

## CHAIRMAN'S STATEMENT



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I am pleased to announce that in 2012 TTI delivered record sales, record profit and record cash flow. Our disciplined implementation of the TTI strategic plan is yielding outstanding results across all of our business units and geographic regions. I am particularly pleased with the sustained progress made in new product development and our excellent productivity gains, which are the catalysts for sales and profit growth. These results once again demonstrate the fundamental strengths of TTI's focus on our strategic drivers of Powerful Brands, Innovative Products, Operational Excellence and Exceptional People.

#### Record Performance

Group sales for the year ended December 31, 2012 rose by 5.1% over 2011 to USD3.9 billion as we delivered organic growth in all geographic regions. Gross profit margin improved for the fourth straight year to 33.5% from 32.6% last year on further productivity gains in our operations, the introduction of new

products, and strong growth in our industrial power tools business. 2012 earnings before interest and tax (EBIT) increased by 18.6% to USD260 million, with the margin improving by 80 basis points to 6.8%. Lowered interest expenses as a result of a reduction in debt helped profit attributable to shareholders of the Company rise by 32.2% to USD201 million, with earnings per share increasing by 20.6% over 2011 to US11.42 cents.

Sales of our largest business unit, Power Equipment, rose by 7.6% to USD2.9 billion, accounting for 74.4% of total sales, against 72.6% in 2011. Our own brand Floor Care and Appliance business improved, but our strategic exit of non-profitable OEM business resulted in a slight overall sales decline to USD1.0 billion. Sales in our core North America and Europe businesses increased, while our strategic geographic expansion achieved another year of solid growth with Rest-of-World (ROW) sales up by 8.7%. New products again accounted for about one third of our sales.

Higher revenues and operational efficiency drove positive free cash flow to a record USD275 million. Working capital as a percentage of sales improved from 18.9% in 2011 to 16.2% and gearing reduced to 25.8% at the end of 2012, from 59.3% at the end of 2011.

I am pleased to announce that the Board is recommending a final dividend of HK10.75 cents (approximately US1.38 cents) per share, an increase of 38.7%. Together with the interim dividend of HK6.75 cents (approximately US0.87 cents) per share, this will result in a full-year dividend of HK17.50 cents (approximately US2.25 cents) per share, against HK12.75 cents (approximately US1.64 cents) per share in 2011, an increase of 37.3%.

#### Innovative Products

In 2011 MILWAUKEE® rolled out its state-of-the-art REDLITHIUM™ platform, which transformed the cordless power tools industry. In 2012 we launched FUEL®, a combination of REDLITHIUM™, a revolutionary design of brushless motor and state-of-the-art on-board electronics. FUEL® takes the performance of lithium ion power tools to yet another level, with longer runtime, improved motor life and increased power. We are now rolling out a range of M12® FUEL® sub-compact cordless power tools that will set a new benchmark for professional and industrial end-users. Our MILWAUKEE® accessories and hand tool programs have been highly successful with a series of innovative high performance products targeting new categories that are demanded by professional and industrial users.

The RYOBI® outdoor business experienced exceptional growth with our broad line of innovative lithium ion powered outdoor products leading the way. Lithium ion powered outdoor products offer clear advantages to the end-user and we plan to invest further in this exciting space. RYOBI® ONE+ System® is a world leader in the consumer segment of cordless power tools, the fastest growing segment in the industry. We have built on our broad installed user base by continuing to roll out upgraded lithium ion batteries and innovative tools powered by the RYOBI® ONE+ System®. We are excited about our potential to further increase household penetration and provide more highly innovative products to our loyal end-users.

I am delighted with our progress on the revitalization of our global Floor Care business. We are in the process of rolling out a new generation of HOOVER®, VAX® and DIRT DEVIL® products that will drive market share gains while continuing to improve the profitability of the business. We are very encouraged with the support from our Floor Care retail partners worldwide and the positive response from end-users for our new products.

### Successful Productivity Efforts

The improvement in gross margin was driven in large part by our relentless focus on cost management, continued emphasis on value engineering and higher productivity throughout our operations, as we benefit increasingly from our global purchasing initiatives and the efficiencies of our Asia Industrial Park. Our success in these areas has been a major contributor to our gross margin improvement in 2012 and will continue to be in the years to come.

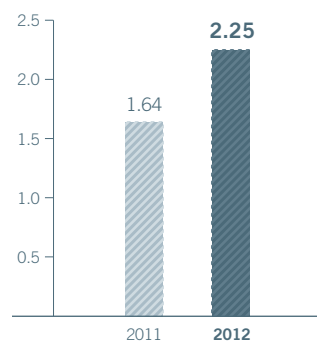
### Focused Geographic Expansion

We announced a strategic initiative to expand our businesses into under-represented geographic markets. We are pleased to report that the results have been encouraging and we have expanded and established our presence with talented leadership in high-potential markets around the world. Our teams in Canada, Western Europe, Central Europe, the Middle East, Latin America, Australia and Asia all made progress in 2012. These markets are benefiting from our focused marketing strategies and global new product development process.

### DIVIDEND PER SHARE

US cents

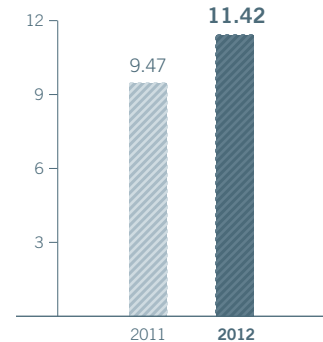
**+37.3%**



### BASIC EARNINGS PER SHARE

US cents

**+20.6%**



### Outstanding Prospects

I believe that TTI, with its powerful brand portfolio, continues to have outstanding prospects for 2013 and beyond.

Our new product programs, productivity improvement initiatives and cash management efforts all have solid momentum, supported by disciplined processes and rigorous management.

I would like to thank our customers, shareholders, passionate employees, supply chain partners and our fellow directors for their dedication and continued support.

**Horst Julius Pudwill**

Chairman

March 21, 2013