Greenberg Monica L.
Form 4
March 17, 2009

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Greenberg Monica L.

(Last) (First) (Middle)

C/O LIVEPERSON, INC., 462 SEVENTH AVENUE THIRD FLOOR

(Street)

NEW YORK, NY 10018

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
LIVEPERSON INC [LPSN]

3. Date of Earliest Transaction (Month/Day/Year)
03/05/2009

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director
_____ 10% Owner
__X__ Officer (give title below)
_____ Other (specify below)

SVP, General Counsel

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative	2. Conversion	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if	4. Transaction	5. Number of Derivative	6. Date Exercisable and Expiration Date	7. Title and Amount of Underlying Securities	8 D

Security (Instr. 3)	or Exercise Price of Derivative Security		any (Month/Day/Year)	Code (Instr. 8)		Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		(Month/Day/Year)		(Instr. 3 and 4)		S (I
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares	
Stock Option (right to buy)	$ 1.79	03/05/2009		A		17,000		(1)	03/05/2019	Common Stock	17,000	

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Greenberg Monica L. C/O LIVEPERSON, INC. 462 SEVENTH AVENUE THIRD FLOOR NEW YORK, NY 10018			SVP, General Counsel	

Signatures

/s/ Monica L. Greenberg	03/17/2009
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Twenty-five percent (25%) of the shares will become exercisable on March 5, 2010 and the remaining shares will become exercisable in three equal installments on each of March 5, 2011, March 5, 2012 and March 5, 2013.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. s in the primary markets we serve based on our estimates of the size of our primary markets in annual revenues and our share of those markets relative to our competitors. We operate our business in two distinct segments: o the electronic components segment, which operates under the name Pulse, and o the electrical contact products segment, which operates under the name AMI Doduco. General. We define net sales as gross sales less returns and allowances. We sometimes refer to net sales as revenue. Prior to 2001, the growth in our consolidated net sales was due in large part to the growth of electronic component markets served by Pulse. However, beginning in late 2000, the electronics markets served by Pulse experienced a severe global contraction. In late 2002, many of these markets began to stabilize or increase in terms of unit sales. However, because of excess capacity, relocation by customers from North America and Europe to Asia, and emergence of strong competitors in Asia, the pricing environment for Pulse's products has been and remains challenging, preventing total revenue from growing proportionately with unit growth. Pulse has undertaken a series of cost-reduction actions to optimize its capacity with market conditions. Since late 2000 and continuing through late 2003, the markets in both North America and Europe for AMI Doduco's products have been weak. The markets in both North America and Europe began to recover in

2004. Demand at AMI Doduco typically mirrors the prevailing economic conditions in North America and Europe. This is true for electrical contacts, and for component subassemblies for automotive applications such as multi-function switches, motor control sensors and ignition security systems, and for non-automotive uses such as appliance and industrial controls. AMI Doduco continues its cost reduction actions including work force adjustments and plant consolidations in line with demand around the world in order to optimize efficiency. Historically, the gross margin at Pulse has been significantly higher than at AMI Doduco. As a result, the mix of net sales generated by Pulse and AMI Doduco during a period affects our consolidated gross margin. Our gross margin is also significantly affected by capacity utilization, particularly at AMI Doduco and the Pulse Consumer Division. Pulse's markets are characterized by relatively short product life cycles compared to AMI Doduco. As a result, significant product turnover occurs each year. Therefore, Pulse's changes in average selling prices do not necessarily provide a meaningful and quantifiable measure of Pulse's operations. AMI Doduco has a relatively long-term and mature product line, with less turnover, and with less frequent variation in the prices of product sold, relative to Pulse. Many of AMI Doduco's products are sold under annual (or longer) purchase contracts. Therefore, AMI Doduco's revenues historically have not been subject to significant price fluctuations. In 19 addition, sales growth and contraction at AMI Doduco and Pulse's Consumer Division are generally attributable to changes in unit volume and changes in unit pricing, as well as foreign exchange rates, especially the U.S. dollar to the euro. Acquisitions. Historically, acquisitions have been an important part of our growth strategy. In many cases, our move into new product lines and extensions of our existing product lines or markets has been facilitated by an acquisition. Our acquisitions continually change the mix of our net sales. Pulse made numerous acquisitions in recent years which have increased our penetration into our primary markets and expanded our presence in new markets. Excelsus was acquired in August 2001 for approximately $85.9 million, net of cash acquired. Excelsus was based in Carlsbad, California, and was a leading producer of customer-premises digital subscriber line filters and other broadband accessories and it is now a core part of Pulse's telecommunications product division. Pulse acquired Eldor's consumer electronics business in January 2003 for approximately $83.9 million, and this became the Pulse Consumer Division headquartered in Italy with production operations in Istanbul and Izmir, Turkey and in the PRC. The Consumer Division is a leading supplier of flyback transformers to the European television industry. We acquired a controlling interest in Full Rise Electronic Co., Ltd. ("FRE") in 2004. FRE is based in the Republic of China (Taiwan) and manufacturers connector products, including single and multiple-port jacks, and supplies such products to Pulse under a cooperation agreement. AMI Doduco has also made acquisitions over the years. Generally, AMI Doduco's acquisitions have been driven by our strategy of expanding our product and geographical market presence for electrical contact products. Due to our integration of acquisitions and the interchangeable sources of net sales between existing and acquired operations, historically we have not separately tracked the net sales of an acquisition after the date of the transaction. Technology. Our business is continually affected by changes in technology, design, and preferences of consumers and other end users of our products, as well as changes in regulatory requirements. We address these changes by continuing to invest in new product development and by maintaining a diverse product portfolio which contains both mature and emerging technologies in order to meet customer demands. Management Focus. Our executives focus on a number of important factors in evaluating our financial condition and operational performance. We use economic profit, which we define as operating profit after tax, less our cost of capital. Revenue growth, gross profit as a percentage of revenue, and operating profit as a percent of revenue are also among these factors. Operating leverage or incremental operating profit as a percentage of incremental sales is a factor that is discussed frequently with analysts and investors, as this is believed to reflect the benefit of absorbing fixed overhead and operating expenses. In evaluating working capital management, liquidity and cash flow, our executives also use performance measures such as days sales outstanding, days payable outstanding and inventory turnover. The continued success of our business is largely dependent on meeting and exceeding our customers' expectations. Therefore, non-financial performance measures relating to on-time delivery and quality assist our management in monitoring customer satisfaction on an on-going basis. Cost Reduction Programs. Our manufacturing business model for Pulse's non-consumer markets has a very high variable cost component due to the labor-intensity of many processes, which allows us to quickly change our capacity based on market demand. The Pulse Consumer Division, however, is capital intensive and therefore more sensitive to volume changes. AMI Doduco has a higher fixed cost component of manufacturing activity than Pulse, as it is more capital intensive. Therefore, AMI Doduco is unable to expand or contract its capacity as quickly as Pulse in response to market demand, although significant actions have been taken to align AMI Doduco's capacity with current market

demand. As a result of our continuing focus on both economic and operating profit, we will continue to aggressively size both Pulse and AMI Doduco so that costs are optimally matched to current and anticipated future revenue and unit demand. We will also continue to pursue additional growth opportunities. The amounts of additional charges will depend on specific actions taken. The actions taken over the past several years such as plant closures, plant relocations, asset impairments and reduction in personnel worldwide have resulted in the elimination of a variety of costs. The majority of these costs represent the annual salaries and benefits of terminated employees, both those directly related to manufacturing and those providing selling, general and administrative services, as well as lower overhead costs related to factory relocations to lower-cost locations. The eliminated costs also include depreciation savings from disposed equipment. We have implemented a succession of cost reduction initiatives and programs, summarized as follows: During 2001, we announced the closure of our production facilities in Thailand and Malaysia. The production at these two facilities was transferred to other Pulse facilities in Asia. In addition, headcount was reduced by approximately 12,300, net of new hires, during fiscal 2001 through voluntary employee attrition and involuntary 20 workforce reductions primarily at manufacturing facilities in the People's Republic of China ("PRC"). In addition, a charge was recorded in 2001 to writedown the value of certain Pulse fixed assets to their disposal value. During 2002, we announced the closure of our production facility in the Philippines. The production at this facility was transferred to other Pulse facilities in Asia. We also adopted other restructuring plans during 2002 for personnel reductions. An additional provision was recorded in 2002 related to asset writedowns, relating to primarily Asian-based production equipment that became idle in 2002. During 2003, we accrued for the elimination of certain manufacturing and support positions located in France, the United Kingdom, Mexico, the PRC and for other facility exit costs related to Pulse. We accrued for the shutdown of Pulse's manufacturing facility in Mexico and to write down the carrying cost of Pulse's facility in the Philippines which is held for sale. At AMI Doduco, we accrued for the elimination of certain manufacturing positions principally located in North America and Germany and to complete the shutdown of a redundant facility in Spain that we acquired from Engelhard-CLAL in 2001. During 2004, we accrued for the termination of personnel at AMI Doduco's facility in Germany; for Pulse's shutdown of a facility in Carlsbad, California; to reduce capacity at a Pulse facility in the PRC; to shutdown AMI Doduco's facility in France; and for other severance in various locations. International Operations. As of December 31, 2004, we had manufacturing operations in 10 countries and had no significant net sales in currencies other than the U.S. dollar and the euro. A large percentage of our sales in recent years have been outside of the United States. In the year ended December 31, 2004, 78% of our net sales were outside of the U.S. Changing exchange rates often impact our financial results and our period-over-period comparisons. This is particularly true of movements in the exchange rate between the U.S. dollar and the euro. AMI Doduco's European and Pulse's Consumer Division sales are denominated primarily in euro, and euro-denominated sales and earnings may result in higher or lower dollar sales and net earnings upon translation for our U.S. consolidated financial statements. We may also experience a positive or negative translation adjustment to equity because our investment in Pulse's Consumer Division and AMI Doduco's European operations may be worth more or less in U.S. dollars after translation for our U. S. consolidated financial statements. The Pulse non-consumer operations may incur foreign currency gains or losses as euro-denominated transactions are remeasured to U.S. dollars for financial reporting purposes. If a higher percentage of our sales is denominated in non-U.S. currencies, increased exposure to currency fluctuations may result. In order to reduce our exposure resulting from currency fluctuations, we may purchase currency exchange forward contracts and/or currency options. These contracts guarantee a predetermined range of exchange rates at the time the contract is purchased. This allows us to shift the majority of the risk of currency fluctuations from the date of the contract to a third party for a fee. As of December 31, 2004, we had one foreign currency forward contract outstanding to sell forward approximately 58.8 million euros in order to hedge intercompany loans. In determining the use of forward exchange contracts and currency options, we consider the amount of sales, purchases and net assets or liabilities denominated in local currencies, the type of currency, and the costs associated with the contracts. Precious Metals. AMI Doduco uses silver, as well as other precious metals, in manufacturing some of its electrical contacts, contact materials and contact subassemblies. Historically, we have leased or held these materials through consignment arrangements with our suppliers except in the case of AMI Doduco's entity in the PRC which owns its precious metals. Leasing and consignment costs have typically been below the costs to borrow funds to purchase the metals, and more importantly, these arrangements eliminate the effects of fluctuations in the market price of owned precious metal and enable us to minimize our inventories. AMI Doduco's terms of sale generally allow us to charge customers for precious metal content based on market value of precious

metal on the day after shipment to the customer. Thus far we have been successful in managing the costs associated with our precious metals. While limited amounts are purchased for use in production, the majority of our precious metal inventory continues to be leased or held on consignment. If our leasing/consignment fees increase significantly in a short period of time, and we are unable to recover these increased costs through higher sale prices, a negative impact on our results of operations and liquidity may result. Leasing/consignment fee increases are caused by increases in interest rates or volatility in the price of the consigned material. Income Taxes. Our effective income tax rate is affected by the proportion of our income earned in high-tax jurisdictions such as those in Europe and the income earned in low-tax jurisdictions, particularly Izmir, Turkey and the People's Republic of China. This mix of income can vary significantly from one period to another. We have benefited over recent years from favorable tax incentives, inside and outside of the U.S. However, there is no guarantee as to how long these benefits will continue to exist. Except in limited circumstances, we have not provided 21 for U.S. federal income and foreign withholding taxes on our non-U.S. subsidiaries' undistributed earnings as per Accounting Principles Board Opinion No. 23, Accounting for Income Taxes - Special Areas. Such earnings include pre-acquisition earnings of foreign entities acquired through stock purchases, and are intended to be reinvested outside of the U.S. indefinitely. We have not provided for U.S. federal income and foreign withholding taxes on approximately $333.0 million of our non-U.S. subsidiaries' undistributed earnings (as calculated for income tax purposes) as of December 31, 2004, as per APB 23. Unrecognized deferred taxes on these undistributed earnings are estimated to be approximately $96.0 million. Where excess cash has accumulated in our non-U.S. subsidiaries and it is advantageous for tax reasons, subsidiary earnings may be repatriated. Results of Operations Year ended December 31, 2004 compared to the year ended December 26, 2003 Net Sales. Net sales for the year ended December 31, 2004 increased $73.1 million, or 14.3%, to $582.3 million from $509.2 million in the year ended December 26, 2003. Our sales increase from the comparable period last year was attributable to improvement in the markets for Pulse in the first half of the year, and for AMI Doduco throughout the year. Pulse's increase in net sales also reflects the inclusion of Full Rise Electronic Co., Ltd. ("FRE") net sales from the time we acquired a controlling interest in September 2004. Stronger demand in Pulse's networking, power conversion, military/aerospace and consumer division markets was particularly apparent in the first six months of the year. AMI Doduco's increase in net sales was primarily due to higher prices for precious metals and favorable translation effect of a stronger euro, as well as stronger economic growth and successes in AMI Doduco's efforts to increase its market share. Pulse's net sales increased $26.1 million, or 8.9%, to $320.2 million for the year ended December 31, 2004 from $294.1 million in the year ended December 26, 2003. Pulse sales benefited from the inclusion of FRE's net sales from the time we acquired a controlling interest in September 2004. Pulse also experienced revenue increases in networking, telecommunications, power conversion, military/aerospace and consumer division markets on a worldwide basis. However, sales derived from the consumer division (which are denominated in euros) were lower in local currency in the 2004 period, although this was offset by the favorable translation effect of a stronger euro in 2004, after translating the consumer division's sales in to U.S. dollars. AMI Doduco's net sales increased $47.0 million, or 21.8%, to $262.2 million for the year ended December 31, 2004 from $215.2 million in the year ended December 26, 2003. The sales benefited from an increase in the average euro-to-U.S. dollar exchange rate and higher prices for precious metals which were passed on to customers. The higher average euro-to-dollar exchange rate during 2004 versus the comparable period in 2003 had the effect of increasing reported sales by approximately $17.6 million. Sales in the 2004 period reflect improving demand in North America and Europe. The sales improvements were partially offset by price adjustments related to new long-term contracts with major customers. Cost of Sales. As a result of higher net sales, our cost of sales increased $60.2 million, or 16.0%, to $436.1 million for the year ended December 31, 2004 from $375.9 million for the year ended December 26, 2003. Our consolidated gross margin for the year ended December 31, 2004 was 25.1%, compared with 26.2% in the year ended December 26, 2003. Our consolidated gross margin in 2004 was negatively affected by: o AMI Doduco accounting for a higher percentage of sales relative to Pulse, in that AMI Doduco's products typically have a lower gross margin than those of Pulse, o lower average selling prices for most Pulse product lines through 2004; and o lower capacity utilization at Pulse in the second half of 2004. These negative impacts on gross margin were partially offset by the higher capacity utilization at Pulse and AMI Doduco in the first half of 2004 versus the comparable period in 2003. Selling, General and Administrative Expenses. Total selling, general and administrative expenses for the year ended December 31, 2004 increased $10.6 million to $109.8 million from $99.2 million, for the year ended December 26, 2003. As a percentage of net sales, selling, general and administrative expenses was 18.9% in the year ended

December 31, 2004 versus 19.5% in the comparable period, or a decrease of 0.6%. Increased spending was a result of increased variable costs such as selling commissions and stock compensation expense due to a higher average share price in 2004, partially offset by restructuring actions that we took over the last year to reduce expenses and tighten spending controls. Selling expense and stock compensation expense, in particular, were $2.8 million and $1.1 million higher, respectively, in 2004 versus the comparable period in 2003. European expenses that are 22 denominated in euros were translated to a higher level of U.S. dollars at the higher euro-to-dollar exchange rate in 2004. Increased spending was also a result of the inclusion of FRE expenses in our consolidated results from the time we acquired a controlling interest in September 2004. Research, development and engineering expenses are included in selling, general and administrative expenses. We refer to research, development and engineering expenses as RD&E. For the year ended December 31, 2004 and December 26, 2003 respectively, RD&E by segment was as follows (dollars in thousands): 2004 2003 ---- ---- Pulse $18,420 $14,439 Percentage of segment sales 5.8% 4.9% AMI Doduco 4,182 $4,030 Percentage of segment sales 1.6% 1.9% Higher RD&E spending in 2004 at Pulse includes additional investments in our China Development Center, inclusion of FRE RD&E beginning in September 2004 and higher U.S. dollar reported spending of RD&E expenses incurred in euros. We believe that future sales in the electronic components markets will be driven by next-generation products. Design and development activities with our OEM customers continued at an aggressive pace during 2004 and into 2005. Severance and Asset Impairment Expense. Total severance and asset impairment expense for the year ended December 31, 2004 increased $18.8 million, to $27.9 million from $9.0 million for the year ended December 26, 2003. The increase in the 2004 period is attributable to $18.5 million of intangible impairments related to Eldor and Excelsus acquired intangibles, and $0.4 million for other acquired intangibles. These intangible asset impairments resulted from updated cash flow projections relating to technology and customer relationships, and reflect, among other things, shifting product mixes, changes among major customers and continuing pressures on selling prices in the consumer and telecommunication product division of the Pulse segment. In the year ended December 31, 2004, we accrued $9.0 million for severance and related payments comprised of $3.1 million related to AMI Doduco's termination of manufacturing and personnel at a facility in Germany, $2.7 million related to the termination of manufacturing and support personnel at an AMI Doduco facility in France, $1.5 million to write-down the value of certain Pulse fixed assets to their disposal values, $0.8 million related to Pulse's shutdown of a facility in Carlsbad, California and $0.9 million for other severances in various locations. The vast majority of these accruals will be utilized by the end of the second quarter in 2005. In the year ended December 26, 2003, we accrued $9.0 million in the aggregate for severance and related payments and asset impairments. At Pulse, we accrued $1.5 million for the elimination of certain manufacturing and support positions located in France, the United Kingdom, Mexico and the PRC and $0.7 million for other facility exit costs. We additionally accrued $1.9 million for shutdown of Pulse's manufacturing facility in Mexico and $0.5 million to write-down the carrying cost of Pulse's facility in the Philippines which is held for sale. At AMI Doduco, we accrued $2.9 million for the elimination of certain manufacturing positions principally located in North America and Germany and $1.5 million to complete the shutdown of a redundant facility in Spain that we acquired from Engelhard-CLAL in 2001. The majority of these accruals were utilized by the end of 2004. Interest. Net interest expense was $0.3 million for the year ended December 31, 2004 compared to net interest expense of $0.8 million for the year ended December 26, 2003. The average higher balance of invested cash in 2004 over the comparable period in 2003, at a similar interest income yield, resulted in slightly lower net interest expense. Recurring aggregate components of interest expense, such as silver leasing fees, interest on bank debt and bank commitment fees, approximated those of 2003. Other Income (Expense). Other income (expense) was $2.0 million of income for the year ended December 31, 2004 versus $0.6 million of expense for the year ended December 26, 2003. The change is attributable to a gain of $1.1 million related to the settlement of equity rights arising from the 2001 acquisition of the Engelhard-CLAL electrical contacts business for the year ended December 31, 2004 and $1.4 million more in foreign exchange losses during the year ended December 26, 2003 compared to 2004. Equity Earnings in Minority-Owned Investments. Equity earnings in minority-owned investments were $0.8 million of income for the year ended December 31, 2004 versus an $8.7 million loss for the year ended December 26, 2003. The net loss in 2003 included a $9.3 million charge to the original cost basis of our investment, offset by $0.6 23 million of equity method investment earnings in 2003. Since we acquired control of FRE in September 2004, we consolidate FRE's results, and we no longer record equity earnings from FRE. Rather, the full consolidation of FRE and related minority interest expense is now reflected in our financial statements. Income Taxes. The effective income tax rate for the year ended December 31, 2004 was 31% compared to

20% for the year ended December 26, 2003. The higher tax rate in 2004 resulted from a higher proportion of income being attributable to high-tax jurisdictions, the impact of non-deductible restructuring expenses in high-tax jurisdictions and the tax effects of intangible asset impairments. Minority Interest. Minority interest was $0.7 million of expense for the year ended December 31, 2004. Since the date we acquired control of FRE on September 13, 2004, we began consolidating FRE's results with our own. The net earnings attributable to the minority interest are reflected as minority interest expense in the year ended December 31, 2004. Year ended December 26, 2003 compared to the year ended December 27, 2002 Net Sales. Net sales for the year ended December 26, 2003 increased $102.8 million, or 25.3%, to $509.2 million from $406.4 million in the year ended December 27, 2002. Our sales increase from the comparable period last year was primarily attributable to the increases from the Eldor acquisition and stronger sales of Pulse's legacy products, tempered by ongoing pressure on selling prices at Pulse, and to a lesser extent, weaker demand at AMI Doduco, which resulted in lower sales of electrical contacts and contact materials on a constant-euro basis. Pulse's net sales increased $89.5 million, or 43.7%, to $294.1 million for the year ended December 26, 2003 from $204.6 million in the year ended December 27, 2002. Most of the increase is attributable to sales of Eldor since the date of acquisition in January 2003. Increased unit revenues in many Pulse legacy product lines were somewhat offset by our average selling price declines. AMI Doduco's net sales increased $13.4 million, or 6.6%, to $215.2 million for the year ended December 26, 2003 from $201.8 million in the year ended December 27, 2002. Sales in the 2003 period reflect weak North American and European markets, which were more than offset by the positive translation effect of an increase in the average euro-to-U.S. dollar exchange rate during the period. Lower net sales in local currencies, primarily euros, resulted from lower manufacturing activity by customers in the commercial and industrial machinery and non-residential construction end markets. Cost of Sales. Our cost of sales increased $66.1 million, or 21.3%, to $375.9 million for the year ended December 26, 2003 from $309.9 million for the year ended December 27, 2002, which did not include Pulse's Consumer Division. Our consolidated gross margin for the year ended December 26, 2003 was 26.2% compared to 23.8% for the year ended December 27, 2002. Our consolidated gross margin was positively affected by: o a mix of net sales weighted more toward Pulse, whose products typically have a higher gross margin than those of AMI Doduco, o the addition of the Pulse Consumer Division products, which typically have a higher gross margin than AMI Doduco products and some Pulse legacy products, and o better capacity utilization and lower per-unit overhead costs at Pulse in 2003 than in 2002. These positive impacts on gross margin in 2003 were partially offset by manufacturing inefficiencies at AMI Doduco due to under-utilization of capacity and continued consolidation activities among European, Asian and North American manufacturing facilities. Selling, General and Administrative Expenses. Total selling, general and administrative expenses for the year ended December 26, 2003 increased $9.9 million, or 11.1%, to $99.2 million or 19.5% of net sales, from $89.3 million or 22.0% of net sales, for the year ended December 27, 2002. The increase in the 2003 period compared to the 2002 period is primarily attributable to an increase of $4.2 million in incentive and stock compensation expense reflecting higher levels of profitability, and $2.4 million of intangible asset amortization related to the Eldor acquisition. The addition of Eldor expenses and the higher translated U.S. dollar cost of euro-denominated expenses were partially offset by savings achieved from restructuring actions that we took over the past year to reduce costs and tighten spending. 24 Research, development and engineering expenses are included in selling, general and administrative expenses. We refer to research, development and engineering expenses as RD&E. For the year ended December 26, 2003 and December 27, 2002 respectively, RD&E by segment was as follows (dollars in thousands): 2003 2002 -------- Pulse $14,439 $13,892 Percentage of segment sales 4.9% 6.8% AMI Doduco $4,030 $3,903 Percentage of segment sales 1.9% 1.9% Although some consolidation of RD&E, particularly design activity, has occurred through restructuring and relocation activities at Pulse, we have minimized spending cuts in the RD&E area as we believe that future sales in the electronic components markets will be driven by next-generation products. Design and development activities with our OEM customers continued at an aggressive pace during 2003. The change in RD&E as a percentage of sales at Pulse relates to the effect of the acquisition of Eldor, as Eldor incurs lower RD&E costs relative to its sales as compared to Pulse legacy products. Severance and Asset Impairment Expense. During 2003, we accrued $9.0 million in the aggregate for severance and related payments and asset impairments. At Pulse, we accrued $1.5 million for the elimination of certain manufacturing and support positions located in France, the United Kingdom, Mexico and China and $0.7 million for other facility exit costs. We additionally accrued $1.9 million for shutdown of Pulse's manufacturing facility in Mexico and $0.5 million to write-down carrying cost of Pulse's facility in the Philippines which is held for sale. At AMI Doduco, we accrued $2.9 million for the elimination of certain

manufacturing positions principally located in North America and Germany and $1.5 million to complete the shutdown of a redundant facility in Spain that we acquired from Engelhard-CLAL in 2001. The majority of these accruals were utilized by the end of 2004. During 2002, we announced the closure of our production facility in the Philippines. The production at this facility was transferred to other Pulse facilities in Asia. We recorded charges of $3.8 million for this plant closing, comprising $1.4 million for severance and related payments and $2.4 million for asset writedowns. The majority of this accrual was utilized by the end of 2002. We also adopted other restructuring plans during 2002. In this regard, we recorded provisions of $5.9 million for personnel reductions, and substantially all of the employee severance and related payments in connection with these actions were completed as of December 31, 2004. An additional provision of $7.0 million was recorded in 2002 related to asset writedowns. These assets were primarily Asian-based production equipment which became idle in 2002. During 2002, we also recorded an impairment charge of $32.1 million of the value assigned to the Excelsus tradename, before a $12.8 million tax benefit. Interest. Net interest expense was $0.8 million for the year ended December 26, 2003 compared to net interest expense of $0.1 million for the year ended December 27, 2002. The increase in net interest expense in the current period is due to lower yields on a lower average cash invested balance, which more than offset higher average outstanding bank debt and related interest expense in the prior year period. Bank debt in 2002 consisted of euro-denominated term loans which were paid off in July 2002, and credit facility debt from the Excelsus acquisition which was paid off in April 2002. Net interest expense also includes interest on our precious metal leases and commitment fees on our unused credit facility. Income Taxes. The effective income tax rate for the year ended December 26, 2003 was 20.0% compared to 30.8% in the form of a benefit for the year ended December 27, 2002. While the prior year's rate reflects a tax benefit recorded in connection with the trade name impairment write-off, the tax rate in 2003 resulted from a higher portion of income being attributable to low-tax jurisdictions, combined with restructuring expenses of AMI Doduco which yielded tax benefits in high-tax jurisdictions. Equity method investment loss. We acquired 19.5% of Full Rise Electronic Co., Ltd. ("FRE") in 2001, and an additional 10% in 2002. Shares of FRE began trading on the Taiwan Stock Exchange in January of 2003, and they have experienced considerable price volatility. We recorded a net loss on equity method investments of $8.7 million for the year ended December 26, 2003 compared to equity method investments earnings of $0.3 million for the year ended December 27, 2002. The net loss in 2003 resulted from a $9.3 million charge to the original cost basis of our investment, offset by $0.6 million of equity method investment earnings in 2003. As of December 26, 2003, we maintained an option to acquire a controlling interest in FRE at its market value at the time of exercise which we did exercise in fiscal 2004. See additional information in Note 2 of Notes to Consolidated Financial Statements. 25 Liquidity and Capital Resources Working capital as of December 31, 2004 was $238.9 million, compared to $199.8 million as of December 26, 2003. This increase of $39.1 million was primarily due to increases in cash and cash equivalents, trade receivables, and inventories which were partially offset by increases in accounts payable and short-term debt. The inclusion of FRE in our consolidated balance sheet accounted for $12.2 million of the increase in working capital. Cash and cash equivalents, which are included in working capital, increased from $143.4 million as of December 26, 2003 to $156.0 million as of December 31, 2004. Net cash provided by operating activities was $33.3 million for the year ended December 31, 2004 and $55.2 million in the comparable period of 2003, a decrease of $21.9 million. This decrease was attributable to working capital increases attributable to higher inventory, lower accounts payable and lower accrued expenses. We present our statement of cash flows using the indirect method as permitted under Financial Accounting Standards Board Statement No. 95, Statement of Cash Flows. Our management has found that investors and analysts typically refer to changes in accounts receivable, inventory, and other components of working capital when analyzing operating cash flows. Also, changes in working capital are more directly related to the way we manage our business for cash flow than are items such as cash receipts from the sale of goods, as would appear using the direct method. Capital expenditures were $11.0 million during the year ended December 31, 2004 and $7.8 million in the comparable period of 2003. The increase of $3.2 million in the 2004 period compared to 2003 was due primarily to higher expenditures at the Pulse Consumer Division and FRE. We make capital expenditures to expand production capacity and to improve our operating efficiency. We plan to continue making such expenditures in the future as and when necessary. We used $5.1 million for acquisitions during the year ended December 31, 2004, which is net of $11.7 million of cash held by FRE that was included in our consolidated financial statements as of September 13, 2004. The current year expenditures related to the acquisition by Pulse of a plastics fabrication operation in the People's Republic of China for $3.6 million and an additional equity investment in FRE for $13.2 million. We used

$83.9 million cash for acquisitions in the comparable period of 2003, primarily for the purchase of Eldor's consumer electronics division in January 2003. We may acquire other businesses or product lines to expand our breadth and scope of operations. We did not declare or pay cash dividends on our common stock in fiscal 2004 or 2003. On February 2, 2005 we announced a quarterly cash dividend of $0.0875 per common share, payable on April 22, 2005 to shareholders of record on April 8, 2005. This quarterly dividend is expected to result in a cash payment to shareholders of approximately $3.5 million in the second quarter of 2005. Annualized, the amount of the dividend represents a yield of approximately 2% of the price of one common share at the close of trading on February 1, 2005. We entered into a new credit agreement on June 17, 2004 providing for $125.0 million of credit capacity. The facility consists of an aggregate U.S. dollar-equivalent revolving line of credit in the principal amount of up to $125.0 million, which provides for borrowings in multiple currencies including but not limited to U.S. dollars and euros, including individual sub-limits of: - a U.S. dollar-based swing-line loan not to exceed $10.0 million; and - a multicurrency facility providing for the issuance of letters of credit in an aggregate amount not to exceed the U.S. dollar equivalent of $15.0 million. The credit agreement permits us to request one or more increases in the total commitment not to exceed $75.0 million, provided the minimum increase is $25.0 million, subject to bank approval. The total amount outstanding under the credit facility may not exceed $125.0 million, provided we do not request an increase in total commitment as noted above. In any event, outstanding borrowings are limited to a maximum of three times our earnings before interest, taxes depreciation and amortization (EBITDA), as defined by the credit agreement, on a rolling twelve-month basis as of the most recent quarter-end. The credit facility contains covenants specifying a maximum debt-to-EBITDA ratio, minimum interest expense coverage, capital expenditure limitations, and other customary and normal provisions. We are in compliance with all such covenants. As of December 31, 2004, we have no outstanding borrowings under our existing three-year revolving credit agreement. 26 We pay a commitment fee on the unborrowed portion of the commitment, which ranges from 0.175% to 0.300% of the total commitment, depending on our debt-to-EBITDA ratio, as defined above. The interest rate for each currency's borrowing will be a combination of the base rate for that currency plus a credit margin spread. The base rate is different for each currency. The credit margin spread is the same for each currency and is 0.750% to 1.500%, depending on our debt-to-EBITDA ratio, as defined above. Each of our domestic subsidiaries with net worth equal to or greater than $5 million guarantees all obligations incurred under the credit facility. We also have an obligation outstanding due in August 2009 under an unsecured term loan agreement in Germany for the borrowing of approximately 5.1 million euros. At December 31, 2004, we included $6.7 million of outstanding debt of Full Rise Electronic Co., Ltd. in connection with our consolidation of FRE's financial statements. FRE has a total credit limit of approximately $15.5 million in U.S. dollar equivalents as of December 31, 2004. Neither Technitrol, nor any of its subsidiaries, has guaranteed or otherwise participated in the credit facilities of FRE. We had three standby letters of credit outstanding at December 31, 2004 in the aggregate amount of $1.5 million securing transactions entered into in the ordinary course of business. We had commercial commitments outstanding at December 31, 2004 of approximately $83.4 million due under precious metal consignment-type leases. This represents an increase of $22.8 million from the $60.6 million outstanding as of December 26, 2003 and is attributable to volume increases and higher average silver prices during 2004. As of December 31, 2004, future payments related to contractual obligations were as follows (in thousands): Amounts due by period Total Less than 1 year 1 to 3 years 3 to 5 years Thereafter ----- --------------- ------------ ------------ ---------- Debt $13,972 $ 6,847 $ 188 $ 6,937 $ 0 Operating leases 26,285 7,613 8,142 3,865 6,665 ------- ------- ------ ------- ------ Total $40,257 $14,460 $8,330 $10,802 $6,665 We believe that the combination of cash on hand, cash generated by operations and, if necessary, borrowings under our credit agreement will be sufficient to satisfy our operating cash requirements in the foreseeable future. In addition, we may use internally generated funds or obtain borrowings or additional equity offerings for acquisitions of suitable businesses or assets. All retained earnings are free from legal or contractual restrictions as of December 31, 2004, with the exception of approximately $14.0 million of retained earnings primarily in the PRC, that are restricted in accordance with Section 58 of the PRC Foreign Investment Enterprises Law. Included in the $14.0 million is $1.8 million of retained earnings of FRE of which we own 51%. The amount restricted in accordance with the PRC Foreign Investment Enterprise Law is applicable to all foreign investment enterprises doing business in the PRC. The restriction applies to 10% of our net earnings in the PRC, limited to 50% of the total capital invested in the PRC. We have not experienced any significant liquidity restrictions in any country in which we operate and none are foreseen. However, foreign exchange ceilings imposed by local governments and the sometimes lengthy approval processes which foreign governments require for

international cash transfers may delay our internal cash movements from time to time. The retained earnings in other countries represent a material portion of our assets. We expect to reinvest these earnings outside of the United States because we anticipate that a significant portion of our opportunities for growth in the coming years will be abroad. If these earnings were brought back to the United States, significant tax liabilities could be incurred in the United States as several countries in which we operate have tax rates significantly lower than the U.S. statutory rate. Additionally, we have not accrued U.S. income and foreign withholding taxes on foreign earnings that have been indefinitely invested abroad. On October 22, 2004, the American Jobs Creation Act ("AJCA") was signed into law. The AJCA introduced a limited-time 85% dividends-received deduction on the repatriation of certain foreign earnings. This deduction would result in a federal tax rate of approximately 5.25% on the repatriated earnings. To qualify for the deduction, the earnings must be reinvested in the United States pursuant to a domestic reinvestment plan established by a company's chief executive officer and approved by the company's board of directors. Additionally, certain other criteria, as outlined in the AJCA, must also be met. We may elect to apply this provision to qualifying earnings repatriations in fiscal 2005. We have begun an evaluation of the possible effects of the repatriation provision. For 27 our business, however, we do not expect to be able to complete this evaluation until after the U.S. Congress or the Treasury Department provides additional clarifying language on key elements of the provision. In January 2005, the Treasury Department began to issue the first of a series of clarifying guidance documents related to this provision. We expect to complete our evaluation of the effects of the repatriation provision within a reasonable period of time following the publication of the additional clarifications. The amount that we are considering for repatriation under this provision ranges from zero to approximately $125.0 million. While we estimate that the related potential range of additional income tax is between zero and $10.1 million, this estimation is subject to change following technical correction legislation that we believe is forthcoming from the U. S. Congress. The amount of additional income tax expense would be reduced by the part of the eligible dividend that is attributable to foreign earnings on which a deferred tax liability had been previously accrued. New Accounting Pronouncements In December 2004, the FASB issued SFAS No 123 (revised 2004), Share-Based Payment, ("SFAS No. 123(R)"), which amends SFAS No. 123, Accounting for Stock-Based Compensation, and supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees. SFAS No. 123(R) requires compensation expense to be recognized for all share-based payments made to employees based on the fair value of the award at the date of grant, eliminating the intrinsic value alternative allowed by SFAS No. 123. Generally, the approach to determining fair value under the original pronouncement has not changed, however, there are revisions to the accounting guidelines established, such as accounting for forfeitures. Adoption of this standard is not expected to have a material impact on our revenue, operating results, financial position or liquidity. In December 2004, the FASB issued FASB Staff Position No. FAS 109-2 ("FAS 109-2"), Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creations Act of 2004. As noted above, the AJCA introduces a limited time 85% dividends received deduction on the repatriation of certain foreign earnings to a U.S. taxpayer (repatriation provision), provided certain criteria are met. FAS 109-2 provides accounting and disclosure guidance for the repatriation provision. Although FAS 109-2 is effective immediately, we do not expect to be able to complete our evaluation of the repatriation provision until after Congress or the Treasury Department provides additional clarifying language on key elements of the provision. In November 2004, the FASB issued Statement No. 151, Inventory Costs or Amendment of ARB No.43, Chapter 4 ("SFAS 151"). SFAS 151 provides for certain fixed production overhead cost to be reflected as a period cost and not capitalized as inventory. SFAS 151 is effective for the beginning of our fiscal 2006. Adoption of this standard is not expected to have a material impact on our revenue, operating results, financial position or liquidity. Item 7a Quantitative and Qualitative Disclosures about Market Risk Interest Rate Risk Our financial instruments, including cash and cash equivalents and long-term debt, are exposed to changes in interest rates in both the U.S. and abroad. We invest our excess cash in short-term, investment-grade interest-bearing securities. We generally limit our exposure to any one financial institution to the extent practical. Our board has adopted policies relating to these risks and continually monitors compliance with these policies. Our existing credit facility has variable interest rates. Accordingly, interest expense may increase if we borrow and if the rates associated with our borrowings move higher. In addition, we may pursue additional or alternative financing for growth opportunities in one or both segments. We may use interest rate swaps or other financial derivatives in order to manage the risk associated with changes in market interest rates. However, we have not used any of these instruments to date. The table below presents principal amounts in U.S. dollars (or equivalent U.S. dollars with respect to non-U.S. denominated debt) and related weighted

average interest rates by year of maturity for our foreign debt obligations. The column captioned "Approximate Fair Value" sets forth the carrying value of our long-term debt as of December 31, 2004, which approximates our fair value at such date after taking into consideration current rates offered to us for similar debt instruments of comparable maturities. We do not hold or issue financial instruments or derivative financial instruments for trading purposes (dollars in thousands): 28 Approx. There- Fair 2005 2006 2007 2008 2009 after Total Value ---- ---- ---- ---- ---- ------ ----- ----- Liabilities Short-term debt -------------- Fixed rate: U.S. Dollar $2,698 $2,698 $2,698 Taiwan New Dollars(1) $ 933 $ 933 $ 933 Renminbi (1) $2,087 $2,087 $2,087 Weighted average interest rate 3.17% Variable rate: U.S. Dollar $1,000 $1,000 $1,000 Weighted average interest rate 1.92% Long-term debt ------------- Fixed rate: Euro (1) $ 130 $143 $45 $6,937 $7,255 $7,255 Weighted average interest rate 9.02% 9.02% 9.02% 5.65% (1) U.S. dollar equivalent Foreign Currency Risk As of December 31, 2004, substantially all of our cash was denominated in U.S. dollars. However, we conduct business in various foreign currencies, including those of emerging market countries in Asia as well as European countries. We utilize derivative financial instruments, primarily forward exchange contracts in connection with fair value hedges, to manage foreign currency risks. In accordance with SFAS 133, gains and losses related to fair value hedges are recognized in income along with adjustments of carrying amounts of the hedged items. Therefore, all of our forward exchange contracts are marked-to-market, and unrealized gains and losses are included in current period net income. These contracts guarantee a predetermined rate of exchange at the time the contract is purchased. This allows us to shift the majority of the risk of currency fluctuations from the date of the contract to a third party for a fee. We believe there are two potential risks of holding these instruments. The first is that the foreign currency being hedged could move in a direction which could create a better economic outcome than if hedging had not taken place. The second risk is that the counterparty to a currency hedge defaults on its obligations. We reduce the risk of counterparty default by entering into relatively short-term hedges with well capitalized and highly rated banks. In determining the use of forward exchange contracts, we consider the amount of sales and purchases made in local currencies, the type of currency and the costs associated with the contracts. As of December 31, 2004, we had one foreign currency forward contract outstanding to sell forward 58.8 million euro in order to hedge intercompany loans. The term of this contract was 30 days. The table below provides information about our other non-derivative, non-U.S. dollar denominated financial instruments and presents the information in equivalent U.S. dollars. Amounts set forth under "Liabilities" represent principal amounts and related weighted average interest rates by year of maturity for our foreign currency debt obligations. The column captioned "Approximate Fair Value" sets forth the carrying value of our foreign currency long-term debt as of December 31, 2004, which approximates our fair value at such date after taking into consideration current rates offered to us for similar debt instruments of comparable maturities (dollars in thousands): 29 Approx. There- Fair 2005 2006 2007 2008 2009 after Total Value ---- ---- ---- ---- ---- ----- ----- ----- Assets Cash and equivalents Variable rate: Euro (1) $10,656 $10,656 $10,656 Other currencies (1) $ 9,847 $ 9,847 $ 9,847 Liabilities Short-term debt Fixed rate: Taiwan New Dollars(1) $ 933 $ 933 $ 933 Renminbi(1) $ 2,087 $ 2,087 $ 2,087 Weighted average interest rate 3.17% Variable rate: U.S. Dollar $ 1,000 $ 1,000 $ 1,000 Weighted average interest rate 3.40% Long-term debt Fixed rate: Euro (1) $ 130 $143 $45 $6,937 $ 7,255 $ 7,255 Weighted average interest rate 9.02% 9.02% 9.02% 5.65% (1) U.S. dollar equivalent Item 8 Financial Statements and Supplementary Data Information required by this item is incorporated by reference from the Independent Auditors' Report found on page 35 and 36, and from the consolidated financial statements and supplementary schedule on pages 37 through 62. Item 9 Changes in and Disagreements with Accountants on Accounting and Financial Disclosure None Item 9a Controls and Procedures Evaluation of Disclosure Controls and Procedures Based on their evaluation as of December 31, 2004, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) were sufficiently effective to ensure that the information required to be disclosed by us in this Annual Report on Form 10-K was recorded, processed, summarized and reported within the time periods specified in the SEC's rules and instruction for Form 10-K. Management's Report on Internal Control over Financial Reporting Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2004. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control-Integrated Framework. Based on this assessment, management has concluded that, as of December 31, 2004, our internal control over financial reporting is

effective. On September 13, 2004, the Company acquired additional shares of common stock in Full Rise Electronic Co., Ltd. (FRE) bringing the Company's cumulative ownership to 51%. Management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2004, FRE's internal 30 control over financial reporting, as of and for the year ended December 31, 2004. FRE's total assets and total revenues represent 6% and 2% respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2004. Our independent registered public accounting firm's audit of internal control over financial reporting also excluded an evaluation of the internal control over financial reporting of FRE. Our independent registered public accounting firm has issued an attestation report on management's assessment of our internal control over financial reporting, which is included in this report on page 35. Changes in Internal Control Over Financial Reporting There were no changes in our internal controls over financial reporting during the quarter ended December 31, 2004 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting. Limitations on the Effectiveness of Controls A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Item 9b Other Matters None 31 Part III Item 10 Directors and Executive Officers of the Registrant The disclosure required by this item is incorporated by reference to the sections entitled, "Directors and Executive Officers" and "Section 16(a) Beneficial Ownership Reporting Compliance" in our definitive proxy statement to be used in connection with our 2004 Annual Meeting of Shareholders. We make available free of charge within the Investor Information section of our Internet website, at www.technitrol.com, and in print to any shareholder who requests, our Statement of Principles Policy and all of our management charters. Requests for copies may be directed to Investor Relations, Technitrol, Inc., 1210 Northbrook Drive, Suite 470, Trevose, PA 19053-8406, or telephone 215-355-2900. We intend to disclose any amendments to our Statement of Principles Policy, and any waiver from a provision of our Statement of Principles Policy, on our Internet website within five business days following such amendment or waiver. The information contained on or connected to our Internet website is not incorporated by reference into this Form 10-K and should not be considered part of this or any other report that we file with or furnish to the SEC. Item 11 Executive Compensation The disclosure required by this item is incorporated by reference to the sections entitled, "Executive Compensation," "Retirement Plan," "Executive Employment Arrangements," "Compensation of Non-Employee Directors," "Board Stock Ownership," "Report of Executive Compensation Committee on Compensation Policies," "Compensation Committee Interlocks and Insider Participation," and "Comparison of Five-Year Cumulative Total Return" in our definitive proxy statement to be used in connection with our 2004 Annual Meeting of Shareholders. Item 12 Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters The disclosure required by this item is (i) included under Part II, Item 5, and (ii) incorporated by reference to the sections entitled, "Persons Owning More Than Five Percent of Our Stock" and "Stock Owned by Directors and Officers" in our definitive proxy statement to be used in connection with our 2004 Annual Meeting of Shareholders. Information as of December 31, 2004 concerning plans under which our equity securities are authorized for issuance are as follows: Number of shares to be issued upon exercise of options or grant of Weighted average Number of securities restricted shares or exercise price of remaining available Plan Category other incentive shares outstanding options for future issuance ------------ --- Equity compensation plans approved by security holders 5,960,000 $19.24 2,992,471 Equity compensation plans not approved by security holders 0 0 0 Total 5,960,000 $19.24 2,992,471 On May 15, 1981, our shareholders approved an incentive compensation plan (ICP) intended to

enable us to obtain and retain the services of employees by providing them with incentives that may be created by the Board of Directors Compensation Committee under the ICP. Subsequent amendments to the plan were approved by our shareholders including an amendment on May 23, 2001 which increased the total number of shares of our common stock which may be granted under the plan to 4,900,000 shares. Our 2001 Stock Option Plan and the Restricted Stock Plan II were adopted under the ICP. In addition to the ICP, plans approved by us include a 60,000 share Board of Director Stock Plan and an Employee Stock Purchase Plan. The maximum number of shares which may be issued under our Employee Stock Purchase Plan is 1,000,000 shares, provided, however, that such amount will be automatically increased annually beginning on August 1, 2002 in an amount equal to the lesser of (a) 200,000 shares or, (b) two percent (2%) of the outstanding common stock as of the last day of the prior fiscal year or alternatively (c) 32 such an amount as may be determined by our board of directors. In 2003, our board of directors determined that no increase for 2003 or 2004 should be made. During 2004, the operation of the ESPP was suspended following an evaluation of its affiliated expense and perceived value by employees. Of the 2,992,471 shares remaining available for future issuance, 266,249 shares are attributable to our Restricted Stock Plan, 812,099 shares are attributable to our Employee Stock Purchase Plan, and 14,634 shares are attributable to our Board of Director Stock Plan. Note 11 to the Consolidated Financial Statements contains additional information regarding our stock based compensation plans. Item 13 Certain Relationships and Related Transactions None Item 14 Principal Accountant Fees and Services The disclosure required by this item is incorporated by reference to the section entitled "Audit and Other Fees Paid to Independent Accountants" in our definitive proxy statement to be used in connection with our 2004 Annual Meeting of Shareholders. 33 Part IV Item 15 Exhibits and Financial Statement Schedule (a) Documents filed as part of this report Financial Statements Reports of Independent Registered Public Accounting Firm Consolidated Balance Sheets - December 31, 2004 and December 26, 2003 Consolidated Statements of Operations - Years ended December 31, 2004, December 26, 2003 and December 27, 2002 Consolidated Statements of Cash Flows - Years ended December 31, 2004, December 26, 2003 and December 27, 2002 Consolidated Statements of Changes in Shareholders' Equity - Years ended December 31, 2004, December 26, 2003 and December 27, 2002 Notes to Consolidated Financial Statements Financial Statement Schedule Schedule II, Valuation and Qualifying Accounts (b) Exhibits Information required by this item is contained in the "Exhibit Index" found on page 63 through 66 of this report. 34 REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM The Board of Directors and Stockholders Technitrol, Inc.: We have audited management's assessment, included in the accompanying Management`s Report on Internal Control over Financial Reporting appearing under Item 9A, that Technitrol, Inc. and subsidiaries (the "Company") maintained effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent

or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizaitons of the Treadway Commission (COSO). Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control-Integrated Framework issued by Committee of Sponsoring Organizaitons of the Treadway Commission (COSO). On September 13, 2004, the Company acquired additional shares of common stock in Full Rise Electronics Co. Ltd. ("FRE"), bringing the Company's cumulative ownership to 51%. Management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2004, FRE's internal control over financial reporting associated with 6% of the total assets and 2% of the total revenues included in the consolidated financial statements of the Company as of and for the year ended December 31, 2004. Our audit of internal control over financial reporting of the Company also excluded an evaluation of the internal control over financial reporting of FRE. We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Technitrol, Inc. and subsidiaries as of December 31, 2004 and December 26, 2003, and the related consolidated statements of operations, cash flows, and changes in shareholders' equity for each of the years in the three-year period ended December 31, 2004, and the related financial statement schedule, and our report dated February 25, 2005 expressed an unqualified opinion on those consolidated financial statements and the related financial statement schedule. /s/ KPMG LLP Philadelphia, Pennsylvania February 25, 2005 35 REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM The Board of Directors and Stockholders Technitrol, Inc.: We have audited the consolidated financial statements of Technitrol, Inc. and subsidiaries (the "Company") as listed in the accompanying index. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule as listed in the accompanying index. These consolidated financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and the financial statement schedule based on our audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Technitrol, Inc. and subsidiaries as of December 31, 2004 and December 26, 2003, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2004, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein. We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 25, 2005 expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting. As discussed in Note 11 to the consolidated financial statements, in 2003, the Company changed its method of accounting for equity compensation in accordance with Statement of Financial Accounting Standards No. 148, Accounting for Stock-Based Compensation, Transition and Disclosure. As discussed in Note 16 to the consolidated financial statements, in 2002, the Company changed its method of accounting for goodwill and other intangible assets in accordance with Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets. /s/ KPMG LLP Philadelphia, Pennsylvania February 25, 2005 36 Technitrol, Inc. and Subsidiaries Consolidated Balance Sheets December 31, 2004 and December 26, 2003 In thousands, except per share data Assets 2004 2003 ------ ---- ---- Current assets: Cash and cash equivalents $ 155,952 $ 143,448 Trade receivables, net 109,652 96,353 Inventories 77,481 63,086 Prepaid

expenses and other current assets 20,917 17,435 --------- --------- Total current assets 364,002 320,322 Property, plant and equipment 233,563 205,885 Less accumulated depreciation 131,387 117,836 --------- --------- Net property, plant and equipment 102,176 88,049 Deferred income taxes 8,898 12,457 Goodwill and other intangibles, net 148,863 153,083 Other assets 2,648 14,983 --------- --------- $ 626,587 $ 588,894 ========= ========= Liabilities and Shareholders' Equity Current liabilities: Current installments of long-term debt $ 130 $ 127 Short-term debt 6,717 -- Accounts payable 48,655 46,677 Accrued expenses 69,602 73,748 --------- --------- Total current liabilities 125,104 120,552 Long-term liabilities: Long-term debt, excluding current installments 7,125 6,710 Other long-term liabilities 14,766 12,882 Commitments and contingencies (Note 7) Minority interest 14,730 -- Shareholders' equity: Common stock: 175,000,000 shares authorized; 40,447,955 and 40,279,331 outstanding in 2004 and 2003, respectively; $.125 par value per share and additional paid-in capital 213,694 209,768 Retained earnings 239,752 232,824 Deferred compensation (1,968) (1,342) Other comprehensive income 13,384 7,500 --------- --------- Total shareholders' equity 464,862 448,750 --------- --------- $ 626,587 $ 588,894 ========= ========= See accompanying Notes to Consolidated Financial Statements. 37 Technitrol, Inc. and Subsidiaries Consolidated Statements of Operations Years ended December 31, 2004, December 26, 2003 and December 27, 2002 In thousands, except per share data 2004 2003 2002 ---- ---- ---- Net sales $ 582,314 $ 509,247 $ 406,354 Cost of sales 436,103 375,929 309,848 --------- --------- --------- Gross profit 146,211 133,318 96,506 Selling, general and administrative expenses 109,802 99,216 89,286 Severance and asset impairment expense 27,851 9,051 46,982 --------- --------- --------- Operating profit (loss) 8,558 25,051 (39,762) Other (expense) income: Interest income 1,549 1,134 2,903 Interest expense (1,888) (1,958) (3,005) Other, net 2,009 (571) (580) Equity method investment earnings (loss) 787 (8,660) 300 --------- --------- --------- Earnings (loss) before taxes, minority interest, and cumulative effect of accounting change 11,015 14,996 (40,144) Income taxes (benefit) 3,432 3,008 (12,345) Minority interest expense 655 -- -- --------- --------- --------- Net earnings (loss) before cumulative effect of accounting change 6,928 11,988 (27,799) Cumulative effect of accounting change, net of income taxes -- -- (15,738) --------- --------- --------- Net earnings (loss) $ 6,928 $ 11,988 $ (43,537) ========= ========= ========= Basic earnings (loss) per share before cumulative effect of accounting change $ .17 $ .30 $ (.75) Cumulative effect of accounting change, net of income taxes -- -- (.42) --------- --------- --------- Basic earnings per share $ .17 $ .30 $ (1.17) ========= ========= ========= Diluted earnings (loss) per share before cumulative effect of accounting change $ .17 $ .30 $ (.75) Cumulative effect of accounting change, net of income taxes -- -- (.42) --------- --------- --------- Diluted earnings (loss) per share $ .17 $ .30 $ (1.17) ========= ========= ========= See accompanying Notes to Consolidated Financial Statements. 38 Technitrol, Inc. and Subsidiaries Consolidated Statements of Cash Flows Years ended December 31, 2004, December 26, 2003 and December 27, 2002 In thousands 2004 2003 2002 ---- ---- ---- Cash flows from operating activities: Net earnings (loss) $ 6,928 $ 11,988 $ (43,537) Adjustments to reconcile net earnings (loss) to net cash provided by operating activities: Depreciation and amortization 24,188 23,615 19,770 Tax effect of stock compensation (117) (123) 406 Amortization of stock incentive plan expense 3,482 2,114 1,403 Minority interest in net earnings of consolidated subsidiary 655 -- -- Loss on disposal or sale of assets 941 1,882 7,027 Cumulative effect of accounting change, net of taxes -- -- 15,738 Intangible asset impairment, net of taxes 16,301 -- 19,260 Deferred taxes (2,553) (1,950) (1,726) Severance and asset impairment expense, net of cash payments (excluding loss on disposal of assets and intangible asset impairments, net of taxes) 1,881 1,841 1,326 Equity method investment (earnings) loss (787) 8,660 (300) Inventory write-downs 6,106 5,936 2,212 Changes in assets and liabilities, net of effect of acquisitions and divestitures: Trade receivables 3,811 617 1,540 Inventories (12,106) 4,211 2,978 Prepaid expenses and other current assets (52) 2,139 (1,007) Accounts payable (7,726) 391 2,987 Accrued expenses (5,023) (5,493) (5,325) Other, net (2,624) (669) (1,962) --------- --------- --------- Net cash provided by operating activities 33,305 55,159 20,790 --------- --------- --------- Cash flows from investing activities: Acquisitions, net of cash acquired of $11,700 and $2,000 in 2004 and 2003, respectively (5,088) (83,860) (6,708) Capital expenditures, excluding acquisitions (10,992) (7,751) (5,755) Proceeds from sale of property, plant and equipment 1,001 482 1,695 Foreign currency impact on intercompany lending (6,407) (12,235) (7,124) --------- --------- --------- Net cash used in investing activities (21,486) (103,364) (17,892) --------- --------- --------- Cash flows from financing activities: Principal payments on long-term debt (152) (11,688) (75,318) Long-term borrowings 39 -- -- Dividends paid -- -- (1,137) Exercise of stock options 23 88 -- Sale of stock through employee stock purchase plan 652 951 1,351 Net proceeds from follow-on offering -- -- 134,700 --------- --------- --------- Net cash provided by (used in) financing activities 562 (10,649) 59,596 --------- --------- --------- Net effect of exchange rate changes on cash 123 (2,773) 314 --------- --------- --------- Net increase

(decrease) in cash and cash equivalents 12,504 (61,627) 62,808 --------- --------- Cash and cash equivalents at beginning of year 143,448 205,075 142,267 --------- --------- --------- Cash and cash equivalents at end of year $ 155,952 $ 143,448 $ 205,075 ========= ========= ========= See accompanying Notes to Consolidated Financial Statements. 39 Technitrol, Inc. and Subsidiaries Consolidated Statements of Changes in Shareholders' Equity Years ended December 31, 2004, December 26, 2003 and December 27, 2002 In thousands, except per share data Other ------------------------ Accumu- lated other Common stock and compre- Compre- paid-in capital Deferred hensive hensive -------------- Retained compen- income income Shares Amount earnings sation (loss) (loss) ------ ------ -------- ------ ------ ------ Balance at December 28, 2001 33,683 $ 70,184 $ 264,373 $(2,430) $ (2,578) Stock options, awards and related compensation 26 392 -- 1,253 -- Tax effect of stock compensation -- 406 -- -- -- Stock issued under employee stock purchase plan 73 1,351 -- -- -- Follow-on offering 6,348 134,700 -- -- -- Currency translation adjustments -- -- -- -- (1,737) $ (1,737) Net loss -- -- (43,537) -- -- (43,537) -------- Comprehensive loss $(45,274) --------- --------- --------- -------- -------- ======== Balance at December 27, 2002 40,130 $ 207,033 $ 220,836 $(1,177) $ (4,315) Stock options, awards and related compensation 79 1,906 -- (165) -- Tax effect of stock compensation -- (123) -- -- -- Stock issued under employee stock purchase plan 70 952 -- -- -- Currency translation adjustments -- -- -- -- 11,815 $ 11,815 Net earnings -- -- 11,988 -- -- 11,988 -------- Comprehensive income $ 23,803 --------- --------- --------- -------- -------- ======== Balance at December 26, 2003 40,279 $ 209,768 $ 232,824 $(1,342) $ 7,500 Stock options, awards and related compensation 124 3,351 -- (626) -- Tax effect of stock compensation -- (117) -- -- -- Stock issued under employee stock purchase plan 45 692 -- -- -- Currency translation adjustments -- -- -- -- 6,039 $ 6,039 Minimum pension liability adjustment -- -- -- -- (158) (158) Unrealized holding gains on securities -- -- -- -- 3 3 Net earnings -- -- 6,928 -- -- 6,928 -------- Comprehensive income $ 12,812 --------- --------- --------- -------- -------- ======== Balance at December 31, 2004 40,448 $ 213,694 $ 239,752 $(1,968) $ 13,384 ======== ========= ========= ======= ======== See accompanying Notes to Consolidated Financial Statements. 40 Technitrol, Inc. and Subsidiaries Notes to Consolidated Financial Statements (1) Summary of Significant Accounting Policies Principles of Consolidation The consolidated financial statements include the accounts of Technitrol, Inc. and all of our subsidiaries. We sometimes refer to Technitrol as "we" or "our". All material intercompany accounts and transactions are eliminated in consolidation. Cash and Cash Equivalents Cash and cash equivalents include funds invested in a variety of liquid short-term investments with a maturity of three months or less. Inventories Inventories are stated at the lower of cost or market. Cost is determined by the first-in, first-out method. We establish inventory provisions to write-down excess and obsolete inventory to market value. Inventory that is written down to market in the ordinary course of business is not written back up after a write-down. Inventory provisions are utilized when the actual inventory is physically disposed. The provisions are determined by comparing quantities on-hand to historical usage and forecasted demand. Inventory reserves at December 31, 2004 and December 26, 2003 were $11.1 million and $10.4 million, respectively. Property, Plant and Equipment Property, plant and equipment are stated at cost. Depreciation is based upon the estimated useful life of the assets on both the accelerated and the straight-line methods. Estimated useful lives of assets range from 5 to 30 years for buildings and improvements and from 3 to 10 years for machinery and equipment. Expenditures for maintenance and repairs are charged to operations as incurred, and major renewals and betterments are capitalized. Upon sale or retirement, the cost of the asset and related accumulated depreciation are removed from our balance sheet, and any resulting gains or losses are included in earnings. Goodwill and Other Intangibles SFAS 142 requires that goodwill and intangible assets with indefinite useful lives be tested for impairment at least annually. SFAS 142 also requires that other intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS 144. We amortize other intangibles, except those with indefinite lives, on a straight-line basis over 2 to 20 years. We had approximately $126.2 million of goodwill and $22.7 million of other intangibles on our balance sheet as of December 31, 2004. We had approximately $112.9 million of goodwill and $40.2 million of other intangibles, as of December 26, 2003. See Note 2 and Note 16 for additional information regarding goodwill and other intangible assets. Revenue Recognition Revenue is recognized upon shipment of product and passage of title without right of return, after all performance factors have been met. We are not subject to any significant customer acceptance provisions. All product returns are deducted from net sales and are accrued for based on historical experience and Financial Accounting Standard No. 48, "Revenue Recognition When Right of Return Exists." Warranties are limited to rework, replacement of products and other normal remedies. We record an allowance for doubtful receivables. Accounts receivable allowances at December 31, 2004 and

December 26, 2003 were $1.7 million and $2.9 million, respectively. Stock-based Compensation In 2002, we accounted for stock-based compensation in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25). In 2003, we adopted SFAS 123 as amended by SFAS 148. Note 11 presents proforma results of operations as if FASB's Statement No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), had been used to account for stock-based compensation plans for 2002. 41 Technitrol, Inc. and Subsidiaries Notes to Consolidated Financial Statements (1) Summary of Significant Accounting Policies Foreign Currency Translation Certain of our foreign subsidiaries use the U.S. dollar as a functional currency and others use a local currency. For subsidiaries using the U.S. dollar as the functional currency, non-U.S. dollar monetary assets and liabilities are remeasured at year-end exchange rates while non-monetary items are remeasured at historical rates. Income and expense accounts are remeasured at the average rates in effect during the year, except for depreciation that is remeasured at historical rates. Gains or losses from changes in exchange rates are recognized in earnings in the year of occurrence. For subsidiaries using a local currency as the functional currency, net assets are translated at year-end rates while income and expense accounts are translated at average exchange rates. Adjustments resulting from these translations are reflected as currency translation adjustments in shareholders' equity. Financial Instruments and Derivative Financial Instruments The carrying value of our cash and cash equivalents, accounts receivable, short-term borrowings and accounts payable are a reasonable estimate of their fair value due to the short-term nature of these instruments. The carrying value of our long-term debt approximates our fair value after taking into consideration current rates offered for similar debt instruments of comparable maturities. The fair values of financial instruments have been determined through information obtained from quoted market sources and management estimates. We do not hold or issue financial instruments or derivative financial instruments for trading purposes. We are exposed to market risk from changes in interest rates, foreign currency exchange rates and precious metal prices. To mitigate the risk from these changes, we periodically enter into hedging transactions which have been authorized pursuant to our policies and procedures. In accordance with SFAS 133, gains and losses related to fair value hedges are recognized in income along with adjustments of carrying amounts of the hedged item. Therefore, all of our forward exchange contracts are marked-to-market, and unrealized gains and losses are included in current-period net income. At December 31, 2004 we had one foreign currency forward contract outstanding to sell forward 58.8 million of euro in order to hedge intercompany loans. At December 26, 2003, we had two foreign exchange contracts in place to sell forward approximately 70.6 million of euro in connection with hedging intercompany loans. Precious Metal Consignment-type Leases We had custody of inventories under consignment-type leases from suppliers of $83.4 million at December 31, 2004 and $60.6 million at December 26, 2003. The increase is the result of volume increase and higher silver prices at December 31, 2004 than at December 26, 2003. We have four consignment-type leases in place for sourcing all precious metals and the related inventory and liability are not recorded on our balance sheet. The agreements are generally one-year in duration and can be extended with annual renewals and either party can terminate the agreements with 30 days written notice. The primary covenant in each of the agreements is a prohibition against us creating security interests in the consigned metals. Included in interest expense for the year ended December 31, 2004 were consignment fees of $1.0 million. These consignment fees were $0.8 million and $1.4 million in the years ended December 26, 2003 and December 27, 2002, respectively. Estimates Our preparation of financial statements is in conformity with what generally accepted accounting principles require and we make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ significantly from those estimates. Reclassifications Certain amounts in the prior-year financial statements have been reclassified to conform with the current-year presentation. Also refer to Note 15 "Equity Method Investment". 42 Technitrol, Inc. and Subsidiaries Notes to Consolidated Financial Statements, continued (2) Acquisitions Full Rise Electronic Co., Ltd. (FRE): FRE is based in the Republic of China (Taiwan) and manufactures connector products, including single and multiple-port jacks, and supplies such products to us under a cooperation agreement. In April 2001, we made a minority investment in the common stock of FRE, which was accounted for by the cost-basis method of accounting. On July 27, 2002, we made an additional investment in FRE of $6.7 million which increased the total investment to $20.9 million. As a result of the increased ownership percentage to approximately 29%, we began to account for the investment under the equity method of accounting beginning in the three months ended September 27, 2002. Shares of FRE began trading on the Taiwan Stock Exchange in January 2003, and they experienced considerable price volatility. In the three months

ended December 26, 2003, we recorded an $8.7 million net loss to adjust our original cost basis of the investment to market value. In July 2004, we purchased an additional 9.0 million shares of common stock in FRE for $10.5 million. On September 13, 2004 we acquired an additional 2.4 million shares of common stock in FRE for $2.5 million, bringing our ownership percentage up to 51%. Accordingly, FRE's operating results are consolidated with our own beginning September 13, 2004. Our net earnings will therefore reflect our proportionate share of FRE's net earnings, after deducting the minority interest due to the minority shareholders. The fair value of the proportionate net tangible assets acquired through September 13, 2004 approximated $28.8 million, less a minority interest of $14.0 million. Based on the fair value of net tangible assets acquired, the preliminary allocation of the investment included $2.8 million of identifiable intangibles and $9.4 million of goodwill. These fair value allocations are preliminary, and are subject to adjustment. Eldor High Tech Wire Wound Components S.r.L.: In January 2003, we acquired all of the capital stock of Eldor High Tech Wire Wound Components S.r.L. (Eldor), headquartered in Senna Comasco, Italy with production operations in Izmir and Istanbul, Turkey. Eldor produces flyback transformers and switch mode transformers for the European television market. The purchase price was approximately $83.9 million, net of cash acquired, plus related acquisition costs and expenses. The fair value of net tangible assets acquired approximated $8.3 million. In addition to the fair value of assets acquired, purchase price allocations included $18.6 million for manufacturing know-how, $6.1 million for customer relationships, $1.5 million for tradenames and $21.8 million allocated to goodwill. All of the separately identifiable intangible assets will be amortized, with estimated useful lives of 20 years for manufacturing know-how, 8 years for customer relationships and 2 years for tradenames. The purchase price was funded with cash on hand. Eldor has formed the nucleus of a new consumer division at Pulse and is treated as a separate reporting unit for purposes of SFAS 142. Had the acquisition of Eldor occurred as of January 1, 2002, unaudited pro forma results would have been (dollars in millions, except per share amounts): Year Ended ---------- December 27, 2002 ----------------- Pro forma unaudited Net sales $ 485.1 Net earnings $ (40.8) Net earnings per common share: Primary $ (1.10) Fully diluted $ (1.10) The pro forma results reflect adjustments primarily for the increased amortization and interest expense attributable to the acquisition. Potential cost savings, however, from combining Eldor with our operations are not reflected. Therefore, the pro forma results are not indicative of the results that would have occurred had the acquisition actually been consummated on January 1, 2002, and are not intended to be a projection of future results or trends. 43 Technitrol, Inc. and Subsidiaries Notes to Consolidated Financial Statements, continued (3) Financial Statement Details The following provides details for certain financial statement captions at December 31, 2004 and December 26, 2003 (in thousands): 2004 2003 ---- ---- Inventories: Finished goods $ 27,394 $ 25,326 Work in progress 20,312 13,867 Raw materials and supplies 29,775 23,893 -------- -------- $ 77,481 $ 63,086 ======== ======== Property, plant and equipment, at cost: Land $ 4,771 $ 3,576 Buildings and improvements 44,492 38,825 Machinery and equipment 184,300 163,484 -------- -------- $233,563 $205,885 ======== ======== Accrued expenses: Income taxes payable $ 29,826 $ 30,063 Accrued compensation 15,610 17,613 Other accrued expenses 24,166 26,072 -------- -------- $ 69,602 $ 73,748 ======== ======== 44 Technitrol, Inc. and Subsidiaries Notes to Consolidated Financial Statements, continued (4) Debt At December 31, 2004 and December 26, 2003, short-term and long-term debt was as follows (in thousands): Short-term Debt Bank Loans 2004 2003 ---- ---- Fixed-rate, (2.1%) secured debt in China (denominated in US Dollars) due 2005 $1,000 $ -- Fixed-rate, (4.79%) unsecured debt in China (denominated in US Dollars) due 2005 870 -- Fixed-rate, (1.92%) unsecured debt in China (denominated in US Dollars) due 2005 823 -- Fixed-rate, (5.54%) unsecured debt in China (denominated in Renminbi) due 2005 1,850 -- Fixed-rate, (1.90%) unsecured debt in Taiwan (denominated in Taiwan New Dollars) due 2005 932 -- Fixed-rate, (5.84%) unsecured debt in China (denominated in Renminbi) due 2005 242 -- Variable-rate, (1.92%) unsecured debt in China (denominated in US Dollars) due 2005 1,000 -- ------ ------ Total short-term debt $6,717 $ -- ====== ====== Long-term Debt Bank Loans Fixed-rate, (5.65%) unsecured debt in Germany (denominated in euros) due August 2, 2009 6,937 6,367 Mortgage Notes, secured by mortgages on land, buildings, and certain equipment: 8.20% - 10.32% mortgage notes, due in monthly installments until 2007 318 470 ------ ------ Total long-term debt 7,255 6,837 Less current installments 130 127 ------ ------ Long-term debt excluding current installments $7,125 $6,710 ====== ====== 45 Technitrol, Inc. and Subsidiaries Notes to Consolidated Financial Statements, continued (4) Debt, continued We entered into a new credit agreement on June 17, 2004 providing for $125.0 million of credit capacity. The facility consists of an aggregate U.S. dollar-equivalent revolving line of credit in the principal amount of up to $125.0 million, which provides for borrowings in multiple currencies including but not limited to U.S. dollars and euros, including individual sub-limits of: - a U.S. dollar-based swing-line

loan not to exceed $10.0 million; and - a multicurrency facility providing for the issuance of letters of credit in an aggregate amount not to exceed the U.S. dollar equivalent of $15.0 million. The credit agreement permits us to request one or more increases in the total commitment not to exceed $75.0 million, provided the minimum increase is $25.0 million, subject to bank approval. The total amount outstanding under the credit facility may not exceed $125.0 million, provided we do not request an increase in total commitment as noted above. In any event, outstanding borrowings are limited to a maximum of three times our earnings before interest, taxes, depreciation and amortization (EBITDA), as defined by the credit agreement, on a rolling twelve-month basis as of the most recent quarter-end. The credit facility contains covenants specifying a maximum debt-to-EBITDA ratio, as defined above, minimum interest expense coverage, capital expenditure limitations, and other customary and normal provisions. We are in compliance with all such covenants. As of December 31, 2004, we have no outstanding borrowings under our existing three-year revolving credit agreement. We pay a commitment fee on the unborrowed portion of the commitment, which ranges from 0.175% to 0.300% of the total commitment, depending on our debt-to-EBITDA ratio, as defined above. The interest rate for each currency's borrowing will be a combination of the base rate for that currency plus a credit margin spread. The base rate is different for each currency. The credit margin spread is the same for each currency and is 0.750% to 1.500%, depending on our debt-to-EBITDA ratio as defined above. Each of our domestic subsidiaries with net worth equal to or greater than $5 million guarantees all obligations incurred under the credit facility. Our German subsidiary, AMI Doduco GmbH, has an obligation outstanding under a term loan agreement of approximately 5.1 million euro and the obligation is due in August 2009. We, including several of our subsidiaries, have guaranteed the obligations arising under this term loan agreement. At December 31, 2004, we included $6.7 million of outstanding debt of FRE in connection with our consolidation of FRE's financial statements. FRE has a total credit limit of approximately $15.5 million in U.S. dollar equivalents as of December 31, 2004. Neither Technitrol, nor any of its subsidiaries, has guaranteed or otherwise participated in the credit facilities of FRE. Principal payments due within the next five years, based on terms of our debt arrangements, are as follows (in thousands): 2005 $ 6,847 2006 143 2007 45 2008 -- 2009 6,937 Thereafter -- -------- $ 13,972 ======== 46 Technitrol, Inc. and Subsidiaries Notes to Consolidated Financial Statements, continued (5) Research, Development and Engineering Expenses Research, development and engineering expenses are included in selling, general and administrative expenses and were $22.6 million, $18.5 million and $17.8 million in 2004, 2003 and 2002, respectively, for continuing operations. RD&E includes costs associated with new product development, product and process improvement, engineering follow-through during early stages of production, design of tools and dies, and the adaptation of existing technology to specific situations and customer requirements. The research and development component of RD&E, which generally includes only those costs associated with new technology, new products or significant changes to current products or processes, was $16.5 million, $13.2 million and $12.1 million in 2004, 2003 and 2002, respectively. (6) Income Taxes Earnings (loss) before cumulative effect of accounting change and income taxes were as follows (in thousands): 2004 2003 2002 ---- ---- ---- Domestic $ (7,595) $ (7,451) $(40,044) Non-U.S 18,610 22,447 (100) -------- -------- -------- Total $ 11,015 $ 14,996 $(40,144) ======== ======== ======== Income tax (benefit) expense was as follows (in thousands): Current: 2004 2003 2002 -------- -------- -------- Federal $ 1,594 $ (3,377) $ 608 State and local (821) (196) (775) Non-U.S 5,212 8,531 2,387 -------- -------- -------- 5,985 4,958 2,220 Deferred tax (benefit) expense (2,553) (1,950) (14,565) -------- -------- -------- Net tax (benefit) expense $ 3,432 $ 3,008 $(12,345) ======== ======== ======== A reconciliation of the statutory federal income tax rate with the effective income tax rate was as follows: 2004 2003 2002 ---- ---- ---- Statutory federal income tax rate 35% 35% 35% Increase (decrease) resulting from: Tax-exempt earnings of subsidiary in Puerto Rico (5) (5) 1 State and local income taxes, net of federal tax effect (2) (2) 5 Non-deductible expenses and other 7 -- -- Non-U.S. income subject to U.S. income tax 16 17 (5) Foreign (21) (13) (8) Research and development and other tax credits 1 (12) 3 ---- ---- ---- Effective tax rate 31% 20% 31% ==== ==== ==== 47 Technitrol, Inc. and Subsidiaries Notes to Consolidated Financial Statements, continued (6) Income Taxes, continued Deferred tax assets and liabilities included the following (in thousands): 2004 2003 ---- ---- Assets: Inventories $ 1,096 $ 871 Plant and equipment 1,706 2,418 Vacation pay and other compensation 462 320 Pension expense 2,657 2,133 Stock awards 45 647 Accrued liabilities 3,075 3,554 Net operating losses 10,929 13,481 Tax credits 19,285 16,703 Other 1,207 1,563 -------- -------- Total deferred tax assets 40,462 41,690 Valuation allowance (7,608) (6,976) -------- -------- Net deferred tax assets 32,854 34,714 Liabilities: Foreign earnings not permanently invested 16,829 11,485 Acquired intangibles 3,036 6,349 -------- -------- Total deferred tax liabilities 19,865 17,834 -------- -------- Net deferred tax assets 12,989 16,880 Less current deferred tax assets 4,091 4,423 -------- --------

Long-term deferred income taxes $ 8,898 $ 12,457 ======== ======== Based on our history of taxable income and our projection of future earnings, we believe that it is more likely than not that sufficient taxable income will be generated in the foreseeable future to realize the net deferred tax assets. Our net operating loss and tax credits will expire in fiscal 2005 through 2024. We have not provided for U.S. federal income and foreign withholding taxes on approximately $333 million of non-U.S. subsidiaries' undistributed earnings (as calculated for income tax purposes) as of December 31, 2004. Such earnings include pre-acquisition earnings of foreign entities acquired through stock purchases and are intended to be reinvested outside of the U.S. indefinitely. Unrecognized deferred taxes on these undistributed earnings were estimated to be approximately $96 million. Where excess cash has accumulated in our non-U.S. subsidiaries and it is advantageous for tax reasons, subsidiary earnings may be remitted. (7) Commitments and Contingencies We conduct a portion of our operations from leased premises and also lease certain equipment under operating leases. Total rental expense amounts for the years ended December 31, 2004, December 26, 2003 and December 27, 2002 were $7.6 million, $6.6 million and $8.2 million, respectively. The aggregate minimum rental commitments under non-cancelable leases in effect at December 31, 2004 were as follows (in thousands): Year Ending ------ 2005 $ 7,613 2006 4,465 2007 3,677 2008 2,179 2009 1,686 Thereafter 6,665 ------- $26,285 ======= 48 Technitrol, Inc. and Subsidiaries Notes to Consolidated Financial Statements, continued (7) Commitments and Contingencies, continued The aggregate minimum rental commitments schedule does not include $83.4 million due under precious metal consignment-type leases. We expect to make payments under such leases as the precious metal is purchased in 2005 upon sale of the precious metal to customers. We are involved in several legal actions relating to waste disposal sites. Our involvement in these matters has generally arisen from the alleged disposal by licensed waste haulers of small amounts of waste material many years ago. In Sinsheim, Germany, there is a shallow groundwater and soil contamination that is naturally decreasing over time. The German environmental authorities have not required corrective action to date. In addition, property in Leesburg, Indiana, which was acquired with our acquisition of GTI in 1998, is the subject of a 1994 Corrective Action Order to GTI by the Indiana Department of Environmental Management (IDEM). Although we sold the property in early 2005, we retained the responsibility for existing environmental issues at the site. The order requires us to investigate and take corrective actions. Substantially all of the corrective actions relating to impacted soil have been taken and IDEM has issued us no further action letters for the remediated areas except for the solvent disposal area. We expect an action letter on this area upon IDEM's final review of the closure report submitted. Studies and analysis are ongoing with respect to a ground water issue. We anticipate making additional environmental expenditures in the future to continue our environmental studies, analysis and remediation activities with respect to the ground water. Based on current knowledge, we do not believe that any future expenses or liabilities associated with environmental remediation will have a material impact on our operations or our consolidated financial position, liquidity or operating results; however, we may be subject to additional costs and liabilities if the scope of the contamination or the cost of remediation exceeds our current expectations. We are also subject to various lawsuits, claims and proceedings which arise in the ordinary course of our business. These actions include routine tax audits and assessments occurring throughout numerous jurisdictions on a worldwide basis. During 2003, Pulse and at least one other filtered connector manufacturer was sued by a competitor, alleging that the manufacture and sale of certain filtered connectors in the United States infringe on one of its patents. Pulse has received an opinion of noninfringement from its legal counsel and believes that none of the products offered by Pulse infringe the Regal patent. Pulse intends to vigorously defend itself in this action. We do not believe that the outcome of any of these actions will have a material adverse effect on our financial results. We accrue costs associated with environmental and legal matters when they become probable and reasonably estimable. Accruals are established based on the estimated undiscounted cash flows to settle the obligations and are not reduced by any potential recoveries from insurance or other indemnification claims. We believe that any ultimate liability with respect to these actions in excess of amounts provided will not materially affect our operations or consolidated financial position, liquidity or operating results. We had three standby letters of credit outstanding at December 31, 2004 in the aggregate amount of $1.5 million securing transactions entered into in the ordinary course of business. We had commercial commitments outstanding at December 31, 2004 of approximately $83.4 million due under precious metal consignment-type leases. We had no other off-balance-sheet financing arrangements. (8) Shareholders' Equity All retained earnings are free from legal or contractual restrictions as of December 31, 2004, with the exception of approximately $14.0 million of retained earnings, primarily in the PRC that are restricted in accordance with Section 58 of the PRC Foreign Investment Enterprises Law. The restriction applies to 10% of our net earnings in the PRC, limited to 50% of the total

capital invested in the PRC. We completed a follow-on offering of 6,348,000 shares of our common stock on April 11, 2002. The proceeds of the offering, net of expenses, were approximately $134.7 million. These proceeds resulted in a common stock increase of $0.8 million at a par value of $0.125 per share and an additional paid-in capital increase of $133.9 million. Effective August 1, 2001 we adopted a new qualified, non-compensatory employee stock purchase plan that provides substantially all employees an opportunity to purchase common stock. The purchase price is equal to 85% of the fair value of the common stock on either the first day of the offering period or the last day of the purchase 49 Technitrol, Inc. and Subsidiaries Notes to Consolidated Financial Statements, continued (8) Shareholder Equity, continued period, whichever is lower. The offering periods and purchase periods are defined by the plan, but are each currently six months in duration. In connection with this plan, 1,000,000 shares of common stock are reserved for issuance under the plan. In 2004, 2003 and 2002, employees purchased approximately 45,000, 70,000 and 73,000 shares, respectively, under the plan. During 2004, the operation of the ESPP was suspended following an evaluation of its related expense and perceived value by employees. We have a Shareholder Rights Plan. The Rights are currently not exercisable, and automatically trade with our common shares. However, after a person or group has acquired 15% or more of our common shares, the Rights will become exerciseable, and separate certificates representing the Rights will be distributed. In the event that any person or group acquires 15% of our common shares, each holder of two Rights (other than the Rights of the acquiring person) will have the right to receive, for $135, that number of common shares having a market value equal to two times the exercise price of the Rights. Alternatively, in the event that, at any time following the date in which a person or group acquires ownership of 15% or more of our common shares, and we are acquired in a merger or other business combination transaction, or 50% or more of our consolidated assets or earning power is sold, each holder of two Rights (other than the Rights of such acquiring person or group) will thereafter have the right to receive, upon exercise, that number of shares of common stock of the acquiring entity having a then market value equal to two times the exercise price of the Rights. The Rights may be redeemed by us at a price of $.005 per Right at any time prior to becoming exercisable. Rights that are not redeemed or exercised will expire on September 9, 2006. (9) Earnings (Loss) Per Share Basic earnings (loss) per share were calculated by dividing earnings (loss) by the weighted average number of common shares outstanding during the year (excluding restricted shares which are considered to be contingently issuable). We had restricted shares outstanding of approximately 234,000, 199,000 and 315,000 as of December 31, 2004, December 26, 2003 and December 27, 2002 respectively, which generally vest over a three-year term. For calculating diluted earnings per share, common share equivalents and restricted stock outstanding were added to the weighted average number of common shares outstanding. Common share equivalents result from outstanding options to purchase common stock as calculated using the treasury stock method. Such amounts were approximately 19,000 in 2004 and 5,000 in 2002. Because the substantial majority of exercise prices of the stock options were greater than the actual stock price as of December 26, 2003, the stock equivalents were anti-dilutive and therefore excluded from the diluted earnings per share calculation as of December 26, 2003. Earnings per share calculations were as follows (in thousands, except per share amounts): 2004 2003 2002 ---- ---- ---- Net earnings (loss) $ 6,928 $ 11,988 $(43,537) Basic earnings (loss) per share: Shares 40,178 40,032 37,281 Per share amount, before change in accounting principle $ 0.17 $ 0.30 $ (0.75) Change in accounting principle -- -- (0.42) -------- -------- -------- Per share amount $ 0.17 $ 0.30 $ (1.17) ======== ======== ======== Diluted earnings (loss) per share: Shares 40,411 40,171 37,581 Per share amount before change in accounting principle $ 0.17 $ 0.30 $ (0.75) Change in accounting principle -- -- (0.42) -------- -------- -------- Per share amount $ 0.17 $ 0.30 $ (1.17) ======== ======== ======== 50 Technitrol, Inc. and Subsidiaries Notes to Consolidated Financial Statements, continued (10) Employee Benefit Plans We maintain defined benefit pension plans for certain of our U.S. employees. Certain of our non-U.S. subsidiaries have varying types of retirement plans providing benefits for substantially all of their employees. Benefits are based on years of service and average final compensation. In 2004, we began to aggregate the retirement plan of FRE, a majority-owned subsidiary, in connection with our consolidation of FRE's financial statements upon obtaining a controlling interest in September 2004. For U.S. plans we fund at least the minimum amount required by the Employee Retirement Income Security Act of 1974 annually. Depending on the investment performance of plan assets and other factors, the funding amount in any given year may be zero. Pension expense was as follows (in thousands): 2004 2003 2002 ---- ---- ---- Principal defined benefit plans $1,426 $1,910 $ 960 Other employee benefit plans 410 638 140 ------ ------ ------ $1,836 $2,548 $1,100 ====== ====== ====== The net expense for the principal defined benefit pension plans included the following components (in thousands): 2004 2003 2002 ---- ---- ---- Service cost $ 1,481 $ 1,471 $ 1,578 Interest cost 2,073 1,976

1,954 Expected return on plan assets (2,239) (1,880) (2,546) Amortization of transition obligation 17 18 18 Amortization of prior service cost 270 269 272 Recognized actuarial (gain) loss (176) 56 (316) ------- ------- ------- Net periodic pension cost $ 1,426 $ 1,910 $ 960 ======= ======= ======= 51 Technitrol, Inc. and Subsidiaries Notes to Consolidated Financial Statements, continued (10) Employee Benefit Plans, continued The financial status of the principal defined benefit plans at December 31, 2004 and December 26, 2003, was as follows (in thousands): 2004 2003 ---- ---- Change in benefit obligation: Projected benefit obligation at beginning of year $ 34,514 $ 31,176 Service cost 1,481 1,471 Interest cost 2,073 1,976 Plan amendments (101) -- Actuarial loss 1,338 1,020 Plans not previously aggregated 872 Benefits paid (1,208) (1,130) -------- -------- Projected benefit obligation at end of year $ 38,969 $ 34,514 -------- -------- Change in plan assets: Fair value of plan assets at beginning of year $ 28,418 $ 24,180 Actual return on plan assets 2,899 5,309 Employer contributions 111 59 Plans not previously aggregated 284 -- Benefits paid (1,208) (1,130) -------- -------- Fair value of plan assets at end of year $ 30,504 $ 28,418 ======== ======== Funded status $ (8,465) $ (6,096) Unrecognized actuarial gains (1,620) (2,406) Unrecognized prior service cost 2,889 3,124 Unrecognized transition obligation 136 2 Intangible asset (2) (2,701) -------- -------- Accrued pension costs at the end of the year $ (7,062) $ (8,077) ======== ======== Accumulated benefit obligation $ 32,294 $ 28,215 ======== ======== The aggregate benefit obligation, accumulated benefit obligation and fair value of plan assets for plans with benefit obligations in excess of plan assets, as of the measurement date of each statement of financial position presented, is as follows, (in thousands): 2004 2003 ---- ---- Benefit obligation $8,125 $7,140 Accumulated benefit obligation $6,394 $5,491 Plan assets $ -- $ -- The principal defined benefit plan weighted-average asset allocations at December 31, 2004 and December 26, 2003 were as follows: Asset Category 2004 2003 -------------- ---- ---- Equity securities 66% 75% Debt securities 33% 24% Other 1% 1% --- --- Total 100% 100% === === 52 Technitrol, Inc. and Subsidiaries Notes to Consolidated Financial Statements, continued (10) Employee Benefit Plans, continued Our asset allocation policy is for a target investment of 65% to 75% equity securities and 25% to 35% fixed income securities. The goal of our asset investment policy is to achieve a return in excess of the rate of inflation with acceptable levels of volatility. We utilize professionally run mutual funds to invest our assets. Our pension assets are invested in a variety of small and large capitalization domestic and international mutual stock funds and a bond fund. To develop the expected long-term rate-of-return on assets assumption, we considered historical returns and the future expectations for returns for each asset class, weighted by the target asset allocations. This resulted in the selection of the 8.0% long-term rate of return on assets assumption. Assumptions used to develop data were as follows: 2004 2003 ---- ---- Discount rate 5.75% 6.25% Annual compensation increases 4.25% 4.25% Expected long-term rates of return on plan assets 8.00% 8.00% Our measurement date is the last day of the year. We expect to contribute approximately $0.2 million to the principal defined benefit plans in 2005. Additionally, we expect to make benefit payments in 2005 of approximately $1.3 million from our principal defined benefit plans. The following table shows expected benefit payments for the next five fiscal years and the aggregate five years thereafter from the principal defined benefit plans (in millions): Year Ending ------ 2005 $ 1.3 2006 1.4 2007 1.5 2008 1.6 2009 1.8 Thereafter 12.3 We maintain defined contribution 401(k) plans covering substantially all U.S. employees not affected by certain collective bargaining agreements. Under our 401(k) plans, we contributed a matching amount equal to $1.00 for each $1.00 of the participant's contribution, not in excess of a maximum of 4% to 6% of the participant's annual wages, depending on the plan. The total contribution expense under the 401(k) plans for employees of continuing operations was $1,556,000, $1,563,000 and $1,188,000 in 2004, 2003 and 2002 respectively. We do not provide any post-retirement benefits except as may be required by certain jurisdictions outside of the U.S. (11) Stock-Based Compensation We have an incentive compensation plan for our employees. One component of this plan is restricted stock, which grants the recipient the right of ownership of our common stock, conditional on the achievement of performance objectives and/or continued employment. Stock options are also granted under this plan. A summary of the shares under the incentive compensation plan is as follows: 53 Technitrol, Inc. and Subsidiaries Notes to Consolidated Financial Statements, continued (11) Stock-Based Compensation, continued 2004 2003 2002 ---- ---- ---- Shares available to be granted 2,320,290 2,505,426 2,686,249 New authorized shares -- -- -- Restricted stock and options awarded, net of cancellations (154,552) (185,136) (180,823) ---------- ---------- ---------- Balance available at the end of the year 2,165,738 2,320,290 2,505,426 ========== ========== ========== During the years ended December 31, 2004, December 26, 2003 and December 27, 2002, we issued to employees, net of cancellations, restricted stock having an approximate fair value at date of issue of $2,303,000, $1,091,000 and $293,000, respectively. The fair value of the restricted stock is based on fair market price of the stock at the award date and is recorded as deferred

compensation. Compensation is recognized over the vesting period which is generally three years. Shares are held by us until the continued employment requirement and/or performance criteria have been attained. For shares subject to continued employment requirements, the market value of the shares at the date of grant is charged to expense during the vesting period on a straight-line basis. For shares subject to performance criteria, the expense varies with the market value of the shares until the performance criteria are met or are deemed to be unachievable. Cash awards, which accompany shares released under the incentive compensation plan and are intended to assist recipients with their resulting personal tax liability, are based on the market value of the shares when restrictions lapse. Cash awards are accrued over the restriction period, and the related expense is variable based on the market value of the shares. Amounts charged to expense as a result of the restricted stock plan and related expenses were approximately $2,461,000 in 2004, $1,601,000 in 2003 and $1,404,000 in 2002. We also have a stock award plan for non-employee directors. The Board of Directors Stock Plan was approved in 1998 to assist us in attracting and retaining highly qualified persons to serve on our board of directors. Under the terms of the plan, 60,000 shares of our common stock are available for grant. On an annual basis, shares amounting to a dollar value predetermined by the plan are issued to non-employee directors and are recorded as an expense at issuance. In 2004, 2003, and 2002, 7,570, 10,206 and 6,895, shares, respectively, (including those deferred at the directors' election) were issued under the plan. A total of 14,634 shares remain available for issuance under the plan. In February of 2001, our Board of Directors Compensation Committee adopted a stock option plan. All U.S. employees and designated employees of subsidiaries are eligible to participate in the stock option plan. Except as limited by the terms of the option plan, the committee has discretion to select the persons to receive options and to determine the terms and conditions of the option, including the number of shares underlying the option, the exercise price, the vesting schedule and term. The options are granted at no cost to the employee and cannot be granted with an exercise price less than the fair market value at the date of grant. The options granted in 2004, 2003 and 2002 vest equally over four years and expire in seven years from the date of grant. During 2004, 2003 and 2002, a total of approximately 100,700, 159,100 and 159,600 options, net of cancellations, were awarded to employees at a weighted average strike price of $16.55, $18.41 and $19.24 per share, respectively. None of the shares granted in 2004 were vested as of December 31, 2004, whereas 25% of the shares granted in 2003 and 50% of the shares granted in 2002 were vested as of December 31, 2004. We adopted SFAS 123, as amended by SFAS 148, at the beginning of the 2003 fiscal year. We implemented SFAS 123 under the prospective method approach per SFAS 148, whereby compensation expense was recorded for all awards subsequent to adoption. As permitted by the provisions of SFAS 123, we applied Accounting Principles Board Opinion 25, "Accounting for Stock Issued to Employees" and related interpretations in accounting for our stock option and purchase plans prior to adoption of SFAS 123 in fiscal 2003. Accordingly, no compensation cost was recognized for our stock option and employee purchase plans prior to fiscal 2003. 54 Technitrol, Inc. and Subsidiaries Notes to Consolidated Financial Statements, continued (11) Stock-Based Compensation, continued If compensation cost for issuances under our stock option plan and stock purchase plan had been determined based on the fair value as required by SFAS 123 for all awards, our pro forma net income (loss) and earnings (loss) per basic and diluted share would have been as follows (amounts are in thousands, except per share amounts): 2004 2003 2002 ---- ---- ---- Net income (loss), as reported $ 6,928 $ 11,988 $(43,537) Add: Stock-based compensation expense included in reported net income (loss), net of taxes 1,944 1,269 870 Deduct: Total stock-based compensation expense determined under fair value based method for all awards, net of taxes (2,764) (2,124) (1,533) -------- -------- -------- Net income (loss) adjusted $ 6,108 $ 11,133 $(44,200) Basic net income (loss) per share - as reported $ 0.17 $ 0.30 $ (1.17) Basic net income (loss) per share - adjusted $ 0.15 $ 0.28 $ (1.19) Diluted net income (loss) per share - as reported $ 0.17 $ 0.30 $ (1.17) Diluted net income (loss) per share - adjusted $ 0.15 $ 0.28 $ (1.19) At December 31, 2004, we had approximately 528,000 options outstanding, representing approximately 1% of our outstanding shares of common stock. The value of restricted stock has always been and continues to be recorded as compensation expense over the restricted period, and such expense is included in the results of operations for all years presented. (12) Severance and Asset Impairment Expense We implemented numerous restructuring initiatives during 2004, 2003 and 2003 in order to reduce our cost structure and capacity in response to a global recession in the electronics industry in 2002 and 2001 and an increasingly competitive environment in both the electronics and electrical markets which followed. In the year ended December 31, 2004, we accrued $9.0 million for severance and related payments comprised of $3.1 million related to AMI Doduco's termination of manufacturing and personnel at a facility in Germany, $2.7 million related to the termination of manufacturing and support personnel at an AMI Doduco facility in France, $1.5 million to writedown

the value of certain Pulse fixed assets to their disposal values, $0.8 million related to Pulse's shutdown of a facility in Carlsbad, California and $0.9 million for other severances in various locations. The vast majority of these accruals will be utilized by the end of the second quarter in 2005. Additionally, in the quarter ended December 31, 2004, we recorded an intangible asset impairment of $18.5 million related to Eldor and Excelsus acquired intangibles, and $0.4 million for other acquired intangibles. These intangible asset impairments resulted from updated cash flow projections relating to technology and customer relationships, and reflect, among other things, shifting product mixes, changes among major customers and continuing pressures on selling prices in the consumer and telecommunication product divisions of the Pulse segment. In the year ended December 26, 2003, we accrued $9.0 million for severance, severance related payments and asset impairments. At Pulse, we accrued $1.5 million for the elimination of certain manufacturing and support positions located in France, the United Kingdom, Mexico and China and $0.7 million for other facility exit costs. We additionally accrued $1.9 million for shutdown of Pulse's manufacturing facility in Mexico and $0.5 million to write-down the carrying cost of Pulse's facility in the Philippines which is held for sale. At AMI Doduco, we accrued $2.9 million for the elimination of certain manufacturing positions principally located in North America and Germany and $1.5 million to complete the shutdown of a redundant facility in Spain that we acquired from Engelhard-CLAL in 2001. The majority of these accruals were utilized by the end of 2004. In the year ended December 27, 2002, we announced the closure of our production facility in the Philippines. The production at this facility was transferred to other Pulse facilities in Asia. We recognized expense of $3.8 million for this plant closing, comprising $1.4 million for severance and related payments and $2.4 million for asset writedowns. The majority of this accrual was utilized by the end of 2002. We also adopted other restructuring plans during 2002. In this regard, provisions of $5.9 million were recorded during 2002. Approximately 800 personnel were terminated in 2002 and substantially all of the employee severance and related payments in 55 Technitrol, Inc. and Subsidiaries Notes to Consolidated Financial Statements, continued (12) Severance and Asset Impairment Expense, continued connection with these actions were completed as of December 31, 2004. An additional expense charge of $7.0 million was recorded in 2002 related to asset write-downs. These assets were primarily Asian-based production equipment that became idle in 2002. The remaining cost basis of the assets has been reclassified from fixed assets to assets held for sale in the balance sheet as of December 31, 2004. An additional $32.1 million of Excelsus trade name impairment was recorded in 2002. The impairment charge was triggered by the combined effect of reorganizing Pulse into product line based organization and updated forecasts for digital subscriber line microfilters to which the trade name applies. A total of $1.9 million was also recognized as an offset to severance and asset impairment expense income in 2002, attributable to positive adjustments primarily resulting from the favorable outcome of certain legal matters of long vintage. The majority of these accruals were utilized by the end of 2003. As a result of our continuing focus on both economic and operating profit, we will continue to aggressively size both Pulse and AMI Doduco so that costs are optimally matched to current and anticipated future revenue and unit demand, and as we pursue additional growth opportunities. The amounts of additional charges will depend on specific actions taken. The actions taken over the past three years such as plant closures, plant relocations, asset impairments and reduction in personnel worldwide have resulted in the elimination of a variety of costs. The majority of these costs represent the annual salaries and benefits of terminated employees, both those directly related to manufacturing and those providing selling, general and administrative services. The eliminated costs also include depreciation savings from disposed equipment. Our restructuring charges are summarized for 2004 as follows: AMI Restructuring provision (in millions): Doduco Pulse Total ------ ----- ----- Balance accrued at December 26, 2003 $2.1 $1.7 $3.8 Accrued for the twelve months ended December 31, 2004 6.0 3.0 9.0 Severance and other cash payments (5.0) (2.1) (7.1) Non-cash asset disposals (1.3) (1.4) (2.7) ---- ---- ---- Balance accrued at December 31, 2004 $1.8 $1.2 $3.0 ==== ==== ==== (13) Supplementary Information The following amounts were charged directly to costs and expenses (in thousands): 2004 2003 2002 ---- ---- ---- Depreciation $19,711 $19,580 $18,137 Amortization of intangible assets 4,477 4,035 1,633 Advertising 376 202 248 Repairs and maintenance 13,779 8,179 7,524 Bad debt expense 544 427 899 Cash payments made: Income taxes $ 4,063 $ 3,816 $ 9,027 Interest 1,975 1,868 3,318 Accumulated other comprehensive income as disclosed in the Consolidated Statements of Changes in Shareholders' Equity consists principally of foreign currency translation items. 56 Technitrol, Inc. and Subsidiaries Notes to Consolidated Financial Statements, continued (14) Segment and Geographical Information We operate our business in two segments: the Electronic Components Segment, which operates under the name Pulse, and the Electrical Contact Products Segment, which operates under the name AMI Doduco. We refer to these segments as ECS or Pulse, and ECPS or AMI Doduco, respectively. Each segment is

managed by a President who reports to our Chief Executive Officer. Pulse designs and manufactures a wide variety of highly-customized passive magnetics-based electronic components. These components manage and regulate electronic signals and power for use in a variety of devices by filtering out radio frequency interference and adjusting and ensuring proper current and voltage. These products are often referred to as chokes, inductors, filters and transformers. Pulse sells its products to multinational original equipment manufacturers, contract manufacturers and distributors. Through a majority-owned subsidiary, Pulse also supplies a variety of electronic connectors, modules, wireless antennas and other accessories. AMI Doduco is a global manufacturer of a full range of electrical contact products, from contact materials to completed contact subassemblies. Contact products complete or interrupt electrical circuits in virtually every electrical device. AMI Doduco provides its customers with a broad array of highly engineered products and tools designed to meet unique customer needs. 57 Technitrol, Inc. and Subsidiaries Notes to Consolidated Financial Statements, continued (14) Segment and Geographical Information, continued Amounts are in thousands: 2004 2003 2002 ---- ---- ---- Net sales from continuing operations Pulse $ 320,154 $ 294,092 $ 204,570 AMI Doduco 262,160 215,155 201,784 --------- --------- --------- Total $ 582,314 $ 509,247 $ 406,354 ========= ========= ========= Operating profit(loss) before income taxes Pulse $ 9,485 $ 27,197 $ (38,520) AMI Doduco (927) (2,146) (1,242) --------- --------- --------- Total operating profit 8,558 25,051 (39,762) Items not included in segment profit (1) 2,457 (10,055) (382) --------- --------- --------- Earnings (loss) before income taxes and cumulative effect of accounting change $ 11,015 $ 14,996 $ (40,144) ========= ========= ========= Assets at end of year Pulse $ 326,131 $ 302,261 $ 195,407 AMI Doduco 126,733 109,390 104,665 --------- --------- --------- Segment assets 452,864 411,651 300,072 Assets not included in Segment assets (2) 173,723 177,243 247,316 --------- --------- --------- Total $ 626,587 $ 588,894 $ 547,388 ========= ========= ========= Capital expenditures (3) Pulse $ 27,962 $ 29,078 $ 681 AMI Doduco 4,219 4,547 5,074 --------- --------- --------- Total $ 32,181 $ 33,625 $ 5,755 ========= ========= ========= Depreciation and amortization Pulse $ 17,281 $ 16,048 $ 12,501 AMI Doduco 6,907 7,567 7,269 --------- --------- --------- Total $ 24,188 $ 23,615 $ 19,770 ========= ========= ========= (1) Includes interest income, interest expense and other non-operating items disclosed in our Consolidated Statements of Operations. We exclude these items when measuring segment operating profit. (2) Cash and cash equivalents are the primary corporate assets. We exclude cash and cash equivalents, net deferred tax assets, and intercompany receivables when measuring segment assets. (3) During the past three years, we have acquired several companies and majority interests. We have included acquired property, plant and equipment in these capital expenditure amounts. We have no significant intercompany revenue between our segments. We do not use income taxes when measuring segment results; however, we allocate income taxes to our segments to determine certain performance measures. These performance measures include economic profit. The following pro forma disclosure of segment income tax expense is based on simplified assumptions and includes allocations of corporate tax items. These allocations are based on the proportionate share of total tax expense for each segment, obtained by multiplying our respective segment's operating profit by the relevant estimated effective tax rate for the year. The allocated tax expense amounts for Pulse were, in thousands, $3,014, $4,437, and $(13,395) in 2004, 2003 and 2002, respectively. For AMI Doduco, they were, in thousands, $418, $(1,429) and $1,050 in 2004, 2003 and 2002, respectively. 58 Technitrol, Inc. and Subsidiaries Notes to Consolidated Financial Statements, continued (14) Segment and Geographical Information, continued We sell our products to customers throughout the world. The following table summarizes our sales to customers in the United States and Germany, where sales are significant. Other countries in which our sales are not significant are grouped into regions. We attribute customer sales to the country addressed in the sales invoice. The product is usually shipped to the same country. Amounts are in thousands: 2004 2003 2002 ---- ---- ---- Sales to customers in: Europe, other than Germany $171,615 $179,598 $106,277 Asia 166,884 108,590 86,441 United States 131,194 124,007 127,256 Germany 84,284 72,374 54,871 Other 28,337 24,678 31,509 -------- -------- -------- Total $582,314 $509,247 $406,354 ======== ======== ======== The following table includes net property, plant and equipment located in Turkey, Germany, the United States and China, where assets are significant. Other countries in which such assets are not significant are grouped into regions. Property, plant and equipment represents all of the relevant assets that have long useful lives. Amounts are in thousands: 2004 2003 2002 ---- ---- ---- Net property, plant and equipment located in: Turkey $ 31,491 $31,091 $ -- China 26,802 12,545 17,703 Germany 18,894 18,026 15,796 United States 10,230 12,831 16,308 Europe, other than Turkey and Germany 8,258 11,338 10,576 Asia, other than Turkey and China 5,598 1,114 2,020 Other 903 1,104 2,458 -------- ------- ------- Total $102,176 $88,049 $64,861 ======== ======= ======= (15) Equity Method Investment In April 2001, we made a minority investment in the

common stock of FRE, which was accounted for by the cost-basis method of accounting. On July 27, 2002, we made an additional investment in FRE of $6.7 million which increased our total investment to $20.9 million. As a result of the increased ownership percentage to approximately 29%, we began to account for the investment under the equity method beginning in the three months ended September 27, 2002. In 2003, we recorded a $8.7 million net charge for our equity method investment in FRE. The net loss in 2003 resulted from a $9.3 million charge to adjust the original cost basis of our investment to market value, offset by $0.6 million of equity method investment earnings in 2003. Shares of FRE began trading on the Taiwan Stock Exchange in January of 2003, and they have experienced considerable price volatility. In July 2004, we purchased an additional 9.0 million shares of common stock in FRE for $10.5 million. On September 13, 2004, we acquired an additional 2.4 million shares of common stock in FRE for $2.5 million, bringing our total investment percentage up to 51%. Accordingly, FRE's operating results are consolidated with our own beginning September 13, 2004. In 2004, we recorded $0.8 million of equity earnings which reflects our proportionate share of earnings for the period prior to September 13, 2004. 59 Technitrol, Inc. and Subsidiaries Notes to Consolidated Financial Statements, continued (16) Goodwill and Other Intangible Assets In July 2001, the FASB issued Statement No. 142, Goodwill and Other Intangible Assets ("SFAS 142"). SFAS 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead be tested for impairment at least annually in accordance with the provisions of SFAS 142. SFAS 142 also requires that other intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with Statement No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. (in thousands, except per share amounts): 2002 ---- Net earnings (loss) - as reported $(43,537) Adjustments: Cumulative effect of accounting change 15,763 Income tax effect (25) -------- Net adjustments 15,738 -------- Net earnings (loss) - adjusted $(27,799) ======== Basic net income (loss) per share - as reported $ (1.17) Basic net income (loss) per share - adjusted $ (0.75) Diluted net income (loss) per share - as reported $ (1.17) Diluted net income (loss) per share - adjusted $ (0.75) In the first quarter of 2002, upon our transitional assessment, we recorded a goodwill impairment charge of $15.7 million, net of income tax benefit, related to AMI Doduco, as a cumulative effect of accounting change. During the quarter ended June 28, 2002, we recorded an impairment charge of $32.1 million of the value assigned to the Excelsus trade name, less a $12.8 million income tax benefit. The charge was included in the line "Severance and asset impairment expense" on the consolidated statement of operations. This charge was triggered by the combined effect of reorganizing Pulse into a product-line based organization and updated financial forecasts for DSL mircofilters, to which the trade name applies. The changes in the carrying amounts of goodwill for the years ended December 31, 2004 and December 26, 2003 were as follows: Balance at December 27, 2002 $ 86,648 Goodwill acquired during the year 21,762 Currency translation adjustment 4,498 --------- Balance at December 26, 2003 112,908 Goodwill acquired during the year 11,379 Purchase price allocation and other adjustment (450) Currency translation adjustment 2,341 --------- Balance at December 31, 2004 $ 126,178 ========= The majority of our goodwill and other intangibles relate to our Pulse segment. 60 Technitrol, Inc. and Subsidiaries Notes to Consolidated Financial Statements, continued (16) Goodwill and Other Intangible Assets, continued Other intangible assets were as follows: December 31, December 26, 2004 2003 ------------- ------------ Intangible Assets Subject to Amortization (Definite Lived) $29,874 $38,995 Accumulated Amortization (11,780) (6,720) ------- ------- Net Intangible Assets Subject to Amortization 18,094 32,275 Intangibles Assets Not Subject to Amortization (Indefinite Lived) 4,591 7,900 ------- ------- $22,685 $40,175 ======= ======= Amortization expense was $4,477,000, $4,035,000 and $1,633,000 for the years ended December 31, 2004, December 26, 2003 and December 27, 2002, respectively. Estimated annual amortization expense for each of the next five years is as follows: (in thousands) Year Ending ----------- 2005 $ 1,690 2006 1,690 2007 1,690 2008 1,650 2009 1,571 In the quarter ended December 31, 2004, we recorded an intangible asset impairment of $18.5 million related to Eldor and Excelsus acquired intangibles. These intangible asset impairments resulted from updated cash flow projections relating to technology and customer relationships, and reflect, among other things, shifting product mixes, changes among major customers and continuing pressures on selling prices in the consumer and telecommunication product divisions of the Pulse segment. (17) Quarterly Financial Data (Unaudited) Quarterly results of operations (unaudited) for 2004 and 2003 are summarized as follows (in thousands, except per share data) Quarter Ended ------------ Mar. 26 June 25 Oct. 1 Dec. 31 ------- ------- ------ ------- 2004: Net sales $139,607 $146,970 $146,452 $ 149,285 Gross profit 38,099 39,592 34,938 33,582 Earnings (loss) before taxes 7,589 11,066 5,876 (12,785) Net earnings (loss) 5,765 9,274 4,438 (12,549) Basic $ 0.14 $ 0.23 $ 0.11 $ (0.31) Diluted $ 0.14 $ 0.23 $ 0.11 $ (0.31) Mar. 28 June 27 Sept. 26 Dec. 26

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Ltd. and Forfin Holdings B.V. that are signatories thereto (incorporated by reference to Exhibit 2 to our Form 8-K dated January 10, 2003). 3.1 Amended and Restated Articles of Incorporation (incorporated by reference to Exhibit 3.1 to our Form 10-K for the year ended December 26, 2003). 3.3 By-laws (incorporated by reference to Exhibit 3.3 to our Form 10-K for the year ended December 27, 2002). 4.1 Rights Agreement, dated as of August 30, 1996, between Technitrol, Inc. and Registrar and Transfer Company, as Rights Agent (incorporated by reference to Exhibit 3 to our Registration Statement on Form 8-A dated October 24, 1996). 4.2 Amendment No. 1 to the Rights Agreement, dated March 25, 1998, between Technitrol, Inc. and Registrar and Transfer Company, as Rights Agent (incorporated by reference to Exhibit 4 to our Registration Statement on Form 8-A/A dated April 10, 1998). 4.3 Amendment No. 2 to the Rights Agreement, dated June 15, 2000, between Technitrol, Inc. and Registrar and Transfer Company, as Rights Agent (incorporated by reference to Exhibit 5 to our Registration Statement on Form 8-A/A dated July 5, 2000). 10.1 Technitrol, Inc. 2001 Employee Stock Purchase Plan (incorporated by reference to Exhibit 4.1 to our Registration Statement on Form S-8 dated June 28, 2001, File Number 333-64060). 10.1(1) Form of Stock Option Agreement (incorporated by reference to Exhibit 10.1(1) to our Form 10-Q for the three months ended October 1, 2004). 10.2 Technitrol, Inc. Restricted Stock Plan II, as amended and restated as of January 1, 2001 (incorporated by reference to Exhibit C, to our Definitive Proxy on Schedule 14A dated March 28, 2001). 10.3 Technitrol, Inc. 2001 Stock Option Plan (incorporated by reference to Exhibit 4.1 to our Registration Statement on Form S-8 dated June 28, 2001, File Number 333-64068). 10.4 Technitrol, Inc. Board of Directors Stock Plan (incorporated by reference to Exhibit 4.1 to our Registration Statement on Form S-8 dated June 1, 1998, File Number 333-55751). 10.5 Revolving Credit Agreement, by and among Technitrol, Inc. and certain of its subsidiaries, JPMorgan Chase Bank. as Agent and Lender, and certain other Lenders that are signatories thereto, dated as of June 17, 2004 (incorporated by reference to Exhibit 10.5 to our Form 10-Q for the three months ended June 25, 2004). 10.6 Lease Agreement, dated October 15, 1991, between Ridilla-Delmont and AMI Doduco, Inc. (formerly known as Advanced Metallurgy Incorporated), as amended September 21, 2001 (incorporated by reference to Exhibit 10.6 to the Company's Amendment No. 1 to Registration Statement on Form S-3 dated February 28, 2002, File Number 333-81286). 10.7 Incentive Compensation Plan of Technitrol, Inc. (incorporated by reference to Exhibit 10.7 to Amendment No. 1 to our Registration Statement on Form S-3 filed on February 28, 2002, File Number 333-81286). 10.8 Technitrol, Inc. Supplemental Retirement Plan, amended and restated January 1, 2002 (incorporated by reference to Exhibit 10.8 to Amendment No. 1 to our Registration Statement on Form S-3 filed on February 28, 2002, File Number 333-81286). 63 Exhibit Index, continued 10.9 Agreement between Technitrol, Inc. and James M. Papada, III, dated July 1, 1999, as amended April 23, 2001, relating to the Technitrol, Inc. Supplemental Retirement Plan (incorporated by reference to Exhibit 10.9 to Amendment No. 1 to our Registration Statement on Form S-3 filed on February 28, 2002, File Number 333-81286). 10.10 Letter Agreement between Technitrol, Inc. and James M. Papada, III, dated April 16, 1999, as amended October 18, 2000 (incorporated by reference to Exhibit 10.10 to Amendment No. 1 to our Registration Statement on Form S-3 filed on February 28, 2002, File Number 333-81286). 10.10(1) Letter Agreement between Technitrol, Inc. and James M. Papada, III dated July 1, 2004 (incorporated by reference to Exhibit 10.10(1) to our Form 10-Q for the three months ended October 1, 2004). 10.11 Form of Indemnity Agreement (incorporated by reference to Exhibit 10.11 to our Form 10-K for the year ended December 27, 2002). 10.12 Technitrol Inc. Supplemental Savings Plan

(incorporated by reference to Exhibit 10.15 to our Form 10-Q for the three months ended September 26, 2003) 10.13 Technitrol, Inc. 401(K) Retirement Savings Plan, as amended (incorporated by reference to post-effective Amendment No. 1, to our Registration Statement on Form S-8 filed on October 31, 2003, File Number 033-35334) (incorporated by reference to Exhibit 10.16 to our Form 10-Q for the three months ended March 26, 2003). 10.14 Pulse Engineering, Inc. 401(K) Plan as amended (incorporated by reference to post-effective Amendment No. 1, to our Registration Statement on Form S-8 filed on October 31, 2003, File Number 033-94073) (incorporated by reference to Exhibit 10.16 to our Form 10-Q for the three months ended March 26, 2003). 10.15 Amended and Restated Short-Term Incentive Plan. 10.16 Amended and Restated Consignment Agreement, Dated May 27, 1997, by and among Rhode Island Hospital Trust National Bank, Doduco GmbH, Doduco Espana, S.A. and Technitrol, Inc. 10.16(1) First Amendment to Amended and Restated Consignment Agreement, Dated May 27, 1997, by and among Rhode Island Hospital Trust National Bank, Doduco GmbH, Doduco Espana, S.A. and Technitrol, Inc. (incorporated by reference to Exhibit 10.16(1) to our Form 10-Q for the three months ended October 1, 2004). 10.16(2) Second Amendment to Amended and Restated Consignment Agreement, Dated May 27, 1997, by and among Rhode Island Hospital Trust National Bank, Doduco GmbH, Doduco Espana, S.A. and Technitrol, Inc. (incorporated by reference to Exhibit 10.16(2) to our Form 10-Q for the three months ended October 1, 2004). 10.16(3) Third Amendment to Amended and Restated Consignment Agreement, Dated May 27, 1997, by and among Rhode Island Hospital Trust National Bank, Doduco GmbH, Doduco Espana, S.A. and Technitrol, Inc. (incorporated by reference to Exhibit 10.16(3) to our Form 10-Q for the three months ended October 1, 2004). 10.16(4) Fourth Amendment to Amended and Restated Consignment Agreement, Dated May 27, 1997, by and among Rhode Island Hospital Trust National Bank, Doduco GmbH, Doduco Espana, S.A. and Technitrol, Inc. (incorporated by reference to Exhibit 10.16(4) to our Form 10-Q for the three months ended October 1, 2004). 64 Exhibit Index, continued 10.16(5) Fifth Amendment to Amended and Restated Consignment Agreement, Dated May 27, 1997, by and among Rhode Island Hospital Trust National Bank, Doduco GmbH, Doduco Espana, S.A. and Technitrol, Inc. (incorporated by reference to Exhibit 10.16(5) to our Form 10-Q for the three months ended October 1, 2004). 10.17 Consignment agreement dated December 17, 1997, among Fleet Precious Metals Inc., Technitrol, Inc. and Advanced Metallurgy Incorporated (incorporated by reference to Exhibit 10.17 to our Form 10-Q for the three months ended October 1, 2004). 10.17(1) First Amendment to Consignment agreement dated December 17, 1997, among Fleet Precious Metals Inc., Technitrol, Inc. and Advanced Metallurgy Incorporated (incorporated by reference to Exhibit 10.17(1) to our Form 10-Q for the three months ended October 1, 2004). 10.17(2) Letter Amendment to Consignment agreement dated December 17, 1997, among Fleet Precious Metals Inc., Technitrol, Inc. and Advanced Metallurgy Incorporated (incorporated by reference to Exhibit 10.17(2) to our Form 10-Q for the three months ended October 1, 2004). 10.17(3) Letter Amendment to Consignment Agreement dated December 15, 2003, among Fleet Precious Metals, Inc., Technitrol, Inc., and AMI Doduco, Inc. (incorporated by reference to Exhibit 10.17(3) to our Form 10-Q for the three months ended October 1, 2004). 10.17(4) Letter Amendment to Consignment Agreement dated January 29, 2004, among Fleet Precious Metals, Inc., Technitrol, Inc. and AMI Doduco, Inc. (incorporated by reference to Exhibit 10.17(4) to our Form 10-Q for the three months ended October 1, 2004). 10.18 Silver Lease Agreement dated April 9, 1996 between Standard Chartered Bank Mocatta Bullion - New York and Advanced Metallurgy, Inc. and Guarantee dated April 29, 1996 by Technitrol, Inc. (incorporated by reference to Exhibit 10.18 to our Form 10-Q for the three months ended October 1, 2004). 10.18(1) Letter Agreement dated April 9, 1996 between Standard Chartered Bank Mocatta Bullion - New York and Advanced Metallurgy, Inc. (incorporated by reference to Exhibit 10.18(1) to our Form 10-Q for the three months ended October 1, 2004). 10.18(2) Amendment to Silver Lease Agreement dated February 14, 1997 between Standard Chartered Bank Mocatta Bullion - New York and Advanced Metallurgy Inc. (incorporated by reference to Exhibit 10.18(2) to our Form 10-Q for the three months ended October 1, 2004). 10.18(3) Amendment to Silver Lease Agreement dated November 3, 1997 between Standard Chartered Bank Mocatta Bullion - New York and Advanced Metallurgy Inc. (incorporated by reference to Exhibit 10.18(3) to our Form 10-Q for the three months ended October 1, 2004). 10.18(4) Amendment to Silver Lease Agreement dated May 21, 2003 between Standard Chartered Bank Mocatta Bullion - New York and AMI Doduco, Inc. (incorporated by reference to Exhibit 10.18(4) to our Form 10-Q for the three months ended October 1, 2004). 10.19 Consignment Agreement dated September 24, 2004 between Mitsui & Co. Precious Metals Inc., and AMI Doduco, Inc. (incorporated by reference to Exhibit 10.19 to our Form 10-Q for the three months ended October 1, 2004). 10.20 Unlimited Guaranty dated December 16, 1996 by Technitrol, Inc. in favor of Rhode Island Hospital Trust National Bank (incorporated by reference to Exhibit 10.20 to our Form 10-Q for the

three months ended October 1, 2004). 65 Exhibit Index, continued 10.21 Corporate Guaranty dated November 1, 2004 by Technitrol, Inc. in favor of Mitsui & Co. Precious Metals, Inc. (incorporated by reference to Exhibit 10.21 to our Form 10-Q for the three months ended October 1, 2004). 10.30 Schedule of Board of Director and Committee Fees 21 Subsidiaries of Registrant 23 Consent of Independent Registered Public Accounting Firm 31.1 Certification of Principal Executive Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002. 31.2 Certification of Principal Financial Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002. 32.1 Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. 32.2 Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. 66 Signatures Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. TECHNITROL, INC. By /s/James M. Papada, III -- James M. Papada, III Chairman, President and CEO Date February 25, 2005 Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. By /s/Alan E. Barton By /s/ Edward M. Mazze ---------------------------------- -- Alan E. Barton Edward M. Mazze Director Director Date February 25, 2005 Date February 25, 2005 By /s/John E. Burrows, Jr. By /s/ C. Mark Melliar-Smith ---------------------------------- -- John E. Burrows, Jr. C. Mark Melliar-Smith Director Director Date February 25, 2005 Date February 25, 2005 By /s/David H. Hofmann By /s/James M. Papada, III ---------------------------------- -- David H. Hofmann James M. Papada, III Director Chairman, President and CEO (Principal Executive Officer) Date February 25, 2005 Date February 25, 2005 By /s/Dennis J. Horowitz ---------------------------------- Dennis J. Horowitz By /s/Drew A. Moyer Director -- Drew A. Moyer Senior Vice President Date February 25, 2005 and Chief Financial Officer (Principal Financial and Accounting Officer) By /s/Graham Humes Date February 25, 2005 ---------------------------------- Graham Humes Director Date February 25, 2005 67