31 July 2017

XP Power Limited
("XP", "XP Power" or "the Group")

Interim Results for the six months ended 30 June 2017

XP, a world-leading developer and manufacturer of critical power control components for the electronics industry, today announces its interim results for the six-month period ended 30 June 2017.

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Highlights		
Order intake	**£93.4m**	£61.6m
Revenue	**£80.2m**	£60.3m
Gross margin	**46.9%**	49.0%
Interim dividend per share (see Note 8)	**31.0p**	29.0p
Adjusted		
Adjusted operating margin[1]	**21.7%**	21.9%
Adjusted profit before tax[1]	**£17.3m**	£13.1m
Adjusted profit attributable to equity holders[1]	**£13.0m**	£10.0m
Adjusted diluted earnings per share (see Note 9) [1]	**67.3p**	52.2p
Reported		
Operating margin	**18.1%**	21.6%
Profit before tax	**£14.4m**	£12.9m
Profit attributable to equity holders	**£10.9m**	£9.8m
Diluted earnings per share	**56.4p**	51.1p

[1] *Adjusted for intangibles amortisation of £0.1 million (1H 2016: £0.1 million), £2.8 million (1H 2016: £0.1 million) of advisory and aborted acquisitions costs and £0.8 million (1H 2016: Nil) tax deduction related to the aborted acquisitions*

- Strong first half performance, with encouraging momentum in orders and revenues as new design wins enter production, supported by a recovery in capital equipment markets and Sterling weakness

- Order intake increased by 52% to £93.4 million (+35% in constant currency)

- Revenue increased by 33% to £80.2 million (+18% in constant currency)

- Gross margin decreased to 46.9% (1H 2016: 49.0%) due to exchange rate effects and reallocation of certain manufacturing costs at EMCO in line with Group policy

- Own-design XP product revenues increased 39% to a record £60.5 million (1H 2016: £43.4 million), and now represent 75% of total revenues (1H 2016: 72%)

- Revenues for ultra-high efficiency "Green XP Power" products continue to grow and are up by 32% to £18.8 million (1H 2016: £14.2 million) representing 23% of total revenue (1H 2016: 24%)

- Group to break ground on construction of a second manufacturing facility in Vietnam in the second half of 2017 to expand capacity

- Dividend for the first half of 2017 of 31.0 pence per share (1H 2016: 29.0 pence per share) up 7%

James Peters, Chairman, commented:

"The Group has had a very strong first half. Reported order intake and revenues for the first six months of 2017 all set new records, assisted by the weakness of Sterling, a recovery in the capital equipment markets and, significantly, new design wins entering their production phase.

Our balance sheet is strong and we are in an excellent position to make selective acquisitions to further broaden our product offering and engineering capabilities.

While we remain conscious of potential macroeconomic challenges, our strong order book, combined with designs won in 2016 and prior years entering production means that the Board now anticipates the Group's performance for the full year will be comfortably ahead of its existing expectations."

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Note to editors

XP Power is a leading international provider of essential power control solutions. Power direct from the electricity grid is unsuitable for the equipment which it supplies. XP Power designs and manufactures power converters – components which convert power into the right form for our individual customers' needs, allowing their electronic equipment to function. XP Power 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.

For further information, please visit www.xppower.com

31 July 2017

XP Power Limited
(“XP”, “XP Power” or “the Group”)

Interim Results for the six months ended 30 June 2017

INTERIM STATEMENT

Overview

The Group has had a very strong first half of 2017. Our reported order intake and revenues for the first six months of 2017 all set new records, assisted by the weakness of Sterling, a recovery in the capital equipment markets and, significantly, new design wins entering their production phase. The resulting solid earnings, cashflow generation and our confidence in the Group’s outlook support a further increase in the dividend.

We have continued to execute well against our strategy and, most encouragingly, we are now seeing the positive effect from design wins on the newer product introductions. The successful implementation of our strategy continues to drive market share gains and we are encouraged both by the strength of our order book and our continued new program wins. Our strong performance is enabling us to invest part of the cash generated from this revenue growth to expand our engineering capabilities and fuel our future growth.

Our strategy and value proposition

The Group has applied a consistent strategy of moving up the value chain and our growth derives in part from the targeting of key account customers. Once we are approved to supply these larger customers, we have continued to be successful in gaining a larger share of their business. We also continue to expand the breadth of our product portfolio, both organically and by acquisition, in what remains a highly fragmented sector, therefore enabling us to increase our addressable market.

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 highly reliable products that are easy to design into the customer’s system, consume less power, take up less space and reduce installation times.

Our vision is to be the first choice power solutions provider, delivering the ultimate experience for our customers and as a place of work for our people.

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 established a strong foundation for growth in demand for XP Power’s products.

Order intake of £93.4 million (1H 2016: £61.6 million) was up 52% (35% in constant currency) and set a new record for the Group. Compared to the same period a year ago, Asia increased by 79%, Europe increased by 38% and North America increased by 58%. The average US Dollar to Sterling exchange rate was 1.44 in the first half of 2016 compared with 1.26 in the first half of 2017 representing a 13% weakening of Sterling. This increased the reported order intake in the first half by approximately £10.2 million, or 17%, compared to the first half of 2016.

Order intake in the first half of 2017 surpassed revenues with a resultant book-to-bill ratio of 1.16 (1H 2016: 1.02). Overall momentum has continued to build in the business and we enter the second half of the current year with a strong order book of £70.9 million (December 2016: £59.1 million). Approximately half of the 35% order intake growth (in constant currency) came from existing programs and half from programs which have entered production within the last year or so.

Reported revenues grew 33% to £80.2 million in the six months to 30 June 2017 compared to £60.3 million in the same period a year ago. When adjusting to constant currency the underlying growth was 18%.

Revenues in North America were £43.7 million (1H 2016: £30.8 million), up 42% compared to the same period a year ago. Revenues in Europe were £29.4 million (1H 2016: £24.6 million), up 20% on the same period a year ago. Revenues in Asia were £7.1 million (1H 2016: £4.9 million), up 45% compared with the same period a year ago.

The healthcare, industrial and technology sectors all delivered increased revenue in all three of our regions (Asia, Europe and North America) suggesting a general market recovery in the capital equipment markets we serve. On a sector basis, revenues from healthcare grew by 36% to £23.8 million (1H 2016: £17.5 million). Industrial revenues increased by 19% to £34.3 million (1H 2016: £28.8 million). The standout sector was technology where revenues grew by 58% year on year to £22.1 million (1H 2016: £14.0 million) driven by the semiconductor manufacturing equipment makers who are exhibiting strong and sustained growth. In terms of overall revenue for the first half of 2017, industrial represented 43% (1H 2016: 48%), technology represented 27% (1H 2016: 23%) and healthcare represented 30% (1H 2016: 29%).

Our customer base remains highly diversified with the largest customer accounting for only 10% of revenue, spread over 120 different programs/part numbers.

Margins

Gross margin in the first half of 2017 was 46.9% (1H 2016: 49.0%). A number of factors led to a reduction compared to the first half of 2016. Proportionately more of our cost of sales is denominated in US Dollars compared to our revenues. As Sterling weakens, our reported revenues increase due to the translation benefit but so do our cost of sales although at a greater rate. The result is higher gross margins in absolute terms but the gross margin percentage declines. The average exchange rate for converting US Dollars into Sterling in the period was 1.26 in the first half of 2017 (1H 2016: 1.44); a weakening of 13%. We also have revenues in Euro with costs in US Dollars. The average exchange rate for converting Euro into Sterling in the period was 1.17 in the first half of 2017 (1H 2016: 1.30); a 10% weakening of Sterling. We estimate that the effect of a weaker Sterling reduced the gross margin percentage by 110 basis points.

In addition, approximately £0.8 million of costs were charged to cost of sales in the first half of 2017 whereas the corresponding costs in 2016 were charged to operating expenses. This was a result of the Group's continuous assessment and integration of EMCO since its acquisition in November 2015 which had the effect of reducing the gross margin percentage by approximately 100 basis points.

Operating expenses in the first half were £20.2 million (1H 2016: £16.3 million) after deducting £0.1 million of intangibles amortisation (1H 2016: £0.1 million) and £2.8 million of advisory and aborted acquisition costs (1H 2016: £0.1 million). Again, there is a significant translation effect from the weakening of Sterling versus the US Dollar following the United Kingdom’s decision to leave the European Union. We estimate that this translation effect increased reported operating expenses by approximately £2.0 million. In addition, we had the full period cost impact of the additional sales and engineering resources added in 2016, plus those further resources added in 2017 to support the growth in the business.

We are engaging in ever more complicated programs with many of our key customers. These customers value XP Power's engineering services and power conversion expertise to get them to market more quickly and solve their power-related challenges. Systems are becoming more complex and there is more demand for power conversion solutions that communicate with both the customers' applications and with the outside world as the concept of an Internet of Things promulgates. This area of the market allows us to add more value to our customers' engineering teams and is less crowded with low cost Asian competition. As such, we are reinvesting part of the cash returns generated from our growth to fund further expansion of our engineering capabilities.

Gross product development spend was £5.5 million (1H 2016: £3.8 million), £2.0 million of which was capitalised (1H 2016: £2.0 million), and £1.2 million amortised (1H 2016: £1.0 million).

Notwithstanding our investment in additional sales, customer support and engineering resources to support future growth, we continue to achieve excellent adjusted operating margins of 21.7% (1H 2016: 21.9%) highlighting the strength of our business model.

Taxation

The tax charge for the period was £3.2 million (1H 2016: £2.9 million) which represents an effective tax rate of 22.2% (1H 2016: 22.5%). We have used an effective tax rate of 23% to compute the adjusted earnings per share.

We currently expect our future tax rate to be in the range of 22% to 24% depending on the geographic distribution of our future profits.

Financial Position

Class-leading gross and operating margins and modest capital requirements have resulted in continued strong cash flow. After payment of the 2016 final dividend our net cash was £8.0 million at 30 June 2017. This compares with net cash of £3.7 million at 31 December 2016 and net debt of £6.0 million at 30 June 2016.

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 has yet to have a material impact on our revenues, given the time lag from launch to production. This is due to the lengthy design-in cycles required by customers to qualify the power converter in their equipment, as well as by the requirement to gain the necessary safety agency approvals.

XP launched 14 new product families in the first half of 2017 (1H 2016: 27). The relatively high number of new product introductions in 2016 was aided by the introduction of a new labelled product supplier to increase our offering of DC-DC converters. We continue to lead our industry on the introduction of high efficiency, "green" products, with 12 of those new products released in the first half of 2017 being of high efficiency design and/or low stand-by power.

Revenue from own design products was £60.5 million (1H 2016: £43.4 million) up 39% from the same period in 2016 and now represents 75% of total revenue (1H 2016: 72%).

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 Progress

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 value suppliers that have complete control over their supply chain and product manufacture to ensure the highest levels of quality and agility.

To supplement our original Chinese manufacturing facility in Kunshan near Shanghai, our Vietnamese manufacturing facility, located in Ho Chi Minh City, began production of its first magnetic components in March 2012 and is now producing the majority of the Group's requirement for magnetics.

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.

In the fourth quarter of 2014 we began production of the first complete power converters in Vietnam. We now have 259 (1H 2016: 113) part numbers approved for production in Vietnam with more in the pipeline. XP manufactured 693,000 (1H 2016: 550,000) power converters in total during the first half of 2017 and 416,000 (1H 2016: 140,000) of these were produced in Vietnam. We expect the proportion of power converters produced in Vietnam to increase further as we transfer more products to that facility. Kunshan will focus on the higher power, higher complexity products.

We intend to break ground and commence construction of a second factory on our existing site in Vietnam in the second half of this year, with production scheduled to come on stream in 2019. We estimate that our existing Asian manufacturing facilities have the capacity to produce approximately US$170 million of end revenue of our own manufactured products. The second facility in Vietnam will add an additional capability of approximately US$130 million of revenue.

We estimate the cost of the Vietnam II building and the initial equipment set to be approximately US$6.5 million, of which US$1.9 million will be incurred in the second half of 2017 and the remainder in 2018.

Dividend

The Company makes 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 7% to 31.0 pence per share (1H 2016: 29.0 pence per share).

The first quarter dividend payment of 15 pence per share was made on 10 July 2017. The second quarter dividend of 16 pence per share will be paid on 12 October 2017 to shareholders on the register at 15 September 2017.

The compound average growth rate in dividends over the last 10 years has been 14%.

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.

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). Revenues for these ultra-high efficiency “Green XP Power” products continue to grow and are up by 32% to £18.8 million (1H 2016: £14.2 million) representing 23% of total revenue (1H 2016: 24%).

Brexit

The continuing weakness of Sterling versus the US Dollar since the United Kingdom voted to leave the European Union in June 2016 has a material effect on the presentation of our financial results. Approximately 81% of our revenues are denominated in US Dollars and the translation of these revenues into Sterling for reporting purposes has had a beneficial effect. However, the majority of our cost of sales and a large proportion of our operating expenses are also denominated in US Dollars for which the translation into Sterling has a negative impact, thereby significantly dampening any effect on the operating margin.

In terms of the broader economic impacts of Brexit on our business, we do not consider that they will be material. Our products are made in Asia and are already imported into Europe where we have warehouses in bothGermany and the United Kingdom. In the event that the United Kingdom leaves the single market, we would simply ship more of our product destined for the EU directly into Germany or another appropriate location.

Acquisitions

As previously announced, the Group is actively seeking acquisitions to broaden its product offering and engineering capabilities, and further underpin its future growth. Advisory and abortive acquisitions costs in the period were £2.8 million (1H 2016: £0.1 million).

We continue to review suitable acquisition opportunities.

Outlook

We have made a very strong start to 2017 and the momentum experienced in the second half of 2016 has accelerated in the first half of the current year. We had a strong book-to-bill ratio in the first half of 2017 of 1.16 and a customer order book of £70.9 million. We are confident that our new product releases and design wins over the last few years are supporting our revenue growth. While we remain conscious of potential macroeconomic challenges, the combination of these factors means that the Board now anticipates the Group’s performance for the full year will be comfortably ahead of its existing expectations.

The Group has a strong balance sheet which places us in an excellent position to make selective acquisitions to further broaden our product offering and engineering capabilities. We believe we are now well along the path to achieving our vision of becoming the first choice power solutions provider to our existing and target customer base.

Independent review report to XP Power Limited
Report on review of interim financial information

Introduction

We have reviewed the accompanying consolidated condensed financial information of XP Power Limited ("the Company") and its subsidiaries ("the Group") set out on pages 9 to 18, which comprise the consolidated condensed balance sheet of the Group as at 30 June 2017, the consolidated condensed statements of comprehensive income, changes in equity and cash flows for the 6-month period then ended and the related notes. Management is responsible for the preparation and presentation of this consolidated condensed interim financial information in accordance with International Accounting Standard 34 *Interim Financial Reporting* as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the half-yearly financial report, which comprise the "Interim Results" set out on pages 1 to 2, "Interim Statement" set out on pages 3 to 7 and "Note 14 - Risks and uncertainties" set out on pages 19 to 20, and considered whether it contains any apparent misstatements or material inconsistencies with the information in the financial information.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 *Interim Financial Reporting* as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore,
31 July 2017

XP Power Limited
Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2017

£ Millions	Note	**Six months ended 30 June 2017 (Unaudited)**	Six months ended 30 June 2016 (Unaudited)
Revenue	5	**80.2**	60.3
Cost of sales	6	**(42.6)**	(30.8)
Gross profit		**37.6**	29.5
Operating expenses	6	**(23.1)**	(16.5)
Operating profit		**14.5**	13.0
Finance cost	6	**(0.1)**	(0.1)
Profit before income tax		**14.4**	12.9
Income tax expense	7	**(3.2)**	(2.9)
Profit after income tax		**11.2**	10.0
Other comprehensive income:			
Cash flow hedges		**(0.6)**	-
Exchange differences on translation of foreign operations		**(0.9)**	6.8
Other comprehensive income, net of tax		**(1.5)**	6.8
Total comprehensive income		**9.7**	16.8
Profit attributable to:			
- Equity holders of the Company		**10.9**	9.8
- Non-controlling interests		**0.3**	0.2
		11.2	10.0
Total comprehensive income attributable to:			
- Equity holders of the Company		**9.4**	16.6
- Non-controlling interests		**0.3**	0.2
		9.7	16.8
Earnings per share attributable to equity holders of the Company		**Pence per Share**	Pence per Share
Basic	9	**57.2**	51.6
Diluted	9	**56.4**	51.1
Diluted adjusted	9	**67.3**	52.2

XP Power Limited
Consolidated Balance Sheet
At 30 June 2017

£ Millions	Note	At 30 June 2017 (Unaudited)	At 31 December 2016	At 30 June 2016 (Unaudited)
ASSETS				
Current assets				
Cash and cash equivalents	11	**11.3**	9.2	5.8
Inventories		**33.0**	32.2	33.6
Trade receivables		**23.2**	21.5	21.3
Other current assets		**2.3**	2.4	2.0
Derivative financial instruments		**-**	0.4	-
Total current assets		**69.8**	65.7	62.7
Non-current assets				
Goodwill		**37.5**	37.7	38.6
Intangible assets	10	**15.9**	15.3	13.3
Property, plant and equipment		**19.5**	19.1	17.9
Deferred income tax assets		**0.4**	0.4	0.4
ESOP loans to employees		**0.4**	0.7	0.7
Total non-current assets		**73.7**	73.2	70.9
Total assets		**143.5**	138.9	133.6
LIABILITIES				
Current liabilities				
Current income tax liabilities		**3.1**	3.3	2.3
Trade and other payables		**22.2**	16.1	14.9
Provision for deferred contingent consideration		**-**	0.5	-
Borrowings	12	**3.3**	5.5	9.2
Derivative financial instruments		**0.1**	0.4	0.3
Total current liabilities		**28.7**	25.8	26.7
Non-current liabilities				
Provision for deferred contingent consideration		**1.5**	1.5	1.5
Borrowings	12	**-**	-	2.6
Deferred income tax liabilities		**4.6**	4.7	4.3
Total non-current liabilities		**6.1**	6.2	8.4
Total liabilities		**34.8**	32.0	35.1
NET ASSETS		**108.7**	106.9	98.5
EQUITY				
Equity 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		**0.1**	(0.5)	(0.8)
Hedging reserve		**(0.3)**	0.3	0.1
Translation reserve		**2.6**	3.5	1.5
Retained earnings		**78.0**	75.4	69.4
		107.8	106.1	97.6
Non-controlling interests		**0.9**	0.8	0.9
TOTAL EQUITY		**108.7**	106.9	98.5

XP Power Limited
Consolidated Statement of Changes in Equity
For the six months ended 30 June 2017 (Unaudited)

£ Millions

	Attributable to equity holders of the Company								
	Share capital	**Treasury shares**	**Merger reserve**	**Hedging reserve**	**Translation reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total Equity**
Balance at 1 January 2016	27.2	(1.0)	0.2	0.1	(5.3)	67.1	88.3	0.8	89.1
Sale of treasury shares	-	0.1	-	-	-	(0.1)	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-
Employee share option plan expenses	-	0.1	-	-	-	-	0.1	-	0.1
Dividends paid	-	-	-	-	-	(7.4)	(7.4)	(0.1)	(7.5)
Total comprehensive income for the period	-	-	-	-	6.8	9.8	16.6	0.2	16.8
Balance at 30 June 2016	**27.2**	**(0.8)**	**0.2**	**0.1**	**1.5**	**69.4**	**97.6**	**0.9**	**98.5**
Balance at 1 January 2017	27.2	(0.5)	0.2	0.3	3.5	75.4	106.1	0.8	106.9
Sale of treasury shares	-	0.7	-	-	-	(0.3)	0.4	-	0.4
Purchase of treasury shares	-	(0.2)	-	-	-	-	(0.2)	-	(0.2)
Employee share option plan expenses	-	0.1	-	-	-	-	0.1	-	0.1
Dividends paid	-	-	-	-	-	(8.0)	(8.0)	(0.2)	(8.2)
Total comprehensive income for the period	-	-	-	(0.6)	(0.9)	10.9	9.4	0.3	9.7
Balance at 30 June 2017	**27.2**	**0.1**	**0.2**	**(0.3)**	**2.6**	**78.0**	**107.8**	**0.9**	**108.7**

XP Power Limited
Consolidated Statement of Cash Flows
For the six months ended 30 June 2017

£ Millions	Note	**Six months ended 30 June 2017 (Unaudited)**	Six months ended 30 June 2016 (Unaudited)
Cash flows from operating activities			
Total profit		**11.1**	10.0
Adjustments for			
- Income tax expense		**3.2**	2.9
- Amortisation and depreciation		**2.7**	2.2
- Finance charge		**0.1**	0.1
- ESOP expenses		**0.1**	0.1
- Fair value (gain)/loss on derivative financial instruments		**(0.6)**	0.3
- Unrealised currency translation (gain)/loss		**(0.5)**	3.4
Change in the working capital			
- Inventories		**(0.8)**	(4.9)
- Trade and other receivables		**(1.6)**	(3.4)
- Trade and other payables		**6.1**	0.3
Cash generated from operations		**19.8**	11.0
- Income tax paid		**(3.4)**	(1.8)
Net cash provided by operating activities		**16.4**	9.2
Cash flows from investing activities			
Purchases and construction of property, plant and equipment		**(2.0)**	(1.2)
Capitalisation of research and development expenditure	6	**(2.0)**	(2.0)
Repayment of ESOP loan		**0.3**	-
Payment of deferred consideration		**(0.5)**	-
Net cash used in investing activities		**(4.2)**	(3.2)
Cash flows from financing activities			
Repayment of borrowings		**(2.7)**	(1.2)
Sale of treasury shares by ESOP		**0.7**	0.1
Purchase of treasury shares by ESOP		**(0.2)**	-
Interest paid		**-**	(0.1)
Dividends paid to equity holders of the Company		**(8.0)**	(7.4)
Dividends paid to non-controlling interests		**(0.2)**	(0.1)
Net cash used in financing activities		**(10.4)**	(8.7)
Net increase/(decrease) in cash and cash equivalents		**1.8**	(2.7)
Cash and cash equivalents at the start of the period		**9.2**	4.3
Effects of currency translation on cash and cash equivalents		**(0.3)**	0.2
Cash and cash equivalents at the end of the period	11	**10.7**	1.8

£ Millions	Note	**Six months ended 30 June 2017 (Unaudited)**	Six months ended 30 June 2016 (Unaudited)
Reconciliation of changes in cash and cash equivalents to movement in net cash/(debt)			
Net increase/(decrease) in cash and cash equivalents		**1.8**	(2.7)
Repayment of borrowings		**2.7**	1.2
Effects of currency translation		**(0.2)**	(0.8)
Movement in net cash/(debt)		**4.3**	(2.3)
Net cash/(debt) at the start of the period		**3.7**	(3.7)
Net cash/(debt) at the end of the period		**8.0**	(6.0)

XP Power Limited
Notes to the Interim Results for the six months ended 30 June 2017

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 2017 have been prepared in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority and with International Accounting Standards ("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 2016 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") 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 2016.

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, total revenue and total Group profit before taxation by geographical region is set out below.

£ Millions	**Six months ended 30 June 2017 (Unaudited)**	Six months ended 30 June 2016 (Unaudited)
Revenue		
Europe	**29.4**	24.6
North America	**43.7**	30.8
Asia	**7.1**	4.9
Total revenue	**80.2**	60.3

5. Segmented analysis (continued)

£ Millions	**Six months ended 30 June 2017 (Unaudited)**	Six months ended 30 June 2016 (Unaudited)
Total assets		
Europe	**29.0**	26.7
North America	**58.0**	63.5
Asia	**56.1**	43.0
Segment assets	**143.1**	133.2
Unallocated deferred tax	**0.4**	0.4
Total assets	**143.5**	133.6

Reconciliation of operating profit by segment to profit after income tax:

£ Millions	**Six months ended 30 June 2017 (Unaudited)**	Six months ended 30 June 2016 (Unaudited)
Europe	**7.7**	6.0
North America	**14.5**	10.4
Asia	**1.1**	1.1
Operating profit by segment	**23.3**	17.5
Research and development cost	**(4.7)**	(2.8)
Finance charge	**(0.1)**	(0.1)
Corporate recovery from operating segment	**(4.1)**	(1.7)
Profit before income tax	**14.4**	12.9
Income tax expense	**(3.2)**	(2.9)
Profit after income tax	**11.2**	10.0

The Group operates in the following regions and countries:

£ Millions	**Six months ended 30 June 2017 (Unaudited)**	Six months ended 30 June 2016 (Unaudited)
Revenue		
North America	**43.7**	30.8
United Kingdom	**15.0**	13.0
Singapore	**6.0**	4.4
Germany	**6.6**	5.5
Switzerland	**1.5**	2.1
Other countries	**7.4**	4.5
Total revenue	**80.2**	60.3

6. Expenses by nature

£ Millions	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Profit for the period is after charging/(crediting):		
Amortisation of intangible assets	**1.4**	1.1
Depreciation of property, plant and equipment	**1.3**	1.1
Foreign exchange (gain)/loss	**(0.4)**	0.2
Loss/(gain) on foreign exchange forwards	**0.2**	(0.2)
Purchases of inventories	**36.9**	19.3
Changes in inventories	**0.8**	4.9
Fee payable to the Group's auditor for audit of the Group's accounts	**0.2**	0.2
Fee payable to other audit firms for audit related services	**-**	-
Tax fees payable to other firms for services provided to the Group	**-**	-
Rent/lease expense	**0.8**	0.7
Finance charge	**0.1**	0.1
Other charges	**24.5**	20.0
Total	**65.8**	47.4

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

£ Millions	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Gross research and development expenditure	**5.5**	3.8
Capitalisation of research and development expenditure	**(2.0)**	(2.0)
Amortisation of development expenditure capitalised	**1.2**	1.0
Net research and development expenditure	**4.7**	2.8

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 2017 is 22.2% (2016: 22.5%).

£ Millions	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)
Singapore corporation tax	**2.2**	1.3
Overseas corporation tax	**1.0**	1.6
Total taxation	**3.2**	2.9

8. Dividends

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

	Six months ended 30 June 2017 (Unaudited)		Six months ended 30 June 2016 (Unaudited)	
	Pence per share	**£ Millions**	**Pence per share**	**£ Millions**
Prior year 3rd quarter dividend paid	**16.0**	**3.0**	15.0	2.8
Prior year final dividend paid	**26.0**	**5.0**	24.0	4.6
Total	**42.0**	**8.0**	39.0	7.4

The dividends paid recognised in the interim financial statements relate to the third quarter and final dividends for 2016.

The first quarterly dividend of 15 pence per share (2016: 14 pence) was paid on 10 July 2017. A second quarterly dividend of 16 pence per share (2016: 15 pence) will be paid on 12 October 2017 to shareholders on the register at 15 September 2017.

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 2017 (Unaudited)**	Six months ended 30 June 2016 (Unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to equity shareholders of the company)	**10.9**	9.8
Amortisation of intangibles associated with acquisitions	**0.1**	0.1
Cost associated with abortive acquisitions	**2.8**	0.1
Tax deduction associated with abortive acquisitions	**(0.8)**	-
Earnings for adjusted earnings per share	**13.0**	10.0
Number of shares		
Weighted average number of shares for the purposes of basic earnings per share (thousands)	**19,052**	19,011
Effect of potentially dilutive share options (thousands)	**274**	182
Weighted average number of shares for the purposes of dilutive earnings per share (thousands)	**19,326**	19,193
Earnings per share from operations		
Basic	**57.2p**	51.6p
Diluted	**56.4p**	51.1p
Adjusted	**67.3p**	52.2p

The effective tax rate applied to derive the diluted adjusted earnings per share is 23%. This is the rate we currently expect for the year ended 31 December 2017 if there have not been any abortive acquisition costs.

10. Intangible assets

Intangible assets comprises trademarks, brand and technology, customer contracts, non-contractual customer relationships and development expenditure capitalised when it meets the criteria laid out in IAS 38 *Intangible Assets.*

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 2017 (Unaudited)**	Six months ended 30 June 2016 (Unaudited)
Cash and bank balances	**11.3**	5.8
Less: Bank overdrafts	**(0.6)**	(4.0)
Cash and cash equivalents per consolidated cash flow statement	**10.7**	1.8

Reconciliation to free cash flow:		
Net cash provided by operating activities	**16.4**	9.2
Purchases and construction of property, plant and equipment	**(2.0)**	(1.2)
Capitalisation of research and development expenditure	**(2.0)**	(2.0)
Interest paid	**-**	(0.1)
Free cash flow	**12.4**	5.9

12. Borrowings, bank loans and overdraft

£ Millions	**30 June 2017 (Unaudited)**	31 December 2016	30 June 2016 (Unaudited)
Non-current	**-**	-	2.6
Current	**3.3**	5.5	9.2
Total	**3.3**	5.5	11.8

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 2017 Average	First half 2016 Average	% Change	30 June 2017 Period end	31 December 2016 Period end	30 June 2016 Period end
USD/GBP	1.26	1.44	-12.5%	1.27	1.24	1.33
EUR/GBP	1.17	1.30	-10.0%	1.14	1.19	1.20

Approximately 81% 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 2016 to the first half of 2017 are summarised as follows:

£ Millions	USD	EUR
Impact on revenues	8.1	0.7
Impact on profit before tax	1.5	0.1
Impact on net debt	0.3	-

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:

An event that causes a disruption to one of our manufacturing facilities

An event that results in the temporary or permanent loss of a manufacturing facility would be a serious issue. As the Group manufactures 75% of revenues, this would undoubtedly cause at least a short term loss of revenues and profits and disruption to our customers and therefore damage to reputation.

Product recall

A product recall due to a quality or safety issue would have serious repercussions to the business in terms of potential cost and reputational damage as a supplier to critical systems.

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.

Competition from new market entrants and new technologies

The power supply market is diverse and competitive. The Directors believe that the development of new technologies could give rise to significant new competition to the Group, which may have a material effect on its business. At the lower end of the Group's target market, in terms of both power range and programme size, the barriers to entry are lower and there is, therefore, a risk that competition could quickly increase particularly from emerging low cost manufacturers in Asia.

Fluctuations of revenues, expenses and operating results due to an economic shock

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. These factors include general economic conditions; adverse movements in interest rates; conditions specific to the market; seasonal trends in revenues, capital expenditure and other costs and the introduction of new products or services by the Group, or by their competitors. In response to a changing competitive environment, the Group may elect from time to time to make certain pricing, service, marketing decisions or acquisitions that could have a short term material adverse effect on the Group's revenues, results of operations and financial condition.

Dependence on of key customers/suppliers

The Group is dependent on retaining its key customers and suppliers. Should the Group lose a number of its key customers or key suppliers, this could have a material impact on the Group's financial condition and results of operations. However, for the six months ended 30 June 2017, no one customer accounted for more than 10% of revenue.

Cyber security / Information systems failure

The Group is reliant on information technology in multiple aspects of the business from communications to data storage. Assets accessible online are potentially vulnerable to theft and customer channels are vulnerable to disruption. Any failure or downtime of these systems or any data theft could have a significant adverse impact on the Group's reputation or on the results of operations.

Risks relating to regulation, compliance and taxation

The Group operates in multiple jurisdictions with applicable trade and tax regulations that vary. Failing to comply with local regulations or a change in legislation could impact the profits of the Group. In addition, 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 and have an impact on earnings and potentially its share price.

14. Risks and uncertainties (continued)

Strategic risk associated with valuing or integrating new acquisitions

The Group may elect from time to time to make strategic acquisitions. A degree of uncertainty exists in valuation and in particular in evaluating potential synergies. Post-acquisition risks arise in the form of change of control and integration challenges. Any of these could have an effect on the Group's revenues, results of operations and financial condition.

Loss of key personnel or failure to attract new 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. The loss of the services of key employees could have a material adverse effect on own business.

Exposure to exchange rate fluctuations

The Group deals in many currencies for both its purchases and sales including US Dollars, Euros and its reporting currency Pounds Sterling. In particular, North America represents an important geographic market for the Group where virtually all the revenues are denominated in US Dollars. The Group also sources components in US Dollars and the Chinese Renminbi. The Group therefore has an exposure to foreign currency fluctuations. This could lead to material adverse movements in reported earnings.

15. Directors' responsibility statement

The interim results were approved by the Board of Directors on 31 July 2017.

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

- The unaudited interim results have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union; and
- The interim results include 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 follows:

James Peters	Non-Executive Chairman
Duncan Penny	Chief Executive
Mike Laver	President, World Wide Sales and Marketing
Jonathan Rhodes	Finance Director
Andy Sng	Executive Vice President, Asia
Terry Twigger	Senior Non-Executive Director
Peter Bucher	Non-Executive Director
Polly Williams	Non-Executive Director

Signed on behalf of the Board by

James Peters
Non-Executive Chairman

Duncan Penny
Chief Executive

31 July 2017