

CHAIRMAN'S STATEMENT



James Peters
Chairman

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Our progress in 2020

We made significant strategic progress in 2020 and produced an excellent set of results in a difficult environment. The year was dominated by the exceptional challenges of the global health crisis caused by COVID-19. A key priority throughout has been to protect the health and wellbeing of our colleagues and I would like to thank them all for their commitment and adaptability during this unprecedented period.

We have delivered record orders, revenues and earnings, and strong cash generation, against a difficult global backdrop. COVID-19 impacted the demand dynamics in our Industrial Technology sector, but this was more than offset by the continuation of the strong recovery in the Semiconductor Manufacturing Equipment sector and exceptional demand from our Healthcare customers for critical care equipment for the treatment of COVID-19 affected patients. We can feel proud of what we achieved in 2020 and our contribution to helping our customers produce much needed life-saving equipment rapidly, and at a time when the global supply chain was being adversely affected by the pandemic.

Having taken the difficult decision to cancel both the final 2019 dividend and first quarter 2020 dividend in response to the uncertainty caused by the COVID-19 crisis, our strong cash generation and confidence in the Group's long-term prospects enabled us to resume the payment of dividends from Q2 2020. The Board is proposing a final dividend of 36p (2019: nil), which, if approved, will bring the total 2020 dividend per share to 74p (2019: 55p).

COVID-19

The Group's presence in China meant it was exposed to the challenges of the COVID-19 pandemic earlier than many international organisations, as our Chinese manufacturing facility was unable to reopen as planned in late January 2020 following the Chinese New Year. As the seriousness of the situation became clear,

we quickly established very clear priorities and protocols for the organisation to manage through the challenges of the pandemic, namely:

1. Ensuring the safety and wellbeing of all our colleagues;
2. Keeping our customers supplied with product (particularly those providing critical healthcare equipment for the treatment of COVID-19 patients); and
3. Preserving cash and maintaining liquidity.

This swift response was well received by our people and customers and was instrumental to us successfully navigating through the challenges that we subsequently faced. Our China facility reopened on 17 February 2020 and we have kept all production and warehouse facilities operational since then, apart from short breaks for COVID-19 decontaminations. This clearly demonstrates the built-in resilience of our supply chain.

We are continuing to monitor the global situation in respect of COVID-19 closely and remain mindful of the significant challenges and uncertainty it continues to present.



**OUR RESPONSE TO COVID-19
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Our Board

In October 2020 we announced that, after over 17 years as Chief Executive Officer, Duncan Penny had informed the Board of his intention to retire as CEO. Duncan stepped down as CEO on 31 December 2020 and will leave the Board and the Group at the Annual General Meeting on 20 April 2021.

The Board also announced that, following a thorough search process, Gavin Griggs would succeed Duncan as Chief Executive Officer from 1 January 2021. Gavin has been Chief Financial Officer at XP Power since November 2017 and has worked very closely with Duncan in that time. Gavin is a proven business leader with significant experience and expertise across a variety

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17%
Revenue increase

40%
Adjusted earnings
per share increase

of growth-oriented business sectors and the Board is confident that Gavin is the right person to take XP Power forward.

The transition from Duncan to Gavin has been smooth as anticipated and I have confidence that under his leadership the Group will deliver further Shareholder value in the future.

The search for Gavin's successor as Chief Financial Officer is underway, and an appointment will be announced in due course.

Duncan joined XP Power as Chief Financial Officer in 2000, becoming CEO in 2003, and has led our business with distinction. On behalf of the entire XP Power team, I want to thank Duncan for his significant and enduring contribution to our Group and wish him well for the future.



SEE PAGES 84-133 FOR OUR BOARD AND CORPORATE GOVERNANCE

Our people and values

The success of any organisation is dependent on its culture and the people and talent within it. The Board continues to work closely with the Executive Leadership Team to ensure the Group is identifying and developing its key people and bringing new talent and capabilities into the business, to help underpin our growth ambitions. We recruited a leader for our Global Supply Chain and a Chief People Officer during the year. These are two important senior executive appointments that have significantly enhanced our capabilities and demonstrate the ambition we have for the Group.

I am proud of what our people have achieved in 2020 and I know from our engagement with them that they are proud to be part of the XP Power team.



READ MORE ABOUT OUR CULTURE ON PAGE 95

Strategy review

The Group has consistently executed a clearly outlined strategy for several years which has successfully delivered meaningful value creation for all stakeholders. In summary, it is built on the development of a market-leading range of competitive products to enable further penetration of existing target accounts, combined with a drive to move our product portfolio up the power and voltage scale. This product portfolio development and the

significant expansion of our addressable markets has been achieved through a combination of internal organic investment and targeted acquisitions. Although we are one of a few power companies in the world with a product portfolio across such a broad power and voltage spectrum we still have relatively low market share, we can use our product portfolio and engineering services and capabilities to provide customers with a complete power solution and increase our market share.

Our strategy continues to work effectively to achieve sustainable long-term earnings growth through market share gains in our target sectors and customers. This success is demonstrated by our consistent performance and resilience over the cycles 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 pipeline, to continue to deliver organic growth.

Following a bank refinancing in 2020, we have sufficient committed funds to support targeted acquisitions to enhance our product portfolio and expand our addressable market. We see acquisitions as an important element of our growth strategy but will maintain a disciplined approach. We also continue to make improvements to our systems and processes, in our product life cycle management and our supply chain to support the sales growth we are generating, as well as bringing new talent into the business to support our continued growth.

While our new CEO will continually review our strategic progress, we expect development to be evolutionary not revolutionary but with a heightened focus on execution and organisational and supply chain agility.



SEE PAGES 32-38 TO SEE OUR STRATEGY IN MORE DETAIL

Sustainability

We are committed to the long-term sustainable success of XP Power in all its aspects. In 2020, we engaged with our key stakeholders to better understand which aspects of their relationship with XP Power were most important to them, with a focus on sustainability in particular. We have incorporated this feedback into our sustainability strategy and have reported this in our 2020 Annual Report.

Sustainability has been a long-term focus for XP Power. In 2009, we established an environmental committee led by the CEO, which set the bold goal of leading our industry on environmental matters. We have helped lead the industry in developing "green" products that deliver power more efficiently and consume less energy, while powering their application, or in standby mode. These products reduce the annual CO₂ emissions of the equipment throughout its life and are by far the biggest positive impact we can make on the environment. 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 carbon neutrality by 2040. During 2021 we will develop further strategies to bring this date forward.

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.



READ MORE ABOUT OUR SUSTAINABILITY ON PAGES 62-83

Outlook

We delivered an excellent performance in 2020 despite facing significant external challenges, once again demonstrating the resilience of our business model and quality of our people.

Trading conditions in the early months of 2021 give grounds for continued optimism. Despite the challenges and uncertainty that remain regarding COVID-19, we entered the year with a strong order book and with a positive backdrop within the Semiconductor Manufacturing Equipment sector. While we are mindful of the headwind that the recent strengthening of Sterling creates and the continued uncertainty created by COVID-19, we currently expect further underlying revenue growth this financial year. We remain excited regarding the long-term prospects of the Group.

James Peters
Chairman