

28 February 2023

XP Power Limited
(‘XP Power’ or ‘the Group’ or ‘the Company’)

Annual Results for the year ended 31 December 2022

Strong second half performance with positive momentum into 2023

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, announces its annual results for the year ended 31 December 2022.

	Year ended 31 December 2022	Year ended 31 December 2021	% change actual exchange rates	% change constant exchange rates	% change organic constant currency
Order intake	£362.9m	£343.4m	6%	(2)%	(6)%
Revenue	£290.4m	£240.3m	21%	13%	6%
Gross margin	41.5%	45.1%	(360)bps	(340)bps	
Final dividend per share	36.0p	36.0p	-		
Total dividend per share	94.0p	94.0p	-		
Adjusted					
Adjusted operating profit ¹	£42.9m	£45.1m	(5)%	(12)%	
Adjusted profit before tax ¹	£38.0m	£43.8m	(13)%	(20)%	
Adjusted diluted earnings per share ¹	160.1p	176.3p	(9)%		
Reported²					
Operating (loss)/profit	£(24.1)m	£29.7m	(181)%	(177)%	
(Loss)/profit before tax	£(30.2)m	£28.4m	(206)%	(201)%	
Diluted (loss)/earnings per share	(101.6)p	113.8p	(189)%		
Cash generated from operations	£2.1m	£40.6m	(95)%		
Net debt	£151.0m	£24.6m	(514)%		

¹For details on adjusted measures refer to note 2 of the consolidated financial statements.

² Statutory results reflect the costs associated with the ongoing Comet legal case

- Group performance improved significantly in the second half of 2022 as supply chain conditions stabilised allowing increased product shipments.
- As previously announced, the reported results for the year have been impacted by the exceptional costs associated with the Comet legal case which totalled £59.7 million in the period. Adjusted figures are shown above to show the underlying trading performance.
- Strong demand across the year, with record order intake increasing by 6% to £362.9 million on a reported basis resulting in a book to bill of 1.25x. Each business segment has good order book visibility into 2023, although order intake in the Semiconductor Manufacturing Equipment sector has slowed towards year end.

- Revenue grew 21% on a reported basis, 13% at constant currency and 6% on an organic constant currency basis, with both strong growth sequentially and year-on year in the second half.
- Gross margin decreased by 360bps to 41.5% but improved in H2 to 42.6% as operational leverage, higher pricing and lower freight and logistics costs began to feed through. We continue to expect gross margins to recover to historic levels over the medium term.
- Adjusted operating profit of £42.9 million was 12% lower on a constant currency basis and down 5% as reported. Encouragingly, second half adjusted operating profit of £27.9 million was 27.7% higher than the prior year on a reported basis and a record level. The full year statutory operating loss of £(24.1) million compares to a profit of £29.7 million in the prior year. The majority of the difference between adjusted and statutory results being the costs associated with the ongoing Comet legal case specifically £52.2 million of costs and a £7.5 million write down of intangibles.
- We continued to invest in our medium term growth opportunities with construction commenced on a third, Asian manufacturing facility in north-west Malaysia, with commissioning expected in H2 2024. In 2023 we expect capital investment to total around £30 million before reducing to historic levels of c.£10-15 million in 2024.
- Net debt of £151.0 million was a significant increase compared to 2021, and reflects the acquisitions of FuG and Guth, an increase in inventory to support delivery of the order backlog, higher capital investment, costs associated with the legal case and a \$44.0 million (£36.9 million) collateral payment for a bond held against the damages awarded against the Group in the legal action in the US. We expect to see net debt reduce during 2023.
- Proposed final dividend for 2022 of 36 pence per share (2021: 36 pence per share). Total dividend for 2022 of 94 pence per share (2021: 94 pence per share). The maintained total dividend reflects the Board's long term confidence in the Group's trading prospects.
- The Group enters 2023 with a record confirmed order book of £308.4 million (2021: £217.0 million), representing more than 90% of analyst consensus¹ 2023 revenue. This remains significantly above long term levels and provides us with good visibility.
- Following the year end Oskar Zahn, Chief Financial Officer, resigned from the Board to take up the position of Chief Financial Officer at W.A.G payment solutions plc and will leave the group at the end of March. David Stibbs, Group Finance Director, will assume the responsibilities of CFO on an interim basis while the Board conducts a search for a permanent successor.

Note ¹ The current range of analyst expectations ¹ for revenue for the year ended 31 December 2023 is £288 million to £322 million.

James Peters, Chair, commented:

"2022, while challenging, was a year of further strategic progress that positions us well for the long term. Trading improved as the year progressed and we are pleased with our second half performance, which better reflects what we are capable of and is testament to the hard work of our teams.

Despite slowing order intake in Semiconductor Manufacturing Equipment sector, the Group starts 2023 with a significant order book which provides good visibility for the year. While we remain mindful of the ongoing uncertainties relating to component supply, inflation, recessionary concerns and the slowdown in semiconductor market, and are

continuing to monitor the situation closely, we remain cautiously optimistic on the Group's prospects for the current year."

Enquiries:

XP Power

Gavin Griggs, Chief Executive Officer

+44 (0)118 976 5155

Oskar Zahn, Chief Financial Officer

+44 (0)118 976 5155

Citigate Dewe Rogerson

Kevin Smith/Lucy Gibbs

+44 (0)20 7638 9571

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 41% of sales), Healthcare (circa 20% 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 SmallCap Index. XP Power serves a global blue-chip customer base from over 30 locations in Europe, North America, and Asia.

For further information, please visit xppowerplc.com

Chair's Statement

Our Progress in 2022

While demand remained strong throughout the year, the Group enjoyed mixed fortunes in 2022. A combination of supply chain factors and inflationary pressures impacted our performance in the first half, but conditions improved progressively through the second half and we ended the year strongly.

In what continued to be a challenging global environment, we made good strategic progress in the year. Key developments included the acquisitions of FuG Elektronik GmbH (FuG) and Guth High Voltage GmbH (Guth) in January, the ongoing investment in supply chain capacity and resilience, including further enhancements of our existing facilities, and the start of work on a new major manufacturing site in Malaysia, our third in Asia. Beyond this, we continued to further develop our product range with design-in activity levels - a good medium term leading indicator of customer demand – remaining high.

2022 saw the continuation of ongoing challenges resulting from COVID-19, with a five-week shutdown of our Kunshan facility in China when production was suspended. In addition, labour and component inflationary pressures, global supply chain and logistics challenges led to extended lead-times being faced by the electronics industry worldwide, particularly in the first half of the year. However, it was a year of two halves: the first half was severely impacted by these challenges leading to a delay in conversion of orders to revenue and inventory build up. In the second half of the year trading improved significantly, both sequentially and year-on-year; supply chain conditions stabilised allowing manufacturing facilities' throughput to increase materially; the impact of higher selling prices began to work through and logistics and freight costs reduced. I would like to thank all colleagues for their ongoing commitment, perseverance and adaptability during this difficult period.

The clear highlight of the year was our record revenue, driven by an acceleration in the second half where we delivered significant growth over the prior year. The Group enters 2023 with a strong order book which underlines the strength of demand for XP Power's products.

We saw continued momentum in the Semiconductor Manufacturing Equipment sector, part of a multiyear upcycle that slowed towards year-end, strong growth in Industrial Technology and encouraging growth in Healthcare for the full year. The second half of 2022 saw very strong growth, versus the prior year, particularly in the Industrial Technology and Healthcare sectors.

Although we have seen a material increase in our net debt year on year reflecting the acquisitions of FuG and Guth, at the beginning of the year, investment in inventory to support delivery of the backlog, higher capital investment, and the collateral payment and legal fees relating to the ongoing Comet litigation, we continue to expect the Group's financial leverage to reduce in 2023.

Our confidence in the Group's long-term prospects allows the Board to propose a final dividend of 36p for 2022 (2021: 36p) which would, if approved by shareholders, brings the total 2022 dividend per share to 94p (2021: 94p).

Our Board

In March 2022 I announced that I would be retiring from the Board following the AGM in April 2023, after almost 35 years with the Group. Our succession plans were implemented and we were delighted to welcome Jamie Pike to the Board as Non-Executive Director and Chair designate in March 2022. Jamie and I continue to work together closely in this handover period ahead of the formal transfer of responsibilities.

We were delighted to announce in October 2022 Sandra Breene and Amina Hamidi joining as Non-Executive Directors, together bringing deep knowledge of operations, engineering and international business experience to the Board.

Following the year end Oskar Zahn, Chief Financial Officer, resigned from the Board to take up the position of Chief Financial Officer at W.A.G payment solutions plc. Oskar will leave the group at the end of March and a further announcement on his departure is being made separately today. On behalf of the Board, I would like to thank Oskar for his contribution to XP over the last two years and wish him well in his new role.

Our People and Our Values

The success of any organisation is dependent on its culture and the people and talent within it. The Board engages regularly with the Executive Leadership Team and colleagues throughout the Group to ensure we are continuing to identify and develop our key people and bringing new talent and capabilities into the business to help underpin our growth ambitions. We made a number of key hires in engineering, manufacturing and product management during the year as we looked to further enhance our capabilities in these critical areas and to support the growth ambitions we have for the Group.

Strategy Review

We recently completed our annual review of our strategy which confirmed it remains appropriate and robust. We continue to evolve individual elements to improve their effectiveness and to ensure they take account of changes in the operating environment. Today, we are one of a few power companies in the world with a broad product portfolio spanning the power and voltage spectrum. We remain focused on growth, both organically and inorganically, and despite many years of strong performance, our expanded addressable market and the opportunity to further grow our market share in the markets in which we operate and the sectors we focus on remains encouraging. Looking ahead, we will continue to use our product portfolio and engineering services capabilities to provide customers with a broader range of power solutions and to continue to increase our market share.

Our strategy is devised to deliver sustainable long-term earnings growth through both revenue growth and market share gains in our target sectors and customers. This success is demonstrated by our consistent performance and resilience over the cycle in the sectors in which we operate. We are confident we can continue to develop market leading products and, encouraged by the potential of our product and sales backlog and pipeline, to continue to deliver organic growth.

The acquisitions of FuG and Guth at the beginning of 2022 are highly complementary to our existing high voltage portfolio and significantly enhance our capabilities in this attractive area. In the short term our focus is on bedding in these recent acquisitions and positioning them to deliver upon their full organic growth potential within the Group. Integration is progressing well and performance was in line with expectations in 2022.

Outlook

We delivered a robust performance in the second half of 2022, particularly Q4, demonstrating the Group's potential. Demand remains solid and a record order book gives excellent visibility into 2023. There continues to be external factors that could impact on 2023 including the semiconductor market slowdown, ongoing supply chain challenges, inflationary cost pressures and recessions in a number of our operating regions. Longer term, the Board believes XP remains very well positioned to grow ahead of its end markets, recover profitability and deliver strong cash generation.

As I close my last statement as Chair, I am extremely proud of what XP Power has achieved in the past 35 years and excited by the opportunities for the Company that lie ahead. I would like to thank all our stakeholders for their commitment and support over many years and wish them and the business every future success.

James Peters

Chair

Performance: Operational Review

Review of our year

The Group continued to make strategic progress in the year despite facing significant supply chain and inflationary headwinds, particularly in the first half. The second half saw a much improved performance, that better reflects the Group's capabilities, and we have carried that momentum into the new financial year. Demand across all sectors was strong and has resulted in our order book being at high levels as we entered 2023.

The Semiconductor Manufacturing Equipment sector performed strongly throughout 2022. The performance was underpinned by a combination of increased end market demand and our market share gains from design wins on new tools. These ongoing design wins are being supported by the development of closer relationships with our customers. The Industrial Technology sector maintained the momentum we saw at the end of 2021. Demand from our Healthcare customers steadily improved during the year, ending with a strong second half.

Our diversified manufacturing footprint and supply chain is recognised as an important strategic differentiator by our key customers, many of whom are otherwise concerned about USA/China trade relations and general supply chain resilience. In the last couple of years we have been able to demonstrate this resilience by maintaining product shipments throughout very challenging operating conditions. Continuing shipments to customers remained our priority in 2022 and the Group faced a variety of specific challenges as it worked to meet this objective. In H1 2022 our Chinese factory was impacted by a five-week long COVID-19 imposed lock-down by the Chinese government. This in turn resulted in logistics challenges which impacted the overall supply chain.

Global supply chains continued to be under significant pressure in 2022 and this impacted both our financial performance, particularly in the first half of the year, but also the service we, and our competitors, could provide to customers. Many components were in short supply with lead-times exceeding 52 weeks. As in 2021, supply issues and material shortages impacted not only semiconductors, but also other components critical to the manufacture of XP Power's products. We continue to manage the situation proactively; working closely with our suppliers and customers, redesigning some products where shortages have been significant, and we continued to pay premium prices to secure and expedite supply. The overall supply chain has now stabilised and we expect this situation to be maintained during 2023.

A second supply chain challenge we faced in H1 2022 related to global logistics, partly related to the ongoing COVID-19 restrictions in China. This resulted in disruption around ports, and tight air and sea freight supply, which led to increased transit times and significant cost increases. In the second half of 2022 these conditions improved significantly, and we have seen logistic costs reduce. While our air to sea freight ratio was higher during 2022 as we strove to meet customer delivery schedules, we expect to move to more normalised levels in 2023.

Expansion of our product portfolio by acquisition remains an important element of our growth strategy. In January 2022 we completed the acquisitions of FuG and Guth. The acquisitions have added speciality high voltage capabilities to our portfolio, strengthened our position in the important German market and are an excellent fit with our existing operations, adding wholly new and highly complementary product portfolios and technical capabilities to the Group.

Marketplace

The Group delivered revenue growth of 21% in 2022 on a reported basis, with revenue of £290.4 million (2021: £240.3 million) or 6% growth on an organic constant currency basis.

Order intake was up 6% on a reported basis to £362.9 million (2021: £343.4 million). Orders and revenue for 2022 represent a full year, book-to-bill ratio of 1.25 (2021: 1.43). The Group had a record opening order book of £308.4 million on 31 December 2022 (31 December 2021: £217.0 million), providing excellent visibility for 2023.

Marketplace: Sector Dynamics

The Semiconductor Manufacturing Equipment sector remains an exciting and important area for XP Power with excellent long-term growth prospects. Revenue from these customers increased by 22% to £113.4 million (2021: £93.3 million) or 9% growth at constant currency. We believe we not only benefited from ongoing demand but also from market share gains as a number of new programme wins, driven by technology advances, entered production. Revenue from Semiconductor Manufacturing Equipment sector customers represented 39% of overall revenue

(2021: 39%). The new higher power and higher voltage products we now offer allow us to service considerably more of the opportunities in this sector, significantly expanding our addressable market. The acquisitions of FuG and Guth further strengthen our position in this market adding access to new sub-sectors including lithography.

Investment in semiconductor manufacturing capacity has been growing rapidly worldwide in recent years as the industry responds to a structural supply shortage and to meet demand for ever more technologically sophisticated semiconductors. Demand for semiconductor manufacturing equipment remains strong with c.81 new semiconductor manufacturing facilities expected to be commissioned by 2025 which will continue to drive demand as they are equipped for production, although there is likely to be a global slowdown in parts of this sector, particularly the leading edge products in the memory segments, in 2023. Given XP's exposure is more focused on the deposition and etch segments, its deep penetration in trailing edge and our backlog, we expect performance to be more resilient than the market.

Revenue from the Industrial Technology sector increased by 18% on a constant currency basis (increase of 30% as reported) to £119.6 million (2021: £92.0 million) and represented 41% (2021: 38%) of overall revenue. Demand in Industrial Technology remains robust. The sector is extremely well diversified with only a few customers in our top 30 customer list by revenue. Customer applications in this sector vary significantly and are principally driven by new and emerging electronic technologies and high growth niches rather than traditional areas such as industrial machinery, automotive or mining. Typical drivers of our revenue in this sector include analytical instruments, test & measurement equipment, robotics, displays, industrial printing, renewable energy, and smart grid. Industrial Technology is a resilient, highly diversified, long term growth market for XP Power with innovation a key driver of growth. Our Distribution business, which represents 12% (2021: 10%) of our overall revenue and has a very diverse range of end markets, is also included within our Industrial Technology sector. Distribution remains an attractive growth market where we have been increasing market share with existing customers and adding new distributors to expand our geographic reach and increase our market penetration of small and mid-tier customers.

Revenue from Healthcare customers declined by 7% at constant currency (increased by 4% as reported) to £57.4 million (2021: £55.0 million) representing 20% of overall revenue (2021: 23%). The revenue decline in 2022 was driven by critical component availability. Demand was steady in the first half but increased materially in the second half, both sequentially and year on year, with growth coming from markets such as robotic surgical tools, dentistry, endoscopy and medical imaging. Healthcare remains an attractive market for XP Power given the long term demand growth dynamics, the safety critical nature of products, the breadth of our medical product range and the high level of customer service required by blue chip medical device manufacturers. Healthcare customers are demanding in terms of quality and reliability, making our value proposition very attractive to them. We provide mission critical power solutions for numerous applications in the healthcare arena and understand the many special requirements and regulatory approvals that a medical power solution must meet. In normal circumstances Healthcare tends to be much less cyclical than the other sectors we address which adds resilience to our diversified business model.

Marketplace: North America

Our North America revenue was US\$207.0 million in 2022 (2021: US\$194.5 million), an increase of 6%. North America represented 57% of overall revenue (2021: 59%).

Order intake in North America was US\$276.1 million (2021: US\$270.2 million), an increase of 2% resulting in a healthy book-to-bill ratio of 1.33x.

Marketplace: Europe

Our European revenue grew by 29% to £86.5 million (2021: £67.3 million). FuG and Guth contributed £16.5m of revenue in 2022, therefore Europe grew 4% on an organic basis. With the new acquisitions, Europe's revenues now account for over 50% of the Industrial Technology sector total and represented 30% of overall revenues (2021: 28%).

Order intake in Europe was £103.1 million (2021: £93.1 million), an increase of 11%, resulting in a strong book-to-bill ratio of 1.20x.

Marketplace: Asia

Asian revenues were US\$45.3 million (2021: US\$43.8 million), an increase of 3%, with growth seen in Industrial Technology. Asia represented 13% of overall revenue (2021: 13%).

Order intake in Asia was US\$50.0 million (2021: US\$74.8 million), a decline of 33% with a reduction in Semiconductor Manufacturing Equipment and Healthcare partially offset by higher Industrial Technology orders, resulting in a book-to-bill ratio of 1.10x.

Litigation Update

On 24 March 2022 a jury in the US legal action brought by Comet Technologies USA Inc., Comet AG, and YXLON International ("Comet") concerning alleged trade secret misappropriation by three individuals found in favour of Comet. The jury awarded damages of \$20 million based on unjust enrichment, and a further \$20 million for punitive damages against XP Power. On 30 September 2022 the judge ruled that there should be an injunction upon XP Power in relation to trade secrets. Since this date the Group and our appointed lawyers have been working to resolve the situation including filing motions with the Court of the Northern District of California against the validity and level of the damages imposed and against the quantum of legal fees claimed by Comet.

As previously announced, XP has not launched any products based on the Radio Frequency technology that is the subject of the legal action, and there is therefore no impact on the Group's orders or revenue. The full damages and estimated fees are accounted for in the 2022 financial statements along with the impairment of associated product development assets. The case is ongoing and upon receipt of the ruling of motions filed the Board will consider next steps including potentially applying for an appeal with the Appellate Court. While XP believes it has provided for the worst case situation, with the pending motions and potential future appeals there remains a broad range of potential outcomes. A further update will be provided in due course.

Our Strategy and Value Proposition

Our vision is to be the first-choice power solutions provider and deliver the ultimate experience for our customers and our people. Over time we have expanded our product portfolio up the power and voltage scale to enhance our margins and provide our customers with a broader offering to solve their power problems. We have added high voltage and RF technology and increased our engineering resource to provide enhanced engineering services capabilities and deliver a complete power solution to our key customers. We are now one of very few providers who can offer customers a complete spectrum of power and voltage capabilities and package several power converters into an overall solution customised to the customer's specific application. This makes us an extremely attractive partner to our key customers and is a key driver of our market share gains.

We have followed a consistent strategy which has enabled us to produce strong results over a sustained period. The fundamental element of this strategy is targeting key accounts where we can add value and gain more of the customer's available business, combined with moving our product line up the power, voltage, and complexity spectrum. Although this strategy continues to remain appropriate and effective, we constantly challenge and refine it, as we have done so again in 2022.

Our strategy can be summarised as follows:

- Continually develop our market leading range of competitive products, both organically and through selective acquisitions;
- Target customer accounts where we can add value;
- Increase penetration of those target customers;
- Continually improve our global, end-to-end, supply chain balancing high efficiency with market leading customer responsiveness; and
- Lead our industry on environmental responsibility

We have a clear and compelling financial framework:

- c.10% organic revenue growth through the cycle
- c.20% operating margin supported by a gross margin >45%
- >20% return on capital employed
- >90% operating cash conversion, a low capital expenditure model
- 1-2x net debt to EBITDA financial leverage

The industry wide challenges we have faced in recent years have not diverted us from our strategic path and we continue to invest for the medium and long term in new product development, new capabilities and capacity. We continued to execute well against our strategy in the period, gaining further design wins with our newer product introductions, particularly in higher power applications, and through our increased focus on engineering solutions. Whilst gross and operating margins have been temporarily impacted, principally by industry wide challenges experienced in the period following the pandemic, by increasing operational leverage the Group is confident of its ability to return to historic levels over the medium term.

Acquisitions have been a key part of our growth strategy, expanding our product portfolio and addressable market. The FuG and Guth acquisitions completed in January 2022 are the latest examples of this strategy in action.

Our value proposition to customers is to solve their power problems, reduce their overall cost of design and manufacture, and help them get their product to market as quickly as possible. 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.

Looking forward, whilst our strategy is clearly effective and adding shareholder value, it will continue to evolve, building further organisational and supply chain agility to better serve our customers and further enhance execution. We will also increase our focus on people and development to ensure we are able to continue to grow our business.

Manufacturing

Control of our own, low cost, high quality and geographically well-diversified manufacturing assets remains an important component of XP's competitive advantage and the Group actively reviews and invests in its network to ensure it remains well-placed to meet growing customer demand reliably and cost-competitively.

XP Power's principal production facilities are located in China and Vietnam. We proactively manage the sites to optimise our supply chain and provide resilience of supply for our customers. Our total Asian manufacturing capacity is more than US\$350 million per year at this time. During 2022, we invested in additional capacity in Vietnam to meet our current and future levels of demand and to support the transfer of more products into Vietnam from China and our North American manufacturing facilities, as we seek to benefit from lower production costs and increase supply chain resilience and flexibility.

The Group commenced construction of a new manufacturing facility in north-west Malaysia in 2022 to increase capacity to meet the growing demand across the Group. We expect to commission this new facility in H2 2024. Our overall objective is to provide a resilient and flexible supply chain with the capability to manufacture the majority of products in China, Vietnam and Malaysia and provide enhanced business continuity planning. The increased level of capital expenditure that the Group will incur during construction of the new third Asian site will be phased in line with the building of the facility and will be spread across 2023 and 2024.

We expect this important strategic capability of having production facilities in Vietnam, China and, in time, Malaysia, to enable us to win more design mandates from key customers. The benefit of dual supply was highlighted when China was in lockdown in 2020 and then again in 2022, as when conditions in Vietnam were restricted in 2021, and we were able to effectively redirect production to maintain a continuity of supply for our customers.

We also have three smaller, more technically specialist manufacturing facilities in North America. These include a customer focused engineering services facility in California, a site in New Jersey focused on high voltage ('HV') products and a radio frequency ('RF') focused facility in Massachusetts. High demand for RF and HV products has led to some supply challenges and we are increasing capacity to meet increased demand levels, including investment in increased capacity in China. Following the acquisitions of FuG and Guth, we now also have two manufacturing facilities in Germany predominantly focused on high voltage products.

We monitor market dynamics intently, working closely with our supply partners and maintaining a level of safety stocks of key components. Throughout the year, we continued to see significant supply constraints for certain components and increased our safety stocks to manage through any future supply issues and also designed out some particularly problematic components using our engineering team. Uncertainty in the marketplace, in combination with long lead times, led us to order higher quantities than normal to secure supply. Overall supply chain conditions stabilised late in 2022 but we do expect some issues to persist in 2023.

Research & Development

New products are fundamental to our longer term revenue growth. The broader our product offering, the higher the probability that we will have a product which will work in the customer's application with or without a modification by our engineering team. By expanding into RF power in 2017 and high voltage in 2018 and 2022, we estimate that our addressable market is over US\$6.0 billion and growing.

The design-in times required by our customers to qualify the power converter into their equipment and to gain the necessary safety agency approvals are lengthy. Typically, we see a period of around 18 months, or even longer in Healthcare, from first identifying a customer opportunity to receiving the first production order. Revenue will then start

to build, often peaking a number of years later through the product lifecycle, which can typically be circa seven years. The positive aspect of this characteristic is that our business has a strong annuity base where programmes typically last five to seven years but can last much longer. Another aspect of this model is that the many new products we have introduced over the last three years have yet to make a meaningful impact on our revenue, creating a significant benefit for future years as they enter production.

We continue to move our product portfolio up the power and voltage scale and away from our historic low-power/low voltage offering, to protect our margins and expand our addressable market. RF power is a long-term opportunity and is a market which contains many interesting and significant niches beyond the Semiconductor Manufacturing Equipment sector including medical equipment, induction and dielectric heating, and industrial lasers, and we are expanding our RF development resources. In tandem, we have directed more of our internal product development resources away from low-power/low voltage applications and are servicing demand in the low-power segment with more third-party products designed to our specifications and quality standards.

Engineering Solutions

As well as growing our product offering, we have continued to expand our engineering solutions groups, particularly in Asia and North America. As we continue to move our capabilities up to higher power and higher voltages, we are becoming an increasingly attractive partner for customers whose applications are becoming more and more demanding. These demands include not only power delivery and management, but also sophisticated connectivity involving software and firmware which enables the customer's application to control the power solution and the power solution to communicate back to the application. As the world becomes more connected and the fourth industrial revolution gains traction, we expect this trend to gather pace. Customers place a high value on our engineering solutions capabilities which differentiate us from many of our competitors.

Our engineering solutions groups work closely with the customer's engineering teams to provide these customised solutions. Speed and proximity to the customer are critical as the power solution is often one of the last parts of the system to be designed, so it is invariably one of the gating items to get the end product to market. This is an area where XP Power adds significant value to its customers, and we are seeing increasing demand for these services.

We are one of the few power companies that can offer its customers a full range of solutions across the voltage and power spectrum and provide the engineering services to package these together to provide a complete power solution, including communication with the customers' application through firmware. This is a powerful proposition which makes us an ideal partner for many customers and greatly expands our addressable market.

Sustainability

We are acutely aware of the increasing concerns our people, customers, suppliers, governments, and shareholders have around climate change and sustainability issues in general. We have taken a lead in our industry in developing and promoting high efficiency products which consume less energy and therefore help reduce carbon emissions over their lifetime in use. We established a Sustainability Committee as early as 2009 and set ourselves the bold goal of becoming the leader in our industry regarding sustainability matters. We have consistently incorporated sustainability factors into our decision making and have adopted environmentally responsible practices in our facilities. In particular, we believe that our Vietnamese production facility is the most environmentally friendly in our industry with its efficient building envelope, building management system, water recycling and solar panel array. These industry-leading practices will also be incorporated into our new Malaysian facility.

We determined many years ago that one of the biggest impacts we could have on the environment was designing and promoting 'XP Green Power' products which consume, and therefore waste, less energy over their operational lifetimes. This results in significant and ongoing reductions in CO₂ emissions generated by our customers' equipment. 'XP Green Power' products generated revenues of £59.3 million in 2022, 21% higher than last year and represented 20% of total revenue.

Sustainability also resonates with our employees. We have adopted energy and water-saving practices throughout the Group and have a network of passionate environmental representatives who promote best practices and raise awareness of sustainability issues, including social ones, across our global workforce.

We have set Company targets to reduce CO₂ emissions intensity by a minimum of 3% per annum over the short and medium term and an aspiration to achieve net zero by 2040. During 2022 we calculated XP Power's full carbon footprint including Scope 1, 2 and 3 emissions. Initial findings show the majority of emissions are outside of our operations – mostly from components we purchase and our products in use. Future product design and efficiency as

well as supplier engagement is key in driving these emissions down. Also critical is that governments continue to rapidly decarbonise national electricity grids. XP Power will be submitting targets in line with Science Based Targets Initiative (SBTi) in 2023, following our commitment which was submitted in July 2022.

We continue to support our employees through training and development, promoting a fair working environment with equal opportunities, and see mental health as a priority. Through workforce engagement, views are heard at board level.

In 2022 we were delighted to receive the first ESG award from Lam Research, the leading global supplier of semiconductor manufacturing equipment and one of our largest customers, being recognised for our commitment to strong ESG goals and proactively aligning with Lam on these priorities. This follows the PRISM award we received from ASM in 2021 for sustainability.

Gavin Griggs
Chief Executive Officer

Performance: Financial Review

The Group's performance improved significantly in the second half of the year, after the extreme challenges of the first half, as supply chain conditions began to stabilise and we were able to increase production from our facilities. Our improved trading performance reflects the hard work of our team and better reflects the Group's potential. While we remain aware of ongoing challenges and economic uncertainty, we have good momentum into 2023.

Adjusted Results

Throughout this results announcement, as is our normal practice, adjusted and other alternative performance measures are used to describe the Group's performance. These are not recognised under International Financial Reporting Standards (IFRS) or other generally accepted accounting principles (GAAP).

When reviewing XP Power's performance, the Board and Management team focus on adjusted results rather than statutory results. There are a number of items that are included in statutory results that are one-off in nature, or not representative of the Group's performance, such as the costs relating to the Comet case and implementation of the new ERP system. These are therefore excluded from the adjusted results. The tables in Note 2 show the full list of adjustments between statutory operating profit and adjusted operating profit, between statutory profit before tax and adjusted profit before tax, and between statutory profit after tax and adjusted profit after tax at Group level for both 2022 and 2021.

Statutory Results

Revenue was £290.4 million (2021: £240.3 million), representing organic constant currency growth of 6% or 21% on a reported basis. The statutory operating loss was £(24.1) million, compared to a profit of £29.7 million in the prior year, with the loss primarily driven by the damages and legal costs from the Comet case.

Net finance costs were £6.1 million (2021: £1.3 million), resulting in a loss before tax of £(30.2) million (2021: profit £28.4 million). The higher net finance cost reflects the higher average gross debt and increased interest rates. This resulted in an income tax credit of £10.6 million compared to a £5.4 million expense in 2021. The basic loss per share was 102.0 pence whereas in 2021 the Group had earnings per share of 115.8 pence.

Trading Performance

The Group's revenue growth was primarily driven by the Semiconductor Manufacturing Equipment and Industrial Technology sectors, which increased 9% at constant currency (22% as reported) to £113.4 million, and 18% at constant currency (30% as reported) to £119.6 million respectively (Semiconductor Manufacturing Equipment 2021: £93.3 million; Industrial Technology 2021: £92.0 million).

The Healthcare sector increased revenue 4% as reported to £57.4 million (2021: £55.0 million) but was down 7% at constant currency but with demand and revenue increasing materially in the second half.

2022 revenue includes £14.4 million in Industrial Technology and £2.1 million in Healthcare sectors from the FuG and Guth businesses acquired at the end of January.

By region, North America continued to benefit from the growth in demand for Semiconductor Manufacturing Equipment along with Industrial Technology, increasing revenue by 6% to US\$207.0 million from US\$194.5 million in 2021. Europe delivered growth of 4% (like-for-like, excluding the acquisitions of FuG and Guth) to £70.0 million (2021: £67.3 million) and Asia revenue grew by 3% to US\$45.3 million (2021: US\$43.8 million), both driven by the Industrial Technology sector.

Gross margin decreased to 41.5% (2021: 45.1%), reflecting the continued supply chain pressures impacting overhead absorption in factories throughout H1, including COVID-19 related lockdowns in China which reduced manufacturing output. As management of component shortages stabilised, Q3 and Q4 manufacturing output grew significantly, and resulting revenue increased, delivering improved gross profit in the final months of 2022.

Higher freight costs during 2022 also impacted margin, with increased proportion of higher cost air freight used to support on time customer delivery and increased underlying cost per Kg, which began to ease during Q4.

We continue to expect gross margins to recover to historic levels over the medium term.

Operating Costs

Adjusted operating expenses benefitted from c.£2 million foreign exchange gains in 2022, which partly offset the additional operating expense from the acquired FuG and Guth businesses, people and other cost inflation and, the impact of a return to travel following the pandemic. Total adjusted operating expense of £77.7 million was an increase of 16% on a like-for-like basis.

Gross R&D expenditure charged to the income statement (excluding the impairment of previously capitalised development costs associated with the legal case) was £20.4 million (2021: £16.8 million), representing 7% of revenue; an absolute increase of 21% over the prior year and in line as a proportion of revenue. Innovation is a key part of the Group's strategy and, as a result, R&D investment is expected to continue to grow as the Group extends its engineering capabilities with a particular focus on RF and high-power, high-voltage product development activities.

The Group capitalised £8.1 million of R&D costs (2021: £8.3 million), which reflects the development of new products as the Group expands its product portfolio. In 2023 we are expecting this investment to increase to c.£9 million.

Adjusted Profits

The resulting adjusted operating profit of £42.9 million was a decrease of 12% at constant currency (2021: £45.1 million) and translated to adjusted operating margin of 14.8% (2021: 18.8%). In H2 2022 the adjusted operating margin was 16.7%.

Adjusted net finance costs increased to £4.9 million on an adjusted basis (2021: £1.3 million) as a result of increasing external interest rates incurred on the Group's US dollar denominated debt, along with higher levels of total gross debt which climbed to £174.4m.

The Group generated adjusted profit before tax before specific items of £38.0 million (2021: £43.8 million), which represented a decline of 20% at constant currency (13% as reported) compared to last year.

The effective tax rate on adjusted profit before tax was 16.1%, a reduction of 310bps (2021:19.2%) reflecting the benefit of R&D credits and assessment of deferred tax assets and liabilities in North America, more than offsetting the impact of profits from FuG and Guth, our German businesses, added to the Group in 2022.

Adjusted basic and adjusted diluted earnings per share decreased by 10% to 160.6 pence and 9% to 160.1 pence respectively (2021: 179.4 pence and 176.3 pence).

Specific Items

In 2022, the Group incurred £68.2 million (2021: £15.4 million) of specific items, £67.0 million of which was excluded from adjusted operating profit with a further £1.2m relating to interest costs and therefore also excluded from adjusted profit before tax.

The adjusted items were primarily driven by a provision made for damages of \$40 million (£32.1 million) awarded against the Group following the Comet legal case, along with other related costs and an estimate of opposing counsel legal costs which impact the income statement. Whilst the case remains ongoing, the Group has placed collateral of \$44 million (£36.9 million) for a court bond against the damages, which is reflected in cash flow and net debt.

Whilst we do not believe we have used any third party IP in our designs, a conservative approach was taken to write down previously capitalised development costs associated with these products of £7.5 million. This non-cash charge was booked in H1 2022.

Specific items in 2022 also include the costs to complete the ERP implementation in Asia manufacturing sites (£3.8 million), acquisition related costs (£2.4 million) and a credit from FX benefit on an acquisition loan (£3.2 million). Other specific items also include acquisition related amortisation of £4.1 million (non-cash).

Cash Flow and Net Debt

Net debt at 31 December 2022 was £151.0 million, compared with £24.6 million at 31 December 2021, including the acquisitions of FuG and Guth in January 2022 (£33.0 million), higher capital expenditure (£22.9 million, including Malaysia), working capital investment (£33.5 million), to support revenue growth, and the impact of a US\$44.0 million (£36.9 million) collateral payment in Q4 for a bond held against the damages awarded against the Group in the Comet Legal Action in the US plus legal fees. The working capital investment represents a £24.8m increase in inventory and an £9.5 million increase in receivables.

Accordingly, cash from operations was significantly impacted by the investment in inventory and a Q4 increase in receivables because of the increase in Q4 revenue compared to 2021 (Q4 revenue 2022: £87.4 million, Q4 2021: £58.9 million). This resulted in a cash inflow from operations of £2.1 million (2021: £40.6 million).

The inventory increase was driven by adapting to the new market dynamics combined with an increase in raw materials to support the delivery of the order backlog as logistics disruptions and increased component lead times led to a delay in conversion of orders to revenue and subsequent inventory build-up. Total inventory of £114.4 million was an increase of £40.4 million, including £8.8 million impact of foreign exchange on US dollar balances.

Working capital benefited from inventory beginning to unwind in Q4 2022 and although the pace of that unwind was slower than expected, it is expected to accelerate in H1 2023 as supply chain conditions further stabilise. Inventory is well above historic levels in absolute and percentage of sales terms and we are working hard to reduce it even as supply chains remain challenging.

As planned, capital investment enhanced capacity and flexibility at our manufacturing sites, and work commenced at our new manufacturing facility in Malaysia with plans to go live in H1 2024. The Group spent £14.9 million in 2022 (2021: £13.6 million), which included the completion of our ERP system implementation in £3.9 million of software additions, and £3.5 million for the land in Malaysia.

As we continue to build capacity and resilience in our Asian supply chain and address capital requirements to support our growth in North America, we expect 2023 to be a year of significantly higher expenditure. We will invest c.£30 million in 2023, including on the new manufacturing facility in Malaysia, before returning to historic levels of c.£10-15 million per annum in 2024. The expenditure is necessary to meet our longer-term growth plans and will generate attractive returns.

Free cash before acquisitions, dividends and borrowings was an outflow of £69.6 million (2021: £12.5 million inflow) and the Group finished 2022 with net debt of £151.0 million (2021: £24.6 million), comprising cash and cash equivalents of £23.4 million and gross debt of £174.4 million. Net debt to EBITDA leverage was 2.68x. The Group expects financial leverage to reduce during 2023.

XP secured greater banking covenant flexibility from its lenders in Q4 2022 with the net debt to EBITDA covenant now required to be less than 3.50x in December 2022, 3.25x in June 2023 and 3.0x in December 2023. The Group expects to remain well inside these covenants during 2023 and beyond. The greater flexibility also highlights the ongoing support from our lending banks.

Capital Allocation

In 2023 the Group will prioritise strengthening the balance sheet whilst also continuing to focus on investing in the business to drive medium term organic growth. We expect operating cash flow to improve in 2023 allowing for organic investment to be made, which will support our medium term plans, while de-leveraging the balance sheet. The Group plans to operate in a range of between 1 - 2x net debt to adjusted EBITDA in the medium term.

Our strong confidence in the Group's long-term prospects allows the Board to propose a final dividend of 36.0 pence per share for the fourth quarter of 2022. This dividend will be payable to members on the register on 24 March 2023 and will be paid on 27 April 2023. When combined with the interim dividends for the previous three quarters, the total dividend for the year will be 94.0 pence per share (2021: 94.0 pence).

Foreign Exchange

The Group reports its results in Pounds Sterling, but the US dollar continues to be our principal trading currency, with approximately 84% (2021: 87%) of our revenue denominated in US dollars. The average Pounds Sterling to US dollar exchange rate decreased by 10% from 1.38 to 1.25 resulting in £1.9 million impact to adjusted operating profit. At current exchange rates there would only be a minimal impact in 2023.

Outlook

The Group starts the new financial year with a significant order book, which provides good visibility for 2023, particularly the first half. We remain mindful of the ongoing uncertainties relating to component supply, inflation and recessionary concerns and are continuing to monitor the situation closely. That said, we are generally optimistic on the Group's prospects for the current year based on our strong H2 2022 trading momentum and the benefits of price increases coming through our order book to a greater extent during 2023.

Longer term, the Board believes XP Power to be very well positioned to grow ahead of its end markets, supported by its improving cash generation and a reduced level of debt.

Oskar Zahn
Chief Financial Officer

XP Power Limited
Consolidated Statement of Comprehensive Income for the
financial year ended 31 December 2022

£ Millions	Note	2022	2021
Revenue	2	290.4	240.3
Cost of sales		(169.8)	(132.0)
Gross profit		120.6	108.3
Other Income		*	*
Expenses			
Distribution and marketing		(58.2)	(47.8)
Administrative		(58.6)	(14.0)
Research and development		(27.9)	(16.8)
Operating (loss)/profit		(24.1)	29.7
Finance expenses		(6.1)	(1.3)
(Loss)/profit before tax		(30.2)	28.4
Income tax credit/(expense)	3	10.6	(5.4)
(Loss)/profit after tax		(19.6)	23.0
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation attributable to equity holders of the Company		7.2	0.9
		7.2	0.9
Items that will not be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation attributable to non-controlling interests		*	*
Other comprehensive income for the year, net of tax		7.2	0.9
Total comprehensive (loss)/income for the year		(12.4)	23.9
(Loss)/profit after tax attributable to:			
Equity holders of the Company		(20.0)	22.6
Non-controlling interests		0.4	0.4
		(19.6)	23.0
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		(12.8)	23.5
Non-controlling interests		0.4	0.4
		(12.4)	23.9
(Loss)/earnings per share for (loss)/profit after tax attributable to equity holders of the Company (pence per share)			
- Basic (loss)/earnings per share	5	(102.0)	115.8
- Diluted (loss)/earnings per share	5	(101.6)	113.8

*Balance is less than £100,000.

The accompanying notes form an integral part of these financial statements.

XP Power Limited
Consolidated Balance Sheet
As at 31 December 2022

£ Millions	Note	2022	2021
ASSETS			
Current assets			
Cash and bank balances		22.3	9.0
Inventories		114.4	74.0
Trade receivables		42.4	30.8
Bond receivable		37.0	-
Other current assets		8.0	5.0
Derivative financial instruments		*	*
Current income tax receivable		2.5	2.9
Total current assets		226.6	121.7
Non-current assets			
Cash and bank balances		1.1	-
Goodwill		77.5	52.5
Intangible assets		69.9	56.3
Property, plant and equipment		36.6	30.2
Right-of-use assets		54.9	8.3
Deferred income tax assets		15.1	3.2
ESOP loan to employees		*	*
Other investment		*	-
Total non-current assets		255.1	150.5
Total assets		481.7	272.2
LIABILITIES			
Current liabilities			
Current income tax liabilities		4.8	2.4
Trade and other payables		52.6	44.7
Derivative financial instruments		0.1	0.1
Lease liabilities		2.4	1.6
Accrued consideration		-	*
Provisions		46.1	*
Borrowings	6	0.2	0.2
Total current liabilities		106.2	49.0
Non-current liabilities			
Accrued consideration		1.5	1.3
Borrowings	6	174.2	33.4
Deferred income tax liabilities		10.5	9.4
Provisions		0.9	0.2
Lease liabilities		48.9	6.5
Total non-current liabilities		236.0	50.8
Total liabilities		342.2	99.8
NET ASSETS		139.5	172.4
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		27.2	27.2
Merger reserve		0.2	0.2
Share option reserve		2.5	5.6
Treasury shares reserve		*	*
Translation reserve		4.2	(2.9)
Other reserve		6.1	4.4
Retained earnings		98.4	137.0
		138.6	171.5
Non-controlling interests		0.9	0.9
TOTAL EQUITY		139.5	172.4

*Balance is less than £100,000.

The accompanying notes form an integral part of these financial statements.

XP Power Limited
Consolidated Statement of Changes in Equity
For the financial year ended 31 December 2022

Attributable to equity holders of the
the Company

£ Millions	Share- based Share capital	payments reserve	Treasury shares	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	-	(0.5)	0.1	-	-	1.0	-	0.6	-	0.6
Share-based payment expenses	-	1.5	-	-	-	-	-	1.5	-	1.5
Tax on share-based payment expenses	-	0.5	-	-	-	-	-	0.5	-	0.5
Dividends paid	-	-	-	-	-	-	(18.2)	(18.2)	(0.2)	(18.4)
Future acquisition of non-controlling interest	-	-	-	-	-	(0.2)	-	(0.2)	-	(0.2)
Other comprehensive income	-	*	-	-	0.9	-	*	0.9	*	0.9
Profit for the year	-	-	-	-	-	-	22.6	22.6	0.4	23.0
Total comprehensive income for the year	-	*	-	-	0.9	-	22.6	23.5	0.4	23.9
Balance at 31 December 2021	27.2	5.6	*	0.2	(2.9)	4.4	137.0	171.5	0.9	172.4
Exercise of share-based payment awards	-	(1.8)	*	-	-	1.8	-	*	-	*
Share-based payment expenses	-	0.1	-	-	-	-	-	0.1	-	0.1
Tax on share-based payment expenses	-	(1.5)	-	-	-	-	-	(1.5)	-	(1.5)
Dividends paid	-	-	-	-	-	-	(18.6)	(18.6)	(0.4)	(19.0)
Acquisition of non- controlling interest	-	-	-	-	-	*	-	*	*	-
Future acquisition of non-controlling interest	-	-	-	-	-	(0.1)	-	(0.1)	-	(0.1)
Other comprehensive income	-	0.1	-	-	7.1	-	*	7.2	*	7.2
(Loss)/profit for the year	-	-	-	-	-	-	(20.0)	(20.0)	0.4	(19.6)
Total comprehensive income/(loss) for the year	-	0.1	-	-	7.1	-	(20.0)	(12.8)	0.4	(12.4)
Balance at 31 December 2022	27.2	2.5	*	0.2	4.2	6.1	98.4	138.6	0.9	139.5

*Balance is less than £100,000.

The accompanying notes form an integral part of these financial statements.

XP Power Limited
Consolidated Statement of Cash Flows
For the financial year ended 31 December 2022

£ Millions	Note	2022	2021
Cash flows from operating activities			
(Loss)/profit after tax		(19.6)	23.0
Adjustments for:			
- Income tax (credit)/expense	3	(10.6)	5.4
- Amortisation and depreciation		17.6	13.2
- Finance expenses		6.1	1.3
- Share-based payment expenses		0.1	1.5
- Fair value (gain)/loss on derivative financial instruments		(0.1)	0.3
- Loss on disposal of property, plant and equipment		*	*
- Impairment loss on intangible assets		7.8	-
- Unrealised currency translation gain		(12.6)	(0.1)
- Provision for doubtful debts		*	*
- Provision for legal dispute		46.9	-
Change in working capital, net of effects from acquisitions:			
- Inventories		(24.8)	(19.0)
- Trade and other receivables and other current assets		(9.5)	(1.1)
- Trade and other payables		0.2	16.1
- Provision for liabilities and other charges		0.6	*
Cash generated from operations		2.1	40.6
Income tax paid, net of refund		(4.1)	(4.2)
Net cash (used in)/provided by operating activities		(2.0)	36.4
Cash flows from investing activities			
Acquisition of subsidiaries	7	(33.0)	-
Purchases and construction of property, plant and equipment		(7.5)	(5.5)
Additions of development costs		(8.0)	(8.3)
Additions of software and software under development		(3.9)	(8.1)
Purchase of bond receivable		(36.9)	-
Proceeds from disposal of property, plant and equipment		*	*
Proceeds from repayment of ESOP loans		*	*
Interest received		*	-
Payment of accrued consideration		*	-
Net cash used in investing activities		(89.3)	(21.9)
Cash flows from financing activities			
Proceeds from borrowings		170.3	3.7
Repayment of borrowings		(35.6)	(2.9)
Principal payment of lease liabilities		(5.8)	(1.7)
Proceeds from exercise of share-based payment awards		*	0.6
Interest paid		(5.5)	(0.9)
Dividend paid to equity holders of the Company		(18.6)	(18.2)
Dividend paid to non-controlling interests		(0.4)	(0.2)
Bank deposit pledged		(1.1)	-
Net cash provided by/(used in) financing activities		103.3	(19.6)
Net increase/(decrease) in cash and cash equivalents		12.0	(5.1)
Cash and cash equivalents at beginning of financial year		8.8	13.9
Effects of currency translation on cash and cash equivalents		1.3	*
Cash and cash equivalents at end of financial year		22.1	8.8

*Balance is less than £100,000.

The accompanying notes form an integral part of these financial statements.

Notes to the Annual Results Statement
For the year ended 31 December 2022

1. Basis of preparation

This financial information is presented in Pounds Sterling and has been prepared in accordance with the provisions of the Singapore Financial Reporting Standards (International) ('SFRS(I)s') and International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board ('IFRSs as issued by the IASB').

2. Segment reporting

The Group is organised on a geographic basis. The Group's products are a single class of business; however, the Group is also providing information in respect of sales by end market to assist the readers of this report.

The revenue by class of customer and location of the design win is as follows:

£ Millions	Year to 31 December 2022				Year to 31 December 2021			
	Europe	North America	Asia	Total	Europe	North America	Asia	Total
Semiconductor Manufacturing Equipment	2.7	93.8	16.9	113.4	3.0	75.2	15.1	93.3
Industrial Technology	61.3	44.5	13.8	119.6	43.7	37.1	11.2	92.0
Healthcare	22.5	28.9	6.0	57.4	20.6	28.9	5.5	55.0
Total	86.5	167.2	36.7	290.4	67.3	141.2	31.8	240.3

Revenues of £48.3 million (2021: £40.2 million) are derived from a single external customer. These revenues are attributable to the semiconductor manufacturing equipment sector across all geographical regions.

£ Millions	2022	2021
Europe	21.5	20.3
North America	48.5	46.1
Asia	10.5	10.0
Segment results	80.5	76.4
Research and development		
- Employee compensation	(13.0)	(10.5)
- Amortisation of intangible assets	(2.2)	(2.1)
- Depreciation of property, plant and equipment	(1.3)	(0.9)
- Safety and approval	(0.8)	(1.2)
- Advertising	(0.8)	(0.7)
- Others	(1.7)	(0.6)
Manufacturing		
- Employee compensation	(1.9)	(1.3)
- Cost of goods sales	(1.3)	(1.9)
- Others	(0.5)	(0.4)
Corporate cost from operating segment		
- Employee compensation	(6.5)	(6.7)
- Information systems	(3.4)	(2.8)
- Consultancy fees	(1.5)	(1.3)
- Amortisation of intangible assets	(1.7)	(0.7)
- Others	(1.0)	(0.2)
Adjusted operating profit	42.9	45.1
Finance expenses	(6.1)	(1.3)
Specific items	(67.0)	(15.4)
(Loss)/profit before tax	(30.2)	28.4
Income tax income/(expense)	10.6	(5.4)
(Loss)/profit after tax	(19.6)	23.0

Reconciliation of adjusted measures

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 and legal dispute, gains and losses on the disposal of businesses, fair value movements, restructuring charges, acquisition related costs and amortisation of intangible assets arising from business combinations.

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.

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, profit before tax to adjusted profit before tax and profit after tax to adjusted profit after tax.

(i) A reconciliation of operating profit to adjusted operating profit is as follows:

£ Millions	2022	2021
Operating (loss)/profit	(24.1)	29.7
Adjusted for:		
Acquisition costs	2.4	0.1
Foreign exchange gain on Euro-denominated loan drawn down to finance the acquisition	(3.2)	-
Costs related to Enterprise Resource Planning system implementation	3.8	2.1
Amortisation of intangible assets acquired from business combinations	4.1	2.8
Costs relating to legal dispute	52.2	10.1
Impairment loss on intangible assets	7.5	-
Revolving credit facility fees	0.2	-
Restructuring costs	0.1	-
Fair value (gain)/loss on derivative financial instruments	(0.1)	0.3
	67.0	15.4
Adjusted operating profit	42.9	45.1

(ii) A reconciliation of profit before tax to adjusted profit before tax is as follows:

(Loss)/profit before tax	(30.2)	28.4
Adjusted for:		
Acquisition costs	2.4	0.1
Foreign exchange gain on Euro-denominated loan drawn down to finance the acquisition	(3.2)	-
Costs related to Enterprise Resource Planning system implementation	3.8	2.1
Amortisation of intangible assets acquired from business combination	4.1	2.8
Costs relating to legal dispute	52.2	10.1
Impairment loss on intangible assets	7.5	-
Revolving credit facility fees	0.2	-
Loss on modification of revolving credit facility	1.0	-
Restructuring costs	0.3	-
Fair value (gain)/loss on derivative financial instruments	(0.1)	0.3
	68.2	15.4
Adjusted profit before tax	38.0	43.8

(iii) A reconciliation of profit after tax to adjusted profit after tax is as follows:

(Loss)/profit after tax	(19.6)	23.0
Adjusted for:		
Acquisition costs	2.4	0.1
Foreign exchange gain on Euro-denominated loan drawn down to finance the acquisition	(3.2)	-
Costs related to Enterprise Resource Planning system implementation	3.8	2.1
Amortisation of intangible assets acquired from business combinations	4.1	2.8
Costs relating to legal dispute	52.2	10.1
Impairment loss on intangible assets	7.5	-
Revolving credit facilities fees	0.2	-
Loss on modification of revolving credit facility	1.0	-
Restructuring costs	0.3	-
Fair value (gain)/loss on derivative financial instruments	(0.1)	0.3
Non-recurring tax benefits ¹	(16.7)	(3.0)
	51.5	12.4
Adjusted profit before tax	31.9	35.4

¹ Adjusted for tax on specific items relating to completed acquisitions of £0.6 million (2021: £10,058), gain on foreign exchange impact on Euro-denominated loan drawn down to finance the acquisition of £0.5 million (2021: £ nil), costs related to Enterprise Resource Planning system implementation of £0.8 million (2021: £0.3 million), costs relating to legal dispute of £13.6 million (2021: £2.6 million), impairment of intangible assets of £2.0 million (2021: £ nil), loss on modification of revolving credit facility of £0.2 million (2021: £ nil) and fair value impact on derivative financial instruments of £22,464 (2021: £0.1 million)

3. Income taxes

£ Millions	2022	2021
Tax (credit)/expense attributable to (loss)/profit is made up of:		
(Loss)/profit for the financial year		
– Singapore	2.8	1.1
– Foreign	4.1	1.2
Current income tax	6.9	2.3
Deferred income tax	(17.1)	2.6
	(10.2)	4.9
(Over)/under-provision in prior financial years		
– Singapore	(0.2)	0.1
– Foreign	*	*
Current income tax	(0.2)	0.1
Deferred income tax	(0.8)	0.3
	(1.0)	0.4
Withholding tax	0.6	0.1
Income tax (credit)/expense	(10.6)	5.4

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions at the balance sheet date.

The differences between the total income tax expense shown above and the amount calculated by applying the standard rate of Singapore income tax rate to the profit before income tax are as follows:

£ Millions	2022	2021
(Loss)/profit before income tax	(30.2)	28.4
Tax on (loss)/profit at standard Singapore tax rate of 17% (2021: 17%)	(5.1)	4.8
Tax incentives	(0.5)	(0.7)
Different tax rates in other countries	(4.6)	1.1
Tax effect of share-based payments	0.2	(0.3)
Expenses not deductible for tax purposes	1.0	0.2
Income not subject to tax	(1.0)	(0.1)
Deferred tax effect of change in tax rate	(0.2)	(0.1)
(Over)/under-provision of tax in prior financial years	(1.0)	0.4
Withholding tax	0.6	0.1
Income tax (credit)/expense	(10.6)	5.4

4. Dividends

Amounts recognised as distributions to equity holders in the period:

	2022		2021	
	Pence per share	£ Millions	Pence per share	£ Millions
Prior year third quarter dividend paid	21.0*	4.1	20.0	3.9
Prior year final dividend paid	36.0*	7.1	36.0	7.1
First quarter dividend paid	18.0^	3.6	18.0*	3.5
Second quarter dividend paid	19.0^	3.8	19.0*	3.7
Total	94.0	18.6	93.0	18.2

* Dividends in respect of 2021 (94.0p).

^ Dividends in respect of 2022 (94.0p).

The third quarter dividend of 21.0 pence per share was paid on 18 January 2023. The proposed final dividend of 36.0 pence per share for the year ended 31 December 2022 is subject to approval by Shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. Subject to shareholder approval, the dividend will be paid on 27 April 2023 to members on the register at the record date of 24 March 2023, the ex-dividend date will be 23 March 2023. The last date for election for the share alternative to the dividend under the Company's Dividend Reinvestment Plan is 6 April 2023.

5. Earnings per share

The calculations of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company are based on the following data:

£ Millions	2022	2021
(Loss)/earnings		
(Loss)/earnings for the purposes of basic and diluted earnings per share		
(Loss)/profit after tax attributable to equity holders of the Company	(20.0)	22.6
(Loss)/earnings for earnings per share	(20.0)	22.6

Number of shares

Weighted average number of ordinary shares outstanding for basic earnings per share (thousands)	19,616	19,514
Effect of dilutive potential share awards (thousands)	63	344
Weighted average number of shares for diluted earnings per share (thousands)	19,679	19,858
(Loss)/earnings per share		
Basic	(102.0)p	115.8p
Basic adjusted*	160.6p	179.4p
Diluted	(101.6)p	113.8p
Diluted adjusted*	160.1p	176.3p

*Reconciliation to compute the adjusted earnings from operations is as per below:

£ Millions	2022	2021
(Loss)/earnings for the purposes of basic and diluted earnings per share		
(Loss)/profit after tax attributable to equity holders of the Company	(20.0)	22.6
Amortisation of intangible assets acquired from business combination	4.1	2.8
Acquisition costs	2.4	0.1
Foreign exchange impact on Euro-denominated loan drawn down to finance the acquisition	(3.2)	-
Non-recurring tax benefits	(16.7)	(3.0)
Costs related to Enterprise Resource Planning system implementation	3.8	2.1
Costs relating to legal dispute	52.2	10.1
Impairment loss on intangible assets	7.5	-
Revolving credit facilities fees	0.2	-
Loss on modification of revolving credit facility	1.0	-
Restructuring costs	0.3	-
Fair value (gain)/loss on derivative financial instruments	(0.1)	0.3
Adjusted earnings	31.5	35.0

6. Borrowings

The Group's debt is sourced from a Revolving Credit Facility ('RCF') provided by HSBC UK Bank PLC, J.P. Morgan Securities PLC, DBS Bank Ltd, Banco de Sabadell S.A., Commerzbank Aktiengesellschaft and Bank of China Limited. In 2022, the Group amended in respect of replacing LIBOR with Compound Reference Rate and renewed its facility from US\$150 million to US\$255 million with a US\$75 million accordion with a four-year term up to June 2026 and an option to extend the bank facility for a further one year to June 2027. The facility has no fixed repayment terms until maturity. The revolving loan is priced based on the Secured Overnight Financing Rate (SOFR) administered by the Federal Reserve Bank of New York plus a margin of 1.2-2.8% for the utilisation facility and a margin of 1.7% for the unutilised facility.

The borrowings are repayable as follows:

£ Millions	2022	2021
On demand or within one year	0.2	0.2
In the second year	-	-
In the third year	-	33.4
In the fourth year	-	-
In the fifth year	174.2	-
Total	174.4	33.6

Management assessed all loan covenants have been complied with as at 31 December 2022.

7. Business combination

On 31 January 2022, the Group acquired 100% equity interest in FuG Elektronik GmbH (FuG) and Guth High Voltage GmbH (Guth). The principal activity of FuG and Guth is that of 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:

£ Millions	2022
(a) Purchase consideration	
Cash paid	33.2
Consideration transferred for the businesses	33.2
(b) Effect on cash flows of the Group	
Cash paid (as above)	33.2
Less: Cash and cash equivalents in the subsidiaries acquired	(0.2)
Cash outflow on acquisition	33.0
(c) Identifiable assets acquired and liabilities assumed	
	At fair value
Cash and bank balances	0.2
Property, plant and equipment	0.8
Brand, Trademarks, Technology, Customers Relationships and Customer Contracts and Software	11.3
Right-of-use assets	11.4
Inventories	5.9
Trade receivables	1.1
Other current assets	0.2
Total assets	30.9
Trade and other payables	(2.9)
Lease liabilities	(11.4)
Income tax payable	(0.3)
Deferred tax liabilities	(4.1)
Total liabilities	(18.7)
Total identifiable net assets	12.2

Add: Goodwill	21.0
Consideration transferred for the businesses	33.2

- (d) Acquisition-related costs
Acquisition-related costs of £2.4 million are included in “administrative expenses” in the consolidated statement of comprehensive income and in operating cash flows in the consolidated statement of cash flows.
- (e) Acquired receivables
The fair value of trade and other receivables is £1.3 million which is the same as the gross contractual amount, all of which is expected to be collectible.
- (f) Fair values
The fair value of the acquired identifiable intangible assets of £11.3 million was finalised during the year.
- (g) Goodwill
The goodwill of £21.0 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. It is not deductible for tax purposes.

(h) Revenue and profit contribution

The acquired businesses contributed revenue of £16.5 million and net profit of £2.9 million to the Group from the period 1 February 2022 to 31 December 2022.

Had FuG and Guth been acquired from 1 January 2022, consolidated revenue and consolidated loss before tax for the period ended 31 December 2022 for the group would have been £291.9 million and £29.8 million respectively.

8. Principal risks and uncertainties

Board Responsibility

The Group has well established risk management processes to identify and assess risks. The Group’s principal risks are regularly reviewed by the Board and are mapped onto a risk universe from which risk mitigation or reduction can be tracked and managed. This helps facilitate further discussions regarding risk appetite and draws out the risks that require a greater level of attention.

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 approximately 74% 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.

Risk mitigation – We now have two facilities (China and Vietnam) where we are able to manufacture the majority of our power converters and we have disaster recovery plans in place for both facilities. Not all power converter series can be produced in both facilities, but we continue to identify opportunities to transfer capability and increase flexibility and resilience in our supply chain. We have commenced construction of a new manufacturing facility in Malaysia in 2022 to increase flexibility and our capacity to meet the demand from across the Group.

We have undertaken a risk review with manufacturing management to identify and assess risks which could cause a serious disruption to manufacturing, and then identified and implemented actions to reduce or mitigate these risks where possible.

Fluctuations of revenues, expenses, and operating results due to an economic downturn or external 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; inflation, 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 mitigation – Although not immune from an economic shock or the cyclicity of the capital equipment markets, the Group's diverse customer base, geographic spread and revenue annuities reduces exposure to this risk.

The Group's business model is not capital intensive and the strong profit margins lead to healthy cash generation which also helps mitigate risks from these external factors.

The Group benefits from good order exposure 12 months out allowing it to recognise market changes and mitigate the impact.

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.

Risk mitigation – The Group has a defined Business Impact Assessment which identifies the key information assets; replication of data on different systems or in the Cloud; an established backup process in place as well as a robust anti-malware solution on our networks.

Internally produced training materials are used to educate users regarding good IT security practice and to promote the Group's IT policy.

A cyber assessment carried out by the outsourced internal auditor resulted in recommendations that are being implemented to further mitigate cyber risk and safeguard the Group's assets.

Dependence on key customers

The Group is dependent on retaining its key customers. 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 year ended 31 December 2022, no single customer accounted for more than 19% of revenue. With this customer the Group is exposed to many individual programs.

Risk mitigation – The Group mitigates this risk by providing excellent service. Customer complaints and non-conformances are reviewed monthly by members of the Executive Leadership team.

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.

Risk mitigation – We perform 100% functional testing on all own-manufactured products and 100% hi-pot testing, which determines the adequacy of electrical insulation, on own-manufactured products. This ensures the integrity of the isolation barrier between the mains supply and the end user of the equipment. We also test all the medical products we manufacture to ensure the leakage current is within the medical specifications.

Where we have contracts with customers, we always limit our contractual liability regarding recall costs.

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.

Risk mitigation – The Group reviews activities of its competition, in particular product releases, and stays up to date with new technological advances in our industry, especially those relating to new components and materials. The Group also tries to keep its cost base competitive by operating in low-cost geographies where appropriate.

The general direction of our product roadmap is to move away from lower complexity products and to increase our engineering solutions capabilities so reducing the inherent market competitiveness.

The Group ensures own and external intellectual properties are protected.

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's effective tax rate could therefore fluctuate over time and have an impact on earnings and potentially its share price.

Risk mitigation – An outsourced internal audit function has been introduced to provide risk assurance in targeted areas of the business and recommendations for improvement. The scope of these reviews includes behaviour, culture, and ethics.

The Group hires employees with relevant skills and uses external advisers to keep up to date with changes in regulations and to remain compliant.

The Group establishes clear healthy and safety policy and procedures.

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 influence the Group's revenues, results of operations and financial condition.

Risk mitigation – Preparation of robust business plans and cash projections with sensitivity analysis and the help of professional advisers if appropriate.

Post-acquisition reviews are performed to extract 'lessons learned'.

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.

Risk mitigation – The Group undertakes performance evaluations and reviews to help it stay close to its key personnel as well as annual employee engagement surveys. Where considered appropriate, the Group also makes use of financial retention tools such as equity awards.

Exposure to exchange rate fluctuations

The Group deals in many currencies for both its purchases and sales including US Dollars, Euro, 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 Yuan. The Group therefore has an exposure to foreign currency fluctuations. This could lead to material adverse movements in reported earnings.

Risk mitigation – The Group reviews balance sheet and cash flow currency exposures and where considered appropriate, uses forward exchange contracts to hedge these exposures.

The Group does not hedge any translation of its subsidiaries' results to Sterling for reporting purposes.

Risk associated with Supply Chain

The Group is dependent on retaining its key suppliers and on their ability to meet their obligations to the Group. Global supply chains continued to be under pressure mainly due to component shortages and global logistics, partly related to the COVID-19 restrictions in China.

As the proportion of our own-manufactured products has increased, the reliance on suppliers for third party product has been mitigated proportionally. There has been a shift from a finished goods risk to a raw materials risk.

Risk Mitigation - We conduct regular audits of our key suppliers and in addition keep large amounts of safety inventory of key components, which we also regularly review. We also dual source our components where possible to minimise dependency on any single supplier.

Climate related risks

The Group is exposed to climate related risks that can have a negative impact on the business. Extreme weather events or local power supply robustness can cause disruptions to our manufacturing sites and supply chain. Failure to meet the defined net zero targets may cause reputational damage, dissuade potential investors, or result in greater costs from any introduction of carbon pricing.

Risk Mitigation - The Group operates with flexibility in capacity across sites and can also respond to temporary outages with changes in working patterns to compensate. We are also currently constructing a third major site in Malaysia, which will provide further manufacturing flexibility and reduce reliance on the Vietnam site.

We perform regular review on relevant policies and KPIs to ensure set targets are deliverable.

9. Responsibility Statement

The Directors confirm to the best of their knowledge and believe that this condensed set of financial statements:

- Gives a fair view of the assets, liabilities, financial position, and profit of the Group; and
- Includes a fair review of the information required by the Disclosure and Transparency Rules.

10. Other 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 financial information set out in this announcement does not constitute the Company's statutory accounts for the years ended 31 December 2021 or 2022. The financial information for the year ended 31 December 2021 is derived from the XP Power Limited statutory accounts for the year ended 31 December 2021, which have been delivered to the Accounting and Corporate Regulatory Authority in Singapore. The auditors reported on those accounts; their report was unqualified. The statutory accounts for the year ended 31 December 2022 will be finalised based on the financial information presented by the Directors in this earnings announcement and will be delivered to the Accounting and Corporate Regulatory Authority in Singapore following the Company's Annual General Meeting.

Whilst the financial information included in this earnings announcement has been computed in accordance with SFRS(I)s and IFRSs as issued by the IASB, this announcement does not itself contain

sufficient information to comply with SFRS(l)s and IFRSs as issued by the IASB. The Company expects to publish full financial statements that comply with SFRS(l)s and IFRSs as issued by the IASB.

This announcement was approved by the Directors on 28 February 2023.