

HILTI

2013 Company Report





MUCH MORE THAN EMPTY SPACE.

How many holes have been drilled by Hilti drill bits? In the more than 70 years of our company history the number has to be close to a billion. This is a point of pride, because a hole created by a Hilti bit serves a purpose, fulfills a duty. It's rare that our holes remain empty. They're filled with anchors or screws and become elemental components of a solid object.

A hole that has been precisely drilled by a Hilti drill bit, whether in concrete, steel, masonry or wood, is more than empty space. It opens myriad possibilities and forms the basis for stability and safety. It's the beginning of something new.

The reports from construction sites around the world contained in this publication bear witness to this.



There's a story behind every hole.
Scan the QR code to see the
unusual way that holes found
their way into our 2013 Company
Report.

A YEAR OF CHANGES.



Dear Readers

Some years are particularly decisive in the history of companies because they are like crossroads for the future. 2013 was such a year for Hilti. In a persistently volatile market environment, we succeeded in continuing our course of growth and bringing our profitability back to the level before the economic and currency crisis.

Hilti posted a moderate but solid 3.2 percent sales growth in line with expectations, although our European core market remained difficult, in particular in Southern Europe. On the other hand, our growth regions achieved solid double-digit growth in local currencies and also North America generated excellent results despite economic and monetary turbulences.

We note with satisfaction that we achieved the objectives of our profitability enhancement and capital efficiency program launched at the end of 2011 one year ahead of schedule. Thanks to this, the operating result grew by 40 percent and return on sales improved from 7.2 to 9.7 percent, which is a solid foundation to secure our long-term competitive position.

But profitability is not our only goal. Our revised and fine-tuned corporate strategy clearly states that we are keen on accelerating growth and creating sustainable value for the Group as a whole and we are fully aware that this can only be achieved through a long-term approach based on clear market leadership and differentiation.

Our highly qualified and dedicated employees are the key to the successful execution of our

strategy. To motivate our team members we ensure a positive working environment and empower them with responsibility and trust. In return, our employees go the extra mile and fully identify with their company, which is more than ever reflected in the satisfaction ratings of our anonymous 2013 employee opinion survey and has brought us the best Group result in the company's history.

Another remarkable achievement was the thoroughly prepared, smooth handover of the CEO position at the end of last year. Christoph Loos, who has been a member of the Executive Board for the past seven years, took over as CEO from Bo Risberg, who retired at the age of 57 due to the Group's internal age regulations.

2013 was an important year for us. Not only did it show how well we can cope with change but also that we have the dynamic power it takes to rise to ever new challenges and to emerge from a crisis stronger than before.

We will continue to build on our strengths, expand our global footprint and accept to be put to the test each and every day as we passionately create enthusiastic customers and build a better future.

We wish to thank our customers for placing their trust in us, our products and our services as this inspires us time and again to be even better at everything we do. And we wish to thank all our employees around the world for their dedication and high level of personal commitment for the benefit of our company. ■■■■■



Pius Baschera

Chairman of the Board



Bo Risberg

Chief Executive Officer until December 31, 2013



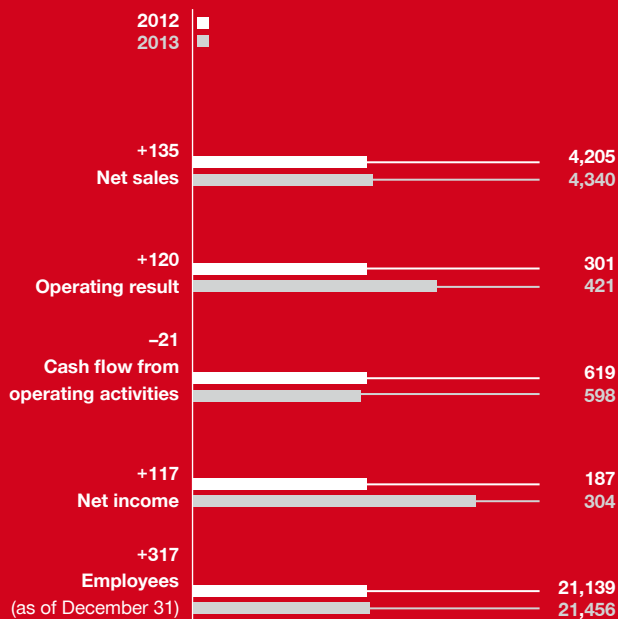
Christoph Loos

Chief Executive Officer as of January 1, 2014

BRIEFLY.

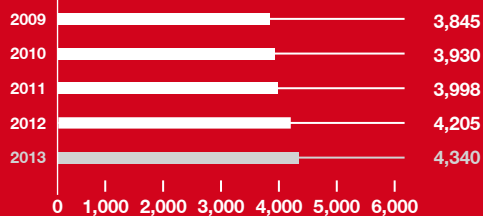
Key figures

(in CHF million)



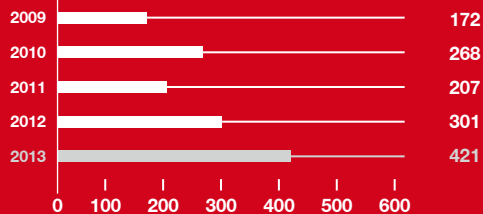
Net sales

(in CHF million)



Operating result

(in CHF million)



Note: The comparative figures for the 2012 business year have been retroactively adjusted to reflect the application of IAS 19, Employee Benefits (revised), and IFRS 11, Joint Arrangements. The comparative figures for the business years before 2012 have not been retroactively adjusted.

TOPICS.

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New CEO Christoph Loos (l), and Bo Risberg, CEO until the end of 2013, discuss the future of the company.



A new lock is being built in Antwerp, Belgium. Hilti is the on-site problem solver.



Tunnel workers are drilling their way under London. Hilti is an important partner in the project.

SEIZING OPPORTUNITIES. MEETING CHALLENGES.



From right: Bo Risberg and Christoph Loos.

The past turn of the year has brought change for Hilti. After having served on the Executive Board for thirteen years, including seven years as the company's CEO, Bo Risberg left the company as per the end of 2013 due to the Group's internal age regulations. Christoph Loos, who joined Hilti in 2001 and has been a member of the Executive Board since 2007, took over as CEO on January 1, 2014, in a thoroughly prepared, smooth transition process.

After the global financial crisis and the ensuing economic difficulties of the past few years, Hilti has regained its financial strength and Bo Risberg handed over the

company to his successor on a strategically and financially sound footing. With sales at CHF 4.3 billion, return on sales at 9.7 percent, return on capital employed at 12.8 percent and free cash flow at above CHF 354 million in 2013, Hilti was back at its 2006 levels.

Now Hilti is building momentum to herald in a new growth period. Thanks to the strong foundation and a clear corporate strategy with ambitious objectives, Christoph Loos and his team are poised to accelerate growth, gain global market share and further enhance the financial strength.

Mr. Risberg, you have been with Hilti since 1999. During your tenure you have served on the Executive Board for thirteen years and headed the company as CEO for seven years. To what extent has the company changed during this period?

BR Hilti has become more globalized over the past ten years – in terms of customers, sales volume, structure and employees. Today, we stand out more clearly from our competitors because we have extended our multichannel direct sales approach and stepped up both the pace and customer-orientation of our innovations. This not only applies to our tools and fastening products but also to services such as fleet management. Over the past few years, we have also made a conscious effort to focus even more on those segments where we have the potential to be successful. Throughout the Group, we have become more efficient, more flexible and also more robust, which has helped us to create more value.

What were your personal highlights during your tenure as CEO?

BR Both my first and my last year with Hilti were the most memorable. When I took over as CEO in 2007, we had the best-ever result in Hilti's history. What a magnificent moment! Today, having overcome a difficult period, it fills me with great pride to see how our global teams have steered the company back to strong profitability and value creation. The solid foundation on which we stand in 2013 is the result of the proper strategic measures and the full dedication of all our teams and has made 2013 one of the best years of my time as CEO.

In your opinion, what was the most difficult period for Hilti?

BR Dealing with the situation in 2009 was a major challenge. Our initiative included structural measures that also had an impact on our people. But our teams were aware of the difficult situation and were supportive of management's decisions. When the company returned to the road of strong

growth in 2011, it was all the more frustrating to see our net profit being eroded by more than CHF 120 million due to an extremely negative exchange rate effect. So we had to launch yet another turnaround initiative that we have managed to complete successfully in the meantime.

In retrospect, how has Hilti fared during the years of the crisis?

BR Winston Churchill once said: „Never let a good crisis go to waste.“ In my opinion, we have learned a lot from the crisis. We were under enormous pressure to act, which has forced us to make the company even more agile, flexible and fit. Thanks to our financial robustness, strong strategic position and great corporate culture, we are now better prepared and positioned than ever before to rise to the challenges of the future.

In the past few years, you have been shifting your company's focus from sustainable, profitable growth to a more pronounced cashflow orientation. Why?

BR Since both sales and profitability were decreasing during the crisis, we had no choice but to turn our attention to cash flow and capital efficiency. While we continue to focus on sustainable, profitable growth, we are increasingly concentrating on the return on capital employed (ROCE), which is in line with our target to create sustainable value for our company.



You have left Hilti at the end of 2013. What does the future hold in store for you in your private life?

BR I am looking forward to having more time for my family and friends, to venture into new things, to travel in countries that I have had the pleasure to visit but never really got to know during my business trips. As far as my professional future is concerned, I will become a member of a few boards of directors and work as an industrial advisor within private equity. I shall not serve on the Board of Directors of Hilti as it would not be in line with our view of good corporate governance to have three former CEOs on the same board and it could disrupt the balance between internal and external perspectives.

What message would you like to give your successor for his future job as CEO of Hilti?

BR The success of Hilti is based on the great passion, competence and commitment of our team members on the one hand and on highly innovative products and services on the other hand. Add to this our strong values and a clear corporate purpose. These are assets that must be upheld and nurtured even if Hilti is growing further and becoming even more globalized. And finally: Focus on what is essential!

Mr. Loos, following up on Mr. Risberg's advice: What do you value personally?

CL I couldn't agree more with Mr. Risberg's advice. We want to grow and become more globalized while preserving the strengths of Hilti. These strengths are deeply rooted in our core as a family-owned business: a strong commitment and identification of the Hilti employees with their company, a minimum of hierarchy and a maximum of energy. It is our task now to achieve significant profitable growth without turning into a „large“, impersonal company.

Over the past few months, the management has worked hard on Hilti's corporate strategy. What was the reason for the strategy review?

CL The recent turbulences have changed both the market conditions and our competitive environment. Therefore, 2013 was the perfect moment to examine whether our „Champion 3C” strategy continues to meet the current requirements. In essence, our existing strategy was confirmed. In particular, our strong focus on differentiation and direct customer contact will remain the main pillars of our strategy in the future.

What is new and what are the most important elements of this strategy?

CL In our revised strategy „Champion 2020”, we have refined the topic of leadership. Differentiation, combined with a more pronounced move towards market leadership, is the key ingredient for sustainable value creation. In our efforts to maintain a differentiated portfolio, we will have to invest even more in the development of products and superior services for our customers. However, these investments are more closely connected to the objective of growing our market shares in those product groups and segments where we can achieve real market leadership. Another element is a more intensive approach towards loyal customers. This will lead to more differentiated marketing efforts focusing clearly on building deeper customer relationships rather than broad market coverage.

What are the specific objectives you wish to achieve with the revised strategy?

CL The main goal of Champion 2020 is to stimulate our growth further and to substantially outperform the growth rate of the global construction market. Having said this, we must focus on gaining market shares in our key product segments in order to generate economies of scale at a global level. Furthermore, we will concentrate on increasing the number of loyal customers significantly and strive to offer our employees a high-quality working environment also in the future. By doing this, we will be able to generate attractive financial results and create sustainable value for the company and its shareholders with the aim of ensuring the Group's independence in the long term.

What are your expectations in terms of the economic prospects for the coming months?

CL Although the crisis we have lived through will continue to affect the general economic climate for years, we expect to see a slightly better global market environment in 2014. Construction industry forecasts in the United States and in many growth regions are promising. While we expect stabilized construction investments at a low level in most South and East European countries, we anticipate a slightly improved situation in the rest of Europe.

Will the non-European markets become even more important in the future? How well-positioned is the company for this scenario?

CL Absolutely. The recent economic shift towards growth regions will also continue to affect the global construction market. Already today, the non-European markets account for 50 percent of Hilti's sales. As a result of our objective to gain market shares on a global scale, the non-European business share will grow even further. We are well-prepared for this. In many of those countries, Hilti is just as well-positioned as in Europe. In the emerging countries, we are focusing on market segments where we can meet customer needs in terms of quality, productivity and safety with a competitive value proposition.

Which opportunities and challenges will Hilti face in the next few years?

CL As far as our opportunities are concerned, I am very confident. Over the past ten years we have made enormous investments, created global structures, optimized processes, enhanced our innovation capabilities and have invested into the skills of our employees. We have used the crisis to be even better prepared for the future. And today we are stronger than ever before. We will now be able to use this strength to our benefit in what we hope will be a more stable market environment. And this is exactly where we are going to face the greatest challenge as we must reckon with persistently volatile markets. In other words, we must be able to respond more swiftly to volatile market conditions. So if we live up to Bo Risberg's quote „Never let a good crisis go to waste”, we have done our homework. ■■■■

THE YEAR IN REVIEW.

What challenged us?

Our own expectations.

What animated us?

Our innovations.

What moved us forward?

Our customers.

EARTHQUAKE SAFETY.



The damage caused to buildings and structures by earthquakes can be enormous. The danger is not limited to people as buildings can be so substantially damaged that they must often be completely demolished. Earthquake safety is a central topic for Hilti, one of the leading fastening technology companies.

Numerous worldwide research projects focus on the effects of seismic activity on buildings and infrastructure. The goal of this research is to develop designs and solutions that have favorable resistance to the effects of seismic stress loads. Fastening technology literally plays a key supporting role.

Since June 2013, the European Union has officially regulated the qualification and design of fastening systems regarding seismic loads. The European Technical Assessment for anchors now includes all the technical data required for earthquake-resistant construction. In the future the earth-

quake resistance of anchors will be given in performance categories. Category C1 is suitable exclusively for non-load-bearing applications in regions having low seismic activity. Category C2, however, represents the highest qualification currently available for all applications and earthquake magnitudes in Europe.

Thanks to Hilti's intensive developmental work on earthquake-resistant fastening solutions, the company celebrated a significant milestone last year. Hilti was one of the first manufacturers to be given C1 and C2 approval, for its HIT-HY 200 injectable adhesive mortar in conjunction with the HIT-Z anchor rod and the HST stud anchor. Additionally, PROFIS Anchor software is the first software that allows users to design anchor connections in accordance with the seismic code framework. ■■■■

Thanks to the gradient technology incorporated in its solid carbide head, the Hilti TE-CX hammer drill bit can drill through steel reinforcing bars easily, with minimal wear and tear.

China

HIGH ALTITUDE.



“Saves time, saves money and potentially saves lives”

Three questions for ...

Sun Kejin, Senior Project Manager for Otis on the 1.6 million sqm Tianjin Goldin Metropolitan Project with a 572,700 sqm, 600 m tall, 117 floor tower as its iconic centerpiece.

Why did Otis choose to use a cast-in anchor channel as opposed to a post-installed anchor on the 117 project?

SK The subsequent ease and speed of installation of the elevators in the shaft was one of the main factors in selecting a cast-in place solution but of equal importance is our belief that during the construction, it is a far safer and easier system from the point of view of the construction workers, installing the guide rails. Before 1984, Otis typically used embedded plate in the shaft and from 1984 transitioned more to post-installed anchors.

More recently however, the belief and especially in high strength, heavily reinforced super high rise structures is that a cast-in anchor channel is the right solution. For anybody who has ever spent time in an elevator shaft, it is clear that post installing anchors is a time consuming, often hazardous task and the advent of cast-in place solutions is a welcome development. While not uncommon in the rest of the world, 117 will in fact be our first Otis project in China to use a cast-in place solution.

Why did Otis choose Hilti’s HAC anchor channel?

SK Otis of course considered different vendors as is required by Otis internal procedures but following due technical and commercial diligence, Hilti was chosen as providing the best performance and best value for money. In addition not only is the quality of the Hilti product above reproach but the service provided by Henry Shu, Hilti’s Tianjin based Technical Representative is outstanding.

Which characteristics of the Hilti products proved decisive?

SK From a product perspective, the V shaped profile fits easily into the rebar cage prior to concreting but decisive is the subsequent ease of removal of the filler strip. The user friendly filler strip is also an advantage in an increasingly environmentally conscious world with almost no debris to collect on a construction project.

Rising 597 m into the north China skyline, even by Chinese standards, the 117 Tower is one of a kind and when complete in 2015 will be the 3rd tallest building in China and the 7th tallest building in the world.

The commercial residential complex being developed by Goldin Properties is designed by Hong Kong based P&T Architects with Arup International acting as structural consultants.

The task of moving people in this vast structure has been awarded to Otis, who will provide 255 units including 50 double deck elevators to the development. High speed, high rise Gen2-MRL elevators moving at an astonishing 12m/s will glide the 117 floors of the structure reaching the top in less than 50 seconds.

Post installed anchoring solutions are commonly used in such structures to fasten the guide rails on which the elevator cars ride the high strength, heavily reinforced concrete hoist way. The Otis High Rise Team, headquartered in China and having supplied elevators to eight of the ten tallest buildings in the world decided to use a cast-in place solution as opposed to post installed anchors.

Following multiple meetings and the submission of detailed and comprehensive technical proposals to meet both static and dynamic loading requirements in accordance with Chinese as well as international codes of practice, it was possible to define an acceptable solution. Supply chain and commercial negotiations followed ultimately concluding in Otis choosing Hilti’s HAC 40 solution in varying lengths.

For Otis the complex and always difficult task of installing guide rails in the hoist way will now become much simpler, allowing the installers to enter the shaft, remove the filler strip, install the HBC-T head bolts and secure the guide rail bracket all essentially in a matter of seconds as compared to the arduous task of drilling holes in the heavily reinforced concrete structure.

By the time construction is finished in the second half of 2015, many Hilti HAC anchor channels will have been used in 117, together with chemical anchors, stainless steel anchors and Hilti detection technology. ██████████

PROBLEM SOLVER.



There are big construction sites and there are very big construction sites. There are also construction sites that are so big that, at first glance, they afford no overview at all. The Waasland lock at the Port of Antwerp in Belgium is this kind of project. Some 10 million cubic meters of earth will be moved while 740,000 cubic meters of concrete and 22,000 tons of structural steel will be used in the construction of what will be the largest lock in the world.

Hilti Key Account Manager Wouter Arnaert drives through the Waasland construction site, passing numerous cranes, concrete walls, casting molds and concrete pumps. Today he's meeting a customer at a location that sits at least 25 meters below sea level. He wants to demonstrate a new tool for the construction supervisor of the THV Waaslandsluis consortium, consisting of the BAM (representing the merger of CEI – De Meyer and Betonac), Eiffage (the Antwerpse Bouwwerken and HERBOSCH-Kiere) and Jan De Nul companies. The application is for a fastening solution in a corrosive environment, one of Hilti's specialty areas. The lock's sidewalls must stand up to the pounding they may take from ship hulls. To ensure this, heavy cork slabs are fastened to the concrete. Arnaert has a GX 120 gas-actuated fastening tool that quickly and securely drives steel fasteners into the concrete base material. The direct fastening tool is easy to handle and, thanks to its large magazine, can execute many fastenings in a relatively short period of time. Arnaert's extensive clarification and on-site demonstration of the tool convince the customer that the GX 120 is exactly the solution they were looking for.

"Hilti solves all our problems," is a sentence that Wouter Arnaert hears often. On a construction site having the dimen-



sions of this one, there are new challenges on a daily basis. Such as when 100 post-installed rebar connections suddenly need to be installed. Drilling the 100 holes, at a depth of roughly one meter, was a task for Hilti's powerful TE combi-hammers, of which there are more than 25 in use on the construction site. But what about the anchoring application? "We also had a suitable product ready for this task. Our HIT-RE 500 injectable mortar system was the best solution, particularly for the deep holes as the epoxy resin hardens slowly after injection, allowing plenty of time for the application." The customer was immediately enthusiastic. Hilti also trained the workers in the safe usage of the injection technology directly on the construction site.

Hilti had already proven itself a reliable partner among various suppliers in an earlier construction project with Jan De Nul. Now Hilti is aiding customers in the project to build the world's largest lock. "The only company we never have problems with is Hilti," says a satisfied construction supervisor. As an example he cites the PRE 38 dual grade laser that had been sent for repair the previous week. "The next day Hilti provided us with a replacement tool and three days after that our repaired and recalibrated tool was returned to us."

Until the Waasland lock becomes operational in 2016 Wouter Arnaert will undoubtedly have a few more challenges to master. "Yes, there's a lot of work. I'm nonetheless proud to be working on a project as gigantic as this one," says the Key Account Manager as he drives off to his next appointment. ■■■■■

SUCCESS STORY.



Boya Achille Omang happily receives his Hilti tools.

The largest fleet management agreement in the history of Hilti France includes some 1,400 tools and 5,000 additional parts and accessories. Hilti's customer SNIE, a Paris-based electrical-installation specialist employing 465 people, signed the agreement with an eye on long-term cooperation. For comparative purposes: An average fleet management agreement includes about 13 tools. ■■■■■

Hilti has offered the "Tool Fleet Management" concept for more than ten years. The advantage is clear. Companies pay a fixed monthly amount and they receive a fleet of tools tailored to their needs that always corresponds to the latest technological standards. The trend continues unabated. In certain countries more than half of all tools are sold via fleet management agreement.

The Hilti TE-CD hammer drill bit is hollow inside. This allows the dust removal system connected to the power tool to clean the hole while drilling is in progress, speeding up the process tremendously. The anchor can then be set correctly very simply.

CORDLESS PERFORMANCE.

No bothersome cable, no dependence on mains electricity, lighter weight, yet with the performance and reliability of a corded tool? The world's first cordless combihammer, the Hilti TE 30-A36, takes cordless tools to a new level of performance.

Gammon Construction, headquartered in Hong Kong, is one of the local leading construction and engineering contractors. The strength of its reputation lies in the collective skills of its people of more than 8,000, while safety serves as one of Gammon Construction's core values.

"Gammon strives to work together with its business partners to achieve its safety vision, Hilti is one of them. To avoid



K.C. Lau, Construction Manager with Gammon Construction.

the risks of workers being tangled up in electric cables and exposed to electrical shocks, we resolve the situation by using cordless tools. The measure has greatly enhanced safety at our construction sites. It also brings effectiveness and efficiency to the projects," says K.C. Lau, Construction Manager with Gammon Construction.

Hilti has had a presence in Hong Kong since 1974 and works closely together with Gammon, particularly on safety-related issues. Gammon has recently equipped construction sites to use only cordless tools such as hammer drills, angle grinders or circular saws, and combihammers. Because of its tremendous level of safety performance Gammon uses the new combihammer as it would use a corded tool.

The TE 30-A36 offers a great deal in terms of user safety. One standard feature is the Active Vibration Reduction (AVR) function which significantly reduces hand-arm vibrations. An even bigger plus in terms of working safety is provided by the TE 30-A36's optimized slip clutch and the patented Active Torque Control (ATC), an electronic cutout system that monitors acceleration of the tool about its own axis and cuts power to the motor fully automatically, in a fraction of a second, in the event of hitting a rebar. This greatly reduces the risk of wrist injury caused by a sudden twisting of the tool. In February 2013, the TE 30-A36 received the renowned "iF product design award." The award is based, among others, on the criteria of safety, ergonomics, functionality and innovation. ■■■■■

England

TUNNEL MARATHON.



Over a stretch of about 42 km, seven huge tunnel boring machines are now at work creating new rail tunnels at depths of up to 40 meters for London's Crossrail project. Hilti is a project partner in what is currently Europe's largest infrastructure project.

At the beginning of the 19th century the renowned "Quarterly Review" periodical discussed the "practically unfeasible idea of a railway running beneath the city." Today the London Underground is the most important transportation link in the city. Some 1 billion riders use the system every year. Despite substantial ongoing investment the system is known to be notoriously overburdened.

The Crossrail expansion project is designed to help solve this problem. When finished the significant expansion of the rail-based mass transit system will unite the East End of London with the West End, creating an additional transit capacity of roughly 10 percent. The Crossrail project currently includes more than 40 construction sites.

As a project partner Hilti not only provides products to the construction site operators, but also advises the Crossrail Ltd project management company on topics such as user safety and the handling of construction chemicals. Hilti is also responsible for special solutions that were created specifically with tunnel construction in mind. Hilti has, for example, a safe and efficient total solution for post-installing rebar in concrete. The reinforced concrete is initially scanned with the PS 1000 detection system to eliminate rebar strikes when drilling. A hollow drill bit designed specifically for the application is then used to drill the hole in the existing concrete without scattering large amounts of dust in the working environment – something particularly significant in tunnel construction. The rebar is then anchored with the Hilti HIT-HY 200 chemical injection system.

A team of five Hilti specialists works on the Crossrail project around the clock. They have access to the various construction sites. "Our customers view us as partners so we're included in their deliberations early on in the process. We can provide our expertise to help select productive and efficient systems and to remove any potential sources of error well in advance," says Pavlos Gklavinas, Hilti's Project Manager for Crossrail.



For example, Hilti helped simplify the monitoring process for shotcrete strength with the help of a unique pullout process for direct-fastening elements. This was done by setting a fastening element in the shotcrete with the Hilti DX 450 SCT setting tool and then determining the degree of concrete hardness with an extraction device developed specifically for this purpose. This method not only conforms to European standard EN 14488-2, but was also documented in the Austrian Society for Construction Technology guidelines. The customer gains a clear advantage in having a fast and reliable method for monitoring concrete substrates so that work can quickly continue analog to existing specifications.

When completed in 2018 the Crossrail project will significantly ease the transit situation in London. The commute for many people will be much shorter and many new jobs will have been created. One nice ancillary effect is the creation of a new wildlife sanctuary on nearby Wallasea Island, which will be fashioned from the tunnel material excavated from the Crossrail project. Until now the amount is approximately one million tons. ■■■■■

Liechtenstein

PRODUCT INNOVATIONS.

Fast driver ▼

Thanks to new, more rigid screw strips, the new Hilti SD-M 1 screw magazine can be loaded extremely quickly. The strip doesn't buckle when pushed in and screws of various lengths are transported and driven with virtually no resistance and no time-consuming jamming. Clever details like these make interior finishing work easier than ever.

Rugged ▼

The innovative Hilti PR 2-HS and PR 30-HVS rotating lasers, featuring a unique impact-absorbing system, withstand drops from a height of up to two meters without damage. Even rain and dust have no effect on the reliable accuracy of these ruggedly built laser tools.



Red hot ▼

Ideal for use where electric-cable installations are modified frequently, the new Hilti CFS-BL firestop brick can be cut without need for special tools and is easy to install. This internationally approved, fiber-free, time-saving product is not only the perfect solution for applications in dust-sensitive areas such as data centers, laboratories or hospitals, it also complies with green building requirements.

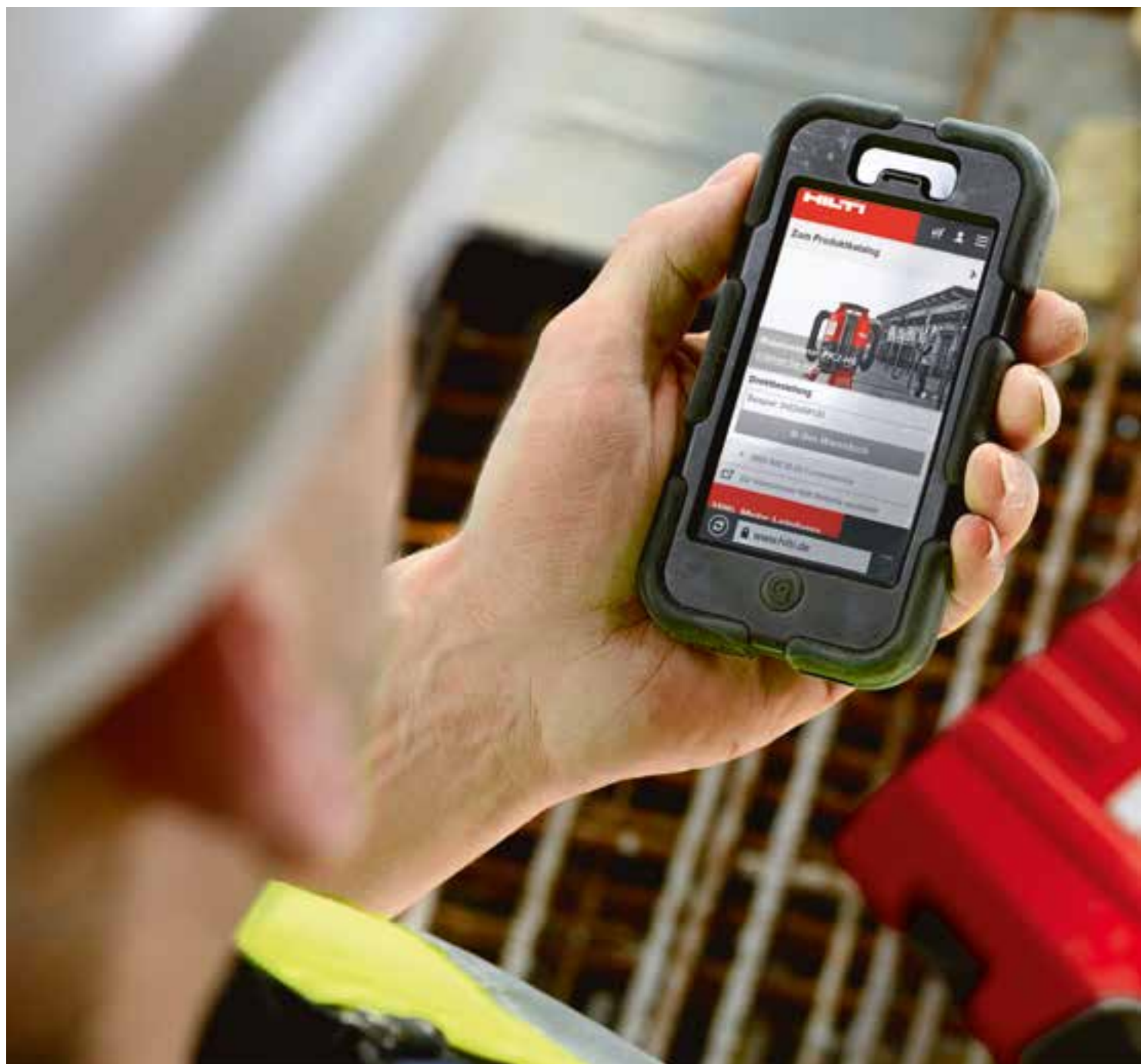
Mobile revolution ▼

Providing up to 30 percent higher drilling performance than comparable corded tools, previously undreamed-of cordless chiseling power and featuring a brushless motor that requires virtually no maintenance, the new Hilti TE 30-A36 cordless combihammer defines an entirely new class of cordless tool.



USA/Canada

ONLINE BUSINESS.





After months of preparations the new generation of Hilti Online successfully went live in August 2013. With more than 50,000 page hits each day Hilti Online has developed into a popular sales channel.

Construction professionals are not only gathering more information from Internet sources, they are buying what they need from these sources with greater frequency. As a result the online catalog for the new generation of Hilti Online has been optimized to reflect the changing needs of construction professionals. From quickly locating the right product and showing current availability, to simple ordering and support information on shipping status, Hilti Online now ranks among the most modern Web sites in the professional construction industry.

Hilti is aware of the significance mobility plays for on-site professionals and even has a specific Hilti Online version designed for mobile devices which automatically appears on the display once a smartphone or tablet logs on to the Web site. While there may not be electrical outlets or desktop computers on the 12th floor of a building shell, the need for digital information still exists. If accessories are running low the customer must only scan the QR code on the packaging with a smartphone, select the desired amount and place their online order. Documents such as operating instructions or approvals can now be accessed anywhere and at any time. More than 10 percent of the visits to Hilti Online now take place via mobile devices.

The new Hilti Online was introduced after almost two years of intensive preparations. All existing customer contact data has been successfully migrated. Successively rolled out in the USA, Europe and Asia, almost the entire Hilti world is operating on this brand-new Web platform as this Company Report is published. ■■■■

Saudi Arabia

MEGACITY.

The plans for the project appear as though they are from another time. Some 34 futuristic high-rises, apartments, hotels, parks, open space and many shopping areas, all linked by a monorail system. These are all part of the King Abdullah Financial District, one of the largest construction projects in the Saudi Arabian capital of Riyadh.

The King Abdullah Financial District (KAFD) marks a significant milestone in sustainable city planning and is well positioned to be a trailblazing global project in terms of sustained environmental protection and natural resource conservation. The KAFD is the first district worldwide to apply for Leadership in Energy and Environmental Design certification from the American Green Building Council. As a result, environmental conditions are taken into consideration from the beginning of the planning stages.

Saudi Oger, a leading Saudi construction, facility management and infrastructure company, designed and is building, among other projects, the aboveground monorail system that will link all sections of the new city district. Having a length of 3.5 kilometers, the system features 131 support pillars and 30 bridges and is a true challenge for both the technicians working on the project and for Hilti. For fastening work Saudi Oger needs some 5,000 meters of anchor channels designed specifically for the project. "In addition to the special anchor channel construction the calculation process for the corresponding anchors is complicated. The anchor penetration depth may not exceed 150 millimeters yet they



still have to ensure maximum safety and stability," explains Hilti Engineering Manager Hussein Abu-Sheikha. He works closely with the customer and, together with a team of specialists, ensures that the required products and solutions are developed and delivered on time.

Saudi Oger greatly appreciates the commitment of the Hilti team: "We have been working with Hilti for a long time. This project was a great challenge for us all and Hilti always provided us with the ideal solution that met our requirements." ■■■

The special alloy from which the Hilti HSS twist drill is manufactured makes it extremely durable and resistant to deformation at temperatures up to 600°C. This special alloy also helps prevent swarf sticking to the bit while drilling through steel.



TOTAL PACKAGE.



Sydney is booming. “Barangaroo” is the largest development project the city has seen since the 2000 Olympic Games. A new city district having an investment volume of 6 billion AUD is taking shape on the city’s western edge. When finished, Barangaroo South will be the first large-scale carbon-neutral precinct in Australia.

Initial grading work began on the former container port in 2011. To date, more than 680,000 tons of material have been excavated and removed from site. A true gauge of the project’s size, however, has only recently become visible. Cranes dot the city’s western shoreline and the site is pulsing with activity. An initial high-rise commercial tower is already

rapidly growing into the sky. When the transformation is complete, the city will have a brand-new international financial services precinct.

Lend Lease, a globally renowned property development and construction company, is responsible for the development of Barangaroo South, the southern 7.5 hectares of the precinct. This includes three main commercial buildings, known as the International Towers Sydney. Hilti has supported Lend Lease in all facets of development since planning work began. This is not the first time that the two companies have worked together. Lend Lease has ranked among the biggest customers in Hilti's Australian market organization for years. "Working on such a large-scale, high-profile project, it is vital that we partner with a reliable supplier who can be trusted to deliver day in, day out," says David Langford, Construction Manager, Barangaroo South, Lend Lease.

In addition to the various products, comprehensive services and Hilti know-how are in high demand. "In the end, it's the total package that counts," explains Langford. Hilti's coordinated effort includes area sales managers, field engineers, logistics and finance experts and customer service representatives, ensuring that Hilti delivers the required services when and where they are needed.

A fully air-conditioned shipping container, in striking Hilti red, stands conspicuously on the Barangaroo South construction site and houses the most important Hilti tools and accessories. Lend Lease workers have constant access to the container, ensuring no delay when one tool or another is needed in a hurry. The most popular items are the Hilti collection of cordless tools. In the formwork phase for the first commercial tower more than 60 cordless circular saws alone are being put to work. For Lend Lease, working with cordless technology is also a matter of safety. "Safety, mobility and reliability is what we were looking for and the Hilti cordless system ticks all of those boxes. It also helps that our workforce really appreciates using the best tools for the job," says Langford. ■■■■■



CORROSION PROTECTION.



In 2003, when Hilti introduced the X-BT, a short threaded stud with a blunt end, it represented a small revolution. Customers in the offshore sector finally had a fastening element that made corresponding applications much more efficient and was also much more corrosion-resistant than standard fasteners. This latter point now has scientific backing. Even when facing the most dreadful ambient conditions the X-BT has a lifetime of more than 40 years.



Saltwater environments are perfect for corrosion. But a resistance to corrosion is essential for all components used on oil and natural gas drilling platforms and in shipbuilding. More than ten years ago Hilti developed the X-BT threaded stud, a fastener suited particularly well for use in demanding offshore environments. The threaded stud has a blunt end and is equipped with a sealing washer. These features avoid through-penetration of the steel structure and thus damage to its corrosion protection coating while also preventing the entrance of moisture. The life expectancy of the stud is also an important factor. Hilti left nothing to chance and therefore started a 10-year test program on the German North Sea island of Helgoland in cooperation with the Materials Testing Institute University of Stuttgart. Facing the ebb and flow of

the tide, saltwater, rain, wind and even snow, the X-BT had to withstand extremely harsh conditions. But this test on the seawater test rig has now confirmed that the X-BT can resist corrosion for at least 40 years, even when exposed to salt spray. ■■■■■

The Hilti TE 7 and TE 7-C rotary hammers are equipped with high-performance dust removal systems to ensure clean, dust-free holes in masonry.



9

seconds: the average time worldwide that a customer must wait when dialing the Hilti service number before being personally welcomed by a Hilti employee.

1

millisecond: all the time it takes for the Hilti TE 70-ATC-AVR combihammer's sensors to analyze the movement patterns of the tool in order to initiate electronic cutout of the tool in the event of the drill bit sticking.

3.5

days: the average time worldwide that passes between a customer reporting a defective tool and Hilti returning the repaired, inspected tool to the customer.

0

francs: cost accrued by a Hilti tool if it has to be repaired during the first two years after the date of purchase.

92

percent: share of Hilti employees that are proud to work for the company according to the Global Employee Opinion Survey.

0

grams: amount of dust that must be manually removed from a drilled hole when using the new Hilti HIT-HY 200 chemical anchor system.

Liechtenstein

SUCCESS IN FIGURES.



THE EXECUTIVE BOARD.

Dr. Christoph Loos

Chief Executive Officer

Schaan, Principality of Liechtenstein

Christoph Loos (born 1968, Germany) assumed CEO responsibilities in January 2014. He has been a member of the Executive Board since 2007. During the first four years of this tenure he was responsible for Finance, Human Resources, IT and Group Strategy. From 2011 to 2013 he was in charge of the Emerging Markets and the global Energy & Industry units.

After finishing his business administration studies at the University of St. Gallen and earning his doctorate he worked for an international management consultancy in Germany and China. Upon joining Hilti in 2001, he first led the Corporate Development team and then established the Strategic Marketing unit. At the end of 2003, he moved to Germany, first as a Regional Sales Director and then, starting in 2005, as General Manager of Hilti Germany. Christoph Loos is a member of the Board of Trustees of the St. Gallen Foundation for International Studies.

Jörg Kampmeyer

Vaduz, Principality of Liechtenstein

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

Jahangir (Jan) Doongaji

Maienfeld, Switzerland

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



Matthias Gillner

Grabs, Switzerland

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

Marco Meyrat

Chur, Switzerland

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

Dr. Stefan Nöken

Mörschwil, Switzerland

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

THE BOARD OF DIRECTORS.

Prof. Dr. Pius Baschera

Chairman of the Board of Directors

Zurich, Switzerland

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

Michael Hilti

Schaan, Principality of Liechtenstein

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

Prof. Dr. Giorgio Behr

Buchberg, Switzerland

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

Kim Fausing

Sonderborg, Denmark

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



Heinrich Fischer
Rüschlikon, Switzerland

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

Dr. Michael Jacobi
Binningen, Switzerland

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

Dr. Tis Prager
Zumikon, Switzerland

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

CORPORATE RESPONSIBILITY.

Anchored in the business model. Practiced on a daily basis.

At Hilti corporate responsibility means:

The best working conditions for our team members.

Everything needed for the safety of our customers on the construction site.

Worldwide responsibility towards society.

The highest environmental and climate protection standards.

Integrity and ethics at all times in all locations.

We build a better future.

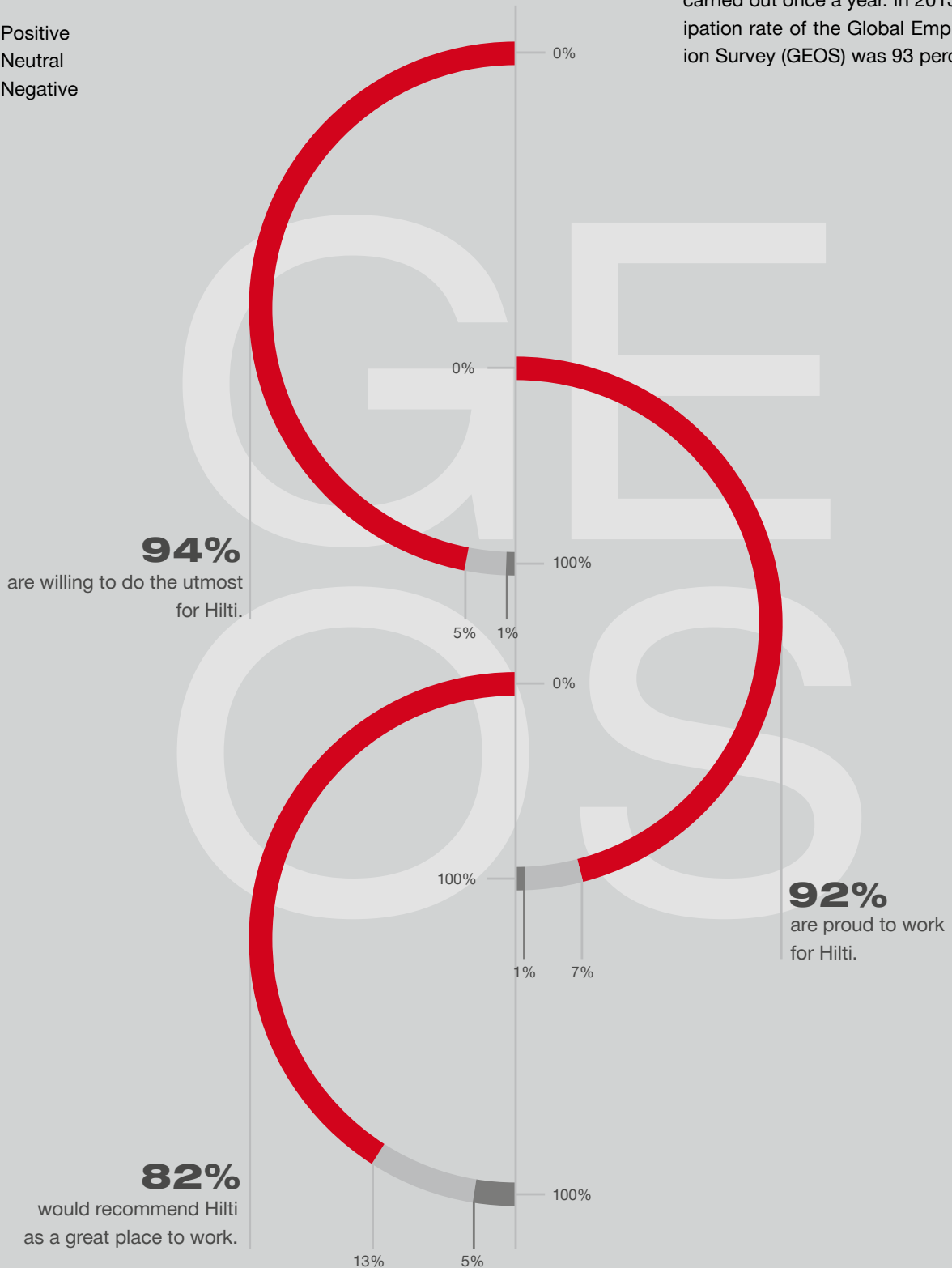
| Team members | User health and safety | Social responsibility | Environment | Compliance and business ethics |
|--|---|--|--|--|
| Enthusiasing employees for Hilti and contributing to their development | Offering solutions for added safety and productivity to our customers | Contributing to sustainable social development | Actively managing the effects on the environment | Ensuring compliance with statutory and ethical standards |

EMPLOYEE SATISFACTION IN 2013.

Pride and commitment

A survey of Hilti employees worldwide is carried out once a year. In 2013 the participation rate of the Global Employee Opinion Survey (GEOS) was 93 percent.

- Positive
- Neutral
- Negative



CORPORATE CULTURE.

The people at Hilti

Based on its highly developed corporate culture, Hilti offers employees outstanding career opportunities in a worldwide Group. In 2013, employees invested 24,000 working days in corporate culture workshops.

| 2010 | 2011 | 2012 | 2013 | |
|--------|--------|--------|--------|---|
| | | | | Number of working days employees spent on corporate culture workshops |
| 32,000 | 24,000 | 24,000 | 24,000 | |
| | | | | Expenditure for corporate culture workshops (in CHF million) |
| 10.3 | 8.5 | 7.6 | 8.9 | |
| 13% | 14% | 15% | 14.1% | Fluctuation |
| 83% | 83% | 78% | 82.4% | Integration success rate* |
| | | | | Open management positions filled with internal candidates |
| 85% | 81% | 88% | 82.2% | |
| 360 | 366 | 348 | 331 | Number of apprentices worldwide |
| +3% | +8% | -3% | +1% | |
| 20,305 | 21,848 | 21,139 | 21,456 | Number of employees (at December 31) |

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

SUPPLIERS.

Compliance with the Code of Conduct for Suppliers in mandatory

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

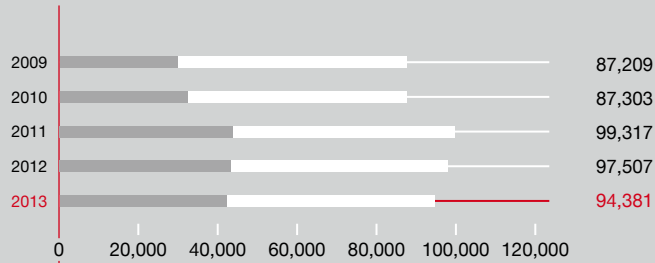
Compliance with the Code of Conduct is closely monitored by Hilti. All existing suppliers of direct production materials and allied products in high-risk areas are regularly monitored by an independent and internationally recognized organization.

The Code of Conduct also forms the basis for sustainable cooperation with the Hilti Group in terms of procuring indirect production materials as the Code is mandatory when concluding a corresponding supplier agreement. Hilti's efforts in this area were reinforced in 2013 and today some 90 percent of the procured goods come from suppliers who are either covered by Hilti's Code of Conduct or are obligated to observe their own, equally strict regulations. Additionally, the suppliers of clothing are monitored and audited by an independent, internationally recognized organization.

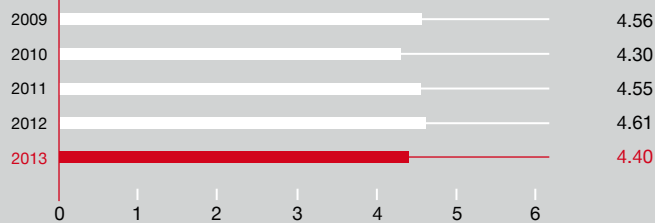
KEY ENVIRONMENT-RELATED DATA.

CO₂ emissions of the Hilti Group (in t) CO₂ equiv.

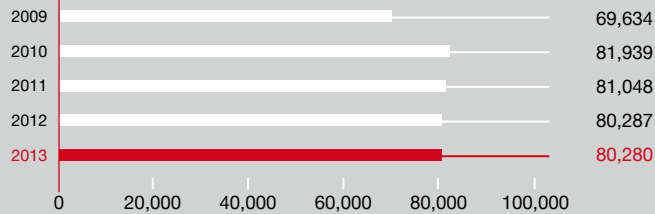
■ Plants
 ■ Market organizations (top 13)



CO₂ emissions per employee (in t)



Energy consumption in Hilti plants (in MWh)



Comments

CO₂ emissions

In 2013, we further improved our CO₂ balance sheet. Since 2011, we have reduced Hilti Group CO₂ emissions by some 5%. Energy efficiency at production facilities and the use of more fuel-efficient automobiles by Hilti sales employees significantly contributed to this result.

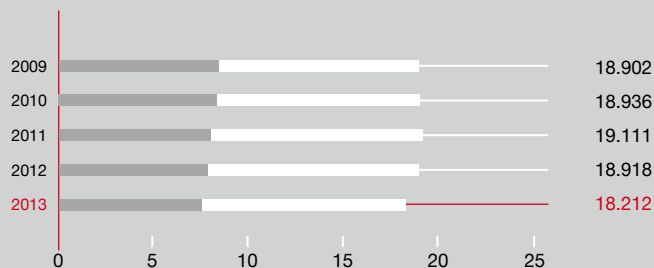
Energy consumption in the Hilti plants

We are working on increasing energy efficiency throughout our production network. Over the last three years we have invested CHF 2.3 million in almost 100 energy-related projects at our production facilities. As a result we were able to save 7,000 megawatt-hours of energy despite the increase in capacity utilization.

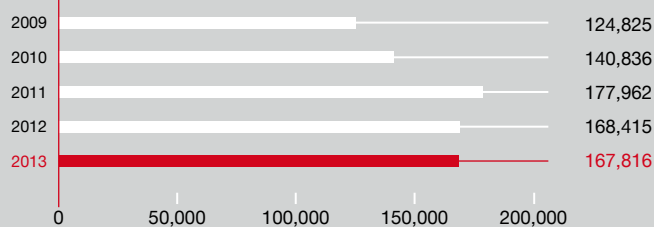
**Fuel consumption
in the top 13 market
organizations**

(in million liters of fuel)

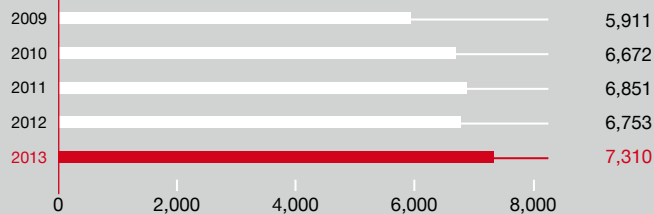
■ Gasoline
■ Diesel



**Water consumption
for manufacturing (in m³)**



**Total waste production from
manufacturing (in t)**



Comments

Fuel consumption

In Hilti's 13 largest market organizations the ongoing shift to more fuel-efficient vehicles has resulted in a reduction of fuel consumption by some 1 million liters since 2011. This equates to a reduction in fuel consumption of roughly 5%.

Water

Water consumption in our production facilities has fallen roughly 5.7% since 2011 in spite of greater capacity utilization. This result was made possible by, among other measures, a 40% reduction in water consumption at our plant in China. This was achieved by introducing closed water circulation loops in various significant production processes. Countering this, however, was a corresponding increase in water usage at our plant in Mexico due to greater production capacity.

Waste

We continue to develop innovative production technologies aimed at avoiding waste from the outset of our processes. Waste volume increased, however, in 2013 due to the integration of waste volume from our plant in China, included in calculations for the first time, as well as from increased concrete usage for test purposes in our tool development processes.

UN GLOBAL COMPACT PROGRESS REPORT.

Human rights

- **Online learning program:** Our Codes of Conduct for employees and suppliers contain binding worldwide directives for, among others, maintaining human rights and labor norms. In the 2013 business year, some 16,000 employees in 65 countries successfully completed an e-learning program on the topic of compliance and business ethics.
- **Helplines:** We encourage our employees to report any suspicion they have regarding Code of Conduct violations, either directly to their supervisors and our Compliance Delegate or via our compliance helplines which are accessible around the clock. The helplines are available to employees in 70 different countries and in 40 different languages.
- **Corporate culture:** “The Hilti Way” describes our culture, which is characterized by common values, exemplary management behavior and the conviction that corporate growth and the personal growth of the employee form a single unit. In 2013, our employees spent some 24,000 working days in corporate culture workshops.

Global Initiative Reporting: GRI G4 indicators

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

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

Labor norms

- **Worker safety:** Health protection enjoys the highest priority with Hilti and is firmly anchored in all work processes. We have taken a proactive approach worldwide with the assistance of numerous measures aimed at preventing occupational accidents, work-related illnesses or occupational illnesses. Worker safety and health management are included in our Codes of Conduct for employees and suppliers.
- **Ergonomics:** In 2013, systematic investigations were carried out at workplaces having repetitive activities, such as grasping or turning. These often lead to complaints and illnesses in the upper extremities, the neck and back. To prevent these work-related injuries we offer our employees a comprehensive consulting service and a company doctor.

Global Initiative Reporting: GRI G4 indicators

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

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

The Hilti Corporation has been a signatory to the United Nations Global Compact since 2006 and expressly subscribes to its ten principles for responsible corporate management.

This overview provides an exemplary listing of the measures implemented in the year under review.

Environmental protection

- **Energy efficiency:** In Hilti's manufacturing plants some 95 projects have been initiated over the last three years aimed at increasing efficiency in the areas of energy and water consumption and waste generation. This has resulted in a significant energy savings equivalent to roughly 7,000 megawatt-hours.
- **Award for sustainable products:** In 2013, the Hilti TE-XY hammer drill bit, for use in reinforced concrete, was awarded the German Federal Ecodesign Award. The drill bit is unique on the market and manufactured via cold-forming process, which significantly reduces the burden on the environment as it eliminates material waste. The bit also has a significantly longer lifetime.
- **Sustainability certification:** Hilti's new HAC anchor channel system was the first new product in this segment to receive the Environmental Product Declaration (EPD). EPD forms the basis for the ecological building evaluation and has been evaluated according to ISO norm EN 15804.

Global Initiative Reporting: GRI G4 indicators

- EN3 Energy consumption within the organization.
- EN6 Reduction of energy consumption.
- EN8 Total water withdrawal by source.
- EN15 Direct greenhouse gas (GHG) emissions (scope 1).
- EN16 Energy indirect greenhouse gas (GHG) emissions (scope 2).
- EN19 Reducing greenhouse gas emissions.
- EN23 Total weight of waste by type and disposal method.
- EN27 Extent of impact mitigation of environmental impacts of products and services.

Combating corruption

- **Compliance standards for distributors:** We are also active outside of our company in terms of encouraging integrity in business practices. This includes obligating our business partners to observe our guidelines. In 2013, we integrated 19 distributors into our compliance management system from countries in the Middle East and Africa. Local personal training was the primary emphasis of this initiative.
- **Reporting and approvals processes:** The reporting and approvals processes that are valid under the anticorruption guidelines in 2012 were monitored in all country organizations in 2013. Implementation took place through the Chief Compliance Officer in cooperation with the Local Compliance Delegate.
- **Contract administration:** Hilti's Code of Conduct for Suppliers was revised in 2013. The Hilti Corporation now has a special right of termination if serious violations are identified. The new Code of Conduct is now an integral part of contractual agreements concluded by our market organizations and plants regarding the procurement of indirect production materials and services.

Global Initiative Reporting: GRI G4 indicators

- DMA Disclosures on Management Approach.
- SO4 Communication and training on anticorruption policies and procedures.

KEY FIGURES.

+ / -

ANOTHER SUBSTANTIAL IMPROVEMENT OF PROFITABILITY AND CAPITAL EFFICIENCY.

With a moderate 3.2 percent sales growth in line with expectations, the Hilti Group increased its operating result by 40 percent while return on sales grew significantly from 7.2 to 9.7 percent in 2013. The Group thus achieved the objectives of its profitability enhancement and capital efficiency program, initiated at the end of 2011, ahead of schedule, which has created scope for new investments.

The regions in which the Hilti Group operates were again characterized by distinctly heterogeneous economic developments. While the construction sector in most of Western, Central and Eastern Europe remained subdued and markets in Southern Europe were declining, Northern Europe showed signs of growth. North America's solid economic environment was overshadowed by monetary uncertainties and market development remained modest. Latin America, the Middle East and Asia, however, continued to display good economic momentum.

Overall moderate sales growth

The Group's regional sales figures are a reflection of this mixed picture. In the growth regions of Latin America, Eastern Europe / Middle East / Africa and Asia/Pacific, the Group's sales growth in local currencies reached double digits (+17.9%, +14.3% and +17.3%). In North America (+8.2% excl. Solar, +2.8% incl. Solar) distribution and marketing activities were enhanced to cope with uncertain economic conditions. European sales continued to shrink slightly (-1.1%), characterized by stronger growth in Northern Europe, subdued performance in Western Europe and persistent downward pressure in Southern Europe (Italy, Spain, Greece). Against this backdrop, the Hilti Group succeeded in increasing global sales by 4.5 percent in local currencies.

While business in general developed in line with expectations, sales to the solar industry showed an unsatisfying picture. Asia (in particular Japan) enjoyed substantial growth, but the US solar market was a challenge and sales continued to drop significantly in Europe. The Hilti Group expects that the European solar market will stabilize at a low level in the long run as a result of the cut in public subsidies such as in Germany. In response to this development, the Group has resorted to structural adjustments and partial write-offs reflecting the dampened business potential.

On the exchange rate front, several regions were marked by weakening currencies against the Swiss franc, which was partly due to the monetary signals sent out by the US Fed (with secondary impacts on Brazil, India, South Africa) and protective devaluation measures such as in Japan. The exchange rate effect diminished the Group's sales growth by -1.3 percent. In Swiss francs, sales have grown by 3.2 percent to CHF 4.3 billion.

Substantial enhancement of profitability

The Hilti Group achieved the objectives of its profitability enhancement and capital efficiency program, launched at the end of 2011, ahead of schedule in 2013. Additional actions to reduce product costs and enhanced distribution productivity as well as structural adjustments at corporate headquarters and in slow-growth markets have resulted in a gratifying improvement of the operating profit margin (ROS) from 7.2 to 9.7 percent. Like sales, the operating result was also negatively affected by exchange rates, as reflected by the reduction of ROS by -0.6 percent.

Strong cash flow and improved capital efficiency

Capital efficiency was improved further thanks to a new internal steering and management compensation system. Average days sales outstanding (DSO) for receivables and inventory range were again brought down by more than three days (6 and 3 percent, respectively). As a consequence, net working capital relative to sales was reduced from 22 to 21 percent. Operating cash flow was again high at CHF 598 million and free cash flow reached the excellent level of CHF 354 million. Return on capital employed (ROCE) improved from 9.5 to 12.8 percent.

Sound balance sheet structure

Cash and cash equivalents increased to CHF 1,538 million. Financial debt amounted to CHF 879 million at the end of 2013. Short-term bank borrowings stood at CHF 125 million (2012: -16 million), while long-term bank borrowings were CHF 40 million (-25 million).

Thanks to the sound Group's balance sheet structure, it was decided that the two bonds maturing in 2013 and 2014 (CHF 150 million and 300 million, respectively) would only be partially replaced by a new CHF 200 million bond issued in 2013. The new issue came in two tranches, five and ten years, and was met with great demand. With coupons of 0.875 percent and 1.875 percent, respectively, the Hilti Group managed to offer attractive conditions for bondholders.

Net liquidity rose to CHF 659 million. The equity ratio improved to 53 percent at year-end and continues to be very satisfactory.

For 2013, the Board of Directors proposes an ordinary dividend payment of CHF 153 million (2012: CHF 131 million).

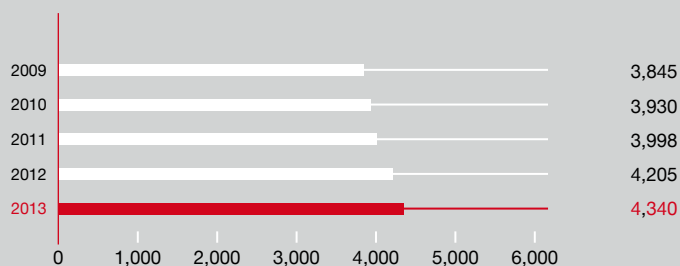
Over the next few years and in line with business results, the Hilti Group intends to make use of its strong cash flow position to gradually repay excess liquidity – which it held throughout the recent period of macroeconomic turbulence – to its owner. Having reviewed the company's strategy last year, the Group has come to the conclusion that Hilti's well-established and sound business profile no longer calls for this reserve and that the repayment of excess liquidity will not compromise the company's flexibility. Therefore, the Board of Directors proposes the payment of a special dividend of CHF 240 million, which will bring up the aggregate dividend payout to CHF 393 million. The Hilti Group continues to hold high liquidity reserves to secure the company's independence even in more challenging times. Furthermore, the Group's sole shareholder, the Martin Hilti Family Trust, owns sufficient liquidity for contingency financing, e.g. for major acquisitions.

Outlook

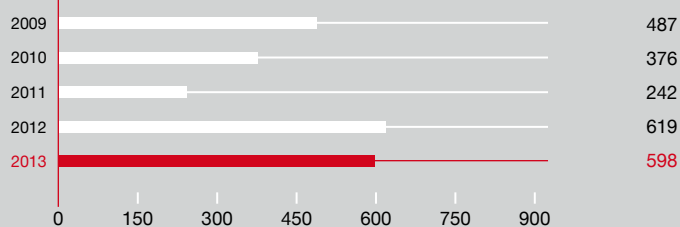
Economic forecasters seem to agree that the business climate will be similar to or moderately better than last year in most markets. At the same time, scope for additional investments in new products and distribution facilities could emerge earlier than anticipated as a result of positive profitability and cash flow trends. Hence, the Hilti Group is confident about the prospects for 2014 and expects growth in local currencies to be slightly above 2013 levels. On the other hand, exchange rate markets will probably remain volatile. The Group's profitability and capital efficiency enhancement initiatives will continue to be effective in 2014 and are expected to create more added value. ■■■■■

Key figures

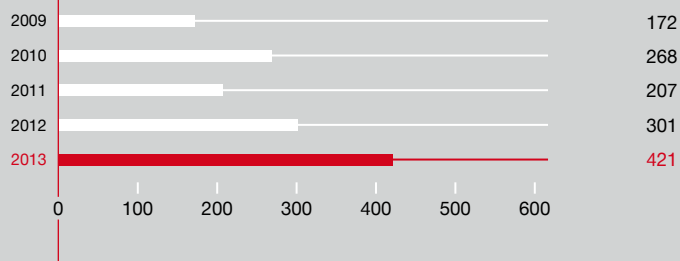
Net sales (in CHF million)



Cash flow from operating activities (in CHF million)



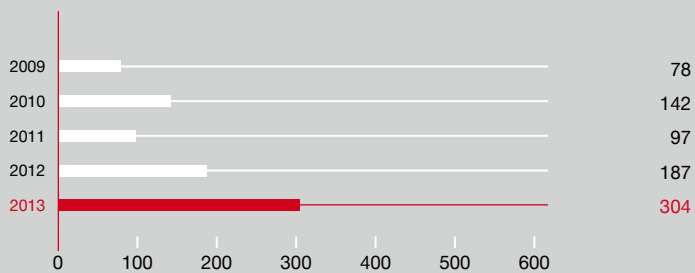
Operating result (in CHF million)



Please note: 2012 numbers have been restated due to the adoption of IAS 19 Employee Benefits (Revised) and IFRS 11 Joint Arrangements. Numbers prior to 2012 have not been restated.

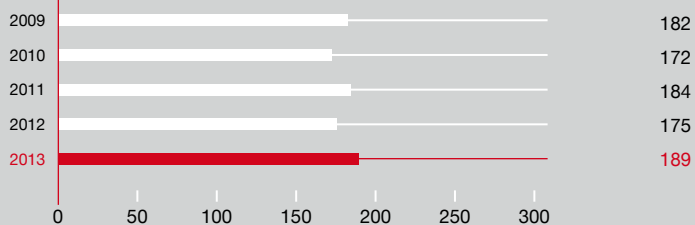
Net income

(in CHF million)



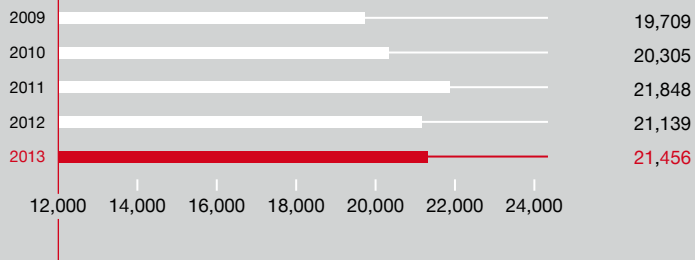
Research and development expenditure

(in CHF million)



Employees

(as at December 31)



Please note: The following pages contain extracts from the 2012 Financial Report of the Hilti Group. Because these pages do not contain the full consolidated financial statements, they do not present complete information about the financial position, financial performance and cash flows of the Hilti Group for 2013. Complete information, including the notes to the consolidated financial statements, is contained in the 2013 Financial Report, which will be available on the Group's Web site (www.hilti.com) from late March 2014.

The full 2013 consolidated financial statements, which are included in the 2013 Financial Report, have been prepared in accordance with international financial reporting standards (IFRS).

Consolidated balance sheet of Hilti Group as at 31 December

(in CHF million)

| 2012 | 2013 | ASSETS |
|----------------|----------------|--|
| 371.3 | 340.0 | Intangible assets |
| 751.4 | 760.8 | Property, plant and equipment |
| 2.2 | 2.2 | Investment property |
| 142.6 | 126.5 | Deferred income tax assets |
| 14.4 | 13.4 | Other financial investments |
| 349.1 | 362.4 | Trade and other receivables |
| 19.2 | - | Derivative financial instruments |
| 1,650.2 | 1,605.3 | Total non-current assets |
| 563.4 | 548.5 | Inventories |
| 899.2 | 943.2 | Trade and other receivables |
| 8.3 | 11.4 | Current income taxes receivable |
| 83.0 | 50.3 | Accrued income and prepayments |
| 9.0 | 33.8 | Derivative financial instruments |
| 35.9 | 32.1 | Financial assets at fair value through profit or loss |
| 1,306.6 | 1,538.3 | Cash and cash equivalents |
| 2,905.4 | 3,157.6 | Total current assets |
| 4,555.6 | 4,762.9 | TOTAL ASSETS |

| 2012 | 2013 | EQUITY AND LIABILITIES |
|----------------|----------------|---|
| 14.3 | 9.3 | Non-controlling interest |
| 2,313.8 | 2,513.5 | Equity attributable to equity holders of the parent |
| 2,328.1 | 2,522.8 | Total equity |
| 49.9 | 57.5 | Provisions |
| 329.0 | 308.4 | Employee benefits |
| 28.6 | 26.0 | Deferred income tax liabilities |
| 510.3 | 414.7 | Bonds |
| 64.3 | 39.5 | Long-term bank borrowings |
| 22.0 | 24.9 | Trade and other payables |
| 0.9 | 1.0 | Derivative financial instruments |
| 1,005.0 | 872.0 | Total non-current liabilities |
| 68.1 | 75.3 | Provisions |
| 48.9 | 8.7 | Employee benefits |
| 318.7 | 342.7 | Trade and other payables |
| 92.2 | 89.5 | Current income taxes payable |
| 399.8 | 424.9 | Accrued liabilities and deferred income |
| 149.7 | 299.8 | Bonds |
| 141.7 | 125.3 | Short-term bank borrowings |
| 3.4 | 1.9 | Derivative financial instruments |
| 1,222.5 | 1,368.1 | Total current liabilities |
| 2,227.5 | 2,240.1 | Total liabilities |
| 4,555.6 | 4,762.9 | TOTAL EQUITY AND LIABILITIES |

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

Consolidated income statement of Hilti Group

(in CHF million)

| 2012 | 2013 | |
|------------------|------------------|---|
| 4,204.6 | 4,340.2 | Net sales |
| 83.3 | 92.3 | Other operating revenues |
| 4,287.9 | 4,432.5 | Total operating revenues |
| (57.5) | 1.2 | Change in inventory |
| (1,274.4) | (1,317.9) | Material costs |
| (1,692.4) | (1,702.9) | Personnel expenses |
| (197.2) | (220.3) | Depreciation and amortization |
| (765.2) | (771.5) | Other operating expenses |
| (3,986.7) | (4,011.4) | Total operating expenses |
| 301.2 | 421.1 | Operating result |
| (22.0) | (16.0) | Other revenues and expenses (net) |
| (56.3) | (51.0) | Finance costs |
| 222.9 | 354.1 | Net income before income tax expense |
| (35.6) | (50.0) | Income tax expense |
| 187.3 | 304.1 | Net income |
| | | Attributable to: |
| 185.8 | 305.5 | Equity holders of the parent |
| 1.5 | (1.4) | Non-controlling interest |

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

Consolidated statement of comprehensive income of Hilti Group

(in CHF million)

| 2012 | 2013 | |
|--------|--------|--|
| 187.3 | 304.1 | Net income |
| 3.5 | 0.4 | Net movement on cash flow hedges |
| (0.4) | (0.1) | Deferred tax on net movement on cash flow hedges |
| (6.7) | (21.2) | Foreign currency translation differences |
| (3.6) | (20.9) | Items that may be subsequently reclassified to the income statement |
| (78.3) | 47.6 | Remeasurements on employee benefits |
| 12.5 | (5.5) | Deferred tax on remeasurements on employee benefits |
| (65.8) | 42.1 | Items that will never be reclassified to the income statement |
| (69.4) | 21.2 | Other comprehensive income (OCI) |
| 117.9 | 325.3 | Total comprehensive income |
| | | Attributable to: |
| 116.8 | 326.9 | Equity holders of the parent |
| 1.1 | (1.6) | Non-controlling interest |

Consolidated cash flow statement of Hilti Group

(in CHF million)

| 2012 | 2013 | |
|----------------|----------------|--|
| 187.3 | 304.1 | Net income |
| 197.2 | 220.3 | Adjustment for depreciation and amortization |
| 114.1 | 116.8 | Adjustment for non-operating transactions |
| 57.5 | (1.2) | (Increase)/decrease in inventories |
| 55.1 | (18.7) | (Increase)/decrease in trade receivables |
| 22.8 | 25.1 | Increase/(decrease) in trade payables |
| 81.5 | 51.2 | (Increase)/decrease other net operating assets |
| 715.5 | 697.6 | Cash flow from operating activities before interest and tax |
| 5.5 | 5.3 | Interest received |
| (56.3) | (51.0) | Interest paid |
| (45.6) | (53.9) | Income tax paid |
| 619.1 | 598.0 | Cash flow from operating activities |
| (61.9) | (79.1) | Capital expenditure on intangible assets |
| (126.1) | (130.1) | Capital expenditure on property, plant and equipment |
| (11.0) | 6.7 | (Increase)/decrease in financial investments |
| 2.0 | - | Disposal of intangible assets |
| 5.2 | 6.9 | Disposal of property, plant and equipment |
| (61.7) | (48.5) | (Increase)/decrease in finance lease receivables |
| (253.5) | (244.1) | Cash flow from investing activities |

| 2012 | 2013 | |
|----------------|----------------|---|
| 0.4 | 2.8 | Increase in long-term bank borrowings |
| (12.7) | (18.8) | (Decrease) in long-term bank borrowings |
| 1.0 | 0.9 | Increase in long-term loans |
| (1.2) | (2.3) | (Decrease) in long-term loans |
| 27.0 | (19.7) | Increase/(decrease) in short-term bank borrowings |
| 210.9 | 200.0 | Increase in bonds |
| (300.0) | (150.0) | (Decrease) in bonds |
| - | 0.2 | Increase/(decrease) in liability to shareholder |
| (46.9) | (130.5) | Dividend paid |
| (121.5) | (117.4) | Cash flow from financing activities |
| (2.8) | (4.8) | Effects of exchange rate changes on cash and cash equivalents |
| 241.3 | 231.7 | Total increase/(decrease) in cash and cash equivalents |
| 1,065.3 | 1,306.6 | Cash and cash equivalents at January 1 |
| 1,306.6 | 1,538.3 | Cash and cash equivalents at December 31 |

Key figures information of Hilti Group

| 2009 | 2010 | 2011 | 2012 | 2013 | |
|---------------|---------------|---------------|---------------|---------------|---|
| | | | | | Results (in CHF million / %) |
| 3,845 | 3,930 | 3,998 | 4,205 | 4,340 | Net sales |
| 200 | 213 | 216 | 197 | 220 | Depreciation and amortization |
| 172 | 268 | 207 | 301 | 421 | Operating result |
| 136 | 167 | 119 | 223 | 354 | Net income before tax |
| 78 | 142 | 97 | 187 | 304 | Net income |
| 5.4 | 8.2 | 6.5 | 9.5 | 12.8 | Return on capital employed (ROCE) in % (operating result) |
| 3.2 | 6.0 | 4.3 | 8.3 | 12.5 | Return on equity (ROE) in % (net income) |
| 487 | 376 | 242 | 619 | 598 | Cash flow from operating activities |
| | | | | | Balance sheet (in CHF million / %) |
| 2,396 | 2,304 | 2,212 | 2,328 | 2,523 | Total equity |
| 55 | 54 | 51 | 51 | 53 | Total equity in % Total equity and liabilities |
| 1,135 | 1,172 | 997 | 1,005 | 872 | Total non-current liabilities |
| 795 | 817 | 1,159 | 1,223 | 1,368 | Total current liabilities |
| 283 | 209 | 212 | 188 | 209 | Capital expenditures on intangible assets and on property, plant and equipment |
| 1,101 | 1,162 | 1,141 | 1,123 | 1,101 | Intangible assets and property, plant and equipment |
| 414 | 434 | 521 | 528 | 504 | Other non-current assets |
| 2,811 | 2,697 | 2,706 | 2,905 | 3,158 | Total current assets |
| 4,326 | 4,293 | 4,368 | 4,556 | 4,763 | Total assets |
| - | 71 | 47 | 131 | 393 | Dividend* |
| 19,709 | 20,305 | 21,848 | 21,139 | 21,456 | Employees (as at December 31) |

* Proposal by the Board of Directors

2013 sales growth year on year

| 2012 | 2013 | Change | Change | |
|----------------|----------------|------------|-------------------------|---------------------------------------|
| in CHF million | in CHF million | in CHF (%) | in local currencies (%) | |
| 2,152 | 2,178 | 1.2 | (1.1) | Europe |
| 859 | 867 | 0.9 | 2.8 | North America |
| 156 | 168 | 7.7 | 17.9 | Latin America |
| 561 | 603 | 7.6 | 17.3 | Asia/Pacific |
| 477 | 524 | 9.9 | 14.3 | Eastern Europe / Middle East / Africa |
| 4,205 | 4,340 | 3.2 | 4.5 | Hilti Group |

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