Management's Discussion and Analysis

Revenue increased 10.7%
(in local currency)

EBIT and net profit both increased 11.9%

Gross margin increased in the first half for the eleventh consecutive year, up 50 bps

Power Equipment segment continued the strong momentum with growth 14.3%
(in local currency)

Milwaukee Tool business once again grew globally over 20%
(in local currency)

Floor Care is on track to deliver targeted increase in profits

Review of Operations

New Product Driving Growth

We are pleased to announce that our results for the first half of 2019 were another record for the Group with revenue increasing 8.7%, EBIT and net profit both increasing 11.9%, and earnings per share increasing 12.4%, to approximately US15.61 cents. Revenue grew 10.7% in local currency. The strong first half performance was driven by the launch of new products, category and geographic expansion. Gross margin increased in the first half for the eleventh consecutive year, up 50 bps, increasing from 37.1% to 37.6%. Our disciplined working capital management continued to yield solid performance at 18.4% of sales.

Our flagship Milwaukee Tool business once again grew over 20% globally in local currency and our Power Equipment business outperformed the market with double-digit growth. Additionally, our other Power Equipment brands posted excellent results, led by the Ryobi business with high single digit growth. Our Floor Care business is improving nicely with a strategic focus on cordless and carpet washing.

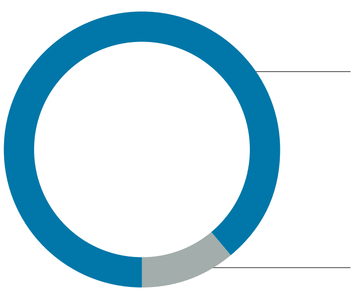
Our geographic expansion was also a highlight for the first half with the European team delivering an outstanding 14.2% growth in local currency, led by Milwaukee Tool with over 25% growth. In rest of world, Australia and our Asian companies continued to deliver above market growth at 12.8%. Our North American businesses continued to perform exceptionally well at 9.7% growth with Milwaukee Tool up 20%+ in the US and 28%+ in Canada.

High margin new products, productivity gains, and volume leverage improved gross margin in the first half for the eleventh consecutive year. TTI delivered a good first half result due to productivity and supply chain expansion outside of our traditional base, along with volume leverage. We are rapidly expanding our global manufacturing footprint. This global supply chain, along with swift and effective managerial action, helped us mitigate headwinds in the first half, including tariffs.

US$3.3 billion

Sales in Power Equipment, Accessories and Hand Tools

Sales by Business



Power Equipment

The Power Equipment segment continued the strong momentum with 14.3% growth in local currency, to revenue of US$3.3 billion. New products, geographic expansion, and entry into new categories all contributed to the excellent performance.

Professional and Industrial Solutions

Our Milwaukee Tool global business delivered 22.2% growth in local currency for the first half of 2019 and continues to outperform the global market. The high-performance MILWAUKEE FUEL cordless range had an outstanding first half with over 24% growth bolstered by key new product launches.

Milwaukee Tool continues to bring significant technological advancements to batteries, brushless motors, and system electronics. These cordless innovations deliver increased capabilities in power, run time, and performance which propelled Milwaukee Tool to a global cordless market leadership position. The M18 system, the fastest-growing cordless system for the professional end user, now offers a platform of over 180 products. In addition, Milwaukee Tool continues its dominant leadership position in the global sub-compact cordless space, with the M12 cordless system now featuring over 100 products.

High performance cordless lighting continues to be a highlight of Milwaukee Tool's business growth. Lighting is a good example of category expansion rapidly gaining traction. With recent introductions in the personal lighting and the site lighting categories, Milwaukee Tool now offers one of the most comprehensive cordless work lighting portfolio in the industry.

The MILWAUKEE PACKOUT system continues to exceed growth expectations with an innovative, durable and mobile storage system. We continue to expand our PACKOUT system beyond the already comprehensive 17 unique professional modular storage products, with more to come.

The newly launched MILWAUKEE mechanics hand tool line is a great example of a new category targeting new verticals and represents tremendous growth opportunity for the second half and beyond. Our innovative wrenches, ratchets and socket sets have been well received by targeted user groups.

Our MILWAUKEE tape measure business continues to show impressive growth with the introduction of the MILWAUKEE STUD tape measures, the industry's most durable tape measure, equipped with innovative technology which protects the blade from ripping and wearing, delivering one of the longest-lasting blades on the market.

Consumer Power Tools & Outdoor

The RYOBI ONE+ cordless tool range is the number one line of DIY cordless tools in the world today. We are continuing to expand this leadership position with a series of exciting RYOBI ONE+ products. The RYOBI ONE+ Air Cannon fan, RYOBI ONE+ band saw, and RYOBI ONE+ grease gun are great examples of the ongoing expansion of this world leading system.

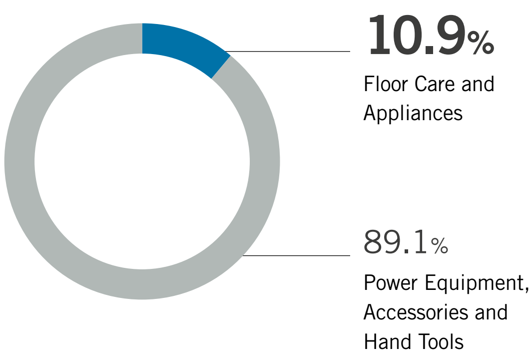
The Ryobi Outdoor business delivered 15.9% growth in the first half, led by the revolutionary range of cordless outdoor products. The leadership cordless mower range continues to disrupt and transform a legacy petrol market into an easier to use and environmentally friendly solution. We successfully expanded our cordless offerings with additional mowers, blower vacs, sprayers, foggers, and string trimmers.

A key strength of the Ryobi business is the overarching range of cordless products that span from power tools to outdoor, and many other categories.

US$406 million

Sales in Floor Care and Appliances

Sales by Business



Floor Care and Appliances

We are encouraged with the implementation of our new floorcare strategy, led by our next generation Carpet Washing and Solution range. The next phase of this new strategy is the rollout of our new cordless ONEPWR system that will position the HOOVER brand for years of growth and profitability. Hoover's new ONEPWR cordless system is rolling out with a family of 9 cordless cleaning products that share the same powerful lithium-ion battery. We are also rolling out the cordless ONEPWR platform under the VAX brand in the UK and ANZ. This technologically advanced battery platform will allow us to expand into new areas.

Our Carpet Washing and Solutions business posted double digit growth, led by the success of SMARTWASH and POWERDASH. POWERDASH is now the number 1 selling carpet washer in North America. Additionally, our new line of detergents formulated to optimize the performance of our Carpet Washers are selling well.

Additionally, our Milwaukee Tool business has developed an exciting range of job site cordless cleaning products underscoring the synergies and shared technology platform with the Floor Care division. These MILWAUKEE floorcare products are selling above expectations and hold great promise.

Our outlook for the full year 2019 Floor Care is on track to deliver targeted increase in profits. Although the first half revenue reflects the planned process of exiting a lower margin market in Western Europe and our ongoing exit from Corded Uprights (down 12.0% in local currency in the first half), our overall sales outlook for the full year is encouraging with above plan sales on our focused strategic areas, and this trend will continue to gather momentum in the years ahead.

Outlook

We are well positioned to deliver a strong second half, and importantly, a strong future. Our expanding global manufacturing network continues to deliver consistent, outstanding productivity gains and we are working hard to offset and minimize the impact of challenging headwinds, including tariffs.

We continue to focus on things we can control, such as rigorously managing non-strategic SGA spend. New product development is a core strength of TTI and our new product flow continues to accelerate. We continue to aggressively invest in this high speed, world class process so that we can bring to market a stream of high margin new products with cutting edge technology for the months and years to come. With the strength of our new product programs, our outstanding team and strong brand portfolio, we are poised to deliver excellent results.

Financial Review

Financial Results

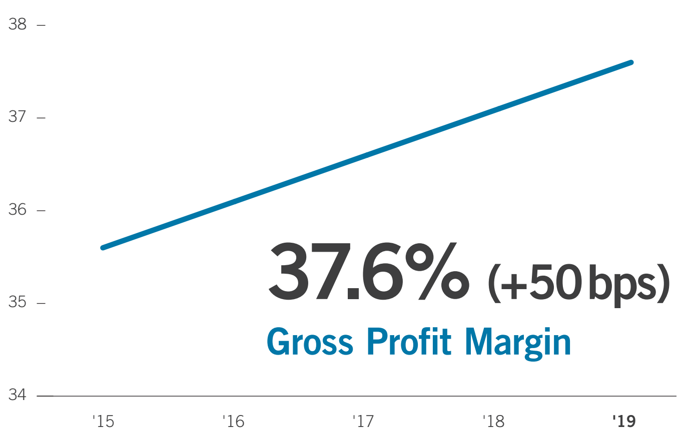
Reported revenue for the period grew by 8.7% as compared to the same period last year, amounting to US$3,728 million. Profit attributable to Owners of the Company amounted to US$285 million as compared to US$255 million reported last year, an increase of 11.9%. Basic earnings per share was at US15.61 cents (2018: US13.89 cents), an increase of 12.4%.

EBIT amounted to US$314 million, an increase of 11.9% as compared to the US$281 million reported in the same period last year.

Result Analysis

Gross Margin

Gross margin improved to 37.6% as compared to 37.1% 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 mitigate the tariffs impact.



For the six-month period ended June 30, 2019

Operating Expenses

Total operating expenses for the period amounted to US$1,093 million as compared to US$996 million reported for the same period last year, representing 29.3% of revenue (2018: 29.0%). During the period under review, R&D spent remains at 2.9% of revenue (2018: 2.9%) to maintain the high velocity growth momentum.

Net interest expenses for the period amounted to US$7 million as compared to US$5 million reported for the same period last year, representing 0.2% of revenue (2018: 0.2%). Interest cover, expressed as a multiple of EBITDA to total interest was at 19.3 times (2018: 22.3 times).

Effective tax rate for the period was at 7.1% (2018: 7.5%).

Liquidity and Financial Resources

Shareholders' Funds

Total shareholders' funds amounted to US$3.2 billion, an increase of 4.0% as compared to December 31, 2018. Book value per share was US$1.74 as compared to US$1.67 at December 31, 2018, an increase of 4.2%.

Financial Position

The Group continued to maintain a strong financial position. As at June 30, 2019, the Group's cash and cash equivalents amounted to US$1,206 million (US$1,104 million at December 31, 2018) after the payment of US$117.6 million dividend during the period (US$93.8 million in first half 2018), of which 48.6%, 31.0%, 8.0%, and 12.4% were denominated in US$, RMB, 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 13.1% as compared to 1.8% as at June 30, 2018. The Group remains confident that gearing will further improve by end of the year.

Bank Borrowings

Long term borrowing accounted for 40.9% of total debts (56.0% at December 31, 2018).

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 11.1% of the total debt, the balance being floating rate debts.

Working Capital

Total inventory was at US$1,961 million as compared to US$1,578 million as at June 30, 2018. Days inventory increased by 6 days from 88 days to 94 days. The higher inventory days as compared with same period last year 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 the pull in ahead of tariff becoming effective. The Group will continue to focus on managing the inventory level and improve inventory turns.

Trade receivables turnover days were at 63 days as compared to 67 days as at June 30, 2018. Excluding the gross up of the receivables factored which is without recourse in nature, receivables turnover days was at 61 days as compared to 63 days as at June 30, 2018. 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 91 days as compared to 93 days as at June 30, 2018.

Working capital as a percentage of sales was at 18.4% as compared to 17.0% for the same period last year.

Capital Expenditures

Total capital expenditures for the period amounted to US$211 million and additional US$42 million for headquarters located in the USA (2018: US$86 million).

Capital Commitments and Contingent Liabilities

As at June 30, 2019, total capital commitments for the acquisition of property, plant and equipment contracted for but not provided amounted to US$34 million (2018: US$30 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 29,536 employees (26,110 employees as at June 30, 2018) in Hong Kong and overseas. Total staff cost for the period under review amounted to US$625 million as compared to US$514 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 HK45.00 cents (approximately US5.79 cents) (2018: HK38.00 cents (approximately US4.89 cents)) per share for the six-month period ended June 30, 2019. The interim dividend will be paid to shareholders listed on the register of members of the Company on September 6, 2019. It is expected that the interim dividend will be paid on or about September 20, 2019.

Closure of Register of Members

The register of members of the Company will be closed from September 5, 2019 to September 6, 2019, 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, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on September 4, 2019.