



## News Release

# TECHTRONIC's First Half Profit Rises 20%

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## *Demonstrating Successful Ryobi Acquisition*

(HONG KONG, September 3, 2001) – **TECHTRONIC INDUSTRIES CO., LTD.** ("TTI") (**HKEx: 669**) today announced its unaudited interim results for the period ended June 30, 2001. TTI delivered strong growth despite the difficult economic environment in the US, reporting an increase in profit of 20.2% to HK\$95.8 million. Turnover increased 73.8% to HK\$2.3 billion. Profit from Operations grew by over 51%, amounting to HK\$156 million as compared to HK\$103 million in the previous period.

Basic earnings per share for the period rose to 17.01 HK cents per share, up 19.4%. The Board of Directors recommends an interim dividend of 4.5 HK cents (2000: 4.0 HK cents) per share payable to shareholders.

"The significant growth reflects the successful integration of the North American Ryobi power tools business acquired in August last year and the encouraging achievement of the two major divisions – power tools and floor care appliances," said Mr. Horst Julius Pudwill, Chairman and Chief Executive Officer of TTI.

The North American Ryobi acquisition had two major implications for the Group. Firstly, it has enabled TTI to transform into an Own Brand Manufacturer from an Original Design Manufacturer (ODM), laying the foundations for the future growth of the power tool business. Secondly, it immediately expanded TTI's power tool product platform beyond cordless tools to corded portable and bench power tools.

Mr. Pudwill explained that on top of the organic market growth, TTI's growth is further fueled by gaining market share from competitors, expansion of market presence and increases in product categories.

In the first half, the Group successfully launched a substantial number of new or upgraded products under the Ryobi brand and other private labels to the market. TTI secured a long-term supply agreement with the world's largest home improvement retailer, The Home Depot, for the supply of Ryobi brand power tools. During the period under review, turnover in the power tools business doubled to HK\$1.6 billion in comparison to the previous year.

Following the proven success of North American Ryobi, the Group acquired the European Ryobi business from Ryobi Limited last month. With aggressive marketing strategies, TTI anticipates that its North American and European power tool market shares will continue to expand, allowing it to capitalize on increasing economies of scale.

The Floor Care Unit recorded robust turnover growth of 37% for the first half of the year in comparison to the previous year, accounting for 23% of total Group turnover. The increase was driven by positive consumer acceptance of new products and retail product promotions. The Group has been actively strengthening its Vax brand business, aiming to expand the product range, boost the marketing activities and streamline operations. TTI anticipates a strong second half with the roll out of several major new products, especially for the technically innovated Advanced Vacuum Cleaner.

Commenting on the profit margins, Mr. Frank Chan, Executive Director of TTI said, “We understand that production cost control is as important as the development of product range to increase the Group’s returns. We believe that our profit margins will further improve upon the consolidation of manufacturing into the plants in the PRC, the cost restructuring and integration of operations, where the Group will also benefit from economies of scale as sales volumes increase. Also, our margins will eventually increase as we pay off our bank borrowings for the Ryobi acquisition in next few years.”

“Looking ahead, the second half of 2001 will be another exciting and dynamic period for the Group. Orders for both Power Tools and Floor Care Appliances remain very strong. A number of innovative products are expected to deliver strong contributions to the second half and outperform the previous year. We see the uncertainty of the global economy as an opportunity to improve our market position.” Mr Pudwill concluded.

Application for spin-off and separate listing of the Floor Care Appliance Division (the “Proposal”) in April, 2001 had been submitted to the Stock Exchange of Hong Kong Limited. However, any decision to proceed will be dependent on the prevailing market environments at that time.

### Condensed Consolidated Income Statement

For the six months ended June 30, 2001

	<u>2001</u> <b>HK\$'000</b> (Unaudited)	<u>2000</u> HK\$'000 (Unaudited)
Turnover	<b>2,315,629</b>	1,332,177
Cost of Sales	<b>(1,824,114)</b>	(1,049,391)
Gross Profit	<b>491,515</b>	282,786
Other Revenue	<b>16,977</b>	13,534
Distribution Costs	<b>(84,343)</b>	(43,358)
Administrative Expenses	<b>(267,677)</b>	(149,844)
Profit from Operations	<b>156,472</b>	103,118
Finance Costs	<b>(47,814)</b>	(14,258)
Profit Before Share of Results of Associates and Taxation	<b>108,658</b>	88,860
Share of Results of Associates	<b>(280)</b>	(1,145)
Profit before Taxation	<b>108,378</b>	87,715
Taxation	<b>(9,616)</b>	(6,944)
Profit Before Minority Interests	<b>98,762</b>	80,771
Minority Interests	<b>(2,991)</b>	(1,102)
Profit for the Period	<b>95,771</b>	79,669
Interim Dividend	<b>(25,840)</b>	(22,437)
Profit for the Period, Retained	<b>69,931</b>	57,232
Earnings Per Share (HK cents)		
Basic	<b>17.01</b>	14.25
Diluted	<b>16.95</b>	14.20

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## **About TTI**

Founded in the 1980s, initially commencing business as an Original Equipment Manufacturer (OEM), TTI has evolved to an Original Design Manufacturer (ODM) and then, through the acquisition of North America's RYOBI power tools operations in August 2000 and Europe's RYOBI operations this month, to an Own Brand Manufacturer (OBM). Today, as a leading manufacturer of power tools and floor care appliances, TTI has a total work-force of over 10,000 people with operational bases in the Asia-Pacific, Europe and North America. TTI was listed on the Stock Exchange of Hong Kong in 1990. Since then, its business grown at a compounded annual rate of 25% from HK\$490 million in 1990 to HK\$4.6 billion in 2000.

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