



MILWAUKEE MX FUEL Handheld Core Drill

13.0%
Revenue growth of
Power Equipment business

US\$663 million
The business delivered operating profit of
US\$663 million, a 10.8% increase over
the previous year

**Flagship Milwaukee Tool business
continues to grow 20%+ in local currency**

**RYOBI cordless sales delivered
double-digit sales growth**

Review of Operations

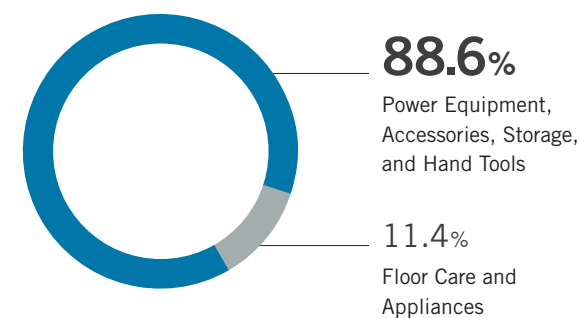
Power Equipment, Accessories, Storage
and Hand Tools

TTI's Power Equipment business, featuring MILWAUKEE industrial tools, RYOBI DIY power tools and RYOBI outdoor products delivered outstanding organic growth in all key markets with revenue increasing 13.0% to US\$6.8 billion.

The relentless development of new innovative products, targeted sales and marketing investments and strategic geographic expansion all drove the stellar 2019 performance. Operating profit was up 10.8% to US\$663 million. The Power Equipment business represented 88.6% of total sales.

US\$6.8 billion
Sales in Power Equipment, Accessories,
Storage and Hand Tools

Sales by Business



Industrial

Our flagship MILWAUKEE Industrial Tool business delivered exceptional worldwide sales growth of over 21.7% in local currency. The ongoing introduction of disruptive technology and innovative new products resulted in significant expansion across new and existing product categories and geographies. Milwaukee Tool is capturing new users in targeted core trades of electrical, mechanical, plumbing, remodeling, transportation maintenance and power utility. Driven by technological advancements, MILWAUKEE products deliver improved safety, performance and productivity solutions for professional and industrial users throughout the world.

Power Tools

Our MILWAUKEE Power Tool business is leveraging on its disruptive cordless technology, converting users to our clean lithium battery energy from legacy power systems such as corded, pneumatic, hydraulic and gas. Leading the way is the MILWAUKEE M18 platform with over 195 tools on a single platform and the M12 platform with over 115 compatible products.

MILWAUKEE remains focused on introducing new technology to support existing system users in addition to attracting new users to the extensive MILWAUKEE M12 and M18 cordless systems. The introduction of the M18 REDLITHIUM HIGH OUTPUT CP 3.0 and XC 8.0 battery packs offer 50% more power while running 50% cooler and delivering up to 60% more runtime. In addition, Milwaukee Tool continues investing and expanding the solutions in the FUEL brushless system enabling the conversion of alternate power sources while increasing safety and productivity on the jobsite. As an example, the M18 FUEL 9" Cutoff Saw eliminates the inconveniences in dealing with gas-powered cutoff saws while the M18 FUEL 7-1/4" Rear Handle Circular Saw delivers more power and faster cuts than an AC corded saw. The M18 FUEL 1" High Torque Impact Wrench is the world's first and most powerful impact wrench on the market enabling users to eliminate pneumatic hoses and cords on the worksite. The relentless dedication to the professional trades is evident throughout Milwaukee Tool's targeted industry verticals.



MILWAUKEE M18 FUEL 9" Cut-off Saw

We recently announced the revolutionary cordless MX FUEL Equipment System. The MX FUEL cordless platform will redefine the professional light equipment sector with breakthrough levels of power delivery and one completely compatible battery system.

Set to replace legacy powered technologies of corded electric, pneumatic, hydraulic and gas powered equipment, this system transforms the light equipment market by delivering the performance, run-time and durability demanded by the trades without the hazards associated with emissions, noise, vibration and the frustrations of gas maintenance.

Launching with 10 products, the new MX FUEL Equipment System is the platform that provides the technology and capability for MILWAUKEE to take a giant step into the light equipment space.



MILWAUKEE MX FUEL Family

Accessories

Our MILWAUKEE high-performance cordless tools are increasingly powerful and technologically advanced. The MILWAUKEE Accessory business is focused on developing accessories engineered to optimize the performance on cordless tools.



MILWAUKEE SHOCKWAVE IMPACT DUTY Driver Bit

Double-digit growth in the accessories business was fueled by the launch of the third generation of SHOCKWAVE driving accessories which are engineered to be the most durable, best fitting driver bits on the market. Investments in the Imperial Blades operations coupled with the introduction of product innovations drove the expansion of the high-growth oscillating category. The MILWAUKEE Carbide Cutting technology advancements are delivering user demand and resulting in exciting category growth.

Hand Tools

In 2019, the MILWAUKEE Hand Tools delivered exceptional growth propelled by innovative new products. A range of innovative mechanics hand tools with best in class features rolled out in 2019. In addition, we have launched a breakthrough range of tape measures that feature industry leading performance.



MILWAUKEE PACKOUT Modular Storage System with M18 PACKOUT Radio + Charger

Storage

The number of tools owned by users continues to grow, creating a massive opportunity for modular and portable jobsite storage solutions. Milwaukee Tool's versatile PACKOUT system exceeds all expectations. With an astonishing growth rate in 2019, PACKOUT is now the largest assortment of professional modular storage in North America with over 20 unique products across the system. Exciting additions to the system include the PACKOUT crates, dolly, and mounting plates and most notably, the M18 PACKOUT Radio + Charger. This radio combines the powerful M18 technology with the innovative PACKOUT system resulting in the ultimate jobsite sound system. Built from the ground-up to be fully compatible with all PACKOUT modular storage products and the ability to charge all M18 Batteries, it is the ultimate connected charging solution for the jobsite.

Personal Protective Equipment

Milwaukee Tool's commitment to productivity and safety inspired the expansion into the personal protective equipment market with the introduction of over 180 new solutions thoughtfully designed to keep users safe, while improving productivity on the jobsite. These include new hard hats, safety glasses, high-visibility safety vests, respirators, hearing protection and impact resistant gloves that offer breakthrough versatility, flexibility, and durability in a market space that has seen stagnant innovation for years.

Consumer Power Tools & Outdoor Products

The RYOBI cordless business delivered double digit sales growth in 2019. After years of focused investment, RYOBI is now the global leader in DIY cordless power tools and outdoor cordless products with the 18V ONE+ and 40V Systems. The RYOBI brand is at the forefront of the cordless revolution disrupting the DIY industry with an impressive flow of new products targeting the remodeler, hobbyist, automotive and value oriented professional users to name a few. The RYOBI commitment to platform compatibility has inspired a loyal following of users and has driven significant household penetration.



RYOBI ONE+ 18V Impact Driver

The RYOBI brushless range is gaining traction worldwide. The RYOBI power tool product development focus on the DIY user is set to expand the ONE+ System beyond today's 130 tools with continued innovation breakthroughs.



RYOBI ONE+ 18V Multi-Purpose Fogger

The RYOBI Outdoor business generated strong mid-teen sales growth in key markets in 2019. Our RYOBI ONE+ and 40V cordless platforms are flourishing as consumers convert from gas to our environmentally friendly high-performing cordless solutions. Our cordless technology is driving a once in a generation revolution. RYOBI is now the number one cordless DIY outdoor product brand globally.

We are aggressively investing in a myriad of new ONE+ and 40V outdoor products. The new product pipeline in the 40V platform is the growth engine driving the expansion of the system. The entire 40V hand-held product range was updated for 2019, with the most significant launches including the attachment capable string trimmer, jet fan blower, hedge trimmer and a brushless chainsaw. Additionally, we launched two powerful new brushless self-propelled mowers on the 40V platform in 2019.



RYOBI 40V WHISPER Brushless JET FAN Blower



HOOVER ONEPWR FLOORMATE JET Cordless Hard Floor Cleaner

18.9% growth in cordless cleaning and carpet washer categories

US\$10 million
The Floor Care and Appliance business generated US\$10 million of operating profit, up 12.8% from 2018.

HOOVER and VAX cordless ONEPWR products have great potential

Expansion of in-house manufacturing in the US and Vietnam

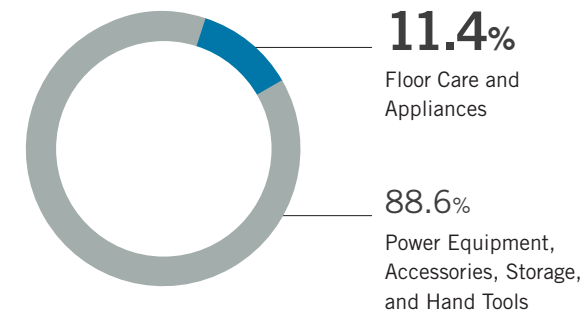
Floor Care and Appliances

In 2019, the Floor Care and Appliance business made outstanding progress developing the categories of Cordless cleaning and Carpet Washers.

The transition has resulted in 18.9% growth in these categories year-over-year making a significant contribution to the overall business. We have been disciplined in transitioning our floor care business from dated legacy corded floor care products to high-performance cordless and newly engineered state-of-the-art carpet washers. The floor care and appliance sales decline of 13.5% from prior year was a result of our successful strategic exit of the German floor care business while improving our profitability in the segment. The disciplined expansion of in-house manufacturing for our strategic categories in cordless cleaning and carpet washing products to the US and Vietnam has been a great success.

US\$875 million
Sales in Floor Care and Appliances

Sales by Business



The Floorcare and Appliances business accounted for 11.4% of TTI total sales and generated US\$10 million of operating profit, up 12.8% from 2018.

The HOOVER and VAX cordless ONEPWR floor care family has great potential. We launched with seven ONEPWR products including the JET Multi-floor Cleaner and the BLADE Stick Vac. Our HOOVER and VAX Carpet Washers impressively delivered strong double-digit growth, fueled by the expansion of our SMARTWASH, POWERDASH and PLATINUM platforms, the leading carpet washers in North America and the UK.

We are excited about the potential of our Floor Care business with our key strategic focus on cordless, carpet washing and solutions. We made significant progress in 2019 in our product and manufacturing strategy, positioning the business to deliver consistently improving financial results in the years ahead.



HOOVER POWERDASH Pet Compact Carpet Cleaner



VAX ONEPWR BLADE+ Cordless Vacuum

US\$7.7 billion
Revenue

US\$673 million
EBIT

US\$1.85
(2018: US\$1.67)
Book Value per Share

3.0% of Turnover
(2018: 2.9% of turnover)
Investments in Product Design and Development

Financial Review

Financial Results

Result Analysis

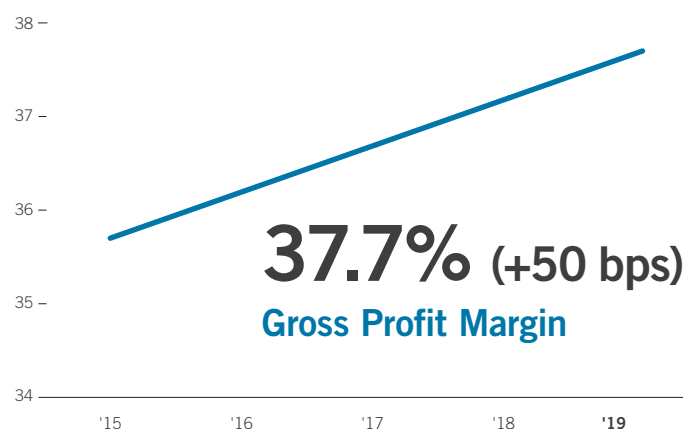
The Group's revenue for the year amounted to US\$7.7 billion, an increase of 9.2% as compared to US\$7.0 billion in 2018.

Profit attributable to Owners of the Company amounted to US\$615 million as compared to US\$552 million in 2018, an increase of 11.3%. Basic earnings per share for the year improved to US33.67 cents as compared to US30.16 cents in 2018.

EBIT amounted to US\$673 million, an increase of 10.9% as compared to US\$607 million in 2018.

Gross Margin

Gross margin improved to 37.7% as compared to 37.2% last year. The margin improvement was the result of new product introduction, mix management, category expansion, highly disciplined and efficient operation systems and volume leverage together with very effective action plans mitigating tariffs impact.



Operating Expenses

Total operating expenses for the year amounted to US\$2,230 million as compared to US\$2,014 million in 2018, representing 29.1% of turnover (2018: 28.7%). The increase was mainly due to the strategic investments in new products and promotional activities to maintain the sales growth momentum and continual margin improvements.

Investments in product design and development amounted to US\$230 million, representing 3.0% of turnover (2018: 2.9%) 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\$12 million as compared to US\$13 million in 2018, a reduction of US\$1 million or 5.7% despite the increase in business volume and higher interest rate environment as compared to previous year. Interest coverage, expressed as a multiple of EBITDA to total interest was 19.8 times (2018: 22.9 times).

The effective tax rate, being tax charged for the year to before tax profits was at 7.0% (2018: 7.1%). 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\$3.4 billion as compared to US\$3.1 billion in 2018. Book value per share was at US\$1.85 as compared to US\$1.67 last year, an increase of 10.8%.

Financial Position

The Group continued to maintain a strong financial position. As at December 31, 2019, the Group's cash and cash equivalents amounted to US\$1,412 million (2018: US\$1,104 million), of which 44.6%, 28.6%, 9.4% and 17.4% were denominated in US\$, RMB, EUR and other currencies respectively.

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 0.5% as compared to net cash in 2018. The Group remains confident that gearing will remain low going forward.

Bank Borrowings

Long term borrowings accounted for 52.9% of total debts (2018: 56.0%).

The Group's major borrowings continued to be in US Dollars. 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 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 12.6% of the total bank borrowings, the balance being floating rate debts.

Working Capital

Total inventory was at US\$2,113 million as compared to US\$1,767 million in 2018. Days inventory increased by 9 days from 92 days to 101 days. The higher inventory days as compared to past years was mainly due to the strategic decision to carry a higher level of inventory to support our service level, considering our high growth momentum and to mitigate tariffs impact. The Group will continue to focus in managing the inventory level and improve inventory turns.

Trade receivable turnover days were at 55 days as compared to 57 days last year. Excluding the gross up of the receivables factored which is without recourse in nature, receivable turnover days were at 52 days as compared to 53 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 104 days as compared to 100 days in 2018 as the Group managed to leverage the volume and order visibility for better trade terms from suppliers.

Working capital as a percentage of sales was at 14.3% as compared to 13.3% in 2018.

Capital Expenditure

Total capital expenditures for the year amounted to US\$375 million and an additional US\$82 million for the headquarters located in the USA (2018: US\$259 million).

Capital Commitments and Contingent Liabilities

As at December 31, 2019, total capital commitments for the acquisition of property, plant and equipment contracted for but not provided amounted to US\$58 million (2018: US\$119 million), and there were no material contingent liabilities or off balance sheet obligations.

Management's Discussion and Analysis

Charge

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

Major Customers and Suppliers

For the year ended December 31, 2019

- (i) the Group's largest customer and five largest customers accounted for approximately 46.8% and 55.7% respectively of the Group's total revenue; and
- (ii) the Group's largest supplier and five largest suppliers accounted for approximately 7.0% and 19.1% 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 33,177 employees as at December 31, 2019 (2018: 28,972) in Hong Kong and overseas. Total staff cost for the year under review amounted to US\$1,337 million (2018: US\$1,117 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 floor care 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 ESG-related non-compliance in 2019.

In 2019, 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 monitored activities and ESG performance against our goals and targets.

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, investors, shareholders and suppliers. Communication occurs via regular meetings, focus group discussions and training sessions.

Details on our ESG commitments, relevant policies and standards is provided throughout this report. Specific ESG key performance results and initiatives of 2019 are shared on pages 74 to 121.

Purchase, Sale or Redemption of Securities

A total of 2,350,000 ordinary shares were cancelled by the Company during the year, among which (i) 850,000 shares were bought back and settled during the year at prices ranging from HK\$40.45 to HK\$41.50; and (ii) 1,500,000 shares were bought back in December 2018 and cancelled in January 2019 at prices ranging from HK\$41.25 to HK\$43.00. The aggregate amount paid by the Company for such buy-backs cancelled during the year amounting to US\$12,644,000 was charged to the retained earnings.

The shares bought back were cancelled immediately and accordingly the issued share capital of the Company was reduced correspondingly. The buy-backs of the Company's shares during the year were effected by the Directors pursuant to the mandate granted by shareholders at the previous annual general meeting of the Company, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Company.

Except as disclosed above, 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, 2019. The Board acknowledges its responsibility for the preparation of the accounts of the Group.

Dividend

The Directors have recommended a final dividend of HK58.00 cents (approximately US7.46 cents) per share with a total of approximately US\$136,603,000 for the year ended December 31, 2019 (2018: HK50.00 cents (approximately US6.44 cents)) payable to the Company's shareholders whose names appear on the register of members of the Company on May 22, 2020. 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 June 19, 2020. This payment, together with the interim dividend of HK45.00 cents (approximately US5.79 cents) per share (2018: HK38.00 cents (approximately US4.89 cents)) paid on September 20, 2019, makes a total payment of HK103.00 cents (approximately US13.26 cents) per share for 2019 (2018: HK88.00 cents (approximately US11.33 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 2020 Annual General Meeting, the register of members of the Company will be closed from May 13, 2020 to May 15, 2020, both days inclusive, during which period no transfers of shares will be effected. In order to qualify to attend and vote at the 2020 Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on May 12, 2020.

To ascertain members' entitlement to the final dividend, the register of members of the Company will be closed on May 22, 2020 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on May 21, 2020.