



Techtronic Industries

the  
growth  
continues



# 2004 Interim Results Announcement

*12<sup>th</sup> August 2004*



## Agenda

- **Key achievements**  
Mr. Horst Pudwill  
(Chairman & CEO)
- **Financial review**  
Mr. Frank Chan  
(Group Executive Director)
- **Business review**  
Mr. David Butts  
(Senior Vice President)
- **Outlook**  
Mr. Horst Pudwill  
(Chairman & CEO)



# Key achievements

*For the 6 months ended 30<sup>th</sup> June, 2004*

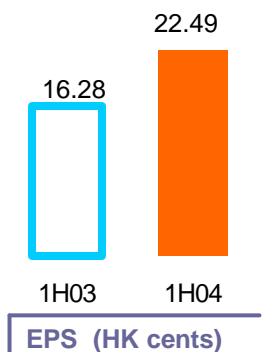
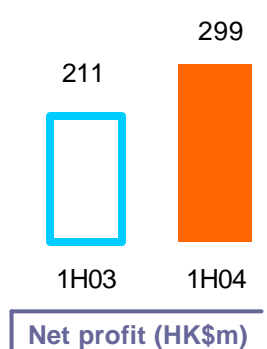
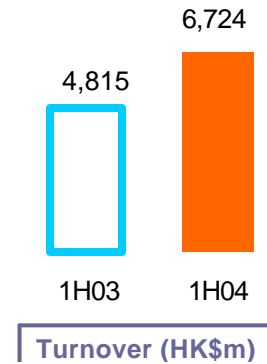
**Mr. Horst Pudwill**  
**(Chairman & CEO)**



## Key achievements

- Record results with strong performance across all divisions
  - Turnover increased by 40% to HK\$6,724m
  - Net profit grew 42% to HK\$299m
  - EPS increased by 38% to HK 22.49 cents
- High double-digit revenue growth across all lines of business and in most markets
- Gross margin improved, reflecting contributions from new products and strong operational efficiency gains
- Added and integrated the Ryobi brand for the outdoor product category in North America
- Successfully positioned the RIDGID® brand of professional power tools in the market place

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





# Financial Review

*For the 6 months ended 30<sup>th</sup> June, 2004*

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



## Highlights

*For the 6 months ended 30<sup>th</sup> June, 2004*

	<b>1H04 (HK\$m)</b>	<b>1H03 (HK\$m)</b>	<b>Changes (%)</b>
<b>Turnover</b>	<b>6,724</b>	<b>4,815</b>	<b>↑ 39.7</b>
<b>Net profit</b>	<b>299</b>	<b>211</b>	<b>↑ 41.8</b>
<b>Basic EPS (HK cents)</b>	<b>22.49</b>	<b>16.28</b>	<b>↑ 38.2</b>
<b>DPS (HK cents)</b>	<b>4.500</b>	<b>3.625</b>	<b>↑ 24.1</b>
<b>Book value per share (HK\$)</b>	<b>2.06</b>	<b>1.56</b>	<b>↑ 32.1</b>



## Profitability

*For the 6 months ended 30<sup>th</sup> June, 2004*

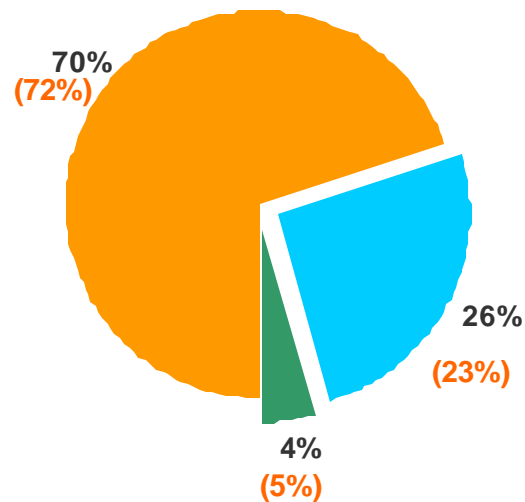
	1H04 HK\$m	1H03 HK\$m	Changes %
<b>Gross profit</b>	<b>2,004</b>	<b>1,295</b>	<b>↑ 54.8</b>
<b>Gross margin (%)</b>	<b>29.8</b>	<b>26.9</b>	
<b>Operating profit</b>	<b>419</b>	<b>293</b>	<b>↑ 43.0</b>
<b>Operating margin (%)</b>	<b>6.2</b>	<b>6.1</b>	
<b>Net profit</b>	<b>299</b>	<b>211</b>	<b>↑ 41.8</b>
<b>Net margin (%)</b>	<b>4.4</b>	<b>4.4</b>	



# Analysis by product

For the 6 months ended 30<sup>th</sup> June, 2004

## Sales contributions by product



(%) – 1H03 figures

	Power equipment products	Floor care appliances	Solar powered, laser & electronic measuring products
<b>Revenue ( HK\$m)</b>	4,712	1,717	295
<b>Change (%YoY)</b>	35.9	53.1	30.6
<b>Result ( HK\$m)</b>	294	80	59
<b>Change (%YoY)</b>	48.1	38.4	42.4
<b>Margin (%) - 1H04</b>	6.2	4.7	20.1
<b>Margin (%) - 1H03</b>	5.7	5.2	18.5

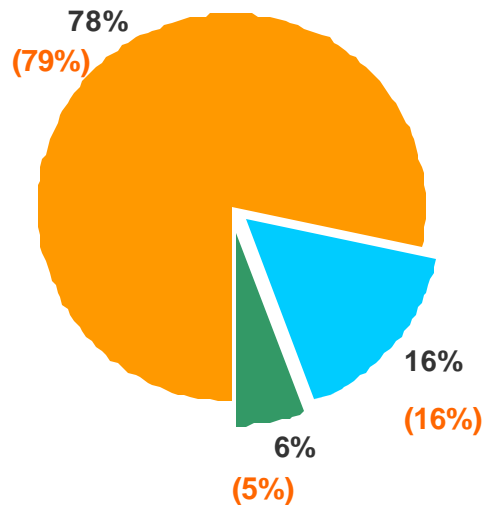




# Analysis by market location

For the 6 months ended 30<sup>th</sup> June, 2004

## Sales contributions by market location



(%) – 1H03 figures

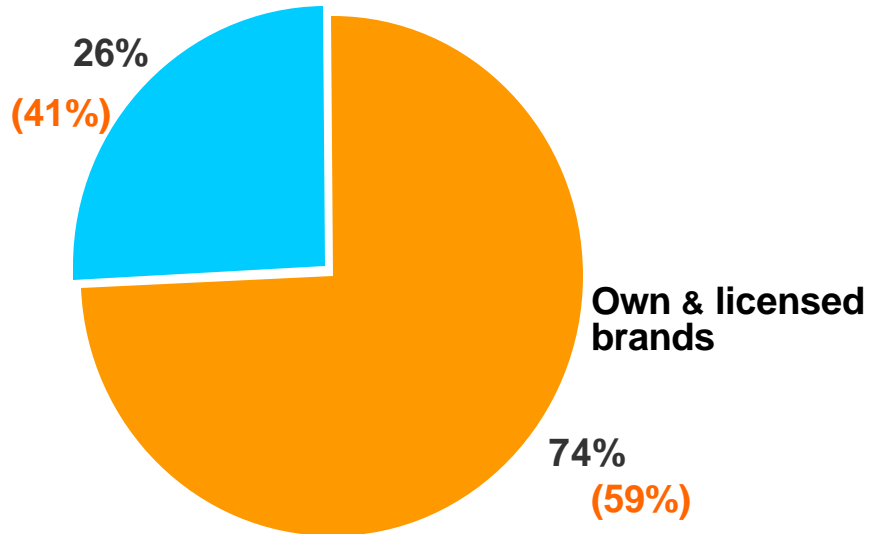
	North America	Europe	RoW
<b>Revenue ( HK\$m )</b>	<b>5,259</b>	<b>1,084</b>	<b>381</b>
<b>Change (%YoY)</b>	<b>39.0</b>	<b>41.4</b>	<b>44.4</b>
<b>Result ( HK\$m )</b>	<b>366</b>	<b>66</b>	<b>1</b>
<b>Change (%YoY)</b>	<b>54.8</b>	<b>46.9</b>	<b>-91.3</b>
<b>Margin (%) - 1H04</b>	<b>7.0</b>	<b>6.1</b>	<b>0.4</b>
<b>Margin (%) - 1H03</b>	<b>6.3</b>	<b>5.9</b>	<b>6.4</b>



# Sales contribution by type

For the 6 months ended 30<sup>th</sup> June, 2004

OEM & private label



(%) – 1H03 figures





## Financial position

<u>YR 2003</u>	<u>(HK\$m)</u>	<u>1H04</u>
<b>1,984</b>	<i>Non-current assets</i>	<b>2,120</b>
<b>7,662</b>	<i>Current assets</i>	<b>6,547</b>
<b>5,678</b>	<i>Current liabilities</i>	<b>4,398</b>
<b>1,984</b>	<i>Net current assets</i>	<b>2,149</b>
<b>1,409</b>	<i>Long-term liabilities</i>	<b>1,457</b>
<b>2,513</b>	<i>Shareholders' funds</i>	<b>2,748</b>
<b>1.35</b>	<i>Current ratio</i>	<b>1.49</b>
<b>Net cash</b>	<i>Gearing ratio</i>	<b>Net cash</b>



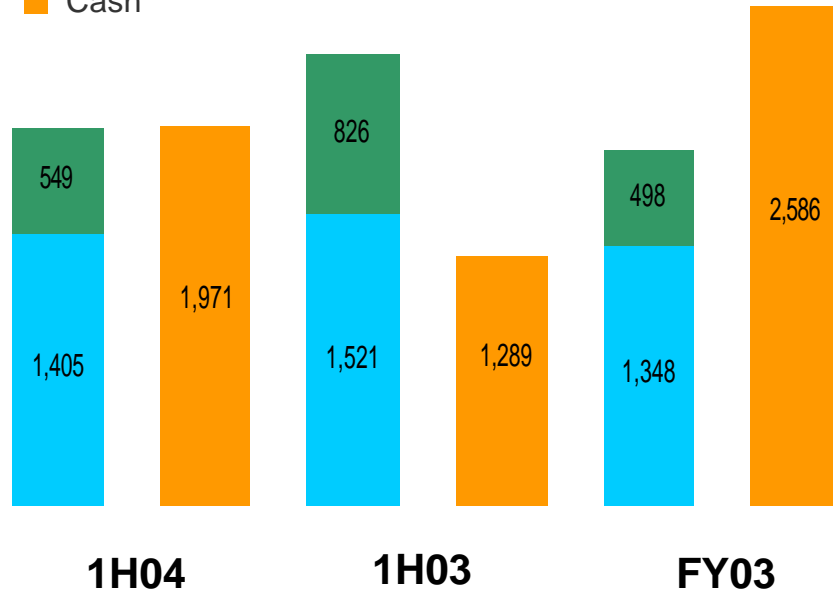
# Cash and borrowing profile

(HK\$m)

■ Short-term borrowing

■ Long-term borrowing

■ Cash



Note: The Zero coupon CBs are not included in the 1H04 balance sheet as the deal was closed on 8<sup>th</sup> July 2004

## Zero coupon convertible bonds issued on 8<sup>th</sup> July 2004

**Total amount : US\$140m**

- Five year due 8<sup>th</sup> July 2009
- Initial conversion price of HK\$16.56/ share
- Full conversion of shares represent 4.93% of existing share capital of the company at the date of issue

## **Use of proceeds :**

- For general corporate and working capital purposes including financing possible acquisitions



## Healthy working capital position

Turnover days	1H04	1H03
Inventory (1)	68	78
Trade receivables (2)	48	50
Trade & other payables (3)	53	63
Bills payables (4)	60	55

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Net debt to equity	Net cash	53.1
Interest coverage (x)	10.4	8.2

(1) Average inventory / sales x 365

(2) Average trade receivables / sales x 365

(3) Average trade & other payables / sales x 365

(4) Average bills payables / sales x 365



# Business Review

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



## Power equipment products

- Strong organic growth for the Ryobi consumer power tool line
- RIDGID® professional power tools sold well on its merit of innovation, durability and quality
- Silver 2004 Industrial Design Excellence Award (IDEA) for TTI's design strategy used in the line of 35 RIDGID® brand professional power tools
- European expansion remained on track, with strong growth in all major markets as a result of better brand positioning and introduction of new products

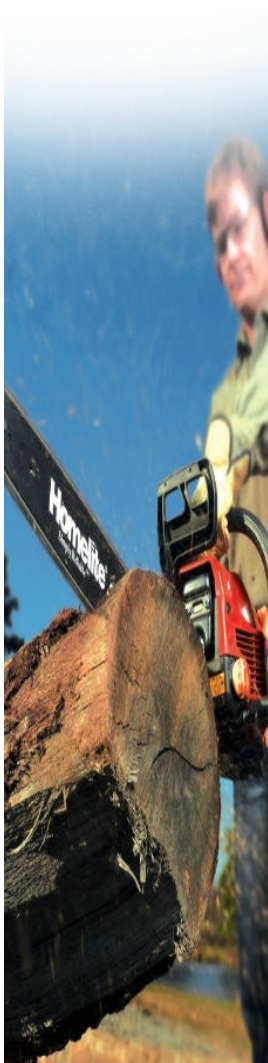


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## Outdoor power equipment

- The launch of Ryobi outdoor products in North America exceeded expectations
- Homelite business saw aggressive revenue growth in North America with strong demand and improved supply chain management
- Ryobi outdoor products sold very well in Europe
- We are expanding the product categories under both Ryobi and Homelite brand for our outdoor division

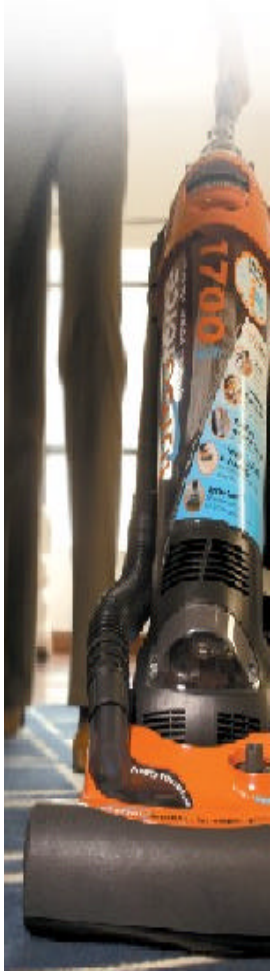






## Floor care appliances

- Royal operation continued making progress as it gained new product listings at its major retail customers
- Successful German business (reached No. 2 market position)
- Excellent growth for Vax as existing inventory was cleared and new models jointly developed with Royal were introduced under the Vax brand
- Strong OEM business as we provided customers with well-received products and entered into new contracts with two major brand name companies





## Solar powered, laser & electronic measuring products

- Strong growth in both revenue and earnings with improved margins
- Expansion continues in all product categories
- Our recent investment in technology enables us to respond more rapidly to the market





## Logistics and customer service

- Remained focused on improving the inventory management
- In North America, value store-level service programmes with our retail partner help boost sales

## Production and development

- Spent HK\$165m in R&D (2.5% of sales)
- Completed the restructuring of Royal operation, in line with the Group's overall strategy of ensuing cost-effective manufacturing base





# Outlook

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



## Growth drivers

- Power tools : expansion of product categories under Ryobi and in the professional segment with RIDGID®
- Outdoor power equipment : continue to strengthen the product platforms of both Ryobi and Homelite
- Floor care : expand product range, promote brand awareness and efficiency gains through on-going integration
- Solar Wide will continue to expand its product offerings, (infant care products, electronic hand tools and laser tools)
- Enhance efficiencies and focus on cost containment





## Outlook

- TTI is well positioned to deliver high growth results for 2004
- Our expansion momentum will be driven by further product and market diversification
- We will strengthen our position as a top global player in all our lines of businesses





**Thank you**



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growth  
continues



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