

Review of Operations

MILWAUKEE M12 FUEL ½" Hammer Drill/Driver

We are pleased to announce that TTI delivered strong results for the first half of 2022, outpacing the market and growing sales by 10.0% to US\$7.0 billion. In local currency, sales grew 12.1%. Combined with our 2021 first half sales growth of 52%, TTI has increased sales by 67% over this two-year period. Gross margin improved for the 14th consecutive first half expanding 50 bps to 39.1%. EBIT increased 10.7% to US\$633 million, net profit rose 10.4% to US\$578 million, and earnings per share increased 10.4% to approximately US\$1.59 cents per share.

We are delighted that all of our geographic regions delivered solid sales growth in the first half. Rest of World featuring Australia and Asia delivered outstanding 23.0% growth in local currency. Europe grew 14.1% in local currency and North America grew 10.5% in local currency.

Our leadership Power Equipment business delivered a very strong first half, while Floorcare contracted due to slowing demand and customer destocking. Now the global leader in professional cordless, our flagship MILWAUKEE business continued to flourish with 25.8% local currency sales growth in the first half. This business now accounts for a major part of the company sales with an accretive gross margin. We remain confident that our MILWAUKEE business will continue to outpace the market in the second half of 2022 and the years to come.

We have adjusted the investment plans in our DIY/Consumer businesses to reflect the current challenges in the market, while continuing to develop exciting new products. Our focus here will be inventory reduction, working capital management, and ensuring we have the right overhead structure in place. These businesses continue to outperform the market globally.

New product development remains a cornerstone of our past success and our future. We will continue to invest in breakthrough cordless technology, generating hundreds of new cordless products in the years to come. In addition, we are developing many other high potential new businesses, such as the MILWAUKEE Personal Protective Equipment (PPE) product line, that will catalyze even more growth in the future.

Capex spend for the first half was US\$229 million, lower than last year by 6.4%. This spend includes investments in new product, sustainability, and capacity expansion in Vietnam and the United States. We look forward to the opening of the industry's first battery powered mower manufacturing facility in South Carolina, USA in Q3 2022.

Working capital as a percent of sales finished at 23.3% versus 18.3% at the end of the first half of 2021. We reduced finished goods inventory by 3 days on hand to 115 days, and we are targeting additional reductions in the second half of 2022. Raw material/Component inventory grew 6 days to 20 days on hand as we increased strategic component levels, allowing us to maintain high service levels to our customers while enduring an increase in supply chain lead time.

Our outstanding first half performance is the result of our ongoing new product flow and our market leadership position. We will continue to execute our proven strategy of investing in demonstrably better, technologically advanced new products to drive our growth. Our new product flow has allowed us to consistently outperform the market and deliver strong financial performance year after year. While the market conditions have become more challenging for the DIY/Consumer businesses, we are on track to outperform the market in the second half of 2022.

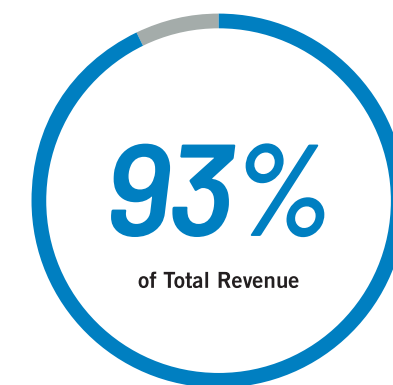
Business Review

Power Equipment

The TTI Power Equipment segment delivered sales growth of 14.9% in local currency to US\$6.6 billion. All geographic regions delivered exceptional sales growth in the first half.

MILWAUKEE

In the first half of 2022, we expanded our MILWAUKEE M18 and M12 cordless leadership systems with products attacking new verticals and next-generation innovations. With the addition of the M18 FUEL utility fencing stapler and the Generation 4 M18 FUEL ½" drill driver/hammer drill, the M18 system now contains 259 products. In the subcompact space, the MILWAUKEE M12 system leads the industry with 144 products. In addition, the MILWAUKEE MX FUEL system continues to perform well, with 13 products attacking the vast light equipment market.



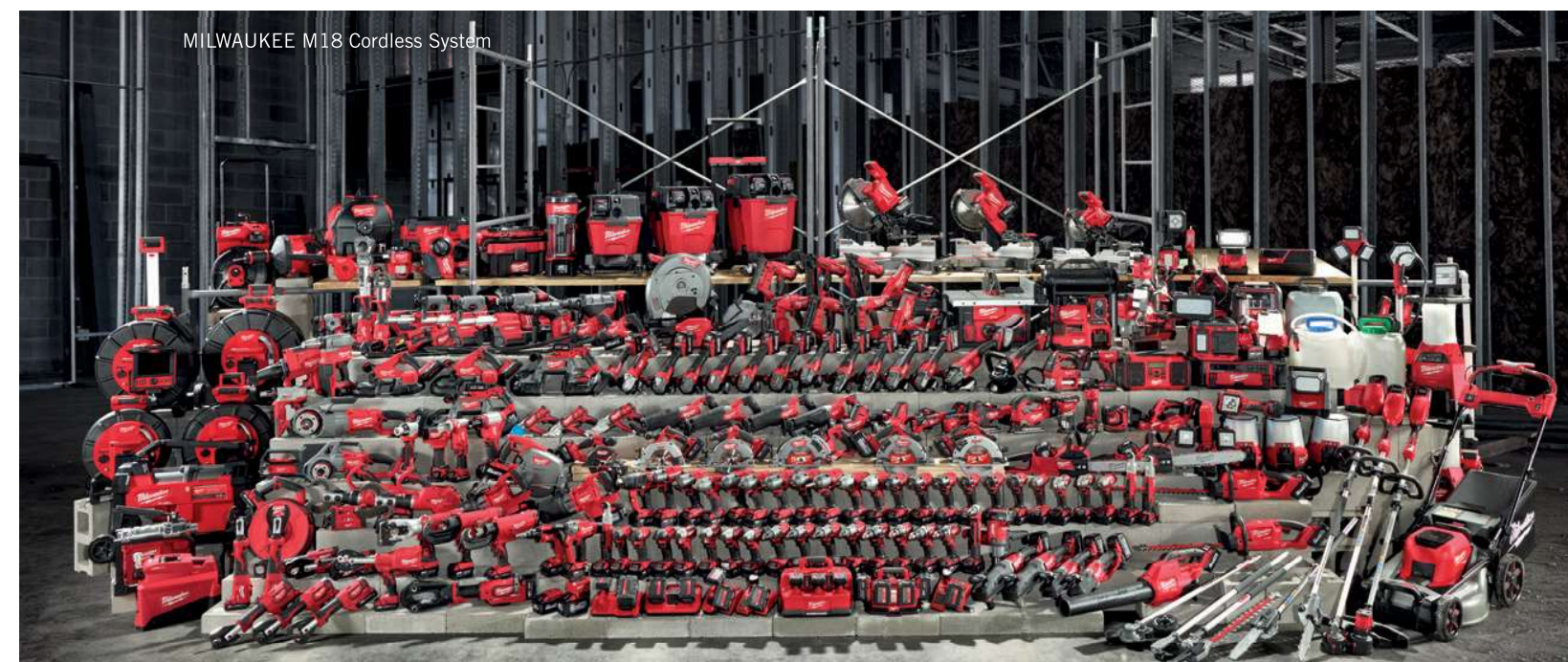
Sales in Power Equipment

US\$6.6 b



RYOBI 80V HP BRUSHLESS 54" LITHIUM ELECTRIC ZERO TURN RIDING MOWER

Introducing RYOBI's first lithium-ion battery powered zero turn riding mower, it features the revolutionary IDRIVE system that uses an intuitive one-handed joystick steering to maneuver around objects more easily than a traditional ZTR.



MILWAUKEE M18 Cordless System

We have also continued to rapidly expand our lineup of Personal Protective Equipment (PPE) with the launch of the MILWAUKEE BOLT hard hat system. These hard hats and helmets offer superior protection from falling objects versus the competition, and the BOLT system introduces a line of 35 interchangeable accessories that allow users to customize their safety equipment to their specific jobsite needs. The MILWAUKEE BOLT system is yet another example of breakthrough innovation that has been well received in the market.

Now with 65 fully interchangeable products, the MILWAUKEE PACKOUT system is meeting the growing tool transportation, organization, and storage needs of end users. With the launch of over 20 PACKOUT Shop Storage solutions, users will now be able to fully customize their storage needs with wall plates, tool racks, tool holders, and a cabinet.

RYOBI

Our DIY/Consumer Power Equipment business grew low single digits in local currency. The RYOBI Power Tool business delivered strong results across all regions in the first half of 2022, while the RYOBI Outdoor business outperformed the overall market despite being impacted by unfavorable weather conditions.

RYOBI is the global leader in DIY cordless, featuring 162 tools, 84 outdoor products, and 21 cleaning products in the 18V ONE+ battery system. We are excited about the future of this business, and will continue to enhance our cordless DIY leadership position with the launch of a stream of innovative new products.

We also continued to extend our leadership position in the global Outdoor battery-powered market with the launch of the RYOBI 80V HP Zero-Turn Riding Mower. With patented IDRIVE joystick control technology, this rider contains breakthrough innovation setting a new standard for riding mower control and maneuverability. We also launched a stream of new powerful RYOBI 40V products including self-propelled walk-behind mowers, WHISPER quiet blowers, and chainsaws to name a few. With these recent additions, the RYOBI 40V system now contains 81 innovative products that meet or exceed petrol performance levels.

RYOBI 18V ONE+ Family



HOOVER ONEPWR Cordless System



RYOBI 40V HP BRUSHLESS 650 CFM WHISPER SERIES BLOWER

Delivering 650 CFM and 160 MPH, this blower can tackle wet and dry leaves. It is 85% quieter than a gas blower, giving you all the power without the noise.

Floorcare & Cleaning

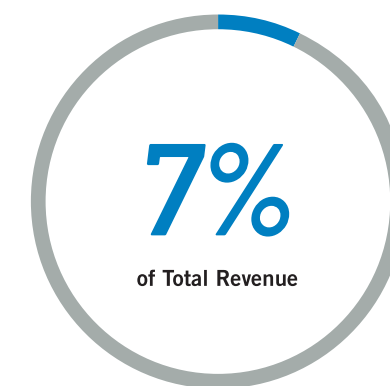
Our Floorcare and Cleaning business was impacted by a reduction of COVID-related demand, leading to a decline in sales of 17.8% to US\$472 million in the first half of 2022. We have taken aggressive short-term actions to reduce overhead and to reduce inventory levels, while continuing to develop new products for the future.

Sustainability

We are pleased with the outstanding progress we are making towards lowering the carbon emissions footprint of our facilities worldwide. Additionally, we are committed to continue launching a series of new cordless sustainable products that reduce emissions, noise, and improve safety.

Outlook

We look forward to the future with confidence as we continue to attack the market with hundreds of exciting new products while we maintain our focus on operational excellence. Our world-class team is well prepared to manage the business through challenging macroeconomic environments and continue to deliver above market results. We are well positioned to strengthen our leadership position in the months and years to come.



Sales in Floorcare & Cleaning

US\$472 m

Financial Review

Financial Results

Reported revenue for the period grew by 10.0% as compared to the same period last year, amounting to US\$7,034 million. Profit attributable to Owners of the Company amounted to US\$578 million as compared to US\$524 million reported in the same period last year, an increase of 10.4%. Basic earnings per share was at US\$1.59 cents (2021: US\$28.62 cents), an increase of 10.4%.

EBIT amounted to US\$633 million, an increase of 10.7% as compared to the US\$572 million reported in the same period last year.

Result Analysis

Gross Margin

Gross margin improved to 39.1% as compared to 38.6% reported in the same period last year. The margin improvement was the result of new product introduction, product mix, category expansion, improvements in operational efficiency and supply chain productivity together with very effective action plans to navigate global supply constraints, commodity headwinds and logistic costs increase.

Operating Expenses

Total operating expenses for the period amounted to US\$2,122 million as compared to US\$1,900 million reported for the same period last year, representing 30.2% of revenue (2021: 29.7%). During the period under review, R&D spent at 3.3% of revenue (2021: 3.1%). 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 period amounted to US\$11.3 million as compared to US\$8.6 million reported for the same period last year, representing 0.2% of revenue (2021: 0.1%). Interest cover, expressed as a multiple of EBITDA to total interest was at 36.7 times (2021: 30.8 times).

Effective tax rate for the period was at 7.0% (2021: 7.0%).

Liquidity and Financial Resources

Shareholders' Funds

Total shareholders' funds amounted to US\$5.0 billion, an increase of 6.9% as compared to December 31, 2021. Book value per share was US\$2.75 as compared to US\$2.57 at December 31, 2021, an increase of 7.0%.

Financial Position

The Group continued to maintain a strong financial position. As at June 30, 2022, the Group's cash and cash equivalents amounted to US\$1,274 million (US\$1,874 million at December 31, 2021) after the payment of US\$236.1 million dividend during the period (US\$193.5 million in first half 2021), of which 34.2%, 28.3%, 13.2%, and 24.3% 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, was at 40.5% as compared to 14.8% as at June 30, 2021.

Bank Borrowings

Long term borrowing accounted for 39.5% of total debts (32.1% at December 31, 2021).

The Group's major borrowings continued to be in US\$. Borrowings are predominantly LIBOR 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.

Amongst the bank borrowings, fixed rate debts account for 30.2% of the total bank borrowings, the balance being floating rate debts.

Working Capital

Total inventory was at US\$5,232 million as compared to US\$4,471 million as at June 30, 2021. Days inventory increased by 2 days from 136 days to 138 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 6 days to 20 days with Finished Goods inventory reduced by 3 days when compared to same period last year.

Trade receivables turnover days were at 54 days as compared to 56 days as at June 30, 2021. Excluding the gross up of the receivables factored which is without recourse in nature, receivables turnover days was at 52 days as compared to 54 days as at June 30, 2021. The Group is comfortable with the quality of the receivables and will continue to exercise due care in managing credit exposure.

Trade payables days were 107 days as compared to 125 days as at June 30, 2021. The reduction in days mainly due to our prudent procurement strategy in second quarter 2022 as we pushed to reduce inventory and be ready for the challenging demand environment in the second half of the year.

Working capital as a percentage of sales was at 23.3% as compared to 18.3% for the same period last year.

Capital Expenditures

Total capital expenditures for the period amounted to US\$229 million (2021: US\$245 million).

Capital Commitments and Guarantees

As at June 30, 2022, total capital commitments for the acquisition of property, plant and equipment and equity interests in subsidiaries contracted for but not provided amounted to US\$373 million (2021: US\$267 million), and there were no material guarantees or off balance sheet obligations.

Charges

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

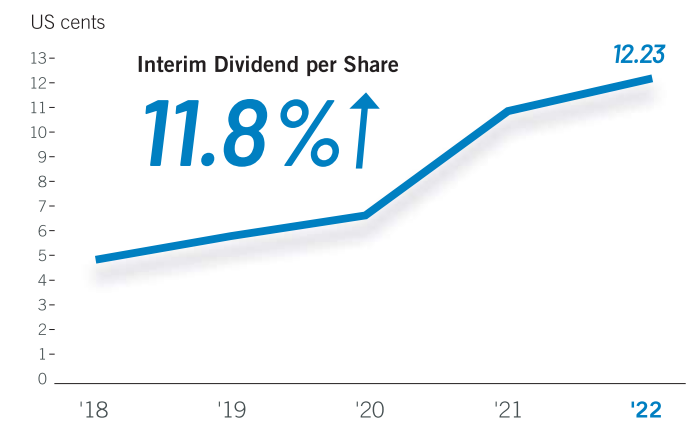
Human Resources

The Group employed a total of 47,568 employees (49,934 employees as at June 30, 2021) globally. Total staff cost for the period under review amounted to US\$1,260 million as compared to US\$1,074 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 HK95.00 cents (approximately US12.23 cents) (2021: HK85.00 cents (approximately US10.94 cents)) per share for the six-month period ended June 30, 2022. The interim dividend will be paid to shareholders listed on the register of members of the Company on September 2, 2022. It is expected that the interim dividend will be paid on or about September 16, 2022.



Closure of Register of Members

The register of members of the Company will be closed from September 1, 2022 to September 2, 2022, both days inclusive, during which period no transfer of shares will be effected. 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, whose office is presently situated at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (to be relocated to 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong on August 15, 2022) for registration not later than 4:00 p.m. on August 31, 2022.