

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## REVIEW OF OPERATIONS

### Power Equipment

The TTI Power Equipment segment delivered sales of US\$14.4 billion in 2025, an increase of 5.3% in reported currency and 5.0% in local currency.

### MILWAUKEE

On a reported basis, MILWAUKEE achieved 8.1% reported sales growth in 2025, finishing up 7.9% in local currency. By region, North America grew 7.5%, Europe grew 11.0%, and Rest of World grew 6.6% in local currency. Performance was driven by continued strength across our major categories, with personal protective equipment (PPE) strongly outperforming the portfolio average, as demand for productivity and safety solutions on jobsites remains strong. On an underlying basis, MILWAUKEE grew 10.3% in 2025, excluding the suspension of promotions in the second half of 2025.

Over the last several years, MILWAUKEE has made significant progress in diversifying its global production footprint into Vietnam, Mexico, and the US with new state-of-the-art facilities in Ho Chi Minh City, Vietnam and Torreon, Mexico as well as several new production sites in the US that strengthened our operational flexibility across regions. The business has also made a major investment in vertical integration to further enhance its competitive advantages in all key production regions, while leveraging our world-class product development capabilities within the Group.

MILWAUKEE continues its unwavering commitment to the skilled trades. Structural labor shortages in many of our key trades including electrical, plumbing, and power utility, facilitate growing end user demand for technology-driven solutions that enhance productivity and safety on the job site. These opportunities directly shape MILWAUKEE's innovation roadmap.

Looking at various end markets, a significant portion of MILWAUKEE sales are derived from hyper-growth segments including data centers and large-scale infrastructure projects that have long-term investment cycles. Additionally, MILWAUKEE benefits from various maintenance and repair activities across a broad spectrum of industries. These activities account for a significantly greater proportion of revenue than traditional residential construction.

A tangible example of this innovation is the M18 FUEL Branch Conduit Bender with AUTO ZERO, purpose-built for the scale of modern data center construction. Data centers require exponentially more power, driving significantly higher conduit volumes. The Branch Conduit Bender delivers up to a 34% productivity improvement versus hand

bending, with AUTO ZERO technology ensuring consistent, repeatable bends across large multi-raceway runs. Its cordless, portable design enables bending at the point of installation across sprawling campuses, while reducing fatigue and improving safety during high-volume conduit work.

Our approach is to continuously innovate by solving real jobsite challenges, expanding our presence within existing verticals, and entering additional markets where our solutions provide clear advantages. We estimate the current global Total Addressable Market (TAM) for MILWAUKEE is approximately US\$160 billion, representing markets we actively serve today, with meaningful expansion opportunities as we continue to expand into additional end user verticals and sub-verticals.

Geographically, MILWAUKEE continues to expand its global reach. The non-US portion of the business accounted for roughly 32% of MILWAUKEE sales in 2025. As this portion of the business grows at a slightly faster pace than the US, it drives overall gross margin accretion.

### RYOBI

Our RYOBI business had another outstanding year, growing 5.4% in local currency and marking the second consecutive year of mid-single digit revenue growth following the post-pandemic adjustment period of 2022-23. In 2025, Power Tools and Outdoor both grew, with Power Tools rising high-single-digit and Outdoor growing low-single-digit as certain major storm events from 2024 did not occur in 2025.

We continue to focus on growing our strategic cordless battery platforms, with USB LITHIUM, 18V ONE+ and 40V. Globally, we have the largest installed base of users that continue to grow and expand their collection of RYOBI products. At the same time, we are putting millions of new users into these cordless platforms every year that will provide more opportunities for us to grow in the future. Across all RYOBI cordless platforms, we are committed to maintaining system compatibility while developing innovative new products.

In 2025, we continued to strengthen our core business along with driving outsized growth in new emerging categories. We launched the next generation of our ONE+ HP Brushless platform of drilling, fastening, and cutting tools. These new products deliver even more power, more run-time, and more durability for the user, while reducing size and weight.

In our Outdoor Power business, we launched "all-new" next generation 40V LITHIUM 21" mowers, delivering the industry's best cutting experience, giving users more power and performance than gas, without the noise and maintenance headaches.

Like the MILWAUKEE business, RYOBI has also diversified into several new product categories over the last few years, including lifestyle and recreation, hobby and craft, and cleaning. The success of this effort has enabled the business to further expand an already massive cordless installed base, gain share, and grow at a healthy pace despite modest US housing turnover.

RYOBI continues to work with the best distribution partners in the industry, including the Home Depot in North America, Bunnings in the Australia/New Zealand region, and top European retail partners. We will continue to grow the RYOBI business through our current geographic footprint, while driving additional expansion opportunities in Latin America and Asia in the future.

Lastly, the business has shown exceptional operational agility over the years, continuing to diversify our manufacturing footprint. This has further enhanced share gains as RYOBI has improved its cost position relative to key global competitors.

### Floorcare & Cleaning

Sales for Floorcare and Cleaning fell 9.7% in 2025 due to weakness in the HOOVER, DIRT DEVIL, ORECK, and VAX brands. Floorcare has now been reorganized into a single global business, creating one world-class product development, marketing, manufacturing, and engineering team. Additionally, we have consolidated our North American Floorcare footprint by closing our Charlotte, NC facility and combining with our Consumer business in Anderson, SC. This is a good example of our efforts to balance innovation and drive improved profitability in the Floorcare business.

## FINANCIAL REVIEW

### Financial Results

#### Result Analysis

The Group's revenue for the year amounted to US\$15.3 billion, an increase of 4.4% as compared to US\$14.6 billion in 2024. EBIT amounted to US\$1,336 million, an increase of 5.2% as compared to US\$1,270 million in 2024.

Profit attributable to Owners of the Company amounted to US\$1,198 million as compared to US\$1,122 million in 2024, an increase of 6.8%.

Basic earnings per share for the year was at US65.61 cents as compared to US61.43 cents in 2024.

### Gross Margin

Gross margin improved to 41.2% as compared to 40.3% last year. The margin improvement was the result of mix impact of high margin business, focused profitability on consumer brands and operational improvements across all global manufacturing operations.

### Operating Expenses

Total operating expenses for the year amounted to US\$4,967 million as compared to US\$4,642 million in 2024, representing 32.5% of turnover (2024: 31.7%). The increase was mainly due to our strategic investments in new products and technologies and non-recurring exit costs of the HART business.

Our R&D expenses amounted to US\$757 million, representing 5.0% of turnover (2024: 4.4%) reflecting our continuous focus on innovation, new products and technology and the write-off of HART's intangible assets.

Net interest expense for the year amounted to US\$34 million as compared to US\$54 million in 2024, representing 0.2% of turnover (2024: 0.4%). The decrease in net interest expense is the result of our efficient management of financial resources.

The effective tax rate, being tax charged for the year to before tax profits was at 8.0% (2024: 7.8%). The Group will continue to leverage its global operations and align its strategy to manage various tax policy changes globally to sustain our overall tax efficiencies.

### Liquidity and Financial Resources

#### Shareholders' Funds

Total shareholders' funds amounted to US\$7.0 billion as compared to US\$6.4 billion in 2024. Book value per share was at US\$3.80 as compared to US\$3.47 last year, an increase of 9.5%.

#### Financial Position

The Group continued to maintain a strong financial position. As at December 31, 2025, the Group's cash and cash equivalents amounted to US\$1,678 million (2024: US\$1,232 million), of which 36.1%, 31.4%, 16.1%, and 16.4% were denominated in EUR, US\$, AUD and other currencies respectively.

The Group generated Free Cash Flow of US\$1,395 million for the year as compared to US\$1,591 million last year. (Free Cash Flow equals net cash from operating activities, less purchase of property, plant and equipment, less additions to intangible assets, and adds proceeds from disposal of property, plant and equipment).

The Group's net gearing, expressed as a percentage of total net borrowing to equity attributable to Owners of the Company, was net cash as compared to 0.7% in 2024.

## Bank Borrowings

Long term borrowings accounted for 64.4% of total debts (2024: 59.8%).

The Group's major borrowings continued to be in US\$. Borrowings are predominantly Secured Overnight Financing Rate ("SOFR") based. There is a natural hedge mechanism in place as the Group's major revenues are in US\$ 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 after interest rate hedging account for 80.2% of the total bank borrowings, the balance being floating rate debts.

## Working Capital

Total inventory was at US\$4,452 million as compared to US\$4,076 million in 2024. Inventory days increased by 4 days from 102 days to 106 days. Finished goods inventory increased by 3 days mainly related to tariffs. Raw material inventory increased by 1 day to 16 days and work in progress inventory maintained at 3 days.

Trade receivable turnover days were at 46 days as compared to 47 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 maintained at 96 days.

Working capital as a percentage of sales was at 15.5% as compared to 14.4% in 2024.

## Capital Expenditure

Total capital expenditures for the year amounted to US\$289 million (2024: US\$292 million) representing 1.9% of sales.

## Capital Commitments and Guarantees

As at December 31, 2025, total capital commitments for the acquisition of property, plant and equipment and equity investment contracted for but not provided amounted to US\$153 million (2024: US\$167 million), and there were no material guarantees or off balance sheet obligations.

## Charge

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

## Major Customers and Suppliers

For the year ended December 31, 2025

- (i) the Group's largest customer and five largest customers accounted for approximately 45.4% and 53.3% respectively of the Group's total revenue; and
- (ii) the Group's largest supplier and five largest suppliers accounted for approximately 5.0% and 15.6% 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 48,318 employees as at December 31, 2025 (2024: 46,580) in Hong Kong and overseas. Total staff cost for the year under review amounted to US\$2,896 million (2024: US\$2,726 million).

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.

## Corporate Strategy and Business Model

The Group is a world-class leader in design, manufacturing and marketing of power tools, outdoor power equipment and floorcare & cleaning products 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. Our extension into new product categories and under-represented markets enables 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 are relentlessly focused on expanding and establishing our 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.

## Purchase, Sale or Redemption of Securities

Other than 2,425,000 shares and 1,675,000 shares of the Company purchased on-market by the trustee for satisfying the awarded shares granted under the Company's share award scheme and the Employee Equity Incentive Plan (details of which will be set out in the Report of the Directors to be included in this Annual Report) respectively, a total of 3,500,000 ordinary shares were bought back by the Company during the year at prices ranging from HK\$83.55 to HK\$106.20 per share. The consideration paid by the Company for such buy-backs of the shares of approximately US\$41,728,000 was charged to retained profits.

The shares bought back were cancelled subsequently and accordingly the issued share capital of the Company was reduced. 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 has, during the year, purchased, sold or redeemed any listed securities of the Company. As at December 31, 2025, the Company did not hold any treasury shares.

## 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 a review of the Group's consolidated financial statements for the year ended December 31, 2025. The Board acknowledges its responsibility for the preparation of the accounts of the Group.

## Dividend

The Directors have recommended a final dividend of HK132.00 cents (approximately US16.99 cents) per share with a total of approximately US\$310,754,000 for the year ended December 31, 2025 (2024: HK118.00 cents (approximately US15.19 cents)) payable to the Company's shareholders whose names appear on the register of members of the Company on May 18, 2026. 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 26, 2026. This payment, together with the interim dividend of HK125.00 cents (approximately US16.09 cents) per share (2024: HK108.00 cents (approximately US13.90 cents)) paid on September 19, 2025, makes a total payment of HK257.00 cents (approximately US33.08 cents) per share for 2025 (2024: HK226.00 cents (approximately US29.09 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 2026 Annual General Meeting, the register of members of the Company will be closed from May 6, 2026 to May 8, 2026, both days inclusive, during which period no transfers of shares will be effected. In order to qualify to attend and vote at the 2026 Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:00 p.m. on May 5, 2026.

To ascertain members' entitlement to the final dividend, the register of members of the Company will be closed on May 18, 2026 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 Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:00 p.m. on May 15, 2026.