



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)



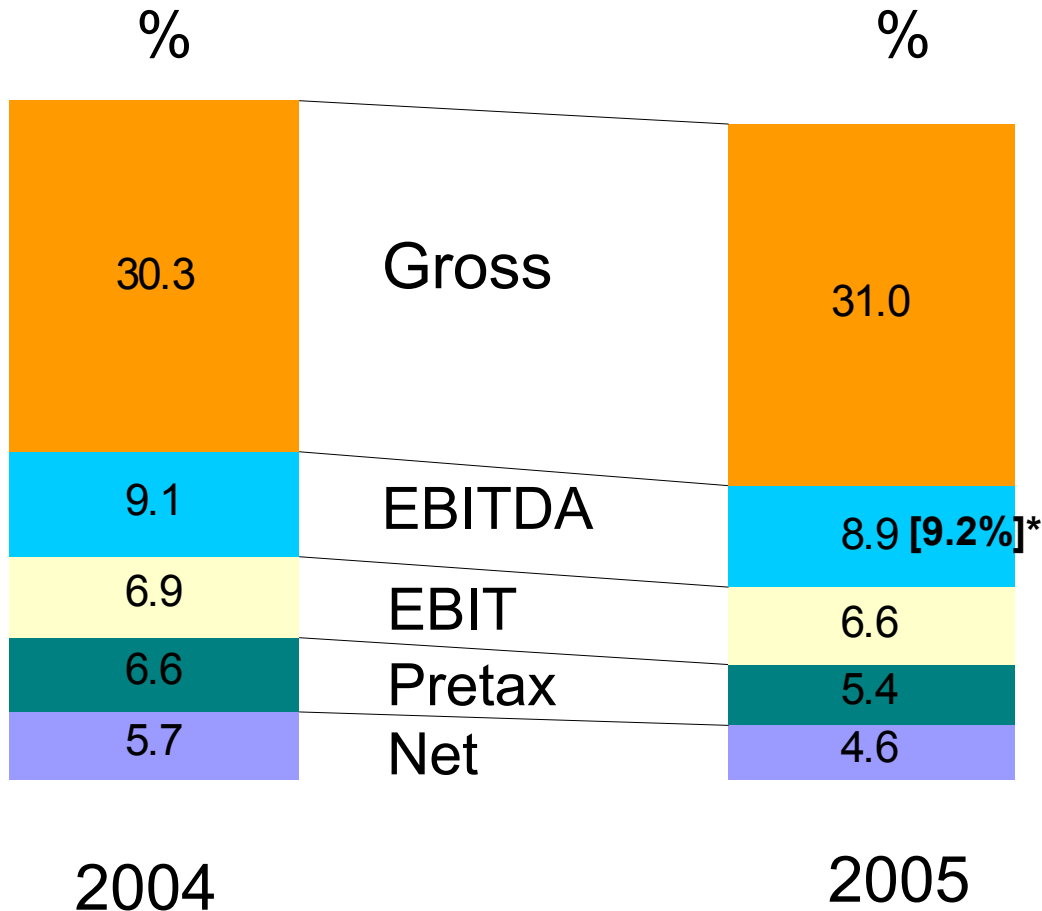
Financial highlights

For the 12 months period ended 31st December, 2005

	2005 HK\$m	2004 HK\$m	Changes %
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 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



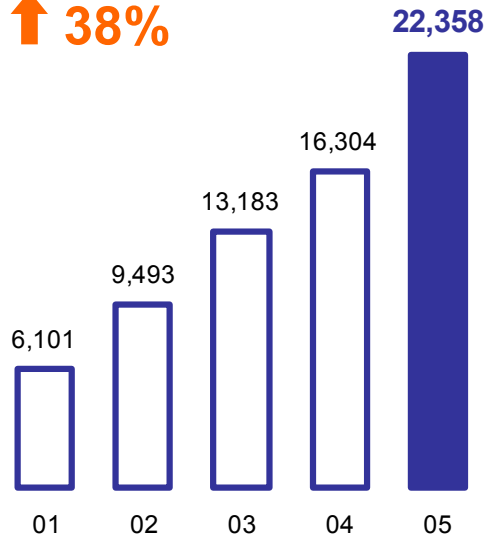
- Gross margin improved despite raw material pricing pressure
- Helped by favorable product portfolio, new products and cost improvement programs
- Full year consolidation of acquisition increased admin expenses, offsetting gains in gross margins
- *EBITDA margin improved to 9.2% excluding US\$8m non-recurring 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

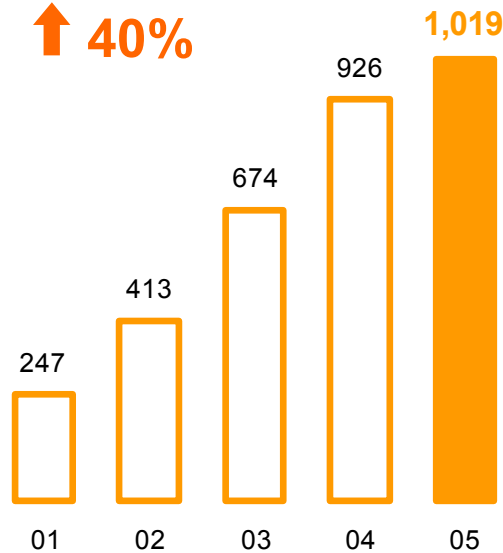
↑ 38%



Turnover (HK\$m)

5-Year CAGR

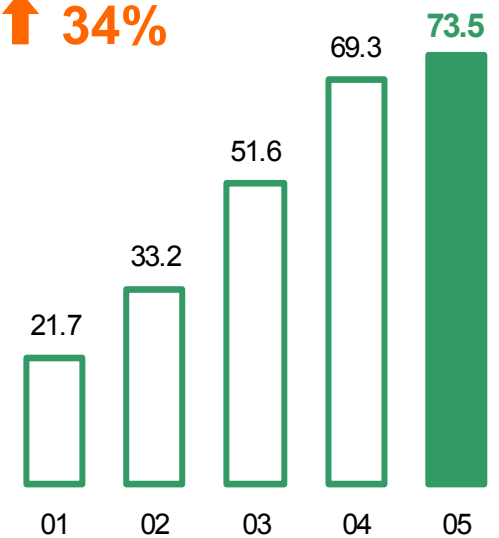
↑ 40%



Net profit (HK\$m)

5-Year CAGR

↑ 34%



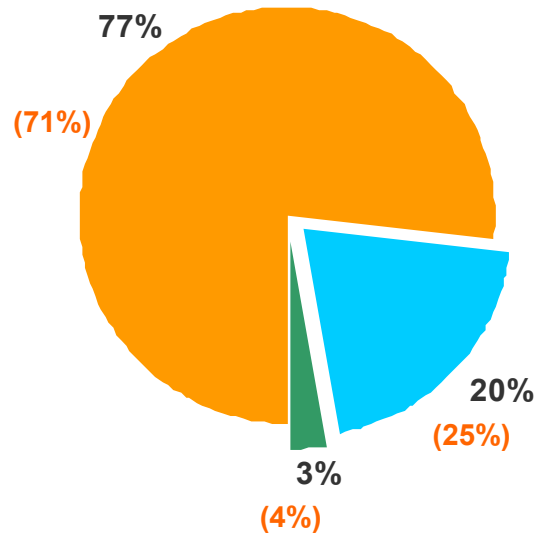
Earnings per share (HK cents)



Analysis by product

For the 12 months period ended 31st December, 2005

Sales contributions by product



(%) – 2004 figures

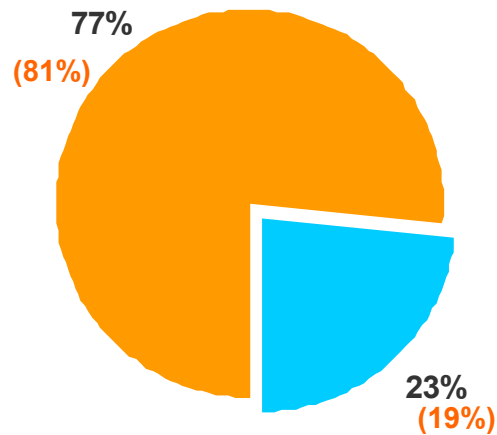
	Power equipment products	Floor care appliances	Laser & electronic products
Revenue (HK\$m)	17,177	4,526	655
Change (% YoY)	49.1	11.0	-6.5
Result (HK\$m)	1,237	200	139
Change (% YoY)	35.9	-0.7	-4.6
Margin (%) - 2005	7.2	4.4	21.2
Margin (%) - 2004	7.9	4.9	20.8



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
Revenue (HK\$m)	17,122	5,236
Change (% YoY)	29.7	69.0
Result (HK\$m)	1,385	191
Change (% YoY)	28.0	9.4
Margin (%) - 2005	8.1	3.7
Margin (%) - 2004	8.2	5.6



Financial position

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

*restated following new HKFRSs and HKASs



Healthy working capital position

Turnover days	2005	2004
Inventory ⁽¹⁾	55	59
Trade receivables ⁽²⁾	46	53
Trade & other payables ⁽³⁾	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) $\text{Average trade \& other payables} / \text{sales} \times 365$

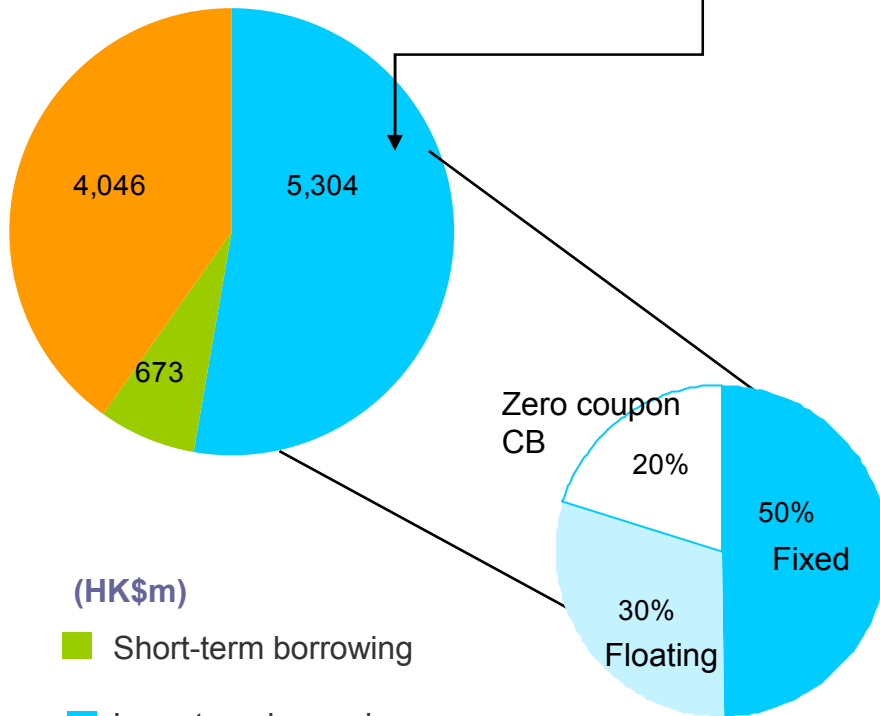


Cash and borrowing profile

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



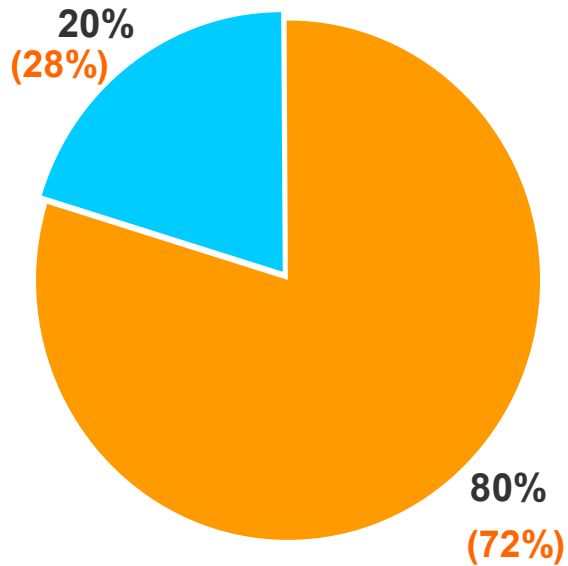
Business Review

Mr. David Butts
(Senior Vice President)



Sales contributions by type

OEM & private label



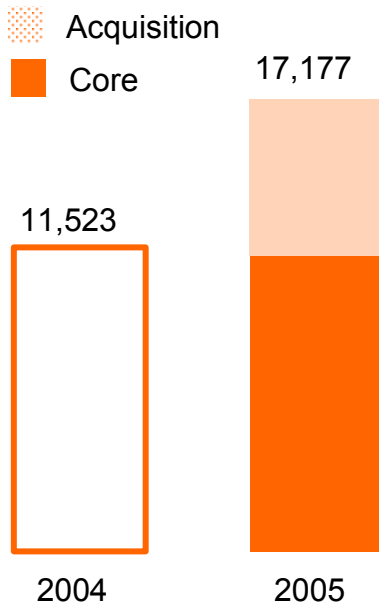
(%) – 2004 figures

Own & licensed brands





Power equipment products



Divisional turnover
(HK\$m)

77%

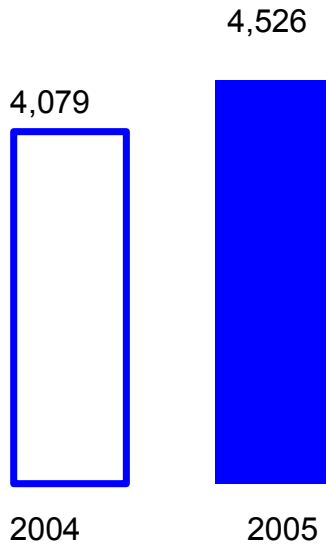
of Group sales

- 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



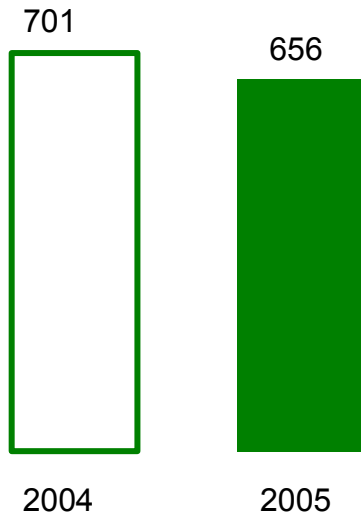
Divisional turnover
(HK\$m)

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



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