shares	—	0.1	—
Employee share option plan expenses	—	0.1	—
Dividends paid	—	—	—
Total comprehensive income for the period	—	—	—
Balance at 30 June 2013	27.2	(1.0)	0.2
Balance at 1 January 2014	**27.2**	**(1.0)**	**0.2**
Sale of treasury shares	**—**	**0.1**	**—**
Purchase of treasury shares	**—**	**(0.4)**	**—**
Employee share option plan expenses	**—**	**0.1**	**—**
Dividends paid	**—**	**—**	**—**
Total comprehensive income for the period	**—**	**—**	**—**
Balance at 30 June 2014	**27.2**	**(1.2)**	**0.2**

equity holders of the company					
Hedging reserve	Translation reserve	Retained earnings	Total	Non-controlling interest	Total Equity
(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
(0.3)	**(8.0)**	**51.1**	**69.2**	**0.2**	**69.4**
—	**—**	**—**	**0.1**	**—**	**0.1**
—	**—**	**—**	**(0.4)**	**—**	**(0.4)**
—	**—**	**—**	**0.1**	**—**	**0.1**
—	**—**	**(6.1)**	**(6.1)**	**(0.2)**	**(6.3)**
0.3	**(0.8)**	**9.7**	**9.2**	**0.1**	**9.3**
—	**(8.8)**	**54.7**	**72.1**	**0.1**	**72.2**

Consolidated Statement of Cash Flows

For the six months ended 30 June 2014 (Unaudited)

£ Millions	Note	Six months ended 30 June 2014 (Unaudited)	Six months ended 30 June 2013 (Unaudited)
Cash flows from operating activities			
Total profit		**9.8**	8.1
Adjustments for			
– Income tax expense		**2.4**	2.3
– Amortisation and depreciation		**1.4**	1.3
– Finance cost		**0.1**	0.2
– Loss on fair valuation of derivative financial instruments		**0.1**	0.2
– ESOP expenses		**0.1**	0.1
– Unrealised currency translation (gain)/losses		**(0.6)**	0.6
Change in the working capital			
– Inventories		**(2.2)**	(0.7)
– Trade and other receivables		**0.9**	(1.7)
– Trade and other payables		**0.7**	1.4
– Income tax paid		**(2.3)**	(2.5)
Net cash provided by operating activities	11	**10.4**	9.3
Cash flows from investing activities			
Purchases and construction of property, plant and equipment		**(0.9)**	(0.5)
Research and development expenditure capitalised	6	**(1.2)**	(1.0)
ESOP loan repaid		**0.1**	0.1
Net cash used in investing activities		**(2.0)**	(1.4)
Cash flows from financing activities			
Repayment of borrowings		**(2.0)**	(1.2)
Sale of treasury shares by ESOP		**0.1**	0.1
Interest paid		**(0.1)**	(0.2)
Dividends paid to equity holders of the Company		**(6.1)**	(5.5)
Dividends paid to non-controlling interest		**(0.2)**	—
Net cash used in financing activities		**(8.3)**	(6.8)
Net increase in cash and cash equivalents		**0.1**	1.1
Cash and cash equivalents at start of period		**3.8**	0.5
Effects of currency translation on cash and cash equivalents		**(0.1)**	(0.2)
Cash and cash equivalents at the end of the period	11	**3.8**	1.4

£ Millions	**Six months ended 30 June 2014 (Unaudited)**	Six months ended 30 June 2013 (Unaudited)
Reconciliation of changes in cash and cash equivalents to movements in net debt		
Net increase in cash and cash equivalents	**0.1**	1.1
Repayment of borrowings	**2.0**	1.2
Effects on currency translation	**(0.1)**	(0.2)
Movement in net debt	**2.0**	2.1
Net debt at start of period	**(3.5)**	(10.6)
Net debt at end of period	**(1.5)**	(8.5)

Notes to the Interim Results

For the six months ended 30 June 2014 (Unaudited)

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 2014 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 2013 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 2013.

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.

£ Millions	**Six months ended 30 June 2014 (Unaudited)**	Six months ended 30 June 2013 (Unaudited)
Revenue		
Asia	**3.9**	3.2
Europe	**21.7**	22.1
North America	**24.6**	23.7
Total revenue	**50.2**	49.0

£ Millions	**Six months ended 30 June 2014 (Unaudited)**	Six months ended 30 June 2013 (Unaudited)
Total assets		
Asia	**28.8**	30.1
Europe	**24.7**	26.0
North America	**43.7**	39.2
Segment assets	**97.2**	95.3
Unallocated deferred tax	**0.5**	0.3
Total assets	**97.7**	95.6

Reconciliation of segment results to profit after tax:

£ Millions	**Six months ended 30 June 2014 (Unaudited)**	Six months ended 30 June 2013 (Unaudited)
Asia	**1.1**	0.1
Europe	**4.3**	3.8
North America	**6.5**	6.0
Segment result	**11.9**	9.9
Corporate recovery from operating segment	**1.0**	1.2
Research and development cost	**(0.6)**	(0.5)
Finance income and cost	**(0.1)**	(0.2)
Profit before income tax	**12.2**	10.4
Tax	**(2.4)**	(2.3)
Profit after income tax	**9.8**	8.1

5. Segmented analysis (continued)

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

£ Millions	Six months ended 30 June 2014 (Unaudited)	Six months ended 30 June 2013 (Unaudited)
Revenue		
United States	**24.6**	23.7
United Kingdom	**11.6**	11.9
Singapore	**3.9**	3.2
Germany	**4.4**	4.6
Switzerland	**1.7**	1.9
Other countries	**4.0**	3.7
Total revenue	**50.2**	49.0

6. Expenses by nature

£ Millions	Six months ended 30 June 2014 (Unaudited)	Six months ended 30 June 2013 (Unaudited)
Profit for the period is after charging/(crediting):		
Amortisation of intangible assets	**0.7**	0.6
Depreciation of property, plant and equipment	**0.7**	0.7
Foreign exchange loss	**0.2**	0.2
Foreign exchange (gains) on forward contracts	**(0.1)**	(0.2)
Purchase of inventories	**19.8**	23.3
Changes in inventories	**2.2**	0.7
Fees paid to auditors:		
– Audit	**0.2**	0.2
– Other services – tax	**0.1**	0.1
All other charges	**14.2**	13.0
Total	**38.0**	38.6

6. Expenses by nature (continued)

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

£ Millions	Six months ended 30 June 2014 (Unaudited)	Six months ended 30 June 2013 (Unaudited)
Gross research and development expenditure	**2.6**	2.8
Development expenditure capitalised	**(1.2)**	(1.0)
Amortisation of development expenditure capitalised	**0.7**	0.6
Net research and development expenditure	**2.1**	2.4

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 2014 is 20% (2013: 22%).

£ Millions	Six months ended 30 June 2014 (Unaudited)	Six months ended 30 June 2013 (Unaudited)
Singapore	**0.7**	0.6
Other overseas taxation	**1.7**	1.7
Total taxation	**2.4**	2.3

8. Dividends

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

	Six months ended 30 June 2014 (Unaudited)		Six months ended 30 June 2013 (Unaudited)	
£ Millions	Pence per share	£ Millions	Pence per share	£ Millions
Prior year third quarter dividend paid	**13.0**	**2.5**	12.0	2.3
Prior year final dividend paid	**19.0**	**3.6**	17.0	3.2
Total	**32.0**	**6.1**	29.0	5.5

The dividends paid recognised in the interim financial statements relate to the third quarter and final dividends for 2013.

The first quarterly dividend of 12 pence per share was paid on 10 July 2014. A second quarterly dividend of 13 pence per share (2013: 12 pence) will be paid on 10 October 2014 to shareholders on the register at 5 September 2014.

Notes to the Interim Results

For the six months ended 30 June 2014 (Unaudited)

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 2014 (Unaudited)	Six months ended 30 June 2013 (Unaudited)
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to equity shareholders of the Company)	**9.7**	8.0
Earnings for adjusted earnings per share	**9.7**	8.0
Number of shares	**’000**	’000
Weighted average number of shares for the purposes of basic earnings per share (thousands)	**19,000**	18,993
Effect of potentially dilutive share options (thousands)	**209**	136
Weighted average number of shares for the purposes of dilutive earnings per share (thousands)	**19,209**	19,129
Earnings per share from operations		
Basic	**51.1p**	42.1p
Diluted	**50.5p**	41.8p
Diluted adjusted	**50.5p**	41.8p

10. Intangible assets

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 2014 (Unaudited)**	Six months ended 30 June 2013 (Unaudited)
Cash and bank balances	**5.6**	4.2
Less: Bank overdrafts	**(1.8)**	(2.8)
Cash and cash equivalents per consolidated cash flow statement	**3.8**	1.4
Reconciliation to free cash flow:		
Net cash inflow from operating activities	**10.4**	9.3
Development expenses capitalised	**(1.2)**	(1.0)
Finance cost	**(0.1)**	(0.2)
Free cash flow	**9.1**	8.1

12. Borrowings, bank loans and overdraft

£ Millions	**30 June 2014 (Unaudited)**	31 December 2013	30 June 2013 (Unaudited)
Non-current	**—**	—	5.9
Current	**7.1**	8.5	6.8
Total	**7.1**	8.5	12.7

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 2014 Average	First half 2013 Average	% Change	30 June 2014 Period end	31 December 2013 Period end	30 June 2013 Period end
USD/GBP	1.67	1.54	8.4%	1.69	1.64	1.52
EUR/GBP	1.21	1.18	2.5%	1.25	1.19	1.17

Approximately 75% 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 2013 to the first half of 2014 are summarised as follows:

£ Millions	USD	EUR
Impact on revenues	(2.8)	(0.1)
Impact on profit before tax	(0.7)	—
Impact on net debt	0.5	—

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 2014, 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.

14. Risks and uncertainties (continued)

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.

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 judgements about past and future events and relies on estimates and assumptions.

15. Directors' responsibility statement

The interim results were approved by the Board of Directors on 28 July 2014.

The Directors confirm to the best of their knowledge that:

- This unaudited interim results has been prepared in accordance with IAS 34 "Interim Reporting" as adopted by the European Union; and
- The interim results 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 2013 Annual Report. On 30 June 2014 Larry Tracey retired from the Board, with James Peters (previously Deputy Chairman) becoming Chairman.

Shareholder Notes

XP Power Limited Advisors

Company Brokers
Investec
2 Gresham Street
London
EC2V 7QP
United Kingdom

Principal Bankers
Bank of Scotland plc
The Mound
Edinburgh
EH1 1YZ
United Kingdom

Solicitors
Osborne Clarke
2 Temple Back East
Temple Quay
Bristol
BS1 6EG
United Kingdom

Registrars
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU
United Kingdom

Company Secretary
M & C Services Private Limited
112 Robinson Road #05-01
The Corporate Office
Singapore 068902

Auditor
PricewaterhouseCoopers LLP
8 Cross Street,
PWC Building, #17-00
Singapore 048424

FSC www.fsc.org MIX Paper from responsible sources FSC® C100528

Printed on Cocoon Silk 50.

A recycled paper containing 50% recycled waste and 50% virgin fibre and manufactured at a mill certified with ISO 14001 environmental management standard.

The pulp used in this product is bleached using an Elemental Chlorine Free (ECF) process.

XP POWER LIMITED
LOBBY B #02–02
HAW PAR TECHNOCENTRE
401 COMMONWEALTH DRIVE
SINGAPORE 149598
T: +65 6411 6900
F: +65 6479 6305

www.xppower.com