

FIN

2016



2016 COMPANY REPORT

HILTI'S RED TOOLBOX



It's been one of Hilti's primary trademarks for 45 years and will be redesigned in 2017.

Anyone who sees it immediately thinks about innovative products and high quality. It has become an international brand ambassador for Hilti. Construction sites all over the world are unimaginable without it. As part of the company's brand revision strategy, Hilti's red toolbox was also redesigned and improved. The first tools will be delivered in the new toolbox by the end of 2017.

This is reason enough to give this brand icon a starring role in the 2016 Company Report. More than 3000 old Hilti toolboxes went through a special machining process to create the cover for this year's report. Each one of them represents an original toolbox, carried from construction site to construction site and from job to job over many years. The signs of wear, some more, some less, bear witness to the harsh day-to-day environment on the construction site and make each copy of this report unique. The stories told in this year's Company Report are not only found on the inside pages. The cover also tells a fascinating tale about a strong company and a strong brand.



Scan the QR code to find out more about Hilti's red toolbox as well as the production methods used in creating the 2016 Company Report.

CONTENT

2	Editorial
5	The year in figures
8	CEO interview
10	2016 highlights
36	Executive Board
38	Board of Directors
40	Corporate responsibility
52	Key figures

DEAR READERS

We are looking back on an exciting and successful year in what continues to be a challenging environment. As we had hoped, we began to reap the fruits of the investments made over the past few years and managed to accelerate our sales growth. After adjusting for currency effects and the divestment of our US-based solar affiliate Unirac, our sales were up 7.1 percent.

This dynamic growth momentum has resulted from a solid double-digit increase of our R&D spend and the expansion of our global sales team by more than 1000 new colleagues since the launch of our revised Champion 2020 corporate strategy at the end of 2013. Moreover, in 2016 we managed to step up profitability once again, with the company's operating result having risen by 10 percent and net income up 17 percent. Our two main profitability targets ROS at 13 percent and ROCE at 21 percent are now at the upper end of their target range.



We are pleased to note that almost all regions provided positive growth impulses, with Latin America being the only region where we suffered a decline owing to an extremely difficult market environment in Brazil. On a positive note, North America posted another set of double-digit growth figures (excluding the Unirac effect), mostly due to the region's consistently dynamic construction sector and significant internal progress achieved by our regional market organization.

In 2016, the Group continued to create enthusiastic customers with some 60 new products, such as the BX 3, the first battery-actuated concrete nailer, RE 500, our new injectable adhesive anchor system, the PLT, the total station for layout data transfer to the jobsite and, last but not least, our completely revamped portfolio of combi- and rotary hammers. Special emphasis goes to the rollout of ON!Track, our highly efficient system-based solution

that combines software, hardware and Hilti services to help customers manage their assets. Within just a year after launch, over 2300 customers had discovered the added value afforded by this new solution.

But, as always, the most important achievement of the year cannot be put in figures: the untiring commitment of our team members around the world who have grown in number to more than 24,000. They are the reason for our success in all business areas and the enthusiasm of our customers. The high degree of motivation and identification of our global team was confirmed by Hilti coming in tenth place among Europe's best multinational employers in the 2016 Great Place to Work ranking.

In 2016, we also had the pleasure of looking back on 75 exciting years of Hilti's corporate history. We celebrated our anniversary with pride and gratitude for our achievements whilst realizing that the true reason to celebrate was not the anniversary itself but the fact that after more than seven decades we feel younger and more dynamic than ever before in our history.

Hence, we conclude the 2016 financial year with deep satisfaction, but also with great confidence. Looking back positively, our heartfelt thanks go especially to our employees, our partners and our customers all around the world.



Pius Baschera
Chairman of the Board
of Directors



Christoph Loos
Chief Executive Officer

THE COMPANY

Hilti develops and produces products, systems, software and services that feature leading-edge technology and provide the construction and energy sectors with outstanding added value.

Hilti stands for innovation, quality and direct customer relationships. Some two-thirds of Hilti's more than 24,000 worldwide employees work directly on behalf of customers in Hilti sales organizations and technical service units. They generate more than 230,000 daily interactions with customers, creating the basis for the ongoing development of new solutions. For this reason, Hilti invests more than 5 percent of turnover in research and development on an annual basis.

Hilti Group headquarters are located in Schaan, Principality of Liechtenstein, where the company was founded in 1941 by brothers Eugen and Martin Hilti. All company shares are held by the Martin Hilti Family Trust, a fact that ensures long-term continuity and the ongoing development of the company.

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

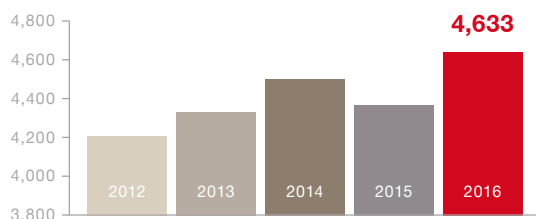
As a result, Hilti connects its financial success with a comprehensive responsibility towards society and the environment. A mutual sense of openness, honesty and tolerance applies to team members, partners and suppliers alike.

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

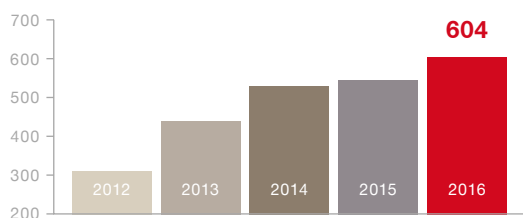


The Champion 2020 corporate strategy

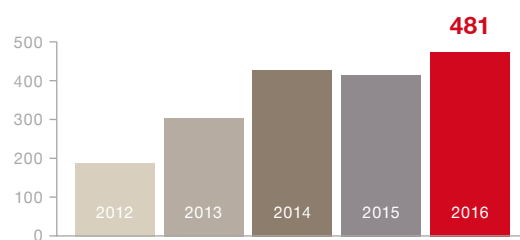
THE YEAR IN FIGURES



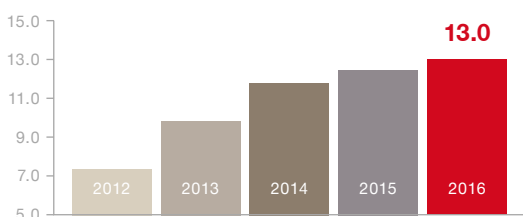
Net sales in CHF million



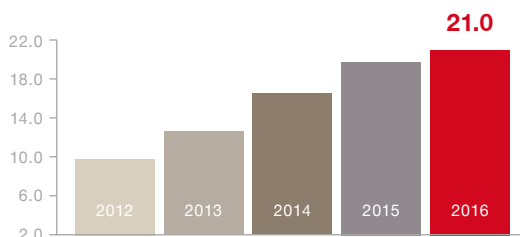
Operating result in CHF million



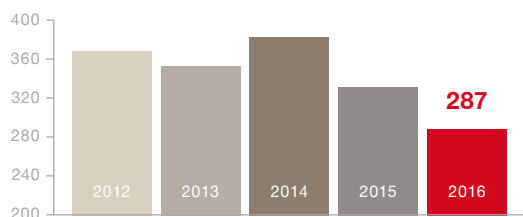
Net income in CHF million



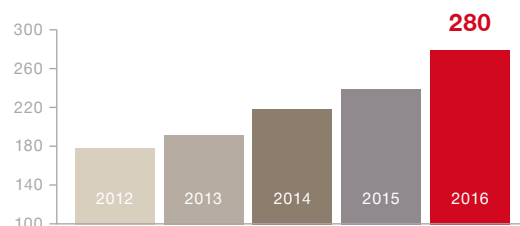
Return on sales (ROS) in %



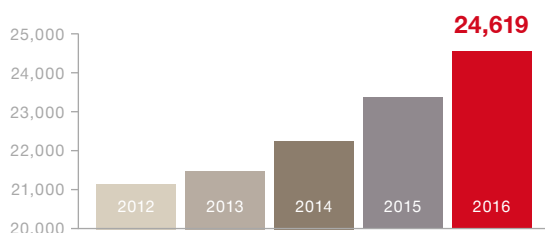
Return on capital employed (ROCE) in %



Free cash flow in CHF million



Research and development expenditure in CHF million



Employees as at December 31

SYSTEM SOLUTIONS FOR THE PROFESSIONAL CONSTRUCTION INDUSTRY

Hilti's portfolio contains seven business units. The company's electric tools, accessories, software and services cover a broad spectrum of applications which make Hilti a factor in all phases of a construction project and in all construction sectors. This addresses planners and architects just as it does construction professionals focused on civil engineering, building construction, interior finishing or electrical installation, steel/metal construction and HVAC. Diamond service providers and customers in the energy industry can all find specific products suiting their needs at Hilti. This is supplemented with comprehensive services such as fleet management and software-based solutions as well as a worldwide logistics network.

Anchor systems

Hilti sets new standards in anchor fastening technology with a product portfolio comprising mechanical and chemical anchoring systems as well as cast-in fastening solutions. These systems are designed for ultimate performance even under the toughest service conditions and many are capable of withstanding seismic action. Architects and planners also benefit from products such as the PROFIS Anchor design software as well as the comprehensive range of technical services provided by Hilti engineers and technical specialists.



Direct fastening and screw fastening

The comparatively environmentally friendly gas-, battery- and powder-actuated systems from Hilti make direct fastening on steel and concrete simple, safe, fast and productive. Compared to other installation methods, they keep vibration, noise and dust emissions to a minimum. Optimized systems comprising tools, accessories and fasteners form the foundation for innovative, cost-efficient fastening solutions for interior finishing as well as work on the building envelope.

Firestop systems

In addition to a wide range of firestop systems to prevent the spread of fire, smoke and toxic fumes, Hilti provides a comprehensive technical consulting service for building owners, architects and planners. These firestop solutions undergo rigorous testing. In countries where they are marketed, the solutions comply fully with current standards for environmentally compatible construction and energy efficiency. New software solutions also support the efficient design and subsequent documentation of firestop installations in buildings.



Electric tools and accessories

Hilti electric tools are renowned for top performance and user convenience. Robust and long-lasting, these tools are equipped with special safety features such as the Active Torque Control (ATC) quick-acting safety cutout or Active Vibration Reduction (AVR). The tools, together with accessories designed for maximum efficiency and ease of use, make construction site work involving chiseling, grinding and drilling safer and more productive.



Diamond systems

Hilti diamond systems for drilling, cutting, sawing and grinding concrete and other mineral building materials achieve maximum accuracy and efficiency while keeping dust and vibration to a minimum. Machines perfectly tailored to the application, featuring optimized high-tech diamond cutting tools, ensure top performance, safe and easy operation as well as low diamond tool wear.



Measuring systems

The laser, radar and optical tools from Hilti assist construction professionals during many phases of their work, ranging all the way from staking out positions for excavation, measuring and laying out foundations, detecting concealed objects, leveling and aligning in interior finishing, right through to renovation and maintenance tasks. Firmly established in the so-called building information modeling process, Hilti brings digital planning directly to the construction site.



Installation systems

Modular installation systems from Hilti provide flexible, efficient solutions for supporting and fastening pipes, ventilation ducts, sprinkler systems and electrical installations. The extremely wide range of products available from Hilti is complemented by engineering and logistics services as well as software for the computer-assisted design of fastenings and support structures.

“WELL-POSITIONED IN EVERY RESPECT”

CEO Christoph Loos talks about progress achieved in strategy work, ventures an outlook on 2017 and explains why Hilti is ready for the future.

The red toolbox on the cover of the Company Report puts the strong Hilti brand center stage. What does the name Hilti stand for?

/
Innovativeness, differentiation and strong customer relationships. A customer opening our red toolbox expects to get more than just a high-quality tool. Something that stands out against its competitors: better performance, special design, enhanced safety, more services and supplementary software. Responding to these requirements is what makes us tick, day by day. Hilti offers strong partnership and genuine added

value, an objective also embedded in our Champion 2020 corporate strategy.

Where does Hilti stand in terms of the implementation of the Champion 2020 corporate strategy?

/
Our corporate strategy is very well established throughout the Group in terms of mind-set, language and priorities. In 2016, we continued to implement Champion 2020 in a highly focused way. And it's paying off: We managed to speed up sales growth and outperformed many of our competitors. All members of

our global team have done an excellent job in pushing ahead further with Champion 2020. It's exactly this commitment and energy that we will need in the next few years to achieve our ambitious goals. Having said this, we cannot expect that the general market conditions for our business are likely to improve going forward. Many unsolved issues all around the world, seemingly unstoppable public debts, alarming deglobalization trends and exacerbating political tensions will impact the global economy, and with it the construction industry.



“We managed to speed up sales growth and outperformed many of our competitors.”

And what are Hilti’s plans for 2017?

/ One of the Champion 2020 goals is to outperform the market and our main competitors even in a challenging environment. We use the financial strength of our company to further expand our offering made up of first-class products, value-added services and powerful software while harnessing the potential of a host of new technologies. At the same time, we continue to grow our global sales team to be a reliable partner for an ever larger number of customers. We will proceed along these main lines of action in 2017. If the

growth forecasts of 3-to-4 percent for the global construction market materialize, our growth target in local currencies will be in the ballpark of 6-to-8 percent.

In the year of its 75th anniversary, Hilti communicated to be “Ready for the Future.” What stands behind this claim?

/ The conviction to be well-positioned in every respect: Our business is growing steadily and sustainably, we operate on a sound financial basis, we are close to our customers and we continue to drive our innovative

offering. In doing so, we never stop challenging ourselves, take corrective action, where necessary, to improve continuously and develop our company further. Our company is pervaded by vibrant energy, we have a highly motivated global team and our customer satisfaction ratings have never been higher. Thanks to all this, we are “Ready for the Future,” perfectly in keeping with the slogan of our anniversary year.

2016 HIGHLIGHTS

Underground palaces

Moscow is famous for its metro, the underground railway system, and its magnificent stations, known as underground palaces. The Russian capital's subway is one of the world's busiest, transporting well over two billion passengers each year. Over the next three years several new stations are being built while existing stations are renovated. Hilti is contributing numerous solutions to this gigantic project, including those aimed at safely and efficiently fastening electric rails in tunnels, installing engineering systems and equipment, mounting stations' tunnel walls and setting post-installed rebar connections.



3.3

million uses

of various Hilti software solutions by customers in 2016 (2015: 2.5 million)

Perfect in every detail

Innovative, flexible and efficient are three characteristics defining the SD-5 impact anchor that Hilti developed jointly with construction material manufacturer Saint-Gobain Weber AG. The product can be used on any material and only requires two hammer blows to be put in place, thereby saving time and effort. The SD-5 was named best product of 2015/2016 by the Plus X Award, one of the most significant innovation awards for technology, sport and lifestyle.

More than

3.5

million

customer visits were recorded by the roughly 730 Hilti Stores in 2016.





Extremely flexible

Hilti's MQ-41-L new modular support system enhances the already rich installation systems portfolio. Built for indoor use and with its optimized design, the new MQ-41-L system allows the customer to cover a wider range of piping and ventilation applications.



246 meters high
15,000 m³ of concrete
2640 tons of steel
20,000 meters of Hilti anchor channels

From A to B in record time

Cabins moving either vertically or horizontally, with or without cable support and at speeds of up to 18 meters per second. Beginning in 2017 this and other revolutionary elevator technologies will be researched and developed by the German Thyssenkrupp industrial group at a dedicated testing tower in Rottweil, Germany. The tower was constructed using Hilti HAC anchor channels which are aiding in the research for the elevator technologies of tomorrow.

For more information:

<http://testturm.thyssenkrupp-elevator.com>

280

million

Swiss francs were invested by Hilti in research and development activities in 2016, 17 percent more than in the previous year.

Using transparency to gain efficiency and success

Hilti ON!Track is now available on four continents – Europe, North America, Asia and Africa. The system solution for simple asset management has continued to create enthusiastic customers in 2016. Some 18 months after introduction the results are correspondingly positive.

Available in **11** languages
 More than **2300** active customers
30,000 users
683,000 registered tools
27,841,000 registered commodities
1,252,000,000 registered consumables
5,430,000 asset movements in 2016 from one location to another according to ON!Track

All figures as of December 2016



A STRONG BRAND

Hilti has revised its brand identity. New content and a fresh design will make the brand more diverse, modern and dynamic.

Over more than seven decades Hilti has developed into a prestigious global brand and is one of the benchmarks of the construction industry. The trademarked Hilti logo, the unmistakable toolbox and the Hilti red have become established as iconic brand elements.

Since Hilti last revised its brand strategy some 12 years ago, both the market and overall environment have changed radically. New business areas, new customer requirements, new information and communication



technologies have been developed and the Hilti brand must take this all into consideration.

At the core of the revised strategy is the new brand positioning centered on the topics of differentiation, customer orientation and a modern, more dynamic design. In addition to innovative products and services, the range of communication is increasingly aimed at Hilti's significant differentiating features, such as direct customer contact, the high degree of employee commitment

or activities focusing on the entrepreneurial responsibility. Modern communication channels and digital media are used to a much larger degree and more comprehensively than ever.

With an eye towards costs and feasibility, the new brand's implementation will be completed over the various communication channels on a step-by-step basis. All points of contact will be realigned to conform to the new brand design no later than the end of 2019.

Hilti's new brand identity is communicated along a diverse range of channels, including the well-known red toolbox, in Hilti Stores or in digital environments on the company's revised website.



The first red Hilti toolbox made of metal, at front, followed chronologically by the succeeding four generations of plastic toolboxes.

The red toolbox

Hilti's first toolbox was made of metal and in use from 1967 to 1972. Hilti then became the first company to put its tools in plastic toolboxes. The robustness and light weight soon eliminated any misgivings toward plastic. Legend has it that the idea to use the toolbox as a recurring theme was based on a television series that was popular in the late 1960s called "Man in a Suitcase." As with the tools they carried, the red toolbox design was updated and improved from time to time. The toolbox redesign as part of the revised brand identity represents the next generation of Hilti's red brand icon.



"Man with the red toolbox" was featured on the cover of a Hilti brochure in 1977.

Hilti Store

Whether in Christchurch, New Zealand, New York, USA, or Durban, South Africa, more than 700 Hilti Stores around the world open their doors every day for Hilti customers and fans alike. The look of these stores will also be adapted to conform to the new brand identity on a step-by-step basis. The goal is to improve the Hilti Store customers' experience. As a result, the new concept will pay special attention to optimizing product demonstrations, visitor experiences and the possibility to consult with customers. Digital channels will also play an enhanced role as consulting and purchasing information can be accessed by Hilti employees via tablets when on the go.



Hilti website

At the end of the year, the new brand identity also received an online presence in the form of the new website. Since it was launched, visitors to the new website have experienced and been enthused by a modern look and feel, new content and functions. Content is tailored to

target groups through recommendations and shortcuts; customers can find customized information and more easily manage their data once they've logged in. In addition to an intelligent search function, improved content processing helps customers find the solution that

best suits their needs. Mobile devices were given special priority. Initially, a "mobile first" approach focused on design development for smartphones and tablets and, in a later step, on PCs. This ensures that the website provides an optimal user experience for all devices.

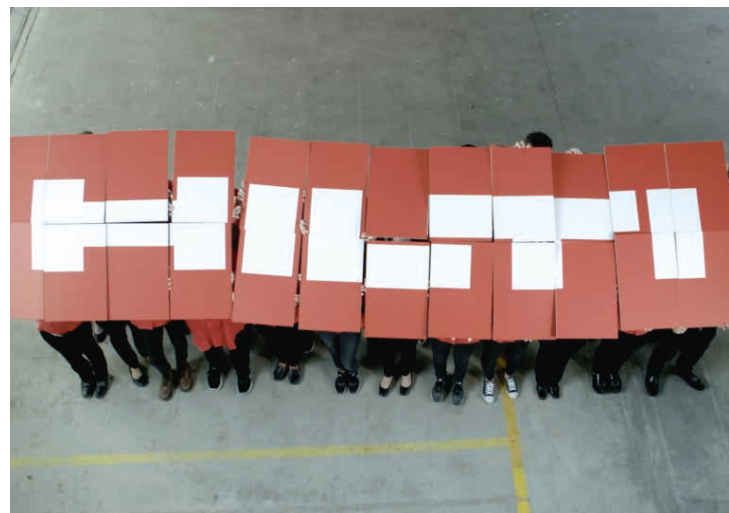
HIGHLIGHTS FROM THE ANNIVERSARY YEAR

Happy Birthday! Hilti celebrated its 75th anniversary in 2016 and showed, in a variety of ways, exactly why the company is ready for the future. Employees, customers, partners, media and friends of the company – Hilti aimed its anniversary activities broadly.



“Hilti at 75. This is a special moment to pause and to look back on past successes. But it’s also a moment in which we confidently and inquisitively look into the future. Our great worldwide team, our financial strength and an ownership structure that is built for the long term make us fitter and younger than ever. These are good reasons to celebrate our anniversary proudly and with pleasure.”

Michael Hilti
Schaan, Liechtenstein



1 ... 2 ... 3 ... 4 ... all together

The song composed for Hilti’s 75th anniversary. Teams from around the world celebrated and danced in the “Hilti Around the World” music video. Viewed on YouTube almost 20,000 times, the song and video display employee enthusiasm and identification with Hilti.



Company chronicle

The beginnings, successes and setbacks in the company history are laid out and highlighted over more than 180 pages. But the heart of the book belongs to the many people who shaped the company and continue to represent it to this day. Private insights from the Hilti family, numerous stories and anecdotes from employees, innovations and curiosities make the company's first chronicle a fascinating collector's piece. It bears witness to the fact that 75 years of learning and development have made Hilti what it is today. Namely, younger and more dynamic than ever.

A gift on four wheels

Unmistakably Hilti even back then: A Volkswagen van, which was in service in 1959, has stood in the entrance area to Hilti's testing lab and repair center in Tulsa, Oklahoma, for years. As part of the anniversary celebrations, Cary Evert (right), Head of the North America Market Region, gave Michael Hilti this special gift on behalf of his team. The vehicle symbolizes just how central the aspect of service has always been to Hilti's entrepreneurial activities.



A joyous celebration

Hilti's corporate headquarters in Schaan, Liechtenstein, was the stage for a diverse anniversary celebration at the beginning of September. International customers and members of the media, partners from the worlds of politics, finance and society were invited to any of numerous events at headquarters. The highlight was an open day activity which was attended by some 7000 employees, their family members and friends. These people took the opportunity to explore the company grounds and to visit one of the many activities, exhibitions or shows that were on offer. The company's anniversary was also the focus of international celebrations as various employee and customer events were held throughout the Hilti world.

STOPS DATA CHAOS

Measure, document and share: Thanks to the new PD-C laser range meter, complex measurements on the jobsite turn into an absolute breeze – even if you are measuring in a centuries-old building.



From left: Moritz Dietrich, Managing Director of the scaffolding contractor Hopfenitz, and Roberto Nofi, Hilti Sales Manager.





The PD-C laser range meter received a Best of the Best award in the Interface Design category of the Red Dot Award's Communication Design 2016 competition for its highly sophisticated interface solution.

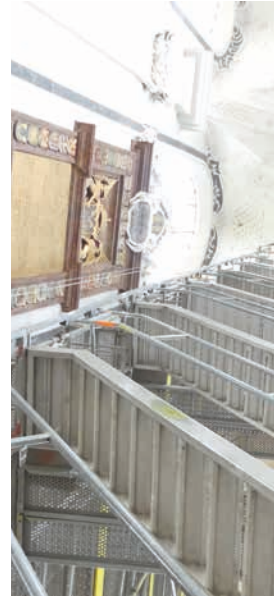


reddot award 2016
best of the best interface design

Jesus hovers above it all. A ceiling fresco from 1724, warm colors, framed by signal white stucco. Fourteen meters below, on the ground, everything is grey and full of dust. In December 2012, the floor of the church had caved in. Ever since, the old Dominican Church in Augsburg, Germany, has been closed to the public. Where bulky stone monuments used to stand, a massive metal scaffold reaches up to the ceiling, assembled by Moritz Dietrich and his team from the Hopfenzitz scaffold company. Restorers are

busy inspecting 400 square meters of figures, windows, columns and ceilings to work out a restoration budget for the old church.

The steel scaffolding must be positioned with utmost accuracy to provide access to every nook and cranny of the ancient building. The 16th century church is in shambles, which presents a serious challenge. "What used to be a solid floor is full of gaping holes with the crypt underneath," says Moritz Dietrich, Managing Director of Hopfenzitz, a local





Main features of the PD-C laser range meter

- High-resolution touchscreen
- Digital target camera
- Android-based operating system
- Direct and indirect measurement; surface and volume measurement function
- Measurement data with comment function
- 4 GB built-in memory for up to 3000 measurements
- Share data via USB or Bluetooth
- Export photos with measurement data as image file



scaffolding contractor. “Wherever we are placing the scaffold, it rests on different levels.” Since there are no ancient construction plans to rely on, the engineer depends on technical support from Hilti: the new PD-C laser range meter. The PD-C laser range meter merges the user interface of a smartphone with the measurement functions of a laser range meter. The user can take high-detail jobsite pictures, capture measurements, draw precise laser measurements onto the picture by touchscreen technology and export data to other devices. Hence, the workers on the jobsite know exactly what to do – and where. “No need for complicated explanations over the phone

anymore,” says Moritz Dietrich. According to Marco Kerschbauer, Global Project Manager with Hilti, this greatly accelerates the jobsite processes, which was one of the declared objectives of developing the PD-C. He adds: “It has become much more efficient for the customer to capture and save measurement data and connect them to the digital data flow of his in-house systems.”

Provided that the restoration and rebuilding schedule will be kept, the Dominican Church will reopen in 2022 allowing visitors to admire the colorful ceiling frescos in a dust-free environment.



THUMBS-UP

Hilti is increasingly using e-business and online channels for communicating with customers. One country organization leading the way is Hilti Great Britain.

Four product photos, a web link and some text, “The Hilti Radio Charger: it’s here!” Social Media Manager Jess Matthewman clicks the “publish” button, and the contribution is visible on the Facebook page of Hilti Great Britain. The reaction is swift. Jess Matthewman can trace the enthusiasm of users on her screen. The number of “thumbs-up” likes continues to climb for the robust, practical radio charger which charges tool batteries and can stand up to construction site conditions. Within less than one week Facebook contacts resulted in more than 350 customer discussions and 100 concrete orders placed. A comparable result via traditional acquisition channels would have taken customer account managers weeks, if not months of time. Digitalization and e-business have fundamentally changed the sales patterns at Hilti Great Britain. In 2004, social media was in its infancy and Hilti GB sold products and services exclusively off-line. Seven years later e-business accounted for 11 percent of sales. In 2016 the online business will make up almost 50 percent of sales, a tremendous expansion. “Availability, measurability, scalability and



Digital where the customers are

Up to now, the sales counter at Hilti Stores was the central element for interacting with customers. This was the only place in the store where employees had computer access to customer data, tool lists and product information. Since 2016 employees have been able to use tablets as an alternative. This has made sales and interaction with customers much more flexible and practical, effectively allowing them to take place anywhere in the store. All the information can be accessed at any time and sales agreements can be concluded. In addition to Hilti Stores, Hilti salespeople continue to be outfitted with this technology.

Hilti Great Britain hat 4 neue Fotos hinzugefügt.
19. Dezember 2016 um 12:49 · ©

📷 The Hilti Radio Charger: it's here! We're so excited to be able to say the 230v version is now available for an exclusive digital pre-order! With DAB, AUX, USB and more, plus the ability to charge 12v - 36v batteries, it is the rockstar of site radios. Be quick though, there are only 200 available to be shipped at the end of January - make sure you're getting one!
<http://fal.cn/radio1>

(110v also available soon. Full stock available from February. Follow Hilti Great Britain to stay informed!)

Übersetzung anzeigen



individualization are just a few of the advantages of digital platforms,” explains Kris Levey, Head of the Digital Team for Hilti Great Britain and Northern Europe. “They have developed to provide true added value for our customers and our business.”

Facebook, Twitter, YouTube and LinkedIn provide new interactive possibilities. “Let’s talk about cordless. We want to know when you first used a cordless tool, and what was it like compared to your normal kit? Do you have a favorite tool? What would you like to see next?” This is one survey example which was responsible for valuable data conveyed via social media channels. The supply of training and information videos is also much more diverse. More than 2500 customers – a number which continues to grow – are already using Hilti Great Britain’s technical webinars. They either interact live or through recorded sessions on the comprehensive online library. Once customers are on the Hilti GB website, many browse the digital “Innovation Magazine,” which uses animation, photo galleries, audio and video material to give life to Hilti solutions. “Whether online or offline, we go where our customers are – anytime, anywhere and from any device,” summarizes Kris Levey. This is why customers keep giving Hilti Great Britain the thumbs-up, on all channels.

2016 HIGHLIGHTS

Supporting cave art

The Lascaux caves in southwestern France house archaeological treasures in the form of prehistoric cave paintings. With the aim of preserving the original artwork which was discovered in the 1940s, the CO₂ emissions of visitors were damaging the paintings, a replica cave was opened in the early 1980s. At the end of 2016, a new museum, known as Lascaux IV, was opened. The museum is located adjacent to the replica cave and presents cave drawings from around the world as well as information on the discovery and development of early modern humans. Hilti supported the construction with anchor, injection, SAFEset and software solutions that will sufficiently protect Lascaux IV from noise and vibrations, among other things.



More than **10,000 m³** of concrete poured
More than **700 tons** of steel used

188,000 times per week is how often the Hilti ID Service is used.

1.2 million Hilti identities are managed in the Hilti Cloud ID Service.

All figures as of December 2016

A simple click keeps an eye on everything

Since April 2016, customers have been able to log in a single time to gain access to a wide variety of information thanks to the Hilti ID Service. Once logged in, the customer receives access to all the relevant software applications that have been customized for them. The technology is a part of the Hilti Cloud which, in addition to the ID Service, includes all software components used jointly by Hilti and its customers – such as the interfaces in the global SAP system.



New standard in jobsite productivity

Fast, light and quiet: With up to 50 percent more speed, 20 percent less weight and the lowest vibration levels compared with similar tools, the Hilti combihammer TE 30-ATC (Active Torque Control) sets new standards on the jobsite in terms of productivity and injury prevention. Whether drilling anchor holes, fixing rebar or working on steel, the tool makes every task it performs seem effortless.



Picture credit: Hilti Art Foundation

“Kirchner, Léger, Scully & more”

The Hilti Art Foundation’s latest exhibition, entitled “Kirchner, Léger, Scully & more,” opened in Vaduz, Liechtenstein, in December 2016. A total of 38 pieces, representing art from classical modernism to the present, are displayed on three different floors. The exhibition runs until October 8, 2017.

77%

of customers would repurchase from Hilti again in the near future.

70%

of customers would recommend Hilti.

70%

of customers are very satisfied with Hilti Account Managers.

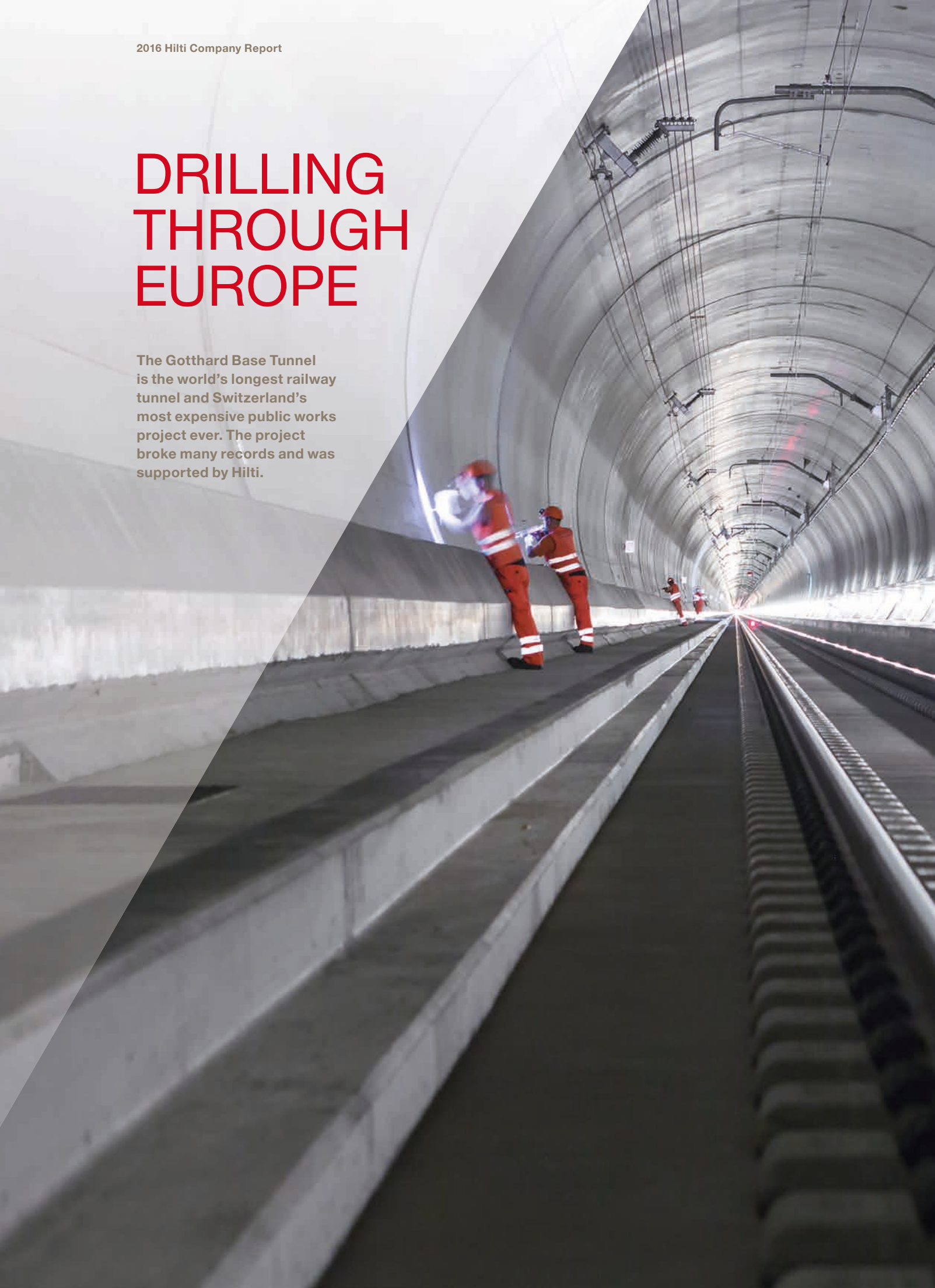
66%

of customers are very satisfied with Hilti engineering advice.

All results from the 2016 Integrated Customer Opinion Survey

DRILLING THROUGH EUROPE

The Gotthard Base Tunnel is the world's longest railway tunnel and Switzerland's most expensive public works project ever. The project broke many records and was supported by Hilti.





An architectural masterpiece

The digital speedometer needle pauses at a speed of 170 kilometers per hour. The speed on the first day is relatively leisurely. While Camillo Censi doesn't see much of the work he was responsible for on this day, the emergency lights that roll by illuminate a smile on his face. "I'm proud to have been a part of it. It's a great feeling to drive through the finished tunnel after almost nine years of work."

At peak times some 2600 workers were busy on this architectural masterpiece and Camillo Censi is one of them. Both of the tunnel's one-way tubes are 57 kilometers in length. With Hilti's help, Camillo Censi's

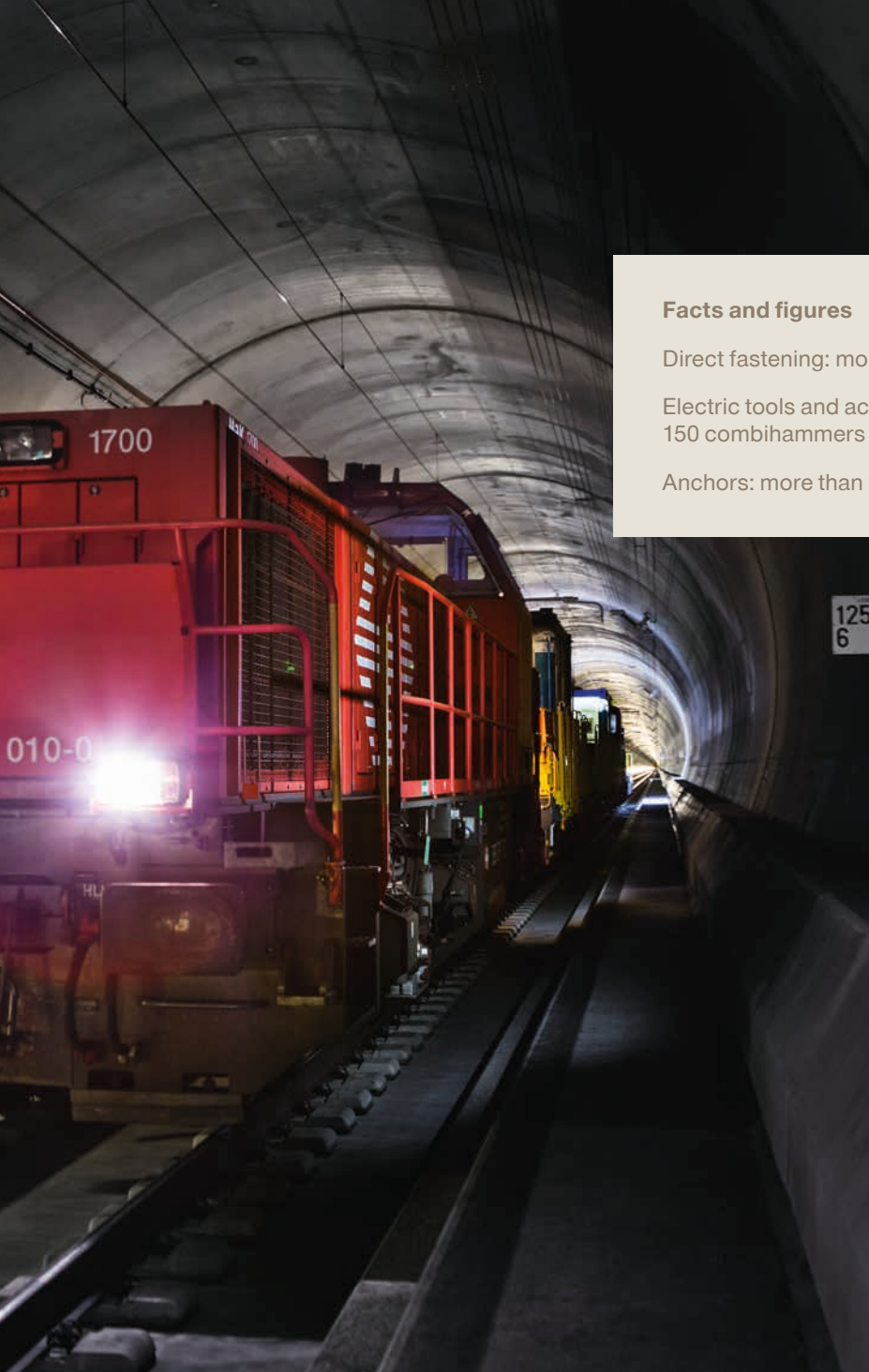
100-person team was responsible for fastening rails and installing cable ducts along a ten-kilometer tunnel stretch. With 150 combi-hammers workers drilled more than 30,000 holes into the Saint Gotthard Massif, and everything went according to plan. "We couldn't afford delays at these construction sites which is why service was of vital importance," says the engineer. The product quality allowed the site manager to work along the route worry-free and safely. This is why Camillo Censi placed the highest priority on high-quality tools.

The tunnel links the German- and Italian-speaking regions of Switzer-



"We couldn't afford delays at these construction sites which is why service was of vital importance."

Camillo Censi
Railway Engineering Management,
Censi Group



Facts and figures

Direct fastening: more than 5 million fasteners

Electric tools and accessories: 700 batteries and 150 combihammers used; more than 30,000 holes drilled

Anchors: more than 900,000 mechanical anchors



land, from Erstfeld in the north to Bodio in the south and has almost no gradient, meaning that trains can travel through the tunnel at speeds of up to 250 kilometers per hour. Above the tunnel is an overburden of rock reaching as high as 2300 meters, greater than anywhere else in the world. Hilti construction solutions were required for emergency precautions. "People travelling through this tunnel by train will be safe. What we installed was one contribution to this," says Martino Incarbone,

Regional Sales Manager with Hilti Switzerland. Emergency lights and safety railing were fastened to concrete with Hilti anchors.

Camillo Censi is already working on his next tunnel project, the Ceneri Base Tunnel, which is 15.4 kilometers long and runs between Camorino and Lugano in the Swiss canton of Ticino. It is scheduled to open in 2020, when Camillo Censi plans on taking another train ride through a new tunnel.

DON'T PLAY WITH FIRE

600 construction workers installing fire protection devices in a 1700-room hotel and casino resort – that's quite a challenge. Thanks to a close collaboration between planners, building inspectors and Hilti, nothing was left to chance.



"The magnitude, the tight schedule and the complexity of the construction project presented an enormous task," says Adrian Huson, Project Manager with Wynn Design & Development (WDD). Judging from the sheer dimensions of the USD 4 billion Wynn Palace Luxury Resort in Cotai, Macau (autonomous territory in Southern China), it became clear from the very outset that there was a need to install countless passive fire protection devices throughout the property.

The fire protection system had to be in compliance with the International Building Code (IBC) which contains numerous health and safety regula-

tions. Hence, both technical know-how and experience were required to plan and execute the project. "We benefited greatly from the expertise of the Hilti team members who not only supported us when it came to select the right systems and products but also ensured proper application on the jobsite," adds Adrian Huson.

Some 600 workers attended theoretical and practical training workshops where they learned how to carry out high-quality installation work on site. And the Hilti team was available whenever there was a need to deviate from the plan and special solutions were called for.

PHC (Macau) Ltd., the company in charge of inspecting the fire protection measures, also benefited from the training sessions provided by Hilti. Special seminars were organized to train inspectors how to carry out system audits in keeping with safety regulations. Phil Harvey, owner of PHC, says: "Thanks to this, we were able to simplify the problem solution process, to eliminate uncertainties and to ensure fire protection measures in conformity with regulations throughout the property." Or to put it in simple terms: "Hilti's support was indispensable."



Picture credit: Adrian Huson



The Hilti team instructed workers on the correct way to install firestop systems directly on the construction site.

2016 HIGHLIGHTS



Aiming high with Hilti

Seattle, Washington, is teeming with development. Both a multifunctional building some 45 stories high and the city's largest hotel are currently under construction. Since mid-2015, Hilti has worked earnestly to partner with the owner and general contractor bringing productivity and innovation to its development. The Emerald City's new architectural landmarks are being built with Hilti products, accessories and fleet management agreements.

Hilti ranked
10th in the Great Place to Work Institute's 2016 European rankings in the "Best Multinational Employer" category.

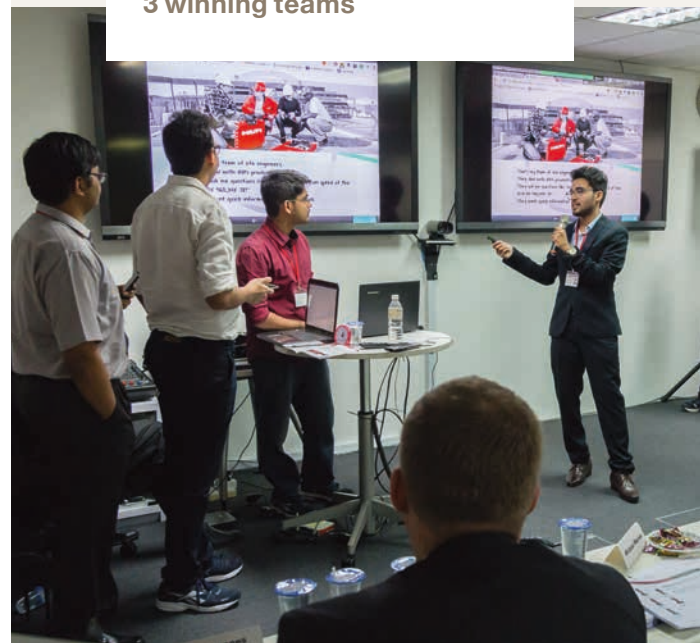
A successful competition

Hilti IT's fourth global student competition focused on developing a mobile Hilti app. The high standard of the submissions greatly pleased the jury of professors and Hilti managers. In February 2016 at the event finale in Kuala Lumpur, Malaysia, three winners were selected from among the apps submitted for customers and account managers. Eleven of the competition participants were granted internships with Hilti, a number of which are now employed with the company.

220 students from 11 countries
85 entries
3 winning teams

~8
million

customer service contacts worldwide in 2016.
Some 1300 employees in 49 countries look after Hilti customers via telephone, e-mail, web chat and fax.





Dmitry Kamaev, Procurement Manager with the LBK “Michko” Ltd. construction company

GOING WHERE THE CUSTOMER IS

Direct customer relationships are a basic component of Hilti’s corporate strategy. The logistics service is plying new paths in Russia in order to reach even more customers.

There are 150 kilometers between Moscow, the workplace of Procurement Manager Dmitry Kamaev from LBK “Michko” Ltd., and Hilti’s closest warehouse. The largest country in the world faces tremendous logistical challenges. To meet the needs of customers such as Kamaev, Hilti has created a new service: PUDO which stands for pick up and drop off points. This retrieval and delivery service is aimed at providing classic Hilti services, such as tools, accessories and repairs, to custom-

ers who find themselves in remote or peripheral areas.

“We make deliveries to shops, petrol stations and even to florists,” says Fabrice Atallah, Head of Global Logistics Services Hilti; locations that are easily reachable for any customer. With these numbers increasing constantly, the service is destined to grow further. “PUDO is designed to increase customer satisfaction and to expand our value proposition,” says Atallah.

Dmitry Kamaev finds the service quite practical: “Once my order arrives, I receive a text message or phone call telling me where I can pick up the delivery, and I get to decide when I will go and retrieve it.” So Hilti is where the customer needs their delivery. For Atallah this is “a win-win situation.” Additional countries will begin offering this service in 2017, bringing Hilti even closer to customers.

“IT’S A TWO-WAY STREET”

Generational diversity at Hilti

Diversity is at the heart of Hilti’s business. The company strives to create an inclusive and inspiring work environment, mirroring the rich diversity in the markets it serves and with this contributing to the business performance.



Frank D. McMahon of the baby boomer generation

Diversity & Inclusion (D&I) is embedded in the Champion 2020 corporate strategy and focuses in particular on the three G's: gender, global and generation. Frank D. McMahon (Director of Engineering Support and Special Projects, Hilti North America) and Sanda Bjelan (Customer Relationship Manager, Hilti Belgium) represent two important age groups at Hilti. Read their dialogue on working across generations.

Sanda Frank, after 29 years of experience in various jobs, you must know Hilti inside out while I have joined the company only two years ago. What is the main difference of working for Hilti today compared to back when you started?

Frank I think that the implementation and mastery of the technological advancements are the main difference – and they are championed by the younger colleagues, especially the millennials. Having said this, the culture of Hilti has basically stayed the same as when I

began. Our core values reflect the strong foundation that Hilti was built on ...

Sanda ... and they open doors wherever you are in the Hilti world. This is what I’ve noticed; it feels like a big family wherever you travel. Even though we work in different countries, the values build a common understanding and promote communication.

Frank I really like your reference to family when thinking about the contribution everybody makes. The



Sanda Bjelan of the millennial generation

analogy fits nicely showing how a well-functioning group across generations can be so beneficial to a desired outcome. Where do you see the strongest benefits in working across generations?

Sanda Personally, I appreciate listening to the older generation. You bring in the knowledge of the construction process and the procedures needed.

Frank Absolutely, but to make the mix of generations really work, from my point of view, it is important

that the older generation learns from the younger generation and your ideas. Mentoring has to be viewed as a two-way street, both sides need to be open for new ways of thinking and acting – a very important element for leveraging the full power of the different generations.

Sanda I completely agree. By switching perspectives, you can discover a lot. The many team and network events sponsored by Hilti promote an exchange and a transfer of knowledge on a worldwide basis. On the whole, where do you see Hilti

Generational mix at Hilti:

Flexible working-time models, international networks and mentoring programs support the implementation of Diversity & Inclusion, as well as generational diversity, at Hilti.

Facts and figures:

Average age:
37 years and 5 months

Share of generations:
Traditionalist: 0.1 %
Baby boomer: 11.1 %
Generation X: 25.8 %
Millennial: 63 %

Share of generations hired in 2016:
Traditionalist: 0 %
Baby boomer: 1.5 %
Generation X: 10.3 %
Millennial: 88.2 %

in terms of D&I? How far along are we?

Frank I think Hilti's overall approach to Diversity & Inclusion is paving the way for a more inclusive working environment. Mixing teams, also with regard to generations, is just one of many important steps. If we can keep pushing that, I think that the company will benefit greatly and go a long way in the future.

EXECUTIVE BOARD

“My highlight of 2016 was the excellent further development of our business in North America. Never before have we had a stronger position in this dynamic growth market.”

“My highlight of 2016 was to experience the trust-based and open cooperation with our customers around the world. It is these partnerships that build our long-term business success.”

“My highlight of 2016 was the buildup of our global software team. For me, this is a significant step towards the future of digital construction.”

Dr. Stefan Nöken
Mörschwil, Switzerland

Stefan Nöken (born 1965, Germany) has been a member of the Executive Board since the beginning of 2007. He is responsible for Fastening Technology and Logistics.

He joined Hilti in 2000 as the Head of Corporate Engineering. In 2004, he took over responsibility for Supply Chain Management with the global plants, procurement and global logistics.

Jörg Kampmeyer
Schaan, Liechtenstein

Jörg Kampmeyer (born 1968, Germany) has been CFO and a member of the Executive Board since April 2011. He is responsible for the Finance, Human Resources, IT and Group Strategy units.

He began his Hilti career in 2002 as the Head of Corporate Development. From 2003 to 2005, he was responsible for the company's Strategic Marketing unit. In 2006, he moved to Germany, initially serving as Regional Sales Director, and in the course of the year, he became General Manager at Hilti Germany. Since 2010, he has also headed the Central Europe Market Region.

Matthias Gillner
Grabs, Switzerland

Matthias Gillner (born 1967, Germany) has been a member of the Executive Board since April 2011. He was initially responsible for Electric Tools and Corporate Research & Technology. Since the beginning of 2014, he has led the Emerging Markets and global Energy & Industry units.

He began his Hilti career in 2000 as the Head of Corporate Development. In mid-2001, he was named Head of Corporate Human Resources and then moved to lead the Measuring Systems Business Unit. From 2006 until the end of 2013, Matthias Gillner was Head of the Electric Tools & Accessories Business Area.

“My highlight of 2016 was the acceleration of our global growth which confirms that our investments are bearing fruit.”

“My highlight of 2016 was the company anniversary at our headquarters which attracted some 7000 guests – many of them team members with their families. The spirit of that day was simply overwhelming!”

“My highlight of 2016 were the many encounters with our team members all around the world. Their passion for their job, their commitment and their energy are not only contagious, but motivating.”

Dr. Christoph Loos
Chief Executive Officer
Schaan, Liechtenstein

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

Upon joining Hilti in 2001, he first led the Corporate Development team and then established the Strategic Management unit. At the end of 2003, he moved to Germany, first as a Regional Sales Director and then, starting in 2005, as General Manager of Hilti Germany.

Jahangir (Jan) Doongaji
Maienfeld, Switzerland

Jahangir (Jan) Doongaji (born 1967, India/Switzerland) has been a member of the Executive Board since 2014. He is responsible for the Electric Tools and Corporate Research & Technology units.

He began his Hilti career in 2000, initially leading customer service in the Swiss market organization. In 2002, he moved to corporate headquarters in Schaan where he held various positions in different business units. Most recently, he headed the Power Tools & Accessories Business Unit.

Marco Meyrat
Chur, Switzerland

Marco Meyrat (born 1963, Switzerland) has been a member of the Executive Board since the beginning of 2005. He is responsible for the markets in Europe and North America.

He began his Hilti career in 1989 as Product Manager at Hilti corporate headquarters in Schaan. After holding various positions in Hilti France and Germany, he was named General Manager of Hilti Switzerland in 1999 and was subsequently appointed General Manager of Hilti Germany in 2002.

BOARD OF DIRECTORS

During their visit to the USA, from left to right: Dr. Michael Jacobi, Kim Fausing, Calvin Grieder, Prof. Dr. Pius Baschera, Michael Hilti, Heinrich Fischer, Barbara Milián Thoralfsson and Dr. Tis Prager.



Dr. Michael Jacobi
Binningen, Switzerland

Michael Jacobi (born 1953; re-elected until the 2019 Annual General Meeting) was elected to the Board of Directors in 2007. He studied business economics at the University of St. Gallen and at the University of Washington, Seattle, and earned his doctorate from St. Gallen in 1979. From 1978 until 2007 he held various financial management positions in Brazil, the USA and Switzerland at Ciba-Geigy AG and, later, Ciba Specialty Chemicals Inc., Basel. He was the company's Global Chief Financial Officer from 1996 until 2007. Today Michael Jacobi is an independent corporate consultant. Since 2003, he has been a member of the Board of Directors of Sonova Holding AG, Stäfa, and, since December 2008, a Trustee of the Martin Hilti Family Trust. He was named to the Board of Directors of Actelion Pharmaceuticals Ltd., Allschwil, in 2009.

Kim Fausing
Sønderborg, Denmark

Kim Fausing (born 1964; re-elected until the 2019 Annual General Meeting) was elected to the Board of Directors in 2010. He earned a degree in mechanical engineering at Aarhus Teknikum, in Denmark, in 1987, and an MBA degree at Henley Business School, in London, in 1996. His professional career led him to the Hilti Group in 1990, where he served in various management functions in Europe and Asia until 2007. After moving to the Danish Danfoss Group, he was named Chief Operating Officer and member of the executive committee in January 2008. He also is Vice President of SMA A/G, in Kassel, Germany, and Vice President of the Velux Group in Copenhagen, Denmark.

Calvin Grieder
Küsnacht, Switzerland

Calvin Grieder (born 1955; elected until the 2019 Annual General Meeting) has been a member of the Board of Directors since April 2016. He studied process engineering at the Swiss Federal Institute of Technology in Zurich. He then held various management positions in Swiss and German companies in the fields of measurement and control, automation and engineering. In 2001 Calvin Grieder left Swisscom to join the Bühler Group, where he served as CEO until the end of June 2016. Since February 2014 he has been Chairman of the Board of the Bühler Group. He is also Vice Chairman of Implen AG and, since March 2017, Chairman of Givaudan SA.

Due to the future time-consuming duties as the Chairman of Givaudan, Calvin Grieder decided to resign from the Hilti Corporation Board of Directors effective December 31, 2016.

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

Pius Baschera (born 1950; re-elected to serve until the 2019 Annual General Meeting) is Chairman of the Board of Directors. He studied mechanical engineering and business administration at the Swiss Federal Institute of Technology Zurich, where he earned his doctorate. In 1979, he came to Hilti as Head of Financial Controlling in the production area. Before being named Chairman he served as CEO for 13 years. He is a member of the Board of Directors of Roche Holding AG (until March 2017), Basel. He is also a member of Board of Directors of the Schindler Group, Hergiswil, and a member of the Advisory Boards of Vorwerk & Co., Wuppertal, and Ardex GmbH, Witten, and President of the ETH Zurich Foundation.

* Effective at the Annual General Meeting of 2017, Pius Baschera will relinquish the post of Chairman. He will be succeeded by Heinrich Fischer and will remain a member of the Hilti Board of Directors, while also serving as the Speaker of the Martin Hilti Family Trust, the sole shareholder of the Hilti Corporation.



Michael Hilti
Schaan, Liechtenstein

Michael Hilti (born 1946; re-elected to serve until the 2018 Annual General Meeting), son of company founder Professor Martin Hilti, has been a member of the Board of Directors since 1990. After studying business administration at the University of St. Gallen he worked in the Chase Manhattan Bank in London before joining Hilti in 1975 as the Deputy Head of Marketing. One year later he was named to the company's Executive Board and he served as CEO from 1990 to 1993. He was Chairman of the Board of Directors from 1994 to 2006. Michael Hilti is a Trustee and Speaker of the Martin Hilti Family Trust, a member of the Board of the Hilti Foundation, and Chairman of the Hilti Art Foundation. He has held numerous directorships, was named an Honorary Senator by the University of St. Gallen, and was named a Princely Commerce Councilor by H.S.H. Prince Hans-Adam II von und zu Liechtenstein.

Heinrich Fischer*
Rüschlikon, Switzerland

Heinrich Fischer (born 1950; re-elected until the 2019 Annual General Meeting) has been a member of the Board of Directors since 2007. He graduated in 1973 with an engineering diploma from the Swiss Federal Institute of Technology Zurich, having studied electrical engineering and technical physics. He then went on to study business administration at the University of Zurich while working in this field, earning a master's degree in 1976. Beginning in 1977, he held senior management positions at Oerlikon Bühler Holding, Balzers AG (1980 to 1989) and, finally, at Oerlikon Holding once again (1990 to 1995). From 1996 to 2007, he was Chief Executive Officer at Saurer AG, Arbon. Heinrich Fischer is a member of the Board of Directors of Tecan AG, Orell Füssli AG (Chairman) and Sension AG.

Barbara Milian Thoralfsson
Oslo, Norway

Barbara Milian Thoralfsson (born 1959; re-elected until the 2017 Annual General Meeting) was elected to the Board of Directors in September 2014. She has an MBA in marketing and finance from Columbia University in New York and a BA in psychology from Duke University in North Carolina. Barbara Milian Thoralfsson has held CEO positions in the telecom and consumer goods sectors, and has extensive experience as a non-executive director, in both public and privately held global companies. Since 2006 she has been an entrepreneur in the industrial sector (Fleming Industrier AS, Oslo) and, since 2007, has been an Industrial Advisor of EQT Partners AS, Oslo. She is Chairwoman of ColArt International Holdings Ltd, London, and a member of the Board and Chairwoman of the Audit Committee of SCA AB, Stockholm. She also holds board mandates with G4S Plc, London, and Norfolier GreenTec AS, Oslo.

Dr. Tis Prager
Zumikon, Switzerland

Tis Prager (born 1948; re-elected until December 31, 2018) has been a member of the Board of Directors since June 2006. He earned a doctorate in law from the University of Zurich in 1975, was admitted to the bar of the Canton of Zurich in 1978 and is a founding member of the Prager Dreifuss law firm in Zurich and Bern, which specializes in international business law. Among other mandates, Tis Prager is the Chairman of the Board of Scherer & Bühler AG, Meggen, the Hotel Zurich AG (Marriott), Zurich, and Emil Hitz AG, Bassersdorf. He is also a member of the Board of Directors of the Bourquin Group, Couvet, of the Diogenes Verlag AG, Zurich, as well as former Chairman of both IE Engineering Group AG, Zurich, and Caprez Ingenieure AG, Chur. He is also active in STEP, the Society of Trust and Estate Practitioners.

CORPORATE RESPONSIBILITY

CENTRAL
FIELDS OF
ACTION



Team members

**Get employees enthusiastic
about Hilti and develop them
and their skills**



User health and safety

**Offer solutions that enhance
safety and productivity for
the customers**

At Hilti, corporate responsibility is an integral component of the business model. Sustainable corporate success is linked to fundamental responsibility towards employees, customers, partners and suppliers, as well as society and the environment. This claim goes back to company founder Martin Hilti.

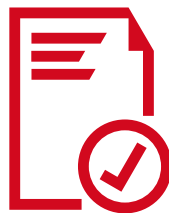
The corporate culture, lived out by employees around the world, forms the basis for corporate responsibility. The values of integrity, courage, teamwork and commitment, coupled with a high degree of engagement, define the daily interaction and deeds of more than 24,000 team members. Lawful ethical behavior and fair trade are essential aspects in all Hilti activities.

The Code of Conduct for employees and suppliers gives the company a written foundation for its daily actions as well as for maintaining essential standards. Beyond this, Hilti is obligated to abide by transparency and business practices free of corruption and to meet social and ecological standards as a member of the UN Global Compact.



Social responsibility

**Make a contribution towards
society's sustainable
development**



Compliance and business ethics

**Meet legal and ethical
standards**



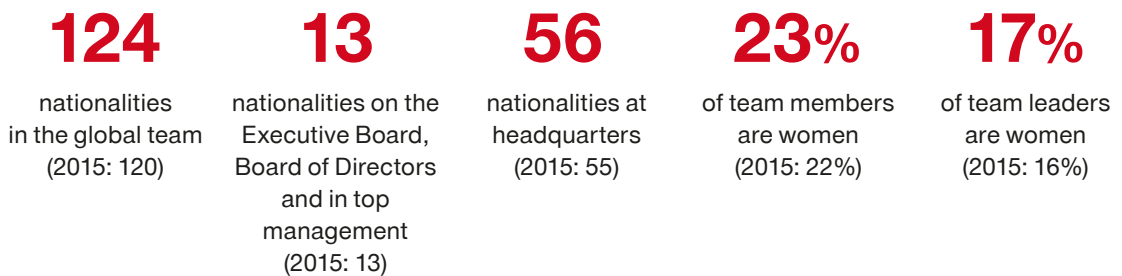
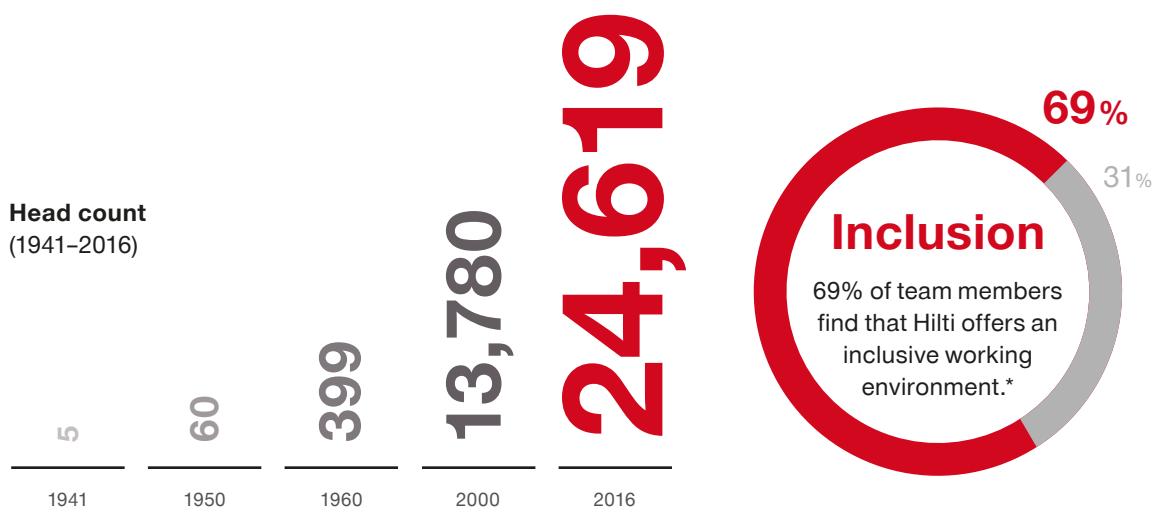
Environment

**Proactively manage the
impact on the environment**

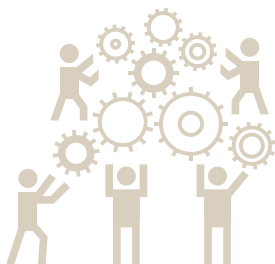
HIGH-PERFORMING GLOBAL TEAM



Diversity & Inclusion



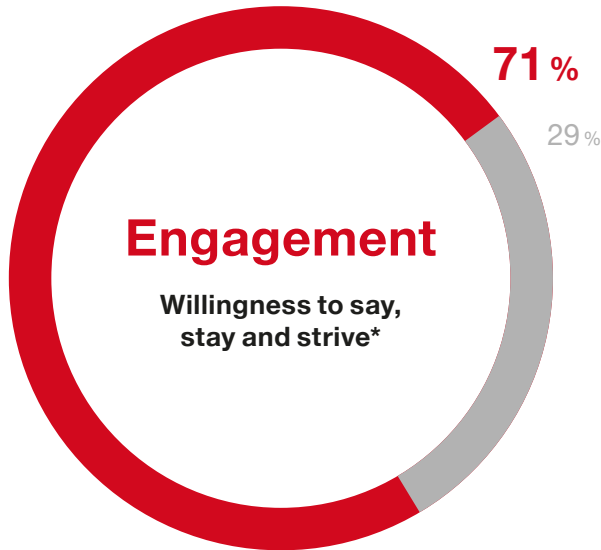
Corporate culture



18,500
working days
team members spent on
corporate culture workshops

CHF 7.1 million
have been **invested** in workshops
on corporate culture.

Engagement and identification with the company



90%

of team members took part in the employee survey
(2015: 91%)



84%

of new team members
successfully integrated
(2015: 88%)**

12%

employee fluctuation
(2015: 14%)

77%

of **management positions** were
filled with internal candidates
(2015: 77%).

* Results of 2016 Hilti Employee Survey: We changed the methodology in 2016 to provide deeper insights into employee engagement.
** The integration success rate measures the number of team members who joined Hilti in the last two years and are still employed at the company.

COMPLIANCE MANAGEMENT

The way Hilti China manages compliance and financial risks

Commercial aspects are not the only important component to Hilti when selecting the most suitable project partner. Any partner must also meet the company's risk management and compliance-relevant requirements. This is significant in all countries including those such as China, where there is a sound economy and rapid growth; but where this development may often be coupled with relevant financial and corruption risks according to Transparency International.



“The objective is to establish long-term relationships with reliable and trustworthy partners who meet our risk management guidelines.”

Sam Feng
Sales Manager, Hilti China



Shanghai, China

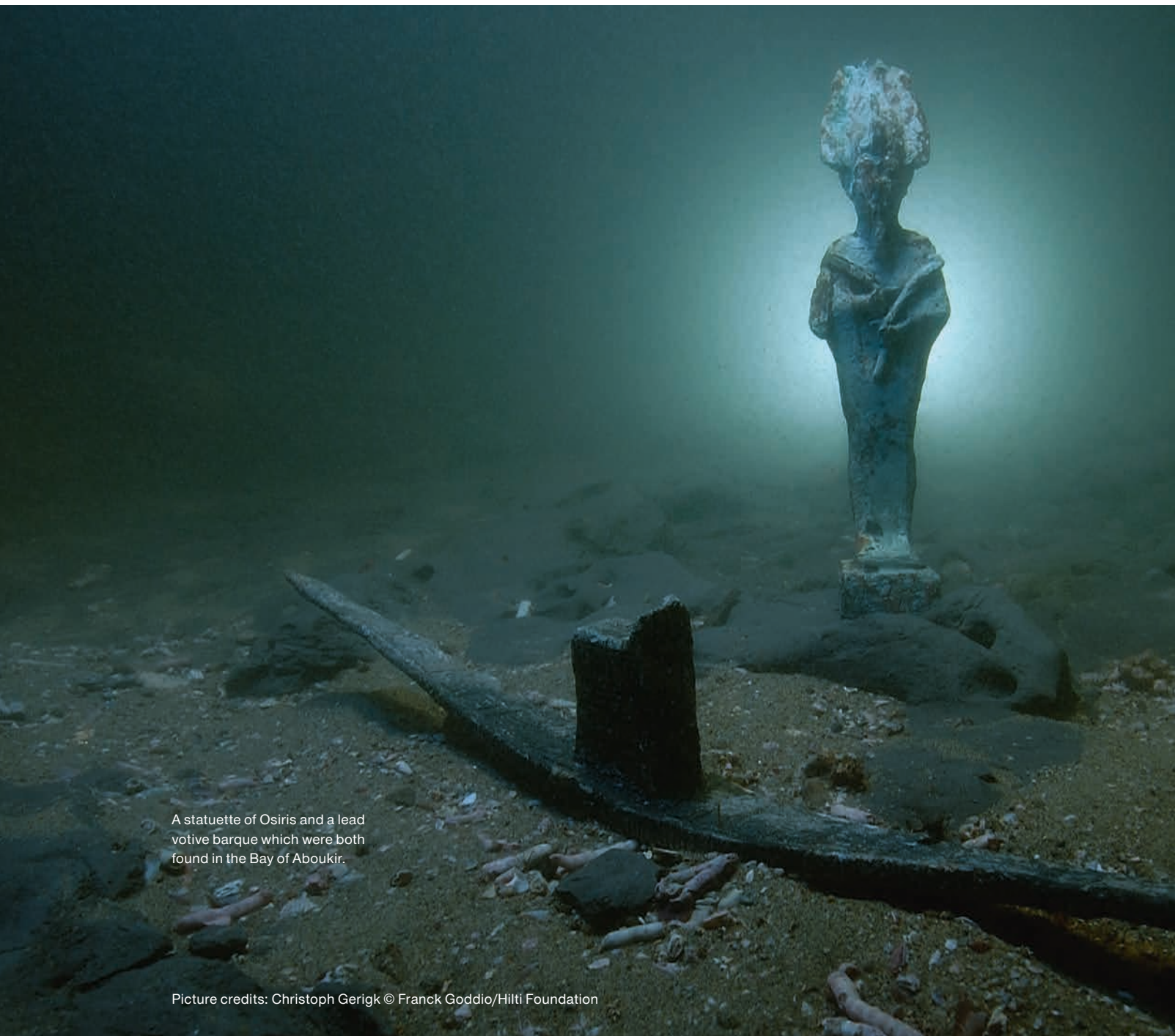
The Compliance Management System (see 2015 Company Report) applies across all Group entities but it also respects local cultures and customs. One good example of this is the market organization in China, which has been developed according to a hybrid business model. In addition to Hilti's standard direct sales approach, products and services are also offered for sale via partner networks. This special business model for Hilti requires an equally special focus on risk management topics. In 2016 the market organization, together with the Asia / Pacific Region management and corporate headquarters, therefore introduced the project partner management policy where a 360° vetting process was adopted to objectively gauge a potential partner's risk level on both the business and operational compliance fronts. Defined assessment criteria make the screening process fast, transparent and comprehensive. Empha-

sizing that the policy is, and remains, a living document, Stanley Lui, Head of Legal & Compliance for the Asia / Pacific Region, states "after its launch, the Legal & Compliance department and the local finance team were in constant contact to refine the evaluation process based on feedback from the sales teams." Additional commercial and finance risk-related assessment criteria were incorporated in the evaluation process.

Sam Feng, Sales Manager in China, explains: "What may at first glance look like added administrative work actually translates to additional sustainable growth for our market organization. Ultimately, the objective is to establish long-term relationships with reliable and trustworthy partners who meet our risk management guidelines, ensuring the generation of sustainable value and a growing business."

SOCIAL RESPONSIBILITY

The Hilti Foundation is jointly operated by the Martin Hilti Family Trust and the Hilti Group. The Foundation has supported institutions from the sectors of education, society and science since 1996. Foundation efforts focus on giving people a perspective for the future and enabling them to independently improve their living conditions. In 2016 the Foundation's donation volume amounted to CHF 14 million.

An underwater photograph showing an ancient Egyptian statuette of Osiris standing on a small, rectangular lead votive barque. The barque is partially submerged in the water, with a long wooden beam resting on its side. The background is a dark, murky underwater environment with some light filtering through the water.

A statuette of Osiris and a lead votive barque which were both found in the Bay of Aboukir.



This head once belonged to a statuette of the Phoenician god Baal.

Diving into the past

The trigger for the founding of the Hilti Foundation more than 20 years ago was Michael Hilti's enthusiasm for the scientific research carried out by underwater archaeologist Franck Goddio, the activities of whom are still supported by the charitable foundation. The results of this cooperation are spectacular discoveries and artefacts that provide insights into past worlds, which are currently shown in an exhibition entitled "Osiris – Egypt's sunken mysteries." Some 300,000 people visited the exhibition in 2016 at London's British Museum. Until mid-July 2017 the Museum Rietberg in Zurich is hosting the treasures that were recovered from the ocean floor.

The exhibition focuses on artefacts found over the last decade in the submerged, ancient cities of Thonis-Heracleion and Canopus, just off the Egyptian coast. The research work was carried out by the European Institute of Underwater Archaeology, which is led by Franck Goddio, in cooperation with the Egyptian Ministry of State for Antiquities and with the support of the Hilti Foundation. The exhibition is supplemented by 40 highly impressive artefacts contributed from various museums in Cairo and Alexandria.

The legend of Osiris is one of the most important myths from ancient Egypt and it is celebrated and kept alive through the annual "Mysteries of Osiris" celebration. One such Osiris ceremony took place regularly on the waterways between Thonis-Heracleion and Canopus. Small votive boats, made of lead, and other objects, which were found by Franck Goddio and his team in the canals of the city, bear witness to this ceremony. The exhibition's scope ranges from small, everyday items to monumental five-meter-tall statues of pharaohs and gods.



This intact stele was discovered in the sunken city of Thonis-Heracleion (above), as was the shipwreck which probably dates back to the 4th century BCE.

UN GLOBAL COMPACT – PROGRESS REPORT



Human rights

Anti-discrimination

Part of Hilti's corporate social responsibility is to provide a harassment and discrimination-free workplace. Hilti has issued an Anti-discrimination Directive as a means of fulfilling this obligation. This also serves as a basis for the key Diversity & Inclusion initiative, within the Champion 2020 strategy. With the Anti-discrimination Directive Hilti puts existing practice in writing to create transparency and minimize risk of discrimination.

Helplines

Hilti encourages employees to report every suspected violation of the Code of Conduct, either directly to management and Compliance Officers or by using the helplines, which are available round the clock to all employees in 70 countries and 40 languages.

Business culture

"The Hilti Way" is a description of an employee- and performance-focused business culture characterized by shared values, management by example, and the conviction that corporate growth and employee development are inseparable. In the 2016 financial year, employees spent 18,500 working days taking part in corporate culture workshops.



Labor standards

Safety at work

One of the key issues in ensuring safety in the workplace is accident prevention. On a daily basis, employees get together for shopfloor meetings in the Hilti plants, logistics and repair centers, in which occupational safety issues are discussed. This ensures that working conditions are constantly reviewed and improved where necessary.

Employee health

Hilti also implemented global health activities in 2016; for example, the introduction of occupational health management in Kaufering, Germany, which is based on three pillars:

- Development of a health-conscious management culture
- Improving the health of our employees through support of balanced nutrition and sufficient exercise
- Healthy workplace conditions



Protection of the environment

Energy efficiency

Hilti's infrastructure and equipment is continuously monitored to ensure that state-of-the-art technology is used in order to have a positive impact on energy efficiency. In 2016, as a result, lighting in three global production facilities was optimized and converted to energy-efficient LED technology. This generated a saving of approximately 200,000 kWh of energy.

Products

Collaboration between environmental and product development managers ensures that products meet the highest environmental and safety standards. An example of this collaboration is the TE 800-AVR breaker, which has an energy-saving drive with a long lifetime. The ability for operators to carry out their own repairs and long service cycles reduces the frequency of sending products in for maintenance. Optimized materials and a lightweight design result in a lower carbon footprint. The vibration reduction feature allows the product to be operated for a longer period of time and the optional dust removal system ensures dust-free working conditions. The TE 800-AVR was nominated for the 2016 German Federal Ecodesign Award.



Combating corruption

Prevention

Hilti employees are regularly given training sessions that cover the rules of the company's internal Anti-corruption Directive. The IT-based system introduced in 2015 for the internal process relating to the approval of gifts, hospitality and customer events has been rolled out at all Hilti organizations around the world during the reporting year.

Organization

The Compliance Management System established in the past years and the organizational structure implemented on a regional basis have formally been summarized in an Organizational Directive in the reporting year. This Directive was issued by the Executive Board and rolled out worldwide at all Hilti organizations.

Global Reporting Initiative (GRI): G4 indicators

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

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

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

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

EN3 Energy consumption within the organization

EN6 Reduction of energy consumption

EN8 Total water withdrawal by source

EN15 Direct greenhouse gas (GHG) emissions

EN16 Energy indirect greenhouse gas (GHG) emissions

EN19 Reduction of greenhouse gas (GHG) emissions

EN23 Total weight of waste by type and disposal method

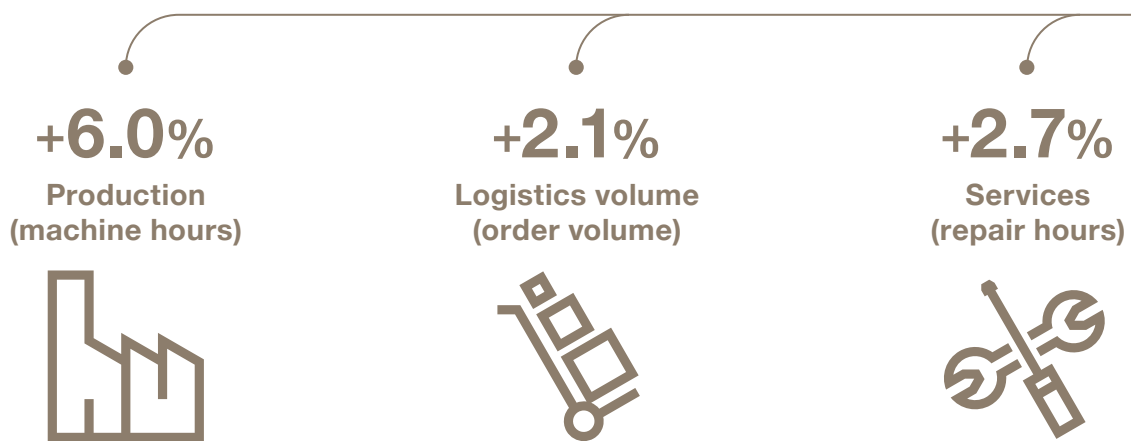
EN27 Extent of impact mitigation of environmental impacts of products and services

DMA General information on the management approach

SO4 Communication and training on anti-corruption policies and procedures

ENVIRONMENTAL KEY INDICATORS

Hilti is working consistently to reduce its environmental footprint. In this respect CO₂ emissions and energy efficiency play a key role.



As capacity utilization was higher in 2016, Hilti's consumption of energy also increased. Hilti is constantly working on improving energy efficiency in its plants, which helps to compensate the growth in consumption. Specific steps taken during the reporting year enabled the plants to use around 1 million kWh less energy. One such measure, which resulted in savings of more than 100,000 kWh, was the seasonal regulation of the new cooling water units at the Kecskemét, Hungary plant.

-4.2%

CO₂ emissions per employee



+0.8%*
CO₂ emissions in total



+5.3%
Employees

* influenced by decreasing CO₂ factors for the energy used



+6.6%
Energy consumption



+0.7%
Fuel consumption

+7.1%
Kilometers driven



The recruitment of additional sales staff resulted in an increase of kilometers driven by the Hilti car fleet. The rise in fuel consumption was compensated by optimizing travel routes, tightening standards of vehicle fuel consumption and other measures, such as driver education. Average fuel consumption dropped by 6.2 percent.

Further key figures

	2014	2015	2016
CO ₂ emissions per employee (t)	5.27	5.30	5.08
CO ₂ emissions (t)	117,177	123,911	124,951
Energy consumption (MWh)	113,333	115,573	123,166
Fuel consumption (1,000 l)	23,808	25,546	25,736
Water consumption (m ³)	166,849	177,025	182,004
Waste volume (t)	15,231	16,459	17,904

0

0

KEY FIGURES

STRONG PERFORMANCE IN 2016

With yet another successful financial year, the Hilti Group has confirmed its growth course. Hilti performed very well and achieved sales growth of +5.7 percent in Swiss francs in what continued to be a challenging market environment. After adjusting for the sale of US-based solar affiliate Unirac, sales in Swiss francs grew by +7.1 percent over the previous year. Hilti benefited from the substantial investments in new products, services and software made over the past few years, as well as from a significant expansion of the direct sales force and managed to gain additional market share. With an increase of +10 percent, the operating result is again at a record level.

The Hilti Group has generated broad-based sales growth again in 2016. Looking to the different regions, performance in North America was especially noteworthy with another set of double-digit growth figures (+11.6% in local currencies, excluding the Unirac effect). The European region added +6.2 percent with the Southern European markets in particular displaying growing momentum. As a result of the persistent economic crisis in Brazil, the Latin American region as a whole was slightly below the previous year's performance (-1.2%). Continued sales increases were achieved in the regions of Eastern Europe/Middle East/Africa (+5.6%) and Asia/Pacific (+3.3%). Overall, sales growth was clearly above the market average. Furthermore, the Group has succeeded in increasing globally the number of customers and their loyalty.

Continued high investments in sales, products and software

The investment drive initiated in 2014 as part of the Champion 2020 corporate strategy was

executed consequently. At CHF 280 million, the R&D spend was up 17 percent over last year and global sales capacity was expanded by 820 employees (+6%). Particular investment focus was placed on software and digital solutions. Three years into the strategy implementation, the positive effects of these investments are beginning to emerge clearly. As an example, online sales have gone beyond the CHF 1 billion mark for the first time. The global introduction of the innovative new Hilti ON!Track asset management solution has also proven to be very successful.

By closing the takeover of the PEC Group based in Duisburg, Germany, near the end of 2016, Hilti has complemented its cast-in anchor and assembly channel portfolio and expanded its leading position as a provider of fastening solutions.

Operating result continues to set records

In a relatively stable currency environment, the operating result was up 10 percent to a record CHF 604 million (2015: CHF 547 million) and net income amounted to CHF 481 million (2015:

604

In a relatively stable currency environment, the operating result was up 10 percent to a record **CHF 604 million**.

CHF 410 million). Return on sales (ROS) and return on capital employed (ROCE) also achieved record levels at 13.0 percent (2015: 12.5%) and 21.0 percent (2015: 19.0%), respectively. Despite a high level of investments and stronger growth, the Hilti Group has generated a free cash flow of CHF 287 million (2015: CHF 335 million).

The main driver of the continued profitability increase was the further optimization of product costs fueled by lean programs in manufacturing, procurement and supply chain management.

Solid balance sheet and liquidity strengthened further

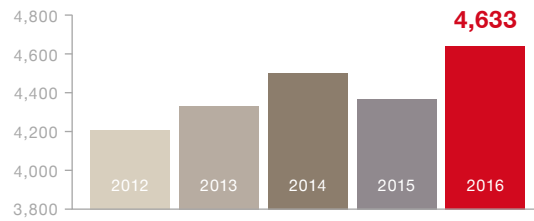
At year-end 2016, the equity ratio was at a remarkably solid 53 percent (2015: 52%). Cash and cash equivalents amounted to CHF 1,114 million (2015: CHF 1,046 million) and financial debt was slightly down at CHF 474 million (2015: CHF 490 million). These good figures are the result of additional measures taken to improve capital efficiency and of the continued high profitability of the Hilti Group. For the 2016 financial year, the Board

of Directors proposes a CHF 243 million ordinary dividend payout (2015: CHF 205 million).

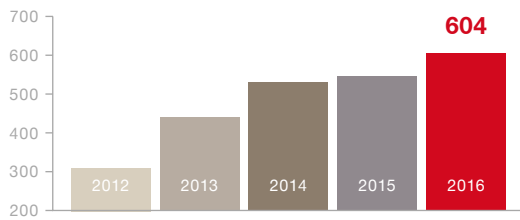
Outlook

The market and currency environments will remain challenging given the large number of unsolved global issues. Based on the 2017 market forecasts, we expect growth in the lower single-digit range, marked, however, by growing volatility. The Hilti Group will continue to adhere to its strategic objectives and invest further in new products, digital concepts, services and sales expansion. Given a stable market environment, Hilti reckons with a slightly higher sales growth than in 2016 and constantly high levels of its key financial ratios.

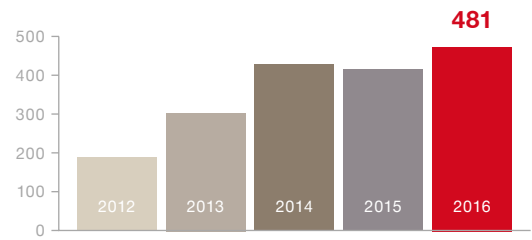
KEY FIGURES



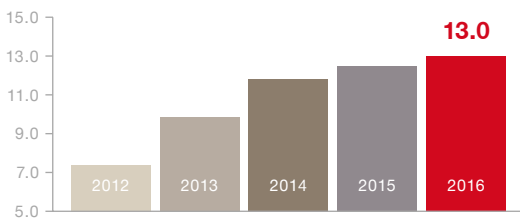
Net sales in CHF million



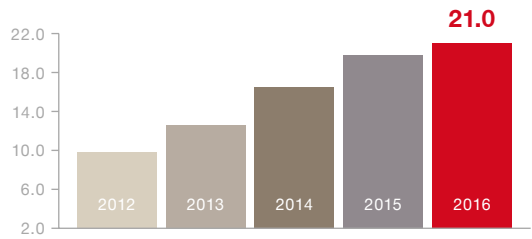
Operating result in CHF million



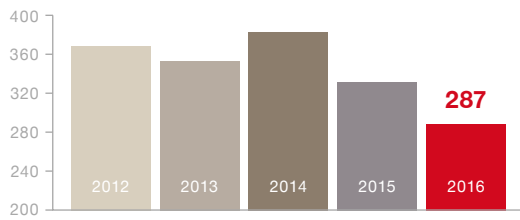
Net income in CHF million



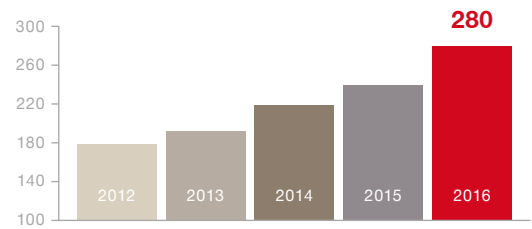
Return on sales (ROS) in %



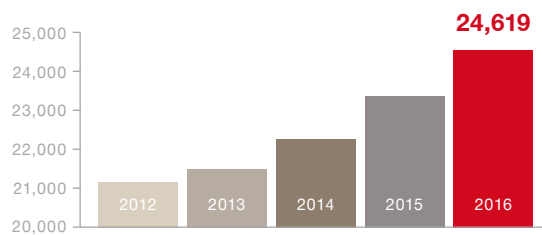
Return on capital employed (ROCE) in %



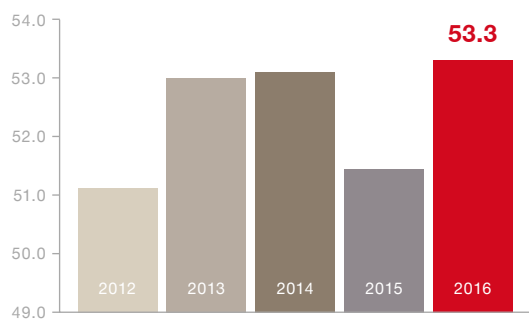
Free cash flow in CHF million



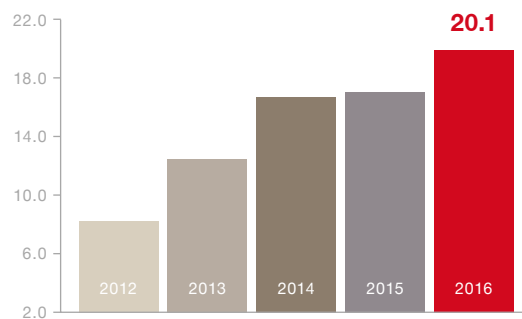
Research and development expenditure in CHF million



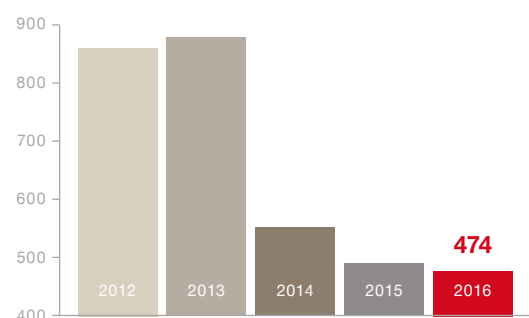
Employees as at December 31



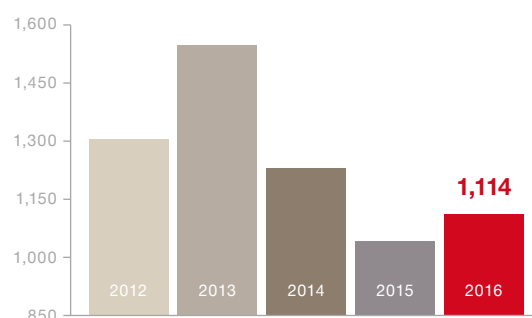
Total equity
in % Total equity and liabilities



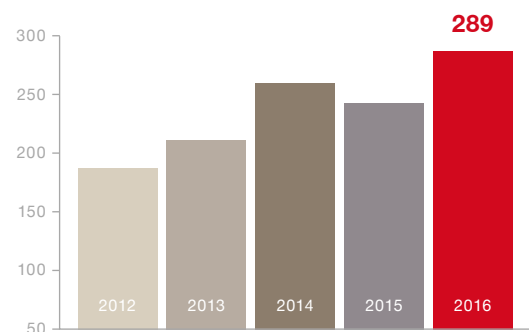
Return on equity (ROE)
in % (net income)



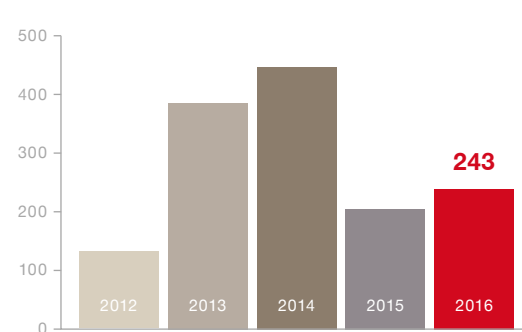
Financial debts in CHF million



Cash and cash equivalents
in CHF million



**Capital expenditures on intangible assets
and on property, plant and equipment**
in CHF million



Dividend in CHF million

Please note

The following pages contain extracts from the 2016 Financial Report of the Hilti Group. Because these pages do not contain the full consolidated financial statements, they do not present complete information about the financial position, financial performance and cash flows of the Hilti Group for 2016. Complete information, including the notes to the consolidated financial statements, is contained in the 2016 Financial Report, which will be available on the Group's website (www.hilti.group) from mid-March 2017. The full 2016 consolidated financial statements, which are included in the 2016 Financial Report, have been prepared in accordance with International Financial Reporting Standards (IFRS).

CONSOLIDATED BALANCE SHEET

OF HILTI GROUP AS AT 31 DECEMBER

Assets in CHF million	2016	2015
Intangible assets	471.7	410.5
Property, plant and equipment	812.8	779.0
Investment property	1.9	1.9
Deferred income tax assets	158.3	143.7
Other financial investments	11.0	16.0
Trade and other receivables	481.3	422.5
Derivative financial instruments	7.0	7.2
TOTAL NON-CURRENT ASSETS	1,944.0	1,780.8
Inventories	542.5	528.4
Trade and other receivables	1,014.2	959.0
Current income taxes receivable	22.4	8.9
Accrued income and prepayments	47.9	46.1
Derivative financial instruments	5.9	3.4
Financial assets at fair value through profit or loss	23.5	34.0
Cash and cash equivalents	1,113.8	1,046.2
TOTAL CURRENT ASSETS	2,770.2	2,626.0
TOTAL ASSETS	4,714.2	4,406.8

Please note

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

Equity and liabilities in CHF million	2016	2015
Non-controlling interests	4.6	9.0
Equity attributable to equity holders of the parent	2,507.6	2,262.5
TOTAL EQUITY	2,512.2	2,271.5
Provisions	70.4	58.4
Employee benefits	582.4	506.0
Deferred income tax liabilities	48.3	29.8
Bonds	242.4	360.8
Long-term bank borrowings	28.4	28.1
Trade and other payables	21.9	26.2
Derivative financial instruments	-	0.7
TOTAL NON-CURRENT LIABILITIES	993.8	1,010.0
Provisions	70.1	65.1
Employee benefits	6.6	107.7
Trade and other payables	377.3	355.8
Current income taxes payable	124.4	101.0
Accrued liabilities and deferred income	415.5	386.6
Bonds	117.1	-
Short-term bank borrowings	86.0	100.9
Derivative financial instruments	11.2	8.2
TOTAL CURRENT LIABILITIES	1,208.2	1,125.3
TOTAL LIABILITIES	2,202.0	2,135.3
TOTAL EQUITY AND LIABILITIES	4,714.2	4,406.8

CONSOLIDATED INCOME STATEMENT OF HILTI GROUP

in CHF million	2016	2015
Net sales	4,632.9	4,383.5
Other operating revenues	103.3	94.9
TOTAL OPERATING REVENUES	4,736.2	4,478.4
Change in inventory	15.6	(7.6)
Material costs	(1,330.4)	(1,306.4)
Personnel expenses	(1,886.2)	(1,752.5)
Depreciation and amortization	(156.4)	(157.0)
Other operating expenses	(775.0)	(707.5)
TOTAL OPERATING EXPENSES	(4,132.4)	(3,931.0)
OPERATING RESULT	603.8	547.4
Other revenues and expenses (net)	(3.3)	(14.6)
Finance costs	(27.4)	(26.5)
NET INCOME BEFORE INCOME TAX EXPENSE	573.1	506.3
Income tax expense	(91.7)	(96.6)
NET INCOME	481.4	409.7
Attributable to:		
Equity holders of the parent	485.9	410.4
Non-controlling interests	(4.5)	(0.7)

Please note

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

OF HILTI GROUP

in CHF million	2016	2015
NET INCOME	481.4	409.7
Net movement on cash flow hedges	3.2	(1.0)
Deferred tax on net movement on cash flow hedges	(0.4)	0.1
Foreign currency translation differences	(3.0)	(95.7)
Deferred tax on foreign currency translation differences	0.2	1.3
ITEMS THAT MAY BE SUBSEQUENTLY RECLASSIFIED TO THE INCOME STATEMENT	-	(95.3)
Remeasurements on employee benefits	(43.4)	(41.3)
Deferred tax on remeasurements on employee benefits	8.0	3.9
ITEMS THAT WILL NEVER BE RECLASSIFIED TO THE INCOME STATEMENT	(35.4)	(37.4)
OTHER COMPREHENSIVE INCOME (OCI)	(35.4)	(132.7)
TOTAL COMPREHENSIVE INCOME	446.0	277.0
Attributable to:		
Equity holders of the parent	450.4	277.7
Non-controlling interests	(4.4)	(0.7)

CONSOLIDATED CASH FLOW STATEMENT

OF HILTI GROUP

in CHF million	2016	2015
NET INCOME	481.4	409.7
Depreciation and amortization	156.4	157.0
(Gain) / loss on disposal of subsidiary	1.4	-
(Increase) / decrease in inventories	(15.6)	7.6
(Increase) / decrease in trade receivables	(32.4)	(12.4)
(Increase) / decrease in finance lease receivables	(102.0)	(76.0)
Increase / (decrease) in trade payables	20.3	4.7
Change in non-cash items and other net operating assets	(2.8)	67.6
CASH FLOW FROM OPERATING ACTIVITIES	506.7	558.2
Capital expenditure on intangible assets	(148.8)	(113.6)
Capital expenditure on property, plant and equipment	(140.1)	(132.5)
Disposal of subsidiary	38.5	-
(Increase) / decrease in financial investments	16.1	(3.3)
Disposal of intangible assets	0.6	0.4
Disposal of property, plant and equipment	13.7	26.1
CASH FLOW FROM INVESTING ACTIVITIES	(220.0)	(222.9)

in CHF million	2016	2015
Proceeds from long-term borrowings	1.8	4.0
Repayment of long-term borrowings	(1.4)	(0.5)
Proceeds from / (repayment of) short-term borrowings	(15.9)	1.2
Repayment of bonds	-	(28.6)
Increase / (decrease) in liability to shareholder	(0.4)	0.3
Dividend paid	(205.3)	(454.9)
CASH FLOW FROM FINANCING ACTIVITIES	(221.2)	(478.5)
Exchange differences	2.1	(33.4)
TOTAL INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	67.6	(176.6)
Cash and cash equivalents at January 1	1,046.2	1,222.8
CASH AND CASH EQUIVALENTS AT DECEMBER 31	1,113.8	1,046.2
Cash flow from operating activities includes		
Interest received	3.9	3.7
Interest paid	(27.4)	(27.2)
Income tax paid	(66.4)	(71.1)

KEY FIGURES INFORMATION

OF HILTI GROUP

Results in CHF million / %	2016	2015
Net sales	4,633	4,384
Depreciation and amortization	156	157
Operating result	604	547
Net income before tax	573	506
Net income	481	410
Return on capital employed (ROCE) in % (operating result)	21.0	19.0
Return on equity (ROE) in % (net income)	20.1	17.4
Return on sales (ROS) in %	13.0	12.5
Free cash flow	287	335
Balance sheet in CHF million / %	2016	2015
Total equity	2,512	2,272
Total equity in % Total equity and liabilities	53	52
Total non-current liabilities	994	1,010
Total current liabilities	1,208	1,125
Capital expenditures on intangible assets and on property, plant and equipment	289	246
Intangible assets and property, plant and equipment	1,285	1,190
Other non-current assets	660	591
Total current assets	2,770	2,626
Total assets	4,714	4,407
Dividend*	243	205
EMPLOYEES (as at December 31)	24,619	23,385

* Proposal by the Board of Directors

2016 SALES GROWTH YEAR ON YEAR

Sales growth in CHF million	2016	2015	Change in CHF (%)	Change local currencies (%)
Europe	2,222	2,081	6.8	6.2
North America	1,120	1,046	7.1	5.2
<i>North America excluding Unirac effect</i>	<i>1,103</i>	<i>972</i>	<i>13.5</i>	<i>11.6</i>
Latin America	117	132	-11.4	-1.2
Asia / Pacific	662	627	5.6	3.3
Eastern Europe / Middle East / Africa	512	498	2.8	5.6
HILTI GROUP	4,633	4,384	5.7	5.3

Please note

Effective April 15, 2016, the US-based solar affiliate Unirac was divested. Without consideration of this business activity, the sales growth of the Hilti Group amounts to 7.1 percent in Swiss francs.

PUBLICATION DETAILS

Publisher

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

Editors-in-chief

Jessica Nowak, Jagna Jera

Concept

Hilti Corporate Brand & Communications

Editorial team, text

Jessica Nowak, Jagna Jera, Nele Rummert,
Matthias Hassler, Sarah Hilbe, Felix Reichstein,
Martin Kussler

Design

zurgams Kommunikationsagentur
(Dornbirn, Austria)

Photography

Uli Reitz, Roland Korner (Triesen, Liechtenstein),
Reinhard Fasching (Bregenz, Austria),
Luca Fasching (Bregenz, Austria)

Translation

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

Image processing

pro.file Armin Kofler (Lustenau, Austria)

Production coordinator

Lise Santschi

Printed by

BVD Druck + Verlag AG
9494 Schaan, Liechtenstein

We wish to thank our customers and partners
for their kind support.

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

The complete Financial Report, the principles of
corporate governance, the Group organizational
chart, a list of consolidated companies and infor-
mation on the Martin Hilti Family Trust can be
found on the internet at www.hilti.group.

**The 2016 Hilti Company Report
is available online at
www.hilti-companyreport.com.**

