

Chairman's Statement



- Sales increased 6.0% to a record US\$5.0 billion
- Sales adjusted for foreign currency grew 10.5%
- Our MILWAUKEE business grew 23.7% adjusted for foreign currency
- Gross margin expanded from 35.2% to 35.7%, an increase of 50 basis points
- Net profit increased 18.0% for the year, delivering double-digit growth for eight consecutive years
- Efficient working capital management at 17.0% of sales

I am pleased to report that in 2015 TTI delivered another record year of sales, gross margin, and profit, for our sixth consecutive year.

This year marks a particularly special milestone for TTI as we celebrate our 30th anniversary. Over the years, our disciplined focus on our four key strategic drivers of powerful brands, innovative products, exceptional people, and operational excellence has enabled us to continually improve our financial performance and business milestones. It is precisely these drivers that we will remain committed to in continuing to deliver outstanding results.

Record Financial Performance

Sales for the year ended December 31, 2015 increased 6.0% over 2014 to US\$5.0 billion driven by continued investment in new product development and marketing. Sales before currency adjustment rose significantly in all regions demonstrating the strength of our brands and product lines. Our largest business, Power Equipment, had another exceptional year with sales growth of 11.8% to US\$4.0 billion, accounting for 78.8% of total sales, and an increase in operating profit by 29.7% compared to 2014. In the Floor Care and Appliance division, consistent with our strategy in the first half of the year, we continued the planned exit of certain non-strategic lower margin businesses and categories with sales for the year declining 11.2% over 2014 to US\$1.0 billion. Looking ahead, we are strategically well positioned with our focus on cordless and commercial cleaning, leveraging our revitalised product portfolio and world-class brands.

Our gross profit margin improved for the seventh consecutive year to 35.7% from 35.2% last year driven by new product, volume growth, and productivity gains. Cost improvement initiatives across our global operations delivered significant savings in purchasing, supply chain, value engineering, and manufacturing. Our investments in automation and lean manufacturing continued driving both labor productivity and overall efficiency.

Earnings before interest and taxes, increased by 14.0% to US\$400 million, with the margin improving by 50 basis points to 7.9%. Shareholders' profits rose 18.0% to US\$354 million, with earnings per share increasing by 18.0% over 2014 to US\$19.37 cents. Working capital as a percent of sales remained low at 17.0% and our gearing at 13.4%.

The Board is recommending a final dividend of HK23.25 cents (approximately US2.99 cents) per share. Together, with the interim dividend of HK16.00 cents (approximately US2.06 cents) per share, this will result in a full-year dividend of HK39.25 cents (approximately US5.05 cents) per share, against HK31.50 cents (approximately US4.05 cents) per share in 2014, an increase of 24.6%.

Innovative Products

Our powerful brands and innovative products are connecting with a broader base of new customers, as well as deepening their reach with existing users. With our ongoing strategic investment in R&D and expertise applying our innovations to solve end-user needs, we continue to set the pace in lithium cordless technology expanding across platforms and creating exciting new categories in the industrial and consumer tools, outdoor products, and floor care segments. Our technology is continually setting the bar for innovation in our industries, driving transformation. Further, we have expanded our capacity for new product development and are launching product innovations at an even faster pace.

We are committed to delivering the world's most advanced cordless tool technology in our FUEL product family and industry leading lithium cordless platforms in our RYOBI ONE+, RYOBI 36V/40V, AEG 18V Brushless, and MILWAUKEE M12 and M18 ranges. These platforms are being expanded with innovative new products at an unprecedented scale. Break-through development of the MILWAUKEE ONE-KEY program is the first ever digitally controlled platform for cordless tools and equipment. ONE-KEY integrates industry-leading tool electronics with custom-built cloud based technology for diagnostics and tool control, alongside a state-of-the-art tracking platform. We are leading the industry by linking the needs of our end-users more directly with our tools which leads to better product development and new marketing channels.

We are relentlessly applying our lithium cordless technologies to new products in our outdoor and floor care product ranges. We are delivering lithium cordless flexibility and high performance brushless motor technology to demanding outdoor tools like chain saws and walk-behind lawn mowers. Additionally, our product development is on the leading edge of the vacuum industry revolution to lithium cordless. Our superior cleaning technology such as HOOVER WIND TUNNEL coupled with our comprehensive IP portfolio puts us in a leading position in the design and development of exciting new floor care products in both the consumer and commercial segments of the market.

Highly Focused Category Expansion

We systematically search for opportunities to enter new product categories and create new businesses. One example is our successful drive into hand tools which continues to expand with a new range of HART hammer and striking tools, MILWAUKEE tapes, tool storage and plumbing tools and the integration of the EMPIRE brand, setting a foundation for future growth. We are fundamentally changing the way high-force tools are used by plumbers and electricians with our MILWAUKEE FORCE LOGIC range of crimpers, knockout and press fit cordless tools, and we have expanded into the construction lighting space with the new MILWAUKEE M12 and M18 cordless lighting solutions. We continue to invest in new products, technology and manufacturing to drive our expansion in these globally significant markets.

Expanding Global Reach

Our highly selective, targeted expansion into under-represented markets continues to deliver results. The MILWAUKEE business, which grew 17.7% this past year, is expanding its reach in strategic markets across the world, as well as driving gains in North America, Australia and key European markets. We are bringing our new product stream to market by establishing sales, marketing and distribution in these geographies.

Delivering Operational Excellence

We have a deep commitment to operational excellence and continuous improvement which keeps us on the leading edge of our industries and generating value for our customers. Our disciplined processes in lean manufacturing, global purchasing, and value engineering continue to deliver efficiencies, reduce lead-times and improve quality and service levels. Additionally, we are adding production and supply chain capacity to support our growth. Our new technologies and products are fully supported by investments in manufacturing capabilities. These initiatives are driving long-term improvements in our operations, expanding gross margins and reducing working capital requirements.

Outlook Remains Strong

As we reflect on thirty years of accomplishment, we are determined to continue our remarkable growth and lead the industry's cordless revolution forward. Backed by our experience building the best brands, developing the most advanced technologies, and creating innovative products, we enter 2016 with our most dynamic lineup ever, expanding our RYOBI ONE+ system and MILWAUKEE M12, M18 and FUEL platforms across traditional and new ranges and categories. A new powerful AEG 58V PRO Lithium range of outdoor tools will deliver power and run-time professional users demand and the MILWAUKEE ONE-KEY digital platform for tools and equipment will revolutionize the way work gets done. Our cordless floor care and outdoor products are transforming both the consumer and commercial segments of the market, while growth in our hand tool and accessory businesses continues to surge. The future for TTI is indeed a very exciting and bright one.

I would like to thank our loyal customers and business partners for their ongoing support. Our dedicated, skilled and passionate teams are the keys to all that we have been able to accomplish enabling us to deliver consistently outstanding results. We are grateful to our Board of Directors for their ongoing strategic contributions. Our success has been, and will firmly remain, the result of a dedicated team effort.



Horst Julius Pudwill

Chairman
March 15, 2016