

Chairman's Statement

“We will continue exploring new strategic initiatives while at the same time expanding our core business into new categories and geographies.”



I am delighted to announce that 2016 was our seventh consecutive year of record revenue and ninth consecutive year of record profit. TTI achieved this with a disciplined focus on our four key strategic drivers of powerful brands, innovative products, exceptional people, and operational excellence which enables us to further drive our financial performance and deliver on our corporate milestones.

Record Financial Performance

Revenue for the year ended December 31, 2016 increased 8.8% over 2015 to US\$5.5 billion, through continued investment in new product development, R&D and marketing. Revenue before currency adjustment rose 9.8% with all geographic regions delivering solid growth. Our largest business, Power Equipment, had another exceptional year with sales growth of 12.6% to US\$4.5 billion, accounting for 81.6% of total sales, and an increase in operating profit of 13.4% to US\$430 million from US\$379 million in 2015. Sales in our Floor Care and Appliance business were slightly below last year by 5.3% with a negative impact upon foreign currency translation, but delivered encouraging growth in the second half in North America. We are confident our strategy in driving innovation through product development with technology-driven solutions and a focus on cordless and professional cleaning will drive the turnaround in the coming years.

Our core strengths of innovation, execution, and speed to market are the prime competitive advantages driving TTI's success. Gross profit margin improved from 35.7% to 36.2% driven by new product introductions, mix, operating leverage and productivity gains. Earnings before interest and taxes, increased by 12.6% to US\$450 million, with the margin improving by 30 basis points to 8.2%. Shareholders' profits rose 15.4% to US\$409 million, with earnings per share increasing by 15.2% over 2015 to US\$22.32 cents. Working capital as a percent of sales remained low at 16.4% and our gearing at 5.2%.

The Board is recommending a final dividend of HK30.00 cents (approximately US3.86 cents) per share. Together, with the interim dividend of HK20.00 cents (approximately US2.57 cents) per share, this will result in a full-year dividend of HK50.00 cents (approximately US6.44 cents) per share, against HK39.25 cents (approximately US5.05 cents) per share in 2015, an increase of 27.4%.

Strategic Initiatives

TTI continues investing in R&D to deliver innovative new products with our portfolio of global brands. 2016 was another year of significant advancements in our market leading lithium technology with the introduction of the MILWAUKEE M18 REDLITHIUM

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HIGH DEMAND 9.0 battery pack, the most powerful in the industry. Unlike other industry solutions, the HIGH DEMAND 9.0 Battery Pack enables users to remain invested in one battery platform and is compatible with 125+ M18 tool solutions. Leveraging the new battery pack, the M18 FUEL 10" Dual Bevel Sliding Compound Miter Saw was designed to meet the demanding needs of professional users by delivering corded cutting performance. RYOBI ONE+ system is the global leader in cordless do-it-yourself (DIY) tools, continuing to innovate and bring more tools onto the platform. The AEG brand, with its strategic importance in Europe and Rest of World markets, delivered growth as we continued to expand the cordless range product offering.

The investment in cordless technology is also a catalyst for growing our outdoor equipment business. We are expanding the outdoor product equipment business with RYOBI ONE+, RYOBI 40V and AEG 58V systems. We have entered the lawn and garden market using the MILWAUKEE M18 FUEL technology in developing an innovative string trimmer, blower, and hedge trimmer that meet the demands of landscape professionals and are fully compatible with the MILWAUKEE M18 system.

Our new Floor Care leadership team has established a clear strategy and is focused on revitalizing our brands HOOVER, DIRT DEVIL, ORECK and VAX. Future growth will be generated through execution of the TTI model of excellence in product design, advanced

technology development and brand marketing. We will be launching significant first to market innovations like the HOOVER REACT vacuums featuring FLOORSENSE Technology using micro-sensors to identify floor surfaces, HOOVER App controls, and the ONEPWR lithium battery system. Further cordless developments are featured in the recently introduced VAX BLADE powered by DIRECT HELIX TECHNOLOGY for optimum runtime and cleaning performance in any orientation. We have a new headquarter in Charlotte, North Carolina, with state-of-the-art facilities for product development and consumer research. We are excited with the new innovative products planned in 2017 and beyond.

We have a deep commitment to operational excellence and continuous improvement. Our disciplined processes in lean manufacturing, automation, global purchasing, and value engineering continue to deliver efficiencies, reduced lead-times, and improved quality and service levels. We continue to build production and supply chain capacity to support our growth. In 2016 we expanded US production capacity, built a state-of-the-art logistics and manufacturing operation in South Carolina, and are expanding the Milwaukee global headquarter and R&D center. We have five manufacturing locations and four R&D centers in the US employing approximately five thousand people which globally supply our brands with innovative products.

We have expanded in scale and global reach since the early days of TTI, yet we have kept the importance of our entrepreneurial organizational culture. We have an exceptional DNA focused on the relentless drive for excellence, skills, creativity, and urgency necessary to produce the team of exceptional people required to lead TTI today and in the future. We believe that TTI owes its success to our employees who embrace the TTI culture and our focus. Their enthusiasm, energy, and dedication helps us deliver the goals we set every year.

Exciting Future

Over the years, we have set the stage for a very exciting future. We have built an amazing brand portfolio, invested in world class talent, and driven innovation that is state of the art with speed to market that is second to none. We are approaching a decade of delivering year over year record performance and our dedication and commitment that got us to where we are has more momentum than ever. Our new product flow will continue and I am extremely excited about the innovation that we have coming which will feed into our product pipeline well into the future. We understand the importance of not becoming complacent and our relentless focus on our strategic drivers is what continues to keep our foundation strong. We will continue exploring new strategic initiatives while at the same time expanding our core business into new categories and geographies.

I am delighted with TTI's success in 2016 and even more excited about 2017. On behalf of the Board, I would like to express my gratitude to our customers and everyone at TTI for their commitment, support and creativity to make TTI what it is today. TTI is an outstanding, industry leading company with vast opportunity. I look forward to our continued success in achieving our goals and delivering strong performance.



Horst Julius Pudwill
Chairman
March 14, 2017