2014 FINANCIAL REPORT

Contents

Key financial information of Hilti Group

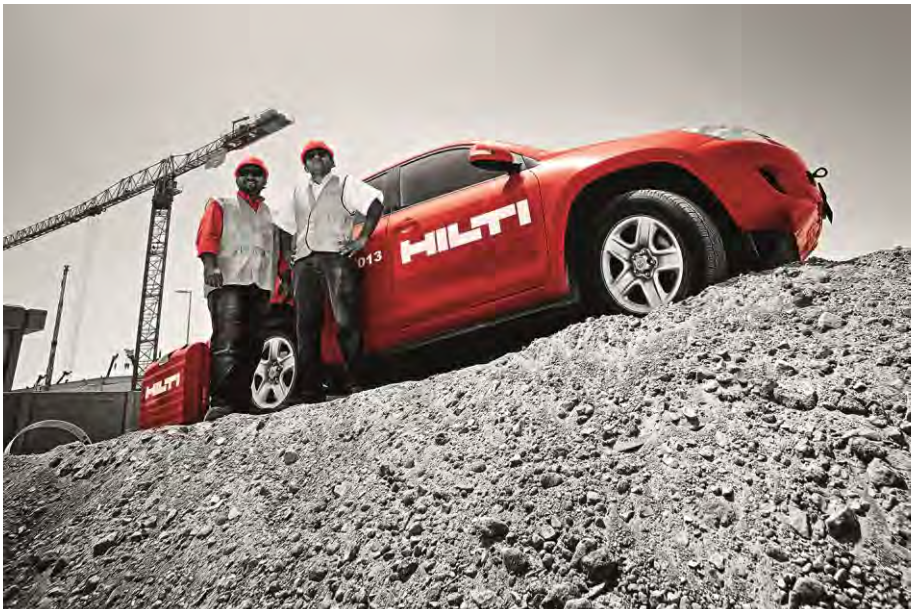
financial amounts in CHF million	2014	2013	2012	2011	2010
Results					
Net sales	4,497	4,340	4,205	3,998	3,930
Depreciation and amortization	194	220	197	216	213
Operating result	537	421	301	207	268
Net income before tax	499	354	223	119	167
Net income	426	304	187	97	142
Return on capital employed (RoCE) in % (operating result)	16.8	12.8	9.5	6.5	8.2
Return on equity (RoE) in % (net income)	17.1	12.5	8.3	4.3	6.0
Free cash flow	383	354	366	(28)	(13)
Balance sheet					
Total equity	2,449	2,523	2,328	2,212	2,304
Total equity in % Total equity and liabilities	53	53	51	51	54
Total non-current liabilities	1,053	872	1,005	997	1,172
Total current liabilities	1,106	1,368	1,223	1,159	817
Capital expenditures on intangible assets and on property, plant and equipment	258	209	188	212	209
Intangible assets and property, plant and equipment	1,152	1,101	1,123	1,141	1,162
Other non-current assets	573	504	528	521	434
Total current assets	2,884	3,158	2,905	2,706	2,697
Total assets	4,609	4,763	4,556	4,368	4,293
Dividend*	455	393	131	47	71
Employees (as at December 31)	22,248	21,456	21,139	21,848	20,305
Information on bonds (nominal values)					
2.75% bond 06/13 (early call for tax reasons only)	–	–	150	150	150
3.50% bond 08/12 (early call for tax reasons only)	–	–	–	300	300
3.25% bond 09/14 (early call for tax reasons only)	–	300	300	300	300
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	–	–	–
Euro bonds 12/15–19 (EUR 66 million at variable interest rates**)	79	81	80	–	–
Euro bonds 12/15–19 (EUR 109 million at fixed interest rates***)	131	134	131	–	–

* As proposed by the Board of Directors

** Early call possible; bonds have restricted tradeability

*** Bonds have restricted tradeability

Profitability and capital efficiency brought up to target level



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

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

Substantial sales growth in local currencies

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

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

Negative currency impacts

Especially in the first half of the year, currencies of most regions lost in value against the Swiss franc. Apart from the US Federal Reserve's monetary policy, this was mainly caused by local political and economic uncertainties (particularly in Russia) as well as currency depreciations with the aim to boost the economy (e.g. in Japan). In the second half, the situation stabilized, mainly in the US. After conversion into Swiss francs, sales growth shrunk by –3.9 percent. Hence, in Swiss francs, sales were up 3.6 percent to CHF 4.5 billion.

Enhanced productivity and higher margins

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

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

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

The Hilti Group has stepped up its investments according to plan. Expenditure for research and development grew by 17.9 percent (CHF 222 million) while headcount was up from 21,456 to 22,248 (+4%).

Very sound balance sheet structure

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

As a result, financial debt was reduced significantly to CHF 553 million as at the end of 2014 (previous year: CHF 879 million). Net liquidity rose to CHF 669 million. The equity ratio continues to be very sound at 53 percent (unchanged against 2013).

For the 2014 business year, the Board of Directors proposes an ordinary dividend payment of CHF 214 million (2013: CHF 153 million). As a result of the company's strong cash flow and in continuation of the repayment of excess liquidity to its owner initiated last year, the Board of Directors further proposes the payment of a special dividend of CHF 241 million, which will bring up the aggregate dividend payout to CHF 455 million.

Outlook

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

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

Group Financial Statements

Consolidated balance sheet

in CHF million	Note		31.12.2014	31.12.2013
ASSETS				
Intangible assets	7		360.5	340.0
Property, plant and equipment	8		791.9	760.8
Investment property	9		1.9	2.2
Deferred income tax assets	11		146.6	126.5
Other financial investments	12		14.3	13.4
Trade and other receivables	14		404.0	362.4
Derivative financial instruments	16		5.9	–
Total non-current assets			1,725.1	1,605.3
Inventories	13		559.7	548.5
Trade and other receivables	14		1,004.5	943.2
Current income taxes receivable	26		9.9	11.4
Accrued income and prepayments	15		45.4	50.3
Derivative financial instruments	16		7.4	33.8
Financial assets at fair value through profit or loss	17		34.2	32.1
Cash and cash equivalents	18		1,222.8	1,538.3
Total current assets			2,883.9	3,157.6
TOTAL ASSETS			4,609.0	4,762.9

The notes on pages 16 to 68 are an integral part of these Group financial statements.

in CHF million	Note		31.12.2014	31.12.2013
EQUITY AND LIABILITIES				
Non-controlling interests			9.7	9.3
Equity attributable to equity holders of the parent			2,439.7	2,513.5
Total equity	20		2,449.4	2,522.8
Provisions	21		68.4	57.5
Employee benefits	22		526.6	308.4
Deferred income tax liabilities	11		23.3	26.0
Bonds	23		378.4	414.7
Long-term bank borrowings	24		28.5	39.5
Trade and other payables	25		28.2	24.9
Derivative financial instruments	16		–	1.0
Total non-current liabilities			1,053.4	872.0
Provisions	21		62.8	75.3
Employee benefits	22		15.8	8.7
Trade and other payables	25		350.3	342.7
Current income taxes payable	26		91.2	89.5
Accrued liabilities and deferred income	27		425.3	424.9
Bonds	23		31.9	299.8
Short-term bank borrowings	28		114.6	125.3
Derivative financial instruments	16		14.3	1.9
Total current liabilities			1,106.2	1,368.1
Total liabilities			2,159.6	2,240.1
TOTAL EQUITY AND LIABILITIES			4,609.0	4,762.9

The notes on pages 16 to 68 are an integral part of these Group financial statements.

Consolidated income statement

in CHF million	Note		2014	2013
Net sales	29		4,497.3	4,340.2
Other operating revenues	29		102.6	92.3
Total operating revenues			**4,599.9**	**4,432.5**
Change in inventory	30		6.7	1.2
Material costs	30		(1,363.0)	(1,317.9)
Personnel expenses	31		(1,783.9)	(1,702.9)
Depreciation and amortization	32		(194.4)	(220.3)
Other operating expenses	33		(728.8)	(771.5)
Total operating expenses			**(4,063.4)**	**(4,011.4)**
Operating result			**536.5**	**421.1**
Other revenues and expenses (net)	34		(6.1)	(16.0)
Finance costs	35		(31.6)	(51.0)
Net income before income tax expense			**498.8**	**354.1**
Income tax expense	36		(72.5)	(50.0)
Net income			**426.3**	**304.1**
Attributable to:				
Equity holders of the parent			426.9	305.5
Non-controlling interests			(0.6)	(1.4)

The notes on pages 16 to 68 are an integral part of these Group financial statements.

Consolidated statement of comprehensive income

in CHF million	Note		2014	2013
Net income			426.3	304.1
Net movement on cash flow hedges	16		4.8	0.4
Deferred tax on net movement on cash flow hedges	20		(0.6)	(0.1)
Foreign currency translation differences	20		22.8	(21.2)
Items that may be subsequently reclassified to the income statement			27.0	(20.9)
Remeasurements on employee benefits	22		(159.3)	47.6
Deferred tax on remeasurements on employee benefits	20		25.4	(5.5)
Items that will never be reclassified to the income statement			(133.9)	42.1
Other comprehensive income (OCI)			(106.9)	21.2
Total comprehensive income			319.4	325.3
Attributable to:				
Equity holders of the parent			319.0	326.9
Non-controlling interests			0.4	(1.6)

The notes on pages 16 to 68 are an integral part of these Group financial statements.

Consolidated statement of changes in equity

in CHF million	Share and participation certificate 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, 2014	126.7	17.4	(357.7)	1.2	2,725.9	2,513.5	9.3	2,522.8
Net income recognized in income statement	–	–	–	–	426.9	426.9	(0.6)	426.3
Cash flow hedges	–	–	–	4.2	–	4.2	–	4.2
Remeasurements on employee benefits	–	–	–	–	(133.9)	(133.9)	–	(133.9)
Foreign currency translation differences	–	–	21.8	–	–	21.8	1.0	22.8
Total comprehensive income	**–**	**–**	**21.8**	**4.2**	**293.0**	**319.0**	**0.4**	**319.4**
Dividend paid	–	–	–	–	(392.8)	(392.8)	–	(392.8)
Change in non-controlling interests	–	–	–	–	–	–	–	–
Equity at December 31, 2014	**126.7**	**17.4**	**(335.9)**	**5.4**	**2,626.1**	**2,439.7**	**9.7**	**2,449.4**

in CHF million	Share and participation certificate 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, 2013	126.7	17.4	(336.5)	0.9	2,505.3	2,313.8	14.3	2,328.1
Net income recognized in income statement	–	–	–	–	305.5	305.5	(1.4)	304.1
Cash flow hedges	–	–	–	0.3	–	0.3	–	0.3
Remeasurements on employee benefits	–	–	–	–	42.1	42.1	–	42.1
Foreign currency translation differences	–	–	(21.0)	–	–	(21.0)	(0.2)	(21.2)
Total comprehensive income	**–**	**–**	**(21.0)**	**0.3**	**347.6**	**326.9**	**(1.6)**	**325.3**
Dividend paid	–	–	–	–	(130.5)	(130.5)	–	(130.5)
Change in non-controlling interests	–	–	(0.2)	–	3.5	3.3	(3.4)	(0.1)
Equity at December 31, 2013	**126.7**	**17.4**	**(357.7)**	**1.2**	**2,725.9**	**2,513.5**	**9.3**	**2,522.8**

For further details on transactions with non-controlling interests see note 5 and on equity see note 20.

The notes on pages 16 to 68 are an integral part of these Group financial statements.

Consolidated cash flow statement

in CHF million	Note		2014	2013 Restated*
Net income			**426.3**	**304.1**
Depreciation and amortization	32		194.4	220.3
(Increase)/decrease in inventories	30		(6.7)	(1.2)
(Increase)/decrease in trade receivables			(10.0)	(18.7)
(Increase)/decrease in finance lease receivables			(86.7)	(48.5)
Increase/(decrease) in trade payables			2.2	25.1
Change in non-cash items and other net operating assets			110.1	68.4
Cash flow from operating activities			**629.6**	**549.5**
Capital expenditure on intangible assets	7		(104.8)	(79.1)
Capital expenditure on property, plant and equipment	8		(152.7)	(130.1)
Acquisition of subsidiaries			–	–
(Increase)/decrease in financial investments			(1.0)	6.7
Disposal of intangible assets			0.1	–
Disposal of property, plant and equipment			11.4	6.9
Cash flow from investing activities			**(247.0)**	**(195.6)**
Proceeds from long-term borrowings			0.6	3.7
Repayment of long-term borrowings			(1.3)	(21.1)
Proceeds from/(repayment of) short-term borrowings			(15.2)	(19.7)
Proceeds from issuance of bonds			–	200.0
Repayment of bonds			(300.0)	(150.0)
Increase/(decrease) in liability to shareholder	42		0.1	0.2
Dividend paid	20		(392.8)	(130.5)
Cash flow from financing activities			**(708.6)**	**(117.4)**
Exchange differences			10.5	(4.8)
Total increase/(decrease) in cash and cash equivalents			**(315.5)**	**231.7**
Cash and cash equivalents at January 1			1,538.3	1,306.6
Cash and cash equivalents at December 31			**1,222.8**	**1,538.3**
Cash flow from operating activities includes				
Interest received			5.9	5.3
Interest paid			(38.4)	(51.0)
Income tax paid			(61.9)	(53.9)

* See note 2.2

The notes on pages 16 to 68 are an integral part of these Group financial statements.

(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, fire stop and foam, installation, measuring, screw fastening, and cutting and sanding.

The Hilti Corporation is a limited liability 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 some 22,000 employees worldwide.

These consolidated financial statements were approved for issue by the Board of Directors on March 11, 2015.

(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). Preparation of the financial statements in accordance with IFRS meets 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 instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS can require 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 2014 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) Changes in accounting policies and estimates

Certain presentation changes have been made to the consolidated cash flow statement to improve the internal consistency and overall relevance of the consolidated financial statements. Cash flows related to 'increase/decrease of finance lease receivables' are now presented as cash flow from operating activities instead of as cash flow from investing activities to reflect the core operating nature the fleet management business has assumed since its inception. As a consequence, in 2014, the cash flow from operating activities has been reduced by CHF 86.7 million (2013: reduced by CHF 48.5 million) with corresponding increases in the cash flow from investing activities. Terminology (renaming) changes have also been made to some items to improve clarity.

Further changes

With effect from January 1, 2014, the following new IFRS standards/amendments were applied:

- IAS 32 Financial Instruments – Presentation
- IAS 36 Impairment of Assets – Recoverable amount disclosures
- IAS 39 Financial Instruments – Novation of derivatives
- IFRS 10, IFRS 12 and IAS 27 Investment entities
- IFRIC 21 Levies

The application of all the above standards had no material impact on the Group's financial position, comprehensive income and cash flows.

(2.3) 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 on which 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, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value 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 on transactions between Group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries are changed, where necessary, to ensure consistency with the policies adopted by the Group.

Changes in ownership interests in subsidiaries without change in control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

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 recognized in 'other revenues 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 'other comprehensive income (OCI)' are reclassified to 'other revenues and expenses (net)' in profit or loss.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for by the equity method of accounting and are initially recognized at cost. The Group's investments in associates include goodwill (net of any accumulated impairment loss) identified on acquisition. The Group's share of its associates' post-acquisition profits or losses is recognized in the income statement. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates are changed, where necessary, to ensure consistency with the policies adopted by the Group.

Joint arrangements

Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

Joint operations are joint arrangements whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The Group 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's joint operations are engaged in developing, manufacturing and selling products for the construction industry. The majority of their output is sold to the parties of the joint operation. The products are sold at arm's length. For their cash flows, the joint operations fully depend on the Group and the joint operation partner.

Intercompany transactions, balances and unrealized gains on transactions between the Group and its joint operations are eliminated to the extent of the Group's interest in the joint operation. Unrealized losses are also eliminated. Accounting policies of joint arrangements are changed, where necessary, to ensure consistency with the policies adopted by the Group.

Joint ventures are joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Investments in joint ventures are accounted by using the equity method of accounting (refer to section associates above).

(2.4) 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. In accordance with IFRS 8 Operating Segments, paragraph 5, the Group therefore 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 37.

(2.5) 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 Hilti Corporation.

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 'other comprehensive income' (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 differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in 'other comprehensive income' (OCI).

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 following impacts of the translation of the financial statements of foreign operations are recognized in 'other comprehensive income' (OCI):

- the difference between the average rate and the closing rate on income and expense items;
- the difference between the closing rate of the previous year and the closing rate of the current year on opening net investments; and
- the difference between the transaction date rate and the closing rate on the change in net investments during the year.

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	
	2014	2013	**2014**	2013
1 CAD	0.829	0.901	0.855	0.837
1 EUR	1.215	1.231	1.202	1.228
1 GBP	1.506	1.449	1.544	1.472
100 JPY	0.865	0.949	0.828	0.848
100 RUB	2.397	2.903	1.662	2.709
1 USD	0.915	0.927	0.990	0.890

(2.6) Intangible assets

Goodwill is considered to have an indefinite useful life and is accordingly not amortized. Goodwill is tested annually for impairment 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 prerequisite criteria under IAS 38 Intangible Assets are met. In substance, these criteria include the condition that there 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 mainly of database and application software, as well as manufacturing patents. These assets are recognized at historical cost less accumulated amortization and accumulated impairment losses, if any. They are amortized on a straight-line basis over their estimated useful lives which are mostly periods of between three and five years. Other periods may be used where specific contractual conditions apply.

(2.7) 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.

Subsequent costs are included in an asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other subsequent costs represent repairs and maintenance and are recognized in the income statement in the period they are incurred.

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

Buildings	30 to 40 years
Plant and machinery	5 to 15 years
Other operating assets	2 to 7 years

The residual values and estimated useful lives of assets are reviewed and adjusted, if appropriate, at each balance sheet date.

Gains and losses on disposal are determined by comparing disposal proceeds with carrying amount. These are recognized in the income statement in the period of disposal.

(2.8) Investment property

Investment property comprises land and/or buildings held to earn rentals or for capital appreciation. Investment property is measured on the same basis as land and buildings included in property, plant and equipment. The Group has elected not to take the option in IAS 40 Investment Property to recognize its investment property at fair value. Investment property is disclosed separately from property, plant and equipment in accordance with IAS 1 Presentation of Financial Statements.

(2.9) Impairment of intangible assets, property, plant and equipment, and investment property

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, property, plant and equipment, and investment property are reviewed for impairment 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).

(2.10) Financial assets

For the purposes of identifying accounting policies applied, financial assets are classified into the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables; and
- available-for-sale financial assets.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at each reporting date.

Financial assets at fair value through profit or loss

This category has two subcategories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category 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. 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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when 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' and 'cash and cash equivalents' in the balance sheet (see notes 2.12 and 2.13).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

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 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. All other financial assets are initially recognized at fair value plus transaction costs. 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.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently recognized at fair value. Loans and receivables and held-to-maturity investments are recognized at amortized cost determined using the effective interest method. Realized and unrealized gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are recognized in the income statement in the period they arise. Unrealized gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale financial assets are recognized in 'other comprehensive income' (OCI). When these securities are sold or impaired, the accumulated fair value adjustment is reclassified to the income statement and recognized as part of gains and losses from investment securities.

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.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss recognized in 'other comprehensive income' (OCI) (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss) is reclassified to the income statement.

(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 the light of current conditions. Cost determined under this method approximates cost determined under the weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity) and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less costs of completion and direct selling expenses.

(2.12) Trade receivables

Trade receivables (see loans and receivables category of financial assets in note 2.10 above) are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less an adjustment for impairment. The amount of the adjustment for impairment is based on both an individual assessment according to known circumstances of specific trade receivables and a collective assessment using an aging calculation applied to all trade receivables, excluding those individually assessed, that are ‘past due’ more than 31 days.

When there is objective evidence that a trade receivable is determined to be uncollectible, it is written off against the adjustment for impairment account. Examples of such objective evidence are significant financial difficulties of debtors, probability that debtors will enter bankruptcy or financial reorganization and default or delinquency in payments. Changes in the adjustment for impairment account as well as any subsequent recoveries of amounts previously written off are recognized in the income statement.

(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) Share capital

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Where any Group entity purchases the Hilti Corporation’s equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Group’s equity holders until the shares are canceled, re-issued or disposed of. Where such shares are subsequently sold or re-issued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Group’s equity holders.

(2.15) Borrowings

Borrowings are recognized initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the amount at initial recognition and the redemption value is 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.

(2.16) 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 'other comprehensive income (OCI)' or directly in equity. In this case, the tax is also recognized in 'other comprehensive income (OCI)' or directly in equity, respectively.

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.

Income taxes payable and refundable relating to the current or prior years are classified, respectively, as current income taxes payable and current income taxes receivable.

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. 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.

(2.17) Employee benefits

Pension obligations

Group companies operate various post-employment schemes, including both defined benefit and defined contribution pension plans. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic (one to three years) actuarial valuations.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

A defined benefit plan is either a pension plan that predefines the amount of pension benefit that an employee will receive on retirement (usually dependent on one or more factors such as age, years of service and compensation) or a pension plan under which the Group has a legal or constructive obligation to pay further contributions if the fund cannot meet its employee service benefit obligations.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated at least every three years by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in 'other comprehensive income' (OCI) in the period in which they arise. Past-service costs are recognized immediately in the income statement.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

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.

(2.18) Provisions

The Group recognizes a provision when:

- the Group has a present legal or constructive obligation as a result of a past event;
- it is probable that an outflow of resources will be required to settle the obligation; and
- the amount of the obligation can be reliably estimated.

Major types of provisions recognized by the Group include provisions for warranty service costs, restructuring costs, product liability and legal claims. Provisions for restructuring costs mostly comprise expected lease termination penalties and employee termination benefit payments. Provisions are not recognized for future operating losses. Where provisions relate to a number of similar obligations, such as provisions for warranty service costs, 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 small.

(2.19) 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.

(2.20) Revenue recognition

Revenue from the sale of goods is recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer, the revenue can be measured reliably and the payment can be reasonably assured. Revenue from services rendered is recognized by reference to the stage of completion of the transaction at the balance sheet date. Revenue from sales of goods under finance leases is recognized in the periods the leases commence and the applicable interest income is recognized on an actuarial basis over the lease terms. All revenues from sales of goods and services rendered are recognized at normal selling price less applicable trade discounts and rebates. Revenue from operating leases is recognized on a straight-line basis over the lease terms.

(2.21) Dividend distributions

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

(2.22) 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 risk), 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 co-operation 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, cross-currency swaps and currency options. Corporate Treasury's risk management practice is to hedge between 50% and 100% of the Group's anticipated net cash in- 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% (2013: 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%)	
	2014	2013	**2014**	2013
USD	(4.2)	(2.6)	4.2	2.6
EUR	2.7	3.4	(2.7)	(3.4)
All other currencies	(4.4)	(3.0)	4.4	3.0

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.

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, 'other comprehensive income' (OCI) would have been affected as follows:

in CHF million	Swiss franc strengthened (+10%)		Swiss franc weakened (–10%)	
	2014	2013	**2014**	2013
USD	2.0	(1.4)	(2.0)	1.4
EUR	–	–	–	–
All other currencies	13.7	11.1	(13.7)	(11.1)

These effects result from changes in the values (due to the respective Swiss franc movements) of CHF 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 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 ten basis points would have affected net income as follows:

in CHF million	Increase of ten basis points		Decrease of ten basis points	
	2014	2013	**2014**	2013
All currencies	0.9	1.2	(0.9)	(1.2)

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 ten basis points is considered reasonably possible for each of the three currencies.

Due to interest rate derivatives, 'other comprehensive income' (OCI) would have been impacted as follows:

in CHF million	Increase of ten basis points		Decrease of ten basis points	
	2014	2013	**2014**	2013
CHF	(0.5)	(0.5)	0.5	0.5

Other price risk

The Group is exposed to some securities price risk because of investments held by the Group which are at fair value through profit or loss. However, the impact of adverse price changes would be minor since the Group's investments in equities are relatively small. At the balance sheet date, the carrying value of such investments is CHF 6.6 million (2013: CHF 7.7 million). Accordingly, no sensitivity analysis has been undertaken.

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 a deposit with the shareholder) 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 and to a deposit with the shareholder (see note 42). For all major counterparty banking institutions a minimum credit rating of 'A' must apply. 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 balance required for working capital management is transferred to Corporate Treasury. Corporate Treasury invests surplus cash in interest-bearing 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 1,222.8 million (2013: CHF 1,538.3 million) that are expected to readily generate cash inflows for managing liquidity risk.

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, 2014				
Borrowings	153.9	23.8	304.4	107.6
Finance lease liabilities	0.2	0.6	0.4	–
Trade and other payables	350.1	9.5	5.3	12.4

in CHF million	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At December 31, 2013				
Borrowings (excluding finance lease liabilities)	447.6	70.2	261.6	159.6
Finance lease liabilities	0.1	0.6	0.6	–
Trade and other payables	342.6	6.9	4.0	12.8

All of the non-trading Group's gross settled derivative financial instruments are in hedge relationships and are due to settle within 12 months of the balance sheet date. These contracts require undiscounted contractual cash inflows of CHF 574.5 million (2013: CHF 519.0 million) and undiscounted contractual cash outflows of CHF 581.7 million (2013: CHF 481.1 million). All of the non-trading Group's derivative financial instruments are in hedge relationships and are disclosed in note 16.

(2.23) 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 50% on a mid-term basis. Following is equity ratio information at the balance sheet date:

in CHF million	2014	2013
Total equity	2,449.4	2,522.8
Total equity and liabilities	4,609.0	4,762.9
Total equity in % Total equity and liabilities	**53.1**	**53.0**

Based on the Group's credit profile and outlook as assessed by the Credit Suisse Banking Group during 2014 on the basis of the Group's 2013 Financial Report a credit rating of 'High A stable' was assigned (2013: 'High A stable') (see Credit Suisse: Swiss Corporate Credit Handbook August 2014).

(2.24) 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, 2014				
Assets				
Financial assets at fair value through profit and loss	34.2	–	–	**34.2**
Derivatives used for hedging	–	13.3	–	**13.3**
Liabilities				
Derivatives used for hedging	–	14.3	–	**14.3**

in CHF million	Level 1	Level 2	Level 3	Total
At December 31, 2013				
Assets				
Financial assets at fair value through profit and loss	32.1	–	–	**32.1**
Derivatives used for hedging	–	33.8	–	**33.8**
Liabilities				
Derivatives used for hedging	–	2.9	–	**2.9**

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Specific factors relevant to the valuation of financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The carrying values of trade receivables and payables are assumed to approximate their fair values. The carrying value of trade receivables is the total balance that is contractually receivable less the applicable impairment adjustment (see loans and receivables category of financial assets in note 2.10 above). The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(2.25) Accounting for derivative financial instruments and hedging activities

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 transaction the Group documents the 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 assessment, both at hedge inception and at each external reporting date, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in ‘other comprehensive income’ (OCI). The gain or loss relating to the ineffective portion is recognized immediately in the income statement. Amounts recognized in the ‘cash flow hedging reserve’ are reclassified to the income statement in the periods when the hedged item will affect profit or loss (for example, when the hedged forecast sale takes place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss recognized in equity at that time remains in equity and is reclassified to the income statement when the forecast transaction is ultimately recognized in the income statement. However, when a forecast transaction is no longer expected to occur, the applicable cumulative gain or loss recognized in the 'cash flow hedging reserve' is immediately reclassified to the income statement.

Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in the 'cash flow hedging reserve'. The gain or loss relating to the ineffective portion is recognized immediately in the income statement. Gains and losses recognized in the 'cash flow hedging reserve' are reclassified to the income statement when the foreign operation is disposed of.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognized immediately in the income statement.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 16.

(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 incurred, which requires management's best estimate of probable losses. Such estimate requires 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 note 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 which might not always be reflective of market behavior. Detailed information concerning inventories is given in note 13.

(3.3) Goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policies stated in notes 2.6 and 2.9. The recoverable amounts of cash-generating units are determined based on value-in-use calculations which require medium- and long-term estimates. They comprise internal planning data (cash flows, growth rates, etc.) as well as parameters based on external data (e.g. discount rates). 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 22.

(3.5) Income taxes

The measurement of current and deferred income tax liabilities or assets is dependent on the interpretation of income tax laws and regulations in the respective countries. Additionally, in tax audits the judgment made by management and tax consultants is finally checked and adapted. As a consequence deviations between the initial assumptions and the final determination of income taxes may lead to material changes to current or deferred income tax expense of the period in which income tax is 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 are used in the estimation of such future profits. Detailed information concerning income taxes is given in notes 11 and 36.

(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) Early adoption of IFRS requirements

During 2014, the Group has not early adopted the requirements of the following IFRS standards, which at December 31, 2014, have been issued but are not effective for the 2014 Group Financial Statements. The Group intends to adopt these standards, if applicable, when they become effective.

Standard/ Amendment to Standard	Effective date	Content	Importance for the Group
IAS 19 Employee Benefits (Amendment)	July 1, 2014	This amendment clarifies the treatment of contributions from employees or third parties to defined benefit plans. Entities with plans that require contributions which vary with service will be required to recognize the benefit of those contributions over employee's working lives.	No significant impact expected.
IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (Amendments)	January 1, 2016	These amendments address an inconsistency between IFRS 10 and IAS 28 in the sale or contribution of assets between an investor and its associate or joint venture.	No significant impact expected.
IFRS 11 Joint Arrangements (Amendment)	January 1, 2016	This amendment provides new guidance on how to account for the acquisition of an interest in a joint venture operation that constitutes a business. The amendments require an investor to apply the relevant IFRS 3 principles for business combinations accounting.	No significant impact expected.
IAS 1 Presentation of Financial Statements (Amendments)	January 1, 2016	The amendments to IAS 1 are designed to further encourage companies to apply professional judgment in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.	The Group is currently assessing the impact of IAS 1.
IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Amendment)	January 1, 2016	This amendment clarifies that the use of revenue-based methods to calculate the depreciation of property, plant and equipment is not appropriate. A revenue based method can only be used in very limited circumstances to amortize intangible assets.	No significant impact expected.
IAS 27 Separate Financial Statements (Amendment)	January 1, 2016	The amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.	No significant impact expected.

Standard/ Amendment to Standard	Effective date	Content	Importance for the Group
IFRS 15 Revenue from Contracts with Customers	January 1, 2017	This is the converged standard on revenue recognition. It replaces IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue by using a five-step model. Revenue is recognized when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service.	The Group is currently assessing the impact of IFRS 15.
IFRS 9 Financial Instruments	January 1, 2018	The final version of IFRS 9 Financial Instruments replaces IAS 39. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income (OCI) and fair value through profit or loss (P&L). For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in OCI, for liabilities designated at fair value through profit or loss.	The Group is currently assessing the impact of IFRS 9.

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

(5.1) Business combinations

There were no business combinations during the reporting period.

(5.2) Transactions with non-controlling interests

During 2014, there were no transactions with non-controlling interests.

On January 1, 2013, the Group acquired an additional 24% interest in Hilti Saudi Arabia for Construction Tools LLC, Saudi Arabia, at a net consideration of CHF 0.1 million increasing its ownership interest to 75%. The Group derecognized non-controlling interests of CHF 3.4 million and recorded an increase in equity attributable to equity holders of the parent of CHF 3.3 million.

The effect of these changes in ownership interests on the equity attributable to equity holders of the parent is summarized in the table below:

in CHF million	2014	2013
Carrying amount of non-controlling interests acquired	–	3.4
Net consideration to non-controlling interests	–	(0.1)
Net effect on equity attributable to equity holders of the parent	**–**	**3.3**

(6) Financial assets and liabilities

Financial assets and liabilities listed according to the measurement categories identified under IAS 39 Financial Instruments: Recognition and Measurement and the corresponding balance sheet items are as follows:

in CHF million	Corresponding balance sheet item(s)	2014	2013
Financial assets			
Financial assets at fair value through profit or loss	Financial assets at fair value through profit or loss, derivative financial instruments	38.6	62.9
Derivatives used for hedging	Derivative financial instruments	8.9	3.0
Loans and receivables	Cash and cash equivalents, other financial investments, trade and other receivables	2,645.6	2,857.3
Available-for-sale financial assets		–	–
Total financial assets		**2,693.1**	**2,923.2**
Financial liabilities			
Financial liabilities at fair value through profit or loss	Derivative financial instruments	11.6	1.3
Derivatives used for hedging	Derivative financial instruments	2.7	1.6
Financial liabilities measured at amortized cost	Bonds, long-term bank borrowings, trade and other payables, short-term bank borrowings	931.9	1,246.9
Total financial liabilities		**946.2**	**1,249.8**

(7) Intangible assets

in CHF million	Goodwill	Development costs	Other intangible assets	Total
Cost 2014				
Opening balance at January 1, 2014	84.2	517.8	194.6	796.6
Currency translation adjustment	9.5	–	4.4	13.9
Change in scope of consolidation	–	–	–	–
Additions	–	96.6	8.2	104.8
Disposals	–	(28.6)	(17.4)	(46.0)
Other transfers	–	–	–	–
Closing balance at December 31, 2014	93.7	585.8	189.8	869.3
Accumulated amortization 2014				
Opening balance at January 1, 2014	(44.9)	(262.4)	(149.3)	(456.6)
Currency translation adjustment	(7.2)	–	(2.7)	(9.9)
Change in scope of consolidation	–	–	–	–
Additions	–	(41.9)	(17.2)	(59.1)
Impairment losses	(25.2)	(3.8)	(0.1)	(29.1)
Disposals	–	28.6	17.3	45.9
Other transfers	–	–	–	–
Closing balance at December 31, 2014	(77.3)	(279.5)	(152.0)	(508.8)
Net book values at December 31, 2014	16.4	306.3	37.8	360.5

in CHF million	Goodwill	Development costs	Other intangible assets	Total
Cost 2013				
Opening balance at January 1, 2013	86.6	524.6	195.5	806.7
Currency translation adjustment	(2.4)	–	(1.5)	(3.9)
Change in scope of consolidation	–	–	–	–
Additions	–	74.0	5.1	79.1
Disposals	–	(80.8)	(4.5)	(85.3)
Other transfers	–	–	–	–
Closing balance at December 31, 2013	84.2	517.8	194.6	796.6
Accumulated amortization 2013				
Opening balance at January 1, 2013	–	(302.0)	(133.4)	(435.4)
Currency translation adjustment	1.9	–	1.0	2.9
Change in scope of consolidation	–	–	–	–
Additions	–	(37.8)	(19.7)	(57.5)
Impairment losses	(46.8)	(3.4)	(1.7)	(51.9)
Disposals	–	80.8	4.5	85.3
Other transfers	–	–	–	–
Closing balance at December 31, 2013	(44.9)	(262.4)	(149.3)	(456.6)
Net book values at December 31, 2013	39.3	255.4	45.3	340.0

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 (see note 32).

The goodwill of CHF 93.7 million (2013: CHF 84.2 million) arises from the acquisition of Unirac Inc. in 2010. In accordance with IAS 36, goodwill is tested annually for impairment. Based on the assessment made in 2014, an impairment loss has been recognized in the Group's 2014 financial statements of CHF 25.2 million (2013: impairment loss of CHF 46.8 million). Details are described below.

For impairment testing purposes, goodwill is solely allocated to the Group's worldwide solar business as the cash-generating unit (CGU). To test for possible impairment of goodwill, the 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 three-year forecast period – 2015 to 2017 (2013: 2014 to 2016) – and a constant growth rate assumption of 1.0% (2013: 1.0%) for the terminal value beyond 2017 (2013: beyond 2016). The value in use of the CGU is based on a discount rate of 12.0% before tax (2013: 9.9%) and was determined to be below its carrying amount. The value in use of the CGU was used as the recoverable amount since the fair value less costs of disposal was determined to be even lower. The recoverable amount of the solar CGU is CHF 66 million as at December 31, 2014 (2013: CHF 92 million).

The 2014 impairment loss results from a reduction in projected cash flows due to a recent deterioration in the market conditions of the solar business in Japan. This was mostly caused by the recently announced restrictions in the grid connection of solar parks in Japan. There has been no observable change in the market conditions of the solar business in the US. This remains stable in line with previous assessments.

The calculation of value in use is most sensitive to the following assumptions:

- Projected cash flows: These largely depend on management's expectations concerning the development of the solar market and the planned business focus by the Group on this area of operation. The projected cash flows have been updated to reflect the developments causing the 2014 impairment loss. Should the projected annual cash flows be further lowered by 10% the impairment loss would increase by CHF 7 million.
- Discount rate: The discount rate used reflects specific risks to the CGU solar and is derived from its weighted cost of capital (WACC). Should the post-tax discount rate be raised by 1.0% the impairment loss would increase by CHF 8 million.
- Long-term growth rate: The long-term growth rate used for the relevant countries and markets is based upon management's expectations concerning the long-term development of the solar market as corroborated by external information sources. The growth rate employed does not exceed the long-term average growth rate customarily used for the relevant countries and markets. Should the long-term growth rate be decreased to 0% the impairment loss would increase by CHF 6 million.

(8) Property, plant and equipment

in CHF million	Land and buildings	Plant and machinery	Other operating assets	Assets under con-struction	Total
Cost 2014					
Opening balance at January 1, 2014	760.6	803.3	516.2	89.9	2,170.0
Currency translation adjustment	(3.4)	(3.0)	(4.5)	(0.2)	(11.1)
Change in scope of consolidation	–	–	–	–	–
Additions	13.2	11.6	43.6	84.3	152.7
Disposals	(4.8)	(17.5)	(38.9)	–	(61.2)
Transfers to investment properties	–	–	–	–	–
Other transfers	0.5	12.6	9.6	(22.7)	–
Closing balance at December 31, 2014	766.1	807.0	526.0	151.3	2,250.4
Accumulated depreciation 2014					
Opening balance at January 1, 2014	(390.7)	(615.0)	(403.5)	–	(1,409.2)
Currency translation adjustment	(0.2)	2.1	2.2	–	4.1
Change in scope of consolidation	–	–	–	–	–
Additions	(19.1)	(40.5)	(45.7)	–	(105.3)
Impairment losses	–	(0.7)	(0.2)	–	(0.9)
Disposals	4.6	14.9	33.3	–	52.8
Transfers to investment properties	–	–	–	–	–
Other transfers	–	–	–	–	–
Closing balance at December 31, 2014	(405.4)	(639.2)	(413.9)	–	(1,458.5)
Net book values at December 31, 2014	360.7	167.8	112.1	151.3	791.9

in CHF million	Land and buildings	Plant and machinery	Other operating assets	Assets under con-struction	Total
Cost 2013					
Opening balance at January 1, 2013	**764.2**	**782.9**	**534.6**	**53.5**	**2,135.2**
Currency translation adjustment	(2.3)	3.9	(7.0)	0.1	(5.3)
Change in scope of consolidation	–	–	–	–	–
Additions	4.3	19.5	40.5	65.8	130.1
Disposals	(8.9)	(22.4)	(58.7)	–	(90.0)
Transfers to investment properties	–	–	–	–	–
Other transfers	3.3	19.4	6.8	(29.5)	–
Closing balance at December 31, 2013	**760.6**	**803.3**	**516.2**	**89.9**	**2,170.0**
Accumulated depreciation 2013					
Opening balance at January 1, 2013	**(381.1)**	**(586.4)**	**(416.3)**	**–**	**(1,383.8)**
Currency translation adjustment	0.6	(3.3)	4.5	–	1.8
Change in scope of consolidation	–	–	–	–	–
Additions	(18.2)	(44.6)	(45.9)	–	(108.7)
Impairment losses	–	(2.2)	–	–	(2.2)
Disposals	8.0	21.5	54.2	–	83.7
Transfers to investment properties	–	–	–	–	–
Other transfers	–	–	–	–	–
Closing balance at December 31, 2013	**(390.7)**	**(615.0)**	**(403.5)**	**–**	**(1,409.2)**
Net book values at December 31, 2013	**369.9**	**188.3**	**112.7**	**89.9**	**760.8**

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, extensions of sales organizations and the construction of the innovation center at corporate headquarters. Additions to accumulated depreciation are included in 'depreciation and amortization' (see note 32).

Assets held under finance leases are included in plant and machinery and other operating assets at a net book value of CHF 1.6 million (2013: CHF 2.5 million). The liabilities arising from finance leases are detailed in note 25. Land and buildings with a book value of CHF 0.2 million (2013: CHF 0.2 million) serve as security for other payables (see note 25) with the total amount of CHF 2.5 million (2013: CHF 2.4 million).

(9) Investment property

in CHF million	2014	2013
Cost		
Opening balance at January 1	7.5	27.0
Currency translation adjustment	–	–
Change in scope of consolidation	–	–
Additions	–	–
Disposals	(0.3)	(19.5)
Transfers	–	–
Closing balance at December 31	7.2	7.5
Accumulated depreciation		
Opening balance at January 1	(5.3)	(24.8)
Currency translation adjustment	–	–
Change in scope of consolidation	–	–
Additions	–	–
Impairment losses	–	–
Disposals	–	19.5
Transfers	–	–
Closing balance at December 31	(5.3)	(5.3)
Net book values at December 31	1.9	2.2
Fair value of investment property at December 31	3.9	4.9

The fair value of investment property as at December 31 is determined as follows: The land component is determined by appraisal based on comparable property land values in the corresponding areas. The building component is determined as the estimated depreciated replacement cost of the applicable buildings. A valuation has not been undertaken by an independent surveyor since total investment property is insignificant. The fair values are within level 2 of the fair value hierarchy.

There are no restrictions on the realizability of investment property.

The following amounts related to investment property have been recognized in the income statement:

in CHF million	2014	2013
Rental income	0.1	0.1
Direct operating expenses arising from investment properties that generated rental income	–	–
Direct operating expenses arising from investment properties that did not generate rental income	–	–

(10) Investments in associates and joint ventures

The Group has no ownership interests in associates and 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	2014	2013
Recovery of deferred tax balances		
More than 1 year	7.4	0.3
Less than 1 year	115.9	100.2
Total	**123.3**	**100.5**
Components of deferred tax balances		
Inventories	69.0	54.6
Fixed and intangible assets	26.8	26.9
Provisions and employee benefits	93.4	57.6
Receivables	(96.4)	(93.9)
Tax losses	3.9	27.5
Other	26.6	27.8
Total	**123.3**	**100.5**
of which recognized as deferred tax assets	146.6	126.5
of which recognized as deferred tax liabilities	(23.3)	(26.0)

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	Other	**Total**
Net deferred income tax assets/(liabilities)							
Opening balance at January 1, 2014	54.6	26.9	57.6	(93.9)	27.5	27.8	100.5
Changes in scope of consolidation	–	–	–	–	–	–	–
(Charged)/credited to income statement	11.9	0.2	10.1	(5.7)	(23.5)	(2.1)	(9.1)
(Charged)/credited to OCI	–	–	25.4	–	–	–	25.4
Currency translation adjustment	2.5	(0.3)	0.3	3.2	(0.1)	0.9	6.5
Closing balance at December 31, 2014	69.0	26.8	93.4	(96.4)	3.9	26.6	123.3
Opening balance at January 1, 2013	53.3	22.2	61.5	(85.4)	31.4	31.0	114.0
Changes in scope of consolidation	–	–	–	–	–	–	–
(Charged)/credited to income statement	3.8	4.6	2.7	(6.8)	(3.8)	(1.5)	(1.0)
(Charged)/credited to OCI	–	–	(5.5)	–	–	–	(5.5)
Currency translation adjustment	(2.5)	0.1	(1.1)	(1.7)	(0.1)	(1.7)	(7.0)
Closing balance at December 31, 2013	54.6	26.9	57.6	(93.9)	27.5	27.8	100.5

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 on property, plant and equipment. The category provisions and employee benefits includes items charged/credited to 'other comprehensive income (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 'other' mainly includes tax effects on temporary differences arising on accruals and financial instruments.

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

in CHF million	2014	2013
Tax loss carryforwards recognized in deferred tax	18.1	193.1
Unused tax loss carryforwards	93.7	112.8
Total tax loss carryforwards	**111.8**	**305.9**
Expiration of unused tax loss carryforwards:		
Expiration < 1 year	8.0	6.3
Expiration 1 to <= 5 years	4.9	6.2
Expiration > 5 years or no expiration date	80.8	100.3
Tax effect of unused tax loss carryforwards	24.3	31.8
Unremitted earnings subject to withholding tax or other taxes	393.7	278.5

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 393.7 million (2013: CHF 278.5 million). Such amounts are permanently re-invested.

(12) Other financial investments

in CHF million	2014	2013
Maturity		
1 to < 2 years	1.6	1.9
2 to < 3 years	0.2	0.1
3 to < 4 years	1.6	1.4
4 to < 5 years	0.4	–
>= 5 years	10.5	10.0
Total other financial investments	**14.3**	**13.4**
Further information		
Fair values	14.3	13.4

Other financial investments are recognized at amortized cost. These comprise mainly long-term loans granted to third parties, deposits (e.g. in respect of rented premises) and other investments in equities.

(13) Inventories

in CHF million	2014	2013
Raw materials	52.7	56.8
Work in progress	9.2	9.0
Finished goods	497.8	482.7
Total inventories	**559.7**	**548.5**

The change in inventories includes a currency translation adjustment which increases the inventories by CHF 4.5 million in 2014. This is due to the change in closing rates in 2014 compared to those in 2013.

Allowance made for possible inventory losses due to age and obsolescence totals CHF 42.5 million (2013: CHF 48.2 million). The change in the allowance recognized in the income statement is CHF 5.8 million (2013: CHF 5.7 million). This change is included in the line ‘change in inventory’.

Inventories totaling CHF 156.7 million (2013: CHF 114.6 million) serve as security for bank borrowings of CHF 17.3 million (2013: CHF 25.1 million) (see notes 24 and 28).

(14) Trade and other receivables

in CHF million	2014	2013
Trade receivables	1,391.3	1,298.6
Less adjustment for impairment of trade receivables	(108.3)	(114.8)
Trade receivables net	**1,283.0**	**1,183.8**
Other receivables	125.5	121.8
Total trade and other receivables	**1,408.5**	**1,305.6**
Current portion	1,004.5	943.2
Non-current portion	404.0	362.4
Total trade and other receivables	**1,408.5**	**1,305.6**
Maturity of non-current portion		
1 to < 2 years	205.1	189.1
2 to < 3 years	124.4	100.5
3 to < 4 years	54.4	48.9
4 to < 5 years	10.7	10.4
>= 5 years	9.4	13.5
Total non-current trade and other receivables	**404.0**	**362.4**
Past due aging of gross trade receivables not determined to be impaired		
Past due 1–31 days	82.5	86.3
Aging of gross trade receivables individually determined to be impaired		
Not due	4.2	2.2
Past due 1–90 days	5.5	5.9
Past due 91–180 days	6.4	8.3
Past due 181–360 days	12.1	16.7
Past due > 360 days	37.7	42.9
Uncollectible notes	1.8	6.1
Total aging of gross trade receivables individually determined to be impaired	**67.7**	**82.1**

in CHF million	2014	2013
Movements in the adjustment for the impairment of trade receivables		
Opening balance of adjustment for the impairment of trade receivables at January 1	114.8	99.8
Additional impairment adjustment charged to income statement during year	27.3	47.9
Write-offs of trade receivables charged to impairment adjustment account during year	(33.8)	(32.9)
Closing balance of adjustment for the impairment of trade receivables at December 31	108.3	114.8
Currency denominations of the carrying amounts of trade and other receivables		
EUR	648.7	630.4
USD	151.0	123.9
Other	608.8	551.3
Total trade and other receivables	1,408.5	1,305.6

The change in trade and other receivables includes a currency translation adjustment which increases the trade and other receivables by CHF 5.6 million in 2014. This is due to the change in closing rates in 2014 compared to those in 2013.

The net change in the adjustment for the impairment of trade receivables is recognized in the income statement in the line 'other operating expenses'.

Receivables totaling CHF 195.4 million (2013: CHF 174.6 million) serve as security for bank borrowings of CHF 84.2 million (2013: CHF 93.9 million) (see notes 24 and 28).

Other receivables primarily consist of VAT and tax refunds receivables totaling CHF 56.3 million (2013: CHF 50.8 million), deposits totaling CHF 18.1 million (2013: CHF 17.7 million), advances totaling CHF 11.3 million (2013: CHF 11.3 million) and vendors with debit balances totaling CHF 10.2 million (2013: CHF 11.1 million).

Details of the finance lease receivables included in trade receivables are as follows:

in CHF million	2014			2013		
	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	353.5	51.4	302.1	323.5	45.2	278.3
1 to < 5 years	433.9	41.7	392.2	383.6	36.0	347.6
>= 5 years	0.1	–	0.1	0.1	–	0.1
Total at December 31	787.5	93.1	694.4	707.2	81.2	626.0
Unguaranteed residual values			–			–
Accumulated allowance for uncollectible finance lease receivables			(29.9)			(40.4)
Contingent rents recognized as income from financial lease			–			–

(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 forecast foreign currency sales and purchases transactions and foreign currency investment positions. The applicable derivative contracts are designated as cash flow and fair value hedges, respectively. The accounting treatment is described in the accounting policies, notes 2.24 and 2.25. Details of derivative contracts outstanding at balance sheet date are as follows:

in CHF million	USD	EUR	Other	Total
2014				
Contract face amounts				
Foreign currency forward contracts	232.9	21.7	291.6	546.2
Foreign currency options	–	–	–	–
Cross-currency swap	–	–	–	–
Total	**232.9**	**21.7**	**291.6**	**546.2**
Contract values				
Foreign currency forward contracts	(11.1)	(0.1)	4.4	(6.8)
Foreign currency options	–	–	–	–
Cross-currency swap	–	–	–	–
Total	**(11.1)**	**(0.1)**	**4.4**	**(6.8)**
Recognition of contract values				
Contract values recognized in income statement during current and prior years	(10.0)	(0.1)	2.9	(7.2)
Contract values recognized in the cash flow hedging reserve in equity	(1.1)	–	1.5	0.4
Total	**(11.1)**	**(0.1)**	**4.4**	**(6.8)**
Movements of contract values recognized in the cash flow hedging reserve in equity				
Opening balance at January 1	**0.3**	**–**	**2.0**	**2.3**
Gains/(losses) on cash flow hedges taken to equity	(1.1)	–	1.5	0.4
(Gains)/losses on cash flow hedges reclassified from equity to income statement	(0.3)	–	(2.0)	(2.3)
Closing balance at December 31	**(1.1)**	**–**	**1.5**	**0.4**

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

All contracts have a maturity of less than 12 months.

in CHF million	USD	EUR	Other	Total
2013				
Contract face amounts				
Foreign currency forward contracts	101.1	42.9	275.8	419.8
Foreign currency options	6.8	–	–	6.8
Cross-currency swap	92.9	–	–	92.9
Total	200.8	42.9	275.8	519.5
Contract values				
Foreign currency forward contracts	3.7	0.1	6.4	10.2
Foreign currency options	–	–	–	–
Cross-currency swap	20.8	–	–	20.8
Total	24.5	0.1	6.4	31.0
Recognition of contract values				
Contract values recognized in income statement during current and prior years	24.2	0.1	4.4	28.7
Contract values recognized in the cash flow hedging reserve in equity	0.3	–	2.0	2.3
Total	24.5	0.1	6.4	31.0
Movements of contract values recognized in the cash flow hedging reserve in equity				
Opening balance at January 1	0.3	–	1.5	1.8
Gains/(losses) on cash flow hedges taken to equity	0.3	–	2.0	2.3
(Gains)/losses on cash flow hedges reclassified from equity to income statement	(0.3)	–	(1.5)	(1.8)
Closing balance at December 31	0.3	–	2.0	2.3

(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 2.24 and 2.25. Details of derivative contracts outstanding at balance sheet date are as follows:

in CHF million	CHF	USD	EUR	Total
2014				
Outstanding interest rate swaps				
Contract face amounts	60.0	9.9	5.9	75.8
Recognition of contract values				
Contract values recognized in income statement during current and prior years	–	–	–	–
Contract values recognized in the cash flow hedging reserve in equity	5.9	(0.1)	–	5.8
Total	**5.9**	**(0.1)**	**–**	**5.8**
Movements of contract values recognized in the cash flow hedging reserve in equity				
Opening balance at January 1	**(0.5)**	**(0.4)**	**–**	**(0.9)**
Gains/(losses) on cash flow hedges taken to equity	7.4	–	–	7.4
(Gains)/losses on cash flow hedges reclassified from equity to income statement	(1.0)	0.3	–	(0.7)
Closing balance at December 31	**5.9**	**(0.1)**	**–**	**5.8**

in CHF million	CHF	USD	EUR	Total
2013				
Outstanding interest rate swaps				
Contract face amounts	60.0	141.8	14.3	216.1
Recognition of contract values				
Contract values recognized in income statement during current and prior years	–	0.9	(0.1)	0.8
Contract values recognized in the cash flow hedging reserve in equity	(0.5)	(0.4)	–	(0.9)
Total	**(0.5)**	**0.5**	**(0.1)**	**(0.1)**
Movements of contract values recognized in the cash flow hedging reserve in equity				
Opening balance at January 1	**–**	**(0.8)**	**–**	**(0.8)**
Gains/(losses) on cash flow hedges taken to equity	(0.7)	–	–	(0.7)
(Gains)/losses on cash flow hedges reclassified from equity to income statement	0.2	0.4	–	0.6
Closing balance at December 31	**(0.5)**	**(0.4)**	**–**	**(0.9)**

The fixed interest rates vary from 1.3% to 3.4% (2013: 1.3% to 4.9%) and the main floating rates are EURIBOR and LIBOR.

(16.3) Reconciliations

in CHF million	Foreign currency risks	Interest rate risks	Total
2014			
Current assets	7.4	–	7.4
Non-current assets	–	5.9	5.9
Current liabilities	(14.2)	(0.1)	(14.3)
Non-current liabilities	–	–	–
Total net book value derivative financial instruments at December 31	**(6.8)**	**5.8**	**(1.0)**
Cash flow hedging reserve in equity	0.4	5.8	6.2
Gains/(losses) on cash flow hedges taken to equity	0.4	7.4	7.8
(Gains)/losses on cash flow hedges reclassified from equity to income statement	(2.3)	(0.7)	(3.0)

in CHF million	Foreign currency risks	Interest rate risks	Total
2013			
Current assets	32.5	1.3	33.8
Non-current assets	–	–	–
Current liabilities	(1.5)	(0.4)	(1.9)
Non-current liabilities	–	(1.0)	(1.0)
Total net book value derivative financial instruments at December 31	**31.0**	**(0.1)**	**30.9**
Cash flow hedging reserve in equity	2.3	(0.9)	1.4
Gains/(losses) on cash flow hedges taken to equity	2.3	(0.7)	1.6
(Gains)/losses on cash flow hedges reclassified from equity to income statement	(1.8)	0.6	(1.2)

The cash flow hedging reserve in equity net of tax amounts to CHF 5.4 million (2013: CHF 1.2 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

All financial assets at fair value through profit or loss are classified as held for trading. Financial assets under this heading comprise:

- investments in deposits, bonds 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; and
- other investments in equities.

These financial assets are all classified as current assets because they are expected to be traded within 12 months of the balance sheet date. However, their contractual maturities mostly differ from this position.

(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.

The Group has legal or economic restrictions on the ability of subsidiaries to transfer funds to the parent in the amount of CHF 22.2 million (2013: CHF 30.5 million).

Cash and cash equivalents include a deposit of CHF 240.9 million (2013: CHF 479.5 million) with the shareholder (see note 42).

(19) Assets classified as held for sale

At balance sheet date 2014 and 2013 no assets are classified as held for sale.

(20) Equity

The share capital consists of 176,000 registered shares with a par value of CHF 500 each, and the participation capital consists of 774,400 participation certificates with a par value of CHF 50 each. The participation capital has no voting rights. All the capital is fully paid in and is entitled to dividends.

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

A dividend in respect of the year ended December 31, 2014, of CHF 179.50 per participation certificate and of CHF 1,795 per share, amounting to a total of CHF 454.9 million (financial year 2013: CHF 392.8 million), is to be proposed at the 2014 annual general meeting. This future proposed dividend is not recognized in these financial statements.

The disaggregation of changes of other comprehensive income 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**
2014					
Gains/(losses) on cash flow hedges taken to equity	–	7.8	–	–	7.8
Deferred tax on gains/losses on cash flow hedges taken to equity	–	(1.0)	–	–	(1.0)
(Gains)/losses on cash flow hedges reclassified from equity to income statement	–	(3.0)	–	–	(3.0)
Deferred tax on gains/losses on cash flow hedges reclassified from equity to income statement	–	0.4	–	–	0.4
Foreign currency translation differences	21.2	-	–	1.0	22.2
Reclassification adjustments relating to disposals of foreign operations	0.6	–	–	–	0.6
Items that may be subsequently reclassified to the income statement	**21.8**	**4.2**	**–**	**1.0**	**27.0**
Remeasurements on employee benefits	–	–	(159.3)	–	(159.3)
Deferred tax on remeasurements on employee benefits	–	–	25.4	–	25.4
Items that will never be reclassified to the income statement	**–**	**–**	**(133.9)**	**–**	**(133.9)**
Total other comprehensive income 2014	**21.8**	**4.2**	**(133.9)**	**1.0**	**(106.9)**

in CHF million	Foreign currency translation reserve	Cash flow hedging reserve	Retained earnings	Non-controlling interests	**Total**
2013					
Gains/(losses) on cash flow hedges taken to equity	–	1.6	–	–	1.6
Deferred tax on gains/losses on cash flow hedges taken to equity	–	(0.2)	–	–	(0.2)
(Gains)/losses on cash flow hedges reclassified from equity to income statement	–	(1.2)	–	–	(1.2)
Deferred tax on gains/losses on cash flow hedges reclassified from equity to income statement	–	0.1	–	–	0.1
Foreign currency translation differences	(21.6)	–	–	(0.2)	(21.8)
Reclassification adjustments relating to disposals of foreign operations	0.6	–	–	–	0.6
Items that may be subsequently reclassified to the income statement	**(21.0)**	**0.3**	**–**	**(0.2)**	**(20.9)**
Remeasurements on employee benefits	–	–	47.6	–	47.6
Deferred tax on remeasurements on employee benefits	–	–	(5.5)	–	(5.5)
Items that will never be reclassified to the income statement	**–**	**–**	**42.1**	**–**	**42.1**
Total other comprehensive income 2013	**(21.0)**	**0.3**	**42.1**	**(0.2)**	**21.2**

(21) Provisions

in CHF million	Restructuring	Warranty	Product liability	Other	Total
Opening balance at January 1, 2014	**2.7**	**88.8**	**14.4**	**26.9**	**132.8**
Additions	3.3	79.6	0.7	9.6	93.2
Amounts used	(2.1)	(64.3)	(8.2)	(6.9)	(81.5)
Unused reversals	(0.3)	(6.9)	(2.7)	(2.2)	(12.1)
Currency translation adjustment	0.2	(1.8)	–	0.4	(1.2)
Closing balance at December 31, 2014	**3.8**	**95.4**	**4.2**	**27.8**	**131.2**

in CHF million	Restructuring	Warranty	Product liability	Other	Total
Opening balance at January 1, 2013	**3.7**	**80.9**	**4.3**	**29.1**	**118.0**
Additions	2.7	90.8	12.2	8.6	114.3
Amounts used	(3.7)	(78.8)	(1.2)	(9.3)	(93.0)
Unused reversals	–	(2.3)	(0.9)	(1.4)	(4.6)
Currency translation adjustment	–	(1.8)	–	(0.1)	(1.9)
Closing balance at December 31, 2013	**2.7**	**88.8**	**14.4**	**26.9**	**132.8**

in CHF million	2014	2013
Current portion of total provisions	62.8	75.3
Non-current portion of total provisions	68.4	57.5
Total provisions at December 31	**131.2**	**132.8**

Restructuring provisions mainly relate to reorganization projects of certain sales organizations.

Warranty provisions cover normal and extended service warranties on sold products. Outlays in respect of such warranties are expected on an ongoing basis. Additions to this provision follow the sales development and the amounts are used with a time lag of around one to two years.

Product liability provisions are the estimated obligations arising from additional product-related exposures and legal claims that are not covered by the normal and extended service warranties. Outlays and settlements are expected over a deferred period. Certainty concerning the timing and level of outflows is low. The estimates are based on past incidents, which provide the best basis to estimate current exposure. For exposures covered by the product liability provisions of CHF 4.2 million (2013: CHF 14.4 million), claims for recovery have been made and the Group has recognized corresponding reimbursement assets of CHF 1.4 million (2013: CHF 5.5 million) in ‘accrued income and prepayments’.

Other provisions are amongst others built up for obligations regarding legal claims and job accidents.

(22) 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 78.7% (2013: 78.9%) of the Group's total defined benefit obligation and 85.8% (2013: 85.8%) 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 account of 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, 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. 1.75% in 2014 and 1.5% in 2013). 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 Plans (BVG).

Other defined benefit plans

The remaining defined benefit plans are located in Austria, Germany, Great Britain, Italy, Taiwan, France, Japan and Korea. Only the last three 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 2013–2015 with payment to be made in 2016. Historically the level of outflows concerning other long-term employee benefits (excluding 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 27).

Defined contribution plans

The employer's contribution totals CHF 29.0 million (2013: CHF 23.0 million).

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

in CHF million	2014			2013		
	Funded	Unfunded	Total	Funded	Unfunded	Total
Switzerland						
Fair value of plan assets	786.6	–	786.6	726.2	–	726.2
Present value of defined benefit obligation	(1,051.5)	–	(1,051.5)	(863.9)	–	(863.9)
Net defined benefit (liability)/asset at December 31	**(264.9)**	**–**	**(264.9)**	**(137.7)**	**–**	**(137.7)**
Other plans						
Fair value of plan assets	129.9	–	129.9	120.0	–	120.0
Present value of defined benefit obligation	(234.3)	(50.6)	(284.9)	(186.6)	(44.3)	(230.9)
Net defined benefit (liability)/asset at December 31	**(104.4)**	**(50.6)**	**(155.0)**	**(66.6)**	**(44.3)**	**(110.9)**
Total						
Fair value of plan assets	916.5	–	916.5	846.2	–	846.2
Present value of defined benefit obligation	(1,285.8)	(50.6)	(1,336.4)	(1,050.5)	(44.3)	(1,094.8)
Net defined benefit (liability)/asset at December 31	**(369.3)**	**(50.6)**	**(419.9)**	**(204.3)**	**(44.3)**	**(248.6)**
Present value of other employee benefits	–	(122.5)	(122.5)	–	(68.5)	(68.5)
Total net book value employee benefits at December 31	**(369.3)**	**(173.1)**	**(542.4)**	**(204.3)**	**(112.8)**	**(317.1)**

in CHF million	2014	2013
Current portion of total net book value employee benefits	(15.8)	(8.7)
Non-current portion of total net book value employee benefits	(526.6)	(308.4)
Total net book value employee benefits	**(542.4)**	**(317.1)**

(22.2) Reconciliation of fair value of plan assets

in CHF million	2014			2013		
	Switzerland	Other plans	Total	Switzerland	Other plans	Total
Opening balance at January 1	**726.2**	**120.0**	**846.2**	**702.5**	**117.0**	**819.5**
Interest income on plan assets	16.1	5.1	21.2	14.0	4.5	18.5
Return on plan assets excluding interest income	43.8	4.5	48.3	13.4	1.6	15.0
Contributions by employer	23.4	4.6	28.0	24.9	7.1	32.0
Contributions by plan participants	14.9	0.1	15.0	15.7	0.8	16.5
Benefits paid	(37.8)	(8.0)	(45.8)	(44.3)	(10.7)	(55.0)
Settlements	–	(0.2)	(0.2)	–	(0.1)	(0.1)
Currency translation adjustment	–	3.8	3.8	–	(0.2)	(0.2)
Closing balance at December 31	**786.6**	**129.9**	**916.5**	**726.2**	**120.0**	**846.2**

(22.3) Reconciliation of present value of defined benefit obligation

in CHF million	2014			2013		
	Switzerland	Other plans	Total	Switzerland	Other plans	Total
Opening balance at January 1	(863.9)	(230.9)	(1,094.8)	(882.4)	(224.7)	(1,107.1)
Current service cost	(25.1)	(5.9)	(31.0)	(24.6)	(8.8)	(33.4)
Interest expense on defined benefit obligation	(19.9)	(8.8)	(28.7)	(17.6)	(7.9)	(25.5)
Actuarial gains/(losses)	(162.2)	(45.4)	(207.6)	34.8	(2.2)	32.6
Contributions by plan participants	(14.9)	–	(14.9)	(15.7)	(0.7)	(16.4)
Benefits paid	37.8	9.3	47.1	44.3	13.0	57.3
Past service cost	(3.3)	–	(3.3)	(2.7)	(0.4)	(3.1)
Settlements	–	–	–	–	–	–
Currency translation adjustment	–	(3.2)	(3.2)	–	0.8	0.8
Closing balance at December 31	(1,051.5)	(284.9)	(1,336.4)	(863.9)	(230.9)	(1,094.8)

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

in CHF million	2014			2013		
	Switzerland	Other plans	Total	Switzerland	Other plans	Total
Current service cost	(25.1)	(5.9)	(31.0)	(24.6)	(8.8)	(33.4)
Past service cost	(3.3)	–	(3.3)	(2.7)	(0.4)	(3.1)
Gains/(losses) on settlements	–	(0.2)	(0.2)	–	(0.1)	(0.1)
Total service cost	(28.4)	(6.1)	(34.5)	(27.3)	(9.3)	(36.6)
Interest income on plan assets	16.1	5.1	21.2	14.0	4.5	18.5
Interest expense on defined benefit obligation	(19.9)	(8.8)	(28.7)	(17.6)	(7.9)	(25.5)
Net interest income/(expense) on defined benefit plans	(3.8)	(3.7)	(7.5)	(3.6)	(3.4)	(7.0)
Total defined benefit costs recognized in the income statement	(32.2)	(9.8)	(42.0)	(30.9)	(12.7)	(43.6)

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

- Total service cost – in 'personnel expenses' (see note 31); and
- Interest income and expense – in 'other revenues and expenses (net)' (see note 34).

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

in CHF million	2014			2013		
	Switzerland	Other plans	Total	Switzerland	Other plans	Total
Actuarial gains/(losses) arising from changes in demographic assumptions	–	(0.1)	(0.1)	–	(2.1)	(2.1)
Actuarial gains/(losses) arising from changes in financial assumptions	(120.7)	(47.6)	(168.3)	34.8	0.3	35.1
Actuarial gains/(losses) arising from experience adjustments	(41.5)	2.3	(39.2)	–	(0.4)	(0.4)
Total actuarial gains/(losses) on defined benefit obligation	**(162.2)**	**(45.4)**	**(207.6)**	**34.8**	**(2.2)**	**32.6**
Return on plan assets excluding interest income	43.8	4.5	48.3	13.4	1.6	15.0
Total remeasurements recorded in other comprehensive income	**(118.4)**	**(40.9)**	**(159.3)**	**48.2**	**(0.6)**	**47.6**

(22.6) Plan asset classes at December 31

in CHF million	2014				2013			
	Quoted market price	Non-quoted market price	Total	%	Quoted market price	Non-quoted market price	Total	%
Cash and cash equivalents	55.7	–	55.7	6.1%	40.7	–	40.7	4.8%
Equity instruments	253.7	–	253.7	27.7%	243.7	–	243.7	28.8%
Debt instruments (e.g. bonds)	331.2	–	331.2	36.1%	341.2	–	341.2	40.3%
Real estate	5.8	112.0	117.8	12.9%	11.1	94.0	105.1	12.4%
Derivatives	–	–	–	–	–	–	–	–
Investment funds	56.7	51.9	108.6	11.8%	31.1	46.5	77.6	9.2%
Asset-backed securities	–	–	–	–	–	–	–	–
Structured debt	–	–	–	–	–	–	–	–
Others	–	49.5	49.5	5.4%	0.2	37.7	37.9	4.5%
Total plan assets at fair value	**703.1**	**213.4**	**916.5**	**100.0%**	**668.0**	**178.2**	**846.2**	**100.0%**

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

Cash and cash equivalents are primarily invested with financial institutions that have at least an ‘A’ rating or in money market funds. The allocation to cash and cash equivalents of the pension plan in Switzerland is 7.0% (2013: 5.5%).

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 pension plan in Switzerland is 27.3% (2013: 26.0%). The pension plans’ assets do not include any shares or participation certificates 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 pension plan in Switzerland is 38.3% (2013: 43.3%).

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 pension plan in Switzerland is 15.0% (2013: 14.2%).

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 pension plan in Switzerland is 6.1% (2013: 5.9%).

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 pension plan in Switzerland is 6.3% (2013: 5.2%).

(22.7) Plan members at December 31

financial amounts in CHF million	2014				2013			
	Active	Deferred	Retired	**Total**	Active	Deferred	Retired	**Total**
Plan members	5,784	961	1,494	8,239	5,871	880	1,496	8,247
Defined benefit obligation	(660.5)	(118.2)	(557.7)	(1,336.4)	(571.5)	(52.8)	(470.5)	(1,094.8)
Share in %	49.5%	8.8%	41.7%	100.0%	52.2%	4.8%	43.0%	100.0%
Average weighted duration in years	20.9	24.3	12.8	17.8	19.9	23.6	12.4	16.8

The employer's best estimate of contributions expected to be paid to defined benefit plans for the financial year 2015 is CHF 25.0 million.

(22.8) 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:

	2014			2013		
	Switzerland	Other plans	**Total**	Switzerland	Other plans	**Total**
Discount rate	1.3%	2.8%	1.6%	2.3%	3.8%	2.6%
Future salary increase	1.5%	1.4%	1.5%	1.5%	2.9%	1.8%
Future pension increase	–	2.1%	0.5%	–	1.8%	0.4%

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 2010 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 4.4% in the defined benefit obligation.
- A 0.25% increase/decrease in expected future salaries would lead to an increase/decrease of 0.7% in the defined benefit obligation.
- A one year increase/decrease in life expectancy would lead to an increase/decrease of 2.3% 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.

(23) Bonds

The bonds were issued by Hilti Corporation. Further details of the individual bonds are included in the key figures (see page 4).

in CHF million	2014	2013
Maturity		
< 1 year	31.9	299.8
1 to < 2 years	–	32.5
2 to < 3 years	131.1	–
3 to < 4 years	99.7	133.8
4 to < 5 years	47.5	99.8
>= 5 years	100.1	148.6
Total bonds	**410.3**	**714.5**
Currency		
CHF	199.9	499.7
EUR	210.4	214.8
Total bonds	**410.3**	**714.5**
Further information		
Fair values	431.3	718.5
Average effective interest rates (in %)	1.8	2.5

The euro bonds (‘Schuldscheindarlehen’) are not tradeable on any recognized stock exchange.

The fair values of Swiss franc bonds totaling CHF 214.0 million (2013: CHF 503.7 million) are based on the quoted market prices and are within level 1 of the fair value hierarchy. The fair values of the euro bonds totaling CHF 217.3 million (2013: CHF 214.8 million) are based on the cash flows discounted using a market-based interest rate and within level 2 of the fair value hierarchy.

(24) Long-term bank borrowings

in CHF million	2014	2013
Maturity		
1 to < 2 years	16.9	29.6
2 to < 3 years	8.5	7.9
3 to < 4 years	2.7	1.6
4 to < 5 years	0.4	0.1
>= 5 years	–	0.3
Total long-term bank borrowings	**28.5**	**39.5**
Currency		
USD	–	8.9
EUR	28.5	30.6
Total long-term bank borrowings	**28.5**	**39.5**

CHF 28.5 million (2013: CHF 30.5 million) of the total long-term bank borrowings are secured by receivables totaling CHF 28.5 million (2013: CHF 31.2 million). None of the long-term bank borrowings as at December 31, 2014, are secured by inventories and receivables (2013: CHF 8.9 million of the total long-term bank borrowings have been secured by inventories totaling CHF 40.6 million and receivables totaling CHF 37.3 million) (see notes 13 and 14).

(25) Trade and other payables

in CHF million	2014	2013
Trade payables	217.4	212.6
Other payables	161.1	155.0
Total trade and other payables	**378.5**	**367.6**
Current portion	350.3	342.7
Non-current portion	28.2	24.9
Total trade and other payables	**378.5**	**367.6**
Maturity of non-current portion		
1 to < 2 years	10.1	7.5
2 to < 3 years	2.1	1.4
3 to < 4 years	1.6	1.2
4 to < 5 years	2.0	2.0
>= 5 years	12.4	12.8
Total non-current trade and other payables	**28.2**	**24.9**
Currency denominations of the carrying amounts of trade and other payables		
EUR	154.4	157.9
CHF	60.2	74.3
USD	48.8	21.1
Other	115.1	114.3
Total trade and other payables	**378.5**	**367.6**

The change in trade and other payables includes a currency translation adjustment which reduces trade and other payables by CHF 1.2 million in 2014. This is due to the change in closing rates in 2014 compared to those in 2013.

Other payables primarily consist of liabilities for personnel expenses totaling CHF 8.8 million (2013: CHF 6.6 million), liabilities for social contributions totaling CHF 25.2 million (2013: CHF 27.6 million), liabilities for source-deducted taxes and VAT totaling CHF 74.9 million (2013: CHF 69.3 million) and customers with credit balances totaling CHF 23.7 million (2013: CHF 22.7 million).

CHF 2.5 million (2013: CHF 2.4 million) of other payables are secured by mortgages over land and buildings totaling CHF 0.2 million (2013: CHF 0.2 million) (see note 8).

Details of the finance lease liabilities included in other payables are as follows:

in CHF million	2014			2013		
	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
< 1 year	0.2	–	0.2	0.1	–	0.1
1 to < 5 years	1.0	0.1	0.9	1.2	0.2	1.0
>= 5 years	–	–	–	–	–	–
Total at December 31	**1.2**	**0.1**	**1.1**	**1.3**	**0.2**	**1.1**

Details of the assets held under finance leases are included in note 8. Under the terms of the finance lease agreements, no contingent rents are payable. No sublease payments on finance leases are expected to be received. The commitments arising from operating lease contracts are detailed in note 39.

(26) Current income taxes payable and receivable

Current income taxes payable and receivable consist of income taxes payable and refundable relating to the current or prior years. Details concerning deferred income tax liabilities and assets are shown in note 11.

(27) 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.

(28) Short-term bank borrowings

in CHF million	2014	2013
Currency		
EUR	38.6	54.9
USD	22.0	18.0
RUB	13.3	–
BRL	7.0	7.5
TRY	5.2	2.5
Other	28.5	42.4
Total short-term bank borrowings	**114.6**	**125.3**

CHF 17.3 million (2013: CHF 16.2 million) of the total short-term bank borrowings are secured by inventories totaling CHF 156.7 million (2013: CHF 74.0 million) and receivables totaling CHF 128.5 million (2013: CHF 67.8 million). CHF 38.4 million (2013: CHF 38.3 million) of the total short-term bank borrowings are secured by receivables totaling CHF 38.4 million (2013: CHF 38.3 million) (see notes 13 and 14).

(29) Operating revenues

Categories of operating revenues are as follows:

in CHF million	2014	2013
Net sales of goods	4,334.0	4,190.1
Net sales of services	163.3	150.1
Total net sales	**4,497.3**	**4,340.2**
Other operating revenues	102.6	92.3
Total operating revenues	**4,599.9**	**4,432.5**

The above categories ‘net sales of goods’ and ‘net sales of services’ in terms of IAS 18 Revenue represent, respectively, revenue from sales of goods and revenue from rendering of services. Other operating revenues, amongst others, consist of finance lease interests including related risk premiums.

A breakdown of net sales by geographical areas and by major countries is given in note 37.

(30) Material costs

in CHF million	2014	2013
Materials	(1,345.9)	(1,302.2)
Outsourced manufacturing	(17.1)	(15.7)
Total material costs	**(1,363.0)**	**(1,317.9)**
Change in inventory	6.7	1.2
Total material costs including change in inventory	**(1,356.3)**	**(1,316.7)**

(31) 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	2014	2013
Salaries and wages	(1,449.6)	(1,386.5)
Social contributions	(334.3)	(316.4)
Total personnel expenses	**(1,783.9)**	**(1,702.9)**

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

	2014	2013
Sales	17,372	16,760
Research and development	1,223	1,124
Production	2,714	2,677
Administration	939	895
Total employees (as at December 31)	**22,248**	**21,456**

(32) Depreciation and amortization

This position comprises depreciation, amortization and impairment losses on intangible assets, property, plant and equipment and investment property. For both 2014 and 2013, impairment losses mostly relate to goodwill arising from the acquisition of Unirac Inc. and the rest to development projects due to the phase out of the related products (see note 7). The position is shown at the average rate.

(33) Other operating expenses

The major items included in other operating expenses are expenditures for rent, travel expenses, outward freight, maintenance and transportation.

(34) Other revenues and expenses (net)

Other revenues and expenses (net) comprise:

in CHF million	2014	2013
Gains/(losses) on disposal of foreign operations and investments	0.6	4.9
Interest and dividend revenues	6.0	5.6
Gains/(losses) arising from valuation changes on financial assets and fair value hedging instruments	0.2	(0.1)
Gains/(losses) on foreign currency hedging instruments	(20.6)	18.5
Gains/(losses) on foreign currencies	15.2	(37.9)
Net interest income/(expense) on defined benefit plans	(7.5)	(7.0)
Total other revenues and (expenses) (net)	**(6.1)**	**(16.0)**

(35) 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 income from investments is separately included in 'other revenues and expenses (net)'.

(36) Income tax expense

in CHF million	2014	2013
Current tax	(64.0)	(48.4)
Deferred tax	(8.5)	(1.6)
Total income tax expense	**(72.5)**	**(50.0)**

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	2014	2013
Net income before income tax	**498.8**	**354.1**
Tax calculated at domestic tax rates applicable to profits in the respective countries	(70.7)	(31.8)
Income not subject to tax	5.7	4.6
Expenses not deductible for tax purposes	(18.6)	(27.6)
Utilization of previously unrecognized tax losses	5.7	5.4
Tax losses for which no deferred tax asset has been recognized	(1.4)	(3.0)
Tax attributable to prior years	10.9	5.6
Other effects	(4.1)	(3.2)
Income tax expense	**(72.5)**	**(50.0)**
Weighted average applicable tax rate (in %)	14.2	9.0

The line 'Expenses not deductible for tax purposes' includes the tax effect of a non-tax deductible goodwill impairment of CHF 25.2 million (2013: CHF 46.8 million) (see note 7). The line 'Other effects' includes the effects of changes in tax rates and expenses or incomes subject to different tax rates.

(37) Segment information

In accordance with IFRS 8 Operating Segments, paragraph 5, the Group operates in only one single operating segment. Additional information concerning products, services and geographical areas is as follows:

(37.1) Net sales information about products and services

in CHF million		2014	2013
Electric Tools & Accessories	Products	2,060.4	1,966.8
Electric Tools & Accessories	Services	134.2	121.5
Total Electric Tools & Accessories		**2,194.6**	**2,088.3**
Fastening & Protection Systems	Products	2,273.6	2,223.3
Fastening & Protection Systems	Services	29.1	28.6
Total Fastening & Protection Systems		**2,302.7**	**2,251.9**
Total Group		**4,497.3**	**4,340.2**

(37.2) Net sales information about geographical areas

in CHF million	2014	2013	Change in CHF (%)	Change in local currencies (%)
Europe excl. Eastern Europe	2,221.1	2,177.9	2.0	3.5
North America	924.1	867.1	6.6	9.5
Latin America	176.5	168.2	4.9	14.6
Asia/Pacific	632.7	603.3	4.9	10.6
Eastern Europe/Middle East/Africa	542.9	523.7	3.7	14.9
Total Group	**4,497.3**	**4,340.2**	**3.6**	**7.5**

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

(37.3) Net sales information for major countries

in CHF million	2014	2013
USA	749.0	692.8
Germany	615.0	600.0
France	398.7	403.4
Liechtenstein (country of domicile)	68.6	72.7
Other countries	2,666.0	2,571.3
Total Group	**4,497.3**	**4,340.2**

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 revenue.

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

in CHF million	2014	2013
Liechtenstein (country of domicile)	640.3	546.2
Germany	175.2	186.7
Austria	87.6	90.9
USA	53.3	75.5
Other countries	197.9	203.7
Total Group	**1,154.3**	**1,103.0**

* Excluding non-current financial assets and deferred taxes

(38) Contingent liabilities

in CHF million	2014	2013
Guarantees	7.1	7.5
Other contingent liabilities	2.5	1.9
Total contingent liabilities	**9.6**	**9.4**

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

(39) Other commitments

Payment commitments arising from non-cancelable operating lease contracts are as follows:

in CHF million	2014	2013
< 1 year	91.5	90.6
1 to < 5 years	164.0	136.5
>= 5 years	53.9	36.5
Total at December 31	**309.4**	**263.6**
Future minimum sublease payments expected to be received	–	–
Sublease payments received in current period	–	–
Contingent rent expense for operating leases	0.1	0.1

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

in CHF million	2014	2013
Intangible assets	0.3	0.4
Property, plant and equipment	12.1	41.4
Total at December 31	**12.4**	**41.8**

(40) 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.

(41) Research and development expenditure

Expenditure on research and development in the reporting period amounted to CHF 222.3 million (2013: CHF 188.5 million), thereof CHF 96.6 million (2013: CHF 74.0 million) were recognized as intangible assets (see development costs in note 7).

(42) Related party disclosures

(42.1) Key management personnel compensation

Details of compensation of key management personnel are as follows:

financial amounts in CHF million	2014		2013	
	Number of members	Re-muneration	Number of members	Re-muneration
Board of Directors	7	3.4	7	3.1
Corporate Management (Executive Board and Executive Management Team)	27	48.5	27	37.1
Total	**34**	**51.9**	**34**	**40.2**
Salaries and other short-term employee benefits		31.1		26.3
Post-employment benefits		4.5		3.4
Other long-term employee benefits		16.3		10.5
Total employee benefits to key management		**51.9**		**40.2**

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 2014 portion of the estimated ultimate amount payable has been recognized as an obligation at December 31, 2014, under the heading of other long-term employee benefits (see note 22).

(42.2) Ownership of parent

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

(42.3) Cash deposit with shareholder

Cash and cash equivalents include a deposit of CHF 240.9 million (2013: CHF 479.5 million) with the Martin Hilti Family Trust. This deposit is repayable on demand and earns interest at market rate, which amounts to CHF 1.4 million (2013: CHF 2.4 million).

(42.4) Other transactions and balances with 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 (2013: CHF 0.9 million). These services were charged at cost. Additionally, the Hilti Corporation has a current liability to the Martin Hilti Family Trust of CHF 0.4 million (2013: CHF 0.3 million).

(43) Events after the reporting period

On 15 January 2015 the Swiss National Bank announced that it would no longer intervene to ensure the minimum exchange rate of 1.20 Swiss francs per euro was maintained. As a consequence, the value of the Swiss franc increased significantly against all major currencies. The amounts reported in these consolidated financial statements do not reflect changes in foreign exchange rates after December 31, 2014. Since the Group uses the Swiss franc as the consolidated financial statements' presentation currency, a weakening of foreign currencies against the Swiss franc will have a negative currency translation impact on the Group's consolidated position.

Should this position continue, the resulting net foreign currency translation differences recognized in other comprehensive income in 2015 will be negative; however, the Group's equity ratio will remain largely unchanged. Details of the Group's foreign exchange risk management and the currency translation sensitivity analyses are disclosed in Note 2.22.

(44) 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.com	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., Wien	S
	Hilti Holding GmbH, Wien	H
	Hilti Aktiengesellschaft Zweigniederlassung Thüringen, Thüringen	P
	Eurofox GmbH, Lanzenkirchen	S, P, D
Belarus	Hilti BY FLLC, Minsk	S
Belgium	Hilti Belgium N.V., Asse-Zellik	S
	Hilti Belgium Finance CVBA, Asse	Se
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
	Unirac (Canada) Corporation, Toronto	S
Chile	Hilti Chile Limitada, Santiago de Chile	S
China	Hilti (China) Ltd., Zhanjiang	P, D
	Hilti (China) Distribution Ltd., Shanghai	S
	Hilti (Shanghai) Ltd., Shanghai	P, D
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, Rødovre-Copenhagen	S
Estonia	Hilti Eesti OÜ, Tallinn	S
Finland	Hilti (Suomi) OY, Vantaa	S
France	Hilti France S.A., Versailles	S
Germany	Hilti Deutschland AG (Liechtenstein), Zweigniederlassung Deutschland	S
	Hilti GmbH Industriegesellschaft für Befestigungstechnik, Kaufering	P
	Hilti Entwicklungsgesellschaft mbH, Kaufering	D
	Hilti Kunststofftechnik GmbH, Nersingen	P
	Hilti Deutschland Dienstleistung GmbH, Kaufering	Se
	Hilti Deutschland Logistik GmbH, Oberhausen	Se

Great Britain	Hilti (Great Britain) Ltd., Manchester	S
	Hilti Invest Ltd., Jersey, St. Helier	Se
Greece	Hilti Hellas S.A., Eastern Attiki	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., New Delhi	S
	Hilti Manufacturing India Private Limited, Mumbai	P, D
Indonesia	P.T. 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
Latvia	Hilti Services Limited, Riga	S
Liechtenstein	Hilti Deutschland AG, Schaan	S
	Hilti Equipment Corporation, Schaan	H
	Hilti Finanz AG, Schaan	Se
	Hilti (International) Services, Ltd., Schaan	Se
	IVV-Internationale Vertrieb- und Verbund-Aktiengesellschaft, Schaan	Se
	Hilti (Schweiz) AG, Adliswil, Zweigniederlassung Schaan	S
Lithuania	Hilti Complete Systems UAB, Vilnius	S
Luxembourg	Hilti Belgium S.A. "Succursale", Luxembourg	S
	Hilti Luxembourg Holding S.a.r.l.; Luxembourg	H
Macao	Hilti (Hong Kong) Ltd. Macao Branch, Macao	S
Malaysia	Hilti (Malaysia) Sdn. Bhd., Petaling Jaya	S
	Hilti Asia IT Services Sdn. Bhd., Petaling Jaya	Se
Mexico	Hilti Mexicana, S.A. de C.V., Mexico City, Tlalnepantla	S
	Hilti Operaciones de Mexico, S.A. de C.V., Matamoros	P
Montenegro	Hilti Montenegro doo Podgorica, Podgorica	S
Morocco	Hilti Maroc S.A., Casablanca	S
Netherlands	Hilti Nederland B.V., Berkel en Rodenrijs	S
	Hilti International Finance B.V., Amsterdam	H, Se
New Zealand	Hilti (New Zealand) Limited, Auckland	S
Panama	Hilti International Holding S.A., Panama	Se
	Hilti Latin America S.A., Panama	S, Se
	Transportes Continentales S.A., Panama	Se
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, Hato Rey	S
Romania	Hilti Romania SRL, Otopeni	S
Russian Federation	Hilti Distribution Ltd., Moscow	S
Serbia	Hilti SMN d.o.o. Beograd, Zemun	S
Singapore	Hilti Far East Private Ltd., Singapore	S, H
Slovakia	Hilti Slovakia spol. s r.o., Bratislava	S
Slovenia	Hilti Slovenija d.o.o., Ljubljana	S

South Africa	Hilti (South Africa) (Pty) Ltd., Johannesburg/Midrand	S
Spain	Hilti Española, S.A., Madrid	S
Sweden	Hilti Svenska AB, Arlöv-Malmö	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 Inşaat 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., Tulsa, Oklahoma	S
	Hilti of America, Inc., Delaware	H
	Hilti Holdings Limited, Delaware	H
	Hilti US Manufacturing, Inc., California	P
	Hilti Solar North America, Delaware	H
	Unirac Inc., Albuquerque	S, P, D
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
Qatar	Hilti Qatar W.L.L., Doha (49%)	S
Saudi Arabia	Hilti Saudi Arabia for Construction Tools LLC, Riyadh (75%)	S
United Arab Emirates	Hilti Emirates LLC, Abu Dhabi (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. and Hilti Emirates LLC, management has determined that the Group controls these three 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 Eco Solutions Power Tools (Shanghai) Company Limited (49%)	P
Germany	HILLOS GmbH, Jena (50% participation)	P
	Hilti Seuffer Electronics GmbH, Calw (50% participation)	P, D
Taiwan	Racing Point Ltd., Taipei (49%)	P
USA	Intelligent Construction Tools LLC, Delaware (50%)	P, D

Report of the Group auditors to the General Meeting of Hilti Aktiengesellschaft, Schaan

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Hilti Aktiengesellschaft, which comprise the balance sheet, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity and notes (pages 10 to 68), and the consolidated management report on pages 5 to 7 for the year ended December 31, 2014.

Board of Directors’ responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Liechtenstein law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor’s responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Liechtenstein law as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity’s preparation and fair presentation of the consolidated financial statements 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 system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended December 31, 2014, give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Liechtenstein law.

The consolidated management report is in accordance with the consolidated financial statements.

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

PricewaterhouseCoopers AG

René Rausenberger Ralf Zwick
Auditors in charge

St. Gallen, March 11, 2015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Financial Statements
Hilti Corporation (including branches)

Balance sheet

in CHF million	Note		31.12.2014	31.12.2013
ASSETS				
Intangible assets	4		25.3	30.2
Property, plant and equipment	5		398.9	353.6
Financial investments	6		1,986.4	2,040.2
Total non-current assets			2,410.6	2,424.0
Inventories	7		182.0	168.1
Trade and other receivables	8		568.1	501.0
Accrued income and prepayments			26.2	51.6
Cash and cash equivalents			501.0	608.8
Total current assets			1,277.3	1,329.5
TOTAL ASSETS			3,687.9	3,753.5
EQUITY AND LIABILITIES				
Share capital			88.0	88.0
Participation capital			38.7	38.7
Legal reserves			108.4	108.4
Foreign currency translation reserve			(11.3)	(10.1)
Retained earnings brought forward			1,136.9	781.9
Net income			293.8	747.8
Total equity	9		1,654.5	1,754.7
Provisions	10		57.3	41.4
Borrowings, payables and other liabilities	11		1,829.8	1,821.8
Accrued liabilities and deferred income			146.3	135.6
Total liabilities			2,033.4	1,998.8
TOTAL EQUITY AND LIABILITIES			3,687.9	3,753.5

Income statement

in CHF million	Note		2014	2013
Net sales			2,374.5	2,073.8
Change in inventory of finished goods and work in progress			(0.5)	1.0
Capitalized own production			2.3	4.0
Other operating revenues			14.2	16.8
Total operating revenues			**2,390.5**	**2,095.6**
Material costs	12		(1,237.7)	(1,097.8)
Personnel expenses	13		(306.9)	(322.0)
Depreciation and amortization	14		(43.4)	(50.1)
Other operating expenses			(498.8)	(470.0)
Total operating expenses			**(2,086.8)**	**(1,939.9)**
Operating result			**303.7**	**155.7**
Financial revenues	15		81.6	669.6
Financial expenses	16		(77.5)	(72.2)
Financial result			**4.1**	**597.4**
Net income before income tax expense			**307.8**	**753.1**
Tax expense			(14.0)	(5.3)
Net income			**293.8**	**747.8**

(1) General information

Hilti Corporation is a limited liability 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 and holders of participation certificates 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 treatments in the financial statements of Hilti Corporation and 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

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 2014 financial statements of Hilti Corporation from those adopted in 2013.

(3) Exchange rates

For details of foreign exchange rates of principal currencies that have been applied for translation into Swiss francs, see note 2.5 of the Group's consolidated financial statements.

(4) Intangible assets

in CHF million	Rights	Other intangible assets	Total
Cost 2014			
Opening balance at January 1, 2014	12.9	110.8	123.7
Currency translation adjustment	–	–	–
Additions	–	6.7	6.7
Disposals	–	(16.2)	(16.2)
Transfers	–	–	–
Closing balance at December 31, 2014	12.9	101.3	114.2
Accumulated amortization 2014			
Opening balance at January 1, 2014	(10.3)	(83.2)	(93.5)
Currency translation adjustment	–	–	–
Additions	(0.6)	(8.5)	(9.1)
Disposals	–	13.7	13.7
Transfers	–	–	–
Closing balance at December 31, 2014	(10.9)	(78.0)	(88.9)
Net book values at December 31, 2014	2.0	23.3	25.3
Net book values at December 31, 2013	2.6	27.6	30.2

(5) Property, plant and equipment

in CHF million	Land and buildings	Plant and machinery	Other operating equipment	Prepayments or assets under construction	Total
Cost 2014					
Opening balance at January 1, 2014	**347.3**	**464.0**	**132.6**	**81.0**	**1,024.9**
Currency translation adjustment	(1.2)	(1.8)	(0.5)	(0.1)	(3.6)
Additions	10.7	6.2	7.7	59.2	83.8
Disposals	(0.3)	(7.2)	(8.2)	(0.7)	(16.4)
Transfers	–	7.8	–	(7.8)	–
Closing balance at December 31, 2014	**356.5**	**469.0**	**131.6**	**131.6**	**1,088.7**
Accumulated depreciation 2014					
Opening balance at January 1, 2014	**(150.3)**	**(415.7)**	**(105.3)**	**–**	**(671.3)**
Currency translation adjustment	0.5	1.3	0.4	–	2.2
Additions	(4.5)	(19.7)	(10.1)	–	(34.3)
Disposals	–	6.2	7.4	–	13.6
Transfers	–	–	–	–	–
Closing balance at December 31, 2014	**(154.3)**	**(427.9)**	**(107.6)**	**–**	**(689.8)**
Net book values at December 31, 2014	**202.2**	**41.1**	**24.0**	**131.6**	**398.9**
Net book values at December 31, 2013	197.0	48.3	27.3	81.0	353.6

The insurance value of property, plant and equipment at the balance sheet date is CHF 929.0 million (2013: CHF 827.6 million).

(6) Financial investments

in CHF million	Share-holdings	Loans to Group companies	Other financial investments	Total
Cost 2014				
Opening balance at January 1, 2014	**1,988.9**	**62.9**	**30.5**	**2,082.3**
Currency translation adjustment	–	0.1	–	0.1
Additions	0.0	–	0.8	0.8
Disposals	(2.6)	–	(3.9)	(6.5)
Closing balance at December 31, 2014	**1,986.3**	**63.0**	**27.4**	**2,076.7**
Accumulated valuation allowance 2014				
Opening balance at January 1, 2014	**(42.1)**	**–**	**–**	**(42.1)**
Currency translation adjustment	–	–	–	–
Additions	(48.2)	–	–	(48.2)
Disposals	–	–	–	–
Closing balance at December 31, 2014	**(90.3)**	**–**	**–**	**(90.3)**
Net book values at December 31, 2014	**1,896.0**	**63.0**	**27.4**	**1,986.4**
Net book values at December 31, 2013	1,946.8	62.9	30.5	2,040.2

A list of Group companies, directly or indirectly held by Hilti Corporation, is included on pages 66 to 68 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	2014	2013
Raw materials	23.8	27.4
Consumables	9.5	9.6
Production in progress	6.6	7.1
Finished products and goods held for resale	142.1	124.0
Total inventories	**182.0**	**168.1**

(8) Trade and other receivables

in CHF million	2014	2013
Trade accounts receivables from third parties	25.2	19.2
Trade accounts receivables from group companies	520.6	457.0
Total trade accounts receivables	**545.8**	**476.2**
Other accounts receivables from third parties	22.3	24.5
Other accounts receivables from group companies	–	0.3
Total other accounts receivables	**22.3**	**24.8**
Total accounts receivables	**568.1**	**501.0**

(9) Equity

in CHF million	Share and PC capital	Legal reserves	Foreign currency translation reserve	Retained earnings	Total equity
Equity at January 1, 2014	**126.7**	**108.4**	**(10.1)**	**1,529.7**	**1,754.7**
Dividend paid	–	–	–	(392.8)	(392.8)
Foreign currency translation differences	–	–	(1.2)	–	(1.2)
Net income	–	–	–	293.8	293.8
Equity at December 31, 2014	**126.7**	**108.4**	**(11.3)**	**1,430.7**	**1,654.5**

The share capital consists of 176,000 registered shares with a par value of CHF 500 each and the participation capital consists of 774,400 participation certificates with a par value of CHF 50 each. The participation capital has no voting rights. All the capital is fully paid in and is entitled to dividends.

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	2014	2013
Provision for employee benefits	32.5	22.0
Tax obligations	13.1	2.9
Other provisions	11.7	16.5
Total provisions	**57.3**	**41.4**

Other provisions relate mainly to product liability.

(11) Borrowings, payables and other liabilities

in CHF million	2014			2013		
	Short-term	Long-term	Total	Short-term	Long-term	Total
3.25% bond 2009/2014	–	–	–	299.8	–	299.8
Euro bonds 2012/2015-2019 (EUR 175 million)	31.9	178.5	210.4	–	214.8	214.8
0.875% bond 2013/2018	–	99.8	99.8	–	99.8	99.8
1.875% bond 2013/2023	–	100.1	100.1	–	100.1	100.1
Total bonds	**31.9**	**378.4**	**410.3**	**299.8**	**414.7**	**714.5**
Bank borrowings	–	–	–	0.0	–	0.0
Trade accounts payables third parties	110.3	–	110.3	114.1	–	114.1
Trade accounts payables group companies	91.0	–	91.0	93.9	–	93.9
Total trade accounts payables	**201.3**	**–**	**201.3**	**208.0**	**–**	**208.0**
Other liabilities owing to third parties	18.6	3.3	21.9	20.0	3.3	23.3
Other liabilities owing to group companies	49.2	1,147.1	1,196.3	38.8	837.2	876.0
Total other liabilities	**67.8**	**1,150.4**	**1,218.2**	**58.8**	**840.5**	**899.3**
Total borrowings, payables and other liabilities	**301.0**	**1,528.8**	**1,829.8**	**566.6**	**1,255.2**	**1,821.8**

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

Long-term liabilities to the Hilti Foundation in Thüringen, Austria, are secured by a mortgage on the property in Thüringen for CHF 0.3 million (2013: CHF 0.3 million).

(12) Material costs

in CHF million	2014	2013
Raw materials, consumables and bought-in goods for resale	(1,224.4)	(1,085.6)
Outsourced manufacturing	(13.3)	(12.2)
Total material costs	**(1,237.7)**	**(1,097.8)**

(13) Personnel expenses

in CHF million	2014	2013
Wages and salaries	(256.4)	(275.3)
Pension contributions	(32.1)	(35.1)
Other social contributions	(18.4)	(11.6)
Total personnel expenses	**(306.9)**	**(322.0)**

(14) Depreciation and amortization

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

(15) Financial revenues

in CHF million	2014	2013
Financial investment revenues from third parties	4.3	–
Financial investment revenues from group companies	73.3	666.3
Total revenues from financial investments	**77.6**	**666.3**
Revenues from cash and marketable securities invested with third parties	4.0	3.3
Revenues from cash and marketable securities invested with group companies	–	–
Total revenues from cash and marketable securities	**4.0**	**3.3**
Total financial revenues	**81.6**	**669.6**

(16) Financial expenses

in CHF million	2014	2013
Depreciation on financial assets	**(48.2)**	**(12.3)**
Interest and similar expenses incurred to third parties	(15.3)	(21.9)
Interest and similar expenses incurred to group companies	(21.4)	(30.5)
Total interest and similar expenses	**(36.7)**	**(52.4)**
Operating currency and hedge gains/(losses)	**7.4**	**(7.5)**
Total financial expenses	**(77.5)**	**(72.2)**

(17) Tax expense

For income tax purposes, dividends received are tax-exempt.

(18) Derivative financial instruments

Hilti Corporation enters into 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	2014	2013
Contract face amounts		
Foreign currency forward contracts	546.2	419.8
Foreign currency options	–	6.8
Interest rate swaps	69.9	201.8
Cross currency swaps	–	92.9
Total contract face amounts	616.1	721.3
Contract values		
Foreign currency forward contracts	(6.8)	10.2
Foreign currency options	–	–
Interest rate swaps	5.8	–
Cross currency swaps	–	20.8
Total contract values	(1.0)	31.0
Reporting of contract values		
Contract values recognized (on-balance sheet)	(1.0)	31.0
Contract values unrecognized (off-balance sheet)	–	–
Total contract values	(1.0)	31.0

(19) Segment information

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

(20) Contingent liabilities

in CHF million	2014	2013
Credit facilities guarantees	–	–
Other guarantees	11.9	13.2
Total contingent liabilities	11.9	13.2

(21) Commitments

Payment commitments arising from operating lease contracts and service contracts are as follows:

in CHF million	2014	2013
Expiring within 1 year	0.8	0.7
Expiring between 1 and 5 years	1.6	1.1
Total commitments	2.4	1.8

(22) 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 42 of the Group's consolidated financial statements.

(23) Number of employees

The breakdown of employees by nationality is as follows:

Country	2014	%	2013	%
Austria	854	44	850	45
Germany	390	20	380	20
Liechtenstein	165	9	172	9
Switzerland	221	11	216	12
Other countries	309	16	274	14
Total employees	1,939	100	1,892	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 5 to 7 of this Financial Report.

(25) Appropriation of retained earnings

in CHF million	2014	2013
Profit brought forward	1,136.9	781.9
Net income	293.8	747.8
At the disposal of the General Meeting	1,430.7	1,529.7
Proposal by the Board of Directors		
Dividend of		
CHF 1'795 (2013: CHF 1'550) per share	315.9	272.8
CHF 179,5 (2013: CHF 155) per participation certificate	139.0	120.0
Appropriation to other reserves	–	–
Balance carried forward	975.8	1,136.9
Total	1,430.7	1529.7

Report of the statutory auditors to the General Meeting of Hilti Aktiengesellschaft, Schaan

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes) on pages 74 to 83 and the management report of Hilti Aktiengesellschaft on pages 5 to 7 for the year ended December 31, 2014.

These financial statements and the management report are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the profession in Liechtenstein, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements and the management report are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the Liechtenstein law. Furthermore, the accounting records and financial statements and the management report and the proposed appropriation of available earnings comply with Liechtenstein law and the company's articles of incorporation.

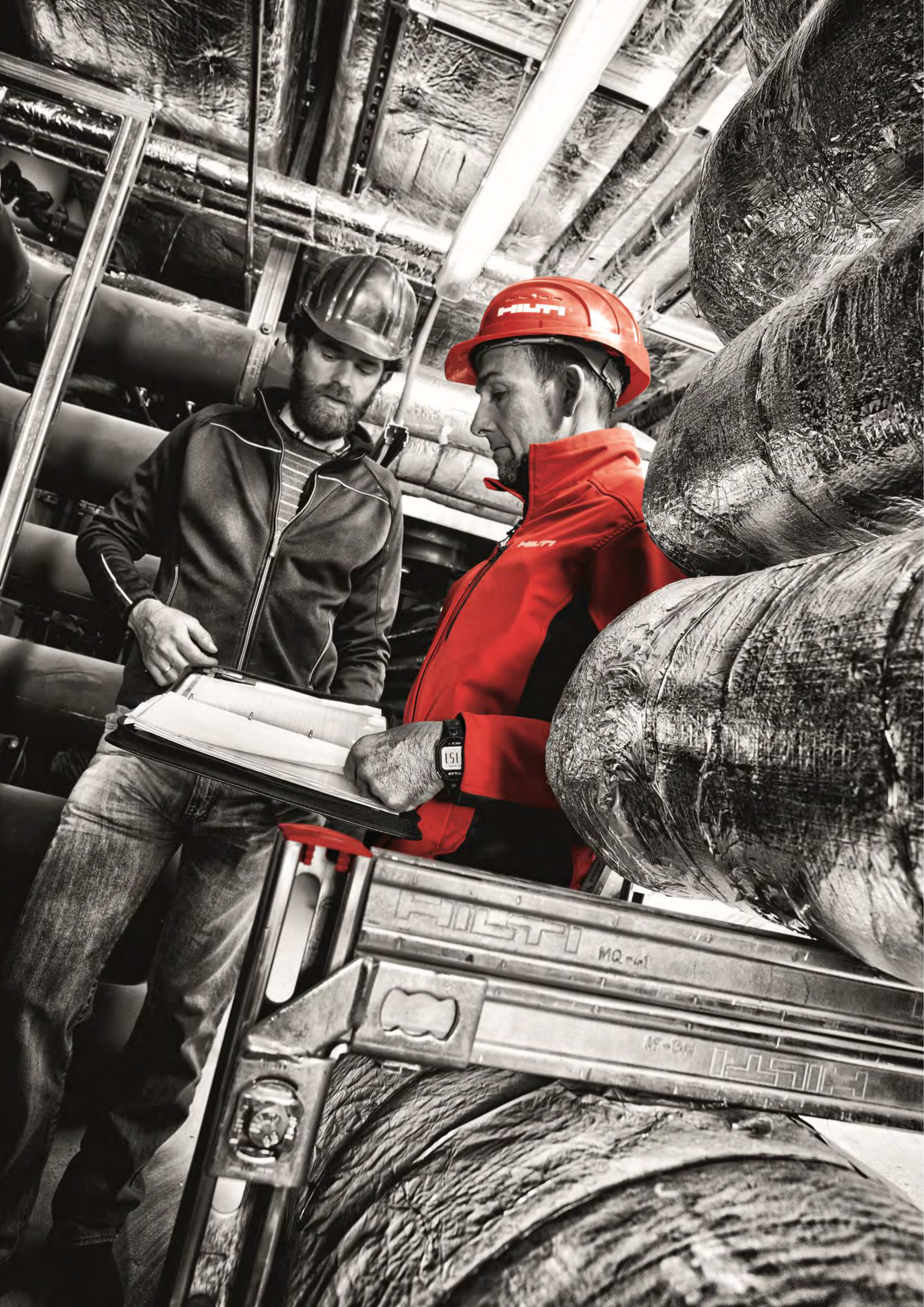
The management report is in accordance with the financial statements.

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

PricewaterhouseCoopers AG

René Rausenberger　　Ralf Zwick
Auditors in charge

St. Gallen, March 11, 2015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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. As a rule, directors serve up to four terms, but no longer than until the end of the business year in which they reach the age of 70.

Allocation of responsibilities and duties of the Board of Directors

In addition to its legally defined duties, the Board of Directors specifically takes decisions on the basic strategic direction of the Group, its long-term and annual strategic planning, important business decisions, as well as the succession planning of the Board of Directors itself and the succession planning and the 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 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 accounts.

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 2014, the Audit Committee consisted of Dr. Michael Jacobi (Chairman of the Audit Committee) and Dr. Tis Prager, who were appointed by the Board of Directors for a term of one year.

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 Board of Directors.

Compensation to the Board of Directors and Corporate Management

Members of the Board of Directors are paid a fixed annual compensation plus a lump sum for expenses. There is no additional compensation for the performance of an Audit Committee function by a Director. Former members of the Board of Directors do not receive any remuneration.

The members of Corporate Management (the Executive Management Team, including the Executive Board) receive an annual base salary and a variable compensation linked to performance. Members of the Executive Board normally retire at the age of 56. They receive a severance payment in addition to their statutory pension fund entitlement.

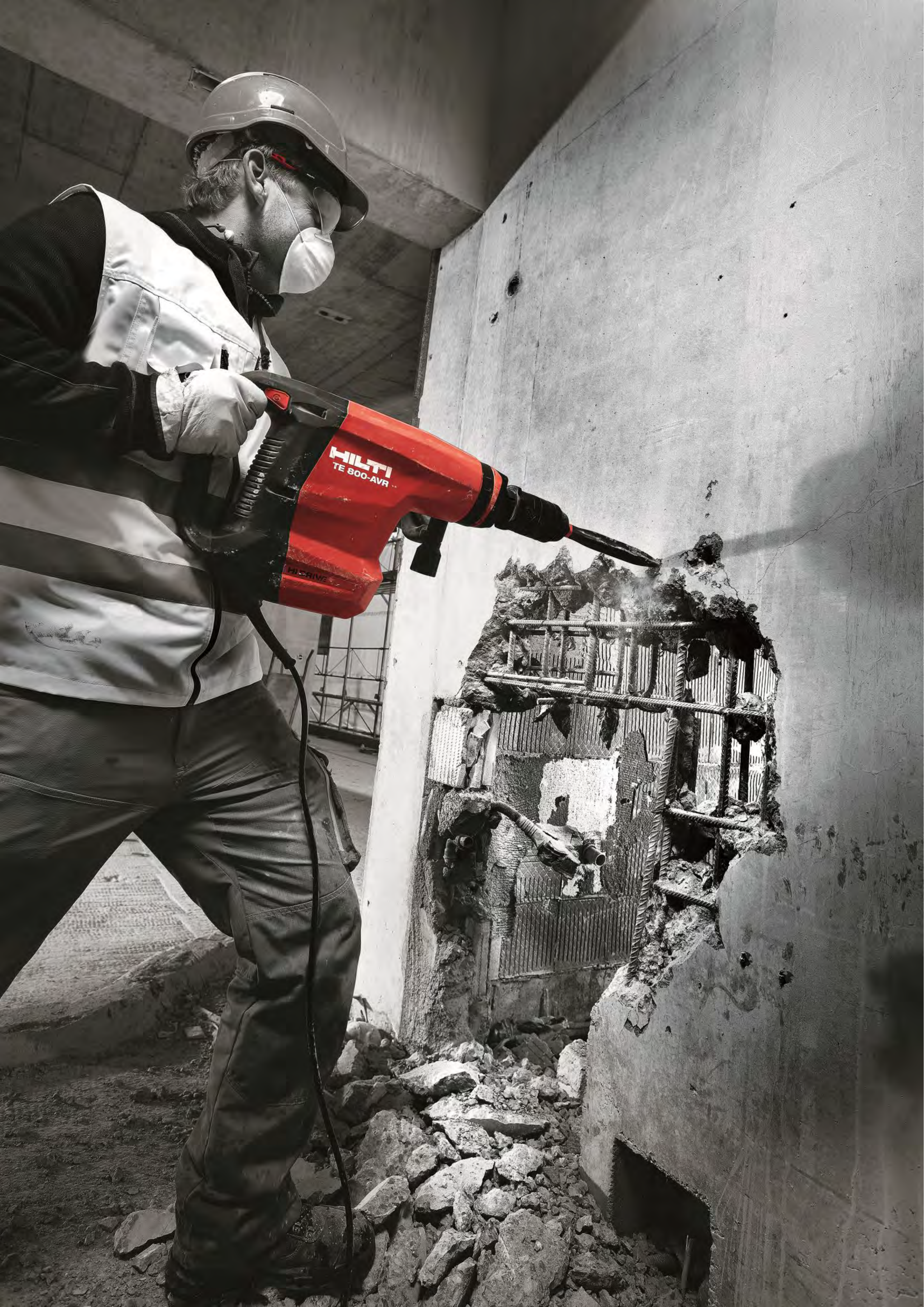
Former members of the Executive Management Team do not receive any additional compensation other than their statutory pension fund entitlement. Total compensation is detailed in the Group financial statements (see note 42).

Shareholders' participation rights

Details of share and participation capital are given in the Group financial statements (see note 20). Resolutions of shareholder meetings are generally decided by an absolute majority of represented votes. A majority of at least three quarters of represented votes is necessary to change the articles of incorporation, or for resolutions concerning changes to share and participation capital, subscription rights, expansion or restriction of business scope as well as mergers, transformation or liquidation of the company.

Auditors

The examinations of the Group financial statements and the financial statements of Hilti Corporation are conducted by PricewaterhouseCoopers Ltd., St. Gallen (leading auditor). The company was reappointed in March 2014 for the 2014 year. The auditor-in-charge has been responsible for the mandate from 2012 following a partner rotation after the 2011 year. In respect of the 2014 year, audit fees of the leading auditor amount to CHF 1.5 million whereas the non-audit fees amount to CHF 0.2 million. Total audit fees of the Group including audits not performed by the leading auditor amount to CHF 2.2 million.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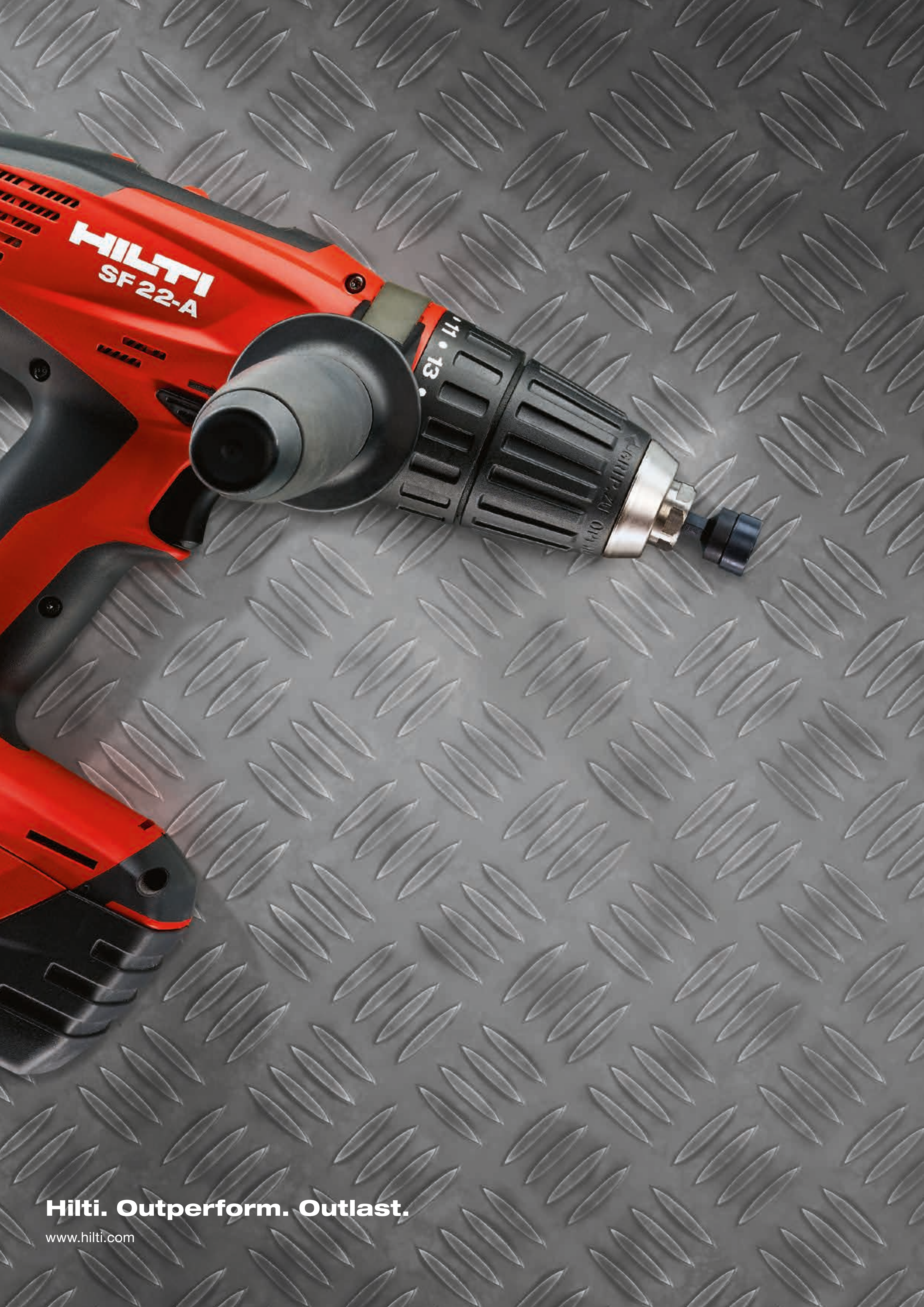
Key dates

Interim financial information January to April 2015	May 19, 2015
Interim financial information January to August 2015	September 18, 2015
Publication of the 2015 Financial Report	March 18, 2016
Annual results media conference	March 18, 2016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