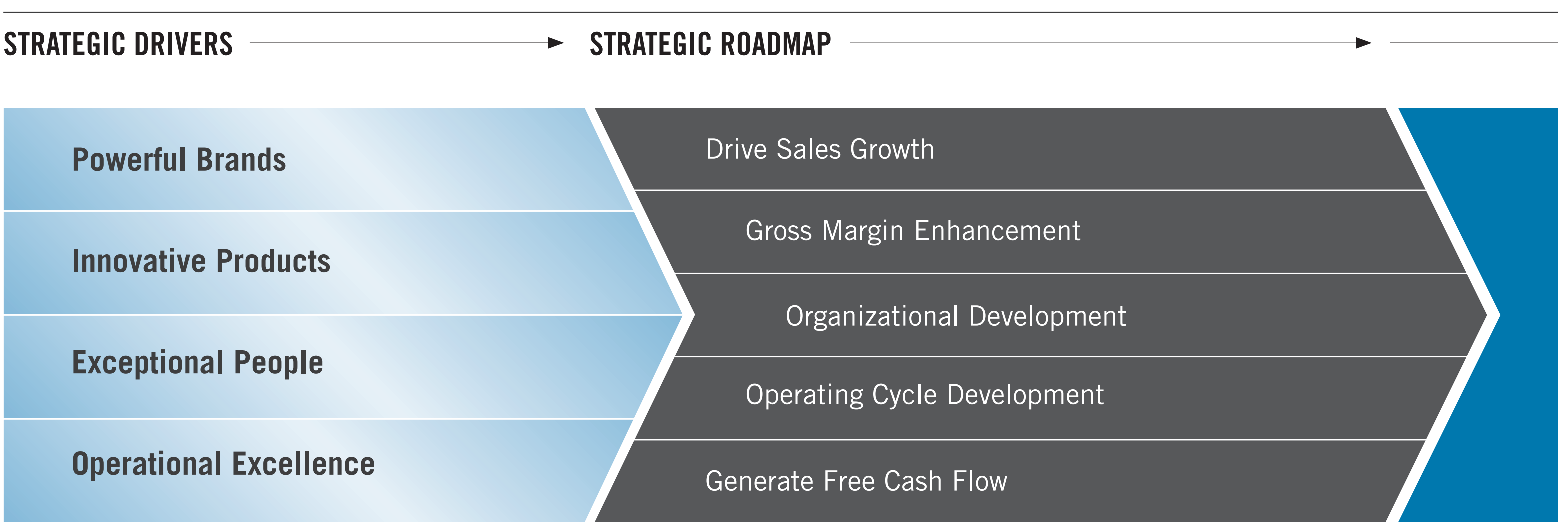
MANAGEMENT'S DISCUSSION AND ANALYSIS

TTI delivered record sales, profit and gross margin for the period. This exceptional performance was driven by a continuous flow of innovative new product introductions, category expansion, product mix and a relentless focus on operational efficiency.

- **Record sales and profit**
- **Gross margin improvement**
- **Strong balance sheet**



Record Sales and Profit

In the first half of 2013, the Group's net profit attributable to shareholders reached USD118 million, a 22.0% increase over the first half of 2012. Basic earnings per share was US6.43 cents, 13.0% higher than the same period last year. Group sales rose by 10.1% over the six months to USD2.0 billion. Strong sales growth in the Group's core businesses was achieved across all key regions including North America, Europe, Australia/New Zealand. We are particularly pleased with the Group's performance in Europe where we achieved high single-digit growth in a soft market.

Our balance sheet remains strong with solid improvements in gearing and working capital as a percentage of sales when compared to the same period in 2012.

Margin Improvements

Gross margin increased for the sixth consecutive period, to 34.0%. The improvement in gross margin was driven by innovative new products, further investment in developing our lithium strategy, category expansion, product mix, and manufacturing and supply chain efficiencies.

We have continued to invest strategically in SG&A, in new product development with expansion into leading-edge lithium technology and new categories. Additionally, we have invested aggressively in sales and marketing worldwide to drive growth in our key businesses. Investing in these strategic areas provides a platform to increase our market share and further improve the overall profitability of the Group.

Strong Balance Sheet

Gearing continued to improve to 26.2% from 37.4% when compared with the same period last year. We again demonstrated disciplined working capital management with the first half working capital as a percent of sales improving from 18.9% to 18.4% for the period.

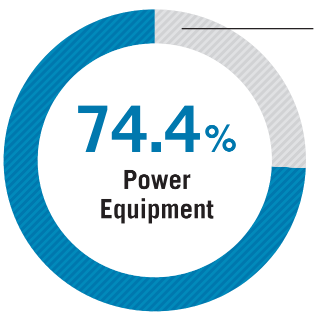
DELIVERING OUTSTANDING PERFORMANCE

A BOLD VISION OF GROWTH

Growth initiatives that will capture opportunities generated by our business units across the globe.

- Deliver Break-Through, Disruptive Technology
- Lithium ion Cordless Leadership
- Broad-Based Innovative Products
- Aggressive Marketing, Demand Creation
- Target Geographic Expansion
- Floor Care Transformation
- Drive Operational Productivity
- Global Organizational Development

Power Equipment
USD 1.5 billion
74.4% of the total turnover



Brand	Market Segment	Major Market
Milwaukee	Industrial	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

Business Review

Power Equipment Business Review

The Power Equipment business, comprised of power tools, hand tools, outdoor products and accessories, delivered USD1.5 billion in sales, 7.9% higher than the same period last year. The business accounted for 74.4% of overall Group sales.

Industrial

MILWAUKEE® had a strong six months, once again achieving double-digit sales growth globally, driven by the introduction of innovative new products, execution of targeted field initiatives, and geographic expansion. The rapid global adoption of MILWAUKEE® FUEL® lithium technology was a key driver of growth in cordless power tools. We rolled out a series of M12® and M18® FUEL® cordless products that have sold beyond our expectations. We also achieved exceptional growth in MILWAUKEE® hand tools and accessories throughout the world. MILWAUKEE® continues to be the fastest growing brand of industrial power tools globally.

Consumer, Trade and Professional

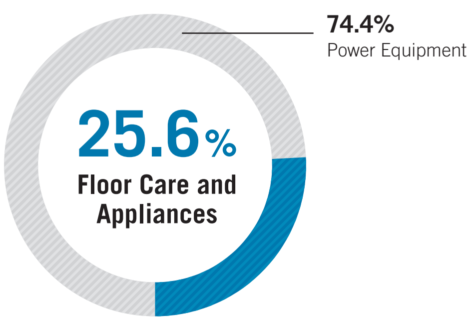
Our consumer RYOBI® brand had an excellent first half driven by new innovative lithium products. One of the highlights in the first-half was the successful launch of the RYOBI® 18-volt One+ System® AirStrike™ nailer and a new generation of LITHIUM+® batteries. The RYOBI® One+ System® TV campaign in the US proved to be highly successful in driving demand. RYOBI® continues to be the leading Do-It-Yourself brand of tools in the world today.

We saw excellent progress with our AEG® brand in the first half driven by a series of successful new lithium product introductions. We were particularly pleased with the outstanding growth AEG® delivered in the Australia/New Zealand market in the first half.

Outdoor Products and Accessories

Despite challenging weather conditions in North America, we achieved outstanding growth in our outdoor products business, thanks to our highly successful roll out of new RYOBI® 18-volt One+ System® and 40-volt lithium powered products. We were particularly pleased with the tremendous sales of the RYOBI® One+ System® Hybrid string trimmer which launched in the first half of the year.

Floor Care and Appliances
USD0.5 billion
25.6% of the total turnover



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

Floor Care and Appliances Business Review

Floor Care and Appliances achieved a 17.0% increase in sales during the first half of 2013 to USD0.5 billion. Our new generation of HOOVER® and VAX® floor care products are generating strong sales throughout the world. We have increased our investments in marketing to build the VAX® and HOOVER® brands. Additionally, we have made strategic investments in R&D to deliver an exciting new generation of high-performance floor care products that will be a key growth driver for the business. The business accounted for 25.6% of Group turnover against 24.1% for the same period last year.

Outlook

We have strong momentum throughout all businesses and all geographic regions heading into the second half. Our powerful new product development machine has put us in a position to continue growing and driving profitability to new levels. We look forward to delivering exceptional sales and profit growth in the second half and beyond.

Financial Review

Financial Results

Turnover for the period under review amounted to USD2,042 million, 10.1% higher than the USD1,855 million reported for the same period last year. Profit attributable to Owners of the Company amounted to USD118 million as compared to USD96 million reported last year, an increase of 22.0%. Basic earnings per share was at US6.43 cents (2012: US5.69 cents).

EBITDA amounted to USD208 million, an increase of 10.7% as compared to the USD188 million reported in the same period last year.

EBIT amounted to USD142 million, an increase of 12.2% as compared to the USD127 million reported in the same period last year.

Result Analysis

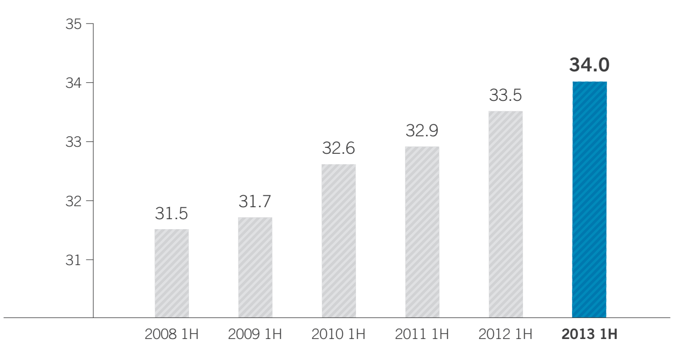
Gross Margin

Gross margin improved to 34.0% as compared to 33.5% in the same period last year. The margin improvement was the result of new product introduction, category expansion, efficient production in the new PRC facilities, effective supply chain management and volume leverage on our economies of scale.

Gross Margin

%

34.0%



Operating Expenses

Total operating expenses for the period amounted to USD554 million as compared to USD498 million reported for the same period last year, representing 27.1% of turnover (2012: 26.8%).

Investment in product design and development amounted to USD48 million (2012: USD37 million), representing 2.4% of turnover (2012: 2.0%), reflecting our continuous strive for innovation. With our new innovation centre already in full operation, efficiency and cost effectiveness will be further improved and enhanced.

Net interest expenses for the period amounted to USD14 million as compared to USD22 million reported for the same period last year. Interest cover, expressed as a multiple of EBITDA to total interest was at 10.8 times (2012: 7.2 times).

Effective tax rate for the period was at 8.0% (2012: 7.6%). 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 USD1.6 billion, as compared to USD1.5 billion at December 31, 2012, an increase of 5.6%. Book value per share was USD0.89 as compared to USD0.85 at December 31, 2012, an increase of 4.7%.

Financial Position

The Group continued to maintain a strong financial position. As at June 30, 2013, the Group's cash and cash equivalents amounted to USD573 million (USD618 million at December 31, 2012) after the payment of USD25.3 million dividend during the period (nil in first half 2012), of which 45.7%, 33.5%, 8.2%, 5.4%, 5.1% and 2.1% were denominated in RMB, USD, HKD, AUD, 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 26.2% as compared to 37.4% as at June 30, 2012. The gearing improvement is the result of very disciplined and focused management over working capital and free cash flow from operations applied to debt repayment. The Group remains confident that gearing can further improve going forward and will be below the Group's internal comfort level of 30% – 35%.

Net gearing improved

26.2%

(2012 1H – 37.4%)

Bank Borrowings

Long term borrowing accounted for 31.8% of total debts (34.3% at December 31, 2012).

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.

During the period, the Group repaid USD39 million of fixed interest rate notes, refinanced by other bank facilities with lower interest rates. This refinancing arrangement will lower our interest cost in future periods.

Working Capital

Total inventory was at USD818 million as compared to USD752 million for the same period last year. The number of days inventory was at 74 days as compared to 73 days as at June 30, 2012. 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.

Trade receivables turnover days were at 71 days as compared to 64 days as at June 30, 2012. Excluding the gross up of the receivables factored which is without recourse in nature, receivables turnover days were at 64 days as compared to 57 days as at June 30, 2012. The increase in turnover days was mainly due to the increase in trade receivables as a result of the strong sales in May and June 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 were 78 days (67 days at December 31, 2012). The increase in turnover days was mainly due to the increase in procurement in the second quarter of 2013 in preparation for peak production in second half year.

Working capital as a percentage of sales was at 18.4% as compared to 18.9% for the same period last year.

Capital Expenditure

Total capital expenditures for the period amounted to USD47 million (2012: USD37 million).

Capital Commitment and Contingent Liability

As at June 30, 2013, total capital commitments amounted to USD18 million (2012: USD19 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 19,248 employees (2012: 18,521 employees) in Hong Kong and overseas. Total staff cost for the period under review amounted to USD290 million as compared to USD263 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 HK10.00 cents (approximately US1.29 cents) (2012: HK6.75 cents (approximately US0.87 cent)) per share for the six months period ended June 30, 2013. The interim dividend will be paid to shareholders listed on the register of members of the Company on September 13, 2013. It is expected that the interim dividend will be paid on or about September 27, 2013.

Closure of Register of Members

The register of members of the Company will be closed from September 12, 2013 to September 13, 2013, 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 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on September 11, 2013.