Management's Discussion and Analysis

Review of Operations

Impressive Results

We are pleased to announce that TTI delivered exceptional results for the first half of 2020. We grew sales 12.8% to US$4.2 billion in reported currency or 14.0% in local currency. Our gross margin improved an additional 40 basis points to 38.0%. EBIT grew 15.6% to US$363 million. Net profit and earnings per share increased 16.3% and 16.2% respectively, to US$332 million and approximately US18.14 cents per share. In addition, we improved working capital percent of sales from 18.4% to 15.8%.

When the coronavirus emerged, we immediately implemented world-class safety protocols throughout all manufacturing operations, distribution centers, R&D centers, headquarter offices, and sales force networks. By complying carefully with local authorities around the world, we were able to quickly resume full scale production and supply chain capabilities. We identified an opportunity to support our customers and capture market share early in the second quarter, so we made the bold decision to increase production, accelerate new product development and expand sales coverage globally. Due to our efficient execution of coronavirus safety protocols and our aggressive initiatives, we were not only able to support our customers' requirements for inventory and store level sales support, but we also outgrew the market and captured significant market share.

We are pleased to report that all our geographic regions delivered impressive local currency sales growth in the first half, in the face of challenging coronavirus headwinds. North America delivered outstanding growth of 14.5%. Europe grew 8.2%, despite being hard hit by the coronavirus. Rest-of-World, including Australia, New Zealand and Asia delivered exciting overall sales growth of 21.0%.

We worked closely with our retail partners to develop and fortify the e-commerce channel. We were highly successful not only in e-commerce but "Buy Online Pickup In Store". Clearly, e-commerce is a growing and crucial part of our future and we are now well positioned to further capitalize on this element of our business model in the second half and beyond.

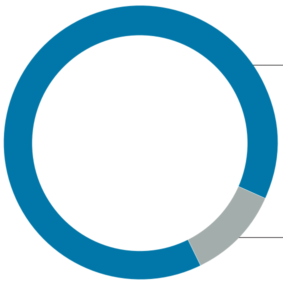
TTI continued to successfully deploy our long-term strategic initiatives in the first half. We launched a wave of exciting new products, accelerated future product development, expanded our global sales network, improved manufacturing productivity and strengthened our supply chain. Throughout the past months, our management team rapidly pivoted to an environment of virtual management and training. Additionally, we hired hundreds of new college graduates, both in engineering and sales and marketing positions to fuel additional growth. The result of these investments was that we not only delivered a strong first half, but importantly, we have positioned our company for long-term success in our served markets.

MILWAUKEE MX FUEL Equipment System

US$3.7 billion

Sales in Power Equipment

Sales by Business



89.1%
Power Equipment

10.9%
Floor Care and Appliances

Business Review

Power Equipment

The core Power Equipment segment delivered 14.0% growth in local currency, reaching sales of over US$3.7 billion. All elements of Power Equipment delivered strong results.

Professional and Industrial Solutions

Our MILWAUKEE professional business grew 13.3%, driven by a growing stream of exciting breakthrough new products. In the first half, we successfully introduced our revolutionary MX FUEL Equipment System, a series of new M18 and M12 cordless products, an expanded line of PACKOUT, a new line of Personal Protective Equipment (PPE) safety products, and a series of high-performance power tool accessories. These new product introductions enabled us to offset global headwinds and perpetuate the growth momentum in this flagship business.


MILWAUKEE M18 FUEL 30 Degree Framing Nailer

The launch of the MILWAUKEE MX FUEL Equipment System allows us to enter the multi-billion dollar light equipment segment. With disruptive cordless breakthrough technology that replaces traditional gas and corded power sources, the MX FUEL Equipment range has been well received by industrial users all over the world.

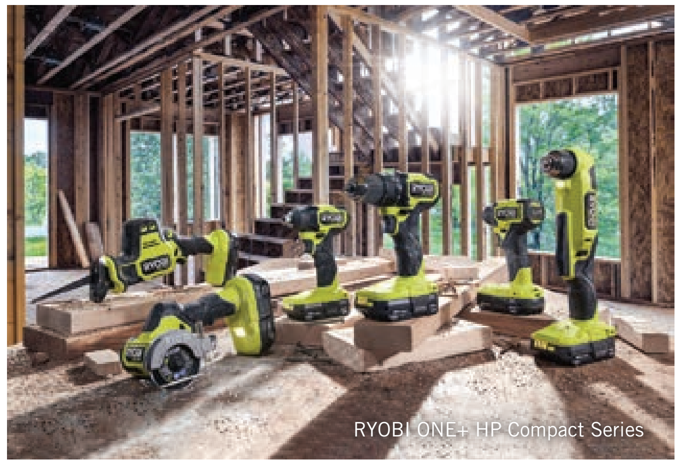
We are focused on expanding our MILWAUKEE PPE lineup that currently offers over 225 products in the categories of hard hats, eye protection, hearing protection, high visibility vests, respirators, and work gloves. The latest additions are two new ranges of work gloves with innovative features that offer protection from cut, impact, abrasion, or other jobsite applications users may encounter.


MILWAUKEE PACKOUT Modular Storage System

We are expanding the revolutionary MILWAUKEE PACKOUT system to meet the professional’s growing tool storage needs. Now with 22 unique products, PACKOUT is the largest professional storage system in the world. New innovations to the system include the PACKOUT Compact Tool Box, the PACKOUT 16QT cooler, and the 106-piece Ratchet and Socket PACKOUT Organizer.

Consumer Power Tools & Outdoor Products

Today RYOBI is the number one brand of DIY cordless products in the world with over 175 items in the ONE+ platform. We are excited to announce the new generation of RYOBI ONE+ HP high-performance brushless power tools that will further strengthen our position in the growing global DIY arena. This initial launch of six subcompact high-performance tools will set a new standard of performance for the DIYer, with additional innovations to come. We also rolled out the new RYOBI ONE+ cleaning system featuring a series of innovative cordless cleaning products and accessories.


RYOBI ONE+ HP Compact Series

The RYOBI Outdoor business delivered impressive double-digit growth in the first half, led by our global leadership range of cordless mowers. With environmentally friendly products capable of replacing gas powered alternatives, the RYOBI 40V cordless platform continues to expand while pioneering innovations like the breakthrough WHISPER series blowers. These WHISPER series blowers deliver all the power without the noise of a gas-powered product.

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.

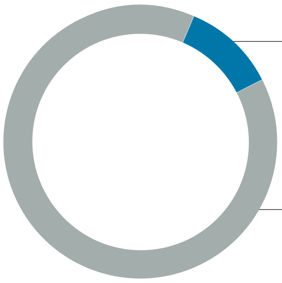
RYOBI 40V WHISPER Brushless JET FAN Blower

HOOVER ONEPWR Cleaning System

US$458 million

Sales in Floor Care and Appliances

Sales by Business



10.9%
Floor Care and Appliances

89.1%
Power Equipment

Floor Care and Appliances

We have worked hard to successfully transform our global Floor Care business with an exciting range of new products and a streamlined business model. The global Floor Care business grew 13.6% in local currency for the first half of 2020 with sales of over US$458 million. North America, UK, and Australia all delivered a strong performance. This growth was driven by the rollout of the ONEPWR cordless system and by the introduction of a series of new carpet cleaning products. We enter the second half of 2020 with strong momentum in global floor care.


HOOVER SMARTWASH PET Complete Automatic Carpet Cleaner

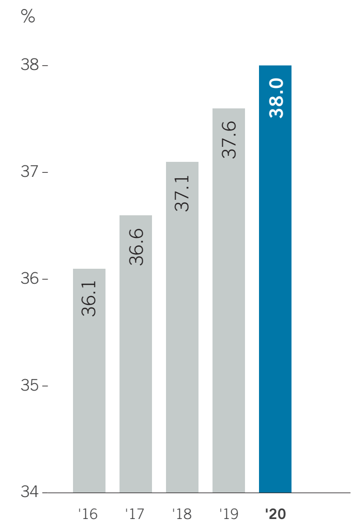
Outlook

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.

Our bold decision to increase investments in expanding manufacturing capacity, inventory, new product development, sales coverage and geographic expansion led to significant market share gains in the first half. We continue to focus on things we can control, such as rigorously managing non-strategic SG&A 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. In summary, we are well positioned to deliver a strong second half and excellent financial performance in the years ahead.

Gross Profit Margin

38.0%
(+40 bps)



Financial Review

Financial Results

Reported revenue for the period grew by 12.8% as compared to the same period last year, amounting to US$4,206 million. Profit attributable to Owners of the Company amounted to US$332 million as compared to US$285 million reported in the same period last year, an increase of 16.3%. Basic earnings per share was at US18.14 cents (2019: US15.61 cents), an increase of 16.2%.

EBIT amounted to US$363 million, an increase of 15.6% as compared to the US$314 million reported in the same period last year.

Result Analysis

Gross Margin

Gross margin improved to 38.0% as compared to 37.6% reported 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.

Operating Expenses

Total operating expenses for the period amounted to US$1,240 million as compared to US$1,093 million reported for the same period last year, representing 29.5% of revenue (2019: 29.3%). During the period under review, R&D spent remains at 2.9% of revenue (2019: 2.9%). The increase in 20 bps is mainly due to our investments in strategic SG&A while leveraging on savings from non-strategic administrative spent.

Net interest expenses for the period amounted to US$7 million as compared to US$7 million reported for the same period last year, representing 0.2% of revenue (2019: 0.2%). Interest cover, expressed as a multiple of EBITDA to total interest was at 20.9 times (2019: 19.3 times).

Effective tax rate for the period was at 6.9% (2019: 7.1%).

Liquidity and Financial Resources

Shareholders' Funds

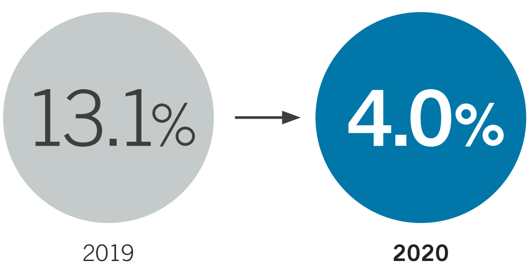
Total shareholders' funds amounted to US$3.6 billion, an increase of 5.7% as compared to December 31, 2019. Book value per share was US$1.96 as compared to US$1.85 at December 31, 2019, an increase of 5.9%.

Financial Position

The Group continued to maintain a strong financial position. As at June 30, 2020, the Group's cash and cash equivalents amounted to US$1,715 million (US$1,412 million at December 31, 2019) after the payment of US$136.7 million dividend during the period (US$117.6 million in first half 2019), of which 50.0%, 28.2%, 13.0%, and 8.8% were denominated in US$, 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, improved to 4.0% as compared to 13.1% as at June 30, 2019. The Group remains confident that gearing will further improve by end of the year.

Net Gearing



Bank Borrowings

Long term borrowing accounted for 50.1% of total debts (52.9% at December 31, 2019).

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.

Working Capital

Total inventory was at US$2,327 million as compared to US$1,961 million as at June 30, 2019. Days inventory increased by 8 days from 94 days to 102 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 in considering our high growth momentum. The Group will continue to focus on managing the inventory level and improve inventory turns.

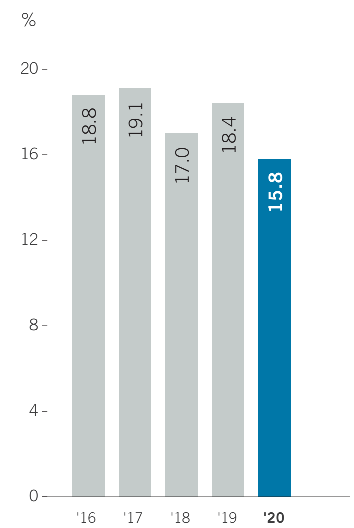
Trade receivables turnover days were at 65 days as compared to 63 days as at June 30, 2019. Excluding the gross up of the receivables factored which is without recourse in nature, receivables turnover days was at 62 days as compared to 61 days as at June 30, 2019. The Group is comfortable with the quality of the receivables and will continue to exercise due care in managing credit exposure.

Trade payables days were 109 days as compared to 91 days as at June 30, 2019. The Group has been able to leverage on the volume, order visibility and financial strength to further enhance over trade terms with suppliers.

Working capital as a percentage of sales was at 15.8% as compared to 18.4% for the same period last year.

Working Capital as a Percentage of Sales

15.8%



Capital Expenditures

Total capital expenditures for the period amounted to US$117 million (2019: US$253 million).

Capital Commitments and Contingent Liabilities

As at June 30, 2020, total capital commitments for the acquisition of property, plant and equipment contracted for but not provided amounted to US$60 million (2019: US$34 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 34,082 employees (29,536 employees as at June 30, 2019) in Hong Kong and overseas. Total staff cost for the period under review amounted to US$668 million as compared to US$625 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 HK53.00 cents (approximately US6.82 cents) (2019: HK45.00 cents (approximately US5.79 cents)) per share for the six-month period ended June 30, 2020. The interim dividend will be paid to shareholders listed on the register of members of the Company on September 4, 2020. It is expected that the interim dividend will be paid on or about September 18, 2020.

Closure of Register of Members

The register of members of the Company will be closed from September 3, 2020 to September 4, 2020, 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 2, 2020.