Rectifier Technologies AGM

29 November 2012

Rectifier Technologies AGM Presentation

Directors’ REPORT

29 November 2012

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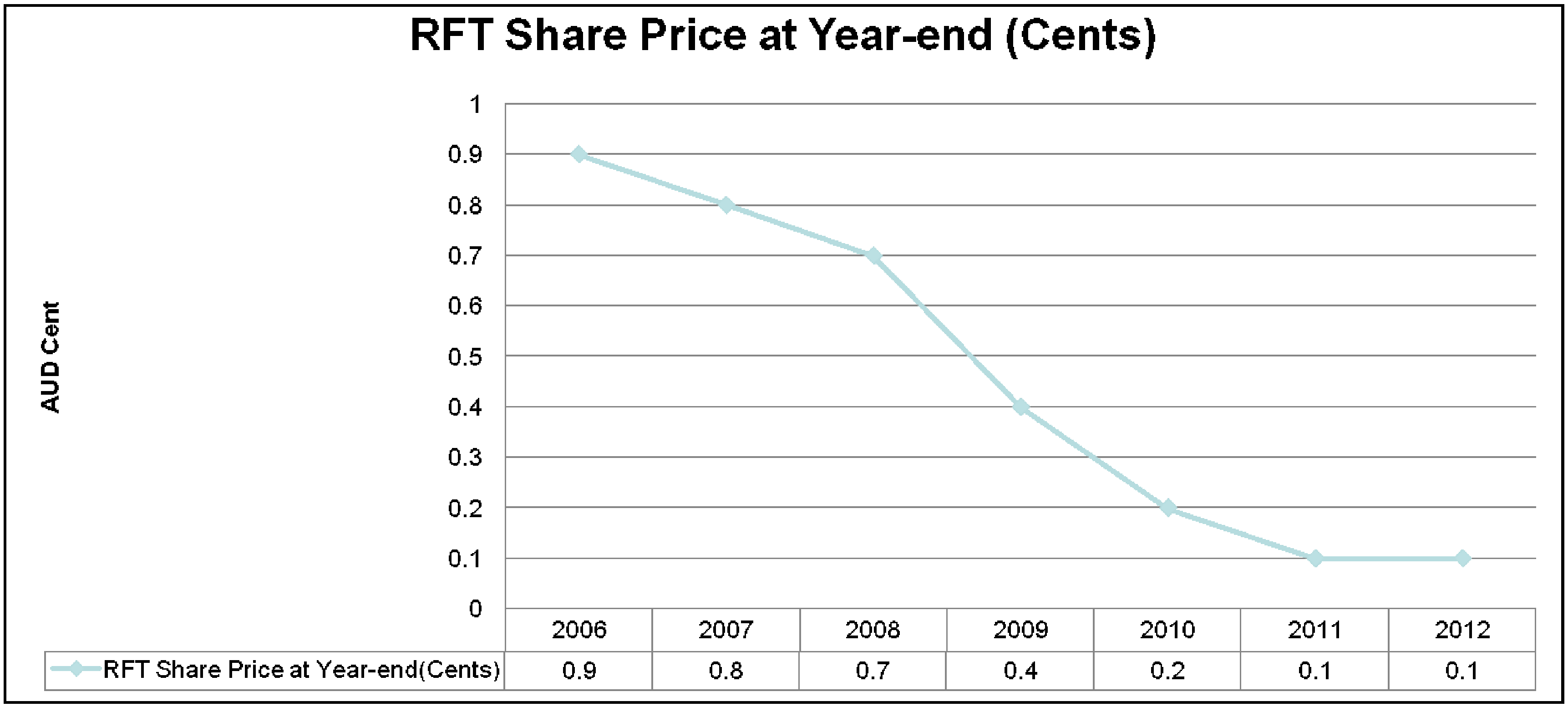
Review of FYE 2012: What Happened?

- Full year profit of $5K on revenue of $9.08M.
- Less revenue and net profit vs. last year: Profit of $145K on revenue of $9.95M in 2011.
- Significant decrease of gross margin: from 38.3% in 2011 to 34.2% in 2012.
- Less sales in RTP due to completion of a large Victoria infrastructure project.
- Less external funding: 150K loan comparing to 650K in year 2011.
- US market has been in a stable level, ≈2.5M/yr.
- RTM performance improved significantly.
- Sales in China market started but not significant yet.

Let’s face the Reality!

Why our investors lost so much in the past years, even when we made profit in 2011 and 2012?



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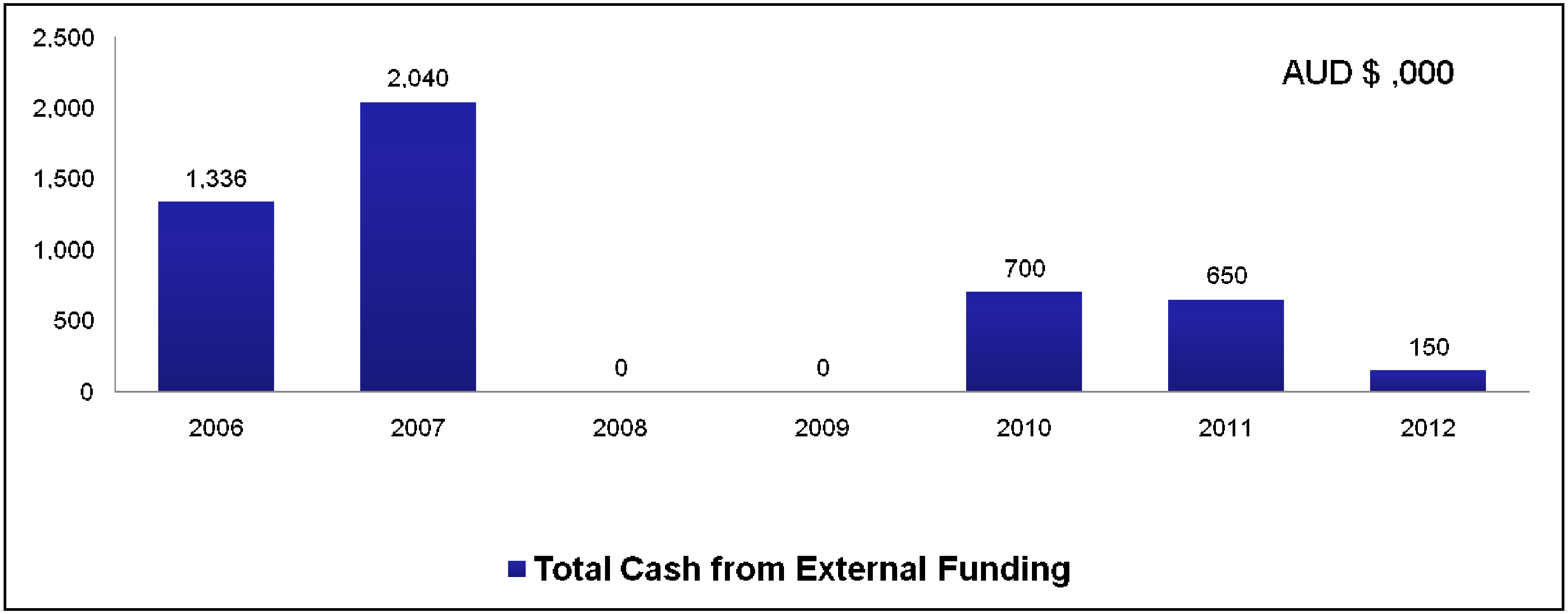
Fact 1: External Cash Funding for Survival

RT Group's External Funding Since 2005-06 Financial Year, Average 800K/Year



❖External funding is a direct cause of RFT's share devalued (2010-11 and 2011-12: Company made profit but share value decreased further because of external funding).

❖It's now almost impossible to get any external funding again.

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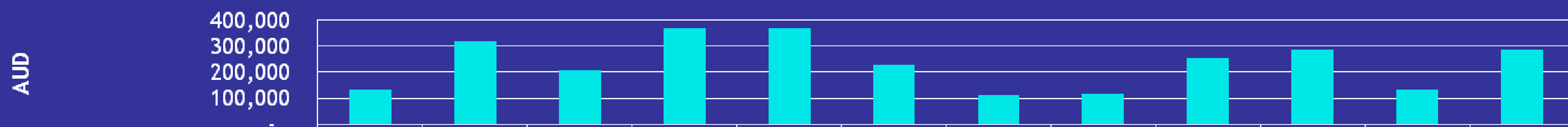
Fact 2. RTP's sales kept at a stable but low level:

RTP's third party sales (Exc. Big Project & USA) in the past 3 years

TOTAL THIRD PARTY SALES (No US Market), 2009-10

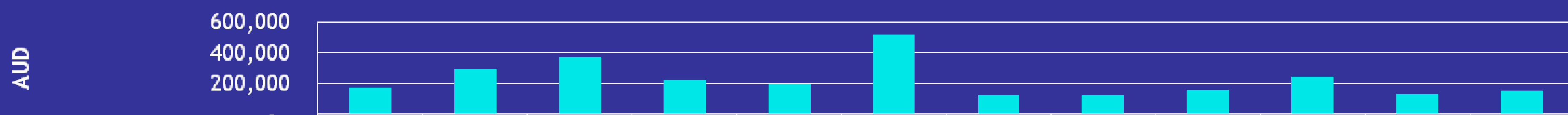
Average: 234,869/Month



	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
TOTAL THIRD PARTY SALES	133,246	319,297	209,314	372,141	368,807	228,957	111,220	116,955	252,378	288,359	132,007	285,751

TOTAL THIRD PARTY SALES (No US Market), 2010-11

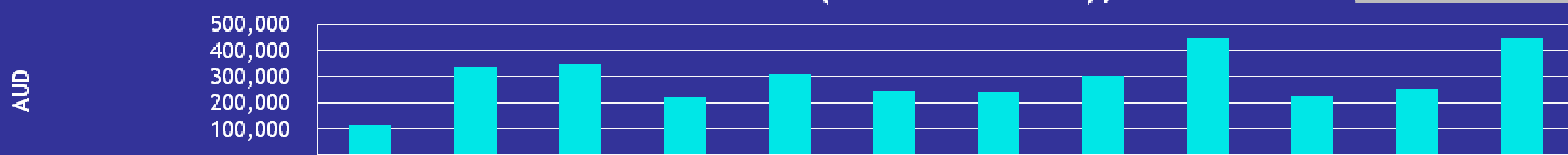
225,723/Month



	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
TOTAL THIRD PARTY SALES	175,033	290,817	370,852	223,485	198,370	513,224	122,669	122,202	161,111	245,784	130,845	154,285

TOTAL THIRD PARTY SALES (No US Market), 2011-12

290,334/Month



	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
TOTAL THIRD PARTY SALES	115,941	334,338	348,586	219,440	310,463	245,154	242,316	301,584	445,145	224,173	250,697	446,167

Why Is It Difficult to Increase Sales

- ✓ License revenue is not sustainable: our licensees become our competitors;
- ✓ No competitive product offered to the market since 2005;
- ✓ Lost mainstream market: from Telecom market to industrial DC charger market with low volume and unstable contracts;
- ✓ Australian dollar has been strong;
- ✓ Higher operation cost and material cost in Australia

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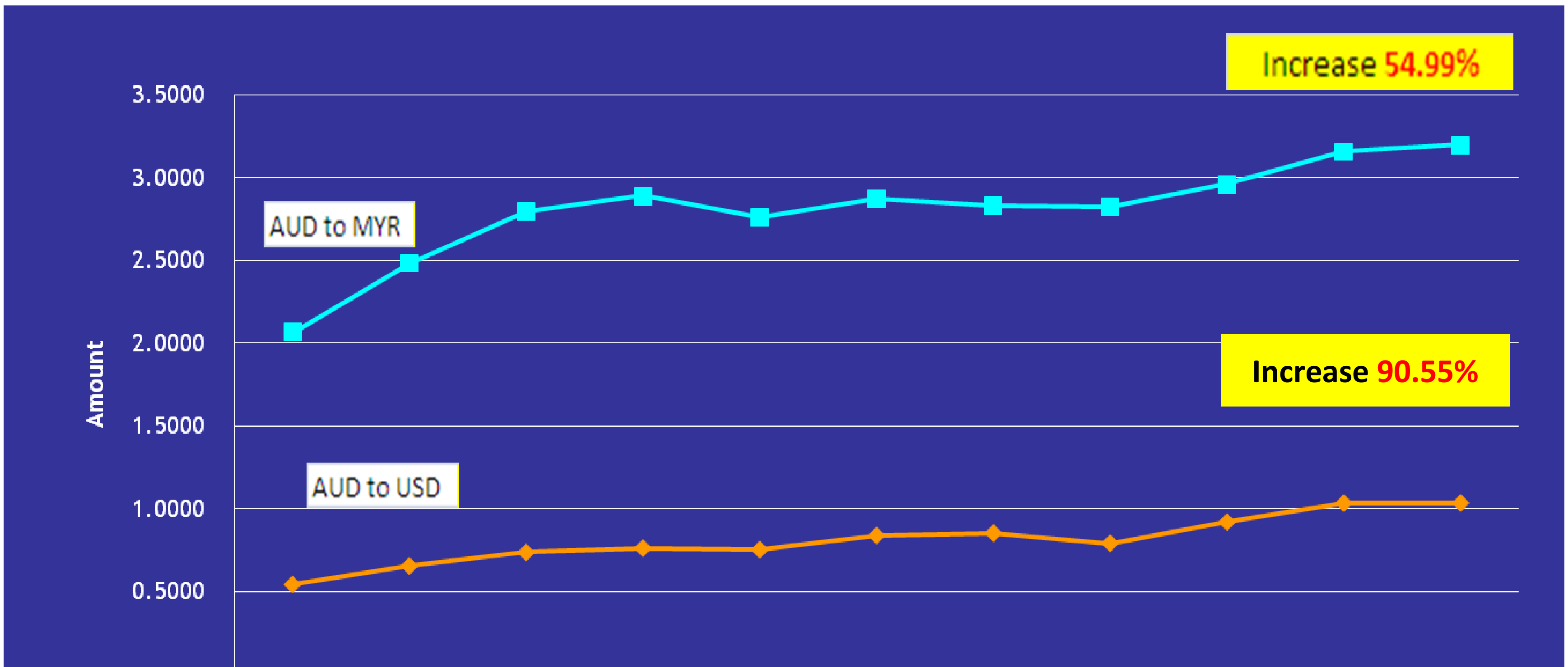
Fact 3. Strong Australian dollar against other currencies

Foreign Currency Exchange Rate From 2002 to 2012



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
AUD to USD	0.5431	0.6548	0.7364	0.7625	0.7535	0.8386	0.8532	0.7921	0.9197	1.0339	1.0348
AUD to MYR	2.0634	2.4828	2.7959	2.8889	2.7626	2.8740	2.8299	2.8247	2.9586	3.1583	3.1982

How can we increase our share value?

- No more external cash funding!

  With low sales and high cost, can we survive without external funding?

- Reduce cost: what can we learn from RTM?

  Cutting operational cost

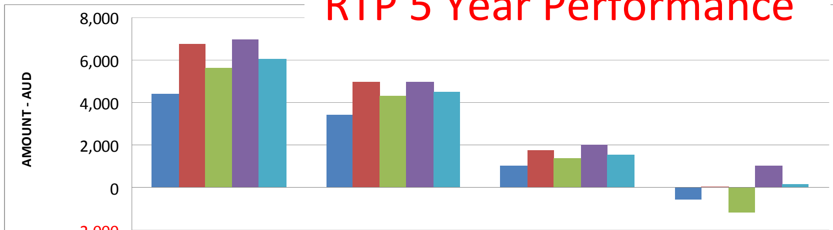
  Cutting material cost

- New market and new competitive product for future growth.

  Standing at the same start-point with our competitors

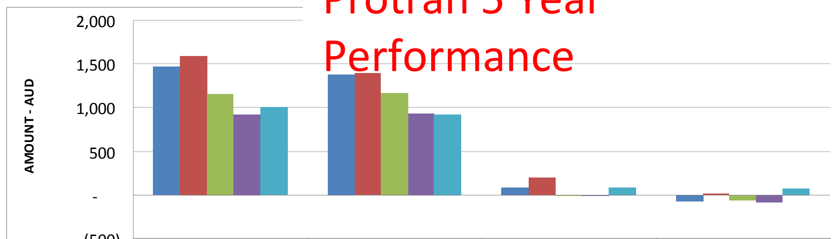
Why Did RTM Do Better in FYE 2012

RTP 5 Year Performance



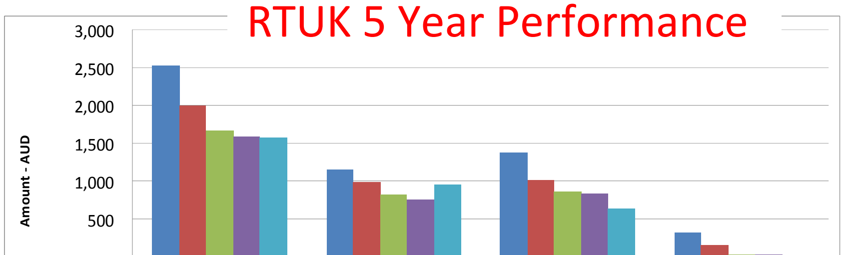
	Revenue - Total	COGS	Gross Profit	Net Profit (loss)
FYE 2008	4,422	3,418	1,004	-578
FYE 2009	6,751	4,997	1,754	76
FYE 2010	5,666	4,307	1,359	-1,190
FYE 2011	6,992	4,974	2,018	1,015
FYE 2012	6,057	4,495	1,562	170

Protran 5 Year Performance



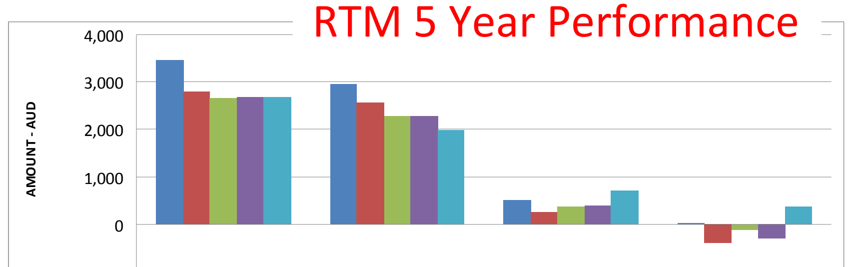
	Revenue - Total	COGS	Gross Profit	Net Profit (loss)
FYE 2008	1,460	1,377	83	(81)
FYE 2009	1,588	1,392	196	14
FYE 2010	1,151	1,172	(21)	(67)
FYE 2011	921	930	(9)	(84)
FYE 2012	1,008	919	89	75

RTUK 5 Year Performance



	Revenue - Total	COGS	Gross Profit	Net Profit (loss)
FYE 2008	2,530	1,153	1,377	320
FYE 2009	2,000	990	1,010	158
FYE 2010	1,674	814	860	34
FYE 2011	1,584	756	828	31
FYE 2012	1,579	947	632	13

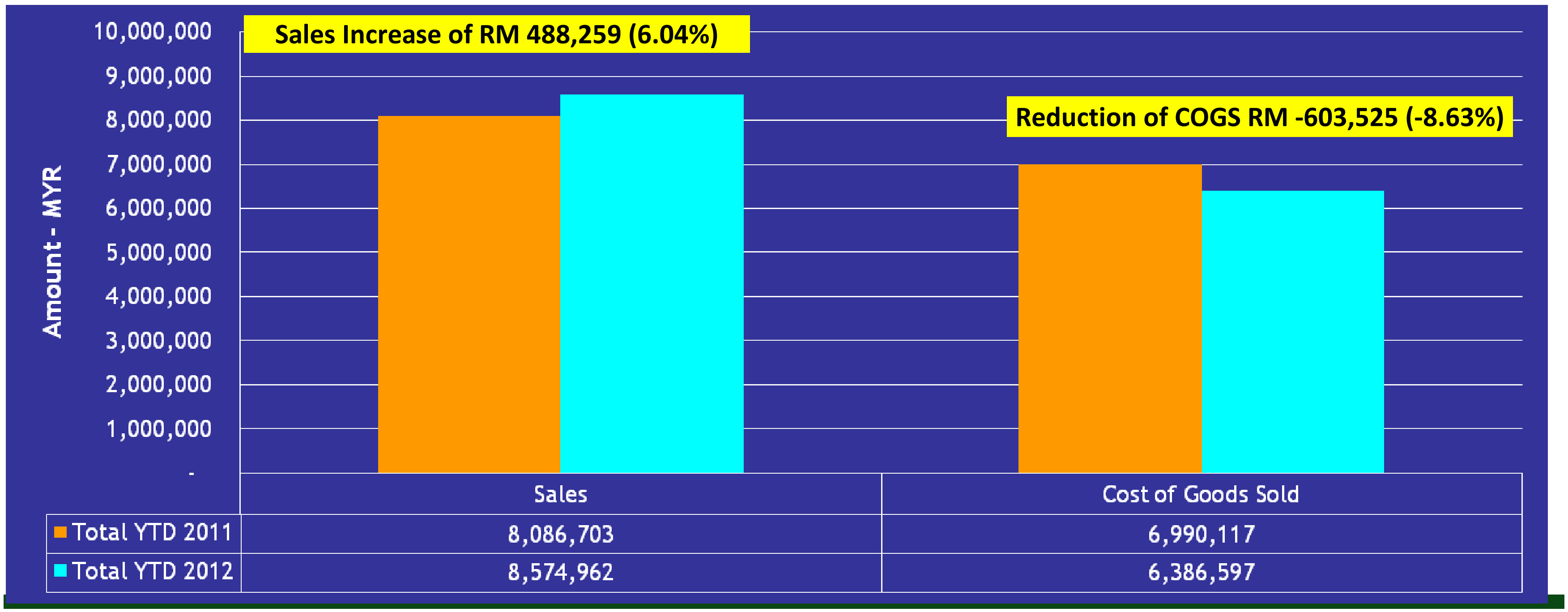
RTM 5 Year Performance



	Revenue - Total	COGS	Gross Profit	Net Profit (loss)
FYE 2008	3,463	2,966	497	22
FYE 2009	2,794	2,555	239	-393
FYE 2010	2,665	2,288	377	-111
FYE 2011	2,672	2,278	394	-300
FYE 2012	2,691	1,987	704	356

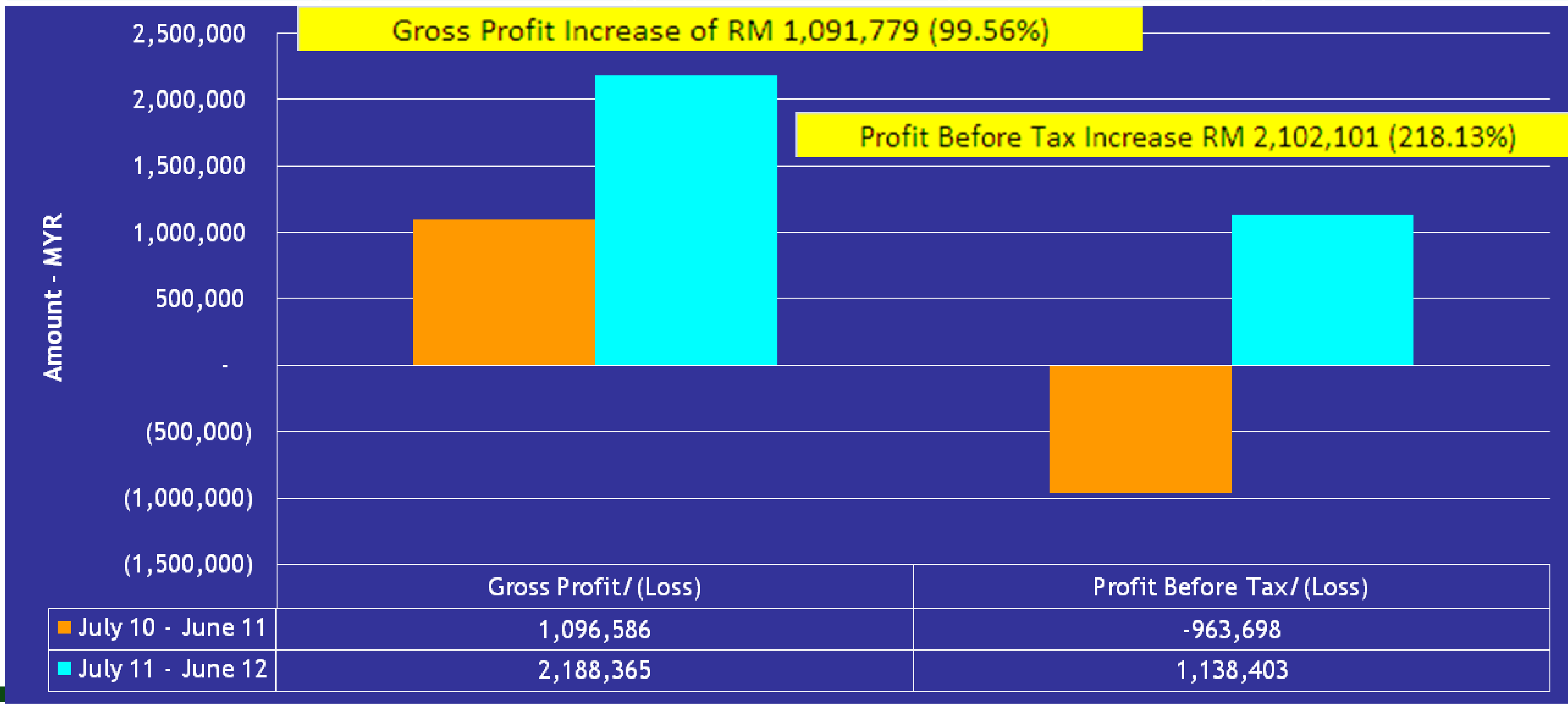
RTM Comparison Sales VS Cost Of Goods Sold 2011 - 2012

MYR	Total YTD 2011	Total YTD 2012	Diff in	Diff in
	July 10 - June 11	July 11 - June 12	Amount	%
Sales	8,086,703	8,574,962	488,259	6.04%
Cost of Goods Sold	6,990,117	6,386,597	-603,520	-8.63%
(in %)	86.44%	74.48%		



RTM GROSS PROFIT & PROFIT BEFORE TAX FOR 2011 and 2012

MYR	Total YTD 2011 July 10 - June 11	Total YTD 2012 July 11 - June 12	Diff in Amount	Diff in
Gross Profit/(Loss)	1,096,586	2,188,365	1,091,779	
(In %)	13.56%	25.43%	11.87%	-
Profit Before Tax/(Loss)	-963,698	1,138,403	2,102,101	
(in %)	-11.92%	13.23%	25.15%	-



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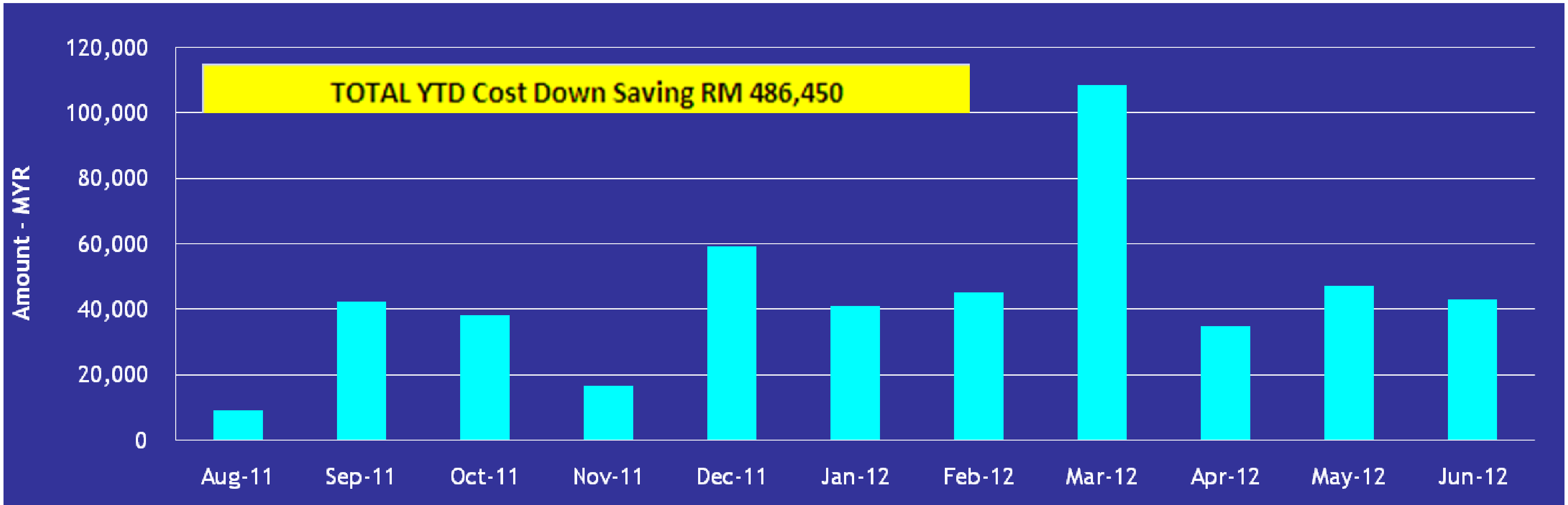
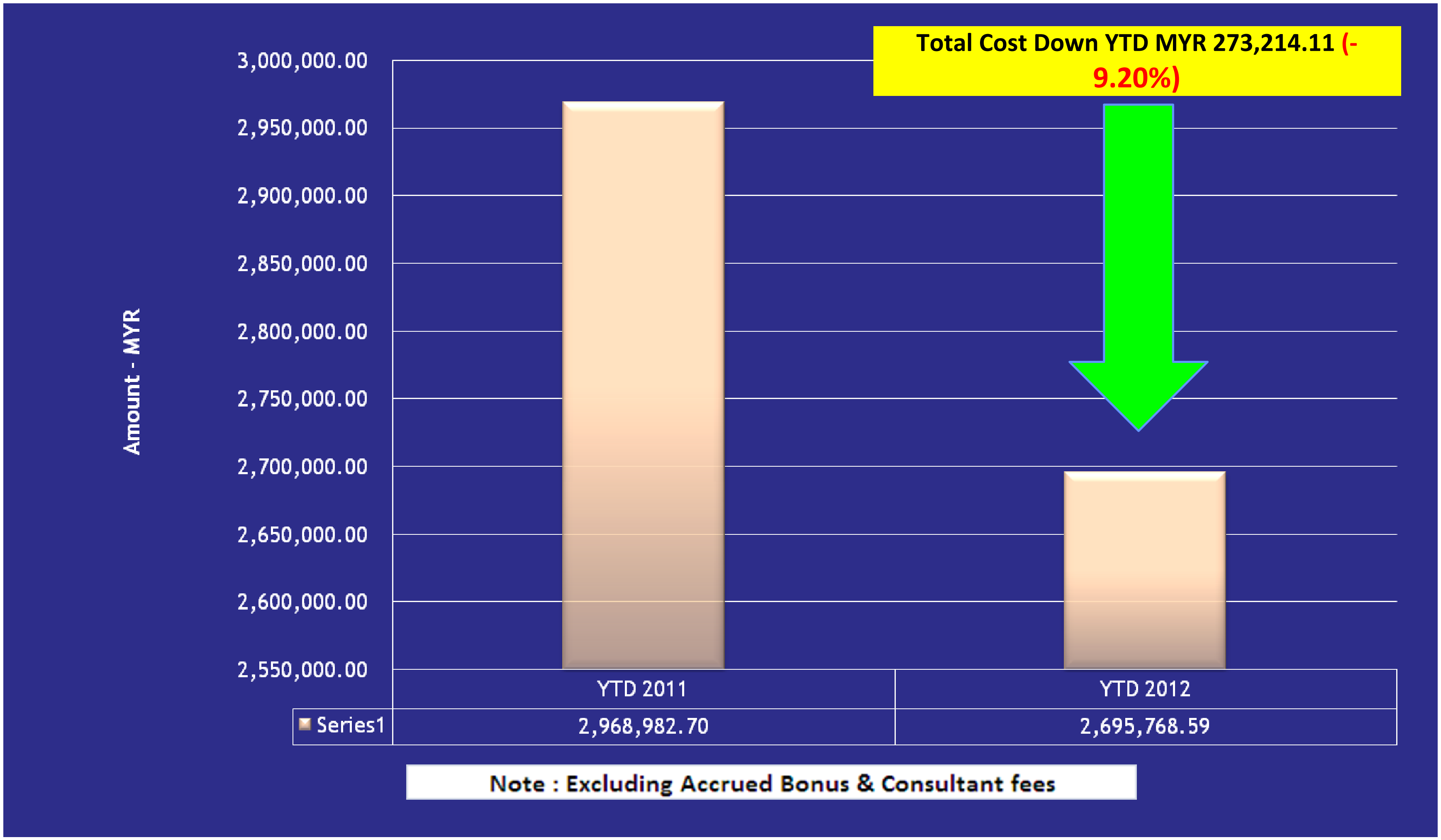
RTM Material Cost Down Achievement Year 2012

MYR	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	TOTAL YTD 2012
Purchases Price	333,770	324,475	500,775	320,109	276,408	458,554	410,163	472,760	225,078	249,444	189,957	3,761,491
COST DOWN	12,010	44,827	55,013	23,464	72,121	57,479	59,406	119,413	41,402	52,328	48,078	585,541
COST UP	2,758	2,266	16,724	6,787	12,817	16,369	14,245	10,872	6,424	5,084	4,746	99,091
NET TOTAL	**9,253**	**42,561**	**38,289**	**16,678**	**59,304**	**41,111**	**45,161**	**108,541**	**34,978**	**47,244**	**43,331**	**486,450**
in %	**-2.70%**	**-11.60%**	**-7.10%**	**-4.95%**	**-17.67%**	**-8.23%**	**-9.92%**	**-18.67%**	**-13.45%**	**-15.92%**	**-22.81%**	**-11.45%**



	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12
COST DOWN	9,253	42,561	38,289	16,678	59,304	41,111	45,161	108,541	34,978	47,244	43,331

RTM OPERATION COST DOWN ACHIEVEMENT: 2011 VS 2012



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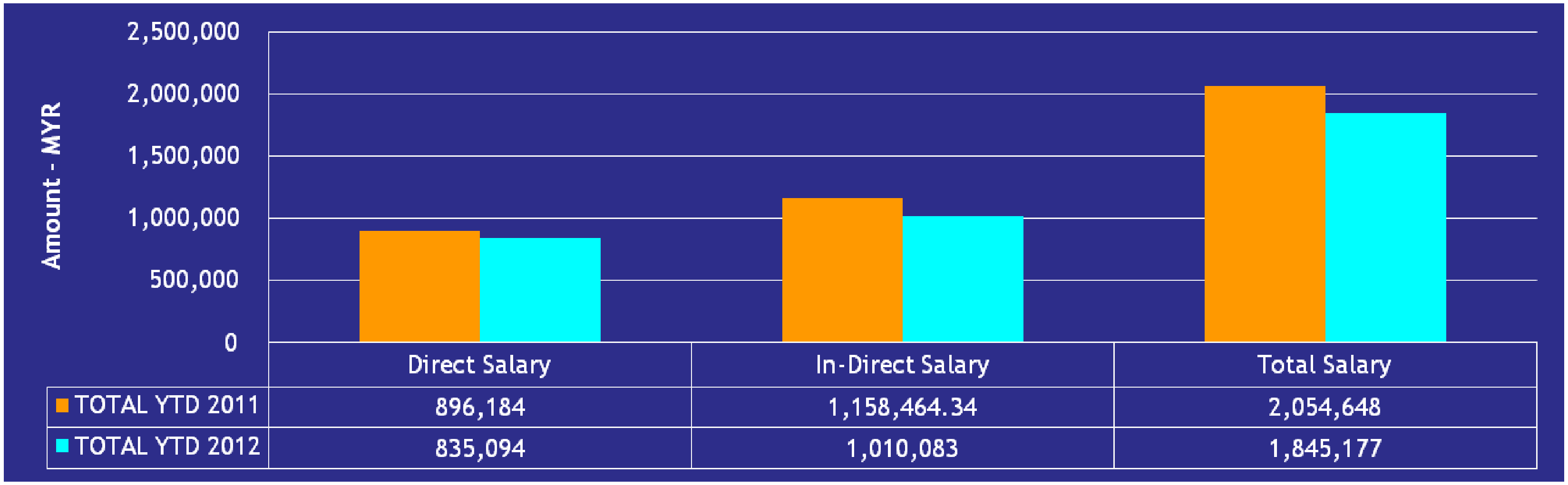
RTM COMPARISON SALES & SALARY & MANPOWER FOR THE YEAR 2011 & 2012

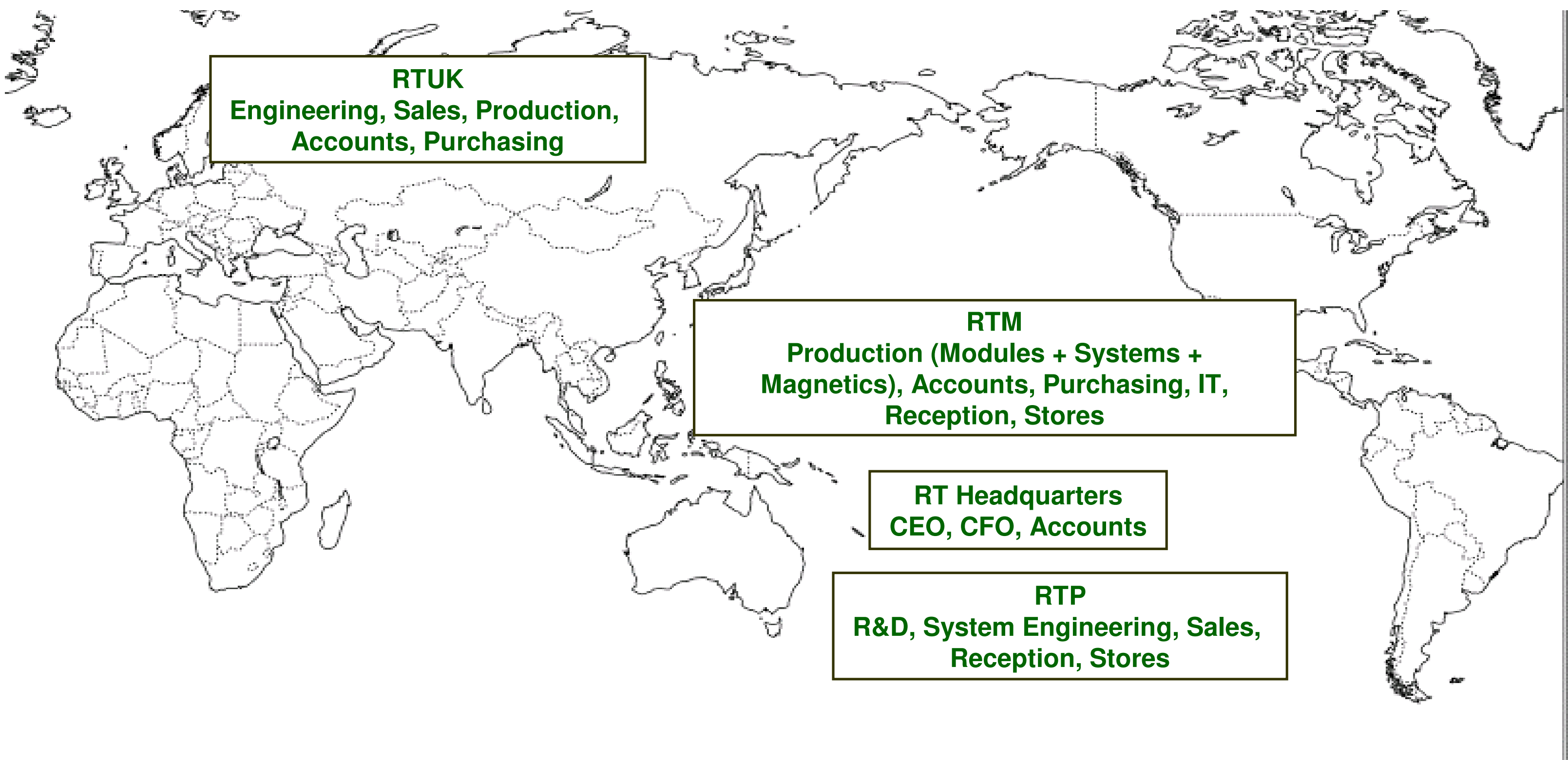
	TOTAL YTD 2011	TOTAL YTD 2012	DIFF	Diff
	July 10 - June 11	July 11 - June 12	in	in
	MYR	MYR	MYR	%
Sales	**8,086,703.00**	**8,574,962.00**	**488,259**	**6.04%**
Direct Salary	896,184	835,094	**-61,090**	**-6.82%**
Direct Manpower in NO	60	50	**-10**	**-16.67%**
In-Direct Salary	1,158,464.34	1,010,083	**-148,381**	**-12.81%**
In-Direct Manpower in NO	24	21	**-3**	**-12.50%**
Total Salary	2,054,648	1,845,177	**-209,471**	**-10.19%**
Total Manpower in NO	84	71	**-13**	**-15.48%**



Note : Excluding Accrued Bonus & Consultant fees

What We Can Learn from RTM: Cost-Down

Restructure the company: Sections of the operations in Australia will be moved to Malaysia – Manufacturing, Purchasing, Accounting



Our Ultimate Goal is Not Survival But Growth!

New Market for Growth: HVDC power to replace AC UPS

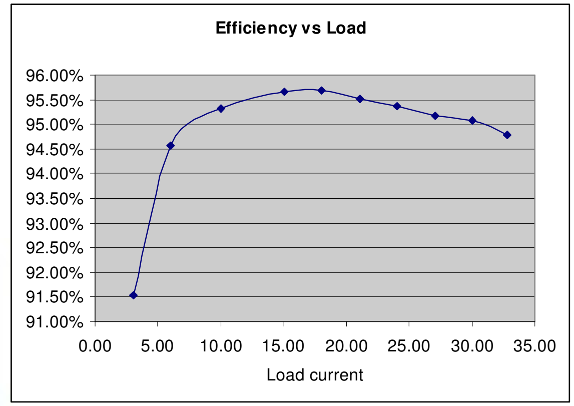
- Large demanding volume: Growing data centre business
- Back to the mainstream market: Telecom industries;
- New technology and applications: we don’t have to chase behind our competitors;
- Large market territories: China, USA, EU. (new industrial standards issued recently.

New product Fits in the New Market:

- Higher efficiency: ≈ 96%;
- Higher power density: more power output within one power system;
- New cost-saving designs

RT18: A New Product for a New Market

- ✓Higher efficiency: save 15-25% power vs. traditional AC UPS;
- ✓Higher reliability: no single point failure vs. traditional AC UPS;
- ✓High power density: 1/3 floor space vs. traditional AC UPS;
- ✓Lower budget costs: great savings vs. traditional AC UPS



Output Power of 362.9kW (42 x RT18)

System Power Density of 257kW/m^3 or 0.257W/cm^3

Efficiency of > 95.5%

PF Type 1: > 0.99

Hot Plug-able Rectifier and Controller Modules

Includes AC and DC Distribution

WinCSU-2 Control & Monitoring Software Provided

Remote Monitoring Available

Sleep Mode Available with MCSU-4 Controller

Outlook: Where Do We Want to Be in Near Future?

- Stop external cash funding!
- Cost-down for immediate survival
- Stronger R&D for more competitive products
- Opening new markets for growth

QUESTIONS & COMMENTS?

THANKS!