

The Hilti logo is positioned in the top right corner of the page. It consists of the word "HILTI" in a bold, white, sans-serif font, set against a solid red rectangular background. The rest of the page features a dark gray background with a repeating pattern of embossed, diamond-shaped shapes, creating a textured, metallic appearance.

**HILTI**

**2014 COMPANY REPORT**

**A fastening element from our X-BT system comprising high-grade and corrosion-resistant stainless steel quite literally forms the centerpiece of this year's Company Report. Since its launch in 2003, the X-BT system has proved its worth in a variety of projects on every continent, with a total of over 30 million fastening elements installed to date. The system enabled Hilti to lay the foundation stone for the most recent unit in the Energy and Industry division.**



There is a video showing just how the X-BT threaded stud was integrated into our 2014 Company Report. To view the video, simply scan this QR code.

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## Dear readers



2014 was a very good year for Hilti. We have achieved the best financial result in the history of our company. In addition to that, our periodic client and employee satisfaction surveys have produced the best ratings ever. And we have created the necessary conditions for the global implementation of our revised Champion 2020 corporate strategy.

At the end of 2013 we decided to go back to investing significantly more, to accelerate growth, to gain market shares and to further increase our profit and return on capital employed. All these targets have been achieved!

We are pleased to report a sales growth of 7.5 percent in local currencies and of 3.6 percent in Swiss francs, thus outperforming the global construction market and gaining new market shares. Almost all regions have contributed to this growth, with Emerging Markets and Northern Europe even posting double-digit growth rates in local currencies. Return on sales grew from 9.7 to 11.9 percent and RoCE improved from 12.8 percent last year to 16.8 percent in 2014. Thus, both RoS and RoCE figures lie within the target range defined in our Champion 2020 strategy. Furthermore, we succeeded in generating a free cash flow of more than 350 million Swiss francs for the third consecutive time.

Apart from these positive business results, 2014 was mainly marked by the hard work of detailing Champion 2020 at market and division level as well as its execution at large. All 22,000 employees have undergone standardized training as to the content of the strategy while all markets, business units and departments have defined and coordinated their contributions and priorities for Champion 2020 and have launched the necessary investments. These highly comprehensive and complex efforts will have the positive effect of creating a commonly agreed and well-focused alignment of all corporate divisions over the next few years.

However, the successes of 2014 are no reason to rest on our laurels. In Champion 2020, we have set ourselves ambitious goals for global market share gains. If we want to meet these goals, our investments will have to bear fruit in the next few years, which calls for a lot of hard but also highly motivating work.

Our market environment and the global currency landscape will continue to be volatile and there is no reason to expect strong market growth in the foreseeable future. Nevertheless, we are looking ahead with great confidence because of our highly targeted focus, the drive generated by Champion 2020, the wide acceptance of our priorities throughout the organization and our sound financial and structural basis.



With this positive outlook in mind, we wish to thank all our clients and partners for the trust they have placed in us and the excellent cooperation in the past year. We are equally grateful to our 22,000 employees around the world. It is thanks to their exemplary commitment and dedication that 2014 was such a successful year for Hilti.

Handwritten signature of Pius Baschera in black ink.

**Pius Baschera**  
Chairman of the Board of Directors

Handwritten signature of Christoph Loos in black ink.

**Christoph Loos**  
Chief Executive Officer

# THE COMPANY.

Hilti offers products, systems and services that have leading-edge technology and provide professional customers in the construction and energy sectors with innovative solutions that feature outstanding added value. Active in more than 120 countries, Hilti not only operates production facilities and R&D centers, but is also involved in various international technology partnerships.

Hilti stands for exceptional innovations, the highest quality and direct customer relationships. Some two-thirds of Hilti's 22,000 worldwide employees work directly on behalf of customers in Hilti sales organizations and technical service units. They generate more than 200,000 daily interactions with customers, creating the basis for the ongoing development of new products and services.

The Group's strategy is aimed at sustainable value creation through market leadership and differentiation. The overarching goal is to create enthusiastic customers on a daily basis and to build a better long-term future.



As a result Hilti connects its financial success with a comprehensive responsibility towards society and the environment. A mutual sense of openness, honesty and tolerance applies to team members, partners and suppliers alike.

Guided by the conviction that entrepreneurial growth also generates personal growth, Hilti pursues an employee- and performance-oriented corporate culture. The values of integrity, courage, teamwork and commitment form a solid foundation and are equally supported by all worldwide employees.

Hilti Group headquarters are located in Schaan, Principality of Liechtenstein, where the company was founded in 1941 by brothers Eugen and Martin Hilti.

All company shares are held by the Martin Hilti Family Trust, a fact that ensures long-term continuity and the ongoing development of the company.

# THE YEAR IN FIGURES.

## Key figures

### Net sales in CHF million



### Operating result in CHF million



### Free cash flow in CHF million



### Net income in CHF million



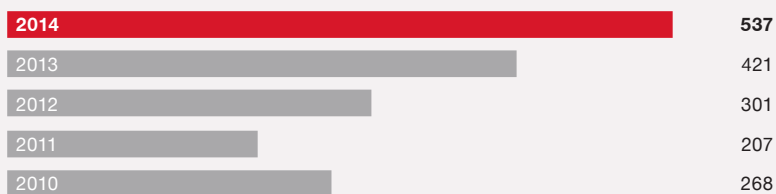
### Employees as at December 31



### Net sales in CHF million



### Operating result in CHF million



# SYSTEM SOLUTIONS FOR THE PROFESSIONAL CONSTRUCTION INDUSTRY.

Hilti provides the worldwide construction industry with technologically leading products and systems, innovative software and comprehensive services. As a company integrated along the entire value-added chain, Hilti possesses, in addition to its business units, its own network of centers for research and development, production, logistic and employs a direct sales model complete with consulting and sales units.



## Anchor systems

Hilti sets new standards in fastening technology with innovative and comprehensive solutions. The product portfolio covers the entire range of applications, such as chemical anchors for heavy loads or mechanical anchors suitable for use in seismically active areas. In addition to software products, such as the PROFIS Anchor design software, technical documentation, approvals and assembly information is available to architects and planners.

## Firestop systems

Hilti provides sustainable firestop systems to effectively prevent the spread of fire, smoke and toxic fumes and also offers technical firestop application consulting to architects, planners and contractors. All of Hilti's firestop solutions undergo rigorous testing to specific international standards and correspond to current standards for environmentally compatible construction and energy efficiency. A new software solution helps to efficiently manage firestop documentation both during construction and during a building's lifetime.



## Diamond coring and sawing

Diamond systems allow precise drilling, cutting and grinding of concrete and other mineral building materials with virtually no dust or vibration. Machines perfectly tailored to the application, with accessories and high-tech cutting tools featuring evenly-spaced diamonds, ensure the best performance and simple, safe operation while keeping tool wear low.



### Direct fastening and screw fastening

Gas-actuated and environmentally friendly powder-actuated systems make simple, fast and efficient work of direct fastening on steel, concrete, sand-lime brick or masonry surfaces. Significantly reduced vibration and lower exposure to dust and noise, compared to normal fastening methods, also provide added safety. Coordinated tools and accessories, and the corresponding fasteners, ensure innovative screw fastening solutions for interior finishing and steel construction applications.



### Electric tools and accessories

Hilti's corded and cordless electric tools are renowned for optimal performance and user comfort. Robust and long lasting, these tools are equipped with special safety functions, such as Active Torque Control (ATC), a safety cutout feature, which greatly reduces the risk of injury in the event of a drill bit sticking, or Active Vibration Reduction (AVR). This makes construction site work involving demolition, chiseling, grinding and drilling not only safer, but also more reliable and more productive.

### Measuring systems

Hilti's range of laser, radar and optical tools for measuring, leveling, aligning and detecting provide support for construction professionals during all phases of their work. Starting with staking out positions for excavation and measuring and laying out foundations, through to exterior finishing work, detecting concealed objects, leveling and aligning in interior finishing, on to renovation and maintenance work. Firmly established in the so-called building information modeling process, Hilti brings digital planning directly to the construction site.



### Installation systems

Hilti has the suitable solution for suspended pipes or utility installations. The customer has a choice of innovative products, services and special software programs designed for installation and industrial operations. Hilti's channel systems and pipe rings, for example, provide simple and efficient solutions for supply line installations in both private and commercial buildings.

# KEEPING UP THE HIGH MOMENTUM.

**CEO Christoph Loos talks about the 2014 business year, the implementation of Hilti's corporate strategy and the months ahead.**

**Mr. Loos, what would you consider the highlights of the 2014 business year?**

All in all, 2014 was a very successful year for us, marked by a large number of gratifying events. I would like to mention three highlights in particular: Firstly, we have achieved the best financial result in our company's history and in doing so have outperformed our targets. Secondly, we have managed to anchor our revised Champion 2020 corporate strategy throughout our global workforce of 22,000 employees. And thirdly, we have generated the best scores ever in our global client and employee satisfaction surveys. All this goes to show that we are on the right track – and it also fills us with a certain amount of pride.

**How did the economic context and the global construction industry fare in 2014?**

Pretty much in line with our expectations, actually. The construction industry did quite well in some regions, in particular in North America,

Northern Europe and the Middle East. On the other hand, regions such as Eastern and Southern Europe, Japan and parts of Latin America were facing difficulties. Apart from the economic context, we were once again confronted with significant exchange rate volatility in some markets. In particular the Russian ruble, the yen and almost all Latin American currencies have negatively impacted our results in 2014.

**What does this development entail for Hilti?**

We have to get used to the fact that exchange rate volatilities and different regional growth rates will be the norm in the foreseeable future. As a result, we will not see any boom years ahead for the global economy at large and the construction industry in



particular. In other words, we will have to do two things at the same time: On the one hand, we have to invest, be confident and even bold when it comes to execute our strategy. On the other hand, we must remain vigilant and agile in order to respond promptly to changes. Striking the proper balance between the two will be our most formidable challenge, as far as I am concerned.

**And what about exchange rate volatility?**

Well, I don't expect any major changes in this respect as the Swiss franc will continue to be strong. Therefore, we have to pursue our intensified natural hedging policy, i.e. transferring costs to those countries where we generate sales, which will result in

“We have to be confident and bold, but must also remain vigilant and agile.”



Christoph Loos, CEO

more decentralization. As we won't be able to strike a perfect balance in this respect, we expect to be faced with negative currency trends over the next few years.

**What has impressed you most in your first year as CEO?**

I am very pleased with the harmonious and quiet way in which we have carried out the changes in our Executive Board, including the appointment of a new CEO. I sense a very positive atmosphere in our company, which enables us to fully devote ourselves to our tasks. This cannot be taken for granted in the aftermath of a CEO succession, which can pose difficulties at times.



**The revised corporate strategy is a further development of the former one. What is new about Champion 2020?**

We have clarified a large number of open strategic issues, for example concerning the width of our product portfolio, our priorities in R&D, the way forward in direct sales or the achievement of above-average growth in the US and the emerging markets. The objective of our corporate strategy is sustainable value generation by market leadership and differentiation. Since we are going to sharpen our focus on enhanced

capital efficiency, we have introduced RoCE as a key financial ratio next to RoS.

**What were the main milestones in the implementation of the strategy?**

We have focused on three areas. Firstly, intensive communication throughout the organization. To date, all of our 22,000 members of staff have been through a half-day training module in order to become familiar with, but most of all to understand our strategy. Secondly, every market organization, every business unit and every department has defined its contribution to the corporate strategy along with its priorities and has aligned them with its matrix partners in the organization. This has resulted in a highly

effective overall set of matching targets and actions. Thirdly, we have embarked on a number of follow-up projects, for example to enhance our differentiation through software and services.

**How did the implementation get underway and what about the response?**

Our employees have shown a very high degree of identification with Champion 2020 and there was a noticeable boost of energy going through the organization. Now, everyone sees the road ahead for the next few years, everyone is pleased to have motivating goals and confident that the company is stepping up its investments significantly. Last year alone, we have invested 30 million Swiss francs more in R&D

and hired 800 additional employees. We are posting above-average growth in Emerging Markets and have accelerated growth across the board. Thanks to our strong local presence we can enhance our client offering further, which results in higher satisfaction ratings.

**So what's in store for the next few months?**

As pointed out before, the market environment will continue to be uncertain. If things go well, we expect this year to be similar to 2014 in terms of growth in local currencies. Russia, France and Japan will pose challenges. The Swiss National Bank's abandonment of the Swiss franc's minimum exchange rate versus the euro, and the subsequent strong surge of the Swiss franc that has taken place since mid-January, make it a challenge for us to repeat our good results. In terms of Swiss franc we expect a single-digit decline in sales growth and a profit level which, at best, will mirror that of the previous year. It is crucial, therefore, that we keep up our positive energy and be highly motivated. When faced with challenges, we must not be discouraged, but instead fully concentrate on our work for the benefit of our customers.



“All of our 22,000 staff members have been through a half-day training module on the contents of Champion 2020.”

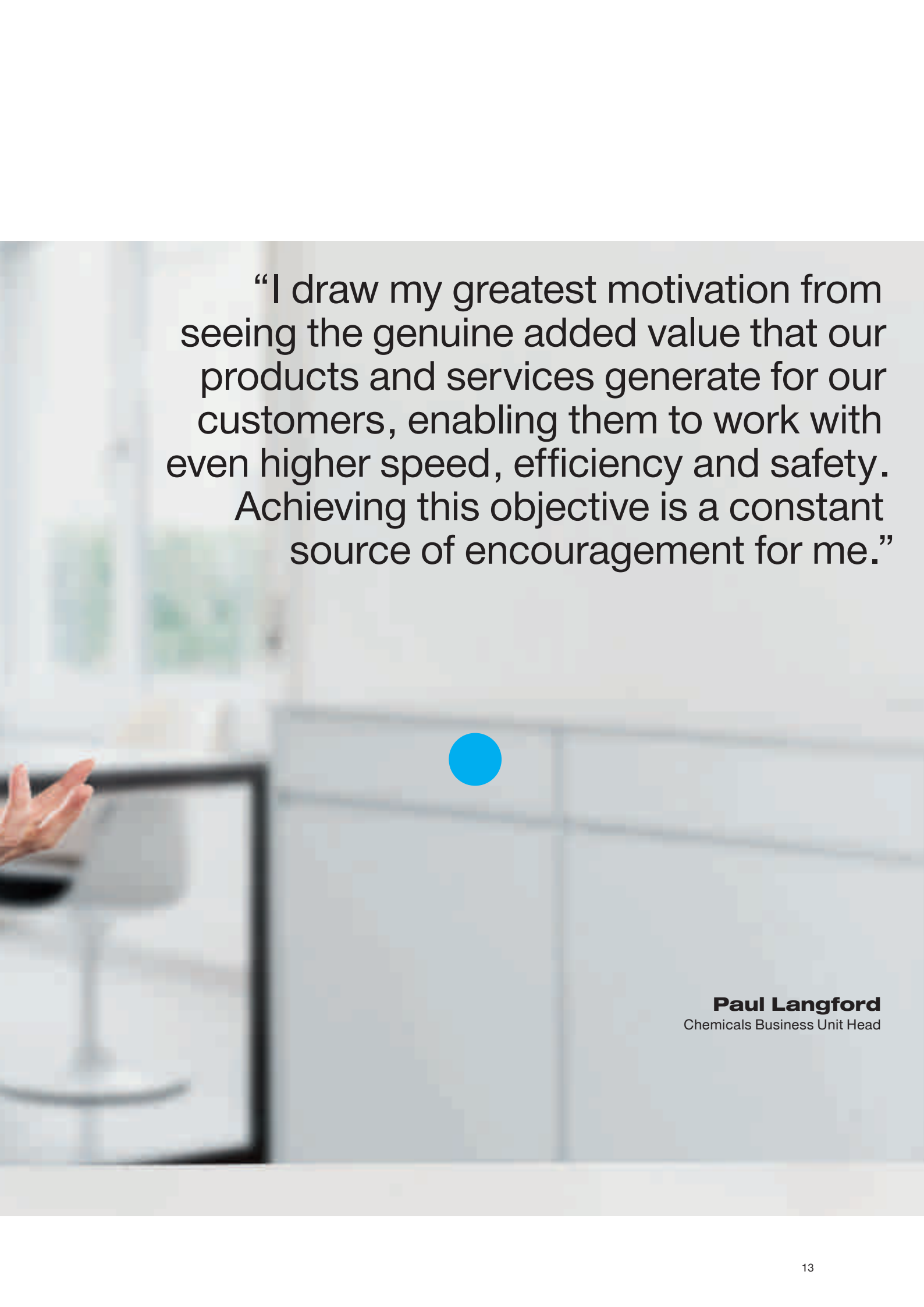
# THE CHAMPION 2020 CORPORATE STRATEGY.

Against the backdrop of a changed market environment and with a view to sharpening its focus on the challenges lying ahead, Hilti has revised its corporate strategy: **Champion 2020 is a logical step forward, taking the former successful Champion 3C Strategy to the next level.**

In the process, essential elements of the former strategy have been confirmed, in particular the company's clear orientation on differentiation and direct customer contact. Other aspects that were left unchanged are the strategy's foundation with its strong caring and performance-oriented corporate culture as well as the company's core purpose: "We passionately create enthusiastic customers and build a better future." With this, the company is making a strong commitment for a stakeholder value approach and value-based corporate management rather than focusing merely on shareholder value-driven profit maximization. The new strategic objective is "sustainable value creation through market leadership and differentiation," with market leadership referring to the company's relative market share and differentiation being achieved by outstanding products, services and software. Going forward, the company will use capital efficiency, profitability and cash flow conversion as key performance indicators to measure sustainable value creation. With a view to achieving its ambitious corporate objectives, Hilti has defined four fields of action consisting of a clear differentiation of products and services versus its competitors, direct and trust-based customer relationships, operational excellence and a high-performing global Hilti team.







“I draw my greatest motivation from seeing the genuine added value that our products and services generate for our customers, enabling them to work with even higher speed, efficiency and safety. Achieving this objective is a constant source of encouragement for me.”



**Paul Langford**  
Chemicals Business Unit Head

# TECHNOLOGY THAT INSPIRES ENTHUSIASM.

**Getting customers enthusiastic means offering first-class products and services each and every time. The TE 1000-AVR breaker launched in a completely revamped version in 2014 underscores Hilti's credo in this respect.**

Outperform. Outlast: The TE 1000-AVR is a product that embodies Hilti's claim in a way that is almost unmatched. It not only provides maximum breaking performance and impressive vibration values, it is also extremely reliable and long-lasting. Originally launched with success in 2008, 2014 brought the launch of the second generation of this product on to the market.

Can the best be made even better? Yes – as the new TE 1000-AVR demonstrates in an impressive way. In an intensive research and development period of around two years, Hilti completely revamped its 12 kg breaker. The end result was a breaker that, thanks to its special HiDrive technology, provides almost 50 percent more

breaking power and offers the lowest vibration value on the market at 5 m/s<sup>2</sup>. That makes it the only tool in its class to satisfy the stringent requirements of the European Power Tool Association (EPTA) and that can be used continuously throughout an entire working day of over eight hours without any problem. EPTA's health and safety guidelines stipulate maximum operation times for operators per day based on vibration data.

The new HiDrive technology is a special Hilti technology for power tools that combines state-of-the-art motors with the latest in transmission and electronic power management. HiDrive motors are light and compact, yet powerful enough to perform the most demanding applications.



## CHAMPION 2020

**We stand out thanks to the high quality of our products and services.**







Thanks to over 45 years' experience in the development of electro-pneumatic impact tools, with the TE 1000-AVR Hilti has produced a breaker that is extremely robust and guarantees consistent power from the motor to the chuck.

Three discrete lubrication chambers keep dust out of sensitive parts, so the breaker is sure to have a longer lifetime. Hilti's electronic power management is unique, as the separate integrated micro processor controls power and adjusts as necessary, providing equal protection for both tool and operator. All these factors come together to ensure an optimal interplay of all components in order to achieve best performance and continue creating enthusiastic customers.

# SERVICE THAT LETS YOU SLEEP EASY AT NIGHT.

**Who doesn't want to get through work processes faster and more efficiently and, at the same time, ensure that everything has been created and documented correctly? When it comes to fire protection for buildings, in particular, such considerations are crucial.**

Every building is planned and constructed in line with firestop measures that are laid down by law. Such measures are designed to prevent fire and smoke from spreading through buildings and, ultimately, to save lives and protect assets. To this end, there are a number of authorized firestop systems certified on the basis of international test standards.



As a global market leader, Hilti has been offering innovative systems in this area for over two years. These systems stand out thanks to their straightforward installation and comprehensive coverage of permits and accreditations. For those involved in construction, it is often difficult to ensure seamless documentation of fire protection measures, and a great deal of administrative time and effort is involved. In addition, there is often some doubt as to whether firestop elements are installed in line with requirements. Is everything installed correctly? How exactly do I have to document everything and how do I do it? It goes without saying that data has to be as up to date as possible. On top of this, an ever increasing level of precision is being required in the firestop documentation that has to be





Hilti's software solution allows all firestop and fire protection installations to be documented reliably, efficiently and in compliance with requirements.



submitted to insurance companies, building authorities and inspectors. Hilti has addressed this gap with its development of the CFS-DM Firestop Documentation Manager. All firestop installations can be planned and created using this seamless software solution, an easy-to-use web application that is accessible using all standard browsers and available for all standard operating systems. All data are securely stored thanks to state-of-the-art cloud computing. No expensive investments in computers or storage media are required.

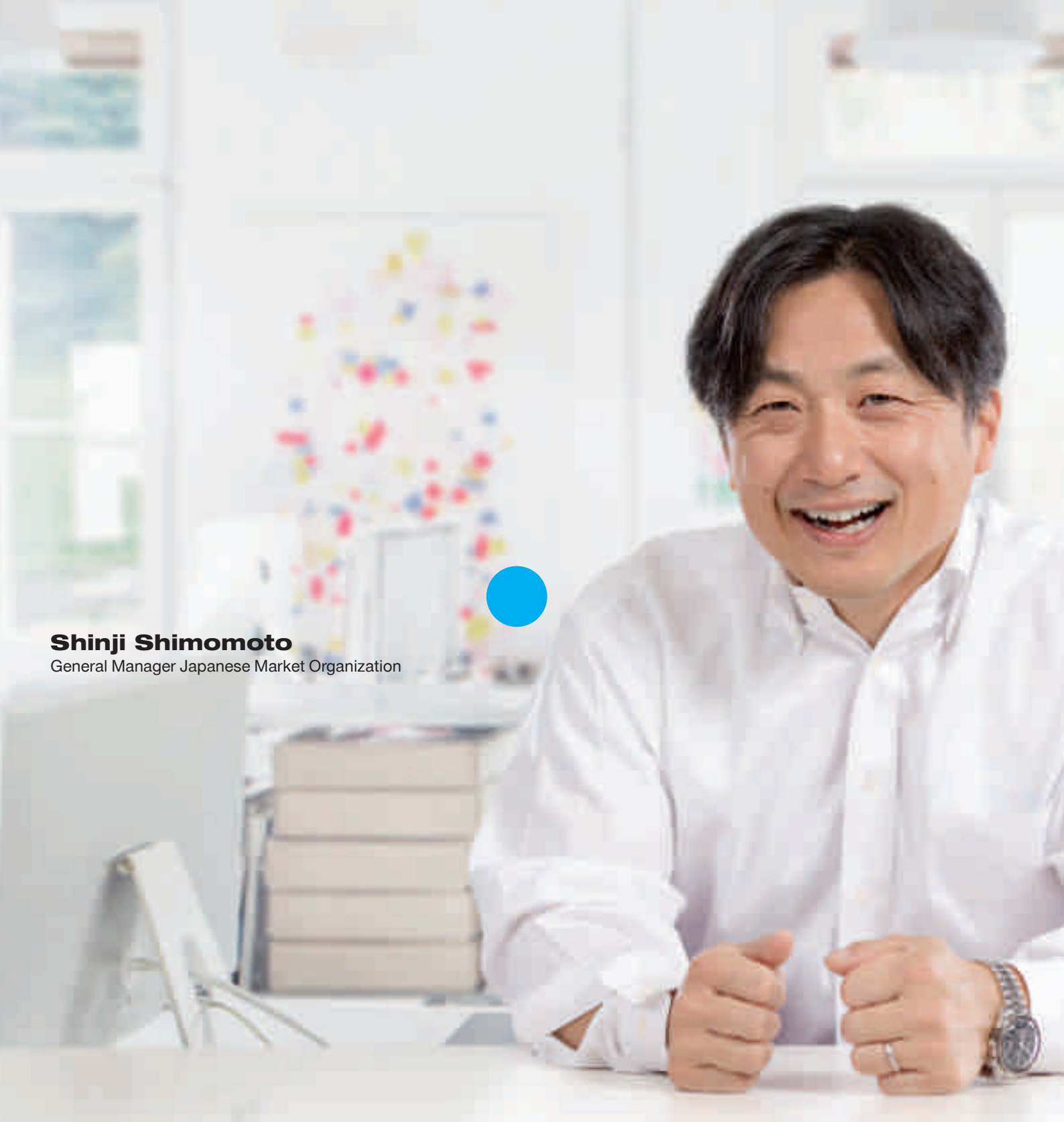
**All data are up to date at all times**

The application is geared to planners, specifiers, installers, officials and building owners. In short: all those involved in fire protection in buildings. Creat-

ing documents and reports is easy. The firestop projects being planned are created on the PC using a straightforward interface. Images of all the relevant installations can then


be captured via smartphone or tablet and transmitted to the database. Since desktop programs and smartphone apps access the same Hilti database, all data are up to date at all times. Labels equipped with QR codes can be printed out for maintenance work. During the next maintenance run, the codes are simply scanned with a smartphone – and all the data are available on the screen.

Professional and compliant reports on all firestop installations can be printed out at any time, together with additional documentation if necessary, since all the data required is comprehensively stored in one system. This software thus facilitates coordination and control for building owners and facility managers over a building's entire life cycle.



**Shinji Shimomoto**  
General Manager Japanese Market Organization





“By working in close partnership with our customers, we are able to develop our products and services in line with their individual requirements. I am impressed how this enables us to come up with ever better solutions.”



# TOTAL RELIABILITY GENERATES TRUST.



Marc Duval, Group Senior Vice President at Technip

**French company Technip and Hilti have been working together closely for years. They recently concluded a framework agreement with worldwide validity for corrosion-resistant grating fasteners from the Hilti X-BT system. We talked to Marc Duval, Group Senior Vice President, Business Services, at Technip, about the expectations with regard to this partnership.**

**Mr. Duval, why are quality and reliability so vital in your partnership with Hilti?**

We work in a highly complex sector, often in locations that are inaccessible or remote. In subsea operations in particular, as part of the exploration and development of subsea oil and gas fields, we need to be sure that everything will operate



perfectly. On the vessels, operations run 24/7 in a very confined space. That means that waiting for material, for example, is out of the question. Every single interruption is critical and expensive.

**Why more critical than with other construction projects?**

Usually, if a washer is missing, it's annoying, but not tragic. You can simply go to the store and buy one, but that's not an option when you're

offshore. Getting a washer to a vessel takes two days and is very expensive, so it is better if nothing is missing and everything is working just fine.

**What do such extreme challenges mean for your partners?**

We can work only with quality suppliers. They have to be reliable, able to react swiftly, visible and proactive. What we want from our partners is not just to carry out individual transactions with them: we are looking for a long-term relationship based on trust. Ultimately, we're talking about hundreds of thousands of different parts, all of which have to be available and functioning in perfect working order. Having a partner we can rely on is absolutely vital for us.



In the complex offshore business Hilti's partners depend on smooth and professional service.

## **CHAMPION 2020**

**We cultivate a deep and direct relationship with our customers.**

### **Why Hilti?**

Hilti stands for quality, reliability, and security worldwide. A company you know will give you first-class support. On top of this, Technip and Hilti have the same focus: both concentrate on the high-end segment.

### **How would you personally describe your collaboration with Hilti?**

We meet several times a year. Our collaboration goes beyond a basic supplier/customer-type relationship: we have a partnership between specialists, and that's precisely what we are interested in.

We can talk frankly with one another, also about issues that occur from time to time. And we solve them together.

### **Technip**

Technip is a world leader in project management, engineering and construction for the energy industry. From the deepest subsea oil and gas developments to the largest and most complex offshore and onshore infrastructures, our people are constantly offering the best solutions and most innovative technologies to meet the world's energy challenges. Technip has state-of-the-art industrial assets on all continents and operates a fleet of specialized vessels for pipeline installation and subsea construction.

# EFFICIENT SOLUTIONS FOR THE WORLD EXHIBITION.

**The Italian timber construction company, Stratex, has been contracted to build all the service structures for the 2015 Milan Expo, including all the commercial buildings, cafes, offices and visitor information stands. Stratex was also asked to build the entire Chinese pavilion. This is a significant challenge for the traditional family-run company. They have been working closely together with Hilti since the project began.**

As one of the main players in the world of high-profile roofing works for civil and industrial buildings and sustainable construction, the Italian-based Stratex perfectly fit with the 2015 Expo theme:

Feeding the Planet, Energy for Life. With this theme the world exhibition offers answers to the major future challenges of human nutrition.

The Chinese pavilion will be the second largest one at the Expo, after Germany, which aims to showcase harmony between modernity and nature by using cutting edge innovation that utilizes natural sunlight. Stratex started the partnership with Hilti early in the development stages of the Expo project, with first meetings right on the job site. Since then, Hilti has been close to Stratex and other clients at the Expo in order to satisfy demands in a dynamic context. Hilti offered a series of dedicated services, including





the delivery and repair of tools on the same day and the opening of a large container dedicated solely to Hilti tools and services right in front of the construction site of Expo 2015. A large majority of Stratex's purchases are conveniently done right on-site. Managers for Stratex credit Hilti's added value not only to the products, but also to being close and responsive. Services like Fleet Management allow the company to accurately budget for tools as well as respond to short-term peak tool usage. When faced a challenge with a particular application on wood, Hilti provided a prototype of a new screw fastening solution which proved to be a great help.

The professionals at Stratex relied on a wide range of Hilti solutions to help manage exacting construction demands across about 80% of their application range, including wood, insulation and metal fixing, such as stairways. Hilti products improved performance in optical and distance measuring, drilling, diamond coring, cutting, and fastening with chemical and mechanical anchor products.

There are numerous similarities between Stratex and Hilti: Both have roots in the mid-20th century, and both expanded from a local presence to global significance. Innovation, state-of-the-art research and development, safety and reliability, plus a commitment to sustainability are evident in both companies' product offerings, services and actions.

When the global visitors arrive in central Milan for the six-month event Expo, all strategically important elements, such as commercial areas, restaurants, cafes, offices and visitor information point, as well as an overall design theme which promises visitors a captivating experience – and a unique Chinese pavilion – will be ready for the world.



Stratex solves complex and demanding construction tasks related to the Expo 2015 in Milan. As their partner, Hilti provides comprehensive on-site solutions and services.

“Lean Management is the key to efficient customer- and quality-centered operations. It’s great to see that more and more team members are making use of this approach in their daily work.”

**Nicolas Roland**

Global Head of Transport and Warehousing



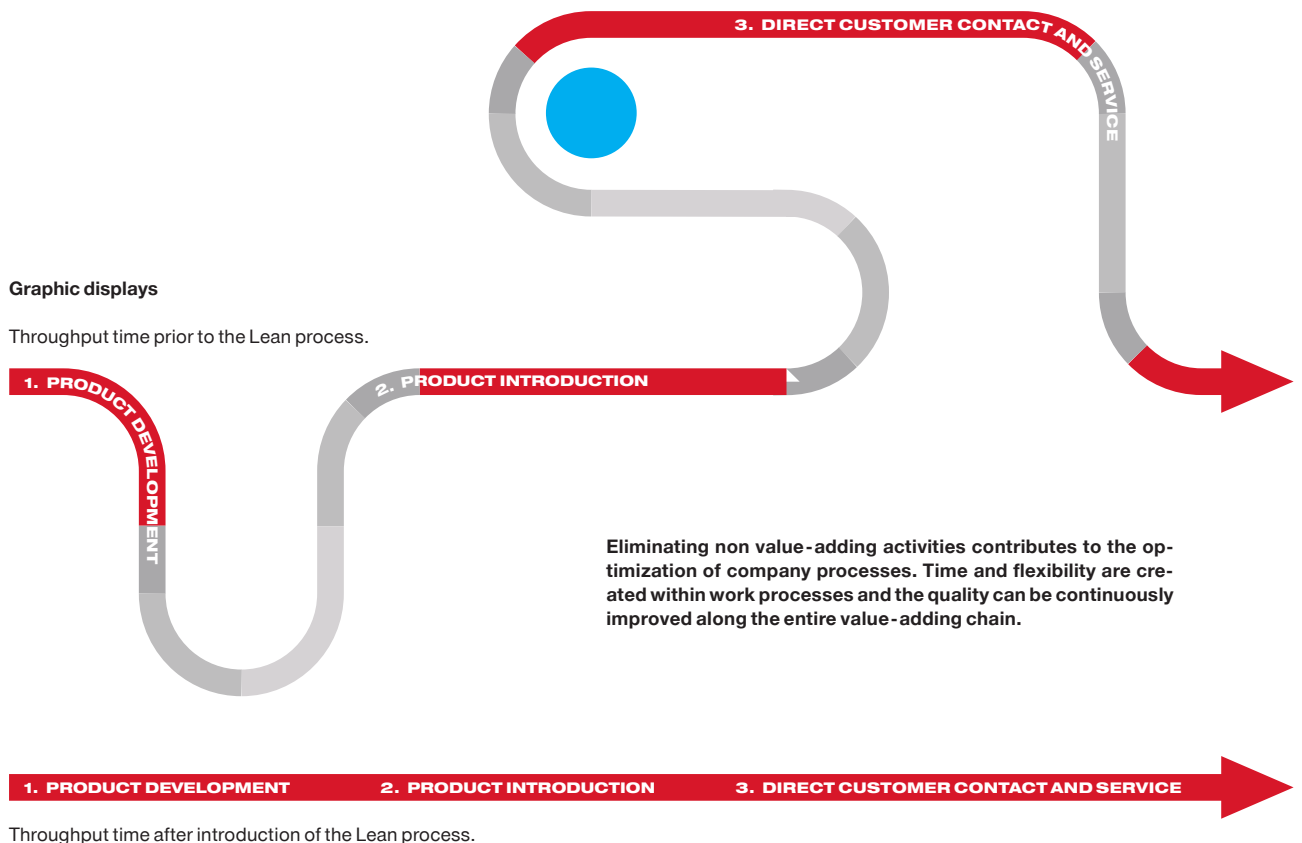


# EFFICIENCY RIGHT ALONG THE VALUE CHAIN.

**One of the strategic pillars of Hilti’s revised corporate strategy is “Operational Excellence”. An efficient management of the entire value chain and a culture of continuous improvement are therefore main focus areas. Essentially this means to firmly embed Lean@Hilti as a lived philosophy in every organizational area of the company.**

At Hilti, Lean is nothing new. With the implementation of the Champion 2020 corporate strategy, it has again become more important. More than ever, the focus is on improving quality, flexibility and operational excellence towards the customer while at the same time avoiding waste, errors and unnecessary costs.

The Hilti business model is the foundation for the Lean concept, extending from product development to product introduction through to direct customer contact and its respective services. Lean@Hilti started in manufacturing, which is seen in the example from the Hilti plant in Zhanjiang (southern China). Here, amongst other products anchor rods are produced and shipped to customers in the construction industry worldwide. A broad-based Lean program made it possible for the entire manufacturing value chain to be optimized and production lead-time, from start to end, to be improved by up to 60 percent. This resulted in a vast improvement in quality and



reduced overall costs at the same time – an outcome in which the cross-functional team of eight members, comprising the supply chain manager, the mechanical engineer, the sourcing manager, production staff, the quality manager and a logistics specialist and controller, take particular pride, as does the supplier.

Another example is the way Lean principles were applied to the establishment of a repair center in California. Keeping distances in the working environment as short as possible and maximizing the efficiency of procedures and keeping processes as lean as feasible, enabled all repairs to be done in half the time. In addition, employees were given the best possible working conditions by improvements to their working environment, which featured the most modern infrastructure and was designed with a consistent focus on practicality, with a software solution for tracking orders and showing repair times. At the same time ergonomic considerations and the health of workers have also been taken into account. Improvements to the workplace included flexible working heights

and the use of special fixtures to reduce the weight of carried tools over a working day by more than 80 percent.

An example of how the Lean idea is making headway in other parts of the company is the rollout of the DX2 direct fastening device. The application of selected Lean development methods such as Obeya and Shopfloor Management helped to further optimize the product development procedures and processes. The impressive result was ultimately to get the product to the market seven months earlier than originally planned with the outstanding quality Hilti is known for.



Lean is also making its influence felt more and more in the company's sales units, resulting in excellent customer service with efficient handling and improved quality and flexibility: for example, sales procedures and processes in the market organization of Turkey have been analyzed to have all details of customer enquiries available at an early stage, avoiding the need for repeated clarifications and cutting customer waiting times to the minimum.

## **CHAMPION 2020**

**We stand for excellent operational service.**



“At Hilti we also understand that every person is different. I find it truly fascinating that individuals from the most different walks of life are coming together to form a strong and inspired team.”

**Josep Martinez Pareijo**  
Head of Marketing Anchors Business Unit



# IT'S THE TEAM THAT MAKES THE DIFFERENCE.

**Since Hilti's foundation in 1941, innovation has been a mainstay of the company's success. A vital factor in this is achieving the very best through teamwork. This element, which has remained unchanged over time, is reflected in the recently completed Innovation Center at corporate headquarters in Schaan.**

Being the most important drivers of progress, innovations ensure successful business performance over the long term. As part of its revised Champion 2020 strategy, Hilti intends to reinforce its already high level of innovative power and strengthen its position as one of the leader partners for the construction industry. Accordingly, the company's investments focus not only on technologies, but also on people and the way they work together, their diversity, and their abilities.

Successful innovations do not materialize overnight and certainly not spontaneously. Alongside a clear strategy, efficient processes, and in-depth expertise, what is needed is primarily a culture that fosters a spirit of inquisitiveness and inventiveness as well as a desire and the courage to step beyond the confines of conventional boundaries. What that means

is that anyone looking to blaze a trail in innovation as Hilti has done has to build on the efforts of a globally networked team of highly qualified specialists and offer these specialists the best possible working environment. An environment where employees are not only at ease but one where they can also develop their ideas and take them through to fruition.

## **A place of inspiration and exchange**

The new Innovation Center at the headquarters in Liechtenstein aims to be just such an environment. With a total investment of some CHF 100 million, the new center is the largest investment project in Hilti's history. After the Technical Center, which dates from the 1960s, started to become too small,



**CHAMPION 2020**  
We build on our strong global team.



Successful innovations are generated by globally networked teams consisting of highly qualified specialists.





Some 400 employees have found an optimal working environment at the new Innovation Center at Hilti's corporate headquarters in Liechtenstein. Here they can develop, test and realize their ideas.



the company looked closely at how the architecture of a building and the innovation process could be successfully intertwined. The new building was completed within three and a half years and is intended to further strengthen innovation as well as the effectiveness and efficiency of research and development processes.

Designed to inspire, the new multifunctional center will be home to all the functions involved in the innovation process and will combine not only offices, but testing premises, laboratories, and workshops as well. The fact that 400 employees working in such diverse areas as project management, development, marketing, construction, prototype construction, testing, procurement, and production will work alongside each other is fully reflected in the architecture of the center.

It can be described as an enormous cooperation area. The open-space atmosphere creates transparency as well as encourages and facilitates exchanges between employees. At the same time, quiet zones provide areas for confidential discussions, groupwork, and informal chats. But Hilti's product and service innovations do not just come out of Liechtenstein. The company has other development sites in Kaufering near Munich, in the United States, in Shanghai and Southern China, as well as in Hungary, all of which work closely together. At each location, Hilti brings together the best experts with the best technology and an excellent global network of partners, for, against an increasingly tough competitive backdrop, only a strong team working closely together at the global level can stand out on the strength of its ability to innovate.

“Our corporate culture is like yin and yang. At first sight, a caring and performance-oriented culture appears to be a contradiction in terms. Yet the two principles it embeds are clearly interrelated. I love being involved in shaping this path to Hilti’s future.”



**Elisa Wong**

Head of Human Resources, Asia



## WHERE PASSION THRIVES.

**People shape companies. They are what gives companies their character, their profile and what leads them to success. From this conviction Hilti draws its strength.**

“The Hilti Way”, the employee- and performance-oriented corporate culture, forms the bedrock of the Champion 2020 strategy. Its roots go very deep: even company founder Martin Hilti was convinced that personal growth and company growth have to go hand in hand if success is to be achieved over the long term. Employees are given responsibility, scope and trust and, in return, are more motivated and ready to achieve more. This is the basis for the innovative solutions with which Hilti entuses its customers. It also fosters a high level of identification with the company and its fundamental values: integrity, courage, teamwork, and commitment. These stand for how management works and how everyone treats each other. The family of owners, the Board of Directors, and the Executive Board are clearly committed to living these values. This forms the framework that sets the course and creates trust.

### **Role models live values**

Whether a corporate culture can be “lived” also depends on whether it is tangible for employees. This places a particular responsibility on management as role models. They have

to be genuine and do what they say. Predictability in a positive sense, honesty, transparency, and being close to employees are important criteria in this. For example, top management regularly travels to Hilti locations and accompanies sales staff on customer visits. Each month, 20 randomly selected employees meet for breakfast with the Executive Board and explore and discuss – critically if need be – issues of current interest. The regular corporate culture workshops are attended by both the Board of Directors and the Executive Board as well as all the approximately 22,000 members of staff worldwide. Hilti invests around 31,000 working days and CHF 8 million in this each year.



### **CHAMPION 2020**

**We put employees and performance at the heart of our culture.**



What is to be implemented also needs to be measured. The instrument used for this is the annual voluntary employee survey that allows employees to give their opinion in detail on an anonymous basis. The rate of participation has been continually in excess of 90 percent. In 2014, 93 percent of respondents said they were proud to work at Hilti. 82 percent would recommend Hilti as a good employer. And 94 percent are ready to do their very best for the success of the company. Hilti regularly ranks highly in external employer surveys, too. For example, Great Place to Work® put Hilti in 17th place for the whole of Europe in 2014, after 15th place the previous year.

Such figures only become hard currency, however, when the corporate culture is taken seriously and developed on a continual basis. Far from being set in stone, “The Hilti Way” is updated constantly and adapted in line with the business, economic, and social environment. A corporate culture with strong links to a clear corporate strategy and with coherent objectives is a prerequisite for ensuring that everyone can pull in the same direction together. Management must act reliably and predictably. Leaders must identify the relevant themes and convey their significance. This is the seedbed for the element that is vital for long-term success: passion for the company.

# EXECUTIVE BOARD.

The Executive Board in the new Innovation Center at Corporate Headquarters in Liechtenstein.

From left: Jörg Kampmeyer, Stefan Nöken, Jahangir (Jan) Doongaji, Christoph Loos, Matthias Gillner and Marco Meyrat.



**Jörg Kampmeyer**  
Vaduz, Liechtenstein

Jörg Kampmeyer (born 1968, Germany) has been CFO and a member of the Executive Board since April 2011. He is responsible for the Finance, Human Resources, IT and Group Strategy units. Jörg Kampmeyer studied mechanical engineering and economics at RWTH Aachen University. After completing his studies he worked for international management consulting firms. He began his Hilti career in 2002 as the Head of Corporate Development in Schaan. From 2003 to 2005 he was responsible for the company's Strategic Marketing unit. In 2006 he moved to Germany, initially serving as Regional Sales Director, and in the course of the year he became General Manager at Hilti Germany. Since 2010 he has also headed the Central Europe Market Region.

**Dr. Stefan Nöken**  
Mörschwil, Switzerland

Stefan Nöken (born 1965, Germany) has been a member of the Executive Board since the beginning of 2007. He is responsible for Fastening Technology and Logistics. Following studies in mechanical engineering at Aachen University, where he earned a doctorate, he was employed at the Fraunhofer Institute for Production Technology in Aachen. In 2000 he joined Hilti as the Head of Corporate Engineering. In 2004, he was appointed Head of Supply Chain Management. Stefan Nöken is Chairman of the Board of Trustees of the Fraunhofer Institute for Production Technology in Aachen and member of the Industry Executive Advisory Board of the Executive MBA in Supply Chain Management at the Swiss Federal Institute of Technology Zurich.



**Jahangir (Jan) Doongaji**  
Maienfeld, Switzerland

Jahangir (Jan) Doongaji (born 1967, India/Switzerland) has been a member of the Executive Board since the beginning of 2014. He is responsible for the Electric Tools and Corporate Research & Technology units. After completing his master's degree in mechanical engineering at the Swiss Federal Institute of Technology Zurich, Jahangir Doongaji held various worldwide positions in an international industrial corporation between 1992 and 2000. During this time he also earned an MBA from INSEAD in Fontainebleau, France. He began his Hilti career in 2000, initially leading customer service in the Swiss market organization. In 2002 he moved to corporate headquarters in Schaan where he held various positions in Hilti's various tools business units. Most recently he headed the Power Tools & Accessories Business Unit. Jahangir Doongaji is a member of the European Power Tool Association (EPTA) Board.

**Dr. Christoph Loos**  
Chief Executive Officer  
Schaan, Liechtenstein

Christoph Loos (born 1968, Germany) assumed CEO responsibilities in January 2014. He has been a member of the Executive Board since 2007. During the first four years of this tenure he was responsible for Finance, Human Resources, IT and Group Strategy. From 2011 to 2013 he was in charge of the Emerging Markets and the global Energy & Industry units. After finishing his business administration studies at the University of St. Gallen he worked for an international management consultancy in Germany and China. Upon joining Hilti in 2001 he first led the Corporate Development team and then established the Strategic Marketing unit. At the end of 2003 he moved to Germany, first as a Regional Sales Director and then, starting in 2005, as General Manager of Hilti Germany. Christoph Loos is a member of the Board of Trustees of the St. Gallen Foundation for International Studies.

**Matthias Gillner**  
Grabs, Switzerland

Matthias Gillner (born 1967, Germany) has been a member of the Executive Board since April 2011. He was initially responsible for Electric Tools and Corporate Research & Technology. Since the beginning of 2014 he has led the Emerging Markets and global Energy & Industry units. Matthias Gillner studied chemical engineering at Friedrich-Alexander University of Erlangen-Nuremberg, Germany. He was employed by an international consulting company from 1993 to 2000. During this time he earned an MBA at INSEAD in Fontainebleau, France. He began his Hilti career in 2000 as the Head of Corporate Development. In mid-2001 he was named Head of Corporate Human Resources and then moved to lead the Measuring Systems Business Unit. From 2006 until the end of 2013 Matthias Gillner was Head of the Electric Tools & Accessories Business Area.

**Marco Meyrat**  
Chur, Switzerland

Marco Meyrat (born 1963, Switzerland) has been a member of the Executive Board since the beginning of 2005. He is responsible for the markets in Europe and North America. With a business degree from the University of St. Gallen, he began his Hilti career in 1989 as Product Manager at Hilti Corporate Headquarters in Schaan. After holding various positions in Hilti France and Hilti Germany, he was named General Manager of Hilti Switzerland in 1999 and was subsequently appointed General Manager of Hilti Germany in 2002. Marco Meyrat is a member of the Board of Directors of OLMERO AG, Glattbrugg, Switzerland.

# BOARD OF DIRECTORS.



The Board of Directors in the testing hall of Hilti's new Innovation Center.

From left: Michael Jacobi, Giorgio Behr, Tis Prager, Michael Hilti, Pius Baschera, Barbara Milian Thoralfsson, Kim Fausing and Heinrich Fischer.



**Dr. Michael Jacobi**  
Binningen, Switzerland

Michael Jacobi (born 1953; re-elected until the 2016 Annual General Meeting) was elected to the Board of Directors in 2007. He studied business economics at the University of St. Gallen and at the University of Washington, Seattle, and earned his doctorate from St. Gallen in 1979. From 1978 until 2007 he held various management positions in the financial area of Ciba-Geigy AG and later in Ciba Specialty Chemicals Inc., Basel. He was the company's Global Chief Financial Officer from 1996 until 2007. Today Michael Jacobi is an independent corporate consultant. Since 2003, he has been a member of the Board of Directors of Sonova Holding AG, Stäfa, and since December 2008 a Trustee of the Martin Hilti Family Trust. He was named to the Board of Directors of Actelion Pharmaceuticals Ltd., Allschwil, in 2009.

**Prof. Dr. Giorgio Behr**  
Buchberg, Switzerland

Giorgio Behr (born 1948; re-elected to serve until the 2015 Annual General Meeting), Honorary Professor at the University of St. Gallen, was previously a member of the Board of Directors of the Hilti Corporation between 1993 and 2007. Since January 2008, he has been a Trustee of the Martin Hilti Family Trust and in January 2009 he was again elected to serve on the Board of Directors of the Hilti Corporation. Giorgio Behr gained his doctorate degree at the law school of the University of Zurich, was admitted to the bar and obtained a diploma as a Certified Public Accountant. Today he is an entrepreneur in the industrial sector (Behr Bircher Cellpack BBC Group). Giorgio Behr is also Chairman of the Supervisory Board of ZF Friedrichshafen AG.

**Dr. Tis Prager**  
Zumikon, Switzerland

Tis Prager (born 1948; re-elected until the 2016 Annual General Meeting) has been a member of the Board of Directors since June 2006. He earned a doctorate in law from the University of Zurich in 1975, was admitted to the bar of the Canton of Zurich in 1978 and is a founding member of the Prager Dreifuss law firm in Zurich and Bern. Among other mandates, Tis Prager is the Chairman of the Board of Scherer & Bühler AG, Meggen, the Hotel Zurich AG (Marriott), Zurich, and Emil Hitz AG, Bassersdorf. He is also a member of the Board of Directors of the Bourquin Group, Couvet, former Chairman of IE Engineering Group AG, Zurich, and Caprez Ingenieure AG, Chur. He is also active in STEP, the Society of Trust and Estate Practitioners.

**Michael Hilti**  
Schaan, Liechtenstein

Michael Hilti (born 1946; re-elected to serve until the 2015 Annual General Meeting), son of company founder Professor Martin Hilti, has been a member of the Board of Directors since 1990. After studying business administration at the University of St. Gallen he worked in banking in London before joining Hilti in 1974 as the Deputy Head of Marketing. Two years later he was named to the company's Executive Board and he served as CEO from 1990 to 1993. He was Chairman of the Board of Directors from 1994 to 2006. Michael Hilti is a Trustee of the Martin Hilti Family Trust and a member of the Board of the Hilti Foundation.





**Prof. Dr. Pius Baschera**  
Chairman of the Board of Directors  
Zurich, Switzerland

Pius Baschera (born 1950; re-elected to serve until the 2016 Annual General Meeting) is Chairman of the Board of Directors. He studied mechanical engineering and business administration at the Swiss Federal Institute of Technology Zurich, where he earned his doctorate. In 1979, he came to Hilti as Head of Financial Controlling in the production area. Before being named Chairman he served as CEO for 13 years. He is currently a member of the Board of Directors of Roche Holding Ltd, Basel, and the Schindler Group, Hergiswil. He also is a member of the Advisory Boards of Vorwerk & Co., Wuppertal, and Ardex GmbH, Witten, Chairman of the Board of Directors of Venture Incubator AG, Zug, and a professor of entrepreneurship at the Swiss Federal Institute of Technology Zurich.

**Barbara Milian Thoralfsson**  
Oslo, Norway


Barbara Milian Thoralfsson (born 1959; elected until the 2016 Annual General Meeting) was elected to the Board of Directors in September 2014. She has an MBA in marketing and finance from Columbia University in New York and a BA in psychology from Duke University in North Carolina. Barbara Milian Thoralfsson has held CEO positions in the telecom and consumer goods sectors, and has extensive experience as a non-executive director, in both public and privately held global companies. Since 2006 she has been an entrepreneur in the industrial sector (Fleming Industrier AS, Oslo) and, since 2007, an Industrial Advisor of EQT Partners AS, Oslo. Barbara Milian Thoralfsson is also a member of the Board of Directors of SCA AB, Stockholm, Telenor ASA, Oslo, ColArt International Holdings Ltd, London, and Norfolier GreenTec AS, Oslo.

**Kim Fausing**  
Sonderborg, Denmark

Kim Fausing (born 1964; elected until the 2016 Annual General Meeting) was elected to the Board of Directors in 2010. He earned a degree in mechanical engineering at Aarhus Teknikum, in Denmark, in 1987, and an MBA degree at Henley Business School, in London, in 1996. His professional career led him to the Hilti Group in 1990, where he served in various management functions in Europe and Asia until 2007. After moving to the Danish Danfoss Group, he was named Chief Operating Officer and member of the executive committee in January 2008. He also is Vice President of the Velux Group in Copenhagen, Denmark.

**Heinrich Fischer**  
Rüschlikon, Switzerland

Heinrich Fischer (born 1950; re-elected until the 2016 Annual General Meeting) has been a member of the Board of Directors since 2007. He graduated in 1973 with an engineering diploma from the Swiss Federal Institute of Technology Zurich, having studied electrical engineering and technical physics. He then went on to study business administration at the University of Zurich while working in this field, earning a master's degree in 1976. Beginning in 1977, he held senior management positions at Oerlikon-Bührle Holding, Balzers AG (1980 to 1989), and finally at Oerlikon Holding once again (1990 to 1995). From 1996 to 2007, he was Chief Executive Officer at Saurer AG, Arbon. Heinrich Fischer is a member of the Board of Directors of Tecan Group AG, Orell Füssli AG (Chairman), Sensirion AG and SWM Inc.



**Steel-on-steel fastenings are traditionally made using welding techniques. This requires not only a high level of precision in installation, but also a considerable amount of rework in order to ensure the necessary protection against corrosion. The X-BT system replaces this time-consuming and potentially fault-prone process with a solution that is irresistibly simple and reliable.**

# **CORPORATE RESPONSIBILITY.**



# CORPORATE RESPONSIBILITY.

<b>Team members</b>	<b>User health and safety</b>	<b>Social responsibility</b>	<b>Compliance and business ethics</b>	<b>Environment</b>
Get employees enthusiastic about Hilti and develop them and their skills	Offer solutions that enhance safety and productivity for our customers	Make a contribution to society's sustainable development	Meet legal and ethical standards	Proactively manage our impact on the environment

We combine long-term entrepreneurial success with all-round responsibility towards society and the environment. Putting this commitment into practice and making it a living reality from day to day is something that goes as far back as our founder, Martin Hilti. That's why corporate responsibility is an integral part of Hilti's business model, so all we do is ethical and sustainable and we exercise our responsibility towards our team members, customers, partners and suppliers as well as to society and the environment. We do that because we see responsible action and long-term business success as inseparable from each other.

Our sense of responsibility is founded on the corporate culture which is lived by our team members, some 22,000 of them. Our values – integrity,

courage to change, teamwork and strong commitment – define how we get along together. They guide our everyday actions in every area and at every location; they also help our employees to do their best for Hilti with dedication and passion.

Acting ethically and in accordance with the law and competing fairly are essential in everything we do. In our Code of Conduct, all of us, throughout the world, undertake to comply with the rules of law and of ethics and agree on the highest quality standards with our suppliers. In addition, our signing up to the UN Global Compact and to the Partnering Against Corruption Initiative is a sign that we stand for transparency and corruption-free business processes as well as for compliance with social and environmental standards.

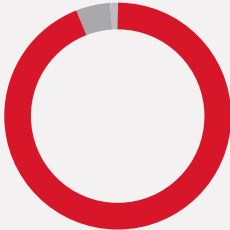


# EMPLOYEE SATISFACTION.

Employees who are ready to do their very best for Hilti's success.

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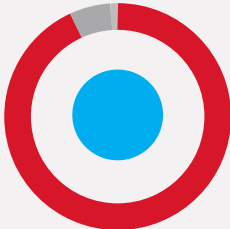
94% positive  
5% neutral  
1% negative



Employees who are proud to work for Hilti.

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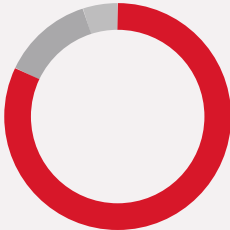
93% positive  
6% neutral  
1% negative



Employees who recommend Hilti as a good employer.

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82% positive  
13% neutral  
5% negative



Once a year, Hilti carries out an internal survey, the Global Employee Opinion Survey, to measure employee satisfaction. Last year, 91 percent of its employees took part in this survey.

# A CORPORATE CULTURE WITH EMPLOYEES AND PERFORMANCE AT ITS CENTER.

The need to hire and keep competent and highly motivated employees means we rely on a corporate culture that puts employees and performance first. That's why our Champion 2020 strategy focuses on

excellent performance, the success that comes from it and sharing in the rewards they bring. In 2014, a total of some 31,000 workdays were invested in our corporate culture workshops.

The people at Hilti	2014	2013	2012	2011
Number of working days employees spent on corporate culture workshops	31,000	24,000	24,000	24,000
Expenditure for corporate culture workshops (in CHF million)	8.2	8.9	7.6	8.5
Fluctuation	13.6%	14.1%	15%	14%
Integration success rate*	83.6%	82.4%	78%	83%
Open management positions filled with internal candidates	74.6%	82.2%	88%	81%
Number of apprentices worldwide	333	331	348	366
<b>NUMBER OF EMPLOYEES AT DECEMBER 31</b>	<b>22,248</b>	<b>21,456</b>	<b>21,139</b>	<b>21,848</b>

\* The integration success rate measures the number of employees who joined Hilti in the last two years and are still employed at the company.

# CODE OF CONDUCT FOR SUPPLIERS.

Each potential Hilti supplier must complete a comprehensive audit before they are considered an official partner of the company. In addition to topics such as technology, quality and efficiency, their adherence to the stipulations of our Code of Conduct for Suppliers is also monitored. The Code of Conduct is based on compliance standards and forms an integral part of the contract. It obligates suppliers to observe the Code's principles. The Code of Conduct contains clear guidelines for maintaining high stan-

dards in terms of social and environmental responsibility and also obligates suppliers to observe zero tolerance regarding any type of corruption.

Compliance with the Code of Conduct is closely scrutinized by Hilti. All relevant suppliers of direct production materials and allied products in high-risk areas are regularly analyzed by an independent and internationally recognized organization. In 2014 some 28 suppliers in China, Taiwan, Romania, Turkey, and the United Arab Emirates were monitored.

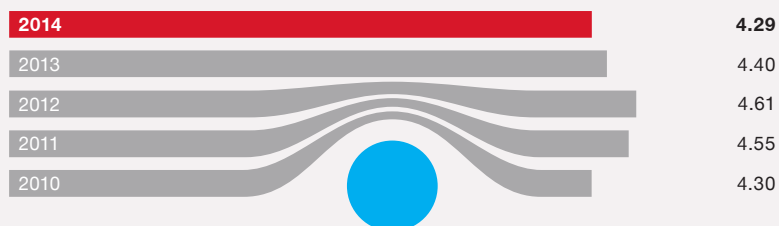


## KEY ENVIRONMENT-RELATED DATA

**a) CO<sub>2</sub> emissions of the Hilti Group in t (CO<sub>2</sub> equiv.)**



**CO<sub>2</sub> emissions per employee in t**



**b) Energy consumption at Hilti Plants in MWh**



**a)** The Hilti Group's CO<sub>2</sub> balance increased slightly in 2014 as a result of higher production volumes and more employees worldwide. Since 2012, overall emissions have fallen by 2.0 percent and emissions per employee have been reduced by 6.9 percent. Measures to improve energy efficiency in production and the shift to a more fuel-efficient vehicle fleet on the part of our sales employees were key factors in this result.

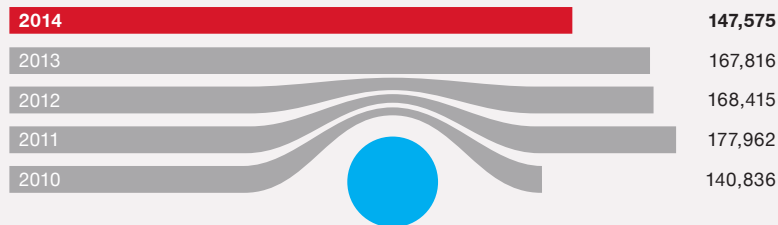
**b)** The slight drop in energy consumption in Hilti plants despite the increase in production shows that the number of activities aimed at boosting energy efficiency have started to pay off. For example, in our plant in Liechtenstein alone, equipping air compressors with heat recovery systems has made possible a saving of around 500,000 kWh of heating energy. Hilti has invested some CHF 1.9 million in measures of this kind over the past three years.



c) **Fuel consumption in the top 13 market organizations** in million liters of fuel



d) **Water consumption** in m<sup>3</sup>



e) **Total waste volumes** in t



c) The use of more fuel-efficient vehicles has allowed fuel consumption in the top 13 market organizations to be reduced by approximately 900,000 liters since 2012. This corresponds to a reduction of a total of 4.8 percent.

d) The clear reduction in water consumption last year is due primarily to measures in our plants in Mexico and China. Our aim at these plants is to secure an ongoing improvement in galvanic processes so as to continue to bring down the volumes of water used in washing. Improved maintenance programs have resulted in additional reductions in water consumption being possible at our plant in Liechtenstein.

e) Waste production in manufacturing remained on a par with the previous year despite the increase in production volumes. The rise in overall waste volumes is due to the increase in testing units in our development units, which resulted in a higher level of requirements in terms of testing concrete and hardware in 2014.

# UN GLOBAL COMPACT – PROGRESS REPORT.

## Human rights

**Code of Conduct for Employees** Our Codes of Conduct for Employees and for Suppliers comprise globally binding directives on such matters as the maintenance of human rights and compliance with labor standards. The Code of Conduct for Employees is available in a total of 25 languages and was updated during the 2014 financial year. All new team members receive a copy of it with their contracts of employment.

**Helplines** We encourage our employees to report every suspected violation of the Code of Conduct, whether directly to the management and our Compliance Officers or by using the compliance helplines, which are available around the clock. These are available to all employees in 70 countries and 40 languages.

**Corporate culture** “The Hilti Way” is a description of our culture, which is characterized by shared values, management by example and the conviction that corporate growth and the personal development of employees are inseparable. In the 2014 financial year, our employees spent 31,000 workdays taking part in corporate culture workshops.



## Labor standards

**Safety at work** We give our employees’ health the highest priority, and it is a permanent element of all work processes. Around the world, we adopt a proactive approach, featuring many measures to prevent accidents at work, illness resulting from work or occupational diseases. Safety as well as work and health management are covered by our Codes of Conduct for Employees and for Suppliers.

**Ergonomics** In the year under review, workplaces where repetitive tasks (e.g. grasping or turning) are performed were subject to systematic and repeated examination. Tasks such as these often bring on conditions and illnesses affecting the upper extremities, neck and back. Our in-house doctors offer our employees comprehensive advice on how to prevent such occupational conditions.

### Global Reporting Initiative (GRI): G4 indicators

**LA8** Health and safety topics covered in formal agreements with trade unions

**HR2** Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained

**HR5** Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor

**HR6** Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor

## Protection of the environment

**Enhancing efficient production** In 2014, at our plant in Shanghai (China), we improved the production technology of a production line: This made it possible for the volume produced by the line to be increased by 27 percent. The principal factors contributing to this improvement were reduced idle times and a reduction in energy consumption by some 160,000 kWh a year.

**Optimizing building technology** The ventilation equipment at Hilti GmbH Industriegesellschaft (Germany) in the bonded anchor and fire protection divisions used to be run at long-established standard settings. Now that the settings have been modified and communication between the production department and the building's management has been improved and speeded up, the ventilation is managed more precisely and adapted to production times in each area. When no production is in progress, the ventilation can be reduced or switched off altogether. These measures brought about a reduction in energy costs of some 275,000 kWh of electricity a year.

## Combating corruption

**Prevention** We provide our employees with regular training on the rules contained in Hilti's in-house anticorruption directive. The main event in this context in 2014 was the global rollout of an e-learning module that some 16,000 employees have now successfully completed. In addition, workshops were run to make management more aware of specific problems related to the fight against corruption.

**Organization** A regional compliance structure, which had already been successfully implemented in Eastern Europe, was extended this year to other regions. The Hilti Group's compliance organization currently consists of the Chief Compliance Officer and a Compliance Manager in the Group's head office in Liechtenstein, with six regional and 66 local Compliance Officers.

**Risk assessment** A detailed assessment of corruption risks in all market organizations was carried out in 2014. It took the form of a self-assessment by the market organizations' General Managers and local Compliance Officers using a questionnaire with a total of 23 questions on risk factors at national, industry and organizational level.



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**EN3** Energy consumption within the organization  
**EN6** Reduction of energy consumption  
**EN8** Total water withdrawal by source  
**EN15** Direct greenhouse gas (GHG) emissions  
**EN16** Energy indirect greenhouse gas (GHG) emissions  
**EN19** Reduction of greenhouse gas (GHG) emissions  
**EN23** Total weight of waste by type and disposal method  
**EN27** Extent of impact mitigation of environmental impacts of products and services

**DMA** General information on the management approach  
**SO4** Communication and training on anticorruption policies and procedures

**The secret of X-BT lies in the way all components are perfectly combined. The X-BT fastening system draws on Hilti's 50 years of experience to produce a single system where specially designed drills, blunt-tip stainless steel studs, direct fastening equipment and precision cartridges are perfectly attuned. Ensuring the highest level of reliability, even in the toughest conditions.**



# KEY FIGURES.



# PROFITABILITY AND CAPITAL EFFICIENCY BROUGHT UP TO TARGET LEVEL.

Having generated sales growth of 7.5 percent in local currencies and of 3.6 percent in Swiss francs resulting in total net sales of CHF 4.5 billion, the Hilti Group has increased its operating result by 27 percent in business year 2014. Return on sales rose further from 9.7 to 11.9 percent, while return on capital employed was up from 12.8 to 16.8 percent. Free cash flow was at a very good level of CHF 383 million. Thus, both profitability and cash flow lie within the target range of the Group's corporate strategy and the enhanced investments in sales and products were carried out according to plan.

In 2014, the Hilti Group operated in a predominantly positive environment, albeit with considerable regional differences. While markets in Northern and Central Europe were generally positive, construction in Western and Southern Europe continued to be subdued. An exceptionally strong winter that hit the Eastern part of North America at the beginning of the year dampened what was otherwise a very positive market performance. The emerging markets were characterized by heterogeneous economic developments: Middle East and parts of Asia did very well, quite in contrast to Eastern Europe which was severely affected by the political situation in Russia and Ukraine. The initial momentum seen in Latin America was increasingly tarnished by political and fiscal uncertainties later in the year.

## Substantial sales growth in local currencies

Against this backdrop, the Hilti Group stood its ground well and posted growth in all regions. After a slightly negative trend in the previous year, our overall business in Europe has returned to growth (+3.5%). In North America, a strong second half allowed to almost completely offset a slow start to the year (+9.5%). In the emerging markets, sales growth reached double-digit figures in local currencies (Eastern Europe/Middle East/Africa +14.9%, Asia +10.6%, Latin America +14.6%).

Overall, sales in local currencies were up 7.5 percent (against 4.5% in the prior year).

## Negative currency impacts

Especially in the first half of the year, currencies of most regions lost in value against the Swiss franc. Apart from the US Federal Reserve's monetary policy, this was mainly caused by local political and economic uncertainties (particularly in Russia) as well as currency depreciations with the aim to boost the economy (e.g. in Japan). In the second half, the situation stabilized, mainly in the US. After conversion into Swiss francs, sales growth shrunk by -3.9 percent.

Hence, in Swiss francs, sales were up 3.6 percent to CHF 4.5 billion.

## Enhanced productivity and higher margins

Thanks to accelerated growth, productivity enhancements and increased margins, operating profitability was up further from 9.7 to 11.9 percent (exchange rate impact -0.5%). Net profit grew by 40.2 percent to CHF 426 million.

Return on capital employed improved by 12.8 to 16.8 percent and operating cash flow was again high at CHF 630 million, supported by reductions of accounts receivable collection period by one day and of inventory days by four days. With CHF 383 million, also free cash flow was at a very good level.

Hence, the company has reached its 2014 target levels of operating profitability, capital efficiency and free cash flow conversion.

The Hilti Group has stepped up its investments according to plan. Expenditure for research and

development grew by 17.9 percent (CHF 222 million) while headcount was up, as of the end of the year, from 21,456 to 22,248 (+ 4 %).

#### **Very sound balance sheet structure**

Cash and cash equivalents amounted to CHF 1223 million at year-end (2013: CHF 1538 million). This CHF 315 million decrease reflects dividend payments of CHF 393 million for 2013 as well as the CHF 300 million repayment of a bond issue.

As a result, financial debt was reduced significantly to CHF 553 million as at the end of 2014 (previous year: CHF 879 million). Net liquidity rose to CHF 669 million. The equity ratio continues to be very sound at 53 percent (unchanged against 2013). For the year 2014, the Board of Directors proposes an ordinary dividend payment of CHF 214 million (2013: CHF 153 million). As a result of the company's strong cash flow and in continuation of the repayment of excess liquidity to its owner initiated last year, the Board of Directors further proposes the payment of a special dividend of CHF 241 million, which will bring up the aggregate dividend payout to CHF 455 million.



negative currency effects. Despite this additional financial burden, Hilti's highly solid profitability, balance sheet and cash flow positions along with the ongoing measures to improve productivity, flexibility and capital efficiency will enable the Group to pursue its planned investments into market access as well as innovative products and services. Thus, the Hilti Group sees itself well positioned and looks with confidence into the 2015 business year.

#### **Outlook**

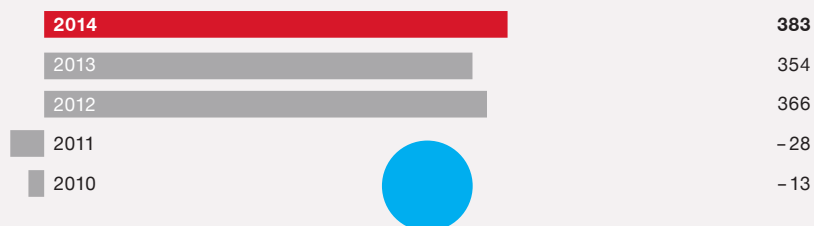
According to the economic forecasts for 2015, the business climate is expected to be similar as in 2014, strongly marked by increasing geopolitical volatilities. The Hilti Group expects growth in local currencies to be in the solid single-digit range. The decision taken by the Swiss National Bank on January 15, 2015, to lift the minimum exchange rate of CHF 1.20 per euro and the subsequent surge of the Swiss franc also have a significant impact on the globally operating Hilti Group. As a consequence, a number of immediate countermeasures were initiated that will mitigate the short-term

## KEY FIGURES

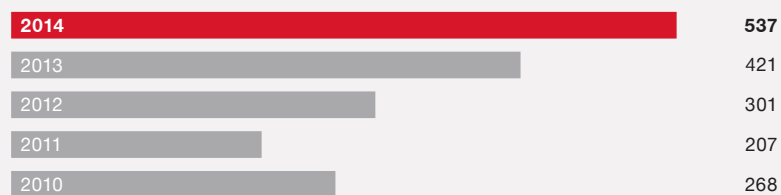
### Net sales in CHF million



### Free cash flow in CHF million



### Operating result in CHF million



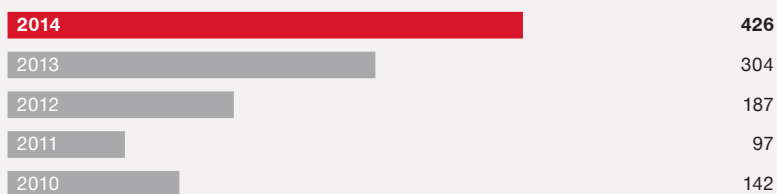
#### Please note

The following pages contain extracts from the 2014 Financial Report of the Hilti Group. Because these pages do not contain the full consolidated financial statements, they do not present complete information about the financial position, financial performance and cash flows of the Hilti Group for 2014. Complete information, including the notes to the consolidated financial statements, is contained in the 2014 Financial Report, which will be available on the Group's website ([www.hilti.com](http://www.hilti.com)) from late March 2015. The full 2014 consolidated financial statements, which are included in the 2014 Financial Report, have been prepared in accordance with international financial reporting standards (IFRS).



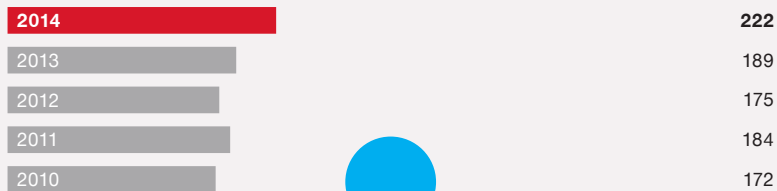
**Net income** in CHF million

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**Research and development expenditure** in CHF million

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**Employees** as at December 31

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## CONSOLIDATED BALANCE SHEET

of Hilti Group as at December 31

Assets in CHF million	2014	2013
Intangible assets	360.5	340.0
Property, plant and equipment	791.9	760.8
Investment property	1.9	2.2
Deferred income tax assets	146.6	126.5
Other financial investments	14.3	13.4
Trade and other receivables	404.0	362.4
Derivative financial instruments	5.9	-
<b>TOTAL NON-CURRENT ASSETS</b>	<b>1,725.1</b>	<b>1,605.3</b>
Inventories	559.7	548.5
Trade and other receivables	1,004.5	943.2
Current income taxes receivable	9.9	11.4
Accrued income and prepayments	45.4	50.3
Derivative financial instruments	7.4	33.8
Financial assets at fair value through profit or loss	34.2	32.1
Cash and cash equivalents	1,222.8	1,538.3
<b>TOTAL CURRENT ASSETS</b>	<b>2,883.9</b>	<b>3,157.6</b>
<b>TOTAL ASSETS</b>	<b>4,609.0</b>	<b>4,762.9</b>

<b>Equity and liabilities</b> in CHF million	<b>2014</b>	<b>2013</b>
Non-controlling interests	9.7	9.3
Equity attributable to equity holders of the parent	2,439.7	2,513.5
<b>TOTAL EQUITY</b>	<b>2,449.4</b>	<b>2,522.8</b>
Provisions	68.4	57.5
Employee benefits	526.6	308.4
Deferred income tax liabilities	23.3	26.0
Bonds	378.4	414.7
Long-term bank borrowings	28.5	39.5
Trade and other payables	28.2	24.9
Derivative financial instruments	-	1.0
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>1,053.4</b>	<b>872.0</b>
Provisions	62.8	75.3
Employee benefits	15.8	8.7
Trade and other payables	350.3	342.7
Current income taxes payable	91.2	89.5
Accrued liabilities and deferred income	425.3	424.9
Bonds	31.9	299.8
Short-term bank borrowings	114.6	125.3
Derivative financial instruments	14.3	1.9
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,106.2</b>	<b>1,368.1</b>
<b>TOTAL LIABILITIES</b>	<b>2,159.6</b>	<b>2,240.1</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>4,609.0</b>	<b>4,762.9</b>

Equity comprises share capital (176,000 registered shares with par value of CHF 500 each) and participation capital (774,400 participation certificates with par value of CHF 50 each) as well as reserves. All of the registered shares and participation certificates are owned by the Martin Hilti Family Trust.

## CONSOLIDATED INCOME STATEMENT of Hilti Group

in CHF million	2014	2013
Net sales	4,497.3	4,340.2
Other operating revenues	102.6	92.3
<b>TOTAL OPERATING REVENUES</b>	<b>4,599.9</b>	<b>4,432.5</b>
Change in inventory	6.7	1.2
Material costs	-1,363.0	-1,317.9
Personnel expenses	-1,783.9	-1,702.9
Depreciation and amortization	-194.4	-220.3
Other operating expenses	-728.8	-771.5
<b>TOTAL OPERATING EXPENSES</b>	<b>-4,063.4</b>	<b>-4,011.4</b>
<b>OPERATING RESULT</b>	<b>536.5</b>	<b>421.1</b>
Other revenues and expenses (net)	-6.1	-16.0
Finance costs	-31.6	-51.0
<b>NET INCOME BEFORE INCOME TAX EXPENSE</b>	<b>498.8</b>	<b>354.1</b>
Income tax expense	-72.5	-50.0
<b>NET INCOME</b>	<b>426.3</b>	<b>304.1</b>
Attributable to:		
Equity holders of the parent	426.9	305.5
Non-controlling interests	-0.6	-1.4

The notes to the consolidated financial statements, which immediately follow the consolidated cash flow statement, are an integral part of, and should be read in conjunction with, the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income and the consolidated cash flow statement.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

of Hilti Group

in CHF million	2014	2013
<b>NET INCOME</b>	<b>426.3</b>	<b>304.1</b>
Net movement on cash flow hedges	4.8	0.4
Deferred tax on net movement on cash flow hedges	-0.6	-0.1
Foreign currency translation differences	22.8	-21.2
<b>ITEMS THAT MAY BE SUBSEQUENTLY RECLASSIFIED TO THE INCOME STATEMENT</b>	<b>27.0</b>	<b>-20.9</b>
Remeasurements on employee benefits	-159.3	47.6
Deferred tax on remeasurements on employee benefits	25.4	-5.5
<b>ITEMS THAT WILL NEVER BE RECLASSIFIED TO THE INCOME STATEMENT</b>	<b>-133.9</b>	<b>42.1</b>
<b>OTHER COMPREHENSIVE INCOME (OCI)</b>	<b>-106.9</b>	<b>21.2</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>319.4</b>	<b>325.3</b>
Attributable to:		
Equity holders of the parent	319.0	326.9
Non-controlling interests	0.4	-1.6

## CONSOLIDATED CASH FLOW STATEMENT of Hilti Group

in CHF million	2014	2013
<b>NET INCOME</b>	<b>426.3</b>	<b>304.1</b>
Depreciation and amortization	194.4	220.3
(Increase)/decrease in inventories	-6.7	-1.2
(Increase)/decrease in trade receivables	-10.0	-18.7
(Increase)/decrease in finance lease receivables	-86.7	-48.5
Increase/(decrease) in trade payables	2.2	25.1
Change in non-cash items and other net operating assets	110.1	68.4
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>629.6</b>	<b>549.5</b>
Capital expenditure on intangible assets	-104.8	-79.1
Capital expenditure on property, plant and equipment	-152.7	-130.1
(Increase)/decrease in financial investments	-1.0	6.7
Disposal of intangible assets	0.1	-
Disposal of property, plant and equipment	11.4	6.9
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>-247.0</b>	<b>-195.6</b>

in CHF million	2014	2013
Proceeds from long-term borrowings	0.6	3.7
Repayment of long-term borrowings	-1.3	-21.1
Proceeds from/(repayment of) short-term borrowings	-15.2	-19.7
Proceeds from issuance of bonds	-	200.0
Repayment of bonds	-300.0	-150.0
Increase/(decrease) in liability to shareholder	0.1	0.2
Dividend paid	-392.8	-130.5
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>-708.6</b>	<b>-117.4</b>
Exchange differences	10.5	-4.8
<b>TOTAL INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>-315.5</b>	<b>231.7</b>
Cash and cash equivalents at January 1	1,538.3	1,306.6
<b>CASH AND CASH EQUIVALENTS AT DECEMBER 31</b>	<b>1,222.8</b>	<b>1,538.3</b>
Cash flow from operating activities includes		
Interest received	5.9	5.3
Interest paid	-38.4	-51.0
Income tax paid	-61.9	-53.9

## KEY FIGURES INFORMATION of Hilti Group

<b>Results</b> in CHF million / %	<b>2014</b>	<b>2013</b>
Net sales	4,497	4,340
Depreciation and amortization	194	220
Operating result	537	421
Net income before tax	499	354
Net income	426	304
Return on capital employed (RoCE) in % (operating result)	16.8	12.8
Return on equity (RoE) in % (net income)	17.1	12.5
Free cash flow	383	354

<b>Balance sheet</b> in CHF million / %		
Total equity	2,449	2,523
Total equity in % Total equity and liabilities	53	53
Total non-current liabilities	1,053	872
Total current liabilities	1,106	1,368
Capital expenditures on intangible assets and on property, plant and equipment	258	209
Intangible assets and property, plant and equipment	1,152	1,101
Other non-current assets	573	504
Total current assets	2,884	3,158
Total assets	4,609	4,763
Dividend*	455	393

<b>EMPLOYEES</b> AS AT DECEMBER 31	<b>22,248</b>	<b>21,456</b>
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\* Proposal by the Board of Directors



## 2014 SALES GROWTH

year on year

Sales growth in CHF million	2014	2013	Change	
			in CHF (%)	local currencies (%)
Europe	2,221	2,178	2.0	3.5
North America	924	867	6.6	9.5
Latin America	177	168	4.9	14.6
Asia/Pacific	633	603	4.9	10.6
Eastern Europe/Middle East/Africa	543	524	3.7	14.9
<b>HILTI GROUP</b>	<b>4,497</b>	<b>4,340</b>	<b>3.6</b>	<b>7.5</b>



# IMPRESSUM

**Publisher**

Hilti Corporation, Corporate Brand & Communication,  
PO Box 333, 9494 Schaan, Liechtenstein

**Editor-in-chief**

Jessica Nowak

**Concept**

Hilti Corporate Brand & Communication

**Editorial team, text**

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**Design**

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**Photography, Video**

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Oliver Raudszus, filmfabrik Anstalt (Vaduz)

**Translation**

Chris Larson, Christoph Renfer (Riehen),  
CLS Communication AG (Basel)

**Image processing**

Roger Bahcic (Zurich)

**Production coordinator**

Lise Santschi

**Printed by**

BVD Druck + Verlag AG  
9494 Schaan, Liechtenstein



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The Company Report is published in German and English. Duplication, even in part, only with permission of the publisher.

The complete Financial Report, the principles of corporate governance, the Group organizational chart, a list of consolidated companies and information on the Martin Hilti Family Trust can be found on the Internet at [www.hilti.com](http://www.hilti.com).

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