



Techtronic Industries

2003 Interim Results

18 August 2003



Agenda



➤ **Financial highlights**

Mr. Frank Chan
(Executive Director)

➤ **Business review**

Dr. Matthias Hartz
(Corporate Controller)

➤ **Outlook**

Mr. Horst Pudwill
(Chairman & CEO)



Financial review

For the six months ended 30 June, 2003

Mr. Frank Chan
(Executive Director)



Financial highlights



	1H03 (HK\$m)	1H02* (HK\$m)	Changes (%)
Turnover	4,815	3,959	↑ 21.6
Net profit	211	170	↑ 24.1
Basic EPS (HK cents)	32.55	28.39	↑ 14.7
DPS (HK cents)	7.25	6.0	↑ 20.8
Book value per share (HK\$)	3.12	2.52	↑ 23.8

**Restated following the revised SSAP12 on income tax*

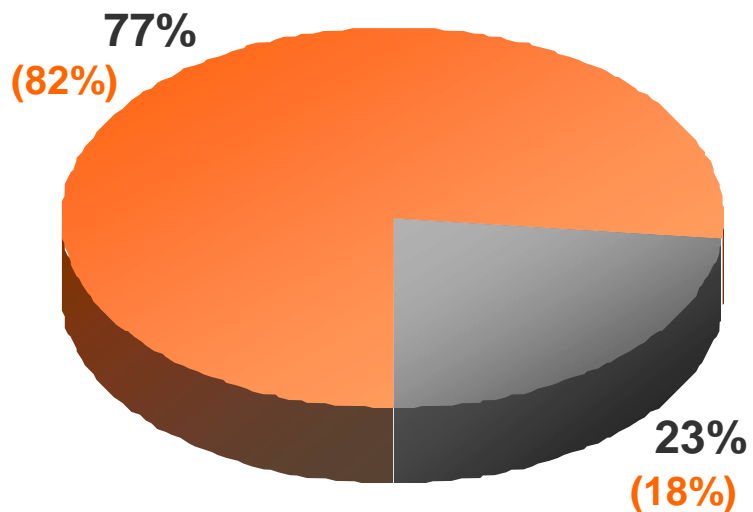


Analysis by products



For the six months ended 30 June, 2003

Sales contributions by products



(%) – 1H02 figures

	Power tools & outdoor products *	Floor care appliances
Revenue (HK\$m)	3,693	1,122
Change (% YoY)	13.1	61.4
EBIT (HK\$m)	240	53
Change (% YoY)	16.7	140.1
Margin (%) - 1H03	6.5	4.8
Margin (%) - 1H02	6.3	3.2

* Power tools, outdoor products, solar powered and electronic products are grouped in one division

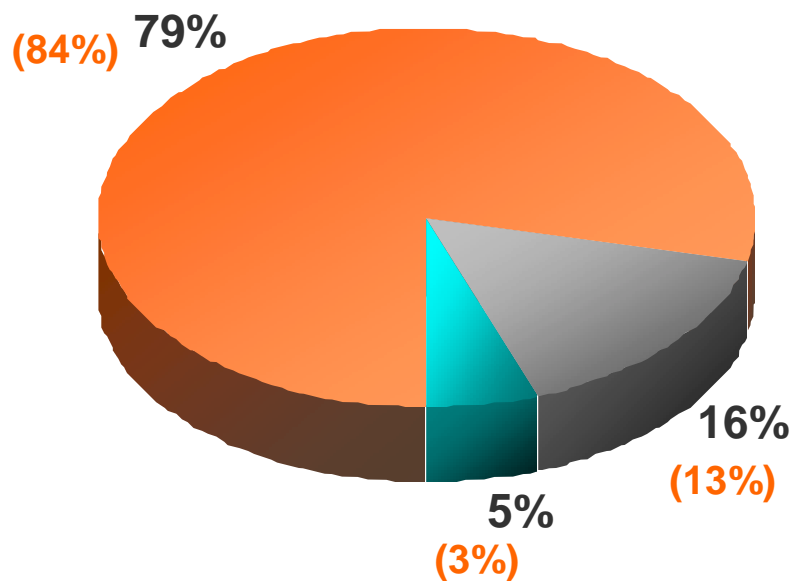


Analysis by location



For the six months ended 30 June, 2003

Sales contributions by location



(%) – 1H02 figures

	North America	Europe	RoW
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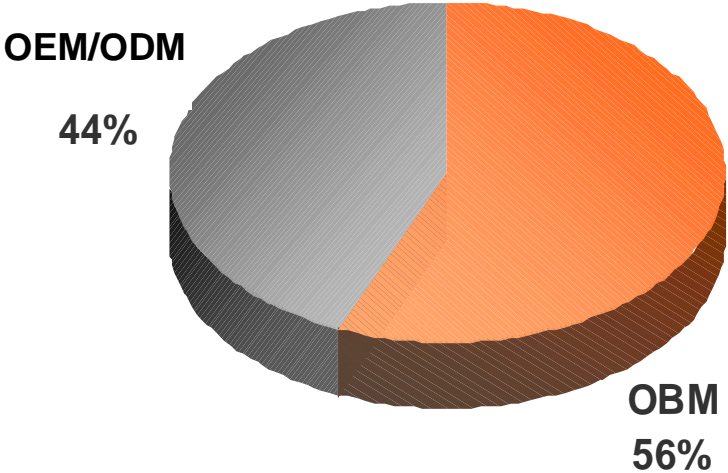
Revenue (HK\$m)	3,784	767	264
Change (% YoY)	14.4	51.5	82.0
EBIT (HK\$m)	230	46	17
Change (% YoY)	15.0	174.3	56.5
Margin (%) - 1H03	6.1	6.0	6.4
Margin (%) - 1H02	6.0	3.3	7.4



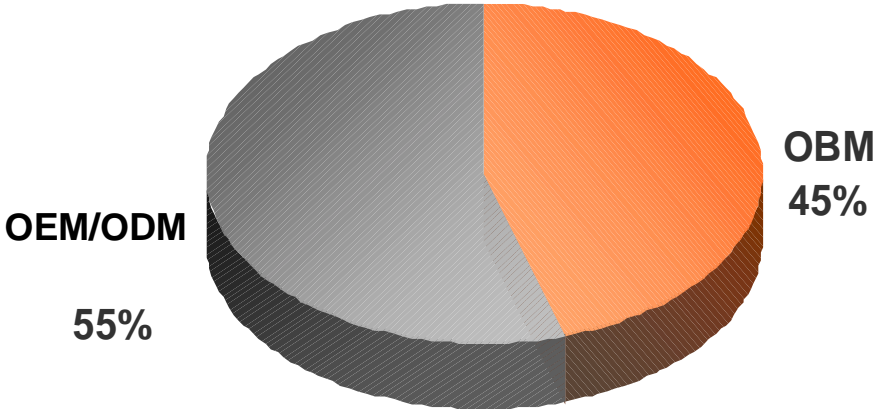
Sales contribution by type



1H 03



1H 02



**as % of sales*



Profitability



	1H03	1H02*	Changes
	HK\$m	HK\$m	(%)
Gross Profit	1,295	964	↑ 34.3
Gross Margin (%)	26.9	24.4	
Operating Profit	293	228	↑ 28.8
Operating Margin (%)	6.1	5.7	
Net Profit	211	170	↑ 24.1
Net Profit Margin (%)	4.4	4.3	

*Restated following the revised SSAP12 on income tax



Financial position and working capital



<u>YR 2002*</u>	(HK\$m)	<u>1H 2003</u>
1,272	Non-current assets	2,028
<hr/> 5,151	Current assets	<hr/> 5,827
<hr/> 3,996	Current liabilities	<hr/> 4,209
1,155	Net current assets	1,618
580	Long-term liabilities	1,576
1,828	Shareholders' funds	2,039
1.29	Current ratio	1.38
Net cash	Gearing ratio	53.1 %

* As restated

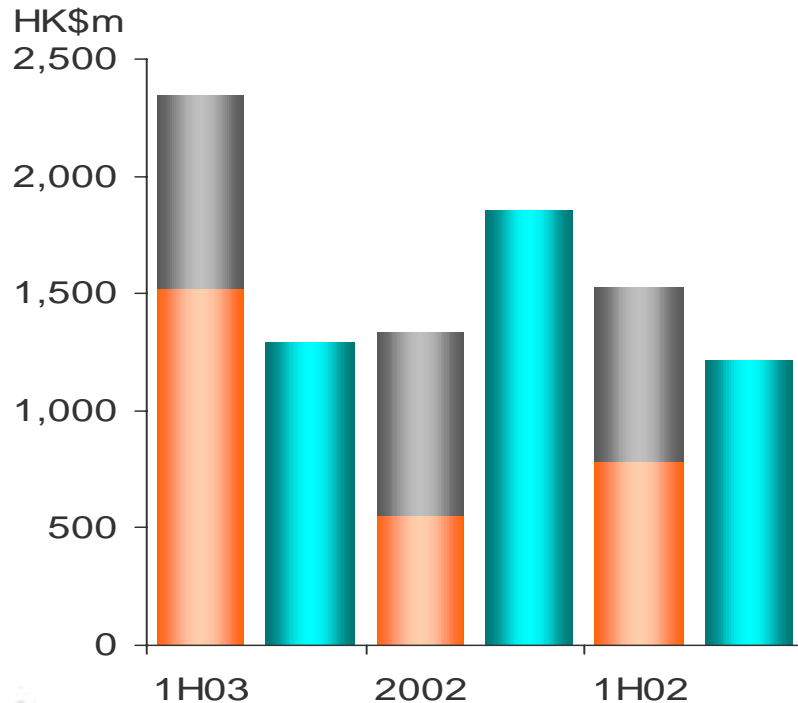


Cash and borrowing profile



Well-balanced loan portfolio for long-term growth

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



Fixed interest Note issue

Total amount : US\$145m

- US\$120m for 10 years at fixed interest rate of 4.7% p.a.
- US\$25m for 7 years at fixed interest rate of 4.09% p.a.

Use of proceeds :

- Refinance existing medium term debts
- For general working capital purposes



Business review

Dr. Matthias Hartz
(Corporate Controller)



Power tools and outdoor power equipment



- Business developed as planned, no impact of the Iraqi war or SARS on our 2003 targets
- Successful improvement of margins, particularly in Europe
- Very good market acceptance of the rollout of new products (results mainly visible in the second half 2003), including,
 - “Expand-it” attachment accessories (Outdoor power equipment)
 - Outstanding RIDGID® professional power tool line, giving us entry to this important market segment and expanding our product range
 - New cordless power tools for the European market
- Outstanding growth of the solar powered lighting and electronic measuring products



Expansion into professional power tools



- A new, comprehensive line of 35 RIDGID handheld corded, cordless, benchtop and stationary power tools for professional contractors, builders and woodworkers.
- Nationally available in industrial supply channels and The Home Depot
- The launch of RIDGID® line positions TTI as a strong competitor in the professional power tool segment



* RIDGID® is a registered trademark of Ridgid, Inc., part of Emerson Professional Tools, a business of St. Louis-based Emerson (NYSE:EMR)

Floor care appliances



- Solid growth of the division was mainly driven by healthy OEM sales in the US market
- Successfully concluded the acquisition of Royal Appliances Manufacturing (Royal) on 24th April, integration accomplished.
(Royal is the 2nd largest North America brand in floor care and holds a key position in floor care technology)
- Royal acquisition provides potential cross-marketing synergies and operational synergies in logistics and customers
- Very successful German unit (reached No. 3 market position)



Operation



➤ Production & development

- Spent HK\$70m on R&D, representing 1.5% of sales (1H02: HK\$46m or 1.2% of sales)
- Transferred more production to PRC (>90% in PRC)
- Need to expand production facilities for extensive future growth – building a new manufacturing and R&D complex in Dongguan, Southern China
- Implementing a pan-European approach to increase efficiencies

➤ Cost saving & logistics

- Tighter integration of our inventory management, with particular focus in Europe
- Centralisation of functions such as raw material purchasing, marketing and logistics



Outlook

Mr. Horst Pudwill
(Chairman & CEO)



Growth drivers



- Power tools: The launch of RIDGID® line positions TTI as a strong competitor in the US professional power tool segment
- Floor Care: Consolidate Royal's results and capitalize on its leading technology and market position
- Improving cost efficiencies, strengthening management team, providing optimal group structure
- Manufacturing: Building new facilities in Dongguan providing substantial additional capacities in phases beginning in 2004



Outlook



- Strengthen our position as a global player
- Optimize the Group structure for future growth
- Confirm TTI's established position in the top section of its industry





– the power in brands



Thank you

Disclaimer



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