

## Chairman's Statement



“I am proud to announce that TTI has been included in the Hang Seng Index as one of their fifty constituent stocks. As a Company founded in Hong Kong in 1985 and listed on the SEHK in 1990 this is a landmark achievement in the Company history.”

**Horst Julius Pudwill**  
Chairman

I am pleased to report that in 2018 we delivered another year of record profit and our ninth consecutive year of record revenue.

We have delivered impressive growth through the years while continuing to drive gross margin expansion. Our momentum could not be stronger and we are highly confident in our disciplined focus on the key strategic drivers of powerful brands, innovative products, exceptional people, and operational excellence.

### Industry Leading Year

TTI delivered another solid year in 2018 with record sales and profits. For 2018, we reported a 15.8% revenue increase over 2017 to US\$7.02 billion, the ninth consecutive year of record revenues. Every geographic region generated exceptional growth powered by a stream of exciting new cordless products. Our flagship Power Equipment business, representing 85.6% of total sales, grew 17.0% to US\$6.0 billion with operating profit up 16.9% to US\$598 million. The Milwaukee Tool business maintained its outstanding growth rate delivering a revenue increase of 28.2%, while the RYOBI business generated double-digit growth. The Floor Care and Appliance business grew 9.3% and showed meaningful improvement throughout the year. TTI is focused on transforming our industry through innovative cordless technology and remains dedicated to the core principles of powerful brands, innovative products, exceptional people, and operational excellence.

### Strong Financial Performance

Gross margin continued to improve from 36.7% in 2017 to 37.2% in 2018 driven by new product, mix, volume and productivity. We maintained our relentless focus on driving efficiencies throughout our operations while offsetting commodity inflation. Our EBIT increased 17.0% to US\$607 million, with the EBIT margin improving by 10 basis points to 8.7%. Shareholders' profits rose 17.4% to US\$552 million, with earnings per share increasing 17.5% over 2017 to US30.16 cents. Through our highly disciplined working capital management we again delivered a net cash position.

The Board is recommending a final dividend of HK50.00 cents (approximately US6.44 cents) per share. Together, with the interim dividend of HK38.00 cents (approximately US4.89 cents) per share, this will result in a full-year dividend of HK88.00 cents (approximately US11.33 cents) per share, against HK67.50 cents (approximately US8.69 cents) per share in 2017, an increase of 30.4%.

## Reshaping Cordless Performance

TTI continues on its path to growth by being on the technology forefront with a superior lithium battery cordless product portfolio. We see cordless as the future of power equipment and floor care products with a transition that is expanding at a rapid rate. TTI has strategically committed significant resources in R&D to develop innovative products that redefine how individuals conduct work at home and on the jobsite. We continue to enter new markets and verticals as our technology advancements create opportunities previously unimagined. We are launching cutting edge innovation that delivers better performance, outstanding ergonomics, improved productivity and increased jobsite safety.

Our powerful product development capabilities and deep technical cordless expertise in lithium battery technology, high performance brushless motors, and system electronics are showcasing our industry leadership. Leveraging our exceptional brands and overarching battery platforms, we are producing a growing network effect and attracting users with our cordless innovations at a swift pace. TTI is changing the cordless landscape by investing in the technology that is building our future.

## Operational Excellence

An important element of our strategic approach to continuous operational improvement is our diversified global manufacturing network. With multiple manufacturing operations in Europe, Asia, and the United States and our supply chain, we have focused manufacturing capabilities that harness cost efficiencies with the flexibility to handle our high level of growth while adapting to an ever changing market. TTI has made significant investments in the expansion of our distribution, manufacturing and R&D capabilities in North America and added a new manufacturing complex in Vietnam to support the rapid growth. Continuing our productivity trend, global headcount for the entire Group increased 5.7%, well below the 15.8% revenue increase. Additionally, ongoing investments in

automation, supply chain, and productivity improvements continue to drive higher quality at better cost while promoting environmental, social and governance requirements. We remain committed to delivering world class on-time fill rates with superior quality products while maintaining best cost.

## Exciting Future

We are confident that our above market organic growth will continue into the future. Our significant investments in R&D and new product development teams have driven a pipeline of disruptive, innovative products that are fundamentally changing the way our users work at home and on the jobsite.

We have an intense focus on our strategic initiatives and the connected management disciplines that drive their execution. Our financial rigor is another key element to our success. Additionally, our obsession with world class organizational development is a central theme in our success. Our ongoing commitment to the successful Leadership Development Program ensures TTI will have a strong pool of talent in the years ahead. A commitment to sustainability is an essential part of our broader responsibility to our employees, customers, investors, suppliers, communities, business and partners. We are dedicated to stringent governance practices and to reducing our impact on the environment.

On behalf of the Board, I would like to express my sincere gratitude to our shareholders, loyal customers and the entire TTI team for their energy, devotion, hard work, and on-going commitment. I am convinced that our bold strategy, customer focus, and business momentum will make 2019 another outstanding year.



**Horst Julius Pudwill**

Chairman  
March 6, 2019