Husky Injection Molding Systems Ltd. issues fiscal 2002 fourth quarter and full year results - for approval

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Attention Business/Financial Editors:
Husky Injection Molding Systems Ltd. issues fiscal 2002 fourth quarter and full year results

TORONTO, Sept. 25 /CNW/ - Husky Injection Molding Systems Ltd. (TSX: HKY) today announced its results for the fourth quarter and fiscal year ended July 31, 2002. All figures in this press release are in US dollars unless otherwise stated.

Robert Schad, Husky's President and Chief Executive Officer commented, "Fiscal 2002 was another year of widespread economic turmoil and uncertainty, with demand for plastic injection molding equipment reaching historic lows in some areas. We began the year with weak backlog levels followed by a significant decline in first quarter orders. While our orders rebounded in the second half of the year and increased 10% overall, this slow start caused sales to decline.

Husky's operating performance began to reflect the efforts we have made to lower costs and improve efficiency. Despite a 9% decline in sales, our gross profit increased, both in absolute dollars and as a percentage of sales. This increase was not sufficient to return us to profitability at such low overall volume levels, but it clearly demonstrates the potential for a pick up in earnings as sales improve. We generated free cash flow of $35 million through positive operating cash flow, lower working capital, and tightly controlled capital spending. Over the last two years, during which we recorded losses, free cash flow totalled $55 million and net debt was lowered 34%. As a result, our balance sheet remains strong.

Despite many economic pressures, we continued our development program and, as a result, we now offer a truly leading product line addressing numerous markets. Our Hylectric machines run up to 40% faster than competitive models and reduce clamp tonnage by as much as 50%. Large tonnage Quadloc machines have made inroads in markets such as resin furniture, crates, pallets and industrial containers. In PET, we introduced a 144 cavity preform mold that increases output by up to 50% compared to a 96-cavity mold, which was formerly the industry's largest. This new mold has been well received and we have already taken over 35 orders. We are proceeding cautiously with the Index Stretch-Blow system, which is still in the development phase. Finally, we substantially expanded our hot runner product line during the year and this puts us in a strong position to make significant inroads in these markets. Now that we have completed this intense product development phase, we are concentrating on fine tuning, cost reduction and quality.

Our strategy for the coming year continues largely unchanged. In addition to taking market share with our new products, we will maintain our focus on generating operational efficiencies and reducing costs. Investments will be made in modern manufacturing equipment and automation. Our new Shanghai Technical Center is another key investment which will begin construction in the fall. This facility will serve as our new Asian headquarters.

As a result of the 10% order increase, we ended the year with a backlog level which is over 60% higher than last year. This provides great momentum going into the new fiscal year. While the increase in orders is encouraging, we expect that soft market conditions will persist into calendar 2003 and, until clearer trends develop, we feel it is prudent to delay providing specific guidance for the year. Based on the order momentum that has started to build, and as a much leaner and more efficient company than even one year ago, we now have the opportunity to increase sales volume and return Husky to profitability."

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Summary of Fiscal 2002 fourth quarter and full year results in US dollars

Millions (except EPS)	Three Months Ended July 31, 2002	Three Months Ended July 31, 2001	Year Ended July 31, 2002	Year Ended July 31, 2001
Orders	205.0	137.3	692.4	630.3

Sales	175.4	193.4	580.9	640.2
Net Income (Loss)	6.6	2.9	(12.5)	(7.8)
Earnings (Loss) Per Share	0.06	0.03	(0.11)	(0.07)

Financial Highlights

Sales for the year ended July 31, 2002 were $580.9 million, down 9% from $640.2 million last year. This was primarily due to a weak opening backlog and a substantial decline in first quarter orders. Manufacture of product commences after receipt of orders for most of the Company's sales, and accordingly, when delays in orders are experienced, the Company is unable to utilize certain manufacturing capacity.

In North America, sales decreased 9% due to a low opening backlog, which affected sales in the first half of the fiscal year, and weak orders in the first quarter. The decrease in sales was principally in PET applications, reflecting slower growth in carbonated soft drinks and water applications in the second half of the previous fiscal year and the first quarter of fiscal 2002.

Sales in Europe decreased 15% compared to the previous year. Opening backlog was down significantly, and market conditions remained soft throughout the year. As a result of delays in PET orders and deferred capital spending commitments, sales were down in all regions. Other than packaging applications, demand was down in all application markets.

In Latin America, sales were consistent with last year. While orders in Mexico were up strongly, sales declined due to the timing of orders and shipments. This decline was offset by higher shipments in other regions.

Asia Pacific sales decreased 6% compared to the previous year. Orders in the first half of the current fiscal year lagged behind last year due to particularly strong order intake in the first quarter of fiscal 2001. This demand was principally in China and, while orders for the full year in China were consistent with the previous fiscal year, sales were higher last year due to the stronger start in orders.

Despite the decrease in sales, gross profit for the year ended July 31, 2002 increased to $118.7 million (20.4% of sales) from $114.9 million (17.9% of sales) last year. The increase in gross profit was primarily attributable to productivity initiatives and other cost reductions. Productivity initiatives included workforce reductions, streamlining of operations, and further in-house manufacturing. These programs resulted in improved operational efficiencies which reduced the effects of underutilized capacity at current sales levels. Other positive factors included favourable foreign exchange rates principally on Canadian dollar-based expenses, and approximately $2.0 million in severances incurred in the previous fiscal year. There were no comparable severance costs in gross profit this year. The above factors were partially offset by lower sales volume, competitive pricing pressures, and unfavourable product mix. This shift in mix includes increased sales of Hylectric machines, which currently incur excess costs over longer-term targets. In line with the rollout of this product, the Company continues to focus on substantial opportunities to reduce these costs.

Selling and administration expenses for the year ended July 31, 2002 increased to $118.2 million from $113.5 million last year. The increase was mostly due to the Company's participation in a large triennial trade show held in the first quarter, as well as productivity consulting expenses and receivable provisions, partly offset by cost savings associated with reduced headcount.

Interest expense for the year ended July 31, 2002, net of interest income, decreased to $10.8 million from $13.3 million last year. The decrease was principally due to lower average borrowing rates and lower average borrowing levels. Interest expense for the year included $9.3 million attributable to fixed rate debt compared to $8.3 million last year.

The Company recorded a special charge of $7.8 million in the first quarter of the current fiscal year related to severance and related benefits across all of its business segments. Due to the expected timing of payments, the unused accrual of $2.7 million at July 31, 2002 is expected to be utilized over the course of the Company's next fiscal year.

EBITDA for the year was $39.4 million compared to $49.1 million last year. The decrease was primarily due to the special charge related to the workforce reduction.

The net loss for the year ended July 31, 2002, including the pre-tax special charge of $7.8 million, totaled $12.5 million ($0.11 loss per share), compared to a loss of $7.8 million ($0.07 loss per share) last year.

Orders for the year ended July 31, 2002 increased 10% to $692.4 million, compared to $630.3 million. PET orders were consistent with last year's levels. Non-PET orders increased in all territories primarily due to orders booked in the packaging application market.

In North America, orders strengthened principally due to improved performance in packaging, technical and general applications, combined with a pickup in PET demand starting in the second quarter of the year. A significant portion of this improvement in non-PET applications was attributable to a large order placed by a single customer in the fourth quarter of the year. This order did not represent more than 10% of the Company's total consolidated orders for the year. Despite continued weak economic conditions, orders improved on a comparative basis in each of the last three quarters of the fiscal year.

In Europe, orders were consistent with last year following a substantial decline in the first quarter. Orders in Eastern Europe increased mainly as a result of PET and closure demand related to water and carbonated soft drink applications. This increase was offset by lower orders in Western Europe and Export regions, as customers continued to defer investment decisions.

In Latin America orders were consistent with last year, as weakness in Brazil and Argentina offset increases in Mexico. Strength in packaging was offset by marginal declines in other applications. In Asia Pacific, orders increased over last year due to strong PET performance in Japan and Southeast Asia.

Orders for the fourth quarter ended July 31, 2002 increased 49% to $205.0 million, compared to $137.3 million last year. North American orders increased substantially due primarily to the large order referenced above. European orders also increased substantially as many PET projects in Eastern Europe were finalized. Orders in Latin America declined due to weakness in all regions excluding Mexico. And in Asia Pacific, orders increased in various regions primarily in PET applications.

Backlog at July 31, 2002 increased 64% to $292.4 million compared to $178.6 million last year.

Cash provided by operating activities for the year ended July 31, 2002 improved to $59.2 million from $50.2 million last year. This increase was due to a reduction in non-cash working capital of $33.0 million compared to a reduction of $16.8 million last year, partly offset by an increase in net loss and future income taxes. The reduction in non-cash working capital in fiscal 2002 was due to increased customer deposits and accounts payable, partly offset by higher inventory, which is consistent with the substantially increased backlog levels at the end of the fiscal year. Decreased accounts receivable also contributed to the improvement in non-cash working capital, as a result of lower sales and reduced deferred terms extended to customers.

Capital additions for the year ended July 31, 2002 totalled $22.6 million, down from $34.0 million last year. Capital investments related principally to machinery and equipment purchases. In fiscal 2001, major investments included the expansion of the large tonnage machine facility in Luxembourg. There was no comparable investment in the current fiscal year. At July 31, 2002, the Company had commitments for future capital expenditures totalling $22.5 million relating primarily to the purchase of production and other equipment.

Fiscal 2002 was another year of widespread softness in capital spending and economic uncertainty, with demand for plastic injection molding equipment reaching historic lows in some areas. The 10% order growth achieved in fiscal 2002 was encouraging; however, predicting the timing of a turnaround in global markets remains a challenge. The Company expects that soft market conditions will persist into calendar 2003. Until clearer trends develop, the Company feels it is prudent to delay providing guidance for the year. Due to the timing of orders booked and customer requirements, a substantial portion of the backlog is expected to ship after the first quarter of fiscal 2003. While sales are expected to increase over the comparable period last year, the Company anticipates that it will incur a loss in the first quarter. Excluding the impact of the special charge booked in the first quarter last year, the loss in the first quarter of fiscal 2003 is expected to be substantially less than the comparable quarter in fiscal 2002.

Husky Injection Molding Systems Ltd. (www.husky.ca) is a global supplier of injection molding equipment and services to the plastic industry. Customers use Husky's equipment to manufacture a wide range of products in the packaging, technical and automotive industries. The Company has more than 40 service and sales offices, supporting customers in over 100 countries. Husky's manufacturing campuses are located in Canada, the United States, and Luxembourg. The Company's common shares are listed on the Toronto Stock Exchange (HKY) and are included in the S&P/TSX Composite Index.

The press release contains certain forward-looking statements that reflect the Company's current view of future events, business outlook and anticipated financial performance. This information and such statements are subject to important risks, uncertainties and assumptions that are difficult to predict. The results or events predicted in these statements may differ materially from actual results or events. Some of the factors that could cause results or events to differ from current expectations include, but are not limited to, the factors described on pages 3 and 4 under the "Risks and Uncertainties" section in the Company's Annual Report 2001 - Financial Supplement for the year ended July 31, 2001.

HUSKY INJECTION MOLDING SYSTEMS LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

(IN THOUSANDS OF US DOLLARS, EXCEPT SHARE DATA)

	(UNAUDITED) Three Months Ended		(AUDITED) Year Ended	
	July 31, 2002	July 31, 2001	July 31, 2002	July 31, 2001
Sales	175,418	193,402	580,946	640,228
Cost of sales	132,462	156,096	462,267	525,337
Gross profit	42,956	37,306	118,679	114,891
Other expenses				
Sales and administration	30,864	29,971	118,249	113,493
Special charge	-	-	7,770	-
Interest - current, net	(73)	(508)	(46)	(744)
- long-term	2,599	3,360	10,871	14,068
Total expenses	33,390	32,823	136,844	126,817
Income (loss) before income taxes	9,566	4,483	(18,165)	(11,926)
Provision for (recovery of) income taxes				
Current	4,723	1,575	1,977	572
Future	(1,719)	(6)	(7,681)	(4,746)
	3,004	1,569	(5,704)	(4,174)
Net income (loss) for the period	6,562	2,914	(12,461)	(7,752)
Retained earnings, beginning of period	169,972	186,081	188,995	196,747
Retained earnings, end of period	176,534	188,995	176,534	188,995
Basic and diluted income (loss) per share	0.06	0.03	(0.11)	(0.07)
Weighted average number of common shares outstanding	116,503,349	116,323,197	166,445,243	116,226,148

HUSKY INJECTION MOLDING SYSTEMS LTD.
CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS OF US DOLLARS)

	July 31, 2002 (audited)	July 31, 2001 (audited)
ASSETS		
Current		
Cash and cash equivalents	48,176	22,096
Accounts receivable	86,681	96,480
Income taxes receivable	4,356	4,094
Inventories	135,595	115,640
Prepaid expenses and other assets	8,434	11,791
Future income tax assets	19,096	16,086
Total current assets	302,338	266,187
Cross currency swap receivable	28,481	29,412
Capital assets, net	372,348	398,632
Total assets	703,167	694,231
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued charges	140,758	123,360
Customers' deposits	60,062	41,268
Current portion of long-term debt	2,337	1,930
Total current liabilities	203,157	166,558
Cross currency swap payable	29,032	29,032
Long-term debt	154,706	163,903
Employee future benefits	7,560	7,206
Future income tax liabilities	207	7,030
Total liabilities	394,662	373,729
Shareholders' equity		
Share capital	131,971	131,507
Retained earnings	176,534	188,995
Total shareholders' equity	308,505	320,502
Total liabilities and shareholders' equity	703,167	694,231

HUSKY INJECTION MOLDING SYSTEMS LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS OF US DOLLARS)

	(UNAUDITED) Three Months Ended		(AUDITED) Year Ended	
	July 31, 2002	July 31, 2001	July 31, 2002	July 31, 2001
OPERATING ACTIVITIES				
Net income (loss) for the period	6,562	2,914	(12,461)	(7,752)
Add (deduct) items not affecting cash				

Depreciation	11,976	12,603	46,193	47,444
Amortization	224	91	592	285
Loss on disposal of capital assets	750	254	1,322	229
Increase (decrease) in employee future benefits	(8)	185	354	498
Future income taxes	(2,302)	(2,491)	(9,833)	(7,231)
Operating cash flow	17,202	13,556	26,167	33,473
Net decrease (increase) in non-cash working capital balances related to operations	27,225	5,319	33,029	16,776
Cash provided by operating activities	44,427	18,875	59,196	50,249
INVESTING ACTIVITIES				
Additions to capital assets	(8,126)	(4,996)	(22,591)	(33,966)
Net increase (decrease) in accounts payable and accrued charges related to capital asset additions	1,662	(758)	(1,428)	78
Cash used for capital asset additions	(6,464)	(5,754)	(24,019)	(33,888)
Proceeds from sale of capital assets	12	343	132	3,827
Cash used in investing activities	(6,452)	(5,411)	(23,887)	(30,061)
FINANCING ACTIVITIES				
Additional long-term debt	2,323	10,000	12,323	172,742
Repayment of long-term debt	(544)	(54,974)	(22,016)	(166,301)
Issue of common shares	143	107	464	763
Increase in cross currency swap receivable	-	(29,412)	-	(29,412)
Increase in cross currency swap payable	-	29,032	-	29,032
Cash provided by (used in) financing activities	1,922	(45,247)	(9,229)	6,824
Net increase (decrease) in cash and cash equivalents (bank indebtedness) during the period	39,897	(31,783)	26,080	27,012
Cash and cash equivalents (bank indebtedness), beginning of period	8,279	53,879	22,096	(4,916)
Cash and cash equivalents, end of period	48,176	22,096	48,176	22,096
Supplementary cash flow information				
Cash income taxes paid (received), net	(2,148)	590	3,060	(1,959)
Cash interest paid, net	102	2,565	11,116	11,154

HUSKY INJECTION MOLDING SYSTEMS LTD.
SEGMENTED INFORMATION

(IN THOUSANDS OF US DOLLARS)

Three Months Ended July 31, 2002 (UNAUDITED)

	Service and Sales territories						
	North America	Latin America	Europe	Asia Pacific	Manufacturing operations	Eliminations & other(i)	Total
External sales	73,394	18,978	54,408	28,638	-	-	175,418
Intersegment sales	-	-	-	-	136,409	(136,409)	-
Total sales	73,394	18,978	54,408	28,638	136,409	(136,409)	175,418
Gross profit	13,575	3,668	6,649	5,677	9,356	4,031	42,956
Depreciation and amortization	1,385	238	528	125	8,589	1,335	12,200
Capital asset additions	75	159	257	106	6,630	899	8,126
Total assets	93,924	36,166	102,126	29,773	333,922	107,256	703,167

Three Months Ended July 31, 2001 (UNAUDITED)

	Service and Sales territories						
	North America	Latin America	Europe	Asia Pacific	Manufacturing operations	Eliminations & other(i)	Total
External sales	81,075	33,929	57,597	20,801	-	-	193,402
Intersegment sales	-	-	-	-	132,830	(132,830)	-
Total sales	81,075	33,929	57,597	20,801	132,830	(132,830)	193,402
Gross profit	13,343	4,133	8,122	3,211	7,269	1,228	37,306
Depreciation and amortization	2,655	171	510	144	8,358	865	12,694

	North America	Latin America	Europe	Asia Pacific	Manufac-turing oper-ations	Elimi-nations & other(i)	Total
Capital asset additions	813	121	48	48	2,817	1,149	4,996
Total assets	97,114	39,668	91,674	20,377	346,472	98,926	694,231

Year Ended July 31, 2002 (AUDITED)

	Service and Sales territories						
	North America	Latin America	Europe	Asia Pacific	Manufac-turing oper-ations	Elimi-nations & other(i)	Total
External sales	251,742	73,569	166,328	89,307	-	-	580,946
Intersegment sales	-	-	-	-	459,219	(459,219)	-
Total sales	251,742	73,569	166,328	89,307	459,219	(459,219)	580,946
Gross profit	44,684	11,343	22,319	16,331	23,539	463	118,679
Depreciation and amortization	5,406	747	2,074	578	33,017	4,963	46,785
Capital asset additions	1,097	1,766	461	396	17,372	1,499	22,591
Total assets	93,924	36,166	102,126	29,773	333,922	107,256	703,167

Year Ended July 31, 2001 (AUDITED)

	Service and Sales territories						
	North America	Latin America	Europe	Asia Pacific	Manufac-turing oper-ations	Elimi-nations & other(i)	Total
External sales	275,463	73,776	196,384	94,605	-	-	640,228
Intersegment sales	-	-	-	-	496,107	(496,107)	-
Total sales	275,463	73,776	196,384	94,605	496,107	(496,107)	640,228
Gross profit	44,491	11,412	27,438	13,760	19,978	(2,188)	114,891

Depreciation and amortization	6,385	652	2,105	599	33,808	4,180	47,729
Capital asset additions	1,812	621	969	584	27,365	2,615	33,966
Total assets	97,114	39,668	91,674	20,377	346,472	98,926	694,231

(i) Eliminations and other includes Corporate activities and assets not attributable to the operating segments.
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External sales to customers in Canada and the United States for the three months ended July 31, 2002 were $4,001 (2001 - $12,016) and $69,393 (2001 - $69,059), respectively. External sales to customers in Canada and the United States for the year ended July 31, 2002 were $20,200 (2001 - $25,817) and $231,542 (2001 - $249,646), respectively.

Capital assets in Canada, the United States and Luxembourg as at July 31, 2002 were $138,384 (2001 - $151,867), $108,852 (2001 - $118,066) and $105,689 (2001 - $108,245), respectively.

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