1 August 2022

XP Power Limited

Interim Results for the six months ended 30 June 2022

XP Power, one of the world's leading developers and manufacturers of critical power control solutions for the Industrial Technology, Healthcare and Semiconductor Manufacturing Equipment sectors, today announces its unaudited interim results for the six months ended 30 June 2022.

Highlights:

- Order intake was up 18% at constant currency and 23% as reported to £193.1 million, with growth driven by continued momentum in all segments, especially Healthcare.
- Demand remains strong into H2 2022 with a record, committed order book of £285.2 million (31 December 2021: £217.0 million) giving good visibility out beyond the next 12 months
- Revenue growth nonetheless constrained by industry-wide component shortages, a five-week COVID-19 lock-down in China, and extended component lead-times
- Gross and operating margins impacted by both lower production volumes and compounded by inflation where there is a lag to full recovery in higher customer pricing, and also ongoing global logistics challenges. Pricing action taken in 2021 and 2022 is expected to have a larger benefit in H2 with further improvement in FY 2023
- Improvement in our financial performance metrics which began in Q2 has been sustained into July, with significantly improved performance expected from the second half
- Investing to support significant medium term growth, including;
  - Acquisition of FuG and Guth for €39.0 million completed in January. Both businesses are performing well
  - Manufacturing capacity expansion, with construction of third Asia facility in Malaysia underway, to facilitate our growth plans
  - Increased the capacity, efficiency and resilience of our existing facilities across the globe
  - Roll-out of Enterprise Resource Planning system in Asia manufacturing sites, now largely complete
- Successful bank refinancing, with RCF increased from $150 million to $255 million with up to an additional $75 million accordion option, providing the Group with substantial liquidity out until 2026 with an extension option to 2027
- Net debt of £102.0 million has risen substantially since 2021 year end largely reflecting the acquisition consideration (£32.3 million), adverse FX movements (£8.1 million) and elevated levels of working capital excluding the impact of specific items (£22.1 million). There has been no payment for legal damages in H1
- Period end net debt/EBITDA of 2.1x is expected to remain at c.2x at year end including the potential payment in H2 of expected damages from legal case
- No final judgement on Comet legal case, expected damages of $40.0 million (c.£30.7 million) as well as a provision for estimated future costs to resolution
- Maintained H1dividend for 2022 of 37 pence per share, reflecting the Board's confidence in the Group's medium to longer-term prospects.

James Peters, Chair, commented:

"While underlying demand remained strong across all sectors, a combination of external supply chain factors, which restricted our capacity to deliver to customers, and inflationary pressures have produced a challenging backdrop in the first half. The team is working hard to mitigate these industry-wide challenges, with an improvement in performance in Q2 being sustained into the early weeks of the second half. While we are confident of a substantially better performance in the remainder of 2022 supported by the inventory on hand and a record, committed order book, there remains a wider range of full year outcomes than in prior years including scenarios where full year outturn is at the lower end of current analyst expectations. Longer term, the Group's prospects remain bright, we are excited by the additional capacity to come from our new Malaysian facility and the opportunities that will provide. We are confident of delivering strong revenue growth and significant long term value creation as we outperform our end markets."

	Six months ended 30 June 2022	Six months ended 30 June 2021	% change actual exchange rate	% change constant exchange rate	% change constant exchange rate excluding acquisition
Order intake	**£193.1m**	£157.6m	23%	18%	12%
Revenue	**£123.6m**	£119.9m	3%	(1)%	(7)%
Gross margin	**40.2%**	46.6%	(640)bps	(640)bps	
Total dividend per share	**37.0p**	37.0p	-%		
Adjusted					
Adjusted operating profit[1]	**£15.0m**	£23.2m	(35)%	(38)%	
Adjusted profit before tax[1]	**£13.8m**	£22.5m	(39)%	(41)%	
Adjusted diluted earnings per share[1]	**52.2p**	93.3p	(44)%		
Reported					
Operating (loss)/profit	**£(45.2)m**	£17.1m	(364)%		
(Loss)/Profit before tax	**£(47.4)m**	£16.4m	(389)%		
Diluted (loss)/earnings per share	**(180.6)p**	68.1p	(365)%		
Operating cash flow	**£(13.1)m**	19.7m	(166)%		
Net debt	**£102.0m**	£20.3m	(398)%		

[1]*For details on adjusted measures refer to note 5 and note 8 of the consolidated financial statements.*

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XP Power designs and manufactures power controllers, the essential hardware component in every piece of electrical equipment that converts power from the electricity grid into the right form for equipment to function. Power controllers are critical for optimal delivery in challenging environments but are a small part of the overall customer product cost.

XP Power typically designs power control solutions into the end products of major blue-chip OEMs, with a focus on the Industrial Technology (circa 43% of sales), Healthcare (circa 18% sales) and Semiconductor Manufacturing Equipment (circa 39% of sales) sectors. Once designed into a programme, XP Power has a revenue annuity over the life cycle of the customer's product which is typically five to seven years depending on the industry sector.

XP Power has invested in research and development and its own manufacturing facilities in China, North America, and Vietnam, to develop a range of tailored products based on its own intellectual property that provide its customers with significantly improved functionality and efficiency.

Headquartered in Singapore and listed on the Main Market of the London Stock Exchange since 2000, XP Power is a constituent of the FTSE 250 Index. XP Power serves a global blue-chip customer base from 29 locations in Europe, North America, and Asia.

For further information, please visit xppowerplc.com

INTERIM STATEMENT

Overview

The Group made further strategic progress in H1 2022 in what continued to be a challenging global environment. Key developments included the acquisitions of FuG and Guth in January, and the ongoing investment in supply chain capacity including further enhancements at our existing facilities and the start of work on a third manufacturing site in Asia, based in Malaysia.

Order intake has remained strong, resulting in another record order book at the end of the first half. Our customers in the Semiconductor Manufacturing Equipment sector have continued to expand production capacity, and are positive on their outlook, and we have seen a return to strong order growth in the Healthcare sector as conditions normalised in 2021 from the exceptional demand related to COVID-19 in 2020. Order intake in the Industrial Technology sector has also continued to increase. We have continued to see strong demand into the second half. We have seen no reduction in customer demand and no customer requested delay of shipments.

Whilst demand has continued to grow, short term, temporary challenges limited the Group's manufacturing capacity in the first half. Ongoing component shortages and increased lead times for key components combined with a five-week long COVID-19 imposed lockdown in China and major logistics disruption to ports, delayed the conversion of orders into revenue. Specifically, the Group had c.£15 million of orders it was unable to ship in Q2 due to component shortages. In combination, these external factors had a significant impact on the Group's profitability in the first half but its financial performance has improved through Q2 and this trend has been sustained into the early weeks of the second half. We expect a significantly improved performance for H2 as a whole.

From an operational perspective, we expect production volumes to increase through the second half as committed components are delivered and investments in capacity, particularly in Asia, start to take effect. We have continued to expand production in Asia and, in combination with the additional volumes, this should improve margins as a result of lower costs and overhead absorption.

The Group has continued to take a proactive approach to managing inflationary pressures, with increases in costs being recovered from customers through price increases and surcharges wherever possible. The price increases implemented in Q3 2021 are expected to have a positive impact in the second half of 2022 as these orders begin to enter production, with the benefit of a further round of price increases implemented in Q2 2022 being seen in 2023 financials. Increased freight and material costs are being passed through to customers using surcharges wherever possible.

In common with the industry as a whole, the Group has continued to experience component shortages, across ICs, resistors, multilayer ceramic caps, transistors and diodes but also, as a direct result of the China lockdowns, some standard components such as metal works. With an ongoing focus and commitment to our customer offering, we have continued to pay premiums to secure and expedite supply, and are pre-buying to build inventories where components are available. With lead times increasing for many of our material categories, our teams are working proactively to try to pull-in stock to meet our continued strong customer demand and manage supplier push-outs and decommits. This drive to secure essential components to support production, together with the lower production volumes in the first half of 2022, have resulted in an increased level of inventory for the Group with many items at increased prices.

The Group continued the roll out of its SAP ERP solution during the first half, with work focused on the Asia manufacturing units and supply chain. As expected, we experienced some modest disruption during the implementation period but both facilities continued to ship product and are no longer constrained by the S4 implementation. This project has created global end to end processes on a common system and will enable the Group to scale more effectively and integrate recent and any future acquisitions more easily.

The acquisitions of FuG and Guth were successfully completed in January 2022, and both businesses have made a strong start to trading under XP ownership, with revenue and profitability in line with Board expectations. We are excited about the longer-term opportunities that exist for these businesses as part of our expanded high voltage product capabilities. We believe our high voltage business will drive significant long term value creation.

The Group has recently expanded its credit facilities, which now include a $255 million revolving credit facility (RCF) with a further $75 million accordion option (as of 31 December 2021 the Group had an RCF of $150 million and an accordion of $30 million). The Group's lenders remain supportive, and the expanded facilities run until 2026 with an option to extend to 2027, and the significant additional liquidity provides the Group with further flexibility to fund its future growth.

As previously announced, on 24 March 2022 a jury in the US legal action brought by Comet Technologies USA Inc., Comet AG, and YXLON International ("Comet") found in favour of Comet and awarded damages of $40 million against XP Power. As of 1 August 2022, the judge has not yet filed a ruling on the jury's decision or subsequent filings. The Board will assess the next steps once the ruling has been made however we understand that the cost of an appeal would be significantly below the costs incurred to date. For clarity, the $40 million damages award is not reflected in the H1 2022 net debt figure of £102.0 million but is accrued within the income statement together with costs for 2022.

Sector Performance

Sector and regional performance are presented on a like-for-like basis, excluding the impact of the FuG and Guth acquisitions

XP Power serves three distinct market sectors:

- Industrial Technology, which represented 40% of total H1 2022 revenue (H1 2021: 38%);
- Semiconductor Manufacturing Equipment 41% (H1 2021: 37%) and
- Healthcare 19% (H1 2021: 25%).

In each sector we focus our resource on key accounts that value our quality and high level of service and support, particularly during the critical design in stage.

Industrial Technology
The Industrial Technology sector remains very well diversified, with a broad cross section of accounts and no large individual programmes, even though the Group works with many blue-chip industrial customers. Demand remains strong and orders grew by £6.7 million as reported, or 6% on a constant currency basis, compared to a strong H1 2021, as the momentum in this sector has continued through the first half of 2022.

Industrial Technology orders continued to increase through the half, but revenue declined by -2% on a constant currency basis to £46.0 million, with the reported revenue number increasing by £0.7 million or 2%. Industrial Technology serves a broad range of customers and has been more notably impacted by the production challenges discussed above. Revenue from the distribution channel, which accounts for 12% of Group revenue, increased by 29% compared to the prior year as we continued to grow market share with the high service level distributors which we use to support the mid-tier of the market and also smaller customers. Distribution remains a significant growth opportunity for the Group.

Semiconductor Manufacturing Equipment
Semiconductor Manufacturing Equipment orders increased by £2.1 million or 3% on a constant currency basis compared to the prior year which benefited from the lead time expansion. Demand for customers' products continues to be strong as global semiconductor production capacity expands. The sector remains an exciting and important area for the Group, and despite reports of softening PC/smartphone demand and global inflationary pressures, we continue to see strong demand from our customers as they, and their own customers, continue to expand both leading and trailing edge production capacity for the longer term. The existing global manufacturing capacity remains below current demand levels so capacity expansion is still required and we have clear line of sight into H2 2023. Whilst we are mindful of the potential for cyclicality in this sector, we have not seen any reduction in customer demand to date and our customers are forecasting continued growth in demand through 2023.

Sector revenue increased by 9% to £48.3 million as reported, and 4% on a constant currency basis compared to £44.5 million in H1 2021.

Healthcare
The Healthcare market performance remains encouraging with many of our customers reporting increased order books, operation procedures now normalised to pre-COVID-19 levels and a healthy pipeline of innovation, especially in Robotics. Order intake in the Healthcare sector increased by £12.9 million or 45% on a constant currency basis, 49% as reported, as demand returned to growth after normalising in 2021 following the exceptional COVID-19 related demand we saw in 2020. Sector revenue of £22.4m was down 32% at constant currency.

Total orders of £193.1 million included £10.4 million from the acquired FuG and Guth businesses, an increase of 18% on a constant currency basis. Group revenue of £123.6 million included £7.8 million relating to FuG and Guth, a decrease of 1% at constant currency.

Regional Performance

Revenue in North America was US$91.6 million (H1 2021: US$97.4 million), down 6% compared to the same period in the previous year with growth in the Semiconductor Manufacturing Equipment and Industrial sectors offset by a softer performance in Healthcare linked to component shortages impacting shipments.

Revenue in Europe was £31.1 million (H1 2021: £34.6 million), down 12% on a constant currency basis from a year ago, primarily driven by the Healthcare sector with the Industrial Technology and Semiconductor Manufacturing sectors broadly flat.

Revenue in Asia was US$20.0 million (H1 2021: US$20.6 million), down 2% at constant currency compared with the same period a year ago, with Semiconductor Manufacturing Equipment and Healthcare sectors slightly lower.

Our Growth Strategy

Our strategy is clear and has delivered consistently. We aim to be the first-choice power solutions provider for our customers across a diverse range of sectors, offering a superior product portfolio and customer service. We believe we have the potential to grow revenue well ahead of our underlying markets over the long-term driven by our core growth drivers:

- Global GDP growth
- Growth in the use of electronics requiring a power converter
- Exposure to 'secular' growth markets e.g., Semiconductor manufacturing equipment and healthcare
- Market share gains – greater penetration of existing blue-chip customers
- Expanding our addressable markets.

We continue to make progress delivering our power strategy by:

- Developing a market leading range of competitive products
- Targeting accounts where we can add value
- Further enhancing our global supply chain through investment in capacity, systems and capability
- Leading our industry in environmental matters
- When appropriate, making selective acquisitions in identified strategic markets to expand our product offering and addressable markets

Successful implementation of our strategy has enabled the Group to build a presence across the whole range of power and voltage applications, with acquisitions in more recent years adding capabilities in the high power and high voltage applications which are well-suited to XP's service model and where growth opportunities are exciting. In parallel, the Group has significantly expanded its low cost Asian manufacturing base, investing in new capacity in Vietnam and, from 2024, in Malaysia, to support significant future growth in production volumes. In combination, the Board believes these two strategic initiatives underpin a significant medium term growth opportunity for the Group.

We remain focused on developing product platforms, both organically and inorganically, that are easy to modify and which can be used over multiple sectors and applications. The "designed in", recurring nature of the portfolio creates a long term, committed relationship with our customers. The FuG and Guth acquisitions have increased our addressable market in high voltage which we believe is a strategically valuable part of XP Power and a good future growth opportunity for the Group as we combine the portfolios to open new addressable markets.

We have expanded capacity at all production sites across our Low Voltage ("LV"), Radio Frequency ("RF") and High Voltage ("HV") capabilities, and have added RF capability capacity in China and, through the FuG and Guth acquisitions, HV capacity in Germany. We are adding further manufacturing capacity with a new facility in Malaysia which will become approximately twice the size of our existing Vietnam factory, to complement both Vietnam and our original China plant and allow for further expansion of the XP Group. In addition, there has been ongoing investment in all design centres globally.

The addition of FuG and Guth to the existing High Voltage portfolio represents the next step in building a compelling High Voltage business that can deliver further long term growth for the Group. The strategy started with the acquisition of Emco in 2015 and Glassman in 2018 supported by organic development over the period. The addition of FuG bringing high precision, low noise and Guth adding high power capabilities means the Group has the full spectrum of high voltage capabilities and we believe makes XP the number 2 player in this market.

Going forward the high voltage strategy will be to utilise current technology, products and sales channel to drive greater market penetration. We will leverage strong domestic market position in Lithography and Ion Implantation to develop international markets and cross sell HV products into existing Industrial and Healthcare customers and then broaden the product portfolio through product development to expand the addressable market further.

We believe the continued execution of the strategy will bring significant long term value creation as a result of revenue growth in the high single digits supported by strong long term growth drivers and attractive gross margins supporting adjusted operating margin of around 20%. This model combined with operating cash conversion above 90% will deliver attractive long term returns.

ESG

Our commitment to ESG principles is key to our strategy of leading the industry in environmental matters. During the period we have calculated XP Power's full carbon footprint including Scope 3 for the first time. Initial findings show the large majority of emissions are outside of our own operations, from the components we purchase and from our products in use. Going forward product design, improvements in our product efficiency and supplier engagement will be key in driving down emissions over the coming years. Also critical is that governments around the world continue to rapidly decarbonise their electricity grids. Although the impacts of our own operations are a small percentage, we continue to drive emissions down through a wide range of initiatives as we expand and renew our solar power initiatives and look to source renewables energy.

The global supply chain issues have driven up our carbon footprint for logistics as we have had to temporarily use more air freight when shipping products from our manufacturing facilities to meet our customers' requirements. This is as a result of the lead times and unreliability of sea freight. We are working to move back to sea freight as not only is air freight significantly more expensive, the CO_2 impact can be 100 times that of sea freight.

Our commitment to reaching Net Zero by 2040 remains key to our strategy and we will be setting interim emissions reductions targets later this year. We have made a commitment to set these interim targets in line with the Science Based Targets initiative[1] and will be submitting our targets to the SBTi for validation. Our commitment will be recognised on sciencebasedtargets.org as well as on the partner websites at We Mean Business and UN Global Compact. As a mark of our strengthened commitment to the fight against climate change we will also be seeking official validation for our long-term net zero target from the SBTi in due course.

The ongoing sustainability focus will bring operational benefits in terms of our own performance with increased efficiency and we believe our performance in this area ahead of our power peers will improve customer engagement.

In the challenging market environment we continue to support our employees and their training and development, recognising cultural differences, and promote a fair working environment with equal opportunities for all. Mental health is a priority for XP and following the successful paid Health & Wellness Day for all employees held in 2021 this has been repeated in 2022. Our vision is to deliver the ultimate experience for our customers and for our people. Through workforce engagement, the views of our employees are heard at the Board level and are considered in Board discussions and decision making. Pauline Lafferty is the designated Non-Executive Director responsible for workforce engagement and, as a former Chief People Officer, is passionate about employee engagement.

Board Update

As planned, Jamie Pike joined the board in March 2022 as Non-Executive Director and Chair designate. The current Chair, James Peters, plans to retire from the board on or before the date of the AGM in 2023.

On 29 April 2022 Terry Twigger retired from the Board. Terry had acted as Senior Independent Director and Chair of the Audit Committee and been on the Board since January 2015. We would like to thank Terry for his wise counsel during his tenure.

Non-Executive Director, Polly Williams, has taken on the role of Senior Independent Director and Chair of the Audit Committee with Jamie Pike also appointed to the Remuneration Committee.

The Board has initiated a process to appoint a new Non-Executive Director and will update the market in due course.

Financial Review

Strong demand has continued into 2022 and further increased the Group's order book, but short term challenges and the continued supply chain disruption have impacted financial performance in the half.

Order Intake

Total order intake including the acquired FuG and Guth businesses was £193.1 million (H1 2021: £157.6 million) up 18% at constant currency basis, and 12% on a like for like basis.

Orders in the first half of 2022 significantly exceeded revenue with a resultant book-to-bill of 1.56 (H1 2021: 1.31). We enter the second half with a record order book of £285.2 million (31 December 2021: £217.0 million, H1 2021: 150.3 million).

Operating Performance

Reported revenue grew by 3% to £123.6 million in the first half compared to £119.9 million in the same period a year ago. Due to the strengthening of USD this translates to a drop of 1% at constant currency, and -7% on a like for like basis.

Gross margin in the first half of 2022 was 40.2% (H1 2021: 46.6%), a 640bps decrease. The decrease in gross margin reflected the continued supply chain pressures impacting overhead absorption in factories, specifically COVID-19 related lockdowns in China which reduced manufacturing output, along with higher freight costs and an increased proportion of higher cost air freight to support on time customer delivery.

Adjusted operating expenses in the first half were £34.7 million (H1 2021: £32.7 million) after excluding £60.2 million of specific items, which included provision for damages awarded against XP Power from the Comet legal case (H1 2021: £6.1 million). The increase in operating expenses is primarily driven by the addition of the acquired FuG and Guth businesses. We have continued to manage costs tightly.

Due to the reduced gross margin, adjusted operating profit reduced by 35% to £15.0 million from £23.2 million in H1 2021, or a reduction of 38% at constant currency. Statutory operating loss was £45.2 million after accounting for specific items (H1 2020: £17.1 million profit).

Net finance costs increased to £1.2 million (H1 2020: £0.7 million) due to higher borrowings and as a result the Group generated adjusted profit before tax of £13.8 million (H1 2021: £22.5 million), down 39% year-on-year as reported.

The tax charge on adjusted profit before tax was £3.3m, an effective tax rate of 23.9% (H1 2021: 17.3%), driven by the mix of profits across our regions in the first half. We expect the full year tax rate to be within our guidance range of approximately 18-21%.

Tax on statutory profit was impacted by the legal case damages which resulted in a loss in North America. The resulting tax benefit drives a credit of £12.0m.

Basic loss per share was 181.4 pence (H1 2021: 69.3 pence earnings per share). Adjusted diluted earnings per share were 52.2p, a decrease of 44% compared to the prior year.

Acquisition

The acquisitions of FuG and Guth were completed on 30 January 2022 for consideration of €39.0 million (£32.3 million). Integration is on track, with all key management retained and performance in the first half was in line with expectations.

The acquisitions continue our development in the strategically interesting High Voltage market, significantly increasing our current and future capabilities and addressable market when combined with the existing portfolio. Future revenue synergies are expected by utilising the Group's global customer base, sales teams and distribution network to accelerate growth.

Specific Items

In H1 2022, the Group incurred £61.2 million of income statement related specific items (2021: £6.1 million). This was driven predominantly by damages of $40.0 million awarded against the Group following the Comet legal case, along with associated legal fees, other costs, an estimate of opposing counsel legal costs and further costs expected in 2022. Whilst we do not believe we have used any third party IP in our designs we have taken the very conservative financial approach and have written off the previously capitalised design costs associated with these products. In addition, costs to complete the ERP implementation in Asia manufacturing sites totalled £2.5 million, acquisition related costs were £0.9 million, and acquisition related amortisation was £2.1 million. Other specific items were £0.4 million, including an FX impact on an acquisition loan.

Cash Flow

The underlying cash performance of the Group has been impacted by lower revenue in H1, and the continued investment in working capital to meet demand, resulting in an adjusted cash outflow of £25.5 million.

Inventory increased through investment in raw materials and safety stocks to ensure that the business is well positioned to ramp up production as key components become available and capacity increases in H2. On an adjusted basis, excluding specific items, the cash conversion is (23)% (H1 2021: 113%).

Net debt was £102.0 million at 30 June 2022, increasing from £24.6 million at 31 December 2021. This was driven by the acquisition of FuG and Guth (£32.3 million), working capital movement excluding the impact of specific items of £22.1 million, primarily driven by investment in inventory (£20.1 million). Alongside this were specific items (£8.2 million), largely related to the legal case, adverse FX impact (£8.1 million) and dividends of £11.5 million.

The Group's debt facilities were successfully renegotiated during the first half to secure an extension of its Revolving Credit Facility ("RCF") from $150 million with a $30 million accordion option, to $255 million with a $75 million accordion option. The RCF matures in June 2026 and has a one year extension option.

Under the terms of the RCF the Group is subject to two quarterly financial covenants, being the leverage ratio of adjusted EBITDA to net debt (maximum permitted ratio 3x) and interest cover ratio of adjusted EBITDA and finance costs (minimum permitted ratio 4x). The leverage ratio at the end of H1 was 2.1x (H1 2021: 0.3x) and interest cover was 37x (H1 2021: 66x). The Group remains comfortably with its covenants and expects to remain so at the year end.

Capital Allocation and Dividend Policy

The full year's expected cash flow performance and continued good liquidity, strengthened by the increased RCF, has enabled the Board to declare a second quarter dividend of 19.0 pence per share (2021: 19.0 pence per share). Together with the first quarter dividend, this brings the total first half dividends declared to 37.0 pence per share (H1 2021 total dividends 37.0 pence). The ex-dividend date for the second quarter dividend will be 8 September 2022 and the dividend will be paid on 13 October 2022 to shareholders on the register at the record date of 9 September 2022. The last date for election for the share alternative to the dividend under the Company's Dividend Reinvestment Plan is 22 September 2022.

Foreign Exchange

The Group reports its results in sterling, but the US dollar continues to be its principal trading currency, with approximately 85% (2021: 87%) of our revenues denominated in US dollars. The impact of currency movements in H1 2022 at adjusted operating profit was a benefit of £1.0 million. We would expect a further, greater foreign exchange translation benefit for the full year.

Outlook

While underlying demand remained strong across all sectors, a combination of external supply chain factors, which restricted our capacity to deliver to customers and inflationary pressures have produced a disappointing financial performance for the first half.

The team is working hard to mitigate these industry-wide challenges, with an improvement in performance in Q2 being sustained into the early weeks of the second half. While we are confident of a substantially better performance in the remainder of 2022 supported by the inventory on hand and a record committed order book, there remains a wider range of full year outcomes than in prior years.

Longer term, the Group's prospects remain bright, and we are confident of delivering strong through cycle revenue growth and significant long term value creation as we outperform our end markets.

[1]The SBTi is a partnership between CDP, the United Nations Global Compact, World Resources Institute (WRI) and the Worldwide Fund for Nature (WWF) with the objective of driving ambitious climate action in the private sector by enabling companies to set science-based emissions reduction targets.

1 August 2022

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

Introduction

We have reviewed the accompanying condensed consolidated financial information of XP Power Limited ("the Company") and its subsidiaries ("the Group") set out on pages 11 to 22, which comprise the condensed consolidated balance sheet of the Group as at 30 June 2022, the condensed consolidated statements of comprehensive income, changes in equity and cash flows for the 6-month period then ended and the other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 *Interim Financial Reporting* as adopted by the United Kingdom and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority. Our responsibility is to express a conclusion on this condensed consolidated 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 interim report for the 6-month period ended 30 June 2022, which comprise the "Interim Results" set out on pages 1 to 2, "Interim Statement" set out on pages 3 to 9 and "Risks and uncertainties" set out on pages 23 to 24 and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial information.

Conclusion

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

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore,
1 August 2022

XP Power Limited

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2022

£ Millions	Note	**Six months ended 30 June 2022 (Unaudited)**	Six months ended 30 June 2021 (Unaudited)
Revenue	5	**123.6**	119.9
Cost of sales		**(73.9)**	(64.0)
Gross profit		**49.7**	55.9
Other income		*	*
Expenses			
Distribution and marketing		**(26.4)**	(24.9)
Administrative		**(51.3)**	(5.4)
Research and development		**(17.2)**	(8.5)
Operating (loss)/profit		**(45.2)**	17.1
Finance charge		**(2.2)**	(0.7)
(Loss)/Profit before income tax		**(47.4)**	16.4
Income tax credit/(expense)	6	**12.0**	(2.8)
(Loss)/Profit after income tax		**(35.4)**	13.6
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**5.8**	(1.3)
		5.8	(1.3)
Items that will not be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation		*	*
Other comprehensive income/(loss), net of tax		**5.8**	(1.3)
Total comprehensive (loss)/income		**(29.6)**	12.3
(Loss)/Profit attributable to:			
- Equity holders of the Company		**(35.6)**	13.5
- Non-controlling interests		**0.2**	0.1
		(35.4)	13.6
Total comprehensive (loss)/income attributable to:			
- Equity holders of the Company		**(29.8)**	12.2
- Non-controlling interests		**0.2**	0.1
		(29.6)	12.3
(Loss)/Earnings per share attributable to equity holders of the Company		**Pence per Share**	Pence per Share
Basic	8	**(181.4)**	69.3
Diluted	8	**(180.6)**	68.1

* Balance is less than £100,000.

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

XP Power Limited
Condensed Consolidated Balance Sheet
As at 30 June 2022

£ Millions	Note	**At 30 June 2022 (Unaudited)**	At 31 December 2021
ASSETS			
Current assets			
Corporate tax recoverable		**14.9**	2.9
Cash and cash equivalents		**22.7**	9.0
Inventories		**108.4**	74.0
Trade receivables		**35.5**	30.8
Other current assets		**7.7**	5.0
Derivative financial instruments		**-**	*
Total current assets		**189.2**	121.7
Non-current assets			
Goodwill		**77.0**	52.5
Intangible assets	9	**69.1**	56.3
Property, plant and equipment		**36.0**	30.2
Right-of-use assets		**19.6**	8.3
Deferred income tax assets		**1.2**	3.2
ESOP loans to employees		*****	*
Total non-current assets		**202.9**	150.5
Total assets		**392.1**	272.2
LIABILITIES			
Current liabilities			
Current income tax liabilities		**2.5**	2.4
Trade and other payables		**100.5**	44.7
Derivative financial instruments		**0.4**	0.1
Lease liabilities		**2.2**	1.6
Accrued consideration		**-**	*
Borrowings		**0.2**	0.2
Total current liabilities		**105.8**	49.0
Non-current liabilities			
Accrued consideration		**1.4**	1.3
Borrowings		**124.5**	33.4
Deferred income tax liabilities		**12.1**	9.4
Provisions		**1.2**	0.2
Lease liabilities		**16.9**	6.5
Total non-current liabilities		**156.1**	50.8
Total liabilities		**261.9**	99.8
NET ASSETS		**130.2**	**172.4**
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**27.2**	27.2
Merger reserve		**0.2**	0.2
Share-based payment reserve		**3.7**	5.6
Treasury shares reserve		*****	*
Translation reserve		**2.8**	(2.9)
Other reserve		**5.4**	4.4
Retained earnings		**90.2**	137.0
		129.5	171.5
Non-controlling interests		**0.7**	0.9
TOTAL EQUITY		**130.2**	172.4

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

XP Power Limited
Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 June 2022

	Note	Attributable to equity holders of the Company Share capital	Share-based payment reserve	Treasury shares reserve	Merger reserve	Translation reserve	Other reserve	Retained earnings	Total	Non-controlling interests	Total Equity
Balance at 1 January 2021		27.2	4.1	(0.1)	0.2	(3.8)	3.6	132.6	163.8	0.7	164.5
Exercise of share-based payment awards		-	(0.2)	*	-	-	0.6	*	0.4	-	0.4
Employee share-based payment expenses, net of tax		-	1.9	-	-	-	-	-	1.9	-	1.9
Dividends paid	7	-	-	-	-	-	-	(10.9)	(10.9)	(0.2)	(11.1)
Exchange difference arising from translation of financial statements of foreign operations		-	-	-	-	(1.3)	-	*	(1.3)	*	(1.3)
Profit for the year		-	-	-	-	-	-	13.5	13.5	0.1	13.6
Total comprehensive income for the period		-	(0.1)	-	-	(1.3)	-	13.5	12.2	0.1	12.3
Balance at 30 June 2021 (unaudited)		**27.2**	**5.7**	*****	**0.2**	**(5.1)**	**4.2**	**135.2**	**167.4**	**0.6**	**168.0**
Balance at 1 January 2022		27.2	5.6	*	0.2	(2.9)	4.4	137.0	171.5	0.9	172.4
Exercise of share-based payment awards		-	(0.9)	*	-	-	0.9	*	*	-	*
Employee share-based payment expenses, net of tax		-	(1.1)	-	-	-	-	-	(1.1)	-	(1.1)
Dividends paid	7	-	-	-	-	-	-	(11.2)	(11.2)	(0.3)	(11.5)
Future acquisitions of non-controlling interests		-	-	-	-	-	0.1	-	0.1	-	0.1
Exchange difference arising from translation of financial statements of foreign operations		-	0.1	-	-	5.7	-	*	5.8	*	5.8
Net change in cash flow hedges		-	-	-	-	-	-	-	-	-	-
Profit for the year		-	-	-	-	-	-	(35.6)	(35.6)	0.2	(35.4)
Total comprehensive income for the period		-	0.1	-	-	5.7	-	(35.6)	(29.8)	0.2	(29.6)
Balance at 30 June 2022 (unaudited)		**27.2**	**3.7**	*****	**0.2**	**2.8**	**5.4**	**90.2**	**129.5**	**0.7#**	**130.2#**

* Balance is less than £100,000.
# This amount is different from the summation of the vertical movements due to rounding differences.

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

XP Power Limited
Condensed Consolidated Statement of Cash Flows
For the six months ended 30 June 2022

£ Millions	Six months ended 30 June 2022 (Unaudited)	Six months ended 30 June 2021 (Unaudited)
Cash flows from operating activities		
(Loss)/profit after income tax	**(35.4)**	13.6
Adjustments for:		
- Income tax (credit)/expense	**(12.0)**	2.8
- Amortisation and depreciation	**7.7**	6.5
- Finance charge	**2.2**	0.7
- Share-based payment expenses	**0.5**	1.1
- Fair value loss on derivative financial instruments	**0.3**	0.1
- (Gain)/loss on disposal of property, plant and equipment	*	*
- Loss on disposal of intangible assets	**-**	0.1
- Impairment loss on intangible assets	**7.5**	-
- Unrealised currency translation (gain)/loss	**(4.2)**	0.3
- Provision for doubtful debts	*	0.1
Change in the working capital, net of effects from acquisition of subsidiaries:		
- Inventories	**(20.1)**	(4.8)
- Trade and other receivables	**(2.4)**	(5.7)
- Trade and other payables	**43.2**	7.0
- Provision for liabilities and other charges	**1.0**	*
Cash (used in)/generated from operations	**(11.7)**	21.8
Income tax paid	**(1.4)**	(2.1)
Net cash (used in)/provided by operating activities	**(13.1)**	19.7
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired	**(32.3)**	**-**
Additions to property, plant and equipment	**(4.2)**	(2.2)
Additions to development costs	**(3.7)**	(4.2)
Additions to software and software under development	**(2.4)**	(3.6)
Proceeds from disposal of property, plant and equipment	*	*
Proceeds from repayment of ESOP loans	*	*
Payment of accrued consideration	*	*
Net cash used in investing activities	**(42.6)**	(10.0)
Cash flows from financing activities		
Proceeds from borrowings	**82.9**	-
Repayment of borrowings	**(1.5)**	(2.9)
Principal payment of lease liabilities	**(1.2)**	(0.8)
Proceeds from exercise of share-based payment awards	**-**	0.4
Interest paid	**(1.0)**	(0.5)
Dividends paid to equity holders of the Company	**(11.2)**	(10.9)
Dividends paid to non-controlling interests	**(0.3)**	(0.2)
Net cash generated from/(used in) financing activities	**67.7**	(14.9)
Net increase/(decrease) in cash and cash equivalents	**12.0**	(5.2)
Cash and cash equivalents at beginning of financial period	**8.8**	13.9
Effects of currency translation on cash and cash equivalents	**1.7**	(0.2)
Cash and cash equivalents at end of financial period	**22.5**	8.5

* Balance is less than £100,000.

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

XP Power Limited
Notes to the condensed consolidated financial statements

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 19 Tai Seng Avenue, #07-01, Singapore 534054.

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 2022 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 United Kingdom.

The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2021 which have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board (IFRS as issued by the IASB) and Singapore Financial Reporting Standards (International) ("SFRS(I)s").

3. Going concern

The Directors reviewed budgets and forecasts to assess the cash requirements of the Group to continue in operational existence for a minimum period of 12 months from the date of the approval of these interim financial statements.

The Directors also reviewed downside scenarios to the budgets and forecasts, which reflect the possible impact of risks identified in the risk management framework. The greatest consideration was given to those risks with the highest potential impact if they occurred and those with the highest probability of occurring. Throughout these downside scenarios, the Group continues to have significant headroom on its financial debt covenants.

Therefore, after making the above enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

4. Accounting policies

The condensed consolidated interim financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies within the Group financial statements for the year ended 31 December 2021.

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 2021.

A number of new or amended standards became applicable for the current reporting period. The adoption of these new or amended standards did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

5. Segmented and revenue information

The Board of Directors considers and manages the business on a geographic basis. Management manages and monitors the business based on the three primary geographical areas: North America, Europe and Asia. All geographic locations market the same class of products to their respective customer base.

Revenue

The Group derives revenue from the transfer of goods at a point in time in the following major product lines and geographical regions.

Analysis by class of customer

The revenue by class of customer is as follows:

Six months ended 30 June 2022
£ Millions

	Europe	North America	Asia	Total
Primary geographical markets				
Semiconductor Manufacturing Equipment	1.4	40.0	6.9	48.3
Industrial Technology	28.2	19.0	5.7	52.9
Healthcare	9.3	10.5	2.6	22.4
	38.9	69.5	15.2	123.6

Six months ended 30 June 2021
£ Millions

	Europe	North America	Asia	Total
Primary geographical markets				
Semiconductor Manufacturing Equipment	1.5	36.4	6.6	44.5
Industrial Technology	22.1	17.8	5.5	45.4
Healthcare	11.0	16.2	2.8	30.0
	34.6	70.4	14.9	119.9

5. Segmented and revenue information (continued)

Reconciliation of segment results to profit after income tax:

£ Millions	**Six months ended 30 June 2022 (Unaudited)**	Six months ended 30 June 2021 (Unaudited)
Europe	**10.4**	10.9
North America	**18.3**	23.2
Asia	**3.3**	5.0
Segment results	**32.0**	39.1
Research and development	**(9.7)**	(7.8)
Manufacturing	**(3.0)**	(1.3)
Corporate cost from operating segment	**(4.3)**	(6.8)
Adjusted operating profit	**15.0**	23.2
Finance charge	**(2.2)**	(0.7)
Specific items	**(60.2)**	(6.1)
(Loss)/Profit before income tax	**(47.4)**	16.4
Income tax credit/(expense)	**12.0**	(2.8)
(Loss)/Profit after income tax	**(35.4)**	13.6

£ Millions	**At 30 June 2022 (Unaudited)**	At 31 December 2021
Total assets		
Europe	**49.2**	26.0
North America	**162.3**	145.9
Asia	**164.5**	94.2
Segment assets	**376.0**	266.1
Unallocated deferred and current income tax	**16.1**	6.1
Total assets	**392.1**	272.2

Reconciliation of adjusted measures

The Group presents adjusted operating profit and adjusted profit before tax by adjusting for costs and profits which management believes to be significant by virtue of their size, nature or incidence or which have a distortive effect on current year earnings. Such items may include, but are not limited to, costs associated with business combinations, amortisation of intangible assets arising from business combinations, reorganisation costs, and ERP implementation costs.

In addition, the Group presents an adjusted profit after tax measure by adjusting for certain tax charges and credits which management believe to be significant by virtue of their size, nature, or incidence or which have a distortive effect.

5. Segmented and revenue information (continued)

Reconciliation of adjusted measures (continued)

The Group uses these adjusted measures to evaluate performance and as a method to provide shareholders with clear and consistent reporting. See below for a reconciliation of operating profit to adjusted operating profit and a reconciliation of profit before tax to adjusted profit before tax.

(i) Reconciliation of operating profit to adjusted operating profit:

£ Millions	**Six months ended 30 June 2022 (Unaudited)**	Six months ended 30 June 2021 (Unaudited)
Operating (loss)/profit	**(45.2)**	17.1
Adjusted for:		
Acquisition costs	**0.9**	-
Foreign exchange impact on EUR-denominated loan drawn down to finance the acquisition	**(2.4)**	-
Costs related to ERP implementation	**3.6**	0.9
Amortisation of intangible assets due to business combination	**2.1**	1.4
Legal costs (refer to note 10)	**47.8**	3.7
Impairment loss on intangible assets	**7.5**	-
RCF fees	**0.4**	-
Fair value loss on derivative financial instruments	**0.3**	0.1
	60.2	6.1
Adjusted operating profit	**15.0**	23.2
Adjusted operating margin	**12.1%**	19.3%

(ii) Reconciliation of profit before tax to adjusted profit before tax:

(Loss)/Profit before tax	**(47.4)**	16.4
Adjusted for:		
Acquisition costs	**0.9**	-
Foreign exchange impact on EUR-denominated loan drawn down to finance the acquisition	**(2.4)**	-
Costs related to ERP implementation	**3.6**	0.9
Amortisation of intangible assets due to business combination	**2.1**	1.4
Legal costs (refer to note 10)	**47.8**	3.7
Impairment loss on intangible assets	**7.5**	-
RCF fees	**0.4**	-
Loss on modification of RCF borrowings	**1.0**	-
Fair value loss on derivative financial instruments	**0.3**	0.1
	61.2	6.1
Adjusted profit before tax	**13.8**	22.5

6. 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 effective tax rate on profit before tax as at 30 June 2022 is 25.3% (2021: 17.1%).

7. Dividends

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

	Six months ended 30 June 2022 (Unaudited)		Six months ended 30 June 2021 (Unaudited)	
	Pence per share	**£ Millions**	Pence per share	£ Millions
Prior year third quarter dividend paid	**21.0**	**4.1**	20.0	3.8
Prior year final dividend paid	**36.0**	**7.1**	36.0	7.1
Total	**57.0**	**11.2**	56.0	10.9

The dividends paid recognised in the interim financial statements relate to the third quarter dividend and final dividend for 2022.

A second quarterly dividend of 19.0 pence per share (2021: 19.0 pence per share) will be paid on 13 October 2022 to shareholders on the register at 9 September 2022.

8. 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 2022 (Unaudited)**	Six months ended 30 June 2021 (Unaudited)
(Loss)/Earnings		
(Loss)/Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to equity holders of the company)	**(35.6)**	13.5
Amortisation of intangibles due to business combinations	**2.1**	1.4
Acquisition costs	**0.9**	-
Foreign exchange impact on EUR-denominated loan drawn down to finance the acquisition	**(2.4)**	-
Non-recurring tax benefits	**(15.3)**	(1.1)
Costs related to ERP implementation	**3.6**	0.9
Legal costs (refer to note 10)	**47.8**	3.7
Impairment loss on intangible assets	**7.5**	-
RCF fees	**0.4**	-
Loss on modification of RCF	**1.0**	-
Fair value loss on derivative financial instruments	**0.3**	0.1
Earnings for adjusted earnings per share	**10.3**	18.5
Number of shares		
Weighted average number of shares for the purposes of basic earnings per share (thousands)	**19,625**	19,478
Effect of potentially dilutive share options (thousands)	**90**	355
Weighted average number of shares for the purposes of dilutive earnings per share (thousands)	**19,715**	19,833
(Loss)/Earnings per share from operations		
Basic	**(181.4p)**	69.3p
Basic adjusted	**52.5p**	95.0p
Diluted	**(180.6p)**	68.1p
Diluted adjusted	**52.2p**	93.3p

9. Intangible assets

£ Millions	Development costs	Brand	Trademarks	Technology	Customer relationships	Customer contracts	Intangible software	Intangible software under development	Total
Cost									
At 31 December 2021	57.2	0.9	1.1	4.9	17.4	0.6	8.9	9.7	100.7
Acquisition of subsidiaries	-	0.7	*	2.6	6.6	2.1	*	-	12.0
Additions	3.7	*	*	-	-	-	0.1	2.3	6.1
Transfer	-	-	-	-	-	-	11.8	(11.8)	-
Reclassification from property, plant and equipment	-	-	-	-	-	-	0.6	-	0.6
Foreign currency translation	5.1	0.1	*	0.6	2.1	0.1	1.9	0.4	10.3
At 30 June 2022	**66.0**	**1.7**	**1.1**	**8.1**	**26.1**	**2.8**	**23.3**	**0.6**	**129.7**
Accumulated amortisation and impairment losses									
At 31 December 2021	27.2	0.4	1.0	2.5	9.1	0.6	3.6	-	44.4
Amortisation charge for the year	1.5	*	-	0.4	1.3	0.3	0.8	-	4.3
Impairment loss for the year	7.5	-	-	-	-	-	*	-	7.5
Reclassification from property, plant and equipment	-	-	-	-	-	-	0.5	-	0.5
Foreign currency translation	1.9	0.1	-	0.3	1.1	0.1	0.4	-	3.9
At 30 June 2022	**38.1**	**0.5**	**1.0**	**3.2**	**11.5**	**1.0**	**5.3**	**-**	**60.6**
Carrying amount									
At 30 June 2022	**27.9**	**1.2**	**0.1**	**4.9**	**14.6**	**1.8**	**18.0**	**0.6**	**69.1**
At 31 December 2021	30.0	0.5	0.1	2.4	8.3	-	5.3	9.7	56.3

* Balance is less than £100,000.

The amortisation period for development costs incurred on the Group's products varies between three and seven years according to the expected useful life of the products being developed.

Amortisation commences when the product is ready and available for use.

The remaining amortisation period for customer relationships ranges from one to ten years.

10. Comet legal matter

Comet Technologies USA Inc., Comet AG, and YXLON International (collectively "Comet") filed a lawsuit against XP Power LLC in September 2020, alleging trade secret misappropriation relating to RF match and generator technology. On 24 March 2022 a jury in the US legal action brought by Comet Technologies USA Inc., Comet AG, and YXLON International ("Comet") found in favour of Comet and awarded damages of $40 million against XP Power. As of 1 August 2022 the judge has not yet filed a ruling. The Board will assess the next steps once the filing has been made. The Group has made a provision of the damages awarded and all expected costs in relation to the dispute in these condensed interim financial statements.

11. Business combination

On 31 January 2022, the Group acquired the assets and business of FuG Elektronik GmbH (FuG) and Guth High Voltage GmbH (Guth). The principal activity of Glassman High Voltage Inc. is development, production and sale of high voltage products, covering applications from particle accelerators systems to laboratory power supplies. As a result of the acquisition, the Group is expected to add wholly new and highly complementary technical capabilities to the Group's high voltage product portfolio.

Details of the consideration paid, the assets acquired and liabilities assumed and the effects on the cash flows of the Group, at the acquisition date, are as follows:

11. Business combination (continued)

		£ Millions
(a)	Purchase consideration	
	Cash paid	32.5
	Consideration payable	0.7
	Total purchase consideration	33.2
	Consideration transferred for the businesses	33.2
(b)	Effect on cash flows of the Group	
	Cash paid (as above)	32.5
	Less: Cash and cash equivalents in the subsidiaries acquired	(0.2)
	Cash outflow on acquisition	32.3

(c)

Identifiable assets acquired and liabilities assumed based on provisional fair value

	At fair value (provisional)
Cash and cash equivalents	0.2
Property, plant and equipment	0.8
Brand, Technology, Customers' Relationships and Contracts	12.0
Right-of-use assets	11.4
Inventories	4.4
Trade and other receivables	1.9
Total assets	30.7
Trade and other payables	15.0
Deferred tax liabilities	3.9
Total liabilities	18.9
Total identifiable net assets	11.8
Add: Goodwill	21.4
Consideration transferred for the businesses	33.2

(d) Acquisition-related costs
Acquisition-related costs of £0.9 million are included in "administrative expenses" in the condensed consolidated statement of comprehensive income and in operating cash flows in the condensed consolidated statement of cash flows.

(e) Acquired receivables
The fair value of trade and other receivables is £1.9 million and all of which is expected to be collectible.

(f) Fair values
The fair value of the acquired identifiable intangible assets of £12.0 million (brand, technology, customers' relationships and contracts) has been provisionally determined pending final valuations for those assets.

(g) Goodwill
The goodwill of £21.4 million arising from the acquisition is attributable to the workforce in place, strategic value through new customers, new technologies, an expanded presence in Germany and the synergies expected to arise from the economies of scale in combining the operations of the Group with those of FuG and Guth.

11. Business combination (continued)

(h) Revenue and profit contribution

The acquired businesses contributed revenue of £7.9 million and net profit of £1.9 million to the Group from the period 1 February 2022 to 30 June 2022.

Had FuG and Guth been acquired from 1 January 2022, consolidated revenue and consolidated loss before tax for the period ended 30 June 2022 would have been £124.1 million and £47.7 million respectively.

Risks and uncertainties

The Board has continued to review the Group's existing and emerging risks and the mitigating actions and processes in place in the first half of 2022, taking specific consideration of the impact of the ongoing COVID-19 pandemic. Following this review the Board believes there has been no material change to the relative importance or quantum of the Group's principal risks in the first half of 2022. The risk assessment and review are an ongoing process, and the Board will continue to monitor risks and the mitigating actions in place. The principal risks are summarised below.

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 the majority of its produce, this would undoubtedly cause at least a short-term loss of revenues and profits and disruption to our customers and therefore damage to reputation.

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 because 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.

Risk associated with supply chain and key component availability

The Group is dependent on retaining its key suppliers and ensuring that deliveries are on time and the materials supplied are of appropriate quality. As the proportion of own-manufactured products has increased, the reliance on suppliers for third party products has been mitigated proportionally. There has been a shift from a finished goods risk to a raw materials risk, particularly where components have a single source of supply.

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.

Dependence on key customers

The Group is dependent on retaining its key customers. Should the Group lose a number of its key customers, this could have a material impact on the Group's financial condition and results of operations. However, for the six months ended 30 June 2022, no one customer accounted for more than 20% of revenue.

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.

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.

Risks and uncertainties (continued)

Risks relating to legal, compliance and taxation

The Group operates in multiple jurisdictions with applicable laws, trade regulations and tax jurisdictions that vary. Failing to comply with local regulations or litigation from customers or competitors 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 also impact earnings.

Strategic risk associated with valuing or integrating new acquisitions

The Group may elect from time to time to make 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.

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 nearly 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 and net debt.

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.

Directors' responsibility statement

The interim results were approved by the Board of Directors on 29 July 2022.

The Directors confirm 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 United Kingdom; 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
Gavin Griggs	Chief Executive Officer
Oskar Zahn	Chief Financial Officer
Andy Sng	Executive Vice President, Asia
Polly Williams	Senior Non-Executive Director
Pauline Lafferty	Non-Executive Director
Jamie Pike	Non-Executive Director

Signed on behalf of the Board by

James Peters
Non-Executive Chairman

Gavin Griggs
Chief Executive Officer

29 July 2022