



Techtronic Industries

2006

Interim Results Announcement

22nd August 2006



Agenda

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



Key achievements

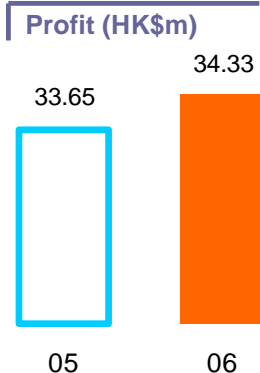
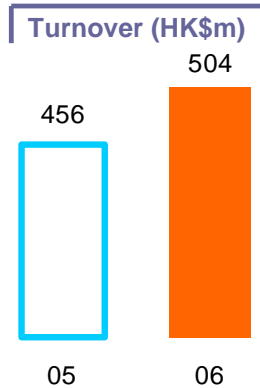
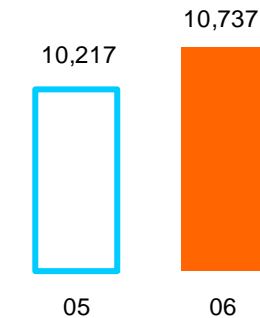
For the 6 months period ended 30th June 2006

Mr. Horst Pudwill
(Chairman & CEO)



Key achievements

For the 6 months period ended 30th June 2006



EPS (HK cents)

- Record first half turnover and profits :
 - Turnover increased by 5.1% to HK\$10.7bn
 - Profits attributable to equity holders of the parent grew 10.4% to HK\$504m
 - EPS increased by 2.2% to HK34.40cents
 - Interim DPS of HK6.50 cents, an increase of 8.3%
- Our leading brands continued to drive growth, with power equipment brands delivering double digit growth
- Innovation continued to play an important role in our growth, performance and profitability
- New products and efficiency improvements helped offset material price pressures
- We capitalized on our product advancements by creating product platforms across our brands and geographic markets



Financial Review

For the 6 months period ended 30th June 2006

Mr. Frank Chan
(Group Executive Director)



Financial highlights

For the 6 months period ended 30th June 2006

	1H06 HK\$m	1H05 HK\$m	Changes %
Turnover	10,737	10,217	↑ 5.1
Gross profit	3,360	3,172	↑ 5.9
EBITDA	1,010	939	↑ 7.6
Operating profits	767	723	↑ 6.0
Profits attributable to equity holders of the parent	504	456	↑ 10.4
Basic EPS (HK cents)	34.40	33.65	↑ 2.2
DPS (HK cents)	6.50	6.00	↑ 8.3
BVPS (HK\$)	4.44	4.18	↑ 6.2



Margin analysis

%		%
31.0	Gross	31.3
9.2	EBITDA	9.4
6.6	EBIT	6.7
5.6	Pretax	5.4
4.5	Net	4.7
1H05		1H06

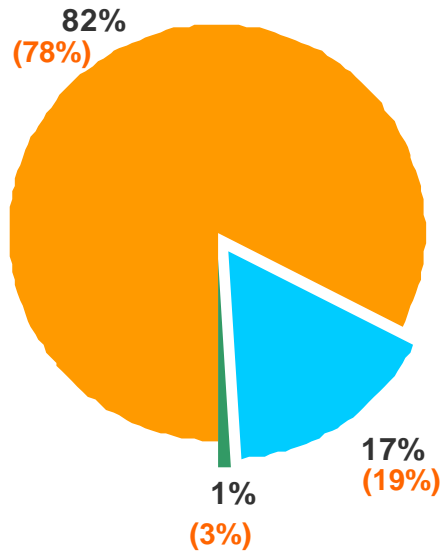
- Gross margin improved despite raw material pricing pressure
- Continuous focus on new products and cost improvement programs
- Total operating expenses accounted for 24.7% of Group turnover vs 24.3% in 1H05 due to additional expenditures in selling and advertising for 2H's new product programs
- Administrative expenses to sales improved to 11.5% from 12.0% due to continuous drive for cost efficiencies
- EBITDA margin improved to 9.4% from 9.2%
- Higher finance costs reflecting the full six months interest impact in 2006
- Effective tax rate was 13.1% compared to 16.4% in 1H05 and comparable to the 13.0% reported for full year 2005



Analysis by product

For the 6 months period ended 30th June 2006

Sales contributions by product



(%) – 1H05 figures

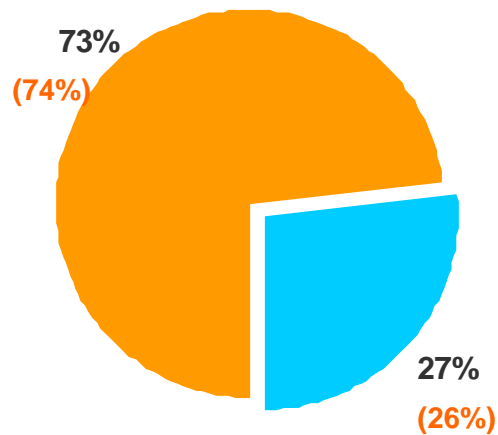
	Power equipment products	Floor care appliances	Laser & electronic products
Revenue (HK\$m)	8,756	1,822	159
Change (% YoY)	11.0	-8.0	-54.4
Result (HK\$m)	678	67	22
Change (% YoY)	23.3	-34.7	-69.0
Margin (%) - 1H06	7.7	3.7	13.7
Margin (%) - 1H05	7.0	5.2	20.2



Analysis by market location

For the 6 months period ended 30th June 2006

Sales contributions by market location



(%) – 1H05 figures

	North America	Europe & other countries
Revenue (HK\$m)	7,856	2,881
Change (% YoY)	3.2	10.7
Result (HK\$m)	588	179
Change (% YoY)	4.5	11.5
Margin (%) - 1H06	7.5	6.2
Margin (%) - 1H05	7.4	6.2



Financial position

<u>FY2005</u>	<u>1H05</u>	(HK\$m)	<u>1H06</u>
<u>8,078</u>	<u>6,921</u>	Non-current assets	<u>8,310</u>
12,297	10,318	Current assets	11,822
<u>7,411</u>	<u>7,892</u>	Current liabilities	<u>6,574</u>
4,886	2,426	Net current assets	5,248
6,731	5,482	Long-term liabilities	6,978
6,112	3,764	Shareholders' funds	6,503
1.66	1.31	Current ratio	1.80
5.0	5.3	Interest coverage(x)	5.1



Healthy working capital position

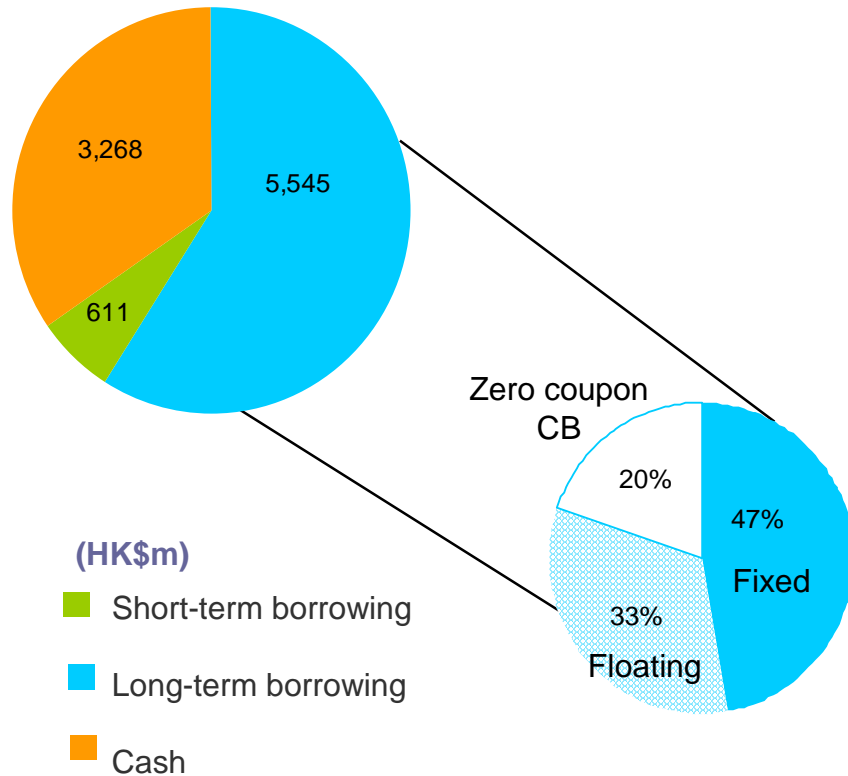
Turnover days	1H06	1H05
Inventory (1)	69	71
Trade receivables (2)	51	58
Trade & other payables (3)	56	61

- (1) Average inventory / sales x 365
- (2) Average trade receivables / sales x 365
- (3) Average trade & other payables / sales x 365



Cash and borrowing profile

Well-balanced loan portfolio for long-term growth



- The Group's balance sheet remained solid and healthy
- Well managed interest exposure with 67.4% of the long-term loan with fixed interests
- Maintain liquidity for potential business opportunities
- Net gearing was 76.2% vs 184.5% (as restated) at end 1H05. Gearing was at 68.3% at end 2005, reflecting the cyclical nature of the business
- Higher working capital requirement in 1H for 2H peak shipment preparation. Gearing is expected to improve for the full year



Business Review

Mr. David Butts

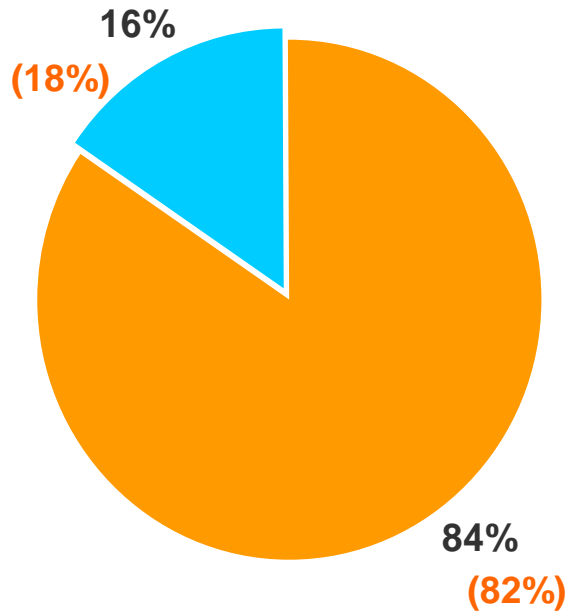
(Group Senior Vice President)



Sales contributions by type

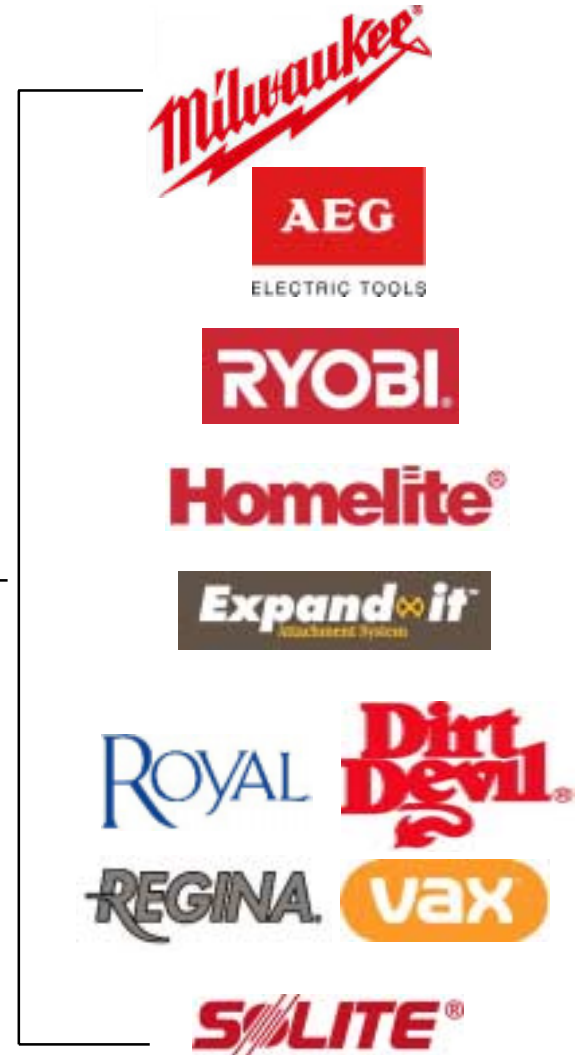
Continued shift to our Brands

OEM & private label



(%) – 1H05 figures

Own & licensed brands





Power Equipment Products

- Power Equipment brands achieved double digit growth in aggregate with margin improvement through :
 - ✓ Numerous new product introductions
 - ✓ High impact marketing programs
 - ✓ Maintaining strong customer partnerships
- Milwaukee / AEG integration
 - ✓ Successfully transferred some products to our facilities in China ensuring a smooth relocation while maintaining best product quality
 - ✓ Tracking to our integration plan





Power Tools

- Milwaukee® contributed excellent growth in the U.S. and Europe
 - ✓ Extension of V28™ lithium-ion cordless range
 - ✓ A new line of quality pneumatic tools launched in 1Q06
 - ✓ Expansion of lithium-ion cordless platform e.g. Milwaukee® V18™, RIDGID® XLi™ 24-volt and Max Select™
- AEG® added a new range of cordless tools, capitalizing on the Group's integrated R&D resources
- Ryobi® branded One+™ continues to distinguish itself from competition with its single battery interface platform, wide range of products and immense 18v user base
- RIDGID® broadened its line for professionals and is gaining trade industry recognition with its Lifetime Service Agreement





Outdoor power equipment

- Expanded the business with new products under our brands including:
 - ✓ High pressure washers
 - ✓ Trimmer - edger combos
 - ✓ Gas chain saws
- Weather related factors resulted in slower than expected demand
- Continued improvements in our manufacturing operations and maintained excellent fill rates to our customers during the high seasonal period
- Second half performance drivers will be from product categories of chain saws, pressure washers, generators, and blowers





Floor care appliances

- In North America, Dirt Devil® branded products gained or held share in key product categories with increased average selling prices
 - ✓ Innovative Reaction™ Dual-Cyclonic vacuum gained broad distribution and is supported by consumer advertising
 - ✓ Sears 2005 Partners in Progress Award
- Vax® consolidated its #2 position in the UK, delivering robust top line and market share growth with over 15 news products launched
- Steady flow of innovative products from Dirt Devil® and Vax® in 2H06
- Anticipated transition of OEM business affected 1H06 business
- Several new OEM partnerships and the new Kenmore® supply contract with Sears will positively impact our business in 2007 and beyond





Laser & electronic products

- After high growth the past few years, a slowdown in the laser measurement and solar light markets due to increased market saturation, negatively affected turnover and margin
- New OEM products in infant care and strong operational initiatives partially offset the negative impact
- A challenging second half due to keen competition with a more normal supply pattern expected after 2006
- Ongoing new development projects for the Group's brands and OEM customers will begin to positively impact 2007





Outlook

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



- TTI is confident of being able to deliver a strong performance in the second half of 2006
- Power Equipment Products will continue to lead the growth with:
 - ✓ Aggressive expansion in the lithium-ion power tools
 - ✓ Integration and synergy programs will produce the expected savings going forward
 - ✓ Market gains in new and existing categories under our brands
- Committed to being first in innovation, expanding our global distribution, building strong partnerships with our customers, and enhancing our cost efficiencies to ensure growth sustainability





Thank you





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