



# XP Power plc

## 2005 Preliminary Results



T H E X P E R T S I N P O W E R

## Financial Highlights

- Growth in diluted earnings per share of 33% but largely due to implementation of IFRS
- Chinese manufacturing joint venture
- 59% of revenues from XP intellectual property (2004: 55%)
- Strong free cash flow
- Dividend increased 14% to 16p per share

# International Financial Reporting Standards Standards (IFRS)

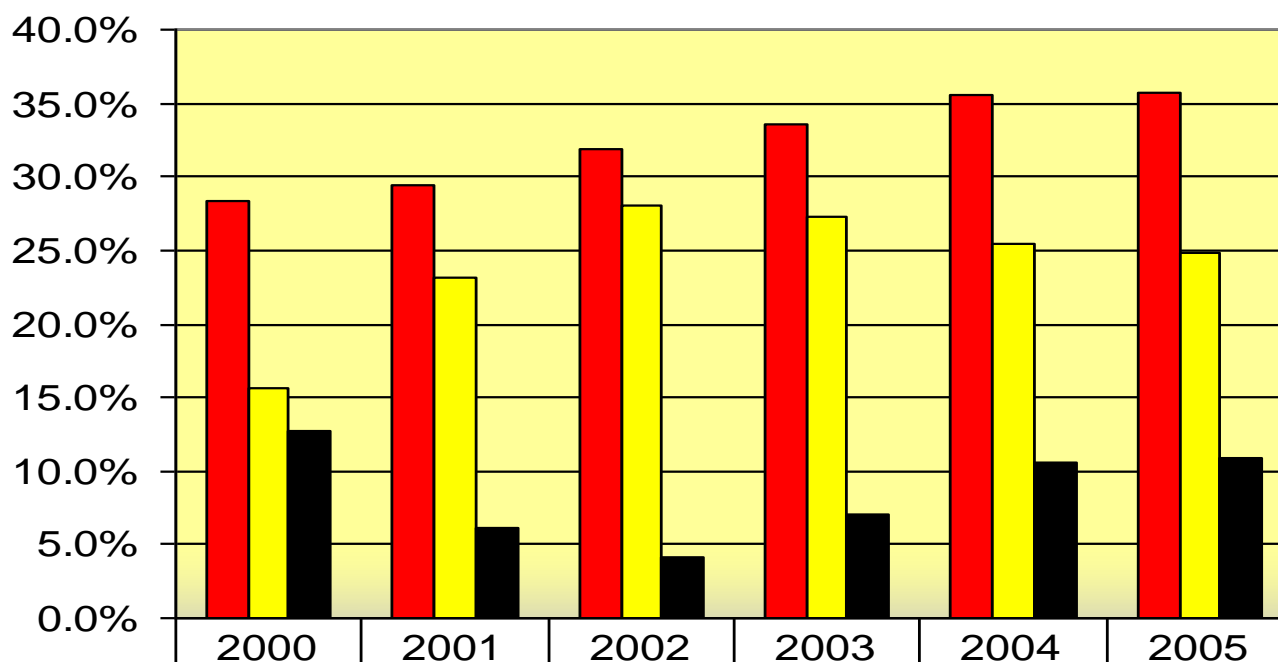
## Profit Reconciliation

£ Millions	2004	2005	% Increase
<b>Profit before tax under UK GAAP</b>	<b>5.0</b>	<b>5.4</b>	<b>8.0%</b>
Amortisation of intangibles from business acquisitions	-	(0.1)	
Goodwill amortisation	1.4	1.4	-
<b>Profit before tax and goodwill amortisation ("Pre tax clean")</b>	<b>6.4</b>	<b>6.7</b>	<b>4.7%</b>
Capitalisation of development costs	-	1.0	-
<b>Profit before tax under IFRS</b>	<b>6.4</b>	<b>7.7</b>	<b>20.3%</b>

## Profit and Loss Account

<u>£ Millions</u>	<u>2004</u>	<u>2005</u>
Revenue	66.8	69.5
<b>Gross Margin</b>	<b>23.7</b>	<b>24.8</b>
Gross Margin %	35.5%	35.7%
Selling and administration expenses	14.8	14.9
Research and development	2.3	2.6
Capitalisation of development costs	-	(1.0)
Amortisation of intangibles on business acquisitions	-	0.1
Share of associates' operating profit	0.4	0.3
<b>Operating profit</b>	<b>7.0</b>	<b>8.5</b>
Finance costs	(0.6)	(0.8)
<b>Profit before tax</b>	<b>6.4</b>	<b>7.7</b>
Basic earnings per share	23.1p	30.7p
Diluted earnings per share	22.6p	30.1p
Diluted earnings per share adjusted for the amortisation of intangibles on business acquisitions	22.6p	30.6p

## Profit and Loss Metrics (% of revenue)



■ Gross margin	28.4%	29.4%	31.9%	33.5%	35.5%	35.7%
■ Operating expenses	15.7%	23.2%	28.1%	27.3%	25.5%	24.8%
■ Operating profit	12.7%	6.2%	4.1%	7.0%	10.5%	10.9%

*Note: capitalisation of development costs added back*

## Profit and Loss Account by Geography

Year ended 31 December 2005

£ Millions	Corporate	North America	UK	Europe	Asia	Total
Revenues		37.2	20.6	11.2	0.5	69.5
<b>Gross Margin</b>		<b>13.3</b>	<b>7.8</b>	<b>3.6</b>	<b>0.1</b>	<b>24.8</b>
Gross Margin %		35.8%	37.9%	32.1%	20.0%	35.7%
<i>Gross margin improvement on 2004</i>		<i>1.7%</i>	<i>-3.0%</i>	<i>1.2%</i>		<i>0.2%</i>
Operating expenses	2.9	6.8	4.8	2.0		16.5
Share of associates' operating profit	0.3					0.3
<b>Operating profit</b>	<b>(2.6)</b>	<b>6.5</b>	<b>3.0</b>	<b>1.6</b>	<b>0.1</b>	<b>8.6</b>
Operating profit %		17.5%	14.6%	14.3%	20.0%	12.4%
<i>Operating profit improvement on 2004</i>		<i>3.8%</i>	<i>-3.6%</i>	<i>1.5%</i>		<i>1.8%</i>
Finance costs	(0.4)	(0.2)	(0.2)			(0.8)
<b>Profit before tax and amortisation</b>	<b>(3.0)</b>	<b>6.3</b>	<b>2.8</b>	<b>1.6</b>	<b>0.1</b>	<b>7.8</b>



## Summary Balance Sheets

<u>£ Millions</u>	<u>2004</u>	<u>2005</u>
<b>Non-current assets</b>		
Goodwill	23.1	27.8
Other intangible assets	-	2.2
Property plant and equipment	2.5	3.0
Interests in associates	1.8	0.3
Deferred tax	0.1	0.3
<b>Total non-current assets</b>	<b>27.5</b>	<b>33.6</b>
<b>Current assets</b>		
Inventories	7.5	8.1
Trade and other receivables	13.1	17.2
Cash	2.7	4.8
<b>Total current assets</b>	<b>23.3</b>	<b>30.1</b>
<b>Current liabilities</b>		
Overdraft	(4.7)	(8.7)
Revolving credit facility	(8.1)	(11.2)
Deferred consideration	(2.5)	(0.4)
Other creditors	(9.6)	(12.3)
<b>Total current liabilities</b>	<b>(24.9)</b>	<b>(32.6)</b>
Deferred consideration	-	(3.3)
Deferred tax	-	(0.4)
<b>Net assets</b>	<b>25.9</b>	<b>27.4</b>

## Cash Flow Statements

<u>£ Millions</u>	<u>2004</u>	<u>2005</u>
<b>Net cash flow from operations</b>	4.1	7.3
Dividends received from associates	0.2	0.6
Capitalisation of product development	-	(1.0)
Net interest	(0.6)	(0.8)
Net capital expenditure	(0.2)	(0.8)
<b>Free cash flow</b>	<b>3.5</b>	<b>5.3</b>
Acquisitions	(1.1)	(3.9)
Share buy back	(3.5)	(3.5)
Sale of shares	0.1	0.2
Dividends paid	(2.6)	(3.1)
<b>(Increase) in net debt</b>	<b>(3.6)</b>	<b>(5.0)</b>
<b>Net debt</b>	<b>10.1</b>	<b>15.1</b>



## New products



### fleXPower

- 400-1000 watt modular series
- Rich feature set
- 24 hour sample delivery
- Industrial, medical and IT approvals



### ECM100

- 2.5" by 4.5" by 1.2" high density package
- 1 to 4 outputs, all fully regulated
- Convection and forced cooled ratings
- Medical and IT approvals
- Class II construction



### RCL175

- 175 Watt multi-output
- Highly flexible power
- Industrial, IT and medical approvals
- 120 Watt convection cooled rating
- Class I or class II installations
- Fully approved modified standards within one week!

## Manufacturing Joint Venture

- Customer driven
- 50:50 joint venture with Fortron

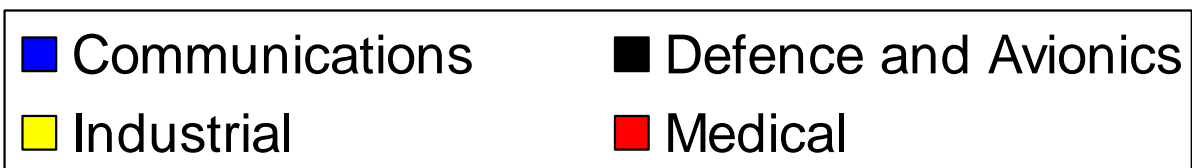
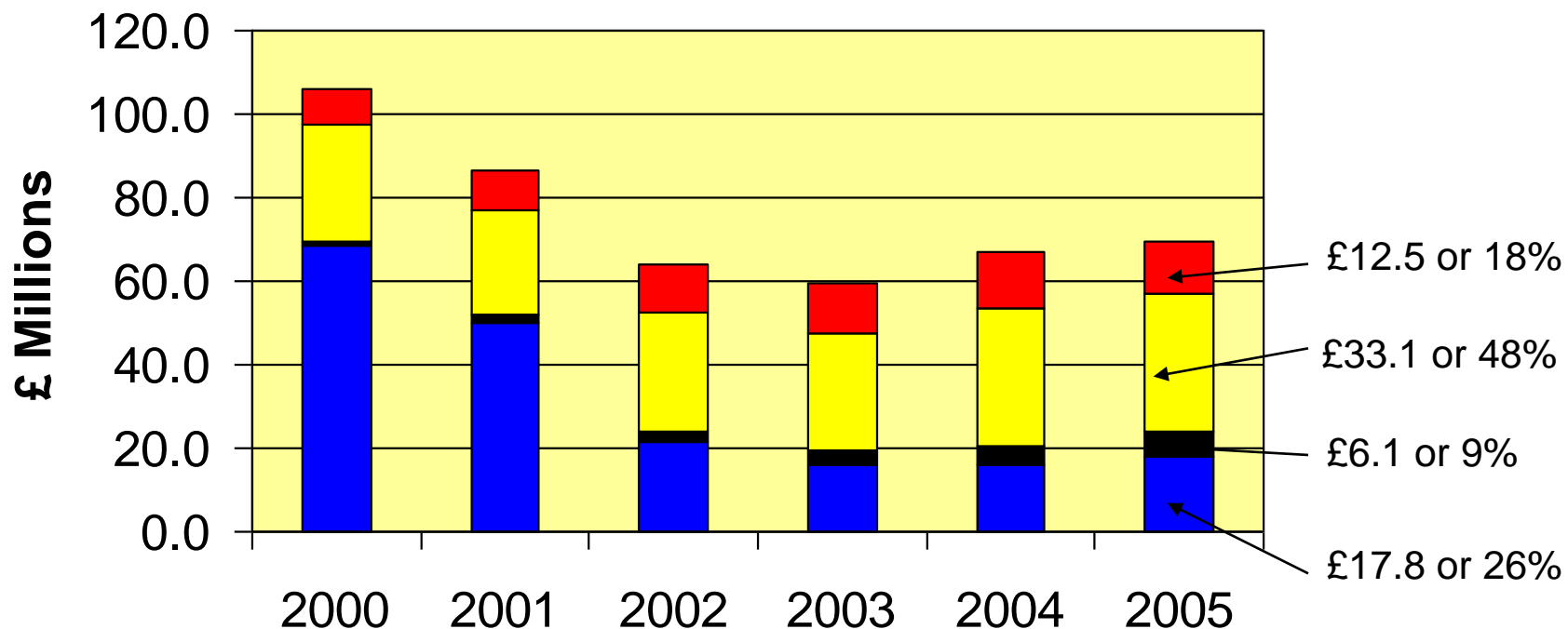


### Source

- Situated close to Shanghai, China
- Investment of US\$1.5 million
- Pre-production expected in Q2 with full production in Q3
- Expect to break even in Q3 and contribute to earnings in Q4



## Industry Segmentation Trend (£ Millions)



## Target market 2005 (US\$ Millions)

Target market	Europe	%	US	%	Total	%
Comms	170	28%	400	33%	570	32%
Industrial	300	50%	420	35%	720	40%
Medical	60	10%	180	15%	240	13%
Defence	70	12%	200	17%	270	15%
<b>Total</b>	<b>600</b>	<b>100%</b>	<b>1,200</b>	<b>100%</b>	<b>1,800</b>	<b>100%</b>

XP Power share	Europe	%	US	%	Total	%
Comms	12	7%	20	5%	32	6%
Industrial	31	10%	30	7%	60	8%
Medical	6	10%	17	9%	23	9%
Defence	9	13%	2	1%	11	4%
<b>Total</b>	<b>58</b>	<b>10%</b>	<b>69</b>	<b>6%</b>	<b>126</b>	<b>7%</b>

Source: XP Power estimates



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## Estimated share of target accounts 2005 (US\$ Millions)

XP Power target accounts	Europe		US		Total	
		%		%		%
Comms	2	2%	8	3%	10	3%
Industrial	2	1%	9	3%	11	2%
Medical	4	8%	7	5%	11	6%
Defence	7	12%		0%	7	3%
<b>Total</b>	<b>15</b>	<b>4%</b>	<b>24</b>	<b>3%</b>	<b>39</b>	<b>3%</b>

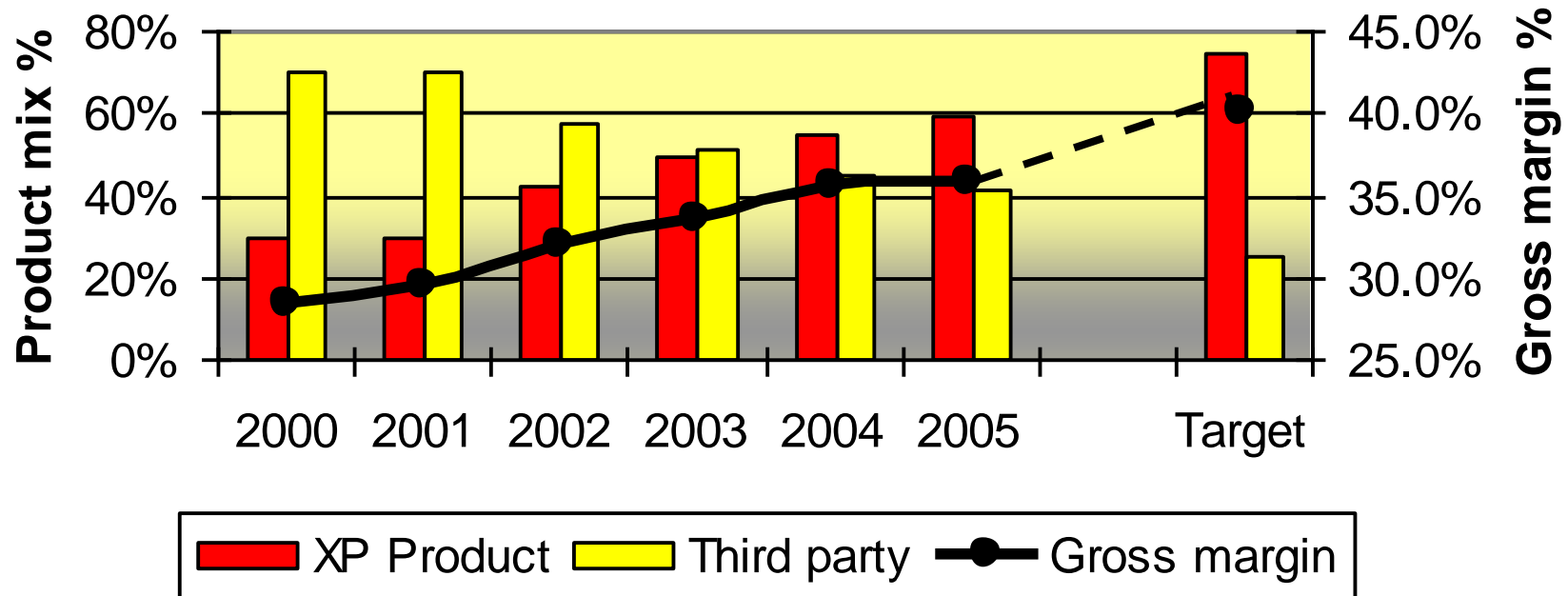
XP Power other accounts	Europe		US		Total	
		%		%		%
Comms	10	20%	12	10%	22	13%
Industrial	28	19%	21	17%	49	18%
Medical	2	16%	10	27%	12	24%
Defence	2	17%	2	5%	4	8%
<b>Total</b>	<b>43</b>	<b>19%</b>	<b>45</b>	<b>14%</b>	<b>87</b>	<b>16%</b>

Source: XP Power estimates



**T H E X P E R T S I N P O W E R**

## Product Split and Gross Margin Trend



## Explanation of Margin

- Gross margins have moved back in the second half of 2005 in the UK principally due to low margins on particular third party business
- Analysis of current backlog indicates UK margins should improve in the first half of 2006
- Good trend toward own IP product and stronger margins elsewhere (particularly North America)
- Manufacturing joint venture should be accretive to gross margin by 2007

## Outlook

- Expect marginal improvement in market conditions in 2006
- Expect improvement in operational gearing
- Manufacturing JV will drag margins slightly in first half of 2006 but should be accretive in the second half of 2006
- Expect to grow revenue and margins in 2006

