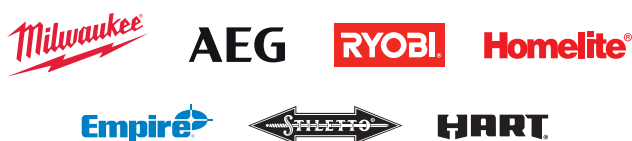
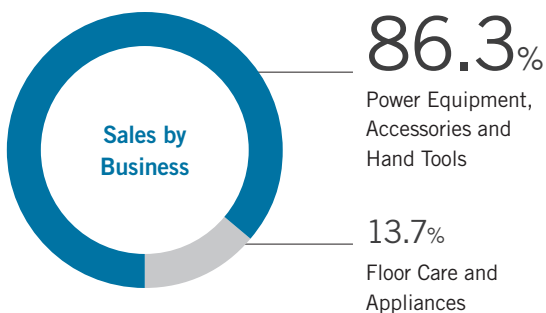


Management's Discussion and Analysis

Power Equipment, Accessories and Hand Tools



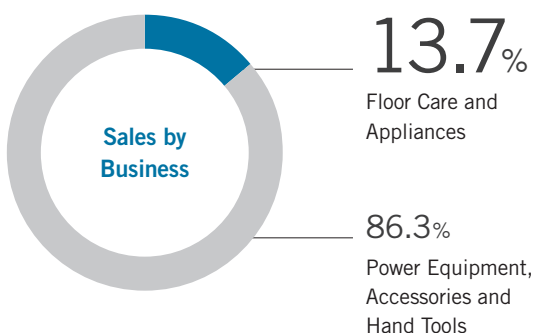
Delivered an excellent first half with US\$3.0 billion in global sales, representing a 20.1% increase compared with the same period in 2017

EBIT increased 20.7% for the business in the first half of the year

The MILWAUKEE industrial business continued to lead the charge with outstanding 29.8% growth in sales

The Consumer Power Tool and the Outdoor Product businesses both grew by double digits

Floor Care and Appliances



Delivered 12.9% overall sales growth

Driven by 45.0% growth in cordless, expansion of carpet washing and cleaning solutions, and selling off legacy products

Our cordless products delivered exceptional growth across all markets

EBIT improved for the business in the first half of the year

Review of Operations

Organic Growth Delivers Record Results

TTI's ability to deliver record revenue and net profit for the ninth consecutive first half is a result of our strategic foundation of relentless innovation, continuous operational improvement, exceptional people, and a powerful brand portfolio. As we continue to lead the cordless revolution, our expertise in lithium-ion battery technology, advanced system electronics and brushless motors is driving superior products with disruptive innovation. This strategy has generated new levels of revenue, gross profit, and net income. Revenue in the first half was US\$3.4 billion, a 19.1% increase over the previous period, while net profit margin improved by 30 basis points. With six manufacturing facilities in the US, two in both Europe and Asia, we are geographically diversified. Additionally, we have innovation centers and sales networks across four continents. Our product development process drives innovative solutions at a speed that exceeds the pace of the market while further increasing market share. TTI's cordless technology and flow of product innovation continue to accelerate the conversion from legacy power systems such as pneumatic, corded and gas-powered products as well as opening up new market segments as our technological advancements now enable us to design applications in new product categories that previously did not exist.

The Power Equipment business is an excellent example of our highly focused strategy to be the leader in cordless innovation that changes the way people work and live. Sustained above market growth has been the TTI standard and holds true once again for the first half of

2018 with sales growth of 20.1%. The MILWAUKEE industrial business continued to lead the charge with outstanding 29.8% growth in sales. The Consumer Power Tool and the Outdoor Product businesses both grew by double digits primarily from the expansion of the RYOBI ONE+ and 40V cordless platforms. The early phase of our strategic direction of the Floor Care and Appliances segment is slowly and encouragingly gaining traction with sales growing 12.9%.

Gross profit margin improved for the tenth consecutive year on positive gains from the ongoing flow of new products and productivity. Our dedication to operational excellence with continuous improvements in lean manufacturing, global purchasing, and supply chain efficiencies has aided in driving profitability through eliminating waste, reducing costs, and improving service to our customers. TTI's diversified and nimble supply chain network is designed to quickly adapt to changing market dynamics. To support our future, we continued to invest even further in our Leadership Development Program, end user conversions, product development, product managers, increased sales coverage, and geographic expansion with an increase in R&D spend of 20 basis points from 2.7% to 2.9% of sales. These strategic initiatives are yielding unprecedented organic growth while further enhancing gross margin. Through relentless execution, the TTI organization has driven top line revenue growth of 19.1% while increasing earnings before interest and taxes by 20.7% to US\$281 million and continuing to efficiently manage working capital at 17.0% of sales compared to 19.1% last year in the first half. Net profit attributable to shareholders was US\$255 million, a 24.6% increase from the prior year, and a basic earnings per share increase of 24.4% to US13.89 cents.

Business Review

Power Equipment, Accessories and Hand Tools

The Power Equipment business, the largest segment accounting for 86.3% of total sales, delivered an excellent first half with US\$3.0 billion in global sales, representing a 20.1% increase compared with the same period in 2017. The strong growth was fueled by the flow of new product introductions, expanding new product categories like cordless lawn mowers, leveraging strong customer partnerships, adding new distribution channels, geographic expansion, and focused end-user conversions. EBIT increased 20.7% for the business in the first half of the year.

Industrial Tools

The multifaceted approach of aggressive product introductions, jobsite solutions teams, relentless operational improvements, and our Leadership Development Program led to a commanding 29.8% growth in the first half for the Milwaukee industrial business. Milwaukee has remained at the forefront of the cordless revolution, developing solutions for professionals with superior products working off the M12 and M18 battery platforms, while also targeting disruptive innovation for specific trade verticals.

Power Tools

The Milwaukee Power Tool business began the first half of the year exceeding the market with double digit sales growth with substantial market share gains through new category expansion and continued entry into new markets. MILWAUKEE, with the vast M12, M18 and FUEL product ranges, continues to be the fastest growing, most innovative, and leading brand of tools for the industrial and professional user. Depending on the application, most of the Milwaukee cordless tools now outperform and replace the competitive power systems of pneumatic, corded electric, and gas-powered products, accelerating the cordless revolution. Our first half performance was driven by Milwaukee launching a range of new, best-in-class power tools, significantly broadening the product offering of tools on the M12 and

M18 battery platforms. The expanding global reach of the MILWAUKEE brand is evidenced by double-digit growth in the targeted geographic markets of North America, Europe, ANZ, and across Asia.

Our product development processes are designed to deliver meaningful product development and systematic introduction of disruptive new products aimed at electrical, mechanical, plumbing, HVAC, infrastructure, and remodeling. The M18 system, the fastest-growing cordless system for the professional end user, will offer over 165 compatible tool and lighting solutions on a single battery platform by year-end. Milwaukee is also the leader in the global sub-compact cordless space, with the M12 cordless system offering over 95 compatible tools and lighting solutions by year-end. The industry's most advanced high performance FUEL line of products will reach 80 tools by year end. The M12 FUEL and M18 FUEL product lines continue to disrupt the industry with first-to-market innovations reinforcing the Milwaukee leadership in the important drilling and fastening solutions categories. The Milwaukee new product cycle is robust, and the pipeline is full of new trade specific solutions such as our expansion into lighting, hydraulic, and drain cleaning tools.

High Output Lighting

Milwaukee has organically developed into an industry leader in the cordless high output lighting category by introducing product innovations and leveraging the installed base of M12 and M18 users. Our strategic approach of redefining the lighting market with break-through products that provide unmatched versatility with area and task lighting solutions is capturing strong market share across core end users and channels of distribution. Break-through products like the new M18 RADIUS Site Light with Flood Mode is one of the most complete lighting products on the market delivering 360 degrees of area lighting, concentrated flood lighting, and full coverage overhead lighting. With an impact-resistant polycarbonate lens to protect against drops, the M18 RADIUS Site Light with Flood Mode provides 2,200 lumens of TRUEVIEW high definition light.

Accessories

MILWAUKEE accessories continued to deliver double-digit growth in the first half and reach record sales levels. The results were achieved through significant end user conversions in cutting, drilling, and dust collection applications. The DUST TRAP attachment was developed to provide a unique and economical solution for managing dust on the job site, exceeding OSHA silica dust management requirements and positioning Milwaukee at the forefront in this growing segment of the market. Milwaukee also delivered significant upgrades to our BiMetal technology with the launch of multiple products with Carbide Teeth. The growing range of Milwaukee concrete drilling, coring, and demolition accessories for SDS rotary hammer drills is driving end user conversions to the complete Milwaukee line of accessories. Milwaukee remains committed to expanding the range of Shockwave Impact Rated accessories and will launch new Impact Rated Step bits in the back half to address the growth of cordless impact drivers globally. We are focused on being a leader in power tool accessories through the continuous investment in breakthrough technologies and in developing creative solutions to everyday problems faced by our core users.

Hand Tools and Storage

The Milwaukee Hand Tool and Storage business delivered strong growth in the first half with a key focus on our innovative ranges of tape measures and PACKOUT modular storage. The STUD tape measure will revolutionize durability standards in this category with EXO360 blade technology, protecting the blade from ripping and wearing, and delivering the longest-lasting tape measure blade on the market. This game-changing product has a fully reinforced body with an impact-resistant frame able to survive up to an 80-foot drop onto packed soil. The popular PACKOUT storage system continues to expand with low-profile organizers, duffle bags, a flat dolly, and a new mounting plate enabling users to secure their current PACKOUT products in service vans, trucks, and shop walls. Sales of EMPIRE again delivered strong growth by executing on its strategic

market plan of converting distribution and users by delivering a consistent flow of innovative layout products for core professional trades. ULTRAVIEW LED and DIGITAL levels continue to outpace expectations as users migrate to these better technology solutions.

DIY and Professional Tools

Ryobi DIY Power Tools

The Ryobi DIY Power Tool business delivered outstanding double-digit growth in the first half and continues to be the dominant DIY brand in its served markets of North America, Western Europe, Australia and New Zealand. During the first half, new product introductions and aggressive marketing programs drove share gains leveraging the overarching reach of the RYOBI ONE+ system with over 120 power tools and outdoor products for use around the home and jobsite. The RYOBI ONE+ system has not changed in compatibility since its introduction, generating a powerful network effect allowing existing users to upgrade and expand and new users to join the system with confidence. Innovative new products continue to attract new users to the system with breakout products like the RYOBI ONE+ 3 Gallon Wet/Dry Project Vacuum that doubles as a directional blower, the Drywall Screwgun with QUIETDRIVE, a unique feature which automatically starts the motor on contact with drywall, and the first-to-market Color Range LED Worklight with variable color temperature to provide the most accurate view of the workspace.

During the period, the Ryobi Power Tool business also introduced a new series of high performance lithium-ion batteries featuring advanced electronics that maximize tool performance with added capacity to all 18-Volt RYOBI ONE+ tools. The new battery line can handle more demanding applications with superior run time, power, and overall performance through HP communication technology which maximizes performance of RYOBI high performance brushless tools in all applications.

Professional Tools

Our professional tool business continued its strategy of bringing cordless innovations to demanding users for the workplace through targeted distribution channels. Globally we delivered double digit growth in the first half on the strength of the North American business and new product launches. We expanded our AEG 18V range with the recent launch of the powerful AEG Brushless Handheld Dust Extractor and new high-performance FORCE Lithium 9.0Ah battery. There are now over 50 products on the platform and we have a strong pipeline of cordless innovations to be introduced later in the year.

Outdoor Products

The first half produced very positive results for Outdoor Products with double digit global growth. This performance was the result of key initiatives including new product launch execution, investments in merchandising, promotion and marketing, and continued battery platform product expansions. Our fast growing RYOBI ONE+ and RYOBI 40V cordless business continued to outperform the competition with an increase in share across all battery platforms. We introduced new outdoor products to the RYOBI ONE+ system, continuing to capitalize on the synergies with the extensive user penetration and installed base of RYOBI ONE+ power tools. New in the first half for RYOBI ONE+ were products ranging from combo kits, bare tools, high performance brushless string trimmer, an innovative blower, and a new lawn mower. The RYOBI 40V battery program had continued success led by the innovative 20" brushless lawn mower, a self-propelled 20" brushless lawn mower, and increased add-on battery sales. Sales more than doubled on the RYOBI 48V riding mower that will mow over 2 hours and 2 acres or nearly 8,100 square meters on a single charge.

RYOBI outdoor products are driving the revolution from gas powered to environmentally friendly cordless technology which is quieter and easier to use. With our advanced technology, the RYOBI cordless products often equal and in many cases even surpass the performance of gas powered alternatives.

Floor Care and Appliances

The Floor Care and Appliance business delivered 12.9% overall sales growth driven by 45.0% growth in cordless, expansion of carpet washing and cleaning solutions, and selling off legacy products. Our cordless products delivered exceptional growth across all markets while simultaneously expanding our innovative cordless product portfolio as we are on course to transforming into a global cordless leader. We are pleased to see that the strategic revitalization of our floor care businesses across our brand portfolio is delivering sales and operational improvements. Although the operating margin is not yet where we plan for it to be, we made progress in managing working capital, selling down legacy corded products, and cutting non-strategic costs out of the system. Our EBIT improved for the business in the first half of the year and we are confident that the positive results momentum will continue going forward.

Our North America floor care business had encouraging first half growth as it continues to execute its strategy of transitioning from older corded platforms into strategic categories of cordless stick vacs and innovative carpet washing and cleaning solutions with several of our cordless stick vacs being top sellers at our key retail customers. We continue to focus on inventory reduction and product rationalization, delivering significant progress which resulted in distribution facility closures and streamlining the supply chain. As we continue driving growth and selling off legacy products, we will start to see the benefit of operating leverage which will translate into improved earnings in the years to come.

The Floor Care business in Europe generated solid growth with cordless being the driving force and the UK being the best performing market. The VAX Blade cordless stick vac represents a large part of this growth as distribution and sales velocity continues to build across the region. Alongside cordless, the carpet washing category was expanding nicely after a product line refresh resulting in a smaller, more focused range. We are pleased with the successful introduction of the new VAX Platinum Powermax Pro, our best ever carpet washer and Platinum carpet washing solution.

Outlook for Growth

We are extremely excited about our future and growth trajectory in our leadership cordless platform, category, and geographic expansion. Our momentum continues to accelerate as we aggressively invest in our core businesses. TTI's spectacular growth in hand tools and tool storage are both excellent examples of our ability to grow new categories beyond our core and we are excited about the long term prospects of our Floor Care business. At TTI, we focus on the things we can control such as product development, marketing, and investing in our people. We view the global economic outlook to be very strong in our target verticals.

In the second half of the year, Milwaukee will be launching the most powerful line of M18 FUEL products ever introduced. These new products are a testament to our dedication of delivering productivity-enhancing solutions that provide the right blend of power, run-time and performance. True to all M18 FUEL solutions, each of these tools combine three exclusive innovations – the POWERSTATE brushless motor, REDLITHIUM battery pack, and REDLINK PLUS intelligence – all specifically re-designed to increase power and performance. With the further improvement in our battery, electronics, motor, and charging technologies, we are

witnessing a transformational shift in our DIY segment, particularly in the lawn and garden category with the revolution of ultra-high powered, extra-long runtime lithium battery powered products, while the same holds true for our Floor Care segment.

Looking into the second half and beyond, it is clear that the momentum is increasing at an exciting rate throughout TTI. We expect our cordless business to continue being the key driver and to grow at unprecedented levels because of our leading edge technology. Our long term vision at TTI is to build an unassailable competitive advantage through cordless product leadership, outstanding organizational development, and superior operational excellence. We are highly confident our business will continue to outperform in the coming years.

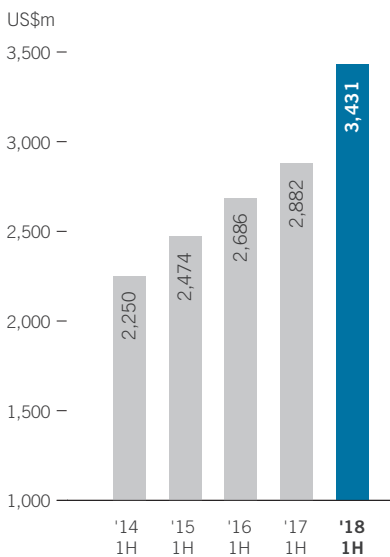
Recent Developments

No important events affecting the Group have occurred since June 30, 2018 that are material or otherwise require disclosure or commentary.

Financial Review

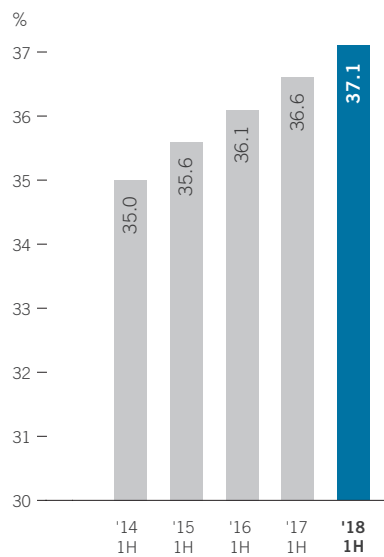
Revenue

US\$ **3,431** million
+19.1%



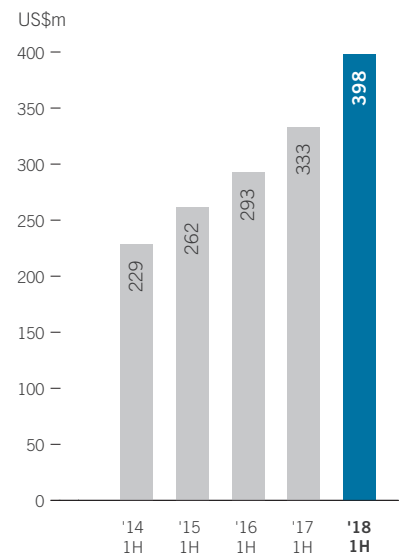
Gross Profit Margin

37.1 %
+50 bps



EBITDA

US\$ **398** million
+19.5%



Capex

US\$ **86** million
(2017 1H: US\$72 million)

R&D Spent

2.9 % of revenue
(2017 1H: 2.7% of revenue)

Effective Tax Rate

7.5 %
(2017 1H: 8.5%)

Cash and Cash Equivalents

US\$ **863** million
(2017 1H: US\$816 million)

Net Gearing

Improved to **1.8** %
(2017 1H: 8.8%)

Working Capital as a Percentage of Sales

17.0 %
(2017 1H: 19.1%)

Financial Review

Financial Results

Reported revenue for the period grew by 19.1% as compared to the same period last year, amounting to US\$3,431 million. Profit attributable to Owners of the Company amounted to US\$255 million as compared to US\$204 million reported last year, an increase of 24.6%. Basic earnings per share was at US13.89 cents (2017: US11.17 cents).

EBITDA amounted to US\$398 million, an increase of 19.5% as compared to the US\$333 million reported in the same period last year.

EBIT amounted to US\$281 million, an increase of 20.7% as compared to the US\$233 million reported in the same period last year.

Result Analysis

Gross Margin

Gross margin improved to 37.1% as compared to 36.6% 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.

Operating Expenses

Total operating expenses for the period amounted to US\$996 million as compared to US\$826 million reported for the same period last year, representing 29.0% of revenue (2017: 28.7%). During the period under review, R&D spent increased by 20 bps from 2.7% revenue to 2.9% to maintain the high velocity growth momentum. Excluding this increase, SG&A as a percentage to Sales was at 28.8%, comparable to that of last year.

Net interest expenses for the period amounted to US\$5 million as compared to US\$9 million reported for the same period last year, representing 0.2% of revenue (2017: 0.3%). The decrease in net interest expenses is the result of our efficient management of financial resources. Interest cover, expressed as a multiple of EBITDA to total interest was at 22.3 times (2017: 26.6 times).

Effective tax rate for the period was at 7.5% (2017: 8.5%). 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 US\$2.9 billion, an increase of 6.1% as compared to December 31, 2017. Book value per share was US\$1.59 as compared to US\$1.49 at December 31, 2017, an increase of 6.7%.

Financial Position

The Group continued to maintain a strong financial position. As at June 30, 2018, the Group's cash and cash equivalents amounted to US\$863 million (US\$864 million at December 31, 2017) after the payment of US\$93.8 million dividend during the period (US\$70.8 million in first half 2017), of which 45.6%, 30.1%, 12.6%, and 11.7% 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 1.8% as compared to 8.8% as at June 30, 2017. The gearing improvement is the result of very disciplined and focused management over working capital. The Group remains confident that gearing will further improve by end of the year.

Bank Borrowings

Long term borrowing accounted for 60.5% of total debts (66.5% at December 31, 2017).

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 11.5% of the total debt, the balance being floating rate debts.

Working Capital

Total inventory was at US\$1,578 million as compared to US\$1,415 million as at June 30, 2017. Days inventory maintained at 88 days. The Group will continue to focus on managing the inventory level and improve inventory turns.

Trade receivables turnover days were at 67 days as compared to 69 days as at June 30, 2017. Excluding the gross up of the receivables factored which is without recourse in nature, receivables turnover days was at 63 days as compared to 65 days as at June 30, 2017. The Group is comfortable with the quality of the receivables and will continue to exercise due care in managing credit exposure.

Trade payables days increased to 93 days as compared to 87 days as at June 30, 2017 but comparable to the 95 days full year 2017.

Working capital as a percentage of sales was at 17.0% as compared to 19.1% for the same period last year.

Capital Expenditures

Total capital expenditures for the period amounted to US\$86 million (2017: US\$72 million).

Capital Commitments and Contingent Liabilities

As at June 30, 2018, total capital commitments for the acquisition of property, plant and equipment contracted for but not provided amounted to US\$30 million (2017: US\$28 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 23,226 employees (21,857 employees as at June 30, 2017) in Hong Kong and overseas. Total staff cost for the period under review amounted to US\$514 million as compared to US\$465 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 HK38.00 cents (approximately US4.89 cents) (2017: HK27.75 cents (approximately US3.57 cents)) per share for the six-month period ended June 30, 2018. The interim dividend will be paid to shareholders listed on the register of members of the Company on September 7, 2018. It is expected that the interim dividend will be paid on or about September 21, 2018.

Closure of Register of Members

The register of members of the Company will be closed from September 6, 2018 to September 7, 2018, 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on September 5, 2018.