

## TechTronic Industries Reports Spectacular Profit Growth of 71% at HK\$ 409 million

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### Outstanding Performances Across All Operations

#### Results Highlights

	<i>For the year ended 31 December</i>		
	2002 (HK\$ M)	2001 (HK\$ M)	changes
Turnover	9,493	6,101	+ 55.6%
Gross Profit	2,467	1,507	+ 63.7%
Net Profit	409	239	+ 71.2%
EPS (Basic)	65.73 cents	42.02 cents	+ 56.4%
Final Dividend Per Share	10.0 cents	7.0 cents	+ 42.9%
Total Dividend Per Share	16.0 cents	11.5 cents	+ 39.1%
Gross Profit Margin	26.0%	24.7%	--
Net Profit Margin	4.3%	3.9%	--

(HONG KONG, 15 April 2003) – **Techtronic Industries Company Limited** (“TTI”) (stock code: 669, ADR symbol: TTNDY) today announced its annual results of HK\$409 million net profit for the year ended 31 December 2002, represented a spectacular growth of 71.2% as compared with last year. It was TTI’s eighth consecutive year of double-digit growth. Basic earnings per share increased 56.4% to HK cents 65.73 (2001: HK cents 42.02). The Directors recommend a final dividend of HK cents 10.

**Mr. Horst Julius Pudwill, Chairman** of TTI said, “I am extremely pleased to present our very strong results for the year, despite the business conditions worldwide were far from favourable. This gloomy context makes TTI’s performance especially impressive, with high double-digit growth in revenues and profits supported by the rapid integration of recently acquired businesses and continued strong organic growth from our brands.”

#### Power Tools and Outdoor Products Equipment

This Division enjoyed an extremely successful year, with turnover increased by 65.2% to HK\$7,470 million and accounted for the Group’s total turnover 79%.

During 2002, based on the marketing slogan of “professional features, affordable price”, TTI continued to maintain strong Ryobi brand sales momentum, exceeding expectation with sales doubling from 2001. The very strong demand for the combo kits in the United States, enabled the Group to outperform the market by a wide margin. The newly acquired European and Australasian operations were quickly integrated and the introduction of core product lines in the second half of the year have begun yielding positive results. Meanwhile, the original design manufacturing (ODM) and original equipment manufacturing (OEM) businesses remain healthy growth.

Of particular importance was the success in integrating within a very short time frame the Homelite operations that was acquired in November 2001. Leveraging its established reputation and the contribution of its complementary nature to Ryobi’s selling seasons that brings common aftermarket service and production synergies, Homelite contributed to both TTI’s bottom-line as well as top-line growth. A new engine plant was established in China for the outdoor power equipment products, meeting the increased need for product calibration to comply with new, more stringent US Environmental Protection Agency standards. The significant progress made will have a positive impact from 2003 onwards.

### **Floor Care Appliances**

The Floor Care Appliances Division had another solid year of growth. Turnover increased by 41.9% to HK 1,662 million and accounted for 17.5% of the Group’s total turnover.

Sales were boosted greatly by record shipments of a ground-breaking new product for one customer. In Europe, with its much more fragmented marketplace, the Group has made further headway in cementing key customer relationships. Apart from production, the Group also provide its customer value-added services including new product conception.

Performance of the Vax brand, which has distribution in Australia, the UK and parts of Europe, showed overall improvement as new products and business improvement initiatives began to show benefits.

TTI has recently obtained its shareholders’ approval to acquire Royal Appliance Mfg. Co., (“Royal”), an innovative floor care company whose Dirt Devil brand is among the market leaders in North America. The Royal acquisition, which is subject to the approval by Royal’s shareholders on 22 April, 2003, will take TTI’s floor care appliance business to another stage of development.

## **Solar Powered and Electronic Products**

The Group's solar powered and electronics business, achieved an impressive organic growth with turnover rose by 38.7% to HK\$227 million, accounted for 2.4% of the Group's total turnover. Several new designs of solar lights and a new line of electronic measuring tools saw strong demand and fuelled sales growth. A key factor in this success was the timely launch of new products and tight cost control.

## **Operations**

During the year, production was further rationalised as the Group transferred more production to Asia from Mexico and the United States, to maintain a low cost base. Production capacity was expanded by over 50%, allowing for the increased volume of business. At the same time, TTI keeps on improving its supply chain and customer services levels of its global operations that are expected to achieve measurable productivity gains.

The Group is committed to continue to invest in research and development and marketing, which saw spending on R&D increased by 40% over 2001 to HK\$112 million and advertising expenses increased by 45.5% to HK\$422 million (2001: HK\$290 million).

## **Outlook**

In assessing the outlook, Mr. Pudwill comments, "Our first half order status is as planned and our position going into the full year 2003 is robust. Comparing our business currently with the first half of 2002, we are confident that the Group's strong momentum will continue.

Our growth will be driven by expansion of our branded business as well as our contract business through continuous investment in new product development, marketing and customer services. TTI's vision is to double its business within the next three years while bringing sales volumes at its three core business categories of power tools, outdoor power equipment and floor care appliances to similar levels. I am convinced that we can achieve these targets."

## **About Techtronic Industries Limited**

Founded in 1985, Techtronic Industries Company Limited (TTI), a leading and fast-growing supplier of home improvement products, employs over 12,000 employees worldwide. TTI's global brand portfolio includes RYOBI power tools, HOMELITE and RYOBI outdoor products and VAX floor care appliances. The company has enjoyed continuous growth since its listing on the Hong Kong Stock Exchange in 1990, achieving double-digit growth for the past eight years.

## Techtronic's Investor Presentation

Available at [www.tti.com.hk](http://www.tti.com.hk) from 9 pm, 15 April (HK Time) for approximately a month

### For enquiries:

#### **Techtronic Industries Company Limited**

Judy Fung  
Tel: +(852) 2402 6653  
Fax: +(852) 2413 5971  
Email: [judyfung@tti.com.hk](mailto:judyfung@tti.com.hk)  
Website: <http://www.tti.com.hk>

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

Veron Ng +(852) 2864 4831 [veron@strategic.com.hk](mailto:veron@strategic.com.hk)  
Carol Lau +(852)2864 4815 [carol@strategic.com.hk](mailto:carol@strategic.com.hk)  
Ines Chin +(852) 2864 4867 [ines@strategic.com.hk](mailto:ines@strategic.com.hk)  
Fax: +(853) 2804 2789 / 2527 1196

## RESULTS SUMMARY

For the year ended 31<sup>st</sup> December 2002

### CONSOLIDATED INCOME STATEMENT

	<u>2002</u> <i>HK\$'000</i>	<u>2001</u> <i>HK\$'000</i>
Turnover	9,492,938	6,101,140
Cost of sales	(7,025,629)	(4,594,011)
Gross profit	2,467,309	1,507,129
Other revenue	69,233	41,396
Selling, distribution and advertising expenses	(795,694)	(516,684)
Administrative expenses	(1,054,148)	(595,698)
Research and development costs	(111,784)	(79,931)
Profit from operations	574,916	356,212
Finance costs	(83,978)	(91,000)
Profit before share of results of associates and taxation	490,938	265,212
Share of results of associates	121	(300)
Profit before taxation	491,059	264,912
Taxation	(69,986)	(22,940)
Profit before minority interests	421,073	241,972
Minority interests	(12,241)	(3,125)
Profit for the year	<u>408,832</u>	<u>238,847</u>
Dividend Paid	<u>83,755</u>	<u>60,057</u>
Earnings per share		
Basic	<u>65.73 cents</u>	<u>42.02 cents</u>
Diluted	<u>64.79 cents</u>	<u>41.83 cents</u>

As at 31<sup>st</sup> December 2002

## CONSOLIDATED BALANCE SHEET

	<u>2002</u> <u>HK\$'000</u>	<u>2001</u> <u>HK\$'000</u>
<b>ASSETS</b>		
Non-current assets		
Property, plant and equipment	846,766	678,629
Goodwill	161,091	83,815
Negative goodwill	(23,923)	(26,722)
Intangible assets	12,858	5,759
Interests in associates	117,265	108,366
Investments in securities	55,447	60,530
Deposit for acquisition of a subsidiary	-	148,200
Deferred tax asset	59,685	21,193
Other assets	1,195	1,195
	<u>1,230,384</u>	<u>1,080,965</u>
Current assets		
Inventories	1,592,034	799,975
Trade and other receivables	1,213,434	598,361
Deposits and prepayments	197,997	309,448
Bills receivable	261,186	331,431
Investments in securities	7,385	4,899
Trade receivable from associate	6,760	2,511
Bank balance, deposits and cash	1,855,491	644,039
	<u>5,134,287</u>	<u>2,690,664</u>
Current liabilities		
Trade and other payables	1,455,259	1,102,700
Bills payable	1,613,634	602,903
Warranty provision	79,315	26,979
Taxation payable	35,929	12,149
Obligations under finance leases and hire purchase contracts		
- due within one year	7,336	10,263
Bank borrowings - due within one year	781,156	217,060
	<u>3,972,629</u>	<u>1,972,054</u>
Net current assets	<u>1,161,658</u>	<u>718,610</u>
Total assets less current liabilities	<u><u>2,392,042</u></u>	<u><u>1,799,575</u></u>
<b>CAPITAL AND RESERVES</b>		
Share capital	129,143	114,903
Reserves	1,671,745	988,471
	<u>1,800,888</u>	<u>1,103,374</u>
<b>MINORITY INTERESTS</b>	<u>18,917</u>	<u>9,977</u>
<b>NON-CURRENT LIABILITIES</b>		
Obligations under finance leases and hire purchase contracts		
- due after one year	3,497	8,721
Bank borrowings - due after one year	554,059	675,967
Deferred tax liability	14,681	1,536
	<u>572,237</u>	<u>686,224</u>
	<u><u>2,392,042</u></u>	<u><u>1,799,575</u></u>

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