

Chief Executive Officer's Strategic Review



STRATEGIC DRIVERS

- Powerful Brands
- Innovative Products
- Exceptional People
- Operational Excellence

STRATEGIC ROADMAP

- Drive Sales Growth
- Gross Margin Enhancement
- Organizational Development
- Operating Cycle Development
- Generate Free Cash Flow

At TTI we are highly focused on our strategic drivers: powerful brands, innovative products, exceptional people, and operational excellence. These are the keys to our continued growth and success. This strategic foundation is driving our business to record levels by empowering our people to create cutting edge products. It is our innovative technology in breakthrough new products like the MILWAUKEE® FUEL® line that are transforming the power tool industry. Our relentless focus on applying Lithium cordless technology to new categories in power tools, outdoor products, and floor care are revolutionizing these businesses. Our management team is committed to continue to tap the full potential of our business. We refuse to settle for anything less than being the best.

New Product Machine

Our new product development system is a rigorous process that ensures high quality, game changing, and innovative products. We are producing a continuous stream of new products that excite end-users, overwhelm the competition, and change the respective industries. TTI invests heavily in product development and 2013 was no exception with research and development (R&D) spending up 34.7% to 2.5% of sales, a very sustainable level for us.

Our new product development system is central to our growth:

Commitment to the end-user: We work closely with our end-users to understand their needs, lifestyles, habits, and frustrations in search of product solutions. We intensely study our users, our industries, and our competitors in search of opportunities to deliver better products.

Innovation: We convert end-user frustrations and problems into demonstrative solutions with our innovative, high performance products. We often make bold decisions to re-invent our products to deliver better solutions to our users. We are pioneering new technology applications through our R&D efforts across our product categories and continuing to innovate across all categories. We are investing strategically in our engineering capabilities to integrate our advanced technologies into our products.

Speed-to-market: We have created a powerful, streamlined, fast paced, and comprehensive product development process. TTI has a number of brand focused innovation centers in key markets dedicated to research, design, engineering technologies, and developing new products. Across our brands and innovation centers we drive product development through our high speed process to bring a broad range of breakthrough, value added, margin enhancing products to market.

We are striving to change our industries through innovation and are delivering on that.

Developing Great People

TTI has assembled an outstanding team of people. Our business unit leaders are industry veterans with exceptional track records and a passion for serving our customers. Across the organization we have the best people in our industries, with a good blend of company veterans and emerging young talent with fresh ideas. We will continue to develop our employees worldwide to support our growth goals.

A BOLD VISION OF GROWTH

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

Our Leadership Development Program (LDP) is thriving. For this program we recruit high-potential graduates from top universities and focus on training, mentoring, and promoting them. We have hired more than 1,000 LDPs with many becoming leaders within the organization and a number serving in international positions. We are committed to hiring the best and promoting them from within. The program is highly successful and has been expanded from North America into Europe, Asia, Latin America, and Australia. This international group of future TTI leaders is flourishing in sales, marketing, product management, supply chain management, engineering, and other important positions. Our commitment to the LDP enables TTI to develop exceptional leaders to support our business goals.

TTI strives to have a universal culture of empowerment and creativity that motivates people to achieve their goals and reach their potential quickly. We provide a focused, strategic road map, strong financial backing, clear leadership direction, and a high energy environment that allows our employees to learn, contribute, and grow. We place people in positions that expand their scope of responsibility, positioning them to succeed and deliver results. TTI's employees are driven and are rewarded with an exciting career if they are passionate about achieving results and being part of a successful team.

With such an array of focused, motivated, and outstanding people, TTI will continue to outperform the competition and change our industries.

- 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

Success and leadership are driven by great products and great people. We prove that every day at TTI. They are truly a powerful combination.

In closing, I would like to thank our visionary Chairman, Horst Pudwill, for his tremendous mentorship, support, and guidance throughout our record breaking 2013 year. Horst's powerful presence is extremely motivating to me and is critical to our company's success.



Joseph Galli Jr
Chief Executive Officer
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