Record sales and profit performance

TTI delivered record sales, gross margin and profit for the first half of 2014. New products, geographic expansion and a relentless focus on operational efficiency propelled our continued outstanding performance. We generated exceptional organic growth in our professional and DIY power tool businesses. Geographically, both our North American and European businesses delivered strong results. In addition, our rest-of-world businesses continued to flourish delivering double-digit growth.

TTI achieved 10.2% sales growth in the first half despite challenging weather conditions in North America. The company's double digit sales growth is a result of a series of successful new product launches and highly effective, targeted geographic expansion.

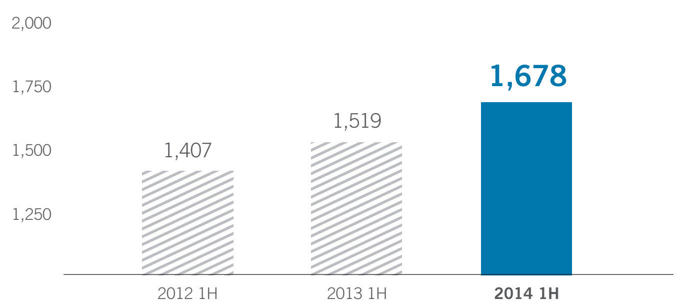
A highlight of our strong first half result was 100 basis points improvement with our gross margin increasing from 34.0% last year to 35.0% this year, by aggressive productivity gains throughout our supply chain network.

Sales by Business

Power Equipment

US$m

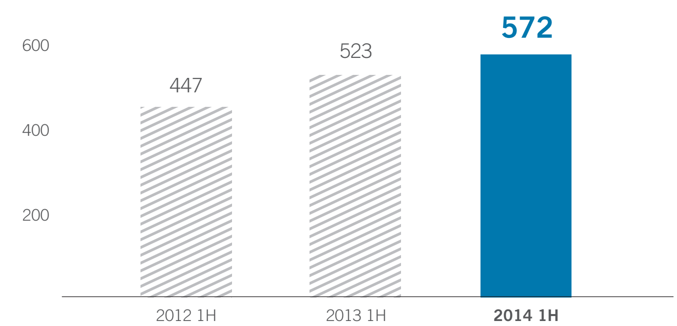
↑10.5%



Floor Care and Appliances

US$m

↑9.3%



Innovative new products driving organic growth

Continued gross margin improvement

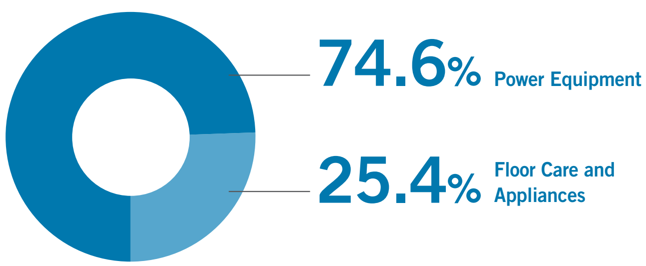
Record financial performance

In the first half of 2014, the Group's net profit attributable to shareholders reached US$136 million, a 15.9% increase over the first half of 2013. Basic earnings per share was US7.45 cents, 15.9% higher than the same period last year. Group sales rose by 10.2% over the six month period to US$2,250 million. The Power Equipment segment delivered US$1,678 million, which is a 10.5% sales increase. The Floor Care and Appliance segment grew 9.3% to US$572 million in sales.

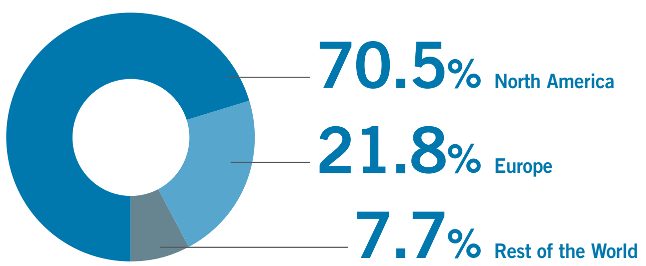
Gross margin increased for the sixth consecutive first half period from 34.0% to 35.0%. The improvement in gross margin was driven by new product launches and aggressive productivity gains throughout our supply chain network. Our strategy of delivering at least one third of group revenue from new products is a key element of our success. In addition, we generated increased productivity and enhanced our operating margins due to our cost improvement programs across manufacturing and supply chain.

We continue to invest in strategic SG&A. Our investments are focused on product development, marketing, and geographic expansion. These investments continue to deliver outstanding returns with EBIT margin improving for the fifth consecutive first half period as a result of our strategic initiatives.

Sales by Business

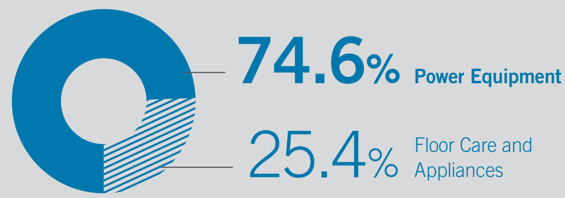


Sales by Location



Power Equipment US$1,678 million – 74.6% of the total turnover

Sales by Business



Business Review

Power Equipment

Power Equipment delivered US$1,678 million in sales, 10.5% higher than the same period in 2013. It generated 74.6% of total Group sales.

Brand	Market Segment	Major Market
Milwaukee	Industrial	Global
Empire	Professional ▸ Layout & Measuring Tools	Global
AEG POWERTOOLS	Professional	Global
RYOBI	Consumer ▸ Power Tools & Accessories Garden Enthusiasts ▸ Outdoor Products & Accessories	North America, Europe, Australasia
Homelite®	Consumer ▸ Outdoor Products & Accessories	Global

Industrial

Milwaukee Tool had a strong first half in 2014, outperforming the market and recording solid double-digit growth across all geographic regions. Milwaukee Tool had a continuous flow of new products across its three core product portfolios of Power Tools, Power Tool Accessories and Hand Tools. Milwaukee Tool's focus on key user groups and industrial channels led to significant market gains. The launches of the innovative cordless products like the M18 FUEL circular saws, FUEL deep cut band saws, and the M12 FUEL HACKZALL reciprocating saws build upon the existing success of the M12 and M18 Lithium-ion cordless systems and power impressive end-user conversion rates, which remain a critical commercial component of Milwaukee Tool's business strategy. New Power Tool Accessories, including the DIAMOND PLUS hole saws and SHOCKWAVE IMPACT DUTY hole saws and the rapid expansion of the MILWAUKEE hand tool program through new products added incremental business in the first half.

Continuing our strong focus on growth and expansion in our Hand Tools business, TTI recently entered into the level and measurement business through the acquisition of the North America-based EMPIRE level business. This will enable TTI to become a fully integrated solutions provider in layout and measurement product categories. Empire is a leading U.S. manufacturer of levels, squares, layout tools and safety and utility tapes.

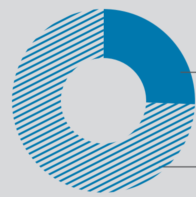
Consumer, Trade and Professional

In the first half of 2014, the North American Consumer Power Tools Division experienced strong gains within the home improvement marketplace. This growth is attributed to strong cordless sales, buoyed by new product innovations and compelling marketing campaigns. The industry-leading RYOBI® 18V ONE+ SYSTEM of tools benefited from the continued success of the Lithium-ion battery enhanced product options.

In Europe the RYOBI® brand experienced strong double-digit growth from new products for the ONE+ Lithium-ion programs and the success of targeted media campaigns across key regions. The AEG® brand also achieved double-digit sales growth in both retail and professional channels. The expansion was driven by a series of successful new Lithium-ion product introductions, in-store campaigns and the introduction of focused training events.

Floor Care and Appliances US$572 million – 25.4% of the total turnover

Sales by Business



Outdoor Products

Outdoor Products expanded their market position in the first half of 2014. North America saw a minor impact in sales due in part to unfavourable weather conditions. The business was able to offset the challenges and maintain market position. We successfully introduced the RYOBI® 18V ONE+ hybrid blower which runs on Lithium-ion cordless power or traditional corded power and an expansion of the 40V RYOBI® platform with Lithium-ion battery power and run time that deliver "gas-like power."

Europe and rest of the world had a very strong first half in outdoor by launching our exciting new 18V and 36V products. The positive momentum is also driven by the further development of key retail partners as the RYOBI® brand gains traction and continues to develop stronger loyalty with end-users across Europe.

Floor Care and Appliances

Floor Care and Appliances which accounts for 25.4% of group turnover achieved US$572 million in sales, a 9.3% increase for the first half of 2014. Strong sales growth across all our geographic regions was achieved through new product launches and targeted marketing.

By applying TTI's expertise in Lithium-ion cordless technology to the floor care sector, HOOVER has made a significant introduction in the North American market. The revolutionary HOOVER AIR cordless vacuum delivers 50 minutes of run-time and represents a breakthrough in floor care technology. HOOVER also achieved strong gains in the carpet washing segment through the launch of an extended range of high-performance carpet washers.

The newly acquired ORECK floor care business is being successfully integrated into TTI and delivered excellent first half sales and profit.

Brand	Market Segment	Major Market
HOOVER	Premium Cleaning	North America, Asia, Middle East & Africa
ORECK	Commercial	North America
vax	High-Performance	Global
Dirt Devil	Consumer	Global

Outlook

With our ongoing focus on generating organic growth, improving operating margins, and managing our robust balance sheet, we expect continued strong performance in the second half of 2014 and beyond. Our record performance in the first half of 2014 is on pace with expectations and is tracking into the second half with key business units and geographies continuing their strong performance. New product initiatives utilizing Lithium-ion cordless and MILWAUKEE FUEL technologies offer enormous growth opportunities. We are investing in new products and the marketing necessary to drive sales growth. Our broad focus on operational productivity is yielding cost improvements, supply chain efficiencies and strengthening our margins.

The result is powerful growth and continued excellent financial performance. We are excited about our positive momentum and are well positioned to build on our record first half.

Financial Review

Financial Results

Turnover for the period under review amounted to US$2,250 million, 10.2% higher than the US$2,042 million reported for the same period last year. Profit attributable to Owners of the Company amounted to US$136 million as compared to US$118 million reported last year, an increase of 15.9%. Basic earnings per share was at US7.45 cents (2013: US6.43 cents).

EBITDA amounted to US$229 million, an increase of 10.2% as compared to the US$208 million reported in the same period last year.

EBIT amounted to US$162 million, an increase of 13.6% as compared to the US$142 million reported in the same period last year.

Result Analysis

Gross Margin

Gross margin improved to 35.0% as compared to 34.0% in the same period last year. The margin improvement was the result of new product introduction, category expansion, efficient production amongst various production facilities, effective supply chain management and volume leverage on our economies of scale.

Operating Expenses

Total operating expenses for the period amounted to US$627 million as compared to US$554 million reported for the same period last year, representing 27.9% of turnover (2013: 27.1%). The increase mainly due to the strategic spent on advertising and promotion on new products, particularly for the Floor Care division.

Investment in product design and development amounted to US$57 million (2013: US$48 million), representing 2.5% of turnover (2013: 2.4%), reflecting our continuous strive for innovation. We will continue to invest in design and development as new products and category expansions are most critical not only to maintain sales growth momentum but also margin expansions.

Net interest expenses for the period amounted to US$12.6 million as compared to US$14.4 million reported for the same period last year, a reduction of US$1.7 million or 12.1%. Interest cover, expressed as a multiple of EBITDA to total interest was at 11.5 times (2013: 10.8 times).

Effective tax rate for the period was at 8.5% (2013: 8.0%). The Group will continue to leverage its global operations to further improve overall tax efficiencies.

Liquidity and Financial Resources

Shareholders' Funds

Total shareholders' funds amounted to US$1.8 billion, as compared to US$1.7 billion at December 31, 2013, an increase of 4.4%. Book value per share was US$0.99 as compared to US$0.95 at December 31, 2013, an increase of 4.2%.

Financial Position

The Group continued to maintain a strong financial position. As at June 30, 2014, the Group's cash and cash equivalents amounted to US$656 million (US$698 million at December 31, 2013) after the payment of US$32.4 million dividend during the period (US$25.3 million in first half 2013), of which 48.8%, 28.2%, 11.9%, and 11.1% were denominated in RMB, US$, EUR and other currencies respectively.

The Group's net gearing, expressed as a percentage of total net borrowings (excluding bank advance from factored trade receivables which are without recourse in nature) to equity attributable to Owners of the Company, improved to 22.8% as compared to 26.2% as at June 30, 2013. The gearing improvement is the result of very disciplined and focused management over working capital. The Group remains confident that gearing can further be improved going forward.

Bank Borrowings

Long term borrowing accounted for 34.9% of total debts (42.4% at December 31, 2013).

The Group's major borrowings continued to be in US Dollars and HK Dollars. Borrowings are predominantly LIBOR or Hong Kong best lending rates 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 exposure, and cash management functions are all being closely monitored and managed by the Group's treasury team.

Working Capital

Total inventory was at US$1,025 million as compared to US$818 million for the same period last year. The number of days inventory was at 83 days as compared to 74 days as at June 30, 2013. When compared to the year end level, inventory at the end of the first half of the year is normally higher in preparation for the peak shipment period in the second half of the year and to ensure the service quality level to customers will not be jeopardized having taken into consideration of our sales momentum. The Group will continue to focus in managing the inventory level and improve inventory turns.

Trade receivables turnover days were at 69 days as compared to 71 days as at June 30, 2013. Excluding the gross up of the receivables factored which is without recourse in nature, receivables turnover days were at 62 days as compared to 64 days as at June 30, 2013. The Group is comfortable with the quality of the receivables and will continue to exercise due care in managing credit exposure.

Trade payables days increased to 84 days as compared to 78 days as at June 30, 2013.

Working capital as a percentage of sales was maintained at 18.4% as compared to the same period last year.

Capital Expenditure

Total capital expenditures for the period amounted to US$64 million (2013: US$47 million).

Capital Commitment and Contingent Liability

As at June 30, 2014, total capital commitments amounted to US$19 million (2013: US$18 million), and there were no material contingent liabilities or off balance sheet obligations.

Charges

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

Human Resources

The Group employed a total of 20,355 employees (19,248 employees as at June 30, 2013) in Hong Kong and overseas. Increase in the number of employees mainly due to the three acquisitions completed during the past twelve months. Excluding the effect from acquisition, employees as at June 30, 2014 total to 19,225, very comparable to last year, with an increase in turnover. Total staff cost for the period under review amounted to US$336 million as compared to US$290 million in the same period last year.

The Group regards human capital as vital for the Group's continuous growth and profitability and remains committed to improve 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, share awards and bonuses to eligible staff, based on the performance of the Group and the individual employee.

Interim Dividend

The Directors have resolved to declare an interim dividend of HK12.50 cents (approximately US1.61 cents) (2013: HK10.00 cents (approximately US1.29 cents)) per share for the six months period ended June 30, 2014. The interim dividend will be paid to shareholders listed on the register of members of the Company on September 12, 2014. It is expected that the interim dividend will be paid on or about September 26, 2014.

Closure of Register of Members

The register of members of the Company will be closed from September 11, 2014 to September 12, 2014, both days inclusive. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on September 10, 2014.