



Techtronic Industries

2005

# Annual Results Announcement

*12th April 2006*



# Agenda

- **Financial review**

Mr. Frank Chan  
(Group Executive Director)

- **Business review**

Mr. David Butts  
(Senior Vice President)

- **Outlook**

Mr. Horst Pudwill  
(Chairman & CEO)



# Financial Review

**Mr. Frank Chan**  
**(Group Executive Director)**



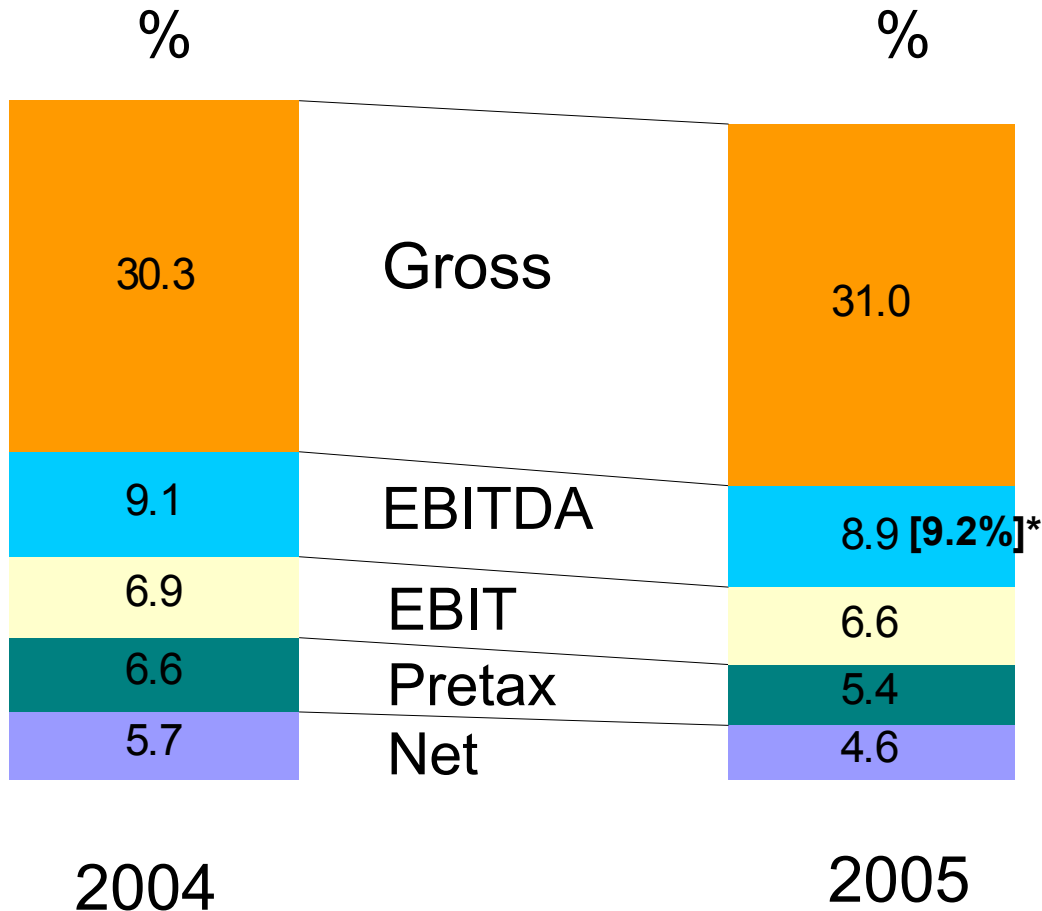
# Financial highlights

*For the 12 months period ended 31st December, 2005*

|  | 2005<br>HK\$m | 2004<br>HK\$m | Changes<br>% |
|--|---------------|---------------|--------------|
| Turnover   | 22,358        | 16,304        | ↑ 37.1       |
| Gross profit   | 6,942         | 4,941         | ↑ 40.5       |
| EBITDA   | 1,989         | 1,489         | ↑ 33.6       |
| Operating profits                                      | 1,576         | 1,226         | ↑ 28.5       |
| Profits attributable to shareholders<br>of the Company | 1,019         | 926           | ↑ 10.0       |
| Basic EPS (HK cents)                                   | 73.53         | 69.28         | ↑ 6.1        |
| DPS (HK cents)   | 18.60         | 17.00         | ↑ 9.4        |
| BVPS (HK\$)  | 4.18          | 2.55          | ↑ 63.9       |



# Margin analysis



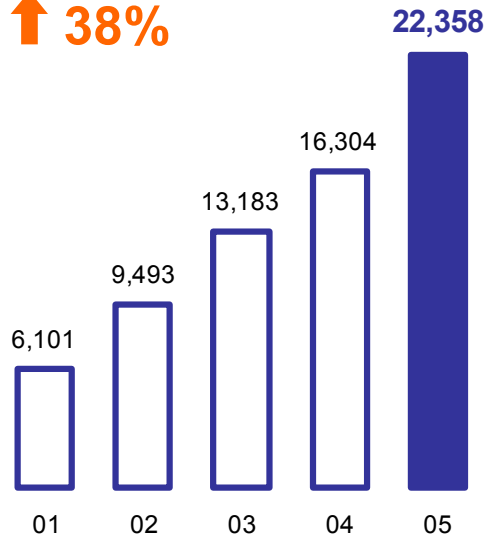
- Gross margin improved despite raw material pricing pressure
- Helped by favorable product portfolio, new products and cost improvement programs
- Full year consolidation of acquisition increased admin expenses, offsetting gains in gross margins
- \*EBITDA margin improved to 9.2% excluding US\$8m non-recurring restructuring charges
- Sales shortfall in 4Q affected operating leverage
- Higher finance costs as a result of additional borrowings for acquisition
- Effective tax rate increased to 13.0% from 10.1% in 2004 as a result of acquisition



# Five year summary

## 5-Year CAGR

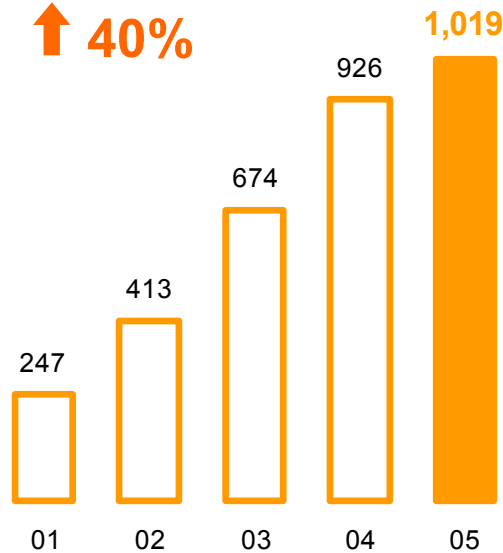
↑ 38%



Turnover (HK\$m)

## 5-Year CAGR

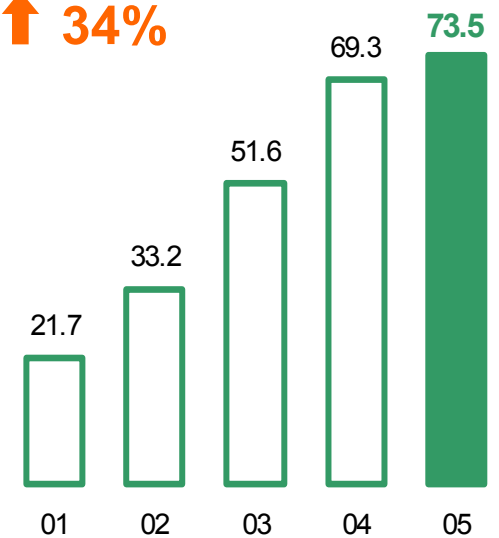
↑ 40%



Net profit (HK\$m)

## 5-Year CAGR

↑ 34%



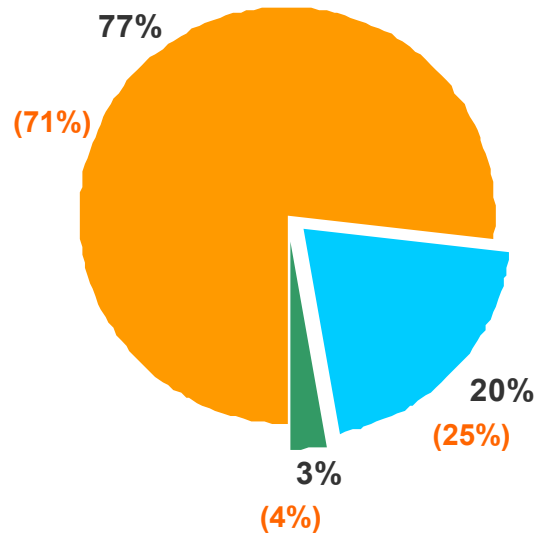
Earnings per share (HK cents)



# Analysis by product

For the 12 months period ended 31st December, 2005

## Sales contributions by product



(%) – 2004 figures

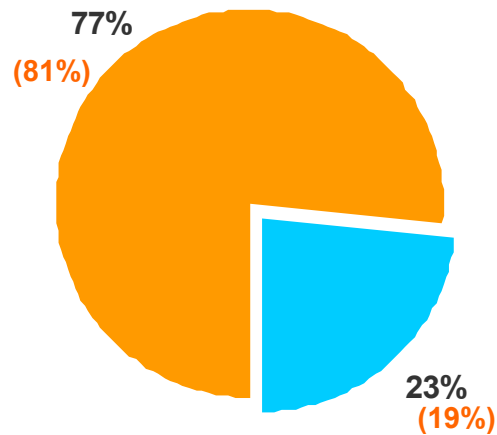
|                          | Power equipment products | Floor care appliances | Laser & electronic products |
|--------------------------|--------------------------|-----------------------|-----------------------------|
| <b>Revenue ( HK\$m)</b>  | 17,177                   | 4,526                 | 655                         |
| <b>Change (% YoY)</b>    | 49.1                     | 11.0                  | -6.5                        |
| <b>Result ( HK\$m)</b>   | 1,237                    | 200                   | 139                         |
| <b>Change (% YoY)</b>    | 35.9                     | -0.7                  | -4.6                        |
| <b>Margin (%) - 2005</b> | 7.2                      | 4.4                   | 21.2                        |
| <b>Margin (%) - 2004</b> | 7.9                      | 4.9                   | 20.8                        |



# Analysis by market location

For the 12 months period ended 31st December, 2005

## Sales contributions by market location



(%) – 2004 figures

|                          | North America | Europe & other countries |
|--------------------------|---------------|--------------------------|
| <b>Revenue ( HK\$m )</b> | <b>17,122</b> | <b>5,236</b>             |
| <b>Change (% YoY)</b>    | <b>29.7</b>   | <b>69.0</b>              |
| <b>Result ( HK\$m )</b>  | <b>1,385</b>  | <b>191</b>               |
| <b>Change (% YoY)</b>    | <b>28.0</b>   | <b>9.4</b>               |
| <b>Margin (%) - 2005</b> | <b>8.1</b>    | <b>3.7</b>               |
| <b>Margin (%) - 2004</b> | <b>8.2</b>    | <b>5.6</b>               |





## Financial position

| <u>YR2004*</u> | (HK\$m)                      | <u>2005</u>  |
|----------------|------------------------------|--------------|
| <u>2,261</u>   | <b>Non-current assets</b>    | <u>8,078</u> |
| 11,642         | Current assets               | 12,297       |
| <u>7,819</u>   | Current liabilities          | <u>7,411</u> |
| <b>3,823</b>   | <b>Net current assets</b>    | <b>4,886</b> |
| <b>2,548</b>   | <b>Long-term liabilities</b> | <b>6,731</b> |
| <b>3,454</b>   | <b>Shareholders' funds</b>   | <b>6,112</b> |
| <b>1.49</b>    | <b>Current ratio</b>         | <b>1.66</b>  |
| <b>32.1%</b>   | <b>Gearing</b>               | <b>68.3%</b> |
| <b>11.6</b>    | <b>Interest coverage(x)</b>  | <b>5.0</b>   |

\*restated following new HKFRSs and HKASs



## Healthy working capital position

| Turnover days                         | 2005 | 2004 |
|---------------------------------------|------|------|
| Inventory <sup>(1)</sup>              | 55   | 59   |
| Trade receivables <sup>(2)</sup>      | 46   | 53   |
| Trade & other payables <sup>(3)</sup> | 53   | 56   |

- Flexible and efficient procurement and manufacturing operation
- Raw material and work in progress inventory days stayed at 17 days
- Finished goods inventory days improved by 4 days to 38 days

(1)  $\text{Average inventory} / \text{sales} \times 365$

(2)  $\text{Average trade receivables} / \text{sales} \times 365$

(3)  $\text{Average trade \& other payables} / \text{sales} \times 365$

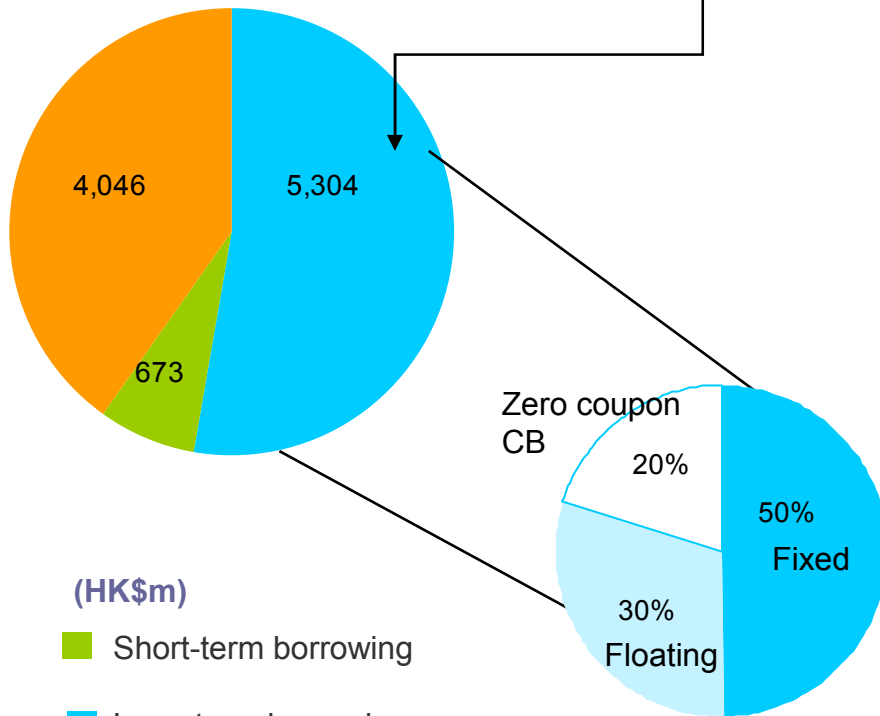


# Cash and borrowing profile

*Well-balanced loan portfolio for long-term growth*

## LT borrowings added in 2005:

- US\$200m fixed interest rate Notes
- US\$200m syndicated loan



(HK\$m)

- Short-term borrowing
- Long-term borrowing
- Cash

- The Group's balance sheet remained solid and healthy
- Financed the Milwaukee / AEG acquisition (HK\$4.89bn) by internal resources and borrowings
- Net proceeds of HK\$1.8bn from share placement in September – to repay existing debts, for general working capital



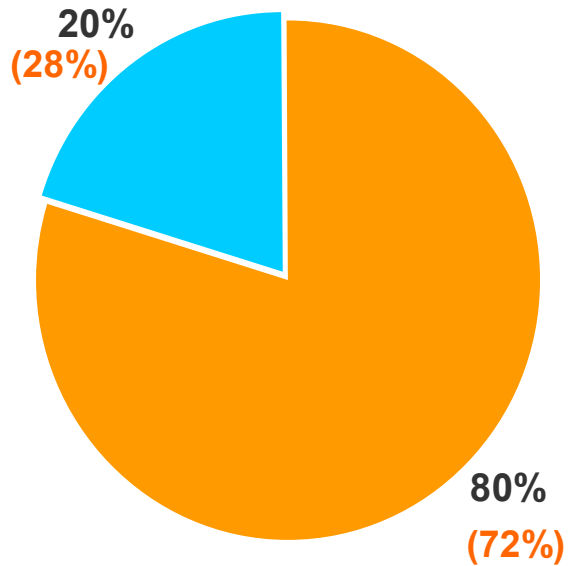
# Business Review

**Mr. David Butts**  
**(Senior Vice President)**



# Sales contributions by type

OEM & private label



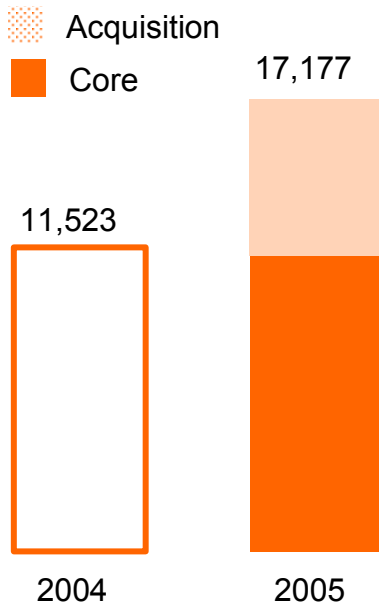
(%) – 2004 figures

Own & licensed brands





# Power equipment products



Divisional turnover  
(HK\$m)

77%

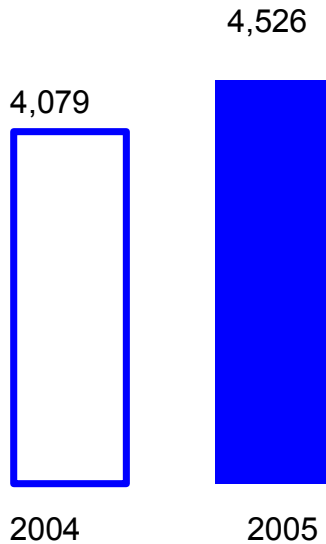
of Group sales

- Strong growth of the power tool business attributed to double
  - ✓ Double-digit organic growth of our primary brands
  - ✓ Double-digit growth by Milwaukee® and AEG®
- Core organic growth driven by the strong demand for our brands but offset by the lower OEM and private label businesses
- Innovative products were the key growth drivers for the division e.g. Milwaukee® V28™ lithium-ion power tools, RIDGID®'s new line of professional pneumatic fastening tools, Ryobi® branded gasoline high pressure washer
- Acquisition integration related synergies and cost benefits are expected over the next few years



# Floor care appliances

- Solid own brand performance despite extreme price sensitivity in North American market
- Our own branded business continued to improve market position
  - ✓  - Leading brand in Germany
  - ✓  - Moved up to No. 2 position in the UK
- Continuing flow of new products accounted for 30% of turnover e.g. Dynamite® upright, cordless Broom Vac®, VISION bagless upright vacuum
- Lower logistic costs with 22% reduction in inventory
- Accelerated reduction in OEM sales in 2H05. Transition will continue through 2006 and a rebound in 2007 with new projects



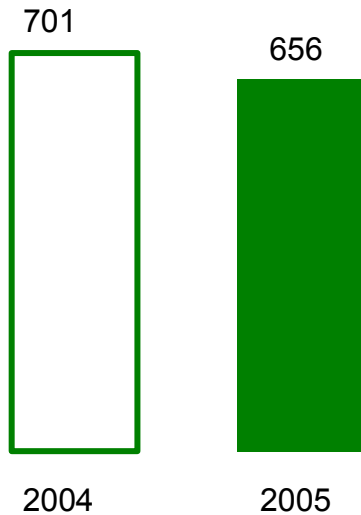
Divisional turnover  
(HK\$m)

20%

of Group sales



# Laser and electronic products



Divisional turnover  
(HK\$m)

3%

of Group sales

- Turnover declined for the full year despite a strong first half but margins improved thanks to operational efficiency and new products
- Investments in manufacturing delivered significant gains in our cost position, offsetting rising input costs
- Difficult second half due to keen competition in both laser measurement and solar light markets
- Focused on creating growth opportunities with new product development efforts e.g. MultiTASKit™ set building on the revolutionary AIRgrip™ technology





# Outlook

**Mr. Horst Pudwill  
(Chairman & CEO)**



- Solid foundation and scale advantages provide us competitive flexibility to meet market challenges
- Positive outlook for 2006
  - ✓ Powerful brand portfolio
  - ✓ Innovative products capture market share and enhance status of our brands
  - ✓ Leading lithium Ion battery technology platform
  - ✓ Expanded distribution channels
  - ✓ Synergies and cost benefits from integration
- Well positioned to handle market expansions in targeted distribution channels across our businesses





Thank you



Homelite®

ROYAL



REGINA



SOLITE®



# Disclaimer

This presentation includes forward-looking statements that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Changes in the following important factors, among others, could cause Techtronic Industries Co. Ltd.'s actual results to differ materially from those expressed in the forward-looking statements: competitive products and pricing; production costs; fluctuations in demand; governmental policies and regulations affecting the environment; interest rates; currency translation movements; and other risks that are detailed from time to time in reports filed by the Company with the Securities and Exchange Commission.

This presentation speaks only as of the date of this presentation and Techtronic Industries Co. Ltd assumes no obligation to update the presentation. Users of the presentation are encouraged to review public disclosure by Techtronic Industries Co. Ltd. subsequent to the date of this presentation.

## Trademarks

*All trademarks are registered trademarks of their respective owners.*

*RIDGID® is a registered trademark of RIDGID, Inc., part of Emerson Professional Tools, a business of St. Louis-based Emerson (NYSE:EMR). The orange color used on these products and the combination of orange and grey are trademarks for RIDGID® brand power tools.*

*The use of the mark RYOBI® is pursuant to a license granted by Ryobi Limited.*