



Techtronic Industries

[For Immediate Release]

**Techtronic Industries 1H05 Profit increased by 52.7% to HK\$456 million**

\* \* \* \* \*

**Strong results from existing business and acquisition**

**Results Highlights**

*For the six months period ended 30th June*

(HK\$m)	<u>2005</u>	<u>2004</u>	<u>Changes (%)</u>
Turnover	10,217	6,724	52.0
Profit from operations	723	419	72.6
Profit attributable to shareholders of the Company	456	299	52.7
EPS, basic (HK cents)	33.65	22.49	49.6
DPS, interim (HK cents)	6.00	4.50	33.3
Operating profit margin (%)	7.1	6.2	
Profit margin (%)	4.47	4.44	

(HONG KONG, 18th August 2005) – **Techtronic Industries Co. Ltd.** (“TTI” / The Group) (stock code: 669, ADR symbol: TTNDY) today reported profit attributable to shareholders of the Company of HK\$456 million for the six months ended 30<sup>th</sup> June 2005, representing 52.7% growth over the same period last year. Basic earnings per share increased 49.6% to HK 33.65 cents (2004: HK22.49 cents) The Directors have recommended an interim dividend of HK6.00cents.

**Mr. Horst Julius Pudwill, Chairman and CEO** of TTI said, “The record results we delivered in the first half of 2005 were contributed not only by our recent acquisition but also the robust growth of our existing business. The strong double-digit growth in revenue and profits across all lines of business and in geographical markets showed, once again, the Group’s ability to identify and execute market opportunities for the benefit of shareholders. We continued to improve our gross margin as a result of a more favourable product portfolio and continuous cost improvement programs, offsetting higher raw material prices. “

Mr. Pudwill adds, “ TTI is well positioned for excellent growth going into the second half of 2005. The on-going integration of the Milwaukee®, AEG® and DreBo® is positioning the Group to leverage marketing and operational synergies, generating opportunities for significant growth and efficiency gains. Strong sales momentum of the power tool business will continue as many of the successful product introductions such as the V28™ from Milwaukee® the Ryobi® One+ System™ and RIDGID® pneumatic fastening tools will hit their full stride in the second half of the year. AEG® will benefit from new products and OEM customer programs that we launch in the second half. And introduction of the Vax® brand with a new generation of vacuum cleaners in the US market will

present a major expansion opportunity for our floor care business. The Group's sound strategies are delivering significantly higher performance in all areas of the business."

## **Review by operation**

### **Power Equipment Products**

The Power Equipment Products division delivered robust turnover growth of 67.4% over the same period of 2004 to HK\$7,889 million, accounting for 77.2% of Group turnover. The strong growth was attributed to the double-digit growth of existing business and first six months' contribution from the recent acquisition.

Our leading position in North America is further strengthened with key innovative product launches for both professional and consumer markets. Targeting the professional / industrial users, sales of the V28™ cordless power tool line with lithium-ion technology by Milwaukee® has exceeded expectations. Since its initial launch in April this year, we have seen very strong demand and we expect tremendous growth potential from this technology platform. RIDGID® also continued to build strength and capture market share in the professional segment of the building industry with its new line of pneumatic fastening tools, exclusively featuring high performance FastenEdge Technology™. Our consumer line, under the Ryobi® brand, continued its success in the Ryobi® One+ System™, a revolutionary marketing concept for 18V cordless power tools well received by the end users.

The outdoor power equipment division also delivered excellent growth in the first half of the year. We continued to capitalize on the already strong position of Ryobi® and introduced a number of new products. Homelite® continues to be a brand of choice adding to the growth of this division. We also enjoyed strong growth in Europe for the outdoor products thanks to continuous introduction of new products.

### **Floor Care Appliances**

Turnover in the Floor Care Appliances division increased 15.3% over the same period of 2004, to HK\$1,980 million, accounting for 19.4% of Group turnover.

A strengthened North American management team is launching new marketing campaigns that highlight product innovations and cleaning solutions in response to customer needs. The Dirt Devil® brand remained a consumer favorite exhibiting strong growth across all markets. A wide range of new products has been introduced, including, the new Dynamite® line of vacuums and trendy Broom Vac. We continued to build on our strong relationship with the key retailers, providing them with well-received products and efficient sales support.

In the UK, Vax® is the fastest growing floor care brand and has captured market gains with its

robust new product introductions such as the innovative upright carpet washers and easy-to-use bagless vacuums.

Our OEM business delivered positive results as new products launched in late 2004 had exceptional end-user acceptance. The strategic investment continues in product development capabilities to support our OEM customer demand for new products.

### **Laser and Electronic Products**

Turnover for the laser and electronic products division climbed 18.0% over the same period of 2004 to HK\$348 million, accounting for 3.4% of Group turnover. The double-digit growth in sales and profits were the result of major new product introductions in very competitive markets. Key productivity measures were taken to contain costs. The product innovation and enhanced productivity helped strengthen the strategic alliance with our key ODM partners as we provided them continued product advantage at competitive costs.

***The text of the announcement and results presentation are available at [www.ttigroup.com](http://www.ttigroup.com)***

### **Investor Presentation Broadcasting**

Available at [www.ttigroup.com](http://www.ttigroup.com) from 9:30 pm, 18<sup>th</sup> August, 2005 (HK Time) for a month until 17<sup>th</sup> September 2005

### **About TTI**

Founded in 1985, TTI is a world-class supplier of superior home improvement and construction tools with a powerful portfolio of trusted brands and a strong commitment to innovation and quality. The portfolio that TTI offers includes a full line of power equipment products, floor care appliances, laser and electronic products. Our brands include Milwaukee® AEG® and Ryobi® power tools and accessories, Ryobi® and Homelite® outdoor power equipment and Royal® Dirt Devil® Regina® and Vax® floor care appliances.

TTI is a constituent stock of the Hang Seng HK MidCap Index under the Hang Seng Composite Index, the MSCI Hong Kong Index, the FTSE All-World Hong Kong Index, the FTSE/Hang Seng Asian Cyclical Index and the Dow Jones Hong Kong Titans 30. For more information, please visit [www.ttigroup.com](http://www.ttigroup.com).

### **About RIDGID®**

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 this product and the combination of orange and grey are trademarks for RIDGID® brand power tools.

### **For enquiries:**

#### **Techtronic Industries Co. Ltd.**

Yammie Tang  
Tel: +(852) 2402 6653  
Fax: +(852) 2413 5971  
Email: [yammietang@tti.com.hk](mailto:yammietang@tti.com.hk)

#### **Strategic Financial Relations Limited**

Veron Ng +(852) 2864 4831 [veron@strategic.com.hk](mailto:veron@strategic.com.hk)  
Shelley Yeung +(852) 2864 4806 [shelley@strategic.com.hk](mailto:shelley@strategic.com.hk)  
Sandra Tsui +(852) 2864 4824 [sandra@strategic.com.hk](mailto:sandra@strategic.com.hk)  
Fax: +(853) 2804 2789 / 2527 1196

## RESULTS SUMMARY

### CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months period ended 30th June, 2005

	2005 HK\$' 000	2004 HK\$' 000	2005 US\$' 000	2004 US\$' 000
Turnover	<b>10,217,328</b>	6,724,115	1,309,914	862,066
Cost of sales	<b>(7,045,245)</b>	(4,720,044)	(903,235)	(605,134)
Gross profit	<b>3,172,083</b>	2,004,071	406,679	256,932
Other operating income	<b>15,092</b>	14,074	1,935	1,804
Interest income	<b>22,692</b>	22,155	2,909	2,840
Selling, distribution, advertising and warranty expenses	<b>(1,008,271)</b>	(693,737)	(129,265)	(88,941)
Administrative expenses	<b>(1,226,291)</b>	(762,714)	(157,220)	(97,785)
Research and development costs	<b>(251,880)</b>	(164,759)	(32,292)	(21,123)
Profit from operations	<b>723,425</b>	419,090	92,746	53,727
Finance costs	<b>(149,734)</b>	(58,702)	(19,197)	(7,526)
Profit before share of results of associates and taxation	<b>573,691</b>	360,388	73,549	46,201
Share of results of associates	<b>(2,999)</b>	(626)	(384)	(80)
Profit before taxation	<b>570,692</b>	359,762	73,165	46,121
Taxation	<b>(93,741)</b>	(42,677)	(12,018)	(5,471)
Profit for the period	<b>476,951</b>	317,085	61,147	40,650
Attributable to:				
Shareholders of the Company	<b>456,362</b>	298,858	58,507	38,313
Minority interests	<b>20,589</b>	18,227	2,640	2,337
Profit for the period	<b>476,951</b>	317,085	61,147	40,650
Dividends	<b>(169,651)</b>	(118,444)	(21,750)	(15,185)
Earnings per share (HK / US cents)				
Basic	<b>33.65</b>	22.49	4.31	2.88
Diluted	<b>31.89</b>	21.78	4.09	2.79

**CONDENSED CONSOLIDATED BALANCE SHEET**

As at 30th June, 2005

	30th June 2005 HK\$' 000 (Unaudited)	31st December 2004 HK\$' 000 (Audited and restated)	30th June 2005 US\$' 000	31st December 2004 US\$' 000
<b>ASSETS</b>				
Non-current assets				
Property, plant and equipment	1,746,805	879,846	223,949	112,801
Lease prepayment	69,309	4,772	8,886	612
Goodwill	4,060,924	653,504	520,631	83,783
Negative goodwill	-	(28,868)	-	(3,701)
Intangible assets	473,522	232,881	60,708	29,857
Interests in associates	168,982	160,442	21,664	20,569
Investments in securities	-	27,193	-	3,486
Available-for-sale investments	23,259	-	2,982	-
Deferred tax assets	377,125	329,711	48,349	42,271
Other assets	1,195	1,195	153	153
	<b>6,921,121</b>	<b>2,260,676</b>	<b>887,322</b>	<b>289,831</b>
Current assets				
Inventories	4,372,339	2,787,059	560,556	357,315
Trade and other receivables	3,378,887	2,762,156	433,190	354,123
Deposits and prepayments	441,051	382,421	56,545	49,028
Bills receivable	359,074	256,836	46,035	32,928
Tax recoverable	31,453	872	4,032	112
Trade receivables from associates	1,276	1,247	164	160
Bank balances, deposits and cash	1,733,787	5,452,057	222,280	698,982
	<b>10,317,867</b>	<b>11,642,648</b>	<b>1,322,802</b>	<b>1,492,648</b>
Current liabilities				
Trade, bills and other payables	4,063,120	3,395,650	520,913	435,340
Warranty provision	261,258	241,375	33,495	30,946
Trade payable to an associate	29,228	21,593	3,747	2,768
Tax payable	129,119	105,092	16,554	13,473
Dividend payable	169,651	-	21,750	-
Obligations under finance leases - due within one year	14,874	6,266	1,907	803
Discounted bills with recourse	2,477,588	3,208,964	317,639	411,406
Borrowings - due within one year	746,875	840,450	95,754	107,750
	<b>7,891,713</b>	<b>7,819,390</b>	<b>1,011,759</b>	<b>1,002,486</b>
Net current assets	<b>2,426,154</b>	<b>3,823,258</b>	<b>311,043</b>	<b>490,162</b>
Total assets less current liabilities	<b>9,347,275</b>	<b>6,083,934</b>	<b>1,198,365</b>	<b>779,993</b>

**CONDENSED CONSOLIDATED BALANCE SHEET – cont'd***As at 30th June, 2005*

	<b>30th June 2005 HK\$' 000 (Unaudited)</b>	31st December 2004 HK\$' 000 (Audited and restated)	30th June 2005 US\$' 000	31st December 2004 US\$' 000
<b>CAPITAL AND RESERVES</b>				
Share capital	<b>135,907</b>	135,230	17,424	17,337
Reserves	<b>3,627,990</b>	3,318,586	465,122	425,461
Equity attributable to shareholders of the Company	<b>3,763,897</b>	3,453,816	482,546	442,798
Minority interests	<b>101,147</b>	82,032	12,968	10,517
Total Equity	<b>3,865,044</b>	3,535,848	495,514	453,315
<b>NON-CURRENT LIABILITIES</b>				
Obligations under finance leases - due after one year	<b>139,641</b>	8,989	17,903	1,152
Convertible bonds	<b>1,064,664</b>	1,051,257	136,495	134,777
Borrowings - due after one year	<b>4,233,124</b>	1,446,292	542,709	185,422
Deferred tax liabilities	<b>44,802</b>	41,548	5,744	5,327
	<b>5,482,231</b>	2,548,086	702,851	326,678
	<b>9,347,275</b>	6,083,934	1,198,365	779,993

- end -