



MILWAUKEE M18 FUEL 1/2" Drill/Driver

Power Equipment
Sales

US\$12,329 m

93.0% of total sales



HOOVER ONEPWR EVOLVE PET ELITE Cordless Vacuum

Floorcare & Cleaning
Sales

US\$925 m

7.0% of total sales

Review of Operations

Power Equipment

Our Power Equipment segment delivered local currency sales growth of 5.5%. Reported sales rose 3.1% to US\$12.3 billion. We grew operating profit 6.6% to US\$1.2 billion while making investments to extend our leadership position in the Professional and DIY Tool markets. Based on the wide international reach of our brands, MILWAUKEE is the #1 global Professional Tool brand, and RYOBI is the #1 DIY Tool brand worldwide. More importantly, both MILWAUKEE and RYOBI are the clear leaders in the cordless market, with a commanding and growing global position.

MILWAUKEE

In 2022, we grew our flagship MILWAUKEE business 21.8% in local currency with reported sales up 18.7%. Growth for the MILWAUKEE business was well balanced across cordless Power Tools, battery-powered Outdoor Power Equipment, Hand Tools, PACKOUT Storage, Accessories, and Personal Protective equipment (PPE). Growth was equally well balanced by geography with every major region of the world growing over 21.5% in local currency.

Power Tools

Our MILWAUKEE business continued to expand its addressable market with groundbreaking innovation propelled by aggressive R&D spending. This is enabling penetration of additional end market verticals that are still in the beginning stages of cordless conversion. Cordless tool solutions yield dramatic environmental, safety, and productivity benefits for the end user. Many of our fastest growing verticals are concentrated in areas of infrastructure, maintenance and repair, and industrial capital spending. These include power utility, transportation maintenance, semiconductor production, electric vehicles, mining, and oil and gas.

MILWAUKEE continues to convert users from traditional power sources including corded, pneumatic, hydraulic and petrol tools to our lithium cordless battery technology. We continue to differentiate ourselves with the breadth of cordless offerings targeted at a growing number of industry-specific trades. Leading the way is the MILWAUKEE M18 system with 262 tools on the platform, the M12 system with 148 tools and the rapidly expanding MX FUEL equipment system with over 20 products by the end of 2023.



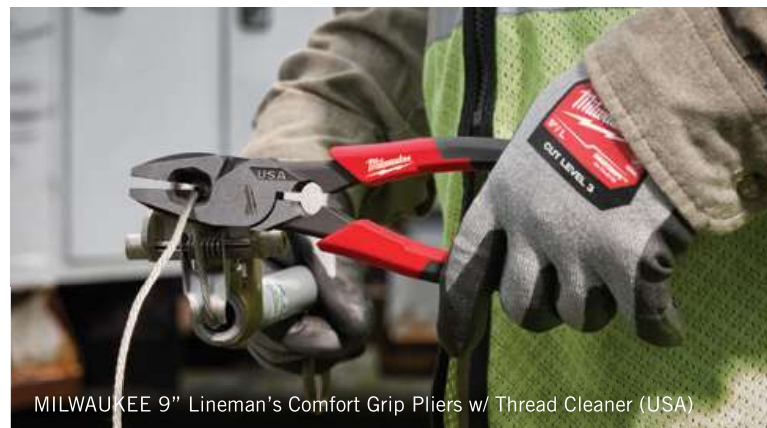
MILWAUKEE M18 FUEL 21" Self-Propelled Dual Battery Mower

Outdoor Products

MILWAUKEE has identified an enormous opportunity to convert professional landscapers from petrol to battery to promote greater environmental safety, noise reduction, productivity, and convenience. MILWAUKEE Outdoor continued to significantly outpace the market in 2022 with the introduction of a broad array of new products. Led by the successful release of the highly anticipated 21" M18 FUEL self-propelled, dual battery mower in early 2022, MILWAUKEE also launched several new attachments to the M18 FUEL power head, a new line of blowers, M18 FUEL HATCHET pruning saw, and a new compact hedge trimmer.

Hand Tools

Our stream of highly innovative hand tools launched over the past decade has grown the Hand Tool category into a larger proportion of the overall revenue base. We are driving growth in this area with an investment in our manufacturing site in West Bend, Wisconsin, where we are launching our innovative Made-in-USA hand tools designed for professional trades in Q2 2023.



MILWAUKEE 9" Lineman's Comfort Grip Pliers w/ Thread Cleaner (USA)

Storage

PACKOUT Modular Storage continues to be a major growth engine at MILWAUKEE business. It has changed the way professionals transport materials from the jobsite to their vehicles and to the shop. More than 20 new Shop Storage solutions were introduced in 2022. These new solutions have brought additional users into the system because of the unique modularity benefits and various accessories that optimize space. A new PACKOUT M18 six-bay rapid charger, PACKOUT tumblers, and coolers, along with PACKOUT nested hand tool and accessory kits were also launched over the past year. The PACKOUT range offers more than 65 products today with dozens more in development.



MILWAUKEE M18 PACKOUT Six Bay Rapid Charger

Personal Protective Equipment

MILWAUKEE is disrupting the realm of personal protective equipment (PPE). Like its cordless and storage businesses, MILWAUKEE is taking a systems approach to bring new users into the product ecosystem with a broad range of solutions that provide best-in-class worker safety. We are dramatically expanding the MILWAUKEE BOLT helmet line with a full range of accessories that facilitate greater face, eye, sun, and hearing protection. Another focus category for MILWAUKEE within PPE has been cut-resistant hand protection. New high dexterity gloves were recently launched and provide users with a thinner design to easily grip materials while providing cut resistant protection.



MILWAUKEE BOLT Full Face Shield

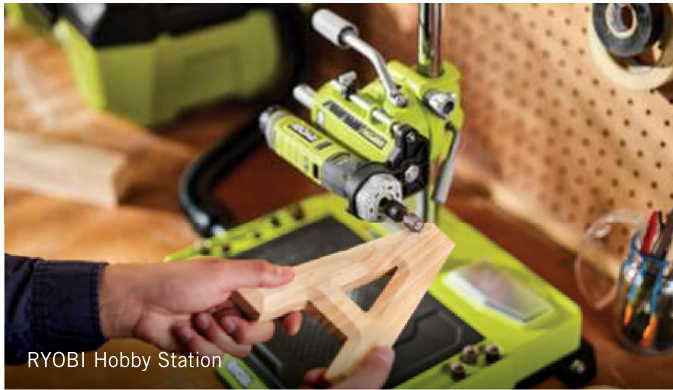


RYOBI 80V HP Brushless 46" Battery Cordless Electric Riding Lawn Tractor

RYOBI

RYOBI is the #1 global cordless DIY Tool brand featuring 180 tools, 84 outdoor products, and 23 cleaning products in the 18V ONE+ battery system alone. Our relentless focus on cordless battery powered solutions continued in 2022, as we introduced two new cordless platforms in the RYOBI brand. These include the USB lithium line of products, offering portable product solutions with

rechargeable power, and the 80V lithium battery platform powering our new zero-turn electric riding mowers. We also continued to expand our core 18V ONE+ and 40V platforms as well, offering users the broadest line of DIY cordless solutions, positioning these cordless systems for future growth.



RYOBI Hobby Station



RYOBI 40V HP Brushless 600 CFM WHISPER SERIES Blower

RYOBI Power Tools

The RYOBI Power Tool business declined mid-single digits in 2022, after several years of explosive growth. RYOBI Power Tools still remains about 49.1% above 2019 pre-pandemic levels as it has continued to gain market share as the number one global DIY power tool brand.

In 2022, RYOBI further expanded its product line with the introduction of an array of new products and categories. All new cordless stick vacs, hand vacs, and cordless scrubbers bring more powerful, more ergonomic, and quieter product designs to the rapidly growing cleaning category. New ONE+ HP cordless miter saws and table saws deliver corded power and cutting performance in these portable cordless solutions. Also in 2022, RYOBI launched a brand-new range of battery-powered hobby tools and accessories.

RYOBI Outdoor

Following several years of solid growth, the RYOBI Outdoor business declined in 2022 due to retail inventory corrections. We are well positioned to lead the transition from petrol to battery powered cordless outdoor power equipment and extend our leadership position in noise reduction with an expanded line of RYOBI WHISPER SERIES outdoor products. These products are focused on addressing the growing number of geographic regions and municipalities introducing restrictions on the usage of gas-powered outdoor equipment that emit harmful carbon emissions and generate unacceptable levels of noise. We are highly optimistic about the future of this business.



RYOBI 18V ONE+ HP Brushless 10" Sliding Compound Miter Saw

Floorcare & Cleaning

Floorcare declined 25.6% in 2022 from a post-pandemic consumer demand and retailer inventory reduction, but accounted for only 7.0% of total sales of TTI. We moved quickly and boldly to reduce the excess inventory in 2022. Heading into 2023, inventories are at a much healthier level and we are looking forward to growing this business with the launch of our new innovative cordless products.



VAX BLADE 5 Pet and Car

Financial Review

Financial Results

Result Analysis

The Group's revenue for the year amounted to US\$13.3 billion, an increase of 0.4% as compared to US\$13.2 billion in 2021. Profit attributable to Owners of the Company amounted to US\$1,077 million as compared to US\$1,099 million in 2021, a decrease of 2.0%. Basic earnings per share for the year was at US58.86 cents as compared to US60.04 cents in 2021.

EBIT amounted to US\$1,201 million, an increase of 0.8% as compared to US\$1,192 million in 2021.

Gross Margin

Gross margin improved to 39.3% as compared to 38.8% last year. The margin improvement was the result of margin accretive new product introduction, mix improvements by Milwaukee's extraordinary growth, robust aftermarket battery business, manufacturing productivity and very stringent cost controls.

Operating Expenses

Total operating expenses for the year amounted to US\$4,025 million as compared to US\$3,943 million in 2021, representing 30.4% of turnover (2021: 29.9%). The increase was mainly due to the strategic investments in new products and promotional activities to maintain the sales growth momentum, margin improvements and high service levels.

Investments in product design and development amounted to US\$484 million, representing 3.7% of turnover (2021: 3.2%) reflecting our continuous strive for innovation. We will continue to invest in breakthrough technology and deliver broad base end-user products and categories as these are most critical not only to maintain sales growth momentum but also margin expansions.

Net interest expenses for the year amounted to US\$44 million as compared to US\$10 million in 2021, representing 0.3% of turnover (2021: 0.1%). The increase mainly due to the 7 interest rates increased total to 4.25% during the year. Interest coverage, expressed as a multiple of EBITDA to total interest was 24.7 times (2021: 38.6 times).

The effective tax rate, being tax charged for the year to before tax profits was at 6.9% (2021: 7.0%). The Group will continue to leverage its global operations and align its strategy to cope with various tax policies change globally to further improve overall tax efficiencies.

Liquidity And Financial Resources

Shareholders' Funds

Total shareholders' funds amounted to US\$5.2 billion as compared to US\$4.7 billion in 2021. Book value per share was at US\$2.84 as compared to US\$2.57 last year, an increase of 10.5%.

Financial Position

The Group continued to maintain a strong financial position. As at December 31, 2022, the Group's cash and cash equivalents amounted to US\$1,429 million (2021: US\$1,874 million), of which 38.8%, 25.1%, 19.2%, and 16.9% were denominated in US\$, RMB, EUR and other currencies respectively.

The Group generated free cash flow of US\$329 million during the year.

The Group's net gearing, expressed as a percentage of total net borrowing (excluding bank advance from factored trade receivables which are without recourse in nature) to equity attributable to Owners of the Company, was at 32.1% as compared to 28.2% in 2021.

Bank Borrowings

Long term borrowings accounted for 38.7% of total debts (2021: 32.1%).

The Group's major borrowings continued to be in US Dollars. Borrowings are predominantly LIBOR or Term SOFR based. There is a natural hedge mechanism in place as the Group's major revenues are in US Dollars and currency exposure therefore is low. Currency, interest rate exposures, and cash management functions are all being closely monitored and managed by the Group's treasury team.

Amongst the bank borrowings, fixed rate debts account for 32.4% of the total bank borrowings, the balance being floating rate debts.

Working Capital

Total inventory was at US\$5,085 million as compared to US\$4,850 million in 2021. Days inventory increased by 6 days from 134 days to 140 days. The increase was due to the strategic decision to increase safety level of raw materials to protect against shortages and provide maximum production flexibility and maintain high service levels. Raw material inventory increased by 7 days to 24 days with Finished Goods inventory reduced by 3 days to 113 days when compared to last year.

Trade receivable turnover days were at 41 days as compared to 53 days last year. Excluding the gross up of the receivables factored which is without recourse in nature, receivable turnover days were at 40 days as compared to 50 days last year. The Group is comfortable with the quality of the receivables and will continue to exercise due care in managing the credit exposure.

Trade payable days were at 104 days as compared to 110 days in 2021 as we effectively managed our payments to generate optimal financing arrangements for both the Group and suppliers. Our trade terms continued to be favorable to TTI.

Working capital as a percentage of sales was at 21.2% as compared to 20.9% in 2021.

Capital Expenditure

Total capital expenditures for the year amounted to US\$581 million (2021: US\$747 million) representing 4.4% of Sales.

Capital Commitments and Guarantees

As at December 31, 2022, total capital commitments for the acquisition of property, plant and equipment and equity interest in a subsidiary contracted for but not provided amounted to US\$328 million (2021: US\$235 million), and there were no material guarantees or off balance sheet obligations.

Charge

None of the Group's assets are charged or subject to encumbrance.

Major Customers and Suppliers

For the year ended December 31, 2022

- (i) the Group's largest customer and five largest customers accounted for approximately 47.8% and 58.3% respectively of the Group's total revenue; and
- (ii) the Group's largest supplier and five largest suppliers accounted for approximately 8.9% and 19.8% respectively of the Group's total purchases (not including purchases of items which are of a capital nature).

As far as the Directors are aware, none of the Directors, their associates or any shareholders who owned more than 5% of TTI's share capital had any interest in the five largest customers or suppliers of the Group.

Human Resources

The Group employed a total of 44,705 employees as at December 31, 2022 (2021: 51,426) in Hong Kong and overseas. Total staff cost for the year under review amounted to US\$2,420 million (2021: US\$2,207 million).

The Group regards human capital as vital for the Group's continuous growth and profitability and remains committed to improving the quality, competence and skills of all employees. It provides job-related training and leadership development programs throughout the organization. The Group continues to offer competitive remuneration packages, discretionary share options and bonuses to eligible staff, based on the performance of the Group and the individual employee.

Corporate Strategy and Business Model

The Group is a world-class leader in design, manufacturing and marketing of power tools, outdoor power equipment and floorcare & cleaning for consumers, professional and industrial users in the home improvement, infrastructure and construction industries. We are committed to implementing our long term strategic plan that focuses on "Powerful brands, Innovative Products, Operational Excellence and Exceptional People".

We continue to strengthen our portfolio of powerful brands with a focused marketing approach. Brands extension into new product categories and under-represented markets enable us to generate outstanding growth. Geographic expansion will be a highlight of TTI's future, our long term strategy is to aggressively build our business both inside and outside North America and we have spent relentless efforts to expand and establish presence in high potential markets around the world.

Introducing innovative new products is the centerpiece of our long term strategy. We continue to invest in building a high-speed product development process, enabling us to respond faster to customer requests and emerging opportunities, giving us a vigorous competitive advantage.

Our strategy in operational excellence will continue, we will drive further gains in efficiency across our manufacturing operations, supporting further margin improvement.

We continue to deploy our Leadership Development Program (LDP) to develop our pool of talent for the future. The LDP initiative is successfully feeding talent into key positions throughout the company.

Our Commitment to ESG

TTI is committed to operating its business in line with Environmental, Social and Governance (ESG) best practices, and to do so in compliance with all applicable laws and regulations. We understand that a large measure of our ability to grow, innovate and prosper depends on our ESG performance. We have a robust risk management system in place which allows us to identify and address issues in an appropriate and timely manner as well as mitigate risk to our business. We have identified legal and regulatory requirements related to ESG practices that have the potential to have a significant impact to our operations and performance. We had no reports of material ESG-related non-compliance in 2022.

In 2022, we continued to develop our Sustainability Strategy and Implementation Plan to align our actions and goals globally with the United Nations Sustainable Development Goals. In terms of governance, the ESG Working Committee with the guidance of the ESG Executive Committee and the Board of Directors has continued to implement our sustainability strategy and monitor activities and ESG performance against our goals.

TTI understands the importance of continuous engagement with our stakeholders to monitor and address their expectations and evolving legal and industry requirements. We have various communication channels with our key stakeholders including employees, customers, shareholders, and suppliers. Communication occurs via regular meetings, focus group discussions and training sessions.

Details on our ESG commitments, relevant policies, standards, specific ESG key performance results and initiatives of 2022 are shared in our ESG Report.

Purchase, Sale or Redemption of Securities

Other than 800,000 shares of the Company purchased on-market for satisfying the awarded shares granted under the Company's share award schemes (details of which will be set out in the Corporate Governance Report to be included in this Annual Report), neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

Review of Financial Information

The Audit Committee has reviewed with senior management of the Group and Messrs Deloitte Touche Tohmatsu the accounting principles and practices adopted by the Group and has discussed internal controls and financial reporting matters, including the review of Group's consolidated financial statements for the year ended December 31, 2022. The Board acknowledges its responsibility for the preparation of the accounts of the Group.

Dividend

The Directors have recommended a final dividend of HK90.00 cents (approximately US11.58 cents) per share with a total of approximately US\$212,513,000 for the year ended December 31, 2022 (2021: HK 1 dollar (approximately US12.87 cents)) payable to the Company's shareholders whose names appear on the register of members of the Company on May 19, 2023. Subject to the approval by the shareholders at the forthcoming annual general meeting of the Company, the proposed final dividend is expected to be paid on or about July 7, 2023. This payment, together with the interim dividend of HK95.00 cents (approximately US12.23 cents) per share (2021: HK85.00 cents (approximately US10.94 cents)) paid on September 16, 2022, makes a total payment of HK185.00 cents (approximately US23.81 cents) per share for 2022 (2021: HK185.00 cents (approximately US23.81 cents)).

Closure of Register of Members

The register of members of the Company will be closed for the following periods:

To ascertain members' eligibility to attend and vote at the 2023 Annual General Meeting, the register of members of the Company will be closed from May 10, 2023 to May 12, 2023, both days inclusive, during which period no transfers of shares will be effected. In order to qualify to attend and vote at the 2023 Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:00 p.m. on May 9, 2023.

To ascertain members' entitlement to the final dividend, the register of members of the Company will be closed on May 19, 2023 when no transfers of shares will be effected. In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:00 p.m. on May 18, 2023.