

Chief Executive Officer's Message

“We have a bold, disciplined strategic plan for the next five years that focuses on the global leadership we will achieve in our served markets.”



TTI is generating extraordinary results. We are flourishing by rigorously executing our bold strategy, launched ten years ago, that created the platform for our industry-leading growth. And we will aggressively continue to follow this strategy as we expand into new categories, new businesses and across the globe. A core part of our strategy is to invest in R&D to drive innovative product development. To be successful we have built a world class R&D capability and new product development process with speed-to-market competitive advantage. We have been introducing one break-through new product after another, delivering a high level of product vitality year after year. Our disciplined focus on creating new innovative products has yielded growth that is well ahead of our competitors and produced profit improvements faster than our sales growth. Executing the strategy is unlocking the vast potential of TTI by driving our businesses to continuously and systematically create new growth opportunities. Although we are extremely proud of our accomplishments, we maintain a relentless focus toward the future and dedication to our core strategy. TTI is just getting started.

Power Equipment Growth Vision

Over the next five years our plan is to pursue a much broader vision than conventional wisdom suggests. We see there is an opportunity to dramatically expand the market for cordless labor saving devices. The TTI cordless product innovations are growing our served industry by driving disruptive changes and generating user demand for the convenience and performance of cordless products. As we continue to deliver new cordless product innovations across categories, we expect to be the stimulus over the next five years that significantly expands our served market beyond what we see today.

We have identified nine targets for technology and new product development which are the catalysts for our cordless growth. By focusing on these catalysts we are developing product innovations that are driving both our growth and the expansion of the cordless

served market. Our goal is to create and harvest these opportunities. Through our strategy we will be at the vanguard of the cordless evolution of our served markets.

Corded to Cordless: this transition is moving at a fast pace as cordless technology continues advancing, driving the opportunity to replace traditional corded tools.

Pneumatic to Cordless: the convenience of cordless on the jobsite will displace the need for compressors and hoses.

Petrol to Cordless: the environmental benefits and convenience of cordless have already been replacing the traditional petrol powered portable products and as cordless technology continues evolving the opportunity to replace outdoor products expands.

Corded Lighting to Cordless: by combining LED technology and cordless we are providing complete lighting solutions for the vast portable and jobsite applications.

Hand Tools to Cordless: by delivering better productivity solutions with small, lightweight and power of cordless – like the MILWAUKEE subcompact M12 range.

Hydraulic to Cordless: the improved productivity of cordless on the jobsite will replace the traditional hydraulic tools.

Replacement Cycle: product lifecycles are becoming shorter with rapid progress in technology and product development.

Batteries Aftermarket: expanding at a fast pace with the cordless industry expansion.

Network Effect – Bare Tools: users are expanding their demand for tools by leveraging a battery platform.

We are creating market demand through great products and convincing users to switch to cordless. The overarching network effect of cordless, because of the interconnectivity of tools and products through the battery and electronics systems, will continue adding users to the leading battery platforms of the TTI brands like RYOBI ONE+, and MILWAUKEE M12 and M18. Our strategic battery platform approach to new product development opens the door to limitless product line expansion and new category entrance opportunities.

Revitalized Floor Care Growth

We have an exciting strategy and vast potential for the floor care business. The future of our floor care is in cordless, which as a category grew 53% in 2016, validating our strategic direction. We have an exciting new product development plan that will generate a new growth trajectory and improve profitability. We have reframed the business, assembled a strong management team, completed the exit of non-core products and channels of distribution, established a world class innovation center and headquarter in Charlotte and energized the new product development to focus on our formable cordless technology and break-through innovation process, both core competencies of TTI. The revitalized business will bring innovation to cordless cleaning for consumers and commercial users. The first product wave of new products, stick vacs and robots, were introduced in 2016 and contributed to the second half sales growth in North America. A comprehensive range of new innovative cordless products is being launched in 2017 like the technology HOOVER REACT and VAX BLADE ranges. We are confidently moving aggressively forward with our product development and marketing plans.

Recent Acquisition Successes

We are not desperate acquirers. We look for strategic fits with technology, brands or product. Our recent three year acquisition activity of EMPIRE level, INDEX tape measures, KOTTMANN chisels, and ORECK floor care has contributed to the Company's sales and profit growth. All four are strategic fits with our existing businesses. We conducted a rigorous TTI business model integration of these businesses to drive innovations, extract operational efficiencies, and improve profitability. EMPIRE level for example with an aging product range and very few new products has been re-invented, delivering innovation across a complete industry range of products. The introduction of EMPIRE ULTRAVIEW LED box levels with high definition viewing in all conditions and the industry's first auto-calibrated digital levels with inspector grade measurement is just the beginning for EMPIRE. Looking forward, we have a lot of potential in the businesses we are in and are focused is on organic growth, but we carefully examine every opportunity for acquisitions that make strategic sense and have proper valuations.

Strategic Manufacturing Diversity

TTI has a global manufacturing footprint providing strategic geographic diversity. We are globally aligned in production and supply chain capacity to support our growth. We source and manufacture in the best cost locations to supply our global businesses. In addition to our world class Asian and European manufacturing operations, TTI in the US has five manufacturing locations covering over one million square feet and four R&D centers which are thriving. We made further investments during the year in our US operations to support both our US and Rest of World businesses. As all our manufacturing

facilities execute cellular and lean manufacturing practices and are vertically integrated on key components and linked to our global purchasing network, we are able to ramp-up production rapidly. In support of our flourishing business the US based headcount has grown 41% over the past four years.

TTI Leadership

Our TTI team is the most important piece of our business model. Everything begins and ends with people – the planning, the creativity throughout our business required to generate innovation, and the execution of our processes to deliver results time and time again. We believe in developing our future leaders internally to feed our TTI management ecosystem. We cultivate extraordinary leaders by providing the mentorship, business tools, and opportunities for our teams of entrepreneurs to have the resources and freedom to drive hard, be creative, and deliver results.

Our culture breeds success and these developing leaders are finding career success at TTI. The new leaders that flourish and rise through our development programs deliver excellent results in every area of the company. To feed our growth and need for management talent, we plan this year to hire 522 top performing university graduates in a highly selective process into our competitive Leadership Development Program (LDP) across the US and twelve other countries. Since 2007 we have employed over 2,000 high-potential LDPs, many of these LDPs have progressed quickly in the TTI management ranks in functions like sales, product management, marketing, purchasing, manufacturing, engineering and finance. We are fully preparing the next generation of TTI leaders around the world.

I am very extremely proud of what we have accomplished in 2016. TTI has built an enviable track record of outstanding performance. It is the leadership of our Chairman, Horst Pudwill, with his vast energy, unique vision and relentless pursuit of higher standards that best defines our remarkable culture. He is a powerful role model for current and future generations of TTI leaders. It is an honor and a privilege to have Horst as a mentor. Today, we are both even more optimistic about the future of this company.



Joseph Galli Jr
Chief Executive Officer
March 14, 2017