

Chairman's Statement



“We have a bold, disciplined strategic plan for the next five years that focuses on the global leadership in our existing and future markets.”

Horst Julius Pudwill
Chairman

I am pleased to announce that in 2017 we delivered another year of record profit and our eighth consecutive year of record revenue. We have delivered impressive growth through the years while continuing to drive gross margin expansion. Our momentum couldn't be stronger and we are highly confident in our disciplined focus on the key strategic drivers of powerful brands, innovative products, exceptional people, and operational excellence.

Record Performance

Revenue for the year ended December 31, 2017 increased 10.6% over 2016 to US\$6.1 billion. We generated solid growth in all core geographic regions fueled by exciting new product launches across the divisions. Our largest business, Power Equipment, had another impressive year with sales growth of 14.9% to US\$5.1 billion, accounting for 84.7% of total sales, and an increase in operating profit of 18.9% to US\$512 million from US\$430 million in 2016. The Floor Care and Appliance business made progress in enhancing its cordless product range while exiting certain non-strategic corded vacuums. With the cordless Floor Care business up double-digit, it is a testament to the effectiveness of our strategy to meet the consumer's preference as the industry transitions from corded to cordless. We remain confident our direction will deliver improved returns in the coming years.

Continuous Operational Improvement

Gross profit margin improved for the ninth consecutive year from 36.2% in 2016 to 36.7% on positive impacts from the flow of new product introductions, volume leverage and productivity gains. Our continued investment in automation, value engineering programs and relentless focus on global supply chain are also contributing to helping us achieve our exceptional results. Earnings before interest and taxes, increased by 15.3% to US\$519 million, with the margin improving by 40 basis points to 8.6%. Shareholders' profits rose 15.0% to US\$470 million, with earnings per share increasing by 15.0% over 2016 to US\$25.66 cents. Working capital as a percent of sales continues to be very well managed and remained low at 16.5% and in a net cash position.

Given the rapid growth of our Power Equipment division, TTI has made significant investments in the expansion of our distribution, manufacturing and R&D capabilities in North America with our head count increasing 16.0% in this region while global headcount for the entire Group increased only 6.7%, with revenue increasing 10.6%, demonstrating our ability to drive overall productivity.

The Board is recommending a final dividend of HK39.75 cents (approximately US5.12 cents) per share. Together, with the interim dividend of HK27.75 cents (approximately US3.57 cents) per share, this will result in a full-year dividend of HK67.50 cents (approximately US8.69 cents) per share, against HK50.00 cents (approximately US6.44 cents) per share in 2016, an increase of 35.0%.

Strategic Commitment

TTI has a clear focus on meeting our customers' expectations with a relentless drive to create innovative products. Our commitment and investment in R&D combined with our cordless manufacturing capabilities have resulted in a flow of inventive product solutions that are advancing our cordless leadership position. We are leveraging our cordless technology as we drive further and more broadly across the battery platforms of RYOBI ONE+, the world's largest cordless DIY power tool brand, and the industry leading MILWAUKEE M18 and M12 professional and industrial power tool families. In addition to power tools, we utilize our technological expertise in batteries, power management electronics, and brushless motor systems in our Outdoor Power Equipment and Floor Care businesses.

We are committed to a culture of excellence at TTI. It is our high standards, willingness to take the necessary steps, and disciplined commitment to continuous improvement that are propelling TTI to continue delivering outstanding results. We are streamlining our manufacturing operations while at the same time reducing lead-times through the implementation of lean practices, automation, and supply chain reengineering. This dedication to operational excellence also drives the expansion of manufacturing capabilities necessary to launch a growing complex range of new products. Our technology and product development centers are energetic, dynamic places of creative ideas coupled with world-class project execution that bring remarkable ranges of breakthrough products to market. Enhancing our R&D capabilities is the new DIY power tools and outdoor power equipment Innovation Center in South Carolina and the recently completed Global New Product Development Center at the MILWAUKEE headquarters. These facilities are cutting-edge work environments for product creation, technical and software development.

Exciting Future

Our ambition is to fundamentally change the way the world works at home and on the jobsite. We continue to invest in the future through technology and product development teams that are driving the flow of innovative new products and creating opportunities for previously unimagined category expansion. We have a portfolio of powerful brands and leading cordless platforms which are being deployed across the globe.

2018 has started strong as we continue to execute our cordless vision and drive geographic and category expansion. Investment in cordless technology and our new product development process will generate an expanding flow of new products for 2018. New products and ground-breaking technologies like the MILWAUKEE FUEL and RYOBI brushless technology are being launched across our strategic cordless platforms of MILWAUKEE M12 and M18 and RYOBI ONE+ and 40V. New categories leveraging these cordless platforms are being entered and successfully expanded with industry changing innovations like MILWAUKEE High Output Lighting and Ryobi range of cordless Lawn Mowers. Our obsession on focusing on the customer is generating opportunities in complimentary Accessories, Storage and Hand Tool products. We are realizing substantial progress in expanding our global reach through the deployment of TTI's brands and cordless leadership into strategically targeted geographies, many of these only now opening up to the benefits of cordless technology.

TTI is committed to operating as a responsible corporate citizen of the world with environmental, social and governance best practices as we grow the business.

On behalf of the Board, I would like to express my appreciation to our shareholders, loyal customers and everyone at TTI for their dedication, commitment and hard work. With our well-defined strategy, business momentum, and customer focus, I feel very confident that 2018 will be another outstanding year.



Horst Julius Pudwill

Chairman
March 13, 2018