2020
FINANCIAL REPORT

CONTENTS

KEY FINANCIAL INFORMATION OF HILTI GROUP

financial amounts in CHF million	**2020**	2019	2018	2017	2016
Results					
Net sales	5,332	5,900	5,659	5,113	4,633
Depreciation and amortization	395	374	202	174	156
Operating result	728	783	728	681	604
Net income before tax	652	716	668	644	573
Net income	531	591	546	521	481
Return on capital employed (RoCE) in % (operating result)	16.4	19.8	20.6	21.1	21.0
Return on equity (RoE) in % (net income)	15.7	18.6	18.4	19.3	20.1
Return on sales (RoS) in %	13.7	13.3	12.9	13.3	13.0
Free cash flow*	459	303	245	325	248
Balance sheet					
Total equity	3,472	3,276	3,075	2,873	2,512
Total equity in % Total equity and liabilities	53	51	55	53	53
Total non-current liabilities**	1,673	1,582	1,088	1,129	994
Total current liabilities**	1,401	1,521	1,448	1,442	1,208
Capital expenditures on intangible assets and on property, plant and equipment	345	412	334	289	289
Intangible assets and property, plant and equipment	1,902	1,846	1,702	1,598	1,285
Other non-current assets**	1,374	1,405	835	755	660
Total current assets	3,270	3,128	3,075	3,090	2,770
Total assets	6,546	6,379	5,612	5,444	4,714
Dividend***	–	294	272	264	243
Employees (as at December 31)	29,549	30,006	29,004	26,881	24,619
Information on bonds (nominal values)					
0.875% bond 13/18 (early call for tax reasons only)	–	–	–	100	100
1.875% bond 13/23 (early call for tax reasons only)	100	100	100	100	100
0.2% bond 17/24 (early call for tax reasons only)	100	100	100	100	–
0.4% bond 17/27 (early call for tax reasons only)	100	100	100	100	–
0.05% bond 20/25 (early call for tax reasons only)	150	–	–	–	–
Euro bonds 12/15–19 (variable interest rates****)	–	–	–	12	53
Euro bonds 12/15–19 (fixed interest rates)	–	–	33	34	107

* Refer to cash flow bridge note (18)

** From 2019 on numbers include right of use assets and lease liabilities respectively due to the adoption of IFRS 16 Leases

*** As proposed by the Board of Directors

**** Group opted for an early redemption in 2018

2017 numbers have been restated due to the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. Numbers prior to 2017 have not been restated.


HILTI
HILTI
JAIBOT

MANAGEMENT REPORT

FINANCIALLY SOLID DESPITE A CHALLENGING COVID-19 PANDEMIC YEAR

With a decrease of net sales in Swiss francs of almost 10 percent and a turnover of CHF 5.3 billion, the Hilti Group closed 2020, the challenging year of the COVID-19 pandemic, with an operating result of CHF 728 million (-7.0%). The decline in net sales is a result of the pandemic-induced lockdowns combined with a slowdown in investments in buildings and industry assets as well as a continuous appreciation of the Swiss franc. Due to prudent cost management, the Hilti Group was able to continue investing in strategic initiatives to ensure the company's long-term success.

The sales development followed three phases: a strong start in the first two and a half months, a lockdown-induced decrease until the end of May and a heterogeneous yet steady recovery in the second half of 2020. While the Group's sales decrease was most pronounced after the first five months at 16.3 percent, the situation improved from June onwards, resulting in a 9.6 percent full year sales decrease in Swiss francs and 4.3 percent in local currencies.

On a regional level, the results differed quite substantially depending on the severity of the pandemic and the lockdown approaches of the local governments. While Central and Eastern Europe and Northern Asia managed to close the year with positive sales growth, Southern Asia and the Middle East faced a double-digit decrease. The Americas finished the year with a 4.6 percent decrease which was disproportionately impacted by Latin America. Significantly weaker currencies in emerging markets, as well as a weaker euro and US dollar, led to a negative currency impact on Group sales of over 5 percent.

Reaction to the COVID-19 pandemic

At the end of March, Hilti launched a four-pillar program to cope with the COVID-19 challenges. A strong emphasis was put on protecting the health of Hilti's employees and particularly the sales force, resulting in significantly less time being spent with customers and on jobsites during the (partial) lockdowns. Additionally, the Group implemented a hiring freeze, optimized indirect cost expenditures (such as travel, events, etc.) and implemented temporary measures to gain time before deciding upon structural adjustments. At end of December 2020, the Group counted 29,549 team members, a decrease of 1.5 percent compared to the previous year. Hilti adjusted its structures only very selectively in certain markets and avoided Group-wide restructuring. At the same time, the Group continued to fully fund its strategic initiatives in the area of innovation, digitalization and cybersecurity with significant additional investments. Lastly, the Hilti Group increased its cash reserve through net working capital optimization and debt increase to a total cash position of CHF 1.3 billion (2019: 1.1 billion).

Continued investments in innovations

Despite the pandemic, the Hilti Group launched 74 new, innovative products and services onto the market. A convincing example is the introduction of the Jaibot, a semi-autonomous mobile ceiling-drilling robot. Expenditure for research and development reached CHF 358 million, a share of 6.7 percent of net sales.

With the additional expansion of integrated solutions combining products, software elements and services, Hilti continues to provide innovative solutions to help customers be more productive, work more safely and enjoy greater success. Besides digitalization of customer-related processes, the Group also drove forward the digitalization of its corporate processes, such as a new people approach with an underlying HCM suite, and an accelerated rollout of a sales process with a new CRM system.

Disproportionate decrease of operating result

The operating result decreased by 7.0 percent to CHF 728 million (2019: CHF 783 million). Net profit decreased slightly more to CHF 531 million (2019: CHF 591 million), due to a slightly higher income tax rate and extraordinary effects. Despite the decrease in sales, the significant negative currency effect and the ongoing strategic investments, the return on sales (ROS) grew slightly and reached a new high of 13.7 percent (2019: 13.3%). This is the result of solid margin development and prudent overall cost management. By contrast, the return on capital employed (ROCE) decreased by 3.4 percentage points to 16.4 percent (2019: 19.8%) due to the lower capital turnover. This was caused by a combination of the buildup of a higher liquidity reserve, the implementation of IFRS 16, a negative currency mix of the capital employed and lower sales. Nevertheless, both ROS and ROCE continue to reside in or on the upper end of the strategic target corridors of 10-12 and 15-20 percent, respectively.

The free cash flow (before the acquisition and sale of Group companies) reached CHF 459 million (2019: CHF 303 million) leading to a cash flow conversion rate of 86.5 percent. This was a result of a strong focus on net working capital optimization by carefully managing the inventory and accounts receivable combined with a temporary reduction in expenditures for the global modernization of infrastructure and workstations.

The pronounced negative development of the US dollar, euro and emerging markets exchange rates had – despite good natural hedging in the main currencies – a negative impact of CHF 61 million on the operating result (2019: CHF -27 million).

Healthy balance sheet and solid liquidity

The equity ratio was 1.7 percentage point above the previous year's figure and 1.8 percentage points below pre-IFRS 16 implementation levels. With this, the equity ratio continues to be over 50 percent. Despite the effects mentioned earlier caused by the pandemic, the total cash position increased to CHF 1.3 billion (2019: CHF 1.1 billion). This was achieved by the strong free cash flow and an increase of the Group's interest-bearing debts. As part of the Group's refinancing strategy, Hilti issued a five-year corporate bond in June 2020 amounting to CHF 150 million with all in costs of 8.6 basis points. Despite the healthy financial situation, the shareholder will forego an ordinary dividend payout (2019: CHF 294 million), underlining its commitment to the long-term success of Hilti.

Outlook

Both economic and construction forecasts point towards a heterogeneous recovery of the global market portfolio. Estimates for returning to pre-COVID-19 levels of construction activity range from one year up to four years for different markets, with an average of around two years. The recovery speed will depend significantly on the severity of the second and potential third COVID-19 waves and on the abilities of the various countries to accelerate the vaccination of their residents. Despite these challenges, Hilti is adhering to its strategic objectives and will continue to significantly invest in additional innovative solutions and the digitalization of customer-related and corporate processes. The Hilti Group expects a sales growth in the low single digits, and profitability at about the same level as pre-COVID-19.


Dashboard
Powder-actuated tool DX 6-MX
SN: 222333
Tool Info
Service Info
How-To
Tech Info
Related Products
Usage Info

GROUP FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

in CHF million	Note		31.12.2020	31.12.2019
ASSETS				
Intangible assets	7		942.5	893.4
Property, plant and equipment	8		959.7	952.6
Right of use assets	9		423.2	435.2
Investment property			1.9	1.9
Investments in associates and joint ventures	10		2.7	2.7
Deferred income tax assets	11		134.3	143.0
Other financial investments	12		18.5	16.6
Trade and other receivables	14		789.5	800.9
Derivative financial instruments	16		3.8	4.7
Total non-current assets			**3,276.1**	**3,251.0**
Inventories	13		587.5	645.6
Trade and other receivables	14		1,245.7	1,249.6
Current income taxes receivable			9.6	13.6
Accrued income and prepayments	15		63.9	67.2
Derivative financial instruments	16		6.5	11.0
Financial assets at fair value through profit or loss	17		23.8	27.3
Cash and cash equivalents	18		1,332.9	1,113.8
Total current assets			**3,269.9**	**3,128.1**
TOTAL ASSETS			**6,546.0**	**6,379.1**

in CHF million	Note		31.12.2020	31.12.2019
EQUITY AND LIABILITIES				
Non-controlling interests			7.9	6.7
Equity attributable to equity holders of the parent			3,464.2	3,269.6
Total equity	19		**3,472.1**	**3,276.3**
Provisions	20		9.5	12.5
Employee benefits	21		614.4	636.8
Deferred income tax liabilities	11		123.9	119.7
Bonds	22		449.8	299.9
Long-term bank borrowings	23		43.3	54.0
Lease liabilities	9		330.8	332.5
Contract liabilities	27		83.2	90.6
Trade and other payables	24		17.8	36.2
Total non-current liabilities			**1,672.7**	**1,582.2**
Provisions	20		7.6	8.4
Employee benefits	21		7.9	8.5
Trade and other payables	24		468.4	471.7
Current income taxes payable			107.6	116.9
Accrued liabilities and deferred income	25		437.8	461.7
Contract liabilities	27		108.9	108.3
Short-term bank borrowings	26		142.9	226.0
Lease liabilities	9		113.4	116.1
Derivative financial instruments	16		6.7	3.0
Total current liabilities			**1,401.2**	**1,520.6**
Total liabilities			**3,073.9**	**3,102.8**
TOTAL EQUITY AND LIABILITIES			**6,546.0**	**6,379.1**

CONSOLIDATED INCOME STATEMENT

in CHF million	Note		2020	2019
Net sales	27		5,332.2	5,899.9
Other operating income	27		149.4	154.9
Total operating income			**5,481.6**	**6,054.8**
Change in inventory	28		(29.0)	(25.4)
Material costs	28		(1,416.2)	(1,623.0)
Personnel expenses	29		(2,282.4)	(2,452.8)
Depreciation and amortization	7/8/9		(394.9)	(374.0)
Losses on trade and other receivables			(51.7)	(51.9)
Other operating expenses	30		(579.2)	(745.1)
Total operating expenses			**(4,753.4)**	**(5,272.2)**
Operating result			**728.2**	**782.6**
Other income and expenses (net)	31		(28.9)	(13.5)
Finance costs	32		(47.7)	(53.3)
Net income before income tax expense			**651.6**	**715.8**
Income tax expense	33		(120.9)	(124.6)
Net income			**530.7**	**591.2**
Attributable to:				
Equity holders of the parent			529.9	588.1
Non-controlling interests			0.8	3.1

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in CHF million	Note		2020	2019
Net income			**530.7**	**591.2**
Net movement on cash flow hedges	16		(1.7)	(1.6)
Deferred tax on net movement on cash flow hedges	19		0.2	0.2
Foreign currency translation differences	19		(57.6)	(48.1)
Deferred tax on foreign currency translation differences	19		0.5	0.2
Items that may be subsequently reclassified to the income statement			**(58.6)**	**(49.3)**
Remeasurements on employee benefits	21		18.6	(81.7)
Deferred tax on remeasurements on employee benefits	19		(2.0)	13.4
Items that will never be reclassified to the income statement			**16.6**	**(68.3)**
Other comprehensive income (OCI)			**(42.0)**	**(117.6)**
Total comprehensive income			**488.7**	**473.6**
Attributable to:				
Equity holders of the parent			488.6	470.6
Non-controlling interests			0.1	3.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in CHF million	Share capital	Capital reserves	Foreign currency translation reserve	Cash flow hedging reserve	Retained earnings	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
Equity at January 1, 2020	126.7	17.4	(481.9)	4.4	3,603.0	3,269.6	6.7	3,276.3
Net income recognized in income statement	–	–	–	–	529.9	529.9	0.8	530.7
Cash flow hedges	–	–	–	(1.5)	–	(1.5)	–	(1.5)
Remeasurements on employee benefits	–	–	–	–	16.6	16.6	–	16.6
Foreign currency translation differences	–	–	(56.4)	–	–	(56.4)	(0.7)	(57.1)
Total comprehensive income	**–**	**–**	**(56.4)**	**(1.5)**	**546.5**	**488.6**	**0.1**	**488.7**
Dividend paid	–	–	–	–	(294.0)	(294.0)	–	(294.0)
Change in non-controlling interests	–	–	–	–	–	–	1.1	1.1
Equity at December 31, 2020	126.7	17.4	(538.3)	2.9	3,855.5	3,464.2	7.9	3,472.1

in CHF million	Share capital	Capital reserves	Foreign currency translation reserve	Cash flow hedging reserve	Retained earnings	Equity attributable to equity holders of the parent	Non-controlling interests	Total equity
Equity at January 1, 2019	126.7	17.4	(434.1)	5.8	3,355.6	3,071.4	3.7	3,075.1
Net income recognized in income statement	–	–	–	–	588.1	588.1	3.1	591.2
Cash flow hedges	–	–	–	(1.4)	–	(1.4)	–	(1.4)
Remeasurements on employee benefits	–	–	–	–	(68.3)	(68.3)	–	(68.3)
Foreign currency translation differences	–	–	(47.8)	–	–	(47.8)	(0.1)	(47.9)
Total comprehensive income	**–**	**–**	**(47.8)**	**(1.4)**	**519.8**	**470.6**	**3.0**	**473.6**
Dividend paid	–	–	–	–	(272.4)	(272.4)	–	(272.4)
Equity at December 31, 2019	126.7	17.4	(481.9)	4.4	3,603.0	3,269.6	6.7	3,276.3

For further details on transactions with non-controlling interests see note (5) and on equity see note (19).

CONSOLIDATED CASH FLOW STATEMENT

in CHF million	Note		2020	2019
Operating result			**728.2**	**782.6**
Depreciation and amortization	7/8/9		394.9	374.0
Interest received			2.7	5.2
Interest paid			(47.8)	(52.4)
Income tax paid			(121.6)	(97.6)
(Increase)/decrease in inventories	28		29.0	25.4
(Increase)/decrease in trade receivables	14		32.3	(9.4)
(Increase)/decrease in finance lease receivables	14		(80.5)	(180.9)
Increase/(decrease) in trade payables	24		(6.5)	(10.3)
Increase/(decrease) in contract liabilities	27		(0.1)	17.2
Change in non-cash items			(28.3)	14.6
Change in other net operating assets			31.6	(36.2)
Cash flow from operating activities			**933.9**	**832.2**
Capital expenditure on intangible assets	7		(194.0)	(202.6)
Capital expenditure on property, plant and equipment	8		(150.7)	(209.3)
(Increase)/decrease in financial investments			(4.5)	(11.4)
Disposal of property, plant and equipment			6.4	29.8
Cash flow from investing activities			**(342.8)**	**(393.5)**
Proceeds from long-term borrowings			34.3	26.5
Repayment of long-term borrowings			(46.2)	(4.5)
Payment of lease liabilities	9		(131.8)	(136.2)
Proceeds from (repayment of) short-term borrowings	26		(75.9)	78.2
Proceeds from issuance of bonds	22		149.9	–
Repayment of bonds	22		–	(33.5)
Increase/(decrease) in liability to shareholder			–	0.1
Dividend paid	19		(294.0)	(272.4)
Cash flow from financing activities			**(363.7)**	**(341.8)**
Exchange differences			(8.3)	(14.0)
Total increase/(decrease) in cash and cash equivalents			**219.1**	**82.9**
Cash and cash equivalents at January 1			1,113.8	1,030.9
Cash and cash equivalents at December 31			**1,332.9**	**1,113.8**

(1) General information

The Hilti Group (the Group) comprises the Hilti Corporation and its domestic and foreign subsidiaries. The Group supplies the worldwide construction industry with technologically leading products, systems and services that provide construction professionals with innovative solutions and superior added value. Its product range includes equipment and systems covering drilling and demolition, direct fastening, diamond and anchoring, firestop and foam, installation, measuring, screw fastening, and cutting and sanding.

The Hilti Corporation is a limited by shares company incorporated and domiciled in the Principality of Liechtenstein. The Group's headquarters and the address of its registered office are at Feldkircherstrasse 100, 9494 Schaan, Liechtenstein. The Group's principal production and research and development location is Liechtenstein with further production and research and development locations worldwide. The Group operates in over 120 countries and has roughly 30,000 employees worldwide.

These consolidated financial statements were approved for issue by the Board of Directors on March 16, 2021.

(2) Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

(2.1) Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and comply with the requirements of Liechtenstein's corporations law, the 'Personen- und Gesellschaftsrecht (PGR)'.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The accounting estimates and judgments reflected in the 2020 consolidated financial statements that are critical in the context of the Group's financial position and financial performance are explained in note (3).

(2.2) COVID-19 implications

Through the challenging period of the COVID-19 pandemic, the Group has focused on employees and customers safety, continued customer support and has been managing the business with a strong finance discipline. Regional sales developments were directly related to the intensity of the lockdown. The construction industry in the Mediterranean region or in some Asian markets, such as India and Singapore, was confronted with massive restrictions. On the other hand sales in North Asia, North America and the rest of Europe fell less abruptly as construction activity in these regions saw no interruption. The Group has remained agile, adapting its operations to local guidelines and requirements, travel restrictions within and across countries and micro- and macro-economic changes. The impact of those changes to the financial statements are summarized as follows:

Risk management

While risks and uncertainties that may have a significant impact as described in the Financial Report remain valid, the COVID-19 pandemic may present new challenges to the Groups business. Those challenges are volatile and significantly different from country to country. While the construction sector and construction sites are generally more resilient than other sectors, Hilti Group has experienced smooth transition to virtualize many of its operations.

Group liquidity

The Group continuously tracks its liquidity positions and assets/liabilities profile. The Group has not experienced liquidity or cash flow disruptions during 2020 due to COVID-19 pandemic and maintains a cash and cash equivalents position of CHF 1,333 million as per December 31, 2020. The Group has a committed credit facility of CHF 200 million from the shareholder providing a further source of liquidity if needed. During 2020 CHF 100 million of it was drawn over a period of six months and is now repaid. In addition, a bond of CHF 150 million was emitted in 2020. The Group is well positioned to meet its ongoing financial obligations and has enough liquidity to support business activities.

Impairment testing

As a consequence of the potential impacts of COVID-19, the goodwill impairment test was reviewed during 2020 and revisited as of December 2020. A number of different scenarios for the recovery have been considered based on external data such as forecasted oil price, which closely reflects the demand in the offshore business. Overall, the review resulted in no impairment charge. The impairment tests performed for property, plant and equipment and intangible assets were prepared and reviewed in accordance with prior year and resulted in no material impairment charge.

Inventories

The Group has reviewed its inventories in light of the COVID-19 situation and has not identified material impairment losses on inventories in the reporting period as the Group believes it will consume its inventories on a short-term basis.

Credit loss of trade receivables

The Group has considered the impact of COVID-19 pandemic on the expected credit loss of trade receivables with and without significant financing components. The amount and timing of the expected credit losses, as well as the probability assigned there to, has been based on the available information at the end of December 2020. As a result of this review, no material impact of the pandemic on credit losses were identified. Credit losses were substantially in line with prior year.

Government grants for short time work and wage subsidies

In response to the COVID-19 pandemic Governments announced measures to assist entities. These measures include temporary salary subsidies, additional tax deductions and credits, rental reductions or deferrals and below-market rate loans. The Governments' measures primarily affecting the Group are temporary salary subsidies. The Group analyzed all facts and circumstances in relation to these schemes and accordingly applied the relevant accounting standards. In 2020 the group received CHF 19.4 million government grants for salary subsidies netted in the personnel expense.

(2.3) Changes in accounting policies and estimates

The group has assessed the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7
- COVID-19-Related Rent Concessions – amendments to IFRS 16

The amendments to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group enter any business combinations.

The Group early adopts the amendments to IFRS 16 COVID-19 Related Rent Concessions for the financial report 2020. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, the Group elected not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. As a result of this election the Group accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the changes were not a lease modification. These changes did not have a material impact to the Group's financial statements.

All other amendments listed above did not have any material impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

(2.4) Method of consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date when control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred for the amount of any non-controlling interest in the acquiree and the fair value at the acquisition date of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the income statement.

Intercompany transactions, balances and unrealized gains and losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries are changed, where necessary, to ensure consistency with the policies adopted by the Group.

Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount being recognized in 'other income and expenses (net)' in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in 'other comprehensive income (OCI)' in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in OCI are reclassified to 'other income and expenses (net)' in profit or loss.

Associates

Associates are all entities over which the Group has significant influence but not control, generally representing a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost.

Joint operations and joint ventures

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

The Group has joint operations and as a joint operator accounts for the assets, liabilities, revenues and expenses in relation to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

The Group has a joint venture and accounts for that investment using the equity method, with the investment initially recognized at cost and subsequently adjusted to recognize the share of the profit or loss of the investee after the date of acquisition.

(2.5) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Board (EB) that makes strategic decisions. With the Group's Multi-Channel-Service (MCS) approach, all products and services are relevant for all customers and the EB steers the business on Group level as one unit. Consequently, the Group operates in only one single operating segment. The single operating segment disclosure is accordingly set out in the balance sheet, income statement, statement of comprehensive income, statement of changes in equity and the cash flow statement. Breakdown of the segment information in terms of products, services and geographical areas is provided in note (34).

(2.6) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's companies are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Swiss francs, which is the functional and presentation currency of the Group.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, excluding long-term intercompany accounts receivables and payables, are recognized in the income statement. Foreign exchange gains and losses relating to long-term intercompany foreign currency loans are regarded as part of the net investment in the foreign entity and are recognized in OCI.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss.

Translation on consolidation

The results and financial position of all the Group's companies that have a functional currency different from the Group's presentation currency are translated on consolidation into the Group's presentation currency as follows:

- assets and liabilities at the closing spot exchange rates at the balance sheet date (closing rate) and
- income and expense items at year-to-date sales-weighted average exchange rates (average rate) (to provide a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates).

Gains and losses arising from the translation of the financial statements of foreign operations are recognized in OCI.

On the foreign operation's disposal, applicable exchange differences are reclassified to the income statement and recognized as part of the gain or loss on disposal. When a foreign operation is acquired, any applicable goodwill and fair value adjustments are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

The following exchange rates of principal currencies were applied for translation into Swiss francs:

in CHF	Average rates		Closing rates	
	2020	2019	**2020**	2019
1 CAD	0.700	0.749	0.691	0.744
1 EUR	1.071	1.113	1.080	1.085
1 GBP	1.206	1.269	1.202	1.276
100 JPY	0.880	0.910	0.854	0.890
100 RUB	1.288	1.540	1.181	1.550
1 USD	0.941	0.994	0.880	0.966

(2.7) Intangible assets

Goodwill is considered to have an indefinite useful life and is accordingly not amortized. Goodwill is tested for impairment annually, or when indicators of impairment exist, and recognized at cost less any accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of any goodwill relating to the entity sold.

Development costs are recognized as an asset only when the expenditure attributable to the intangible asset can be measured reliably and it is probable that the intangible asset will generate future economic benefits. In substance, these criteria include the condition that there will be probable future benefits that are directly attributable to the costs. In practice, only costs on certain product development projects that are subjected to a stringent review process, meet this condition. Such assets are normally amortized on a straight-line basis over a five-year period. All other development costs are recognized directly as an expense when incurred.

Other intangible assets consist of database and application software as well as manufacturing patents, which are recognized at historical cost less accumulated amortization and accumulated impairment losses, if any, and of customer contracts, patents, trademark and licenses, which were acquired as part of a business combination and initially recognized at fair value at the date of acquisition. They are amortized on a straight-line basis over their estimated useful lives, which are mostly periods of between three and ten years. Other periods may be used where specific contractual conditions apply.

(2.8) Property, plant and equipment

Land is valued at historical cost less accumulated impairment losses, if any. Other property, plant and equipment are recognized at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Historical cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of tangible fixed assets.

Depreciation is calculated using the straight-line method to allocate the historical costs of assets over their estimated useful lives. The estimated useful lives of depreciable property, plant and equipment are:

Buildings	20 to 40 years
Plant and machinery	5 to 15 years
Other operating assets	2 to 7 years

(2.9) Leases

The Group assesses at the contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As lessee

The Group, as a lessee, identified leases mainly relating to rental contracts for buildings (e.g. offices, warehouses, retail stores) and vehicles. Contracts may contain both lease and non-lease components, the Group has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets, which are recognized as expense on a straight-line basis over the lease terms.

At the date at which the leased asset is available for use, the Group recognizes lease liabilities to make lease payments and right of use assets representing the right to use the underlying assets.

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term, which include:

- fixed payments, less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease.

Lease liabilities are subsequently increased by the interest cost on the lease liability and are decreased by lease payments made.

The Group has several lease contracts that include extension and termination options. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease, considering relevant facts and circumstances that create an economic incentive.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee’s incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

The right of use assets are initially measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Subsequently, the right of use assets are measured at cost less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities.

Right of use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, or in case the purchase option is exercised, the right of use asset is depreciated over the underlying asset's useful life.

The carrying amount of the right of use assets is derecognized at the end date of the contract or before in case of early termination.

As lessor

The Group classifies its leases as operating leases or finance leases and accounts for those two types of leases differently.

(2.10) Financial assets

For the purpose of identifying accounting policies applied, after initial recognition, financial assets are classified as subsequently measured:

- at amortized cost and
- at fair value through profit or loss (FVP&L).

The classification is based on the business model for managing the respective financial assets and their contractual cash flow characteristics. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation when, and only when, it changes the business model for managing the related financial assets.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if:

- it is held within a business model whose objective is to hold financial assets to collect contractual cash flows, and
- the contractual terms give rise to cash flows that are solely of payments of principal and interest (SPPI).

This category includes loans and receivables, which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when, in the ordinary course of business, the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in 'trade and other receivables' (see notes (2.12) and (14)).

Financial assets measured at fair value through profit or loss

This category has two subcategories: financial assets held for trading and those mandatorily measured at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short-term or if so designated by management. Derivatives are also categorized as held for trading unless they are designated as hedges. A financial asset is mandatorily measured at fair value through profit or loss if:

- it is not held within a business model whose objective is to hold financial assets to collect contractual cash flows or to hold them to collect contractual cash flows and sell, and/or
- the contractual terms of the financial asset do not meet the SPPI conditions, and/or
- it is not held for trading.

Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months of the balance sheet date. Further information concerning financial assets measured at fair value through profit or loss is given in notes (12) and (17).

Accounting policies applied to financial assets

The accounting policies applied to financial assets are as follows:

For all classes of financial assets, purchases and sales are recognized on the trade date (the date on which the Group commits to purchase or sell the asset). Financial assets at fair value through profit or loss are initially recognized at fair value with applicable transaction costs immediately recognized in the income statement. Financial assets measured at amortized costs are initially recognized at fair value plus directly attributable transaction costs. Trade receivables that do not have a significant financing component are initially measured at their transaction price. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

After initial recognition, loans and receivables are measured at amortized cost determined using the effective interest method less allowances for expected credit losses (ECL). Financial assets at fair value through profit or loss are subsequently measured at fair value, with realized and unrealized gains and losses arising from changes in the fair value recognized in the income statement in the period they arise.

Financial assets and liabilities are offset and the net amount reported in the balance sheet, when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

The fair values of quoted investments are based on current bid prices. If current bid prices are not available, fair value is determined using other information such as that derived from the market prices of other similar instruments, discounted cash flow analysis and option pricing models refined to reflect the issuer's specific circumstances.

ECL are recognized for financial assets measured at amortized cost and receivables with significant financing component. A credit loss is the present value of the difference between the contractual cash flows and the cash flows that the entity expects to receive, discounted at the original effective interest rate. ECL are measured in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and available, reasonable and supportable information.

For trade receivables and contract assets that do not contain a significant financing component, the Group elected to adopt the simplified approach, which allows entities to use a provision matrix to recognize lifetime ECL. The provision matrix is based on historical loss patterns, reflecting the customers' payment behavior in the different countries, adjusted for forward-looking estimates.

Trade receivables are identified according to one of the three following categories: normal, doubtful and bad. The amount of the loss allowances is measured at initial recognition and throughout the life of the receivable, using an aging calculation applied to all trade receivables, which reflects the expected credit losses that result from all possible default events over the expected life of the receivable. When information has been obtained indicating that non-collection risk exists on the financial asset the trade receivables are fully impaired. A write-off is made when all or part of the financial asset is deemed uncollectible or forgiven.

For receivables with significant financing component the Group elected to calculate the 12-month expected credit loss model based on the historical default rates.

(2.11) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the standard cost method with variances capitalized at acquisition and production and recognized in the income statement together with the standard cost of inventory at time of sale. Standard costs are annually reviewed and updated in light of current conditions. Cost determined under this method approximates cost determined under the FIFO method.

(2.12) Trade receivables

Trade receivables (see the financial assets measured at amortized cost category of financial assets in note (2.10) above) are recognized initially at their transaction price and subsequently measured at amortized cost using the effective interest method, less allowances for the expected credit losses.

(2.13) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(2.14) Borrowings

Borrowings are recognized initially at fair value net of transaction costs incurred. Borrowings are subsequently measured at amortized cost with any difference between the amount at initial recognition and the redemption value being recognized in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

The Group capitalizes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset.

(2.15) Income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in OCI. In this case, the tax is also recognized in OCI.

Current income taxes

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. If late payment interests and/or penalties or fines are due in connection with additional direct taxes that are payable as the result of a tax audit, a voluntary disclosure, the amendment of a tax return or the like, such payments are considered as income taxes.

Deferred income taxes

Deferred income taxes are provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates that have been legally enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled and reflects uncertainty related to income taxes, if any. Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint arrangements except where the timing of the reversal of a temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(2.16) Employee benefits

Pension obligations

Group companies operate various post-employment schemes, including both defined benefit and defined contribution pension plans. These schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by annual actuarial valuations.

Long-service benefits

Some Group companies provide jubilee and other similar long-service benefits. The entitlement to these benefits is usually conditional on the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that used for defined benefit pension plans.

Variable compensation

The Group recognizes a liability and an expense for variable compensation based on changes in key financial results, such as sales, operating profit, net income and capital employed as specified in the employment contracts.

(2.17) Provisions

Major types of provisions recognized by the Group include provisions for restructuring costs, product liability and legal claims. Provisions for restructuring costs mostly comprise expected lease termination penalties and employee termination benefit payments. Where provisions relate to a number of similar obligations the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is then recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be low.

(2.18) Trade and other payables

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

(2.19) Revenue recognition and contract liabilities

The Group manufactures and develops a range of products and services for the construction and energy sectors. The Group has implemented a five-step model applicable to all contracts with customers and has disaggregated revenue from contracts with customers into the following categories of revenue recognition patterns: sales contracts of goods, warranties (covering repairs) and services. These categories were analyzed with the five-step approach to identify all performance obligations and to allocate the transaction price to each performance obligation.

Net sales of goods and services

Revenue from the sale of goods is recognized in the income statement at a point in time, when control of the products has transferred, typically when the products are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Revenues related to goods for which the control has not yet been transferred to the customer will be recognized only in the following period.

Revenue from services rendered is recognized at a point in time or over a period of time, depending if the performance obligation is satisfied at a point in time or over a period of time. All revenues from sales of goods and services rendered are recognized at normal selling price less applicable trade discounts and rebates, individually determined in the markets.

Revenue from sales of goods with significant financing component relates to finance lease and is recognized in the period the lease commences while the applicable interest income is recognized on an actuarial basis over the lease term. Revenue from operating leases is recognized over the lease term.

Service warranty

The Group offers its customers a warranty covering all repairs for a certain period after the sale. These warranty obligations are considered as a separate performance obligation and recognized over a period of time. A portion of the transaction price is allocated to the service warranty and recognized as a contract liability. Revenue is recognized over the period in which the service warranty is provided based on the time elapsed. Contract liabilities are shown in a separate line item on the balance sheet and split in current and non-current.

(2.20) Dividend distributions

Dividend distributions to the Hilti Corporation's shareholders are recognized as liabilities in the Groups financial statements in the periods in which the dividends are approved by the Corporation's shareholders.

(2.21) Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risks), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department (Corporate Treasury) under policies approved by the Board of Directors. Corporate Treasury identifies, evaluates and hedges certain financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as the use of derivative and non-derivative financial instruments, managing market risk, credit risk and investing excess liquidity.

Market risk

Currency risk

The Group operates globally and is exposed to risk arising from various currency exposures. Currency risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

Currency risk arising from future operating transactions (sales and purchases of goods and services) and recognized assets and liabilities is managed by Corporate Treasury using hedging instruments, primarily forward contracts. Corporate Treasury's general risk management practice is to hedge between 50% and 100% of the Group's anticipated net cash inflows or outflows in each major foreign currency for the subsequent 12 months. For hedge accounting purposes, forward contracts are designated against the relevant amounts of projected intercompany sales by the parent company and 100% (2019: 100%) of projected sales qualify as 'highly probable' forecast transactions.

Currency risks arising from net investments in foreign operations are only hedged in exceptional cases.

Currency exposures arising from open balances with third parties and/or Group companies in trade and other receivables, trade and other payables, and bonds are reduced through the natural hedging (currency matching) of these items as well as managed using hedging instruments. Currency exposures arising from cash and cash equivalents are reduced by limiting non-Swiss franc denominated investments to the main currencies of the operative business of the Group and by limiting the proportions of investments in these currencies.

At December 31, if the Swiss franc had strengthened/weakened by 10% against the US dollar, euro and all other currencies with all other variables held constant, net income for the year would have been affected as follows:

in CHF million	Swiss franc strengthened (+10%)		Swiss franc weakened (–10%)	
	2020	2019	**2020**	2019
USD	(2.0)	0.4	2.0	(0.4)
EUR	(1.1)	(0.4)	1.1	0.4
All other currencies	(1.9)	(3.3)	1.9	3.3

These effects result from the translation of monetary asset and liability positions held in foreign currencies and from derivative contracts to hedge these foreign currency risks and do not include any effects of foreign currency transactions during the year.

At December 31, if the Swiss franc had strengthened/weakened by 10% against the US dollar, euro and all other currencies with all other variables held constant, OCI would have been affected as follows:

in CHF million	Swiss franc strengthened (+10%)		Swiss franc weakened (–10%)	
	2020	2019	**2020**	2019
USD	3.1	4.6	(3.1)	(4.6)
EUR	–	–	–	–
All other currencies	7.2	7.0	(7.2)	(7.0)

These effects result from changes in the values (due to the respective Swiss franc movements) of Swiss francs derivative contracts held to hedge foreign currency risk.

Interest rate risk

The Group has investments in interest-bearing assets, mainly deposits and long-term borrowings, mostly consisting of bonds the Group itself has issued. Interest-bearing assets and borrowings subject to variable rates or held for trading expose the Group to cash flow interest rate risk. Interest-bearing assets and borrowings subject to fixed rates and not held for trading expose the Group to fair value interest rate risk.

Virtually all the Group’s interest-bearing assets are subject to variable rates or are reported at fair value through profit or loss because they are held for trading. All the Group’s bond liabilities are reported at amortized cost. The interest-bearing assets are denominated primarily in Swiss franc and euro investments and the bond liabilities are effectively denominated in a combination of Swiss franc and euro. Interest rate risk arising from long-term financing (banking and capital market) liabilities is managed by Corporate Treasury by using hedging instruments, primarily interest rate swaps. Corporate Treasury’s general risk management practice is to hedge between 40% and 60% of the Group’s relevant interest exposure.

Based on December 31 levels of borrowings subject to variable rates and interest-bearing assets subject to variable rates or held for trading, an increase/decrease of one hundred basis points would have affected net income as follows:

in CHF million	Increase of hundred basis points		Decrease of hundred basis points	
	2020	2019	**2020**	2019
All currencies	5.8	3.1	(5.8)	(3.1)

Separate simulations of the impact of interest rate changes on each of the Swiss franc, euro and US dollar investment holdings have not been completed since an increase/decrease of one hundred basis points is considered reasonably possible for each of the three currencies.

Due to interest rate derivatives, OCI would have been impacted as follows:

in CHF million	Increase of hundred basis points		Decrease of hundred basis points	
	2020	2019	**2020**	2019
CHF	(3.8)	(4.9)	3.8	4.9

Credit risk

Credit risk is managed on a Group basis. Virtually all credit risk arises from cash and cash equivalents (which primarily consist of demand deposits with first-class financial institutions) and from trade receivables (which represent credit exposures to customers).

The Group has significant concentrations of credit risk arising from its investments in cash and cash equivalents. These concentrations relate to demand deposits with banking institutions. For all major counterparty banking institutions, a minimum credit rating of 'A' is required. The Group regularly reviews the counterparties' creditworthiness based on the ratings issued by Standard & Poor's. Management does not expect any losses from non-performance by these counterparties.

For trade receivables, the Group has policies in place to ensure that credit sales of products are made to customers with appropriate credit histories. In addition, an active credit management focus is maintained in all the Group's market organizations to ensure that the impact of credit risk is minimized. Details of the impairment estimates of trade receivables are given in note (14). The Group has no significant concentrations of corresponding credit risk with trade receivables.

Liquidity risk

Cash flow forecasting is performed in the operating companies of the Group and aggregated by Corporate Treasury. Corporate Treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn established borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements – for example currency restrictions.

Surplus cash held by the operating companies over and above the balance required for working capital management is transferred to Corporate Treasury. Corporate Treasury deposits surplus cash in current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. At the reporting date, the Group held liquid funds of CHF 1,332.9 million (2019: CHF 1,113.8 million).

The table below analyzes the Group's non-derivative financial liabilities into relevant maturity Groupings based on the periods from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows including future interest payments:

in CHF million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At December 31, 2020				
Bonds and borrowings	145.5	29.9	369.7	101.1
Lease liabilities	126.3	102.7	159.1	105.8
Trade and other payables	468.4	2.0	7.8	8.0

in CHF million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At December 31, 2019				
Bonds and borrowings	228.5	40.1	222.0	101.1
Lease liabilities	131.6	98.0	177.0	95.1
Trade and other payables	471.7	4.3	23.8	8.1

Most of the non-trading Group's gross or net settled derivative financial instruments are in hedge relationships and are due to be settled gross or net within 12 months of the balance sheet date. These contracts require undiscounted contractual cash inflows of CHF 626.4 million (2019: CHF 802.1 million) and undiscounted contractual cash outflows of CHF 630.4 million (2019: CHF 803.5 million). All of the non-trading Group's derivative financial instruments are in hedge relationships and are disclosed in note (16).

Net debt reconciliation

in CHF million	January 1, 2020	Cash flow	Non-cash changes Acquisition / Disposal of Leases	Exchange differences	Other non-cash changes	December 31, 2020
Bonds	299.9	149.9	–	–	–	449.8
Long-term borrowings	54.0	4.5	–	(2.4)	(12.8)	43.3
Lease liabilities	448.6	(131.8)	153.7	(26.5)	0.2	444.2
Other long-term loans	18.8	(16.4)	–	1.6	–	4.0
Short-term bank borrowings	226.0	(75.9)	–	(20.0)	12.8	142.9
Total liabilities from financing activities	**1,047.3**	**(69.7)**	**153.7**	**(47.3)**	**0.2**	**1,084.2**

in CHF million	January 1, 2019	Cash flow	Non-cash changes Acquisition / Disposal of Leases	Exchange differences	Other non-cash changes	December 31, 2019
Bonds	333.1	(33.5)	–	0.3	–	299.9
Long-term borrowings	27.6	25.0	–	(1.6)	3.0	54.0
Lease liabilities	386.9	(136.2)	203.7	(9.5)	3.7	448.6
Other long-term loans	21.9	(3.0)	–	(0.1)	–	18.8
Short-term bank borrowings	153.9	78.2	–	(3.1)	(3.0)	226.0
Total liabilities from financing activities	**923.4**	**(69.5)**	**203.7**	**(14.0)**	**3.7**	**1,047.3**

(2.22) Capital structure risk management

The Group's primary objective when managing capital is to add sustainable value for investors while ensuring the independence of the Group. In order to maintain or adjust the capital structure, the Group maintains a flexible dividend policy within the limits of its overall finance policies.

The Group monitors capital on the basis of the equity ratio measured as equity in percentage of total equity and liabilities. The Group views a high equity ratio as the basis for ensuring security, capability of taking risk, independence, flexibility and creditworthiness. The Group's objective is to maintain a sufficiently high equity ratio primarily to ensure independence from the influence of external creditors as well as to maintain a high external credit rating to help minimize the cost of debt if and when further debt is issued.

The Group's policy is to maintain a minimum equity ratio of 45% on a mid-term basis. Following is equity ratio information at the balance sheet date:

in CHF million	**2020**	2019
Total equity	3,472.1	3,276.3
Total equity and liabilities	6,546.0	6,379.1
Total equity in % Total equity and liabilities	**53.0%**	**51.4%**

Based on the Group's credit profile and outlook as assessed by the Credit Suisse Banking Group during 2020 on the basis of the Group's 2019 Financial Report a credit rating of 'High A stable' was assigned (2019: 'High A stable') (see Credit Suisse: Swiss Corporate Credit Handbook September 2020).

(2.23) Fair value estimation

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value:

in CHF million	Level 1	Level 2	Level 3	**Total**
At December 31, 2020				
Assets				
Financial assets at fair value through profit and loss	23.8	–	–	**23.8**
Derivatives used for hedging	–	10.3	–	**10.3**
Liabilities				
Derivatives used for hedging	–	6.7	–	**6.7**

in CHF million	Level 1	Level 2	Level 3	Total
At December 31, 2019				
Assets				
Financial assets at fair value through profit and loss	27.3	–	–	**27.3**
Derivatives used for hedging	–	15.7	–	**15.7**
Liabilities				
Derivatives used for hedging	–	3.0	–	**3.0**

There were no transfers between levels 1 and 2 during the year.

(2.24) Accounting for derivative financial instruments and hedging activities

Derivatives are only used for economic hedging purposes and not as speculative investments. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period.

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as one of:

- hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedges)
- hedges of highly probable forecast transactions (cash flow hedges) and
- hedges of net investments in foreign operations (net investment hedges).

At the inception of the hedge relationship the Group documents the economic relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its risk management objective and strategy for undertaking its hedge transactions.
The fair values of various derivative instruments used for hedging purposes and the Group's hedging reserves reconciliation are disclosed in note (16).

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. For hedges of foreign currency purchases, the Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Group performs a qualitative assessment to identify any changes in circumstances affecting the critical terms. The Group enters also into interest rate swaps, where the hedged item is identified proportionally to the outstanding loans up to the notional amount of the swaps. As based on effectiveness assessment all critical terms matched at any time, the economic relationship was 100% effective.

(3) Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(3.1) Trade receivables

Losses on trade receivables are recognized when they are expected, which requires management's best estimate of probable losses. Such estimates require consideration of historical loss experience, adjusted for current conditions, and judgments about the probable effects of relevant observable data, including financial health of specific customers and market sectors or collateral values.
Detailed information concerning trade receivables is given in notes (2.12), (2.10) and (14).

(3.2) Inventories

Write-downs of inventories are recognized for particular items when net realizable value falls below cost. The determination of net realizable value is made using a valuation process based on the aging of items with aging parameters set based on estimates of historical loss experience. This process assumes a linear realizable value reduction based on age. Detailed information concerning inventories is given in note (13).

(3.3) Impairment of goodwill; development costs capitalized under intangible assets; property, plant and equipment

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortization and are tested annually for impairment. Other intangible assets and property, plant and equipment are reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash flows (cash-generating units). For impairment of goodwill the recoverable amounts of cash-generating units (CGUs) are determined based on value-in-use calculations which require medium- and long-term estimates. The methodology for goodwill impairment testing is based on a discounted cash flow model that is most sensitive to the following key assumptions: i) forecasts of free cash flows in years one to four and ii) changes in the long-term growth rate, which are based on internal planning data, as well as iii) changes in the discount rates, which are based on external data. Detailed information concerning the annual goodwill impairment test is given in note (7).

(3.4) Employee benefits

The status of various defined benefit plans depends on long-term actuarial assumptions that may differ from actual future developments. The calculation of the discount rate, future increases in salaries/wages and pensions, and mortality are important assumptions in actuarial valuations. Detailed information concerning the defined benefit plans is given in note (21).

(3.5) Income taxes

The measurement of current and deferred income tax liabilities or assets is dependent on the judgment and interpretation of existing tax laws and regulations in the respective countries and, therefore, requires certain estimates. Generally, deferred tax assets and liabilities are determined based on temporary differences between the financial accounts and the tax balance and are measured relying on enacted tax rates and, if applicable, on tax rates that are anticipated to be in effect when differences are estimated to reverse, if substantively enacted. Unforeseen changes in these areas may affect these estimates. Additionally, in tax disputes, the judgments taken by management could be challenged by tax authorities, potentially resulting in the payment of additional taxes, interest and/or penalties. Consequently, deviations between the initial assumptions and the final determination of income taxes may lead to material changes to current or deferred income tax expenses of the period in which such income tax becomes definite. Furthermore, the recognition of deferred tax assets on tax loss carryforwards depends on the probability of future taxable profits of Group companies. Several internal and external factors, such as forecasts, interpretations of existing tax laws and regulations are used in the estimation of such future profits. Tax positions are regularly and proactively clarified with external tax experts to reduce tax contingencies. If such tax positions are still considered as uncertain, they are assessed and treated based IFRIC 23. Detailed information concerning income taxes is given in notes (11) and (33).

(3.6) Other critical accounting estimates and judgments

In the ordinary course of business, the company is or may be involved in lawsuits, claims, investigations and proceedings, including product liability, commercial, environmental, health and safety matters, etc. The company is currently not aware of any such matter that either individually or in the aggregate could likely have a material adverse effect on the company's future financial position or results of operations.

(4) New standards, amendments and interpretations not yet adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

(5) Business combinations and transactions with non-controlling interests

(5.1) Business combinations

During 2020 the Group was not involved in any business combinations.

With regards to prior-year business combinations, the Hilti Group has acquired the remaining 50% of the joint operation Hilti Seuffer Electronics GmbH. This transaction had no material impact on the Group financial statements.

(5.2) Transactions with non-controlling interests

In 2020 the Group has established the manufacturing entity Handan HWC Manufacturing Ltd. in China. As the Group has an 80% ownership interest, the remaining 20% of the minority shareholder's interests resulted in a change in non-controlling interests of CHF 1.1 million in the Group consolidated statement of changes in equity.

During 2019 there were no transactions with non-controlling interests.

(6) Financial assets and liabilities

Financial assets and liabilities listed according to the measurement categories identified under IFRS 9 Financial Instruments and IFRS 16 Leases. Recognition and measurement and the corresponding balance sheet items are as follows:

in CHF million	2020	2019
Financial assets		
Financial assets at fair value through profit or loss		
Held for trading	23.8	27.3
Mandatorily measured at fair value through profit or loss	18.5	16.6
Derivative financial instruments		
Used for hedging	6.1	6.9
Held for trading at fair value through profit or loss	4.2	8.8
Financial assets measured at amortized cost		
Trade and other receivables	2,035.2	2,050.5
Cash and cash equivalents	1,332.9	1,113.8
Total financial assets	**3,420.7**	**3,223.9**
Financial liabilities		
Derivative financial instruments		
Used for hedging	2.6	1.7
Held for trading at fair value through profit or loss	4.1	1.3
Financial liabilities measured at amortized costs		
Trade and other payables	486.2	507.9
Bonds	449.8	299.9
Bank borrowings	186.2	280.0
Lease liabilities	444.2	448.6
Total financial liabilities	**1,573.1**	**1,539.4**

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

(7) Intangible assets

in CHF million	Goodwill	Develop-ment costs	Other intangible assets	Total
Cost 2020				
Opening balance at January 1, 2020	**97.7**	**927.8**	**224.1**	**1,249.6**
Additions	–	171.4	22.6	194.0
Disposals	–	(47.7)	(5.5)	(53.2)
Currency translation adjustment	(6.1)	–	(4.7)	(10.8)
Closing balance at December 31, 2020	**91.6**	**1,051.5**	**236.5**	**1,379.6**
Accumulated amortization 2020				
Opening balance at January 1, 2020	**–**	**(231.2)**	**(125.0)**	**(356.2)**
Additions	–	(112.5)	(19.2)	(131.7)
Impairment losses	–	(4.0)	–	(4.0)
Disposals	–	47.7	5.5	53.2
Currency translation adjustment	–	–	1.6	1.6
Closing balance at December 31, 2020	**–**	**(300.0)**	**(137.1)**	**(437.1)**
Net book values at December 31, 2020	**91.6**	**751.5**	**99.4**	**942.5**

in CHF million	Goodwill	Develop-ment costs	Other intangible assets	Total
Cost 2019				
Opening balance at January 1, 2019	**100.6**	**1,035.3**	**202.8**	**1,338.7**
Additions	–	171.5	31.1	202.6
Disposals	–	(278.9)	(7.2)	(286.1)
Transfer	–	(0.1)	0.1	–
Currency translation adjustment	(2.9)	–	(2.7)	(5.6)
Closing balance at December 31, 2019	**97.7**	**927.8**	**224.1**	**1,249.6**
Accumulated amortization 2019				
Opening balance at January 1, 2019	**–**	**(413.7)**	**(116.7)**	**(530.4)**
Additions	–	(93.8)	(16.6)	(110.4)
Impairment losses	–	(2.6)	–	(2.6)
Disposals	–	278.9	7.2	286.1
Currency translation adjustment	–	–	1.1	1.1
Closing balance at December 31, 2019	**–**	**(231.2)**	**(125.0)**	**(356.2)**
Net book values at December 31, 2019	**97.7**	**696.6**	**99.1**	**893.4**

Of intangible assets, only development costs are internally generated, all other intangible assets are acquired. Other intangible assets consist mainly of patents, brands, customer lists and database/application software licenses. Additions to accumulated amortization and impairment losses are included in depreciation and amortization.

The goodwill of CHF 91.6 million (2019: CHF 97.7 million) arises from the acquisition of the Oglaend Group in 2017. In accordance with IAS 36, goodwill is tested annually for impairment or when indicators of impairment exist. Based on the assessment made in 2020, no impairment loss has been recognized in the Group's 2020 financial statements.

For impairment testing purposes, goodwill is solely allocated to the Group's offshore business as the cash-generating unit (CGU). To test for possible impairment of goodwill, the recoverable amount, calculated as discounted value of the estimated future cash flows of the CGU (its 'value in use'), is compared with its carrying amount. The future cash flows are estimated on the basis of the business plan approved by management in general covering a four-year forecast period – 2021 to 2024 – and a constant growth rate assumption of 2.0% for the terminal value beyond 2024. The value in use of the CGU is based on a post-tax discount rate of 10.1%.
The calculation of value in use is most sensitive to the below assumptions that were tested for sensitivity by applying a reasonably possible change.

- Projected cash flows: These largely depend on management's expectations concerning the development of the offshore market and the planned business focus by the Group on this area of operation.
- Discount rate: The discount rate used reflects specific risks to the CGU offshore and is derived from its weighted cost of capital (WACC).
- Long-term growth rate: The long-term growth rate is based upon management's expectations corroborated by external information sources and does not exceed the long-term average growth rate customarily used for the relevant countries and markets.

Under the reasonably possible scenarios, a rise of 2% in the discount rate in the offshore business or a decrease of more than 20% of the terminal value would result in an impairment.

(8) Property, plant and equipment

in CHF million	Land and buildings	Plant and machinery	Other operating assets	Assets under construction	**Total**
Cost 2020					
Opening balance at January 1, 2020	**836.9**	**764.5**	**610.6**	**123.9**	**2,335.9**
Additions	16.8	25.1	51.0	57.8	150.7
Disposals	(0.8)	(14.8)	(24.6)	–	(40.2)
Other transfers	46.1	20.2	12.0	(78.3)	–
Currency translation adjustment	(6.4)	(11.7)	(24.5)	(1.6)	(44.2)
Closing balance at December 31, 2020	**892.6**	**783.3**	**624.5**	**101.8**	**2,402.2**
Accumulated depreciation 2020					
Opening balance at January 1, 2020	**(362.9)**	**(611.8)**	**(408.6)**	**–**	**(1,383.3)**
Additions	(23.7)	(35.3)	(59.8)	–	(118.8)
Disposals	0.8	10.6	22.8	–	34.2
Other transfers	0.1	0.1	(0.2)	–	–
Currency translation adjustment	2.6	7.9	14.9	–	25.4
Closing balance at December 31, 2020	**(383.1)**	**(628.5)**	**(430.9)**	**–**	**(1,442.5)**
Net book values at December 31, 2020	**509.5**	**154.8**	**193.6**	**101.8**	**959.7**

in CHF million	Land and buildings	Plant and machinery	Other operating assets	Assets under con-struction	Total
Cost 2019					
Opening balance at January 1, 2019	**851.0**	**825.4**	**575.8**	**74.3**	**2,326.5**
Change in scope of consolidation	–	–	0.3	–	0.3
Additions	17.5	26.0	79.9	85.9	209.3
Disposals	(29.3)	(84.0)	(41.6)	–	(154.9)
Other transfers	11.9	13.4	8.8	(34.1)	–
Currency translation adjustment	(14.2)	(16.3)	(12.6)	(2.2)	(45.3)
Closing balance at December 31, 2019	**836.9**	**764.5**	**610.6**	**123.9**	**2,335.9**
Accumulated depreciation 2019					
Opening balance at January 1, 2019	**(363.3)**	**(670.9)**	**(398.3)**	**–**	**(1,432.5)**
Change in scope of consolidation	–	–	(0.1)	–	(0.1)
Additions	(22.8)	(36.8)	(57.8)	–	(117.4)
Disposals	16.6	83.8	38.3	–	138.7
Other transfers	–	(0.7)	0.7	–	–
Currency translation adjustment	6.6	12.8	8.6	–	28.0
Closing balance at December 31, 2019	**(362.9)**	**(611.8)**	**(408.6)**	**–**	**(1,383.3)**
Net book values at December 31, 2019	**474.0**	**152.7**	**202.0**	**123.9**	**952.6**

Other operating assets consist mainly of office equipment, testing instruments, leasehold improvements and vehicles.

Capital expenditure, shown as additions to cost, relates primarily to manufacturing facilities enhancements and extensions of sales organizations. Additions to accumulated depreciation are included in ‘depreciation and amortization’.

Depreciation (notes (8) and (9)) and amortization (note (7)) comprise depreciation, amortization and impairment losses on intangible assets, property, plant and equipment as well as right of use assets.

(9) Leases

(9.1) Right of use assets

in CHF million	Buildings	Vehicles	Others	Total
Costs 2020				
Opening balance at January 1, 2020	**339.6**	**212.3**	**7.8**	**559.7**
Additions	93.8	75.7	2.3	171.8
Disposals	(28.6)	(37.4)	(2.6)	(68.6)
Currency translation adjustment	(21.1)	(12.9)	(0.3)	(34.3)
Closing balance at December 31, 2020	**383.7**	**237.7**	**7.2**	**628.6**
Accumulated depreciation 2020				
Opening balance at January 1, 2020	**(61.2)**	**(61.1)**	**(2.2)**	**(124.5)**
Additions	(66.1)	(72.0)	(2.3)	(140.4)
Disposals	20.2	28.6	2.0	50.8
Currency translation adjustment	4.7	3.9	0.1	8.7
Closing balance at December 31, 2020	**(102.4)**	**(100.6)**	**(2.4)**	**(205.4)**
Net book values at December 31, 2020	**281.3**	**137.1**	**4.8**	**423.2**

in CHF million	Buildings	Vehicles	Others	Total
Costs 2019				
Opening balance at January 1, 2019	**239.9**	**137.3**	**5.0**	**382.2**
Additions	125.1	101.8	3.1	230.0
Disposals	(16.4)	(22.4)	(0.2)	(39.0)
Other transfers	(1.7)	–	–	(1.7)
Currency translation adjustment	(7.3)	(4.4)	(0.1)	(11.8)
Closing balance at December 31, 2019	**339.6**	**212.3**	**7.8**	**559.7**
Accumulated depreciation 2019				
Opening balance at January 1, 2019	**–**	**–**	**–**	**–**
Additions	(66.3)	(74.9)	(2.4)	(143.6)
Disposals	3.8	12.5	0.1	16.4
Currency translation adjustment	1.3	1.3	0.1	2.7
Closing balance at December 31, 2019	**(61.2)**	**(61.1)**	**(2.2)**	**(124.5)**
Net book values at December 31, 2019	**278.4**	**151.2**	**5.6**	**435.2**

(9.2) Lease liabilities

in CHF million	2020	2019
< 1 year	113.4	116.1
1 to < 2 years	93.2	90.1
2 to < 5 years	143.7	154.5
>= 5 years	93.9	87.9
Total lease liabilities	**444.2**	**448.6**

The consolidated income statement shows the following amounts relating to leases:

in CHF million	2020	2019
Depreciation	(140.4)	(143.6)
Interest expense (included in finance cost)	(15.5)	(18.2)
Expense relating to short-term leases	(13.4)	(16.3)
Expense relating to low-value asset that are not short-term leases	(13.8)	(12.5)
Expense relating to variable lease payments not included in lease liabilities	(30.7)	(31.1)
Expense relating to leases relating to software and other intangible assets	(14.3)	(11.5)

The total cash outflow for the leases is CHF 219.5 million (2019: CHF 225.8 million).

(10) Investments in associates and joint ventures

The Group has not acquired new ownership interests in associates nor new joint ventures during the reporting period.

(11) Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The net book values are as follows:

in CHF million	2020	2019
Recovery of deferred tax balances		
More than 1 year	(122.9)	(119.0)
Less than 1 year	133.3	142.3
Total	**10.4**	**23.3**
Components of deferred tax balances		
Inventories	55.6	62.7
Fixed and intangible assets	13.7	11.6
Provisions and employee benefits	83.7	84.4
Receivables	(219.5)	(212.0)
Tax losses	5.9	8.3
Trade payables and contract liabilities	40.6	41.9
Other	30.4	26.4
Total	**10.4**	**23.3**
of which recognized as deferred tax assets	134.3	143.0
of which recognized as deferred tax liabilities	(123.9)	(119.7)

The movements in net deferred tax assets (liabilities) during the reporting period are as follows:

in CHF million	Inventories	Fixed and intangible assets	Provisions and employee benefits	Receivables	Tax losses	Trade payables and contract liabilities	Other	**Total**
Net deferred income tax assets/(liabilities)								
Opening balance at January 1, 2020	**62.7**	**11.6**	**84.4**	**(212.0)**	**8.3**	**41.9**	**26.4**	**23.3**
(Charged)/credited to income statement	(2.2)	3.9	3.1	(11.1)	(2.0)	–	7.0	(1.3)
(Charged)/credited to OCI	–	–	(2.0)	–	–	–	–	(2.0)
Currency translation adjustment	(4.9)	(1.8)	(1.8)	3.6	(0.4)	(1.3)	(3.0)	(9.6)
Closing balance at December 31, 2020	**55.6**	**13.7**	**83.7**	**(219.5)**	**5.9**	**40.6**	**30.4**	**10.4**
Opening balance at January 1, 2019	**53.4**	**(3.6)**	**72.3**	**(182.8)**	**9.5**	**37.4**	**26.6**	**12.8**
(Charged)/credited to income statement	10.7	18.6	(0.6)	(36.3)	(0.9)	5.7	0.1	(2.7)
(Charged)/credited to OCI	–	–	13.4	–	–	–	–	13.4
Currency translation adjustment	(1.4)	(3.4)	(0.7)	7.1	(0.3)	(1.2)	(0.3)	(0.2)
Closing balance at December 31, 2019	**62.7**	**11.6**	**84.4**	**(212.0)**	**8.3**	**41.9**	**26.4**	**23.3**

The category ‘inventories’ includes the tax effects of temporary differences arising on unrealized intercompany profits, as well as those arising on differences between tax and accounting treatment regarding inventory measurements at the legal entity. The category ‘fixed and intangible assets’ includes the tax effects of temporary differences arising both on intangible assets and property, plant and equipment. The category ‘provisions and employee benefits’ includes items charged/credited to OCI which are tax effects of temporary differences arising on remeasurements on defined benefit pension plans. The category ‘receivables’ includes tax effects on temporary differences arising on fleet management sales/receivables due to the different treatment in some tax legislations (operating lease) and IFRS (finance lease), as well as on differences between tax and accounting treatment regarding receivable measurements at the legal entity. The category ‘accounts payable and contract liabilities’ mainly includes tax effects on temporary differences arising on contract liability due to different treatment of revenue recognition in some tax legislations. The category ‘other’ mainly includes tax effects on temporary differences arising on accruals and financial instruments as well the net effect on the right of use assets and the corresponding lease liabilities.

Deferred income tax assets are recognized for tax loss carryforwards to the extent that the realization of the related tax benefit through future taxable profits is probable. Details are as follows:

in CHF million	**2020**	2019
Tax loss carryforwards recognized in deferred tax	27.3	34.8
Unused tax loss carryforwards	52.6	24.9
Total tax loss carryforwards	**79.9**	**59.7**
Expiration of unused tax loss carryforwards:		
Expiration < 1 year	0.2	–
Expiration 1 year to < 5 years	2.5	0.6
Expiration >= 5 years or no expiration date	49.9	24.3
Tax effect of unused tax loss carryforwards	10.8	7.4
Unremitted earnings subject to withholding tax or other taxes	243.4	210.3

Deferred income tax liabilities have not been recognized for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries totaling CHF 243.4 million (2019: CHF 210.3 million). Such amounts are permanently reinvested.

(12) Other financial investments

Other financial investments comprise mainly other investments in equities and are classified as at fair value through profit and loss.

(13) Inventories

in CHF million	**2020**	2019
Raw materials	63.1	63.6
Work in progress	9.4	9.9
Finished goods	515.0	572.1
Total inventories	**587.5**	**645.6**

The change in inventories includes a currency translation adjustment which decreases the inventories by CHF 29.1 million in 2020. This is due to the change in closing rates in 2020 compared to those in 2019.

The allowance made for possible inventory losses due to age and obsolescence totals CHF 59.6 million (2019: CHF 59.7 million). The change in the allowance recognized in the income statement is CHF -3.3 million (2019: CHF -5.5 million). This change is included in the line ‘change in inventory’.

(14) Trade and other receivables

in CHF million	2020	2019
Trade receivables	2,074.8	2,076.6
Less adjustment for impairment of trade receivables	(148.1)	(134.7)
Trade receivables net	**1,926.7**	**1,941.9**
Other receivables	108.5	108.6
Total trade and other receivables	**2,035.2**	**2,050.5**
Current portion	1,245.7	1,249.6
Non-current portion	789.5	800.9
Total trade and other receivables	**2,035.2**	**2,050.5**
Maturity of non-current portion		
1 to < 2 years	410.6	400.0
2 to < 3 years	250.0	252.5
3 to < 4 years	104.3	113.0
4 to < 5 years	17.5	25.4
>= 5 years	7.1	10.0
Total non-current trade and other receivables	**789.5**	**800.9**

The closing loss allowances for trade receivables and receivables with significant financing component reconcile to the opening loss allowances as follows:

in CHF million	2020	2019
Opening balance of adjustment for the impairment of trade receivables at January 1	**134.7**	**127.0**
Additional impairment adjustment charged to income statement during year	40.1	41.4
Write-offs of trade receivables charged to impairment adjustment account during year	(26.7)	(33.7)
Closing balance of adjustment for the impairment of trade receivables at December 31	**148.1**	**134.7**

in CHF million	2020	2019
Currency denominations of the carrying amounts of trade and other receivables		
EUR	1,101.4	1,055.4
USD	224.9	247.3
Other	708.9	747.8
Total trade and other receivables	**2,035.2**	**2,050.5**

The Group provides for credit losses against trade receivables as follows:

in CHF million	2020			2019		
	Normal	Doubtful	Total	Normal	Doubtful	Total
Gross carrying amount receivables without significant financing component	726.9	71.5	**798.4**	803.4	66.9	**870.3**
Gross carrying amount receivables with significant financing component	1,359.5	25.4	**1,384.9**	1,292.4	22.5	**1,314.9**
Loss allowance provisions	58.3	89.8	**148.1**	53.9	80.8	**134.7**

The change in trade and other receivables includes a currency translation adjustment which decreases the trade and other receivables by CHF 72.7 million in 2020 (2019: decreases by CHF 52.2 million). This is due to the change in closing rates in 2020 compared to those in 2019.

The net change in the adjustment for the impairment of trade receivables is recognized in the income statement in the line 'losses on trade and other receivables'.

Receivables totaling CHF 60.1 million (2019: CHF 60.3 million) serve as security for bank borrowings of CHF 60.1 million (2019: CHF 60.3 million) (see notes (23) and (26)).

Other receivables primarily consist of VAT and tax refunds receivables totaling CHF 38.2 million (2019: CHF 40.5 million), deposits totaling CHF 28.9 million (2019: CHF 30.1 million), advances totaling CHF 11.9 million (2019: CHF 10.6 million) and vendors with debit balances totaling CHF 12.1 million (2019: CHF 8.6 million).

Details of the finance receivables with significant financing component included in trade receivables are as follows:

in CHF million	**2020**			2019		
	Gross investment in the lease	Unearned finance income	Net investment in the lease	Gross investment in the lease	Unearned finance income	Net investment in the lease
< 1 year	684.5	102.2	582.3	606.0	91.0	515.0
1 to < 5 years	886.0	83.7	802.3	873.6	76.0	797.6
>= 5 years	0.3	–	0.3	2.3	–	2.3
Total at December 31	**1,570.8**	**185.9**	**1,384.9**	**1,481.9**	**167.0**	**1,314.9**
Accumulated allowance for uncollectible finance lease receivables with significant financing component			(58.4)			(43.4)

(15) Accrued income and prepayments

Accrued income and prepayments cover mainly prepayments for property, plant and equipment and prepaid operating expenditure to be allocated as expense in the next accounting period.

(16) Derivative financial instruments

(16.1) Derivative contracts to hedge the foreign currency risks

The Group enters into derivative contracts to hedge the foreign currency risks arising from forecasted foreign currency sales and purchases transactions and foreign currency investment positions. The applicable derivative contracts are designated as cash flow, fair value and net investment hedges, respectively. The accounting treatment is described in the accounting policies, notes (2.23) and (2.24). Details of derivative contracts outstanding at the balance sheet date are as follows:

in CHF million	USD	EUR	Other	**Total**
2020				
Contract face amounts				
Foreign currency forward contracts	167.3	116.6	330.8	614.7
Contract values				
Foreign currency forward contracts	4.6	(0.5)	(4.3)	(0.2)
Recognition of contract values				
Contract values recognized in income statement during current and prior years	3.3	(0.5)	(2.5)	0.3
Contract values recognized in the cash flow hedging reserve in equity	1.3	–	(1.8)	(0.5)
Contract values from net investment hedge recognized in foreign currency translation reserve	–	–	–	–
Total	**4.6**	**(0.5)**	**(4.3)**	**(0.2)**
Movements of contract values recognized in the cash flow hedging reserve in equity				
Opening balance at January 1	**1.1**	**–**	**(0.8)**	**0.3**
Gains/(losses) on cash flow hedges taken to equity	1.3	–	(1.8)	(0.5)
(Gains)/losses on cash flow hedges reclassified from equity to income statement	(1.1)	–	0.8	(0.3)
Closing balance at December 31	**1.3**	**–**	**(1.8)**	**(0.5)**
Movements of contract values recognized in the net investment hedge (CTA)				
Opening balance at January 1	**0.7**	**–**	**–**	**0.7**
Gains/(losses) on net investment hedge taken to equity (CTA)	0.2	–	–	0.2
Matured net investment hedge accumulated in CTA	(0.9)	–	–	(0.9)
Closing balance at December 31	**–**	**–**	**–**	**–**

in CHF million	USD	EUR	Other	Total
2019				
Contract face amounts				
Foreign currency forward contracts	303.0	189.2	309.5	801.7
Contract values				
Foreign currency forward contracts	6.5	2.1	(0.2)	8.4
Recognition of contract values				
Contract values recognized in income statement during current and prior years	5.0	2.1	0.6	7.7
Contract values recognized in the cash flow hedging reserve in equity	1.1	–	(0.8)	0.3
Contract values from net investment hedge recognized in foreign currency translation reserve	0.4	–	–	0.4
Total	**6.5**	**2.1**	**(0.2)**	**8.4**
Movements of contract values recognized in the cash flow hedging reserve in equity				
Opening balance at January 1	**0.2**	**–**	**1.1**	**1.3**
Gains/(losses) on cash flow hedges taken to equity	1.1	–	(0.8)	0.3
(Gains)/losses on cash flow hedges reclassified from equity to income statement	(0.2)	–	(1.1)	(1.3)
Closing balance at December 31	**1.1**	**–**	**(0.8)**	**0.3**
Movements of contract values recognized in the net investment hedge (CTA)				
Opening balance at January 1	**–**	**–**	**–**	**–**
Gains/(losses) on net investment hedge taken to equity (CTA)	0.7	–	–	0.7
Closing balance at December 31	**0.7**	**–**	**–**	**0.7**

There was no ineffectiveness to be recognized in the income statement.

All contracts have a maturity of less than 12 months.

(16.2) Derivative contracts to hedge interest rate risks

The Group enters into derivative contracts to hedge the interest rate risks arising from loans with variable interest rates. The applicable derivative contracts are designated as cash flow hedges. Gains and losses recognized in the cash flow hedging reserve in equity on interest rate swap contracts will be continuously released to the income statement until the repayment of the bank borrowings. The accounting treatment is described in the accounting policies, notes (2.23) and (2.24). Details of the contract outstanding at balance sheet date, all denominated in Swiss francs, are as follows:

in CHF million	2020	2019
Outstanding interest rate swaps		
Contract face amounts	60.0	60.0
Recognition of contract values		
Contract values recognized in the cash flow hedging reserve in equity	3.8	4.7
Movements of contract values recognized in the cash flow hedging reserve in equity		
Opening balance at January 1	**4.7**	**5.3**
Gains/(losses) on cash flow hedges taken to equity	0.6	0.9
(Gains)/losses on cash flow hedges reclassified from equity to income statement	(1.5)	(1.5)
Closing balance at December 31	**3.8**	**4.7**

The fixed interest rate is 1.9% (2019: 1.9%) and the floating rate is LIBOR.

(16.3) Reconciliations

in CHF million	Foreign currency risks	Interest rate risks	Total
2020			
Current assets	6.5	–	6.5
Non-current assets	–	3.8	3.8
Current liabilities	(6.7)	–	(6.7)
Non-current liabilities	–	–	–
Total net book value derivative financial instruments at December 31	**(0.2)**	**3.8**	**3.6**
Cash flow hedging reserve in equity	(0.5)	3.8	3.3
Gains/(losses) on cash flow hedges taken to equity	(0.5)	0.6	0.1
(Gains)/losses on cash flow hedges reclassified from equity to income statement	(0.3)	(1.5)	(1.8)

in CHF million	Foreign currency risks	Interest rate risks	Total
2019			
Current assets	11.0	–	11.0
Non-current assets	–	4.7	4.7
Current liabilities	(3.0)	–	(3.0)
Non-current liabilities	–	–	–
Total net book value derivative financial instruments at December 31	**8.0**	**4.7**	**12.7**
Cash flow hedging reserve in equity	0.3	4.7	5.0
Gains/(losses) on cash flow hedges taken to equity	0.3	0.9	1.2
(Gains)/losses on cash flow hedges reclassified from equity to income statement	(1.3)	(1.5)	(2.8)

The cash flow hedging reserve in equity net of tax amounts to CHF 2.9 million (2019: CHF 4.4 million).

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings of at least 'A' according to Standard & Poor's.

(17) Financial assets at fair value through profit or loss

The following financial assets at fair value through profit or loss are classified as held for trading.

- Investments in deposits and equities restricted to (1) the funding of losses arising from damages to assets and losses arising from product-related obligations and (2) the funding of a deferred compensation plan for employees.

These financial assets are all classified as current assets because they are expected to be traded within 12 months of the balance sheet date.

(18) Cash and cash equivalents

Cash includes cash on hand and demand deposits. The movement in cash and cash equivalents is shown in detail in the cash flow statement and on the below cash flow bridge.

in CHF million	2020	2019
Cash flow from operating activities	933.9	832.2
Cash flow from investing activities	(342.8)	(393.5)
Payment of lease liabilities	(131.8)	(136.2)
Free cash flow	**459.3**	**302.5**
Cash flow from financing activities*	(231.9)	(205.6)
Effects of exchange rate changes on cash and cash equivalents	(8.3)	(14.0)
Total increase/(decrease) in cash and cash equivalents	**219.1**	**82.9**

* excluding payments of lease liabilities

The Group has legal or economic restrictions on CHF 2.8 million (2019: CHF 3.4 million).

(19) Equity

The share capital consists of 253,440 registered shares with a par value of CHF 500 each.

The capital reserve contains the share premium from capital increases and capital accruing from merges in previous years.

A dividend in respect of the year ended December 31, 2020 of CHF nil (financial year 2019: CHF 294.0 million) is to be proposed at the Annual General Meeting.

The disaggregation of changes of OCI by each type of reserve in equity is shown below:

in CHF million	Foreign currency translation reserve	Cash flow hedging reserve	Retained earnings	Non-controlling interests	Total
2020					
Gains/(losses) on cash flow hedges taken to equity	–	0.1	–	–	0.1
Deferred tax on gains/losses on cash flow hedges taken to equity	–	–	–	–	–
(Gains)/losses on cash flow hedges reclassified from equity to income statement	–	(1.8)	–	–	(1.8)
Deferred tax on gains/losses on cash flow hedges reclassified from equity to income statement	–	0.2	–	–	0.2
Foreign currency translation differences	(56.9)	–	–	(0.7)	(57.6)
Deferred tax on foreign currency translation differences	0.5	–	–	–	0.5
Items that may be subsequently reclassified to the income statement	**(56.4)**	**(1.5)**	**–**	**(0.7)**	**(58.6)**
Remeasurements on employee benefits	–	–	18.6	–	18.6
Deferred tax on remeasurements on employee benefits	–	–	(2.0)	–	(2.0)
Items that will never be reclassified to the income statement	**–**	**–**	**16.6**	**–**	**16.6**
Total other comprehensive income 2020	**(56.4)**	**(1.5)**	**16.6**	**(0.7)**	**(42.0)**

in CHF million	Foreign currency translation reserve	Cash flow hedging reserve	Retained earnings	Non-controlling interests	Total
2019					
Gains/(losses) on cash flow hedges taken to equity	–	1.2	–	–	1.2
Deferred tax on gains/losses on cash flow hedges taken to equity	–	(0.1)	–	–	(0.1)
(Gains)/losses on cash flow hedges reclassified from equity to income statement	–	(2.8)	–	–	(2.8)
Deferred tax on gains/losses on cash flow hedges reclassified from equity to income statement	–	0.3	–	–	0.3
Foreign currency translation differences	(48.0)	–	–	(0.1)	(48.1)
Deferred tax on foreign currency translation differences	0.2	–	–	–	0.2
Items that may be subsequently reclassified to the income statement	**(47.8)**	**(1.4)**	**–**	**(0.1)**	**(49.3)**
Remeasurements on employee benefits	–	–	(81.7)	–	(81.7)
Deferred tax on remeasurements on employee benefits	–	–	13.4	–	13.4
Items that will never be reclassified to the income statement	**–**	**–**	**(68.3)**	**–**	**(68.3)**
Total other comprehensive income 2019	**(47.8)**	**(1.4)**	**(68.3)**	**(0.1)**	**(117.6)**

(20) Provisions

in CHF million	2020	2019
Opening balance at January 1	**20.9**	**23.0**
Change in scope of consolidation	–	0.3
Additions	6.3	11.6
Amounts used	(4.4)	(10.3)
Unused reversals	(4.9)	(3.4)
Currency translation adjustment	(0.8)	(0.3)
Closing balance at December 31	**17.1**	**20.9**

in CHF million	2020	2019
Current portion of total provisions	7.6	8.4
Non-current portion of total provisions	9.5	12.5
Total provisions at December 31	**17.1**	**20.9**

Provisions are amongst others built up for obligations regarding legal claims, product liability, assurance warranty, future dismantling of buildings, restructuring and job accidents, which are individually immaterial.

(21) Employee benefits

Employee benefits creating obligations of the Group to its employees comprise defined benefit plans, other long-term employee benefits and short-term employee benefits. The Group also provides employee benefits through defined contribution plans.

Defined benefit plans

Swiss pension plan

The Group's largest defined benefit pension plan is located in Switzerland: It covers employees of the parent company as well as of the Swiss and other Liechtenstein-based Group companies (the 'Swiss pension plan'). The Swiss pension plan accounts for 79.0% (2019: 79.3%) of the Group's total defined benefit obligation and 87.9% (2019: 87.8%) of the Group's plan assets.

The Swiss pension plan is funded through a legally separate trustee-administered pension fund. The pension plan is overseen by a regulator as well as by a state supervisory body. The pension plan's most senior governing body (Board of Trustees) must be composed of equal numbers of employee and employer representatives. The Board of Trustees is responsible for the investment of the assets. When defining the investment strategy, it takes into account the pension fund's objectives, benefit obligations and risk capacity. The investment strategy is defined in the form of a long-term target asset structure (investment policy). The Board of Trustees delegates the implementation of the investment policy – in accordance with the investment strategy – to an Investment Committee. The cash funding of the plan is designed to ensure that present and future contributions should be sufficient to meet future liabilities. Further on, the Board of Trustees is able to adapt the contributions and benefits. There is a stop-loss insurance which covers the risk from a certain excess amount (e.g. for disability or death).

The Swiss pension plan contains a cash balance benefit formula and is therefore accounted for as a defined benefit plan. Employer and employee contributions are defined in the pension fund rules in terms of an age-related sliding scale of percentages of remuneration. Under Swiss law, the pension fund guarantees the vested benefit amount as confirmed annually to members. Interest may be added to member balances at the discretion of the Board of Trustees (i.e. 1.0% in 2020 and 1.0% in 2019). At retirement date, members have the right to take their retirement benefit as a lump sum, an annuity or part as a lump sum with the remaining balance converted to a fixed annuity at the rates defined in the fund rules. The Board of Trustees may change the conversion rate at their discretion subject to the plan's funded status and the requirements of the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plan (BVG).

Other defined benefit plans

The remaining defined benefit plans are located in Austria, Germany, Great Britain, Italy, Taiwan, Korea, the Philippines, France and Japan. Only the last two plans listed are still open for new plan participants.

Other long-term employee benefits

Other long-term employee benefits comprise jubilee and other long-service benefits, a long-term incentive and other long-term employee benefits. The relevant period for the long-term incentive is 2019-2021 with payment to be made in 2022. Historically, the level of outflows concerning other long-term employee benefits (excluding the long-term incentive) has been constant each year.

Short-term employee benefits

Short-term employee benefits such as short-term variable compensation are included in 'accrued liabilities and deferred income' (see note (25)).

Defined contribution plans

The employer's contribution totals CHF 39.9 million (2019: CHF 43.2 million).

(21.1) Employee benefit obligations (defined benefit plans and other long-term benefits)

in CHF million	2020			2019		
	Funded	Unfunded	Total	Funded	Unfunded	Total
Switzerland						
Fair value of plan assets	958.0	–	958.0	935.5	–	935.5
Present value of defined benefit obligation	(1,275.9)	–	(1,275.9)	(1,276.6)	–	(1,276.6)
Net defined benefit (liability)/asset at December 31	**(317.9)**	**–**	**(317.9)**	**(341.1)**	**–**	**(341.1)**
Other plans						
Fair value of plan assets	132.2	–	132.2	129.4	–	129.4
Present value of defined benefit obligation	(274.2)	(65.3)	(339.5)	(267.1)	(66.3)	(333.4)
Net defined benefit (liability)/asset at December 31	**(142.0)**	**(65.3)**	**(207.3)**	**(137.7)**	**(66.3)**	**(204.0)**
Total						
Fair value of plan assets	1,090.2	–	1,090.2	1,064.9	–	1,064.9
Present value of defined benefit obligation	(1,550.1)	(65.3)	(1,615.4)	(1,543.7)	(66.3)	(1,610.0)
Net defined benefit (liability)/asset at December 31	**(459.9)**	**(65.3)**	**(525.2)**	**(478.8)**	**(66.3)**	**(545.1)**
Present value of other employee benefits	–	(97.1)	(97.1)	–	(100.2)	(100.2)
Total net book value employee benefits at December 31	**(459.9)**	**(162.4)**	**(622.3)**	**(478.8)**	**(166.5)**	**(645.3)**

in CHF million	2020	2019
Current portion of total net book value employee benefits	(7.9)	(8.5)
Non-current portion of total net book value employee benefits	(614.4)	(636.8)
Total net book value employee benefits	**(622.3)**	**(645.3)**

(21.2) Reconciliation of fair value of plan assets

in CHF million	2020			2019		
	Switzerland	Other plans	Total	Switzerland	Other plans	Total
Opening balance at January 1	**935.5**	**129.4**	**1,064.9**	**870.0**	**119.4**	**989.4**
Interest income on plan assets	2.3	2.3	4.6	6.7	3.3	10.0
Return on plan assets excluding interest income	19.9	7.7	27.6	53.2	7.8	61.0
Contributions by employer	25.8	4.6	30.4	25.1	5.0	30.1
Contributions by plan participants	17.7	0.1	17.8	17.1	0.1	17.2
Benefits paid	(43.2)	(5.9)	(49.1)	(36.6)	(5.8)	(42.4)
Settlements	–	(0.1)	(0.1)	–	(0.1)	(0.1)
Currency translation adjustment	–	(5.9)	(5.9)	–	(0.3)	(0.3)
Closing balance at December 31	**958.0**	**132.2**	**1,090.2**	**935.5**	**129.4**	**1,064.9**

(21.3) Reconciliation of present value of defined benefit obligation

in CHF million	2020			2019		
	Switzerland	Other plans	Total	Switzerland	Other plans	Total
Opening balance at January 1	**(1,276.6)**	**(333.4)**	**(1,610.0)**	**(1,153.5)**	**(302.4)**	**(1,455.9)**
Current service cost	(35.1)	(7.6)	(42.7)	(29.1)	(8.4)	(37.5)
Interest expense on defined benefit obligation	(3.2)	(4.8)	(8.0)	(8.7)	(7.0)	(15.7)
Actuarial gains/(losses)	5.1	(14.1)	(9.0)	(113.4)	(29.3)	(142.7)
Contributions by plan participants	(17.7)	–	(17.7)	(17.1)	–	(17.1)
Benefits paid	43.2	11.0	54.2	36.6	7.9	44.5
Past service cost	8.4	(0.4)	8.0	8.6	1.7	10.3
Currency translation adjustment	–	9.8	9.8	–	4.1	4.1
Closing balance at December 31	**(1,275.9)**	**(339.5)**	**(1,615.4)**	**(1,276.6)**	**(333.4)**	**(1,610.0)**

(21.4) Components of defined benefit costs recognized in the income statement

in CHF million	2020			2019		
	Switzerland	Other plans	Total	Switzerland	Other plans	Total
Current service cost	(35.1)	(7.6)	(42.7)	(29.1)	(8.4)	(37.5)
Past service cost	8.4	(0.4)	8.0	8.6	1.7	10.3
Gains/(losses) on settlements	–	(0.1)	(0.1)	–	(0.1)	(0.1)
Total service cost	**(26.7)**	**(8.1)**	**(34.8)**	**(20.5)**	**(6.8)**	**(27.3)**
Interest income on plan assets	2.3	2.3	4.6	6.7	3.3	10.0
Interest expense on defined benefit obligation	(3.2)	(4.8)	(8.0)	(8.7)	(7.0)	(15.7)
Net interest income/(expense) on defined benefit plans	**(0.9)**	**(2.5)**	**(3.4)**	**(2.0)**	**(3.7)**	**(5.7)**
Total defined benefit costs recognized in the income statement	**(27.6)**	**(10.6)**	**(38.2)**	**(22.5)**	**(10.5)**	**(33.0)**

In the income statement, the various components of the defined benefit costs are included as follows:

- Total service cost – in 'personnel expenses' (see note (29)) and
- Interest income and expense – in 'other income and expenses (net)' (see note (31)).

(21.5) Remeasurements of the net defined benefit (liability)/asset

in CHF million	2020			2019		
	Switzerland	Other plans	Total	Switzerland	Other plans	Total
Actuarial gains/(losses) arising from changes in demographic assumptions	–	(0.7)	(0.7)	–	13.5	13.5
Actuarial gains/(losses) arising from changes in financial assumptions	12.4	(17.3)	(4.9)	(105.8)	(47.5)	(153.3)
Actuarial gains/(losses) arising from experience adjustments	(7.3)	3.9	(3.4)	(7.6)	4.7	(2.9)
Total actuarial gains/(losses) on defined benefit obligation	**5.1**	**(14.1)**	**(9.0)**	**(113.4)**	**(29.3)**	**(142.7)**
Return on plan assets excluding interest income	19.9	7.7	27.6	53.2	7.8	61.0
Total remeasurements recorded in other comprehensive income	**25.0**	**(6.4)**	**18.6**	**(60.2)**	**(21.5)**	**(81.7)**

(21.6) Plan asset classes at December 31

in CHF million	2020				2019			
	Quoted market price	Non-quoted market price	Total	%	Quoted market price	Non-quoted market price	Total	%
Cash and cash equivalents	55.2	–	55.2	5.1%	68.7	–	68.7	6.5%
Equity instruments	289.1	–	289.1	26.5%	310.5	–	310.5	29.2%
Debt instruments (e.g. bonds)	190.5	–	190.5	17.5%	196.9	–	196.9	18.5%
Real estate	8.4	211.2	219.6	20.1%	7.4	191.0	198.4	18.6%
Investment funds	117.3	7.8	125.1	11.5%	116.1	6.8	122.9	11.5%
Others	–	210.7	210.7	19.3%	–	167.5	167.5	15.7%
Total plan assets at fair value	**660.5**	**429.7**	**1,090.2**	**100.0%**	**699.6**	**365.3**	**1,064.9**	**100.0%**

The Group does not make use of any assets held by pension plans.

Cash and cash equivalents are primarily invested in money market funds and current accounts with financial institutions that mostly have at least an ‘A’ rating. The allocation to cash and cash equivalents of the Swiss pension plan is 6.0% (2019: 7.6%).

Equity instruments represent investments in equity funds and direct investments. They generally have quoted market prices in an active market. The allocation to equities of the Swiss pension plan is 29.6% (2019: 32.6%). The pension plans’ assets do not include any shares of Hilti Corporation.

Debt instruments (e.g. bonds) generally have a credit rating that is no lower than ‘BBB’, have quoted market prices in an active market and are primarily direct investments. The allocation to debt instruments of the Swiss pension plan is 19.5% (2019: 20.7%).

Real estate represents indirect and direct investments in residential and commercial properties. Indirect investments comprise listed and unlisted real estate funds, investment foundations and unlisted real estate fund of funds. Direct investments are primarily held in residential properties in Liechtenstein. Directly held real estate is periodically valued by an independent expert. The allocation to real estate of the Swiss pension plan is 22.9% (2019: 21.2%).

Investment funds represent investments with an insurance company and a mandate with a bank which invests in alternative asset classes (e.g. hedge funds and commodities). In case of investment funds, no quoted market prices in an active market are usually available. The allocation to investment funds of the Swiss pension plan is 0.0% (2019: 0.0%).

The position ‘others’ primarily includes private equity investments, mezzanine investments and insurance-linked securities, among others. Leveraging and short selling is prohibited. No quoted market prices in an active market are usually available. The allocation to ‘others’ of the Swiss pension plan is 22.0% (2019: 17.9%).

(21.7) Plan members at December 31

financial amounts in CHF million	2020				2019			
	Active	Deferred	Retired	Total	Active	Deferred	Retired	Total
Plan members	6,132	784	1,657	**8,573**	6,067	806	1,635	**8,508**
Defined benefit obligation	(809.7)	(141.2)	(664.5)	**(1,615.4)**	(821.1)	(133.8)	(655.1)	**(1,610.0)**
Share in %	50.2%	8.7%	41.1%	**100.0%**	51.0%	8.3%	40.7%	**100.0%**
Average weighted duration in years	21.4	22.7	13.0	**18.1**	22.6	22.9	13.2	**18.4**

The employer’s best estimate of contributions expected to be paid to defined benefit plans for the financial year 2021 is CHF 28.1 million.

(21.8) Actuarial assumptions

Actuarial assumptions are based on long-term economic factors in the respective countries. Each item of 'other plans' is a weighted average in relation to the relevant underlying component. The significant assumptions are as follows:

in %	2020			2019		
	Switzerland	Other plans	**Total**	Switzerland	Other plans	**Total**
Discount rate	0.25%	1.10%	**0.43%**	0.25%	1.49%	**0.51%**
Future salary increase	1.50%	1.25%	**1.45%**	1.50%	1.30%	**1.46%**
Future pension increase	0.00%	2.01%	**0.42%**	0.00%	2.11%	**0.44%**

Life expectancy is reflected in the defined benefit obligations by using mortality tables of the country in which the plan is located. The generational tables BVG/LPP 2015 (2019: BVG/LPP 2015) have been used for Switzerland.

In general, the present value of the defined benefit obligations is determined annually by independent actuaries using the projected unit credit method. Actuarial assumptions are required for this purpose.

The discount rate, future salary increase and life expectancy were identified as significant actuarial assumptions. The following impacts on the defined benefit obligation are to be expected:

- A 0.25% increase/decrease in the discount rate would lead to a decrease/increase of 4.49% in the defined benefit obligation.
- A 0.25% increase/decrease in expected future salaries would lead to an increase/decrease of 0.56% in the defined benefit obligation.
- A one-year increase/decrease in life expectancy would lead to an increase/decrease of 2.93% in the defined benefit obligation.

The sensitivity analysis is based on realistically possible changes as of the end of the reporting period. Each change in a significant actuarial assumption was analyzed separately as part of the test. Interdependencies were not taken into account.

(22) Bonds

The bonds were issued by Hilti Corporation. Further details of the individual bonds are included in the key figures (see page 3).

in CHF million	**2020**	2019
Maturity		
< 1 year	–	–
1 to < 2 years	–	–
2 to < 3 years	100.0	–
3 to < 4 years	100.0	100.0
4 to < 5 years	149.9	100.0
>= 5 years	99.9	99.9
Total bonds	**449.8**	**299.9**
Further information		
Fair values	460.8	312.5
Average effective interest rates (in %)	0.6	0.8

The fair values of Swiss franc bonds totaling CHF 460.8 million (2019: CHF 312.5 million) are based on the quoted market prices and are within level 1 of the fair value hierarchy.

(23) Long-term bank borrowings

in CHF million	2020	2019
Maturity		
1 to < 2 years	27.3	37.6
2 to < 5 years	16.0	16.4
>= 5 years	–	–
Total long-term bank borrowings	**43.3**	**54.0**
Currency		
USD	6.0	19.2
EUR	32.6	29.4
RUB	4.7	5.4
Total long-term bank borrowings	**43.3**	**54.0**

In certain countries, in order to finance its fleet management business, the Group enters into sale and leaseback transactions of the assets, subsequently subleased to the customers, with financial institutions. As the transfers to the financial institutions do not qualify as sales in accordance with IFRS 15 Revenue from contracts with customers, the Group recognizes the related financial liabilities equal to the transfer proceeds as bank borrowings. In 2020, CHF 10.7 million (2019: CHF 24.6 million) of the total long-term bank borrowings are secured by the underlying assets subleased to customers in the same amount.

In addition, CHF 32.6 million (2019: CHF 29.4 million) of the total long-term bank borrowings are secured by receivables in the same amount (see note (14)).

(24) Trade and other payables

in CHF million	2020	2019
Trade payables	273.0	286.3
Other payables	213.2	221.6
Total trade and other payables	**486.2**	**507.9**
Current portion	468.4	471.7
Non-current portion	17.8	36.2
Total trade and other payables	**486.2**	**507.9**
Maturity of non-current portion		
1 to < 2 years	2.0	4.3
2 to < 5 years	7.8	23.8
>= 5 years	8.0	8.1
Total non-current trade and other payables	**17.8**	**36.2**
Currency denominations of the carrying amounts of trade and other payables		
EUR	192.2	191.7
CHF	73.1	37.5
USD	71.6	65.9
Other	149.3	212.8
Total trade and other payables	**486.2**	**507.9**

The change in trade and other payables includes a currency translation adjustment which reduces trade and other payables by CHF 14.1 million in 2020. This is due to the change in closing rates in 2020 compared to those in 2019.

Other payables primarily consist of liabilities for personnel expenses totaling CHF 9.2 million (2019: CHF 8.2 million), liabilities for social contributions totaling CHF 21.7 million (2019: CHF 33.5 million), liabilities for source-deducted taxes and VAT totaling CHF 104.9 million (2019: CHF 88.8 million) and customers with credit balances totaling CHF 44.9 million (2019: CHF 36.7 million).

(25) Accrued liabilities and deferred income

Accrued liabilities and deferred income comprise short-term liabilities, which include estimates, short-term expense accruals and deferrals of income already received but attributable to subsequent accounting periods.

(26) Short-term bank borrowings

in CHF million	2020	2019
Currency		
EUR	49.1	48.4
USD	25.5	88.6
RUB	21.1	28.4
Other	47.2	60.6
Total short-term bank borrowings	**142.9**	**226.0**

In 2020, CHF 11.9 million (2019: CHF 17.6 million) of the total short-term bank borrowings are secured by the underlying assets subleased to customers in the same amount (see note (23)). In addition, CHF 27.5 million (2019: CHF 30.9 million) of the total short-term bank borrowings are secured by receivables in the same amount (see note (14)).

(27) Operating income

Categories of operating revenues are as follows:

in CHF million	2020	2019
Net sales of goods	4,927.4	5,501.7
Net sales of services	404.8	398.2
Total net sales	**5,332.2**	**5,899.9**
Other operating revenues	149.4	154.9
Total operating revenues	**5,481.6**	**6,054.8**

The above categories ‘net sales of goods’ and ‘net sales of services’ in terms of IFRS 15 ‘Revenue from Contract with Customers’ represent, respectively, revenue from sales of goods and revenue from rendering of services, such as logistics, repairs (including service warranty), tests and trainings. Other operating income, amongst others, consists of finance lease interests including related risk premiums.

A breakdown of net sales by geographical areas and by major countries is given in note (34).

The revenue recognized that was included in the contract liabilities balance at the beginning of the period totals CHF 111.8 million (2019: CHF 116.6 million).

The Group has recognized the following revenue-related contract liabilities from contracts with customers:

in CHF million	2020	2019
Opening balance at January 1	**198.9**	**186.3**
Additions	135.0	160.6
Amount released	(135.1)	(143.3)
Currency translation adjustment	(6.7)	(4.7)
Closing balance at December 31	**192.1**	**198.9**

The following table shows the revenue recognition split into point in time and period of time. A contract liability is recognized until the points are redeemed or expire.

in CHF million	2020	2019
Revenue recognized at a point in time	5,197.1	5,756.6
Revenue recognized over a period of time	135.1	143.3
Total revenue recognized at December 31	**5,332.2**	**5,899.9**

(28) Material costs

in CHF million	2020	2019
Materials	(1,400.2)	(1,605.3)
Outsourced manufacturing	(16.0)	(17.7)
Total material costs	**(1,416.2)**	**(1,623.0)**
Change in inventory	(29.0)	(25.4)
Total material costs including change in inventory	**(1,445.2)**	**(1,648.4)**

(29) Personnel expenses

Personnel expenses comprise wages and salaries and social contributions. Social contributions include expenses for pensions and similar liabilities in addition to social security contributions.

in CHF million	2020	2019
Salaries and wages	(1,829.1)	(1,990.4)
Social contributions	(453.3)	(462.4)
Total personnel expenses	**(2,282.4)**	**(2,452.8)**

The breakdown of the number of employees of Group companies by function is as follows:

	2020	2019
Sales	22,942	23,278
Research and development	1,683	1,644
Production	3,432	3,626
Administration	1,492	1,458
Total employees (as at December 31)	**29,549**	**30,006**

(30) Other operating expenses

Major items included in other operating expenses are the below:

in CHF million	2020	2019
Outward freight	(123.1)	(137.3)
Maintenance & repairs	(105.6)	(104.5)
Legal & consulting	(74.9)	(81.5)
Expenditures for rent	(72.2)	(76.7)
Travel	(68.0)	(170.2)
Marketing & communication	(52.5)	(66.6)
Other	(82.9)	(108.3)
Total other operating expenses	**(579.2)**	**(745.1)**

(31) Other income and expenses (net)

Other income and expenses (net) comprise:

in CHF million	2020	2019
Gains/(losses) on disposal of foreign operations and investments	(5.9)	0.2
Interest and dividend income	2.8	5.5
Gains/(losses) arising from valuation changes on financial assets and fair value hedging instruments	0.4	2.4
Gains/(losses) on foreign currency hedging instruments	13.0	–
Gains/(losses) on foreign currencies	(35.8)	(15.9)
Net interest income/(expense) on defined benefit plans	(3.4)	(5.7)
Total other income and expenses (net)	**(28.9)**	**(13.5)**

(32) Finance costs

Finance costs are reported at the gross interest expense amount. Interest expense on financial liabilities measured at amortized cost represents the total interest expense on financial liabilities not at fair value through profit or loss. Interest expense includes interest on lease liabilities, see note (9). Interest income from investments is separately included in 'other income and expenses (net)'.

(33) Income tax expense

in CHF million	2020	2019
Current tax	(118.9)	(121.2)
Deferred tax	(2.0)	(3.4)
Total income tax expense	**(120.9)**	**(124.6)**

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

in CHF million	2020	2019
Net income before income tax	**651.6**	**715.8**
Tax calculated at domestic tax rates applicable to profits in the respective countries	(109.4)	(115.4)
Income not subject to tax	3.3	6.4
Expenses not deductible for tax purposes	(8.5)	(10.1)
Utilization of previously unrecognized tax losses	1.2	1.5
Tax losses for which no deferred tax asset has been recognized	(2.8)	(1.2)
Tax attributable to prior years	(2.4)	0.7
Other effects	(2.3)	(6.5)
Income tax expense	**(120.9)**	**(124.6)**
Weighted average applicable tax rate	16.8%	16.1%

The line ‘Other effects’ includes the effects of changes in tax rates and expenses or incomes subject to different tax rates.

(34) Segment information

In accordance with IFRS 8 Operating Segments the Group operates in only one single operating segment. Additional information concerning products, services and geographical areas is as follows:

(34.1) Net sales information about products and services

in CHF million		2020	2019
Electric Tools & Accessories	Products	2,240.2	2,517.2
Electric Tools & Accessories	Services	352.7	356.1
Total Electric Tools & Accessories		**2,592.9**	**2,873.3**
Fastening & Protection Systems	Products	2,687.2	2,984.5
Fastening & Protection Systems	Services	52.1	42.1
Total Fastening & Protection Systems		**2,739.3**	**3,026.6**
Total Group		**5,332.2**	**5,899.9**

(34.2) Net sales information about geographical areas

in CHF million	2020	2019	Change in CHF (%)	Change in local currencies (%)
Europe excl. Eastern Europe	2,718.2	2,900.2	(6.3)	(2.7)
North America	1,306.1	1,444.9	(9.6)	(4.3)
Latin America	98.7	132.0	(25.2)	(8.1)
Asia/Pacific	670.2	764.8	(12.4)	(7.0)
Eastern Europe/Middle East/Africa	539.0	658.0	(18.1)	(8.2)
Total Group	**5,332.2**	**5,899.9**	**(9.6)**	**(4.3)**

Net sales information by geographical areas is based on the country of the third-party customer.

(34.3) Net sales information for major countries

in CHF million	2020	2019
USA	1,100.1	1,219.8
Germany	826.3	834.4
France	417.2	476.0
Liechtenstein (country of domicile)	63.4	71.6
Other countries	2,925.2	3,298.1
Total Group	**5,332.2**	**5,899.9**

Net sales by major countries are based on the country of domicile of the respective Group companies.

The Group has no customer exceeding the threshold of 10% of the Group's net sales.

(34.4) Selected non-current assets information for major countries*

in CHF million	2020	2019
Liechtenstein (country of domicile)	1,188.7	1,117.0
Germany	286.0	259.9
USA	148.5	164.6
Norway	133.0	149.9
Other countries	571.1	591.7
Total Group	**2,327.3**	**2,283.1**

* Excluding non-current financial assets and deferred taxes

(35) Contingent liabilities

in CHF million	2020	2019
Guarantees	3.7	5.6
Other contingent liabilities	1.7	1.7
Total contingent liabilities	**5.4**	**7.3**

Management considers the possibility of any outflow in settlement to be remote.

(36) Other commitments

Capital commitments contracted for at the end of the reporting period but not yet incurred are as follows:

in CHF million	2020	2019
Intangible assets	–	0.1
Property, plant and equipment	18.0	17.7
Total at December 31	**18.0**	**17.8**

(37) Financial assets pledged as collateral

Details of receivables pledged as collateral for recognized liabilities are given in note (14). There are no other financial assets pledged as collateral for recognized liabilities or for contingent liabilities.

(38) Research and development expenditure

Expenditure on research and development in the reporting period amounted to CHF 358.0 million (2019: CHF 366.6 million), thereof CHF 171.4 million (2019: CHF 171.5 million) were recognized as intangible assets (see development costs in note (7)).

(39) Related party disclosures

(39.1) Key management personnel compensation

Details of compensation of key management personnel are as follows:

financial amounts in CHF million	2020		2019	
	Number of members	Re-muneration	Number of members	Re-muneration
Board of Directors	8	3.4	7	3.3
Corporate Management (Executive Board and Executive Management Team)	30	25.2	29	38.5
Total	**38**	**28.6**	**36**	**41.8**
Salaries and other short-term employee benefits		23.7		28.6
Post-employment benefits		3.9		2.4
Other employee benefits, mainly related to long-term incentive		1.0		10.8
Total employee benefits to key management		**28.6**		**41.8**

Employee benefits to key management include both fixed and variable components. The variable components are performance-linked and include a long-term incentive which is payable only if certain predetermined specific financial targets linked to the sustainable development and growth of the Group's business are achieved. In accordance with IAS 19 Employee Benefits, the 2020 portion of the estimated ultimate amount payable has been recognized as an obligation at December 31, 2020, under the heading of other employee benefits (21).

(39.2) Ownership of parent

100% of the registered shares of the Hilti Corporation are owned by the Martin Hilti Family Trust.

(39.3) Other transactions and balances with the shareholder

The Hilti Corporation rendered accounting, administration, rental and other support services to the Martin Hilti Family Trust. The amount invoiced was CHF 1.0 million (2019: CHF 1.0 million). These services were charged at cost. Additionally, the Hilti Corporation has a current liability to the Martin Hilti Family Trust of CHF 0.7 million (2019: CHF 0.7 million).

During 2020 the Martin Hilti Family Trust granted a loan of CHF 100.0 million to the Hilti Corporation which was repaid during the year. The applied interest rate was at arm's length.

(40) Events after the reporting period

There were no significant transactions after the reporting period.

(41) Group companies and joint arrangements

Country	Company name and location	Activity S = sales R = research D = development P = production Se = services H = holding

Parent company

Liechtenstein	Hilti Corporation, Feldkircherstrasse 100, P.O. Box 333, 9494 Schaan, Tel. +423 234 2111, www.hilti.group	S, R, D, P, Se, H

100% owned consolidated Group companies (subsidiaries – including production plants and market organizations)

Albania	Hilti Albania sh.p.k., Tirana	S
Algeria	Hilti Construction Equipements EURL, Alger	S
Argentina	Hilti Argentina S.R.L., Buenos Aires	S
Australia	Hilti (Aust.) Pty. Ltd., Rhodes New South Wales	S
Austria	Hilti Austria Gesellschaft m.b.H., Vienna	S
	Hilti Holding GmbH, Vienna	H
	Hilti Aktiengesellschaft Zweigniederlassung Thüringen, Thüringen	P
	Eurofox GmbH, Lanzenkirchen	P, D
Belarus	Hilti BY FLLC, Minsk	S
Belgium	Hilti Belgium N.V., Brussels	S
Bosnia-Herzegovina	Hilti Systems BH d.o.o. Sarajevo, Sarajevo	S
Brazil	Hilti do Brasil Comercial Ltda., São Paulo	S
Bulgaria	Hilti (Bulgaria) EOOD, Sofia	S
Canada	Hilti (Canada) Corporation, Mississauga, Ontario	S
Chile	Hilti Chile Limitada, Santiago de Chile	S
China	Hilti (China) Ltd., Zhanjiang	P, D
	Hilti (China) Distribution Ltd., Shanghai	S
	Hilti (PEC Suzhou) Ltd., Suzhou	P
	Hilti (Shanghai) Ltd., Shanghai	P, D
	Oglaend Industries (Suzhou) Co., Ltd., Suzhou	P
	Oglaend System (Suzhou) Trading Co., Ltd., Suzhou	S
Colombia	Hilti Colombia S A S, Bogota D.C.	S
Croatia	Hilti Croatia d.o.o., Sesvete	S
Czech Republic	Hilti ČR spol. s r.o., Průhonice	S
Denmark	Hilti Danmark A/S, Hvidovre	S
	Øglænd System A/S, Haderslev	S
Estonia	Hilti Eesti OÜ, Tallinn	S
Finland	Hilti (Suomi) OY, Vantaa	S
France	Hilti France SAS, Boulogne-Billancourt	S
	Hilti Digital Marketing Services SAS, Boulogne-Billancourt	Se
Germany	Hilti Deutschland AG (Liechtenstein), Zweigniederlassung Deutschland, Kaufering	S
	Hilti GmbH Industriegesellschaft für Befestigungstechnik, Kaufering	P
	Hilti Entwicklungsgesellschaft mbH, Kaufering	D
	Hilti Kunststofftechnik GmbH, Nersingen	P

	Hilti Deutschland Logistik GmbH, Oberhausen	Se
	PEC Europe GmbH, Duisburg	S
	Hilti Seuffer Electronics GmbH, Calw	D
Great Britain	Hilti (Gt. Britain) Ltd., Manchester	S
	Oglaend System UK Limited, Wednesbury	S
Greece	Hilti Hellas S.A., Maroussi	S
Hong Kong	Hilti Asia Ltd., Kowloon, Hong Kong	H, Se
	Hilti (Hong Kong) Ltd., Kowloon, Hong Kong	S
Hungary	Hilti (Hungária) Szolgáltató Kft., Budapest	S
	Hilti Szerszám Kft., Kecskemét	P, D
India	Hilti India Private Ltd., Gurgaon	S
	Hilti Manufacturing India Private Limited, Mumbai	P, D
	Hilti Technology Solutions India Private Limited, Pune	Se
Indonesia	PT Hilti Nusantara, Jakarta	S
Ireland	Hilti (Fastening Systems) Ltd., Dublin	S
Israel	Hilti (Israel) Ltd., Petach Tiqva	S
Italy	Hilti Italia S.p.A., Sesto San Giovanni	S
Japan	Hilti (Japan) Ltd., Yokohama	S
Kazakhstan	Hilti Kazakhstan LLP, Almaty	S
Korea	Hilti (Korea) Ltd., Seoul	S
	Oglaend System Korea Co., Ltd., Busan	S
Latvia	Hilti Services Limited, Riga	S
Liechtenstein	Hilti Deutschland AG, Schaan	S
	Hilti Equipment Corporation, Schaan	H
	Hilti (International) Services, Ltd., Schaan	Se
	Hilti Service Corporation, Schaan	Se
	Hilti (Schweiz) AG, Zweigniederlassung Schaan, Schaan	S
Lithuania	Hilti Complete Systems UAB, Vilnius	S
Luxembourg	Hilti Belgium S.A. Succursale, Luxembourg	S
Macao	Hilti (Hong Kong) Ltd. Macao Branch, Macao	S
Malaysia	Hilti (Malaysia) Sdn. Bhd., Selangor	S
	Hilti Asia IT Services Sdn. Bhd., Selangor	Se
	Oglaend Industries Sdn Bhd, Kuala Lampur	P, D
Mexico	Hilti Mexicana, S.A. de C.V., Mexico City	S
	Hilti Operaciones de Mexico, S.A. de C.V., Matamoros	P
Montenegro	Hilti Montenegro d.o.o Podgorica, Podgorica	S
Morocco	Hilti Maroc S.A., Casablanca	S
Netherlands	Hilti Nederland B.V., Berkel en Rodenrijs	S
	Hilti International Finance B.V., Berkel en Rodenrijs	Se
	Oglaend System BV, Ridderkerk	S
New Zealand	Hilti (New Zealand) Limited, Auckland	S
Norway	Øglænd Group Holding AS, Kleppe	H
	Øglænd Industrier AS, Kleppe	H, Se
	Øglænd System AS, Kleppe	S, P, D
Panama	Hilti Latin America S.A., Panama City	S, Se
	Transportes Continentales S.A., Panama City	Se
	Hilti Regional Services S.A., Panama City	Se
Peru	Hilti Peru S.A., Lima	S
Philippines	Hilti (Philippines) Inc., Metropolitan Manila	S

Poland	Hilti (Poland) Sp. z o.o., Warsaw	S
Portugal	Hilti (Portugal) – Produtos e Serviços Lda., Porto	S
Puerto Rico	Hilti Caribe LLC, San Juan	S
Romania	Hilti Romania SRL, Bucharest	S
Russian Federation	Hilti Distribution Ltd., Moscow	S
	LLC "Oglaend System", Saint Petersburg	P, S
Serbia	Hilti SMN d.o.o. Beograd, Zemun	S
Singapore	Hilti Far East Private Ltd., Singapore	S
	Hilti Asia Pacific Pte. Ltd, Singapore	Se
	Oglaend System Singapore Pte Ltd., Singapore	S
Slovakia	Hilti Slovakia spol. s r.o., Bratislava	S
Slovenia	Hilti Slovenija d.o.o., Ljubljana	S
South Africa	Hilti Africa Holdings (Pty) Ltd., Johannesburg/Midrand	H
Spain	Hilti Española, S.A., Madrid	S
Sweden	Hilti Svenska AB, Arlöv-Malmö	S
	Ögländ System AB, Höllviken	S
Switzerland	Hilti (Schweiz) AG, Adliswil	S
	Hilti Befestigungstechnik AG, Buchs	Se
	Hilti-Finanz GmbH, Buchs	H, Se
Taiwan	Hilti Taiwan Co., Ltd., Taipei	S
Thailand	Hilti (Thailand) Ltd., Bangkok	S
Turkey	Hilti Insaat Malzemeleri Ticaret A.Ş., Istanbul	S
Ukraine	Hilti (Ukraine) Ltd., Kiev	S
United Arab Emirates	Hilti Middle East FZE, Jebel Ali-Free Zone, Dubai	S, Se
USA	Hilti Inc., Plano, Texas	S
	Hilti of America, Inc., Delaware	H
	Hilti Holdings Limited, Delaware	H
	Hilti US Manufacturing, Inc., Cypress, California	P
	Oglaend System US LLC, Houston, Texas	S
Venezuela	Hilti Venezuela, S.A., Caracas	S
Vietnam	Hilti Vietnam Company Limited, Ho Chi Minh City	S

Less than 100% owned consolidated Group companies (subsidiaries)

Bahrain	Hilti Bahrain Co. W.L.L., Manama (49%)	S
China	Handan HWC Manufacturing Ltd., Handan (80%)	P
Qatar	Hilti Qatar W.L.L., Doha (49%)	S
Saudi Arabia	Hilti Saudi Arabia for Construction Tools LLC, Riyadh (75%)	S
South Africa	Hilti (South Africa) (Pty) Ltd., Johannesburg/Midrand (87.25%)	S
United Arab Emirates	Hilti Emirates LLC, Abu Dhabi (49%)	S
	Oglaend Industries Middle East LLC, Dubai (49%)	S

Although the Group owns less than half of the voting rights of Hilti Bahrain Co. W.L.L., Hilti Qatar W.L.L., Hilti Emirates LLC and Oglaend Industries Middle East LLC, management has determined that the Group controls these four companies. The Group has control, as contractual agreements grant the Group the right to appoint and remove management responsible for directing the relevant activities. In addition, the Group is entitled to appoint, remove and substitute a majority of members of the companies' Board of Directors.

Joint operations

China	Panasonic Power Tools (Shanghai) Company Limited, Shanghai (49%)	P
Germany	HILLOS GmbH, Jena (50%)	P
Taiwan	Racing Point Industry Co., Ltd., Kaohsiung (49%)	P
USA	Intelligent Construction Tools LLC, Delaware (50%)	P, D

Joint venture

South Africa	Hilti SA Holding (Pty) Ltd., Johannesburg/Midrand (49%)	H

REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF HILTI AKTIENGESELLSCHAFT, SCHAAN

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Hilti Aktiengesellschaft and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2020 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

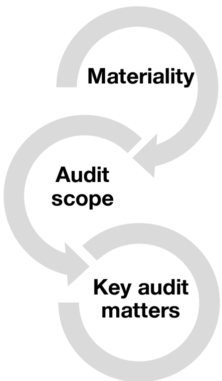
In our opinion, the consolidated financial statements (pages 11 to 68) give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Liechtenstein law.

Basis for opinion

We conducted our audit in accordance with Liechtenstein law and International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Liechtenstein law and the requirements of the Liechtenstein audit profession, as well as the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach



Overall Group materiality: CHF 32 million

- We concluded full scope audit work at 20 reporting units in 19 countries.
- Our full scope audit work addressed 79% of the Group's total revenue and 79% of the Group's total assets.
- In addition, specified procedures were performed on a further four reporting units in three countries, representing a further 3% of the Group's total revenue and 2% of the Group's total assets.
- Further, we performed additional procedures to address other reporting units as deemed appropriate.

As key audit matter the following area of focus has been identified:

- Capitalization of internal development costs

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	CHF 32 million
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view this is the most commonly used performance measure for the industry in which the Group operates and it is a generally accepted benchmark.

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group consolidated financial statements are a consolidation of over 100 reporting units, comprising the Group's operating businesses and market organisations, production plants, research and development centres, and centralised functions.

Subsequently, we determined the type and level of audit work required from component auditors, from PwC network firms and component auditors from other firms, in order that sufficient appropriate audit evidence had been obtained for our opinion on the Group consolidated financial statements as a whole. At the largest reporting units (market organisations) in the USA and Germany, we were directly involved in the audits. Moreover, we were in regular contact with all relevant component auditors.

The Group's reporting units vary significantly in size. We identified 20 reporting units where we require an audit of their complete financial information. These accounted for 79% of the Group's total revenue and 79% of the Group's total assets. Specific audit procedures on certain balances and transactions were performed at a further four reporting units representing a further 3% of the Group's total revenue and 2% of the Group's total assets. Finally, for the remaining reporting units we performed additional procedures on Group level.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Capitalization of internal development costs

Key audit matter	How our audit addressed the key audit matter
As set out in note 7, CHF 171.4 million of internal development costs were capitalized as 'Intangible assets' in 2020. We focussed on this area due to the significance of total capitalized internal development costs (CHF 751.5 million as of 31 December 2020) and because of significant judgement that is involved in assessing whether costs are either research or development in nature and whether the capitalization criteria set forth in IAS 38, Intangible Assets, have been met, particularly: • Generation of probable future economic benefit; • Reliable measure of the attributable expenditure; and • Technical feasibility of the project.	We assessed and tested the design and operating effectiveness of the key controls relating to the capitalization process, particularly those that: • Address whether costs are research or development in nature. • Address the risks relating to the 'probable future economic benefit' and 'technical feasibility'. • Ensure the correct, timely and complete capitalization of the internal employee costs and any other project-related costs. We held interviews with the business unit controllers and project managers, in particular to: • Gain an understanding of their development projects and why specific projects were considered to meet the requirements of IAS 38. • Discuss specific project topics and risks and critically assess the responses. Our work also included substantive audit procedures (e.g. reading the project documentation, evaluating the project's key assumptions, testing a sample of standard hourly rates). Overall, we identified no significant findings in relation to the capitalization of internal development costs.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the standalone financial statements of Hilti Aktiengesellschaft and our auditor’s reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Liechtenstein law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Liechtenstein law and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Liechtenstein law and ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

The consolidated management report (pages 6 to 8) for the year ended 31 December 2020 complies with Liechtenstein law and the company’s articles of incorporation. Furthermore, the consolidated management report corresponds to the consolidated financial statements and contains no significant incorrect information according to our assessment.

We recommend that the consolidated financial statements submitted to you be approved.

pwc

PricewaterhouseCoopers AG

Stefan Räbsamen
Auditors in charge

Gianluca Galasso
Liechtenstein Certified Public Accountant

St. Gallen, March 17, 2021


HILTI
VC 20M-X

FINANCIAL STATEMENTS HILTI CORPORATION

(INCLUDING BRANCHES)

BALANCE SHEET

in CHF million	Note		31.12.2020	31.12.2019
ASSETS				
Intangible assets	4		50.6	45.2
Property, plant and equipment	5		416.3	403.2
Financial investments	6		1,888.5	2,002.9
Total non-current assets			**2,355.4**	**2,451.3**
Inventories	7		148.1	161.0
Trade and other receivables	8		720.6	688.0
Accrued income and prepayments			44.4	48.4
Cash and cash equivalents			817.8	605.7
Total current assets			**1,730.9**	**1,503.1**
TOTAL ASSETS			**4,086.3**	**3,954.4**
EQUITY AND LIABILITIES				
Share capital			126.7	126.7
Legal reserves			108.4	108.4
Foreign currency translation reserve			(17.4)	(17.1)
Retained earnings brought forward			2,317.8	2,185.0
Net income			343.4	426.8
Total equity	9		**2,878.9**	**2,829.8**
Provisions	10		85.1	93.5
Borrowings, payables and other liabilities	11		1,027.0	934.2
Accrued liabilities and deferred income			95.3	96.9
Total liabilities			**1,207.4**	**1,124.6**
TOTAL EQUITY AND LIABILITIES			**4,086.3**	**3,954.4**

INCOME STATEMENT

in CHF million	Note		2020	2019
Net sales			2,861.1	3,134.2
Change in inventory of finished goods and work in progress			(0.1)	0.6
Capitalized own production			2.5	2.3
Other operating revenues			8.7	15.8
Total operating revenues			**2,872.2**	**3,152.9**
Material costs	12		(1,248.7)	(1,448.1)
Personnel expenses	13		(307.1)	(339.1)
Depreciation and amortization	14		(47.8)	(45.0)
Other operating expenses			(869.9)	(896.2)
Total operating expenses			**(2,473.5)**	**(2,728.4)**
Operating result			**398.7**	**424.5**
Financial revenues	15		187.1	74.5
Financial expenses	16		(193.3)	(22.8)
Financial result			**(6.2)**	**51.7**
Net income before income tax expense			**392.5**	**476.2**
Tax expense			(49.1)	(49.4)
Net income			**343.4**	**426.8**

(1) General information

Hilti Corporation is a limited by shares company incorporated and domiciled in the Principality of Liechtenstein. Its registered office is at Feldkircherstrasse 100, 9494 Schaan, Liechtenstein. Hilti Corporation is the parent and main operating company of the Hilti Group. The shareholders have an interest in the Group through their interest in Hilti Corporation. The accompanying Group's consolidated financial statements are the most significant indicator of the Group's financial position and financial performance.

(2) Accounting policies

(2.1) Overview

In contrast to the Group's consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards (IFRS), the financial statements of Hilti Corporation have been prepared in accordance with Liechtenstein's corporations law, the 'Personen- und Gesellschaftsrecht (PGR)'. As a result, there are significant differences between the accounting treatments in the financial statements of Hilti Corporation and the accounting treatments in the Group's consolidated financial statements. The significant measurement, recognition and presentation differences are listed below. Apart from these differences, the accounting policies adopted for the measurement, recognition and presentation of financial statement items in both sets of financial statements are substantially the same.

(2.2) Differences in accounting policies to those of the Group

The following table identifies the relevant financial statement items and the corresponding treatments where the accounting policies adopted for the measurement and recognition of items in the financial statements of Hilti Corporation are significantly different from those adopted in the Group's consolidated financial statements.

Relevant financial statement item	Treatment in financial statements of Hilti Corporation	Treatment in Group financial statements
Valuation of property, plant and equipment and inventories	In accordance with taxation rules pursuant to Article 1086 of the PGR.	At lower of market value and historical cost subject to adjustment for depreciation or obsolescence based on economic estimates.
Valuation of investments in associated companies and joint ventures	At historical cost.	In accordance with the equity method of accounting.
Valuation of provisions	Based on business risk criteria.	In accordance with the best estimate of the amounts required to satisfy existing obligations.
Reporting of derivative financial instruments hedging anticipated operating transactions (cash flow hedges)	Recognized at fair value with value changes reported directly in the income statement.	Recognized at fair value with value changes reported as part of equity and reclassified to the income statement when the anticipated operating transactions occur.
Reporting of development costs	All immediately expensed.	For qualifying new product developments, capitalized during the development phases and subsequently amortized over the sales lives of the new products while other development costs are immediately expensed.
Measurement of pension plan obligation	Treated as defined contribution plan.	Treated as defined benefit plan with cumulative remeasurements recognized directly in equity.
Reporting of operating lease contracts	Lease payments are recognized in the income statement in the period in which they are incurred. Payment commitments are reported as off-balance sheet commitments.	Recognized on the balance sheet, reflecting right of use assets as well as lease liabilities – except for short-term contracts and low value assets.

The following table identifies the significant presentation differences relating to items in the financial statements of Hilti Corporation and the corresponding items in the Group's consolidated financial statements.

Relevant financial statement item	Presentation in financial statements of Hilti Corporation	Presentation in Group financial statements
Investments in deposits, bonds and equities restricted to the funding of losses arising from damages to assets and losses arising from product-related obligations	Included in 'financial investments'.	Included in 'financial assets at fair value through profit or loss' under current assets heading.
Recognized values of derivative financial instruments	Included in 'accrued income and prepayments' or 'accrued liabilities and deferred income' as applicable.	Presented as a separate line item 'derivative financial instruments' under each of the current and non-current assets and liabilities headings.
Short-term tax obligations	Included in 'provisions'.	Presented as a separate line item 'current income taxes payable' under current liabilities heading.

(2.3) Changes in accounting policies

There have been no material changes in accounting policies in the 2020 financial statements of Hilti Corporation from those adopted in 2019.

(3) Exchange rates

For details of foreign exchange rates of principal currencies that have been applied for translation into Swiss francs, see note (2.6) of the Group's consolidated financial statements.

(4) Intangible assets

in CHF million	Rights	Other intangible assets	Prepayments or assets under development	**Total**
Cost 2020				
Opening balance at January 1, 2020	**4.3**	**129.1**	**–**	**133.4**
Additions	–	21.9	–	21.9
Closing balance at December 31, 2020	**4.3**	**151.0**	**–**	**155.3**
Accumulated amortization 2020				
Opening balance at January 1, 2020	**(4.0)**	**(84.2)**	**–**	**(88.2)**
Additions	–	(16.5)	–	(16.5)
Closing balance at December 31, 2020	**(4.0)**	**(100.7)**	**–**	**(104.7)**
		–		
Net book values at December 31, 2020	**0.3**	**50.3**	**–**	**50.6**
Net book values at December 31, 2019	0.3	44.9	–	45.2

(5) Property, plant and equipment

in CHF million	Land and buildings	Plant and machinery	Other operating equipment	Prepayments or assets under construction	Total
Cost 2020					
Opening balance at January 1, 2020	**473.3**	**387.5**	**102.9**	**64.4**	**1,028.1**
Currency translation adjustment	(0.2)	(0.3)	(0.1)	(0.1)	(0.7)
Additions	9.4	13.2	3.2	21.2	47.0
Disposals	(0.7)	(6.0)	(0.8)	(0.8)	(8.3)
Transfers	34.7	4.6	–	(39.3)	–
Closing balance at December 31, 2020	**516.5**	**399.0**	**105.2**	**45.4**	**1,066.1**
Accumulated depreciation 2020					
Opening balance at January 1, 2020	**(186.7)**	**(352.9)**	**(85.3)**	**–**	**(624.9)**
Currency translation adjustment	0.1	0.3	0.1	–	0.5
Additions	(12.8)	(13.5)	(5.1)	–	(31.4)
Disposals	0.4	4.9	0.7	–	6.0
Closing balance at December 31, 2020	**(199.0)**	**(361.2)**	**(89.6)**	**–**	**(649.8)**
Net book values at December 31, 2020	**317.5**	**37.8**	**15.6**	**45.4**	**416.3**
Net book values at December 31, 2019	286.6	34.6	17.6	64.4	403.2

(6) Financial investments

in CHF million	Share-holdings	Loans to Group companies	Other financial investments	Total
Cost 2020				
Opening balance at January 1, 2020	**1,995.0**	**31.4**	**17.9**	**2,044.3**
Additions	53.4	–	1.3	54.7
Disposals	(0.4)	(4.1)	(0.9)	(5.4)
Closing balance at December 31, 2020	**2,048.0**	**27.3**	**18.3**	**2,093.6**
Accumulated valuation allowance 2020				
Opening balance at January 1, 2020	**(41.4)**	**–**	**–**	**(41.4)**
Additions	(163.7)	–	–	(163.7)
Closing balance at December 31, 2020	**(205.1)**	**–**	**–**	**(205.1)**
Net book values at December 31, 2020	**1,842.9**	**27.3**	**18.3**	**1,888.5**
Net book values at December 31, 2019	1,953.6	31.4	17.9	2,002.9

A list of Group companies, directly or indirectly held by Hilti Corporation, is included in note (41) of this Financial Report. Pursuant to Article 1094 (3) of the PGR, some details relating to investments in Group companies have not been disclosed in this list.

(7) Inventories

in CHF million	2020	2019
Raw materials	16.5	18.3
Consumables	9.1	9.0
Production in progress	6.6	6.7
Finished products and goods held for resale	115.9	127.0
Total inventories	**148.1**	**161.0**

The decrease in total inventories includes a decrease in the provision for inventories of CHF 6.4 million (2019: decrease of CHF 6.6 million), which is optional under PGR and tax rules. The total amount for this provision amounts to CHF 73.2 million (2019: CHF 79.6 million).

(8) Trade and other receivables

in CHF million	2020			2019		
	Short-term	Long-term	Total	Short-term	Long-term	Total
Trade accounts receivables from third parties	17.8	–	17.8	25.0	–	25.0
Trade accounts receivables from Group companies	641.3	–	641.3	616.4	–	616.4
Total trade accounts receivables	**659.1**	**–**	**659.1**	**641.4**	**–**	**641.4**
Other accounts receivables from third parties	18.6	–	18.6	11.9	–	11.9
Other accounts receivables from Group companies	42.9	–	42.9	34.7	–	34.7
Total other accounts receivables	**61.5**	**–**	**61.5**	**46.6**	**–**	**46.6**
Total trade and other receivables	**720.6**	**–**	**720.6**	**688.0**	**–**	**688.0**

The contractual maturity of short-term receivables is less than one year and for long-term receivables over one year.

(9) Equity

in CHF million	Share capital	Legal reserves	Foreign currency translation reserve	Retained earnings	Total equity
Equity at January 1, 2020	**126.7**	**108.4**	**(17.1)**	**2,611.8**	**2,829.8**
Dividend paid	–	–	–	(294.0)	(294.0)
Foreign currency translation differences	–	–	(0.3)	–	(0.3)
Net income	–	–	–	343.4	343.4
Equity at December 31, 2020	**126.7**	**108.4**	**(17.4)**	**2,661.2**	**2,878.9**

The share capital consists of 253,440 registered shares with a par value of CHF 500 each.

The currency translation differences arise from the inclusion of the income statement and balance sheet items of plant Thüringen, Austria, which are denominated in euro. The foreign currency translation reserve comprises the accumulated foreign currency gains and losses recognized in equity since 2003.

(10) Provisions

in CHF million	2020	2019
Provision for employee benefits	35.0	36.6
Tax obligations	46.2	49.4
Other provisions	3.9	7.5
Total provisions	**85.1**	**93.5**

Other provisions relate mainly to product liability.

(11) Borrowings, payables and other liabilities

in CHF million	2020			2019		
	Short-term	Long-term	Total	Short-term	Long-term	Total
1.875% bond 2013/2023	–	100.0	100.0	–	100.0	100.0
0.200% bond 2017/2024	–	100.0	100.0	–	100.0	100.0
0.400% bond 2017/2027	–	99.9	99.9	–	99.9	99.9
0.050% bond 2020/2025	–	149.9	149.9	–	–	–
Total bonds	**–**	**449.8**	**449.8**	**–**	**299.9**	**299.9**
Bank borrowings	**0.2**	**–**	**0.2**	**–**	**–**	**–**
Trade accounts payables third parties	152.8	–	152.8	145.8	–	145.8
Trade accounts payables Group companies	138.4	–	138.4	147.1	–	147.1
Total trade accounts payables	**291.2**	**–**	**291.2**	**292.9**	**–**	**292.9**
Other liabilities owing to third parties	14.6	8.2	22.8	18.1	24.0	42.1
Other liabilities owing to Group companies	263.0	–	263.0	299.3	–	299.3
Total other liabilities	**277.6**	**8.2**	**285.8**	**317.4**	**24.0**	**341.4**
Total borrowings, payables and other liabilities	**569.0**	**458.0**	**1,027.0**	**610.3**	**323.9**	**934.2**

The contractual maturity of short-term liabilities is less than one year and for long-term liabilities over one year.

(12) Material costs

in CHF million	2020	2019
Raw materials, consumables and bought-in goods for resale	(1,236.3)	(1,434.9)
Outsourced manufacturing	(12.4)	(13.2)
Total material costs	**(1,248.7)**	**(1,448.1)**

(13) Personnel expenses

in CHF million	2020	2019
Wages and salaries	(253.2)	(279.4)
Pension contributions	(41.3)	(42.0)
Other social contributions	(12.6)	(17.7)
Total personnel expenses	**(307.1)**	**(339.1)**

(14) Depreciation and amortization

This position comprises depreciation and amortization of intangible assets and property, plant and equipment.

(15) Financial revenues

in CHF million	2020	2019
Recovery of depreciation on financial assets	**0.9**	**7.0**
Financial investment revenues from third parties	1.5	1.7
Financial investment revenues from Group companies	184.7	65.8
Total revenues from financial investments	**186.2**	**67.5**
Revenues from cash and marketable securities invested with third parties	–	–
Revenues from cash and marketable securities invested with Group companies	–	–
Total revenues from cash and marketable securities	**–**	**–**
Total financial revenues	**187.1**	**74.5**

(16) Financial expenses

in CHF million	2020	2019
Depreciation on financial assets	**(163.7)**	**(1.4)**
Interest and similar expenses incurred to third parties	(5.7)	(4.0)
Interest and similar expenses incurred to group companies	(3.5)	(2.3)
Total interest and similar expenses	**(9.2)**	**(6.3)**
Operating currency and hedge gains/(losses)	**(20.4)**	**(15.1)**
Total financial expenses	**(193.3)**	**(22.8)**

(17) Derivative financial instruments

Hilti Corporation enters derivative contracts to hedge mainly foreign currency risks arising from forecast foreign currency sales and purchases transactions. Derivative contracts are recognized when the applicable forecast transactions occur. Until then they remain off-balance sheet. Recognized (i.e. on-balance sheet) derivative contracts are reported at fair value. Changes in the fair value of recognized derivative contracts are reported in the income statement. In accordance with Article 1093 of the PGR, details of the on- and off-balance sheet derivative contracts outstanding at balance sheet date are as follows:

in CHF million	2020	2019
Contract face amounts		
Foreign currency forward contracts	614.7	801.7
Interest rate swaps	60.0	60.0
Total contract face amounts	**674.7**	**861.7**
Contract values		
Foreign currency forward contracts	(0.2)	8.4
Interest rate swaps	3.8	4.7
Total contract values	**3.6**	**13.1**
Reporting of contract values		
Contract values recognized (on-balance sheet)	3.6	13.1
Contract values unrecognized (off-balance sheet)	–	–
Total contract values	**3.6**	**13.1**

(18) Segment information

Pursuant to Article 1094 (2) of the PGR, a breakdown of net sales has not been disclosed.

(19) Contingent liabilities

in CHF million	2020	2019
Guarantees third parties	–	1.4
Guarantees Group companies	163.5	154.7
Total contingent liabilities	**163.5**	**156.1**

(20) Commitments

Payment commitments arising from operating lease contracts are as follows:

in CHF million	2020	2019
Expiring within 1 year	0.4	0.6
Expiring between 1 and 5 years	0.4	0.7
Total commitments	**0.8**	**1.3**

(21) Remuneration of the Board of Directors and the Corporate Management

For details of the remuneration of the Board of Directors and the Corporate Management, see note (39) of the Group's consolidated financial statements.

(22) Other transactions and balances with the shareholder

For details about other transactions and balances with the shareholder see note (39.3) within the notes to the consolidated financial statements.

(23) Number of employees

The breakdown of employees by nationality is as follows:

Country	2020	%	2019	%
Austria	839	40%	868	40%
Germany	436	21%	431	20%
Liechtenstein	136	6%	143	7%
Switzerland	226	11%	232	11%
Other countries	478	22%	471	22%
Total employees	**2,115**	**100%**	**2,145**	**100%**

(24) Management report

Pursuant to Article 1121 (3) of the PGR, the management report of Hilti Corporation has been combined with the consolidated management report. The consolidated management report is on pages 6 to 8 of this Financial Report.

(25) Appropriation of retained earnings

in CHF million	2020	2019
Profit brought forward	2,317.8	2,185.0
Net income	343.4	426.8
At the disposal of the General Meeting	**2,661.2**	**2,611.8**
Proposal by the Board of Directors		
Dividend of CHF nil (2019: CHF 1160) per share	–	294.0
Appropriation to other reserves	–	–
Balance carried forward	2,661.2	2,317.8
Total	**2,661.2**	**2,611.8**

REPORT OF THE STATUTORY AUDITOR TO THE GENERAL MEETING OF HILTI AKTIENGESELLSCHAFT, SCHAAN

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Hilti Aktiengesellschaft (the entity), which comprise the balance sheet as at 31 December 2020, the income statement and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 75 to 85) give a true and fair view of the financial position of the entity as at 31 December 2020, and its results of operations for the year then ended in accordance with Liechtenstein law and the entity’s articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Liechtenstein law and International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the “Auditor’s responsibilities for the audit of the consolidated financial statements” section of our report.

We are independent of the entity in accordance with the provisions of Liechtenstein law and the requirements of the Liechtenstein audit profession, as well as the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 19.5 million
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, this is the most commonly used performance measure for the entity and it is a generally accepted benchmark.

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

Key audit matters

We have determined that there are no key audit matters to communicate in our report.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements that give a true and fair view in accordance with the provisions of Liechtenstein law and the entity's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Liechtenstein law and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Liechtenstein law and ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

The management report (pages 6 to 8) for the year ended 31 December 2020 complies with Liechtenstein law and the entity's articles of incorporation. Furthermore, the management report corresponds to the financial statements and contains no significant incorrect information according to our assessment.

We further confirm that the proposed appropriation of available earnings complies with Liechtenstein law and the entity's articles of incorporation. We recommend that the financial statements submitted to you be approved.

pwc

PricewaterhouseCoopers AG

Stefan Räbsamen

Gianluca Galasso
Liechtenstein Certified Public Accountant

Auditors in charge

St. Gallen, March 17, 2021


HILTI
TE 6-CL

CORPORATE GOVERNANCE

Election and term of office for the members of the Board of Directors

The members of the Board of Directors of Hilti Corporation are elected by the Annual General Meeting for three years. In principle, the term of office shall amount to not more than four terms and the mandate of a member of the Board of Directors shall lapse with effect at the end of the business year in which the relevant member reaches the age of 70.

Allocation of responsibilities and duties of the Board of Directors

The Board of Directors is the supreme executive body of Hilti Corporation and responsible for superintendence, supervision and control of the management. In addition to further legally defined obligations, the Board of Directors adopts the fundamental strategic orientation of the Group, approves the Group's strategic planning and material business decisions, searches for and proposes eligible candidates to the General Meeting for election as members of the Board of Directors and ensures the succession planning and appointment of the Executive Board.

In the last business year, the Board of Directors supervised the activities of the Executive Board and supported it in a consultative capacity. The Board of Directors took a strategic focus and was actively involved in projects concerning Group strategy. In several multiday Board meetings and visits (performed physically or virtually, as practicable) to major operating units of the Group, as well as on the basis of written and oral reports of the Executive Board, the Board of Directors dealt intensively with the economic situation, day-to-day running of the business as well as with its corporate policy, financial planning, risk management and basic questions of corporate development. Furthermore, the Board of Directors was kept fully informed by the statutory auditors on the results of the audit of the annual financial statements.

Audit Committee

The Audit Committee assists the Board of Directors in fulfilling its supervisory responsibilities with respect to the accounting and financial reporting practices of Hilti Corporation and its subsidiaries, compliance with legal and regulatory requirements, the internal and external audit processes as well as with its oversight of the risk management. The overall responsibility for the tasks delegated to the Audit Committee remains with the Board of Directors. In 2020, the Audit Committee consisted of Dr. Carla de Geyseeler (Chairman of the Audit Committee) and Dr. Daniel Daeniker.

Internal audit

The internal audit department, Corporate Audit, supports the Board of Directors by monitoring the internal control status within Group companies. To achieve this, Corporate Audit conducts audits focused on controls within major transaction cycles as well as on processes for management of selected corporate risks. Corporate Audit's objective is to provide transparency over the Group's control environment and enable security to be provided over the Group's resources.

Risk management

The Group maintains an enterprise-wide risk management process which involves a complete risk inventory with different risk owners assigned to manage all known strategic, financial and occurrence-oriented risks of the Group. The risk owners are responsible for their respective risks to evaluate, implement, review and monitor compliance with the corresponding risk mitigation measures. For financial and occurrence-oriented risks, the Corporate Risk Manager is responsible for the risk reporting process and to ensure the reported content and identified measures regarding the identified risks are plausible. Corporate Audit undertakes reviews of selected risks as part of their internal control reviews in Group companies (see above) and in corporate functions managed by the respective risk owners. For strategic risks, Corporate Development runs annual strategy review workshops with the Executive Board. The risk management reporting is regularly reviewed by the Audit Committee, on behalf of the Board of Directors.

Shareholders' rights

Details of share capital are given in the Group financial statements (see note (19)). In principle, resolutions of the General Meeting are passed by absolute majority of the voting shares represented. A majority of at least three quarters of the voting shares represented at the General Meeting is required for: an amendment to the Articles of Association, an increase in the share capital, the buyback of shares, the restriction or cancelation of the subscription right, mergers with other companies, transformation of the company into another legal form or the dissolution of the company.

Auditors

The examinations of the Group financial statements and the financial statements of Hilti Corporation are conducted by PricewaterhouseCoopers AG, St. Gallen (leading auditor). The company was reappointed in March 2020 for the 2020 year. The auditor-in-charge has been responsible for the mandate from 2019 following a partner rotation after the 2018 year. In respect of the 2020-year, audit fees of PricewaterhouseCoopers amount to CHF 2.2 million whereas the non-audit fees amount to CHF 0.2 million. Total audit fees of the Group, including audits not performed by PricewaterhouseCoopers, amount to CHF 2.6 million.

INVESTOR INFORMATION

Contact information

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Key dates

Interim financial information January to April 2021	May 20, 2021
Interim financial information January to August 2021	September 24, 2021
Publication of the 2021 Financial Report	March 18, 2022
Annual results media conference	March 18, 2022